Annual report 2019

Aegon Spaarkas N.V.

Aegon Spaarkas N.V.
Snekerkade 1
8911 AA Leeuwarden

Contents

Annual report 2019 3

Report of the Board of Directors 4

Report of the Supervisory Board 21

Financial Statements 2019 of Aegon Spaarkas N.V. 24

Statement of financial position 25

Income statement 26

Statement of comprehensive income 27

Statement of changes in equity 28

Cash flow statement 29

Notes to the financial statements 30

Other information 92

Statutory provisions regarding profit appropriation 92

Independent auditor's report 93

Annual report 2019

Report of the Board of Directors

1. General information

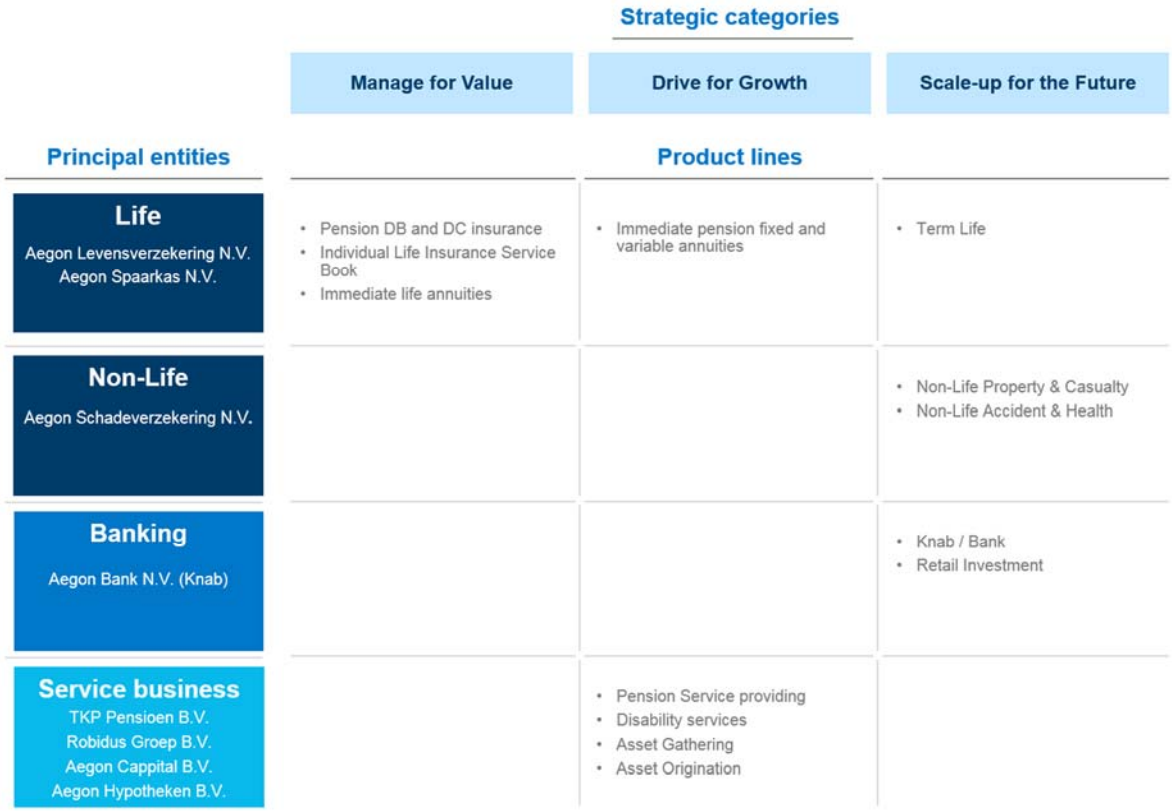
Aegon Spaarkas N.V., incorporated and domiciled in the Netherlands, is a public limited liability company organized under Dutch law and recorded in the Trade Register of the Chamber of Commerce of Leeuwarden under its registered address at Snekerkade 1, 8911 AA Leeuwarden with registration number KvK 30001360. Aegon Spaarkas N.V. (or Aegon Spaarkas) is a wholly owned subsidiary of Aegon Nederland N.V. (Aegon Nederland) in The Hague. The ultimate parent of the Aegon-group is Aegon N.V. in The Hague. Aegon Spaarkas is active in life insurance products, mainly tontine plans.

1.1. Strategy, purpose and mission statement (Future Fit)

The goal of the Future Fit Strategy of Aegon Nederland, the parent company of Aegon Spaarkas, is to become the "customer-driven company of the future". The refocused strategy centers around Aegon Nederland's mission to "enable people to make conscious decisions about their financial future" ("wij stellen mensen in staat zelf, bewust keuzes te maken voor hun financiële toekomst"). This means doing the right things in the best possible way in the interests of our customers.

Aegon Nederland operates in an ever changing environment due to customer and stakeholder demands, as well as market developments. By providing clear information ("Klantbelang Centraal" or Customer Centricity) and easily comprehensible products and services, Aegon Nederland empowers people to make better financial decisions. 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. We have consistently proven ourselves to adapt to environmental changes by transforming our business, further strengthening our capital base and reducing costs. We are well prepared to meet the rapidly changing demands of (aging) populations in an increasingly affluent world.

In order to achieve this acceleration, changes to our organization and governance structure were required; further transforming the organization from being product-driven towards being customer-driven. By doing so, the organizational structure is now more aligned to our business strategy and consequently, a more efficient and effective execution of our strategy can be expected. In February 2019 Aegon Nederland introduced three strategic categories; **Drive for Growth, Scale-up for the Future, and Manage for Value**. Aegon Nederland has made progress in the execution of Aegon's strategy by driving efficiencies and allocating capital to those activities with the best growth prospects. This mission and the strategy also apply to; and are adopted by Aegon Spaarkas. For further information we refer to the following table.



Agile Way of Working
In 2019 Aegon Nederland continued its journey towards company-wide agility. Aegon has been in active use of the agile working method since 2012 and in the past years has made several steps towards team maturity using the SAFE methodology. In 2019 we embarked on a program to improve our corporate agility to drive productivity, time to market, quality and customer and employee satisfaction. As a result Aegon Nederland created a new organization structure & governance based on end-to-end business responsibilities organized in value streams and dismantled its retail and wholesale management structure. The processes are designed to find the optimal balance between 'client value, time criticality and risk reduction' and align 'strategy with execution'. This ensures a way of working in which Quality by Design is embedded.

As part of the Aegon Nederland individual life service book, Aegon Spaarkas has a closed book strategy. The in-force portfolio is declining rapidly due to expiration and policies being lapsed. Aegon Spaarkas is still faced with legacy issues: potential claims related to alleged miss-selling of unit linked products. However, most of the material issues have been addressed through the steps that Aegon Spaarkas has initiated in recent years. The outstanding issues are comparatively minor. The closed book portfolio and the legacy issues have resulted in the following key strategic pillars, in order of priority, for Aegon Spaarkas:

- Resolve outstanding issues with regard to legacy issues
- Strict cost control

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

The second strategic pillar reflects the fact that the size of our in force book is diminishing rapidly. As a result, we need to lower costs at a similar level. Long-term plans have been put in place to monitor this closely. Besides a reduction in workforce we also focus on lowering IT costs substantially.

1.2. Main activities, products, services and geographic areas

Aegon Spaarkas is incorporated and domiciled in the Netherlands with a life insurance portfolio of mainly tontine plans. Aegon Spaarkas operates from Leeuwarden.

1.3. Composition of the Board of Directors and gender diversity

As of July 1, 2019, Mrs. I.M.A. de Swart resigned from the Board of Directors to pursue her career outside of Aegon. After almost 12 years with Aegon Nederland, Chief Financial Officer (CFO) Mr. R. Zomer has left Aegon per April 1, 2020. He will move on to new opportunities and will make room for others in a smaller Management Team of Aegon Nederland. He will be succeeded by Mr. B. Magid, who will stay responsible for the CIO portfolio in his new job as CFO. CTO Mrs. A Schlichting will combine her current role with that of Transformation Officer. She will also become part of Aegon Nederland's Statutory Board of Directors as per April 1, 2020. Finally, Mr. W. Hekstra was appointed as COO for Aegon Nederland. He already was responsible for Aegon Wholesale. When Mrs. I.M.A. de Swart left, he temporarily took on her responsibility for Aegon Retail too. Now it has been decided that this temporary solution will be permanent.

The composition of the Board of Directors as of April 1, 2020 will consist out of the following five members, i.e. Mr. M.J. Edixhoven (chair), Mrs. A Schlichting, Mr. B. Magid, Mr. W.A. Hekstra and Mr. W. Horstmann.

Enhancing gender diversity in the Board of Directors and Supervisory Board is an important objective for Aegon Nederland. Selection and appointment is based on expertise, skills and relevant experience. The Supervisory Board also takes gender diversity into consideration in light of its goal to have a balanced composition in the Board of Directors. The Supervisory Board is aware that the current composition of the Board of Directors does not meet the 'balanced composition' requirement under Dutch law (at least 30% of the seats should be filled by women and at least 30% by men). When identifying candidates for open positions, the Board of Directors actively searches for suitable female candidates with the help of external recruitment firms. While this has had a positive effect, the requirement has not yet been met.

Aegon Nederland's HR department is currently working on creating a new role; consultant Inclusion & Diversity. Next to focusing on actively searching for suitable female candidates, this role will aim to hire more people with an migrant background and people with a disadvantage in the labor market. For the latest, Aegon Nederland already hired an employee who will create jobs for this target group.

1.4. Employees

Aegon Spaarkas itself does not have labor contracts with employees, but is serviced by Aegon Nederland. Related expenses are charged to Aegon Spaarkas.

1.5. Key elements of policy

During 2019, the Board of Directors discussed several important subjects and developments, regularly in the presence of the Solvency II key function holders and other senior management. The financial results, including Capitalization considerations and ALM (Asset Liability Management): strategic asset allocation were part of discussion of the Board of Directors. Also topics such as the further execution (and monitoring) of key strategic change initiatives, managing the business portfolio within the 3 strategic buckets (i.e Manage for Value, Drive for growth and scale-up for the future), Agile transition and transformation of the Aegon Nederland organization, cost and capital management, financial and non-financial controls, people management, responsible business, M&A opportunities and impactful laws and regulations.

1.6. Remuneration policy

The remuneration policy of Aegon Nederland is designed in line with the applicable national and international regulations including the Aegon Group Global Remuneration Framework (AGGRF) drawn up by Aegon N.V., the Law on Remuneration Policies for Financial Institutions (Wet beloningsbeleid financiële ondernemingen, or 'Wbfo') as included in the Dutch Financial Supervision Act (Wet Financieel Toezicht, or 'Wft') and the remuneration policy from Solvency II.

The remuneration policy of Aegon Nederland applies to all Aegon employees working for Aegon Nederland or its subsidiaries. The remuneration policy also applies to employees assigned to entities located in the Netherlands other than Aegon Nederland or its subsidiaries and employees under the direction and supervision of Aegon Nederland that perform activities for Aegon or its clients through outsourcing or otherwise. Entities may apply for an exception on the Aegon Nederland remuneration policy. The exceptions may not be contrary to the philosophy and principles of the AGGRF. The remuneration policy of Aegon Nederland is reviewed on a annual basis.

Equal pay for men and women
In 2018, Aegon and trade unions reached a new collective labour agreement for the insurers' employees. It includes explicit agreements about equal pay for men and women performing the same function. According to union FNV, this is the first collective bargaining agreement in the Netherlands to address this issue explicitly. As part of the collective bargaining agreement, Aegon investigated the current remuneration of its male and female employees with the conclusion that on average there are no differences in the salary of men and women performing the same function.

Remuneration and scope
Remuneration may include both financial and non-financial compensation provided by the company either directly or indirectly. Financial compensations consists of among other things cash, shares, employer's contribution, pension schemes. Non-financial compensation consists of among other things use of a car lease, private use of a mobile phone and computer. Other non-financial secondary benefits may include the work environment, the performance management (annual) HR-cycle, training opportunities and career development.

Variable compensation
The directives for the variable remuneration in the Aegon Nederland remuneration policy are adopted one-on-one from the AGGRF. Only members of the Management Team of Aegon Nederland are eligible for variable remuneration. As of April 1, 2020 the Management Team of Aegon Nederland consists of the statutory board members and mrs. Roth (General Counsel/Director Legal Affairs) and mr. Parren (Chief People Officer). The remaining employees assigned to Aegon Nederland and or working under the direction and supervision of Aegon Nederland or its subsidiaries are not eligible for variable remuneration.

Employees employed by other Aegon entities under the direction and supervision of Aegon Nederland that perform activities for Aegon or its clients through outsourcing or otherwise may under the remuneration policy of their own entity be eligible for variable remuneration. This variable remuneration is also subject to the directives for variable remuneration in the remuneration policy of Aegon Nederland, with the exception on activities performed under other sectoral legislation.

Application of the remuneration policy
The remuneration policy (including variable remuneration) and its implementation was discussed in meetings held by the Supervisory Board on several occasions during 2019. The Supervisory Board approved the 2019 variable remuneration targets for Material Risk Takers (MRT) within the framework set out in the AGGRF. It also approved payment of the variable remuneration to MRT relating to prior years that vested in 2019,. This remuneration was within Aegon Nederland's remuneration policy. No retention payments were made. There were no welcome and exit arrangements granted in 2019 outside of the policy. The total income of the Board of Directors in 2019 was in line with the remuneration policy and the total variable remuneration of senior management (including members of the statutory board) did not exceed 20% of fixed income for the whole of Aegon Nederland. The total amount of variable compensation paid out in 2019 was EUR 1.3 million. No individuals received a total annual compensation equal to or higher than EUR 1 million. This malus clause on variable remuneration granted conditionally to MRT was not applied nor was there a claw back of variable remuneration.

1.7. Regulation and supervision

Regulation of the financial sector in the Netherlands is included in the Financial Supervision Act (Wet op het financieel toezicht or Wft). The supervision of financial institutions pursuant to the Wft rests with DNB and the Authority for the Financial Markets ('AFM').

DNB is responsible for prudential supervision. The AFM supervises the conduct of business of financial institutions and the conduct of business on financial markets. The aim of DNB's prudential supervision is to ensure the solidity of financial institutions and contribute to the stability of the financial sector. The AFM's conduct of business supervision focuses on ensuring orderly and transparent financial market processes, integrity in relations between market parties and due care in the provision of services to customers.

The Dutch Data Protection Authority (Dutch DPA) supervises processing of personal data in order to ensure compliance with laws that regulate the use of personal data. The tasks and powers of the Dutch DPA are described in the General Data Protection Regulation (GDPR), supplemented by the Dutch Implementation Act of the GDPR.

1.8. Business developments

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 were introduced by Aegon Spaarkas. Tthis portfolio is steadily decreasing in size. Aegon Spaarkas manages this portfolio as efficiently as possible and optimizes it from the customers' and several Aegon's perspectives.

IT
Aegon Nederland pays a lot of attention to digitalizing and innovation. An important innovation, which was rewarded with a Celent Model Insurer Award in 2019, is the decision to decrease the abundance of internal rules for IT-solutions to a set of eight clear principles. The IT Architecture team introduced the so-called 'non-negotiables', a minimal set with guidelines on which cannot be negotiated when buying or building software.
Aegon Nederland also further improved the central Data Lake to decouple front and back end. This increases the speed of development and innovations. The different customer journey initiatives made possible this way increased the NPS (Net Promotor Score). For Solvency II and IFRS17 a closed model run environment was built. In 2019 the agile way of working was further implemented in all value streams. Staff functions will follow in 2020.

GDPR
In 2019, seven data breaches occurred within Aegon Nederland. Follow up has been given including notification to the Dutch Data Protection Authority (Autoriteit Persoonsgegevens). These incidents have been reported and discussed in the Monthly Risk Event Committee and Quarterly Risk and Audit Committees (local units and MT-NL).

A report was issued by the Internal audit department in September 2019 on the status of GDPR implementation. The outcome of this report was unsatisfactory because the approach used thus far allows for insufficient management oversight and consequently, a lack of demonstrable control over GDPR compliance and a lack of a structured approach. Aegon Nederland has plans in place to address these findings with a high priority, including the recruitment of new staff and a manager with specialist knowledge and is currently executing on those plans.

Management has taken appropriate action to remediate the matters noted and to improve processes, procedures and controls where needed.

1.9. Risk Management

For information regarding risk management please refer note 4 Risk Management in the financial statements.

1.10. Brexit

On January 31, 2020, the United Kingdom (UK) left the European Union (EU). The UK has until the end of 2020 to negotiate a trade deal with the EU and prevent a Hard Brexit. A Hard Brexit will have consequences for the derivatives contracts Aegon Nederland holds with UK counterparties as they may lose their eligibility under European regulation. In the last few years, Aegon Nederland has prepared for this possibility and has worked towards replacing its UK counterparties. For bilateral derivatives with a UK counterparty, contracts have been set up to replace the counterparty by a continental (non UK) counterparty of the same mother company. For centrally cleared derivatives, Aegon Nederland has gradually moved from LCH in London to Eurex in Frankfurt. Currently, around 60 percent of all swap interest rate sensitivity of the Aegon Nederland insurance entities is in Frankfurt. The situation is carefully monitored by the Risk & Capital Committee. Based on new information about Brexit, the future eligibility of LCH and the liquidity at the different venues, the decision will be made whether the exposure at Eurex is expanded further.

1.11. IBOR

The future of IBORs (Interbank Offered Rates) such as Euribor, Eonia and LIBOR has been a major topic on the global agenda since the G20 asked the Financial Stability Board (FSB) to undertake a fundamental review of leading interest rate benchmarks in 2013. The FSB proposed new standards to reform interest rate benchmarks and the use of transaction-based input data instead of non-transactional/panel input data. In the EU this is adopted in the new Benchmark Regulation (BMR) which stipulates that from January 2020 only BMR compliant benchmarks may be used within the EU.

Aegon Nederland recognizes that IBOR transitions potentially have implications for all reporting units, including our insurance, asset management and banking activities. Despite current uncertainties on how the transition from IBORs to alternative benchmarks will be managed, it is widely acknowledged that IBOR benchmarks impact financial products and contracts, including a.o. derivatives, corporate bonds, structured debt products, deposits and mortgages.

The impact of the IBOR transition on the business- and operating models are described in transition plans and include among others project solutions and actions, timelines and ownership to ensure timely preparation and implementation.

1.12. Factory (IFRS 17 & IFRS 9)

The International Accounting Standards Board (IASB) issued IFRS 17 for Insurance Contracts in May 2017, effective for annual periods beginning on or after January 1, 2021, which is not yet endorsed by the European Union. In November 2018 the IASB decided to postpone the effective date for IFRS 17 with one year which means insurers will be required to apply IFRS for annual periods beginning on or after January 1, 2022. In order to keep the link with IFRS 9 the IASB also decided to allow insurance companies to defer IFRS 9 by an extra year.

Aegon Nederland has started an implementation project in 2018, which will continue during the period 2019 - 2021. The exact impact of IFRS 17 is not yet clear, however an initial impact assessment resulted in the expectation that it may have a material impact on shareholders' equity, income and/or other comprehensive income and disclosures. Aegon Nederland is combining the implementation of IFRS17 with the Finance Transformation Program, in which Aegon Nederland optimizes underlying processes and systems in order to gain efficiency. Good progress has been made in 2019 and the program is on track for preparing to meet the start of the dry run of the project during second half of 2020.

1.13. Asset and Liability Management and Financial instruments

In order to execute on Aegon Spaarkas' goal to enable clients to achieve a lifetime of financial security, we offer products that absorb risks on behalf of our clients, such as market and underwriting risks. These risks need to be managed actively. It is unlikely that the risks which we take on from our clients, always automatically lead to our preferred risk profile and therefore we have a risk strategy in place. Aegon Spaarkas keeps the preferred risks in light of the targeted risk profile, but mitigates the remaining risks by, for example, hedging the risks. Our use of derivatives relates mostly to the latter. For each portfolio containing derivatives, we have set up detailed guidelines on the scope of instruments and the purpose of the derivatives.

Within its total Asset and Liability Management (ALM) framework, Aegon Spaarkas makes use of predominantly fixed income instruments for matching its liabilities. These are, to a large extent, high quality sovereign and corporate bonds, and loans. In addition, a portfolio of residential mortgages has been built up to match liabilities. Risk mitigating techniques are used in addition to these instruments in order to hedge the guarantees embedded in some of our products and to optimize our ALM. This can be done through directly targeting specific risks, such as interest rate risk via e.g. interest rate swaps or longevity risk via a longevity swap. For more complex risk exposures, we use a combination of options, total return swaps and variance swaps.

Aegon Spaarkas sees derivatives as a suitable instrument to use in its ALM. The derivatives market is a highly regulated market. Any counterparty risks embedded in such transactions are contained with strong collateral processes that Aegon Spaarkas has put in place in all of its derivatives, through the use of high quality collateral. The advent of central clearing for parts of the derivatives markets has increased the collateral requirements and reduced counterparty risk. Liquidity risk, which is the direct result of the collateral processes, needs to be managed carefully. Due to market movements, our collateral position may change rapidly and in order not to breach any collateral agreements, Aegon Spaarkas has to ensure availability of sufficient high quality collateral at all times in order to comply with collateral calls from our counterparties. Our liquidity stress testing is set up to monitor this need. Operational risk is another key risk, considering derivatives are specialized instruments that require expertise as well as a specific (IT) infrastructure in order to be managed properly. Furthermore, as recent developments have shown regulatory risk as a category within operational risk, it needs constant monitoring. Our automated processes regarding real-time monitoring, automated controls and integrated reporting reduce operational risks and enable us to comply with increasing demands from regulations.

Aegon Nederland's Risk & Capital Committee, which meets at least once a month, determines and monitors the capital position, the balance sheet as well as the market value income statement. The focus of these meetings is, among other activities, to ensure an optimal strategic asset allocation, and to monitor the liquidity position of Aegon Spaarkas.

1.14. Pending litigation portfolio and product-related issues

Unit-linked products

Generally speaking, there is still media, political and regulatory attention regarding unit-linked policies (beleggingsverzekeringen). Individual customers as well as policyholder advocate groups and their representatives continue to focus on the fees and charges included in products, as well as alleged transparency aspects. Aegon expects this to remain an issue for the industry for the foreseeable future. Exposure and attention will be stimulated by court cases.

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

In June 2014, Aegon announced that it would voluntarily compensate holders of KoersPlan products who were not plaintiffs in the litigation. Compensation amounted to the difference, if any, between the actual premium charged by Aegon and the premium that would have been charged by Aegon for a comparable risk in a product providing only death benefit coverage over the same period. This product improvement is explicitly supported by the consumer interest group that initiated the court action over the KoersPlan product, Stichting Koersplandewegkwijt. A follow-up and extension of the Regeling Spaarbeleg for the Spaarbeurs and Spaarlift portfolio of Aegon Spaarkas started in 2017 and continued in 2019.

In September 2014, consumer interest group Vereniging Woekerpolis.nl filed a class action against Aegon Levensverzekering and Aegon Spaarkas in court. The claim was related to a range of unit-linked products which Aegon sold in the past and include products that already had been subject to litigation, such as KoersPlan.

On June 28, 2017 (and revised in December 2017) the District Court of The Hague has rendered a final ruling which limited the scope to three products, Koersplan (tontine), Vermogensplan (tontine) and Fundplan (UL) and excluded all policies with a guarantee. The court upheld the principle that disclosures must be evaluated according to 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 the level of certain charges on a limited set of policies. According to the court these cost levels should be reasonable. The court did not give a judgement about the reasonableness of the cost levels and whether the previous compensation arrangements provide sufficient compensation. Both The Vereniging Woekerpolis.nl and Aegon have filed an appeal against the ruling of the District Court in The Hague. Furthermore there are individual claims pending at the Klachteninstituut Financiële Dienstverlening (Kifid) and courts filed by customers over products of Aegon Spaarkas that arguably include similar allegations. At this time the decisions of Kifid and courts are far from homogenous.

1.15. Corona outbreak

At this time, the full impact from the coronavirus outbreak is not yet clear. Aegon Nederland cannot quantify the magnitude and duration of the coronavirus at this time given the fluidity of the situation. Aegon Nederland is, however, seeing that businesses among which possibly some of our clients and partners are impacted, both in the Netherlands and across the world. As a consequence, Aegon Nederland is seeing disruption to the global financial market as both stock markets and interest rates have declined significantly. Aegon Nederland has taken the necessary measures aiming to provide for the safety and the wellbeing of our colleagues and customers in the Netherlands and is closely monitoring payment behavior of our clients in these times of financial stress.

Like other companies operating in the Netherlands, Aegon Nederland is exposed to challenges resulting from the coronavirus pandemic. Aegon Nederland is taking measures aimed at safeguarding the interest of all our stakeholders in this difficult time. Aegon Nederland continues to monitor and assess its business operations daily. Refer to 5.2 'Corona virus disease outbreak' for more information.

2. Financial information

2.1. Developments during the year

The income before tax for 2019 was EUR 4.6 million, compared to EUR 23.4 million in 2018. In the following paragraphs specific items of the net result are further explained.

Revenues

The revenues decreased from EUR 85.8 million to EUR 78.0 million, mainly due to decrease of premium income of EUR 7.6 million. The insurance portfolio of Aegon Spaarkas is decreasing, due to the lack of new production as well as lapses.

Results from financial transactions

Results from financial transactions were a gain of EUR 287.3 million compared to a loss of EUR 128.7 million in 2018. This is largely explained by the net fair value losses on financial assets for account of policyholders because of the unfavorable equity markets in 2018, whereas in 2019 the equity markets were favorable and thus net fair value gains for account of policyholders were realised.

Policyholder claims and benefits

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 2019 were an expense of EUR 356.0 million (2018: a revenue of EUR 70.0 million).

Commissions and expenses

The commissions and expenses were in line with previous year.

Shareholders' equity

Shareholders' equity at December 31, 2019 amounts EUR 233.6 million compared to EUR 261.3 million at year-end 2018. The decrease is caused by the dividend payment of Aegon Spaarkas of EUR 31.0 million to its parent company Aegon Nederland in 2019 (EUR 4.0 million in 2018), partly offset by the net income over 2019 of EUR 3.5 million (2018: EUR 17.4 million).

Cash flows and funding

During 2019 the net cash flows amounted to EUR 47.8 million negative (2018: EUR 55.2 million positive). This is largely due to cash flows from results on financial transactions as Aegon Spaarkas paid EUR 31 million dividend to Aegon Nederland in 2019. Aegon Spaarkas is funded with equity and at year-end 2019 had no significant other funding sources.

Circumstances that impact future income and results

The main drivers of future income and results are interest rate and other financial market developments. Furthermore, cost containment and developments in relation to customer compensations may impact net income significantly. Regarding the financial structure and ALM policy no major changes are expected.

2.2. Solvency II

Insurance supervision in EU member states is based on EU legislation, which, as of January 1, 2016, is embedded in the Solvency II framework.

The Solvency II framework also consists of an EU Directive (Level I) and has consequently been transposed into the Dutch Financial Supervision Act. A large part of the Level II Solvency II rules are, however, also set out in EU regulations. These apply directly in EU member states, and as a consequence have not been implemented into national legislation.

Aegon Spaarkas is subject to prudential supervision of the home state supervisory authority (DNB in the Netherlands). One of the main quantitative elements of insurance supervision is the assessment of the solvency position of the insurance company. The solvency position is assessed through a comparison of available capital (Own Funds) and required capital (Solvency Capital Requirement, or SCR).

With respect to the Own Funds of Aegon Spaarkas , the liability calculation includes the use of the volatility adjustment, but does not include the use of any transitional measures. Aegon Spaarkas uses a Partial Internal Model (PIM) to calculate the SCR for its life insurance activities under Solvency II. The Partial Internal Model was approved by DNB on November 26, 2015, concluding the Internal Model Application Process. Following the Internal Model Application Process, Aegon Spaarkas made several major changes to its internal model 2017 and 2018, all of which have been approved by the DNB. These changes are therefore reflected in the solvency position of Aegon Spaarkas per year-end 2019.

As per December 31, 2019, Aegon Spaarkas' capital position is:

Amounts in EUR million	31-12-2019*	31-12-2018
Own Funds	186	220
Partial Internal Model SCR	47	44
Solvency II ratio*	395%	501%

*The Solvency II ratio for 2019 is an estimate, is not final until filed with the regulator and subject to supervisory review.

The decreased Solvency II ratio of Aegon Spaarkas is mainly due to a decrease in Own Funds from a dividend payment and the annual parameter update. The SCR did not materially change during 2019.

Minimum regulatory solvency requirements
Insurance laws and regulations contain minimum regulatory capital requirements of 100% SCR) for insurance companies in the European Union. For insurance companies in the European Union, Solvency II also defines a lower capital requirement, the Minimum Capital Requirement (MCR). An irreparable breach of the MCR would lead to the withdrawal of the insurance license.

With the introduction of Solvency II for EEA countries, Aegon Spaarkas views these minimum regulatory capital requirements as the level around which the regulator will formally require management to provide regulatory recovery plans. For insurance companies in the European Union this is set at 100% SCR. Aegon Spaarkas operates in excess of this requirement.

As at December 31, 2019, the factor of LAC DT is set at 75%, unchanged from 2018, while the corporate tax rate was lowered to reflect the upcoming tax rate changes in 2021. The LAC DT factor is assessed on a quarterly basis following DNB guidance and LAC DT related proposals in the SII regulation consultation paper of EIOPA.

Moreover, the lowering of Ultimate Forward Rate (UFR) from 3.9% to 3.75% in 2020 would result in an estimated impact of 0.1%-points decrease of the Solvency II ratio. The Solvency II ratio of Aegon Spaarkas does not include any contingent liability potentially arising from products sold, issued or advised on by Aegon Spaarkas in the past as the potential liability cannot be reliably quantified at this point. In addition, discussions are ongoing with respect to the interpretation/substantiation of certain elements in the technical provisions and SCR.

Solvency II 2018 review
On June 18, 2019, the EU Regulation that contains amendments to the Solvency II Delegated Regulation as a result of the 2018 review of the Solvency II framework was published in the Official Journal of the European Union. Most of the amendments have entered into force during the second half of 2019 and some as per January 1, 2020. The purpose of the 2018 review has been to review specific items of the SCR standard formula calculation in the Solvency II Delegated Regulation, in order to achieve a more proportionate and simplified application of the requirements, removal of technical inconsistencies and the removal of unjustified constraints to financing. Amongst others, the amendments relate to tiering requirements for subordinated liabilities as part of own funds and LAC DT, further alignment between the group and solo-approach to the look-through of investment fund participations, amended treatment of certain risk mitigating techniques, for the standard formula calculation, adjustments of the treatment of derivatives, the recognition of local/regional government issued guarantees and the recalibration of non-life premium and reserve-risk standard deviations in certain sub-modules.

Solvency II 2020 review
In addition to the review of the 2018 review of the Solvency II Delegated Regulation, a more fundamental review of the Solvency II Directive has commenced, referred to as the Solvency II 2020 review. On February 10, 2019, the European Commission has requested EIOPA to provide, in the context of the 2020 review, by June 30, 2020, technical advice in the following areas:

- Long-term guarantees (LTG) measures and measures on equity risk;
- Specific methods, assumptions and standard parameters used when calculating the Solvency Capital Requirement standard formula;
- Rules and supervisory authorities' practices on the calculation of the Minimum Capital Requirement;
- The supervision of insurance and reinsurance undertakings in a group; and

- Other items related to the supervision of insurance and reinsurance undertakings.

In November 2019 EIOPA has published a substantial consultation document in the context of the Solvency II 2020 review. Through the consultation process EIOPA expects to obtain input for its technical advice to the European Commission. Earlier in 2019, separate consultations have taken place on disclosure a nd reporting requirements under Solvency II, insurance guarantee schemes and resolution funding. A formal legislative proposal of the European Commission on the Solvency II 2020 review will be published later in 2020. Due to the fact that the final technical advice has not yet been published and it is not clear to what extent the European Commission will take into account the advice in its proposals, the potential impact of the review is uncertain.

On 8 March 2018, the Commission adopted its Action Plan on sustainable finance in which it announced several actions to incorporate sustainable finance in the heart of the financial system. Further to this Action Plan, the Commission adopted, on 24 May 2018, a package of legislative measures on sustainable finance. The Commission has requested technical advice from (inter alia) EIOPA and ESMA on the delegated acts that would supplement this package amending, or, where necessary, introducing level 2 measures of, inter alia, the Solvency II Directive with the aim of incorporating sustainability risks, i.e. environmental, social and governance risks by financial market participants subject to those rules. In that context, on the request of the European Commission, EIOPA has provided, on September 30, 2019, an opinion to the European Commission on Solvency II and sustainability. The European Commission had requested EIOPA's views on the integration of sustainability, in particular climate-related developments, into the Solvency II framework for the valuation of assets and liabilities, investment and underwriting practices, the calibration of market and natural catastrophe risks and the use of internal models, i.e. focusing on Pillar 1 requirements. The European Commission will take the EIOPA opinion into account in the Solvency II 2020 review. In addition, EIOPA has provided, on April 30, 2019, the European Commission with technical advice on the integration of sustainability risks and factors in the delegated acts under Solvency II and IDD. This advice focused primarily on Pillar 2 requirements in Solvency II and IDD.

The capitalization of Aegon Spaarkas is managed on regulatory requirements, rating agency requirements and/or self-imposed criteria. For more details about the Solvency II target range, which is a self-imposed target range, refer to note 4.4 'Capital Management and solvency'.

3. Corporate Governance

Aegon Nederland voluntarily has a Code of Conduct in place. This Code of Conduct (which can be found on www.aegon.com) is intended to provide further clarity on sound and responsible business practices, and ensure a common approach for how we carry out our business in Aegon Nederland's markets.

Aegon Nederland also endorses the values from the (Bank and Insurance) oath/promise. The oath/promise is a so-called "moral ethics statement" that is effective in the Netherlands since April 1, 2015. The "moral ethics statement" is given by employees in the financial sector in the Netherlands, with the aim of being fully aware, keeping in mind their special role in society, that they must always carefully weigh the interests of all stakeholders, with the interests of the customer taking a central place.

The ultimate holding company of Aegon Nederland, Aegon N.V., is supervised as a financial services group by the Dutch Central Bank ('De Nederlandsche Bank or DNB'). Aegon N.V. observes the laws and regulations applicable in their local markets and country units; for example, Aegon N.V. complies with SEC requirements and the US Sarbanes-Oxley Act. In addition, Aegon N.V. complies with international corporate governance guidelines, including the Guidelines for Multinational Enterprises set in place by the Organization for Economic Co-operation and Development (OECD). This is reflected in the corporate governance of Aegon Nederland.

<u>Governance principles</u>
The Governance principles for Insurers issued by the Dutch Association of Insurers was revoked on January 1, 2016. Aegon Nederland continues to subscribe to the importance of governance principles and will therefore continue to act according to the governance principles as are implemented within Aegon Nederland. Aegon Nederland also complies with other relevant governance guidelines and self-regulation by the Dutch Association of Insurers. Below, the most important elements of our governance principles are explained.

<u>Accountability</u>
Aegon Nederland present an overview of the application of our governance principles. This is done on behalf of the insurance companies Aegon Levensverzekering, Aegon Schadeverzekering and Aegon Spaarkas. The accountability report also forms an integral part of the annual reports of these insurance companies. References in the remainder of this annual report to 'Aegon Nederland' include these insurance companies.

<u>Supervisory Board</u>
The Supervisory Board functions as the supervisory board for Aegon Nederland and each of the insurance subsidiaries of Aegon Nederland that are under supervision of DNB.

Membership and expertise
The majority of the members of Aegon Nederland's Supervisory Board are formally independent and operate independently in accordance with the Principles and requirements of DNB's Suitability Policy Rule 2012 (Beleidsregel geschiktheid 2012) and in accordance with the Principles and requirements of DNB's Suitability Policy Rule 2020 (Beleidsregel geschiktheid 2020). Given the members' different professional and educational backgrounds, ages and range of knowledge and experience, the Supervisory Board has a broad-based membership. In Aegon Nederland's view, the members' knowledge and experience complement each other. Aegon Nederland has set out in detail the Supervisory Board's duties in the Supervisory Board Charter. Aegon Nederland has an up-to-date profile of the Supervisory Board, further specifying and recording its vision on the membership. The profile is tailored to Aegon Nederland's nature, size and complexity and also incorporates the competences in DNB's Suitability Matrix for Supervisory Boards.

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

Furthermore a Supervisory Board profile is available and if a vacancy arises, an individual profile is to be created. In addition to Aegon Nederland performing annual checks of individual critical abilities against the DNB's Suitability Matrix for Supervisory Boards, regular self-evaluations and permanent education programs are followed. If a vacancy arises for the position of chairman, an individual profile is drawn up which focuses on the Supervisory Board's and Aegon Nederland's requirements regarding expertise and experience in relation to the financial sector, familiarity with socio-economic and political culture and the social environments of Aegon Nederland's main markets.

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

The members of the Supervisory Board receive suitable compensation that is independent of Aegon Nederland's financial results. Compensation is set by the General Meeting of Shareholders.

Aegon Nederland has a permanent education program for members of the Supervisory Board and the Board of Directors. The 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. In 2019 the evaluation of its own functioning was performed. The results were satisfactory and were discussed by the Supervisory Board and with the Board of Directors and where necessary, actions were taken.

Duties and working methods
The Supervisory Board's discussions on risk management decisions are prepared by the Risk & Audit Committee. The members of the Aegon Risk & Audit Committee have adequate knowledge, experience and/or competences to allow for sound supervision of the financial aspects of risk management, financial reporting, internal control and audit.

Board of Directors

Membership and expertise
At Aegon Nederland, complementarity and diversity within the Board of Directors is ensured by the members' different backgrounds, personalities and range of knowledge and experience. Whereas the members of the Board of Directors have equal decision-making authority, it aspires to take decisions by consensus as far as possible.

The members of the Board of Directors have broad-based commercial background and experience in the financial sector in general and in insurance in particular. With this wide range of experience they have sufficient knowledge of the function of insurance companies in society and are aware of the interests of stakeholders. Each member of the Board of Directors 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 Board of Directors 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. In its decisions, the Board of Directors takes into account Aegon Nederland's risk appetite. The Board considers whether or not a decision to be taken is within the risk appetite, thus ensuring a careful balance between its commercial objectives and the interests and the risks involved.

The CRO is the director of the Risk Management & Compliance department, which is organized as a second line of defense and is the risk management function holder (RFH). The CRO is also a member of the Board of Aegon Nederland. In this capacity, the CRO is closely involved in all the decisions that have a material impact on Aegon Nederland's risk profile. The risk management function focuses on financial stability and the impact that systemic risks may have on Aegon Nederland's risk profile. The CRO reports hierarchically to the CEO and also has a direct reporting line to the Chairman of the Risk and Audit Committee of the Supervisory Board.

The CFO is fully responsible for the financial and capital management of Aegon Nederland. The CFO leads the financial function in the statutory board of Aegon Nederland in the broadest sense, to ensure the financial position of Aegon Nederland is known at all times, the management is in control and regulators and other stakeholders receive sufficient reports to form a judgment about the state of Aegon Nederland in time. The function is responsible for the financial policies of Aegon Nederland. Amongst others the departments of Financial Information Management (Accounting, Reporting, Actuarial & Solvency II) and Capital Management report to the CFO. The CFO has no individual commercial responsibility and operates independently of other commercial areas.

Duties and working methods

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

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

In Aegon Nederland's vision, the company holds responsibility for people's financial awareness and development. Aegon Nederland strives to offer easily-understood solutions in genuine dialogue in order to enable customers to make conscious decisions about their financial future. Aegon Nederland wants to present matters as they are. We believe it is our responsibility to assist customers and explain things in a simple way.

The customer comes first in our strategy. The strategy aims to carefully balance the interests of not only customers, but also of all Aegon Nederland stakeholders, including employees. Aegon Nederland believes that paying attention to the interests of all stakeholders is in the customer's interest.

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

Integrity, care and putting customers' interests first are guiding principles for all Aegon Nederland employees which are reflected in the Code of Conduct and apply to all Aegon Nederland employees.

The Aegon Nederland Code of Conduct is embedded in the Aegon culture, by e.g. inclusion in employment contracts (since 2012), providing e-learning modules to new recruits and annual e-learning modules to all employees. In addition all employees are annually required to confirm compliance to the code of conduct.

4. Corporate social responsability

Responsible and sustainable business is very important to Aegon Nederland and its subsidiaries. It is its mission to enable customers to make well-informed choices for a healthy financial future. Every day Aegon Nederland helps people to live a solid financial life, today and later on. Aegon Nederland also knows that not everyone is able to make conscious choices. In society, people need to take care of themselves more and more and unfortunately there are many people who fail to succeed. For that reason Aegon Nederland takes a position in society for people with debts by helping them on their way to opportunities.

Environment
Aegon Nederland believes it is very important that the objectives of the Paris Climate Agreement are actually achieved. Both from a social point of view and for our customers so that they can grow old in a pleasant environment. That is why we do not want to run climate risks with the pension money that we invest for them. But also by looking at offices, mobility, cooperation with other companies, and by creating awareness amongst employees, suppliers and other stakeholders. Aegon Nederland has the ambition to halve the ecological footprint of internal business operations per employee in 2030 compared to 2018. The Aegon Nederland activities are aligned with the department of Strategy and Sustainability of Aegon N.V. in order to maintain focus and share best practices. In determining the strategy for Aegon Nederland in the period 2019-2022, responsible business has been identified as one of the five transition KPI's on the management dashboard of Aegon Nederland.

Our investments are an important way of realizing our environmental objectives. That is why our responsible investment strategies, policies, instruments (screening, engagement, voting, exclusion) and the actual investments are also focused on realizing change. At Aegon Nederland there is a focus on investments in sustainable real estate and the energy transition.

Next to that Aegon decided to no longer invest in in:
- Companies that derive 30% or more of their revenues from thermal coal exploration, mining or refining. The threshold will be decreased to reach effectively zero (0-5%) by 2030.
- Companies that generate electricity with installed coal-fired generation capacity of 30% or more. The threshold will be decreased to reach effectively zero (0-5%) by 2030.
- Companies that derive 30% or more of their total oil equivalent production from oil sands. The threshold will be decreased to reach effectively zero (0-5%) by 2030.
- Companies that are pipeline operators and which are significantly involved in oil sands transportation

These investments no longer fit our low-carbon strategy.

Furthermore, Aegon Nederland and Aegon Asset Management Nederland have supported several resolutions in order to request for more ambitious climate targets at the General Shareholders meetings of Chevron, BP, Exxon and Equinor in 2019. These oil and gas companies should make changes in their strategies to support the needed climate transition tot a low-carbon economy.

Social
The main program aimed at society is Van Schulden naar Kansen (From Debts to Opportunities). The aim is to reduce the number of households living in poverty due to debts. People are being helped with learning skills, knowledge and behavior on their financial situation. To accomplish this, Aegon Nederland supported local organizations financially and with the help of Aegon employees acting as a volunteer.

For the eighth consecutive year, employees helped people who live nearby the headoffice in The Hague with 1-on-1 conversations during the 'Pensioen3daagse' to improve understanding of what they would need for their retirement. During the 'Week van het Geld' (Money Week), employees gave lessons at primary schools to raise children's financial awareness on insurance. During the so called 'Volunteering Friday' Aegon Nederland promotes the opportunity to do volunteering work as laid out in the collective labour agreement. The activities are all organized in nearby municipalities.

There has been ongoing attention to the sponsorship of the Alzheimercenter Amsterdam. Since 2002 Aegon Nederland has been the main sponsor. This sponsorship is aligned with Aegon Nederland's vision: enable people to make self-conscious decisions on their healthy financial future. Around World Alzheimer's Day 2019, Aegon signed a contract with Jetske van der Schaar. A young woman, carrier of the hereditary Alzheimer gene, who, financially supported by Aegon Nederland, writes a book about her search for a medicine for this disease. In 2019 Aegon also became the main sponsor of the Special Olympics Nationale Spelen (SONS) 2020 in The Hague for people with a mental disability.

Based on new legislation, small pensions (less than 2 euros annually future pension) ended in 2019. The value of these pensions (EUR 17.871) has been donated to the Alzheimercenter.

On July 10, 2019, Minister of State Barbara Visser (Defense) signed the Social Impact Bond 'Joining Forces'. The signing of this Social Impact bond is the start of an innovative program to re-integrate service unsuitable soldiers. Aegon invests in the Fund that finances this re-integration which is supported by a.o. Robidus.

Economic

Aegon Nederland's mission also entails the economic perspective: enable customers to make conscious decisions about their financial future. In 2019 Aegon Nederland continued with the campaign 'Goed met geld'. Dutch people are becoming more and more responsible for their own financial future. But arranging money matters is not everyone's hobby. Many people find it complicated or boring, and prefer to postpone it. That is why Aegon Nederland is helping them via this campaign. Videos, but also blogs, checklists and the 'Goed met Geld' test have been developed. In this way Aegon Nederland makes people aware of their own responsibility and encourages them to take action. Especially financially dependent women are particularly vulnerable in the case of the death of a partner or a divorce. Together with organizations and experts from across the country, Aegon Nederland is seeking to make it easier for all members of society to manage their finances.

Amvest

Together with partner Amvest, Aegon Nederland continues its efforts to be a responsible investor through further optimizing its real estate investment portfolio. Aegon's key focus is to contribute by investing in sustainable and affordable homes for a broad target group, including people with key jobs, younger people and vulnerable elderly.

On behalf of Aegon Nederland, Amvest has acquired the 'Startmotor' in Rotterdam consisting of 581 regulated rental dwellings under construction. The 'Startmotor' is a new initiative which offers safe housing to younger people that start their 'residence career' and is more than just an apartment. The 'Startmotor' functions as a community concept where young people can live together, share common facilities and can be supported by additional services when needed.

Furthermore, Amvest acquired 816 rental dwellings under construction in SPOT Amsterdam. SPOT is part of a larger transformation project to change the former Amstel III business park into a 'mixed-use neighborhood' and will offer comfortable homes with the amenities of a small town to approximately 1,200 to 1,600 residents. The majority of the rental dwellings in SPOT will be affordable homes through a mix of regulated and mid-priced homes. An assigned number of homes will be exclusively available to people with certain key jobs to society, like school teachers, police offers and nurses. With the acquisition of SPOT, Aegon Nederland contributes to keep a city like Amsterdam affordable to live in for a broad group of people.

Another essential part of Aegon's responsible investment strategy is to make the existing real estate investment portfolio more sustainable. Aegon is making good progress with its real estate investment sustainability program. As part of the program the roll-out of solar panels for Aegon's existing single family homes that started in 2018 continues. Aegon also continues to improve the energy labels of existing homes through renovation projects whereby technical, energetic and functional measures are taken to enhance quality of living and reduce energy costs and CO_2 emissions. Aegon's ongoing sustainability efforts are rewarded by an improved score in the Global Real Estate Sustainability Benchmark (GRESB). In 2019 the direct real estate investment portfolio score improved further to 4 stars (2018: 3 stars). Aegon Nederland is also a large investor in the Amvest Residential Core Fund and Amvest Living and Care Fund. Both funds achieve the maximum GRESB score of 5 stars in 2019.

5. Outlook

5.1. Developments

The insurance industry has been in a period of major change for a number of years, partly as a result of developments in the economy, but also because customers, legislators and regulators require it. This trend is expected to continue in 2020.

The world is changing rapidly. Technological developments lead to new customer behavior. These changes in society and the market also have an impact on Aegon Spaarkas' business. As we have stressed in recent years, technological developments and the digitization of financial services are accelerating. The traditional financial institutions are starting to transform their businesses towards a new era. Addressing these developments is at the core of our strategy.

Finally, economic conditions, the situation in the financial markets and the shrinking insurance market are driving an increased focused on cost efficiency in our markets. All these trends combined require Aegon Spaarkas to deliver enhanced performance for all our stakeholders at reduced expense levels.

5.2. Coronavirus disease outbreak

Since January 2020, the Coronavirus disease (COVID-19) outbreak is causing significant disruption to society, impacting Aegon Spaarkas, its suppliers and customers.

Financial markets have been severely impacted by significant decreases in interest rates, equity markets and commodity prices. Governments and central banks worldwide are responding to this crisis with aid packages and further quantitative easing. At the date of this report the depth and length of this crisis is unknown.

Aegon Spaarkas is continuously monitoring the market and economic turbulence that has arisen as a consequence of the COVID-19 outbreak, and its impact on Aegon Spaarkas. The most significant risks Aegon Spaarkas faces are related to financial markets (particularly credit, equity and interest rates), and underwriting risks (particularly related to mortality, morbidity and policyholder behavior). Developments in interest rates as a result of the COVID-19 crisis could take place. Aegon Spaarkas is continuously monitoring the interest rate developments and the related liquidity position, taking necessary management actions to prepare for such an event Aegon Spaarkas closely matches the duration of the investments held in relation to the insurance obligations. In addition, a large proportion of the insurer's investments are generally very liquid and can therefore be quickly converted into cash. The notes to Aegon Spaarkas' financial statements include elaborate descriptions and related financial market sensitivities. Aegon Spaarkas continues to monitor claim activity, including the developments with respect to mortality, morbidity and policyholder behaviour. At the date of this report it is too early to tell what the impact of the COVID-19 crisis will be on Aegon Spaarkas' underwriting results and Aegon Spaarkas' long term underwriting and economic assumptions. The capital position of Aegon Spaarkas ultimo 2019 forms a solid basis to absorb the impact of the COVID-19 outbreak.

Aegon Spaarkas has invoked its business continuity plans to help ensure the safety and well-being of its staff, as well as its capability to support its customers and maintain its business operations.

Although, as described above, the uncertainties associated with the COVID-19 outbreak are high and it is not currently possible to estimate future effects, we believe that based on current insights, no material uncertainty relating to going concern exist and therefore the going concern assumption used in preparing the financial statements is appropriate.

5.3. Post reporting date events and expectations

Except for the Coronavirus disease outbreak (refer to note 5.2 'Coronavirus disease outbreak' in this Report), there are no other post reporting date events and expectations that have not already been taken into account in the directors' report or financial statements.

The Board of Directors have agreed in their meeting on March 30, 2020 that due to the Covid-19 health measures in force in April 2020, preventing in-person meetings, the Members of the Board will authorize the Chairman to sign the annual accounts on their behalf. The Board Members fully agree with the contents of the annual report, and a record of this meeting and the individual agreement of the Board Members is kept by the Secretary of the Board. Therefore, the signatures of the Board Members are not present as covered by article 2:101 section 2 of Book 2 of the Dutch Civil Code.

The Hague, April 8, 2020

The Board of Directors,

M.J. Edixhoven (chair)	
B. Magid	
W.A. Hekstra	
A. Schlichting	
W. Horstmann	

Report of the Supervisory Board

1. General

The Supervisory Board has been in place since 2011 and functions as the supervisory board for Aegon Nederland and each of the insurance subsidiaries of Aegon Nederland that are under supervision of De Nederlandsche Bank, i.e. Aegon Levensverzekering N.V., Aegon Schadeverzekering N.V. and Aegon Spaarkas N.V.. The Supervisory Board has the duty to supervise and advise the Board of Directors on its management of the company. The Supervisory Boards of the insurance subsidiaries meet at least four times a year at regular intervals, simultaneously with the Supervisory Board of Aegon Nederland.

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

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

In 2019, the Supervisory Board performed its duties in close co-operation with the Board of Directors and held six meetings. Moreover the Supervisory Board held several calls with the Board of Directors to discuss a.o. strategic initiatives (like potential acquisition of Vivat). The Risk and Audit Committee of the Supervisory Board held five meetings. Also the Remuneration Committee held several meetings. The attendance percentage was high.

2. Subjects discussed during the meetings

During the meetings of the Supervisory Board, the Risk and Audit Committee of the Supervisory Board and the Remuneration Committee, several topics were discussed. Hereafter a list of topics is presented. Regarding some topics a brief explanation is provided.

* Execution of the Future Fit Strategy (in line with the three strategic bucket approach) and new strategic developments, including possible M&A initiatives.
* Solvency II updates and discussions in general, regarding (inter alia) developments in the Solvency ratio and more specific developments and implications of major model changes.
* SII 2019 Reports, such as ORSA, SCFR and RSR reports.
* Quarterly business results. Each quarter the Supervisory Board was updated on and discussed the business results of (inter alia) Aegon Retail and Aegon Wholesale in the context of the Future Fit Strategy. This also included updates and discussions on several key programs.
* Capital Management Policy.
* Dividend proposals.
* Risk Appetite Policy and Key Risk Indicators.
* Supervisory Board self-evaluation (board effectiveness). The Supervisory Board evaluated its own functioning. The results were satisfactory and were discussed by the Supervisory Board and with the Board of Directors and where necessary, actions were taken.
* PricewaterhouseCoopers Accountants N.V. Management Letter 2019. A topic of discussion and monitoring concerned the outstanding actions.
* Annual report 2019.
* Audit plan 2019.
* Risk Management, Compliance and Actuarial Function reports.
* Customer NPS.
* Cost efficiency developments.
* Updates on the execution of and preparation for implementation of impactful laws and regulations, including IFRS 17 and Brexit.
* Budget MTP 2020-2022.
* Updates on DNB and AFM letters, discussions and on-site visits, including DNB 'Focus' reports and meetings and AFM annual report and meeting;
* Mortgage valuation process and control environment.

The coronavirus outbreak has introduced new uncertainty, and the Supervisory Board is being kept informed of the measures Aegon Nederland is taking to prioritize the health and wellbeing of its employees and customers.

3. Gender diversity

Enhancing gender diversity in the Board of Directors and Supervisory Board is an important issue for Aegon Nederland. Selection and appointment is based on expertise, skills and relevant experience. The Supervisory Board also takes gender diversity into account in view of its aim of having a balanced Board of Directors composition. The Supervisory Board is aware that the current composition of the Board of Directors does not meet the 'balanced composition' requirement under Dutch law (Article 2: 166 Dutch civil code: at least 30% of the seats should be filled by women and at least 30% by men). When identifying candidates for open positions, the Board of Directors actively searches for suitable female candidates. It also instructs external search firms to present female candidates. While this has had a positive effect, the requirement has not yet been met.

4. Risk and Audit Committee

The Supervisory Board has formed a Risk and Audit Committee, whose members in 2019 were Mr. Vrancken (chair), Mrs. Jansen Heijtmajer and Mr. Jacobovits de Szeged. In 2019, the Risk and Audit Committee met five times. The CEO, CFO, COO and CRO (Mr. Edixhoven, Mr. Zomer, Mr. Hekstra and Mr. Horstmann) attended meetings on behalf of Aegon Nederland, along with Internal Audit, and managers of Capital Management, Financial Information Management & Reporting Office and the Actuarial and Compliance function holders (or their substitutes). On behalf of PricewaterhouseCoopers Accountants N.V., Mrs. Korver-Heins and Mr. Vermeulen both attended quarterly meetings.

On the agenda for the regular quarterly meetings, standing items were (i) the financial results of the previous quarter, (ii) quarterly reports on capital management, and (iii) regulatory developments, supplemented with quarterly reports from (iv) Risk Management & Compliance, and (v) Internal Audit, and the PricewaterhouseCoopers Accountants N.V. quarterly reports. The Risk and Audit Committee and the Supervisory Board approved the audit plans of both Internal Audit and PricewaterhouseCoopers Accountants N.V., and discussed the Aegon Nederland Risk Appetite. Other topics discussed during 2019 included among others the annual reports, RSR, ORSA, SFCR reports, developments related to Solvency II, in particular capital ratio, Actuarial Function Holder Report, SOx controls and the Management Letter. The Risk and Audit Committee reported – partly through the minutes of its meetings – on its findings to the Supervisory Board.

5. Remuneration Committee

The Remuneration Committee, members Mrs. Jansen Heijtmajer and Mr. Terpstra, convened in February and April 2019. As of May 13, 2019 Mrs. M. Hoek succeeded Mr. Terpstra, who has resigned as Supervisory Board Member. In its meetings, the Committee and subsequently the Supervisory Board approved the 2018 Addendum to the Aegon Group Global Remuneration Framework (AGGRF) and the 2019 Aegon Nederland variable compensation Key Performance Indicators (KPI's). Also the pay-out of deferred 2015-2017 variable compensation to Material Risk Taker and the performance and allocation of the variable compensation 2018 for MRT were discussed and approved.

6. Members of the Supervisory Board

As per January 1, 2019 Mr. Vrancken was appointed. As per May 13, 2019 Mrs. Hoek was appointed and Mr. Terpstra resigned. The terms of office of the supervisory board members are as follows:

Naam	Year of first appointment	(Re-) Appointment	Resigns
Mrs. D. Jansen Heijtmajer	2016	August 4, 2016	2020
Mrs. M.J.E. Hoek	2019	May 13, 2019	2023
Mr. D. Terpstra	2007	September 15, 2015	2019
Mr. G.T. Kepecs	2012	June 30, 2017	2021
Mr. D.F.R. Jacobovits de Szeged	2018	January 1, 2018	2022
Mr. G.J.M. Vrancken	2019	January 1, 2019	2023

The Supervisory Board have agreed in their meeting on March 30, 2020 that due to the Covid-19 health measures in force in April 2020, preventing in-person meetings, the Members of the Supervisory Board will authorize the Chairman to sign the annual accounts on their behalf. The Supervisory Board Members fully agree with the contents of the annual report, and a record of this meeting and the individual agreement of the Supervisory Board Members is kept by the Secretary of the Board. Therefore, the signatures of the Supervisory Board Members are not present as covered by article 2:101 section 2 of Book 2 of the Dutch Civil Code.

The Hague, April 8, 2020

The Supervisory Board,

D. Jansen Heijtmajer (chair)	
G.J.M. Vrancken	
M.J.E. Hoek	
G.T. Kepecs	
D.F.R. Jacobovits de Szeged	

Financial Statements 2019 of Aegon Spaarkas N.V.

Statement of financial position

(before profit appropriation)

	Note	31-12-2019	31-12-2018
Amounts in EUR thousand			
Assets			
Cash and cash equivalents	5	41.011	88.779
Investments	6	178.935	182.794
Investments for account of policyholders	7	1.638.035	1.550.269
Derivatives	8	527	-
Loans and group loans	9	115.200	115.000
Other assets and receivables	10	8.549	10.710
Total assets		**1.982.259**	**1.947.552**
Equity and liabilities			
Equity	11		
- Share capital		910	910
- Share premium		2	2
- Revaluation reserves		6.320	6.549
- Retained earnings		222.847	236.424
- Net income / (loss)		3.499	17.422
		233.578	**261.307**
Insurance contracts for account of policyholders	12	1.695.509	1.615.534
Derivatives	8	5.902	6.748
Borrowings and group borrowings	14	-	440
Deferred tax liabilities	15	1.261	1.404
Other liabilities and accruals	16	46.009	62.119
Total liabilities		**1.748.681**	**1.686.245**
Total equity and liabilities		**1.982.259**	**1.947.552**

Income statement

(for the year ended December 31, 2019)

Amounts in EUR thousand	Note	2019	2018
Revenues			
Premium income	17	34.134	41.709
Investment income	18	40.246	40.085
Fee and commission income	19	3.594	4.075
Total revenues		**77.975**	**85.869**
Results from financial transactions	20	287.275	-128.721
Total income		**365.250**	**-42.852**
Charges			
Premiums to reinsurers	17	19	24
Policyholder claims and benefits	21	355.956	-70.027
Commissions and expenses	22	4.277	3.377
Impairment charges / (reversals)		-12	-45
Interest charges and related fees	23	403	463
Total charges		**360.643**	**-66.208**
Income / (loss) before tax		**4.607**	**23.355**
Income tax	24	-1.108	-5.933
Net income / (loss)		**3.499**	**17.422**
Net income / (loss) attributable to the parent company		**3.499**	**17.422**

Statement of comprehensive income

(for the year ended December 31, 2019)

Amounts in EUR thousand	Note	2019	2018
Net income		**3.499**	**17.422**
Items that may be reclassified to profit or loss:			
Gains / (losses) on revaluation of available-for-sale investments	11.2	3.920	-1.446
Gains / (losses) transferred to the income statement on disposal and impairment of available-for-sale investments	11.2	-4.102	-2.196
Income tax relating to items that may be reclassified	11.2	-46	1.255
Total other comprehensive income / (loss) for the period		**-228**	**-2.386**
Total comprehensive income / (loss)		**3.271**	**15.036**
Total comprehensive income / (loss) attributable to the parent company		**3.271**	**15.036**

Statement of changes in equity

Amounts in EUR thousand

2019	Share capital	Share premium	Revaluation reserves	Retained earnings	Net income / (loss)	Total
At January 1	910	2	6.549	236.424	17.422	261.307
Net income / (loss) prior year retained	-	-	-	17.422	-17.422	-
Net income / (loss) current year	-	-	-	-	3.499	3.499
Other comprehensive income / (loss)	-	-	-228	-	-	-228
Total comprehensive income / (loss)	**-**	**-**	**-228**	**17.422**	**-13.923**	**3.271**
Dividends paid on common shares	-	-	-	-31.000	-	-31.000
At December 31	**910**	**2**	**6.320**	**222.847**	**3.499**	**233.578**

2018	Share capital	Share premium	Revaluation reserves	Retained earnings	Net income / (loss)	Total
At January 1	910	2	8.935	233.514	6.910	250.271
Net income / (loss) prior year retained	-	-	-	6.910	-6.910	-
Net income / (loss) current year	-	-	-	-	17.422	17.422
Other comprehensive income / (loss)	-	-	-2.386	-	-	-2.386
Total comprehensive income / (loss)	**-**	**-**	**-2.386**	**6.910**	**10.512**	**15.036**
Dividends paid on common shares	-	-	-	-4.000	-	-4.000
At December 31	**910**	**2**	**6.549**	**236.424**	**17.422**	**261.307**

Cash flow statement

(for the year ended December 31, 2019)

Amounts in EUR thousand	Note	2019	2018
Income / (loss) before tax		**4.607**	**23.355**
Results from financial transactions	20	-287.275	128.721
Amortization and depreciation		1.294	1.537
Impairment losses / (reversals)		-12	-45
Adjustments of non-cash items		**-285.993**	**130.213**
Insurance liabilities for account of policyholders	12	79.974	-447.295
Accrued expenses and other liabilities	16	-9.123	-2.232
Accrued income and prepayments	10	2.160	1.926
Changes in accruals		**73.012**	**-447.600**
Purchase of investments (other than money market investments)	6	-39.009	-46.455
Disposal of investments (other than money market investments)	6	44.889	75.575
Disposal of derivatives	8	-19.689	5.893
Net disposal / (purchase) of investments for account of policyholders	7	214.338	316.276
Cash flow movements on operating items not reflected in income		**200.529**	**351.289**
Tax (paid) / received		-8.283	-3.066
Net cash flows from operating activities		**-16.128**	**54.192**
Net cash flows from investing activities		**-**	**-**
Loans to group related parties	9	-200	4.610
Proceeds from group borrowings	14	-	440
Repayment of group borrowings	14	-440	-
Dividends paid	11	-31.000	-4.000
Net cash flows from financing activities		**-31.640**	**1.050**
Net increase / (decrease) in cash and cash equivalents		**-47.768**	**55.242**
Cash and cash equivalents at the beginning of the year	5	88.779	33.537
Cash and cash equivalents at the end of the year		**41.011**	**88.779**

The cash flow statement is prepared according to the indirect method. Included in the net cash flows from operating activities is the increase/ (decrease) in cash and cash equivalents related to:

	2019	2018
Interest received (excluding derivatives)	9.307	6.669
Interest paid (excluding derivatives)	403	463
Interest derivatives received / (paid)	-561	-623
Dividend received	31.634	34.685

Reconciliation of liabilities arising from financing activities

For both 2019 and 2018 the net cash flows from financing activities relate only to the increase or decrease in group loans and dividend paid. There was no effect from foreign currencies, as all financing activities take place in EUR. Furthermore the carrying value of all balance sheet items related to financing activities are measured at amortized cost, therefore there are no effects from fair value movements or any other movements.

Notes to the financial statements

1. General information

Aegon Spaarkas N.V., incorporated and domiciled in the Netherlands, is a public limited liability company organized under Dutch law and recorded in the Trade Register of the Chamber of Commerce of Leeuwarden under its registered address at Snekerkade 1, 8911 AA Leeuwarden with registration number KvK 30001360. Aegon Spaarkas N.V. (or Aegon Spaarkas) is a wholly owned subsidiary of Aegon Nederland N.V. in The Hague. The ultimate parent of the Aegon-group is Aegon N.V. in The Hague. Aegon Spaarkas is active in life insurance products, mainly tontine plans.

2. Significant accounting policies

2.1. Basis of presentation

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

The financial statements have been prepared in accordance with the historical cost convention as modified by the revaluation of investment properties and those financial instruments (including derivatives) and financial liabilities that have been measured at fair value. Information on the standards and interpretations that were adopted in 2019 is provided below in note 2.1.1 'Adoption of new IFRS-EU accounting standards and amendments effective in 2019'.

The financial statements are presented in euro and all amounts are rounded to the nearest thousand unless otherwise stated. The consequence is that the rounded amounts may not add up to the rounded total in all cases. All ratios and variances are calculated using the underlying amount rather than the rounded amount. Certain amounts in prior years have been reclassified to comply with the current year presentation. These reclassifications had no effect on net income, shareholders' equity or earnings per share

The preparation of financial statements in conformity with IFRS-EU requires management to make estimates and assumptions affecting the reported amounts of assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses for the reporting period. Those estimates are inherently subject to change and actual results could differ from those estimates. Included among the material (or potentially material) reported amounts and disclosures that require extensive use of estimates are: fair value of certain invested assets and derivatives, policyholders claims and benefits, insurance contracts and guarantees, corporate income taxes and the potential effects of resolving litigation matters.

Going Concern

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

2.1.1. Adoption of new IFRS-EU accounting standards and amendment effective in 2019

New standards and amendments to standards become effective at the date specified by IFRS-EU, but may allow companies to opt for an earlier adoption date. In 2019, the following standards and amendments to existing standards issued by the IASB became mandatory or were early adopted, but are not currently relevant or do not significantly impact the financial position or financial statements:

Accounting standard / amendment / interpretation	IASB effective date	Endorsed by EU	Impact for Aegon Spaarkas
IFRS 16 Leases	January 1, 2019	Yes	Not applicable
IFRIC 23 Uncertainty over Tax Treatments	January 1, 2019	Yes	Low
Amendments to IAS 28 Long-term Interests in Associates and Joint Ventures	January 1, 2019	Yes	Not applicable
Annual improvements 2015-2017	January 1, 2019	Yes	Low
Amendment to IAS 19 Plan amendment, curtailment or settlement	January 1, 2019	Yes	Not applicable
Early adopted Interest Rate Benchmark Reform	January 1, 2020	Yes	Low

The new standards and amendments to existing standards are currently not relevant or do not significantly impact the financial position or financial statements of Aegon Spaarkas.

2.1.2. Future adoption of new IFRS-EU accounting standards and amendments

The following standards and amendments to existing standards, published prior to January 1, 2020, were not early adopted by Aegon Spaarkas, but will be applied in future years:

Accounting standard / amendment / interpretation	IASB effective date	Endorsed by EU	Early adopted by Aegon Spaarkas	Impact for Aegon Spaarkas
IFRS 17 Insurance contracts	January 1, 2021	Not yet	No	See below for comments
IFRS 9 Financial instruments	January 1, 2018 *	Yes	No	See below for comments
Amendment to IFRS 9 Financial instruments on prepayment features with negative compensation	January 1, 2018 *	Yes	No	See below for comments
Amendments to References to the Conceptual Framework in IFRS Standards	January 1, 2020	Yes	No	Low
Amendment to IFRS 3 Business Combinations	January 1, 2020	Not yet	No	Low
Amendments to IAS 1 and IAS 8: Definition of Material	January 1, 2020	Yes	No	Low

(*) The amendments to IFRS 4, Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts, issued in September 2016, allow entities that issue insurance contracts within the scope of IFRS 4 to defer the implementation of IFRS 9 (and linked amendments 'Amendment to IFRS 9 Financial instruments on prepayment features with negative compensation' and 'Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures'). The amendments to IFRS 4 are further explained below.

IFRS 9 Financial Instruments

The IASB issued the complete version of IFRS 9 Financial Instruments in July 2014 which was endorsed by the European Union in November 2016. IFRS 9 combines classification and measurement, the expected credit loss impairment model and hedge accounting. The standard will replace IAS 39 and all previous versions of IFRS 9. Under IFRS 9 Classification and Measurement, financial assets are measured at amortized cost, fair value through profit or loss or fair value through other comprehensive income, based on both the entity's business model for managing the financial assets and the financial asset's contractual cash flow characteristics. The classification and measurement of financial liabilities is unchanged from existing requirements apart from own credit risk. For financial liabilities that are designated at fair value through profit or loss, the changes which are attributable to the change in an entity's own credit risk are presented in other comprehensive income, unless doing so would enlarge or create an accounting mismatch. For the impairment component, the IASB included requirements for a credit loss allowance or provision which should be based on expected losses rather than incurred losses.

Application of IFRS 9 is required for annual periods beginning on or after January 1, 2018. However, on May 18, 2017, the IASB published the final version of the IFRS 17 – Insurance Contracts standard. Prior to its finalization, the IASB issued an amendment to IFRS 4 – Insurance Contracts (the predecessor standard to IFRS

17) that provides for a qualifying insurer a temporary exemption that permits, but does not require, the insurer to apply IAS 39 Financial Instruments: Recognition and Measurement rather than IFRS 9 for annual periods beginning before January 1, 2021[1] (i.e., a temporary exemption of IFRS 9). The objective of the amendment is to address the temporary accounting consequences of the different effective dates of IFRS 9 and IFRS 17. This amendment was endorsed by the European Union in November 2017. However in November 2018, the IASB agreed to start the process to amend IFRS 17, which could lead to the temporary exemption from IFRS 9 to be extended until January 1, 2022.
At the IASB meeting on March 17, 2020, the IASB tentatively decided to defer the effective date of the IFRS 17 – Insurance Contracts standard (incorporating the amendments) to January 1, 2023, one year later than it originally proposed. It was also decided to extend the fixed expiry date of the temporary exemption from applying IFRS 9 in IFRS 4 to annual periods beginning on or after January 1, 2023. The IASB is expected to formally issue the amendments to IFRS 17 around the middle of 2020.

An entity is eligible to apply the temporary exemption if the carrying amount of its liabilities connected with insurance activities is;

- greater than 90% of the total carrying value of all liabilities; or
- between 80% and 90% of the total carrying value of all its liabilities, and the insurer does not have significant activities unrelated to insurance.

Aegon Spaarkas performed this analysis at December 31, 2015, and concluded that it meets the requirements for the temporary exception as > 90% of its liabilities are connected with insurance activities. There are no (significant) changes in the activities of Aegon Spaarkas since the performance of this analysis. As a result, Aegon Spaarkas elected to defer implementation of IFRS 9 until January 1, 2022.

As Aegon Spaarkas defers the application of IFRS 9 (including linked amendments as included in the above table), the full impact of the standard is not yet clear, however an initial impact assessment resulted in the expectation that it will have a significant impact on shareholders' equity, income and/or other comprehensive income and disclosures. An implementation project has started in 2017 and will be combined with the implementation of IFRS 17 Insurance Contracts.

By qualifying for and electing the temporary exemption, the IFRS 4 amendment requires certain additional disclosures; specifically, Aegon Spaarkas is required to disclose information to enable users of financial statements to compare insurers applying the temporary exemption with entities applying IFRS 9. This information is presented below:

Fair value changes
The table below presents an overview of the fair value of the classes of financial assets as of December 31, 2019, as well as the change the in fair value during the reporting period. The asset classes are divided into two categories:

i. SPPI: assets of which cash flows represent solely payments of principal and interest on an outstanding principal amount , excluding any financial assets that meet the definition of held for trading in IFRS 9, or that are managed and whose performance is evaluated on a fair value basis; and,
ii. Other: all financial assets other than those specified in SPPI, financial assets:
    a) with contractual terms that do not give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding;
    b) that meet the definition of held for trading in IFRS 9; or,
    c) that are managed and whose performance are evaluated on a fair value basis.

[1] In November 2018 the IASB decided to postpone the effective date for IFRS 17 with one year which means insurers will be required to apply IFRS for annual periods beginning on or after January 1, 2022. In order to keep the link with IFRS 9, the IASB also decided to allow insurance companies to defer IFRS 9 by an extra year.

		Fair value 31-12-2019	Change in FV 2019	Fair value 31-12-2018	Change in FV 2018
Debt securities	SPPI	130.683	2.922	126.566	-2.028
	Other	1.193	53	1.978	-135
Mortgage loans	SPPI	38.860	110	43.407	-1.374
	Other	-	-	-	-
Private loans	SPPI	8.526	-88	10.337	-44
	Other	14	-	21	-
Other loans	SPPI	-	-	-	-
	Other	354	-	509	-
Total		**179.630**	**2.997**	**182.817**	**-3.580**

Cash and cash equivalents, deposits with financial institutions, and receivables all pass the SPPI test and are held at amortized cost, whereby the amortized cost is assumed to approximate fair value due to the short-term nature of the assets. For movement schedules of these financial assets, refer to respective notes.

The fair value at the end of the reporting period in the table reconciles back to the respective table in the fair value note.

Credit risk
The table below details the credit risk rating grades, as of December 31, 2019, for financial assets with cash flows that are SPPI, excluding any financial assets that meet the definition of held for trading in IFRS 9, or that are managed and whose performance is evaluated on a fair value basis. The tables show the carrying value of those financial assets applying IAS 39 (in the case of financial assets measured at amortized cost, before adjusting for any impairment allowances).

2019	Debt securities	Mortgage loans	Private loans	**Total**
AAA	47.860	-	8.243	56.103
AA	24.015	-	-	24.015
A	51.330	-	-	51.330
BBB	7.479	-	-	7.479
BB	-	-	-	-
Without external rating (not rated)	-	38.379	69	38.448
Total	**130.683**	**38.379**	**8.312**	**177.374**

2018	Debt securities	Mortgage loans	Private loans	**Total**
AAA	37.557	-	9.965	47.522
AA	31.918	-	-	31.918
A	47.495	-	-	47.495
BBB	9.249	-	-	9.249
BB	347	-	-	347
Without external rating (not rated)	-	43.686	69	43.755
Total	**126.566**	**43.686**	**10.034**	**180.286**

As no external ratings are available for Aegon Spaarkas's mortgage loans, the full portfolio is included under "Not rated".

For assets that do not have low credit risk and of which cash flows represent SPPI (rated BB or below), excluding any financial assets that meet the definition of held for trading in IFRS 9, or that are managed and whose performance is evaluated on a fair value basis, the table below provides the credit risk exposure from the financial assets held by Aegon Spaarkas. The financial assets are categorized by asset class with a carrying amount and fair value measured in accordance with IAS 39 measurement requirements.

	Carrying Amount 31-12-2019	Fair value 2019	Carrying Amount 31-12-2018	Fair value 2018
Debt securities	-	-	347	347
Total	**-**	**-**	**347**	**347**

Given the absence of external ratings for Aegon Spaarkas's mortgage portfolio, non-performing mortgage loans are included in the table above to reflect exposure to mortgage loans that do not have low credit risk. Non-performing is defined as more than 90 days past due in line with regulatory guidelines.

Given the absence of external ratings for Aegon Spaarkas's mortgage portfolio, IFRS 9 staging is applied to indicate whether a mortgage loan does not have low credit risk in the table above. As such, a mortgage loan is determined to not have low credit risk when there has been a significant increase in credit risk since initial recognition (Stage 2) or when it is in default (Stage 3).

IFRS 17 Insurance Contracts

The IASB issued IFRS 17 Insurance Contracts in May 2017. This is not yet endorsed by the European Union. The Standard will replace IFRS 4, which was intended as an interim solution and allowed insurers to continue to use accounting principles that they had applied prior to the initial adoption of IFRS. IFRS 17 establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued, reinsurance contracts held and investment contracts with discretionary participating features issued. The objective of the Standard is to ensure that entities provide relevant information in a way that faithfully represents those contracts. This information should provide users of financial statements with a basis to assess the effects that the contracts have on the financial position, financial performance and cash flows of the insurer. The Standard also specifies presentation and disclosure requirements to enhance comparability between insurance companies.

In November 2018, the IASB agreed to start the process to amend IFRS 17 to defer the mandatory effective date of IFRS 17 by one year (original effective date was January 1, 2021). Subject to IASB due process, entities will be required to apply IFRS 17 for annual periods beginning on or after January 1, 2022. The IASB noted that given the considerations to propose amendments to IFRS 17 of June 2019, and in light of the criteria for assessing them, any such potential amendments could take a year to finalize.

At the IASB meeting on March 17, 2020, the IASB tentatively decided to defer the effective date of the IFRS 17 – Insurance Contracts standard (incorporating the amendments) to January 1, 2023, one year later than it originally proposed. It was also decided to extend the fixed expiry date of the temporary exemption from applying IFRS 9 in IFRS 4 to annual periods beginning on or after January 1, 2023. The IASB is expected to formally issue the amendments to IFRS 17 around the middle of 2020.

The Standard represents a fundamental change to current financial reporting and the implementation effort is expected to be significant. Early adoption of the standard is therefore not expected. An implementation project was started soon after the publication of the new Standard. Currently no final decisions have been made as to the accounting policy options provided in IFRS 17 as a consequence of awaiting the final amendments and the outcome of quantitative studies intended to be performed subsequently. However, it is expected that the impact of the initial application on Aegon Spaarkas's financial statements is significant.

2.2. Foreign exchange translation

Aegon Spaarkas' financial statements are presented in euro, which is Aegon Spaarkas' functional currency. The impact of foreign currency on the financial statements is considered immaterial as virtually all transactions take place in euro.

2.3. Offsetting of assets and liabilities

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

2.4. Cash and cash equivalents

Cash and cash equivalents comprise balances with less than three months maturity from date of acquisition that are readily convertible to known cash amounts. They are subject to insignificant risks of changes in value and are held for the purpose of meeting short-term cash requirements. Money market investments that are held for investment purposes (backing insurance liabilities, investment liabilities or equity based on asset liability management considerations) are not included in cash and cash equivalents but are presented as investments or investments for account of policyholders.

2.5. Investments

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

Classification

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

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

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

Measurement

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

Loans 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.

Amortized cost

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

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

Fair value

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

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

Derecognition

A financial asset is derecognized when the contractual rights to the asset's cash flows expire or when Aegon Spaarkas retains the right to receive cash flows from the asset but has an obligation to pay any 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 and retained control 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 disposal proceeds and the carrying amount is recognized in the income statement as a realized gain or loss. Any cumulative unrealized gain or loss previously recognized in the revaluation reserve in shareholders' equity is also recognized in the income statement.

Collateral

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

Security lending and repurchase agreements

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

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

2.6. Investments for account of policyholders

Investments held for account of policyholders consist of investments in financial assets, as well as investments in real estate. Investment return on these assets is passed on to the policyholders. Investments for account of policyholders are valued at fair value through profit or loss.

2.7. Derivatives

2.7.1. Definition

Derivatives are financial instruments of which the value changes in response to an underlying variable, that require little or no net initial investment and are settled at a future date. Derivatives with positive values are reported as assets and derivatives with negative values are reported as liabilities.

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

2.7.2. Measurement

All derivatives recognized on the statement of financial position are carried at fair value. The fair value is calculated net of the interest accrued to date and is based on market prices, when available. When market prices are not available, other valuation techniques, such as option pricing or stochastic modelling, are applied.

The valuation techniques incorporate all factors that market participants would consider and are based on observable market data, to the extent possible. Fair value changes are recognized in the income statement.

2.8. Other assets and receivables

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

2.9. Impairment of assets

Assets are tested individually for impairment when there are indications that the asset may be impaired. An asset is impaired if the carrying amount exceeds the amount that would be recovered through its use or sale. For financial assets and reinsurance assets, if not held at fair value through profit or loss, the recoverable amount of the asset is estimated when there are indications that the asset may be impaired.

2.9.1. *Impairment of debt instruments*

Debt instruments are impaired if there is objective evidence that a credit event has occurred after the initial recognition of the asset that has a negative impact on the estimated future cash flows.

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

For debt instruments classified as available-for-sale, the asset is impaired to its fair value. Any unrealized loss previously recognized in other comprehensive income is taken to the income statement in the impairment loss.

Impairment losses can be reversed if in subsequent periods the amount of the impairment loss decreases and that decrease can be objectively related to a credit event occurring after the impairment was recognized.

2.10. Equity

Share capital is stated at par value. The share premium reserve, where applicable, relates to capital contributions which have occurred since incorporation without issuing new shares. The revaluation reserves comprise unrealized gains and losses on available-for-sale investments, net of tax. Upon sale of available-for-sale securities, the realized result is recognized through the income statement. Upon sale of real estate held for own use, the cumulative revaluation is taken direct to retained earnings. In the event of impairments, the unrealized loss is recognized through the income statement.

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

2.11. Insurance contracts

Insurance contracts are accounted for under IFRS 4 – Insurance Contracts. In accordance with this standard, Aegon Spaarkas continues to apply the existing accounting policies that were applied prior to the adoption of IFRS, with certain modifications allowed by IFRS 4 for standards effective subsequent to adoption. Aegon Spaarkas applies in general, non-uniform accounting policies for insurance liabilities and insurance related intangible assets to the extent that it was allowed under Dutch Accounting Principles. If any changes are made to current accounting policy for insurance contracts, these will be in accordance with IFRS 4.

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

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

Insurance liabilities are recognized when the contract is entered into and premiums have started being charged. The liability is derecognized when the contract expires, is discharged, disposed or cancelled. Substantially modified contracts are accounted for as an extinguishment of the original liability and the recognition of a new liability.

Insurance contracts are recognized as of the beginning of the coverage period. If the coverage period commences before all legal documents are signed and returned, the insurance contract shall still be recognized, if the amount of revenue can be measured reliably and if it is probable that the economic benefits associated with the transaction will flow to the entity.

In the unlikely event of an onerous contract, this contract is to be recognized at the earliest date of:
(a) the beginning of the coverage period or
(b) The date on which both parties have agreed to the terms (the same guidance as for profitable contracts applies).

2.11.1. Life insurance contracts for account of policyholders

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

2.11.2. Embedded derivatives

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

Guaranteed minimum benefits
Certain life insurance contracts contain guaranteed minimum benefits. Bifurcated guaranteed minimum benefits are classified as derivatives. These guarantees are measured at fair value.

2.11.3. Shadow accounting

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

2.11.4. Liability Adequacy Test

At each reporting date the adequacy of the life insurance liabilities is assessed. The liability is considered to be "adequate" if the current estimate of all contractual future cash flows is less than the insurance liability plus the difference between carrying value and fair value of certain investments.

All tests performed are based on current estimates of all contractual future cash flows, including related cash flows from policyholders' options and guarantees. A number of valuation methods are applied, including discounted cash flow methods, option pricing models and stochastic modelling and future claim handling costs.

Aggregation levels are set at the level of portfolio of contracts that are subject to broadly similar risks and managed together as a single portfolio. Diversification benefits on the level of the group are taken into account. To the extent that the tests involve discounting of future cash flows, the interest rate applied is based on market rates or is based on the expectation of the future return on investments. These future returns on investments

take into account management's best estimate related to the actual investments and, where applicable, reinvestments of these investments at maturity.
To the extent that the account balances are insufficient to meet future benefits and expenses, we apply in principle shadow loss recognition. Any remaining deficiency is recognized in the income statement, by establishing an insurance liability for the entire remaining deficiency. The assumptions in the liability adequacy test contain a margin for risk. The risk margin is determined according to the cost of capital method.

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

The estimates used in de liability adequacy test, are based on the following items:

- Mortality tables that take into account expected future changes in life expectancy (the Aegon prospective mortality table);
- A swap curve with a liquidity spread, and including an ultimate forward rate (UFR), to discount future cash flows;
- Assumptions on future expenses are based on the current level of expenses, adjusted for expected expense inflation.

Shadow loss recognition
While using market interest rates for the valuation of debt securities will lead to a change in the revaluation reserve and comprehensive income, the result of using the same assumptions on the liabilities could lead to a deficiency in the liability adequacy test that should be recognized in the income statement. The deficiency of insurance liability triggered by a decrease in interest rates is offset against the revaluation reserves to the extent that the revaluation reserve on debt securities will not become negative. If in subsequent periods such a deficiency of the insurance liability is no longer applicable, shadow loss recognition is reversed through the revaluation reserve. See note 3.2. 'Valuation of assets and liabilities arising from life insurance contracts' for more information on the applied interest yield and mortality tables.

2.12. Assets and liabilities relating to employee benefits

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

2.13. Tax assets and liabilities

Corporate income tax assets and liabilities are amounts payable to and receivable from Aegon N.V., since Aegon N.V. is the head of the tax group.

2.13.1. Current tax assets and liabilities

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

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

2.13.2. Deferred tax assets and liabilities

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

Deferred tax assets and liabilities are reviewed at each reporting period and are measured at tax rates that are expected to apply when the asset is realized or the liability is settled. The carrying amount is not discounted and reflects the expectations of Aegon Spaarkas concerning the manner of recovery or settlement.

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

2.14. Other liabilities and accruals

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

2.15. Contingent assets and liabilities

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

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

2.16. Premium income and premium outgoing reinsurance

Gross premiums are recognized as revenue when they become receivable. For products where deposit accounting is required, the deposits are not reflected as premium income, but are recognized as part of the financial liability.

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

2.17. Investment income

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

2.18. Fee and commission income

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

2.19. Policyholders claims and benefits

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

2.20. Results from financial transactions

Results from financial transactions include:

- Gains and losses on financial investments include realized gains and losses on general account financial assets, other than those classified as at fair value through profit or loss.
- All changes in fair value of derivatives are recognized in the income statement, unless the derivative has been designated as a hedging instrument in a cash flow hedge. Fair value movements of fair value hedge instruments are offset by the fair value movements of the hedged item, and the resulting hedge ineffectiveness, if any, is included in this line. In addition, the fair value movements of bifurcated embedded derivatives are included in this line.
- Net fair value change on financial assets at fair value through profit or loss for account of policyholder includes the fair value movements of investments held for account of policyholders. The net fair value change does not include interest or dividend income.

2.21. Commission and expenses

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

2.22. Interest charges and related fees

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

2.23. Corporate income tax

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

2.24. Events after the reporting period

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

3. Critical accounting estimates and judgment in applying accounting policies

Application of the accounting policies in the preparation of the financial statements requires management to apply judgment involving assumptions and estimates concerning future results or other developments, including the likelihood, timing or amount of future transactions or events.

Those estimates are inherently subject to change and actual results could differ from those estimates. Included among the material (or potentially material) reported amounts and disclosures that require extensive use of estimates are: fair value of certain invested assets and derivatives, insurance contracts and guarantees (refer to paragraph 2.11), corporate income taxes (refer to paragraph 2.13 & 2.23) and the potential effects of resolving litigation matters (refer to paragraph 2.15).

Accounting policies that are critical to the financial statements presentation and that require complex estimates or significant judgment are described in this chapter.

3.1. Changes in estimates

In 2019 no material changes in estimates took place for Aegon Spaarkas.

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

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

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

The LAT uses a discount rate which converges linearly in 10 years to an Ultimate Forward Rate of 3.65% (2018: 3.65%) from the last liquid point. The uniform last liquid point is set at 30 years.

The discount rate includes a liquidity spread. The rates used to discount the insurance liabilities on Aegon Spaarkas' statement of financial position are determined using discount rates as contractually agreed, mainly 3% and 4%. Insurance liabilities for risk of policyholders are generally shown at the balance sheet value of the related investments.

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

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

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

Actuarial and economic assumptions

The main assumptions used in measuring the liabilities for life insurance contracts with fixed or guaranteed terms relate to mortality, morbidity, investment returns, future expenses and lapses. Actuarial assumptions are reviewed annually, in the fourth quarter of the calendar year, based on historical observable market data, including market transactions such as acquisitions and reinsurance transactions, anticipated trends and legislative changes. Similarly, the models and systems used for determining our liabilities are reviewed periodically and, if deemed necessary, updated based on emerging best practices and available technology.

Mortality tables are generally developed based on a blend of company experience and industry wide studies, taking into consideration product characteristics, own risk selection criteria, target market and past experience. Mortality experience is monitored through regular studies, the results of which are fed into the pricing cycle for new products and reflected in the liability calculation when appropriate. For contracts insuring survivorship, allowance is made for further longevity improvements. Morbidity assumptions are based on own claims severity and frequency experience, adjusted where appropriate for industry information.

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

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

Surrender rates depend on product features (e.g. policy duration, fund value and premium) and characteristics of the policy holder (e.g. age). Reliable own experience, as well as available industry wide data, are used in establishing assumptions relating to lapses.

3.3. Determination of fair value and fair value hierarchy

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 knowledgeable and willing market participants that are independent of each other and able to enter into the transaction at the measurement date under current market conditions (e.g. an exit price at the measurement date from the perspective of a market participant that holds the asset or owes the liability). A fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

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

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

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

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

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

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

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

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

To operationalize the fair value hierarchy of Aegon Spaarkas, individual instruments (both financial and non-financial) are assigned a fair value level based primarily on the type of instrument and the source of the prices (e.g. index, third-party pricing service, broker, internally 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. In note 25 'Fair value of assets and liabilities' more information, both quantitive and qualitative is given.

4. Risk management

4.1. Enterprise Risk Management

4.1.1. Introduction

The risk management of Aegon Spaarkas takes place at holding level by Aegon Nederland. This chapter provides an executive summary of Aegon Nederland's Enterprise Risk Management (ERM) framework. ERM supports Aegon Nederland's corporate strategy by enabling management to effectively deal with uncertainty and the associated risk return trade-offs, by ensuring a common system for measuring value and risk. ERM is a process which is designed and implemented to identify and to manage potential risk events that may affect Aegon Nederland. The aim is to manage risk aligned with Aegon Nederland's risk appetite and within risk tolerances and limits in order to provide reasonable assurance regarding the achievement of Aegon Nederland's objectives.

4.1.2. Risk Management structure and governance

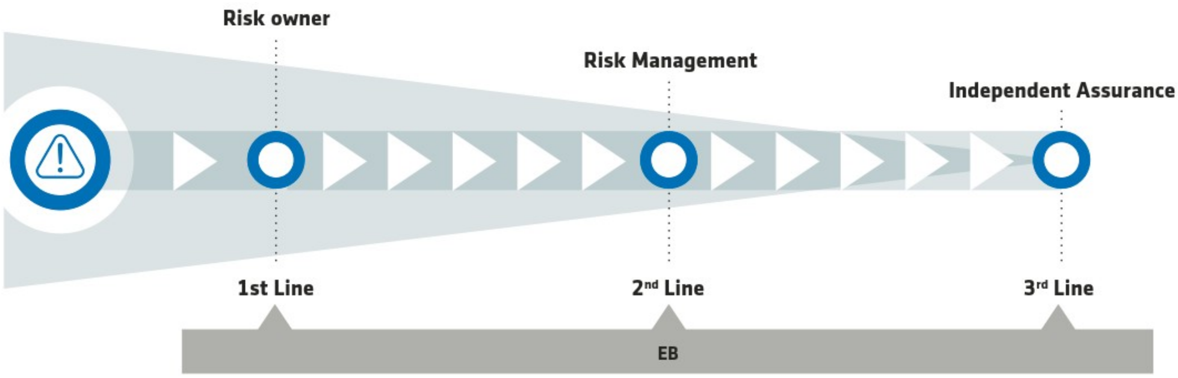
Risk committees

Aegon Nederland's risk governance framework is represented across all levels of the organization. This ensures a coherent and integrated approach to risk management throughout the company. Aegon Nederland's risk committee structure is characterized by a hierarchy based on four basic layers:

Supervisory Board	Management Board (MT NL)
The Supervisory Board is responsible for overseeing Aegon Nederland's ERM framework, including risk governance and measures taken to ensure risk management is integrated properly into Aegon Nederland's broader strategy. The Supervisory Board oversees Aegon Nederland's risk exposure as it relates to capital, earnings and market consistent value at risk and compliance with Aegon Nederland's risk policies.	Aegon Nederland's Management Board has an overall responsibility for risk management. The Management Board adopts the risk strategy, risk governance, risk tolerance and material changes in risk methodology and risk policies.
Risk and Audit Committee (RAC)	**Risk and Capital Committee (RCC)**
The Risk and Audit Committee (RAC) monitors, discusses, supports progress and decides on risks and issues, which are relevant for the proper management of strategic, operational and compliance risks. The focus of the RAC is primarily to those risks and issues that are outside the target zone of the predefined risk appetite in terms of financial losses, financial reporting misstatements, customer and reputation damage.	The purpose of the Risk and Capital Committee (RCC) is to manage financial risks, capital and the associated expected returns in order to maintain a strong capital position for Aegon Nederland.

Three lines of defense model

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



Aegon Nederland's first line of defense, including the business and support functions, has direct responsibility for managing and taking risk in accordance with defined risk strategy, risk tolerances and risk policies. The second line of defense – including the risk management function, compliance function and actuarial function – facilitates and oversees the effectiveness and integrity of ERM across Aegon. The third line of defense – the audit function – provides independent assurance opinion on the effectiveness of the internal control, risk management and governance systems.

Key function holders

Aegon Nederland has appointed a Compliance Function Holder (CFH), an Actuarial Function Holder (AFH), a Risk Management Function Holder (RFH) and an Internal Audit Function Holder in line with Solvency II regulation and additional guidance related to system of governance.

Compliance Function Holder (CFH)	Actuarial Function Holder (AFH)
The CFH is part of the Aegon Nederland's second line of defense. The CFH is required to ensure that Aegon Nederland complies with the applicable legal requirements, internal policies and procedures to accomplish Aegon Nederland's mission. This primarily concerns laws and regulations which arise from having a controlled and sound conduct of its business as laid down in WFT and Solvency II.	The AFH is part of the Aegon Nederland's second line of defense. It is the mission of the AFH to ensure proper and efficient pricing and valuation of policyholder liabilities and to embed actuarial considerations in key management decisions in order to ensure continuity of Aegon Nederland and to support the creation of sustainable value for all our stakeholders.
Risk Management Function Holder (RFH)	**Internal Audit Function Holder**
The RFH is part of the Aegon Nederland's second line of defense. The RFH is assisted by the departments Financial Risk Management (FRM), Operational Risk Management (ORM), Model Validation (MV) and Underwriting Risk Management (URM). FRM supports the RFH for Investment & Counterparty Risk and Mismatch Risk (asset liability management), including the use of risk mitigating techniques (hedging with derivatives). ORM supports the RFH on operational Risk (where the Compliance risks are in scope of the CFH). URM supports the RFH on activities related to the SCR related underwriting risk assessments. Model Validation supports the RFH with respect of assurance on the integrity of model in scope of the RFH and contributes to the transparency of model risks.	The Internal Audit Function Holder assists the Statutory directors of Aegon Nederland, the Risk and 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. Additionally, Internal Audit Nederland provides consulting services related to the evaluation and improvement of the management control environment of Aegon Nederland, including upon request by any relevant stakeholder, such as the Risk and Audit Committee or executive management. When providing assurance and consulting services, the Internal Audit Function Holder needs to maintain operational independence. The Internal Audit Function Holder is part of the third line of defense.

4.1.3. Enterprise risk management process

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.

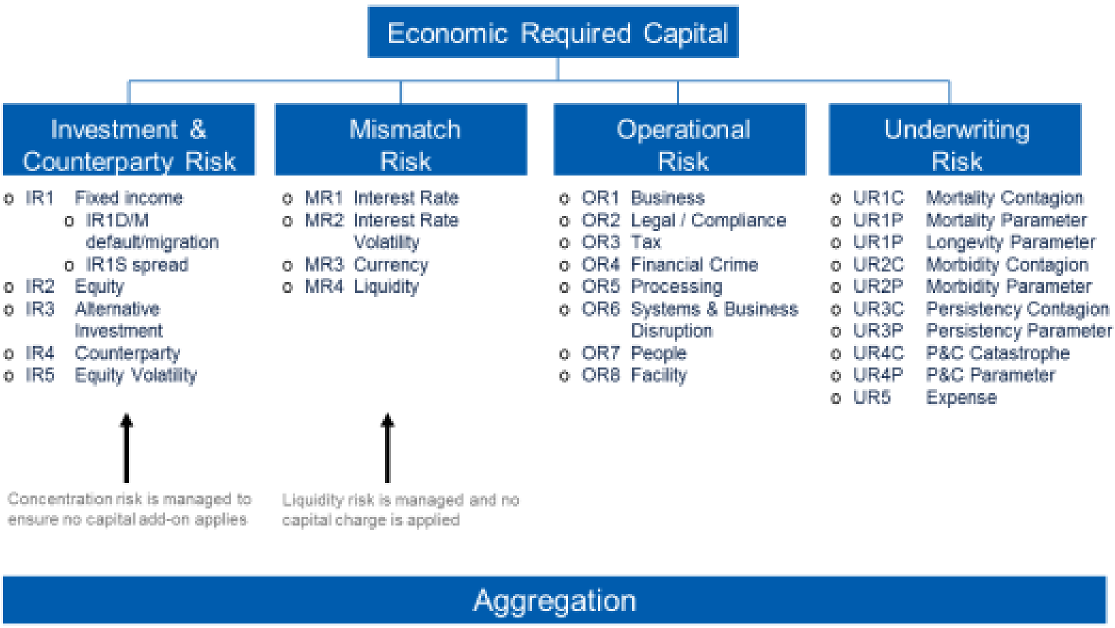
Risk Strategy	Risk Tolerance

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 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	**Risk Assessment**
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.	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	**Risk Reporting (& Monitoring)**
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.	Compliance with the risk tolerance statements and the risk policy requirements is monitored and reported on a periodic basis to operational management. Through a formal Risk and Audit 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. 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.

Risk universe

Aegon Nederland's risk universe captures all material risks that the company is exposed to. The emerging risk process ensures that the risk universe will remain up to date. An overview of Aegon Nederland's risk universe is provided below:



A detailed description of the relevant risk categories is provided in note 4.2 'Risk Management Approach'.

4.2. Risk management approach

Category	Risk description	Measures taken
Operational risks	Aegon Nederland faces operational risks resulting from operational failures or external events, such as processing errors, acts from personnel, and natural or man-made disasters. The risks in internal processes include the risk of fraud and reporting incidents.	Aegon Nederland analyzes operational risks on a continuous basis and regularly develops contingency plans to deal with them. Through Risk and Control Self Assessments, all processes are analyzed periodically and recalibrated in order to bring risks within the thresholds of our risk appetite. In case of risk events, a Root Cause Analysis is performed in order to investigate whether a control was missing or if a particular control failed. Action plans are put in place to improve organizational control and these are continuously monitored by the Operational Risk Management department.
Strategic risks	Strategic risks for Aegon Nederland include longevity, default, financial crime, liquidity, compliance, processing, reporting, modelling, outsourcing and information security risks.	Aegon Nederland's strategic risks are identified in strong collaboration between the Management Team of Aegon Nederland and the Risk Management & Compliance department. All of these risks are monitored periodically. The underlying action plans are challenged on their rigor and depth in order to address the risks at hand and reduce the residual risks to an acceptable level. Aegon Nederland increasingly makes use of new technologies that create new opportunities in the way products and services are provided to the customers. At the same time, Aegon Nederland is improving its administration services by outsourcing part of her administration to more specialized parties.

Category	Risk description	Measures taken
Regulatory and compliance risks	Aegon Nederland aims to embed compliance with laws, regulations, business principles, rules of conduct, customer agreements and established good business practices in every aspect of the organization. Among the regulatory risks Aegon Nederland considers are also the risk related to the litigation portfolio and product-related issues. Changes in current legislation and regulation of insurance and banking products may affect Aegon Nederland's products and operations. Changes in regulations on pensions and employee benefits, social security, financial services and taxation may adversely affect Aegon Nederland's ability to sell new products or its claims' exposure on existing ones. Additionally, new or amended legislation or regulations may be more restrictive or result in higher costs than lead to higher costs than is currently the case.	Aegon Nederland promotes integrity by establishing and maintaining effective compliance risk management and control systems. Aegon Nederland has a process in place to ensure that it flags and defines the impact of new laws and regulations and implements them in a timely manner. To best safeguard customers' interests, Aegon Nederland does not simply put any proposition on the market. Every new and updated proposition follows a proposition-approval process. In this process, the risks are carefully balanced and tested against the duty of care towards the customer, financial sustainability and suitability with Aegon Nederland's vision, strategy and objective. In addition to the proposition approval process, Aegon Nederland uses a propositions review process for existing propositions. Existing propositions, selected through the use of pre-defined risk indicators, also go through this process to best safeguard customers' interests.
Reporting risk	Aegon N.V. is subjected to Sarbanes Oxley (SOx) law and Solvency II regulation, and as a significant entity also Aegon Nederland is compelled to comply with specific stringent regulation.	Aegon Nederland tests the design, existence and performance of key controls on an annual basis to ensure that material misstatements in the financial figures can be prevented or detected in a timely manner. Procedures ensure that operational risk management is able to independently conclude and provide reasonable assurance of the internal controls over financial reporting.
Modelling risk	Modelling risk includes flawed and/or insufficiently documented methods used in model design, or incorrect model coding or calculations caused by change management failure, flawed or insufficient model development and testing procedures.	An Aegon Nederland model validation framework is operated to ensure that the models remain appropriate to measure risk exposure and hence risk capital in the business. Risk measurement calibration is derived by the model owners and model owner testing. Model validation involves the assessment of each model across a range of validation tests and standards as set out in the framework. The large majority of all existing high risk models has been independently validated by the Model Validation team. In accordance with regular governance, findings from Model Validation are addressed by the model owners within agreed upon timelines. This is monitored by relevant Risk and Audit Committees. Model owners are performing a.o. review procedures on new models and the model inventory is periodically updated and independently reviewed by Model Validation. Furthermore, model risk management policy is followed. Underwriting Risk Management and Financial Risk Management review new and material models and assessing model changes in a risk based manner. Finally, regular governance (Assumptions & Methodology Committee, Risk & Capital Committee and Model Change Board) is followed for approval of new models.
Outsourcing risk	Outsourcing risk includes discontinuity of outsourced services e.g. bankruptcy, disruption of services, or standards of service level agreements not being met.	Aegon Nederland manages outsourcing risks via dedicated service level managers, contract management, service level reports, site visits, assurance report reviews and periodic meetings.

Category	Risk description	Measures taken
Information security risk	Information security risk relates to confidentiality, integrity and availability of information. Access to data by unauthorized parties could lead to loss of competitive advantages or could lead to privacy related risks. Information risk includes unauthorized or erroneous changes to business data or applications (business process controls) leading to fraud, error or failing internal controls. It also includes the loss of data and systems, or unavailability, causing inability to meet business process needs.	Aegon Nederland protects and continually strengthens its existing security control environment and use preventive tooling to minimize impact and exposure to new and existing threats. Evaluations of security controls – including detection and response capabilities are frequently performed by both internal and external experts. Identified vulnerabilities are followed-up by risk based actions plans, which are reported, tracked and monitored by management. Aegon Nederland performed a security capability assessment to determine the maturity of current capabilities and desired future maturity of these capabilities to be able to manage current and future information security/cyber risks. The prioritized risks – based on maturity current capability and target maturity for the capability- provide the input for the 2019/2020 security roadmap. Focus will be on: ▪ Third Party Risk Management (Governance Domain) ▪ Metrics and Reporting (Governance Domain) ▪ Privileged Access Management (Identity Domain) Data Classification & Lifecycle Management (Data Protection)
Credit risk	Credit Risk is a combination of Fixed Income Risk and Counterparty Risk. Fixed Income Risk is the risk that the market value of fixed income investments will fluctuate because of changes in the financial condition of the obligor. This risk can result from changes in the rating category of the obligor, regular fluctuation of spreads associated with each credit rating over time, and potentially default. Counterparty Risk is the risk that the value of positions taken by Aegon Nederland to change its risk-return profile (e.g., derivatives or reinsurance) will fluctuate because of a deteriorating financial condition of those counterparties.	Having a well-diversified investment portfolio means that Aegon Nederland can accept credit spread risk to earn a liquidity premium on assets that match liabilities.
Equity market risk and other investment risks	Aegon Nederland runs the risk that the market value of its investments changes. Investment risk affects Aegon Nederland direct investments in the general account, indirect investments on the account of clients and agreements where Aegon Nederland relies on counterparties, such as reinsurance and derivative counterparties.	Aegon Nederland has a low preference for investments in equity securities via the general account. Equity investments generate an equity risk premium over the long run, but in combination with a high capital charge result in a relatively low return on capital. Aegon Nederland has experience and expertise in managing complex investment guarantees and leverages this capability by providing customers access to a range of investment strategies and guaranteed benefits.
Interest rate risk	Aegon Nederland is exposed to interest rates as both its assets are liabilities are sensitive to movements in the long and short term interest rates as well as to changes in the volatility of interest rates.	Aegon Nederland accepts interest rate risk in order to meet customer needs. However, as no spread is earned on this interest rate risk, Aegon Nederland prefers to hedge the risk to the extent possible.
Liquidity risk	Aegon Nederland needs to maintain sufficient liquidity to meet short term cash demands under normal conditions, but also in crisis situations.	Aegon Nederland has put a strong liquidity management strategy in place. Aegon Nederland considers extreme liquidity stress scenarios, including the possibility of prolonged 'frozen' capital markets, an immediate and permanent rise in interest rates, and policyholders withdrawing liabilities at the earliest conceivable date. In addition, Aegon Nederland has liquidity stress planning in place.

Category	Risk description	Measures taken
Underwriting risk	Underwriting risk relates to the products sold by Aegon Nederland's insurance entities. It is the risk of incurring losses when actual experience deviates from Aegon Nederland's best estimate assumptions on mortality, morbidity, policyholder behavior, claims and expenses.	Aegon Nederland has a preference to selectively grow underwriting risk, but this needs to go hand-in-hand with a strong underwriting process. Aegon Nederland's earnings depend, to a significant degree, on the extent to which claims experience is consistent with assumptions used to price products and establish insurance liabilities. Changes in, among other things, morbidity, mortality, longevity trends and policyholder behavior may have a considerable impact on Aegon Nederland's income. Assumptions used to price products and establish insurance liabilities are reviewed on a regular basis.
Currency exchange rate risk	Aegon Nederland faces limited currency exchange risk on policies denominated in a currency other than the euro.	Currency risk in the investment portfolios is managed using asset liability matching principles and hedged as far as possible.
Inflation risk	Aegon Nederland offers products that cover inflation risk for policyholders.	To hedge the inflation risk, Aegon Nederland invests in financial instruments of which the value depends on the rate of inflation. This significantly reduces Aegon Nederland's net exposure to inflation risk.
Derivatives risk	Aegon Nederland uses financial derivatives to hedge risks relating to investments for general account, loans, certain liabilities and part of its solvency capital and asset liability management strategy. Not all risks to which Aegon Nederland is exposed can be adequately managed using derivatives. In addition, a counterparty in a derivative contract may fail to meet its obligations towards Aegon Nederland. Either situation can have significant adverse consequences for Aegon Nederland's operations, operating results and financial position.	Interest rate derivatives are used to manage interest risk positions. These contracts are designated as economic hedges with respect to these risks. The main types of derivatives used are interest rate swaps, swaptions, caps/floors and forward rate agreements/futures. Other derivatives are used to manage risks relating to equities and credit. The main types of derivatives used for this are equity swaps, options, futures and credit derivatives. In order to mitigate certain investment risks for investments for account of policyholders with a guaranteed return, Aegon Nederland invests in total return swaps (TRS). These TRSs hedge the movements in the guarantee provision. Under the TRSs, the returns for the account of policyholders on a specified nominal amount are paid out, while the treasury yield on this nominal amount is received. Aegon Nederland operates a policy to monitor the use of derivatives. This policy sets out the control, authorization, implementation and monitoring requirements for using these instruments and also stipulates the necessary credit risk limiting actions using derivatives. In general, credit risk related to bilateral derivatives contracts is reduced by collateral requirements in the contract. Interest rate swaps are centrally cleared to minimize credit risk.
Catastrophes	The operating results and financial position can be adversely affected by natural and man-made disasters such as hurricanes, riots, fires,explosions and the risk of a pandemic (such as COVID-19). Furthermore, natural disasters, terrorism and fires could disrupt Aegon Nederland's operations and could result in significant loss of property, substantial personnel losses and the destruction of company and customer information.	Aegon Nederland seeks to reduce its exposure to these events through individual risk selection, monitoring risk accumulation and purchasing reinsurance. However, even with reinsurance, such events could lead to considerable financial loss.

Category	Risk description	Measures taken
Legal proceedings	Aegon Nederland is involved in litigation as part of the ordinary course of business, including litigation where compensatory or punitive damages and mass or class relief are being sought. Current and former customers, both institutional as well as individual, and groups representing customers, initiate litigation. Moreover, certain groups encourage others to bring lawsuits in respect of certain products.	Aegon Nederland has established litigation policies to deal with claims, defending when the claim is without merit and seeking to settle in certain circumstances. There can be no assurances that Aegon Nederland will be able to resolve existing litigation in the manner it expects or that existing or future litigation will not result in unexpected liability.

4.2.1. IFRS sensitivities

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

Each sensitivity analysis reflects the extent to which the shock tested would affect management's critical accounting estimates and judgment in applying Aegon Spaarkas' accounting policies[2]. Market-consistent assumptions underlying the measurement of non-listed assets and liabilities are adjusted to reflect the shock tested. Although management's short-term assumptions may change if there is a reasonably possible change in a risk factor, long-term assumptions will generally not be revised unless there is evidence that the movement is permanent. This fact is reflected in the sensitivity analysis provided below.

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

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

The sensitivity analysis below address investments for general account and guarantees issued by Aegon Spaarkas. Investments for risk of policyholders are for the account and risk of third parties and do not lead to an increase in Aegon Spaarkas' exposures, other than in the form of possible guarantees.

4.2.2. Interest rate risk

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

In periods of rapidly increasing interest rates, policy loans, surrenders and withdrawals may and usually do increase. Premiums in flexible premium policies may decrease as policyholders seek investments with higher perceived returns. This activity may result in cash payments by Aegon Spaarkas requiring the sale of invested

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

assets at a time when the prices of those assets are adversely affected by the increase in market interest rates; this may result in realized investment losses. These cash payments to policyholders result in a decrease in total invested assets and a decrease in net income.

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

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

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

The following table shows interest rates at the end of each of the last five years.

	2019	2018	2017	2016	2015
3-month US Libor	1,91%	2,81%	1,69%	1,00%	0,61%
3-month Euribor	-0,38%	-0,31%	-0,33%	-0,32%	-0,13%
10-year US Treasury	1,91%	2,68%	2,41%	2,44%	2,27%
10-year Dutch government	-0,06%	0,38%	0,52%	0,35%	0,79%

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

Parallel movement of yield curve	2019 Estimated approximate effect		2018 Estimated approximate effect	
	Net income	Equity	Net income	Equity
Shift up 100 basis points	1.056	-3.259	963	-3.468
Shift down 100 basis points	-918	4.031	-1.216	3.839

A downward shock of 100 basis points would have a positive effect on the market value of investments and therefore on equity. Just as in prior years the headroom in the liability adequacy test is sufficient to absorb the impact of a downward shock in interest rate. Aegon Spaarkas invests in mortgages. The market value movements of the mortgage portfolio are mainly hedged with interest rate swaps. A shock in interest rate will lead to a small impact on net income as the floating legs of these interest rate swaps are not hedged.

4.2.3. Credit risk

As premiums and deposits are received, these funds are invested to pay for future policyholder obligations. For general account products, Aegon Spaarkas bears the risk for investment performance which is equal to the return of principal and interest. Aegon Spaarkas is exposed to credit risk on its general account fixed-income portfolio. over-the-counter derivatives and reinsurance contracts. During financial downturns, Aegon Spaarkas can incur defaults or other reductions in the value of these securities and loans, which could have a materially adverse effect on Aegon Spaarkas' business, results of operations and financial condition. Investments for account of policyholders are excluded as the policyholder bears the credit risk associated with the investments.

The table below the maximum exposure of Aegon Spaarkas to credit risk from investments in general account financial assets as well as general account derivatives and reinsurance assets, collateral held and net exposure.

Explanatory notes to the table

Debt securities
Collateral for structured securities such as ABS, RMBS and CMBS is not included in the table above. Whilst collateral for structured securities is present, the collateral is however related to the cash flows for paying the principal and interest on the securities and not to mitigate credit risk. The credit risk management relating to structured securities is disclosed in note 4.2.5 'Credit risk concentration'.

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

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

A substantial part of Aegon Spaarkas' Dutch residential mortgage portfolio benefits from guarantees by a Dutch government-backed trust (Stichting Waarborgfonds Eigen Woning) through the Dutch Mortgage Guarantee program (NHG). These guarantees cover all principal losses, missed interest payments and foreclosure costs incurred upon termination and settlement of defaulted mortgage loans when lender-specific terms and conditions of the guarantee are met. When not fully met, the trust may pay claims in part or in full, depending on the severity of the breach of terms and conditions. For each specific loan, the guarantee amortizes in line with an equivalent annuity mortgage. When the remaining loan balance at default does not exceed the amortized guarantee, it covers the full loss under its terms and conditions. Any loan balance in excess of this decreasing guarantee profile serves as a first loss position for the lender. For NHG-backed mortgage loans originated after January 1, 2015, a 10% lender-incurred haircut applies on realized losses on each defaulted loan.

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

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

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

Positions for general account in the balance sheet

2019 Amounts in EUR thousand	Maximum exposure credit risk	Collateral received							Net exposure
		Cash	Securities	Real estate	Guarantees **	Master netting agreement	Surplus collateral	Total	
Debt securities	131.877	-	-	-	-	-	-	-	131.877
Mortgage loans *	34.834	1.858	-	53.102	78	-	-20.288	34.751	83
Private loans	8.243	-	-	-	-	-	-	-	8.243
Other loans	437	-	-	-	-	-	-	-	437
Derivatives with pos. values	527	459	-	-	-	41	-	500	27
Loans and group loans	115.200	-	-	-	-	-	-	-	115.200
At December 31	**291.117**	**2.317**	**-**	**53.102**	**78**	**41**	**-20.288**	**35.251**	**255.867**

*The base-adjustment of EUR 4 million (2018: EUR 4 million) has been excluded from the mortgages loans as this is a non-credit risk bearing item.
** Guarantees for mortgage loans refer to the NHG guarantee. The NHG guarantees are subordinated to other collateral and is based on historically realized NHG guarantee payments capped at the maximum loan value.

2018 Amounts in EUR thousand	Maximum exposure credit risk	Collateral received							Net exposure
		Cash	Securities	Real estate	Guarantees **	Master netting agreement	Surplus collateral	Total	
Debt securities	128.544	-	-	-	-	-	-	-	128.544
Mortgage loans *	39.525	1.693	-	54.436	257	-	-17.558	38.828	697
Private loans	9.965	-	-	-	-	-	-	-	9.965
Other loans	598	-	-	-	-	-	-	-	598
Derivatives with pos. values	-	-	-	-	-	-	-	-	-
Loans and group loans	115.000	-	-	-	-	-	-	-	115.000
At December 31	**293.632**	**1.693**	**-**	**54.436**	**257**	**-**	**-17.558**	**38.828**	**254.804**

Credit risk management

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

Aegon Nederland operates a Credit Name Limit Policy (CNLP) under which limits are placed on the aggregate exposure that it has to any one counterparty. Limits are set by Aegon N.V. and also vary by a rating system, which is a composite of the main rating agencies (S&P, Moody's and Fitch) and Aegon Spaarkas' internal rating of the counterparty. When the exposure to a counterparty exceeds 75% it is considered to be at a warning level and the assets are monitored more closely. A warning and violation list is sent to portfolio managers on a weekly basis. If an exposure exceeds the stated limit, then the exposure must be reduced to the limit set by Aegon N.V. and rating category as soon as possible. Exceptions to these limits can only be made after explicit approval from Aegon N.V. The policy is reviewed regularly.

During 2019 there has been one breach regarding the CNLP, where for one counterparty the CNLP limit of EUR 135 million was exceeded by EUR 34 million. This breach was the result of maturing Credit Default Swap (CDS). This breach, which was corrected by closing a new CDS, was reported to the local Risk & Capital Committee (RCC) and did not require reporting to the Global RCC. During 2018 there were no breaches regarding the CNLP.

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

	2019	2018
AAA	270.000	270.000
AA	270.000	270.000
A	200.000	200.000
BBB	135.000	135.000
BB	75.000	75.000
B	38.000	38.000
CCC or lower	15.000	15.000

These limits exclude sovereign exposures that are rated A or above. For these exposures Aegon N.V. has set limits which are only applicable and reported at a consolidated Aegon N.V. level[3]. Sovereign exposures (regardless of rating) that are issued by the government of the functional currency of the Regions' business and also owned in that currency and sovereign exposures that are rated AAA by all three major agencies (S&P, Fitch and Moody's) are exempt from the policy.

The ratings distribution of the general account investments is presented in note 4.2.4 'Credit rating'.

4.2.4. Credit rating

The ratings distribution of general account portfolios of Aegon Spaarkas, including reinsurance assets, is presented in the next table.

Investments for general account by rating

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

2019	Amortized cost	Fair value	Reinsurance assets	Total 2019
AAA	8.243	48.362	-	56.604
AA	-	24.015	-	24.015
A	-	51.857	-	51.857
BBB	-	8.170	-	8.170
BB	-	-	-	-
B	-	-	-	-
CCC or lower	-	-	-	-
Assets not rated	38.816	-	-	38.816
Total on balance credit exposure at December 31	**47.059**	**132.404**	**-**	**179.463**
Of which past due and/or impaired assets	535	-	-	535

2018	Amortized cost	Fair value	Reinsurance assets	Total 2018
AAA	9.965	38.498	-	48.463
AA	-	31.869	-	31.869
A	-	47.422	-	47.422
BBB	-	10.408	-	10.408
BB	-	347	-	347
B	-	-	-	-
CCC or lower	-	-	-	-
Assets not rated	44.285	-	-	44.285
Total on balance credit exposure at December 31	**54.250**	**128.544**	**-**	**182.794**
Of which past due and/or impaired assets	552	-	-	552

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

4.2.5. Credit risk concentration

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

Credit risk concentration - debt securities and money market investments	2019	2018
ABSs- Collateralized Debt Obligations (CDOs)	4.732	5.066
ABSs- Other	321	399
Residential mortgage backed securities (RMBSs)	26.734	26.509
Total investments in unconsolidated structured entities at December 31	**31.787**	**31.974**
Financial - Other	227	1.121
Industrial	52.677	49.001
Utility	5.138	6.128
Sovereign exposure	42.047	40.320
At December 31	**131.877**	**128.544**
Of which past due and/or impaired assets	-	-

Credit risk concentration - mortgage loans	2019	2018
Apartment	6.106	7.958
Other commercial	167	170
Residential	28.560	31.396
At December 31	**34.834**	**39.525**
Of which past due and/or impaired assets	507	531

Fair value of the mortgage loan portfolio:	2019	2018
Fair value mortgage loans	38.860	43.407
Loan to value (approximately)	70,1%	73,5%
Part of portfolio government guaranteed	61,7%	51,4%
Delinquencies in portfolio (defined as 60 days in arrears)	0,0%	0,0%
Impairments / (reversals) during the year	-12	-45

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

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

	2019		2018	
2019	Number of entities	Carrying amount	Number of entities	Carrying amount
EUR 0 < 10 million	17	31.787	16	31.974
At December 31	**17**	**31.787**	**16**	**31.974**

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

4.2.6. Past due and impaired financial assets

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

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

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

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

At year-end, no collateral, except for mortgage loans, was held for financial assets which were past due or which had undergone individual impairment. The carrying amount of the assets that are (partly) impaired is:

	2019	2018
Mortgage loans	507	386
Other	14	21
At December 31	**521**	**406**
Interest received on impaired financial assets	**16**	**18**

4.2.7. Equity market risk and other investments risk

A decline in equity markets may adversely affect Aegon Spaarkas' proftability 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. The existence of direct equity risk is limited, as defned 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 businesses have minimum investment return that require Aegon Spaarkas to establish reserves to fund these future guaranteed benefts when equity market returns do not meet or exceed these guarantee levels. Deteriorating general economic conditions may again result in signifcant decreases in the value of Aegon Spaarkas' equity investments.

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

	2019	2018	2017	2016	2015
S&P 500	3.231	2.507	2.674	2.239	2.044
Nasdaq	8.973	6.635	6.903	5.383	5.007
FTSE 100	7.542	6.728	7.688	7.143	6.242
AEX	605	488	545	483	442

Sensitivity analysis of net income and equity to equity markets

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

	2019		2018	
	Estimated approximate effect		Estimated approximate effect	
	Net income	Equity	Net income	Equity
Equity increase 10%	-4.984	-4.984	-5.132	-5.132
Equity decrease 10%	4.934	4.934	5.067	5.067
Equity increase 25%*	-12.536	-12.536	-12.923	-12.923
Equity decrease 25%*	12.210	12.210	12.506	12.506

(*) To align with Solvency II sensitivities a 25% shock has been calculated. 2018 figures have been adjusted accordingly.

Aegon Spaarkas uses derivatives to lower Solvency II capital requirements for 'Equity Risk' leading to a reversed sensitivity of net income and equity for changes in equity markets. Equity sensitivity is in line with 2018.

4.2.8. Liquidity risk

Liquidity risk is inherent in much of Aegon Spaarkas' activity. Each asset purchased and liability assumed has its own liquidity characteristics. Although most liabilities are of a long-term nature and will not create an unexpected short-term liquidity requirement, some can be called on demand. In normal circumstances, a significant proportion of the investment portfolio can be quickly converted into liquid assets but some assets, such as private loans, mortgage loans, real estate and holdings in unlisted enterprises are not highly liquid. If

Aegon Spaarkas requires more than the normal amount of cash at short notice, it may have difficulty selling these investments at attractive prices or in a timely manner.

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

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

The liquidity position is tested in the following scenarios:
1. Base scenario, assuming current market conditions; this is the 'business as usual' situation.
2. Stressed liquidity scenario, in which both liabilities and assets are stressed.

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

- Large change in interest rates (300 bps upward shock and 100 bps downward);
- Large change in credit spreads (150 bps upward);
- Insolvency of a counterparty, credit facility or bank where current accounts are held.

Available liquidity

Available liquidity is determined by modelling the asset cash flows. These include but are not limited to:

- Contractual repayments and coupon payments;
- Expected advance payments on certain categories of assets, such as early repayment of mortgages;
- Expected extensions of maturity on certain categories of assets;
- Sales proceeds on assets taking into account a maximum haircut of 1% compared with the current mid-rate.

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

Required liquidity

The required liquidity is computed by modelling the cash flows from liabilities, such as to:

- Contractual repayments at maturity;
- Benefits and claims;
- Full or partial withdrawal of assets at call;
- Periodic premium payments and potential changes in them;

For liabilities too, some cash flows are fixed and stable but most will vary considerably when a different liquidity scenario is applied.

Results of the coverage ratios

Aegon Spaarkas holds EUR 42 million (2018: EUR 40 million) of general account investments in money market products and sovereign bonds that are readily saleable or redeemable on demand in the event of a liquidity shortfall. It is also possible to use such bonds as the basis for repurchase contracts so that liquidity can be drawn from the market. The before mentioned amounts are based upon Aegon Spaarkas internally used definitions when testing the liquidity.

The coverage ratio is calculated after modelling the expected cash flows for assets and liabilities for each period of up to 2 years. The results of the coverage ratio, available liquidity divided by the required liquidity, show that Aegon Spaarkas had sufficient liquidity in different scenarios and for all tested periods at year-end 2019.

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

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

The tables below show the remaining contractual maturities for each category of financial liability. When the counterparty has a choice of when an amount is paid, the liability is included on the basis of the earliest date on which it can be required to be paid. Financial liabilities that are payable on demand with a given delay are reported in the category 'On demand'. If there is a notice period, Aegon Spaarkas has to assume that notice is given immediately and the repayment is presented at the earliest date after the end of the notice period. When the amount payable is not fixed, the amount reported is determined by reference to the conditions existing at the reporting date. For example, if the amount payable varies with changes in an index, the amount disclosed may be based on the level of the index at the reporting date to manage the liquidity risk arising from financial liabilities, Aegon Spaarkas holds liquid assets comprising cash and cash equivalents and investment grade investment securities for which there is an active and liquid market. These assets can be readily sold to meet liquidity requirements. For this reason, Aegon Spaarkas believes that it is not necessary to disclose a maturity analysis in respect of these assets to enable users to evaluate the nature and extent of liquidity risk.

2019	On demand	< 1 year	1 < 5 year	5 < 10 year	> 10 year	Total 2019
Borrowings and group borrowings	-	-	-	-	-	-
Other financial liabilities	40.111	5.756	35	105	3	46.009
At December 31	**40.111**	**5.756**	**35**	**105**	**3**	**46.009**

2018	On demand	< 1 year	1 < 5 year	5 < 10 year	> 10 year	Total 2018
Borrowings and group borrowings	-	440	-	-	-	440
Other financial liabilities	43.958	17.979	52	124	6	62.119
At December 31	**43.958**	**18.419**	**52**	**124**	**6**	**62.559**

Expected undiscounted cash flows relating to insurance contracts

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

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

The liability amount in the financial statements reflects the discounting for interest as well as adjustments for the timing of other factors as described above.

2019	< 1 year	1 < 5 year	5 < 10 year	> 10 year	Total
Insurance contracts for account of policyholders	231.857	547.547	527.926	326.560	1.633.890
At December 31	**231.857**	**547.547**	**527.926**	**326.560**	**1.633.890**

2018	< 1 year	1 < 5 year	5 < 10 year	> 10 year	Total
Insurance contracts for account of policyholders	283.690	593.617	559.314	416.397	1.853.018
At December 31	**283.690**	**593.617**	**559.314**	**416.397**	**1.853.018**

Maturity analysis – derivatives (contractual cash flows)

There are no cash in- and outflows for derivative financial instruments in 2018 and 2019. Aegon Spaarkas no longer hedges the interest rate risk of its mortgage portfolio and there are no cash flows from the remaining fee hedge derivatives until expiration date, which cannot be feasibly estimated until the expiration date.

4.2.9. Underwriting risk

Description of the measures used to assess underwriting risks

Underwriting 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 and to a lesser extent mortality risk.

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, where Aegon Spaarkas' experience (e.g. actual deaths and lapses) is compared with previously formulated expectations (assumptions). Conclusions drawn from these studies play an important role in revising assumptions for valuing the business of Aegon Spaarkas. Where policy charges are flexible in products, Aegon Spaarkas uses these analysis 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.

Policyholder behavior risk
Policyholder behavior risk arises from economic losses due to policyholder behavior deviating from expectation. 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 varies from the assumptions built into the reserve 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 especially is at risk if policy lapses increase as this leads to lower future fees.

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 that 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 in line with best estimate assumptions). The

risk therefore corresponds to an increase in the total expenses. 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.

Mortality / longevity risk
Mortality risk arises from economic losses due to mortality levels deviating from expectation (when mortality is lower than expected, this is referred to as longevity). Policyholders are typically grouped into different classes in which each class is expected to have the same mortality rates. Best estimate assumptions are then developed for each policyholder class. Aegon Spaarkas is exposed to the risk that the best estimate assumptions are inaccurate. Aegon Spaarkas mainly sold tontine plans which are at risk if mortality increases.

Risk Concentrations

Besides the risk tolerance limits it's a 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 a too high volatility in the results. Limiting such exposures 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.

Risk mitigation techniques used for underwriting risks

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

Risk sensitivity for underwriting risks

	2019		2018	
	Estimated approximate effect		Estimated approximate effect	
	Net income	Equity	Net income	Equity
20% increase in lapse rates	276	276	226	226
20% decrease in lapse rates	-299	-299	-248	-248
5% increase in mortality rates*	6	6	4	4
5% decrease in mortality rates*	-6	-6	-4	-4

(*) To align with SII sensitivities a 5% shock has been calculated. The 2018 figures have been adjusted accordingly.

Underwriting shocks do not have, based on the nature of Aegon Spaarkas' insurance portfolio, a material impact on equity and net income.

4.3. Regulation and supervision

4.3.1. General

Regulation of the financial sector in the Netherlands is included in the Financial Supervision Act (Wet op het financieel toezicht or Wft). The Wft embeds the cross-sectorial functional approach within the Dutch supervisory system. The supervision of financial institutions pursuant to the Wft rests with the DNB and the Dutch Authority for the Financial Markets (AFM).

The DNB is responsible for prudential supervision, while the AFM supervises the conduct of business of financial institutions and the conduct of business on financial markets. The aim of the DNB's prudential supervision is to ensure the solidity of financial institutions and contribute to the stability of the financial sector. With regard to banks, the DNB undertakes its supervisory role, in particular with respect to prudential supervision, together with the European Central Bank (ECB).

The AFM's conduct of business supervision focuses on ensuring orderly and transparent financial market processes, integrity in relations between market parties and due care in the provision of services to customers.

The Dutch supervisory authorities have a number of formal tools to exercise their supervisory tasks. These tools include the authority to request information, if this is necessary for the purpose of prudential supervision; and the power to issue formal instructions to financial institutions, to impose fines, or to publish sanctions. The DNB, as prudential supervisory authority, can, under certain circumstances, require a recovery plan, a short-term financing plan, appoint a trustee, draw up a transfer plan or (ultimately) withdraw the license of a financial institution.

4.3.2. Financial supervision of insurance companies

The Solvency II framework consists of an EU Directive and has consequently been transposed into the Dutch Financial Supervision Act. A large part of the Level II Solvency II rules are, however, also set out in EU regulations, which apply directly in EU member states, and as a consequence have not been implemented into national legislation, such as in the Decree on Prudential Rules under the Wft (Besluit prudentiële regels Wft).

An insurance company is neither permitted to conduct both life insurance and non-life insurance business within a single legal entity (with the exception of reinsurance), nor to carry out both insurance and banking activities within the same legal entity. Within Aegon Nederland, Aegon Levensverzekering and Aegon Spaarkas conduct life insurance activities. Aegon Schadeverzekering conducts non-life insurance activities. Prudential supervision is exercised by the home state supervisory authority (DNB in the Netherlands). Insurance companies in the Netherlands may conduct their activities on a cross-border basis or through a branch office based on the mutual recognition of (prudential) supervision in the EU (the so-called 'European passport'). Aegon Spaarkas does not have material cross-border insurance business or business conducted through branch offices elsewhere in the EU.

4.4. Capital management and solvency

Strategic importance
Aegon Spaarkas' approach towards capital management plays a vital role in supporting the execution of Aegon Spaarkas' strategy.

Management of capital
Disciplined risk and capital management support Aegon Spaarkas' decisions in deploying the capital that is generated in Aegon Spaarkas' businesses. Aegon Spaarkas manages the funding required to ensure that Aegon Spaarkas' obligations towards policyholders are always adequately met.

Aegon Spaarkas' goal is to maintain a strong financial position and be able to sustain losses from adverse business and market conditions. The company's overall capital management strategy is based on adequate solvency capital, capital quality, and the use of leverage. Aegon Spaarkas' ERM framework ensures that the Aegon Spaarkas is adequately capitalized and that Aegon Spaarkas' obligations towards policyholders are always adequately met. As a specific part of this larger framework, Aegon Spaarkas' capital management framework builds on a set of key pillars: the use of internal target capital management zones and supported by robust risk and capital monitoring processes that timely triggers and escalates interventions if and when needed to ensure that capital is always being managed towards these internal target ranges and is prevented from falling below the minimum regulatory capital requirements.

Adequate capitalization
During 2018 and 2019 Aegon Spaarkas complied with externally imposed minimum capital requirements.

Amounts in EUR million	31-12-2019*	31-12-2018
Own Funds	186	220
Partial Internal Model SCR	47	44
Solvency II ratio*	395%	501%

*The Solvency II ratio for 2019 is an estimate, is not final until filed with the regulator and is subject to supervisory review.

The decreased Solvency II ratio of Aegon Spaarkas is mainly due to a decrease in Own Funds from a dividend payment and the annual parameter update. The SCR did not materially change during 2019.

In the following table a reconciliation between the shareholders' equity under IFRS equity and the own funds under Solvency II is presented (in EUR million).

Amounts in EUR million	31-12-2019*	31-12-2018
Shareholders' Equity (IFRS)	234	261
Revaluations	57	59
Own funds restrictions	-105	-100
Available own funds	186	220

*The available own funds for 2019 is an estimate, is not final until filed with the regulator and has been subjected to supervisory review.

The Solvency II revaluations stem from the difference in valuation between IFRS-EU and Solvency II frameworks, which can be grouped into two categories:

- Items that are not recognized under Solvency II. The most relevant examples of this category (Goodwill and other intangible assets) are not applicable to Aegon Spaarkas;
- Items that have a different valuation treatment between IFRS-EU and Solvency II. Solvency II is a market consistent framework hence all assets and liabilities are to be presented at fair value while IFRS-EU also includes other valuation treatments in addition to fair value. The most relevant examples of this category include Loans and Mortgages, Deferred tax assets balances and Technical provisions.

Minimum regulatory solvency requirements
Insurance laws and regulations contain minimum regulatory capital requirements of 100% Solvency Capital Requirement (SCR) for insurance companies in the European Union. For insurance companies in the European Union, Solvency II also defines a lower capital requirement, the Minimum Capital Requirement (MCR). An irreparable breach of the MCR would lead to the withdrawal of the insurance license. A (threatened) breach of the SCR would prevent EU insurance entities from transferring funds to the holding company.

With the introduction of Solvency II for EEA countries, Aegon Spaarkas views these minimum regulatory capital requirements as the level around which the regulator will formally require management to provide regulatory recovery plans. For insurance companies in the European Union this is set at 100% SCR.

During 2019, Aegon Spaarkas continued to comply with the minimum regulatory solvency requirements, driven by the fact that Aegon Spaarkas's internal target capital levels are well above 100% SCR levels.

Capital restrictions
Aegon Spaarkas is subject to legal restrictions on the amount of dividends it can distribute to its shareholder. Under Dutch law, the amount that is available to pay dividends consists of total shareholders' equity less the issued and outstanding capital and less the reserves required by law. The revaluation account and legal reserves cannot be freely distributed. In case of negative balances for individual reserves legally to be retained, no distributions can be made out of retained earnings to the level of these negative amounts.

The ability of Aegon Spaarkas to pay dividends to Aegon Nederland is also constrained by the internal thresholds that Aegon Nederland sets to adequately capitalize its subsidiaries. These levels exceed to the levels set by DNB and governed by DNB. Based on the capitalization level of the Aegon Spaarkas, DNB is able to restrict and/or prohibit the transfer of dividends to Aegon Nederland.

The capitalization level and shareholders' equity of the subsidiaries can be impacted by various factors (e.g. general economic conditions, capital markets risks, underwriting risk factors, changes in government regulations, legal and arbitrational proceedings). To mitigate the impact of such factors on the ability of subsidiaries to pay dividends, the subsidiaries hold additional capital in excess of the levels required by DNB, which is reflected in Aegon Spaarkas's internal target capitalization ranges.

Aegon Nederland's capital management framework is built on, among other things, managing capital in the operating units within target capital management zones. Under Aegon Nederland's capital management framework, the bottom-end of the capitalization target range of Aegon Spaarkas is 155%.

Capital quality
All capital of Aegon Spaarkas qualifies as unrestricted Tier 1 capital. Available own funds are equal to eligible own funds.

4.5. Product information

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

4.5.1. Life insurance for account of policyholders

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

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

Tontine plans

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

Unit-linked insurance

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

5. Cash and cash equivalents

	2019	2018
Cash on hand and balances with banks	453	23.763
Short term bank deposits	-	50.000
Money market investments	40.558	15.016
At December 31	**41.011**	**88.779**

The carrying amounts disclosed reasonably approximate the fair values at year-end. These cash items are not subject to restrictions.

6. Investments

Investments for general account comprise financial assets, excluding derivatives. For a summary of all financial assets and financial liabilities at fair value through profit or loss see note 25 'Fair value of assets and liabilities'.

	Note	31-12-2019	31-12-2018
Available-for-sale financial assets (AFS)		131.877	128.544
Loans (amortized cost)		47.059	54.250
Total financial assets, excluding derivatives		**178.935**	**182.794**
Total investments for general account		**178.935**	**182.794**

6.1. Financial assets, excluding derivatives

2019	AFS	Loans	Total	Fair value
Debt securities	131.877	-	131.877	131.877
Mortgage loans	-	38.379	38.379	38.860
Private loans	-	8.243	8.243	8.457
Other	-	437	437	437
At December 31	**131.877**	**47.059**	**178.935**	**179.630**

2018	AFS	Loans	Total	Fair value
Debt securities	128.544	-	128.544	128.544
Mortgage loans	-	43.686	43.686	43.407
Private loans	-	9.965	9.965	10.268
Other	-	598	598	598
At December 31	**128.544**	**54.250**	**182.794**	**182.817**

	2019	2018
Current	20.091	8.742
Non-current	158.844	174.052
At December 31	**178.935**	**182.794**

7. Investments for account of policyholders

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

The fees for managing these investments are included in note 19 'Fee and commission income'. For a summary of all financial assets and financial liabilities at fair value through profit or loss see note 25 'Fair value of assets and liabilities'. The investments for account of policyholders are deemed non-current.

	2019	2018
Shares	1.174.423	1.148.496
Debt securities	230.439	141.607
Mortgage loans	26.995	28.158
Other financial investments	32.193	-290
Cash and cash equivalents	173.986	232.299
At December 31	**1.638.035**	**1.550.269**

Almost all shares and debt securities for account of policyholders are listed.

8. Derivatives

	Derivative asset		Derivative liability	
	2019	2018	2019	2018
Derivatives held as an economic hedge	527	-	-	588
Bifurcated embedded derivatives	-	-	5.902	6.160
At December 31	**527**	**-**	**5.902**	**6.748**

	2019	2018
Current	527	-588
Non-current	-5.902	-6.160
Total net derivatives at December 31	**-5.374**	**-6.748**

For a summary of all financial assets and financial liabilities at fair value through profit or loss see note 25 'Fair value of assets and liabilities'.

Aegon Spaarkas uses derivative instruments as a part of its asset liability management strategy: the risk management of all assets and liabilities. They may relate to an existing asset or liability or a future reinvestment risk. Derivatives are entered into for the purpose of economic hedges. In all cases, they are in accordance with internal risk guidelines and are closely monitored for continuing compliance with these guidelines.

Embedded derivatives that are not closely related to the host contracts have been bifurcated and are recorded at fair value in the statement of financial position, along with derivatives not used as hedges. These bifurcated embedded derivatives are embedded in unit-linked insurance contracts in the form of guarantees for minimum benefits. For more information on the guarantees refer to note 13 'Guarantees'.

Aegon Spaarkas' fair value hedges consisted of interest rate swaps that were used to protect against changes in the fair value of fixed-rate instruments due to movements in market interest rates. In 2016 Aegon Spaarkas changed its risk management policy and decided to take on more interest rate risk, in order to economically offset the interest rate risk on the insurance liabilities. This has resulted in a de-designation of all fair value hedge accounting applied to these mortgage portfolios as of that date. The cumulative base adjustment of EUR 3,5 million (EUR 4,1 million at year-end 2018) is amortized over the weighted average duration of the mortgage portfolios to which hedge-accounting was applied at the date of de-designation. The remaining average duration of the mortgage portfolio ranges is 6 years (2018: 7 years).

9. Loans and group loans

	2019	2018
Loan Aegon Nederland N.V.	100.000	100.000
Loan Aegon Levensverzekering N.V.	15.000	15.000
Loan Aegon Derivatives N.V.	200	-
At December 31	**115.200**	**115.000**
current	15.200	15.000
non-current	100.000	100.000
Total	**115.200**	**115.000**

During 2017 Aegon Spaarkas and Aegon Nederland agreed to replace the current account position with a loan of EUR 100 million to be repaid in 2026, with an interest rate of 6 months Euribor + 1.48 bps. The loan with Aegon Levensverzekering relates to a short-term deposit. The carrying amounts disclosed reasonably approximate fair value at year-end.

The loan with Aegon Derivatives relates to cash collateral received under derivatives transactions. Aegon Derivatives settles this collateral with external parties on behalf of Aegon Spaarkas. The derivative transactions are for ordinary operations. The collateral is the consequence of movements in market values on derivatives and is settled daily. EONIA interest is applied on the variation margin. Clearing costs will be charged on quarterly basis.

10. Other assets and receivables

	2019	2018
Receivables from policyholders	7.387	9.455
Accrued interest	1.162	1.255
Current	**8.549**	**10.710**
At December 31	**8.549**	**10.710**

The carrying amounts disclosed reasonably approximate the fair values at year-end. In the cash flow statement the movement in this account in the book year is disclosed the line items 'Accrued income and prepayments'.

11. Equity

	2019	2018
Share capital	910	910
Share premium	2	2
Revaluation reserves	6.320	6.549
Retained earnings	222.847	236.424
Net income / (loss)	3.499	17.422
At December 31	**233.578**	**261.307**

11.1. Share capital

	2019	2018
Authorized share capital	4.500	4.500
Not issued	3.590	3.590
At December 31	**910**	**910**

The authorized share capital is EUR 4.5 million, divided into 9,000 shares of EUR 500 nominal value each, of which 1,820 shares have been issued and fully paid. There have been no changes since the previous financial year. In 2019 Aegon Spaarkas paid EUR 31 million dividend to Aegon Nederland (2018: EUR 4 million).

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

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

11.2. Revaluation reserves

	2019	2018
At January 1	6.549	8.935
Gross revaluation	3.920	-1.446
Net (gains) / losses transferred to income statement	-4.102	-2.196
Tax effect	-46	1.255
At December 31	**6.320**	**6.549**

There are restrictions on the distribution to shareholders of the revaluation reserve on real estate and revaluations relating to financial instruments that are not actively traded / quoted.

12. Insurance contracts for account of policyholders

Movements during the year:	2019	2018
At January 1	1.615.534	2.062.829
Gross premiums	34.115	41.685
Unwind of discount / interest credited	339.911	-95.803
Insurance liabilities released	-282.583	-385.117
Changes in valuation of expected future benefits	-500	45
Portfolio transfers and acquisitions	-14	787
Expense loadings released	-10.956	-8.893
At December 31	**1.695.509**	**1.615.534**

13. Guarantees

13.1. Financial guarantees

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

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

	2019	2018
At January 1	6.160	5.626
Changes in valuation of expected future benefits	-258	534
At December 31	**5.902**	**6.160**

Balances are included in the derivatives liabilities on the face of the statement of financial position; refer to note 8 ‘Derivatives’.

14. Borrowings and group borrowings

	2019	2018
Loan Aegon Derivatives N.V.	-	440
At December 31	**-**	**440**
current	-	440
non-current	-	-
Total	**-**	**440**

The loan with Aegon Derivatives related to cash collateral paid under derivatives transactions. Refer to note 9 'Long-term loans and group loans' for more information.

15. Deferred tax liabilities

	2019	2018
Deferred tax assets	1.203	1.418
Deferred tax liabilities	2.464	2.821
Net deferred tax liability / (asset) at December 31	**1.261**	**1.404**

Movement in deferred tax

2019	Financial assets	Insurance contracts	Other	Total
At January 1	2.813	-1.418	8	1.404
Charged to income statement	-404	214	1	-189
Charged to equity	46	-	-	46
At December 31	**2.455**	**-1.203**	**9**	**1.261**

2018	Financial assets	Insurance contracts	Other	Total
At January 1	4.463	536	2	5.002
Charged to income statement	-395	-1.954	6	-2.343
Charged to equity	-1.255	-	-	-1.255
At December 31	**2.813**	**-1.418**	**8**	**1.404**

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

16. Other liabilities and accruals

	2019	2018
Payables due to policyholders	39.343	43.264
Investment creditors	5	-
Income tax payable	1.296	8.283
Social security and taxes payable	208	207
Current account with group companies	4.417	9.696
Accrued interest	41	-
Other creditors	699	669
At December 31	**46.009**	**62.119**
Current	45.867	61.937
Non-current	142	182
Total	**46.009**	**62.119**

The carrying amounts disclosed reasonably approximate the fair values at year-end, given the predominantly current nature of the other liabilities. In the cash flow statement the movement in this account in the book year is disclosed the line items 'Accrued expenses and other liabilities' and 'Tax (paid) / received'.

17. Premium income and premiums to reinsurers

	2019			2018		
	Gross	Reinsurance	General Account	Gross	Reinsurance	General Account
Recurring premiums, without profit sharing	33.993	19	33.974	41.471	24	41.447
Single premiums, without profit sharing	141	-	141	238	-	238
Total	**34.134**	**19**	**34.115**	**41.709**	**24**	**41.685**

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

18. Investment income

	2019	2018
Investment income related to general account	2.413	2.697
Investment income for account of policyholders	37.833	37.388
Total	**40.246**	**40.085**

Investment income consists of:

	2019	2018
Interest income out of:		
- Debt securities	7.299	4.440
- Loans	891	529
- Other investments	423	431
Dividend income from shares	31.634	34.685
Total	**40.246**	**40.085**

Interest income accrued on impaired financial assets	16	18
Interest income on financial assets not carried at FVTPL	2.952	3.157

Investment income from financial assets held for general account:

	2019	2018
Available-for-sale	1.037	1.574
Loans	891	529
Fair value through profit or loss	63	162
Derivatives	-603	-623
Other	1.025	1.054
Total	**2.413**	**2.697**

19. Fee and commission income

	2019	2018*
Fee income from asset management	3.594	4.075
Total	**3.594**	**4.075**

* prior year figures have been represented to align with current year's presentation due to rebooking of the management fees (expense) of EUR 2.9 million from 'Commission and expenses' to 'Fee and commission income'.

20. Results from financial transactions

	2019	2018
Realized gains / (losses) on financial investments	4.102	2.196
Net fair value change of derivatives	-18.931	3.444
Net fair value change financial assets FVTPL for account of policyholder	302.104	-134.361
Total	**287.275**	**-128.721**

Realized gains and losses on financial investments

	2019	2018
Debt securities and money market investments (AFS)	4.102	2.196
Total	**4.102**	**2.196**

Net fair value change of derivatives comprise:

	2019	2018
Net fair value change economic hedges - no hedge accounting applied	-18.573	4.593
Net fair value change bifurcated embedded derivatives	258	-534
Amortization of the base-adjustment	-616	-616
Total	**-18.931**	**3.444**

The table above shows amongst others the fair value movements of bifurcated embedded derivatives (minimum guarantees on unit-linked policies) and the fair value of derivatives to hedge certain risks in these guarantees and the guarantees included in group contracts and traditional products.

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

	2019	2018
Shares	301.695	-130.541
Debt securities and money market investments	476	-3.819
Other	-67	-
Total	**302.104**	**-134.361**

21. Policyholder claims and benefits

	2019	2018
Claims and benefits paid to policyholders	275.482	377.313
Change in valuation of liabilities for insurance contracts	80.474	-447.340
Total	**355.956**	**-70.027**

Policyholders claims and benefits, includes claims and benefits in excess of account value for products for which deposit accounting is applied and the change in valuation of liabilities for insurance and investment contracts. The changes in valuation of liabilities for insurance contracts is the result of fair value changes of the guarantee provision and insurance contracts for account of policyholders as a result of decrease in interest rates, and the net fair value change of investments for account of policyholders (refer to note 20 'Results from financial transactions').

22. Commissions and expenses

	2019	2018*
Commissions	2	3
Administration expenses	4.275	3.374
Total	**4.277**	**3.377**

* prior year figures have been represented to align with current year's presentation due to rebooking of the management fees (expense) of EUR 2.9 million from 'Commission and expenses' to 'Fee and commission income'.

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

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

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

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

Members of the Board of Directors	2019	2018
Gross salary and social security contributions	2.830.360	2.810.534
Pension premium	337.611	303.019
Other benefits	433.793	419.870
Total	**3.601.765**	**3.533.423**

The members of the Board of Directors of Aegon Spaarkas have been granted Variable compensation, which is paid in both cash and Aegon N.V. shares. Detailed information on these Variable compensation plans are disclosed in the financial statements of Aegon Nederland.

Aegon Nederland allocates expenses to subsidiaries according to the extent to which the expenses incurred can be related to the activities of the subsidiary. With respect to the total remuneration of the Board of Directors of Aegon Nederland 1% (2018: 1%) was allocated to the income statement of Aegon Spaarkas.

Mortgage loans Board of Directors
On the reporting date, the current members of the Board of Directors had mortgage loans totaling EUR 3,462 thousand from a company associated with Aegon Nederland (2018: EUR 4,058 thousand) at variable interest rates ranging from 2.09% to 2.80% (2018: 2.14% to 2.90%) in line with the terms and conditions available to the employees of Aegon Nederland. No mortgages were provided during the year (2018: EUR 1,738 thousand) and repayments amount to EUR 596 thousand (2018: EUR 664 thousand). No other loans, guarantees or advance payments exist.

Remuneration Supervisory Board
Aegon Spaarkas has a Supervisory Board which is equal to the Supervisory Board of parent company Aegon Nederland. Members and former members of the Supervisory Board are regarded as key management personnel. The remuneration for current and former supervisory board members charged to the company in the financial year pursuant to Section 383:1 of Book 2 of the Dutch Civil Code was EUR 218 thousand (2018: EUR 163 thousand). This remuneration consists entirely of gross pay and the employer's share of social security charges. The members of the Supervisory Board employed by Aegon N.V. did not receive any remuneration for their membership. No payments were made in connection with severance schemes; no remuneration or rights

attaching to shares were granted. The members of the Supervisory Board of Aegon Spaarkas do not receive additional remuneration for this task.

Mortgage loans Supervisory Board
On the reporting date, none of the Supervisory Board members had mortgage loans from a company associated with Aegon Nederland and no other balances such as loans, guarantees or advance payments exist.

22.1. Remuneration Independent Auditor

PricewaterhouseCoopers Accountants N.V. has served as Aegon Spaarkas's independent public auditor during 2019 and audited these financial statements. The fees for services rendered to Aegon Spaarkas need not be disclosed in this Annual Report, based on article 382a of Book 2 of the Dutch Civil Code. The aggregate fees for services rendered by PricewaterhouseCoopers Accountants N.V. to the whole group of Aegon N.V. are disclosed in the Annual Report of Aegon N.V.

The services can be split into 'Audit assignments' and 'Audit-related assignments'.

Audit assignments
1. Audit of the financial statements of Aegon Spaarkas;
2. Audit of the regulatory reports (Wft staten) of Aegon Spaarkas as required by the Act on the financial supervision ('Wet op het financieel toezicht').

Included in these services are the other procedures required to be performed by the independent auditor to be able to form an opinion on Aegon Spaarkas's financial statements. These other procedures include information systems and procedural reviews and testing performed in order to understand and place reliance on the systems of internal control, and consultations relating to the audit or quarterly review.

Audit-related assignments
1. Assurance assignments other than assignments to audit or review historical financial information;
2. Audit of internal control procedures.

23. Interest charges and related fees

	2019	2018
Short-term liabilities and deposits	403	463
Total	**403**	**463**
Interest charges accrued on financial assets and liabilities not carried at FVTPL	403	463

24. Income tax

	2019	2018
Current tax		
- current year	1.296	8.276
Deferred tax		
- origination / (reversal) of temporary differences	-144	-2.437
- changes in tax rates / bases	-44	94
Income tax for the period (income) / charge	**1.108**	**5.933**

The weighted average applicable statutory tax rate for Aegon Spaarkas in 2019 and 2018 was 25%. In 2020 the applicable statutory tax rate is 25% and in 2021 and onwards will be 21,7%. The changes in the statutory tax rate have been taken into account in the (reversal of) deferred taxes.

Reconciliation between standard and effective corporate income tax:

	2019	2018
Income before tax	4.607	23.355
Income tax calculated using weighted average applicable statutory rates	1.152	5.839
Difference due to the effects of:		
- changes in tax rates / bases	-44	94
Income tax for the period (income) / charge	**1.108**	**5.933**

	2019	2018
Items that may be reclassified subsequently to profit and loss:		
Gains / losses on revaluation AFS investments	1.071	-361
Gains / losses transferred to the income statement on disposal and impairment AFS investments	-1.026	-549
	46	**-910**
Total income tax related to components of other comprehensive income	**46**	**-910**

25. Fair value of assets and liabilities

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

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

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

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

25.1. Fair value hierarchy

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

2019	Level I	Level II	Level III	Total
Assets carried at fair value				
AFS investments				
- Debt securities	42.047	89.829	-	131.877
FVTPL investments				
- Investments for account of policyholders	1.440.849	185.280	11.906	1.638.035
- Derivatives	-	527	-	527
Total assets	**1.482.897**	**275.637**	**11.906**	**1.770.440**
Liabilities carried at fair value				
- Derivatives	-	-	5.902	5.902
Total liabilities	**-**	**-**	**5.902**	**5.902**

2018	Level I	Level II	Level III	Total
Assets carried at fair value				
AFS investments				
- Debt securities	40.320	88.224	-	128.544
FVTPL investments				
- Investments for account of policyholders	1.385.213	130.046	35.011	1.550.270
Total assets	**1.425.532**	**218.270**	**35.011**	**1.678.813**
Liabilities carried at fair value				
- Derivatives	-	588	6.160	6.748
Total liabilities	**-**	**588**	**6.160**	**6.748**

Movements in Level III financial assets and liabilities measured at fair value

2019	As at 1-1-2019	Result income statement	Result OCI	Purchases	Sales	Transfers between I/II and III	As at 31-12-2019	Result year-end
Assets carried at fair value								
FVTPL investments								
- Investments for account of policyholders	35.011	2.229	-	4.272	-29.610	5	11.906	2.229
Total assets	**35.011**	**2.229**	**-**	**4.272**	**-29.610**	**5**	**11.906**	**2.229**
Liabilities carried at fair value								
- Derivatives	6.160	-258	-	-	-	-	5.902	-258
Total liabilities	**6.160**	**-258**	**-**	**-**	**-**	**-**	**5.902**	**-258**

2018	As at 1-1-2018	Result income statement	Result OCI	Purchases	Sales	Transfers between I/II and III	As at 31-12-2018	Result year-end
Assets carried at fair value								
FVTPL investments								
- Investments for account of policyholders	15.166	2.248	-	24.545	-6.948	-	35.011	2.248
Total assets	**15.166**	**2.248**	**-**	**24.545**	**-6.948**	**-**	**35.011**	**2.248**
Liabilities carried at fair value								
- Derivatives	5.626	534	-	-	-	-	6.160	534
Total liabilities	**5.626**	**534**	**-**	**-**	**-**	**-**	**6.160**	**534**

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

Significant transfers between Levels I/II/III

There were no significant transfers during 2018 and 2019.

Significant unobservable assumptions

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

2019	Carrying amount	Valuation technique	Significant unobservable input*	Range	Weighted average
Assets carried at fair value					
FVTPL					
Investments for account of policyholders	11.906	Broker quote	n.a.	n.a.	n.a.
Total assets at fair value	**11.906**				
Liabilities carried at fair value					
Derivatives					
- Bifurcated embedded derivatives	5.902	Discounted cash flow	Credit spread	0,20%	0,20%
Total liabilities at fair value	**5.902**				

2018	Carrying amount	Valuation technique	Significant unobservable input*	Range	Weighted average
Assets carried at fair value					
FVTPL					
Investments for account of policyholders	35.011	Broker quote	n.a.	n.a.	n.a.
Total assets at fair value	**35.011**				
Liabilities carried at fair value					
- Bifurcated embedded derivatives	6.160	Discounted cash flow	Credit spread	0,25%	0,25%
Total liabilities at fair value	**6.160**				

* Not applicable (n.a.) has been included when the unobservable inputs are not developed by Aegon Spaarkas and are not reasonably available.

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

Effect of changes in significant unobservable assumptions to reasonably possible alternatives

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

2019	Carrying amount	Significant unobservable input	Note	Effect of reasonably possible alternative assumptions	
				positive	negative
Liabilities carried at fair value Derivatives - Bifurcated embedded derivatives	5.902	Credit spread	a	-66	68

2018	Carrying amount	Significant unobservable input	Note	Effect of reasonably possible alternative assumptions	
				positive	negative
Liabilities carried at fair value Derivatives - Bifurcated embedded derivatives	6.160	Credit spread	a	-100	100

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

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

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

<u>Instruments not included in the table</u>
Certain financial assets and liabilities that are not carried at fair value are carried at amounts that approximate fair value, due to their short-term nature and generally negligible credit risk. These instruments include

- cash and cash equivalents,
- short-term receivables and accrued interest receivable,
- short-term liabilities and accrued liabilities
- internal group borrowings and group loans.

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

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

2019	At December 31		Level of fair value hierarchy		
	Carrying amount	Estimated fair value	Level I	Level II	Level III
Assets					
Mortgage loans	38.379	38.860	-	-	38.860
Private loans	8.243	8.457	-	-	8.457
Other	437	437	-	437	-

2018	At December 31		Level of fair value hierarchy		
	Carrying amount	Estimated fair value	Level I	Level II	Level III
Assets					
Mortgage loans	43.686	43.407	-	-	43.407
Private loans	9.965	10.268	-	-	10.268
Other	598	598	-	598	-

25.2. Fair value measurement

The description of Aegon Spaarkas' methods of determining fair value and the valuation techniques are described on the following pages.

25.2.1. Shares

When available, Aegon Spaarkas uses quoted market prices in active markets to determine the fair value of its investments in shares. For Level III unquoted shares, the net asset value can be considered the best approximation to the fair value. Net asset value is the value of an entity's assets minus the value of its liabilities and may be the same as the book value or the equity value of the entity. Also for unquoted shares, the fair value may be estimated using other methods, such as observations of the price/earnings or price/cash flow ratios of quoted companies considered comparable to the companies being valued. Valuations are adjusted to account for company-specific issues and the lack of liquidity inherent in an unquoted investment. Adjustments for lack of liquidity are generally based on available market evidence. In addition, a variety of other factors are reviewed by management, including but not limited to, current operating performance, changes in market outlook and the third-party financing environment.

25.2.2. Debt securities

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

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

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

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

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

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

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

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

Residential mortgage-backed securities (RMBS), commercial mortgage-backed securities (CMBS) and asset-backed securities (ABS)
Valuations of RMBS, CMBS and ABS are monitored and reviewed on a monthly basis. Valuations per asset type are based on a pricing hierarchy which uses a waterfall approach that starts with market prices from indices and follows with making use of third-party pricing services or brokers. The pricing hierarchy is dependent on the possibilities of corroboration of the market prices. If no market prices are available Aegon Spaarkas uses internal models to determine fair value. Significant inputs included in the internal models are generally determined based on relative value analysis, which incorporate comparisons to instruments with similar collateral and risk profiles. Market standard models may be used to model the specific collateral composition and cash flow structure of each transaction. The most significant unobservable input is liquidity premium which is embedded in the discount rate.

Corporate bonds
Valuations of corporate bonds are monitored and reviewed on a monthly basis. The pricing hierarchy is dependent on the possibility of corroboration of market prices when available. If no market prices are available, valuations are determined by a discounted cash flow methodology using an internally calculated yield. The yield is comprised of a credit spread over a given benchmark. In all cases the benchmark is an observable input. The credit spread contains both observable and unobservable inputs. Aegon Spaarkas starts by taking an observable credit spread from a similar bond of the given issuer, and then adjusts this spread based on unobservable inputs. These unobservable inputs may include subordination, liquidity and maturity differences.

Corroboration

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

25.2.3. Mortgage loans and private loans

For private loans, fixed interest mortgage loans and other loans originated by Aegon Spaarkas, the fair value used for disclosure purposes is estimated by discounting expected future cash flows using a current market rate applicable to financial instruments with similar yield and maturity characteristics. For fixed interest mortgage loans, the market rate is adjusted for expenses, prepayment rates, lapse assumptions (unobservable inputs), liquidity and credit risk (market observable inputs). An increase in expense spread, prepayment rates and/or prepayment assumptions, would decrease the fair value of the mortgage loan portfolio.

The fair value of floating interest rate mortgage 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.

25.2.4. Derivatives

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

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

Aegon Spaarkas normally mitigates counterparty credit risk in derivative contracts by entering into collateral agreements where practical and in ISDA[4] master netting agreements to offset credit risk exposure. In the event no collateral is held by Aegon Spaarkas or the counterparty, the fair value of derivatives is adjusted for credit risk based on market observable spreads.

Aegon Nederland's valuation of its euro-denominated derivatives positions in the Netherlands is based on the Overnight Index Swap curve.

25.2.5. Embedded derivatives in insurance contracts including guarantees

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

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

[4] International Swaps and Derivatives Associations

market returns, discount rates and actuarial assumptions. The most significant unobservable factor is own credit spread. The own credit spread used in the valuations of embedded derivatives in insurance contracts is 0.20% for the year-ended (2018: 0.25%).

Aegon Spaarkas extrapolates yield curves beyond market observable maturities. The discount rates converge linearly in 10 years to an Ultimate Forward Rate of 3.65% from the last liquid point. The uniform last liquid point for all Aegon Spaarkas' major currencies (EUR, USD and GBP) is set at 30 years.

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

Since many of the assumptions are unobservable and are considered to be significant inputs to the liability valuation, the liability included in future policy benefits has been reflected within Level III of the fair value hierarchy. See also note 13 'Guarantees'.

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

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

	2019		2018	
	Trading	Designated	Trading	Designated
Investments for general account	-	3.546	-	4.162
Investments for account of policyholders	-	1.638.035	-	1.550.270
Derivatives with positive values	527	-	-	-
Total financial assets at FVTPL	**527**	**1.641.581**	**-**	**1.554.431**

	2019		2018	
	Trading	Designated	Trading	Designated
Derivatives with negative values	-	5.902	588	6.160
Total financial liabilities at FVTPL	**-**	**5.902**	**588**	**6.160**

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

	2019		2018	
	Trading	Designated	Trading	Designated
Net gains and losses	-18.573	301.746	4.593	-135.511

Investments for general account

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

Investments for account of policyholders

Investments held for account of policyholders comprise assets that are linked to various insurance and investment contracts for which the financial risks are borne by the customer. Under the accounting policies of Aegon Spaarkas these insurance and investment liabilities are measured at the fair value of the linked assets with changes in the fair value recognized in the income statement.

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

Derivatives
With the exception of derivatives designated as a hedging instrument, all derivatives held for general account and held for account of policyholders are included in the table above. No loans and receivables were designated at fair value through profit or loss. Changes in the fair value of financial liabilities designated at fair value through profit or loss were not attributable to changes in credit spread, with the exception of the life contingent guarantees. There are also no differences between the carrying amounts of these financial liabilities and the contractual amounts payable at maturity (net of surrender penalties).

26. Commitment and contingencies

26.1. Investments contracted

In the normal course of business, Aegon Spaarkas has committed itself through purchase and sale transactions of investments, mostly to be executed in the course of 2020. The amounts represent the future outflow and inflow, respectively, of cash related to these investment transactions that are not reflected in the statement of financial position. Mortgage loans commitments represent undrawn mortgage loan facility provided and outstanding proposals on mortgages. The sale of mortgage loans relates to pre-announced redemptions on mortgage loans.

Contracted sales	2019	2018
Mortgage loans	822	722

26.2. Legal and arbitrary proceedings, regulatory proceedings and actions

Unit linked products
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 Spaarkas has made improvements across its product lines, including after settlements reached in 2009 with Stichting Woekerpolis and Stichting Verliespolis. In addition, Aegon Spaarkas decided to reduce future policy costs for the large majority of its unit-linked portfolio. This decision was expected to decrease income before tax over the remaining duration of the policies. The unit linked products are still involved in ongoing litigation.

In recent years claims regarding unit-linked policies have also been handled by the Klachteninstituut Financiële Dienstverlening ('KIFID') / KIFID is an independent body that offers an alternative forum for customers to file complaints or claims regarding financial services. Its decisions may be appealed to the courts. In 2017 the Appeal Committee of KIFID rendered decisions against other insurers. There are claims pending with KIFID filed by customers over Aegon products that arguably include similar allegations. At this time the decisions of KIFID and courts are far from homogenous. If KIFID were to finally decide unfavorably, there can be no assurances that ultimately the aggregate exposure to Aegon of such adverse decisions would not have a material adverse effect on Aegon's results of operations or financial position if the principles underlying any such decision were to be applied also to Aegon products.

Proceedings in which Aegon Spaarkas is involved
In June 2013, the Dutch Supreme Court turned down an appeal from Aegon Spaarkas against a ruling of the Court of Appeal with respect to a specific unit-linked product, "KoersPlan". As a result, Aegon Spaarkas compensated the approximately 35,000 holders of KoersPlan products who were plaintiffs in the litigation.

In June 2014, Aegon announced that it would voluntarily compensate holders of KoersPlan products who were not plaintiffs in the litigation. Compensation amounted to the difference, if any, between the actual premium charged by Aegon and the premium that would have been charged by Aegon for a comparable risk in a product providing only death benefit coverage over the same period. This product improvement is explicitly supported by the consumer interest group that initiated the court action over the KoersPlan product, Stichting Koersplandewegkwijt. A follow-up and extension of the Regeling Spaarbeleg for the Spaarbeurs and Spaarlift portfolio of Aegon Spaarkas started in 2017 and continued in 2019. Another follow-up improvement was announced in 2019 for the Fund/Safe portfolio.

Unit-linked products

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 sold in the past, including products over which Aegon was involved in litigation in the past, like the KoersPlan product. While the number of products to which the claim may relate was reduced by the court in its interlocutory ruling of October 28, 2016, it still concerns the majority of Aegon's unit-linked portfolio. The claim challenges a variety of elements of these products, on multiple legal grounds, including allegations made in earlier court cases. In June 2017 (and revised in December 2017), the court issued its 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 court did not give a judgement about the reasonableness of the cost levels and whether the previous compensation arrangements provide sufficient compensation. This court decision has been appealed by both parties.

Aegon expects the claims and litigation on unit-linked policies to continue for the foreseeable future. Developments in similar cases against other Dutch insurers currently before regulators, KIFID and courts may also affect Aegon. These matters will be defended vigorously; however, at this time, due to the nature and the type of claims, it is not practicable for Aegon to quantify a range or maximum liability or the timing of the financial impact, if any. There can be no assurance that such claims may not have a material adverse effect on Aegon's results of operations or financial position.

GDPR

In 2019 a number of GDPR breaches occurred within Aegon Nederland, for further information refer to our disclosures in note 1.8 of the Report of the Board of Directors. Management has taken appropriate action to remediate the matters noted and to improve processes, procedures and controls where needed.

27. Transfers of financial assets

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

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

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

Securities lending	2019	2018
Carrying amount of transferred financial assets	39.893	34.091
Fair value of cash collateral received	-20.803	-141
Fair value of non-cash collateral received	-21.543	-36.070
Net exposure	**-2.452**	**-2.120**
Non-cash collateral that can be sold or repledged in the absence of default	21.543	36.070
Non-cash collateral that has been sold or transferred	-	-

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

28. Offsetting, enforceable master netting arrangements and similar arrangements

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

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

Aegon Spaarkas mitigates credit risk in derivative contracts by entering into collateral agreements, where practical, and in ISDA master netting agreements for each of the legal entities of Aegon Spaarkas to facilitate Aegon Spaarkas' right to offset credit risk exposure.

Aegon Spaarkas can receive collateral related to derivative transactions that it enters into. The credit support agreement will normally dictate the threshold over which collateral needs to be pledged by Aegon Spaarkas or its counterparty. Transactions requiring Aegon Spaarkas or its counterparty to post collateral are typically the result of over-the-counter derivative trades, comprised mostly of interest rate swaps, currency swaps and credit swaps.

<u>Financial assets / liabilities subject to offsetting, enforceable master netting arrangements and similar agreements</u>

	Assets		Liabilities	
	2019	2018	2019	2018
Financial instruments in balance sheet				
Gross (=Net) amounts of financial instruments	527	-	-	588
Related amounts not set off				
- Financial instruments	-	-	-	-
- Cash collateral pledged (excluding surplus collateral)	500	-	-	588
Net amount at December 31	**27**	**-**	**-**	**-**

29. Related party transactions

In the normal course of business, Aegon Spaarkas enters into various transactions with related parties. The principal ones are described in this section. Parties are considered to be related if one party has the ability to control or exercise significant influence over the other party in making financial or operating decisions. Transactions between related parties have taken place on an arm's length basis, and include rendering and receiving of services, leases, transfers under finance arrangements and provisions of guarantees or collateral. There are no significant provisions for doubtful debts or individually significant bad debt expenses recognised on outstanding balances with related parties.

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

Aegon Spaarkas participates in the treasury and derivative valuation services of Aegon N.V. The interest rate swaps that Aegon Spaarkas uses to mitigate interest rate risk are concluded with Aegon Derivatives N.V. Aegon Spaarkas paid cash collateral on derivative positions via Aegon Derivatives N.V. See for more information note 9 'Long-term loans and group loans .

At the end of the year, Aegon Spaarkas had a current account payable to Aegon Nederland, see note 16 'Other liabilities and accruals'.

Aegon Spaarkas has loans with group companies, see note 9 'Long-term loans and group loans'.

All transactions with group companies pass through Aegon Nederland and are accounted for in the current account with Aegon Nederland. Aegon Levensverzekering provided Aegon Spaarkas with administrative support and facilities at cost. Total recharged expenses were EUR EUR 0,4 million in 2018; no expenses were recharged in 2019. In addition, overhead expenses of EUR 2.6 million (2018: EUR 2,7 million) were recharged.

Investment and derivative activities are undertaken through Aegon Investment Management B.V. and securities custody through Aegon Custody B.V. Costs are recharged on normal commercial terms. The recharge was EUR 3.6 million (2018: EUR 3,0 million). Furthermore Aegon Spaarkas received a management fee of EUR 6,3 million (2018: EUR 7,0 million). Refer to note 19 'Fee and commission income' for more information.

30. Events after the reporting period

Since January 2020, the Coronavirus disease (COVID-19) outbreak is causing significant disruption to society, impacting Aegon Spaarkas, its suppliers and customers.

Financial markets have been severely impacted by significant decreases in interest rates, equity markets and commodity prices. Governments and central banks worldwide are responding to this crisis with aid packages and further quantitative easing. At the date of this report the depth and length of this crisis is unknown.

Aegon Spaarkas is continuously monitoring the market and economic turbulence that has arisen as a consequence of the COVID-19 outbreak, and its impact on Aegon Spaarkas. The most significant risks Aegon Spaarkas faces are related to financial markets (particularly credit, equity and interest rates), and underwriting risks (particularly related to mortality, morbidity and policyholder behavior). Developments in interest rates as a result of the COVID-19 crisis could take place. Aegon Spaarkas is continuously monitoring the interest rate developments and the related liquidity position, taking necessary management actions to prepare for such an event Aegon Spaarkas closely matches the duration of the investments held in relation to the insurance obligations. In addition, a large proportion of the insurer's investments are generally very liquid and can therefore be quickly converted into cash. The notes to Aegon Spaarkas' financial statements include elaborate descriptions and related financial market sensitivities. Aegon Spaarkas continues to monitor claim activity, including the developments with respect to mortality, morbidity and policyholder behaviour. At the date of this report it is too early to tell what the impact of the COVID-19 crisis will be on Aegon Spaarkas' underwriting results and Aegon Spaarkas' long term underwriting and economic assumptions. The capital position of Aegon Spaarkas ultimo 2019 forms a solid basis to absorb the impact of the COVID-19 outbreak.

Aegon Spaarkas has invoked its business continuity plans to help ensure the safety and well-being of its staff, as well as its capability to support its customers and maintain its business operations.

Although, as described above, the uncertainties associated with the COVID-19 outbreak are high and it is not currently possible to estimate future effects, we believe that based on current insights, no material uncertainty relating to going concern exist and therefore the going concern assumption used in preparing the financial statements is appropriate.

Except for the Coronavirus disease outbreak as described before, there are no other post reporting date events and expectations that have not already been taken into account in the directors' report or financial statements.

31. Approval of the financial statements

The financial statements of Aegon Spaarkas for the year ended 31 December 2019 were approved by the Board of Directors and by the Supervisory Board on April 8, 2020.

The financial statements will be put for adoption to the General Meeting of Shareholders. The shareholders meeting may decide not to adopt the financial statements, but may not amend these during the meeting.

32. Proposal for profit appropriation

A proposal will be put to the General Meeting of Shareholders to appropriate the result for the financial year of EUR 3.5 million to the retained earnings. This proposal has been incorporated in the financial statements.

The Supervisory Board have agreed in their meeting on March 30, 2020 that due to the Covid-19 health measures in force in April 2020, preventing in-person meetings, the Members of the Board will authorize the Chairman to sign the annual accounts on their behalf. The Board Members fully agree with the contents of the annual report, and a record of this meeting and the individual agreement of the Supervisory Board Members is kept by the Secretary of the Board. Therefore, the signatures of the Supervisory Board Members are not present as covered by article 2:101 section 2 of Book 2 of the Dutch Civil Code.

The Hague, April 8, 2020

The Supervisory Board,

D. Jansen Heijtmajer (chair)	
G.J.M. Vrancken	
M.J.E. Hoek	
G.T. Kepecs	
D.F.R. Jacobovits de Szeged	

The Board of Directors have agreed in their meeting on March 30, 2020 that due to the Covid-19 health measures in force in April 2020, preventing in-person meetings, the Members of the Board will authorize the Chairman to sign the annual accounts on their behalf. The Board Members fully agree with the contents of the annual report, and a record of this meeting and the individual agreement of the Board Members is kept by the Secretary of the Board. Therefore, the signatures of the Board Members are not present as covered by article 2:101 section 2 of Book 2 of the Dutch Civil Code.

The Hague, April 8, 2020

The Board of Directors,

M.J. Edixhoven (chair)	
B. Magid	
W.A. Hekstra	
A. Schlichting	
W. Horstmann	

Other information

Statutory provisions regarding profit appropriation

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

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

Independent auditor's report

Independent auditor's report

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

Report on the financial statements 2019

Our opinion

In our opinion, the financial statements of Aegon Spaarkas N.V. ('the Company') give a true and fair view of the financial position of the Company as at 31 December 2019, and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code.

What we have audited

We have audited the accompanying financial statements 2019 of Aegon Spaarkas N.V., Leeuwarden.

The financial statements comprise:
- the statement of financial position as at 31 December 2019;
- the following statements for 2019: the income statement, the statements of comprehensive income and changes in equity as well as the cash flow statement; and
- the notes, comprising the significant accounting policies and other explanatory information.

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

The basis for our opinion

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

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

Independence

We are independent of Aegon Spaarkas N.V. in accordance with the European Union Regulation on specific requirements regarding statutory audit of public-interest entities, the 'Wet toezicht accountantsorganisaties' (Wta, Audit firms supervision act), the 'Verordening inzake de onafhankelijkheid van accountants bij assuranceopdrachten' (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence requirements in the Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA, Dutch Code of Ethics).

Our audit approach

Overview and context

Aegon Spaarkas N.V. is a medium sized insurance company specialized in life insurance products, mainly tontine plans. We paid specific attention to the areas of focus driven by the operations of the Company, as set out below.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where the board of directors made important judgements, for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. In note 3 'Critical accounting estimates and judgment in applying accounting policies' of the financial statements the Company describes the areas of judgement in applying accounting policies and the key sources of estimation uncertainty. Given the significant estimation uncertainty and the related higher inherent risks of material misstatement in the valuation of liabilities arising from insurance contracts for account of policyholders and the fair value of 'hard to value' financial instruments, we considered these matters as key audit matters as set out in the section 'Key audit matters' of this report. Furthermore, we identified uncertainties in policyholder claims and litigation and disclosures on the capital position based on Solvency II regulations which we also considered to be a key audit matter.

Given the importance of information technology (IT) for the Company and hence for our audit of the financial statements, we have, to the extent relevant to our audit, paid specific attention to the IT dependencies and IT general controls, which comprise the policies and procedures to ensure reliable automated processing of information used for financial reporting purposes, and relevant application controls.

We ensured that the audit team included the appropriate skills and competences which are needed for the audit of an insurance company such as Aegon Spaarkas N.V. This included industry expertise in life insurance and asset management. We, therefore, included specialists and experts in the areas of actuarial, IT, tax and valuation of certain types of assets (e.g. complex financial instruments) and liabilities arising from insurance contracts in our team.

The outline of our audit approach was as follows:

Materiality

- Overall materiality: €9.3 million.

Audit scope

- We included all regulated insurance operations in the scope of our audit, including the investments managed by related parties within the Aegon group.

Key audit matters

- Valuation of liabilities arising from insurance contracts for account of policyholders.
- Fair value of 'hard to value' financial instruments.
- Uncertainties in policyholder claims and litigation.
- Disclosures on the capital position based on Solvency II regulations

Materiality

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

Based on our professional judgement we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and to evaluate the effect of identified misstatements, both individually and in aggregate, on the financial statements as a whole and on our opinion.

Overall materiality	€9.3 million (2018: €10 million).
Basis for determining materiality	At the start of the planning of our audit we performed a stakeholders' analysis that identified suitable benchmarks and thresholds for determining overall materiality for the financial statements. We utilised quantitative and qualitative measures that included the perspective of the common information needs of the parent company, policyholders, creditors and regulators for assessing suitable benchmarks and thresholds for determining overall materiality. Our evaluation of overall materiality, based on our professional judgment, has been based on applying 4% of equity (2018: 4%). This resulted in an initial overall materiality of €9.3 million (2018: €10 million). The allocated materiality to the Company from the auditor of the ultimate parent Company (Aegon N.V.) that was used for group reporting purposes amounted to €72 million (2018: €71 million). We applied the lower of the two amounts as overall materiality in our audit of the financial statements.
Rationale for benchmark applied	Capital, i.e. solvency is a key measurement for regulators, policyholders and other creditors. Accordingly, we used a percentage of the Company's equity as a quantitative benchmark for determining the potential overall materiality as referred to above. The allocated materiality to the Company agreed with the auditor of the ultimate parent company Aegon N.V. reflects its shareholders perspective on the financial performance of the Company's operations and is based on profit before tax.

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

We agreed with the supervisory board that we would report to them misstatements identified during our audit above €465,000 (2018: €500,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Our focus on the risk of fraud and non-compliance with laws and regulations

Our objectives

The objectives of our audit are:

In respect of fraud:

- to identify and assess the risks of material misstatement of the financial statements due to fraud;
- to obtain sufficient and appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate audit responses; and
- to respond appropriately to fraud or suspected fraud identified during the audit.

In respect of non-compliance with laws and regulations:

- to identify and assess the risk of material misstatement of the financial statements due to non-compliance with laws and regulations; and
- to obtain reasonable assurance that the financial statements, taken as a whole, are free from material misstatement, whether due to fraud or error when considering the applicable legal and regulatory framework.

The primary responsibility for the prevention and detection of fraud and non-compliance with laws and regulations lies with the board of directors with the oversight of the supervisory board. We refer to the section 'Risk management' of the financial statements where the board of directors has included their perspectives on fraud risk.

Risk of fraud

As part of our process of identifying fraud risks, we evaluated fraud risk factors with respect to financial reporting fraud, misappropriation of assets and bribery and corruption. We evaluated the fraud risk factors to consider whether those factors indicated a risk of material misstatement due to fraud.

As in all of our audits, we addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the board of directors that may represent a risk of material misstatement due to fraud. We evaluated the design and the implementation and, where considered appropriate, tested the operating effectiveness of internal controls that mitigate fraud risks, tested high-risk manual journal entries and evaluated key estimates and judgments for bias by the board of directors, and finally we incorporated elements of unpredictability in our audit. We refer to the key audit matters on valuation of insurance contracts and certain investments, that are examples of our approach related to areas of higher risk due to accounting estimates where the board of directors makes significant judgments.

We have performed an assessment of matters reported on the (Aegon group's) whistleblowing procedures with the entity and results of the board of director's investigation of such matters.

Risk of non-compliance with laws and regulations

There is an industry risk that emerging compliance or litigation areas have not been identified and or addressed by management for financial statement purposes. This includes the consideration whether there is a need for the recognition of a provision or a contingent liability disclosure on the future outcome of legal or regulatory processes.

In line with Standard 250 we made in our audit approach a distinction between those laws and regulations in our audit approach that:

- Have a direct effect on the determination of material amounts and disclosures in the financial statements. For this category, in line with the requirements as included in Standard 250, we obtained sufficient audit evidence regarding compliance with the provision of those laws and regulations; and
- Do not have a direct effect on the determination of material amounts and disclosures in the financial statements, but where compliance may be fundamental to the operating aspect of the business, to the Company's ability to continue its business or to avoid material penalties. For this category, we performed specific procedures to identify non-compliance with those laws and regulations that may have a material effect on the financial statements.

We identified that the risk of non-compliance with laws and regulations relates mainly to the laws and regulations that have an indirect impact on the financial statements, such as anti-money laundering and anti-terrorist financing regulations, as well as regulations linked to the operating licenses for the Company's activities (insurance, asset management) including Solvency II.

Key audit matters

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

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

Due to the nature of the insurance industry and economic environment the following key audit matters from the prior year remain significant and are expected to occur year over year:

– Valuation of liabilities arising from insurance contracts for account of policyholders;
– Fair value of 'hard to value' financial instruments;
– Uncertainties in policyholder claims and litigation; and
– Disclosures on the capital position based on Solvency II regulations.

Key audit matter	***Our audit work and observations***
Valuation of liabilities arising from insurance contracts for account of policyholders. *Refer to Note 2.11 'Insurance contracts', Note 12 'Insurance contracts for account of policyholders' and Note 4.2.9. 'Underwriting risk' to the financial statements for the related disclosures.* The Company insurance contracts for account of policyholders stated at €1,696 million (2018: €1,616 million) at December 31, 2019 representing 97% (2018: 96%) of the Company's total liabilities. This area	Our audit focused on the application of complex valuation models and the judgments applied in the assumption setting process. We assessed the design and tested the operating effectiveness of internal controls over the actuarial process that were relevant for the purpose of our audit, including the board of director's determination and approval process for setting economic and actuarial assumptions as well as controls over the Company's actuarial analyses, including estimated versus actual results and experience studies. We assessed the Company's model validation

Key audit matter	*Our audit work and observations*
involves the use of complex valuation models and significant judgment over uncertain future outcomes, including the timing and ultimate full settlement of long-term policyholder liabilities, including related guarantees, and as a result is more subject to material misstatement. Therefore, we consider this area a key matter for our audit. To assess the adequacy of the liabilities for insurance contracts for account of policyholders, the Company performs liability adequacy testing. This test is performed to verify that the valuation of the liabilities is adequate compared to the expected future contractual cash flows. Consistent with the insurance industry, the c uses valuation models to support the calculations of the insurance contract liabilities. The complexity of the models may give rise to errors as a result of inadequate/incomplete data or design or application of the models. Models considered more complex and/or requiring significant judgment in the setting of assumptions are those in respect of the guarantees associated with universal life and annuities along with the tontine plans. The main assumptions used in measuring the liabilities for insurance contracts for account of policyholders relate to mortality, morbidity, investment return, future expenses and policyholder behaviour. Significant judgment is applied in setting these assumptions. Given the magnitude of the insurance contract liabilities for account of policyholders and the sensitivities as explained in Note 12 'Insurance contracts for account of policyholders' and note 4.2.9. 'Underwriting risk', a change in assumptions (especially mortality, morbidity and policyholder behaviour) could have a significant impact on net income and shareholders' equity.	procedures in respect of models that are considered medium and higher risk as a result of complexity and/or magnitude. Our procedures did not identify significant deficiencies. We performed audit procedures over the complex valuation models and the model updates to determine that the models and systems calculated the insurance contract liabilities adequately. For the models used, we considered the appropriateness of data used, as well as actuarial and economic judgments applied, which may vary depending on the product and/or the specifications of the product, and the compliance of the models with the applicable accounting standards. Our work on the liability adequacy test included assessing the reasonableness of the projected cash flows and challenging the main assumptions adopted in the context of both the Company's and industry experience and specific product features, as well as reconciliations to supporting audit information. The quality of previous years' assumptions was assessed by the analyses of the actual versus expected developments. Based on our procedures performed, we found that the assumptions set by the board of directors are supported by available audit information and are within a range we consider acceptable based on the Company and market experience. We also validated that the disclosures in the financial statements are adequate and in accordance with EU-IFRS. We found the disclosures to be appropriate in this context.
Fair value of 'hard to value' financial instruments. *Refer to Note 2.5 'Investments', Note 2.6 'Investments for account of policyholders', Note 2.7 'Derivatives', Note 6 'Investments', Note 7 'Investments for account of policyholders', Note 8 'Derivatives' and Note 25 'Fair value of assets and liabilities' to the financial statements for the related disclosures.* The Company's investment portfolio including net derivative liabilities totalling €1,812 million (2018: €1,726 million) represents 91% (2018: 89%) of the	We assessed the design and tested the operating effectiveness of internal controls over the investments' valuation and impairment process including the board of director's determination and approval of assumptions and methodologies used in model-based calculations, controls over data integrity and change management for internally operated valuation models and the board of director's review of valuations provided by external experts or data vendors. Based on this work, we found that we, to the extent relevant for our audit, could rely on these controls.

Key audit matter	Our audit work and observations
Company's total assets. The majority of the portfolio consists of more traditional investments with a straightforward valuation. The areas that involved significant audit effort and judgment were the valuation of instruments that are valued based on models and assumptions that are not observable by third parties and/or for which valuation is provided by external experts or data vendors. These investments are generally considered model-based level II and level III as included in Note 25 'Fair value of assets and liabilities'. Those investments have a higher potential risk to be affected by error or management bias. Therefore, these areas are considered a key audit matter. Our focus considered both the positions that are presented at fair value on the balance sheet and those positions carried at amortized cost on the balance sheet, but for which the fair value is required to be disclosed or relevant to determine the excess value utilized in the liability adequacy test. The risk was not uniform for all investment types and is considered higher for financial instruments traded in the absence of an active market as the fair value of those instruments is estimated by using other market observable data, such as corroborated external quotes and present value or other valuation techniques using unobservable data.	We performed substantive audit procedures to supplement procedures over internal control testing. We either performed an independent valuation or we assessed the appropriateness of the models and assumptions used that drive the valuation. We assessed pricing models and the underlying methodologies against industry practice and relevant valuation guidelines. We compared assumptions used against appropriate benchmarks and external pricing sources, investigated significant valuations using valuation statements, independent broker quotes and underlying financial data, where applicable. In addition, retrospective testing was performed to assess the quality of previous estimates and assumptions. Based on our procedures, we concluded that the valuation of these investments were within the bandwidth that we consider as acceptable. We also validated that the disclosures in the financial statements are adequate and in accordance with EU-IFRS. We found the disclosures to be appropriate in this context.
Uncertainties in policyholder claims and litigation. *Refer to Note 26.2 'Legal and arbitrary proceedings, regulatory proceedings and actions' to the financial statements for the related disclosures.* The insurance industry continues to face consumer activism and regulatory scrutiny over product design and selling practices. The Company has encountered claims and litigations in this respect. Depending on the actual legal position and expectations from the board of directors, claims, including litigation related, are either provided for as a liability or reflected as contingent liabilities in the notes to the financial statements, based on the criteria as outlined in IAS 37. The Company uses internal and external legal experts, where applicable, to evaluate its legal positions. Given the uncertainty and judgment in this area in terms of valuation and presentation and disclosure, this area is subject to the risk of understatement of recorded liabilities and	We gained an understanding of the policyholders' claims and litigations through discussions with the board of directors, including general legal counsel and the compliance office. We have read the internal position papers prepared by the Company. We also obtained lawyers' letters to the extent considered necessary for our audit. For all (potential) material claims, we tested the underlying facts and circumstances considered and assessed the best estimate of outflows as determined by the Company. We tested that the Company has adequately reflected the claims and litigations in either the provisions or the contingent liabilities by assessing these against the criteria in IAS 37. In this respect we assessed whether the Company has a present obligation (legal or constructive) as a result of a past event, whether it is probable (i.e. more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Key audit matter	***Our audit work and observations***
incomplete disclosure of contingent liabilities. Therefore, we determine this as a key audit matter.	We also validated that the disclosures in the financial statements are adequate and in accordance with EU-IFRS. We found the disclosures to be appropriate in this context.
Disclosures on the capital position based on Solvency II regulations *Refer to Note 4.4 'Capital management and solvency' to the financial statements for the related disclosures* The Company, as an insurance Company, determines the required capital to cover the risk exposure based on the Solvency II requirements. The capital position is determined based upon the available funds (€186 million) and the required capital (€47 million). This results in a solvency ratio of 395% as per December 31, 2019. The risk of misstatements is higher due to estimates and complex valuation models. The fact that the solvency ratio constitutes an important key indicator and the Solvency II information is relevant within the Company's capital and dividend policy means that we considered the audit of this information to be important. Available capital The determination of the available capital position is based on the economic balance sheet drawn up by the Company. Several important estimates and valuation models are applied which use input not observable in the market. The main estimates are: • The cash flows used to determine the economic value of the technical provisions (parameters and assumptions with respect to mortality, morbidity, investment returns, policyholder behaviour and future expenses); • Material contingencies; • Projected fiscal results and an analysis of future realisations. Required capital For some risks the Company uses a partial internal model approved by the Dutch Central Bank (or DNB) to determine the capital requirements. For the other risks, the standard formula is applied.	Available capital We tested the economic balance sheet, which was drawn up for the determination of the available capital, against the valuation, classification criteria of the Solvency II regulations. We tested the estimates to determine the cash flows (parameters and assumptions with respect to mortality, morbidity, policyholder behaviour and future expenses), based on historical developments within the insurance portfolio and market developments. We challenged the assumptions made by the board of directors for feasibility and impact by testing them against information available at the Company and relevant market developments. We determined that the board of director's estimates are substantiated and that we consider the estimates to be reasonable. Required capital We tested the capital requirements for each risk component as to whether these were calculated in accordance with the criteria of the Solvency II regulations or the approved internal model where applicable. For this purpose, we tested the internal control procedures concerning the data used, the model governance and the calculation process. We also tested the data and calculations applied. Based on this no material findings have been noted. We tested the loss absorbing capacity of deferred taxes that is taken into account in determining the required capital. On the basis of this test, we evaluated the projections of future (fiscal) results which included the evaluation of the reliability of the forecasted results. These forecasted results are based upon approved business plans, on which we performed retrospective testing. We determined that the valuation differences between the fiscal and the Solvency II valuation were taken into account in the correct year of the projection. Furthermore we focussed on the accuracy of the movements in the expected results due to measures to recover that capital position, the correct timing of the inclusion of losses from the shock in fiscal results and

Key audit matter	*Our audit work and observations*
An important estimate for determining required capital is the loss-absorbing capacity of deferred taxes in case of a shock in the solvency capital (LAC-DT). The main elements are disclosed under available capital above.	the correct application of regulations with respect to the offsetting of losses. We also verified whether the adjustment to the corporation tax rate that was recently passed by Parliament was processed correctly in the loss-absorbing capacity calculation. We determined that the board of director's estimates were adequately substantiated by audit-evidence. Other We have taken note of the correspondence with DNB and the findings reported therein with respect to the calculations of the capital position. Disclosures We have assessed that the disclosures relating to the available capital and the disclosures of the required capital are adequate. We also verified the compliance with the applicable financial reporting framework. We found the disclosures to be appropriate in this context.

Emphasis of matter- uncertainty related to the effects of the corona virus (COVID-19)

We draw attention to note 30 of the financial statements in which the board of directors have described the possible impact and consequences of the corona virus (COVID-19) on the Company and the environment in which the Company operates as well as the measures taken and planned to deal with these events or circumstances. This note also indicates that uncertainties remain and that currently it is not reasonably possible to estimate the future impact. Our opinion is not modified in respect of this matter.

Report on the other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

- the report of the Board of Directors;
- the report of the Supervisory Board; and
- the other information pursuant to Part 9 of Book 2 of the Dutch Civil Code.

Based on the procedures performed as set out below, we conclude that the other information:

- is consistent with the financial statements and does not contain material misstatements;
- contains the information that is required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained in our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing our procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of such procedures was substantially less than the scope of those performed in our audit of the financial statements.

The board of directors is responsible for the preparation of the other information, including the directors' report and the other information in accordance with Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Our appointment

We were initially appointed as auditors of Aegon Spaarkas N.V. by its shareholder Aegon Nederland N.V. by the passing of a resolution by the shareholders of Aegon N.V. at the annual meeting held on 15 May 2013. We are the independent auditor for a total uninterrupted period of 6 years.

No prohibited non-audit services

To the best of our knowledge and belief, we have not provided prohibited non-audit services as referred to in Article 5(1) of the European Regulation on specific requirements regarding statutory audit of public-interest entities.

Services rendered

The services, in addition to the audit, that we have provided to the Company, for the period to which our statutory audit relates, are disclosed in note 22.1. 'Remuneration Independent Auditor' to the financial statements.

Responsibilities for the financial statements and the audit

Responsibilities of the board of directors and the supervisory board for the financial statements

The board of directors is responsible for:

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

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

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

Our responsibilities for the audit of the financial statements

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

Materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

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

Amsterdam, 8 April 2020
PricewaterhouseCoopers Accountants N.V.

Original signed by: A.R. Vermeulen RA MSc

Appendix to our auditor's report on the financial statements 2019 of Aegon Spaarkas N.V.

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

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

We have exercised professional judgement and have maintained professional scepticism throughout the audit in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit consisted, among other things of the following:

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

We communicate with the supervisory board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit. In this respect, we also issue an additional report to the audit committee in accordance with Article 11 of the EU Regulation on specific requirements regarding statutory audit of public-interest entities. The information included in this additional report is consistent with our audit opinion in this auditor's report.

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