

Aegon

Spaarkas N.V.

Solvency and Financial Condition Report **2022**



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Executive summary

Scope of the report

This report is Aegon Spaarkas' Solvency and Financial Condition Report (SFCR) for the year 2022. This report informs Aegon Spaarkas' stakeholders about its:

- Business and performance;
- System of governance;
- Risk profile;
- Valuation for solvency purposes; and
- Capital management.

The SFCR report contains both quantitative and qualitative information. The main focus of this report is on the Solvency II balance sheet, its relation to IFRS and on the Solvency Capital Requirement ("SCR"). Material differences between Aegon Spaarkas' financial statements based on IFRS-EU and the Delegated Regulation Solvency II, are discussed in chapter D. Valuation for Solvency Purposes.

Basis of presentation

This report is prepared in accordance with the requirements of Solvency II Directive and Delegated Regulation (in particular articles 51, 53 – 55 of the Solvency II Directive, articles 290 – 298 of the Delegated Regulation, and relevant EIOPA Guidelines, in particular 'Guidelines on reporting and public disclosure' (EIOPA-BoS-15/109) as issued by the European Insurance and Occupational Pensions Authority (EIOPA)).

The figures reflecting monetary amounts in the SFCR are presented in Euro (EUR) unless otherwise stated. Aegon Spaarkas discloses monetary amounts in millions of units for disclosing purposes. All values are rounded to the nearest million unless otherwise stated. The rounded amounts may therefore 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.

In case IFRS figures are disclosed, the figures are prepared in accordance with the International Financial Reporting Standards as adopted by the European Union (IFRS-EU).

The 2022 SFCR of Aegon Spaarkas has been prepared and disclosed under the responsibility of the Executive Board. This document was approved on March 27, 2023 by Aegon Spaarkas' Executive Board.

Summary

The 2022 Solvency Financial Condition Report provides Aegon Spaarkas' stakeholders with insight into:

A. Business and performance

Aegon Nederland N.V.

Aegon Nederland N.V. (hereafter: Aegon Nederland) is the holding company of Aegon Levensverzekering N.V. (hereafter: Aegon Levensverzekering) and several other companies, such as Aegon Schadeverzekering N.V., Aegon Spaarkas N.V. and Aegon Bank N.V., which together form Aegon Nederland. Aegon Levensverzekering is the main life insurance carrier for the Aegon Nederland.

Aegon Nederland is transitioning from a traditional insurer to a customer-centric financial services provider. Aegon Nederland's ambition is to become the most customer-centric and innovative financial services provider within the Dutch market. As the lives of our customers become longer and more varied, at Aegon we strive to be a financial services company that gives people the confidence and flexibility to find their own way and contribute to a better world. This ambition underpins our new company purpose, Helping people live their best lives. Our purpose shapes how we engage with and create value for our customers and wider stakeholder base. In turn, this provides the foundation for our vision and strategy, as well as for our business planning and decision-making.

In order to achieve our strategic and financial goals, the various business units of Aegon Nederland are managed and organized in two categories:

- **Financial Assets:** where we focus on maximizing value and releasing capital over time to invest in Strategic Assets, and
- **Strategic Assets:** the businesses in which we will invest to grow our customer base, improve customer retention, and margins.

Aegon to combine its Dutch operations with a.s.r.

In October 2022, Aegon N.V. announced that it had reached an agreement with a.s.r. to combine its Dutch pension, life and non-life insurance, banking, and mortgage origination activities with a.s.r. The combination will create a leading Dutch insurance company. This step enables Aegon to accelerate its strategy and represents a major step in its ambition to become a leader in its chosen markets. Aegon will receive a cash consideration and a 29.99% strategic stake in a.s.r., with associated governance rights.

On January 17, 2023, the Extraordinary General Meeting of shareholders ("EGM") of Aegon N.V. has approved the proposed transaction. Furthermore, the works council of Aegon has rendered a positive advice in relation to the proposed transaction. The transaction is subject to customary conditions, including regulatory and antitrust approvals, and is expected to close in the second half of 2023.

Aegon Nederland set up a program to disentangle its' operations from Aegon N.V. and to be able to operate as a standalone company.

Financial Assets

The Life activities of Aegon Nederland (incl. Aegon Levensverzekering and Aegon Spaarkas) are considered a "Financial Asset". Aegon has established a dedicated team to manage these businesses, which is responsible for maximizing its value. Aegon selectively competes in the defined benefit market. This also includes supporting employers in their transition towards defined contribution solutions under the new pension agreement. New sales for these blocks are limited and focused on products with higher returns and a moderate risk profile: mainly immediate pensions annuities, indexations on existing group life contracts and risk insurance.

Performance

Aegon Spaarkas' income before tax increased to EUR 27 million (EUR 6 million in 2021). The gross written premium decreased to EUR 22 million (EUR 25 million in 2021), which is mainly attributed to the shrinking insurance portfolio following high lapses and the lack of new production. The claims and benefits paid to policyholders and the change in valuation of liabilities for insurance and investment contracts are mainly the result of volatile fair value changes on for account of policyholder Financial Assets. The policyholder claims and benefits in 2022 (in total) decreased to EUR 203 million negative (2021: EUR 320 million).

Full details on the Aegon Spaarkas' business and performance are described in chapter A. Business and performance.

B. System of governance

The system of governance has been put in place centrally at Aegon Nederland, which is the holding company of Aegon Spaarkas and several other companies and is used throughout Aegon Nederland. Aegon Spaarkas complies with the policies of both Aegon Group and Aegon Nederland. The Aegon Nederland policies are tailored to fit local circumstances and therefore imply additional restrictions to the Group policies.

Over the last few years, Aegon Nederland's strategy has been enhanced and refined. Changes to the strategy have been made to reflect developments inside as well as outside of the company, whereby the company has been further transformed from being product-driven towards being customer-driven. Changes to our organization and governance structure were required, the concept of "Accountability

within a clear framework" was introduced, with a well-defined company strategy, functional policies and group-wide standards and replaced a more "federated" model in August 2021.

Aegon Nederland is divided into four Business Units: Life (comprising of Aegon Levensverzekering and Aegon Spaarkas), Bank, Mortgages and Workplace Solutions. Within each Business Unit, each legal entity remains responsible for its own statutory accounting and reporting (including SII reporting). By bringing value delivery and cost under control of the relevant Business Unit accountability further increased.

Aegon Spaarkas is considered a Financial Asset. By doing so, the organizational structure is well aligned to our business strategy and allows for an efficient and effective execution of our strategy.

General governance

Aegon Spaarkas' Statutory Management Board is charged with the overall management of the company and is responsible for achieving Aegon Spaarkas' goals, developing the strategy and its associated risk profile, in addition to overseeing any relevant sustainability issues and the development of the company's earnings. Aegon Spaarkas' Statutory Management Board is assisted in its duties by the Chief Legal Officer and Chief People Officer, collectively referred to as Management Board NL (MB NL).

Aegon Spaarkas' Supervisory Board oversees the management of the Statutory Management Board, in addition to the company's business and strategy. The Supervisory Board takes into account the interests of all Aegon stakeholders. The Supervisory Board also oversees the activities of its committees. These committees are composed exclusively of Supervisory Board members and deal with specific topics related to Aegon's financial accounts, risk management, and executive remuneration. These committees are the:

- Risk and Audit Committee; and
- Remuneration Committee.

In addition to the corporate bodies, described above, Aegon Spaarkas has in place a number of key functions, as required under Solvency II. These key functions are described below, in the section 'control environment'.

Risk management

Aegon Spaarkas' risk management framework is designed and applied to identify and manage potential events and risks that may affect Aegon Spaarkas. It is established through the Enterprise Risk Management (ERM) framework, which aims at identifying and managing individual and aggregate risks within Aegon Spaarkas' risk tolerance limits in order to provide reasonable assurance on the achievement of Aegon Spaarkas' objectives. Aegon Spaarkas' ERM framework is based on a well-defined risk governance structure:

- Supervisory Board;
- Statutory Management Board;
- Management Board Aegon Nederland; and
- Risk & Capital Committee.

Control environment

In addition to the risk management framework, Aegon Spaarkas' Solvency II control environment consists of an internal control system, an actuarial function and an internal audit function. The internal control system serves to facilitate compliance with applicable laws, regulation and administrative processes. It also provides Aegon Spaarkas with an adequate control environment including appropriate control activities for key processes. The actuarial function has end-to-end accountability for opining on the adequacy and reliability of reported technical provisions, including policy setting and monitoring of compliance regarding actuarial risk tolerance. Aegon Spaarkas' internal audit function is independent and objective in performing its duties in evaluating the effectiveness of Aegon Spaarkas' internal control system.

Full details on the Aegon Spaarkas' system of governance are described in chapter B. System of governance.

Table: Key risks underlying the SCR

Amounts in EUR million	Components description	2022	2021
C.2 Market risk	Market risk (SF)	1	1
	Market risk (IM)	11	13
C.3 Credit risk	Counterparty default risk (SF)	2	2
	Counterparty default risk (IM)	-	-
C.1 Underwriting risk	Life underwriting risk (SF)	27	52
	Life underwriting risk (IM)	2	2
	Health underwriting risk (SF)	-	-
	Health underwriting risk (IM)	-	-
C.5 Operational risk	Non-life underwriting risk (SF)	-	-
	Non-life underwriting risk (IM)	-	-
C.5 Operational risk	Operational risk (SF)	1	1
	Operational risk (IM)	-	-
E.2.1 Solvency Capital Requirement	Diversification	-/- 10	-/- 13
	LAC Deferred Taxes	-/- 8	-/- 15
	Total SCR	26	45

Aegon Spaarkas Partial Internal Model SCR amounted to EUR 26 million on December 31, 2022 (2021: EUR 45 million). The overall SCR has decreased over 2022.

Full details on Aegon Spaarkas' risk profile are described in chapter C. Risk profile.

C. Risk profile

Aegon Spaarkas accepts and manages risk for the benefit of its customers and other stakeholders. Aegon Spaarkas' risk management and control systems are designed to ensure that these risks are managed effectively and efficiently, aligned with the strategy of Aegon Spaarkas. The targeted risk profile is determined by customers' needs, Aegon Spaarkas' competence to manage the risk, Aegon Spaarkas' preference for risk as well as by the availability of sufficient capacity to take the risk. Aegon Spaarkas is exposed to a range of underwriting, market, credit, liquidity and operational risks.

Key risks reflect the following:

D. Valuation for Solvency purposes

Aegon Spaarkas values its Solvency II balance sheet items on a basis that reflects their economic value. Where the IFRS fair value is consistent with Solvency II requirements, Aegon Spaarkas follows IFRS for valuing assets and liabilities other than technical provisions.

The reconciliation of Excess Assets over Liabilities (Solvency II basis) and Shareholder's Equity (IFRS-EU basis) is driven by revaluation differences on assets and liabilities using a method other than fair value in the IFRS balance sheet.

Full details on the reconciliation between Aegon Spaarkas' economic balance sheet based on Solvency II and consolidated financial statements based on IFRS-EU are described in chapter D. Valuation for solvency purposes.

E. Capital management

Eligible Own Funds of Aegon Spaarkas equaled 482% of the SCR at year-end 2022. This ratio being higher than 100%, demonstrates Aegon's ability to meet policyholder obligations when they fall due, even under stressed conditions.

The lower bound for the target range for the Solvency II ratio (Eligible Own Funds divided by SCR) of Aegon Spaarkas is set by the company's Executive Board at 135%. This creates a buffer for the protection of the interests of policyholders. The target zone ensures that capital management can be employed relatively flexible and ensures execution of strategy, capital generation and dividends. When the ratio drops near or into the recovery zone, the management of the entity will take actions that will restore the ratio to a level back in the target zone. Aegon Nederland aims at capitalization levels for the insurance entities that are well within the target zone.

Solvency II key figures for Aegon Spaarkas are presented as of December 31, 2021, in the following tables:

Table: Aegon Spaarkas' capital position

Amounts in EUR million	December 31, 2022	December 31, 2021
Own Funds	124	124
PIM SCR	26	45
Solvency II ratio	482%	276%
Solvency II ratio without Volatility Adjustment	480%	275%
Minimum Capital Requirement (MCR)	9	12
Unrestricted Tier 1 – before adjustments	227	229
Non-available	-/- 103	-/- 105
Tier 2	-	-
Tier 3	-	-
Total eligible Own Funds to meet the SCR	124	124

Aegon Spaarkas uses a Partial Internal Model (PIM) to calculate the solvency position. Aegon's internal model was approved by the College of Supervisors as part of the Internal Model Application Process (IMAP). The application process was concluded on November 26, 2015. Aegon is of the opinion a partial internal model is a better representation of the actual risk, since it contains Company specific modelling and sensitivities as opposed to industry-wide approximations included in the standard formula methodology. Where using the standard formula of the Solvency II legislative framework, Aegon Spaarkas does not apply simplified calculations or undertaking specific parameters for any of the risk modules and sub-risk modules.

With respect to the Own Funds of Aegon Spaarkas, the liability calculation includes the use of the Volatility Adjustment ("VA"), but includes neither the use of transitional measures, nor of the matching adjustment. Aegon Spaarkas uses a PIM to calculate the SCR for its life insurance activities under Solvency II. After the initial IMAP, Aegon Spaarkas has implemented several major changes, solving a number of outstanding methodological matters with respect to the partial internal model in 2018, following DNB approval.

Developments in 2022 regarding LAC DT

There have not been any changes to the LAC DT methodology last year:

- Similar to previous years, the Loss Absorbing Capacity of Deferred Taxes (LAC DT) is determined by applying a LAC DT Factor on the Dutch corporate tax rate, which is 95% per year-end 2022. The LAC DT is calculated according to the requirements as stated in the Solvency II (SII) regulations, which provides a principle-based approach for the LAC DT substantiation. The methodology reflects Aegon NL's current interpretation of both the SII regulations combined with the guidance provided by De Nederlandsche Bank (DNB) on this topic.
- In 2022 DNB started a sector-wide investigation into deferred taxes for which Aegon filled out a quantitative template and self-assessment for each legal entity. DNB is expected to give specific feedback to the different insurers in 2023. This could also result in revised or updated guidance from DNB.

Aegon Spaarkas was compliant with the Minimum Capital Requirement (MCR) over the reporting period 2022. Furthermore, there was no non-compliance with the SCR.

Full details on the Aegon Spaarkas' available and eligible Own Funds are described in section E.1 Own Funds. Aegon Spaarkas' PIM SCR is described in section E.2.1 Solvency capital requirement.

A. Business and performance

A.1. Business

A.1.1. Name, details and legal form of the undertaking

Aegon Spaarkas N.V., ('Aegon Spaarkas') incorporated and domiciled in the Netherlands, is a public limited liability company organized under Dutch law. Aegon Spaarkas is wholly owned by Aegon Nederland N.V. ("Aegon Nederland"). Aegon Nederland's share capital is 100% held by Aegon Europe Holding B.V.. Aegon Europe Holding B.V.'s share capital is 100% held by Aegon N.V., the ultimate parent company of the Aegon Group. Aegon Nederland N.V. and Aegon N.V. are public limited liability companies, Aegon Europe Holding B.V. is a private limited liability company. Aegon N.V., Aegon Nederland N.V. and Aegon Europe Holding B.V. have their statutory seats in The Hague, the Netherlands. All of these companies are mixed financial holding companies, as defined in article 212 (1) (h) of the Solvency II Directive. Solvency II group supervision, as well as supplementary supervision in accordance with EU Directive 2002/87/EC is exercised at the level of Aegon N.V..

Aegon N.V.'s largest shareholder is Vereniging Aegon, a Dutch association located in The Hague, the Netherlands, with the special purpose to protect the broader interests of Aegon N.V. and its stakeholders. On December 31, 2022, Vereniging Aegon held a total of 315,532,860 common shares and 494,433,240 common shares B. All issued and outstanding shares B are held by Vereniging Aegon. Under the terms of the 1983 Merger Agreement as amended in May 2013, Vereniging Aegon has the option to acquire additional common shares B. Vereniging Aegon may exercise its call option to keep or restore its total stake to 32.6% of the voting rights, irrespective of the circumstances that caused the total shareholding to be or become lower than 32.6%.

The Voting Rights Agreement entered into between Vereniging Aegon and Aegon provides that under normal circumstances, i.e. except in the event of a Special Cause, Vereniging Aegon is not allowed to exercise more votes than is proportionate to the financial rights represented by its shares. This means that in the absence of a Special Cause, Vereniging Aegon may cast one vote for every common share it holds and one vote only for every 40 common shares B it holds. In the event of a Special Cause, Vereniging Aegon may cast one vote for every common share and one vote for every common share B.

A Special Cause may include:

- The acquisition by a third party of an interest in Aegon N.V. amounting to 15% or more;
- A tender offer for Aegon N.V. shares; or
- A proposed business combination by any person or group of persons, whether acting individually or as a group, other than in a transaction approved by the Company's Executive and Supervisory Boards.

If Vereniging Aegon, acting at its sole discretion, determines that a Special Cause has arisen, it must notify the General Meeting of Shareholders. In this event, Vereniging Aegon retains full voting rights on its common shares B for a period limited to six months. Vereniging Aegon would, for that limited period, command 32.6% of the votes at a General Meeting of Shareholders.

Investments in associates, joint ventures and Investments in structured entities

Aegon Spaarkas has no investments in associates, joint ventures and limited investments in unconsolidated structured entities.

A.1.2. Name of the Supervisory Authority responsible for the financial supervision of the undertaking and group

For both Aegon Spaarkas N.V. and Aegon N.V., the supervisory authority responsible for prudential supervision is De Nederlandsche Bank ('DNB');

De Nederlandsche Bank N.V.
Westeinde 1
1017 ZN Amsterdam
Postbus 98
1000 AB Amsterdam
The Netherlands

Telephone: +31(0)20 524 91 11

A.1.3. Name and contact details of the external auditor of the undertaking

The external auditor of Aegon Spaarkas N.V. is;

PricewaterhouseCoopers Accountants N.V.
Thomas R. Malthusstraat 5
1066 JR Amsterdam
Postbus 90357
1006 BJ Amsterdam The Netherlands

Telephone: +31(0)88 792 00 20

The external auditor's mandate does not cover an audit on the information disclosed in this SFCR.

A.1.4. The undertaking's material lines of business and material geographical areas where it carries out business

Aegon Spaarkas is active in life insurance products, mainly tontine plans. Aegon Spaarkas operates exclusively in The Netherlands.

A.1.5. Any significant business or other events that have occurred over the reporting period that have had a material impact on the undertaking

The portfolio of Aegon Spaarkas, 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. Similar to the Life - Individual portfolio this portfolio is steadily decreasing in size, which is why the Spaarkas portfolio is also part of the BPO described before. Furthermore, Aegon Spaarkas continues to manage and optimise this portfolio as efficiently as possible from the perspective of its customers and the perspective of Aegon Nederland. Refer also to the Koersplan and unit-linked products sections in this report.

A.2. Underwriting performance

In this section the key attributors to the underwriting performance are highlighted. The figures below are based on the IFRS annual report 2022 of Aegon Spaarkas.

Table: Underwriting Performance Aegon Spaarkas

Amounts in EUR million	2022	2021
1 Premium income	22	25
2 Commissions and expenses	-/- 2	-/- 2
3 Claims and benefits paid to policyholders	-/- 175	-/- 202
4 Change in valuation of liabilities for insurance and investment contracts	378	-/- 118
5 Income before tax	27	6

1 Premium income

Premium income for 2022 amounts to EUR 22 million, which is EUR 3 million lower compared to 2021. The insurance portfolio of Aegon Spaarkas is decreasing, due to the lack of new production as well as lapses.

2 Commissions and expenses

The commissions and expenses were EUR 2 million (2021: EUR 2 million).

3 and 4 Claims and benefits paid to policyholders and change in valuation of liabilities for insurance and investment contracts

Claims and benefits fluctuates mainly as a result of volatile fair value changes on for account of policyholder Financial Assets. The policyholder claims and benefits in 2022 were a gain of EUR 203 million (2021: an expense of EUR 320 million).

5 Income before tax

The income before tax for 2022 was EUR 27 million (2021: EUR 6 million). The increase of EUR 21 million is partly explained by the lower 'Claims and benefits paid to policyholders', as explained before and partly offset by the lower results from financial transactions. Refer to section A.3 'Investment performance' for more information on this.

A.3. Investment performance

In this section the key attributors to the investment performance are highlighted. The figures below are based on the annual report 2022 of Aegon Spaarkas.

A.3.1. Breakdown of investments

Aegon Spaarkas holds investments both for the own general account and for the account of policyholders. The composition of the assets in the balance sheet is presented in the following table.

Table: Breakdown Financial Assets

Amounts in EUR million	2022		
	General Account	Account Policyholder	Total assets
Debt securities	56	96	152
Loans	31	18	49
Other investments	-	181	181
Shares	80	915	995
Total	167	1,210	1,377

Table: Breakdown Financial Assets

Amounts in EUR million	2021		
	General Account	Account Policyholder	Total assets
Debt securities	90	124	214
Loans	36	20	56
Other investments	-	235	235
Shares	20	1,204	1,224
Total	146	1,583	1,729

The decrease in available for sale investments in 2022 is mainly driven by sales within the debt securities portfolio and lower market value for debt securities due to increased interest rates. Shares concern investments in a money market investment fund. The increase of the carrying amount in 2022 is mainly driven by additional investments during 2022.

The decrease in investments for account of policyholders is in line with the decrease in insurance contracts for account of policyholders and is mainly driven by negative performance of financial markets.

A.3.2. Investment performance

The investment performance consists of attributors shown in IFRS income statements and of attributors directly through equity in the IFRS balance sheet.

Table: Investment performance through Profit and Loss

Amounts in EUR million	2022	2021
1 Investment income	27	25
2 Results from financial transactions	-/- 227	273

1 Investment income

The investment income in 2022 is explained in the table below:

Table: Breakdown Investment Income

Amounts in EUR million	2022	2021
Debt securities (Interest)	5	3
Loans (Interest)	1	1
Other investments (Interest)	-/- 1	0
Shares (Dividend income)	22	21
Total	27	25

2 Results from financial transactions

The results from financial transaction in 2022 amounts are explained in the table below:

Table: Breakdown Results from financial transactions

Amounts in EUR million	2022	2021
Realized gains / (losses) on financial investments	-	-
Net fair value change of derivatives	10	-/- 13
Net fair value change on Financial Assets at fair value through profit or loss for account of policyholder	-/- 237	286
Total	-/- 227	273

The asset portfolio of Aegon Spaarkas has relatively a large amount of investment in shares, which decreased in value during 2022.

Information about Investment performance through equity

Table: Investment performance through equity

Amounts in EUR million	2022	2021
Gains / (losses) on revaluation of available-for-sale investments	-/- 9	-/- 2
Net gains / (losses) transferred to income statement	-	-

The gains / (losses) on revaluation of available-for-sale investments and net gains / (losses) transferred to income statement of available-for-sale investments are relevant attributors that are included in the statement of other comprehensive income in the IFRS financial statements. Both attributors relate to the revaluation of assets that classified as available for sale, such as certain debt securities.

A.3.3. Investments in securitization

Aegon Spaarkas' interests in unconsolidated structured entities can be characterized as basic interests. Spaarkas does not have loans, derivatives or other interests related to these investments.

For unconsolidated structured entities in which Aegon Spaarkas has an interest, the following tables present the amounts invested.

Table: *Investments in securitizations*

<i>Amounts in EUR million</i>	2022	2021
Residential mortgage-backed securities	26	27
Asset Backed Securities	5	5
Total	31	32

There has been no material income on these investments over 2022 and 2021.

A.4. Performance of other activities

Aegon Spaarkas does not perform any other activities than underwriting and investment activities. Therefore, overall performance is disclosed under A.2 Underwriting performance and A.3 Investment Performance.

A.5. Any other information

All relevant information is covered in the previous sections.

B. System of governance

B.1. General information on the system of governance

B.1.1. Structure, roles and responsibilities of the Administrative, Management or Supervisory Body (AMSB)

Structure

Aegon Nederland is the sole shareholder of Aegon Levensverzekering, Aegon Spaarkas, Aegon Schadeverzekering and several other companies which together form Aegon Nederland. The Statutory Management Board of Aegon Nederland centrally manages Aegon Nederland and also forms the statutory management board in charge of Aegon Spaarkas. Since Aegon Spaarkas is part of Aegon Nederland, the report on the system of governance will also contain various references to Aegon Nederland, amongst others the governance, remuneration policy, risk system, and key functions that are centrally organized at Aegon Nederland.

Aegon Nederland operates in an ever-changing environment due to customer and stakeholder demands, as well as market developments. By providing clear information and taking the customers interest at heart ("Klantbelang Centraal" or Customer Centricity) and easily comprehensible products and services, Aegon Nederland helps people to live their best life.

Over the last few years, Aegon Nederland's strategy has been enhanced and refined. Changes to the strategy have been made to reflect developments inside as well as outside of the company, whereby the company has been further transformed from being product-driven towards being customer-driven. Changes to our organization and governance structure were required, the concept of "Accountability within a clear framework" was introduced, with a well-defined company strategy, functional policies and group-wide standards and replaced a more "federated" model in August 2021.

Aegon Nederland is divided into four Business Units: Life (comprising of Aegon Levensverzekering and Aegon Spaarkas), Bank, Mortgages, and Workplace Solutions. Within each Business Unit, the managerial team of each legal entity remains responsible for its own statutory accounting and reporting (including SII reporting). By bringing value delivery and cost under control of the relevant Business Unit accountability further increased.

Departments or divisions

To improve the corporate agility to drive productivity, time to market, quality and customer and employee satisfaction, Aegon Nederland incorporated agile functions and responsibilities and implemented SAFE processes to support our delivery of value to our clients. The processes are designed to find the optimal balance between 'value, time criticality and risk reduction' and align 'strategy with execution'. This ensures a way of working in which Quality by Design is embedded.

In our Operating Model four governance layers are introduced:

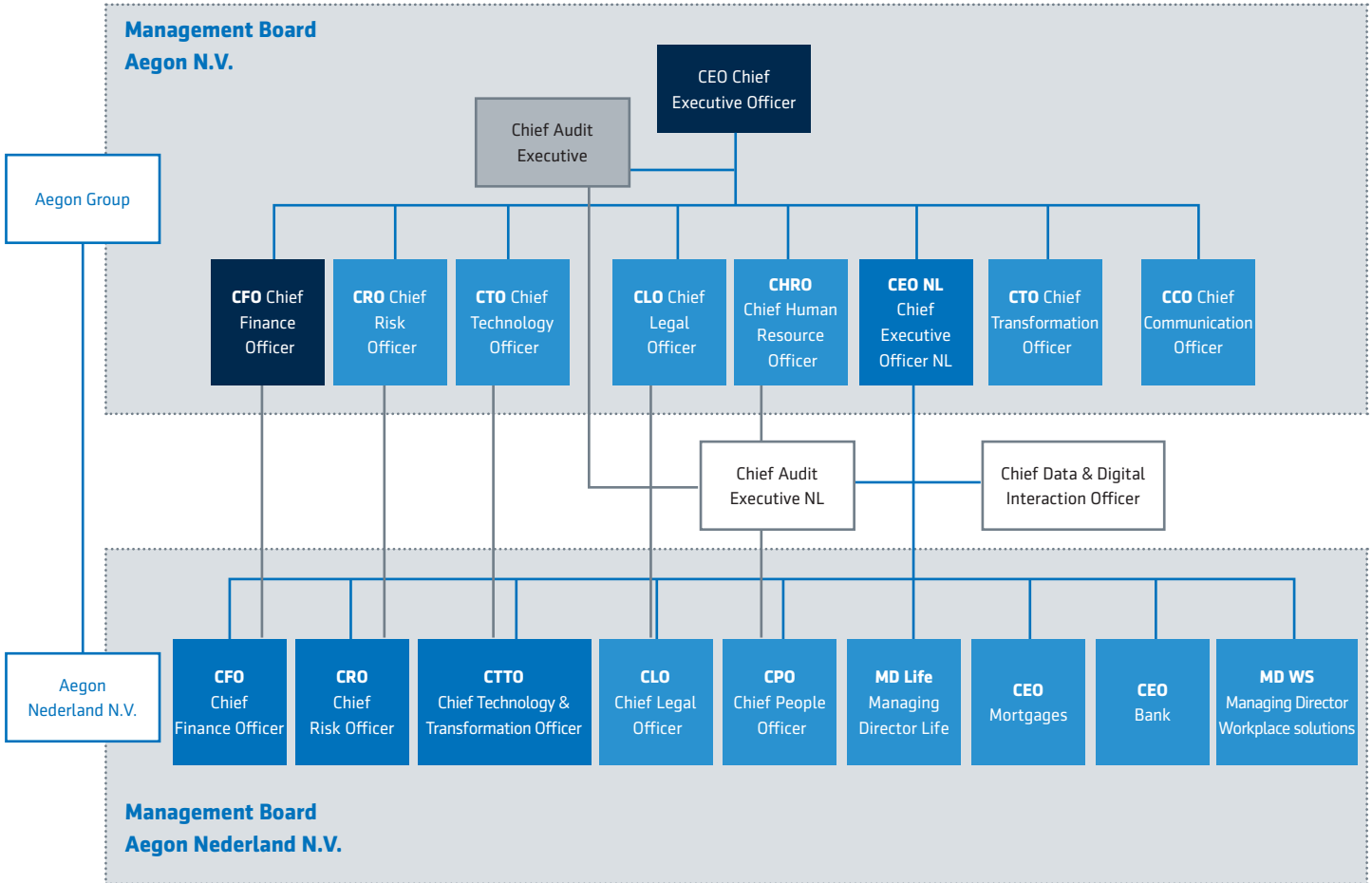
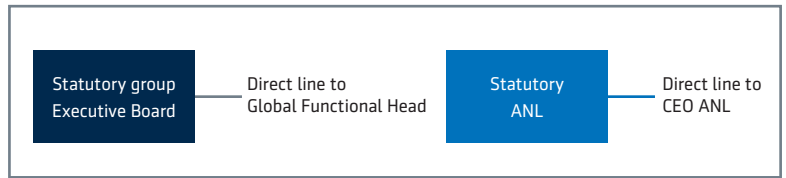
1. **Business Units:** The Business Unit is integrally responsible for run and change of the legal entity with a dedicated management team and end-to-end responsibility;
2. **Value Stream (VS):** the VS is integral responsible for run and change of one or more businesses of the legal entity;
3. **Enabling Business Services (EBS):** An EBS enables the VS to deliver value to customers by delivering generic services;
4. **Center of Expertise (COE):** the COE delivers expertise and dedicated people to the VS and EBS.

Management hierarchy

On August 1, 2021, the new target operating model (TOM) has been implemented within Aegon Nederland, as part hereof:

- I. Aegon's activities in the Netherlands has been organized in four Business Units (as described above);
- II. The Business Units are empowered to pursue their activities within a framework on strategy, capital allocation, policies, and guidelines set by Aegon N.V. (accountability within the framework);
- III. The functional governance has been updated (the Functional Governance).

Pursuant to this system of Functional Governance double reporting lines have been installed whereby a function holder at Business Unit level (for example the person responsible for Finance, Risk (& Compliance) or Legal) has a (hierarchical) solid reporting line to both the CEO or MD of the relevant Business Unit as well as a (functional) solid reporting line to the function holder at the level of Aegon Nederland (e.g., the CFO, CRO, or CLO). As Aegon Nederland serves as a span breaker in the system of Functional Governance, the double reporting lines also exist at Aegon Nederland level, whereby each function holder within Aegon Nederland has a (hierarchical) solid reporting line to both the CEO of Aegon Nederland as well as a (functional) solid reporting line to the function holder at the level of Aegon N.V. (e.g. the CFO, CRO or CLO). This system of Functional Governance is further set out in the structure chart below.



Roles and responsibilities

Supervisory Board

Aegon Nederland has a Supervisory Board which is responsible for supervising the policy of the Statutory Management Board and the general course of affairs within Aegon Nederland and its related businesses and entities. The Supervisory Board is also responsible for advising the Statutory Management Board. The Supervisory Board of Aegon Spaarkas comprises of the same individuals as the Supervisory Board of Aegon Nederland, and therefore forms a personal union similar to the Statutory Management Board.

The Supervisory Board has adopted rules on its way of working and decision making and included that in a charter that has been drawn up pursuant to Article 17.6 of the Company's Articles of Association. According to this charter the supervision by the Supervisory Board shall also include: (i) focusing on the client's interests; (ii) achieving the Aegon Nederland's objectives; (iii) the strategy; (iv) the risks associated with Aegon Nederland's activities, including Aegon Nederland's risk policy and risk appetite; (v) the structure and operation of the internal risk management and control systems; (vi) the financial reporting process; (vii) implementation of the Aegon Nederland Remuneration Policy; and (viii) compliance with the applicable legislation and regulations.

The majority of the members of the Supervisory Board are independent and operate independently in accordance with the principles and requirements of DNB's Suitability Policy Rule 2012. Given the members' different professional and educational backgrounds, ages and range of knowledge and experience, the Supervisory Board has a broad-based membership.

The terms of the Supervisory Board members are as follows:

Name	Year of first appointment	(Re-) Appointment	End of term
Mrs. D.H. Jansen Heijtmajer	2016	August 4, 2020	2024
Mrs. M.J.E. Hoek	2019	May 13, 2019	2023
Mr. M.J. Rider	2021	July 1, 2021	2025
Mr. G.J.M. Vrancken	2019	January 1, 2023	2027

Statutory Management Board

Aegon Nederland's Statutory Management Board is charged with the overall management of Aegon Nederland and acts as holding company of Aegon Nederland. Aegon Nederland's Statutory Management Board is responsible for the continuity of the company and its affiliated enterprise and developing the strategy and its associated risk profile, in addition to overseeing any relevant sustainability issues and the development of the company's earnings. The Statutory Management Board focuses on long-term value creation for the company and its affiliated enterprise and takes into account the stakeholder interests that are relevant in this context. Aegon Nederland's Statutory Management Board has three members. Each member has duties related to his or her specific area of expertise. Decisions within Aegon Nederland and entities part of Aegon Nederland for which the Statutory Management Board members also constitute the Statutory Management Boards are adopted by the members of the Statutory Management Board. The Statutory Management Board determines the long-term strategy and the budget of Aegon Nederland. The members of the Statutory Management Board are regarded as first tier daily decision makers ("dagelijkse beleidsbepalers") under regulation as published by the supervisory authorities.

The Statutory Management Board is charged with the management of the company, which means, among other things, that it is responsible for setting and achieving Aegon Nederland's objectives, strategy and the associated risk strategy and risk tolerance, and ensuring delivery of results and corporate social responsibility issues that are relevant to the company. The Statutory Management Board is accountable for these matters towards the Supervisory Board and the General Meeting of Shareholders.

Responsibility for the management of the company is vested collectively in the Statutory Management Board. The Statutory Management Board is responsible for compliance with all relevant laws and regulations, for managing the risks attached to Aegon Nederland's activities and for the financing of the company. The Statutory Management Board reports on these issues to and discusses the internal risk management and control systems with the Risk and Audit Committee of the Supervisory Board.

The composition of the Statutory Management Board as of December 31, 2022, is as follows:

- Mrs. A.C.C. van Hövell-Patrizi (Chief Executive Officer (CEO));
- Mr. B. Magid (Chief Financial Officer (CFO));
- Mr. W.H.M. van de Kraats (Chief Risk Officer (CRO)*).

* Mr. W. Horstmann - previous CRO - resigned as of February 1, 2022, and Mrs. A.H.T.M. Schlichting, Chief Technology and Transformation Officer resigned as of April 4, 2022.

The Management Board Aegon NL (MB NL)

Aegon Nederland's statutory management board is assisted in its duties by the Chief Legal Officer and Chief People Officer, collectively referred to as Management Board NL (MB NL). MB NL - as of 31 December 2022 - consists of five (5) members including the statutory management board, being:

1. CEO Aegon Nederland;
2. CRO Aegon Nederland;
3. CFO Aegon Nederland;
4. Chief Legal Officer (CLO) Aegon Nederland; and
5. Chief People Officer (CPO) Aegon Nederland

MB NL works in unison with the Statutory Management Board and helps oversee operational issues and the implementation of Aegon Nederland's strategy. While the Statutory Management Board is Aegon Nederland's sole statutory executive body, MB NL provides vital support and expertise in pursuit of the company's strategic objectives. The non-statutory MB NL members have an advisory role and also manage a department within Aegon Nederland. Moreover, MB NL is assisted by a company secretary who also acts as the secretary of the Supervisory Board of Aegon Nederland and its subsidiaries.

Committees and Boards

The Supervisory Board and/or the Statutory Management Board have established Committees and Boards which sometimes have an advisory role and are sometimes authorized to take certain decisions on behalf of the Statutory Management Board.

These bodies are typically mandated in relation to a specific topic (sustainability), work stream (for example day to day operations of Aegon Levensverzekering (MT Life)) or temporary regulatory change (such as IFRS 17).

As a rule of thumb, boards comprise of members of the Statutory Management Board, committees, or teams of members of senior management only and steering committees are incorporated for specific topics that need to be resolved within a certain period of time, such as implementation of new regulations or accounting standards or an impending transaction.

When the Statutory Management Board considers implementing a board, committee, or steering committee it considers whether these bodies are "decision-making" bodies or merely advisory bodies.

It furthermore considers:

- what **quorum** is required (e.g., required presence of second line);
- **decision making** process (e.g., simple majority / unanimity);
- **escalation** mechanism in the case no resolutions can be adopted (mostly to MB NL);
- **exchange of information** (either by having a member of the Statutory Management Board be a member of the relevant committee or by having regular reporting of the committee to MB NL); and
- **evaluation** on a regular basis performance of the committee is evaluated.

These principles are also included in charters which include the mandate of the relevant committee. The respective Committees and Board charters all require regular evaluations of effectiveness.

The table below provides an overview of the roles and responsibilities of the Committees and Boards instituted by the Statutory Management Board of Aegon Nederland.

ANL Committee/ boards	Role
Statutory Management Board/MB NL	The Statutory Management Board is responsible for centrally managing Aegon Nederland, thereby striving for the continuity of the company and its affiliated enterprise. The management board focuses on long-term value creation and takes into account the stakeholder interests that are relevant in this context.
MT NL	In addition to MB NL also a management team Aegon Nederland (MT NL) has been instituted. The composition of MT NL mirrors the composition of the Management Board of Aegon Group and comprises in addition to the members of MB NL of the four leaders of the business units of Aegon Nederland. MT NL assists the MB NL in the performance of its task. As part of this, MT NL prepares decision-making at strategic and tactical level. Within MT NL, attention is paid to the progress made at Business Unit level in the implementation of the operational plan, whether the activities are carried out within budget and/or whether the Business Unit's business plan needs to be adjusted.

Supervisory Board	Aegon Nederland's Supervisory Board oversees the management of the Statutory Management Board, in addition to the company's business and corporate strategy. The Supervisory Board must take into account the interests of all Aegon Nederland's stakeholders. The Supervisory Board operates according to the principles of collective responsibility and accountability.
Risk and Audit Committee (RAC MTNL and SB RAC)	The RAC monitors, discusses and supports the controlled execution and management of risks and issues relevant to the operational risk management of Aegon Nederland. Financial risks are within the remit of RCC. The RAC uses the ERM Taxonomy as its leading methodology. RAC meetings are constituted at three levels: legal entities, MT NL, and Supervisory Board.
Risk and Capital Committee (RCC)	The Risk & Capital Committee (RCC) is mandated to manage the balance sheet of Aegon Nederland, the Aegon insurance subsidiaries and Aegon Hypotheken B.V. and operates within the limits as set by its charter as well as the Capital Management Policy. RCC meetings are constituted at the level of Aegon Nederland and level of insurance subsidiaries.
Asset and Liability Committee (ALCO)	The purpose of the Asset & Liability Committee (ALCO) is to prepare decision making and in addition it has limited decision authority on Balance Sheet Management Transactions & Initiatives, thereby managing economic, accounting, and statutory balance sheet position and financial risks of the Aegon Nederland entities. The scope of the ALCO includes investment proposals and ALM proposals and excludes dividend proposals. The ALCO is instituted by the RCC. The ALCO is a Decision-making and Advising Body.
Assumptions and Methodology Committee (AMC)	The AMC is responsible for preparing proposals for the eventual decision making by the RCC on Framework, Methodology and Assumption changes excluding pricing and expense cost base and allocation. AMC is authorized to take decisions on behalf of the RCC.
Model Validation Committee (MVC)	The Model Validation function is part of the Group Risk function and is independent from model owners and business users. All model validation reports are approved in the Model Validation Committee (MVC). It is the sole responsibility of the MVC to decide on model validation reports and the opinion expressed therein. The MVC reports to the Group Risk and Capital Committee (GRCC) but is independent from the GRCC in performing its tasks. Any escalation is within the Group Risk function (to the Group CRO) and does not involve the GRCC or any other Aegon governance body.
Aegon Nederland Offerte overleg	MT NL Offerteoverleg Zakelijk segment is mandated to safeguard the issuance of proposals (customized proposals as well as large proposals for business clients) by Aegon Levensverzekering and Aegon Schadeverzekering is performed in accordance with the minimum requirements as set by Aegon Nederland. It safeguards that these proposals are brought for approval to the board of Aegon Nederland before they are submitted by the Value Streams. This MT also reviews smaller proposals when the Value Streams want to deviate from the minimum required Cost of Capital and/or the WACC.
FN Change Board	The purpose of the FN Change Board is to, on behalf of MT Finance, manage the processes with respect to (changes in) models and dataflows within the FN Change Process.
NL FLATT Committee	The NL FLATT Committee is a multidisciplinary committee that assesses decisions proposed by the management of any Aegon-entity within Aegon Nederland to execute certain corporate actions which affect the internal legal, financial and/or tax structure of Aegon Nederland. Such actions also need prior written approval of MB NL or the RCC. The NL FLATT Committee assesses the technical soundness of these proposed corporate actions from different perspectives and takes the business rationale into account, but it is not the NL FLATT Committee's responsibility to judge or evaluate this business rationale. As such, the NL FLATT Committee functions as advising body.

Framework & Policy Committee (FPC)	The FPC has review rights regarding all policies, standards, charters, and guidelines within Aegon Nederland. The FPC can give advice, however the approval rights remain with the Board. The FPC is the only instituted committee to review and advice regarding policies, standards, charters, guidance and multi entity deviation requests.
Data Usage and Privacy Board (DUPB)	The DUPB promotes and facilitates the organization in the specific area of data usage and privacy and to process data in accordance with the defined Data Strategy and privacy policies. The DUPB decides on requested deviations from data usage and privacy policies. The Data Usage & Privacy Board acts on the delegated authority of the Statutory Management Boards of Aegon Nederland, the insurance entities, Aegon Advies B.V., Aegon Bemiddeling B.V., Aegon Hypotheken B.V. and Cappital, with a specific focus on topics related to data usage and privacy.
Regulatory Change Committee	The NL Regulatory Change Committee is a multi-disciplinary committee, which aims to discuss identified Regulatory change events relevant to the Aegon Nederland entities. This relevance may arise from potential impact on business model, operating model and/or strategy or a potential business opportunity. The NL Regulatory Change Committee further aims to assign ownership of Regulatory changes events and will report to relevant management bodies on overall the (implementation) status of Regulatory change events. The Statutory Management Board of Aegon Nederland has instituted the NL Regulatory Change Committee. The NL Regulatory Change Committee is a Decision making and Advising body.
Sustainability Board	The NL Sustainability Board is a multi-disciplinary board, which aims to discuss, propose, and decide on certain sustainability related matters within Aegon Nederland, such as propose and implement a Sustainability Roadmap and approve changes to the Aegon Nederland Responsible Investment Policy.
Responsible Investment Committee	The Aegon Nederland Responsible Investment Committee (RIC) is responsible for the ongoing development and implementation of the Aegon Nederland Responsible Investing Policy (RI Policy). This includes ensuring compliance with laws, regulations, local market standards, Aegon Group RI Policy, and Aegon Nederland's Responsible Business Strategy. Where needed the RIC will propose revisions to the RI Policy to ensure it is fit for purpose.
MT Finance	MT Finance is instituted by the Statutory Management Board of Aegon Nederland and is an Advising body, MT Finance is chaired by the CFO. MT Finance supervises the design, implementation and monitoring of the financial processes as well as the relevant control frameworks.
MT Life	MT Life is instituted by the Statutory Management Board of Aegon Levensverzekering and Aegon Spaarkas and is a Decision making and Advising body, MT Life is chaired by the MD Life and is in charge of managing the operations of the Business Unit Life (including the legal entities and value streams forming part thereof).
MT Non-Life	MT Non-Life is instituted by the Statutory Management Board of Aegon Schadeverzekering and is a Decision making and Advising body, MT Non-Life is chaired by the MD Non-Life and is in charge of managing the operations of the legal entity Aegon Schadeverzekering (including the value streams forming part thereof).
Valuation Committee	The purpose of the Valuation Committee is to ensure that the valuation of the Alternative Investments and real estate investments (incl. joint ventures in real estate) (hereafter: Alternative Investments), and private placements and Alternative Loan Funds managed by Aegon Asset Management (AAM) on the balance sheet of Aegon Nederland-entities, are valued appropriately from a financial perspective. In order to achieve this, the Valuation Committee receives the appropriate information needed to determine the valuation of the Alternative Investments. The valuation as determined by the Valuation Committee is used for internal decision making and external reporting. The Valuation Committee is instituted by the Management Team Finance.

B.1.1.2. Appropriateness of the system of governance

Aegon Nederland, including Aegon Spaarkas, performs a periodic review of the operational effectiveness of its system of governance, in order to assess its appropriateness in relation to the strategy and the business operations. This review, which was performed in 2021, includes: (i) the evaluation of the functioning of the key functions of Aegon Nederland, including the adherence to relevant system of governance requirements, and stakeholder feedback, (ii) the self-evaluation of the MT Life, MT Non-Life and the committees that fulfil an important decision making role within the system of governance, and (iii) the self-evaluation of the Statutory Management Board and the Supervisory Board of Aegon Nederland.

The system of governance review assesses the system as currently existing and operating within Aegon Nederland. The conclusions of the review are included in the System of Governance review report, which has been concluded most recently in 2021. The current review is still in progress, with an expected due date in 2023.

Aegon Nederland and its insurance subsidiaries have in place a system of governance and key functions in accordance with the legislative requirements. This is codified in a structure of function and committee charters, function policy documents and function reports. The respective charters and policy documents are reviewed on a periodic basis, updated where necessary and taken through applicable governance. Furthermore, Aegon performs its Own Risk and Solvency Assessment (ORSA) process and produces a range of required Solvency II reporting deliverables such as Solvency and Financial Condition Report and Regular Supervisory Report. Governance requirements are an essential element of the Solvency II legislation and embedded in the range of in force Aegon charters, policy documents, function reports and Solvency II reports. The Aegon Nederland system of governance includes the Risk Management Function (RMF), the Compliance Function (CF), the Internal Audit Function (IAF) and the Actuarial Function Holder (AFH) and these functions are considered to be key functions.

The system of governance of Aegon Nederland includes an adequate transparent organizational structure with a clear allocation and appropriate segregation of responsibilities and an effective system for ensuring the transmission of information. The system of governance is supported by the Aegon Nederland Policy House, which includes written policies and charters in place and implemented in relation to risk management (which includes compliance), internal control, internal audit and, where relevant, outsourcing.

In order to remain in control, it is important that the employees of Aegon Nederland and its subsidiaries remain familiar with the policy documents that apply to them. Failure to do so could result in unmanageable and unacceptable risks. The existence of the Policy House is a measure to prevent this and therefore it is crucial to maintain the Policy House as the single source of truth for approved policy documentation for both Aegon Nederland and its subsidiaries. The FPC has an important role in this context. The FPC consists of representatives of different business and staff units and reviews policy documents such as policies, standards, charters, and guidelines. Moreover, the FPC renders advice on policy waivers applicable to multiple legal entities within Aegon Nederland.

The system of governance of Aegon Nederland can be regarded effective in setup and existence and predominantly compliant with applicable Solvency II governance requirements. Further, good effectiveness results were achieved by the MT-s and committees as referred to above. Aegon Nederland will follow-up on identified gaps and points of improvement, in order to further improve the effectiveness of the system of governance.

B.1.2. Key functions

Apart from the Supervisory Board, the Statutory Management Board, and the Management Team Aegon Nederland, in line with Solvency II Delegated Regulation, Aegon Spaarkas has identified the following individuals as Key Function Holders:

- **Actuarial Function Holder**
Tjeerd Degenaar
 - **Risk Function Holder**
Martijn Tans
 - **Compliance Function Holder**
Qiumei Yee
 - **Internal Audit Function Holder**
Paul van der Zwan
- **Risk management:** The Risk Function Holder (RFH) reports to the Chief Risk Officer (CRO) who directs the department of Risk & Compliance. The RFH operates independently from the first line functions and other functions and reports (and escalates if necessary), next to the CRO, also periodically to the Statutory Management Board and to the Risk & Audit Committee of the Supervisory Board.

- **Compliance:** The Compliance Function Holder reports to the CRO of Aegon Nederland in its role as statutory director of Aegon Nederland and the statutory board of Aegon Nederland. The Compliance Function Holder can escalate in situations where she deems necessary. In these situations, the Compliance Function Holder can escalate to the CEO of Aegon Nederland, the Supervisory Board of Aegon Nederland, the Global Head of Compliance of Aegon N.V., the Group ORM Officer of Aegon N.V. or the supervisory authorities where necessary. The organization, roles and responsibilities of the compliance function are more extensively described in section B.4.2.
- **Internal audit:** The Chief Audit Executive is the function holder for Internal Audit. In line with the requirements, Internal Audit is fully objective and independent from all other functions, reporting directly to the CEO and Supervisory Board Risk & Audit Committee. The organization, roles and responsibilities of the internal audit function are more extensively described in section B.5.
- **Actuarial function:** The Actuarial Function Holder (AFH) reports to the CRO, who directs the department of Risk & Compliance. The AFH operates independently from the first line functions and other functions and reports (and escalates if necessary), next to the CRO, also periodically to the Statutory Management Board, to the Risk & Audit Committee of the Supervisory Board and to the Global Chief Actuary. The organization, roles and responsibilities of the Actuarial function are more extensively described in section B.6.

The key functions stated above have the necessary resources to carry out their tasks. Resourcing of staff and other means required to execute control is documented as part of the charters agreed with the Statutory Management Board and the Supervisory Board. Issues in resourcing can be brought forward to the Executive and the Supervisory Board. The necessary operational independence of the key functions is also documented as part of the charters.

B.1.3. Remuneration policy

B.1.3.1. General Information on the remuneration policy and practices

The remuneration policy is centralized at Aegon Nederland level and also applies to Aegon Spaarkas. Aegon Nederland pursues a careful, sound, and sustainable remuneration policy. As Aegon Nederland has adopted the Regulation on Sound Remuneration Policies (Regeling beheerst beloningsbeleid as issued by DNB), the Aegon Nederland remuneration policy is in line with the requirements stipulated in the regulation.

Aegon Nederland's remuneration policy applies to the Statutory Management Board, management teams, senior management, and other employees of Aegon Nederland and subsidiaries and complies with the applicable national and international regulations. 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. In 2021 an addition was made to the policy reflecting that environmental, social and governance events and conditions (ESG factors) are increasingly a (potential) core issue for Aegon's stakeholders.

The remuneration policy is in line with the strategy, vision, core values and risk appetite of Aegon Nederland. This means that the level of variable remuneration for employees is discussed in meetings of the Supervisory Board, as well as the financial performance criteria which are applied to variable remuneration. These are adjusted for the estimated risks and cost of capital, whereby the variable remuneration components are in line with Aegon Nederland's long-term objectives.

Regarding the form and timing of payments, the regulation requires a portion of the variable remuneration paid to Material Risk Takers (i.e., members of the Management Team) to be deferred and partially paid in shares.

Variable remuneration is based on performance related to present targets on the following three levels: (i) Aegon N.V., (ii) Aegon Nederland 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 upon assessment of the actual performance.

Under the governance provisions of Aegon Nederland's remuneration policy, the Supervisory Board is authorized, following the results of an ex-post assessment, to suspend or cancel all or part of the variable remuneration granted conditionally to Material Risk Takers ('malus clause').

The governance provisions in Aegon Nederland's remuneration policy state that the Supervisory Board is authorized to recover variable remuneration previously paid to members of the management team and senior management if it was granted based on inaccurate financial or other information ('claw back' clause). In 2022, there was no claw back of variable remuneration.

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 Statutory

Management Board, (iv) review of the remuneration of Material Risk Takers, (v) instructing the Statutory Management 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 covered.

B.1.3.2. Principles of the remuneration policy

Members of the Statutory Management Board as well as other selected jobholders have been defined as 'Material Risk Takers' in accordance with new rules, guidelines, and interpretations. Of these, the Dutch 2015 Wbfo, the DNB Regulation on Sound Remuneration policies 2014 and the guidelines issued by the European Banking Authority and its predecessor issued under the successive European CRD frameworks (in particular CRD III and IV) are prominent examples. The rules have been adopted in Aegon N.V.'s Global Remuneration Framework and consistently applied within Aegon Nederland in the Aegon Nederland Remuneration Policy. After the performance period, and based on the framework, variable compensation, if any, is partially made available and partly deferred.

Variable compensation is paid in both cash and in Aegon N.V. shares. The shares are conditionally granted at the beginning of the year at the average share price on the Euronext stock exchange in Amsterdam during the period between December 15 preceding a plan year and January 15 of the plan year. The performance indicators apply over a performance period of one year and consist of Aegon N.V. and/or Aegon Nederland targets (both financial and non-financial) set by the Supervisory Board or the remuneration committee and personal/strategic targets. The conditional grant of variable compensation is also dependent on continued employment of the individual employee to whom the rights have been granted.

An ex-post assessment is applicable to determine whether allocated (unvested) variable compensation should become unconditional or should be adjusted. In addition, for Members of the Statutory Management Board, Aegon Nederland's Supervisory Board has the right to reclaim variable compensation that has already been paid out or vested.

For members of the Statutory Management Board all variable compensation has vested after three years following the performance period. At vesting, the variable compensation is transferred to the individual employees. Additional holding periods may apply for vested shares. Members of the Statutory Management Board are not entitled to execute any transactions regarding the shares for a period of three years following vesting (with the exception of shares withheld to cover for the payment of any applicable taxes, social security premiums and possible other deductions by the government due for which the company holds a withholding obligation in connection with the vesting of the shares). In compliance with regulations under Dutch law, no transactions regarding the shares may be exercised in closed periods.

B.1.3.3. Share options, shares or variable components of remuneration

Variable remuneration for the statutory board members of Aegon Nederland were paid 40% in cash and 60% in shares of Aegon N.V.

The remuneration policy and its implementation were discussed in meetings held by the Supervisory Board on several occasions during 2022. In 2022, in accordance with Aegon Nederland's Remuneration policy, 40% of the 2021 variable remuneration was paid directly to members of the Statutory Management Board of Aegon Nederland and the remaining 60% was conditional. The 60% is subject to a deferral period of three years without any further holding requirements in accordance with the principles of the Aegon Group Global Remuneration Framework. Shares are withheld to cover payment of any applicable taxes, social security premiums and/or other possible deductions by the government (for which the company holds a withholding obligation in connection with the vesting of the shares).

Variable compensation awarded to Material Risk Takers remains conditional, an ex-post risk assessment may indicate reasons for lowering the amounts or not pay at all.

B.1.3.4. Supplementary pension or early retirement schemes for the members of the administrative, management or supervisory body and other key function holders

Members of the Statutory Management Board, Supervisory Board and key function holders are offered pension arrangements and retirement benefits in conformity with the standard Aegon Nederland arrangement. Pension arrangements do not include discretionary elements.

Aegon Spaarkas does not grant Statutory Management Board members and Supervisory Board members personal loans, guarantees or other such arrangements, unless in the normal course of business and on terms applicable to all employees, and only with the approval of Aegon Nederland's Supervisory Board.

B.1.4. Disclosure on material transactions

There were no material transactions with members of the Supervisory Board, the Statutory Management Board and/or MB NL.

B.1.5. Material changes in the system of governance

Reference is made to section B.1.1. of this SFCR.

B.2. Fit and proper requirements

B.2.1. Requirements for skills, knowledge and expertise

Statutory Management Board

To fulfil their tasks, the specific skills that members of the Statutory Management Board of Aegon Nederland should have at their disposal include: i) Leadership (i.e. ideas, people and change); ii) Strategic thinking and sound judgment; iii) Financial and commercial acumen, particularly around complex and inorganic change activities; iv) Influencing and relationship building; v) Communication; vi) Delivery with clear focus on outcomes; vii) Innovation and problem solving; and viii) Customer-centricity. Moreover, the members of the Statutory Management Board should possess knowledge and experience in the areas of:

1. Strategic understanding of and insight into the financial services industry, with particular emphasis on the challenges and opportunities associated with achieving success for a market leading life and pensions and digitized platform company;
2. Specifically, good understanding of the different regimes associated with Insurance and Investments, including capital management and regulatory frameworks; and
3. Extensive industry and executive management experience in a number of financial, operational, and strategic roles – an industry leader respected by regulators, trade associations and government bodies; and proven ability to lead complex transactions across an organization, including inorganic activity.

Requirements for skills, knowledge and expertise are also reflected in the Statutory Management Board profile which has been drawn up for the Statutory Management Board and which is updated periodically.

Supervisory Board

The Supervisory Board, as a collective, should have qualifications including an international composition; experience with, and understanding of the administrative procedures and internal control systems; affinity with and knowledge of the industry, its clients, its products and services, the financial services market and Aegon Nederland's businesses and strategy; knowledge and experience in (digital) marketing and distribution and the applications of information technology; expertise and experience in digital transformation; experience in the business world, both nationally and internationally; and financial, accounting and business economics' expertise and the ability to judge issues in the areas of risk management, solvency, actuarial currencies and investment and acquisition projects. Requirements for skills, knowledge and expertise are also reflected in the Supervisory Board profile which has been drawn up for the Supervisory Board and which is updated periodically.

Solvency II key function holders

The existing Permanent Education program of Aegon Nederland for key function holders and their (in)direct reports is being strengthened. Aegon Nederland has set up a Permanent Education program that entered into force in 2020. Aegon Nederland has developed this program together with the University of Amsterdam (UvA) and is certified by the UvA.

B.2.2. Process for assessing the fitness and the propriety requirements

In accordance with the Dutch Financial Supervision Act, Aegon Nederland has identified, in addition to the members of the Statutory Management Board and Supervisory Board, those persons that fulfil 'key functions' as referred to in Articles 3:271 and 3:272, in connection with Articles 3:8 and 3:9 of the Dutch Financial Supervision Act. This group of persons is broader than but includes all persons that fulfil key functions as referred to in art. 294 (2) of the Solvency II Delegated Regulation. These persons are subject to a pre-employment screening prior to their employment within Aegon Nederland, as well as a propriety assessment by the Dutch supervisory authorities prior to their appointment in a key function. Ongoing compliance with propriety requirements of the persons that effectively run the undertaking or have other key functions is a joint responsibility of the respective person as well as Aegon Nederland. Persons that fulfil key functions also undergo an internal fitness assessment process. Within this process the resume of the candidate will be assessed, interviews are held, and the skills and expertise of the candidate is checked against the function profile.

Aegon Nederland has a pre- and in-employment screening process in place. Whereas pre-employment screening aims to assess the internal fitness of employees ahead of hiring, in-employment screening aims to periodically reassess the internal fitness during employment.

Aegon Nederland facilitates various education programs for Statutory Management Board, Supervisory Board, and other key functions.

Statutory Management Board

The members of the Statutory Management Board have broad-based commercial backgrounds and experience in the financial sector in general and in insurance in particular. With this wide range of experience, they have the necessary knowledge and fully understand the valuable function of insurance companies in society and are making their decisions in the interests of all Aegon Nederland's stakeholders. Each member of the Statutory Management Board also has the necessary knowledge to be able to assess and determine the main points of Aegon Nederland's overall policy and to form a balanced and independent opinion on the risks that Aegon faces.

The knowledge of the members of the Statutory Management Board is kept up to standard and is improved by means of Aegon Nederland's permanent education program, which is organized by the Secretary of the Board together with the HR Learning & Development department. The latter is also responsible for keeping records on participation. The ongoing program covers national and international developments in the financial sector as well as corporate governance in general and in the financial sector in particular. The program further includes topics such as the duty of care towards customers and putting customers' interests first, integrity, risk management, financial reporting, and audit.

The members of the Statutory Management 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 Statutory Management Board took the oath or affirmation as required by the Financial Sector Oath or Affirmation Regulations.

Supervisory Board

Individual members of the Supervisory Board will be assessed on the basis of personal qualifications including: managerial experience and skills at the highest levels; experience with large listed companies; understanding of a global business; entrepreneurial attitude; sound business judgment, common sense and decisiveness; independence and a sufficiently critical attitude with regard to the other Supervisory Board members and the Statutory Management Board and international orientation and outside experience.

All members of Aegon's Supervisory Board have been scrutinized by the Dutch supervisory authorities, the Dutch Central Bank (DNB) and the Netherlands Authority of Financial Markets (AFM), prior to their appointment and fulfil these requirements on an ongoing basis.

In Aegon Nederland'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 a profile of the Supervisory Board, further specifying and recording its vision on the membership. The profile is tailored to Aegon Nederland's nature, size and complexity and also incorporates the competences in DNB's Suitability Matrix for Supervisory Boards.

The members of the Supervisory 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 Supervisory Board took the oath or affirmation as required by the Financial Sector Oath or Affirmation Regulations.

B.3. Risk management system including the own risk and Solvency assessment

B.3.1. Risk management system

ERM is a framework, which is designed and applied to manage risk in creating, preserving, and realizing value that may affect Aegon Nederland. ERM builds on the current level of risk management that exists in the normal course of business. The aim is to manage risk within Aegon Spaarkas' risk tolerance in order to provide reasonable assurance regarding the achievement of Aegon Spaarkas' objectives.

For Aegon Spaarkas, ERM involves:

1. Understanding which risks the company is facing;
2. Establishing a firm wide framework through which the maturity of risk management practices can be monitored;
3. Establishing risk tolerances, and supporting policies, for the level of exposure to a particular risk or combination of risks; and
4. Monitoring risk exposure and actively maintaining oversight over the company's overall risk and solvency positions.

The ERM framework is based on the international accepted standard COSO ERM and lays the foundation for managing risk throughout Aegon Spaarkas' operations. Aegon Nederland's subsidiaries must adhere to Aegon Nederland's ERM framework and be able to demonstrate compliance to the extent, nature and size that is appropriate to the organization. The ERM framework applies to all material businesses of Aegon Nederland for which it has operational control.

The aim of Aegon Nederland's ERM framework is to enable management to effectively deal with uncertainty, and the associated risk and opportunity, by enhancing the organization's capacity to build value which contributes to the fulfilment of its corporate strategy. In addition, ERM ensures that risk tolerances and strategy are aligned.

Enterprise risk management supports Aegon Spaarkas' corporate strategy by ensuring a common system for measuring value and risk. The purpose of Aegon Spaarkas' risk strategy is to provide direction for the desired risk profile while supporting Aegon Spaarkas' business strategy. A key element in Aegon Nederland's approach toward risk strategy is that taking a risk should in the first place meet a customer need. Furthermore, an assessment is made whether Aegon Spaarkas has the competence to manage the risk and Aegon Spaarkas' risk preferences are formulated. In other words: from a risk-return perspective, which risks Aegon Spaarkas accepts, and which risks Aegon Spaarkas wants to avoid. The assessment of Aegon Spaarkas' risk preferences eventually leads to a targeted risk profile that reflects the risks Aegon Spaarkas wants to keep on the balance sheet, and which risks Aegon Spaarkas would like to mitigate by means of hedging, product design or other risk mitigation techniques/ management actions.

ERM Building Blocks

Aegon Nederland's enterprise risk management framework considers risk from various perspectives and can be decomposed into multiple components. However, enterprise risk management is not strictly a serial framework, where one component affects only the next. It is a multidirectional, iterative framework in which almost any component can and does influence another. The principles and requirements of ERM apply on all organizational levels and concern both financial and operational risks. Risks are managed from multiple perspectives, including culture, economic, regulatory, and accounting. Relevant metrics in ERM include capital, earnings, liquidity, and franchise value. Enterprise risk management supports Aegon Spaarkas' corporate strategy by ensuring a common system for measuring value and risk. The purpose of Aegon Spaarkas' risk strategy is to provide direction for the desired risk profile while supporting Aegon Spaarkas' business strategy. A key element in Aegon Nederland's approach toward risk strategy is that taking a risk should in the first place meet a customer need. Furthermore an assessment is made whether Aegon Spaarkas has the competence to manage the risk and Aegon Spaarkas' risk preferences are formulated. In other words: from a risk-return perspective, which risks Aegon Spaarkas accepts and which risks Aegon Spaarkas wants to avoid. The assessment of Aegon Spaarkas' risk preferences eventually leads to a targeted risk profile that reflects the risks Aegon Spaarkas wants to keep on the balance sheet and which risks Aegon Spaarkas would like to avoid by means of hedging, product design or other risk mitigation techniques/ management actions.

Risk Strategy

The first building block in the enterprise risk management process is the formulation of an enterprise risk management strategy. The risk strategy forms the basis for the risk tolerance statements, which are specified in terms of financial strength, continuity, culture, and risk balance and are translated into operating guidelines for the various risk types.

Risk Tolerance

Risk Tolerance includes the risk appetite of Aegon Nederland including qualitative and quantitative risk tolerances that are the basis to support the business in making decisions about whether risks are within appetite, acceptable or need to be mitigated or avoided. Qualitative and quantitative tolerances are to be determined by management based on the values and principles of Aegon Nederland and should be in line with the company's purpose, values, objectives, Code of Conduct, and Market Conduct Principles.

Risk Identification

The risks that Aegon Nederland faces are identified and presented in the risk universe. An emerging risk process ensures that the risk universe will capture the full spectrum of risks. In order to assess the risks, Aegon Nederland has developed a methodology for measuring the risks as defined in the risk universe.

Risk Assessment

Aegon Nederland's approach to evaluating operational risks is based on the quantitative and qualitative rating of those risks with regard to their potential impact and likelihood after consideration of the effectiveness of controls. Risk impact is assessed along the following four impact dimensions: financial loss, customer, reputation, and financial misstatement. The resulting ratings reflect the uncontrolled (residual) risk the business area is running.

Risk Response

Once the risks have been identified, evaluated, and prioritized, an appropriate risk response needs to be defined. Action plans are developed and managed if Aegon Nederland's risk tolerances are violated.

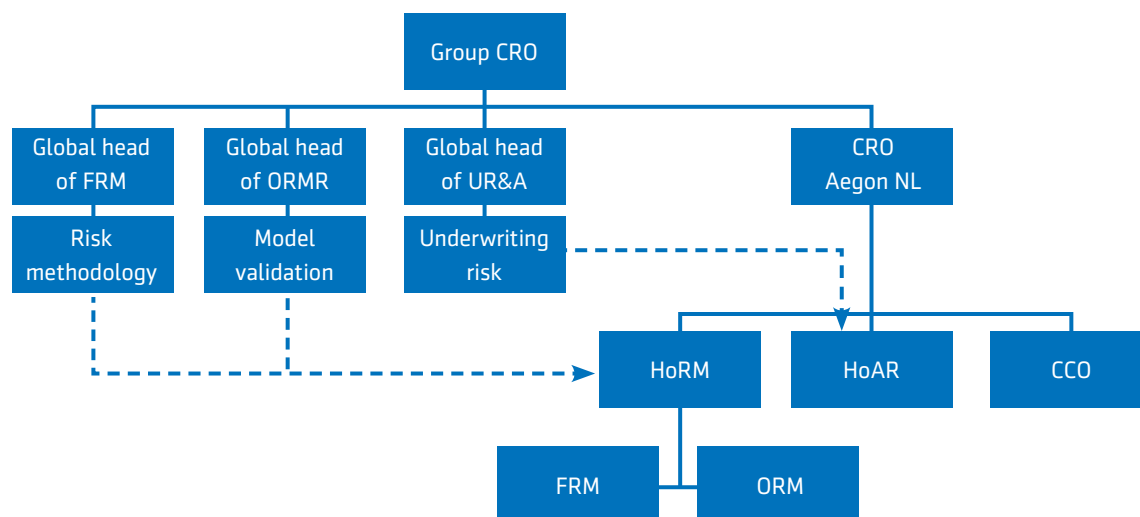
Risk Reporting (& Monitoring)

Compliance with the risk tolerance statements and the risk policy requirements is monitored and reported on a periodic basis to senior management. Through a formal Risk and Audit Committee and Risk and Capital Committee senior management is informed on their forward-looking risk profile on a quarterly basis, together with details of action plans that address key risks. In the quarterly report the CRO's opinion on, among others, the effectiveness of those plans is formalized.

Aegon Nederland controls the risk it faces along various dimensions through its risk governance framework, risk monitoring, model validation, and embedding of risk management into functional areas, such as business planning, capital planning and management, remuneration, pricing, and product development. Risk control is further supported by a strong risk culture and effective compliance risk management. The execution of these building blocks is a continuous and iterative undertaking, including periodic or ad hoc adjustment of the strategy and risk tolerance based on new risk information or changes in the business (environment). The full enterprise risk management methodology is formalized in the ERM Manual, ERM policy and underlying detailed policies and manuals.

Implementation of risk management system

The second line of defence of Aegon Nederland is represented by the Risk & Compliance department (see figure below). The department is managed by the Chief Risk Officer (CRO) of Aegon Nederland together with the Head of Risk Management (HoRM), Head of Actuarial Risk (HoAR) and the Chief Compliance Officer (CCO). The Head of Risk Management holds the responsibility for the Risk Management Function and hierarchically reports to the CRO of Aegon Nederland. The day-to-day operations of the Risk Management Function are performed by the departments Operational Risk Management (ORM), and Financial Risk Management (FRM).



For the insurance entities of Aegon Nederland (related to the Solvency II Directive), the Head of Risk Management is also the Risk Function Holder (RFH) and responsible for the Risk Management Function. The departments FRM and ORM support the RFH in its regulatory responsibilities related to the function. Moreover, the following departments support the RFH:

- The department Risk Methodology is responsible for the design and maintenance of the SII Partial Internal Model (PIM). The head of Risk Methodology hierarchically reports to the global head of FRM. The RFH draws on resources of this department for the regulatory responsibilities related to the PIM. There is a reporting line from the Head of Methodology to the RFH. A Service Level Agreement (SLA) is in place between Aegon Nederland and Aegon Group.
- The department Model Validation (MV) is responsible for, among others, the validation of the PIM. The head of MV hierarchically reports to the global head of ORM. A Service Level Agreement (SLA) is in place between Aegon Nederland and Aegon Group. Based on the SLA, the RFH is accountable for model validations related to elements of PIM, while the Aegon Group Head of MV is responsible for adequate execution of the model validations in line with the Model Validation Calendar. These starting points are both in line with Solvency II (SII) requirements as well as an optimal safeguard of independence between model validators on the one hand and model developers and business users on the other hand

The insurance entities within Aegon Nederland have a management team installed with a position of head of risk. Aegon Life is the business unit managing the balance sheets of Aegon Levensverzekering and Aegon Spaarkas. As stated above, the Head of Risk Management is the Risk Function Holder (RFH) of these insurance entities. The managerial role of Head of Risk of Life is conducted by the HoRM as well. Through a Service Level Agreement, the Head of Risk of Life has access to services and / or dedicated capacity of the other risk teams. However, the Head of Risk of Life can only speak on behalf of key function holders when explicitly agreed.

B.3.2. Solvency II PIM Governance

Aegon Spaarkas' methodology for assessing risks includes the Solvency II PIM and is used to measure and aggregate risks and to calculate the Solvency Capital Ratio. All models within Aegon (but PIM in particular) are subject to model governance and should comply with the model policies and standards. This includes the independent validation as part of the Internal Model Application Process, and regular validation program to secure ongoing appropriateness on a rolling basis.

The regulatory responsibility for the risk management function to both design and validate the partial internal model leads to a potential conflict of interest. Aegon has mitigated this as follow:

- The activities related to Model Validation are outsourced to the model validation department, but the risk management function retains accountability for model validations related to elements of Aegon Nederland's Partial Internal Model. Regarding the validation of the Partial Internal Model, the Risk Management Function holder has the right to put model validation results on the MT NL agenda for discussion, in particular when the RMF disagrees with the final Model Validation Committee opinion.
- Model changes can also be implemented without the assessment from Model Validation department, conditionally on the impact of these changes as defined in the model governance policy. Such changes are subject to approval of the model committee, the Assumptions & Methodology Committee (AMC). The decision-making process within the committee provides mitigation for the conflict of interest as the different roles within the function (design and review) are represented and the committee needs to unanimously approve the model changes.

In addition to the validation of individual models, the Solvency II PIM is also subject to a top-down analysis as part of the overarching validation performed by the Model Validation function. The overall purpose of the overarching validation is to provide an independent assessment of the overall appropriateness of the Solvency II PIM as adopted and used within Aegon Spaarkas. The overarching validation of the Solvency II PIM is updated annually. There were no material changes to the internal model governance during the reporting period.

B.3.3. Own risk and solvency assessment

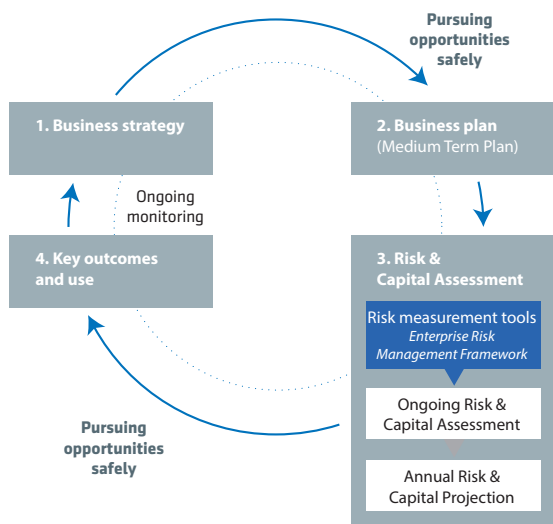
The Own Risk & Solvency Assessment (ORSA) is a continuous process which builds on the existing risk and capital management and business planning processes within Aegon Spaarkas. The ORSA unites these processes under a single framework, ensuring key business decisions are based on an internal assessment of risk and associated capital requirements. It connects and aligns risk and capital management, business planning, and strategic decision-making processes, and delivers the "ORSA outcomes" namely:

- The assessment of overall solvency needs taking into account the specific risk profile, approved risk tolerance limits and the business strategy of the undertaking.
- The compliance, on a continuous basis, with the capital requirements and with the requirements regarding technical provisions; and
- The comparison of the risk profile with the assumptions underlying the Solvency Capital Requirement and internal model.

An ORSA policy is in place within Aegon Nederland. The purpose of this policy is to ensure that Aegon Spaarkas' ORSA process is compliant with the Solvency II regulations, appropriate, and integrated within the management of the business. The policy also covers the roles, responsibilities, and processes. The policy is annually tested as part of the policy attestation process.

A graphical overview of the ORSA process is provided below. The process is based on the following key working assumptions:

- The process is iterative and subject to on-going monitoring to ensure the ORSA responds to major changes impacting the business.
- The business strategy for Aegon Spaarkas is set.
- The risk & capital assessment must include the identification, measurement, management and monitoring of risk. The capital needs of the business must be considered taking account of the proposed strategy and the acceptable level of the associated risks in pursuit of that strategy. The assessment must take into account both the present and the future.
- Aegon's Partial Internal Model (PIM) and Economic Framework (EF) are key tools used in the measurement and quantification of risk.
- The output from the business strategy, financial strategy, business plan and the risk and capital assessments (together the Budget/MTP) must be used in the decision-making process.
- "Use" applies across a spectrum of areas including Asset & Liability Modelling, product development and pricing, business strategy, risk management and performance management.

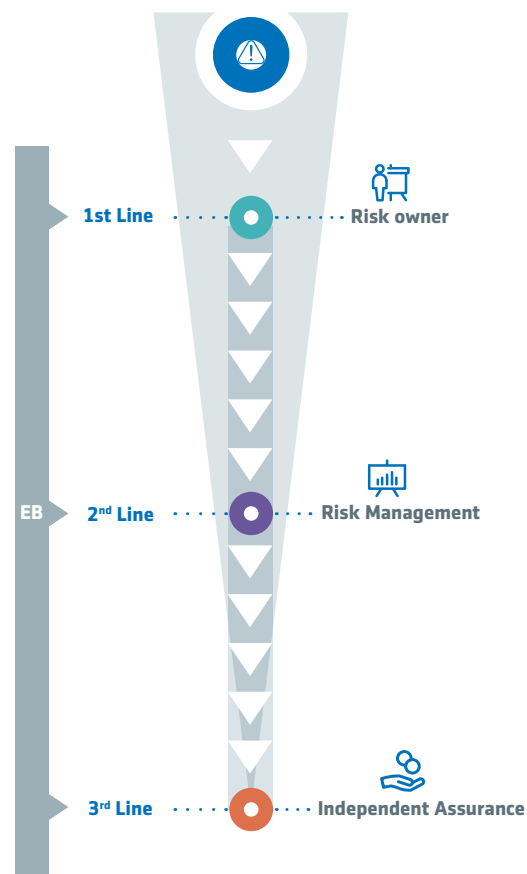


All the above is evidenced and documented in Aegon Spaarkas annual ORSA report.

B.4. Internal control system

B.4.1. Internal control system

In order to ensure conscious risk-return decisions and limit the magnitude of potential losses within defined levels of certainty, Aegon Nederland's internal control environment has been established based on the principles of the 'Three lines' model.



The three lines are represented by the following: 1) risk owners, 2) risk managers, and 3) independent assurance. The overall responsibility for risk management lies with the Statutory Management Board. The application of the three lines structure enables a professional risk culture where risk management can be optimally embedded within the business.

First line of defense: Risks naturally arise out of Aegon Nederland business activities, in particular through the sales and administrative processing of insurance policies and balance sheet and capital management. Business management is directly responsible for the processes on which achievement of Aegon Nederland's objectives depends. They are responsible for risk identification, risk assessment and, especially, the control of all material risks in their area of activity, consistent with applicable risk tolerances and risk policies.

Second line of defense: The risk functions and committees, being the second line, facilitate and oversee the effectiveness and integrity of ERM across the company. They facilitate ERM by developing, maintaining, and supporting the implementation of risk governance, risk tolerances, risk policies, risk methodology and risk management information. The role of the second line is also to oversee policy compliance, to maintain objectivity in business decisions and to challenge business management in this context. Risk policy breaches and excessive risk taking are escalated as needed. In this regard, the CRO has the authority to defer Risk & Capital Committee decisions that can have a material adverse impact on the company's solvency, liquidity, or operations to Board meetings. In addition to those mentioned above, second line is also responsible for model validations.

The Compliance Function, also part of the second line, is focused on ensuring adherence to applicable regulations and policies and enhancing integrity within the organization to support the goal of enabling clients to make conscious decisions to live their best lives. The Compliance Function, amongst others, advised MB NL and MT NL on the (potential) impact of regulatory and compliance developments on Aegon, whereby Legal performs the legal impact assessment of the identified changes and/or adjustments in the laws and regulations; conduct risks and risks related to the culture of Aegon Nederland including but not limited to the behaviour of employees, behavioural patterns in teams and departments or cultural elements in risk events; safeguarding the wellbeing of our employees, our customers and our reputation and pursuing a desired culture in where strategy, behaviour and products are aligned; the status of Aegon's compliance with laws, regulations, and appropriate policies, including the Code of Conduct; the interaction with the supervisors DNB, AFM and AP, and developments that are in scope of the supervisors and could have an impact on the Aegon organization and business.

Third line of defense: Audit along with its committees provide the third line and is a function directed by and accountable to the Statutory Management Board, principally through its Risk & Audit Committee. It is independent of senior management, which has responsibility for the first and second lines, and is therefore able to provide independent assurance opinions on the effectiveness of the systems of internal control and risk management.

B.4.2. Implementation of the compliance function

The responsibilities of the Compliance Function are formalized in the Compliance Function Charter. The Compliance Function Charter is reviewed annually and submitted to the relevant committees (for advice and decision-making) in accordance with the applicable governance process. No significant changes were made to the Compliance Function Charter in 2022. The activities of the Compliance Function are described and communicated to stakeholders in the 'Compliance Jaarplan' and other relevant documents on a yearly basis.

Coordinated by the Internal Control Office, the businesses of Aegon Nederland have conducted a Systematic Integrity Risk Assessment (SIRA), resulting in a deepened insight in the integrity risks. The SIRA methodology has been thoroughly reviewed and updated by the Compliance Function in 2022. The SIRA resulted in action plans addressing the deficiencies found.

A Compliance Monitoring Plan, that monitors the existence and operation of the relevant policies and standards, has been executed in 2022. The Compliance Function has performed a compliance monitoring exercise, amongst others, related to Code of Conduct & Insurance Oath, Protocol Incidenten waarschuwing systeem Financiële Instellingen (PIFI), Remuneration, Sustainability – IDD Delegated Regulation and Payment arrears at Mortgages.

The Regulatory Watchtower (RWT) is one of the domains reporting to the Chief Compliance Officer. The Regulatory Change Management process of implementing legislation including a tool that enables the tracking of the implementation of legislation was functioning effectively in 2022 after introduction in 2020 and further implementation in 2021. The Compliance Function is involved in the monitoring of legislation, such as the GDPR, Anti Money Laundering Directive and Sustainable Finance Disclosure Regulation. The Regulatory Watchtower is expected to further improve the monitoring of new and changing legislation.

Furthermore, the Compliance & Regulatory Affairs team has made the decision to form a cluster-based team, with themed clusters, being

- a. Business Compliance with Dedicated Compliance Officers (DCO's);
- b. Integrity & Governance;
- c. The Expert Pool; and
- d. Regulatory Oversight. These clusters allow for a better coordination around key-topics.

The Compliance Function has continued to coordinate improvements to its awareness programs and maturity on this topic over the course of 2022, which has resulted in the inclusion of various activities such as (i) social hacking workshops, (ii) Global Information Security week and phishing simulations, (iii) the PARP improvement plan, (iv) various CDD/AML trainings and (v) a series of harassment e-learnings as set up by different theme holders. The Compliance Function has a lead role in the monthly Awareness Working Group that, among other things, sets up a yearly awareness calendar and monitors the progression and content rolled out.

Regarding risk identification and assessment, compliance officers and operational risk managers organize combined RCSA's. As the Compliance Function is part of the ERM risk universe, the identified risks are registered in the operational risk universe. In this way the Compliance Function can align with existing monitoring and reporting procedures of operational risk management when appropriate.

The Compliance Function prioritized the following subjects in 2022:

- Customer Due Diligence;
- Privacy;
- Data & Digital;
- Conduct;
- Sustainability; and
- Monitoring & Reporting.

B.5. Internal audit function

B.5.1. Implementation of the internal audit function

Aegon Nederland's Internal Audit Function ("Internal Audit") assists the Statutory Management Board, the Risk & Audit Committee of the Supervisory Board and Senior Management in protecting Aegon Nederland's assets, reputation, and sustainability by independently and objectively evaluating the effectiveness of internal controls, risk management and governance processes. Aegon Nederland has implemented the 'three lines of defence model'. The (line) management control is the first line of defence. Risk management, the risk control and compliance over-sight functions are the second line of defence, and independent assurance is the third line of defence. As part of this assurance Internal Audit recommends improvements which are agreed with management and pursues corrective actions on identified issues until implementation.

Additionally, Internal Audit executes consulting services related to the evaluation and improvement of the management control environment of Aegon Nederland. When providing advisory services, Internal Audit needs to maintain operational independence. Opportunities to strengthen the existing management control environment, effectiveness and Aegon Nederland's reputation may be identified from the business. Internal Audit derives its authority from their respective Boards and is authorized to examine the internal controls, risk management and governance processes in all areas of Aegon Nederland.

B.5.2. Independence of the internal audit function

Internal Audit executes its duties freely and objectively in accordance with the Institute of Internal Auditors' International Professional Practices Framework. The purpose, objectives and responsibilities of the Internal Audit function of a Country Unit and of Group Internal Audit function are covered in the Internal Audit Charter and are aligned with the (inter)national professional auditing standards. Internal Audit avoids any conflicts of interest and accesses the expertise and knowledge necessary to undertake work in respect of specialist business functions.

Internal Audit does not execute any operational duties for Aegon Nederland and will not review a business area or function in which they have had recent management or operational responsibility or are otherwise conflicted. The Aegon Nederland Chief Audit Executive reports to the Chief Executive Officer. To ensure the independence of the auditors and effective governance, the Aegon Nederland Chief Audit Executive has a direct reporting line to the Group Chief Audit Executive, as well as to the Chief Executive Officer of Aegon Nederland and Audit Committee of the Supervisory Board.

B.6. Actuarial function

For the insurance entities of Aegon Nederland (related to the Solvency II Directive) the Head of Actuarial Risk is also the Actuarial Function Holder and responsible for the Actuarial Function. The department Actuarial & Underwriting Risk Management (UARM) supports the AFH in its regulatory responsibilities related to the function. The manager UARM hierarchically reports to the global chief actuary. The AFH draws on resources of this department for the regulatory responsibilities related to the AFH. There is a reporting line from the manager UARM to the AFH. A Service Level Agreement (SLA) is in place between Aegon Nederland and Aegon Group.

The AFH also makes use of the services of the department Model Validation (MV). MV is responsible for the validation of among other models all actuarial models contributing to the SII Technical Provisions and actuarial pricing models. The head of MV hierarchically reports to the global head of ORMR. A Service Level Agreement (SLA) is in place between Aegon Nederland and Aegon Group. Based on the SLA, the AFH is accountable for model validations related to all models except for elements that are part of the PIM, while the Aegon Group Head of MV is responsible for adequate execution of the model validations in line with the Model Validation Calendar.

The Actuarial Function Holder is positioned under the statutory board member who directs the department of Risk & Compliance, also the Chief Risk Officer (CRO). The AFH operates independently from the first line functions and other functions and reports (and escalates if necessary), next to the CRO, also periodically to the Statutory Management Board, to the Risk & Audit Committee of the Supervisory Board and to the Global Chief Actuary.

B.7. Outsourcing

Aegon Nederland has outsourced certain critical and/or important operational functions or activities related to front-, mid- and back-office processes. As stated earlier all employees working at Aegon Spaarkas are employed at and have a labour contract with Aegon Nederland. This also means that Aegon Spaarkas has outsourced the key functions to Aegon Nederland.

Outsourcing may affect business exposure to operational risk through material changes to, and reduced control over, people, processes and systems used in outsourced activities. Aegon Nederland has developed and formalized an outsourcing Risk Policy to ensure that outsourcing arrangements entered into by Aegon Nederland which can result in material risk are subject to appropriate due diligence, approval, and on-going monitoring. All material risks arising from outsourcing activities should be appropriately managed to ensure that Aegon Nederland is able to meet both its financial and service obligations. The outsourcing risk policy will be further enforced and strengthened due to the implementation of the third-party risk management policy.

The policy applies to all entities and business units of Aegon Nederland, including arrangements where Aegon Nederland has a controlling interest in other business units and entities. Furthermore, both outsourcing arrangements with vendor/suppliers and internal outsourcing arrangements within a business unit or between business units of Aegon Nederland are in scope of this policy. Aegon Nederland has implemented the policy to ensure that outsourcing activities that can result in material risk are managed and under supervision of Aegon Nederland.

B.8. Any other information

All relevant information is covered in the previous sections.

C. Risk profile

General

This section is outlined as follows. The first subsection describes the risk assessment and measurement, sensitivity analyses and risk concentrations in general. The second subsection discusses the Prudent Person Principle, which relates to market, credit, liquidity and operational risk.

In subsections C.1 through C.5, more detailed information is provided on underwriting, market, credit, liquidity and operational risk, respectively. Finally, subsection C.6 comments on other risks and uncertainties.

Finally, subsection C.6 comments on other risks and uncertainties.

Risk Assessment and Measurement: the Solvency Capital Requirement

Assessment of the risk profile of Aegon Spaarkas forms part of the ERM Framework, which is discussed in section B.3. Within this framework, risk policies provide specific operating guidelines for Aegon Spaarkas' risk governance and risk tolerance statements. Aegon Spaarkas complies with the risk policies of both Aegon Group and Aegon Nederland. The Aegon Nederland risk policies are tailored to fit local circumstances and therefore imply additional restrictions to the Group policies.

Within the ERM Framework, risk exposures are identified and quantified using Aegon Spaarkas' PIM. The PIM, which has been developed in close cooperation with Aegon Group, has been validated by Aegon Nederland's Risk Function and approved by Aegon Spaarkas' supervisor DNB. The main output of the PIM is the SCR.

The SCR of Aegon Spaarkas is the minimum level of Own Funds required in accordance with Solvency II legislation, to absorb unexpected developments of all risk exposures of Aegon Spaarkas in combination. It serves to ensure that obligations to policyholders can be met with a very high degree of certainty. When available Own Funds are in excess of the aggregate SCR, Aegon Spaarkas will be able to meet obligations to policyholders with a likelihood of at least 99.5% over a period of one year.

The PIM contains separate modules for market risk, counterparty default risk, underwriting risk, and operational risk. For each of these a separate SCR is derived. Major risks within the PIM are assessed using an internally developed model. For the other risks, the Solvency II standard formula is applied.

Key risks for Aegon Spaarkas reflect the following:

Amounts in EUR million	Components description	2022	2021
C.2 Market risk	Market risk (SF)	1	1
	Market risk (IM)	11	13
C.3 Credit risk	Counterparty default risk (SF)	2	2
	Counterparty default risk (IM)	-	-
C.1 Underwriting risk	Life underwriting risk (SF)	27	52
	Life underwriting risk (IM)	2	2
	Health underwriting risk (SF)	-	-
	Health underwriting risk (IM)	-	-
	Non-life underwriting risk (SF)	-	-
C.5 Operational risk	Operational risk (SF)	1	1
	Operational risk (IM)	-	-
E.2.1 Solvency Capital Requirement	Diversification	-/- 10	-/- 13
	LAC-DT	-/- 8	-/- 15
	Total SCR	26	45

Mitigating effects of diversification between risks, as well as the loss absorbing capacity of deferred taxes (LAC DT) are taken into account in the aggregate SCR. Diversification exists as the degree to which different risks are related to one another and is, in many cases, limited. As a result, the likelihood of severely adverse developments of all risks occurring within the same year is less likely than the intended 1-in-200 years event. The impact of diversification is measured separately within the PIM. Further explanation on the LAC DT and diversification is provided in Section E.2.1.

Furthermore, with regard to the methodology to derive the SCR, it should be noted that for liquidity risk no SCR has been determined as the Liquidity Risk policy ensures that sufficient liquidity is available with a very high degree of certainty over a period of two years. Liquidity risk is discussed further in section C.4.

Solvency II ratio, Sensitivity Analysis & Stress Testing

The Solvency II ratio is the main indicator of the ability of Aegon Spaarkas to meet all of its obligations to policyholders and other stakeholders, as and when they fall due. It is defined as follows:

$$\text{Solvency II ratio} = \text{Own Funds} / \text{SCR}$$

The Own Funds are the assets of the company, valued according to Solvency II principles, in excess of all obligations to policyholders as well as other liabilities that are not subordinated. Own Funds, SCR and Solvency II ratio at December 31, 2022 are shown below.

Table: Own Funds and SCR

Amounts in EUR million	Own Funds	SCR	Solvency Ratio, December 31, 2022
Solvency Ratio	124	26	482%

The lower bound for the target range for the Solvency II ratio (Eligible Own Funds divided by SCR) of Aegon Spaarkas is set by the company's Executive Board at 135%. This creates a buffer for the protection of the interests of policyholders. The target zone ensures that capital management can be employed relatively flexible and ensures execution of strategy, capital generation and dividends. When the ratio drops near or into the recovery zone, the management of the entity will take actions that will restore the ratio to a level back in the target zone. Aegon Nederland aims at capitalization levels for the insurance entities that are well within the target zone. Further details about this policy and the composition of the Own Funds can be found in chapter E.

In addition to the derivation of the SCR, Aegon Spaarkas performs sensitivity analyses and stress testing on a regular basis in order to assess the impact of the scenarios considered in these tests.

Sensitivity Analyses

Sensitivity analyses for Aegon Spaarkas are performed on a bi-annual basis. For a part of the market and mortality scenarios, including all sensitivities described below, a quarterly analysis is performed. In these analyses, the impact of instantaneous changes of external factors related to various risk types on Aegon Spaarkas is assessed. For each sensitivity analysis, the immediate impact on Aegon Spaarkas' Solvency II ratio as per year-end 2022 is as follows:

Table: Overview of sensitivity analyses

Scenario	Change to Solvency ratio
5% decrease in Mortality rates	+ 2%
Interest rate curve + 0.5%	+ 2%
Interest rate curve -/- 0.5%	-/- 1%
25% increase in Equities	-/- 31%
25% decline in Equities	+ 38%
Credit spreads – Non-Gov + 0.5% (excl. VA)	-/- 1%
Credit spreads – Non-Gov -/- 0.5% (excl. VA)	+ 2%
Credit spreads – Gov + 0.5% (excl. VA)	-/- 3%
Credit spreads – Gov -/- 0.5% (excl. VA)	+ 3%
Mortgage spreads + 0.5%	-/- 1%
Mortgage spreads -/- 0.5%	+ 1%
EIOPA VA + 5 bps	+ 3%
EIOPA VA -/- 5 bps	-/- 3%
Loss Absorbency Factor -/- 25%	-/- 38%
UFR down by 0.15%	-/- 0%

The methods and outcomes of the sensitivity analyses are described in more detail by risk type in the next sections.

Extreme Event Scenarios

Spaarkas develops extreme events scenarios on an annual basis. These scenarios form part of the Own Risk and Solvency Assessment ("ORSA").

In the extreme event scenarios, the impact of extreme but plausible scenarios are determined over a multiyear business planning period. Scenarios considered are for example a severe recession, adjustments to the Volatility Adjustment (VA) and the Ultimate Forward rate (UFR), improvement of life expectancy and changes in laws and regulations.

In each scenario, the impact on net earnings, Own Funds, SCR and Solvency II ratio is analyzed, taking into account the mitigating impact of management actions or other applicable measures.

Risk Concentrations - Identification & Approach

Aegon Spaarkas considers Concentration Risk to be either one of the following types of exposure:

- A relatively high exposure to a single risk within a portfolio of risks. An example is a loan with a high amount to a single counterparty;
- An exposure to a large number of risks that exhibit a high degree of correlation with one another. An example is the outbreak of an epidemic that may cause a large number of deaths simultaneously.

Specific attention to concentration risk is needed in case its impact is not yet reflected in the SCR, or another risk assessment method, of the risk type where it manifests itself. In this case, an additional amount of SCR (add-on) for concentration risk may be required. If there is no SCR for the risk in question, additional consideration must be given in case concentrations are not reflected in the original risk assessment.

The potential occurrence of risk concentrations is further discussed below in the sections on each of the main risk types: C.1. Underwriting Risk, C.2. Market Risk, C.3. Credit Risk, C.4. Liquidity Risk and C.5. Operational Risk.

Prudent Person Principle

The prudent person principle ensures that assets are managed on behalf of policyholders or other stakeholders in a prudent manner, and covers aspects that relate to market, credit, liquidity and operational risk.

Mandates for investments for the general account and for account of policyholders are set out in internal guidelines of Aegon Spaarkas, in order to ensure that the prudent person principle is satisfied. Besides that, each investment program is tested on several criteria and authorized by the Risk & Capital Committee (RCC).

The prudent person principle has been embedded into Aegon's system of governance, and is applicable for underwriting risk, market risk and credit risk.

The Investment and Counterparty Risk Policy requires relevant business units to satisfy the prudent person principle. The risks on the investment side are presented in Risk Reporting analysis with more detailed reporting performed by Aegon Asset Management. Aegon's Risk Appetite Framework is in place to ensure that the assets held are appropriate to the nature of the liabilities without taking on excessive risks:

- ERC Risk limit indicators for market and financial risks are set and form part of the Aegon Risk Appetite Framework;
- The Investment and Counterparty Risk Policy establishes the prudent person principle requirements;

- Concentration in exposures is avoided by testing adverse plausible scenarios in the Budget/MTP process and by setting single counterparty limits in the Group Credit Name Limit Policy. This is supplemented with the Focus List that provides a more proactive process to monitor and control concentration;
- The requirements related to use of derivatives can be found in the Derivative Use Policy. This policy ensures that a consistent standard of responsible derivative usage is in place across the Aegon Group. In addition, the consolidated reporting of derivative positions provides transparency to derivative usage as well as a demonstration of controls;
- The Securities Lending and Repo Policy ensures a consistent standard for Securities Lending and Repurchase (Repo) programs within the Aegon Group. This Policy sets out the minimum required processes and documentation standards that must be in place for any unit to operate in these instruments; and
- The Reinsurance Use Policy establishes the process with which reinsurance use is conducted at Aegon in order to ensure a consistent high standard of reinsurance use across the Group, to ensure proper internal controls are in place around risks arising from reinsurance wherever material (e.g. counterparty risk and basis risk), and to ensure globally consistent information on Aegon's reinsurance treaties is available.

The requirements related to the use of derivatives are specified in the Derivative Use Policy. Key principle here is that derivative programs should be documented and are used for risk mitigation purposes. In general, Aegon Spaarkas manages the asset allocations to prudent levels on the basis of ALM and risk management frameworks.

The prudent person principle requires specific attention to be paid to assets that are not traded on regulated financial markets. In this category, mortgages are particularly relevant, as they form an asset class in which, Aegon Spaarkas holds investments. Within the Aegon Nederland holding, of which Aegon Spaarkas forms part, mortgage loans have been originated and serviced for over thirty years. As a consequence, considerable expertise exists within Aegon Nederland in these areas.

In addition, the prudent person principle requires that specific attention be given to illiquid assets. Illiquid assets held by Aegon Spaarkas, including mortgages, form a good match with the illiquid profile of Aegon Spaarkas' liabilities. As such, these assets provide a satisfactory risk-return trade-off for Aegon Spaarkas and its policyholders.

C.1. Underwriting risk

C.1.1. Description of the measures used to assess underwriting risks

Underwriting risk, sometimes referred to as “insurance risk”, arises from deviations of observed actuarial parameters from those used in product pricing assumptions. These are typically actuarial assumptions that cover policyholder behavior and claims. Underwriting risk is the result of both the inaccuracies in projecting liability cash flows over several future time periods, as well as fluctuations in the incidence of claims.

The material underwriting risks for Aegon Spaarkas are policyholder behavior risk and expense risk.

Mortality/longevity risk

Mortality risk arises from economic losses due to mortality levels deviating from expectations (when mortality is lower than expected, this is referred to as longevity). Policyholders are typically grouped into different classes. Best estimate assumptions are then developed for each policyholder class. Aegon is exposed to the risk that the best estimate assumptions are inaccurate.

Aegon Spaarkas sells mainly tontine plans, which are at risk if mortality increases.

Policyholder behavior risk

Policyholder behavior risk arises from economic losses due to policyholder behavior deviating from expectations. Insurance contracts typically provide policyholders with a variety of options that they may or may not exercise. Policyholder behavior risk is the risk that actual policyholder behavior deviates from the assumptions built into the reserves calculations. This includes assumptions about lapses, withdrawals, premium payment levels, allocation of funds, and the utilization of possible options in the products.

The above mentioned elements of policyholder behavior risk all relate to insurance contracts. The prepayment risk on mortgages constitutes another important component of policyholder behavior risk; it's the risk of higher or lower prepayments that anticipated, including early redemption rates, thus impacting the value of the mortgage portfolio.

In general, Aegon Spaarkas is at risk for mass policy lapse as in some cases higher surrender values have to be provided.

Expense risk

Expense risk is the risk that the expenses arising from servicing (re) insurance contracts develop differently than expected. Various types of expense risk are distinguished:

- Expense inflation risk is the risk that expenses inflate at a higher rate than assumed in the calculation of the technical provisions. It does not cover the risk of general price inflation increases, which would be covered by mismatch risk; and
- Expense level risk is the risk that unexpected changes in maintenance expenses for in-force business will occur (assuming that the volumes of business are unchanged from best estimate assumptions). The risk therefore corresponds to an increase in the total expenses spread among the same number of policies – i.e., the per policy expenses increase. It is effectively the change in the best estimate expense assumption given a 1-in-200 year expense event.

Most expenses Aegon Spaarkas has within its business will be subject to expense risk if not contractually defined. These types of expenses may include salaries, office space, software licenses and fees to intermediaries.

Underwriting risk assessment

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 also performs 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.

C.1.2. Risk Concentrations

In addition to the risk tolerance limits as measured by gross ERC, it's common practice to address 'concentration' of risk on insured lives, using a risk limit per single life (or joint lives). The exposures on a few lives with a much higher risk than the average in the portfolio can create too high volatility in the results. Limiting such exposure reduces the impact of process risk and also increases the stability of the underwriting results. These risk limits per single life (or joint lives) will be further referred to as 'retention limits'. The retention limits are typically chosen in such a way that the remaining exposure is acceptable, relative to the size of the earnings and the size of the balance sheet of the company. Risk mitigation and managing compliance with the retention limits can be achieved by reinsurance (external or internal), by the underwriting process or by the product design.

C.1.3. Risk mitigation techniques used for underwriting risks

No risk mitigating contracts, such as hedges or reinsurance, are in place to mitigate the underwriting risk of Aegon Spaarkas.

C.1.4. Risk sensitivity for underwriting risks

In the scenario shown below, average mortality rates for each age cohort decrease by 5% in all future years. The sensitivity shown below is per 30 September 2022.

Table: Impact of 5% decrease in Mortality rates

Scenario	Change to Solvency ratio in Scenario
Mortality rates +/- 5%	+ 2%

For Aegon Spaarkas, this scenario, which has been adopted on a Group wide basis within Aegon Group, has a favourable impact on the Solvency II ratio. This can be explained by the product composition of Spaarkas which comprises mainly mortality risk (rather than longevity risk).

C.2. Market risk

C.2.1. Description of the measures used to assess market risks

As a life insurance company, Aegon Spaarkas is exposed to a variety of risks. Aegon Spaarkas' largest exposures are to changes in financial markets (e.g. fixed-income market, equity market, interest rates and credit risk relating to investments). When market prices fall, the value of Aegon Spaarkas' investments is reduced. For most of Aegon Spaarkas' products, insurance liabilities may also increase, when guaranteed investments held for the benefit of policyholders reduce in value. In addition, the value of future fee income potential reduces. The cost of insurance liabilities are also determined with reference to interest rates.

To align with the SCR in QRT S.25.02 and section E, we only discuss counterparty default risk (as defined in the Delegated Regulation) in section C.3. More generally, we consider the term 'credit risk' to also include spread risk, migration risk and default (market risk concentration) risk relating to financial investments. To align with QRT S.25.02 throughout the SFCR, these other components of credit risk are discussed in this section.

Further explanations of the material market risk components are provided below.

Credit risk

Internally, Aegon Spaarkas considers credit risk to consist of the following three components

- **Spread risk** - the risk that the value of bonds reduces due to a general widening of credit spreads;
- **Migration risk** - the risk that the rating of bonds falls due to an increased risk of default and as a consequence its value falls; and
- **Default risk** - the risk that counterparties fail to meet the agreed obligations

Aegon Spaarkas mainly holds assets for the separate account. Aegon Spaarkas is as such indirectly exposed to credit risk on these investments, which are held for the benefit of policyholders. Credit losses reduce account values, leading to lower fee income for Aegon Spaarkas. For certain products, Aegon Spaarkas has also provided guarantees to protect customers against the risk of losses in the separate account. For these benefits Aegon Spaarkas is directly exposed to separate account credit losses.

Interest rate risk (Mismatch 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.

Aegon Spaarkas is exposed to interest rate risk, as both its assets and liabilities are sensitive to movements in short to mid-term interest rates. The majority of Aegon Spaarkas' products are mid-term in nature and, as a consequence, low interest rates or high interest rate volatility may adversely affect Aegon Spaarkas' profitability and shareholders' equity. It is also the case that a very rapid rise in interest rates could have negative consequences for Aegon Spaarkas.

Equity market risk and other investments risk

A decline in equity markets may adversely affect Aegon Spaarkas' profitability and shareholders' equity, sales of savings and investment products, and the amount of assets under management. There is a risk for both Aegon Spaarkas and its customers that the market value of its equity investments declines. Exposure to equity markets exists in both assets and liabilities. Asset exposure exists through direct equity investments in which Aegon Spaarkas bears all or most of the volatility in returns and investment performance risk. Direct equity risk is limited, as defined by Aegon Spaarkas' Risk policies.

Equity market exposure is also present in policyholders' accounts for insurance and investment contracts in which funds are invested in equities. Although most of the risk remains with the policyholder, guarantees within certain products may transfer some or all of this risk to Aegon Spaarkas. Lower investment returns also reduce the asset management fee that Aegon Spaarkas earns on the asset balance in these products, and prolonged investment under-performance may cause existing customers to withdraw funds and potential customers not to grant investment mandates.

Some of Aegon Spaarkas' insurance business have minimum return or accumulation guarantees that require Aegon Spaarkas to establish reserves to fund these future guaranteed benefits when equity market returns do not meet or exceed these guarantee levels. Deteriorating general economic conditions may again result in significant decreases in the value of Aegon Spaarkas' equity investments.

C.2.2. Risk Concentrations

Concentration of market risks could occur in case relatively high amounts are invested in a single security, or where a collection of highly correlated investments is held. Aegon Spaarkas specifically manages concentration risk within the investment portfolio to mitigate concentration risks. Where concentrations risks exist nonetheless, an additional amount of SCR is determined.

Within Spaarkas, market risk concentrations were limited. An SCR of EUR 0.9 million was held for concentration risk at December 31, 2022.

C.2.3. Risk mitigation techniques used for Market risks

Aegon Spaarkas is exposed to interest rate and equity risk. Aegon Spaarkas hedges the interest rate exposure of the Own Funds under the Economic Framework (EF). Fixed income assets and derivatives (interest rate swaps) are used to manage the interest rate risk exposure. Aegon Spaarkas has defined limits on interest rate risk. All derivative use is governed by Aegon's Derivative Use Policy.

In addition, Aegon Spaarkas has equity hedges in place to mitigate the risk arising from guarantees issued to policyholders and from volatility of asset management fees. For each hedge program, a separate Derivative Use Program is present.

C.2.4. Risk Sensitivity for Market risks

For Market Risk, the following sensitivity tests are performed on a quarterly basis with respect to Credit Spreads, Interest Rates and Equity Prices. The methods used and the results are discussed below. The sensitivities shown below are per 30 September 2022.

Increase (decrease) of interest rates by 0.5% point.

Interest rates used for the valuation of assets are increased (decreased) by 0.5% point through a parallel shift across the entire yield curve. Assets affected include bonds, loans, mortgages, and derivatives. Derivatives form part of the hedge program of Aegon Spaarkas to mitigate interest rate risk.

For technical provisions, only interest rates for maturities up to 20 years are increased (decreased) by 0.5% point. For technical provisions with maturities longer than 20 years, interest rates converge from the increased (decreased) 20-year rate to a fixed rate derived from the UFR (of 3.45% as per 30 September 2022). Liabilities other than the technical provisions are not affected.

The impact of these scenarios is shown below.

Scenario	Change to Solvency ratio in Scenario
Interest rate curve + 0.5%	+ 2%
Interest rate curve -/- 0.5%	-/- 1%

In the scenario where interest rates rise by 0.5% point, the Solvency II ratio increased by 2%-points. Own Funds decrease as the value of government bonds, derivatives and mortgages decline due to higher rates, and the decline is largely offset by a reduction in the value of technical provisions. The SCR impact is limited. In total, the Solvency ratio increases by 2%-points. Conversely, in the scenario where interest rates fall by 0.5% point, the Solvency II ratio decreases by 1%-point.

Conversely, in the scenario where interest rates fall by 0.5% point, the Solvency II ratio increases by 1%-point.

Increase (decrease) in Equity prices by 25%

Aegon Spaarkas does not hold equity investments for own account. Hedges are in place to mitigate equity risk arising from guarantees issued to policyholders and volatility of asset management fees.

Scenario	Change to Solvency ratio in Scenario
Equities + 25%	-/- 31%
Equities -/- 25%	+ 38%

Sensitivity to Non-Government Credit spreads

In this scenario, credit spreads on mortgage loans, other loans and bonds excluding government bonds, increase (decrease) by 0.5%-point. The scenario does not include any impact on EIOPA VA.

The increase in credit spreads results in a lower value of the mortgage, corporate bond and loan portfolios. Consequently, the Own Funds decrease. As a result of the drop in asset value, the SCR for credit spread risk in this scenario is slightly lower than in the base scenario. The net impact of lower Own Funds and lower SCR leads to a decrease in the Solvency ratio by 1%-points. In a scenario where credit spreads decrease by 0.5%, an opposite impact can be observed.

Scenario	Change to Solvency ratio in Scenario
Credit Spreads – Non-Gov + 0.5% (excl. VA)	-/- 1%
Credit Spreads – Non-Gov -/- 0.5% (excl. VA)	+ 2%

Sensitivity to Government Credit spreads

In this scenario, credit spreads on government bonds increase (decrease) by 0.5%-point. The scenario does not include any impact on EIOPA VA.

The increase in credit spreads results in a lower value of the government bond portfolios. Consequently, the Own Funds decrease. As a result of the drop in asset value, the SCR for credit spread risk in this scenario is slightly lower than in the base scenario. This results in a decrease of the Solvency II ratio of 3%-points. In a scenario where credit spreads decrease by 0.5%, an opposite impact can be observed.

Scenario	Change to Solvency ratio in Scenario
Credit Spreads – Gov + 0.5% (excl. VA)	-/- 3%
Credit Spreads – Gov -/- 0.5% (excl. VA)	+ 3%

Sensitivities to Mortgage spreads

In these scenarios, spreads on mortgage investments change by 0.5%-point. VA that impacts the liabilities, remain unchanged given that the composition of this VA is not dependent on mortgage spreads.

Own Funds decline due to a lower value of the mortgage portfolio when increasing the spreads, while the SCR remains almost constant, resulting in a decrease in Solvency II ratio by 1%-point. For the decreasing scenario the opposite effect is shown.

Scenario

Change to Solvency ratio in Scenario

Mortgage Spreads + 0.5%	-/- 1%
Mortgage Spreads -/- 0.5%	+ 1%

Sensitivity to EIOPA VA

In this scenario, the EIOPA VA increases (decreases) by 5 basis points.

Scenario

Change to Solvency ratio in Scenario

EIOPA VA + 5 bps	+ 3%
EIOPA VA -/- 5 bps	-/- 3%

C.3. Credit risk (Counterparty Default Risk)

C.3.1. Description of the measures used to assess credit risks

To align with the SCR in QRT S.25.02 and section E, we only discuss counterparty default risk (as defined in the Delegated Regulation) in section C.3. More generally, we consider the term 'credit risk' to also include spread risk, migration risk and default (market risk concentration) risk relating to financial investments. To keep this alignment with QRT S.25.02 consistent throughout the SFCR, these other components of credit risk are discussed instead in section C.2 Market risk.

Counterparty default risk mainly covers exposure to risk mitigating contracts, cash at bank and receivables for which capital is calculated under the standard formula.

C.3.2. Risk Concentrations

Concentration within counterparty default risk could occur in case relatively high amounts are outstanding with a single counterparty, or if default risks of many counterparties are highly correlated.

An important measure to avoid concentration within counterparty default risk is to diversify and limit exposure to individual issuers. More specifically, Aegon Spaarkas has put in place a policy to limit the aggregate exposure to any single counterparty. Exposures are monitored on a weekly basis and any potential violations of exposure limits must be reduced on short notice. Concentration in exposures are managed by setting limits on risk types and single counterparties, by testing extreme scenarios in the Budget/MTP process.

No risk concentrations within counterparty default risk have been identified at December 31, 2022.

C.3.3. Risk mitigation techniques used for Counterparty Default risks

Counterparty risk related to derivatives transactions is mitigated by daily exchange of collateral. Collateral management has been put in place for all derivatives of Aegon Spaarkas.

C.3.4. Risk sensitivity for Counterparty Default risks

Given the relatively small amount of the SCR for counterparty default risk, no specific sensitivities have been determined.

C.4. Liquidity risk

C.4.1. Description of the measures used to assess liquidity risks & sensitivity testing

In normal circumstances, a significant proportion of the investment portfolio can be quickly converted into cash. However, it may not be possible to sell some part of the asset portfolio, such as private loans, mortgage loans, real estate and holdings in unlisted enterprises at a reasonable price on short notice, if necessary.

Events that may have a sudden, adverse impact on available liquidity include the following:

- Large change in interest rates;
- Large change in credit spreads;
- Insolvency of a counterparty, credit facility or bank where current accounts are held; and
- Credit downgrade of Aegon N.V..

Furthermore, circumstances can arise in which liquidity/cash/funding in the market becomes scarce.

Aegon Spaarkas operates 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 under extreme conditions resulting from unforeseen circumstances.

This policy aims to ensure that sufficient liquidity exists in the asset portfolio to provide for timely payment of all potential cash demands under both normal business conditions and under extreme conditions resulting from unforeseen events. The liquidity tests quantitatively measure the ability of Aegon Spaarkas to meet all potential cash demands.

The liquidity position is tested at least 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.

Despite the severe market conditions in 2022, the liquidity position remained excellent during the year.

C.4.2. Risk Concentrations

The described stressed liquidity scenario can be regarded as a concentration with respect to liquidity risk. The liquidity risk policy requires that sufficient liquid assets are available in this scenario.

C.4.3. Risk mitigation techniques used for liquidity risks

No specific risk mitigation techniques, in the form of contracts with third parties, are currently in place for liquidity risk exposures.

C.4.4. Expected Profit in Future Premiums (EPIFP)

Expected Profits in Future Premiums (EPIFP) reflects the current value of the net cash flow expected to arise from in-force contracts until the end date of each contract. Note that the EPIFP is determined only for contracts where such a value is positive. EPIFP forms part of the technical provisions of Aegon Spaarkas, where a positive EPIFP value of leads to a reduction of the total technical provisions. The total amount of the EPIFP amounts to EUR 11.8 million at the end of 2022. Note that the EPIFP value does not reflect derivatives contracts that have been put in place in previous years to hedge against the risk of low interest rates.

C.4.5. Risk sensitivity for liquidity risks

The sensitivity to liquidity risk is tested using the stressed liquidity scenario described above. The result of the calculation of the stressed liquidity scenario contains the separate components that contribute to liquidity use in such a scenario. This gives insight in the sensitivity of the liquidity position to these separate components. Besides the described stressed liquidity scenario additional sensitivities for that scenario are also tested. The sensitivities tested comprise of the most material liquidity risks for Aegon Spaarkas.

C.5. Operational risk

C.5.1. Description of the measures used to assess operational risks

Operational risk is defined as the risk of losses resulting from inadequate or failed internal processes and controls, people and systems or from external events. These definitions highlight the four causes of operational risk events: (1) external events; (2) inadequate or failing processes and controls; (3) people; and (4) systems.

The SCR for operational risk is determined in line with the standard formula under Solvency II. It is based on volumes of premiums, technical provisions and expenses, with a distinction between index and unit linked, and other business. Additional measures have been developed internally for the day-to-day management and assessment of operational risks.

Aegon Spaarkas has identified eight operational risk categories in line with the Aegon risk universe. This risk categorization also supports the preparation of operational risk reporting and analysis that can be interpreted meaningfully across Aegon Group as it defines a common language.

The defined categories of operational risk are:

Risk Type	Description
Legal and Compliance risk	Legal and compliance is the risk that losses occur due to non-voluntary legal liabilities, inadequate legal documentation, inadequate patenting of brands and intellectual property, and the risk of impairment to the organization's business model, reputation, integrity and financial condition, resulting from failure to comply with laws, regulations and internal company rules and policies, as well as late identification of significant legal and regulatory developments, possibly resulting in an inability to influence the final outcome.
Processing risk	Processing risk is the risk of losses due to inadequate or failing administrative processes and related internal controls, capturing of source data, reporting errors, modeling errors and failing outsourcing and supplier arrangements.
Business risk	Business risk is the risk of losses due to failed or inadequate strategy execution, marketing and sales practices, distribution channels, pricing, investment returns, handling of customer complaints, or late reaction to changes in the business environment.
Tax risk	Tax risk is the risk of losses due to fiscal authorities challenging Spaarkas' tax treatment of transactions on technical grounds or as a result of inconsistent argumentation, imperfections in the tax planning, concentration risk and late identification of significant tax developments in relevant jurisdictions, possibly resulting in an inability to influence the final outcome.

Financial crime risk

Financial crime risk is the risk of losses due to a wrongful act, omission, breach of duty or trust, intentionally performed by a Spaarkas employee, intermediary or external party, which potentially could or results in a disadvantage to Aegon Spaarkas or another.

People risk

People risk is the risk of losses due to inadequate or failing employee practices (including discrimination, wrongful termination, and sexual harassment) and consideration for employees' health and well-being.

Facility risk

Facility risk is the risk of losses due to inadequate or failing physical asset management (including physical security incidents and inefficient procurement) and events causing damage to physical assets (vandalism, water damage, fire, explosions, etc.).

Systems risk

Systems risk and business disruption risk is the risk of losses due to inadequate or failed business continuity planning, back-up and recovery, fallback arrangements, information security, IT maintenance and change management, identification of relevant technological developments and other technical causes for systems related failures and errors.

Operational risk is inherent to Aegon Spaarkas' business and may manifest itself in many ways, including business interruption, poor vendor performance, information systems malfunctions or failures, regulatory breaches, processing errors, modeling errors, and/or internal and external fraud. These events may result in financial loss, harm Aegon Spaarkas' reputation, or hinder Aegon Spaarkas' operational effectiveness.

Aegon Spaarkas' approach to operational risk assessment is based on scenario analysis. Aegon Spaarkas utilizes this approach for internal monitoring and quantification of operational risk. Risk identification takes place through periodic Risk (& Control) Self Assessments (RSAs or RCSAs) to gain an understanding of business objectives and identification of operational risks for realizing these objectives.

C.5.2. Risk Concentrations

Operational risk concentration can occur where specific risk exposures are in excess of operational risk appetite. Aegon Spaarkas' management maintains a well-controlled environment and sound (conduct) policies and practices to control these risks and keep operational risk at appropriate levels. Operational risk capital (ORC) is held on the basis of the economic framework model and is determined annually. Operational risk for Aegon Spaarkas is dominated by the following material risk concentrations:

- Legal, regulatory, conduct & compliance; and
- Processing risk.

Legal, regulatory, conduct & compliance risk

ORC is held on the basis of potential but unlikely extreme loss events such as punitive damages issued by a court resulting from accusations of corporate misconduct, substantially changed legislation due to regulatory regime change, or inability to enforce policy terms. Further details are provided in Section D.5.

Processing risk

ORC is held on the basis of potential but unlikely extreme loss events such as a material financial misstatement, non-payment of claims by reinsurer, modelling errors, or failure of an outsourcing partner.

C.5.3. Risk mitigation techniques used for operational risks

Operational risks at Aegon are mitigated by maintaining a strong risk control framework and culture. Please refer to section B.4.2 for a detailed description of the compliance OCRM risk framework. All operational risks that are assessed as exceeding the set risk tolerance levels require management to determine a risk response in terms of accepting, controlling, transferring or avoiding risks.

No specific risk mitigation techniques are currently in place for Operational risk exposures, nor under consideration for purchase.

C.5.4. Risk sensitivity for Operational risk

Stress testing and sensitivity analysis for Operational risk takes place in the form of scenario analysis as described above.

C.6. Other Material Risks & Uncertainties

Aegon Spaarkas has identified a number of uncertainties that may have a material impact on the valuation of its obligations and the level of the SCR in the near future. These are not included in the descriptions of the separate risk types. The identified uncertainties are:

1. Adjustments to the Loss Absorbing Capacity of Deferred Taxes;
2. Adjustments to the UFR.

C.6.1. Loss Absorbing Capacity of Deferred Taxes

Another indirect risk that is considered by Aegon Spaarkas is an adjustment to the loss absorbing capacity of deferred taxes (LAC DT), as explained at the beginning of this chapter. Currently, Aegon Spaarkas assumes that in case a loss in the amount of the SCR were to occur, 95% of the maximum tax deductions can be recovered.

In the following scenario, the impact of a reduction of the LAC DT factor by 25% points is shown.

Scenario	Change to Solvency ratio in Scenario
Loss Absorbency Factor -/-25%	-/- 38%

In this scenario, Own Funds are not affected as no OF loss or change in value of assets or liabilities is assumed. Only the SCR increase as a result of the reduced recoverability of taxes in case a large loss were to occur. As a result, the Solvency II ratio declines by 38%-points.

C.6.2. Adjustment of the Ultimate Forward Rate

The UFR is the risk free interest rate over a one year period that is expected after an extremely long period, i.e. after 60 years. It is used, in combination with market observed interest rates up to 20 years, to derive interest rates for maturities longer than 20 years.

In 2022 the UFR has been set at 3.45% by the European Insurance and Occupational Pensions Authority ("EIOPA"). It is based on historically observed real interest rates in combination with long term inflation expectations. In 2017, EIOPA proposed a gradual adjustment of the UFR over a number of years, as of 1st January 2023 it remains unchanged at 3.45%.

In the scenario shown below, the impact of an immediate adjustment of the UFR by -/- 0.15% is quantified.

Scenario	Change to Solvency ratio in Scenario
UFR down by 0.15%	-/- 0%

The impact of the lowering of the UFR on Own Funds and SCR is small, as almost all contractual obligations of Aegon Spaarkas expire within 20 years.

C.6.3. Sustainability

Sustainability strategy within Aegon Nederland

Aegon Nederland's sustainability strategy is applicable to all entities in The Netherlands. The strategy for Aegon Nederland is outlined below. The words "we" and "our" refer to Aegon Nederland as a whole.

Aegon and sustainability

Sustainability concerns us all. The Netherlands increasingly faces the consequences of climate change, such as flooding, more extreme weather and loss of biodiversity. On top of this come other societal challenges. Think of increasing social and economic inequality, and an ageing population.

Addressing these problems requires a collective effort. Aegon takes responsibility in this regard. Our mission is to help people live their best lives. With this comes the long-term goal of creating as much positive impact as possible, while minimising negative impact.

We are therefore committed to a sustainable, equal society. Everyone deserves to live on a healthy planet, with equal opportunities and no financial worries. At Aegon, we help create the conditions for that to happen. For example, we committed to the Dutch Climate Agreement, and have developed our own Climate Action Plan.

Of course, we work within European and national legislation. But we want to do more. Where possible, our products and services are made with consideration to the environment and society around us.

Healthy living environment

We have already undertaken multiple activities in the field of sustainability. For instance, we contribute to a clean and healthy living environment by aiming to ensure that our own operations and investments generate as few harmful emissions as possible. We also facilitate the transition to an economy that emits less CO₂ by promoting sustainable use of our natural resources and try to reduce our own carbon footprint, and help our customers to do the same. We also support our customers to become climate resilient, by for example, helping homeowners make their homes more sustainable, and by developing insurance policies that mitigate the effects of climate change, such as water damage from flooding.

More inclusive and diverse

We are working within our means to create a more inclusive society. We are doing so by making Aegon a workplace where diversity and inclusiveness are encouraged and celebrated. With a corporate culture where every voice is heard and respected and where equal work is paid equally. We try to develop as many products and services as possible that are inclusive and accessible to all.

Top priority

Aegon sees sustainability as a top priority. We are committed to accelerating our sustainable transition. In our own operations, but also with our products and services.

Our sustainability strategy is built upon three pillars alongside our commitment to always invest responsibly:

1. We care about people;
2. We care for the planet; and
3. We are a responsible business.

C.6.3.1. We care about people

Aegon wants to help build a society where everyone has an equal opportunity to live a long and happy life. Through our products and services, we aim to contribute as much as possible to a financially and socially inclusive society. For example, we offer affordable pensions, insurance for the self-employed and help for people in arrears. Furthermore, we do so by being an inclusive and diverse company, with a working environment where everyone can benefit.

Because of this commitment to the world around us, we constantly survey our customers to know what is going on in their daily lives. Only then can we help them look ahead and manage their money matters in the best possible way.

Naturally, we are also open to questions from customers, employees and other stakeholders. We like to have an open dialogue on issues such as climate change, biodiversity, human rights, inclusion and diversity.

We make every effort to create a working environment where no one feels excluded and everyone can get the best out of themselves. Everyone is seen equal with us, regardless of cultural background, creed or sexual orientation. Only if we are a reflection of society can we help our customers get the most out of their lives.

C.6.3.2. We care for the planet

We believe everyone has a right to live in a clean and healthy living environment. We contribute by reducing greenhouse gas emissions from our operations and investments, and by facilitating the transition towards a low-carbon economy where we make use of our planet's natural resources in a sustainable way.

In 2022 we have published our Climate Action Plan. This plan sets out the steps we are taking to align our business with the Paris Agreement. This starts with our own operations. Although the direct greenhouse gas emissions from our operations are relatively limited, we nonetheless aim to reduce them to net-zero by 2050 at the latest. To guide us towards this goal, we have set intermediate targets to reduce our operational greenhouse gas emissions by 25% before 2025 and 50% before 2030¹.

Our investments

We invest globally across a wide range of companies, sectors and asset classes. This makes our investments one of the biggest ways in which we can impact the world. Our aim is to use these investments to facilitate the net-zero transition and build a more sustainable world. As part of our Climate Action Plan, we have set a target of reaching net-zero financed greenhouse gas emissions across all our investments by 2050. This target includes investments we manage for our own account, as well as those we manage on behalf of clients.

We want to take immediate action on climate change, and we have set a number of short-term targets for the investments that we manage for our own account. These include a target to reduce the greenhouse gas emissions we finance with our investments by at least 30% before 2025, and a target to invest an additional 1 billion euros in climate-positive assets over the same time period².

Our products

As an insurer, we want to help our customers to become climate resilient, for instance, by insuring solar panels and heat pumps as standard across our policies. We also insure them against damage in the event of flooding. We offer our mortgage customers insights into the ways they can make their homes more sustainable, and we provide them with financing options to do so. This includes offering options to finance energy-saving measures, such as double glazing or insulation, and onsite renewable power generation, such as rooftop solar panels.

C.6.3.3. We are a responsible business

We believe we should conduct business in a responsible manner. We aim to ensure that everyone can live in a clean and healthy environment. If we do not pay attention to sustainability, we will ultimately lose our right to exist. We want to understand the impact of our activities on the world. This includes physical risks, such as storms, hail and flooding, as well as transit risks. It is also important to know what solutions and adjustments this requires.

With that information, we can take targeted action that supports the transition to a more sustainable world. We also want to contribute to an inclusive society where everyone can live their best life.

More sustainable behaviour

An important part of responsible business is a responsible investment policy. The way we invest responsibly is laid down in our Responsible Investment Policy. This sets out the processes we follow to ensure that our investment decisions do not adversely affect people or the planet. It also describes the behaviour we expect from companies in which we invest and how we try to influence that behaviour.

¹ The targets are to reduce Scope 1, Scope 2 and Scope 3 GHG emissions from business air travel by 25% before 31 December 2024 and by 50% before 31 December 2029 versus 31 December 2019 levels.

² The targets are: (1) 30% reduction in absolute GHG emissions financed by Aegon NL general account investments by 31 December 2024 versus 31 December 2019; and (2) an additional 1 billion euro investment in climate-positive assets by 31 December 2024.

Insurers and other financial institutions are expected to be prepared for the effects of climate change and other developments. Aegon wants to be resilient to changes, such as climate change, in order to protect the interests of our stakeholders.

A changing climate and non-inclusive society also pose risks to our own operations. We take this into account as well. After all, we must continue to ensure financial stability and continuity.

Governance

In 2022, we took a number of important steps to make our operations more sustainable. Aegon N.V. has a Global Sustainability Board; this includes the chairs of the local sustainability boards. The Netherlands' local sustainability board is the Aegon NL Sustainability Board, established in 2022. The Aegon NL Sustainability Board oversees the implementation of the Aegon NL Sustainability Strategy, sustainability reporting and the implementation of the Sustainable Finance Regulation Roadmap. In addition, the Aegon NL Sustainability Board advises the management of Aegon NL and its subsidiaries on issues such as inclusion and diversity and responsible investment. A subcommittee of the Aegon NL Sustainability Board is the Responsible Investment Committee (RIC). The RIC oversees Aegon NL's investments. The sustainability agenda and goals of Aegon NL and its subsidiaries are set within this structure.

Climate change and sustainability involve risks. Some of these are physical risks (floods or dry spells due to environmental and climate change) and some are transition risks (due to the process of adapting to a low-emission economy). Responding poorly to climate change, or being insufficiently transparent about the risks, can additionally lead to legal and reputational risks. The risks can relate to Aegon, but also to the companies or investments in which we invest.

For regulators, climate risk and responsible investment are key themes. Aegon recognizes a number of risks. Aegon has launched several sustainability initiatives, including on climate change risk. For example, sustainability risk, including climate risk, has been incorporated more explicitly into relevant risk policies and processes. Furthermore, Aegon, together with Ortec Finance, conducted a comprehensive and systematic climate risk assessment for its investments. The analysis examined three climate scenarios on a path to net-zero. The analysis explored potential future climate policies, possible interventions and the consequences that would occur if the world failed to manage climate change.

Sustainable Finance legislation

Aegon offers products with investments that promote environmental and social (E/S) characteristics. Companies invested in must have good governance. The EU Sustainable Finance Disclosure Regulation (SFDR) contains rules on the transparency of these products. For example, we are required to report periodically on the performance of the E/S characteristics that the products promote. Some of our products promote E/S features, but we do not currently offer any products that have a sustainability target. In addition, Aegon offers some pension plans that do not promote E/S features or have a sustainability objective. For these products, the underlying investments of the financial product do not take into account the EU criteria for environmentally sustainable economic activities.

As part of our Sustainable Finance Regulation Roadmap, we took further steps in 2022 to bring our disclosures into compliance with SFDR requirements. These include updating our website, as well as pre-contractual information for products that promote E/S features. More information about our approach to responsible investment and the products that promote E/S features can be found on our website.

C.6.3.4. We invest responsibly

As one of the largest financial institutions in the Netherlands, the biggest impact we have on the world is through the investments we make for our own account and on behalf of our clients. With these investments, we aim to reduce negative impacts on people and the planet as much as possible, and to contribute to the many sustainability challenges facing our society. Our Responsible Investing Policy sets out the approach we follow and the tools we use to realise our goals. This includes defining minimum expectations for all investments and setting out the activities we believe are too controversial or harmful to invest in. It also includes explaining our approach to 'active ownership', and our belief that we can use our influence as a large investor to encourage the companies in which we invest to mitigate any negative impacts they have caused and to become more sustainable.

In 2022, we updated our Responsible Investing Policy to align with new EU regulation (SFDR). We also explained for the first time how we want to invest to build a more sustainable world, and the frameworks that we will use to evaluate investments in companies, projects and governments. To be more transparent on what we mean by "climate-positive assets" in our Climate Action Plan, we also defined eligibility criteria that all investments made as part of our 1 billion euro commitment must meet.

More information on our approach to responsible investing and our Responsible Investing Policy can be found at www.aegon.nl.

More information on our overall sustainability strategy, approach and targets, including our Climate Action Plan to align our investments with the Paris Agreement, can be found on www.aegon.nl.

C.7. Any other information

In October 2022, Aegon N.V. announced that it had reached an agreement with a.s.r. to combine its Dutch pension, life and non-life insurance, banking, and mortgage origination activities with a.s.r. The combination will create a leading Dutch insurance company. This step enables Aegon to accelerate its strategy and represents a major step in its ambition to become a leader in its chosen markets. Aegon will receive a cash consideration and a 29.99% strategic stake in a.s.r., with associated governance rights.

On January 17, 2023, the Extraordinary General Meeting of shareholders ("EGM") of Aegon N.V. has approved the proposed transaction. Furthermore, the works council of Aegon has rendered a positive advice in relation to the proposed transaction. The transaction is subject to customary conditions, including regulatory and antitrust approvals, and is expected to close in the second half of 2023.

Aegon Nederland set up a program to disentangle its' operations from Aegon N.V. and to be able to operate as a standalone company.

In March 2023 EUR 2 million dividend was paid to Aegon Nederland.

D. Valuation for Solvency Purposes

In chapter D the valuation for Solvency purposes is disclosed and the differences with the valuation under IFRS in the annual report will be addressed in alignment with the QRT S.02.01 disclosure.

The overall balance sheet under Solvency II and under IFRS statutory reporting is shown below.

Table: Balance Sheet (in EUR million)

<i>Assets</i>	Section	Solvency II value	Statutory accounts value
Investments (other than assets held for index-linked and unit-linked contracts)	D.1.2.1	137	133
Bonds	D.1.2.2	56	56
Collective Investments Undertakings		80	80
Derivatives	D.1.2.3	0	-/- 3
Assets held for index-linked and unit-linked contracts	D.1.2.4	1,210	1,210
Loans and mortgages	D.1.2.5	131	132
Insurance and intermediaries receivables		6	7
Receivables (trade, not insurance)		0	-
Cash and cash equivalents	D.1.2.6	12	12
Any other assets, not elsewhere shown	D.1.2.7	-	-
Total assets		1,495	1,493

<i>Liabilities</i>	Section	Solvency II value	Statutory accounts value
Technical provisions - life (excluding index-linked and unit-linked)		-	-
Technical provisions - life (excluding health and index-linked and unit-linked)		-	-
Insurance with profit participation		-	-
Best estimate life with options and guarantees		-	-
Best estimate life without options and guarantees		-	-
Risk Margin life		-	-
Technical provisions - index-linked and unit-linked	D.2.	1,205	1,255
Best estimate index-linked and unit-linked with options and guarantees		216	
Best estimate index-linked and unit-linked without options and guarantees		979	
Risk Margin index-linked and unit-linked		10	
Deferred tax liabilities	D.3.1.1	13	-/- 1
Derivatives		-	-
Insurance and intermediaries payables	D.3.1.2	41	51
Payables	D.3.1.3	10	-
Total liabilities		1,268	1,305
Excess of assets over liabilities		227	188

The difference between equity as shown in the financial statements and the Solvency II value excess of assets over liabilities is explained in section E.1.3.

D.1. Assets

The overview in the table below shows the value of assets by material asset class under Solvency II and IFRS statutory reporting.

Table: Total Assets (in EUR million)

Assets	Section	Solvency II value	Statutory accounts value	Difference
Investments (other than assets held for index-linked and unit-linked contracts)	D.1.2.1	137	133	3
Bonds	D.1.2.2	56	56	1
Collective Investments Undertakings		80	80	0
Derivatives	D.1.2.3	0	-/- 3	3
Assets held for index-linked and unit-linked contracts	D.1.2.4	1,210	1,210	0
Loans and mortgages	D.1.2.5	131	132	-/- 1
Insurance and intermediaries receivables		6	7	-/- 1
Receivables (trade, not insurance)		0	-	0
Cash and cash equivalents	D.1.2.6	12	12	-/- 0
Any other assets, not elsewhere shown	D.1.2.7	-	-	-
Total assets		1,495	1,493	2

D.1.1. Solvency II valuation

In this section the valuation under Solvency II is described per main asset class. Where the valuation method or classification differs between IFRS and Solvency II, a qualitative and quantitative explanation is provided by asset category.

In accordance with Solvency II regulations, figures are based on fair value. To ensure consistency with the annual report of Aegon Spaarkas, fair value under IFRS and market value under Solvency II is the same.

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). A fair value measurement assumes that the transaction to sell the asset takes place:

- in the principal market for the asset; or
- in the absence of a principal market, in the most advantageous market for the asset.

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

- Level I:** quoted prices (unadjusted) in active markets for identical assets 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, either directly (that is, as prices) or indirectly (that is, derived from prices of identical or similar assets) using valuation techniques for which all significant inputs are based on observable market data; and
- Level III:** inputs for the asset 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 generally negatively 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 has to be 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 asset categorization within the fair value hierarchy is based on the lowest level that is significant to the fair value measurement.

The evaluation as to whether a market is active may include, although not necessarily limited to 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, ensuring high reliability of the fair value measurements. However, certain assets are valued on the basis of valuation techniques that feature one or more significant market inputs that are unobservable and, for such assets, the derivation of fair value is more judgmental. An instrument is classified in its entirety and valued using significant unobservable inputs (Level III) if a significant portion 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 a transaction at arm's length 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 modelled). 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.

D.1.2. Differences between Solvency II and IFRS valuation per asset class

In this section of the report, the valuation bases under Solvency II and IFRS of the main asset classes and the reconciliation are discussed. The value of the assets is disclosed in the balance sheet at the beginning of Chapter D.

D.1.2.1. Investments (other than assets held for index-linked and unit-linked funds)

If financial assets are valued at amortized cost under IFRS, insurers will need to convert them to fair value under Solvency II. This requirement is particularly relevant for financial instruments that are classified as held-to-maturity or Loans and receivables under IAS39. The fair value measurement is applicable.

The Solvency II balance sheet contains an investment position of EUR 137 million. The IFRS balance sheet contains an investment position of EUR 133 million.

General account investments of Aegon Spaarkas comprise financial assets excluding derivatives.

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. They 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: 1) financial assets held for trading; 2) financial assets managed on a fair value basis in accordance with the investment strategy of Aegon Spaarkas; and 3) 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, for other reasons than 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.

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.

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.

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 on 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 Aegon Spaarkas' continuing involvement. If significantly all risks are retained, the assets are not derecognized.

On derecognition, the difference between the proceeds from disposal 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.

D.1.2.2. Bonds

Solvency II and the IFRS balance sheet both measure bonds at fair value. The Solvency II balance sheet contains a bonds position of EUR 56 million. The IFRS balance sheet contains a bonds position of EUR 56 million. The Solvency II balance sheet is EUR 0.5 million higher due to the reclassification of accrued interest from Any other assets.

D.1.2.3. Derivatives

The Solvency II and the IFRS balance sheet both measure derivatives at fair value. However, differences in classification exist. Under IFRS, the guarantee provisions of unit linked policies are classified as derivatives or 'Technical provisions – Life', since policyholders don't bear investment risk. Under Solvency II, the guarantee provisions related to unit linked policies are classified as 'Technical provisions – Index-linked and Unit-Linked', instead.

The Solvency II balance sheet position is EUR 0 million and is EUR 3 million higher than the IFRS position of EUR -/- 3 million.

D.1.2.4. Assets held for index-linked and unit-linked contracts

IFRS does not distinguish between index-linked and/or unit-linked funds. 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.

The difference between the Solvency II balance sheet and the IFRS balance sheet is not material.

D.1.2.5. Loans and mortgages

Loans and mortgages are measured at amortized cost in the financial statements. Under Solvency II, fair value measurement is required.

Mortgages

Loans and mortgages are measured at amortized cost in the financial statements. Under Solvency II, fair value measurement is required.

Mortgages

The valuation methodology for Aegon Spaarkas is the same as applied for entities within Aegon Nederland. The methodology for mortgages follows the following steps:

1. Projection of future cash flows of mortgage loans;
2. Determination of the interest rate curve to use for discounting;
3. Net present value calculation.

In this approach, cash flows for each mortgage loan part in Aegon Spaarkas' portfolio are projected separately, based on product characteristics, mortgage rates and interest reset dates. Aegon's methodology recognizes four mortgage cash flow profile types, being: Interest only, Annuity, Linear and Savings mortgages.

Cash flows are adjusted for expected early repayments (also known as prepayments). The rate of early repayments is based on a historical analysis and assessment of market circumstances.

The interest rate curve used for discounting is determined by applying a spread over the risk free yield curve, which is constant over the maturity of the term structure. The spread for each mortgage loan part is dependent on the Loan to Value and remaining time until the next interest reset date.

The spread is derived from the most recent, most competitive consumer mortgage rates observed in the market, after deduction of a 'Margin Earned', which serves to cover the expenses of originating and servicing the mortgage portfolio. The consumer rate minus the Margin Earned reflects the yield that an external investor would be able to obtain when investing in mortgage loans.

This method of obtaining the spread is also known as a top-down approach. The prevailing consumer rate is determined as the single average of the mortgage rates offered by the top three providers in the market (not including Aegon affiliated entities) for a particular Loan to Value and duration.

For the purpose of valuation, it is assumed that each mortgage will be redeemed at the next interest reset date of that mortgage. This is the date at which the mortgage provider can reset the interest rate and the mortgagee can terminate the contract without a penalty.

The assumption that all mortgages will be terminated at the first interest reset date will, generally speaking, lead to some degree of underestimation of the value of a portfolio. As interest rates can be set or reset to a profitable level at the interest reset date, profits occurring after this date are not included in the valuation. This assumption is made nonetheless, as mortgagees do not have a contractual obligation to continue their mortgage after the interest reset date and can exit without a penalty.

The estimated rate of repayment is compared annually against actual repayment rates for verification, and the prepayment rate in the valuation is updated accordingly.

Prevailing consumer rates are collected by an external party on a weekly basis. The mortgage valuation spreads are updated monthly on the basis of the latest consumer rates.

The Margin Earned, which is deducted from the consumer rate to derive the discount rate, is benchmarked against mortgage portfolio transactions conducted by Aegon Asset Management as well as other transactions. The margin is verified annually on the basis of the most recently completed transactions.

The valuation of the mortgage portfolio is based on a number of factors that are not known precisely or may change over time, creating a degree of uncertainty. Main uncertainties relate to the rate of early repayments, and the dependence of the valuation on mortgage rates offered by other providers in the market.

Loans

Fair value measurement of loans on policies, IC loans and other loans on the Solvency II balance sheet is based on amortized cost measurement on the IFRS balance sheet. The fair value of floating interest rate mortgage loans, policy loans and private placements 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.

Reconciliation difference IFRS to Solvency II: Adjustments of Loans and Mortgages

The difference between Solvency II balance sheet and statutory balance sheet is EUR 1 million.

D.1.2.6. Cash and cash equivalents

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.

Solvency II balance sheet cash and cash equivalents position of EUR 12 million is equal to the IFRS position.

D.1.2.7. Any other assets, not elsewhere shown

Both the Solvency II balance sheet and the IFRS balance sheet show no any other assets.

D.2. Technical provisions

D.2.1. Technical provisions analyzed by each material line of business

The table below shows the Solvency II and IFRS (statutory) liabilities at year-end 2022 (in EUR million).

Table: *Technical provisions (in EUR million)*

Liabilities	Section	Solvency II value	Statutory accounts value	Difference
Technical provisions - life (excluding index-linked and unit-linked)		-	-	-
Technical provisions - life (excluding health and index-linked and unit-linked)		-	-	-
Insurance with profit participation		-	-	-
Best estimate life with options and guarantees		-	-	-
Best estimate life without options and guarantees		-	-	-
Risk margin		-	-	-
Technical provisions - index-linked and unit-linked	D.2.	1,205	1,255	-/- 51
Best estimate index-linked and unit-linked with options and guarantees		216		
Best estimate index-linked and unit-linked without options and guarantees		979		
Risk margin		10		
Total technical provisions		1,205	1,255	-/- 51

The provisions are split in 'Technical provisions - Life' and 'Technical provisions - index-linked and unit-linked' and further in provisions with options and guarantees and without options and guarantees.

For Solvency II the default valuation approach is to use market prices whenever available. If these prices are not available, alternative valuation methods can be applied. As no active market for insurance liabilities exists, Spaarkas calculates the Solvency II provisions as the sum of the probability weighted average of future cash flows, the time value of options and guarantees and the risk margin.

The calculation of the best estimate liability is on a policy by policy basis, using a market consistent basis and current risk-free rate as prescribed by EIOPA and including indirect overhead expenses. Scaling is applied if products are not modelled and when data are incomplete or not available at all.

For products that include options and/or guarantees, the fair value of the options and guarantees is taken into account. These provisions are calculated separately on a stochastic basis, taking into account risk and volatility. The provisions for options and guarantees are calculated using model points.

Aegon Spaarkas determines homogeneous risk groups in such a way that the risk groups are stable over time. The following criteria are taken into account in determining the homogeneous risk groups:

- Underwriting criteria;
- Claims pattern;
- Risk profile;
- Specific product features; and
- Administrative unit (Own account Aegon Spaarkas or risk policyholder).

Based on the features described above, Aegon Spaarkas has split the portfolio into three homogenous risk groups. These are used for reporting to combine contracts with comparable characteristics.

Aegon Spaarkas does not offer products with profit participation where the policyholder participates in the profit of the firm. All profit sharing is in the form of index or unit-linked.

The total best estimate index-linked and unit-linked include the fund values of the underlying insurances (EUR 1,192 million) and the guarantee provisions for products where the premiums are invested in funds with a guaranteed return (EUR 3 million).

Discounted Best Estimate Cash Flows

Cash flows are projected on a best estimate basis, i.e. as a probability weighted average taking into account all uncertainties affecting these cash flows. The cash flows are split in claims, expenses and premiums and are based on specific product characteristics.

The main assumptions used to derive the discounted best estimate cash flows are set by Spaarkas, are updated annually and are approved by management. The underwriting assumptions are the following:

- Mortality;
- Policy holder behavior; and
- Expenses.

Below we discuss the drivers for the calculation of the market value of liabilities.

Mortality rates

Mortality rate 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, the insured population, mortality trend 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 calculations when appropriate.

Cancellation Rates / Policyholder behavior

Aegon Spaarkas is exposed to considerable potential financial impact from changes in the value of its liabilities caused by policy cancellations. Cancellation rates depend on product features, policy duration and external circumstances such as the interest rate environment and competitor and policyholder behaviour.

Policyholder behaviour can be reflected in several ways, depending on the product and policy agreements:

- Full or partial surrender or termination;
- Policy conversion (fund switching, reduce or reverse paid up status); and
- Utilization of policyholder fund allocation privileges.

Adverse changes in underlying risk drivers will affect Aegon Spaarkas' ability to meet business objectives and in particular to ensure business continuity. Reliable own experience, as well as available industry wide data, are used in establishing assumptions.

Expenses

The cost base for the determination of the maintenance expenses allocated to the insurance contracts is determined at Aegon Spaarkas' level, using the results from the Activity Based Costing analyses. In such analyses, the expenses are determined per cost place for each business line and support units.

The maintenance expenses allocated to the insurance contracts are transformed into expenses per policy, taking into account product/contract features like type of contract or status (active, retired or inactive).

The cash flow projections for expenses are based on budget 2022 expense levels and take into account inflation in future periods. Also fixed expense levels are assumed in the long run and it is taken into account that part of the administration activities associated with the portfolio will be outsourced.

Discounting

The cash flows are discounted using the Solvency II yield curve, including VA, UFR and a credit risk adjustment.

The risk-free yield curves used for the purposes of the Solvency II valuation are published by EIOPA for each relevant currency. The curves are determined by EIOPA using principles outlined in the Solvency II regulations.

The UFR is the risk free interest rate over a one year period that is expected to prevail after an extremely long period, i.e. after 60 years. It is used, in combination with market observed interest rates up to 20 years, to derive interest rates for maturities longer than 20 years.

EIOPA has set the current UFR at 3.45%. It is based on historically observed real interest rates in combination with long term inflation expectations.

For Index Linked and Unit Linked products the expected investment return is equal to de Solvency II yield curve. Expenses incurred and deducted in case of surrender or other charges (e.g. risk premiums and service fees) are also taken into account in the best estimate and discounted with the Solvency II yield curve.

Any guarantees given with respect to the performance of the funds are valued separately, as explained further below.

Options & Guarantees

A part of the Aegon Spaarkas portfolio contains guaranteed investment returns. When investing in a fund with a guarantee attached (mix or interest fund), the proportion of the policy invested in this fund will accumulate at a guaranteed rate of 3%, 3.6% or 4% (after deduction of asset management fees and before deduction of service fees). The accumulation rate varies by fund resulting in fund specific guarantees. The market value of the guarantee is calculated separately on a stochastic basis, taking into account risk and volatility.

The market value contains an intrinsic as well as a time value. The basis curve to calculate the market value of the options and/or guarantees is the Solvency II swap curve including UFR and VA. Market volatilities are used to create a scenario set for investment returns and interest rates. Market volatilities are derived from market prices of tradable financial instruments.

Risk Margin

The risk margin is to ensure that the value of technical provisions is equivalent to the amount that insurance undertakings would be expected to require in a take-over and to meet the insurance and reinsurance obligations. A Cost-of-Capital approach is applied to determine the value of the risk margin.

The risk margin captures the following risks:

- Underwriting risk;
- Credit risk with respect to reinsurance contracts, arrangements with special-purpose vehicles, intermediaries, policyholders and any other material exposures which are closely related to the insurance and reinsurance liabilities; and
- Operational risk.

In order to calculate the risk margin, the SCRs for above mentioned risks for future years need to be determined. The expected SCR in future years is projected using the projected best estimate liability as “risk driver” and the SCR at reporting date as starting point. Aegon Spaarkas applies a Cost-of-Capital percentage of 6%, in accordance with the Delegated Acts. Note that the application of the risk driver is a simplification compared to recalculating the expected SCR in each point in time in the future. This simplification does not lead to a material misstatement of the risk margin.

Contract boundaries

According to Solvency II regulations, the valuation of insurance and reinsurance obligations should include obligations related to existing insurance and reinsurance business. Obligations related to future business should not be included in the valuation. Where insurance and reinsurance contracts include policyholder options to establish, renew, extend, increase or resume the insurance or reinsurance cover, or undertaking options to terminate the contract or amend premiums or benefits, a contract boundary should be defined to specify whether the additional cover arising from those options is regarded as existing or future business.

For the Aegon Spaarkas portfolio, the contract boundary is equal to the end date of the contract.

D.2.2. Level of uncertainty associated with the value of technical provisions

The main source of uncertainty associated with the technical provisions is in the assumptions setting, where a significant level of judgment may be required about how future experience may differ from past experience. The assessment of uncertainty is addressed by sensitivity testing of key assumptions such that the governing body can understand how different choices would impact the technical provisions. Main uncertainties affecting the technical provisions of Aegon Spaarkas relate to mortality rates, cancellation rates and expense levels.

The risk margins relate to the cost of holding capital to allow for uncertainty around the best estimate assumptions and are included in the technical provisions as addition to the best-estimate liabilities.

Other sources of uncertainties are associated with scaling (applied to portfolio segments for which accurate portfolio data are incomplete or unavailable at all) and the applied UFR and VA.

D.2.3. Differences between Solvency II valuation and local GAAP/IFRS valuation of Technical Provisions analyzed by each material line of business

Refer to table in chapter D.2.1 for the difference between the IFRS and Solvency II liabilities, split in life and index-linked and unit-linked. Below we describe the difference in the valuation basis for IFRS and Solvency II.

IFRS measurement

All Aegon Spaarkas' insurance products are classified as insurance contracts for account of policyholders. The IFRS liability for the insurance contracts for account of policyholders is measured at the policyholders account balance. In the case that guarantees are applicable, the fair value of the guarantee is not included in the technical provisions but is presented as a derivative liability. Contracts with unit-denominated payments are measured at current unit values, which reflects the fair values of the assets of the fund.

A liability adequacy test (IFRS LAT) is performed every reporting period. The IFRS LAT provision is calculated as the sum of the best estimate provisions, including a risk margin and provisions for options and guarantees. The measurement for IFRS LAT also includes provisioning for expected expenses and longevity. If the IFRS LAT shows a deficit, which is not the case at year-end 2022, the IFRS provisions will be set equal to the IFRS LAT provision.

Differences between IFRS and Solvency II measurement

For details on the methodology and the underlying assumptions to calculate the Solvency II technical liabilities we refer to section D.2.1.

The difference between the IFRS liabilities (EUR 1,255 million) and Solvency II liabilities (EUR 1,205 million) for Aegon Spaarkas is, amongst others, that under Solvency II future fees are taken into account resulting in a lower Solvency II technical provision.

D.2.4. Matching adjustment

The Matching Adjustment is a mechanism that (partially) mitigates the impact of spread movements on the net balance sheet numbers, where assets and liabilities are cash flow matched. Aegon Spaarkas does not apply the Matching Adjustment.

D.2.5. Volatility adjustment (VA)

The Volatility Adjustment ('VA') is applied by Aegon Spaarkas and is equal to 19 basis points at year-end 2022. The VA aims to avoid pro-cyclical investment behavior of insurers when bond prices deteriorate due to low liquidity of bond markets or exceptional expansion of credit spreads. Removing the VA would lead to lower discount rates for calculating the technical provisions, which leads to higher technical provisions and thereby lower Own Funds.

The impact of the application of the VA on several Solvency II metrics is as follows:

D.2.6. Transitional measures

Insurance undertakings may, subject to prior approval by the Supervisory Regulator, apply a transitional measure to the relevant risk free interest rate term structure to calculate the provisions or to apply a temporary deduction of the technical provisions (articles 308c and 308d of Directive 2009/138/EC). Aegon Spaarkas decided not to apply transitional measures.

D.2.7. Recoverables from reinsurance contracts and special purpose vehicles

At the end of 2022 Aegon Spaarkas has no active reinsurance contracts.

D.2.8 Material changes in the relevant assumptions made in the calculation of technical provisions compared to the previous reporting period

In total the technical provisions decreased during 2022 by EUR 376 million.

The main drivers are the expected existing business contribution and the equity level variance. The expected existing business contribution resulted in a release of the technical provisions of EUR 169 million and is driven by expected liability cashflows which have lowered the technical provisions with EUR 175 million. Equity level variance in the movement relates to the stock prices. The increase in stock prices results in a decrease of the technical provisions by EUR 203 million.

Model and assumption changes resulted in an increase of the provisions by EUR 2 million.

<i>Solvency II</i>	Technical provision	Own Funds	SCR	Ratio	MCR	Eligible OF to meet MCR
Aegon Spaarkas Q4 2022	1,205	124	26	482%	9	124
VA spread	0	-/- 0	0	-/- 2%	0	-/- 0
Aegon Spaarkas Q4 2022 without VA	1,205	124	26	480%	9	124

D.3. Other liabilities

The break-out in table below shows the value of the other liabilities by material liability class under Solvency II and IFRS.

Table: *Other Liabilities (in EUR million)*

<i>Liabilities</i>	Section	Solvency II value	Statutory value	Difference
Deferred tax liabilities	D.3.1.1	13	-/- 1	14
Insurance and intermediaries payables	D.3.1.2	41	51	-/- 10
Payables	D.3.1.3	10	-	10
Total Other Liabilities		63	50	14

D.3.1. Solvency II valuation for each material class of other liabilities

In this section the valuation under Solvency II is described per material other liability class. Where the valuation method or classification differs between IFRS and Solvency II, a qualitative and quantitative explanation is provided per other liability category.

In accordance with Solvency II regulation, amounts are based on fair value. To assure consistency with annual reporting, fair value under IFRS and market value under Solvency II are the same.

D.3.1.1. Deferred tax liabilities

Solvency II methodology for the calculation of deferred taxes follows the provisions of IAS 12 in the financial statements. 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.

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.

Reconciliation difference IFRS to Solvency II

IFRS to Solvency II reconciliation of deferred tax items should comprise of DTA and DTL adjustments reflecting the tax impact of all the individual revaluations processed for all components of the balance sheet. This item is captured under Revaluation Adjustments below, and in cases, where the sum of all above adjustments results in a DTA or DTL changing their sign to negative – effectively becoming DTL and DTA, respectively – additional reclassification is required to move the new balance to the correct – opposite – side of the balance sheet. The Solvency II balance sheet contains a Deferred Tax Liability position of EUR 13 million. The IFRS balance sheet contains a net Deferred Tax Liability position of EUR -/- 1 million.

The revaluation of the DTL (EUR 14 million) from IFRS to Solvency II relates to the tax on the 'IFRS – Solvency II revaluation' of the Technical provisions.

Since the fourth quarter of 2021 the corporate tax rate has increased to 25.8%, as part of a second note of amendment to Dutch government's tax plan 2022 to raise the Corporate Income Tax to 25.8% from 25%.

D.3.1.2. Insurance and intermediaries payables

The fair value of liabilities 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.

The Solvency II balance sheet position of EUR 41 million is EUR 10 million lower than the IFRS position. In the IFRS position the payables (see next section) are added to the insurance and intermediaries payables.

D.3.1.3. Payables (trade, not insurance)

The fair value of liabilities 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.

The Solvency II balance sheet position amounts to EUR 10 million, while the IFRS position is zero, as explained in the previous section.

D.4. Alternative methods of valuation

Alternative methods of valuation are used for assets and liabilities for which no quoted markets prices exist in active markets for the same or similar assets and liabilities. This concerns the following assets and liabilities; deferred tax assets, Property, Loans and mortgages, and the Technical provisions.

For these assets and liabilities we refer to sections D.1, D.2 and D.3, for information regarding these alternative methods of valuation.

D.5. Any other information

In the Netherlands, unit linked products (beleggingsverzekeringen) have been controversial and the target of litigation since at least 2005. Allegations include excessive cost, unfair terms, inadequate disclosure, and failure to perform as illustrated. Consumer groups have formed to address these issues and initiate mass claims against insurers. Regulators as well as the Dutch Parliament have been involved ever since, with the principal goal of achieving an equitable resolution. Aegon has made improvements across its product lines, including after settlements reached in 2009 with Stichting Woekerpolis and Stichting Verliespolis. Aegon also decided to reduce future policy costs for the large majority of its unit-linked portfolio. Some of the unit linked products are still involved in ongoing litigation.

In September 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 Levensverzekering sold in the past, including Aegon products involved in the earlier litigation. The claim challenges a variety of elements of these products, on multiple legal grounds, including allegations made previously. In June 2017 (and revised in December 2017), the court issued a verdict which upheld the principle that disclosures must be evaluated according to the standards at the time when the relevant products were placed in-force. Most of the claims of Vereniging Woekerpolis.nl were dismissed under this standard, although the court found that Aegon did not adequately disclose certain charges on a limited set of policies. The district court did not decide on the reasonableness of the cost levels and whether the previous compensation arrangements provide sufficient compensation. This court decision has been appealed by both parties. The Court of Appeal

has stayed the proceedings during the preliminary proceedings at the Supreme Court in another class action of Vereniging Woekerpolis.nl against another insurance company.

On February 11, 2022 the Supreme Court ruled in these preliminary proceedings. The answers to the preliminary questions of the court regarding transparency and consent about costs and cost levels are a (re)confirmation of the EU Court ruling in a previous case against another insurance company. The legal debate will now continue at the level of the Court of Appeal. Aegon expects the uncertainty about the possible impact to continue for the foreseeable future. Developments in similar cases against other Dutch insurers currently before regulators and courts may also affect Aegon. At this time, Aegon is unable to estimate the range or potential maximum liability. There can be no assurances that these matters, in the aggregate, will not ultimately result in a material adverse effect on Aegon's business, results of operations and financial position.

Furthermore there are individual claims pending at the Klachteninstituut Financiële Dienstverlening (KlIFID) filed by customers over products of Aegon Spaarkas that arguably include similar allegations. At this time the decisions of KlIFID and courts are far from homogeneous.

Aegon Spaarkas expects the claims and litigation on unit-linked products to continue for the foreseeable future. Developments in similar cases against other Dutch insurers currently before regulators and courts may also affect Aegon Spaarkas. At this time, Aegon Spaarkas is unable to estimate the range or potential maximum liability.

All relevant information is covered in the previous sections.

E. Capital Management

E.1 Own Funds

E.1.1. Objective, policies and processes for managing Own Funds

Objective and policies

This Capital Management Policy is in line with the principles and requirements set out in the Group Capital Management Policy. Aegon Spaarkas's aim with capital management is to protect the financial interests of the policyholders, to support the execution of its strategy and to optimize capital generation and dividend to the Aegon NL and Group. It ensures that Aegon Spaarkas maintains a strong financial position and will be able to sustain losses from adverse business and market conditions.

The recovery zone is set between 100% and 135% as an additional buffer for the protection of the interests of policyholders. The level of the recovery zone is based on the impact of an adverse 1 in 10-year scenario and has not changed during 2022. The target level starts at 135% and is the target range for executing the strategy, capital generation and dividends. In principle, the full amount of dividend that is based on the Operating Capital Generation will be paid out when the solvency of Aegon Spaarkas is in the target zone. When the solvency drops in the lower end of the target zone, management actions will be taken to strengthen the solvency and limits the possibility that solvency might drop into the recovery zone. The target operating capital level for Aegon Spaarkas is 150%.

Aegon Spaarkas reviews its policy and in particular its capitalization zones on an annual basis to keep the guidelines for the capital management framework up to date.

Key figures

Eligible Own Funds of Aegon Spaarkas equaled 482% of the SCR at year-end 2022. This ratio being higher than 100%, demonstrates Aegon's ability to meet policyholder obligations when they fall due, even under stressed conditions.

The lower bound for the target range for the Solvency II ratio (Eligible Own Funds divided by SCR) of Aegon Spaarkas is set by the company's Executive Board at 135%. This creates a buffer for the protection of the interests of policyholders. The target zone ensures that capital management can be employed relatively flexible and ensures execution of strategy, capital generation and dividends. When the ratio drops near or into the recovery zone, the management of the entity will take actions that will restore the ratio to a level back in the target zone. Aegon Nederland aims at capitalization levels for the insurance entities that are well within the target zone.

E.1.2. Own Funds – Quality & Amounts

Own Funds are classified into different tiers, indicating their quality and availability to fully absorb losses. Total Own Funds of Aegon Spaarkas only includes Unrestricted Tier 1 capital. Under the Solvency II regime, Own Funds are split into the tiers as shown in the table below.

Tier 1	Tier 2	Tier 3
Unrestricted Tier 1 <ul style="list-style-type: none"> • Equity (Share capital and share premium) • Reconciliation Reserve 	<ul style="list-style-type: none"> • Dated or perpetual • Subordinated capital instruments <ul style="list-style-type: none"> - With an original maturity of at least 10 years - Limited loss absorption - With suspension of payments and deferral of interest 	<ul style="list-style-type: none"> • Dated or perpetual • Subordinated capital instruments <ul style="list-style-type: none"> - With an original maturity of at least 5 years - Limited loss absorption - With suspension of payments and deferral of interest • Net deferred tax assets
Restricted Tier 1 <ul style="list-style-type: none"> • Perpetual subordinated capital instruments with loss absorption 		

An overview of own fund components including an allocation by tier is given below:

	2022	2021
Unrestricted Tier 1 – before adjustments	227	229
Non-available	-/- 103	-/- 105
Tier 2	0	0
Tier 3	0	0
Total eligible Own Funds to meet the SCR	124	124

The components of the Own Funds of Aegon Spaarkas are described below:

<i>Element of Own Funds</i>	<i>Description</i>
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Tier 1 capital: consists of ordinary shares, share premium and reconciliation reserve, which are fully available without restrictions. There are no obligations to redeem these own fund items at any time, hence no maturity date applies.	The Reconciliation Reserve is determined as the excess of assets over liabilities minus the ordinary share capital and share premium account related to ordinary share capital. As mentioned in the table, the Reconciliation Reserve amounts to approximately EUR 226 million and as such, is the dominant component of the Own Funds. It originates mostly from earnings accumulated in previous years, which have not been distributed to shareholders. A downwards adjustment to total capital amounts to EUR 103 million for non-available items. This restriction relates to intercompany loan between Aegon Nederland and Aegon Spaarkas.
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E.1.2.1 Detailed breakdown eligible amount of Own Funds to cover the Solvency Capital Requirement and Minimum Capital Required

Eligible Own Funds to meet SCR of Aegon Spaarkas amounts to EUR 124 million. This is shown in below mentioned table:

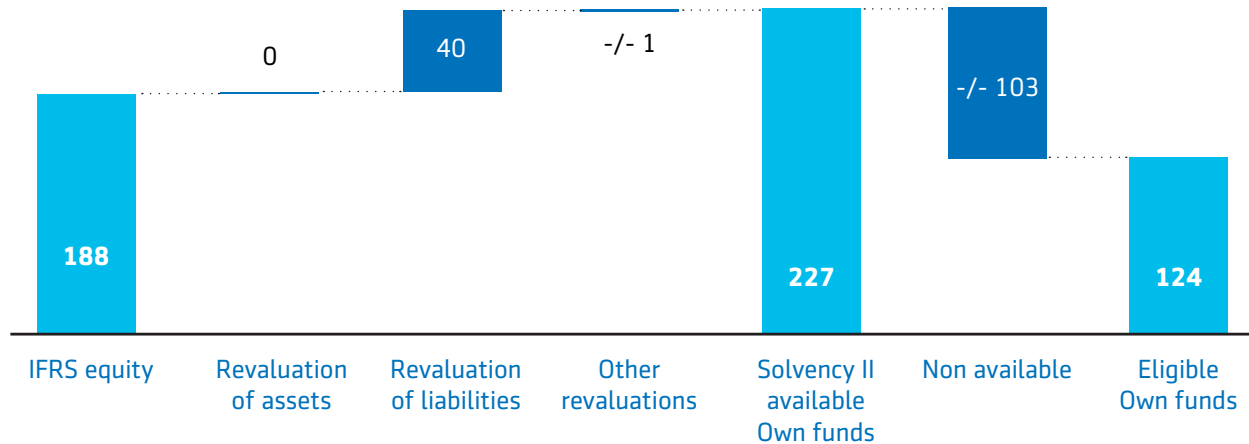
Eligible Own Funds to meet SCR and MCR

	Total Tier	U-Tier 1	Tier 2	Tier 3
Ordinary share capital- gross of own share	1	1		
Share premium account related to ordinary share capital	0	0		
Reconciliation reserve	226	226		
Subordinated liabilities	0		0	
Deferred tax assets	0			0
Own Funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II Own Funds	-/- 103	-/- 103		
Eligible Own Funds to meet SCR and MCR	124	124		

There is no capital loss or capital overflow after applying capital restrictions as all capital is unrestricted Tier 1 for both SCR and MCR coverage.

E.1.3. Difference between equity as shown in the financial statements and the Solvency II value excess of assets over liabilities

The below mentioned graph shows the reconciliation between statutory IFRS equity and Solvency II Own Funds.



The main reason for the differences in valuation IFRS and Solvency II is the revaluation of liabilities in the amount of EUR 40 million, mainly related to technical provisions, which are valued using different economic and non-economic assumptions in both frameworks. The revaluation of assets in the amount of EUR 0.5 million mainly reflects the mortgages and private loans held for index-linked and unit-linked insurance contracts, which are valued at amortized cost under IFRS, but at market value under Solvency II. The amount of non-available funds relates to the intercompany loan Aegon Spaarkas has provided to Aegon Nederland.

A more extensive analysis on the Solvency II to IFRS reconciliation is given in Chapter D.

E.2. Solvency Capital Requirement and Minimum Capital Requirement

E.2.1. Solvency Capital Requirement

SCR methodology based on the Solvency II PIM

Aegon uses a Solvency II PIM to calculate the solvency position of its insurance activities under Solvency II. Aegon's internal model was approved by the College of Supervisors as part of the Internal Model Application Process. For Aegon, a partial internal model is a better representation of the actual risk since this contains Aegon Spaarkas specific modelling and sensitivities as opposed to industry-wide approximations included in the standard formula methodology. The purpose of the internal model is to better reflect the actual risk profile of Aegon Spaarkas in the SCR. The most material risk types for Aegon Spaarkas are therefore covered by the internal model as part of the Solvency II PIM, and less material risk types and business units are covered by the standard formula part of the Solvency II PIM. A visual representation of the structure of the internal model is provided below.

Risk Class	QRT S.25.02	Risk Type	Application
Mismatch risk	Market risk	Interest rate level	IM
		Interest rate volatility	IM
		Currency	SF
Investment & Counterparty risk	Counterparty default risk	Fixed income	IM & SF
		Equity level	IM & SF
		Equity volatility	IM
		Alternative investment	IM & SF
		Counterparty	SF
Underwriting risk	Life Underwriting risk	Mortality Contagion	SF
		Mortality Parameter	IM
		Longevity Parameter	IM
		Disability/morbidity	SF
		Persistency	IM & SF
		Expense risk	SF
		Health Underwriting risk	Health
Non-life Underwriting risk	P&C	n/a	
Operational risk	Operational risk	Operational	SF
Diversification	Aggregation		IM
	PIM - integration		Integration technique 3

For every risk factor, a marginal probability distribution function is fitted by making use of historical data and expert judgement. The overall joint probability distribution function of all the risk factors combined takes into account the dependency structure between the risks. The losses from 2 million scenarios simulating the samples from this joint distribution are used to fit an overall empirical loss distribution function, from which we derive the 1-200 loss by taking the 99.5% point.

Additional purposes for which Aegon Spaarkas uses the Solvency II PIM include:

- Quantification of risk exposures in order to set adequate capital buffers;
- Monitoring of these exposures against the stated risk appetite and risk tolerance;
- Product pricing, where the cost of capital has a significant impact on overall costs;
- Assessment of the value of new business sold, in particular the value of options and guarantees contained therein; and
- Budgeting of capital requirements, Dividend Policy & Contingency Planning.

The following risk types are modelled under the internal model component of the Solvency II PIM:

Within the Mismatch risk category:

- Interest rate risk and interest rate volatility risk.

Within the Investment and counterparty risk category:

- Regular equity risk excluding private equity;
- Equity volatility risk;
- Spread, default and migration risk for fixed income securities including mortgages, but excluding certain illiquid investments; and
- Property risk for the direct real estate investments intended for rentals.

Within the Underwriting risk category:

- Mortality and longevity risk; and
- Mortgage prepayment risk.

All risk types that are not covered by the internal model are covered under the standard formula component of the Solvency II PIM. The risk measure used in all components of the Solvency II PIM is the 99.5% value at risk applied over a one-year time horizon. The standard formula SCRs and internal model SCRs are combined to calculate the Solvency II PIM SCR using Integration Technique 3 (IT3) as listed in annex XVIII.D of Commission Delegated Regulation (EU) 2015/35 (Delegated Acts).

Diversification within the Solvency II PIM SCR

Under Solvency II PIM, Spaarkas calculates the diversification benefit across risk types. Within the standard formula components, diversification is determined following the prescribed correlation matrices.

Within the internal model component, diversification is calculated as follows: For each risk type a worst-case shock is calibrated at the 99.5% confidence level over a one-year time horizon. These shocks reflect the adverse value change of the assets and liabilities over the time horizon including the amounts paid during the one-year time horizon, as well as the change in present value of cash flows projections at the end of the projected time horizon. The combination of these adverse value changes are the Own Funds losses.

To calculate the total SCR and diversification, the Own Funds losses are determined not only at the 99.5% confidence level of the risk types, but at two million equally likely scenarios. This is a Monte Carlo simulation approach. These scenarios are generated using a scenario generator and a dependency structure, defining the dependency (correlation) between risk drivers based on market data and expert judgment. Each scenario contains values for risk drivers such as interest rates, equity returns and mortality levels.

Aegon uses loss functions to calculate the Own Funds losses in all these scenarios. These loss functions are fitted using full valuations at several points (percentiles) of the distribution of the applicable risk type. For each of the two million scenarios, the Own Funds losses are summed between the risk types and business units that apply the internal model, resulting in the total loss in Own Funds for the scenario. By ordering these scenarios based on their aggregated losses, the 99.5 percentile of the losses is determined. The total net SCR (after diversification) is then determined by the average loss in Own Funds for the 5,001 scenarios around the 99.5 percentile.

Diversification is defined as the difference between the sum of the standalone SCRs of the risk types and the total net SCR.

Diversification between the internal model and the standard formula components of the Solvency II PIM are calculated using Integration Technique 3 (IT3) in accordance with Solvency II regulation. IT3 describes how an implied linear correlation coefficient between the internal model and standard formula components is calculated. This correlation coefficient is subsequently used to calculate the total Solvency II PIM SCR using a square root formula.

Data quality

Aegon Spaarkas has implemented the Data Quality Policy of Aegon Group for the Solvency II reporting processes, including the required data directory and a description of the criteria regarding data completeness, accurateness and appropriateness. Data used in the internal model originate from internal as well as external sources, for example:

- Policy Data level detailing characteristics and coverage of individuals insureds;
- Data specifying the portfolio of assets, e.g. type of asset, amount, and maturity date; and
- Data from external sources such as population mortality tables and prices of traded securities.

The internal model design aims to make optimal use of all available data in the stages of model design and execution. An assessment of the appropriateness of data usage forms part of the model validation process.

Composition of the SCR at year end 2022

Aegon Spaarkas Partial Internal Model SCR amounted to EUR 26 million on December 31, 2022 (2021: EUR 45 million). The overall SCR decreased in 2022.

The table below shows the breakdown of the Solvency II PIM SCR for Aegon Spaarkas at year-end 2022, as reported in QRT S.25.02:

Amounts in EUR million	Components description	2022	2021
C.2 Market risk	Market risk (SF)	1	1
	Market risk (IM)	11	13
C.3 Credit risk	Counterparty default risk (SF)	2	2
	Counterparty default risk (IM)	-	-
C.1 Underwriting risk	Life underwriting risk (SF)	27	52
	Life underwriting risk (IM)	2	2
	Health underwriting risk (SF)	-	-
	Health underwriting risk (IM)	-	-
	Non-life underwriting risk (SF)	-	-
	Non-life underwriting risk (IM)	-	-
C.5 Operational risk	Operational risk (SF)	1	1
	Operational risk (IM)	-	-
E.2.1 Solvency Capital Requirement	Diversification (negative amount)	-/- 10	-/- 13
	LAC Deferred Taxes	-/- 8	-/- 15
	Total SCR	26	45

Diversification of EUR 10 million shown in QRT S.25.02 includes the integration between the SF and IM parts of the PIM SCR and diversification between the risk categories, but does not include diversification within each risk component.

Diversification is observed within each of the QRT S.25.02 risk categories, mainly:

- Market Risk (MR) diversification, driven by diversification between spread and equity risk, as well as diversification between interest rate level and non-market risk types. Diversification benefits for interest rate level risk are relatively large as Aegon Spaarkas is exposed to an increase in interest rates, which has a low correlation with the spread widening scenarios. Diversification benefits for spread risks are relatively small as spread risk (exposure to spread widening) is the largest risk category for Aegon in terms of market risk SCR and therefore drive the aggregated Own Funds losses in a 1-in-200 year event;
- Underwriting risks (UR) diversification benefits are driven by lapse risk which has a relatively low correlation with other underwriting risk types. Underwriting risks typically also have low correlations with market risk types, like spread risk, that drive the aggregated Own Funds losses around the 99.5th percentile.

Developments in 2022 regarding LAC DT

There have not been any changes to the LAC DT methodology last year

- Similar to previous years, the Loss Absorbing Capacity of Deferred Taxes (LAC DT) is determined by applying a LAC DT Factor on the Dutch corporate tax rate, which is 95% per year-end 2022. The LAC DT is calculated according to the requirements as stated in the Solvency II (SII) regulations, which provides a principle-based approach for the LAC DT substantiation. The methodology reflects Aegon Nederland's current interpretation of both the SII regulations combined with the guidance provided by De Nederlandsche Bank (DNB) on this topic.
- In 2022 DNB started a sector-wide investigation into deferred taxes for which Aegon filled out a quantitative template and self-assessment for each legal entity. DNB is expected to give specific feedback to the different insurers in 2023. This could also result in revised or updated guidance from DNB.

E.2.2. Minimum Capital Requirement

The Minimum Capital Requirement has been determined as the sum of the following components, with a minimum of 25% and a maximum of 45% of the Solvency Capital Requirement, as stipulated in article 292(2)(g) of the Delegated Regulation:

<i>Component MCR 2022</i>	Charge	Capital at Risk	MCR (EUR million)
Technical Provisions for index-linked and unit-linked insurance, excluding the risk margin, net of reinsurance with a floor equal to zero	0.70%	1,195	8
Technical Provisions for all other life insurance, excluding the risk margin, net of reinsurance with a floor equal to zero.	2.10%	0	0
Capital at Risk by policy summed over for all life insurance policies	0.07%	1,097	1
Total			9

As a comparison, the MCR on December 31, 2021 is shown below.

<i>Component MCR 2021</i>	Charge	Capital at Risk	MCR (EUR million)
Technical Provisions for index-linked and unit-linked insurance, excluding the risk margin, net of reinsurance with a floor equal to zero	0.70%	1,560	11
Technical Provisions for all other life insurance, excluding the risk margin, net of reinsurance with a floor equal to zero.	2.10%	0	0
Capital at Risk by policy summed over for all life insurance policies	0.07%	1,260	1
Total			12

E.3. Use of duration-based equity risk sub-module in the calculation of the Solvency

Aegon Spaarkas does not make use of the duration-based equity risk sub-module set out in article 304 of Directive 2009/138/EC for the calculation of the Standard Formula SCR.

E.4. Differences between internal model and Standard Formula

The main differences between the methodologies and assumptions of the Solvency II PIM and the standard formula are discussed by risk type below.

Market risk

The fixed income risk for bonds differs because Solvency II PIM shocks are calibrated on the basis of Aegon Spaarkas' fixed income portfolio. In contrast to the standard formula, government bonds are shocked with a factor larger than zero.

For mortgages, the Solvency II PIM contains a spread shock, while the standard formula implies a counterparty default risk shock.

Equity risk shocks are calibrated based on Aegon Spaarkas' own portfolio. In addition, the equity exposures are also shocked for equity volatility risks.

The Solvency II PIM results for interest rate risk differ from the standard formula results for the following reasons:

- The standard formula interest rate risk shock only considers a shift in the interest rate curve, whereas the Solvency II PIM does not only consider a shock for a parallel shift, but also for a flattening/steepening and twisting of the interest rate curve;
- The Solvency II PIM interest rate curve shocks are calibrated based on historical market data;
- The Solvency II PIM assumes that the Ultimate Forward Rate (UFR) does not change in a shock scenario, while the standard formula interest rate shock assumes that the whole curve moves, including the UFR;
- In addition, the Solvency II PIM includes a capital requirement for interest rate volatility risk.

Underwriting risk

The Solvency II PIM for longevity and mortality risk differs from the standard formula as follows:

- The Solvency II PIM makes a distinction between a population mortality shock and an experience factor shock while the standard formula assumes a fixed decrease in all mortality rates; and
- The Solvency II PIM projects mortality rates by age and gender while the standard formula assumes the same shock for all ages and both genders.

For Aegon Spaarkas, the Solvency II PIM includes pre-payment (lapse) risk on the mortgage portfolio.

Diversification

Diversification between the internal model and the standard formula components of the Solvency II PIM are calculated using Integration Technique 3 (IT3). IT3 describes how an implied linear correlation coefficient between the internal model and standard formula components is calculated. This correlation coefficient is then used to calculate the total Solvency II PIM SCR using a square root formula. The standard formula makes use of correlation matrices to calculate the diversifications by risk module and on total level.

E.5. Non-compliance with the Minimum Capital Requirement and non-compliance with the Solvency Capital Requirement

During 2022, no instances occurred in which the estimated Aegon Spaarkas solvency ratio was below the MCR and the SCR level. To ensure that Aegon Spaarkas maintains adequate solvency levels, actual and expected capital positions are monitored against capitalization zones that are defined in the Aegon NL Capital Management Policy. Several activities are performed to monitor and assess the future development of Aegon Spaarkas' solvency position, such as the annual Budget/Medium Term Plan process and periodic management reporting. Decisions to return capital to shareholders are based on solvency assessments that consider the impact of the decisions on the current and projected solvency position.

Any solvency position is subject to risks and Aegon Spaarkas therefore constantly monitors such risks. These are quantified to determine the impact on the current and the projected solvency position. The Capital Management policy provides actions that need to be performed as soon as the identified risks could cause the projected Solvency II ratio to fall within a particular capitalization zone.

E.6. Any other information

IAIS Holistic Framework

In November 2022 the Financial Stability Board (FSB) confirmed that the annual identification of Global Systemically Important Insurers (G-SII's) was being discontinued. Aegon was previously identified as a G-SII. This decision was made in consultation with the International Association of Insurance Supervisors (IAIS) following the initial years of implementation of the IAIS Holistic Framework for the assessment and mitigation of systemic risk in the insurance sector which started in 2019.

As part of the Holistic Framework Aegon will continue to have a liquidity risk management plan, a systemic risk management plan, an ex-ante recovery plan. These plans are updated on an annual basis and are submitted to the DNB and Crisis Management Group (CMG). In addition, the Aegon Group's Resolution Authority (the Dutch Central Bank) is responsible for the development of Aegon's resolution plan.

Some of the provisions of the Holistic Framework are included in the IAIS Insurance Core Principles (that apply to all insurers), while others are included in ComFrame (the Common Framework for the Supervision of Internationally Active Insurance Groups, or IAIGs).

The Holistic Framework consists of an enhanced set of supervisory policy measures and powers of intervention, an annual IAIS global monitoring exercise, and an assessment of consistent implementation of supervisory measures. ComFrame establishes supervisory standards and guidance focusing on the effective group-wide supervision of IAIGs. ComFrame is a comprehensive and outcome-focused framework that provides supervisory minimum requirements tailored to the international activities and sizes of IAIGs. ComFrame builds on the Insurance Core Principles that are applicable to the supervision of all insurers. The provisions of both ComFrame and the Insurance Core Principles must be implemented in local legislation in order to have a binding effect.

Aegon remain subject to ComFrame and ICS, to the extent these will be implemented in local legislation. In Europe, the relevant international standards are expected to be implemented in the Solvency II Framework through the Solvency II Review. The European Commission's proposal to amend the Solvency II Directive includes a number of macro-prudential tools. The legislative proposal to introduce a European Insurance Recovery & Resolution Directive (IRRD) is expected to include IAIGs based in the European Union.

Glossary

Collateral is an asset pledged by a borrower to secure a loan and is subject to seizure in the case of default.

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

Diversification is the general concept of reducing the total risk of a portfolio of assets and/or liabilities by spreading it across a mix of different risk exposures. Risk reduction occurs due to the less than perfect correlation among the individual risk exposures in the portfolio, meaning risks will not materialize all at the same time.

Financial risks are risks of a possible future change in one or more of the following variables: a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index or prices or rates, credit rating or credit index or other variable, provided in the case of a non-financial variable, that the variable is not specific to a party to the contract.

Insurance contract is a contract under which one party (the insurer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder.

Insurance risk is a risk, other than financial risk, transferred from the holder of a contract to the issuer.

Interest rate risk is a market risk, more specifically the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments.

Loss absorbing capacity of deferred taxes is a loss compensating effect of taxes taken into account in the solvency capital requirement.

Minimum capital requirement is the absolute minimum level of capital an insurance company must hold in excess of its Technical Provisions under Solvency II.

Operating expenses are all expenses associated with selling and administrative activities (excluding commissions) after reallocation of claim handling expenses to benefits paid.

Partial Internal Model is a combination of a Standard Formula and Internal Model, used to calculate the Solvency II capital requirement.

Policyholder is a party that has a right to compensation under an insurance contract if an insured event occurs.

Solvency II is the fundamental reform of European insurance legislation.

Solvency capital requirement is the level of capital an insurance company must hold in excess of its Technical Provisions under Solvency II.

Spread is the difference between the current bid and the current ask or offer price of a given security.

Standard Formula is a risk-based approach to the calculation of an insurer's solvency capital requirement, prescribed by the regulator.

Stochastic modeling is a statistical process that uses probability and random variables to predict a range of probable investment performances.

Transitional measures allow EEA entities to gradually move to a full implementation of Solvency II over a period of time.

Volatility adjustment is a volatility adjustment to the discount rates for calculating technical provisions aims at avoiding pro-cyclical investment behavior of insurers when bond prices deteriorate owing to low liquidity of bond markets or exceptional expansion of credit spreads. The adjustment has the effect of stabilizing the capital resources of insurers and will be calculated by EIOPA.

Cautionary notes

Intended use of the SFCR

This Solvency and Financial Condition Report is prepared and published in accordance with the requirements of the Solvency II regulations and EIOPA guidelines and follows a prescribed format. The SFCR is primarily prepared for prudential considerations, which includes informing policyholders and other beneficiaries of Aegon's insurance products. While the document is made available to the public in general and may be of interest to stakeholders such as investors in Aegon shares and other financial instruments, it is not specifically aimed at them.

