IMPORTANT NOTICE

NOT FOR DISTRIBUTION TO ANY U.S. PERSON OR TO ANY PERSON OR ADDRESS IN THE U.S.

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FIRST SUPPLEMENT
TO THE BASE PROSPECTUS DATED 5 OCTOBER 2017

Aegon Bank N.V.
(incorporated under the laws of the Netherlands with limited liability and having its statutory seat in The Hague, the Netherlands)

EUR 5,000,000,000 Conditional Pass-Through Covered Bond Programme

guaranteed as to payments of interest and principal by

AEGON CONDITIONAL PASS-THROUGH COVERED BOND COMPANY B.V.
(incorporated under the laws of the Netherlands with limited liability and having its statutory seat in Amsterdam, the Netherlands)

This supplement (the "**Supplement**") is the first supplemental prospectus to the EUR 5,000,000,000 Conditional Pass-Through Covered Bond Programme (the "**Programme**") of Aegon Bank N.V. (the "**Issuer**") and is prepared to update and amend the base prospectus dated 5 October 2017 (the **"Base Prospectus**") and is supplemental to, forms part of and should be read in conjunction with the Base Prospectus. Terms defined in the Base Prospectus shall have the same meaning in this Supplement, unless specified otherwise.

This document is an amendment and a supplement to the Base Prospectus within the meaning of article 16 of Directive 2003/71/EC, as amended (the "**Prospectus Directive**"). This Supplement has been approved by the Netherlands Authority for the Financial Markets (*Stichting Autoriteit Financiële Markten*, the "**AFM**"), which is the Netherlands competent authority for the purpose of the Prospectus Directive and relevant implementing measures in the Netherlands, as a supplemental prospectus issued in compliance with the Prospectus Directive, Commission Regulation EC No. 809/2004 (the "**Prospectus Regulation**") and relevant implementing measures in the Netherlands for the purpose of giving information with regard to the issue of Covered Bonds under the Programme.

Subscribers for any Covered Bonds to be issued have the right to withdraw such subscription within two (2) business days following the publication of this Supplement.

The Base Prospectus and this Supplement are available on the website of the Issuer at www.aegon.com/coveredbond as of the date of this Supplement and are available for viewing at the specified office of the Issuer at Aegonplein 50, 2501 CE The Hague, the Netherlands, where copies of the Base Prospectus and this Supplement and any documents incorporated by reference may also be obtained free of charge.

The date of this Supplement is 10 November 2017.

IMPORTANT INFORMATION

The Issuer and the CBC (only as far as it concerns the CBC) accept responsibility for the information contained in this Supplement. To the best of their knowledge (having taken all reasonable care to ensure that such is the case) the information contained in this Supplement is in accordance with the facts and does not omit anything likely to affect the import of such information. Any information from third-parties identified in this Supplement as such has been accurately reproduced and as far as the Issuer and the CBC are aware and are able to ascertain from the information published by a third party, does not omit any facts which would render the reproduced information inaccurate or misleading. The Issuer and the CBC accept responsibility accordingly.

No representation, warranty or undertaking, express or implied, is made and no responsibility is accepted by the Arranger, the Dealers (other than the Issuer) or the Security Trustee as to the accuracy or completeness of the information contained or referred to in this Supplement or any other information provided or purported to be provided by or on behalf of the Arranger, a Dealer, the Security Trustee, the Issuer or the CBC in connection with the Programme. The Arranger, the Dealers (other than the Issuer) and the Security Trustee accordingly disclaim all and any liability whether arising in tort or contract or otherwise which it might otherwise have in respect of such information.

The Issuer will furnish an additional supplement to the Base Prospectus in case of any significant new factor, material mistake or inaccuracy relating to the information contained in the Base Prospectus and/or this Supplement which is capable of affecting the assessment of the Covered Bonds and which arises or is noticed between the time when this Supplement has been approved and the final closing of any Series or Tranche of Covered Bonds offered to the public or, as the case may be, when trading of any Series or Tranche of Covered Bonds on a regulated market begins, in respect of Covered Bonds issued on the basis of the Base Prospectus and this Supplement.

No person has been authorised to give any information or to make any representation not contained in or not consistent with the Base Prospectus, this Supplement or any other information supplied in connection with the Programme or the offering of the Covered Bonds and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, the CBC, the Arranger or any of the Dealers.

Neither the Base Prospectus, this Supplement nor any other information supplied in connection with the Programme or any Covered Bonds should be considered as a recommendation by the Issuer or the CBC that any recipient of the Base Prospectus, this Supplement or any other information supplied in connection with the Programme or any Covered Bonds should purchase any Covered Bonds. Each investor contemplating purchasing any Covered Bonds should make its own independent investigation of the financial condition and affairs and its own appraisal of the creditworthiness of the Issuer and the CBC. Neither the Base Prospectus, this Supplement nor any other information supplied in connection with the Programme or the issue of any Covered Bonds constitutes an offer or invitation by or on behalf of the Issuer to any person to subscribe for or to purchase any Covered Bonds.

Forecasts and estimates in the Base Prospectus and this Supplement are forward looking statements. Such projections are speculative in nature and it can be expected that some or all of the assumptions underlying the projections will not prove to be correct or will vary from actual results. Consequently, the actual result might differ from the projections and such differences might be significant.

The distribution of the Base Prospectus and this Supplement and the offering, sale and delivery of the Covered Bonds may be restricted by law in certain jurisdictions. Persons into whose possession the Base Prospectus, this Supplement or any Covered Bonds comes must inform themselves about, and observe, any such restrictions. For a description of certain restrictions on offers, sales and deliveries of Covered Bonds and on distribution of the Base Prospectus, this Supplement and other offering material relating to the Covered Bonds, see *Subscription and Sale* in the Base Prospectus.

The Covered Bonds have not been approved or disapproved by the US Securities and Exchange Commission, any state securities commission or any other regulatory authority in the USA, nor have any of the foregoing authorities passed upon or endorsed the merits of the accuracy or adequacy of the Base Prospectus and this Supplement. Any representation to the contrary is unlawful.

The Covered Bonds have not been and will not be registered under the Securities Act and include Covered Bonds in bearer form that are subject to United States tax law requirements. The Covered Bonds may not be offered, sold or delivered within the United States or to United States persons as defined in Regulation S under the Securities Act, except in certain transactions permitted by US tax regulations and the Securities Act. See *Subscription and Sale* in the Base

Prospectus.

The credit ratings included or referred to in the Base Prospectus and this Supplement will be treated for the purposes of the CRA Regulation as having been issued by Fitch and S&P upon registration pursuant to the CRA Regulation. The entities of each of Fitch and S&P established in the European Union have been registered by the European Securities and Markets Authority as credit rating agencies in accordance with the CRA Regulation.

Whether or not a rating in relation to any Series of Covered Bonds will be treated as having been issued by a credit rating agency established in the European Union and registered under the CRA Regulation will be disclosed in the relevant Final Terms.

If a Stabilising Manager is appointed for a Series or Tranche of Covered Bonds, the relevant Stabilising Manager will be set out in the applicable Final Terms. The Stabilising Manager or any duly appointed person acting for the Stabilising Manager may over-allot or effect transactions with a view to supporting the market price of the relevant Series of Covered Bonds at a level higher than that which might otherwise prevail. However, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Series or Tranche of Covered Bonds is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date and 60 days after the date of the allotment of the relevant Series or Tranche of Covered Bonds. Any stabilisation action or over-allotment must be conducted by the Stabilising Manager (or any persons acting on behalf of the Stabilising Manager) in accordance with all applicable laws and rules as amended from time to time.

All references in this document to '**€**', '**EUR**' and '**euro**' refer to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the EU Treaty on the functioning of the European Union, as amended.

The Arranger, the Dealers and/or their affiliates may have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services for, the Issuer and their affiliates in the ordinary course of business. In addition, in the ordinary course of their business activities, the Arranger, the Dealers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their clients. Such investments and securities activities may involve securities and/or instruments of the Issuer or Issuer's affiliates. The Arranger, the Dealers and/or their affiliates that have a lending relationship with the Issuer routinely hedge their credit exposure to the Issuer consistent with their customary risk management policies. Typically, the Arranger, such Dealers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Covered Bonds issued under the Programme. Any such short positions could adversely affect future trading prices of Covered Bonds issued under the Programme. The Arranger, the Dealers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

INTRODUCTION

Aegon N.V. has prepared its financial statements of Q3 2017. In view thereof Aegon Bank N.V. updates the Base Prospectus by means of this Supplement.

Furthermore, pursuant to recent developments in law, regulation and market standards, the following sections are updated:

1. Section 3 (*Risk Factors*).
2. Section 5 (*Aegon Bank N.V.*).
3. Section 6 (*Aegon N.V.*).
4. Section 11 (*Overview of Dutch Residential Mortgage Market*).
5. Section 12 (*NHG Guarantee Programme*).
6. Section 19 (*Documents incorporated by reference*).

CERTAIN MODIFICATIONS TO THE BASE PROSPECTUS

The following are amendments to the text of the Base Prospectus.

Section 3 (Risk Factors)

1. In section 3 (*Risk Factors*) on page 33 in the risk factor *The Issuer's business may be negatively affected by adverse publicity, regulatory actions or litigation with respect to such business, other well-known companies or the financial services industry in general* the following paragraph is deleted:

   "On 7 July 2016, a new class action was initiated by the foundation Platform Aandelenlease ("**PAL**") against the Issuer in relation to the Sprintplan product. The proceedings are pending before the District Court of The Hague. PAL makes similar allegations regarding the investments of the clients' funds as previously made by VCG and GeSp. PAL also arguably includes allegations similar to the afore-mentioned case regarding investment advice by intermediaries. Finally, PAL argues that the Issuer has not sufficiently informed its clients about the structure of the Sprintplan product.

   In addition, the Issuer has entered into a legal merger with Aegon Financiële Diensten B.V. ("**AFD**") on 6 August 2016, whereby AFD was the disappearing entity and the Issuer was the surviving entity. AFD was a subsidiary of Aegon Nederland N.V. prior to the merger and is involved in claims for compensation and the cancellation or nullification of contracts concerning the Vliegwiel product, a variation on securities leasing products (without a built-in guarantee). AFD has sold approximately 63,000 Vliegwiel products in the period between 1997 and 2002. Most of the Vliegwiel contracts have expired, with only approximately 74 contracts still outstanding. Currently, a limited amount of proceedings are pending before the Dutch courts and the Complaint Institute for Financial Services (*Klachteninstituut Financiële Dienstverlening*). Most of the legal proceedings before the Dutch Courts have been initiated by Leaseproces B.V., who is representing approximately 3,200 claimants and has so far initiated approximately 300 court proceedings (of which most claims have been settled or ended in a final decision). AFD has made a provision of EUR 1,430,278 for claims and legal costs relating to the Vliegwiel products, which amount has been based on (among others) the number of Vliegwiel contracts that have not become time-barred (*verjaard*), the average settlement amount offered and the Supreme Court decisions in relation to securities lease products."

   and is replaced by the following:

   "On 7 July 2016, a new class action was initiated by the foundation Platform Aandelenlease ("**PAL**") against the Issuer in relation to the Sprintplan product. The proceedings are instituted before the District Court of The Hague. PAL makes similar allegations regarding the investments of the clients' funds as previously made by VCG and GeSp. PAL also arguably includes allegations similar to the afore-mentioned case regarding investment advice by intermediaries. Finally, PAL argues that the Issuer has not sufficiently informed its clients about the structure of the Sprintplan product. In its judgment of 18 October 2017, the District Court in The Hague declared the claims of PAL inadmissible. In summary, PAL has not provided sufficient arguments that could lead to the conclusion that a collective action would be more efficient and effective legal protection than individual litigation. Also, PAL has insufficiently substantiated the fact that they actually represent a group of participants. This decision is subject to appeal. On their website PAL has already announced that it will appeal against this decision. Aegon will continue to defend itself against these claims.

   In addition, the Issuer has entered into a legal merger with Aegon Financiële Diensten B.V. ("**AFD**") on 6 August 2016, whereby AFD was the disappearing entity and the Issuer was the surviving entity. AFD was a subsidiary of Aegon Nederland N.V. prior to the merger and is involved in claims for compensation and the cancellation or nullification of contracts concerning the Vliegwiel product, a variation on securities leasing products (without a built-in guarantee). AFD has sold approximately 63,000 Vliegwiel products in the period between 1997 and 2002. Most of the Vliegwiel contracts have expired, with only 4 contracts still outstanding until December 2017. Currently, a limited amount of proceedings are pending before the Dutch courts and the Complaint Institute for Financial Services (*Klachteninstituut Financiële Dienstverlening*). Most of the legal proceedings before the Dutch Courts have been initiated by Leaseproces B.V., who is representing approximately 3,200 claimants and has so far initiated approximately 300 court proceedings (of which most claims have been settled or ended in a final decision). AFD has made a provision of EUR 1,430,278 for claims and legal costs relating to the Vliegwiel products, which amount has been based on (among others) the number of Vliegwiel contracts that have not become time-barred (*verjaard*), the average settlement amount offered and the Supreme Court decisions in relation to securities lease products."

2. In section 3 (*Risk Factors*) on page 34-35 the risk factor *The Issuer's business is primarily concentrated in the Netherlands* is deleted in its entirety and is replaced by the following risk factor:

"The Issuer generates most of its income in the Netherlands and therefore is particularly exposed to the economic, political and social conditions in the Netherlands. Any deterioration or a difficult economic environment in the Netherlands could negatively affect the demand for the Issuer's products and services. Any changes in the political environment or the tax regime in the Netherlands could also negatively affect the business of the Issuer, particularly those which affect the mortgage market."

3. In section 3 (*Risk Factors*) on page 62 in the risk factor *Changes to Dutch tax treatment of interest on Mortgage Loans may impose various risks* the following paragraph is deleted:

"As of 1 January 2013, interest deductibility in respect of mortgage loans originated after 1 January 2013 is restricted and is only available in respect of mortgage loans which amortise over thirty (30) years or less and are repaid on at least an annuity basis. In addition to these changes further restrictions on the interest deductibility have entered into force as of 1 January 2014. The tax rate against which the mortgage interest may be deducted will be gradually reduced as of 1 January 2014. For taxpayers in the highest income tax rate bracket the interest deductibility will be reduced by 0.5% per year down to 38% in 2042."

and is replaced by the following:

"As of 1 January 2013, interest deductibility in respect of mortgage loans originated after 1 January 2013 is restricted and is only available in respect of mortgage loans which amortise over thirty (30) years or less and are repaid on at least an annuity basis. In addition to these changes further restrictions on the interest deductibility have entered into force as of 1 January 2014. The tax rate against which the mortgage interest may be deducted will be gradually reduced as of 1 January 2014. For taxpayers in the highest income tax rate bracket the interest deductibility will be reduced by 0.5% per year down to 38% in 2042.

On 10 October 2017, the coalition of four parties which will form the new government has published its government coalition agreement (*regeerakkoord*), in which it announced, among others, that from 2020 the decrease of the maximum interest deductibility for mortgage loans will be accelerated and will decrease with 3 per cent. annually down to 37 per cent. in four years' time. Other tax measures have also been announced which may also have an impact. At the date of this Base Prospectus, it is not clear if, when and how these changes will be implemented and what the impact will be on the housing market and other factors relevant in relation to the Mortgage Loans."

Section 5 (Aegon Bank N.V.)

4. In section 5 (*Aegon Bank N.V.*) on page 73 the following wording is deleted:

"As part of its proposition, Knab currently offers its customers the opportunity to invest in a subordinated bond, issued by the Issuer. The subordinated bond qualifies as an Additional Tier 1 asset under CRR, thereby supporting the Issuer's solvency. Knab is currently investigating whether it wishes to continue its subordinated bond programme and if so, under what conditions."

and is replaced by the following:

"As part of its proposition, Knab until recently offered its customers the opportunity to invest in a subordinated bond, issued by the Issuer. The subordinated bond qualifies as an Additional Tier 1 asset under CRR, thereby supporting the Issuer's solvency. On 28 October 2017 a change to the programme conditions for the subordinated bonds became effective, pursuant to which (among other things) (i) no subordinated bonds will be issued anymore and (ii) Knab has the right to redeem all the subordinated bonds issued by the Issuer starting from 1 November 2022 (if not earlier redeemed pursuant to the programme conditions). Knab is currently investigating whether it wishes to redeem the subordinated bonds issued by the Issuer and if so, under what conditions."

5. In section 5 *(Aegon Bank N.V.*) on pages 74-75 the paragraph "Supervisory Board" is deleted in its entirety and is replaced by the following:

"**Supervisory Board**
The composition of the Supervisory Board of the Issuer has recently changed. The Members of the Supervisory Board of the Issuer are the following persons:

- Mr. J.A.J. Vink (Chairman), also Chairman of the Supervisory Board of Aegon Nederland N.V. and member of the Supervisory Board of Aegon PPI B.V., CAPPITAL Premiepensioeninstelling B.V., Aegon Levensverzekering N.V., Aegon Schadeverzekering N.V., Aegon Spaarkas B.V. and having several (supervisory) duties at other companies;
- Mr. W. Horstmann, also member of the Managing Board of Aegon Advies B.V., Aegon Bemiddeling B.V., Aegon Hypotheken B.V., Aegon Levensverzekering N.V., Aegon Nederland N.V., Aegon Schadeverzekering N.V., Aegon Spaarkas N.V. and Optas Pensioenen N.V.; and
- Mrs. G. Reijnen, having several (supervisory) duties at other companies.

The members of the Supervisory Board may be contacted at the registered address of the Issuer, at Aegonplein 50, 2591 TV The Hague, the Netherlands, telephone number +31 (0) 70 344 3210."

6. In section 5 (*Aegon Bank N.V.*) on page 75 the following wording is included before the last paragraph (beginning with "**Ratings**"):

"**ALM transaction**
On 1 November 2017, Aegon Bank N.V. entered into a strategic ALM transaction with Aegon Levensverzekering N.V., in which a portfolio of predominantly non-NHG mortgage loans with a longer fixed-rate term was sold, and a portfolio with predominantly NHG mortgage loans with a shorter fixed-rate term was acquired. This transaction led to a better matching of the duration of assets and liabilities on the balance sheet, and optimised the deployment of capital for Aegon Bank N.V. As mortgage loans are recognised on the balance sheet at amortized costs, a positive non-operational result from this financial transaction was realised on the sold portfolio, whereas the purchase of the NHG portfolio will negatively impact profitability of Aegon Bank N.V. in the coming years, as the premium above par will be amortised over time."

Section 6 (*Aegon N.V.*)

7. In Section 6 (*Aegon N.V.*) on page 78 the following wording is deleted:

"Aegon and other U.S. insurers have been sued for charging fees on products offered in 401(k) platforms which allegedly were higher than fees charged on other products available in the market. The principal case is currently on interlocutory appeal. U.S. insurers, including Aegon's subsidiaries, have also been named in class action litigation relating to increases in monthly deductions made to universal life products. Plaintiffs generally allege that the rates were increased to recoup past losses rather than to cover the future costs of providing insurance coverage. At this time it is impracticable for Aegon to quantify a range or maximum liability or the timing of the financial impact, if any, of these matters, as the potential financial impacts are dependent both on the outcomes of court proceedings and future developments in financial markets and mortality. If decided adversely to Aegon, these claims could have a material adverse effect on Aegon's business, results of operations, and financial position.

The U.S. Securities and Exchange Commission (the "**SEC**") is conducting a formal investigation related to certain investment strategies offered through mutual funds, variable products and separately managed accounts. These strategies used quantitative models developed by one of the former portfolio managers of our U.S. investment management business unit. Among other things, the investigation relates to the operation of and/or the existence of errors in the quantitative models in question and related disclosures. The funds and strategies under review were sub-advised, advised or marketed by our U.S. group companies. The models are no longer being used although some of the funds are still being offered. The money management strategies are no longer being offered. Aegon is cooperating fully with the investigation. Government investigations, including this one, may result in the institution of administrative, injunctive or other proceedings and/or the imposition of monetary fines, penalties and/or disgorgement as well as other remedies, sanctions, damages and restitutionary amounts. While Aegon is unable to predict what action, if any, the SEC might take and is unable to predict the costs to or other impact of any such action, there can be no assurances that this matter or other government investigations will not have a material and adverse effect on Aegon's reputation, financial position, results of operations or liquidity."

and is replaced by the following:

"Aegon and other U.S. insurers have been sued for charging fees on products offered in 401(k) platforms which allegedly were higher than fees charged on other products available in the market and for recordkeeping fees charged to such plans. The principal case, which involves recordkeeping fees, is currently on interlocutory appeal. U.S. insurers, including Aegon's subsidiaries, have also been named in individual and class action litigation relating to increases in monthly deductions made to universal life products. Plaintiffs generally allege that the rates were increased to recoup past losses rather than to cover the future costs of providing insurance coverage. In the first case to reach trial, the jury found that the increase was improperly determined. That case and others remain ongoing. At this time it is impracticable for Aegon to quantify a range or maximum liability or the timing of the financial impact, if any, of these matters, as the potential financial impacts are dependent both on the outcomes of court proceedings and future developments in financial markets and mortality. If decided adversely to Aegon, these claims could have a material adverse effect on Aegon's business, results of operations, and financial position.

The U.S. Securities and Exchange Commission (the "**SEC**") is conducting a formal investigation related to certain investment strategies offered through mutual funds, variable products and separately managed accounts. These strategies used quantitative models for managing asset allocation developed by one of the former portfolio managers of our U.S. investment management business unit. Among other things, the investigation relates to the operation of and/or the existence of errors in the quantitative models in question and related disclosures. The funds and strategies under review were sub-advised, advised or marketed by our U.S. group companies. The models are no longer being used although some of the funds are still being offered. The money management strategies are no longer being offered. Aegon is cooperating fully with the investigation. Government investigations, including this one, may result in the institution of administrative, injunctive or other proceedings and/or the imposition of monetary fines, penalties and/or disgorgement as well as other remedies, sanctions, damages and restitutionary amounts. While Aegon is unable to predict what action, if any, the SEC might take and is unable to predict the costs to or other impact of any such action, there can be no assurances that this matter or other government investigations will not have a material and adverse effect on Aegon's reputation, financial position, results of operations or liquidity."

Section 11 (*Overview of the Dutch residential mortgage market*)

8. Section 11 (*Overview of the Dutch residential mortgage market)* is deleted in its entirety and is replaced by the following:

"**Dutch residential mortgage market**

The Dutch residential mortgage debt stock is relatively sizeable, especially when compared to other European countries. Since the 1990s, the mortgage debt stock of Dutch households has grown considerably, mainly on the back of mortgage lending on the basis of two incomes in a household, the introduction of tax-efficient product structures such as mortgage loans with deferred principal repayment vehicles and interest-only mortgage loans, financial deregulation and increased competition among originators. Moreover, Loan-to-Value (LTV) ratios have been relatively high, as the Dutch tax system implicitly discouraged amortisation, due to the tax deductibility of mortgage interest payments. The mortgage debt growth continued until Q3 2012, when total Dutch mortgage debt stock peaked at EUR 672 billion[1]. The correction on the housing market caused a modest decline in mortgage debt in subsequent years, but as the market has been recovering rapidly since 2013, there is again a tendency to higher debt growth visible in recent years. In Q2 2017, the mortgage debt stock of Dutch households equalled EUR 669 billion[1]. This represents a rise of EUR 7.8 billion compared to Q2 2016.

Tax system

The Dutch tax system plays an important role in the Dutch mortgage market, as it allows for almost full deductibility of mortgage interest payments from taxable income. This tax system has been around for a very long time, but financial innovation has resulted in a greater leverage of this tax benefit. From the 1990s onwards until 2001, this tax deductibility was unconditional. In 2001 and 2004, several conditions have been introduced to limit the usage of tax deductibility, including a restriction of tax deductibility to (mortgage interest payments for) the borrower's primary residence and a limited duration of the deductibility of 30 years.

A further reform of the tax system was enforced on 1 January 2013. Since this date, all new mortgage loans have to be repaid in full in 30 years, at least on an annuity basis, in order to be eligible for tax relief (linear mortgage loans are also eligible). The tax benefits on mortgage loans, of which the underlying property was bought before 1 January 2013, have remained unchanged and are grandfathered, even in case of refinancing and relocation. As such, new mortgage originations still include older loan products, including interest-only. However, any additional loan on top of the borrower's grandfathered product structure, has to meet the mandatory full redemption standards to allow for tax deductibility.

Another reform imposed in 2013 to reduce the tax deductibility is to lower the maximum deduction percentage. This used to be equal to the highest marginal tax bracket (52%), but since 2013 the maximum deduction is lowered by 0.5% per annum (2017: 50.0%). The new government coalition has the intention to speed up this decrease. According to their policy agenda, they will reduce the maximum deduction percentage by 3.0% per annum, starting in 2020. In 2023, the maximum deduction percentage will be 37%, which will then be equal to the second highest marginal income tax rate.

There are several housing-related taxes which are linked to the fiscal appraisal value ("**WOZ**") of the house, both imposed on national and local level. Moreover, a transfer tax (stamp duty) of 2% is applied when a house changes hands. Although these taxes partially unwind the benefits of tax deductibility of interest payments, and several restrictions to this tax deductibility have been applied, tax relief on mortgage loans is still substantial.

Loan products

The Dutch residential mortgage market is characterised by a wide range of mortgage loan products. In general, three types of mortgage loans can be distinguished.

Firstly, the "classical" Dutch mortgage product is an annuity loan. Annuity mortgage loans used to be the norm until the beginning of the 1990s, but they have returned as the most popular mortgage product in recent years. Reason for this return of annuity mortgage loans is the tax system. Since 2013, tax deductibility of interest payments on new loans is conditional on full amortisation of the loan within 30 years, for which only (full) annuity and linear mortgage loans qualify.

Secondly, there is a relatively big presence of interest-only mortgage loans in the Dutch market. Full interest-only mortgage loans were popular in the late nineties and in the early years of this century. Mortgage loans including an interest-only loan part were the norm until 2013, and even today, grandfathering of older tax benefits still results in a

1 Statistics Netherlands, household data.

considerable amount of interest-only loan origination.

Thirdly, there is still a big stock of mortgage products including deferred principal repayment vehicles. In such products, capital is accumulated over time (in a tax-friendly manner) in a linked account in order to take care of a bullet principal repayment at maturity of the loan. The principal repayment vehicle is either an insurance product or a bank savings account. The latter structure has been allowed from 2008 and was very popular until 2013. Mortgage loan products with insurance-linked principal repayment vehicles used to be the norm prior to 2008 and there is a wide range of products present in this segment of the market. Most structures combine a life-insurance product with capital accumulation and can be relatively complex. In general, however, the capital accumulation either occurs through a savings-like product (with guaranteed returns), or an investment-based product (with non-guaranteed returns).

A typical Dutch mortgage loan consists of multiple loan parts, e.g. a bank savings loan part that is combined with an interest-only loan part. Newer mortgage loans, in particular those for first-time buyers after 2013, are full annuity and often consists of only one loan part. Nonetheless, tax grandfathering of older mortgage loan product structures still results in the origination of mortgage loans including multiple loan parts.

Most interest rates on Dutch mortgage loans are not fixed for the full duration of the loan, but they are typically fixed for a period between 5 and 15 years. Rate term fixings differ by vintage, however. More recently, there has been a bias to longer term fixings (10-20 years). Most borrowers remain subject to interest rate risk, but compared to countries in which floating rates are the norm, Dutch mortgage borrowers are relatively well-insulated against interest rate fluctuations.

Underwriting criteria

Most of the Dutch underwriting standards follow from special underwriting legislation (*Tijdelijke regeling hypothecair krediet*). This law has been present since 2013 and strictly regulates maximum LTV and Loan-to-Income (LTI) ratios. The current maximum LTV is 101% (including all costs such as stamp duties), but it will be lowered to 100% by 2018. The new government coalition has indicated not to lower the maximum LTV further beyond 2018. LTI limits are set according to a fixed table including references to gross income of the borrower and mortgage interest rates. This table is updated annually by the consumer budget advisory organisation “NIBUD” and ensures that income after (gross) mortgage servicing costs is still sufficient to cover normal costs of living.

Prior to the underwriting legislation, the underwriting criteria followed from the Code of Conduct for Mortgage Lending, which is the industry standard. This code, which limits the risk of over crediting, has been tightened several times in the past decade. The 2007 version of the code included a major overhaul and resulted in tighter lending standards, but deviation in this version was still possible under the “explain” clause[2]. In 2011, another revised and stricter version of the Code of Conduct was introduced. Moreover, adherence to the “comply” option was increasingly mandated by the Financial Markets Authority (*AFM*). Although the Code of Conduct is currently largely overruled by the underwriting legislation, it is still in force. The major restriction it currently regulates, in addition to the criteria in the underwriting legislation, is the cap of interest-only loan parts to 50% of the market value of the residence. This cap was introduced in 2011 and is in principle applicable to all new mortgage contracts. A mortgage lender may however diverge from the cap limitation if certain conditions have been met.

Recent developments in the Dutch housing market

The Dutch housing market has shown clear signs of recovery since the second half of 2013. Important factors are among others the economic recovery, high consumer confidence and low mortgage rates.

Existing house prices (PBK-index) in Q3 2017 rose by 2.2% compared to Q2 2017. Compared to Q3 2016 this increase was 7.3%. Nonetheless, by comparison with the peak in 2008, the average price drop amounts to 4.9%.The continued increase in house prices is in line with the rise in sales numbers, even though the sales momentum appears to be fading recently on the back of a reduced supply of homes available for sale. Compared to a year ago, sales numbers rose by 1.1% in Q3 2017. The twelve month total of existing home sales now stands at 236,546, which is above pre-crisis levels.

Forced sales

Compared to other jurisdictions, performance statistics of Dutch mortgage loans show relatively low arrears and loss rates[3]. The most important reason for default is relationship termination, although the increase in unemployment following

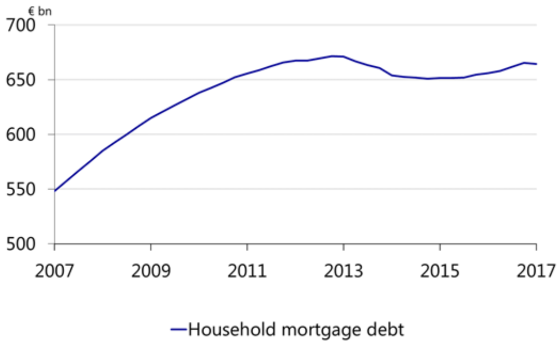
2 Under the “explain” clause it is in exceptional cases possible to deviate from the loan-to-income and loan-to-value rules set forth in the Code of Conduct.

3 Comparison of S&P RMBS index delinquency data.

the economic downturn in recent years is increasingly also a reason for payment problems. The ultimate attempt to loss recovery to a defaulted mortgage borrower is the forced sale of the underlying property.

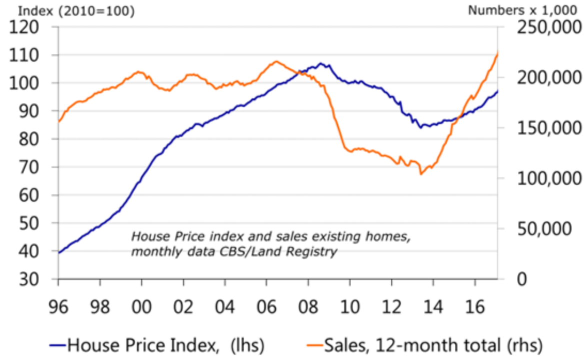
For a long time, mortgage servicers opted to perform this forced sale by an auction process. The advantage of this auction process is the high speed of execution, but the drawback is a discount on the selling price. In Q3 2017, only 244 sales were forced, which is 0.40% of the total number of sales in this period.

Chart 1: Total mortgage debt



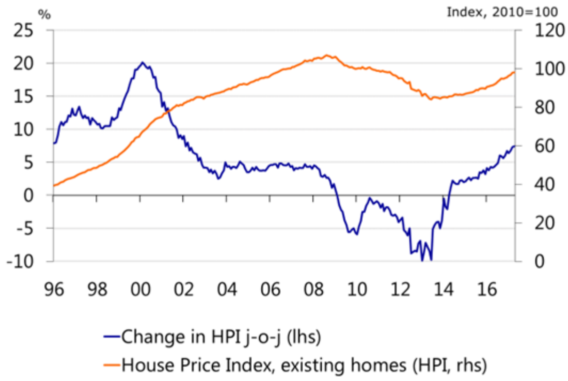
Source: Statistics Netherlands, Rabobank

Chart 2: Sales and prices



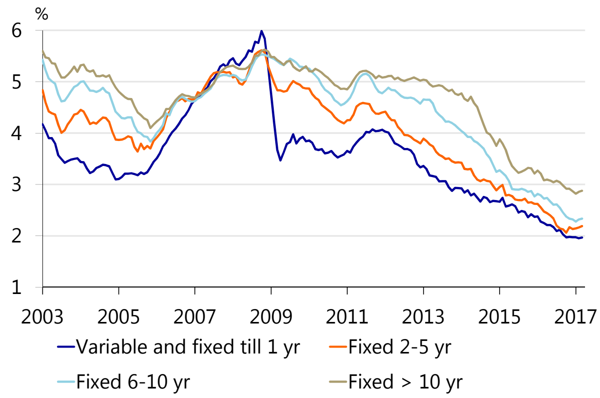
Source: Statistics Netherlands, Rabobank

Chart 3: Price index development



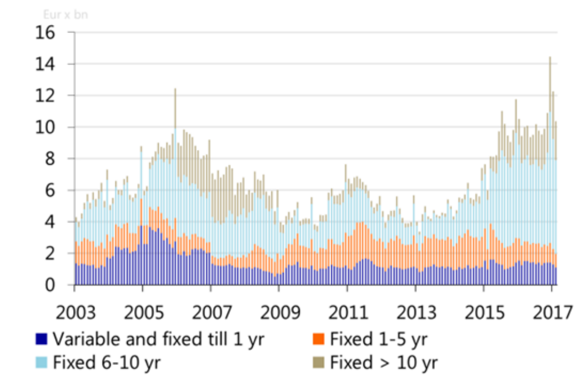
Source: Statistics Netherlands, Rabobank

Chart 4: Interest rate on new mortgage loans



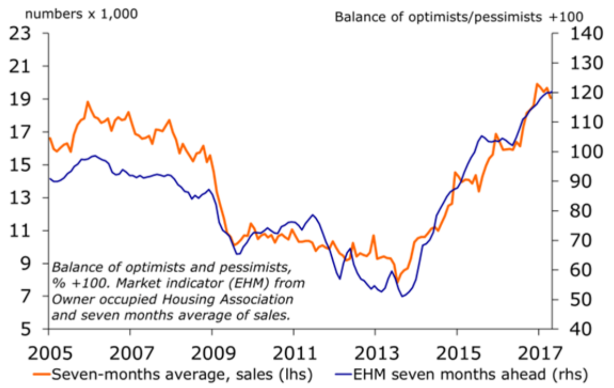
Source: Dutch Central Bank

Chart 5: New mortgage loans by interest type



Source: Dutch Central Bank

Chart 6: Confidence points to rise in sales



Source: Delft University OTB, Rabobank"

Section 12 (*NHG Guarantee Programme*)

9. Section 12 (*NHG Guarantee Programme)* on page 157 the following wording is deleted:

"

- As of 1 July 2014, the maximum amount of the mortgage loan is EUR 265,000. This amount has been reduced to EUR 245,000 as of 1 July 2015.
- As of 1 January 2017, the maximum amount of the mortgage loan is dependent on the average house price level in the Netherlands (based on the information available from the Land Registry (*Kadaster*)) multiplied with the statutory loan to value, which is 101 per cent. if there are no energy saving improvements and 106 per cent. if there are energy saving improvements. As a consequence, there are two maximum loan amounts:

  (i) EUR 247,450 for loans without energy saving improvements; and
  (ii) EUR 259,700 for loans with energy saving improvements."

and is replaced by the following:

"

- As of 1 July 2014, the maximum amount of the mortgage loan is EUR 265,000. This amount has been reduced to EUR 245,000 as of 1 July 2015. As of 1 January 2018 this will increase to € 265,000.
- As of 1 January 2017, the maximum amount of the mortgage loan is dependent on the average house price level in the Netherlands (based on the information available from the Land Registry (*Kadaster*)) multiplied with the statutory loan to value, which is 101 per cent if there are no energy saving improvements. This percentage will reduce to 100 per cent as of 1 January 2018. It will be 106 per cent if there are energy saving improvements. As a consequence, there are two maximum loan amounts:

  (i) EUR 247,450 for loans without energy saving improvements and EUR 265,000 as of 1 January 2018; and
  (ii) EUR 259,700 for loans with energy saving improvements and EUR 280,900 as of 1 January 2018."

Section 19 (*Documents incorporated by reference*)

10. In section 19 (*Documents incorporated by reference*) on page 193 the following will be included in item (f)(ii):

" - Aegon's third quarter 2017 consolidated financial statements, which are unaudited: https://www.aegon.com/en/Home/Investors/Quarterly-Results/2017/q3/interim-financial-statements-q3-2017/"

11. In section 19 (*Documents incorporated by reference*) on page 194 the following press and news releases will be included in item (f)(iii):

"- 1 November 2017: Aegon completes the sale of the Unirobe Meeùs Groep https://www.aegon.com/en/Home/Investors/News-releases/2017/umg/

- 9 November 2017: Aegon reports strong increase in earnings and capital ratio in 3Q 2017 https://www.aegon.com/en/Home/Investors/News-releases/2017/3q-earnings/"