Annual report 2015

Aegon Spaarkas N.V.

Aegon Spaarkas N.V.
Lange Marktstraat 11
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Contents

Annual report 2015

Report of the Executive Board

General

Aegon Spaarkas N.V., incorporated and domiciled in the Netherlands, is a public limited liability company organized under Dutch law. Aegon Spaarkas N.V. is a wholly-owned subsidiary of Aegon Nederland N.V. ('Aegon Nederland'), The Hague.

Aegon Spaarkas N.V. is active in life insurance products, mainly tontine plans.

Purpose, strategy, objectives

<u>Strategic objectives</u>

Loyal customers:

Roll-out one brand positioning and service approach.
As interaction with consumers (including participants in pension schemes) is becoming more important, Aegon Nederland is building a more recognizable and distinctive Aegon Nederland brand across all touch points, with a clearer brand promise that is in line with our purpose and will continue to be the basis for all customer interactions. To ensure a better and more aligned customer service experience, we developed a joint cross-channel service approach. In our ever-changing world, customers expect a more digital approach from us and a service that is appropriate and relevant to their individual circumstances and needs. Increasing use of data insights ensures more appropriate and relevant propositions across products, services and channels.

Implementing a cross-channel distribution strategy.
Customers choose the channel through which they want to do business with Aegon. Common distribution principles have been established, all of them with one clear ambition regarding our channel mix, the coordination of joint initiatives, the development of cross-channel customer journeys, improved channel reporting and lead management. In addition to this, we have been implementing our pricing strategy across channels, based on a more individual/dynamic pricing and also based on our distribution principle of providing the same product at the same price in every channel.

Reorganized customer interaction departments.
In order to streamline customer interaction, the departments of marketing, product management, strategy and online services were combined so as to create one department that works across business lines. Within this department, our customer strategy, data insights and digital interaction play a pivotal role. Our customer intelligence team has been upgraded with more analysis capacity to ensure that the right data is utilized better. A separate 'Customer Focus' department, in their capacity as an independent challenge institution, will see to it that Aegon translates customer needs in everything it does.

Operational excellence:

Maximize simplification through product and portfolio rationalization.
Maximizing simplification is crucial to be able to serve customers in an efficient and transparent way. Rationalizing our product portfolios, administrative processes, product terms and communication is essential for ultimately improving our performance. As such, a fundamental rationalization is key to being able to offer customers the value and quality they require.

Reduce expenses through sourcing and digitization across the business.
By increasing the speed of digitization, we aim to reduce expenses in our existing book by 50 mln (2018 acc.) across operations, IT, support and commerce. In addition to reducing cost levels, this will also help us to improve our service levels.

Implementation CRM system (Salesforce).
All relevant information about individual customers is now available in the CRM system ‘Salesforce’. Salesforce provides us with a more elaborate view of our customer and will improve efficiency and effectiveness in customer-facing teams. Salesforce is now available to all customer-facing employees.

Optimized portfolio:

Leverage current business models.
Across businesses we aim to seize market opportunities that provide value to our customers and to Aegon. For instance, sales in ‘Defined Contribution’ (DC) pensions are going up, fuelled by PPI ‘Premie Pensioen Instelling’ and the cooperation with ‘TKP’. Fee business in our bank and mortgage businesses is growing. We are launching our new APF (general pension fund) ‘STAP’. And at the same time, we are reshaping our portfolio around the concepts of Income and Living. Hence we will divest our commercial non-life business.

Innovate new business models.
We take an active part in (‘fintech’) startups and/or develop new businesses ourselves in order to speed up innovation. We are a key partner in startups such as ‘Onna Onna’ (digital interaction with women around insurance), ‘eyeOpen’ (digital mortgage advice) and ‘Newest Industry’ (software platform development). We are also founder of Kroodle (data-driven insurance) and ‘Knab’. Knab was launched mid 2012 as an online bank that puts customers first in everything it does. Knab enables us to learn more about financial tooling, segmented marketing and retail financial services. Knab has been growing at a fast pace, evolving into a customer base of 80,000 at the end of 2015.

Empowered employees:

Attract and retain talent.
In today’s world, hiring and keeping digital, data, commercial and operational talent is key to improving customer interaction and operational excellence. We continue to invest in talent programs and in enhancing our employer brand as an innovative, customer centric company. This leads to growing recruitment of talent also from outside our industry, bringing in new perspectives and capabilities.

Focused learning & development.
We have set up and have implemented a talent review framework and a better aligned performance review process. We are improving our way of working by using the management drives methodology, internal branding and by establishing a culture around our three core values, i.e. working together, providing clarity and exceeding expectations.

<u>Strategy of Aegon Spaarkas N.V.</u>

The strategy for Aegon Spaarkas N.V. is more or less identical to the one of the service book of Aegon Levensverzekeringen N.V. The difference however is that Aegon Levensverzekeringen still writes new business (e.g. protection business, DIL-en) whereas Aegon Spaarkas is a truly closed book. The in-force portfolio is declining rapidly due to expiration and policy’s being lapsed. Aegon Spaarkas is still faced with legacy issues: potential claims related to alleged miss-selling of unit linked products. However, we do believe that most of the material issues have been addressed through the one sided steps we have taken in recent years. A few minor ones are still outstanding and we contemplate addressing them in the next two years. The aforementioned issues have resulted in the following key strategic pillars, in order of priority, of Aegon Spaarkas N.V. (again, in line with service book of Aegon Levensverzekering N.V.):

- Resolve outstanding issues with regard to legacy issues
- Strict cost control
- Implement initiatives to increase customer satisfaction

With regard to the first strategic principle we would like to highlight that we are analyzing and segmenting our portfolio on a continuous basis to see whether there are any specific client and/or product groups that require additional actions. As stated, over the last few years we have successfully implemented several, one sided, product improvements. We will continue doing so if and when appropriate. Also, we closely monitor court cases and rulings in order to assess their potential impact on our portfolio. Dealing with the legacy issue is our top priority for the service book.

The second strategic pillar reflects the fact that the size of our in force book is diminishing rapidly. As a result, we need to lower costs at a similar level. Long-term plans have been put in place to monitor this closely. Besides a reduction in workforce we also focus on lowering IT costs substantially. At the end of the day all costs need to be variable.
Finally, without compromising on the two previous pillars we look for ways to improve customer satisfaction / NPS scores. These consist of e.g. improving processes in our back office, more friendly and transparent communication, OPEX initiatives, training programs etc.

Course of events during the financial year

<u>Changes in the legal structure</u>

No major changes occurred in the course of 2015.

<u>Management of Aegon Nederland</u>

Customers are at the core of the Aegon Nederland strategy. The Aegon Nederland organization is currently in a phase of transition. Although Aegon Nederland was traditionally organized through Business Lines, a growing number of activities have been and are being developed independent of the Business Lines. To accelerate this process it was decided to structure Aegon Nederland in a different manner, with fewer (organizational) layers. The new structure will help Aegon Nederland and its subsidiaries to move forward.

In 2015, the Executive Board ('Directie Nederland') was transformed into a Management Team comprising the executive boards of Aegon Nederland N.V., Aegon Levensverzekering N.V., Optas Pensioenen N.V., AEGON Hypotheken B.V., AEGON Schadeverzekering N.V. and AEGON Spaarkas N.V. The CEO of Aegon Bank N.V. and Aegon PPI B.V., the directors of Risk Management & Compliance, Business Information Services, Marketing & Business Development and Human Resources were added to the Management Team. In addition, the position of Chief Investment Officer was introduced as a new function and open chairs were made available to the ultimately responsible managers of the units Customer Focus, Legal and Security, and Communications. Management of the several Non-Life business units ('Business Line Schade') was split into two, i.e. "retail clients" and "commercial line clients".

The chosen legal structure, which includes the legal entities of Aegon Nederland N.V., Aegon Levensverzekering N.V., Optas Pensioenen N.V., AEGON Hypotheken B.V., AEGON Schadeverzekering N.V. and AEGON Spaarkas N.V, will remain in place, as will their executive boards consisting of Mr. Keim, Mr. Zomer, Mr. Van der Tol and Mr. Edixhoven. Decisions to be made within the new Management Team are ultimately taken by the Executive Board.

Gender diversity (article 2:166 Dutch Civil Code)

The Executive Board of Aegon Nederland consists of a limited number of members. As a result, a balanced gender diversity is not easy to achieve and in fact was not realized in 2015. What is more, the selection and appointment of members of the Executive Board is based on expertise, skills and relevant experience. Aegon N.V. and Aegon Nederland do consider gender diversity in view of the aim of balanced Executive Board composition.

Business developments

This portfolio of this entity, which sold a specific kind of unit-linked products, has been closed for a few years already. Hence, no new products are introduced by Aegon Spaarkas N.V. ('Aegon Spaarkas'). Similar to the Life portfolio this portfolio is steadily decreasing in size as well. Aegon Spaarkas N.V. manages these large portfolios as efficient as possible and optimizes them from the customers' and Aegon's perspectives. Important for this objective is the online financial check, which helps customers understand their financial health and also provides proof of our vision. See also the Koersplan and unit-linked products sections in this report.

Pending litigation portfolio and product issues

KoersPlan
In June, 2013, the Dutch Supreme Court denied Aegon Spaarkas' appeal from a ruling of the Court of Appeal with respect to a specific unit-linked product, the "KoersPlan"-product. As a result Aegon Spaarkas has compensated the approximately 35,000 holders of KoersPlan products who were plaintiffs in the litigation.

In June 2014, Aegon announced that it would voluntarily compensate holders of KoersPlan products who were not plaintiffs in the litigation. The compensation amounts to the difference, if any, between the actual premium charged by Aegon and the premium that would be charged by Aegon for a comparable risk in a product providing only death benefit coverage over the same period. This product improvement is explicitly supported by the consumer interest group that initiated the court action over the KoersPlan product, Stichting Koersplandewegkwijt. However, another interest group, Stichting Woekerpolisproces, indicated that it will challenge the scope and magnitude of the announced compensation measurement.

Corporate Governance report

Governance principles

The Governance principles for Insurers issued by Dutch Association of Insurers was revoked January 1, 2016. Aegon continues to subscribe to the importance of governance principles and will therefore continue to act according to the governance principles as are implemented within Aegon Nederland.

Accountability

We present an account of the application of our principles in our annual report and on our website. This is on behalf of the insurance companies Aegon Levensverzekering N.V., Aegon Schadeverzekering N.V., Aegon Spaarkas and Optas Pensioenen N.V. The accountability report also forms an integral part of the annual reports of said insurance companies. References below to ‘Aegon’ are to Aegon Nederland and the insurance companies listed above.

Supervisory Board

Membership and expertise
The majority of the members of Aegon’s Supervisory Board are formally independent and operate independently in accordance with the Principles and the requirements of DNB’s Suitability Policy Rule 2012 (*Beleidsregel geschiktheid 2012*). Given the members’ different professional and educational backgrounds, ages and range of knowledge and experience, the Supervisory Board has a broadly-based membership. In Aegon’s view, the members’ knowledge and experience complement each other. Aegon has set out in detail the Supervisory Board’s duties in the Supervisory Board Charter. Aegon has an up-to-date profile of the Supervisory Board, further specifying and recording its vision on the membership. The profile is tailored to Aegon’s nature, size and complexity and also incorporates the competences in DNB’s Suitability Matrix for Supervisory Boards.

The Supervisory Board has five members. Aegon and the Supervisory Board believe this number is appropriate in proportion to the nature, size and complexity of Aegon and the insurers in the group. Aegon and the Supervisory Board also believe that the size and membership of the committees, such as the Risk & Audit Committee, is appropriate.

The members have broad social and commercial backgrounds and experience. As members of Aegon’s Supervisory Board and through other supervisory directorships, they have thorough knowledge of the role and function of insurance companies and their stakeholders in society. In decision making and supervision, the Supervisory Board balances the interests of all stakeholders, including customers, distribution partners and employees and where relevant this is recorded in the minutes and is part of the self-evaluation by the Supervisory Board.

Furthermore a Supervisory Board profile is available and if a vacancy arises, an individual profile will be created. Aegon performs annual checks of individual critical abilities against the DNB’s Suitability Matrix for Supervisory Boards, in addition to which there are regular self-evaluations and a permanent education program. The formal confirmation took place at the beginning of 2016. If a vacancy arises for the position of chairman, an individual profile is drawn up which focuses on the Supervisory Board’s and Aegon’s requirements regarding expertise and experience in relation to the financial sector, familiarity with socio-economic and political culture and the social environments of Aegon’s main markets.

Experience shows that all members of the Supervisory Board are sufficiently available and accessible to perform their duties properly. The importance of this principle is underlined in the profile, the Rules of the Supervisory Board and the Aegon Nederland Governance Guide. Compliance with it is also checked in the regular self-evaluations.

The members of the Supervisory Board receive suitable compensation that is not dependent on the Aegon results. Compensation is set by the General Meeting.

Aegon has a permanent education program for members of the Supervisory Board and the Executive Board (see below). The program covers national and international developments in the financial sector and corporate governance in general and in the financial sector in particular, as well as topics such as the duty of care towards customers and putting customers' interests first, integrity, risk management, financial reporting and audit.

The 2014 and 2015 programs focused on the following relevant areas: (i) management, organization and communication, (ii) products, services and markets, (iii) sound business and (iv) balanced and consistent decision making. As a follow-up to the earlier programs, the themes covered in the programs for 2014 and 2015 could be categorized as: current developments and essentials in the financial sector in general and insurance in particular; developments in supervision (EU/World) and financial frameworks and legislation (Solvency II, IFRS and Wft); management control, risk management and compliance; strategy, ethics, culture, product approval and duty of care towards the client; financial frameworks (Solvency II and Wft) and Asset and Liability Management (ALM); integrity, soft controls, values and financial behavior and financial reporting, performance measurement and remuneration policies.

In 2014 and 2015, special attention was paid to Solvency II through several e-learning modules and a course on insurance products and the processing in IFRS and Solvency terms. Members of the Supervisory Board participated and will continue to participate in the entire program or in the parts relevant to them. Formal confirmation was provided at the beginning of 2016.

Once a year, the Supervisory Board assesses the effectiveness of the permanent education program. In 2014, the Supervisory Board evaluated its own functioning under independent supervision. The results were satisfactory and were discussed by the Supervisory Board and with the Executive Board and where necessary, actions were taken. At the beginning of 2016, the Supervisory Board assesses its own functioning. Formal confirmation will take place in 2016.

Duties and working methods
The Supervisory Board's discussions on risk management decisions are prepared by the Risk & Audit Committee. The Risk & Audit Committee Charter was updated in 2014, whereby extensive attention was paid to its risk management duties and responsibilities.

The members of the Aegon Risk & Audit Committee have adequate knowledge, experience and/or competences to allow for sound supervision of the financial aspects of risk management, financial reporting, internal control and audit.

Executive Board

Membership
At Aegon, complementarity and diversity within the Executive Board is ensured by the members' different backgrounds, personalities and range of knowledge and experience. Whereas the members of the Executive Board have equal decision-making authority, the Executive Board aims to take decisions by consensus as much as possible. An updated profile for the Executive Board was drawn up in 2014 to underline the importance that Aegon attaches to a proper composition of the Executive Board.

The members of the Executive Board have a broadly-based commercial background and experience in the financial sector in general and in insurance in particular. With this wide experience they have sufficient knowledge of the function of insurance companies in society and are aware of the interests of stakeholders. Each member of the Executive Board also has the thorough knowledge necessary to be able to assess and determine the main points of Aegon's overall policy and to form a balanced and independent opinion on the risks that Aegon runs.

The knowledge of the members of the Executive Board is kept up to standard and is improved by means of Aegon's permanent education program, which is organized by the Secretary together with the HR Learning & Development department. The latter is also responsible for keeping records on participation. In 2014 and 2015, the programs focused on global leadership, business model meetings, strategy development sessions and culture change/competence development. There was special attention for Solvency II through several e-learning modules and insurance products, the processing in IFRS and Solvency terms. Aegon Nederland encourages other employees as well to follow useful training courses.

In 2015, the Supervisory Board evaluated the Executive Board. This included looking at expertise. It was noted that the Executive Board was functioning well and that the members were sufficiently expert. Formal confirmation took place at the beginning of 2016.

In its decisions, the Executive Board takes into account Aegon's risk appetite. The Board considers whether or not a decision to be taken is within the risk appetite, thus ensuring a careful balance between its commercial objectives and the interests and the risks involved.

The CFO prepares the discussion on risk management decisions and the Chief Risk Officer (CRO) has a significant supporting role in this. The CRO is the director of the risk management function (the Risk Management & Compliance department), which is organized as a second line of defense (see the Risk Management paragraph below). He is also a member of the Management Team of Aegon Nederland. In this capacity, the CRO is closely involved in all the decisions that have a material impact on Aegon's risk profile. The risk management function focuses on financial stability and the impact that systemic risks may have on Aegon's risk profile. The CRO reports hierarchically to the CEO and also has a direct reporting line to the Chairman of the Supervisory Board.

The CFO has no individual commercial responsibility and operates independently of other commercial areas.

Duties and working methods
In its decision making, Aegon's Executive Board carefully considers the interests of all parties concerned, taking into account its vision, strategy and applicable codes of conduct such as the Aegon Code of Conduct.

Putting customers and their interests first is at the heart of our vision, strategy and day-to-day activities. It is an integral part of all our thinking and runs through all operations at every level of the company. This means that employees with customer contacts are closely involved with the theme. There are special training programs on the theme and it is part of our recruitment policy.

In Aegon's vision, the company has a responsibility for people's financial awareness and development. Aegon wants to offer easily-understood solutions in a genuine dialogue to enable customers to make conscious decisions on their financial future. Aegon wants to present matters as they are. We believe it is our responsibility to assist customers and explain things in a simple way. More detailed information on this vision can be found on the website (www.aegon.nl).

The customer really does come first in our strategy and to this end the Aegon Fan Strategy was developed in 2008. This strategy aims to carefully balance the interests not only of customers, but also of all Aegon stakeholders, including employees. Aegon believes that paying attention to the interests of all stakeholders is in the customer's interest.

With a view to taking the customers' interests to heart, our strategy focuses on exceeding expectations and restoring trust. Last year and this year, the focus has been and will continue to be on the following areas: improvement of (i) written communication, (ii) knowledge of customer insights and needs by organizing more 'customer arenas', 'customer contact surveys' and panels (in Aegon's own 'customer experience lab'), (iii) the quality of processes by making 'customer journeys, (iv) the level, response time and quality of our complaints-handling processes, (v) Aegon as a customer-orientated organization by learning from/using customer feedback and input from colleagues and creating a 'customer'-orientated culture and (vi) the quality of products/propositions by a strong Product Approval Process and a yearly review.

The members of the Executive Board act in a careful, expert and fair manner. They keep up to date with developments in legislation and regulations, partly through the permanent education program. All members of the Executive Board signed the ethics statement as required in the Principles. They also took the oath or affirmation as required by the Financial Sector Oath or Affirmation Regulations.

Integrity, care and putting customers' interests first are guiding principles for all Aegon employees. The wording of the declaration has been interpreted in the Aegon Code of Conduct and applies to all Aegon employees. The wording of the ethical statement and the Aegon Code of Conduct have been placed on:
http://www.aegon.nl/overaegon/maatschappij/gedragscode/

Since 2012, contracts of employment have included a specific reference to the Aegon Code of Conduct. By signing their employment contract, employees confirm that they have read and accept the codes of conduct applying at Aegon and will comply with them and any future codes of conduct applicable at Aegon. Shortly after their appointment, all new recruits go through an e-learning module that uses questions and answers to introduce the Aegon Code of Conduct, the principles in it and the spirit in which it was drawn up.

Risk management

The CEO has a primary responsibility in the Executive Board for adopting, implementing and monitoring the overall risk policy. During 2015, the overall policy on risk appetite and risk tolerance was confirmed by the Executive Board and approved by the Supervisory Board.

The Supervisory Board supervises the risk policy adopted by Aegon's Executive Board. The Supervisory Board assesses at a strategic level whether capital allocation and liquidity requirements are in line with the risk appetite it has approved. In this matter, the Supervisory Board is advised by the Risk & Audit Committee. The Supervisory Board's assessment shows that in general, Aegon's commercial activities are appropriate within the context of the risk appetite it has approved.

Aegon uses a 'three lines of defense' model. The first line is basically the business itself. Its primary responsibility is to manage all risks. The risk management function (the Risk Management & Compliance department) is organized as the second line of defense. It operates from an independent position and has a monitoring and challenging role. Aegon has organized the risk management function of the insurance companies centrally and independently at the level of Aegon Nederland. There are regular consultations with the CRO to ensure that as much as possible the Executive Board is aware of any material risks run by the insurance companies over time so that these can be managed properly. The Executive Board takes any decisions that are of material significance for Aegon's risk profile, capital allocation or liquidity requirement.

To safeguard customers' interests best, we do not simply put any product on the market. Every new and updated product goes through a product-approval process. In this process, we carefully balance the risks in a product and test it against the duty of care towards the customer, financial sustainability and suitability within the Aegon vision, strategy and objectives. A product is not put on the market until the approval process has been successfully completed. As well as the product approval process, Aegon uses a product assessment process for existing products. Existing products, selected by using pre-defined risk indicators, also go through this process to best safeguard customers' interests.

Both processes determine whether a product meets Aegon's current standards. They incorporate statutory requirements and consider whether the product is cost efficient, useful, secure and understandable for the target group and whether it fits the Aegon vision, strategy, core values and competences. Aegon adjusts the approval process where required so as to protect customers' interests. This is a point of ongoing attention. At year end, Internal Audit Netherlands (being the internal audit department) performs a risk analysis to determine whether an audit on the Governance Principles is required in next year's audit plan. The risk analysis for 2015 showed that an audit was not deemed necessary for the year in question.

<u>Internal Audit</u>

As explained above, Aegon is organized along the lines of a 'three lines of defense' model. In this set-up, Internal Audit Nederland is the third line of defense and is primarily responsible for systematic evaluation of and for improving the effectiveness of risk management, control, and governance processes associated with the activities of the Aegon insurance companies and (*inter alia)* Aegon Bank N.V.

Internal Audit Nederland is an independent central department at the level of Aegon Nederland. The Internal Audit Nederland Manual and the Aegon Nederland Governance Guide help ensure that the internal audit function meets the governance principles. The role, responsibilities, mandate and scope of their activities are also reflected in the Audit Charter. The Audit Manual states that independent auditors may not have any operational responsibilities in the first line of defense. It also states that the director of Internal Audit Nederland reports to the CEO of Aegon Nederland N.V. and of Aegon Bank N.V. and has a reporting line to the chairman of the Supervisory Board's Risk & Audit Committee of both Aegon Nederland N.V. and Aegon Bank N.V.

Internal Audit Nederland has regular contact and consultations with the Supervisory Board's Risk & Audit Committee and the external auditor to discuss the risk analysis and the audit plan.

As part of the engagement to audit the financial statements, the external auditor reports his findings on the quality and effectiveness of Aegon's system of governance, risk management and control procedures to the Executive Board and the Supervisory Board.

Internal Audit Nederland also engages in frequent contacts with DNB to discuss risk analyses, findings and audit plans.

Remuneration policy

Basis

Aegon pursues a careful, sound and sustainable remuneration policy. As Aegon has adopted the Regulation on Sound Remuneration Policies (Regeling beheerst beloningsbeleid), the Aegon remuneration policy is in line with the requirements laid down in the Regulation.

Aegon Nederland's remuneration policy applies to the members of the Management Team NL, senior management and other employees and complies with the applicable national and international regulations and the Governance Principles. The policy is in accordance with the Aegon Group Global Remuneration Framework (AGGRF) drawn up by Aegon N.V. and has due regard for developments in society.

The remuneration policy is in line with the Aegon Fan Strategy and Aegon's vision, core values and risk appetite. This means that the level of variable remuneration for employees is discussed in the Supervisory Board, as are the financial performance criteria that apply to variable remuneration. These are adjusted for the estimated risks and cost of capital, whereby the variable remuneration components are in line with Aegon's long-term targets. The maximum variable remuneration is 60% or 30% of fixed income for members of the Management Team (the 'at target level' is 40% or 20%) and 12% for other senior management ('at target' 8%). The Supervisory Board has approved the remuneration policy for the Management Team and other senior management and there is a policy on retention, exit and welcome packages. In line with the 2014 Law on Remuneration Policies for Financial Institutions (Wet beloningsbeleid financiële ondernemingen 2014, or 'Wbfo' 2014), that has been effective as from 2015, the total variable remuneration of senior management (including members of the Management Team) does not exceed 20% of fixed income for the whole group.

Part of the variable remuneration paid to Identified Staff (i.e. members of the Management Team and certain senior managers) is deferred and part is paid in shares. If the financial results of Aegon Nederland or the other insurance companies and the situation so require, the Supervisory Board is authorized to suspend or cancel all or part of the variable remuneration for all recipients (Management Team and senior management). Here too, Aegon follows the Regulation on Sound Remuneration Policies.

Governance

In accordance with Aegon Nederland's remuneration policy, the Supervisory Board has the following duties and responsibilities: (i) approval of the general principles of the remuneration policy, (ii) regular assessment of the general principles of the remuneration policy, (iii) responsibility for the remuneration policy of the Executive Board, (iv) review of the remuneration of Identified Staff, (v) instructing the Executive Board to implement the remuneration policy and (vi) instructing the Remuneration Steering Group and/or Internal Audit to assess the application of the policy and the procedures in it.

The remuneration policy and its implementation were discussed in meetings of the Supervisory Board on several occasions during 2015. The Supervisory Board also discussed the level of variable remuneration. As of 2015, following the new Aegon Group Global Remuneration Policy (AGGRF) 2015, so-called bonus pools have been established for each Regional Unit (RU). This was adapted in the Aegon Netherlands remuneration policy 2015. The Supervisory Board approved the 2015 variable remuneration targets for Identified Staff within the framework set in the AGGRF. It also approved payment of the 2014 variable remuneration to Identified Staff, with due regard to the assessments required under the AGGRF. This remuneration was within

Aegon's remuneration policy. No material retention, exit and welcome packages were granted at Aegon Nederland in 2015.

The total income of members of the Management Team is regularly assessed against the figure for similar positions in other financial companies in the Netherlands. When setting the remuneration policy for members of the Executive Board, the aim is for a level slightly below the median. The total income of members of the Executive Board is in reasonable proportion to the remuneration policy.

In 2015, there were no dismissals in the Management Team. For 2015, Aegon Nederland complies with the Aegon Group Global Remuneration Framework, article 4.11 principle on severance pay.

The 2015 variable remuneration targets for the Management Team and senior management include financial targets related to the results of Aegon Nederland and Aegon N.V.

Variable remuneration for the Management Team and other Identified Staff was paid 50% in cash and 50% in Aegon N.V. shares. In 2015, in accordance with Aegon Nederland's Remuneration policy, 40% of the 2014 variable remuneration was paid directly to members of the Executive Board and the remaining 60% was conditional. The 60% will be paid in three equal parts over a period of three years unless an ex-post risk assessment should indicate that there is a reason for not moving to an unconditional grant. This is in line with the Regulation on Sound Remuneration Policies.

There is a holding period of three years for shares granted to the CEO and of two years for the other members of the Executive Board.

For all groups of employees who are entitled to variable remuneration (Management Team and senior management) appropriate limits have been established for variable remuneration in relation to fixed salary. In 2015, none of the members of the Management Team were entitled to a variable remuneration of more than 100% of the annual salary.

Variable remuneration is based on performance on preset targets at the following three levels: (i) Aegon N.V., (ii) Aegon Nederland N.V. and (iii) personal. The targets are a mix of financial and non-financial performance criteria which are as objective as possible.

The financial criteria were adjusted for estimated risks and cost of capital when the actual performance was assessed.

Under the governance provisions in Aegon Nederland's remuneration policy, the Supervisory Board is authorized, following the results of an ex-post assessment, to reduce all variable remuneration granted conditionally to Identified Staff ('malus clause'). This malus clause on variable remuneration granted conditionally to Identified Staff was not applied in 2015.

The governance provisions in Aegon Nederland's remuneration policy state that the Supervisory Board is authorized to recover variable remuneration already paid out to members of the Management Team and senior management if it was granted on the basis of inaccurate financial or other information ('claw back' clause). In 2015, there was no claw back of variable remuneration from members of the Management Team or other Identified Staff.

Compliance with legislation and regulations

Aegon has a process in place to ensure that it is aware of and implements new regulations in good time. Being the first line of defense, the Executive Board and the Legal Affairs department are responsible for executing this process. From the second line, the Risk Management department including Compliance is involved in the process. A third line, Internal Audit, has a control role.

Research and Development

Considering the nature of the industry Aegon Spaarkas N.V. operates in, there is no specific Research and Development program.

IT

Several investments have been made with regard to the current vision of the Executive Board and the expected developments on IT:

- Development of Client overviews
- Development of Online/mobile applications
- Detachment of front and back offices (product administration)
- Agile Scrum way of working introduced within the organization
- Definition of the target architecture

The focus in the coming period will be on:

- Further flexibilization and reduction of costs (cloud solutions, replatforming mainframe)
- Improvement of risk management and data quality.
- Increase of the maturity of security processes
- In cooperation with the business further rationalisation of the IT landscape
- Further implementation of Agile way of working in the organization.
- Execution of the target architecture

It is expected the company will continue to invest in IT to further optimize the IT supporting our business operations.

Financial information

The income before tax for 2015 was EUR 10.6 million, compared to EUR 4.1 million in 2014. In the following paragraphs specific items of the net result are further explained.

Revenues
The revenues have decreased with EUR 24.3 million, which was mainly explained by a lower premium income of EUR 19.8 million. The insurance portfolio of Aegon Spaarkas N.V. is shrinking, due to relatively high lapse rates and the lack of new production. The lower investment income in 2015 contributed for EUR 4 million to the lower revenues, mainly due to sales because claims and benefits paid to policyholders largely exceeds incoming premiums.

Results from financial transactions
This item consists mainly of the net fair value gains on financial assets for account of policyholders. Also the realized gains on the sale of several debt securities and the fair value movements of the derivatives are included. The net fair value gains on financial assets for account of policyholders decreased to EUR 197 million (2014: EUR 403 million) due to changes in the account values caused by changing share prices and interest rates.

Policyholder claims and benefits
The policyholder claims and benefits in 2015 decreased to EUR 291 million (2014: EUR 536 million). This is mainly due to changes in the account values for policyholders caused by changing share prices and interest rates (see result on financial transactions). Furthermore this is caused by the shrinking portfolio and the lack of new production.

Commissions and expenses
The commissions and expenses increased slightly with EUR 3 million, due to various compensations paid.

Solvency and financial position
Aegon Spaarkas N.V. manages the solvency of the company using measures consistent with a solid financial structure. The objective for shareholders' equity is to at least meet the local legislation and regulations requirements taken into account a surcharge. Furthermore we endeavor to meet the requirements of the relevant local Standard & Poor's solvency model for very strong capitalization. In both cases Aegon Spaarkas N.V. complied with these standards in 2015 and 2014.

Shareholders' equity at December 31, 2015 amounts EUR 239 million compared to EUR 235 million at year-end 2014. The increase is caused by net income over 2015 (EUR 8 million) and partly offsetted by the net decrease in revaluation reserve caused by changing market interest rates (EUR -/- 4 million).

Circumstances that impact future income and results

The main drivers of future income and results are interest rate developments and market- and demographic developments.

Employees

Aegon Spaarkas N.V. itself does not have employees, but is serviced by Aegon Nederland. Related expenses are recharged.

Principal risks and uncertainties

Risk management is an inseparable part of day-to-day operations. Aegon Nederland faces a wide range of risks. Some, such as changes in mortality and morbidity rates and lapse rates, are inherent to the insurance business. The greatest risks, however, come from movements in the financial markets (such as interest risk, credit risks and equity market risk). These risks affect the value of investments and the liabilities arising from products sold. Note 4 to the financial statements addresses Aegon's risk management approach.

Corporate Social Responsibility (CSR)

Corporate Social Responsibility
CSR-policy has a strong link with the company's vision. Primarily we help our customers secure their financial future. In our CSR-activities, we extend that effort – most of the time as voluntary work - towards people in general. As in previous years, employees of Aegon Levensverzekering N.V. helped people during the Pensioen3daagse to understand what they would need for their retirement. During the 'Week van het Geld' we gave lectures on several primary schools to raise children's financial

awareness on insurance. Several employees are helping disabled entrepreneurs with the start of their business.

Volunteering Friday
The offices in The Hague, Leeuwarden and Groningen organized a volunteering day to put into practice the provisions on volunteering laid down in the Collective Labour Agreement. In April, 45 employees joined an activity in cities where we have a branch office. In April 2016, the subsidiaries Bank (including Knab), UMG, and Nedasco will also participate.

Alzheimer's
There has been ongoing attention for our main social sponsorship - the Alzheimer Center of the VU University Medical Center. Customers and employees took part in the Alzheimer Rally, the Aegon Bike Challenge was organized for the third time and 60 employees joined the 'Dam to Dam Run' to promote the research on Alzheimer's. To promote our involvement with this disease we made a special Aegon-edition of the novel 'Still Alice' in 2015 to be sent to customers and other relations. The Alzheimer Center receives the returns from this gift.

Outlook

Outlook in general
The insurance industry is now in a period of major change, partly as a result of developments in the economy, but also because customers, legislators and regulators require it. This trend will continue in 2016.

In the pension market, the implementation of 'Algemeen Pensioen Fonds' (a new way of taking care of pension obligations, introduced by the Dutch legislator) will have a large impact on both customers and business practice. Measures on the housing market will have considerable consequences for the mortgage market itself, as well as for our customers and our operations. It is still uncertain if the brittle recovery of the economy, the housing market and the trust of consumers will persist in 2016. The lack of liquidity in the money markets and persistently low interests rates are still unlikely to reverse any time soon and/or will do so completely. The issues surrounding the affordability of pensions and healthcare in Dutch society are driving a discussion and developments among customers and providers alike. Intermediation and advice on financial products and services are expected to develop and change further in 2016 where more and more cross-channel solutions are expected to dominate the market.

As we have stressed in recent years, technological developments and the digitization of services are accelerating. The traditionally conservative financial world must now take major steps to honor the wishes of its stakeholders.

Finally, it should be noted that cost efficiency will remain high on the agenda of the insurance industry taking into account the economic conditions, the situation in the financial markets and the shrinking insurance market.

Solvency

Aegon Nederland manages its capital at an overall level and at the level of the legal entities with the aim of having a healthy financial position, now and into the future, even after sustaining losses from adverse market conditions. During 2015 and 2014, Aegon Nederland maintained capital to the highest of the levels required by the regulator, Standard & Poor's requirements for 'very strong' capitalization and also according to additional self-imposed economical requirements. Each of these capital requirements is computed differently.

Solvency I

The Solvency I directives were applicable up to December 31, 2015. The insurance activities of Aegon Spaarkas are subject to the European Solvency I directives as implemented in the Netherlands. Aegon Spaarkas' solvency ratio was 628% on December 31, 2015 (2014: 709%). Aegon Spaarkas held sufficient capital to meet the regulator's requirements during 2015 and 2014.

Preparing for Solvency II

Solvency II came into effect on January 1, 2016. In anticipation of Solvency II, the Dutch Ministry of Finance made the European Insurance and Occupational Pensions Authority (EIOPA) Preparatory Guidelines for Solvency II reporting mandatory as of May 17, 2015, by amending the Decree on Prudential Rules for Financial Undertakings. This amendment to the Bpr Wft meant that insurance companies were required to submit an annual report for 2014 and two quarterly reports (for the second and third quarters of 2015) on the basis of the EIOPA guidelines in preparation for Solvency II. These mandatory preparatory Solvency II reports replaced the Theoretical Solvency Criteria (TSC) introduced on January 1, 2014. Solvency I quarterly reports were therefore no longer required as of the second quarter of 2015, and yearly reports are no longer required from 2016 onwards.
In the run up to Solvency II, all Dutch insurance companies were required to produce an Own Risk and Solvency Assessment (Eigen Risico Beoordeling or ERB) for 2015. Both the preparatory Solvency II reports and ERB were used as proxies for the ability of insurance companies (going forward) to comply with the applicable solvency requirements. Capital requirements until the date from which Solvency II came into force were based on Solvency I.
If Aegon Spaarkas N.V. is not compliant with the Solvency II requirements or does not expect to remain compliant with the applicable Solvency II requirements within one year, the approval of the DNB is required for it to be able to pay a dividend or to redeem capital. For this reason, the preparatory Solvency II reports also served as indications for the ability to pay a dividend or to redeem capital.

Solvency II

Aegon Spaarkas N.V. uses a Partial Internal Model to calculate the solvency position of its insurance activities under Solvency II. The calculation includes the use of the volatility adjuster, but does not include the use of any transitional measures. The internal model was approved on November 26, 2015, by the regulator DNB as part of the Internal Model Application Process.
Aegon Spaarkas N.V. applies its own capital management policies, determining Aegon Spaarkas N.V.'s risk tolerances on the basis of self-imposed criteria. These policies may result in Aegon Spaarkas N.V., at its own election, but supervised by DNB, maintaining a buffer of own funds in addition to those required in according to Solvency II requirements. Pursuant to these self-imposed criteria, Aegon Spaarkas N.V. currently aims to hold a buffer in excess of the 100% minimum Solvency Ratio.

In-control framework

Internal control is becoming increasingly important in order to exceed the expectations of our customers, achieve our business targets and remain competitive. Developments that underline the importance of internal controls are regulatory changes, Solvency II and the transition to a new auditor. An In-control strategy will therefore be added to the Aegon NL strategy.
Challenged and supported by external experts, we determine the Aegon NL control philosophy and identify barriers that hinder us. We translate our In-control strategy

into smart actions and make use of in-control activities that are already in progress. Our In-control strategy ensures that our control environment is fit for the purpose and meets the requirements of the regulators and the external auditor.

Financial Market outlook

Our base-case macro-economic forecast remains largely in line with last year's projections. We expect the global economy to grow at a moderate pace, with the United States taking a leading role together with Europe. The latter is starting to show signs of recovery. Growth will be largely driven by three factors, i.e. monetary expansion, fiscal policy and reforms. The Chinese economy will continue to grow but at a slower pace than what we have been used to. The prospects for Emerging Markets vary greatly between countries, especially commodity exporters are facing difficult times. Overall we are moderately positive on global economic growth.

We expect the European Central Bank to keep interest rates low until 2017. In our base-case scenario, inflation will rise to 2% while economic growth will increase. This will slowly lead to increasing long-term interest rates. In this scenario, government bond returns will initially be positive but will eventually turn negative. The yields on periphery bonds will be higher, increasing the average yield somewhat. Investment grade bonds have an expected return of 0.5%, Asset-Backed Securities (ABS) 0.9%. The outlook for Dutch mortgages remains positive with an expected return of 3.3%. There are three reasons for the high spread on mortgages: 1) banks are increasing their capital ratios which reduces their ability to lend money 2) mortgages are an illiquid asset class which earns them a premium and 3) European legislation punishes relatively high loan-to-value ratios which are quite common in the Netherlands.

In last year's base-case scenario, we assumed a gradual rebound in underlying economic conditions, with steady economic growth. Also, we assumed it would take a significant period of time (5-10 years) for interest rates and economic conditions more generally to normalize.

Over 2015, the economic recovery in the US and UK has become more established. However, wage growth still remains weak, and central banks have indicated that the pace of monetary tightening will be gradual. The Eurozone recovery remains tentative. There are a number of macro-economic risks including a reversal in commodity-price declines, a potential Greek exit from the Eurozone and instability in the Ukraine and the Middle East. Despite this picture, however, we continue to believe that a gradual rebound scenario remains appropriate and reasonable.

For our Gross Domestic Product (GDP) growth projections, we have looked at Central Bank and International Monetary Fund (IMF) forecasts, in addition to internal Aegon Asset Management (AAM) in-house views. Based on these, we assume real GDP growth rates converging to 1.5% for the Netherlands (NL), 2.1% for the United Kingdom (UK) and 2.2% for the United States of America (US). For inflation, we are guided by target ranges of ECB, Bank of England and the Federal Reserve. All of these are targeting inflation rates at or slightly below 2% per annum. We assume that inflation will gradually converge towards these targets as the recovery is taking hold and the effect of commodity prices declines is wearing off. Given the weaker state of the Eurozone economy we assume a longer convergence period to reach a 2% rate. For UK, the Bank of England targets Consumer Price Index (CPI). However, for some purposes such as indexation of charges, Retail Price Index (RPI) is a more suitable measure. We set the RPI assumption equal to CPI plus 0.5%.

We expect interest rate rises to begin in the US by the end of 2015, followed by UK at end 2016 and Eurozone at end 2017.

Events after the balance sheet

There were no significant events after balance sheet date.

Composition of the Executive Board

In 2015, there were three changes to the composition of the Executive Board of AEGON Nederland N.V. At the beginning of 2015, the Board consisted of Mr. M.B.A. Keim (chair), Mr. M.J. Edixhoven, Mr. E.W. Koning, Mr. R.J. Spuijbroek and Mr. R.M. van der Tol.
On October 1, 2015, Mr. R. Zomer was appointed as a member of the Executive Board and has been the new Chief Financial Officer of Aegon Nederland N.V as of that date. Mr. Koning and Mr. Spuijbroek left the Executive Board of Aegon Nederland N.V. on November 6, 2015.

The Executive Board currently consists of four members, i.e. Mr. M.B.A. Keim (chair), Mr. M.J. Edixhoven, Mr. R.M. van der Tol and Mr. R. Zomer.

The Hague, April 15, 2016

The Executive Board,

M.B.A. Keim

M.J. Edixhoven

R.M. van der Tol

R. Zomer

Report of the Supervisory Board

General

The Supervisory Board, consisting of five members, has the duty to supervise and advise the Executive Board on its management of the company.

The Supervisory Board is involved in the preparation of appointments and dismissals of members of the Executive Board and discusses the company's quarterly results, accounting policies, internal control procedures and strategy. The Supervisory Board is involved in setting the remuneration of members of the Executive Board, senior management and employees of the company. Among others, the Supervisory Board approves the general principles of the Aegon Nederland remuneration policies, periodically assesses the general principles of the remuneration policy and is responsible for the remuneration policy for the Executive Board.

In 2015, we performed our duties in close co-operation with the Executive Board and held eight meetings. Average attendance was 87,5%.

For each of the insurance subsidiaries of Aegon Nederland that are under supervision of De Nederlandsche Bank, i.e. Aegon Levensverzekering N.V., Aegon Schadeverzekering N.V., Aegon Spaarkas N.V. and Optas Pensioenen N.V., an independent Supervisory Board has been in place as of 2011. These Supervisory Boards meet four times a year at regular intervals, simultaneously with the Supervisory Board of Aegon Nederland N.V.

The quarterly reports and figures for Q4 2014 and Q1, Q2 and Q3 2015 and the Medium-term Plans for 2016-2019 were discussed during the regular meetings held in February, May, August and November 2015, respectively.

(Extra) subjects discussed during the meetings

- Solvency II (ORSA report and IMAP submission)
- MTP 2016-2018 and budget 2016
- Capital Management Policy
- DNB 'Emergo' Report
- DNB 'Focus' Report
- Execution of the strategy and new strategic developments
- PwC Management Letter 2014
- Annual reports 2014
- Succession planning/talent review
- Remuneration
- Proposition Approval Process
- 'Organizational Health' initiatives
- Changes within Aegon NL management, portfolios of the Aegon NL management and introduction of the Aegon NL management team
- Project Elli (Aegon longevity hedge)
- Developments and future of Aegon Nederland pension business and Dutch pension market

Gender diversity (article 2:166 Dutch Civil Code)

Aegon Nederland N.V.'s Executive Board has a limited number of members. On top of this, the stringent and particular requirements have restricting effects when searching for appropriate candidates. As a result, a balanced gender diversity is not easily achieved and was in fact not achieved in 2015. Moreover, the selection and appointment of members of the Executive Board is based on expertise, skills and relevant experience. The Supervisory Board does consider gender diversity in view of the aim of balanced Executive Board composition.

Risk and Audit Committee

The Supervisory Board has formed a Risk and Audit Committee, whose members in 2015 were Mr. Jongsma (chairman), Mr. Vink and Mr. Button.

In 2015, the Audit and Risk Committee met five times. The CEO and CFO (Mr. Keim and Mr. Koning or Mr. Zomer) attended the meetings on behalf of Aegon Nederland N.V., along with the Internal Auditor, the manager of Risk Management & Compliance (CRO) and the managers of Capital Management & Policies and Financial Information Management & Reporting (or their substitutes). On behalf of PricewaterhouseCoopers Accountants N.V., Mr. Rondhout and Mr. Vermeulen both attended the four regular quarterly meetings.

On the agenda for the regular quarterly meetings, standing items were (i) the financial results of the previous quarter, quarterly reports on (ii) capital management, and (iii) regulatory developments, supplemented with quarterly reports from (iv) Risk Management & Compliance, and (v) Internal Audit, and the PricewaterhouseCoopers Accountants N.V. quarterly reports. The Risk and Audit Committee discussed and approved the audit plans of both Internal Audit and PricewaterhouseCoopers Accountants N.V., and discussed the Aegon Nederland Risk Appetite. Additional topics discussed during 2015 included among others the annual reports, developments related to and implementation of Solvency II (ORSA and IMAP submission), longevity hedging, developments with respect to accounting standards, mortgage valuation, SOx controls and the Management Letter. The Risk and Audit Committee reported – partly through the minutes of its meetings – on its findings to the Supervisory Board.

Compensation and Nomination Committee

The Compensation Committee, whose members are Mr. Button and Mr. Vink, physically met once in March 2015 and there was also a conference call meeting. In these meetings, the remuneration of the Executive Board of Aegon Nederland was discussed and approved, as well as the new general remuneration policy for Aegon Nederland N.V. Furthermore, the Supervisory Board approved the revised 'Remuneration Policy 2015' and the remuneration of 'Identified Staff' of Aegon Nederland N.V.

Members of the Supervisory Board

In 2015, the Supervisory Board consisted of five members.

The terms of office of the supervisory directors are as follows:

	Year of first appointment	(Re-) Appointment	Resigns
J.A.J. Vink	2006	May 8, 2014	2018
L. Jongsma	2003	June 22, 2012	2016*
D. Terpstra	2007	September 15, 2015	2019
G.T. Kepecs	2012	September 1, 2012	2016
D.D. Button	2013	November 7, 2013	2017

*Per April 1, 2016 Mr. L. Jongsma resigned from the Supervisory Board.

The Hague, April 15, 2016

The Supervisory Board,

J.A.J. Vink

D.D. Button

G.T. Kepecs

D. Terpstra

Financial statements 2015 of Aegon Spaarkas N.V.

Statement of financial position

(before profit appropriation)

	Note	31-12-2015	31-12-2014*
Amounts in EUR thousand			
Assets			
Investments	5	228.327	247.237
Investments for account of policyholders	6	2.633.493	2.956.258
Derivatives	7	178	10
Long-term loans and group loans	8	8.000	20.000
Deferred expenses	9	105	150
Other assets and receivables	10	85.447	18.623
Cash and cash equivalents	11	53.394	141.216
Total assets		**3.008.944**	**3.383.494**
Equity and liabilities			
Equity	12		
- Share capital		910	910
- Share premium		2	2
- Revaluation reserves		8.541	11.909
- Retained earnings		221.868	218.807
- Net income / (loss)		7.938	3.061
		239.259	**234.689**
Insurance contracts for account of policyholders	13	2.696.211	3.028.509
Derivatives	7	14.093	26.968
Long-term borrowings and group loans	15	2.000	-
Deferred tax liabilities*	16	4.360	7.094
Other liabilities and accruals	17	53.020	86.233
Total liabilities		**2.769.684**	**3.148.804**
Total equity and liabilities		**3.008.944**	**3.383.494**

*Amounts for December 31, 2014 have been restated for an error, refer to note 2.1.3.

Income statement

	Note	2015	2014
		For the year ended December 31	
Amounts in EUR thousand			
Revenues			
Premium income	18	84.028	103.778
Investment income	19	35.931	39.881
Fee and commission income	20	10.976	11.532
Total revenues		**130.935**	**155.192**
Results from financial transactions	21	194.815	407.437
Total income		**325.750**	**562.629**
Charges			
Premiums to reinsurers	18	33	43
Policyholder claims and benefits	22	290.566	536.287
Commissions and expenses	23	23.970	20.823
Impairment charges	24	-207	264
Interest charges and related fees	25	805	1.131
Total charges		**315.167**	**558.547**
Income / (loss) before tax		**10.584**	**4.081**
Income tax	26	-2.646	-1.020
Net income / (loss)		**7.938**	**3.061**
Net income / (loss) attributable to the parent company		**7.938**	**3.061**

Statement of comprehensive income

		For the year ended December 31	
	Note	2015	2014
Amounts in EUR thousand			
Net income		**7.938**	**3.061**
Items that will not be reclassified to profit or loss:			
Changes in revaluation reserve real estate held for own use		-	-
Remeasurement of defined benefit plans		-	-
Income tax relating to items that will not be reclassified		-	-
Items that may be reclassified to profit or loss:			
Gains / (losses) on revaluation of available-for-sale investments	12	-3.843	13.846
Impairment of available-for-sale investments	12	-648	-4.343
Income tax relating to items that may be reclassified	12	1.123	-2.376
Other		-	-
Total other comprehensive income for the period		**-3.368**	**7.127**
Total comprehensive income / (loss)		**4.570**	**10.189**
Total comprehensive income attributable to the parent company		**4.570**	**10.189**

Total comprehensive income is fully attributable to Aegon Nederland, the parent company of Aegon Spaarkas.

Statement of changes in equity

2015

Amounts in EUR thousand	Share capital	Share premium	Revaluation reserves	Retained earnings	Net income / (loss)	Total
At January 1	910	2	11.909	218.807	3.061	234.689
Net income / (loss) prior year retained	-	-	-	3.061	-3.061	-
Net income / (loss) current year	-	-	-	-	7.938	7.938
Other comprehensive income / (loss)	-	-	-3.368	-	-	-3.368
Total comprehensive income / (loss)	**-**	**-**	**-3.368**	**3.061**	**4.877**	**4.570**
At December 31	**910**	**2**	**8.541**	**221.868**	**7.938**	**239.259**

2014

Amounts in EUR thousand	Share capital	Share premium	Revaluation reserves	Retained earnings	Net income / (loss)	Total
At January 1	910	2	4.781	223.424	-4.617	224.501
Net income / (loss) prior year retained	-	-	-	-4.617	4.617	-
Net income / (loss) current year	-	-	-	-	3.061	3.061
Other comprehensive income / (loss)	-	-	7.127	-	-	7.127
Total comprehensive income / (loss)	**-**	**-**	**7.127**	**-4.617**	**7.678**	**10.189**
At December 31	**910**	**2**	**11.909**	**218.807**	**3.061**	**234.689**

Cash flow statement

Amounts in EUR thousand	Note	For the year ended December 31 2015	2014
Income / (loss) before tax		**10.584**	**4.081**
Results from financial transactions	21	-194.815	-407.437
Amortization and depreciation		2.037	2.035
Impairment losses / (reversals)	24	-207	264
Adjustments of non-cash items		**-192.985**	**-405.138**
Insurance and investment liabilities for account of policyholders	13	-332.298	-87.627
Accrued expenses and other liabilities	17	-25.006	9.988
Accrued income and prepayments	10	-77.684	-7.749
Changes in accruals		**-434.988**	**-85.388**
Purchase of investments (other than money market investments)	5	-27.119	-167.948
Disposal of investments (other than money market investments)	5	39.433	207.998
Disposal of derivatives	7	-14.721	-
Net purchase of investments for account of policyholders	6	519.578	490.827
Change in group loans		14.000	-4.000
Cash flow movements on operating items not reflected in income		**531.171**	**526.877**
Tax (paid) / received		-1.605	-4.015
Net cash flows from operating activities		**-87.823**	**36.417**
Net cash flows from investing activities		**-**	**-**
Net cash flows from financing activities		**-**	**-**
Net increase / (decrease) in cash and cash equivalents		**-87.823**	**36.417**
Cash and cash equivalents at the beginning of the year		141.216	104.799
Cash and cash equivalents at the end of the year		**53.394**	**141.216**

The cash flow statement is prepared according to the indirect method. Included in the net increase/ (decrease) in cash and cash equivalents are:

	2015	2014
Interest received / (paid)	15.504	-5.147
Dividend received	20.016	21.287

Notes to the financial statements

1. General information

Aegon Spaarkas N.V., incorporated and domiciled in the Netherlands, is a public limited liability company organized under Dutch law and registered at the Chamber of Commerce of Leeuwarden under its registered address at Lange Marktstraat 11, 8911 AD Leeuwarden. Aegon Spaarkas N.V. (or Aegon Spaarkas) is a 100% subsidiary of Aegon Nederland N.V. in The Hague. The ultimate parent of the Aegon-group is Aegon N.V. in The Hague.

Aegon Spaarkas is active in life insurance products, mainly tontine plans.

2. Summary of significant accounting policies

2.1. Basis of presentation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union (EU) and with Part 9 of Book 2 of the Netherlands Civil Code.

The financial statements have been prepared in accordance with the historical cost convention as modified by the revaluation of those financial instruments (including derivatives) and financial liabilities that have been measured at fair value. Information on the standards and interpretations that were adopted in 2015 is provided below.

The financial statements are prepared in euro and all values are rounded to the nearest thousand except when otherwise indicated. The consequence is that the rounded amounts may not add up to the rounded total in all cases. All ratios and variances are calculated using the underlying amount rather than the rounded amount. Certain amounts in prior years 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 preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions affecting the reported amounts of assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses for the reporting period. Those estimates are inherently subject to change and actual results could differ from those estimates. Included among the material (or potentially material) reported amounts and disclosures that require extensive use of estimates are: fair value of certain invested assets and derivatives, deferred policy acquisition costs, value of business acquired and other purchased intangible assets, goodwill, policyholder claims and benefits, insurance guarantees, pension plans, income taxes and the potential effects of resolving litigation matters. Aegon applies fair value hedge accounting for portfolio hedges of interest rate risk (macro hedging) under the EU ‘carve out’ of IFRS.

The financial statements of Aegon Spaarkas were approved by the Executive Board and by the Supervisory Board on April 15, 2016. The financial statements will be put for adoption to the Annual General Meeting of Shareholders on April 15, 2016. The shareholders meeting can decide not to adopt the financial statements but cannot amend them.

2.1.1. Adoption of new IFRS accounting standards

New standards and amendments to existing standards become effective at the date specified by IFRS, but may allow companies to opt for an earlier adoption date. In 2015, the following amendments to existing standards issued by the IASB became mandatory but are not currently relevant or do not significantly impact the financial position or financial statements:

- IAS 19 Employee Benefits - Amendment Employee Contributions;
- Annual improvements 2010-2012 Cycle; and
- Annual improvements 2011-2013 Cycle.

The above new standards, amendments to existing standards and interpretations have been endorsed by the European Union.

2.1.2. Future adoption of new IFRS accounting standards

For the following standards, amendments to existing standards and interpretations, published prior to January 1, 2016, Aegon Nederland elected not to early adopt, though instead these will be applied in future years:

- IFRS 9 Financial Instruments;and
- IFRS 15 Revenue from Contracts with Customers.

These standards have not yet been endorsed by the European Union.

IFRS 9 Financial Instruments

The IASB issued the final version of IFRS 9 Financial Instruments in July 2014. IFRS 9 combines classification and measurement, the expected credit loss impairment model and hedge accounting. The standard will replace IAS 39 and all previous versions of IFRS 9. Under IFRS 9 Classification and Measurement, financial assets are measured at amortized cost, fair value through profit or loss or fair value through other comprehensive income, based on both the entity's business model for managing the financial assets and the financial asset's contractual cash flow characteristics. The classification and measurement of financial liabilities is unchanged from existing requirements apart from own credit risk. For financial liabilities that are measured at fair value through profit or loss, the changes which are attributable to the change in an entity's own credit risk are presented in other comprehensive income, unless doing so would enlarge or create an accounting mismatch. For the impairment component, the IASB included requirements for a credit loss allowance or provision which should be based on expected losses rather than incurred losses.

Application of IFRS 9 is required for annual periods beginning on or after January 1, 2018. However, at the time of issuance of the new standard, the IASB said it would consider potential challenges arising if IFRS 9 is implemented before the new insurance contracts standard (IFRS 4 Phase II - which is at an advanced stage of development but it is expected that it will not become effective before 2021). Subsequent discussions at the IASB have resulted in a proposal for temporary deferral for insurers which was further described in an Exposure Draft: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts issued by the IASB in December 2015. The comment period ended on February 8, 2016. The measures that the Exposure Draft proposes to introduce into IFRS 4 are:

- The overlay approach – an option for all entities that issue insurance contracts to adjust profit or loss to remove any additional accounting volatility that may arise from qualifying financial assets, and
- The deferral approach – an optional temporary exemption from applying IFRS 9 for entities whose predominant activity is issuing insurance contracts.

Those new measures would supplement other measures, including the flexibility offered by the existing IFRS 4 in choosing an accounting policy for insurance contracts (e.g. an option to adjust the measurement of insurance contracts to reduce accounting volatility) and the transition reliefs to be included in the new insurance contracts Standard for entities that apply that Standard after they apply IFRS 9. At this stage it is not yet clear whether Aegon is planning or able to use the overlay or deferral approach. The implementation of IFRS 9, if and when endorsed by the EU, is expected to have a significant impact on shareholders' equity, net result and/or other comprehensive income and disclosures. The full impact, however, will only become clear after full assessment of the standard.

IFRS 15 Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15, Revenue from Contracts with Customers. IFRS 15 will replace IAS 18 Revenue, as well as other IFRIC and SIC interpretations regarding revenue unless the contracts are within the scope of other standards (for example, financial instruments, insurance contracts or lease contracts). The standard outlines the principles an entity shall apply to measure and recognize revenue and the related cash flows. The core principle is that an entity will recognize revenue at an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring goods or services to a customer. IFRS 15 will be effective for Aegon Spaarkas on January 1, 2018, using either of two methods: a full retrospective approach with certain practical expedients or a modified retrospective approach with the cumulative effect of initially applying this standard recognized at the date of initial application with certain additional disclosures. Aegon Spaarkas is evaluating the impact that adoption of this standard is expected to have on Aegon Spaarkas's financial statements. The full impact will only be clear after full assessment of the standard.

The following new standards and amendments to existing standards and interpretations, published prior to January 1, 2016, which are not yet effective for Aegon Spaarkas nor early adopted, are not expected to significantly impact the financial position or financial statements:

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

* Not yet endorsed by the European Union.

2.1.3. Prior period error

During 2015 it was noted that deferred tax assets and liabilities within the fiscal unity were not netted for presentation purposes in the balance sheet. Comparative figures have been restated to present the net amount in the balance sheet. The gross amounts are disclosed in note **Error! Reference source not found.** 'Deferred Tax' for both current year and comparatives. The prior period error did not have an effect income or equity.

2.1.4. Changes in presentation

As of 2015 in the balance sheet the 'investments in investment funds' are part of the 'investments'.

2.2. Foreign exchange translation

Aegon Spaarkas' financial statements are presented in euro, which is Aegon Spaarkas' functional currency. Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction. Aegon Spaarkas does not have investments in group entities of which the functional currency is not the euro.

At the balance sheet date, monetary assets and monetary liabilities in foreign currencies and equity instruments in foreign currencies are translated to the functional currency at the closing rate of exchange prevailing on that date. Non-monetary items carried at cost are translated using the exchange rate at the date of the transaction, while assets carried at fair value are translated at the exchange rate when the fair value was determined.

Exchange differences on monetary items are recognized in the income statement when they arise, except when they are deferred in other comprehensive income as a result of a qualifying cash flow. Exchange differences on non-monetary items carried at fair value are recognized in other comprehensive income or the income statement, consistently with other gains and losses on these items.

The impact of foreign currency on the financial statements is considered immaterial as virtually all transactions take place in euro.

2.3. Offsetting of assets and liabilities

Financial assets and liabilities are offset in the statement of financial position when Aegon Spaarkas has a current legally enforceable right to offset and has the intention to settle the asset and liability on a net basis or simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterpart.

2.4. Investments

Investments comprise financial assets (excluding derivatives).

Financial assets, excluding derivatives are recognized on the trade date when Aegon Spaarkas becomes a party to the contractual provisions of the instrument and are classified for accounting purposes depending on the characteristics of the instruments and the purpose for which they were purchased.

Classification

The following financial assets are measured at fair value through profit or loss: financial assets held for trading, financial assets managed on a fair value basis in accordance with the investment strategy of Aegon Spaarkas; and financial assets containing an embedded derivative that is not closely related and that cannot be reliably bifurcated. In addition, in certain instances Aegon Spaarkas designates financial assets to this category when by doing so a potential accounting mismatch in the financial statements is eliminated or significantly reduced.

Financial assets with fixed or determinable payments, that are not quoted in an active market and that Aegon Spaarkas does not intend to sell in the near future are classified as loans. Those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration, are accounted for as available-for-sale.

All remaining non-derivative financial assets are classified as available-for-sale.

Measurement

Financial assets are initially recognized at fair value excluding interest accrued to date plus, in the case of a financial asset not at fair value through profit or loss, any directly attributable incremental transaction costs.

Loans and financial assets held-to-maturity are subsequently carried at amortized cost using the effective interest rate method. Financial assets at fair value through profit or loss are measured at fair value with all changes in fair value recognized in the income statement as incurred. Available-for-sale assets are recorded at fair value with unrealized changes in fair value recognized in other comprehensive income. Financial assets that are designated as hedged items are measured in accordance with the requirements for hedge accounting.

Amortized cost

The amortized cost of a debt instrument is the amount at which it is measured at initial recognition minus principal repayments, plus or minus the cumulative amortization of any difference between the initial amount and the maturity amount and minus any reduction for impairment.

The effective interest rate method is a method of calculating the amortized cost and of allocating the interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the debt instrument or, when appropriate, a shorter period to the net carrying amount of the instrument. When calculating the effective interest rate, all contractual terms are considered. Possible future credit losses are not taken into account. Charges and interest paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts are included in the calculation.

Fair value

The financial statements provide information on the fair value of all financial assets, including those carried at amortized cost where the fair values are provided in the notes to the financial statements.

Fair value is defined as the amount that would be received from the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date under current market conditions (i.e. an exit price at the measurement date from the perspective of a market participant that holds the asset or owes the liability). For quoted financial assets for which there is an active market, the fair value is the bid price at the balance sheet date. In the absence of an active market, fair value is estimated by using present value based or other valuation techniques. Where discounting techniques are applied, the discount rate is based on current market rates applicable to financial instruments with similar characteristics. The valuation techniques that include unobservable inputs can result in a different outcome than the actual transaction price at which the asset was acquired. Such differences are not recognized in the income statement immediately but are deferred. They are released over time to the income statement in line with the change in factors (including time) that market participants would consider in setting a price for the asset. Interest accrued to date is not included in the fair value of the financial asset.

Derecognition

A financial asset is derecognized when the contractual rights to the asset's cash flows expire and when Aegon Spaarkas retains the right to receive cash flows from the asset or has an obligation to pay received cash flows in full without delay to a third party and either has transferred the asset and substantially all the risks and rewards of ownership, or has neither transferred nor retained all the risks and rewards but has transferred control of the asset.

Financial assets of which Aegon Spaarkas has neither transferred nor retained significantly all the risk and rewards are recognized to the extent of the Aegon Spaarkas' continuing involvement. If significantly all risks are retained, the assets are not derecognized.

On derecognition, the difference between the disposal proceeds and the carrying amount is recognized in the income statement as a realized gain or loss. Any cumulative unrealized gain or loss previously recognized in the revaluation reserve in shareholders' equity is also recognized in the income statement.

Collateral

With the exception of cash collateral, assets received as collateral are not separately recognized as an asset until the financial asset they secure defaults. When cash collateral is recognized, a liability is recorded for the same amount.

Securities lending and repurchase agreements

Financial assets that are lent to a third party or that are transferred subject to a repurchase agreement at a fixed price are not derecognized as Aegon Spaarkas retains substantially all the risks and rewards of the asset. A liability is recognized for cash (collateral) received, on which interest is accrued.

A security that has been received under a borrowing or reverse repurchase agreement is not recognized as an asset. A receivable is recognized for any related cash (collateral) paid by Aegon Spaarkas. The difference between sale and repurchase price is treated as investment income. If Aegon Spaarkas subsequently sells that security, a liability to repurchase the asset is recognized and initially measured at fair value.

2.5. Investments for account of policyholders

Investments held for account of policyholders consist of investments in financial assets, as well as investments in real estate. Investment return on these assets is passed on to the policyholders. Also included are the assets held by consolidated investment funds which are backing liabilities towards third parties. Investments for account of policyholders are valued at fair value through profit or loss.

2.6. Derivatives

2.6.1. Definition

Derivatives are financial instruments classified as held for trading assets of which the value changes in response to an underlying variable, that require little or no net initial investment and are settled at a future date.

Assets and liabilities may include derivative-like terms and conditions. With the exception of features embedded in contracts held at fair value through profit or loss, embedded derivatives that are not considered closely related to the host contract are bifurcated, carried at fair value and presented as derivatives. In assessing whether a derivative-like feature is closely related to the contract in which it is embedded, Aegon Spaarkas considers the similarity of the characteristics of the embedded derivative and the host contract. Embedded derivatives that transfer significant insurance risk are accounted for as insurance contracts.

Derivatives with positive values are reported as assets and derivatives with negative values are reported as liabilities.

2.6.2. Measurement

All derivatives recognized on the statement of financial position are carried at fair value. The fair value is calculated net of the interest accrued to date and is based on market prices, when available. When market prices are not available, other valuation techniques, such as option pricing or stochastic modeling, are applied. The valuation techniques incorporate all factors that market participants would consider and are based on observable market data, to the extent possible. Fair value changes are recognized in the income statement.

2.6.3. Hedge accounting

As part of its asset liability management, Aegon Spaarkas enters into economic hedges to limit its risk exposure. These transactions are assessed to determine whether hedge accounting can and should be applied.

To qualify for hedge accounting, the hedge relationship is designated and formally documented at inception, detailing the particular risk management objective and strategy for the hedge (which includes the item and risk that is being hedged), the derivative that is being used and how hedge effectiveness is being assessed. A derivative has to be effective in accomplishing the objective of offsetting either changes in fair value or cash flows for the risk being hedged. The effectiveness of the hedging relationship is evaluated on a prospective and retrospective basis using qualitative and quantitative measures of correlation. Qualitative methods may include comparison of critical terms of the derivative to the hedged item. Quantitative methods include a comparison of the changes in the fair value or discounted cash flow of the hedging instrument to the hedged item. A hedging relationship is considered effective if the results of the hedging instrument are within a ratio of 80% to 125% of the results of the hedged item.

Aegon Spaarkas currently only applies hedge accounting for fair value hedges.

Fair value hedges
Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognized in the profit and loss account, together with fair value adjustments to the hedged item attributable to the hedged risk. If the hedge relationship no longer meets the criteria for hedge accounting, the cumulative adjustment of the hedged item is, in the case of interest bearing instruments, amortized through the profit and loss account over the remaining duration of the original hedge or recognized directly when the hedged item is derecognized.

Aegon Spaarkas applies fair value hedge accounting to portfolio hedges of interest rate risk (fair value macro hedging) under the EU ‘carve out’ of IFRS. The EU ‘carve out’ macro hedging enables a group of derivatives (or proportions thereof) to be viewed in combination and jointly designated as the hedging instrument and removes some of the limitations in fair value hedge accounting. Under the EU ‘carve out’, ineffectiveness in fair value hedge accounting only arises when the revised projection of the amount of cash flows in scheduled time buckets falls below the designated amount of that bucket. Aegon applies fair value hedge accounting for portfolio hedges of interest rate risk (macro hedging) under the EU ‘carve out’ to mortgage loans. Changes in the fair value of the derivatives are recognized in the profit and loss account, together with the fair value adjustment on the mortgages (hedged items) for the portion attributable to interest rate risk (the hedged risk).

2.7. Deferred expenses

2.7.1. Deferred policy acquisition costs (DPAC)

DPAC (Deferred Policy Acquisition Costs) relates to all insurance contracts as well as investment contracts with discretionary participation features and represents directly attributable costs that are related to the selling, underwriting and initiating of these insurance contracts. Acquisition costs are deferred to the extent that they are recoverable and are subsequently amortized based on factors such as expected gross profit margins. For all products, DPAC, in conjunction with VOBA where appropriate, is assessed for recoverability at least annually as part of the liability adequacy test for each reporting period. The portion of DPAC that is determined not to be recoverable is charged to the income statement. DPAC is derecognized when the related contracts are settled or disposed of.

2.8. Other assets and receivables

Other assets and receivables include trade and other receivables.

Other assets and receivables are initially recognized at fair value and are subsequently measured at amortized cost using the effective interest method, less provision for impairment.

2.9. Cash and cash equivalents

Cash comprises cash at banks and in-hand. Cash equivalents are short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known cash amounts, are subject to insignificant risks of changes in value and are held for the purpose of meeting short-term cash requirements.

Money market investments that are held for investment purposes (backing insurance liabilities, investment liabilities or equity based on asset liability management considerations) are not included in cash and cash equivalents but are presented as investments or investments for account of policyholders.

2.10. Impairment of assets

An asset is impaired if the carrying amount exceeds the amount that would be recovered through its use or sale. For tangible and intangible assets, financial assets and reinsurance assets, if not held at fair value through profit or loss, the recoverable amount of the asset is estimated when there are indications that the asset may be impaired. Irrespective of the indications, goodwill and other intangible assets with an indefinite useful life that are not amortized are tested at least annually.

There are a number of significant risks and uncertainties inherent in the process of monitoring investments and determining if impairment exists. These risks and uncertainties include the risk that Aegon Spaarkas' assessment of an issuer's ability to meet all of its contractual obligations will change based on changes in the credit characteristics of that issuer and the risk that the economic outlook will be worse than expected or have more of an impact on the issuer than anticipated. Any of these situations could result in a charge against the income statement to the extent of the impairment charge recorded.

2.10.1. Impairment of non-financial assets

Assets are tested individually for impairment when there are indications that the asset may be impaired. For goodwill and intangible assets with an indefinite life, an impairment test is performed at least once a year or more frequently as a result of an event or change in circumstances that would indicate an impairment charge may be necessary. The impairment loss is calculated as the difference between the carrying and the recoverable amount of the asset, which is the higher of an asset's value in use and its fair value less cost of disposal. The value in use represents the discounted future net cash flows from the continuing use and ultimate disposal of the asset and reflects its known inherent risks and uncertainties. The valuation utilized the best available information, including assumptions and projections considered reasonable and supportable by management. The assumptions used in the valuation involve significant judgments and estimates.

Impairment losses are charged to shareholders' equity to the extent that they offset a previously recorded revaluation reserve relating to the same item. Any further losses are recognized directly in the income statement.

With the exception of goodwill, impairment losses are reversed when there is evidence that there has been a change in the estimates used to determine the asset's recoverable amount since the recognition of the last impairment loss. The reversal is recognized in the income statement to the extent that it reverses impairment losses previously recognized in the income statement. The carrying amount after reversal cannot exceed the amount that would have been recognized had no impairment taken place.

Non-financial assets that only generate cash flows in combination with other assets and liabilities are tested for impairment at the level of the cash-generating unit. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination. The allocation is based on the level at which goodwill is monitored internally. When impairing a cash-generating unit, any goodwill allocated to the unit is first written-off and recognized in the income statement. The remaining impairment loss is allocated on a pro rata basis among the other assets, on condition that the resulting carrying amounts do not fall below the individual assets' recoverable amounts.

2.10.2. Impairment of debt instruments

Debt instruments are impaired if there is objective evidence that a credit event has occurred after the initial recognition of the asset that has a negative impact on the estimated future cash flows. A specific security is considered to be impaired when it is determined that it is probable that not all amounts due (both principal and interest) will be collected as scheduled. Individually significant loans and other receivables are first assessed separately. All non-impaired assets measured at amortized cost are then grouped by credit risk characteristics and collectively tested for impairment.

For debt instruments carried at amortized cost, the carrying amount of impaired financial assets is reduced through an allowance account. The impairment loss is calculated as the difference between the carrying and recoverable amount of the investment. The recoverable amount is determined by discounting the estimated probable future cash flows at the original effective interest rate of the asset. For variable interest debt instruments, the current effective interest rate under the contract is applied.

For debt instruments classified as available-for-sale, the asset is impaired to its fair value. Any unrealized loss previously recognized in other comprehensive income is taken to the income statement in the impairment loss. After impairment the interest accretion on debt instruments that are classified as available-for-sale is based on the rate of return that would be required by the market for similar rated instruments at the date of impairment.

Impairment losses recognized for debt instruments can be reversed if in subsequent periods the amount of the impairment loss decreases and that decrease can be objectively related to a credit event occurring after the impairment was recognized. For debt instruments carried at amortized cost, the carrying amount after reversal cannot exceed what the amortized cost would have been at the reversal date, had the impairment not been recognized.

2.10.3. Impairment of equity instruments

For equity instruments, objective evidence of impairment of an investment in an equity instrument classified as available-for-sale includes information about significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in the equity instrument may not be recovered.
A significant or prolonged decline in fair value below initial cost is also considered objective evidence of impairment and results in a loss being recognized in the income statement. Significant or prolonged decline is defined by Aegon Spaarkas as an unrealized loss position for generally more than six months or a fair value below 80% of the cost price of the investment. Equity investments are impaired to the asset's fair value and any unrealized gain or loss previously recognized in shareholders' equity is taken to the income statement as an impairment loss. The amount exceeding the balance of previously recognized unrealized gains or losses is recognized in the income statement.
If an available-for-sale equity security is impaired based upon Aegon Spaarkas' qualitative or quantitative impairment criteria, any further declines in the fair value at subsequent reporting dates are recognized as impairments. Therefore, at each reporting period, for an equity security that is determined to be impaired based upon Aegon Spaarkas' impairment criteria, an impairment is recognized for the difference between the fair value and the original cost basis, less any previously recognized impairments. Impairment losses on equity instruments cannot be reversed.

2.11. Equity

Share capital is stated at par value. The share premium reserve, where applicable, relates to capital contributions which have occurred since incorporation without issuing new shares. The revaluation reserves represent the difference between the fair values of available-for-sale assets and (amortized) cost, taking into account income tax.

Dividends and other distributions to holders of equity instruments are recognized directly in equity. A liability for dividends payable is not recognized until the dividends have been declared and approved.

2.12. Insurance contracts

Insurance contracts are accounted for under IFRS 4 – Insurance Contracts. In accordance with this standard, Aegon Spaarkas continues to apply the existing accounting policies that were applied prior to the adoption of IFRS, with certain modifications allowed by IFRS 4 for standards effective subsequent to adoption. Aegon Spaarkas applies in general accounting policies for insurance liabilities to the extent that it was allowed under Dutch Accounting Principles. Any changes in accounting policy are made in accordance with IFRS 4.

Insurance assets and liabilities are valued in accordance with the accounting principles that were applied by Aegon Spaarkas prior to the transition to IFRS and with consideration of changes to standards effective subsequent to the date of transition to IFRS, as further described in the following paragraphs. The valuation methods are based on the general principle that the carrying amount of the net liability must be sufficient to meet any reasonably foreseeable obligation resulting from the insurance contracts.

Insurance contracts are contracts under which Aegon Spaarkas accepts a significant risk – other than a financial risk – from a policyholder by agreeing to compensate the beneficiary on the occurrence of an uncertain future event by which he or she will be adversely affected. Contracts that do not meet this definition are accounted for as investment contracts. Aegon Spaarkas reviews homogeneous books of contracts to assess whether the underlying contracts transfer significant insurance risk on an individual basis. This is considered the case when at least one scenario with commercial substance can be identified in which Aegon Spaarkas has to pay significant additional benefits to the policyholder. Contracts that have been classified as insurance are not reclassified subsequently.

Insurance liabilities are recognized when the contract is entered into and the premiums are charged. The liability is derecognized when the contract expires, is discharged, disposed or cancelled.

Insurance contracts are recognized as of the beginning of the coverage period. If the coverage period commences before all legal documents are signed and returned, the insurance contract shall still be recognized, if

a) the amount of revenue can be measured reliably:

The entity has agreed to the following with the other parties to the transaction:

- each party's enforceable rights regarding the service to be provided and received by the parties;
- the consideration to be exchanged; and
- the manner and terms of settlement,

From Aegon Spaarkas' point of view, the date of the offer would be the date Aegon Spaarkas agreed to the above. However, this is not necessarily the date at which both parties have agreed to the terms. This could be but is not limited to:

- a signed and returned offer;
- an acceptance email from the client;
- the receipt of first deposits

b) it is probable that the economic benefits associated with the transaction will flow to the entity.

In the unlikely event of an onerous contract, this contract is to be recognized at the earliest date of:

(a) the beginning of the coverage period or
(b) the date on which both parties have agreed to the terms (the same guidance as for profitable contracts applies).

2.12.1. Life insurance contracts for account of policyholders

Life insurance contracts under which the policyholder bears the risks associated with the underlying investments are classified as insurance contracts for account of policyholders. The liability for the insurance contracts for account of policyholders is measured at the policyholders account balance. Contracts with unit-denominated payments are measured at current unit values, which reflect the fair values of the assets of the fund. In addition, the measurement of these insurance contracts also include provisioning for expected additional costs, such as expenses and longevity.

2.12.2. Embedded derivatives

Life insurance contracts typically include derivative-like terms and conditions. With the exception of policyholder options to surrender the contract at a fixed amount, contractual features that are not closely related to the insurance contract and that do not themselves meet the definition of insurance contracts are accounted for as derivatives.

Guaranteed minimum benefits
Certain life insurance contracts, issued by Aegon Spaarkas, contain guaranteed minimum benefits. Bifurcated guaranteed minimum benefits are classified as derivatives. An additional liability is established for guaranteed minimum investment returns on group pension plans with profit sharing and on traditional insurance contracts with profit sharing based on an external interest index, that are not bifurcated. These guarantees are measured at fair value.

2.12.3. Shadow accounting

Shadow accounting allows that all gains and losses on investments to affect the measurement of the insurance assets and liabilities in the same way, regardless of whether they are realized or unrealized and regardless of whether the unrealized gains and losses are recognized in the income statement or directly in equity in the revaluation reserve. In some instances, realized gains or losses on investments have a direct effect on the measurement of the insurance assets and liabilities. For example, some insurance contracts include benefits that are contractually based on the investment returns realized by the insurer. In addition, realization of gains or losses on available-for-sale investments can lead to unlocking of VOBA or DPAC and can also affect the outcome of the liability adequacy test to the extent that it considers actual future investment returns. For similar changes in unrealized gains and losses, shadow accounting is applied. If interest rate movement resulting in an unrealized gain or loss triggers a shadow accounting adjustment to VOBA, DPAC or the insurance liabilities, the corresponding adjustment is recognized through other comprehensive income in the revaluation reserve, together with the unrealized gain or loss.

2.12.4. Liability Adequacy Test with respect to life insurance contracts

On a quarterly basis the adequacy of the life insurance liabilities is assessed using a liability adequacy test. The liability is considered to be "adequate" if the current estimate of all contractual future cash flows is less than the insurance liability minus any related DPAC plus the difference between carrying value and fair value of certain investments.

All tests performed within Aegon Spaarkas are based on current estimates of all contractual future cash flows, including related cash flows from policyholders options and guarantees. A number of valuation methods are applied, including discounted cash flow methods, option pricing models and stochastic modeling.

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 the 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.

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 subsequently by establishing an insurance liability for the remaining loss, unless shadow loss recognition has taken place. The assumptions in the liability adequacy test contain a margin for risk. The risk margin is determined according to the cost of capital method.

Additions to the insurance liability under the liability adequacy test can be reversed in subsequent periods when they have proven to be no longer necessary.

Shadow loss recognition

While using market interest rates for the valuation of debt securities will lead to a change in the revaluation reserve and comprehensive income, the result of using the same assumptions on the liabilities could lead to a deficiency in the liability adequacy test that should be recognized in the income statement. The deficiency of insurance liability triggered by a decrease in interest rates is offset against the revaluation reserves to the extent that the revaluation reserve on debt securities will not become negative. If in subsequent periods such a deficiency of the insurance liability is no longer applicable, shadow loss recognition is reversed via the revaluation reserve.

2.13. Assets and liabilities relating to employee benefits

Aegon Spaarkas itself does not have employees. The assets and liabilities arising from employee benefits for staff working for Aegon Spaarkas are recognized in the financial statements of Aegon Nederland and recharged to Aegon Spaarkas based on the services that are rendered by the employees for Aegon Spaarkas.

2.14. Tax assets and liabilities

Tax assets and liabilities are amounts payable to and receivable from Aegon N.V., since Aegon N.V. is the head of the fiscal unity.

2.14.1. Current tax assets and liabilities

Tax assets and liabilities for current and prior periods are measured at the amount expected to be received from or paid to the taxation authorities, applying the tax rates that have been enacted or substantively enacted by the reporting date.

Aegon Spaarkas is a member of the Aegon N.V. tax group and settles its current tax liabilities with the head of the tax group as if it were an autonomous taxpayer. Aegon Spaarkas is jointly and severally liable for all tax liabilities of the entire tax group. Current taxes are settled in current account with the parent company.

2.14.2. Deferred tax assets and liabilities

Deferred tax assets and liabilities are recognized for the estimated future tax effects of temporary differences between the carrying value of an item and its tax value, with the exception of differences arising from the initial recognition of goodwill and of assets and liabilities that do not impact taxable or accounting profits. A tax asset is recognized for tax loss carry forwards to the extent that it is probable at the reporting date that future taxable profits will be available against which the unused tax losses and unused tax credits can be utilized.

Deferred tax assets and liabilities are reviewed at the balance sheet date and are measured at tax rates that are expected to apply when the asset is realized or the liability is settled. Since there is no absolute assurance that these assets will ultimately be realized, management reviews Aegon Spaarkas' deferred tax positions periodically to determine if it is probable that the assets will be realized. Periodic reviews include, among other things, the nature and amount of the taxable income and deductible expenses, the expected timing when certain assets will be used or liabilities will be required to be reported and the reliability of historical profitability of businesses expected to provide future earnings. Furthermore, management considers tax-planning strategies it can utilize to increase the likelihood that the tax assets will be realized. These strategies are also considered in the periodic reviews. The carrying amount is not discounted and reflects the expectations of Aegon Spaarkas concerning the manner of recovery or settlement.

Deferred tax assets and liabilities are recognized in relation to the underlying transaction either in the income statement, other comprehensive income or directly in equity.

2.15. Other liabilities and accruals

Other liabilities and accruals are initially recognized at fair value plus transaction costs. They are then recognized at amortized cost using the effective interest rate method. A liability is derecognized when the financial obligation is discharged or cancelled. Unless stated otherwise, deferred interest and other accruals are recognized at (amortized) cost.

2.16. Contingent assets and liabilities

Contingent assets are disclosed in the notes if the inflow of economic benefits is probable, but not virtually certain. When the inflow of economic benefits becomes virtually certain, the asset is no longer contingent and its recognition is appropriate.

A provision is recognized for present legal or constructive obligations arising from past events, when it is probable that it will result in an outflow of economic benefits and the amount can be reliably estimated. If the outflow of economic benefits is not probable, a contingent liability is disclosed, unless the possibility of an outflow of economic benefits is remote.

2.17. Premium income and premium outgoing reinsurance

Gross premiums consists of recurring and single premiums from life insurance; these are recognized as revenue when they become receivable. For products where deposit accounting is required, the deposits are not reflected as premium income, but are recognized as part of the financial liability.

Premium loadings for installment payments and additional payments by the policyholder towards costs borne by the insurer are included in the gross premiums. Rebates that form part of the premium rate, such as no-claim rebates, are deducted from the gross premium; others are recognized as an expense. Profit sharing amounts that are used to increase the insured benefits are recognized as gross premiums. The insurance premiums for the original contracts are presented gross of reinsurance premiums paid.

Reinsurance premiums are accounted for in the same way as the original contracts for which the reinsurance was concluded.

2.18. Investment income

For interest-bearing assets, interest is recognized as it accrues and is calculated using the effective interest rate method. Fees and commissions that are an integral part of the effective yield of the financial assets or liabilities are recognized as an adjustment to the effective interest rate of the instrument. Investment income includes the interest income and dividend income on financial assets carried at fair value through profit or loss. Investment income also includes dividends accrued and rental income due, as well as fees received for security lending.

2.19. Fee and commission income

Fees and commissions from investment management services and mutual funds, services where Aegon Spaarkas acts as service provider (including mortgage loan fee business) and from sales activities are recognized as revenue over the period in which the services are performed or for sales activities where services have been rendered.

2.20. Policyholders claims and benefits

Policyholder claims and benefits consist of claims and benefits paid to policyholders, including benefits in excess of account value for products for which deposit accounting is applied and the change in the valuation of liabilities for insurance and investment contracts.

2.21. Results from financial transactions

Results from financial transactions include:

2.21.1. *Net fair value change of general account financial investments at fair value through profit or loss, other than derivatives*

Net fair value change of general account financial investments at fair value through profit or loss, other than derivatives include fair value changes of financial assets carried at fair value through profit or loss. The net gains and losses do not include interest or dividend income.

2.21.2. *Realized gains and losses on financial investments*

Gains and losses on financial investments include realized gains and losses on general account financial assets, other than those classified as at fair value through profit or loss.

2.21.3. *Net fair value change of derivatives*

All changes in fair value are recognized in the income statement, unless the derivative has been designated as a hedging instrument in a cash flow hedge. Fair value movements of fair value hedge instruments are offset by the fair value movements of the hedged item, and the resulting hedge ineffectiveness, if any, is included in this line. In addition, the fair value movements of bifurcated embedded derivatives are included in this line.

2.21.4. *Net fair value change on for account of policyholders financial assets at fair value through profit or loss*

Net fair value change on for account of policyholder financial assets at fair value through profit or loss includes the fair value movements of investments held for account of policyholders (refer to note 2.5 Investments for account of policyholders). The net fair value change does not include interest or dividend income.

2.22. Commission and expenses

Employee expenses and other administration expenses incurred are allocated to the period to which they relate. Salaries, social security and pension contributions for staff employed by Aegon Nederland are recharged to Aegon Spaarkas as services rendered to Aegon Spaarkas. Provisions for retirement plans and other benefits payable to staff of Aegon Nederland are recognized in the financial statements of Aegon Nederland. Similarly, buildings and most of the other equipment used by Aegon Spaarkas are made available by Aegon Nederland and the associated costs are recharged.

Acquisition expenses are deferred to the extent that they are recoverable and subsequently amortized. See also note 2.7 'Deferred expenses'.

2.23. Interest charges and related fees

Interest charges and related fees include interest expense on loans and other borrowings. Interest expense on loans and other borrowings carried at amortized cost is recognized in the income statement using the effective interest method. Fees and commissions that form an integral part of the effective return on financial liabilities are recognized as an adjustment to the effective interest rate of the instrument.

2.24. Income tax

Income tax is calculated at the current rate on the pre-tax profits over the financial year, taking into account any temporary and permanent differences between the profit determination in the financial statements and the profit calculation for tax purposes. Taxes comprise deferred and current taxes on profit. Taxes on net income are recognized in the income statement, unless the taxes relate to items that are recognized directly in other comprehensive income. In the latter case, the taxes are also recognized in other comprehensive income.

2.25. Events after the balance sheet date

The financial statements are adjusted to reflect events that occurred between the balance sheet date and the date when the financial statements are authorized for issue, provided they give evidence of conditions that existed at the balance sheet date. Events that are indicative of conditions that arose after the balance sheet date are disclosed, but do not result in an adjustment of the financial statements themselves.

3. Critical accounting estimates and judgment in applying accounting policies

Application of the accounting policies in the preparation of the financial statements requires management to apply judgment involving assumptions and estimates concerning future results or other developments, including the likelihood, timing or amount of future transactions or events. There can be no assurance that actual results will not differ materially from those estimates. Accounting policies that are critical to the financial statement presentation and that require complex estimates or significant judgment are described in the following sections.

3.1. Continuity

Management estimates that the organization has the resources to continue the business for the foreseeable future. Management is not aware of any material uncertainties which could give rise to doubt the continuity of the business. The financial statements are therefore based on the assumption that the organization will continue in business.

3.2. Changes in estimates

In 2014, Aegon Spaarkas updated the fair value calculation of its Dutch mortgage loans based on additional market observable data. In the third quarter of 2015 the fair value calculation was further refined and completed. The calculation now also includes information from consumer mortgage rates. This resulted in a decrease (2014: increase) in the discount rate used to present value the future cash flows, mainly driven by a decrease in mortgage rates. The carrying value, at amortized cost, of Dutch mortgage loans on Aegon Spaarkas' balance sheet has not been impacted by the update of the fair value calculation. The fair value of Dutch mortgage loans has been impacted positively with EUR 2 million.

3.3. Valuation of assets and liabilities arising from life insurance contracts

The liability for life insurance contracts with guaranteed or fixed account terms is generally based on current assumptions or on the assumptions established at the inception of the contract. All contracts are subject to liability adequacy testing which reflects management's current estimates of future cash flows (including investment returns). To the extent that the liability is based on current assumptions, a change in assumptions will have an immediate impact on the income statement. Also, if a change in assumption results in not passing the liability adequacy test, the entire deficiency is recognized in the income statement. To the extent that the deficiency relates to unrealized gains and losses on available-for-sale investments, the additional liability is recognized in the revaluation reserve in equity (see also note 2.12.4 of the Liability Adequacy Testing).

For the liability adequacy test Aegon Spaarkas uses mortality tables that take into account expected future changes in life expectancy (the Aegon prospective mortality table). As of 2014, Aegon Spaarkas also uses this prospective table in its financial statements.

The liability adequacy test uses a discount rate which converges linearly in 10 years to an Ultimate Forward Rate of 4.25% from the last liquid point. The uniform last liquid point is set at 30 years. The discount rate includes a liquidity spread. The rates used to discount the insurance liabilities on Aegon Nederland's statement of financial position are determined using discount rates as contractually agreed, mainly 3% and 4%.

Assumptions on future expenses are based on the current level of expenses, adjusted for expected expense inflation.

The assumptions in the liability adequacy test contain a margin for risk which represents the cost of capital held for unhedgeable financial and underwriting risks.

Some insurance contracts without a guaranteed or fixed contractual term contain guaranteed minimum benefits. Depending on the nature of the guarantee, it may either be bifurcated and presented as a derivative or be reflected in the value of the insurance liability in accordance with Dutch accounting principles. Given the dynamic and complex nature of these guarantees, stochastic techniques under a variety of market return scenarios are often used for measurement purposes. Such models require management to make numerous estimates based on historical experience and market expectations. Changes in these estimates will immediately affect the income statement.

3.3.1. Actuarial assumptions

The main assumptions used in measuring the liabilities for life insurance contracts with fixed or guaranteed terms relate to mortality, investment returns, future expenses and lapses.

Mortality tables

Mortality tables applied are generally developed based on a blend of company experience and industry wide studies, taking into consideration product characteristics, own risk selection criteria, target market and past experience. Mortality experience is monitored through regular studies, the results of which are fed into the pricing cycle for new products and reflected in the liability calculation when appropriate.

For the liability adequacy test Aegon Spaarkas uses mortality tables that take into account expected future changes in life expectancy (the Aegon prospective mortality table).

Investment returns

Investment assumptions are prescribed by the regulator, market observable or based on management's future expectations. In the latter case, the anticipated future investment returns are set by management, considering available market information and economic indicators.

Expenses

Assumptions on future expenses are based on the current level of expenses, adjusted for expected expense inflation.

Lapses

Surrender rates depend on product features, policy duration and external circumstances such as the interest rate environment and competitor and policyholder behavior. Reliable own experience, as well as available industry wide data, are used in establishing assumptions. Lapse experience is correlated to mortality and morbidity levels, as higher or lower levels of surrenders may indicate future claims will be higher or lower than anticipated. Such correlations are accounted for in the mortality and morbidity assumptions based on the emerging analysis of experience.

Actuarial assumption and model updates

Assumptions are reviewed periodically, typically in the third quarter, based on historical experience and observable market data, including market transactions such as acquisitions and reinsurance transactions. Similarly, the models and systems used for determining our liabilities are reviewed periodically and, if deemed necessary, updated based on emerging best practices and available technology. During 2015, Aegon Spaarkas implemented actuarial assumption and model updates negatively impacting the margin in the Liability Adequacy Test by EUR 7million.

3.4. Determination of fair value and the fair value hierarchy

The following is a description of the methods of Aegon Spaarkas of determining fair value and a quantification of its exposure to assets and liabilities measured at fair value.

Fair value is defined as the amount that would be received from the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date under current market conditions (i.e. an exit price at the measurement date from the perspective of a market participant that holds the asset or owes the liability). A fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

(a) in the principal market for the asset or liability; or
(b) in the absence of a principal market, in the most advantageous market for the asset or liability.

Aegon Spaarkas uses the following hierarchy for measuring and disclosing the fair value of assets and liabilities:

- Level I: quoted prices (unadjusted) in active markets for identical assets or liabilities that Aegon Spaarkas can access at the measurement date;
- Level II: inputs other than quoted prices included within Level I that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices of identical or similar assets and liabilities) using valuation techniques for which all significant inputs are based on observable market data; and
- Level III: inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) using valuation techniques for which any significant input is not based on observable market data.

The best evidence of fair value is a quoted price in an actively traded market. In the event that the market for a financial instrument is not active or quoted market prices are not available, a valuation technique is used.

The degree of judgment used in measuring the fair value of assets and liabilities generally inversely correlates with the level of observable valuation inputs. Aegon Spaarkas maximizes the use of observable inputs and minimizes the use of unobservable valuation inputs when measuring fair value. Financial instruments, for example, with quoted prices in active markets generally have more pricing observability and therefore less judgment is used in measuring fair value. Conversely, financial instruments for which no quoted prices are available have less observability and are measured at fair value using valuation models or other pricing techniques that require more judgment.

The assets and liabilities categorization within the fair value hierarchy is based on the lowest input that is significant to the fair value measurement.

The judgment as to whether a market is active may include, although not necessarily determinative, lower transaction volumes, reduced transaction sizes and, in some cases, no observable trading activity for short periods. In inactive markets, assurance is obtained that the transaction price provides evidence of fair value or determined that the adjustments to transaction prices are necessary to measure the fair value of the instrument.

The majority of valuation techniques employ only observable market data, and so the reliability of the fair value measurement is high. However, certain assets and liabilities are valued on the basis of valuation techniques that feature one or more significant market inputs that are unobservable and, for such assets and liabilities; the derivation of fair value is more judgmental. An instrument is classified in its entirety is classified as valued using significant unobservable inputs (Level III) if, in the opinion of management, a significant proportion of the instrument's carrying amount is driven by unobservable inputs. “Unobservable” in this context means that there is little or no current market data available from which to determine the price at which an at arm's length transaction would be likely to occur. It generally does not mean that there is no market data available at all upon which to base a determination of fair value. The use of different methodologies or assumptions to determine the fair value of certain instruments (both financial and non-financial) could result in a different estimate of fair value at the reporting date.

To operationalize the fair value hierarchy of Aegon Spaarkas, individual instruments (both financial and non-financial) are assigned a fair value level based primarily on the type of instrument and the source of the prices (e.g. index, third-party pricing service, broker, internally modeled). Periodically, this logic for assigning fair value levels is reviewed to determine if any modifications are necessary in the context of the current market environment.

3.5. Recognition of deferred tax assets

Deferred tax assets are established for the tax benefit related to deductible temporary differences, carry forwards of unused tax losses and carry forwards of unused tax credits when in the judgment of management it is more likely than not that Aegon Spaarkas will receive the tax benefits. Since there is no absolute assurance that these assets will ultimately be realized, management reviews the deferred tax positions of Aegon Spaarkas periodically to determine if it is more likely than not that the assets will be realized. Periodic reviews include, among other things, the nature and amount of the taxable income and deductible expenses, the expected timing when certain assets will be used or liabilities will be required to be reported and the reliability of historical profitability of businesses expected to provide future earnings. Furthermore, management considers tax-planning strategies it can utilize to increase the likelihood that the tax assets will be realized. These strategies are also considered in the periodic reviews.

4. Risk management

4.1. Governance

The risk management of Aegon Spaarkas takes place at holding level and is executed by Aegon Nederland. The main objective of the risk management structure at Aegon Nederland is to protect stakeholders, including customers, shareholders and employees, against ongoing obstacles to achieving their aims. The Executive Board and management recognize the importance of efficient and effective risk management systems.

Aegon Nederland has a risk management structure in line with the Internal Control Framework of Aegon N.V. The risk management function has been designed with specific attention to operating, financial and underwriting risks.

Aegon Spaarkas has its own Executive Board and Supervisory Board. The Executive Board of the parent company participates in the Executive Board of Aegon Spaarkas. Reports are made to the shareholder and the regulator in accordance with the terms of the license.

4.2. Capital and solvency

Aegon Nederland manages its capital at an overall level and at the level of the legal entities with the aim of having a healthy financial position, now and into the future, even after sustaining losses from adverse market conditions. During 2015 and 2014, Aegon Nederland maintained capital to the highest of the levels required by the regulator, Standard & Poor's requirements for 'very strong' capitalization and also according to additional self-imposed economical requirements. Each of these capital requirements is computed differently.

The insurance activities of Aegon Spaarkas are subject to the European Solvency I directives as implemented in the Netherlands. Aegon Spaarkas' solvency ratio was 628% on December 31, 2015 (2014: 709%). Aegon Spaarkas held sufficient capital to meet the regulator's requirements during 2015 and 2014.

4.3. Product information

This section summarizes the features of products sold by Aegon Spaarkas, giving details that offer insight into the commercial activities and associated risks.

4.3.1. Life insurance for account of policyholders

Life insurance for account of policyholders includes different types of insurance and pension products in which the death benefit and value of the policy depend on the results from an investment portfolio. The premiums may be invested in different funds with different risk and return profiles, such as equities, bonds and combinations of these or investment products with guaranteed repayment of principal and interest. The customer bears the investment risk. The value of the policy depends on the result on the investments the policyholder has selected.

Aegon Spaarkas receives a fee for managing these assets and fees for mortality risk, other guarantees and expenses. The sensitivity of income from asset management is mainly in the withdrawals by policyholders of the assets being managed and volatility of the financial markets.

Tontine plans

Tontine plans, which are now a closed book, are unit-linked endowment policies in which profit sharing is based on the tontine system. Policyholders can invest premiums in a range of Aegon funds. The main characteristic of a tontine system is that on the death of the insured, the balance is not paid out to the policyholder's estate but is distributed at the end of the year to the surviving policyholders of the specific series to which the deceased policyholder belonged. In general, new tontine plan series started at the beginning of each calendar year. If the policyholder dies before maturity, Aegon Nederland pays death benefit to the next of kin equal to the premiums paid plus 4% compound interest, with a minimum of 110% of the fund value during the first half of the contract period.

Unit-linked insurance

With respect to Aegon Spaarkas' individual unit-linked policies, the amount insured at maturity or upon death has a minimum guaranteed return of 3% or 4% if the premium has been paid for a consecutive period of at least ten years and is invested in a mixed fund and/or fixed-income fund. No guarantees are given for equity investments only.

4.4. The risk management approach

Risk management at Aegon Nederland is at the central and legal entity levels and is based in part on principles and policy laid down by Aegon N.V. Integrated risk management at Aegon Nederland contributes to the uniform definition of the scope and measurement of risks throughout Aegon Nederland.

Risk Governance at Aegon Nederland has been set up on the 'three lines of defense' principle. The first line is responsible for managing and taking risk, the second line ensures that the first line accepts its risk management responsibilities and looks at all material risks. In the third line, the internal audit department provides independent assurance to management.

The risk management structure at Aegon Nederland is part of the 'second line of defense' and features a clear hierarchical structure:

1. Supervisory Board (including the Audit Committee);
2. The Executive Board of Aegon Nederland;
3. The Risk & Capital/Compliance Committee (RCC) and the Risk and Audit Committee (RAC).

Risk Management operates within the above mentioned risk management framework. The Enterprise Risk Management (ERM) framework within Aegon Nederland includes the risk policy in use. Identifying, monitoring, reporting and managing risks is an integral part of the risk policy. Breaches of limits set in the risk policy are reported and addressed immediately.

Aegon Nederland has developed a risk universe that categorizes risks inherent to the operating activities. This includes underwriting, operational and financial risks. Some of these risks arise from internal factors, such as inadequate compliance systems. Other factors, such as movements in interest rates or unexpected changes in mortality trends are of an external nature. These internal and external risks may affect operating activities, income, the value of investments and sales of certain products and services.

Identified risks are managed within the Risk Control framework that ensures a minimum level of internal control at Aegon Nederland. The Risk Control framework focuses on financial and operational controls that offer assurance for the reliability, accuracy, timeliness, and quality of the internal and external reporting requirements that Aegon Nederland has to meet.

All material risks are managed in accordance with the risk profile of Aegon Nederland. These risks are linked to the management decision-making process relating, for example, to the revision of the business objectives, redesign of risk and capital strategies and the adjustment of risk tolerance. Account is also taken of risks which cannot yet be quantified, but for which a prudent capital buffer is required. Such risks are regarded as part of the identification and assessment process for new risks.

Capital Management & Policies sets the target values for the capital level, given Aegon Nederland's risk profile and desired rating. The aim of our asset management is to ensure that there are adequate capital resources to meet our future obligations and to allocate capital as efficiently as possible to support growth.

Risks and potential threats to future solvency are evaluated in the Medium Term Plan (MTP) which considers the business plan for a period of three years. The MTP also includes various stress and scenario tests in order to offer more insight into how Aegon Nederland is affected by changes in macro and micro-economic factors. As a result of these tests, Aegon Nederland can properly estimate the impact of different scenarios on its risk profile, business results and capital position.

When considering Aegon Nederland's exposure to new risks, a number of factors are analyzed, including external information, reported losses and the results of product analyses. Each new risk that may potentially have a material impact is reported to management and discussed in such a way that it can be prioritized. Management decides whether new risks should be included in the existing risk universe via the ERM framework. New risks are then incorporated in the existing Risk Management processes.

4.4.1. IFRS sensitivities

Results of Aegon Spaarkas' sensitivity analyses are presented in the following paragraphs to show the estimated sensitivity of net income and equity to various scenarios. For each type of market risk, the analysis shows how net income and equity would have been affected by changes in the relevant risk variable that were reasonably possible at the reporting date. For each sensitivity test the impact of a reasonably possible change in a single factor is shown. Management action is taken into account to the extent that it is part of Aegon Spaarkas' regular policies and procedures, such as established hedging programs. However, incidental management actions that would require a change in policies and procedures are not considered.

Each sensitivity analysis reflects the extent to which the shock tested would affect management's critical accounting estimates and judgment in applying Aegon Spaarkas' accounting policies[1]. Market-consistent assumptions underlying the measurement of non-listed assets and liabilities are adjusted to reflect the shock tested. Although management's short-term assumptions may change if there is a reasonably possible change in a risk factor, long-term assumptions will generally not be revised unless there is evidence that the movement is permanent. This fact is reflected in the sensitivity analyses provided below.

The accounting mismatch inherent in IFRS is also apparent in the reported sensitivities. A change in interest rates has an immediate impact on the carrying amount of assets measured at fair value. However, the shock will not have a similar effect on the carrying amount of the related insurance liabilities that are measured based on prudent assumptions. Consequently, the different measurement bases for assets and liabilities lead to increased volatility in IFRS net income and equity. Aegon Spaarkas has classified a significant part of its investment portfolio as 'available-for-sale', which is one of the main reasons why the economic shocks tested have a different impact on net income than on equity. Unrealized gains and losses on these assets are not recognized in the income statement but are recorded directly into the revaluation reserves in equity, unless impaired. As a result, economic sensitivities predominantly impact equity but leave net income unaffected.

The sensitivities do not reflect what the net income for the period would have been if risk variables had been different because the analysis is based on the exposures in existence at the reporting date rather than on those that actually occurred during the year. Nor are the results of the sensitivities intended to be an accurate prediction of Aegon Spaarkas' future equity or earnings. The analysis does not take into account the impact of future new business, which is an important component of Aegon Spaarkas' future earnings. It also does not consider all methods available to management to respond to changes in the financial environment, such as changing investment portfolio allocations or adjusting premiums and crediting rates. Furthermore, the results of the analyses cannot be extrapolated for wider variations since effects do not tend to be linear. No risk management process can clearly predict future results.

The sensitivity analyses below address investments for general account and guarantees issued by Aegon Spaarkas. Investments for risk of policyholders are for the account and risk of third parties and do not lead to an increase in Aegon Spaarkas' exposures, other than in the form of possible guarantees. See note 7 'Derivatives' and note 14 'Guarantees' in insurance contracts for more information on the guarantees issued.

[1] Please refer to note 3 for a description of the critical accounting estimates and judgments.

4.4.2. Currency exchange rate risk

Aegon Spaarkas is not exposed to significant foreign exchange risk.

4.4.3. Interest rate risk

Aegon Spaarkas bears interest rate risk with many of its products. In cases where cash flows are highly predictable, investing in assets that closely match the cash flow profile of the liabilities can offset this risk. For some products, cash flows are less predictable as a result of policyholder actions that can be affected by the level of interest rates.

In periods of rapidly increasing interest rates, policy loans, surrenders and withdrawals may and usually do increase. Premiums in flexible premium policies may decrease as policyholders seek investments with higher perceived returns. This activity may result in cash payments by Aegon Spaarkas requiring the sale of invested assets at a time when the prices of those assets are adversely affected by the increase in market interest rates; this may result in realized investment losses. These cash payments to policyholders result in a decrease in total invested assets and a decrease in net income. Among other things, early withdrawals may also require accelerated amortization of DPAC, which in turn reduces net income.

During periods of sustained low interest rates, Aegon Spaarkas may not be able to preserve margins as a result of minimum interest rate guarantees and minimum guaranteed crediting rates provided on policies. Also, investment earnings may be lower because the interest earnings on new fixed-income investments are likely to have declined with the market interest rates. Mortgages and redeemable bonds in the investment portfolio are more likely to be repaid as borrowers seek to borrow at lower interest rates and Aegon Spaarkas may be required to reinvest the proceeds in securities bearing lower interest rates. Accordingly, net income declines as a result of a decrease in the spread between returns on the investment portfolio and the interest rates either credited to policyholders or assumed in reserves.

Aegon Spaarkas manages interest rate risk closely, taking into account all of the complexity regarding policyholder behavior and management action. Aegon Spaarkas employs sophisticated interest rate measurement techniques and actively uses derivatives and other risk mitigation tools to closely manage its interest rate risk exposure. Aegon Spaarkas operates an Interest Rate Risk policy that limits the amount of interest rate risk to which Aegon Spaarkas is exposed. All derivative use is governed by Aegon Spaarkas' Derivative Use Policy.

Under IFRS, unrealized gains in the value of the insurance liabilities as a consequence of a rise in interest rates are not reflected in net income and equity. If interest rates fall, there will be unrealized gains on certain investments which positively affect the net income and equity. If the liability adequacy test shows that the insurance liability in the statement of financial position is in deficit, this has to be supplemented through the revaluation reserves (shadow accounting) or through the income statement.

The following table shows interest rates at the end of each of the last five years.
For more information on derivatives, see note 0 'Derivatives risk'.

Interest rates at the end of each of the last five years

	2015	2014	2013	2012	2011
3-month US Libor	0,61%	0,26%	0,25%	0,31%	0,58%
3-month Euribor	-0,13%	0,08%	0,29%	0,19%	1,36%
10-year US Treasury	2,27%	2,17%	3,04%	1,78%	1,89%
10-year Dutch government	0,89%	0,84%	2,35%	1,61%	2,39%

Sensitivity of interest rates

The sensitivity analysis in the table below shows an estimate of the effect of a parallel shift in the yield curves on net income and shareholders' equity arising from the impact on general account investments and offset due to liabilities from insurance and investment contracts. In general, increases in interest rates are beneficial to Aegon Spaarkas. However, timing and valuation differences between assets and liabilities may cause short-term reductions in net income or solvency ratios as rates rise. Rising interest rates would also cause the fair value of the available-for-sale bond portfolio to decline and the level of unrealized gains could become too low to support recoverability of the full deferred tax asset triggering an allowance charge to income. The offsetting economic gain on the insurance and investment contracts is however not fully reflected in the sensitivities because many of these liabilities are not measured at fair value. Over time, the medium-term reduction in net income due to rising interest rates would be offset by higher net income in later years, everything else remaining equal. Therefore, higher interest rates are not considered a long-term risk to Aegon Spaarkas. However, a long sustained period of low interest rates will erode net income due to lower returns earned on reinvestments.

Parallel movement of yield curve	2015 Estimated approximate effect		2014 Estimated approximate effect	
	Net income	Equity	Net income	Equity
Shift up 100 basis points	-85	-5.909	-91	-7.268
Shift down 100 basis points	85	5.909	91	7.268

A downward shock of 100 basis points would have a positive effect on the market value of investments and therefore on equity. Just as in prior years the headroom in the liability adequacy test is sufficient to absorb the impact of a downward shock in interest rate.

We invest in mortgages and apply hedge accounting to account for our market value movements in our mortgage portfolio and eliminate interest rate sensitivity. The market value movements of our mortgage portfolio are mainly hedged with interest rate swaps. A shock in interest rate will lead to a small impact on net income as the floating legs of these interest rate swaps are not hedged.

4.4.4. Credit risk

As premiums and deposits are received, these funds are invested to pay for future policyholder obligations. For general account products, Aegon Spaarkas typically bears the risk for investment performance which is equal to the return of principal and interest. Aegon Spaarkas is exposed to credit risk on its general account fixed-income portfolio (debt securities, mortgages and private placements), over-the-counter derivatives and reinsurance contracts. Some issuers have defaulted on their financial obligations for various reasons, including bankruptcy, lack of liquidity, downturn of the economy, downturn in real estate values, operational failure and fraud. During financial downturns, Aegon Spaarkas can incur defaults or other reductions in the value of these securities and loans, which could have a materially adverse effect on Aegon Spaarkas' business, results of operations and financial condition.

The tables that follow show the maximum exposure of Aegon Spaarkas to credit risk from investments in general account financial assets as well as general account derivatives and reinsurance assets, collateral held and net exposure. Please refer to note 28 and 29 for further information on capital commitments and contingencies and on assets pledged, which may expose Aegon Spaarkas to credit risk.

Positions for general account in the balance sheet

2015 Amounts in EUR thousand	Maximum exposure credit risk	Collateral received							Net exposure
		Cash	Securities	Real estate	Guarantees	Master netting agreement	Surplus collateral	Total	
Debt securities	159.516	-	-	-	-	-	-	-	159.516
Mortgage loans	59.296	1.941	-	56.656	3.468	-	-13.716	48.349	10.947
Private loans	7.397	-	-	-	-	-	-	-	7.397
Other loans	2.118	-	-	-	-	-	-	-	2.118
Derivatives with pos. values	178	-8.000	-	-	-	7.297	-	-703	881
Total	**228.505**	**-6.059**	**-**	**56.656**	**3.468**	**7.297**	**-13.716**	**47.646**	**180.859**

2014 Amounts in EUR thousand	Maximum exposure credit risk	Collateral received							Net exposure
		Cash	Securities	Real estate	Guarantees	Master netting agreement	Surplus collateral	Total	
Debt securities	177.534	-	-	-	-	-	-	-	177.534
Mortgage loans	67.109	2.016	-	60.929	4.496	-	-13.535	53.906	13.203
Private loans	-	-	-	-	-	-	-	-	-
Other loans	2.594	-	-	-	-	-	-	-	2.594
Derivatives with pos. values	10	-20.000	-	-	-	19.151	-	-849	860
Total	**247.247**	**-17.984**	**-**	**60.929**	**4.496**	**19.151**	**-13.535**	**53.057**	**194.191**

Debt securities

Collateral for structured securities such as ABS, RMBS and CMBS is not included in the table above. Whilst collateral for structured securities is present, the collateral is however related to the cash flows for paying the principal and interest on the securities and not to mitigate credit risk. The credit risk management relating to structured securities is disclosed in the credit risk concentrations section of this note.

Shares: mainly money market and short term investments

The collateral reported for the money market and short term investments are related to tri-party repurchase agreements (repos). Within tri-party repo's Aegon Nederland invests under short term reverse repurchase agreements and the counterparty posts collateral to a third party custodian. The collateral posted is typically high-quality short term securities and is only accessible to Aegon Nederland in the event the counterparty defaults.

Mortgage loans

The real estate collateral for mortgage loans comprises mainly residential properties. The collateral received for residential mortgages is measured as the foreclosure value which is indexed periodically.

Cash collateral for mortgage loans includes the savings that have been received to redeem the underlying mortgage loans at redemption date. These savings are part of the credit side of the statement of financial position, but reduce the credit risk for the mortgage loan as a whole.

A substantial part of Aegon Spaarkas' Dutch residential mortgage portfolio benefits from guarantees by a Dutch government-backed trust (Stichting Waarborgfonds Eigen Woning) through the Dutch Mortgage Guarantee program (NHG). These guarantees cover all principal losses, missed interest payments and foreclosure costs incurred upon termination and settlement of defaulted mortgage loans when lender-specific terms and conditions of the guarantee are met. When not fully met, the trust may pay claims in part or in full, depending on the severity of the breach of terms and conditions. For each specific loan, the guarantee amortizes in line with an equivalent annuity mortgage. When the remaining loan balance at default does not exceed the amortized guarantee, it covers the full loss under its terms and conditions. Any loan balance in excess of this decreasing guarantee profile serves as a first loss position for the lender. For NHG-backed mortgage loans originated after January 1st 2014, a 10% lender-incurred haircut applies on realized losses on each defaulted loan.

The 'surplus collateral' column represents the surplus value of individual mortgage loans (where the value of the real estate is higher than the value of the mortgage loan) as Aegon Spaarkas is not entitled to this part of the collateral.

Derivatives

The master netting agreements column in the table relates to derivative liability positions which are used in Aegon's credit risk management. The offset in the master netting agreements column includes balances where there is a legally enforceable right of offset, but no intention to settle these balances on a net basis under normal circumstances. As a result, there is a net exposure for credit risk management purposes. However, as there is no intention to settle these balances on a net basis, they do not qualify for net presentation for accounting purposes.

Collateral

Aegon Spaarkas has no assets received as non-cash collateral which can be sold or which themselves can serve as collateral without the owner of the assets being in default.

Credit risk management

Losses as a result of credit risk are a natural part of investing in fixed-income securities. The amount of and compensation for this risk are related. A significant management measure to avoid excessive credit risk is to diversify and limit exposure to individual issuers.

Aegon Spaarkas operates a Credit Name Limit Policy (CNLP) under which limits are placed on the aggregate exposure that it has to any one counterparty. Limits are set by Aegon N.V. and also vary by a rating system, which is a composite of the main rating agencies (S&P, Moody's and Fitch) and Aegon Spaarkas' internal rating of the counterparty. When the exposure to a counterparty exceeds 75% it is considered to be at a warning level and the assets are monitored more closely. A warning and violation list is sent to portfolio managers on a weekly basis. If an exposure exceeds the stated limit, then the exposure must be reduced to the limit set by Aegon N.V. and rating category as soon as possible. Exceptions to these limits can only be made after explicit approval from Aegon N.V. In 2015 there have been no violations of the Credit Name Limit Policy. The policy is reviewed regularly. During 2015 there has been one breach regarding the CNLP, where for one counterparty the CNLP limit of EUR 125 million was exceeded by EUR 1 million. This was noted during our internal risk procedures and has been remediated within one week.

The ratings distribution of the general account investments is presented in the table in note 4.4.5 'Credit rating'.

Aegon Spaarkas' level long-term counterparty exposure limits, are as follows:

in EUR million	Limit 2015	Limit 2014
AAA	270	270
AA	270	270
A	190	190
BBB	125	125
BB	75	75
B	38	38
CCC or lower	15	15

The limits in this table exclude sovereign exposures that are rated A or above. For these exposures Aegon N.V. has set limits which are only applicable and reported at a consolidated Aegon N.V. level[2]. Sovereign exposures (regardless of rating) that are issued by the government of the functional currency of the Regions' business and also owned in that currency and sovereign exposures that are rated AAA by all three major agencies (S&P, Fitch and Moody's) are exempt from the policy.

4.4.5. Credit rating

The ratings distribution of general account portfolios of Aegon Spaarkas, including reinsurance assets, is presented in the next table, organized by rating category and broken out by assets which are valued at fair value and assets which are valued at amortized cost. As of 2014, Aegon Spaarkas has changed the rating hierarchy to align more closely with the CNLP as maintained within Aegon N.V. In previous years the disclosure of ratings followed a hierarchy of S&P, Moody's, Fitch, Internal and National Association of Insurance Commissioners (NAIC). Under the CNLP a composite rating is used, which is based on a combination of the ratings of the constituents mentioned. The rating used is the lower of the external rating and the internal rating. This change in methodology did not impact net income, total assets or total liabilities.

[2] A-rated: EUR 675 million; AA-rated EUR 900 million; AAA-rated: EUR 900 million

Investments for general account by rating

2015	Amortized cost	Fair value	Total 2015
AAA	7.397	68.525	75.922
AA	-	37.009	37.009
A	-	14.890	14.890
BBB	-	37.460	37.460
BB	-	1.633	1.633
Assets not rated	61.414	178	61.592
Total on balance credit exposure	**68.811**	**159.694**	**228.505**
Of which past due and / or impaired assets	1.989	-	1.989

2014	Amortized cost	Fair value	Total 2014
AAA	-	90.650	90.650
AA	-	28.319	28.319
A	-	19.540	19.540
BBB	-	39.026	39.026
BB	-	-	-
Assets not rated	69.703	10	69.713
Total on balance credit exposure	**69.703**	**177.545**	**247.247**
Of which past due and / or impaired assets	2.092	-	2.092

The ‘Assets not rated’ category relates to equities and derivatives (with positive value) at fair value and other financial assets at amortized cost (mainly policy loans).

4.4.6. Credit risk concentration

The following table presents specific credit risk concentration information for general account financial assets.

Credit risk concentration – debt securities and money market investments

	2015	2014
ABSs- Collateralized Debt Obligations (CDOs)	18.843	17.827
ABSs- Other	148	1.267
Residential mortgage backed securities (RMBSs)	26.332	25.116
Total investments in unconsolidated structured entities	45.324	44.211
Financial - Banking	4.010	-
Financial - Other	1.869	1.746
Industrial	42.878	46.690
Utility	8.441	9.118
Sovereign exposure	56.995	75.770
Total	**159.516**	**177.534**
Of which past due and / or impaired assets	-	-

Credit risk concentration – mortgage loans

	2015	2014
Apartment	11.922	13.662
Other commercial	195	199
Residential	47.179	53.248
Total	**59.296**	**67.109**
Of which past due and / or impaired assets	1.972	2.092

Fair value of the mortgage loan portfolio:	2015	2014
Fair value mortgage loans	60.707	65.242
The LTV was approximately	95,9%	100,4%
The part of the portfolio that is government guaranteed	58,1%	57,0%
Delinquency's in the portfolio (defined as 60 days in arrears)	1,9%	3,4%
Impairments during the year	398	264

Unconsolidated structured entities

Aegon Spaarkas' investments in unconsolidated structured entities such as RMBSs, CMBSs and ABSs are presented in the line item 'Investments' of the statement of financial position. Aegon Spaarkas' interests in these unconsolidated structured entities can be characterized as basic interests, Aegon Spaarkas does not have loans, derivatives or other interests related to these investments. The maximum exposure to loss for these investments is therefore equal to the carrying amount which is reflected in the credit risk concentration table regarding debt securities and money market investments. To manage credit risk Aegon Spaarkas invests primarily in senior notes. Additional information on credit ratings for Aegon Spaarkas' investments in unconsolidated structured entities are disclosed in the sections that describe per category of debt securities the composition and impairment assessments. The composition of the structured entities portfolios of Aegon Spaarkas are widely dispersed looking at the individual amount per entity, therefore Aegon Spaarkas only has non-controlling interests in unconsolidated structured entities.

Aegon Spaarkas did not provide financial or other support to unconsolidated structured entities. Nor does Aegon Spaarkas have intentions to provide financial or other support to unconsolidated structured entities in which Aegon Spaarkas has an interest or previously had an interest. Furthermore these structured entities are not originated by Aegon Spaarkas.

2015	Number of entities	Carrying amount
EUR 0 < 10 mln	27	45.324
> EUR 10 mln	-	-
At December 31	**27**	**45.324**

2014	Number of entities	Carrying amount
EUR 0 < 10 mln	22	31.916
> EUR 10 < 25 mln	1	12.295
> EUR 25 mln	-	-
At December 31	**23**	**44.211**

Aegon Spaarkas has limited investments in unconsolidated structured securities (such as ABSs). These unconsolidated structured securities are presented in the line item "Investments" of the statement of financial position.

For unconsolidated structured entities in which Aegon Spaarkas has an interest at reporting date, the following table presents total income received from those interests. The Investments column reflects the carrying values recognized in the statement of financial position of Aegon Spaarkas' interests in unconsolidated structured entities. Aegon Spaarkas did not recognize other interests in unconsolidated structured entities such as commitments, guarantees, provisions, derivative instruments or other liabilities.

4.4.7. Past due and impaired financial assets

The tables in this section provide information on financial assets which are past due or impaired. A financial asset is past due when a counterparty has failed to make a payment when it was due under the contract. A financial asset is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated.

Aegon Spaarkas takes the following factors into account when deciding whether to impair financial assets:

- significant financial difficulty of the issuer or obligor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- the lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- it becoming probable that the borrower will enter bankruptcy or other financial reorganization;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group.

After the impairment loss is reversed in a subsequent period, the asset is no longer considered to be impaired. When the terms and conditions of the financial assets have been renegotiated, the terms and conditions of the new agreement apply in determining whether the financial assets are past due.

At year end, no collateral was held for financial assets which were past due or which had undergone individual impairment.

<u>Impaired financial assets</u>

	2015	2014
Mortgage loans	1.852	2.092
Other	17	-
Total	**1.869**	**2.092**

The carrying amount of the impaired financial assets is approximately equal to the fair value. The interest income from impaired assets was EUR 80 thousand (2014: EUR 140 thousand).

<u>Shares</u>

Objective evidence of impairment of an investment in an equity instrument classified as available-for-sale includes information about significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in the equity instrument may not be recovered. A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost is also objective evidence of impairment. Significant or prolonged decline is defined as an unrealized loss position for more than 6 months or a fair value of less than 80% of the original cost price of the investment. Additionally, as part of an ongoing process, the equity analysts actively monitor earnings releases, company fundamentals, new developments and industry trends for any signs of possible impairment. If an available-for-sale equity security is impaired based upon the qualitative or quantitative impairment criteria of Aegon Spaarkas, any further declines in the fair value at subsequent reporting dates are recognized as impairments. Therefore, at each reporting period, for an equity security that is determined to be impaired based upon the impairment criteria of Aegon Spaarkas, an impairment is recognized for the difference between the fair value and the original cost basis, less any previously recognized impairments.

Debt securities
Aegon Spaarkas regularly monitors industry sectors and individual debt securities for evidence of impairment. This evidence may include one or more of the following: 1) deteriorating market to book ratio, 2) increasing industry risk factors, 3) deteriorating financial condition of the issuer, 4) covenant violations, 5) high probability of bankruptcy of the issuer or 6) recognized credit rating agency downgrades. Additionally, for asset-backed securities, cash flow trends and underlying levels of collateral are monitored. A security is impaired if there is objective evidence that a loss event has occurred after the initial recognition of the asset that has a negative impact on the estimated future cash flows. A specific security is considered to be impaired when it is determined that not all amounts due (both principal and interest) will be collected as contractually scheduled.

4.4.8. Equity market risk and other investments risk

Fluctuations in the equity, real estate and capital markets have affected Aegon Spaarkas's profitability, capital position and sales of equity related products in the past and may continue to do so. Exposure to equity, real estate and capital markets exists in both assets and liabilities. Asset exposure exists through direct equity investment, where Aegon Spaarkas bears all or most of the volatility in returns and investment performance risk. Equity market exposure is also present in insurance and investment contracts policyholder accounts where funds are invested in equities, backing variable annuities, unit-linked products and mutual funds. Although most of the risk remains with the policyholder, lower investment returns can reduce the asset management fee earned by Aegon Spaarkas on the asset balance in these products. In addition, some of this business has minimum return or accumulation guarantees. Aegon Spaarkas also operates an Investment and Counterparty Policy that limits the Group's overall counterparty risk exposure.

Information on closing levels of certain major indices at the end of the last five years

The table that follows sets forth the closing levels of certain major indices at the end of the last five years.

	2015	2014	2013	2012	2011
S&P 500	2.044	2.059	1.848	1.426	1.258
Nasdaq	5.007	4.736	4.177	3.020	2.605
FTSE 100	6.242	6.566	6.749	5.898	5.572
AEX	442	424	402	343	312

Sensitivity analysis of net income and equity to equity markets

The sensitivity analysis of net income and equity to changes in equity prices is presented in the table below. The sensitivity of equity and net income to changes in equity markets reflects changes in the market value of Aegon Spaarkas's portfolios and the strengthening of the provisions for guaranteed minimum benefits, when applicable.

	2015		2014	
	Estimated approximate effect		Estimated approximate effect	
	Net income	Equity	Net income	Equity
Equity increase 10%	-14	-14	-	-
Equity decrease 10%	14	14	-	-
Equity increase 20%	-7	-7	-	-
Equity decrease 20%	7	7	-	-

In 2015 Aegon Spaarkas acquired derivatives to lower Solvency II capital requirements for 'Equity Risk' leading to increased and reversed sensitivity of net income and equity for changes in equity markets compared to 2014.

4.4.9. Derivatives risk

Aegon Spaarkas uses financial derivatives, such as interest rate swaps, options, futures and currency contracts to hedge risks relating to investments for general account and loans. Not all risks to which Aegon Spaarkas is exposed can be adequately managed using derivatives. In addition, a counterparty in a derivative contract may fail to meet its obligations towards Aegon Spaarkas. Either situation can have significant adverse consequences for Aegon Spaarkas' operations, operating results and financial position.

Aegon Spaarkas operates a policy to monitor the use of derivatives. This policy sets out the control, authorization, implementation and monitoring requirements for using these instruments and also stipulates the necessary credit risk limiting actions using derivatives. In general, credit risk with derivatives is reduced by collateral requirements in the contract.

4.4.10. Liquidity risk

Liquidity risk is inherent in much of Aegon Spaarkas' activity. Each asset purchased and liability assumed has its own liquidity characteristics. Although most liabilities are of a long-term nature and will not create an unexpected short-term liquidity requirement, some can be called on demand. In normal circumstances, a significant proportion of the investment portfolio can be quickly converted into liquid assets but some assets, such as private loans, mortgage loans, real estate and holdings in unlisted enterprises are not highly liquid. If Aegon Spaarkas requires more than the normal amount of cash at short notice, it may have difficulty selling these investments at attractive prices or in a timely manner.

Aegon Nederland and its subsidiaries operate a liquidity risk policy that focuses on holding sufficient highly liquid assets so that liquidity requirements can be met both in normal market conditions and in extreme situations resulting from unforeseen circumstances.

Aegon Spaarkas receives premiums from policyholders and, in exchange, is required to make payments at a later time if certain conditions are met. The amounts received are invested primarily in fixed-income assets. Investments in less liquid assets may lead to an increase in expected income from the investment portfolio, but are more difficult to convert into cash if an unexpected payment has to be made to a policyholder or contract holder. Internal liquidity tests are designed to quantify this risk and ensure that there is sufficient liquidity even under extreme conditions. The aim of the internal liquidity test is to compare the liquidity requirement against the amount available in a number of scenarios.

Management uses this information for insight into the liquidity position and may, if necessary, make adjustments.
The liquidity position is tested in the following scenarios:

1. Base scenario, assuming current market conditions; this is the 'business as usual' situation.
2. Stressed liquidity scenario, in which both liabilities and assets are stressed. This assumes extreme withdrawals of liabilities as a result of an immediate and full letter downgrade of both Aegon's long-term financial health and short-term credit ratings. Furthermore, assets suffer an immediate capital market shock resulting in an initial

inability to sell investments other than ‘highly liquid’ ones. At the same time, assets and liabilities are assumed to have a permanent 3% parallel increase in (risk-free) interest rate.

Coverage ratio
Liquidity risk management includes calculating a ‘coverage ratio’ for each scenario. The coverage ratio is defined as actual liquidity divided by the liquidity requirement.

Liquidity risk management ensures that the coverage ratio under stressed liquidity scenario is at 1.33 for a two-year period. If the coverage ratio falls below these levels for any tested period, an action plan has to be drawn up by the management to adjust the liquidity position when the relevant scenario actually arises.

Internal reports are made on whether Aegon Spaarkas has adequate liquidity at the stressed liquidity scenario. If the coverage ratio falls below the fail level, management action and its effect on the coverage ratio are also reported.

Available liquidity
Available liquidity is determined by modeling the asset cash flows. These include but are not limited to:
- Diarized (contractual) repayments and coupon payments;
- Expected advance payments on certain categories of assets, such as early repayment of mortgage loans;
- Expected extensions of maturity on certain categories of assets;
- Sales proceeds on assets taking into account a maximum haircut of 1% compared with the current mid-rate.

Some cash flows are fixed and/or highly probable, while others depend on the specific market conditions involved in the scenarios. For example, it is assumed in the stresses liquidity scenario that assets other than highly liquid sovereign or corporate bonds which are explicitly and fully guaranteed by the local authorities cannot be sold in the first 6 months.

Required liquidity
The required liquidity is computed by modeling the cash flows from liabilities. These include but are not limited to:
- Diarized (contractual) repayments at maturity;
- Diarized benefits and claims;
- Non-diarized full or partial withdrawal of assets at call;
- Use of policy loans;
- Periodic premium payments and potential changes in them;
- New business activities.

For liabilities too, some cash flows are fixed and stable but most will vary considerably when a different liquidity scenario is applied. There will usually be little new commercial activity if Aegon Spaarkas’ rating is cut and the situation in the financial market deteriorates. The amount of cash provided as collateral for some derivative transactions will then also increase.

Results of the coverage ratios
Based upon the liquidity tests, Aegon Spaarkas holds EUR 57 million (2014: EUR 76 million) of general account investments in money market products and sovereign bonds that are readily saleable or redeemable on demand in the event of a liquidity shortfall. It is also possible to use such bonds as the basis for repurchase contracts so that liquidity can be drawn from the market. The afore mentioned amounts are based upon Aegon Spaarkas’ internally used definitions when testing the liquidity.

The coverage ratio is calculated after modeling the expected cash flows for assets and liabilities for each period of up to two years. The results of the coverage ratio, available liquidity divided by the required liquidity, show that Aegon Spaarkas had sufficient liquidity in different scenarios and for all tested periods at year end 2015. Aegon Spaarkas' coverage ratio at year end 2015 was not below the warning nor the fail level for stressed liquidity scenario.

On the basis of operating cash flows and the income from financial assets, therefore, Aegon Spaarkas expects to be able to continue to meet its liabilities.

The tables below on contractual maturities of liabilities do not provide information on liabilities held for the account and risk of policyholders as Aegon Spaarkas does not run a liquidity risk on them.

Maturity analysis liabilities – gross undiscounted contractual cash flows (for non-derivatives)

The tables below show the remaining contractual maturities for each category of financial liability. When the counterparty has a choice of when an amount is paid, the liability is included on the basis of the earliest date on which it can be required to be paid. Financial liabilities that are payable on demand with a given delay are reported in the category 'On demand'. If there is a notice period, Aegon Spaarkas has to assume that notice is given immediately and the repayment is presented at the earliest date after the end of the notice period. When the amount payable is not fixed, the amount reported is determined by reference to the conditions existing at the reporting date. For example, if the amount payable varies with changes in an index, the amount disclosed may be based on the level of the index at the reporting date.

2015	On demand	< 1 year	1 < 5 year	5 < 10 year	> 10 year	Total 2015
Long-term loans and group loans	-	2.000	-	-	-	2.000
Other financial liabilities	28.573	23.946	158	157	186	53.020
Total	**28.573**	**25.946**	**158**	**157**	**186**	**55.020**

2014	On demand	< 1 year	1 < 5 year	5 < 10 year	> 10 year	Total 2014
Long-term loans and group loans	-	-	-	-	-	-
Other financial liabilities	40.549	45.030	239	161	255	86.233
Total	**40.549**	**45.030**	**239**	**161**	**255**	**86.233**

Expected undiscounted cash flows relating to insurance and investment contracts

Aegon Spaarkas' liquidity management is based on expected claims, benefit payments rather than on the contractual maturities. The projected cash benefit payments in the table below are based on management's best estimates of the expected gross benefits and expenses, partially offset by the expected gross premiums, fees and charges relating to the existing business in force.

Estimated cash benefit payments are based on mortality, morbidity and lapse assumptions comparable with Aegon Spaarkas' historical experience, modified for recently observed trends. Actual payment obligations may differ if experience varies from these assumptions. The cash benefit payments are presented on an undiscounted basis and are before deduction of tax and before reinsurance.

The liability amount in the financial statements reflects the discounting for interest as well as adjustments for the timing of other factors as described above. As a result, the sum of the cash benefit payments shown for all years in the table exceeds the corresponding liability amounts included in note 13 'Insurance contracts for account of policyholders'.

2015	< 1 year	1 < 5 year	5 < 10 year	> 10 year	Total 2015
Insurance contracts for account policyholders	503.627	1.115.985	518.585	590.804	2.729.002
Total	**503.627**	**1.115.985**	**518.585**	**590.804**	**2.729.002**

2014	< 1 year	1 < 5 year	5 < 10 year	> 10 year	Total 2014
Insurance contracts for account policyholders	495.869	1.377.467	535.592	643.412	3.052.340
Total	**495.869**	**1.377.467**	**535.592**	**643.412**	**3.052.340**

Maturity analysis – derivatives (contractual cash flows)

The table below shows the liquidity analysis for derivative financial instruments, based on the undiscounted contractual net cash inflows and outflows on derivative instruments that settle on a net basis, and the undiscounted gross inflows and outflows on those derivatives that require gross settlement.

For gross settled derivatives, cash flows are presented in the table below for both the ‘paying leg’ and the ‘receiving leg’. The credit risk on the ‘receiving leg’ is mitigated by collateral and ISDA ‘master netting’ agreements as explained for ‘credit risk’.

This table includes all financial derivatives regardless of whether they have a positive or a negative value. For interest rate derivatives only cash flows related to the ‘paying leg’ are taken into account for determining the gross undiscounted cash flows.

2015	On demand	< 1 year	1 < 5 year	5 < 10 year	> 10 year	Total 2015
Cash inflows	-	3.181	783	1.704	1.324	6.992
Cash outflows	-	-1.191	-3.596	-2.450	-1.907	-9.144

2014	On demand	< 1 year	1 < 5 year	5 < 10 year	> 10 year	Total 2014
Cash inflows	-	2.888	8.665	18.010	45.790	75.352
Cash outflows	-	-3.563	-11.398	-19.485	-41.583	-76.029

4.4.11. Underwriting risk

General information

Aegon Spaarkas’ earnings depend significantly upon the extent to which actual claims experience differs from the assumptions used in setting the prices for products and establishing the technical liabilities and liabilities for claims. To the extent that actual claims experience is less favorable than the underlying assumptions used in establishing such liabilities, income would be reduced. Furthermore, if these higher claims were part of a permanent trend, Aegon Spaarkas may be required to increase liabilities, which could reduce income. In addition, certain acquisition costs related to the sale of new policies and the purchase of policies already in force have been recorded as assets on the statement of financial position and are being amortized into income over time. If the assumptions relating to the future profitability of these policies (such as future claims, investment income and expenses) are not realized, the amortization of these costs could be accelerated and may even require write offs due to unrecoverability. This could have a materially adverse effect on Aegon Spaarkas’ business, results of operations and financial condition.

Sources of underwriting risk include policyholder behavior (such as lapses or surrender of policies) and policy claims (such as mortality and morbidity). In general, Aegon Spaarkas is at risk if policy lapses increase as sometimes Aegon Spaarkas is unable to fully recover up front expenses in selling a product despite the presence of commission recoveries or surrender charges and fees. For mortality and morbidity risk, Aegon Spaarkas sells certain types of policies that are at risk if mortality or morbidity increases, such as term life insurance and accident insurance, and sells certain types of policies that are at risk if mortality decreases (longevity risk) such as annuity products. Aegon Spaarkas is also at risk if expenses are higher than assumed by management.

Aegon Spaarkas monitors and manages its underwriting risk by underwriting risk type. Attribution analysis is performed on earnings and reserve movements in order to understand the source of any material variation in actual results from what was expected. Aegon Spaarkas' business units also perform experience studies for underwriting risk assumptions, comparing Aegon Spaarkas' experience to industry experience as well as combining Aegon Spaarkas' experience and industry experience based on the depth of the history of each source to Aegon Spaarkas' underwriting assumptions. Where policy charges are flexible in products, Aegon Spaarkas uses these analyses as the basis for modifying these charges, with a view to maintain a balance between policyholder and shareholder interests. Aegon Spaarkas also has the ability to (partly) reduce expense levels over time, thus mitigating unfavorable expense variation.

<u>Notes to the table</u>
Sensitivity analysis of net income and shareholders' equity to various underwriting risks is shown in the table that follows. The sensitivities represent an increase or decrease of mortality and morbidity rates over best estimate. Increases in mortality rates lead to an increase in the level of benefits and claims. The impact on net income and shareholders' equity of sales transactions of investments required to meet the higher cash outflow is reflected in the sensitivities. A change in actual experience with mortality or morbidity rates may not lead to a change in the assumptions underlying the measurement of the insurance liabilities as management may recognize that the change is temporary. Life insurers are also exposed to longevity risk. Increased life expectation above Aegon Spaarkas' assumed life expectation at the time of underwriting negatively impacts its results.

	2015		2014	
	Estimated approximate effect		Estimated approximate effect	
	Net income	Equity	Net income	Equity
20% increase in lapse rates	286	286	475	475
20% decrease in lapse rates	-286	-286	-475	-475
10% increase in mortality rates	-527	-527	-605	-605
10% decrease in mortality rates	527	527	605	605
10% increase in morbidity rates	-3	-3	-4	-4
10% decrease in morbidity rates	3	3	4	4

4.4.12. *Other risks*

Catastrophes

Natural disasters, terrorism and fires could disrupt Aegon Spaarkas' operations and could result in significant loss of property, substantial personnel losses and the destruction of company and customer information. Generally, Aegon Spaarkas seeks to reduce its exposure to these events through individual risk selection, monitoring risk accumulation and purchasing reinsurance.

Legislation and regulation

Aegon Spaarkas' insurance activities are subject to comprehensive regulation and supervision. Changes in current legislation and regulation of insurance products may affect Aegon Spaarkas' products and operations. Changes in regulations on pensions and employee benefits, social security, financial services and taxation may adversely affect Aegon Spaarkas' ability to sell new products or its claims exposure on existing ones. Additionally, new or amended legislation or regulations may be more restrictive or result in higher costs than lead to higher costs than is currently the case.

Legal proceedings

Aegon Spaarkas is involved in litigation in the ordinary course of business, including litigation where compensatory or punitive damages and mass or class relief are sought. Current and former customers, both institutional as well as individual, and groups representing customers, initiate litigation. Also, certain groups encourage others to bring lawsuits in respect of products. Aegon Spaarkas has established litigation policies to deal with claims, defending when the claim is without merit and seeking to settle in certain circumstances. There can be no assurances that Aegon Spaarkas will be able to resolve existing litigation in the manner it expects or that existing or future litigation will not result in unexpected liability. For more details refer to note 28.2 “Litigations and proceedings”.

5. Investments

Investments for general account comprise financial assets, excluding derivatives. For a summary of all financial assets and financial liabilities at fair value through profit or loss see note 27.

	Note	31-12-2015	31-12-2014
Available-for-sale financial assets (AFS)	5.1	159.516	177.534
Loans (amortized cost)	5.2	68.811	69.703
Total investments for general account		**228.327**	**247.237**

5.1. Financial assets, excluding derivatives

2015	AFS	Loans	Total	Fair value
Debt securities	159.516	-	159.516	159.516
Money market and short-term investments				
Mortgage loans	-	59.296	59.296	60.707
Private loans	-	7.397	7.397	7.819
Policy loans	-	2.032	2.032	2.032
Other	-	86	86	86
At December 31	**159.516**	**68.811**	**228.327**	**230.160**

2014	AFS	Loans	Total	Fair value
Debt securities	177.534	-	177.534	177.534
Money market and short-term investments				
Mortgage loans	-	67.109	67.109	65.242
Private loans	-	-	-	-
Policy loans	-	2.525	2.525	2.525
Other	-	69	69	69
At December 31	**177.534**	**69.703**	**247.237**	**245.370**

	31-12-2015	31-12-2014
Current	18.456	24.050
Non-current	209.871	223.187
Total financial assets, excluding derivatives	**228.327**	**247.237**

Shares at fair value through profit or loss comprise Aegon Spaarkas owned stock of participations in investment funds. Policyholders are entitled to the value of the investments at year-end as underlying insurance systems have an earlier closure date than year-end. This timing difference is recognized as owned stock.

Certain mortgage loans shown within the category amortized loans are designated in portfolio fair value interest rate hedging relationships, and are fair valued with respect to the hedged interest rate. This resulted in a higher carrying value of EUR 4.0 million (2014: EUR 5.0 million).

None of the financial assets has been reclassified during the financial year.

5.2. Loans

Other loans comprise policy loans.

Loan allowance account

Movements on the loan allowance account during the year were as follows:

	2015	2014
At January 1	747	499
Addition charged to income statement	-	264
Reversal to income statement	-207	-
Amounts written off	-	-16
At December 31	**540**	**747**

6. Investments for account of policyholders

Investments for account of policyholders comprises financial assets held by investment funds to meet obligations to third parties. Investment returns on these assets are passed on to the policyholder.

The fees for managing these investments are included in note 20 ‘Fee and commission income’. For a summary of all financial assets and financial liabilities at fair value through profit or loss see note 27.

	31-12-2015	31-12-2014
Shares	1.886.843	2.116.295
Debt securities	320.464	367.062
Other financial investments	8.004	19.659
Cash and cash equivalents	418.181	453.242
	2.633.493	**2.956.258**

Almost all equities, bonds, cash and cash equivalents for account of policyholders are listed.

7. Derivatives

	Derivative asset		Derivative liability	
	31-12-2015	31-12-2014	31-12-2015	31-12-2014
Derivatives not designated in a hedge	-	-	9.522	21.939
Derivatives designated as fair value hedges	178	10	4.571	5.029
Total	**178**	**10**	**14.093**	**26.968**

	31-12-2015	31-12-2014
Current	-2.726	-20
Non-current	-11.189	-26.938
Total net derivatives	**-13.915**	**-26.958**

For a summary of all financial assets and financial liabilities at fair value through profit or loss see note 27.

	Derivative asset		Derivative liability	
	31-12-2015	31-12-2014	31-12-2015	31-12-2014
Derivatives held as an economic hedge	-	-	2.726	14.121
Bifurcated embedded derivatives	-	-	6.796	7.818
Total	**-**	**-**	**9.522**	**21.939**

Aegon Spaarkas uses derivative instruments as a part of its asset liability management strategy: the risk management of all assets and liabilities. They may relate to an existing asset or liability or a future reinvestment risk. Derivatives are classified as economic hedges to the extent that they do not qualify for hedge accounting or where Aegon Spaarkas has elected not to apply hedge accounting. In all cases, they are in accordance with internal risk guidelines and are closely monitored for continuing compliance with these guidelines.

Embedded derivatives that are not closely related to the host contracts have been bifurcated and are recorded at fair value in the statement of financial position, along with derivatives not used as hedges. These bifurcated embedded derivatives are embedded in unit-linked insurance contracts in the form of guarantees for minimum benefits.

The fair value of derivatives on both the asset and liability side of the consolidated statement of financial position decreased during 2015. This decrease is mainly due to the unwinds of mutually offsetting derivatives.

<u>Fair value hedge accounting</u>
Aegon Spaarkas' fair value hedges consist of interest rate swaps that are used to protect against changes in the fair value of fixed-rate instruments due to movements in market interest rates. Gains and losses on derivatives designated under fair value hedge accounting are recognized in the income statement. The effective portion of the fair value change on the hedged item is also recognized in the income statement. As a result, only the net accounting ineffectiveness has an impact on the net result.

For the year ended 31 December 2015, Aegon Spaarkas recognized EUR -/- 1 million of fair value changes on mortgage loans under fair value hedge accounting under the EU carve-out in the income statement (2014: EUR 4.7 million). This amount was offset by EUR -/- 623 thousand fair value changes recognized on the derivatives used as hedging instrument (2014: EUR 4,708 thousand). This offset is only possible when using the EU carve-out on hedge accounting as otherwise the hedge would not have been "highly" effective as required by IFRS.

The total net accounting ineffectiveness under the EU carve-out recognized in the income statement was EUR -/- 344 thousand in 2015 (2014: EUR 5 thousand).

As at December 31, 2015, the fair values of outstanding derivatives designated under fair value hedge accounting was EUR 4,394 thousand (2014: EUR 5,019 thousand), presented in the balance sheet as EUR 178 thousand (2014: EUR 10 thousand) under assets and EUR 4,571 thousand (2014: EUR 5,029 thousand) under liabilities.

<u>Other interest risk positions</u>

Interest rate derivatives are used to manage interest risk positions. These contracts are designated as economic hedges with respect to these risks. The main types of derivatives used for this are interest rate swaps, swaptions, caps/floors and forward rate agreements/futures.

For more information on the guarantees refer to note 14 'Guarantees'.

	31-12-2015	31-12-2014
Fair value changes mortgage loans recognized in income statement under the EU carve-out	-967	4.713
Offset amount of fair value changes recognized on derivatives used as hedging instrument	623	-4.708
Total accounting ineffectiveness under the EU carve-out recognized in the income statement	**-344**	**5**

Fair value of outstanding derivatives designated under fair value hedge accounting was:

	31-12-2015	31-12-2014
Presented as asset	178	10
Presented as liability	4.571	5.029
Total	**-4.394**	**-5.019**

8. Long term loans and group loans

	2015	2014
Loan Aegon Derivatives N.V.	8.000	5.000
Loan Aegon Levensverzekering N.V.	-	15.000
At December 31	**8.000**	**20.000**
current	8.000	20.000
non-current	-	-
Total	**8.000**	**20.000**

Aegon Spaarkas has a receivable via Aegon Derivatives N.V. of EUR 8 million (2014: EUR 5 million), in respected posted collateral. Both concern current loans.

9. Deferred expenses

	2015	2014
At January 1	150	247
Amortization through income statement	-44	-97
At December 31	**105**	**150**
Current	79	65
Non-current	26	85
	105	**150**

The deferred expenses relate to life insurance contracts. The carrying amounts disclosed reasonably approximate the fair values at year-end.

10. Other assets and receivables

	Note	31-12-2015	31-12-2014
Receivables	10.1	83.033	15.811
Accrued income	10.2	2.414	2.812
Total		**85.447**	**18.623**

10.1. Receivables

	31-12-2015	31-12-2014
Receivables from policyholders	11.805	13.013
Income tax receivable	-	2.652
Current account with Aegon Nederland N.V.	71.228	-
Other	-	146
Total	**83.033**	**15.811**
Current	83.033	15.811
Non-current	-	-
Total	**83.033**	**15.811**

The carrying amounts disclosed reasonably approximate the fair values at year-end.

<u>Information on provision for doubtful debts:</u>

Movement schedule

	31-12-2015	31-12-2014
At January 1	-	217
Used during the year	-	-217
At December 31	**-**	**-**

10.2. Accrued income

	2015	2014
Accrued interest	2.393	2.787
Prepaid expenses	21	25
At December 31	**2.414**	**2.812**

The account ‘Accrued income’ is classified entirely as current assets. The carrying amounts disclosed reasonably approximate the fair values at year-end.

11. Cash and cash equivalents

	31-12-2015	31-12-2014
Cash at bank and in hand	3.399	14.217
Short-term deposits	49.994	113.998
Money market investments	-	13.002
Total	**53.394**	**141.216**

The carrying amounts disclosed reasonably approximate the fair values at year-end. The collateral relates to securities lending and repurchase agreements and margins on derivatives transactions. A corresponding liability to repay the cash is recognized in other liabilities.

These cash items are not subject to restrictions.

12. Equity

	31-12-2015	31-12-2014
Share capital	910	910
Share premium	2	2
Revaluation reserves	8.541	11.909
Retained earnings	221.868	218.807
Net income / (loss)	7.938	3.061
Total	**239.259**	**234.689**

12.1. Share capital

	31-12-2015	31-12-2014
Authorized share capital	4.500	4.500
Not issued	3.590	3.590
	910	**910**

The authorized share capital is EUR 4.5 million, divided into 9,000 shares of EUR 500 nominal value each, of which 1,820 shares have been issued and fully paid. There have been no changes since the previous financial year. In 2015 and 2014 Aegon Spaarkas did not pay a dividend to Aegon Nederland N.V.

Under Dutch law the amount that is legally available to distribute as dividend to the shareholder consists of the amount that is available after deduction of the amount of the outstanding share capital (both the paid-in and the not paid-in amount on the share capital) and the amount equal to the legal and statutory reserves.

Furthermore, Aegon Spaarkas may cancel distributions of dividend where there is non-compliance with the solvency capital requirement or the distribution of dividend would lead to non-compliance with the solvency capital requirement. In such circumstances, a distribution of dividend may only take place if (i) DNB has exceptionally waived the cancellation of dividends, (ii) the distribution would not lead to a further deterioration of the solvency position of the insurance subsidiary and (iii) the minimum capital requirement is still complied with after the distribution is made.

12.2. Revaluation reserves

	2015	2014
At January 1	11.909	4.781
Gross revaluation	-3.843	13.846
Net (gains) / losses transferred to income statement	-648	-4.343
Tax effect	1.123	-2.376
At December 31	**8.541**	**11.909**

The revaluation reserves for available-for-sale financial assets comprise unrealized gains and losses on these investments, net of tax. Upon sale of available-for-sale securities, the realized result is recognized through the income statement. In the event of impairments, the unrealized loss is recognized through the income statement.

13. Insurance contracts for account of policyholders

Movements during the year in insurance contracts for account of policyholders

	2015	2014
At January 1	3.028.509	3.116.136
Gross premiums	83.995	103.736
Unwind of discount / interest credited	231.444	442.664
Insurance liabilities released	-629.875	-630.400
Changes in valuation of expected future benefits	-3.686	-442
Portfolio transfers and acquisitions	21	116
Expense loadings released	-14.197	-3.300
At December 31	**2.696.211**	**3.028.509**

14. Guarantees

14.1. Financial guarantees

Individual variable unit-linked products have a minimum benefit guarantee if premiums are invested in certain funds. The sum insured at maturity or upon the death of the beneficiary has a minimum guaranteed return (in the range of 3% to 4%) if the premium has been paid for a consecutive period of at least ten years and is invested in a mixed fund and/or fixed-income funds. No guarantees are given for equity investments only.

The following table provides information on the liabilities for financial guarantees for minimum benefits, net of present value of the expected future premiums that are received to cover these guarantees:

	2015	2014
At January 1	7.818	6.761
Changes in valuation of expected future benefits	-1.022	1.057
At December 31	**6.796**	**7.818**

Balances are included in the derivatives liabilities on the face of the statement of financial position; refer to note 7 ‘Derivatives’.

15. Long term borrowings and group loans

	2015	2014
Loan Aegon Levensverzekering N.V.	2.000	-
At December 31	**2.000**	**-**
current	2.000	-
non-current	-	-
Total	**2.000**	**-**

Aegon Spaarkas has entered into a short term deposit with Aegon Levensverzekering of EUR 2 million (2014: EUR 0 million).

16. Deferred tax

	31-12-2015	31-12-2014
Deferred tax assets	8	45
Deferred tax liabilities	4.368	7.139
Total net deferred tax liability / (asset)	**4.360**	**7.094**

Movement in deferred tax

2015	Financial assets	Insurance contracts	Def. expenses VOBA and intang. assets	Total 2015
At January 1	5.210	1.929	-45	7.094
Charged to income statement	-1.081	-566	37	-1.611
Charged to equity	-1.123	-	-	-1.123
At December 31	**3.006**	**1.362**	**-8**	**4.360**

2014	Financial assets	Insurance contracts	Def. expenses VOBA and intang. assets	Total 2014
At January 1	3.049	2.261	-249	5.061
Charged to income statement	-215	-332	204	-343
Charged to equity	2.376	-	-	2.376
At December 31	**5.210**	**1.929**	**-45**	**7.094**

Deferred tax assets and liabilities are netted if there is a legally enforceable right to net current tax assets and liabilities and the deferred tax items relate to the same taxation authority. Deferred tax assets are recognized for temporary differences, carry forward of unused tax losses and carry forward of unused tax credits when, in the opinion of management, it is probable that they can be utilized. All deferred taxes are non-current.

We refer to prior period error in note 2.1.3.

17. Other liabilities and accruals

	Note	31-12-2015	31-12-2014
Other liabilities	17.1	53.020	86.233
Total		**53.020**	**86.233**

17.1. Other liabilities

	31-12-2015	31-12-2014
Payables due to policyholders	43.876	64.820
Investment creditors	1	-
Social security and taxes payable	1.596	1.013
Current account with Aegon Nederland N.V.	-	8.207
Other creditors	7.547	12.193
Total	**53.020**	**86.233**
Current	52.519	85.579
Non-current	501	654
	53.020	**86.233**

The carrying amounts disclosed reasonably approximate fair value at year-end.

18. Premium income and premium to reinsurers

	2015		2014	
	Gross	Reinsurance	Gross	Reinsurance
Life	84.028	33	103.778	43
Total	**84.028**	**33**	**103.778**	**43**

Recurring premiums	2015			2014		
	Total			Total		
	Gross	Reinsurance	General Account	Gross	Reinsurance	General Account
Without profitsharing	83.701	33	83.668	103.446	43	103.403
With profitsharing	0	0	0	0	0	0
Life	**83.701**	**33**	**83.668**	**103.446**	**43**	**103.403**

Single premiums	2015			2014		
	Total			Total		
	Gross	Reinsurance	General Account	Gross	Reinsurance	General Account
Without profitsharing	327	0	327	333	0	333
With profitsharing	0	0	0	0	0	0
Life	**327**	**0**	**327**	**333**	**0**	**333**

	2015 Gross	2015 Reinsurance	2014 Gross	2014 Reinsurance
Total premiums	**84.028**	**33**	**103.778**	**43**

All premium income (including reinsurance) recognized relates to insurance contracts entered into from the Netherlands.

19. Investment income

	2015	2014
Investment income related to general account	3.884	5.954
Investment income for account of policyholders	32.047	33.927
	35.931	**39.881**

Investment income consists of:

	2015	2014
Interest income out of:		
- Debt securities	15.991	17.562
- Loans	1.294	1.503
- Other investments	-1.369	-471
Dividend income from shares	20.016	21.287
Total	**35.931**	**39.881**

Interest income accrued on impaired financial assets	84	141
Interest income on financial assets that are not carried at fair value through profit or loss	4.496	6.402

Investment income from financial assets for general account:

	2015	2014
Available-for-sale	3.533	4.483
Loans	1.297	1.506
Fair value through profit or loss	426	439
Derivatives	-1.038	-887
Other	-334	413
Total	**3.884**	**5.954**

20. Fee and commission income

	2015	2014
Fee income from asset management	10.976	11.532
Total	**10.976**	**11.532**

21. Results from financial transactions

	2015	2014
Net fair value change of general account financial investments FVTPL, other than derivatives	-	313
Realized gains / (losses) on financial investments	648	4.343
Net fair value change of derivatives	-2.645	-54
Net fair value change on financial assets at fair value through profit or loss for account of policyholder	196.813	403.109
Net foreign currency gains / (losses)	-	-274
Total	**194.815**	**407.437**

Net fair value change of general account financial investments at fair value through profit or loss, other than derivatives comprise:

	2015	2014
Shares	-	313
Total	**-**	**313**

Realized gains and losses on financial investments

	2015	2014
Debt securities and money market investments (AFS)	648	4.343
Total	**648**	**4.343**

Net fair value change of derivatives comprise:

	2015	2014
Net fair value change on economic hedges where no hedge accounting is applied	-3.323	997
Net fair value change on bifurcated embedded derivatives	1.022	-1.057
Ineffective portion of hedge transactions to which hedge accounting is applied	-344	5
Total	**-2.645**	**-54**

The ineffective portion of hedge transactions to which hedge accounting is applied comprises:	2015	2014
Fair value change on hedging instruments in a fair value hedge	623	-4.708
Fair value change on hedged items in fair value hedge	-967	4.713
Ineffectiveness fair value hedge	**-344**	**5**

The net fair value change on embedded derivatives includes the fair value movements of bifurcated embedded derivatives (minimum guarantees on unit-linked policies). The net fair value change on free standing derivatives includes the fair value movements of derivatives to hedge certain risks in these guarantees.

Net fair value change on for account of policyholders financial assets at fair value through profit or loss

	2015	2014
Shares	204.420	397.694
Debt securities and money market investments	-7.607	619
Other	-	4.796
Total	**196.813**	**403.109**

22. Policyholder claims and benefits

	2015	2014
Claims and benefits paid to policyholders	619.078	618.348
Change in valuation of liabilities for insurance and investment contracts	-328.512	-82.061
Total	**290.566**	**536.287**

23. Commissions and expenses

	2015	2014
Commissions	24	20
Administration expenses	23.901	20.707
Amortization of deferred expenses	44	97
Total	**23.970**	**20.823**

Administration expenses

Aegon Nederland allocates expenses to subsidiaries according to the extent to which the expenses incurred can be related to the activities of the subsidiary. This allocation is examined each year.
The administration expenses do not include depreciation expenses.

Employees

Aegon Spaarkas does not have employees, but makes use of the employees that are on the payroll of Aegon Nederland N.V. The salaries, social security contributions and pension contributions for staff working for Aegon Spaarkas are recharged to Aegon Spaarkas by Aegon Nederland N.V.

The assets and liabilities arising from employee benefits for staff working for Aegon Spaarkas are recognized in the financial statements of Aegon Nederland N.V... Refer to the financial statements of Aegon Nederland N.V. for more information on the pension plan and the defined benefit liabilities. The pension cost charged (post-employment benefit costs) to Aegon Spaarkas are a fixed percentage of the salaries charged to the entity.

Remuneration Executive Board

The members of the Executive Board of Aegon Spaarkas are also members of the Executive Boards of the other entities within the Aegon Nederland Group, including the Executive Board of Aegon Nederland N.V. The members of the Executive Board are employees of Aegon Nederland N.V. and receive their remuneration via Aegon Nederland N.V. The table below represents the total remuneration for their activities within Aegon Nederland group. The amounts are in euro, instead of EUR thousand.

	2015	2014
Current Executive Board members		
Gross salary and social security contributions	3.472.689	3.156.386
Pension premium	726.000	550.958
Other benefits	488.211	108.765
Total	**4.686.900**	**3.816.109**

Aegon Nederland allocates expenses to subsidiaries according to the extent to which the expenses incurred can be related to the activities of the subsidiary. With respect to the total remuneration of the Executive Board of Aegon Nederland in 2015, 3% (2014: 4%) was allocated to the income statement of Aegon Spaarkas.

Mortgage loans Executive Board

On the reporting date, members of the Executive Board had mortgage loans totaling EUR 4.75 million from a company associated with Aegon Nederland (2014: EUR 5.66 million) at interest rates ranging from 2.25% variable to 5.9% in line with the terms and conditions available to the employees of Aegon Nederland. Repayments of EUR 1.22 million were received in 2015 (2014: EUR 75,000).

Remuneration Supervisory Board

Members and former members of the Supervisory Board are regarded as key management personnel. Aegon Spaarkas has a Supervisory Board since November 2011, which is equal to the Supervisory Board of parent company Aegon Nederland.

The remuneration for the Supervisory Board members charged to Aegon Nederland N.V. in the financial year pursuant to Section 383:1 of Book 2 of the Netherlands Civil Code was EUR 156 thousand (2014: EUR 134 thousand). This remuneration consists entirely of gross pay and the employer's share of social security charges. The member of the Supervisory Board employed by Aegon N.V. did not receive any remuneration for his membership. No payments were made in connection with severance schemes; no remuneration or rights attaching to shares were granted.

The members of the Supervisory Board of Aegon Spaarkas do not receive additional remuneration for this task.

Mortgage loans Supervisory Board

On the reporting date, none of the Supervisory Board members had mortgage loans from a company associated with Aegon Nederland.

Remuneration Independent Auditor

PricewaterhouseCoopers Accountants N.V. has served as Aegon Spaarkas' independent public auditor during 2015 and audited these financial statements. The fees for services rendered to Aegon Spaarkas need not be disclosed in this Annual Report, based on article 382a.3 of Book 2 of the Netherlands Civil Code. The aggregate fees for professional services and other services rendered by PricewaterhouseCoopers Accountants N.V. to the whole group of Aegon N.V. are disclosed in the Annual Report of Aegon N.V.

24. Impairment charges / (reversals)

	2015	2014
Impairment charges comprise:		
Loans	398	264
Total	**398**	**264**
Reversals of impairment charges comprise:		
Loans	-604	-
Total	**-604**	**-**
Net impairment charges / (reversals)	**-207**	**264**

25. Interest charges and related fees

	2015	2014
Short-term liabilities and deposits	805	1.131
Total	**805**	**1.131**
Interest charges accrued on financial assets and liabilities not carried at fair value through profit or loss	805	1.131

26. Income tax

	2015	2014
Current tax		
- current year	4.257	1.363
Deferred tax		
- origination / (reversal) of temporary differences	-1.611	-343
Income tax for the period (income) / charge	**2.646**	**1.020**

The temporary differences relate mainly to financial assets, insurance contracts and deferred expenses.

The weighted average applicable statutory tax rate for Aegon Spaarkas in 2015 and 2014 was 25% and will remain the same in 2016.

Reconciliation between standard and effective income tax:

	2015	2014
Income before tax	10.584	4.081
Income tax calculated using weighted average applicable statutory rates	2.646	1.020
Income tax for the period (income) / charge	**2.646**	**1.020**

	2015	2014
Items that may be reclassified subsequently to profit and loss:		
Gains / losses on revaluation of available-for-sale investments	-961	3.462
Gains / losses transferred to the income statement on disposal and impairment of available-for-sale investments	-162	-1.086
Total income tax related to components of other comprehensive income	**-1.123**	**2.376**

27. Fair value of assets and liabilities

The estimated fair values of assets and liabilities of Aegon Spaarkas correspond with the amounts that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When available, Aegon Spaarkas uses quoted market prices in active markets to determine the fair value of investments and derivatives. In the absence of an active market, the fair value of investments in financial assets is estimated by using other market observable data, such as corroborated external quotes and present value or other valuation techniques. An active market is one in which transactions are taking place regularly on an arm's length basis. Fair value is not determined based upon a forced liquidation or distressed sale.

Valuation techniques are used when Aegon Spaarkas determines the market is inactive or quoted market prices are not available for the asset or liability at the measurement date. However, the fair value measurement objective remains the same, that is, to estimate the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions (i.e. an exit price at the measurement date from the perspective of a market participant that holds the asset or owes the liability). Therefore, unobservable inputs reflect the own assumptions of Aegon Spaarkas about the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk). These inputs are developed based on the best information available.

Aegon Spaarkas employs an oversight structure over valuation of financial instruments that includes appropriate segregation of duties. Senior management, independent of the investing functions, is responsible for the oversight of control and valuation policies and for reporting the results of these policies. For fair values determined by reference to external quotation or evidenced pricing parameters, independent price determination or validation is utilized to corroborate those inputs. Further details of the validation processes are set out below.

Valuation of financial assets and liabilities is based on a pricing hierarchy, in order to maintain a controlled process that will systematically promote the use of prices from sources in which Aegon Spaarkas has the most confidence, where the least amount of manual intervention exists and to embed consistency in the selection of price sources. Depending on asset type the pricing hierarchy consists of a waterfall that starts with making use of market prices from indices and follows with making use of third-party pricing services or brokers.

27.1. Fair value hierarchy

The table below provides an analysis of assets and liabilities recorded at fair value on a recurring basis by level of the fair value hierarchy.

2015	Level I	Level II	Level III	Total 2015
Assets carried at fair value				
AFS investments				
- Debt securities	56.995	83.772	18.749	159.516
FVTPL investments				
- Investments account policyholders	2.162.642	465.166	5.684	2.633.493
- Derivatives	-	178	-	178
Total assets	**2.219.637**	**549.116**	**24.433**	**2.793.187**
Liabilities carried at fair value				
- Derivatives	-	7.297	6.796	14.093
Total liabilities	**-**	**7.297**	**6.796**	**14.093**

2014	Level I	Level II	Level III	Total 2014
Assets carried at fair value				
AFS investments				
- Debt securities	75.770	82.939	18.825	177.534
FVTPL investments				
- Investments account policyholders	2.339.109	524.729	92.420	2.956.258
- Derivatives	-	10	-	10
Total assets	**2.414.878**	**607.679**	**111.246**	**3.133.803**
Liabilities carried at fair value				
- Derivatives	-	19.151	7.818	26.968
Total liabilities	**-**	**19.151**	**7.818**	**26.968**

Movements in level III financial instruments measured at fair value

2015	As at 1-1-2015	Result income statement	Result OCI	Purchases	Sales	Transfers between I/II and III	As at 31-12-2015	Result year-end
Assets carried at fair value								
AFS investments								
- Debt securities	18.825	-	19	-	-96	-	18.749	-
FVTPL investments								
- Investments account policyholders	92.420	4.295	-	4.216	-95.247	-	5.684	-219
Total assets	**111.246**	**4.295**	**19**	**4.216**	**-95.343**	**-**	**24.433**	**-219**
Liabilities carried at fair value								
- Derivatives	7.818	-1.022	-	-	-	-	6.796	-1.022
Total liabilities	**7.818**	**-1.022**	**-**	**-**	**-**	**-**	**6.796**	**-1.022**

2014	As at 1-1-2014	Result income statement	Result OCI	Purchases	Sales	Transfers between I/II and III	As at 31-12-2014	Result year-end
Assets carried at fair value								
AFS investments								
- Debt securities	10.743	48	-121	11.768	-2.036	-1.578	18.825	-
FVTPL investments								
- Investments account policyholders	122.675	9.427	-	-	-39.681	-	92.420	9.427
Total assets	**133.418**	**9.475**	**-121**	**11.768**	**-41.717**	**-1.578**	**111.246**	**9.427**
Liabilities carried at fair value								
- Derivatives	6.761	1.057	-	-	-	-	7.818	1.057
Total liabilities	**6.761**	**1.057**	**-**	**-**	**-**	**-**	**7.818**	**1.057**

The total gains / (losses) in the last column relate to the total income in the financial year during which the financial instrument was held as Level III instrument.

Significant transfers between Levels

Aegon Spaarkas’ 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. Regarding GA investments there were no significant transfers between Level I and Level II of the fair value hierarchy during 2014 and 2015. There were no significant transfers between Level II and Level III of the fair value hierarchy during 2015. During 2014, Aegon Spaarkas transferred financial instruments with a net value of EUR -1.6 million from Level III to Level II, because their value could be corroborated in 2014 in comparison to 2013.

Significant unobservable assumptions

The table below presents information about the significant unobservable inputs used for recurring fair value measurements for certain Level III assets and liabilities.

2015	Carrying amount	Valuation technique	Significant unobservable input*	Range	Weighted average
Assets carried at fair value					
AFS investments					
Debt securities - ABS	18.749	Broker quote	n.a.	n.a.	n.a.
Total assets at fair value	**18.749**				
Liabilities carried at fair value					
Bifurcated embedded derivatives in insurance contracts	6.796	Discounted cash flow	Credit spread	0.30	0.30
Total liabilities at fair value	**6.796**				

2014	Carrying amount	Valuation technique	Significant unobservable input*	Range	Weighted average
Assets carried at fair value					
AFS investments					
Debt securities - ABS	18.825	Broker quote	n.a.	n.a.	n.a.
Total assets at fair value	**18.825**				
Liabilities carried at fair value					
Bifurcated embedded derivatives in insurance contracts	7.818	Discounted cash flow	Credit spread	0.25	0.25
Total liabilities at fair value	**7.818**				

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

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 the net income or equity of Aegon Spaarkas. The effect on total assets is offset by the effect on total liabilities.

Effect of changes in significant unobservable assumptions to reasonably possible alternatives

The following table shows the sensitivity of the fair value of Level III instruments to changes in key assumptions, by class of instrument. The effect of an increase of a reasonable possible alternative assumption on the carrying amount is shown in the column ‘positive’ and a decrease in the column ‘negative’.

2015	Carrying amount	Significant unobservable input	Note	Effect of reasonably possible alternative assumptions	
				positive	negative
Liabilities carried at fair value					
Bifurcated embedded derivatives in insurance contracts	6.796	Credit spread	c	-119	121

2014	Carrying amount	Significant unobservable input	Note	Effect of reasonably possible alternative assumptions	
				positive	negative
Liabilities carried at fair value					
Bifurcated embedded derivatives in insurance contracts	7.818	Credit spread	c	163	-158

c. To determine the fair value of the bifurcated embedded derivatives related to guarantees, a discount rate is used including own credit spread. An increase in the own credit spread results in lower valuation, while a decrease results in a higher valuation of the embedded derivatives. Aegon Spaarkas increased or decreased the own credit spread by 20 basis points.

Fair value information about assets and liabilities not measured at fair value

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

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, accrued liabilities and long term borrowings and group loans. These instruments are not included in the table below.

Furthermore, for certain financial instruments disclosed in the table below, the carrying amounts of reasonably approximate the disclosed fair values at year-end. Therefore the unobservable inputs regarding the fair value are listed as not applicable (n.a.).

In 2014, Aegon Nederland updated the fair value calculation of its Dutch mortgage loans based on additional market observable data. This resulted in an increase in the discount rate used to present value the future cash flows, mainly driven by an increase in the cost of funds. In 2015 further refinements have been made, we refer to note 3.2 changes in estimates.

All of the instruments disclosed in the table are held at amortized cost.

2015	Carrying amount December 31	Total estimated fair value, December 31	Level of fair value hierarchy			Valuation technique	Unobservable inputs
			Level I	Level II	Level III		
Assets							
Mortgage loans	59.296	60.707	-	-	60.707	Discounted cash flow	Liquidity premium; spreads for credit risk, expenses and prepayments, lapse assumptions
Private loans	7.397	7.819	-	-	7.819	Discounted cash flow	-
Policy loans	2.032	2.032	n.a.	n.a.	n.a.	n.a.	n.a.

2014	Carrying amount December 31	Total estimated fair value, December 31	Level of fair value hierarchy			Valuation technique	Unobservable inputs
			Level I	Level II	Level III		
Assets							
Mortgage loans	67.109	65.242	-	-	65.242	Discounted cash flow	Liquidity premium; spreads for credit risk, expenses and prepayments, lapse assumptions
Private loans	-	-	-	-	-	Discounted cash flow	-
Policy loans	2.525	2.525	n.a.	n.a.	n.a.	n.a.	n.a.

27.1.1. Shares

When available, Aegon Spaarkas 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 lack of liquidity 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.

27.1.2. Debt securities

The fair values of debt securities are determined by management after taking into consideration several sources of data. When available, Aegon Spaarkas uses quoted market prices in active markets to determine the fair value of its debt securities. As stated previously, Aegon Spaarkas' valuation policy utilizes a pricing hierarchy which dictates that publicly available prices are initially sought from indices and third party pricing services. In the event that pricing is not available from these sources, those securities are submitted to brokers to obtain quotes. The majority of brokers' quotes are non-binding. As part of the pricing process, Aegon Spaarkas assesses the appropriateness of each quote (i.e., as to whether the quote is based on observable market transactions or not) to determine the most appropriate estimate of fair value. Lastly, securities are priced using internal cash flow modeling techniques. These valuation methodologies commonly use the following inputs: reported trades, bids, offers, issuer spreads, benchmark yields, estimated prepayment speeds, and/or estimated cash flows.

To understand the valuation methodologies used by third-party pricing services Aegon Spaarkas reviews and monitors the applicable methodology documents of the third-party pricing services. Any changes to their methodologies are noted and reviewed for reasonableness. In addition, Aegon Spaarkas performs in-depth reviews of prices received from third-party pricing services on a sample basis. The objective for such reviews is to demonstrate that Aegon Spaarkas can corroborate detailed information such as assumptions, inputs and methodologies used in pricing individual securities against documented pricing methodologies. Only third-party pricing services and brokers with a substantial presence in the market and with appropriate experience and expertise are used.

Third-party pricing services will often determine prices using recently reported trades for identical or similar securities. The third-party pricing service makes adjustments for the elapsed time from the trade date to the balance sheet date to take into account available market information. Lacking recently reported trades, third-party pricing services and brokers will use modeling techniques to determine a security price where expected future cash flows are developed based on the performance of the underlying collateral and discounted using an estimated market rate.

Periodically, Aegon Spaarkas performs an analysis of the inputs obtained from third-party pricing services and brokers to ensure that the inputs are reasonable and produce a reasonable estimate of fair value. The asset specialists and investment valuation specialists consider both qualitative and quantitative factors as part of this analysis. Several examples of analytical procedures performed include, but are not limited to, recent transactional activity for similar debt securities, review of pricing statistics and trends and consideration of recent relevant market events. Other controls and procedures over pricing received from indices, third-party pricing services, or brokers include validation checks such as exception reports which highlight significant price changes, stale prices or un-priced securities. Additionally Aegon Spaarkas performs back testing on a sample basis. Back testing involves selecting a sample of securities trades and comparing the prices in those transactions to prices used for financial reporting. Significant variances between the price used for financial reporting and the transaction price are investigated to explain the cause of the difference.

Credit ratings are also an important consideration in the valuation of securities and are included in the internal process for determining the view of Aegon Spaarkas of the risk associated with each security. However, Aegon Spaarkas does not rely solely on external credit ratings and there is an internal process, based on market observable inputs, for determining Aegon Spaarkas' view of the risks associated with each security.

Aegon Spaarkas' portfolio of private placement securities (held at fair value under the classification of available-for-sale or fair value through profit or loss) is valued using a matrix pricing methodology. The pricing matrix is obtained from a third-party service provider and indicates current spreads for securities based on weighted average life, credit rating, and industry sector. Each month, Aegon Spaarkas' asset specialists review the matrix to ensure the spreads are reasonable by comparing them to observed spreads for similar bonds traded in the market. Other inputs to the valuation include coupon rate, the current interest rate curve used for discounting and an liquidity premium to account for the illiquid nature of these securities. The liquidity premiums are determined based upon the pricing of recent transactions in the private placements market; comparing the value of the privately offered security to a similar public security. The impact of the liquidity premium for private placement securities to the overall valuation is insignificant.

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

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

Residential mortgage-backed securities (RMBS), commercial mortgage-backed securities (CMBS) and asset-backed securities (ABS)
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 making use of 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 Spaarkas 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. The most significant unobservable input is liquidity premium which is embedded in the discount rate.

Corporate bonds
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 Spaarkas starts by taking an observable credit spread from a similar bond of the given issuer, and then adjust this spread based on unobservable inputs. These unobservable inputs may include subordination, liquidity and maturity differences.

Corroboration
On a quarterly basis level classifications are assigned to all securities. Those securities that have been priced by non-binding broker quotes are classified level II/III at first instance and are corroborated in order to assign the proper level. Aegon Spaarkas compares the received quote against all available other evidence. If differences between the price used to measure the security and two additional prices are within a 3% difference range a level II is assigned, otherwise the security is classified as being level III. If quotes were not to be corroborated and

did not seem to reflect a fair value, measures are taken to get a more reliable valuation; these securities always classify as level III.

27.1.3. *Mortgage loans and policy loans*

For fixed interest mortgage loans and other loans originated by Aegon Spaarkas, the fair value used for disclosure purposes is estimated by discounting expected future cash flows using a current market rate applicable to financial instruments with similar yield, credit quality and maturity characteristics. The market rate is adjusted for expenses, liquidity, credit risk, prepayment rates and lapse assumptions.

The fair value of floating interest rate mortgage loans and policy loans used for disclosure purposes is assumed to be approximated by their carrying amount, adjusted for changes in credit risk. Credit risk adjustments are based on market observable credit spreads if available, or management's estimate if not market observable.

27.1.4. *Money market and other short-term investment and deposits with financial institutions*

The fair value of assets maturing within a year is assumed to be approximated by their carrying amount adjusted for credit risk where appropriate. Credit risk adjustments are based on market observable credit spreads if available, or management's estimate if not market observable.

27.1.5. *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.

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) derivative financial instruments 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.

In the fourth quarter of 2014 Aegon Spaarkas changed the discount rate used in measuring the fair value of the majority of its euro-denominated derivatives positions in the Netherlands. The valuation changed from using Euribor Swap curves to a valuation based on the Overnight Index Swap (OIS) curve. The valuation based on the OIS curve better reflects the value of these derivatives positions in case of an exit or settlement.

Aegon Spaarkas normally mitigates counterparty credit risk in derivative contracts by entering into collateral agreements where practical and in ISDA[3] master netting agreements to offset credit risk exposure. In the event no collateral is held by Aegon Spaarkas or the counterparty, the fair value of derivatives is adjusted for credit risk based on market observable spreads. Changes in the fair value of derivatives attributable to changes in counterparty credit risk were not significant.

[3] International Swaps and Derivatives Associations

27.1.6. *Embedded derivatives in insurance contracts including guarantees*

All bifurcated guarantees for minimum benefits in insurance contracts are carried at fair value. These relate mainly to minimum interest guarantees on insurance products.

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 own 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 own credit spread. The own credit spread used in the valuations of embedded derivatives in insurance contracts is 0.30% for the year ended (2014: 0.25%).

The expected returns are based on risk-free rates. Aegon Spaarkas 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).

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.
See also note 14 ‘Guarantees’.

27.2. Summary of financial assets and financial liabilities at fair value through profit or loss

The table that follows summarizes the carrying amounts of financial assets and financial liabilities that are classified as at fair value through profit or loss, with appropriate distinction between those financial assets and financial liabilities held for trading and those that, upon initial recognition, were designated as at fair value through profit or loss.

	2015		2014	
	Trading	Designated	Trading	Designated
Investments for general account	-	4.011	-	4.978
Investments for account of policyholders	-	2.633.493	-	2.956.258
Derivatives with positive values	-	178	-	10
Total financial assets at FVTPL	**-**	**2.637.681**	**-**	**2.961.247**

	2015		2014	
	Trading	Designated	Trading	Designated
Derivatives with negative values	2.726	11.367	14.121	12.847
Total financial liabilities at FVTPL	**2.726**	**11.367**	**14.121**	**12.847**

Gains and losses recognized in the income statement on financial assets and financial liabilities classified as at fair value through profit or loss can be summarized as follows:

	2015		2014	
	Trading	Designated	Trading	Designated
Net gains and losses	-3.306	197.473	1.051	402.043

Investments for general account
Investments for general account backing insurance and investment liabilities, that are carried at fair value with changes in the fair value recognized in the income statement, are designated at fair value through profit or loss. Aegon Spaarkas elected to designate these investments at fair value through profit or loss, as classification of these financial assets as available-for-sale would result in accumulation of unrealized gains and losses in a revaluation reserve within equity whilst changes to the liability would be reflected in net income (accounting mismatch).

Investments for account of policyholders
Investments held for account of policyholders comprise assets that are linked to various insurance and investment contracts for which the financial risks are borne by the customer. Under the accounting policies of Aegon Spaarkas these insurance and investment liabilities are measured at the fair value of the linked assets with changes in the fair value recognized in the income statement. To avoid an accounting mismatch the linked assets have been designated as at fair value through profit or loss.

In addition, the investments for account of policyholders include with profit assets, where an insurer manages these assets together with related liabilities on a fair value basis in accordance with a documented policy of asset and liability management. In accordance with Aegon Spaarkas' accounting policies, these assets have been designated as at fair value through profit or loss.

Investment contracts for account of policyholders
With the exception of the financial liabilities with discretionary participating features that are not subject to the classification and measurement requirements for financial instruments, all investment contracts for account of policyholders that are carried at fair value or at the fair value of the linked assets are included in the table above.

Derivatives
With the exception of derivatives designated as a hedging instrument, all derivatives held for general account and held for account of policyholders are included in the table above.

Changes in the fair value of financial liabilities designated at fair value through profit or loss were not attributable to changes in credit spread. There are also no differences between the carrying amounts of these financial liabilities and the contractual amounts payable at maturity (net of surrender penalties).

28. Commitment and contingencies

28.1. Other commitments and contingencies

Guarantees given	2015	2014
Standby letters of credit	609	982

Aegon Spaarkas is part of the Nederlandse Herverzekeringmaatschappij voor Terrorismeschade N.V. and consequently pays its share of the reinsurance premium and other expenses. The letters of credit shown above relate chiefly to the guarantee issued by Aegon Spaarkas for its share in the excess risk of the Nederlandse Herverzekeringmaatschappij voor Terrorismeschade N.V.

In addition to the above guarantees, guarantees have been issued for compliance with contractual obligations such as investment mandates of investment funds.

28.2. Litigations and proceedings

Aegon Spaarkas is involved in litigation in the ordinary course of business, including litigation where compensatory or punitive damages and mass or class relief are sought. Current and former customers, both institutional as well as individual, and groups representing customers, initiate litigation. Also, certain groups encourage others to bring lawsuits in respect of products.

Aegon Spaarkas has established litigation policies to deal with the claims, defending when the claim is without merit and seeking to settle in certain circumstances. There can be no assurances that Aegon Spaarkas will be able to resolve existing litigation in the manner it expects or that existing or future litigation will not result in unexpected liability.

Proceedings in which Aegon Spaarkas is involved
In March 2014, consumer interest group Vereniging Woekerpolis.nl filed a claim against Aegon in court. The claim related to a range of unit-linked products that Aegon sold in the past, including products over which Aegon was involved in litigation in the past, like the KoersPlan product. While the number of products to which the claim may relate was reduced by the court in its interlocutory ruling of October 28, 2015, it still concerns the majority of Aegon's unit-linked portfolio. The claim challenges a variety of elements of these products, on multiple legal grounds, including allegations made in earlier court cases. There can be no assurance that the claim from Vereniging Woekerpolis.nl may not ultimately have a material adverse effect on Aegon's results of operations or financial position. These matters will be defended vigorously; however, at this time, due to the nature and the type of claims, it is not practicable for Aegon to quantify a range or maximum liability or the timing of the financial impact, if any. There can be no assurance that such claims may not have a material adverse effect on Aegon's results of operations or financial position.

29. Transfers of financial assets

Except for security lending, Aegon Spaarkas does not have financial assets that have been transferred to another party in such a way that part or all of the transferred assets do not qualify for derecognition.

Aegon Spaarkas is involved in security lending activities. Aegon Spaarkas retains substantially all risks and rewards of those transferred assets, this includes credit risk, settlement risk, country risk and market risk. The assets are transferred in return for cash collateral or other financial assets. Non-cash collateral is not recognized in the statement of financial position. Cash collateral is recorded on the statement of financial position as an asset and an offsetting liability is established for the same amount as Aegon Spaarkas is obligated to return this amount upon termination of the lending arrangement. Cash collateral is usually invested in pre-designated high quality investments. The sum of cash and non-cash collateral is typically greater than the market value of the related securities loaned.

When transferring non-cash financial assets to another party under security lending and repurchase activities, the counterparty has the right to sell or repledge the full amount.

The table below includes financial assets that have been transferred to another party under security lending with respect to investments for account of policyholders.

Aegon Spaarkas is not involved in repurchase agreements nor does it have continuing involvement for derecognized financial assets that have been transferred in their entirety.

Securities lending	2015	2014
Carrying amount of transferred financial assets	111.654	128.044
Fair value of cash collateral received	-36.975	-93.967
Fair value of non-cash collateral received	-78.190	-38.794
Net exposure	**-3.512**	**-4.717**
Non-cash collateral that can be sold or repledged in the absence of default	78.190	38.794

30. Offsetting, enforceable master netting arrangements and similar arrangements

The table below provides details relating to the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognized financial assets and recognized financial liabilities.

Financial assets and liabilities are offset in the statement of financial position when Aegon Spaarkas has a legally enforceable right to offset and has the intention to settle the asset and liability on a net basis, or to realize the asset and settle the liability simultaneously.

Aegon Spaarkas mitigates credit risk in derivative contracts by entering into collateral agreements, where practical, and in ISDA master netting agreements for each of the legal entities of Aegon Spaarkas to facilitate Aegon Spaarkas' right to offset credit risk exposure. The credit support agreement will normally dictate the threshold over which collateral needs to be pledged by Aegon Spaarkas or its counterparty. Transactions requiring Aegon Spaarkas or its counterparty to post collateral are typically the result of over-the-counter derivative trades, comprised mostly of interest rate swaps, currency swaps and credit swaps. These transactions are conducted under terms that are usual and customary to standard long-term borrowing, derivative, securities lending and securities borrowing activities, as well as requirements determined by exchanges where the bank acts as intermediary.

As of 2015 we disclose this note for both assets and liabilities on a gross basis. As a result the comparatives in this disclosure have been restated.

Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements

2015	Gross amounts of recognized financial assets	**Net amounts of financial assets presented in the statement of financial position**	Related amounts not set off in the statements of financial position		**Net amount**
			Financial instruments	Cash collateral received (excluding surplus collateral)	
Derivatives	178	**178**	7.297	-8.000	**881**
At December 31	**178**	**178**	**7.297**	**-8.000**	**881**

2014	Gross amounts of recognized financial assets	**Net amounts of financial assets presented in the statement of financial position**	Related amounts not set off in the statements of financial position		**Net amount**
			Financial instruments	Cash collateral received (excluding surplus collateral)	
Derivatives	10	**10**	19.151	-20.000	**859**
At December 31	**10**	**10**	**19.151**	**-20.000**	**859**

Financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements

2015	Gross amounts of recognized financial assets	**Net amounts of financial assets presented in the statement of financial position**	Related amounts not set off in the statements of financial position		**Net amount**
			Financial instruments	Cash collateral received (excluding surplus collateral)	
Derivatives	7.297	**7.297**	7.297	-	**-**
At December 31	**7.297**	**7.297**	**7.297**	**-**	**-**

2014	Gross amounts of recognized financial assets	**Net amounts of financial assets presented in the statement of financial position**	Related amounts not set off in the statements of financial position		**Net amount**
			Financial instruments	Cash collateral received (excluding surplus collateral)	
Derivatives	19.151	**19.151**	19.151	-	**-**
At December 31	**19.151**	**19.151**	**19.151**	**-**	**-**

31. Related party transactions

Entities in the Aegon N.V. group carry out a range of transactions with each other. The main ones are described below.

In 2013, Aegon Spaarkas acquired a portfolio of mortgage loans from Aegon Levensverzekering of EUR 70 million. Aegon Levensverzekering continues to service this portfolio, for which Aegon Spaarkas paid EUR 0.1 million of servicing fees during 2015 (2014: EUR 0.1 million).

Aegon Spaarkas has entered into a short term deposit with Aegon Levensverzekering of EUR 2 million (2014: short term loan of EUR 15 million). This deposit is accounted for in note 15 'Long term borrowings and group loans'.

Investment and derivative activities are undertaken through Aegon Investment Management B.V. and securities custody through Aegon Custody B.V. Costs are recharged on normal commercial terms. The recharge was EUR 4.8 million (2014: EUR 4.7 million). The investment portfolio amounted to 2,800 million (2014: EUR 3,134 million). Furthermore Aegon Spaarkas received a management fee of EUR 11.0 million (2014: EUR 11.5 million).

At the end of the year, Aegon Spaarkas had a current account receivable to Aegon Nederland of EUR 71 million (2014: current account liability of EUR 8.2 million), see notes 10.1 'Receivables' and 17.1 'Other liabilities'. In 2015 EUR 0.5 million (2014: EUR 0.8 million) of interest expense on the intercompany current account was recognized in the income statement.

Aegon Levensverzekering provides Aegon Spaarkas with administrative support and facilities at cost. All transactions with group companies pass through Aegon Nederland and are accounted for in the current account with Aegon Nederland. Total recharged expenses in 2015 were EUR 2.9 million (2014: EUR 4.6 million). In addition, overhead expenses of EUR 8.5 million (2014: EUR 10.4 million) were recharged.

Aegon Spaarkas participates in the treasury and derivative valuation services of Aegon N.V. The interest rate swaps that Aegon Spaarkas uses to mitigate interest rate risk are concluded with Aegon Derivatives N.V. Aegon Spaarkas posted cash collateral on derivative positions via Aegon Derivatives N.V. See for more information note 8 'Long term loans and group loans'. Net fair value change on these derivative transactions amount to EUR -/- 2.7 million (2014: EUR -/- 3.7 million). The derivatives had a credit position of EUR 7 million (2014 EUR 19 million).

Aegon Spaarkas is a member of the Aegon N.V. tax group and settles its current tax liabilities with the head of the tax group as if it were an autonomous taxpayer. Aegon Spaarkas is jointly and severally liable for all tax liabilities of the entire tax grouping.

Aegon Spaarkas offers products to key management personnel of Aegon Spaarkas itself, on the same terms and conditions as for other members of staff of the whole Aegon group.

In 2015 and 2014 Aegon Spaarkas did not pay dividend to Aegon Nederland.

32. Events after the balance sheet date

There were no events after the balance sheet date that give further information on the situation pertaining on the reporting date.

The Hague, April 15, 2016

Supervisory Board

J.A.J. Vink

D.D. Button

G.T. Kepecs

D. Terpstra

Executive Board

M.B.A. Keim

R. Zomer

R.M. van der Tol

M.J. Edixhoven

Other information

Statutory provisions regarding profit appropriation

Profit shall be appropriated in accordance with Article 23 of the articles of association of Aegon Spaarkas N.V., which can be summarized as follows:

1. The Annual General Meeting is authorised to appropriate the profit as determined by adoption of the financial statements and to declare distributions, with due regard for the statutory restrictions.
2. Distributions on shares may only be made up to the amount of the distributable capital and reserves and, in the case of an interim distribution, if this requirement is met as evidenced by an interim statement of net assets pursuant to Section 2:105(4) of the Netherlands Civil Code. The company shall file the statement of net assets at the offices of the trade register within eight days of the day on which the resolution for distribution is announced.
3. The authority of the Annual General Meeting to declare a distribution shall apply to distributions from profits not taken to reserves and to distributions charged to any reserve, and to distributions on the adoption of the financial statements and to interim distributions.
4. A resolution to make a distribution shall not take effect until approved by the board. The board shall refuse to give approval if it knows or reasonably ought to know that following the distribution the company would be unable to continue paying its liabilities when due.

Proposal for profit appropriation

A proposal will be put to the General Meeting of Shareholders to appropriate the result for the financial year of EUR 7.9 million to the retained earnings. This proposal has not yet been incorporated in the financial statements.

Independent auditor's report

Independent auditor's report

To: the annual general meeting of shareholders and supervisory board
of Aegon Spaarkas N.V.

Report on the financial statements 2015

Our opinion

In our opinion the accompanying financial statements give a true and fair view of the financial position of Aegon Spaarkas N.V. as at 31 December 2015, and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code.

What we have audited

We have audited the accompanying financial statements 2015 of Aegon Spaarkas N.V., seated in The Hague, the Netherlands ('the company'). The financial statements comprise:

- the statement of financial position as at 31 December 2015;
- the following statements for 2015: the income statement, the statements of comprehensive income, changes in equity and cash flows; and
- the notes, comprising a summary of the significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is EU-IFRS and the relevant provisions of Part 9 of Book 2 of the Dutch Civil Code.

The basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the 'Our responsibilities for the audit of the financial statements' section of our report.

We are independent of Aegon Spaarkas N.V. in accordance with the 'Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten' (ViO) and other relevant independence requirements in the Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA).

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Ref.: e0377164

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Our audit approach

Overview and context

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we looked at where the executive board made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the executive board that may represent a risk of material misstatement due to fraud. Furthermore, we addressed information technology general controls, the policies and procedures used by the company to ensure Information Technology ('IT') operates as intended and provides reliable data for financial reporting purposes.

We tailored the scope of our audit to ensure that we performed sufficient work to be able to issue an opinion on the financial statements as a whole, taking into account the significance and/or risk profile of the company's activities, the accounting processes and controls, and the industry in which it operates.

Also, we ensured that the audit teams included the appropriate skills and competences which are needed for the audit of an insurer specialized in life insurance products. Accordingly, our team included industry expertise in life insurance, asset management as well as specialists including actuaries, IT auditors, treasury, tax and valuation specialists.

Materiality

- Overall materiality: €4.6 million which represents approximately 2.0% of equity less revaluation reserve. We utilise quantitative and qualitative measures and performed a stakeholder's analysis that includes the perspective of the parent company, policyholders, creditors and regulators for assessing suitable benchmarks and thresholds for determining overall materiality.

Audit scope

- We conducted audit work in all significant business operations within the Aegon Spaarkas N.V. structure.
- We have audited the regulated insurance operations, including the centralized investment operations within the Aegon Spaarkas N.V.

Key audit matters

- Valuation of insurance contracts including the design and application of complex valuation models and the economic and actuarial assumptions that support the calculation.
- Fair value of 'hard to value' financial instruments.
- Uncertainties in policyholder claims and litigation.

Materiality

The scope of our audit is influenced by the application of materiality which is further explained in the section 'Our responsibility for the audit of the financial statements'.

We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and to evaluate the effect of identified misstatements on our opinion.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall materiality	€4.6 million (2014: €4.8 million).
How we determined it	At the start of the planning of our audit we performed a stakeholder's analysis that identifies suitable benchmarks and thresholds for determining overall materiality for the statutory financial statements. Our evaluation of overall materiality has been based on applying 2.0% of equity, less revaluation reserves. This resulted in an overall materiality of approximately €4.6 million (2014: €4.8 million).
Rationale for benchmark applied	Capital, e.g. solvency is a key measurement for regulators, policyholders and other creditors. Accordingly, we used a percentage of the company's equity, less revaluation reserve as a quantitative benchmark.

We also take misstatements and/or possible misstatements into account that, in our judgement, are material for qualitative reasons.

We agreed with the supervisory board that we would report to them misstatements identified during our audit above €0.2 million (2014: €0.2 million) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements. We have communicated the key audit matters to the supervisory board, but they are not a comprehensive reflection of all matters that were identified by our audit and that we discussed. We described the key audit matters and included a summary of the audit procedures we performed on those matters.

The key audit matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon. We do not provide a separate opinion on these matters or on specific elements of the financial statements. Any comments we make on the results of our procedures should be read in this context.

With regards to the comparison of key audit matters between 2015 and 2014 we noted the following:

- We have no longer included a key audit matter on the transition as auditors including audit of opening balances.
- Due to the nature of the insurance industry and economic environment the following key audit matters are consistent with prior year:
  - valuation of insurance contracts and insurance contracts for account of policyholders including the design and application of complex valuation models and the economic and actuarial assumptions that support the calculation;
  - fair value of 'hard to value' financial instruments;
  - uncertainties in policyholder claims and litigation.

In the table below, we describe the key audit matters and included a summary of the audit procedures we performed on those matters.

Key audit matter	*How our audit addressed the matter*
Valuation of insurance contracts for account of policyholders including the design and application of complex valuation models and the economic and actuarial assumptions that support the calculation *Refer to Note 2.12. 'Summary of significant accounting policies-insurance contracts' and Note 13 'Insurance contracts for account of policyholders'.* The company has significant insurance contract liabilities stated at €2,696 million at 31 December 2015 representing 90% of the company's total liabilities. This is an area that involves significant judgement over uncertain future outcomes, including primarily the timing and ultimate full settlement of long term policyholder liabilities, and therefore we considered it a key matter for our audit. Consistent with the insurance industry, the company uses valuation models to support the calculations of the insurance contract liabilities. The complexity of the models may give rise to errors as a result of inadequate/incomplete data or the design or application of the models Economic assumptions such as investment returns and interest rates and actuarial assumptions such as mortality, morbidity and customer behaviour are key inputs used to estimate these long-term liabilities. Significant judgement is applied in setting these assumptions.	We used our own actuarial specialists to assist us in performing our audit procedures. In particular, our audit focused on the models considered more complex and/or requiring significant judgement in the setting of assumptions. We assessed the design and tested the operating effectiveness of internal controls over the actuarial process including management's determination and approval process for setting of economic and actuarial assumptions. We assessed the company's validation of certain models considered higher risk by the company as a result of complexity and/or magnitude. We also assessed and tested the internal controls over the company's actuarial analyses including estimated versus actual results and experience studies. For the assumption setting process, we assessed the experience analyses performed by the company in their assumption setting processes. Our assessments included challenging, as necessary, specified economic and actuarial assumptions considering management's rationale for the actuarial judgments applied along with comparison to applicable industry experiences. We considered the appropriateness of actuarial judgements used in the models, which may vary depending on the product and/or the specifications of the product, and also the compliance of the models with the applicable accounting standards. Furthermore, we performed audit procedures to determine that the models and systems were calculating the insurance contracts liabilities accurately and completely.

Key audit matter	How our audit addressed the matter
During 2015, the company continued a multi-year review of their actuarial models focusing first on those considered high risk. This model update in combination with the company's actuarial and economic assumptions update resulted in certain charges being recorded for the year as explained in Note 3 'Critical accounting estimates and judgment in applying accounting policies'.	We tested the validity of management's liability adequacy testing which is a key test performed to check that the liabilities are adequate as compared to the expected future contractual obligations. Our work on the liability adequacy tests included assessing the reasonableness of the projected cash flows and challenging the assumptions adopted in the context of both the company and industry experience and specific product features. We also assessed the adequacy of the disclosures.
Fair value of 'hard to value' financial instruments *Refer to Note 2.4 'Summary of significant accounting policies-investments' and Note 27 'Fair value of assets and liabilities'.* The company's investment portfolio, including Investments for the account of policy holders and net derivatives, amounts to €2,848 million. Quoted prices from liquid market sources can be obtained for a majority of the portfolio. The area that involved significant audit effort and judgement was the valuation of illiquid instruments, which are valued based on models and assumptions that are not observable by third parties. These instruments are generally considered model based level II and level III investments as included in Note 27 'Fair value of assets and liabilities'. Those investments have a higher potential risk to be affected by error or bias. Therefore these are considered a key matter in our audit. Our procedures considered both the positions that are presented at fair value on the balance sheet and those positions carried at amortized cost on the balance sheet, but for which fair value is required to be disclosed. The risk was not uniform for all investment types and was considered greatest for derivatives, mortgage loans, asset backed securities; and unlisted debt securities.	We used our internal valuation specialists to assist us in performing our audit procedures. We assessed the design and tested the operating effectiveness of internal controls over the investments' process including management's determination and approval of assumptions and methodologies used in model-based calculations, controls over data integrity and change management for internally operated valuation models and management's review of valuations provided by external experts or data vendors. We assessed pricing model methodologies against industry practice and valuation guidelines. We performed our own independent price checks using external quotes where available for illiquid positions. We compared assumptions used against appropriate benchmarks and pricing sources, investigated significant differences and performed our own independent valuations where applicable. We evaluated the cash flow and other relevant testing performed by the company in order to identify any impairment in relation to investments. We also assessed whether the company's disclosures in the financial statements in relation to the valuation of investments are compliant with the relevant accounting requirements.

Key audit matter	How our audit addressed the matter
Uncertainties in policyholder claims and litigation *Refer to Note 28 'Commitment and contingencies'.* The insurance industry is seeing ongoing consumer activism and regulatory scrutiny over product design and selling practices. The company has encountered claims and litigations in this respect. Depending on the actual legal position and expectations from management, claims, including litigation related, are either provided for as a liability or reflected as contingent liabilities in the notes to the financial statements. The company uses external legal experts where applicable to evaluate its legal positions. Given the uncertainty and judgement in this area we determined this as a key audit matter.	We gained an understanding of the policyholders' claims and litigations through discussions with management including general legal counsel, the review of minutes of board meetings, and by reviewing the accounts for legal expenses. We have read the internal position papers prepared by the company. We also obtained lawyers' letters to the extent considered necessary for our audit. For all (potentially) material claims we tested the underlying facts and circumstances considered relevant for the legal advisors to come to their assessments and assessed the best estimate of outflows as determined by the company. We also assessed the completeness and adequacy of the related disclosures.

Responsibilities of the executive board and the supervisory board

The executive board is responsible for:

- the preparation and fair presentation of the financial statements in accordance with EU-IFRS and with Part 9 of Book 2 of the Dutch Civil Code, and for the preparation of the executive board's report in accordance with Part 9 of Book 2 of the Dutch Civil Code; and for
- such internal control as the executive board determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, the executive board is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, the executive board should prepare the financial statements using the going concern basis of accounting unless the executive board either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. The executive board should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

The supervisory board is responsible for overseeing the company's financial reporting process.

Our responsibilities for the audit of the financial statements

Our responsibility is to plan and perform an audit engagement to obtain sufficient and appropriate audit evidence to provide a basis for our opinion. Our audit opinion aims to provide reasonable assurance about whether the financial statements are free from material misstatement. Reasonable assurance is a high but not absolute level of assurance which makes it possible that we may not detect all misstatements. Misstatements may arise due to fraud or error. They are considered to be material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A more detailed description of our responsibilities is set out in the appendix to our report.

Report on other legal and regulatory requirements

Our report on the executive board's report and the other information

Pursuant to the legal requirements of Part 9 of Book 2 of the Dutch Civil Code (concerning our obligation to report about the executive board's report and other information):

- we have no deficiencies to report as a result of our examination whether the executive board's report, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of this Code, and whether the information as required by Part 9 of Book 2 of the Dutch Civil Code has been annexed.
- we report that the executive board's report, to the extent we can assess, is consistent with the financial statements.

Our appointment

We were appointed as auditors of Aegon Spaarkas N.V. by the supervisory board following the passing of a resolution by the shareholders of its ultimate parent company Aegon N.V. to elect PricewaterhouseCoopers Accountants N.V. as group auditor for the years 2014 to 2016 at the annual meeting held on 15 May 2013 representing a total period of uninterrupted engagement appointment of two years.

Amsterdam, 15 April 2016
PricewaterhouseCoopers Accountants N.V.

Original has been signed by E.L. Rondhout RA

Appendix to our auditor's report on the financial statements 2015 of Aegon Spaarkas N.V.

In addition to what is included in our auditor's report we have further set out in this appendix our responsibilities for the audit of the financial statements and explained what an audit involves.

The auditor's responsibilities for the audit of the financial statements

We have exercised professional judgement and have maintained professional scepticism throughout the audit in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error.
Our audit consisted, among others of:

- identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the intentional override of internal control;
- obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control;
- evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the executive board;
- concluding on the appropriateness of the executive board's use of the going concern basis of accounting, and based on the audit evidence obtained, concluding whether a material uncertainty exists related to events and/or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion.
  Our conclusions are based on the audit evidence obtained up to the date of our auditor's report and are made in the context of our opinion on the financial statements as a whole.
  However, future events or conditions may cause the company to cease to continue as a going concern;
- evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the audit committee of the supervisory board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We provide the audit committee of the supervisory board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the audit committee of the supervisory board, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.