Annual report 2021

Aegon Spaarkas N.V.

Aegon Spaarkas N.V.
Snekerkade 1
8911 AA Leeuwarden

Contents

Report of the Board of Directors

1. General information

Aegon Spaarkas N.V. ('Aegon Spaarkas'), 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 30001360.

1.1. Group Structure

Aegon Spaarkas is a wholly owned subsidiary of Aegon Nederland N.V. ('Aegon Nederland'). Aegon Spaarkas' ultimate holding company is Aegon N.V. ('Aegon').

1.2. Strategy, purpose and mission statement

Aegon has existed for almost 180 years. In this period, Aegon has grown from a local Dutch company into an international financial services provider. Aegon Nederland serves more than 2 million customers in the Netherlands who have taken out an Aegon labeled product or service, of which approximately 800 thousand are administered by TKP. Moreover, more than 3 million customers are using products or services from Knab, Aegon Nederland's online bank, or are customers through Aegon Nederland's service providers TKP Pensioen, Robidus, or Nedasco.

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

On December 10, 2020 at the Capital Markets Day, Aegon N.V. announced its new global strategy and financial targets. Within the refocused strategy, the Netherlands was designated as a core market.

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

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

Financial Assets

The Life activities of Aegon Nederland (i.e. Aegon Levensverzekering and Aegon Spaarkas) are considered a "Financial Asset". Aegon has established a dedicated team to manage these businesses, which is responsible for maximizing its value through active in-force management, disciplined risk management and capital management actions. These actions are focused on protecting the capital position, increasing capital generation, and reducing expenses by outsourcing of the servicing of the life-books. As of June 1, 2020, the Individual Life book is serviced by IBM. Aegon selectively competes in the defined benefit market with a focus on products with higher returns and a moderate risk profile. This also includes supporting employers in their transition towards defined contribution solutions under the new pension agreement.

1.3. 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.

1.4. Composition of the Board of Directors

In 2021 the Board of Directors consisted of the following members: Mrs. A.C.C. van Hövell-Patrizi (as of June 15, 2021 and successor to Mr. M.J. Edixhoven who resigned on May 11, 2021), Mrs. A.H.T.M. Schlichting (until April 4, 2022), Mr. B. Magid, Mr. W.A. Hekstra (until July 1, 2021) and Mr. W. Horstmann (until February 1, 2022). Section 1.8 'Inclusion and diversity' describes the measures and initiatives Aegon Levensverzekering has taken to increase (gender) diversity.

1.5. Employees

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

1.6. Key elements of policy

During 2021, the Board of Directors discussed several important subjects and developments, regularly in the presence of the Solvency II key function holders and other senior managers. The Board of Directors discussed topics, such as: the further execution (and monitoring) of key strategic change initiatives, strategy of the business portfolio, Aegon's transformation program, the new target operating model and functional governance, transformation of the Aegon Nederland organization, cost and capital management, financial and non-financial controls, people management, sustainability, responsible business, potential divestments and acquisitions, developments related to COVID-19 and relevant laws and regulations.

1.7. 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. Further the remuneration policy of Aegon Bank, a subsidiary of Aegon Nederland, is in line with the Regulation on Sound Remuneration Policies (Regeling beheerst beloningsbeleid as issued by the Dutch Central Bank (DNB)) and remuneration requirements from the Capital Requirements Directive IV (Richtlijn kapitaalvereisten - CRD IV). In addition the policy is in line with various remuneration guidance, technical requirements and standards from the European Banking Authority applicable to banks within the European Economic Area (EEA) as declared by European Commission (EC). For the purpose of the application of the applicable national and international regulations Aegon Bank is regarded as a local or less significant financial institution.

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 an annual basis.

Remuneration and scope
Remuneration may include both financial and non-financial compensation provided by the company either directly or indirectly. Financial compensation consists among other things of cash, shares, employer's contribution, pension schemes. Non-financial compensation consists among other things of the 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 statutory members of the Board of Directors of Aegon Nederland are eligible for the Aegon Variable Compensation plan. Other non-statutory board members are not eligible for the Aegon Variable Compensation plan. Also, 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 the Aegon Variable Compensation plan.

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 of 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 2021. The Supervisory Board approved the 2021 performance 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 the prior Aegon Variable Compensation plan years that vested in 2021. This remuneration was within Aegon Nederland's remuneration policy. Due to the leave of the former CEO in 2021, the CFO of Aegon Nederland was granted a one-off fixed allowance in 2021 for temporarily replacing the CEO-position and giving additional support to the onboarding of the new CEO. No retention payments were made. There were no welcome and exit arrangements granted in 2021 outside of the policy.

The total income of the Board of Directors in 2021 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 all employees of Aegon Nederland. The total amount of variable compensation paid out (in cash or shares) to the members of the Management Team of Aegon Nederland in 2021 was EUR 0.4 million (2020: EUR 0.5 million). In 2020 and 2021 no individuals received a total annual compensation equal to or higher than EUR 1 million. The malus clause was applied on variable remuneration granted conditionally to MRT. There was no claw back of previously granted variable remuneration.

For more information regarding the remuneration of the Board of Directors please refer to note 20 'Commissions and expenses' in the financial statements.

1.8. Inclusion and diversity

During the entire year of 2021 the composition of the Supervisory Board has been balanced, as at all times at least one third of the seats were occupied by men and one third by women. From 15 June 2021 onwards, the composition of the Board of Directors has also been balanced, as from that date on at least one third of the seats were occupied by men and one third by women. In addition to a balanced composition within the Supervisory Board and the Board of Directors we also aim for more gender diversity within our senior management population. In 2018 Aegon Nederland added a new dimension to corporate social responsibility in the Netherlands: Equal pay for men and women. In agreement with the social partners we conducted an equal pay study, to learn more about potential gender pay gaps. The research identified an overrepresentation of men in senior (and thus higher-paid) positions. Over the last few years, Aegon Nederland took steps to address this, by setting targets for the number of women in application procedures, making equality a more central factor in succession planning at the top of the company, and by raising awareness on the impact of unconscious bias in the decision-making process. As a follow up on the equal pay study, Aegon Nederland conducted an analysis of a possible glass ceiling in 2021. The results have yet to be published. But we are confident that this analysis will give us valuable input to continue our effort on further enhancing equal opportunities within Aegon Nederland. And we will continue to work toward achieving greater gender balance at senior management level. Other steps we took in 2021 include the organization of a diversity week, the (pilot) launch of a career sponsoring program for female talents and a sponsorship of the 'visibility week', hosted by BrandedU. We continue to work on further integrating inclusion and diversity in Aegon Nederland's core policies and our supplier code of conduct, demonstrating our commitment to this important topic. This also shows how we are maturing in terms of this ambition.

Aegon Nederland has also taken note of the act that has been adopted in 2021 relating to more balanced male-female ratio on management and supervisory boards (*wet evenwichtige man vrouwverhouding*, the **Gender Act**) and take this Gender Act into account in connection with its existing inclusion and diversity initiatives.

1.9. 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, and Aegon Levensverzekering N.V. is subject to prudential supervision of the DNB.

Furthermore, the Dutch Data Protection Authority (Dutch DPA) supervises processing of personal data in order to ensure compliance with laws that regulate such use. 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.

For more information regarding regulation and supervision please refer to note 4.3 'Regulation and supervision' in the financial statements.

1.9.1. Privacy

Privacy is a key risk in the data strategy of Aegon Nederland. Further enhancement of the maturity of privacy compliance to safeguard the interests of our customers, employees and other stakeholders, continues to be a priority of management and several enhancement initiatives are underway. Increasing attention is given to digital ethics and privacy.

Aegon Nederland has taken appropriate measures to mitigate risks related to personal data breaches. Aegon Nederland has procedures in place to ensure that personal data breaches can be easily reported internally and that breaches are followed up to mitigate the consequences and to avoid breaches in the future. Awareness of these procedures and the importance to take due care when processing personal data to avoid breaches, are an important part of the Aegon Privacy Awareness program.

In 2021 the number of personal data breaches, such as letters or e-mails sent to the wrong address and by human error, was comparable to earlier years. Personal data breaches that imposed a risk to the rights of our customers, employees and other stakeholders, were reported to the Dutch Data Protection Authority and appropriate action by Aegon Nederland was undertaken to prevent further damage and recurrence.

1.10. Asset and Liability Management (ALM) and Financial instruments

In order to execute on Aegon Nederland's goal to help clients to live their best lives, 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 Nederland keeps the preferred risks in light of the targeted risk profile, but mitigates the remaining risks by, for example, re-insuring or 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 Nederland 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 sizeable 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 Nederland sees derivatives as a suitable instrument to use in its ALM processes. The derivatives market is a highly regulated market. Any counterparty risk embedded in such transactions is contained with strong collateral processes that Aegon Nederland has put in place for 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 Nederland 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 and Capital Committee, which meets at least once a month, reviews and monitors the capital position, the balance sheet as well as the Solvency II Capital Generation. The focus of these meetings is, among other activities, to ensure an optimal strategic asset allocation, to decide on hedging strategies to manage interest rate and equity risks, to manage and possibly hedge actuarial risks, and to decide on the need for securitizations of residential mortgage portfolios in order to improve the liquidity and funding position of Aegon Nederland.

1.11. Risk Management

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

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. Aegon Nederland’s systems and processes are designed to support complex products and transactions, and to help protect against issues as system failures, business disruption, financial crime, and breaches of information security. Aegon Nederland monitors and analyses these risks, and retains flexibility to update and revise where necessary.

Going Concern

The financial statements of Aegon Spaarkas have been set up assuming a going concern basis of accounting based on the reasonable assumption that Aegon Spaarkas is, and will be, able to continue its normal course of business in the foreseeable future. Relevant facts and circumstances (also considering COVID-19) relating to the financial position on December 31, 2021, were assessed in order to reach the going concern assumption. The main areas assessed are the financial performance, capital adequacy, financial position and flexibility, liquidity and solvency. Considering all these areas management concluded that the going concern assumption for Aegon Spaarkas is appropriate in preparing the financial statements.

1.12. Business developments

1.12.1. General business development

The portfolio of Aegon Spaarkas, which sold specific kinds of unit-linked products, has been closed for a few years already. Hence, no new products are introduced by Aegon Spaarkas. Similar to the Life - Individual portfolio, this portfolio is steadily decreasing in size, which is why the Spaarkas portfolio is also part of the business process outsourcing (BPO) of Life activities of Aegon Nederland.

Aegon Spaarkas manages the existing life portfolio as efficiently as possible and is optimizing its portfolio from both the customers’ and Aegon Nederland’s perspective. The decreasing portfolio requires stringent control of costs which should reflect the (downward) movements in the portfolio. To keep a grip on the costs of the declining portfolio, Aegon Nederland completed business process outsourcing (BPO) for the individual Life service book as of June 1, 2020. As of this date, BPO partner IBM is responsible for administrating and servicing all policies. In addition, all policies will be transferred to a new platform. This will take place in close cooperation between Aegon and IBM and is expected to be finalized in 2025. For Aegon Nederland this outsourcing makes costs more variable and more predictable.
Refer also to the Koersplan and unit-linked products sections in this report (see section 1.14 ‘Pending litigation portfolio and product-related issues’ and note 23.3 ‘Legal and arbitrary proceedings, regulatory proceedings and actions’).

1.12.2. IFRS 17 & IFRS 9

The International Accounting Standards Board (IASB) issued IFRS 17 for Insurance Contracts in May 2017. This Standard will replace IFRS 4. The objective of IFRS 17 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. IFRS 17 also specifies presentation and disclosure requirements to enhance comparability between insurance companies.

On June 25, 2020, the IASB decided, application subject to EU endorsement process, to defer the effective date of IFRS 17 to annual reporting periods beginning on or after January 1, 2023. As a consequence of the IFRS 17 deferral, the IASB also agreed to revise the fixed expiry date of the temporary exemption from IFRS 9 in IFRS 4 to allow entities to continue applying the temporary exemption from IFRS 9 until January 1, 2023.

Aegon Nederland started an implementation project in 2018, soon after the publication of the new Standard, which will continue till the date on which IFRS 17 will be implemented. Based on the final amendments of June 2020 of the Standard quantitative assessments were performed in 2020 and during 2021 several dry runs have been performed. The outcome of these quantitative assessments and dry runs will form the basis for final methodology and policy choices. The impact of the initial application on the financial statements of Aegon Nederland and its insurance entities is expected to be significant.

Aegon Nederland is combining the implementation of IFRS 17 with the Finance Transformation Program, in which Aegon Nederland optimizes underlying processes and systems to gain efficiency. Progress has been made in 2020 and 2021. The program is on track to finalize in the first half of 2023, together with preparing the first financial statements (opening balance 2022 and Q1 and Q2 parallel runs) based on IFRS 17.

1.12.3. *Transformation program*

Aegon started a company-wide transformation program in July 2020. The aim is to improve Aegon's long-term performance and ensure it continues to create value for its customers, shareholders, and other stakeholders. Aegon has developed a rigorous and granular company-wide operational improvement plan that comprises more than 1,200 specific initiatives. The aim of the plan is to improve Aegon's operating performance by reducing costs, expanding margins, and growing profitably. Important in this transformation program is the balance between reducing costs and, investing in growth opportunities for Aegon Nederland, such as in banking, mortgage, and pension operations.

The transformation program also introduced a new way of working in order to be able to perform better and faster on a structural basis. Much of it comes down to enhanced focus and more discipline. Cultural change is being addressed by 'health initiatives' and the program helps improve behavioural patterns and skills in building execution muscle.

1.12.4. IT

In 2021 the IT agenda was focused on service optimization and compliance. Over the summer, the IT function organized itself even closer to our businesses by transferring responsibility for business specific services to our businesses. As part of service optimization central capabilities were transformed into self-service 'products' that enable our business to further increase client value delivery through IT. Examples are our designer portal, the self-service publication service for our datalake, thin portals, etc. Our optimization focus did not prevent IT from further innovation, we successfully embarked on a cloud journey for our customer services & telephony platform. All optimization initiatives contributed to the cost reductions as part of the worldwide transformation program within Aegon as well as increased NPS scores. We continue to work on our application strategy enabling further simplification of our architecture.

The IT agenda was also populated with several compliance themes ranging from customer due diligence to data quality to cyber resilience. Based on our agile rhythm we are delivering on these compliance roadmaps.

1.13. Brexit

On January 31, 2020, the United Kingdom (UK) officially left the European Union (EU). Just before the Brexit transition period ended, the EU and the UK closed a new "Trade and Cooperation Agreement" outlining their post-Brexit relationship. The agreement does not include a comprehensive chapter on financial services. Aegon Spaarkas' main areas of concern have been addressed, as the EU has so far temporarily recognized derivatives clearinghouses and securities settlement, where a rift could have threatened the stability of Europe's financial markets. The recognition of London Clearing House (LCH) as an eligible clearing house for EU financial institutions has been extended to June 2022. In recent years, Aegon Spaarkas has prepared for the possibility of a Hard Brexit and has replaced its UK counterparties. For centrally cleared derivatives, Aegon Spaarkas has moved its swap book from LCH to Eurex. The development of the liquidity and eligibility of Eurex and LCH will be carefully monitored by the Risk & Capital Committee of Aegon Spaarkas in 2022.

1.14. IBOR transition

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 only BMR compliant benchmarks may be used within the EU.

Aegon Spaarkas 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.

As part of the IBOR transition during 2020, the discount rate switch from EONIA (Euro Overnight Index Average) to ESTR (Euro Short-Term Rate) took place for most of the derivatives in our portfolio. The differences in market value due to this discount switch did not have a material impact on the financial statements in 2021 of Aegon Spaarkas. Compensation has been exchanged through the clearing house for any resulting impact on the valuation of derivatives, and during 2021 all compensation has been obtained.

1.15. 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. Another follow-up improvement was announced in 2019 for the Fund/Safe portfolio.

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

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

2. Financial information

2.1. Developments during the year

The income before tax for 2021 was EUR 6.0 million, compared to EUR 16.0 million in 2020. In the following paragraphs specific items of the net result are further explained.

Revenues
The revenues decreased from EUR 62.5 million to EUR 53.6 million, due to decrease of premium income of EUR 3.8 million and lower investment income for account of policyholders of EUR 5.2 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 EUR 273.1 million positive (2020: EUR 28.5 million negative). This is largely explained by the significant net fair value gains in 2021, when the equity markets were strongly positive. In 2020 the equity markets showed huge swings with a strong decline in the first quarter of 2020, and a recovery in the next three quarters.

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 2021 were an expense of EUR 319.9 million (2020: an expense of EUR 17.9 million).

Commissions and expenses
The commissions and expenses increased by EUR 1.5 million, compared to 2020. The increase is explained by the release of reserved amounts due to policyholders in 2020. The latter relates to policies that have expired more than 10 year ago, and where despite efforts from Aegon Spaarkas the policy beneficiary has not been found.

Shareholders' equity
Shareholders' equity at December 31, 2021 amounts to EUR 182.7 million compared to EUR 215.5 million at year-end 2020. The decrease was caused by the dividend payment of Aegon Spaarkas of EUR 35 million to its parent company Aegon Nederland in 2021 (EUR 29 million in 2020), partly offset by the net income over 2021 of EUR 4.5 million (2020: EUR 12.0 million).

Cash flows and funding
During 2021 the net cash flows amounted to EUR 5.5 million negative (2020: EUR 10.4 million negative). The positive operating cash flows of EUR 31.2 million (2020: EUR 3.6 million) were more than compensated by cash flows from results on financial transactions: Aegon Spaarkas paid EUR 35 million dividend to Aegon Nederland in 2021 (2020: EUR 29 million), and for EUR 1.7 million a group loan was repaid (2020: EUR 15.0 million). Aegon Spaarkas is funded with equity and at year-end 2021 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, such as in the Decree on Prudential Rules under the Wft (Besluit prudentiële regels Wft).

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, all of which have been approved by the DNB. These changes are therefore reflected in the solvency position of Aegon Spaarkas per year-end 2021.

As per December 31, 2021, Aegon Spaarkas' capital position is:

Amounts in EUR million	31-12-2021*	31-12-2020
Own Funds	124	151
Partial Internal Model SCR	45	43
Solvency II ratio*	276%	353%

*The Solvency II ratio for 2021 is an estimate, is not final until filed with the regulator and subject to supervisory review.

The Solvency II ratio of Aegon Spaarkas decreased during 2021. The Own Funds decreased mainly due to a dividend payment in the second and fourth quarter of 2021. The SCR slightly increased due to a model change and an increase in the LAC DT worst case tax factor, with an offset from operating capital generation. The model change relates to improved cost modelling which had a second-order impact on life lapse risk.

The lowering of Ultimate Forward Rate (UFR) from 3.60% to 3.45% in 2022 does not materially impact the Solvency II ratio of Aegon Spaarkas due to the short duration of the insurance liabilities. 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.

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.

Recent developments Solvency II

On September 22, 2021, the European Commission published its legislative proposal for amendments to the Solvency II Directive, following extensive preparatory work in previous years by the European Commission and EIOPA. The Solvency II Directive proposal will be supplemented by a legislative proposal to amend the Solvency II Delegated Regulation, which will be published in a later stage. The co-legislators at European level will assess the legislative proposals in order to arrive at final text, resulting in amendments to the Solvency II Directive and the Solvency II Delegated Regulation.

Sustainability and Solvency II

In March 2018, the European Commission adopted its Action Plan on Sustainable Finance. This action plan is part of broader efforts to connect finance with the European and global economy for the benefit of the planet and wider society. Specifically, the Action Plan aims to: (1) reorient capital flows towards sustainable investment in order to achieve sustainable and inclusive growth, (2) manage financial risks stemming from climate change, resource depletion, environmental degradation and social issues; and (3) foster transparency and long-termism in financial and economic activity.

On August 1, 2022, amendments to Solvency II will enter into effect, integrating sustainability risks in the governance of insurance and reinsurance undertakings. The amendments relate to the inclusion of sustainability risk in the risk management areas, to be covered in the risk management system, in particular in relation to underwriting and reserving and investment risk management, as well as in the corresponding risk management policies. In addition, the identification of emerging risks and sustainability risks is included as part of the tasks of the risk management function, and as risks that form part of the calculation of the overall solvency needs and consequently of the ORSA process. Furthermore, sustainability risk is made explicitly part of the opinion of the actuarial function on the underwriting policy, made explicitly part of the remuneration policy (i.e. information how the remuneration policy takes into account the integration of sustainability risks in the risk management system). Lastly, the amendments relate to the integration of sustainability risk in the prudent person principle, as well as the integration of the potential long-term impact of investment strategy and decisions on sustainability factors (for example climate change).

In addition, the proposal to amend the Solvency II Directive, following the Solvency II 2020 review, includes an additional provision that will require insurers to identify and assess climate change risk as part of the assessment of their overall solvency needs, as well as a mandate to EIOPA to explore by 2023 a dedicated prudential treatment of exposures to assets and activities associated with environmental and social objectives and to regularly review the standard formula parameters pertaining to catastrophe risk.

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’ in the financial statements.

3. Corporate Governance

Aegon Nederland is the parent company of Aegon's operations in the Netherlands. Aegon Nederland is subject to the mitigated large company regime (*verzwakt structuurregime*).

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 ensures 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 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 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.

Governance principles

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.

Accountability

Aegon Nederland presents an overview of the application of governance principles. This is done on behalf of the insurance companies Aegon Levensverzekering N.V., Aegon Schadeverzekering N.V. and Aegon Spaarkas N.V. 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.

Supervisory Board

The members of the Supervisory Board of Aegon Nederland also serve on the supervisory board of the insurance companies mentioned above 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 its membership. This 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 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 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 2021, a self-evaluation session was facilitated. The results were satisfactory and have been 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 and Audit Committee. The members of the Risk and 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 statutory 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 Nederland 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.

The Board of Directors, in its decisions, 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 CEO coordinates all the activities of the management teams belonging to the Aegon NL group. The CEO is amongst other things primarily responsible for ensuring the effectiveness of the Board of Directors and that decisions taken are in accordance with the vision and strategy of Aegon Nederland. The CEO furthermore represents Business Units towards (external) stakeholders such as DNB, AFM, Verbond van Verzekeraars, Autoriteit Persoonsgegevens, VNO/NCW, Central Works Council. The CEO is also a member of the Management Board Aegon N.V. representing the Aegon NL organization.

The CRO is the director of the Risk Management & Compliance department, which is organized as a second line of defense. The CRO is also a member of the Board of Directors 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 functionally to the Group CRO 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 Balance Sheet Management report to the CFO. The CFO has no individual commercial responsibility and operates independently of other commercial areas.

Within the Board of Directors, the CTTO (Chief Technology and Transformation Officer) is responsible for all IT services of Aegon Nederland and related business information departments. The Technology and Information Security function will report to CTTO.

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 is reflected are the Aegon Nederland Code of Conduct and applies to all Aegon Nederland employees.

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

Management Team Life
Concerning the day-to-day operational management of the Business Unit Life, that consist of the the Value Streams Individual Life and Insured Pension and the companies Aegon Levensverzekering and Aegon Spaarkas, for which entities the members of the Board of Directors also serve as statutory directors, the statutory management board of Aegon Levensverzekering and Aegon Spaarkas respectively has installed a management team consisting of senior managers ("MT Life").

MT Life is chaired by the Managing Director Life (MD Life), who also serves as the value stream owner of one of the value streams belonging to the Business Unit Life. All other members of MT Life have a reporting line into the MD Life. The MD Life in turn reports to the CEO of Aegon Nederland. The MD Life is not considered to be key management in accordance with IAS 24.

4. Responsible Business

Responsible Business Strategy within Aegon Nederland

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

We are always thinking one step ahead: for our customers, for society, and for the world. What we as a company do today is every bit as relevant and important as it was almost 180 years ago. Taking responsibility for our actions is at the heart of our approach to responsible business. As is understanding the impact that our business has on the lives of our customers, our society, and the world. We want to help create a vibrant and healthy society that enriches the lives of everyone, not just the few, and one where thinking about the future is every bit as important as thinking about the present. To achieve this, we are committed to helping tackle the many challenges facing our society, such as ending poverty, combating climate change, and consuming our planet´s limited resources in a responsible way.
Our responsible business strategy is built on three pillars and our commitment to always invest responsibly:

- **We are a responsible business:** We think every company should be run in a responsible way. In fact, we see this as part of our license to operate. We aim to be a responsible business understanding the impact that our business has on the world, and by taking responsibility for the impact that our decisions have on people and the planet.
- **We care for the planet:** We believe it is important that everyone can live in a clean and healthy environment. We contribute to this by helping to reduce CO_2 emissions and by facilitating the transition towards a low-carbon economy where we make use of our planet's natural resources in a sustainable way.
- **We care about people:** We want to help build an inclusive society where everyone can enjoy a long and happy life. We contribute by creating an inclusive and diverse workplace where our employees can be themselves, and by increasing financial and social inclusion in the Netherlands through the products and services we offer our customers.
- **We invest responsibly:** From the income we pay out in retirement, to the mortgages we offer, and even the insurance coverage we provide for our clients, almost everything we do as a business is underpinned by the investments we make for our own account and on behalf of our clients. This makes our investments one of the biggest ways that we have an impact on the world. We want to use our influence as a large investor to encourage the companies and countries we invest in to make positive changes for the benefit of people and the planet.

We are currently working on refining our responsible business strategy and how we communicate it to the outside world. We intend to publish more information on our approach to responsible business, including setting out our Climate Action Plan to align our investments with the Paris Agreement, in the 2021 edition of the Aegon NL Responsible Business Report. We expect this report to be published in the summer of 2022.

We are a responsible business
We think every company should be run in a responsible way. In fact, we see this as part of our license to operate. To us, being a responsible business means more than just "playing by the rules" and complying with relevant laws and regulation. It also means seeking to understand our impact on the world and, more importantly, taking responsibility for our impact that our business decisions have on peoples' lives or the planet.
In recognition of the need to better integrate environmental, social and governance (ESG) considerations throughout our business we took a number of important steps in 2021:

- **New governance:** In combination with our parent company, Aegon N.V., we agreed a new governance model that allows us to better integrate ESG considerations throughout our business and ensure sufficient time and attention is given to key ESG issues. At our parent company, this included creating a Global Sustainability Board and setting up a dedicated global sustainability team to help set and implement the Aegon's sustainability strategy. At Aegon Nederland, this included agreeing to set up a local (NL) sustainability board with representation from all (Dutch) underlying legal entities and support functions. This new local (NL) sustainability board will be responsible for overseeing and monitoring implementation of our new sustainability roadmap and in sharping our sustainability strategy going forward.

- **Sustainability roadmap:** We agreed a comprehensive roadmap to integrate ESG considerations throughout our business between 2021 and 2022, allowing us to better understand and report on our impact on the world. This roadmap covered various elements, such as refining our sustainability strategy, updating our processes and policies to better take account of and integrate ESG considerations, sourcing ESG data and integrating it into our reporting and monitoring processes, and agreeing action plans to implement the various sustainability-related targets that we have already set for our business.
- **EU Sustainable Finance legislation:** We took steps to ensure that our business complied with the requirements of new legislation (Sustainable Finance Disclosure Regulation) introduced by the EU as part of its sustainable finance action plan. As well as updating our website and product disclosures to make it clearer how we integrate ESG and sustainability considerations in our investment decision-making processes, we also classified our investment-related products into one of the three categories defined by the EU that make it easier for customers to understand how "green" our investment products are.

We care for the planet
We believe a clean and healthy environment is an important requirement to be able to grow old healthily and enjoy a long and happy retirement. Our planet and the environment are, however, facing many risks right now, including climate change, biodiversity depletion and pollution. Climate change represents one of the greatest risks facing our society. For this reason, helping to tackle climate change and enabling the transition to a low carbon society are at the core of our environmental approach. We contribute to this by helping to reduce CO_2 emissions and by facilitating the transition towards a low-carbon economy where we make use of our planet's natural resources in a sustainable way.

- **Halving CO_2 emissions from our operations by 2030:** We have set ourselves a target of halving the per-employee operational greenhouse gas emissions of our operations by 2030 at the latest versus 2018 levels. We plan to achieve target this by investing to make our office buildings more energy efficient and making greater use of technology to cut down on business travel and employee commuting.
- **Helping our customers cut the CO_2 emissions of their homes:** We hear from our customers that they want to make their homes more sustainable but that this can often be expensive. That is why we want to help our customers to reduce the CO_2 emissions of their homes by providing special financing options to invest in energy-saving measures such as insulation, solar panels and heat pumps.
- **Financing the energy transition and aligning our investments with the Paris Agreement:** We have set ourselves a long-term target of reaching net-zero financed emissions for all our lending and investing activities by 2050. This includes assets managed for our own account as well as those that we manage on behalf of our customers. To help us reach our long-term target we have committed to setting additional targets for our investments on a five-year basis.
  The first set of targets covers the period 2020-2025 and include the following:
    - Reduce the average carbon intensity of our general account assets by 30% versus 2020 levels
    - Engage with top corporate emitters held in general account as at 31 December 2021 to set a science-based target for their business by no later than 2025
    - Invest an additional EUR 1 billion in climate-positive investments that help to avoid additional greenhouse gas emissions from being generated and/or help our society to adapt to the worst impacts of climate change
    - Investigate investible solutions for structurally removing greenhouse gas emissions from the atmosphere and commit to setting investment amounts for 2030

  We have also committed to investigating and setting climate change targets for our client assets by no later than 31 December 2025. This means that in future we will also take action to align our client assets with the Paris Agreement.

We care about people
We want to help build an inclusive society where everyone can enjoy a long and happy life. This starts at our workplace by fostering a culture where every voice is welcomed, respected and heard. We hope that by creating an environment where people are free to be themselves that we can attract and retain talent with a diverse range of backgrounds and experiences. By building a diverse workforce with a balanced mix in terms of gender, cultural backgrounds and beliefs, skills and experiences, that we can better understand and serve the needs of our customers.
Looking to the world around us, we see that more can still be done to help make society more inclusive, both financially and socially. We believe that we can help make a difference by offering products and services that help parts of society that are often underserved or excluded. For example, providing a range of banking and insurance products to self-employed people or offering services that help people living with a long-term illness or disability to better integrate into the workplace and work up to their potential. We can also make a difference by using our financial knowledge and experience to help people struggling with problematic debts to get on the road to a healthy financial future.

We invest responsibly

Managing around EUR 100 billion of investments on behalf of our customers and for our own account, Aegon Nederland is one of the largest financial institutions in the country. We aim to generate strong financial returns on these investments so that we can, for example, provide our customers with the pensions they need in retirement. We recognize that our responsibility extends far beyond achieving strong financial returns alone, and that we must take action to ensure that our investments do not have a negative impact on society and the planet.

At the start of 2020 we revised our Responsible Investing Policy. This policy explains what responsible investing means to us, how we expect the companies in which we invest to behave, and how we believe we can use our investments to make a difference. The following provides a summary of some of the key elements of our approach to responsible investing.

- **Screening:** We believe all our investments should meet minimum behavioural, environmental and ethical standards. Many of these are laid down in Dutch law and the Dutch corporate governance code. Others are derived from guidelines issued by multi-national organizations, such as the United Nations, or industry best practice. We screen our investments annually against these criteria to identify those that do not meet our minimum standards or are incompatible with our views and values. This helps us avoid causing or contributing to harm with our investments.
- **Engagement & voting:** We believe in being active owners of our investments which means we are using our influence as a large investor to effect positive change in the world. We do this by starting a dialogue with companies in which we identify ESG risks. This provides us with an opportunity to highlight these ESG risks, inform company management of our concerns, and advocate the changes we believe they should make to their business. We also exercise any shareholder voting rights we have to support our engagement efforts and enhance long-term value creation for all stakeholders.
- **Exclusion:** There are instances when companies that we have identified as not meeting our minimum standards are either unwilling or unable to change. On these occasions, we choose not to invest in them, and take action to exclude them from our investible universe. Examples include companies manufacturing tobacco, producing palm oil, and those still mining coal or using coal to generate electricity.

We are proud that, following the introduction of our revised Responsible Investing policy in 2020, we have a robust framework in place to identify and mitigate harm being caused by our investments. However, we believe that we can and should do more than only seek to avoid causing or contributing to harm. We want to use our investments as a vehicle for positive change in the world. To enable us to achieve this goal we are currently working on a revised Responsible Investing Policy that outlines how we will invest in a sustainable way that helps to deliver a positive impact on the lives of people and the planet. We expect this to be published in 2022.

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, climate change and developments in technology, but also because customers, legislators and regulators require it. These changes are further enhanced by the COVID-19 pandemic and we expect these changes to continue in coming years.

Aegon Spaarkas operates in a changing environment. Technological developments lead to new customer behavior. As we have stressed in recent years, technological developments and the digitization of financial services are accelerating. The traditional financial institutions are transforming 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 focus on cost efficiency in our markets. All these trends combined require Aegon Nederland to deliver enhanced performance for all our stakeholders at reduced expense levels.

5.2. Post reporting date events and expectations

On February 24, 2022, Russia invaded Ukraine, which caused a humanitarian crisis and is also impacting global financial markets and causing economic turbulence. At the date of this report the depth and length of this war is unknown, and the situation is changing rapidly from day to day.

Aegon is closely monitoring the financial markets and economic turbulence that has arisen as a consequence of the situation and the related international sanctions, and its impact on Aegon. The most significant risks Aegon faces are related to financial markets, particularly from volatility in credit, equity and interest rates. The notes to Aegon's financial statements include elaborate descriptions and related financial market sensitivities. Aegon is actively managing its risks and capital position to maintain a robust balance sheet, as the Company navigates through the uncertainty created by the current geopolitical situation. The Company is on high alert status to help ensure the safety and well-being of its staff, as well as its capability to support its customers, while maintaining our financial and operational resilience.

Aegon Spaarkas has no direct operations in Russia and Ukraine. As at March 3, 2022, Aegon Spaarkas' has no direct investment exposure in the company's general account portfolio to Russia and Ukraine or in the investments for risk of policyholders. In March 2022, Aegon has announced that it will not make future investments in Russia or Belarus-based companies and has updated its Responsible Investment Policy accordingly.

Mr. W. Horstmann resigned as member of the Board of Directors as of February 1, 2022.

Mrs. A.H.T.M. Schlichting resigned as member of the Board of Directors as of April 4, 2022.

In March 2022 EUR 2 million dividend was paid to Aegon Nederland.

There are no further post reporting date events and expectations that have not already been taken into account in the directors' report or financial statements.

The Hague, April 7, 2022

The Board of Directors,

A.C.C. van Hövell-Patrizi (chair)	
B. Magid	

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 DNB, 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 and the business connected with it. In the exercise of their duties, the Supervisory Board members are guided by the interests 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 discussed the company's quarterly results, accounting policies, internal control procedures and strategy. Also, the Supervisory Board is involved in setting the remuneration of members of the Board of Directors. Amongst others, the Supervisory Board approves and periodically assesses the general principles of the Aegon Nederland remuneration policies and is responsible for the remuneration policy for the Board of Directors.

In 2021, the Supervisory Board performed its duties in close co-operation with the Board of Directors and held eight meetings. Moreover the Supervisory Board held several calls with the Board of Directors to discuss amongst other, strategic transformation programs, risk management and compliance. The Risk and Audit Committee of the Supervisory Board held five meetings. Also the Remuneration Committee held two meetings. The attendance percentage was high.

The (regulated) entities Aegon Bank N.V., Aegon Cappital B.V., Robidus Risk Consulting B.V. and TKP Pensioen B.V. have separate Supervisory Boards.

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.

- Strategy of the business portfolios and new strategic developments (a.o. Transformation Program, Target Operating Model).
- Solvency II updates and discussions in general, regarding (inter alia) developments in the Solvency ratio and more specific developments and implications of (expected/future) major model changes.
- Solvency II 2021 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 the Aegon Nederland business portfolio.
- Technical deep dive sessions a.o. on LAC DT, Deterministic Adjustment (including aspects (1) EIOPA VA (2) Modelling of the DA (3) DA in practice (4) Model Validation and DNB requirements), Sustainability, market development & global insurance outlook.
- Organizational health, Engagement and Talent Management.
- In control program and Regulatory Roadmap.
- Dividend proposals.
- Purpose, Brand and Culture.
- Supervisory Board self-evaluation (meeting 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 2021.
- Annual report and board report 2020.
- Internal Audit plan 2022.
- Risk Management, Compliance and Actuarial Function reports.
- Updates on the execution of and preparation for implementation of impactful laws and regulations
- Budget MTP (Medium Term Plan) 2022-2024.
- Updates on DNB and AFM letters, discussions and on-site visits, including DNB 'Focus' reports and meetings and AFM annual report and meeting.
- Developments with regard to COVID-19 pandemic. 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.

- Evaluation of system of governance.
- IFRS 17

3. Gender diversity

Enhancing gender diversity in the Board of Directors and Supervisory Board is an important topic 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. 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.

4. Risk and Audit Committee

The Supervisory Board has formed a Risk and Audit Committee, whose members in 2021 were Mr. Vrancken (chair), Mrs. Jansen Heijtmajer and Mr. Rider (as of July 1, 2021 and successor to Mr. Jacobovits de Szeged who resigned on May 11, 2021). In 2021, the Risk and Audit Committee met five times. The CEO, CFO, COO (until July 1, 2021), CTTO and CRO attended meetings on behalf of Aegon Nederland, along with Internal Audit, and managers of Balance Sheet Management, Financial Information Management & Reporting Office and the Actuarial, Risk and Compliance function holders (or their substitutes). On behalf of PricewaterhouseCoopers Accountants N.V., Mrs. Korver-Heins and Mr. Ferwerda both attended the 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 plan of Internal Audit and considered the audit plan of PricewaterhouseCoopers Accountants N.V., and discussed the Aegon Nederland Risk Appetite. Other topics discussed during 2021 included among others the annual reports, RSR, ORSA, SFCR reports, developments related to Solvency II, in particular capital ratio, developments related to COVID-19, 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 Mrs. Hoek, convened in March and November 2021. In its meetings, the committee discussed and subsequently advised the Supervisory Board in respect of:

- the 2020 Aegon Nederland variable compensation company targets results,
- the 2021 Aegon NL variable compensation company performance indicators and target setting,
- the performance of, and the allocation of variable compensation 2020 to participants (Aegon MT-NL members and Statutory Board of Aegon Bank), and the pay-out of deferred 2017-2019 variable compensation,
- the 2021 Aegon MT-NL variable compensation individual performance indicators and target setting,
- the identification of the Material Risk Takers (Aegon Netherland and its subsidiaries) ;
- the Aegon Nederland Remuneration Policy; and
- extending the scope of variable compensation for Aegon Nederland senior management as of 2022.

6. Members of the Supervisory Board

The terms of office of the supervisory board members in 2021 are as follows:

Name	Year of first appointment	(Re-) Appointment	Resigns
Mrs. D. Jansen Heijtmajer	2016	August 4, 2020	2024
Mrs. M.J.E. Hoek	2019	May 13, 2019	2023
Mr. G.J.M. Vrancken	2019	January 1, 2019	2023
Mr. M.J. Rider	2021	July 1, 2021	2025
Mr. G.T. Kepecs (resigned)	2012	June 30, 2017	May 11, 2021
Mr. D.F.R. Jacobovits de Szeged (resigned)	2018	January 1, 2018	May 11, 2021

The Hague, April 7, 2022

The Supervisory Board,

D. Jansen Heijtmajer (chair)	
G.J.M. Vrancken	
M.J.E. Hoek	
M.J. Rider	

Financial Statements 2021 of Aegon Spaarkas N.V.

Statement of financial position

(As at December 31, 2021)
(before profit appropriation)

	Note	31-12-2021	31-12-2020
Amounts in EUR thousand			
Assets			
Cash and cash equivalents	5	25.046	30.573
Investments	6	146.496	182.753
Investments for account of policyholders	7	1.582.546	1.460.421
Loans and group loans	9	101.960	100.270
Other assets and receivables	10	7.109	6.666
Total assets		**1.863.157**	**1.780.684**
Equity and liabilities			
Equity	11		
- Share capital		910	910
- Share premium		2	2
- Revaluation reserves		2.946	5.203
- Retained earnings		174.362	197.346
- Net income / (loss)		4.502	12.018
		182.723	**215.479**
Insurance contracts for account of policyholders	12	1.633.486	1.515.443
Derivatives	8	5.341	7.290
Deferred tax liabilities	14	815	1.328
Other liabilities and accruals	15	40.792	41.144
Total liabilities		**1.680.434**	**1.565.205**
Total equity and liabilities		**1.863.157**	**1.780.684**

Income statement

(for the year ended December 31, 2021)

	Note	2021	2020
Amounts in EUR thousand			
Revenues			
Premium income	16	25.216	29.041
Investment income	17	26.006	30.236
Fee and commission income		3.386	3.188
Total revenues		**54.607**	**62.465**
Results from financial transactions	18	273.080	-28.524
Total income		**327.688**	**33.941**
Charges			
Premiums paid to reinsurers	16	11	13
Policyholder claims and benefits	19	319.860	17.853
Commissions and expenses	20	1.568	-154
Impairment charges / (reversals)		-5	-16
Interest charges and related fees		259	288
Total charges		**321.693**	**17.984**
Income / (loss) before tax		**5.994**	**15.957**
Income tax	21	-1.492	-3.939
Net income / (loss)		**4.502**	**12.018**
Net income / (loss) attributable to the parent company		**4.502**	**12.018**

Statement of comprehensive income

(for the year ended December 31, 2021)

Amounts in EUR thousand	Note	2021	2020
Net income		**4.502**	**12.018**
Items that may be reclassified to profit or loss:			
Gains / (losses) on revaluation of available-for-sale investments	11.2	-2.391	2.531
Gains / (losses) transferred to the income statement on disposal and impairment of available-for-sale investments	11.2	-577	-3.682
Income tax relating to items that may be reclassified	11.2	710	34
Total other comprehensive income / (loss)		**-2.258**	**-1.117**
Total comprehensive income / (loss)		**2.245**	**10.900**
Total comprehensive income / (loss) attributable to the parent company		**2.245**	**10.900**

Statement of changes in equity

Amounts in EUR thousand

2021	Share capital	Share premium	Revaluation reserves	Retained earnings	Net income / (loss)	Total
At January 1	910	2	5.203	197.345	12.018	215.478
Net income / (loss) prior year retained	-	-	-	12.018	-12.018	-
Net income / (loss) current year	-	-	-	-	4.502	4.502
Other comprehensive income / (loss)	-	-	-2.258	-	-	-2.258
Total comprehensive income / (loss)	**-**	**-**	**-2.258**	**-**	**4.502**	**2.245**
Dividends paid on common shares	-	-	-	-35.000	-	-35.000
At December 31	**910**	**2**	**2.946**	**174.362**	**4.502**	**182.723**

2020	Share capital	Share premium	Revaluation reserves	Retained earnings	Net income / (loss)	Total
At January 1	910	2	6.320	222.847	3.499	233.578
Net income / (loss) prior year retained	-	-	-	3.499	-3.499	-
Net income / (loss) current year	-	-	-	-	12.018	12.018
Other comprehensive income / (loss)	-	-	-1.117	-	-	-1.117
Total comprehensive income / (loss)	**-**	**-**	**-1.117**	**-**	**12.018**	**10.900**
Dividends paid on common shares	-	-	-	-29.000	-	-29.000
At December 31	**910**	**2**	**5.203**	**197.346**	**12.018**	**215.479**

Cash flow statement

(for the year ended December 31, 2021)

Amounts in EUR thousand	Note	2021	2020
Income / (loss) before tax		**5.994**	**15.957**
Results from financial transactions	18	-273.080	28.524
Amortization and depreciation		454	629
Impairment losses / (reversals)		-5	-16
Adjustments of non-cash items		**-272.631**	**29.137**
Insurance liabilities for account policyholders	12	118.043	-180.065
Accrued expenses and other liabilities	15	2.166	-7.408
Accrued income and prepayments	10	-443	1.883
Changes in accruals		**119.766**	**-185.591**
Purchase of investments (other than money market investments)	6	-9.590	-38.058
Disposal of investments (other than money market investments)	6	42.329	35.527
Disposal of derivatives	8	-14.811	-5.692
Net disposal / (purchase) of investments for account of policyholders	7	163.919	153.647
Cash flow movements on operating items not reflected in income		**181.847**	**145.424**
Tax (paid) / received		-3.813	-1.295
Net cash flows from operating activities		**31.163**	**3.632**

	Note	2021	2020
Net cash flows from investing activities		**-**	**-**
Loans to group related parties	9	-1.690	-70
Repayment of loans by group related parties		-	15.000
Dividends paid	11	-35.000	-29.000
Net cash flows from financing activities		**-36.690**	**-14.070**
Net increase / (decrease) in cash and cash equivalents		**-5.527**	**-10.438**
Cash and cash equivalents at the beginning of the year	5	30.573	41.011
Cash and cash equivalents at the end of the year		**25.046**	**30.573**

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:

	2021	2020
Interest received (excluding derivatives)	5.209	10.739
Interest paid (excluding derivatives)	259	288
Interest derivatives received / (paid)	-468	-682
Dividend received	21.439	20.409

Reconciliation of liabilities arising from financing activities

For both 2020 and 2021 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 (EU-IFRS) 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 2021 is provided below in note 2.1.1 'Adoption of new EU-IFRS accounting standards and amendments effective in 2021'.

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.

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

Going Concern

The financial statements of Aegon Spaarkas have been set up assuming a going concern basis of accounting based on the reasonable assumption that Aegon Spaarkas is, and will be, able to continue its normal course of business in the foreseeable future. Relevant facts and circumstances (also considering COVID-19) relating to the financial position on December 31, 2021, were assessed in order to reach the going concern assumption. The main areas assessed are the financial performance, capital adequacy, financial position and flexibility, liquidity and solvency. Considering all these areas management concluded that the going concern assumption for Aegon Spaarkas is appropriate in preparing the financial statements.

2.1.1. Adoption of new EU-IFRS accounting standards and amendments effective in 2021

New standards and amendments to standards become effective at the date specified by EU-IFRS, but may allow companies to opt for an earlier adoption date. In 2021, the following standards and amendments to existing standards issued by the IASB became mandatory or were early adopted:

Accounting standard/ amendment/ interpretation	**IASB effective date**	**Endorsed by EU**	**Impact for the entity**
Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)	January 1, 2021	Yes	See below for comments
Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4 Insurance Contracts)	January 1, 2021	Yes	See section 2.1.2 for comments
Early adopted by the entity			
COVID-19-Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16)	April 1, 2021	Yes	Low

None of these amendments to existing standards are significantly impacting the financial position or financial statements of Aegon Spaarkas.

<u>Interest rate benchmark reform</u>
In 2019, Aegon Nederland elected to early adopt the 'Interest Rate Benchmark Reform – Phase 1 (Amendments to IFRS 9, IAS 39 and IFRS 7). In accordance with the transition provisions, the Phase I amendments have been adopted retrospectively to hedging relationships that existed on January 1, 2019 or were designated thereafter. The amendments provide temporary relief from applying specific hedge accounting requirements, thereby ensuring that uncertainty on the outcome of the Interest Rate Benchmark Reform (IBOR reform) does not result in early termination of hedge accounting, notably because the retrospective effectiveness may fall outside of the required range due to the IBOR reform.

Please refer to note 8 'Derivatives' for the required disclosures of the uncertainty arising from the IBOR reform for hedging relationships for which Aegon Nederland applied the reliefs.

In August 2020, the IASB issued the 'Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)', which address issues that might affect financial reporting during the IBOR reform, including the effects of changes to contractual cash flows or hedging relationships arising from the replacement of an interest rate benchmark with an alternative benchmark rate.

In 2021, 'Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)' became effective. The Phase 2 amendments provide temporary reliefs which address issues that might affect financial reporting during the IBOR reform, including the effects of changes to contractual cash flows or hedging relationships arising from the replacement of an interest rate benchmark with an alternative benchmark rate. The amendments had no material impact on the financial position or the consolidated financial statements of Aegon Nederland. Aegon Nederland continues to follow the developments of IBOR reform and intends to use the Phase 2 reliefs when applicable.

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

The following standards and amendments to existing standards, published prior to January 1, 2022, 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 the entity	Impact for the entity
IFRS 17 Insurance Contracts	January 1, 2023	Not yet	No	See below for comments
IFRS 9 Financial instruments	January 1, 2018 *	Yes	No	See below for comments
Prepayment Features with Negative Compensation (Amendments to IFRS 9)	January 1, 2019 *	Yes	No	See below for comments
Reference to the Conceptual Framework (Amendments to IFRS 3)	January 1, 2022	Yes	No	Low
Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)	January 1, 2022	Yes	No	Low
Onerous Contracts - Cost of Fulfilling a Contract (Amendments to IAS 37)	January 1, 2022	Yes	No	Low
Annual Improvements to IFRS Standards 2018-2020	January 1, 2022	Yes	No	Low
Classification of Liabilities as Current or Non-current (Amendments to IAS 1)	January 1, 2023	Not yet	No	Low
Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)	January 1, 2023	Not yet	No	Low
Definition of Accounting Estimates (Amendments to IAS 8)	January 1, 2023	Not yet	No	Low
Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)	January 1, 2023	Not yet	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'). The amendments to IFRS 4 are further explained below.

<u>IFRS 9 Financial Instruments</u>
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 (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.

On June 25, 2020, the IASB decided, application subject to EU endorsement process, to defer the effective date of IFRS 17 to annual reporting periods beginning on or after January 1, 2023. As a consequence of the IFRS 17 deferral, the IASB also agreed to revise the fixed expiry date of the temporary exemption from IFRS 9 in IFRS 4 to allow entities to continue applying the temporary exemption from IFRS 9 until January 1, 2023.

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, 2023.

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. The implementation project is 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, 2020, 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:
    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.

		Fair value 31-12-2021	**Change in FV 2021**	**Fair value 31-12-2020**	**Change in FV 2020**
Debt securities	SPPI	90.201	-2.780	119.285	1.702
	Other	-	-	1.165	-28
Mortgage loans	SPPI	31.463	-98	35.900	14
	Other	-	-	-	-
Private loans	SPPI	5.006	-	6.749	-26
	Other		-	13	-
Other financial assets	SPPI	209	-	-	-
	Other	82	-	270	-
Loans and group loans	SPPI	101.960	-	100.270	-
	Other	-	-	-	-
Total		**410.316**	**-3.402**	**263.652**	**1.662**

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.

The fair value at the end of the reporting period in the table reconciles to the respective table in note 22 'Fair value of assets and liabilities'.

Credit risk
The table below details the credit risk rating grades, as of December 31, 2021, 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).

2021	Debt securities	Mortgage loans	Private loans	Private loans	**Total**
AAA	47.307	-	4.920	-	52.227
AA	9.849	-	-	101.960	111.809
A	32.444	-	-	-	32.444
BBB	602	-	-	-	602
Without external rating (not rated)	-	31.172	-	-	31.172
Total	**90.201**	**31.172**	**4.920**	**101.960**	**228.253**

2020	Debt securities	Mortgage loans	Private loans	Loans and group loans	**Total**
AAA	46.731	-	6.560	-	53.291
AA	10.160	-	-	100.270	110.430
A	50.927	-	-	-	50.927
BBB	10.918	-	-	-	10.918
BB	548	-	-	-	548
Without external rating (not rated)	-	35.406	69	-	35.475
Total	**119.285**	**35.406**	**6.629**	**100.270**	**261.590**

As no external ratings are available for Aegon Spaarkas' 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 31-12-2021	Fair value 2021	Carrying Amount 31-12-2020	Fair value 2020
Debt securities	-	-	551	-
Total	**-**	**-**	**551**	**-**

Given the absence of external ratings for Aegon Spaarkas' 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' 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).

<u>IFRS 17 Insurance Contracts</u>
The IASB issued IFRS 17 Insurance Contracts in May 2017. 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.

On June 25, 2020, the IASB decided, application subject to EU endorsement process, to defer the effective date of IFRS 17 to annual reporting periods beginning on or after January 1, 2023. As a consequence of the IFRS 17 deferral, the IASB also agreed to revise the fixed expiry date of the temporary exemption from IFRS 9 in IFRS 4 to allow entities to continue applying the temporary exemption from IFRS 9 until January 1, 2023.

The Standard represents a fundamental change to current financial reporting and the implementation effort is significant. Aegon will not early adopt the Standard. An implementation project was started soon after the publication of the new Standard. Based on the final amendments of June 2020 quantitative assessments are performed and these continued during 2021. In 2022, finalization of methodology and policy choices are expected and will also form the basis of parallel runs. The impact of the initial application on Aegon Spaarkas' financial statements is expected to be 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 at trade date when Aegon Spaarkas becomes a party to the contractual provisions of the instruments. All financial assets 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. Loans and group loans

Loans and group loans are initially recognized at their fair value excluding accrued interest and including directly attributable incremental transaction costs and are subsequently carried at amortized cost using the effective interest rate method. Loans and group loans are derecognized when Aegon Spaarkas' obligation under the contract expires or is discharged or cancelled.

2.9. 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.

2.10. 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.

2.10.1. 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.

2.10.2. Impairment of equity instruments

For equity instruments, objective evidence of impairment includes information about significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the issuer operates, indicates that the cost of the investment in the equity instrument may not be recovered.

A significant or prolonged decline in fair value below initial cost is also considered objective evidence of impairment and always results in a loss being recognized in the income statement. Significant or prolonged decline is defined as an unrealized loss position for generally more than six months or a fair value of less than 80% of the cost price of the investment. Equity investments are impaired to the asset's fair value and any unrealized gain or loss previously recognized in shareholders' equity is taken to the income statement as an impairment loss. The amount exceeding the balance of previously recognized unrealized gains or losses is recognized in the income statement.

2.11. Equity

Share capital is stated at par value. The share premium reserve, where applicable, relates to capital contributions which have occurred since incorporation without issuing new shares. The revaluation reserves 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.

2.12. Insurance contracts

Insurance contracts are accounted for under IFRS 4 – Insurance Contracts. In accordance with this standard, Aegon Spaarkas continues to apply the existing accounting policies that were applied prior to the adoption of IFRS, with certain modifications allowed by IFRS 4 for standards effective subsequent to adoption. Aegon Spaarkas applies in general, 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).

2.12.1. Life insurance contracts for account of policyholders

Life insurance contracts under which the policyholder bears the risks associated with the underlying investments are classified as insurance contracts for account of policyholders. 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.

2.12.2. 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.

2.12.3. Shadow accounting

Shadow accounting allows that all gains and losses on investments to affect the measurement of the insurance assets and liabilities in the same way, regardless of whether they are realized or unrealized and regardless of whether the unrealized gains and losses are recognized in the income statement or 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.

2.12.4. 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 management's 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.

2.13. Assets and liabilities relating to employee benefits

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

2.14. Tax assets and liabilities

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.

2.14.1. Current tax assets and liabilities

Current tax receivables and payables for current and prior periods reflect the best estimate of the tax amount expected to be paid or received and includes provisions for uncertain income tax positions, if any. 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.

Tax assets and liabilities are presented separately in the consolidated balance sheet except where there is a legally enforceable right to offset the tax assets against tax liabilities within the same tax jurisdiction and the intention to settle such balances on a net basis.

Tax assets and liabilities are recognized in relation to the underlying transaction either in profit and loss, other comprehensive income or directly in equity.

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

2.14.2. Deferred tax assets and liabilities

Deferred tax assets and liabilities are recognized, using the liability method, for temporary differences arising between the carrying value and tax value of an item on the balance sheet and for unused tax losses and credits carried forward. Deferred tax assets and liabilities are measured using tax rates applicable that have been enacted or substantively enacted at the balance sheet date and are expected to apply when the deferred tax asset is realized, or the deferred tax liability is settled.

Deferred tax assets are recognized for deductible temporary differences and unused tax losses and credits carried forward to the extent that the realization of the related tax benefit through future taxable profits is probable. The recognition of the deferred tax assets is based on Aegon Spaarkas' mid-term projections including sensitivities and tax planning and is reassessed periodically.

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.

2.15. Other liabilities and accruals

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

2.16. Contingent assets and liabilities

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

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

2.17. Premium income and premium outgoing reinsurance

Gross premiums 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.

2.18. Investment income

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

2.19. Fee and commission income

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

2.20. Policyholders claims and benefits

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.

2.21. 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.

2.22. Commission and expenses

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

2.23. Interest charges and related fees

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

2.24. Corporate income tax

The income tax charge on the result for the year comprises current and deferred tax. Current tax is calculated taking into account items that are non-taxable or disallowed, using rates that have been enacted or substantively enacted by the reporting date and any adjustments to tax payable relating to previous years.

2.25. 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 (refer to paragraph 2.5, 2.6 and 2.7), insurance contracts and guarantees (refer to paragraph 2.12) and the potential effects of resolving litigation matters (refer to paragraph 2.16).

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 2021 no material changes in estimates took place for Aegon Spaarkas.

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

The valuation of certain assets and liabilities arising from insurance contracts is developed using complex valuation models. 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 to an Ultimate Forward Rate of 3.65% (2020: 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 International Financial Reporting Standards. 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. 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. Uncertainty resulting from COVID-19

During 2021, uncertainty resulting from the COVID-19 pandemic continued to cause significant impact on Company's operations, the business, and the industry. Continued uncertainty with respect to how the pandemic would play out and what the resulting economic consequences might be, led to volatility in financial markets. Equity markets and interest rates increased in 2021, as vaccination rates rose and governments provided strong fiscal stimulus to the economy, while central banks provided monetary stimulus. Progress on vaccinations has reduced the spread of COVID-19 and will likely continue to reduce the effects of the public health crisis on the economy. However, the pace of vaccinations has slowed down, and new strains of the virus and reduced availability of healthcare remain risks.

Overall there were no significant impacts from COVID-19. Aegon Spaarkas' Solvency II capital position remained at a strong level decreasing from 353% per December 31, 2020, to 276% per December 31, 2021.

Aegon continues to monitor the relevant market and the economic factors to proactively manage the associated risks. Management believes that the most significant risks are related to financial markets (particularly credit, equity, and interest rates risks) and underwriting risks (particularly related to mortality, morbidity, and policyholder behavior).

3.4. Determination of fair value and fair value hierarchy

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

Fair value is defined as the amount that would be received from the sale of an asset or paid to transfer a liability in an orderly transaction between 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.

The valuation techniques applied to financial instrument affected by IBOR reforms remain consistent with those of other market participants, and the uncertainty on the outcome of the reforms has not affected the classification of the instruments.

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 22 'Fair value of assets and liabilities' more information, both quantitative 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

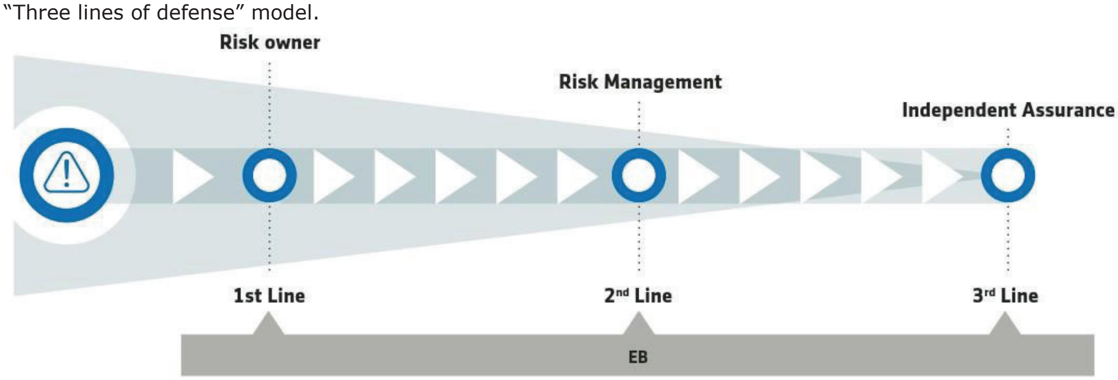
Risk committees

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. The focus of the AFH is on the Solvency II framework and Solvency II Technical Provisions.
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), Group Model Validation 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. Group 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

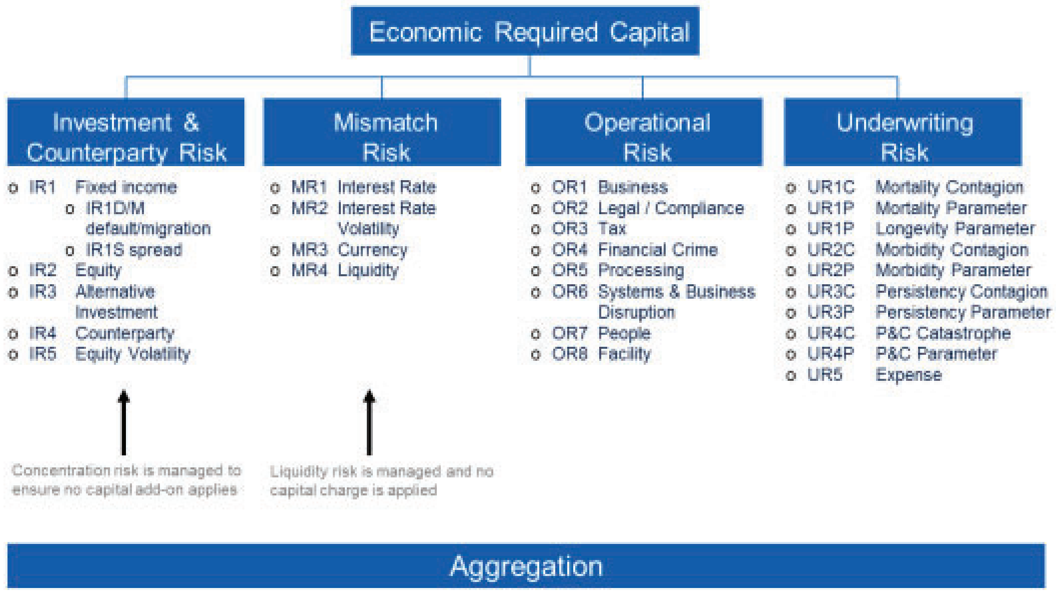
Aegon Nederland's enterprise risk management framework considers risk from various perspectives and can be decomposed into multiple components. However, enterprise risk management is not strictly a serial framework, where one component affects only the next. It is a multidirectional, iterative framework 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. Aegon Nederland's systems and processes are designed to support complex products and transactions, and to help protect against issues as system failures, business disruption, financial crime, and breaches of information security. Aegon Nederland monitors and analyses these risks, and retains flexibility to update and revise where necessary. Among others, the following policies are incorperated within Aegon Nederland: Code of Conduct Externally published document prescribing a mandatory set of conditions for how Aegon Nederland employees should conduct business, comply with all applicable laws and regulations, and exercise sound judgment in reaching ethical business decisions in the long-term interests of our stakeholders. Training on the Code of Conduct is mandatory for all employees). Aegon also has the Speak Up program, allowing employees and third parties to report suspected illegal or unethical behavior in confidence. Anti-bribery & corruption In addition to the Code of Conduct, Aegon Nederland has internal, globally applicable policies addressing the prevention of financial crime (fraud, money laundering, economic sanctions), including our dedicated Anti-Bribery and Corruption policy. Conflict of interest In addition to the Code of Conduct, Aegon Nederland has internal, globally applicable policies addressing the prevention of financial crime (fraud, money laundering, economic sanctions), including our dedicated Conflict of Interest policy.
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 operating effectiveness 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 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 Group Model Validation team. In accordance with regular governance, findings from Group 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 Group 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 2020/2021 security roadmap with focus on IT domains such as govern, protect, transition and operate.
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. Aegon Nederland operates a Credit Name Limit Policy under which limits are placed on the aggregate exposure that it has to any one counterparty. Refer to section 4.2.3 'Credit risk' for more information on how the counter party default risk is managed.
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 limited products that cover inflation risk for policyholders. Future expenses of Aegon may increase with the inflation.	To hedge the inflation risk, Aegon Nederland has closed inflation linked derivatives. 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[1]. Market-consistent assumptions underlying the measurement of non-listed assets and liabilities are adjusted to reflect the shock tested. Although management's short-term assumptions may change if there is a reasonably possible change in a risk factor, long-term assumptions will generally not be revised unless there is evidence that the movement is permanent. This fact is reflected in the sensitivity 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.

[1] Please refer to note 3 'Critical accounting estimates and judgements in applying accounting policies' for a description of the critical accounting estimates and judgments.

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 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.

	2021	2020	2019	2018	2017
3-month US Libor	0,21%	0,24%	1,91%	2,81%	1,69%
3-month Euribor	-0,57%	-0,55%	-0,38%	-0,31%	-0,33%
10-year US Treasury	1,51%	0,91%	1,91%	2,68%	2,41%
10-year Dutch government	-0,03%	-0,48%	-0,06%	0,38%	0,52%

Sensitivity of interest rates
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.

	2021		2020	
Parallel movement of yield curve	Estimated approximate effect		Estimated approximate effect	
	Net income	Equity	Net income	Equity
Shift up 100 basis points	440	-3.090	966	-3.618
Shift down 100 basis points	-572	3.632	-1.181	4.253

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 'Positions for general account in the balance sheet'

Debt securities
Collateral for structured securities such as ABS, RMBS and CMBS is not included in the table below. 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.

<u>Positions for general account in the balance sheet</u>

2021	Maximum exposure credit risk	Collateral received							Net exposure
Amounts in EUR thousand		Cash	Securities	Real estate	Guarantees **	Master netting agreement	Surplus collateral	Total	
Shares	19.912	-	-	-	-	-	-	-	19.912
Debt securities	90.201	-	-	-	-	-	-	-	90.201
Mortgage loans *	28.858	1.934	-	58.539	-	-	-31.721	28.753	105
Private loans	4.920	-	-	-	-	-	-	-	4.920
Other loans	291	-	-	-	-	-	-	-	291
Loans and group loans	101.960	-	-	-	-	-	-	-	101.960
At December 31	**246.142**	**1.934**	**-**	**58.539**	**-**	**-**	**-31.721**	**28.753**	**217.389**

*The base-adjustment of EUR 2 million (2020: EUR 3 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.

2020	Maximum exposure credit risk	Collateral received							Net exposure
Amounts in EUR thousand		Cash	Securities	Real estate	Guarantees **	Master netting agreement	Surplus collateral	Total	
Shares	19.985	-	-	-	-	-	-	-	19.985
Debt securities	120.450	-	-	-	-	-	-	-	120.450
Mortgage loans *	32.476	1.835	-	52.936	38	-	-22.380	32.430	46
Private loans	6.560	-	-	-	-	-	-	-	6.560
Other loans	352	-	-	-	-	-	-	-	352
Loans and group loans	100.270	-	-	-	-	-	-	-	100.270
At December 31	**280.093**	**1.835**	**-**	**52.936**	**38**	**-**	**-22.380**	**32.430**	**247.664**

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 Nederland's 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 2021 there was one breach regarding the CNLP, where for one counterparty the CNLP limit of EUR 135 million was exceeded by EUR 14 million. The PM has sold 19 million of a position with Atlantia SpA as ultimate parent, bringing the exposure under the CNLP limit within a week after reporting of the breach. A risk event has been created and follow-up actions have been implemented to prevent similar issues in the future.
Aegon Nederland's level long-term counterparty exposure limits, are as follows:

	2021	2020
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[2]. Sovereign exposures (regardless of rating) that are issued by the government of the functional currency of the Regions' business and also owned in that currency and sovereign exposures that are rated AAA by all three major agencies (S&P, Fitch and Moody's) are exempt from the policy.

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

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

4.2.4. Credit rating

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

<u>Investments for general account by rating</u>

2021	Amortized cost	Fair value	Total 2021
AAA	4.920	47.307	52.227
AA	-	9.849	9.849
A	-	32.444	32.444
BBB	-	602	602
Assets not rated	31.463	19.912	51.375
Total on balance credit exposure at December 31	**36.383**	**110.113**	**146.496**
Of which past due and/or impaired assets	890	-	890

2020	Amortized cost	Fair value	Total 2020
AAA	6.560	47.231	53.791
AA	-	10.160	10.160
A	-	50.927	50.927
BBB	-	11.584	11.584
BB	-	548	548
Assets not rated	35.758	19.985	55.743
Total on balance credit exposure at December 31	**42.318**	**140.435**	**182.753**
Of which past due and/or impaired assets	371	-	371

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	2021	2020
ABSs- Collateralized Debt Obligations (CDOs)	4.793	4.727
ABSs- Other	119	220
Residential mortgage backed securities (RMBSs)	27.135	26.823
Total investments in unconsolidated structured entities at December 31	**32.047**	**31.770**
Financial - Other	-	222
Industrial	28.309	54.628
Utility	4.267	5.134
Sovereign exposure	25.579	28.698
At December 31	**90.201**	**120.450**
Of which past due and/or impaired assets	-	-

Credit risk concentration - mortgage loans	2021	2020
Apartment	5.151	5.436
Commercial	165	159
Residential	23.542	26.881
At December 31	**28.858**	**32.476**
Of which past due and/or impaired assets	877	358

Fair value of the mortgage loan portfolio:	2021	2020
Fair value mortgage loans	31.463	35.900
Loan to value (approximately)	51,4%	66,6%
Part of portfolio government guaranteed	59,3%	61,0%
Delinquencies in portfolio (defined as 60 days in arrears)	0,0%	0,3%
Impairments / (reversals) during the year	-5	-16

<u>Unconsolidated structured entities</u>

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. Furthermore these structured entities are not originated by Aegon Spaarkas.

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.

	2021		2020	
	Number of entities	Carrying amount	Number of entities	Carrying amount
EUR 0 < 10 million	21	32.047	17	31.770
At December 31	**21**	**32.047**	**17**	**31.770**

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:

	2021	2020
Mortgage loans	-	242
Other	13	14
At December 31	**13**	**256**

	2021	2020
Interest received on impaired financial assets	**-**	**7**

Past due but not impaired financial assets

2021	0-6 months	6-12 months	> 1 year	Total
Mortgage loans	877	-	-	877
At December 31	**877**	**-**	**-**	**877**

2020	0-6 months	6-12 months	> 1 year	Total
Mortgage loans	116	-	-	116
At December 31	**116**	**-**	**-**	**116**

4.2.7. Equity market risk and other investments risk

A decline in equity markets may adversely affect Aegon Spaarkas' profitability and shareholders´ equity, sales of savings and investment products, and the amount of assets under management. There is a risk for both Aegon Spaarkas and its customers that the market value of its equity investments declines. Exposure to equity markets exists in both assets and liabilities.

Asset exposure exists through direct equity investments in which Aegon Spaarkas bears all or most of the volatility in returns and investment performance risk. The existence of direct equity risk is limited, as defined by Aegon Spaarkas' Risk policies.

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

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

The general account equity portfolio of Aegon Spaarkas is as follows:

	2021	2020
Equity funds	19.912	19.985
General account shares	**19.912**	**19.985**
At December 31	**19.912**	**19.985**

The tables that follow present specific market risk concentration information for general account shares:

	2021	2020
Funds	19.912	19.985
At December 31	**19.912**	**19.985**
Of which past due and/or impaired assets	-	-

<u>Information on closing levels of certain major indices at the end of the last five years</u>

	2021	2020	2019	2018	2017
S&P 500	4.766	3.756	3.231	2.507	2.674
Nasdaq	15.645	12.888	8.973	6.635	6.903
FTSE 100	7.385	6.461	7.542	6.728	7.688
AEX	798	625	605	488	545

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.

	2021		2020	
	Estimated approximate effect		Estimated approximate effect	
	Net income	Equity	Net income	Equity
Equity increase 10%	-5.045	-5.045	-4.426	-4.426
Equity decrease 10%	5.014	5.014	4.367	4.367
Equity increase 25%	-12.658	-12.658	-11.154	-11.154
Equity decrease 25%	12.448	12.448	10.780	10.780

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 2020.

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. Other, more volatile, short-term liquidity requirements arise from collateral requirements as a result of having a derivatives portfolio. 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 included in the stressed liquidity scenario that 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);
- Impaired market period in which no assets, other than highly liquid sovereign bonds which are explicitly and fully guaranteed by the local authorities, can be sold.

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 after an impaired market period[3] on assets taking into account conservative assumptions in the stressed liquidity scenario.

Required liquidity

[3] This is the 'impaired market scenario' in which there is limited market liquidity with higher defaults and where it is difficult to sell financial assets.

The required liquidity is computed by modelling the cash flows from liabilities, such as:
- Contractual repayments at maturity;
- Benefits and claims;
- Full or partial withdrawal of assets at call;
- Periodic premium payments and potential changes in them;
- New business activities;
- Collateral obligations from derivatives.

For insurance liabilities too, most cash flows are fixed and stable but some will vary considerably when a different liquidity scenario is applied. In the stressed liquidity scenario it is expected the situation in the financial market deteriorates. The amount of cash required as collateral payments for some derivative transactions will increase as well in the stressed liquidity scenario.

Results of excess liquidity
Aegon Spaarkas holds EUR 26 million (2020: EUR 29 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 excess liquidity is calculated after modelling the expected cash flows for assets and liabilities for each period of up to 2 years. The results of the excess liquidity calculations, available liquidity minus required liquidity, show that that Aegon Spaarkas had sufficient liquidity in different scenarios and for all tested periods at year-end 2021.

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.

2021	On demand	< 1 year	1 < 5 year	5 < 10 year	> 10 year	Total 2021
Other financial liabilities	37.115	3.605	72	-	-	40.792
At December 31	**37.115**	**3.605**	**72**	**-**	**-**	**40.792**

2020	On demand	< 1 year	1 < 5 year	5 < 10 year	> 10 year	Total 2020
Other financial liabilities	31.010	10.032	42	59	-	41.144
At December 31	**31.010**	**10.032**	**42**	**59**	**-**	**41.144**

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.

2021	< 1 year	1 < 5 year	5 < 10 year	> 10 year	Total
Insurance contracts for account of policyholders	260.290	500.088	525.825	247.728	1.533.932
At December 31	**260.290**	**500.088**	**525.825**	**247.728**	**1.533.932**

2020	< 1 year	1 < 5 year	5 < 10 year	> 10 year	Total
Insurance contracts for account of policyholders	215.408	483.210	484.197	246.983	1.429.797
At December 31	**215.408**	**483.210**	**484.197**	**246.983**	**1.429.797**

Maturity analysis – derivatives (contractual cash flows)

There are no cash in- and outflows for derivative financial instruments in 2021 and 2020 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

	2021		2020	
	Estimated approximate effect		Estimated approximate effect	
	Net income	Equity	Net income	Equity
20% increase in lapse rates	108	108	236	236
20% decrease in lapse rates	-116	-116	-255	-255
5% increase in mortality rates	4	4	7	7
5% decrease in mortality rates	-4	-4	-7	-7

Based on the nature of the insurance portfolio of Aegon Spaarkas, underwriting shocks do not have a material impact on equity and net income. Therefore, in line with prior year, no additional disclosure is given to explain the sensitivities.

4.2.10. Climate risk

Climate change is a long-term risk associated with high uncertainty regarding timing, scope and severity of potential impacts. Climate risks can be grouped into physical risks and transition risks. Physical risks relate to losses from overall climate changes (i.e. changing weather patterns and sea level rise) and acute climate events (i.e. extreme weather and natural disasters). These physical risks impact property & casualty (P&C) insurance, but also life insurance, for instance through higher-than-expected mortality rates. Losses can also follow from credit risk and collateral linked to Aegon Spaarkas' mortgage portfolio. Aegon Spaarkas is exposed to mortality risk and mortgage underwriting risks. Beyond insured losses, climate change may have disrupting and cascading effects on the wider economy and may lead to adverse market movements – prices and credit quality of investments and defaults on investments – and monetary policy measures resulting in lower interest rates.

Transition risks are those arising from the shift to a low-carbon economy. These risks are a function of policy and regulatory uncertainty, including political, social and market dynamics and technological innovations.
Transition risks can affect the value of assets and investment portfolios. Furthermore, Aegon Spaarkas may be unable to adjust to environmental and sustainability goals. Linked to both the physical and the transition risks, there could also be litigation and reputational risks following from not fully considering or responding to the impacts of climate change, or not providing appropriate disclosure of current and future risks. Aegon Spaarkas may not be able to fully predict or manage the financial risks stemming from climate change, resource depletion, environmental degradation and related social issues. The risks can relate both to Aegon Spaarkas and the companies in which it invests.

Given the significant uncertainties related to climate change impacts and its long-term nature, it cannot be ruled out that climate change may have a material adverse effect on Aegon Spaarkas' businesses, results of operations and financial condition.

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.

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.

The Dutch Data Protection Authority (Dutch DPA) supervises processing of personal data in order to ensure compliance with laws that regulate such use. 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.

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

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

<u>Management of capital</u>
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 2022 and 2021 Aegon Spaarkas complied with externally imposed minimum capital requirements.

Amounts in EUR million	31-12-2021*	31-12-2020
Own Funds	124	151
Partial Internal Model SCR	45	43
Solvency II ratio*	276%	353%

*The Solvency II ratio for 2021 is an estimate, is not final until filed with the regulator and is subject to supervisory review.

The Solvency II ratio of Aegon Spaarkas decreased during 2021. The Own Funds decreased mainly due to a dividend payment in the second and fourth quarter of 2021. The SCR slightly increased due to a model change, with an offset from operating capital generation.
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	31-12-2021*	31-12-2020
Shareholders' Equity (IFRS)	183	216
Revaluations	46	41
Own funds restrictions	-105	-105
Available own funds	124	151

*The available own funds for 2021 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 EU-IFRS 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 EU-IFRS and Solvency II. Solvency II is a market consistent framework hence all assets and liabilities are to be presented at fair value while EU-IFRS 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.

As of December 31, 2021, the factor of LAC DT is set at 95%, an increase compared to 2020 (the 2020 factor of LAC DT was 75%), while the corporate tax rate was increased (from 25% to 25.8%) to reflect amendments to the Dutch government tax plan 2022. The LAC DT factor is assessed on a quarterly basis following DNB guidance and LAC DT related proposals in the Solvency II regulation consultation paper of EIOPA.
During 2021, Aegon Spaarkas continued to comply with the minimum regulatory solvency requirements, driven by the fact that Aegon Spaarkas' 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' 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 that have been sold by Aegon Spaarkas, giving details that offer insight into the 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. These products are no longer sold.

5. Cash and cash equivalents

	2021	2020
Cash on hand and balances with banks	13.038	10.562
Short term bank deposits	-	15.000
Money market investments	12.008	5.012
At December 31	**25.046**	**30.573**

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 22 'Fair value of assets and liabilities'.

	2021	2020
Available-for-sale financial assets (AFS)	90.201	120.450
Loans (amortized cost)	36.383	42.318
Financial assets at fair value through profit or loss (FVTPL)	19.912	19.985
Total investments for general account	**146.496**	**182.753**

6.1. Financial assets, excluding derivatives

2021	AFS	Loans	FVTPL	Total	Fair value
Shares	-	-	19.912	19.912	19.912
Debt securities	90.201	-	-	90.201	90.201
Mortgage loans	-	31.172	-	31.172	31.463
Private loans	-	4.920	-	4.920	5.006
Other	-	291	-	291	291
At December 31	**90.201**	**36.383**	**19.912**	**146.496**	**146.873**

2020	AFS	Loans	FVTPL	Total	Fair value
Shares	-	-	19.985	19.985	19.985
Debt securities	120.450	-	-	120.450	120.450
Mortgage loans	-	35.406	-	35.406	35.900
Private loans	-	6.560	-	6.560	6.749
Other	-	352	-	352	352
At December 31	**120.450**	**42.318**	**19.985**	**182.753**	**183.436**

	2021	2020
Current	42.664	34.319
Non-current	103.832	148.434
At December 31	**146.496**	**182.753**

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 'Fee and commission income'. For a summary of all financial assets and financial liabilities at fair value through profit or loss see note 22 'Fair value of assets and liabilities'. The investments for account of policyholders are deemed non-current.

	2021	2020
Shares	1.203.546	1.060.678
Debt securities	124.110	204.963
Mortgage loans	20.102	23.066
Other financial investments	34.345	9.913
Cash and cash equivalents	200.442	161.800
At December 31	**1.582.546**	**1.460.421**

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

8. Derivatives

	Derivative liability	
	2021	2020
Derivatives held as an economic hedge	1.537	590
Bifurcated embedded derivatives	3.804	6.700
At December 31	**5.341**	**7.290**

	2021	2020
Current	-1.537	-590
Non-current	-3.804	-6.700
Total net derivatives at December 31	**-5.341**	**-7.290**

For a summary of all financial assets and financial liabilities at fair value through profit or loss see note 22 '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 2.3 million (EUR 2.9 million at year-end 2020) 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 4 years (2020: 5 years).

9. Loans and group loans

	2021	2020
Loan Aegon Nederland N.V.	100.000	100.000
Loan Aegon Derivatives N.V.	1.960	270
At December 31	**101.960**	**100.270**
Current	1.960	270
Non-current	100.000	100.000
Total	**101.960**	**100.270**

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 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. ESTR interest is applied on the variation margin. Clearing costs will be charged on quarterly basis.

The carrying amounts disclosed reasonably approximate fair value at year-end. No securities or guarantees have been agreed for these loans and no collateral is posted for these loans.

10. Other assets and receivables

	2021	2020
Investment debtors	1	-
Receivables from policyholders	6.387	5.766
Accrued interest	722	901
Current	**7.109**	**6.666**
At December 31	**7.109**	**6.666**

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

	2021	2020
Share capital	910	910
Share premium	2	2
Revaluation reserves	2.946	5.203
Retained earnings	174.363	197.345
Net income / (loss)	4.502	12.018
At December 31	**182.723**	**215.479**

11.1. Share capital

	2021	2020
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. The dividend policy of Aegon Spaarkas is based on the group dividend policy of Aegon and has changed during 2021 to reflect the changes in the group dividend policy. Dividend amounts are based on the Operating Capital Generation of the related period and paid on a quarterly basis provided that the legal and internal requirements related to capital- and liquidity are met. In 2021, Aegon Spaarkas paid EUR 35 million dividend to Aegon Nederland N.V. (2020: EUR 29 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

	2021	2020
At January 1	5.203	6.320
Gross revaluation	-2.391	2.531
Net (gains) / losses transferred to income statement	-577	-3.682
Tax effect	710	34
At December 31	**2.946**	**5.203**

The revaluation reserves relate to the unrealized gains on the AFS debt securities. There are restrictions on the distribution to shareholders of the revaluation reserve on revaluations relating to financial instruments that are not actively traded / quoted.

12. Insurance contracts for account of policyholders

Movements during the year:	2021	2020
At January 1	1.515.443	1.695.509
Gross premiums	25.204	29.027
Unwind of discount / interest credited	314.060	7.591
Insurance liabilities released	-207.891	-204.635
Changes in valuation of expected future benefits	-235	-211
Portfolio transfers and acquisitions	-14	-13
Expense loadings released	-13.082	-11.825
At December 31	**1.633.486**	**1.515.443**

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.

	2021	2020
At January 1	6.700	5.902
Changes in valuation of expected future benefits	-2.895	798
At December 31	**3.804**	**6.700**

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

14. Deferred tax liabilities

	2021	2020
Deferred tax assets	715	1.015
Deferred tax liabilities	1.530	2.343
Net deferred tax liability / (asset) at December 31	**815**	**1.328**

<u>Movement in deferred tax</u>

2021	Financial assets	Insurance contracts	Other	Total
At January 1	2.333	-1.015	10	1.328
Charged to income statement	-101	300	-2	197
Charged to equity	-710	-	-	-710
At December 31	**1.522**	**-715**	**8**	**815**

2020	Financial assets	Insurance contracts	Other	Total
At January 1	2.455	-1.203	9	1.261
Charged to income statement	-88	188	1	101
Charged to equity	-34	-	-	-34
At December 31	**2.333**	**-1.015**	**10**	**1.328**

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. Deferred tax assets and liabilities are expected to be recovered after more than one year after the balance sheet date.

15. Other liabilities and accruals

	2021	2020
Payables due to policyholders	36.294	30.205
Investment creditors	4	5
Income tax payable	1.321	3.840
Social security and taxes payable	333	318
Current account with group companies	2.272	6.182
Accrued interest	3	9
Other creditors	564	587
At December 31	**40.792**	**41.144**
Current	40.720	41.043
Non-current	72	101
Total	**40.792**	**41.144**

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 in the line items 'Accrued expenses and other liabilities' and 'Tax (paid) / received'.

16. Premium income and premiums paid to reinsurers

	2021			2020		
	Gross	Reinsurance	General Account	Gross	Reinsurance	General Account
Recurring premiums, without profit sharing	25.087	11	25.076	28.927	13	28.914
Single premiums, without profit sharing	129	-	129	114		114
Total	**25.216**	**11**	**25.205**	**29.041**	**13**	**29.028**

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

17. Investment income

	2021	2020
Investment income related to general account	2.111	2.648
Investment income for account of policyholders	23.895	27.589
Total	**26.006**	**30.236**

Investment income consists of:

	2021	2020
Interest income out of:		
- Debt securities	2.988	8.130
- Loans	1.176	1.291
- Other investments	404	407
Dividend income from shares	21.439	20.409
Total	**26.006**	**30.236**

Interest income accrued on impaired financial assets	-	7
Interest income on financial assets not carried at FVTPL	2.574	3.286

Investment income from financial assets held for general account:

	2021	2020
Available-for-sale	532	938
Loans	1.176	1.291
Fair value through profit or loss	-	11
Derivatives	-463	-650
Other	866	1.057
Total	**2.111**	**2.648**

18. Results from financial transactions

	2021	2020
Net fair value change general account financial investments FVTPL, other than derivatives	-73	-15
Realized gains / (losses) on financial investments	588	3.682
Net fair value change of derivatives	-13.477	-8.223
Net fair value change financial assets FVTPL for account of policyholder	286.043	-23.968
Total	**273.080**	**-28.524**

Realized gains and losses on financial investments

	2021	2020
Debt securities and money market investments (AFS)	577	3.682
Loans	11	-
Total	**588**	**3.682**

Net fair value change of derivatives comprise:

	2021	2020
Net fair value change economic hedges - no hedge accounting applied	-15.757	-6.810
Net fair value change bifurcated embedded derivatives	2.895	-798
Amortization of the base-adjustment	-616	-616
Total	**-13.477**	**-8.223**

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.

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

	2021	2020
Shares	285.019	-17.381
Debt securities and money market investments	1.024	-6.586
Total	**286.043**	**-23.968**

19. Policyholder claims and benefits

	2021	2020
Claims and benefits paid to policyholders	201.582	197.707
Change in valuation of liabilities for insurance contracts	118.278	-179.855
Total	**319.860**	**17.853**

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 an increase in interest rates, and the net fair value change of investments for account of policyholders (refer to note 18 'Results from financial transactions').

20. Commissions and expenses

	2021	2020
Commissions	3	3
Administration expenses	1.565	-156
Total	**1.568**	**-154**

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.

The increase of the administration expenses is primarily explained by a release of reserved amounts due to policyholders leading to a negative amount in 2020. This relates to policies that have expired more than 10 year ago, and where despite efforts from Aegon Spaarkas the policy beneficiary has not been found.

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 total remuneration for their activities within Aegon Nederland group pursuant to Section 383:1 of Book 2 of the Dutch Civil Code is set out below. The amounts are in euro, instead of EUR thousand.
The Managing Director Life is not considered to be key management in accordance with IAS 24.

Members of the Board of Directors	2021	2020
Gross salary and social security contributions	3.114.760	2.871.379
Pension premium	15.360	125.909
Other benefits	796.659	1.070.733
Total	**3.926.779**	**4.068.021**

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% (2020: 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 2,122 thousand from a company associated with Aegon Nederland (2020: EUR 2,560 thousand) at variable interest rates ranging from 1.16% to 2.09% (2020: 1.54% to 2,78%) in line with the terms and conditions available to the employees of Aegon Nederland. Mortgages provided during the year amounted to nil (2020: EUR 300 thousand) and repayments amount to EUR 135 thousand (2020: EUR 1,011 thousand). Other movements within mortgages are the result of changes in the composition of the Board of Directors. 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 190 thousand (2020: EUR 240 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.

Remuneration Key Management
Key Management consists of all members of the Board of Directors, the Supervisory Board and the Managing Director Life. Pursuant to Section 383:1 of Book 2 of the Dutch Civil Code, the remuneration of the Managing Director Life is not disclosed, as it can be tied to a single individual.

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.

20.1. Remuneration Independent Auditor

PricewaterhouseCoopers Accountants N.V. has served as Aegon Spaarkas' independent public auditor during 2021 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

- Audit of the financial statements of Aegon Spaarkas;
- 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' 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

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

21. Income tax

	2021	2020
Current tax		
- current year	1.321	3.838
Deferred tax		
- origination / (reversal) of temporary differences	177	151
- changes in tax rates / bases	-6	-50
Income tax for the period (income) / charge	**1.492**	**3.939**

The weighted average applicable statutory tax rate for Aegon Spaarkas in 2020 and 2021 was 25%. In the Netherlands, the enacted future corporate income tax rate increased from 25% to 25.8% as from January 1, 2022 which resulted in an unfavorable tax rate impact.

Reconciliation between standard and effective corporate income tax:

	2021	2020
Income before tax	5.994	15.957
Income tax calculated using weighted average applicable statutory rates	1.499	3.989
Difference due to the effects of:		
- changes in tax rates / bases	-6	-50
Income tax for the period (income) / charge	**1.492**	**3.939**

	2021	2020
Items that may be reclassified subsequently to profit and loss:		
Gains / losses on revaluation AFS investments	-566	886
Gains / losses transferred to the income statement on disposal and impairment AFS investments	-144	-921
Total income tax related to components of other comprehensive income	**-710**	**-34**

22. 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.

22.1. 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.

2021	Level I	Level II	Level III	Total
Assets carried at fair value				
AFS investments				
- Debt securities	25.579	64.622	-	90.201
FVTPL investments				
- Shares	-	19.912	-	19.912
- Investments for account of policyholders*	1.399.253	173.006	10.287	1.582.546
Total assets	**1.424.832**	**257.540**	**10.287**	**1.692.659**
Liabilities carried at fair value				
- Derivatives	-	1.537	3.804	5.341
Total liabilities	**-**	**1.537**	**3.804**	**5.341**

2020	Level I	Level II	Level III	Total
Assets carried at fair value				
AFS investments				
- Debt securities	28.698	91.753	-	120.450
FVTPL investments				
- Shares	-	19.985	-	19.985
- Investments for account of policyholders*	1.304.827	143.828	11.766	1.460.421
Total assets	**1.333.525**	**255.566**	**11.766**	**1.600.856**
Liabilities carried at fair value				
- Derivatives	-	590	6.700	7.290
Total liabilities	**-**	**590**	**6.700**	**7.290**

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

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

2021	As at 1-1-2021	Result income statement	Result OCI	Purchases	Sales	Transfers between I/II and III	As at 31-12-2021	Result year-end
Assets carried at fair value								
FVTPL investments								
- Investments for account of policyholders	11.766	-458	-	1.175	-2.196	-	10.287	-458
Total assets	**11.766**	**-458**	**-**	**1.175**	**-2.196**	**-**	**10.287**	**-458**
Liabilities carried at fair value								
- Derivatives	6.700	-2.895	-	-	-	-	3.804	-2.895
Total liabilities	**6.700**	**-2.895**	**-**	**-**	**-**	**-**	**3.804**	**-2.895**

2020	As at 1-1-2020	Result income statement	Result OCI	Purchases	Sales	Transfers between I/II and III	As at 31-12-2020	Result year-end
Assets carried at fair value								
FVTPL investments								
- Investments for account of policyholders	11.906	433	-	87	-660	-	11.766	433
Total assets	**11.906**	**433**	**-**	**87**	**-660**	**-**	**11.766**	**433**
Liabilities carried at fair value								
- Derivatives	5.902	798	-	-	-	-	6.700	798
Total liabilities	**5.902**	**798**	**-**	**-**	**-**	**-**	**6.700**	**798**

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

During 2020 and 2021 no transfers between level II to level III or vice versa took place, nor were there signicant transfers between level I and II or vice versa.

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.

2021	Carrying amount	Valuation technique	Significant unobservable input*	Range	Weighted average
Assets carried at fair value					
FVTPL Investments for account of policyholders	10.287	Broker quote	n.a.	n.a.	n.a.
Total assets at fair value	**10.287**				
Liabilities carried at fair value Derivatives - Bifurcated embedded derivatives	3.804	Discounted cash flow	Credit spread	0,20%	0,20%
Total liabilities at fair value	**3.804**				

2020	Carrying amount	Valuation technique	Significant unobservable input*	Range	Weighted average
Assets carried at fair value					
FVTPL Investments for account of policyholders	11.766	Broker quote	n.a.	n.a.	n.a.
Total assets at fair value	**11.766**				
Liabilities carried at fair value Derivatives - Bifurcated embedded derivatives	6.700	Discounted cash flow	Credit spread	0,25%	0,25%
Total liabilities at fair value	**6.700**				

* Not applicable (n.a.) has been included when the unobservable inputs are not developed by Aegon Spaarkas and are not reasonably available. Refer to the section 'Fair value measurement' in this note for a detailed description of Aegon Spaarkas' methods of determining fair value and valuation techniques.

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'.

2021	Carrying amount	Significant unobservable input	Note	Effect of reasonably possible alternative assumptions	
				positive	negative
Liabilities carried at fair value Derivatives - Bifurcated embedded derivatives	3.804	Credit spread	a	-9	9

2020	Carrying amount	Significant unobservable input	Note	Effect of reasonably possible alternative assumptions	
				positive	negative
Liabilities carried at fair value Derivatives - Bifurcated embedded derivatives	6.700	Credit spread	a	-76	78

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.

2021	At December 31		Level of fair value hierarchy		
	Carrying amount	Estimated fair value	Level I	Level II	Level III
Assets					
Mortgage loans	31.172	31.463	-	-	31.463
Private loans	4.920	5.006	-	-	5.006
Other	291	291	-	291	-

2020	At December 31		Level of fair value hierarchy		
	Carrying amount	Estimated fair value	Level I	Level II	Level III
Assets					
Mortgage loans	35.406	35.900	-	-	35.900
Private loans	6.560	6.749	-	-	6.749
Other	352	352	-	352	-

22.2. Fair value measurement

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

22.2.1. 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.

22.2.2. 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' 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.

22.2.3. 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.

22.2.4. 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.

22.2.5. 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 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 (2020: 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.

[4] International Swaps and Derivatives Associations

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'.

22.3. 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.

	2021		2020	
	Trading	Designated	Trading	Designated
Investments for general account	-	22.226	-	22.915
Investments for account of policyholders	-	1.582.546	-	1.460.421
Total financial assets at FVTPL	**-**	**1.604.772**	**-**	**1.483.336**

	2021		2020	
	Trading	Designated	Trading	Designated
Derivatives with negative values	1.537	3.804	590	6.700
Total financial liabilities at FVTPL	**1.537**	**3.804**	**590**	**6.700**

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:

	2021		2020	
	Trading	Designated	Trading	Designated
Net gains and losses	-15.757	288.250	-6.810	-25.396

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.

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 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).

23. Commitment and contingencies

23.1. 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 2022. 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. The sale of mortgage loans relates to pre-announced redemptions on mortgage loans.

Contracted sales	2021	2020
Mortgage loans	721	965

23.2. Other commitments and contingencies

Contractual obligations
In March 2020 Aegon Levensverzekering and Aegon Spaarkas signed a contract with IBM with respect to the outsourcing of the administration of the individual life service book portfolio which consists of approximately 800,000 policies. The agreement is a 20-year contract in which Aegon Levensverzekering and Aegon Spaarkas have the option for prolongation after this period. At year-end 2021, outstanding transition charges are estimated to amount to approximately EUR 15 million (excluding VAT), which are expected to be recorded over the next four years, with fixed payments to IBM defined in the agreement and subject to completion of milestones which have been agreed with Aegon Nederland.

23.3. Legal and arbitrary proceedings, regulatory proceedings and actions

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.

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.

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

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

Developments in similar cases against other Dutch insurers currently before regulators, KIFID and courts may also affect Aegon. These matters will be defended; 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.

24. 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.

Assets accepted

Financial assets of Aegon Spaarkas, that have been transferred, but do not qualify for derecognition are debt instruments used in securities lending and reverse repurchase 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 legally transferred in return for cash collateral or other financial assets. Non-cash collateral is not recognised in the balance sheet. Cash collateral is recognised 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. The sum of cash and non-cash collateral is typically greater than the market value of the related securities lend.

When transferring non-cash financial assets to another party under securities lending and repurchase activities, the counterparty has the right to sell or re-pledge the full amount. The assets transferred in Security Lending activities comprises of assets from separate account funds.

Securities lending	2021	2020
Carrying amount of transferred financial assets	16.149	10.522
Fair value of cash collateral received	-	-
Fair value of non-cash collateral received	-16.864	-11.453
Net exposure	**-715**	**-931**
Non-cash collateral that can be sold or repledged in the absence of default	16.864	11.453

Reverse repurchase agreements	2021	2020
Cash paid for reverse repurchase agreements	12.008	5.012
Fair value of non-cash collateral received	-12.008	-5.012
Net exposure	**-**	**-**
Non-cash collateral that can be sold or repledged in the absence of default	12.008	5.012

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.

25. 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>

	Liabilities	
	2021	2020
Financial instruments in balance sheet		
Gross (=Net) amounts of financial instruments	1.537	590
Related amounts not set off		
- Cash collateral pledged (excluding surplus collateral)	1.960	590
Net amount at December 31	**-423**	**-**

In the Netherlands, mortgage customers can take on top of their mortgage a construction deposit for home improvements. Undrawn amounts of construction deposits are netted against the outstanding total mortgage loans. At 31 December 2021, an amount of EUR 0 million (31-12-2020: EUR 0 million) of construction deposits is undrawn.

26. 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 'Loans and group loans'.

Aegon Spaarkas has an uncollateralized current account relationship with Aegon Nederland. This current account position is subject to internally set limits which are monitored; regular realignments occur even if no limit is exceeded. At the end of the year, Aegon Spaarkas had a current account payable to Aegon Nederland, see note 15 'Other liabilities and accruals'.

Aegon Spaarkas has loans with group companies, see note 9 '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. Overhead expenses of EUR 1.0 million (2020: EUR 2.0 million) were recharged to Aegon Spaarkas.

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 2.8 million (2020: EUR 2.4 million). Furthermore Aegon Spaarkas received a management fee of EUR 5.9 million (2020: EUR 5.5 million).

27. Events after the reporting period

On February 24, 2022, Russia invaded Ukraine, which caused a humanitarian crisis and is also impacting global financial markets and causing economic turbulence. At the date of this report the depth and length of this war is unknown, and the situation is changing rapidly from day to day.

Aegon is closely monitoring the financial markets and economic turbulence that has arisen as a consequence of the situation and the related international sanctions, and its impact on Aegon. The most significant risks Aegon faces are related to financial markets, particularly from volatility in credit, equity and interest rates. The notes to Aegon's financial statements include elaborate descriptions and related financial market sensitivities. Aegon is actively managing its risks and capital position to maintain a robust balance sheet, as the Company navigates through the uncertainty created by the current geopolitical situation. The Company is on high alert status to help ensure the safety and well-being of its staff, as well as its capability to support its customers, while maintaining our financial and operational resilience.

Aegon Spaarkas has no direct operations in Russia and Ukraine. As at March 3, 2022, Aegon Spaarkas' has no direct investment exposure in the company's general account portfolio to Russia and Ukraine or in the investments for risk of policyholders. In March 2022, Aegon has announced that it will not make future investments in Russia or Belarus-based companies and has updated its Responsible Investment Policy accordingly.

Mr. W. Horstmann resigned as member of the Board of Directors as of February 1, 2022.

Mrs. A.H.T.M. Schlichting resigned as member of the Board of Directors as of April 4, 2022.

In March 2022 EUR 2 million dividend was paid to Aegon Nederland.

There are no further post reporting date events and expectations that have not already been taken into account in the directors' report or financial statements.

28. Approval of the financial statements

The financial statements of Aegon Spaarkas for the year ended 31 December 2021 were approved by the Board of Directors and by the Supervisory Board on April 7, 2022.

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.

29. 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 4.5 million to the retained earnings. This proposal has been incorporated in the financial statements.

The Hague, April 7, 2022

The Board of Directors,

A.C.C. van Hövell-Patrizi (chair)	
B. Magid	

The Hague, April 7, 2022

The Supervisory Board,

D. Jansen Heijtmajer (chair)	
G.J.M. Vrancken	
M.J.E. Hoek	
M.J. Rider	

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 and the supervisory board of Aegon Spaarkas N.V.

Report on the financial statements 2021

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 2021, 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 2021 of Aegon Spaarkas N.V., Leeuwarden.

The financial statements comprise:

- the statement of financial position as at 31 December 2021;
- the following statements for 2021: the income statement, the statement of comprehensive income, the statement of changes in equity and 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.

PricewaterhouseCoopers Accountants N.V., Thomas R. Malthusstraat 5, 1066 JR Amsterdam, P.O. Box 90357, 1006 BJ Amsterdam, the Netherlands
T: +31 (0) 88 792 00 20, F: +31 (0) 88 792 96 40, www.pwc.nl

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 regulations in the Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA, Dutch Code of Ethics).

Our audit approach

We designed our audit procedures with respect to the key audit matters, fraud and going concern, and the matters resulting from that, in the context of our audit of the financial statements as a whole and in forming our opinion thereon. The information in support of our opinion, like our findings and observations related to individual key audit matters, the audit approach on fraud risk and the audit approach on going concern was addressed in this context, and we do not provide a separate opinion or conclusion on these matters.

Overview and context

Aegon Spaarkas N.V. is a medium sized insurance company specialized in life insurance products, mainly tontine plans.

The Company is a wholly owned subsidiary of Aegon Nederland N.V. The accounting process is structured around a centralised finance function in Aegon Nederland N.V. that supports the insurance operations, called reporting units. We consider these reporting units to be components in planning and executing our audit. The Aegon Nederland N.V. finance function maintains all actuarial and tax functions, its own accounting records and controls. In establishing the overall approach to the audit, we determined the type of work that is needed to be performed by our audit team at each of the reporting units. As the audits of Aegon Nederland N.V. and the Company are performed by the same audit team, audit procedures performed at Aegon Nederland N.V. level are utilised in a one-stream approach for the audit of the Company. The audit primarily focussed on the significant activities within Aegon Nederland relevant for the Company, which have been identified, based on type of products, geographical location and industry, being: Head Office, Individual Life and Mortgages, and Asset Management.

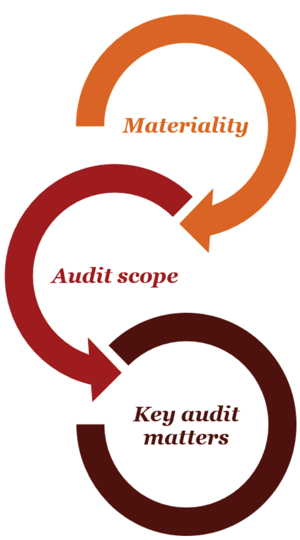
As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where management made important judgments, for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. In Note 3 'Critical accounting estimates and judgment in applying accounting policies', the Company describes the areas of judgment 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 and the valuation of certain Level 3 investments, we consider 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 as key audit matters.

We discussed with management their assessment on how the risk of climate change impacts the strategy, operations, and financial position of the Company. The Company committed to a net zero impact objective in respect to its general account investment portfolio and an operational greenhouse gas emission reduction. We discussed with management the planned actions which in their view should lead to realization of the commitments. The impact on the 2021 financial statements resulting from the risk of climate change on the insurance activities is considered limited, due to among others, the nature of the insurance portfolio of the Company (no property and casualty). As the investment portfolio is largely valued at market value, based on market observable inputs, the risk of climate change on this portfolio does also not lead to a material risk from a 2021 financial statements perspective. Hence, the risk of climate change on the Company does not warrant a key audit matter.

Based on our risk assessment, including cyber security risks and 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 that are needed for the audit of an insurance company. We, therefore, included experts and specialists in the areas of amongst others risk assurance, tax, the valuation of certain types of assets (e.g. complex financial instruments) and liabilities (actuarial services for liabilities arising from insurance contracts) in our team.

The outline of our audit approach was as follows:



Materiality

- Overall materiality: €7.3 million.

Audit scope

- We conducted audit work on all significant components within Aegon Spaarkas N.V.
- We included all material financial statement line-items in the scope of our audit.

Key audit matters

- Valuation of liabilities arising from insurance contracts
- Valuation of certain Level 3 investments
- Uncertainties in policyholder claims and litigation
- Disclosures on the capital position based on Solvency II regulations

Materiality

The scope of our audit was 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 judgment 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	€7.3 million (2020: €8.6 million).
Basis for determining materiality	We used our professional judgment to determine overall materiality. As a basis for our judgment we used 4% of equity. This resulted in an overall materiality of € 7.3 million (2020: € 8.6 million).
Rationale for benchmark applied	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 (ultimate) parent company, policyholders, creditors and regulators for assessing suitable benchmarks and thresholds for determining overall materiality. We used equity as the primary benchmark, a generally accepted auditing practice, based on our analysis of the common information needs of the users of the financial statements, which includes regulators, policyholders and other creditors. On this basis, we believe that equity is an important metric for the financial performance of the Company.

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

We agreed with the supervisory board that we would report to them any misstatement identified during our audit above €365,000 (2020: €430,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Audit approach on fraud risks

We identified and assessed the risk of material misstatement of the financial statements due to fraud. During our audit we obtained an understanding of the Company and its environment and the components of the system of internal control, including the risk assessment process and management's process for responding to the risks of fraud and monitoring the system of internal control and how the supervisory board exercises oversight, as well as the outcomes. We considered available information and made enquiries of relevant executives, directors, including internal audit, risk management, legal, compliance and the supervisory board.

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 these fraud risk factors to consider whether those factors indicated a risk of material misstatement due to fraud. In all our audits, we pay attention to the risk of management override of controls, as this risk is always considered to present a significant risk of fraud.

We evaluated the design and relevant aspects of the system of internal control and in particular the fraud risk assessment and management, as well as among others, the code of conduct, whistle blower procedures and incident registration and follow-up. Where considered appropriate, we tested the operating effectiveness of internal controls designed to mitigate fraud risks. We incorporated elements of unpredictability in our audit. We also considered the outcome of our other audit procedures and evaluated whether any findings were indicative of fraud or non-compliance. If so, we reevaluated our assessment of fraud risk and its resulting impact on our audit procedures. Further, we performed an assessment of matters reported on the (Company's) whistleblowing and complaints procedures and results of management's investigation of such matters.

Based on our considerations of various factors, such as the high volume of individually small transactions, non-complex calculations, closed book environment and our assessment of the inherent risk at the assertion level, the engagement team concluded that the risk of fraud in revenue recognition does not rise to the level of a significant risk for any of the revenue streams for the Aegon Spaarkas N.V. audit.

Taking into account all factors, we identified 'management override of controls', including the risk of management bias when setting assumptions, as a fraud risk and performed the following specific procedures:

Identified fraud risk	*Audit work and observations*
Management override of controls In accordance with Standard 240.32, the risk of management override of controls is always considered to present a significant risk of fraud that cannot be rebutted. Methods by which management could override controls include, but are not limited to, the following: • Manipulation of the financial reporting process by recording inappropriate or unauthorized journal entries. • Intentional misstatement of accounting estimates that involve subjective inputs and assumptions.	To the extent relevant to our audit, we have reviewed the design of internal controls to mitigate the risk of override of internal control and tested the effectiveness of the controls in the processes for generating and processing journal entries and making estimates. We also paid specific attention to the restricted access in IT systems and the possibility that segregation of duties is not enforced. We identified significant assumptions and tested these against the Company's and market experience information. For details we refer to the key audit matters in respect of Valuation of liabilities arising from insurance contracts and Valuation of certain Level 3 investments. We tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements. We selected journal entries based on risk criteria and performed specific audit procedures on these. We identified no significant transactions outside normal business operations.

Identified fraud risk	*Audit work and observations*
• Entering into significant transactions that are outside the normal course of business for the entity or that otherwise appear to be unusual, that have been entered into to engage in fraudulent financial reporting or to conceal misappropriation of assets.	Our work did not lead to specific indications of fraud or suspicions of fraud with regard to the override of internal control by management.

Audit approach on going concern

As disclosed in Note 2.1, 'Basis of presentation', to the financial statements management performed their assessment of the entity's ability to continue as a going concern for the foreseeable future and has not identified events or conditions that may cast significant doubt on the entity's ability to continue as a going concern (hereafter: going concern risks). Our procedures to evaluate management's going concern assessment include, amongst others:

- Considering whether management's going concern assessment includes all relevant information of which we are aware as a result of our audit, inquire with management regarding management's most important assumptions underlying their going concern assessment;
- Evaluating management's assessment of the adequacy of the solvency positions, and the sufficiency of free cash flows to cover the projected dividends and other cash outflows;
- Evaluating management's assessment of the Company's stress testing of liquidity and regulatory capital requirements, including severity of the stress scenarios that were applied;
- Performing inquiries of management as to their knowledge of going concern risks beyond the period of management's assessment.

Our procedures did not result in outcomes contrary to management's assumptions and judgments used in the application of the going concern assumption.

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

We obtained a general understanding of the legal and regulatory framework applicable to the Company and how the Company is complying with that framework. 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 our audit, a distinction is made between those laws and regulations which have a direct effect on the determination of material amounts and disclosures in the financial statements and those that do not have a direct effect 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.

We identified that the risk of non-compliance with laws and regulations mainly relates to the laws and regulations which have an indirect impact on the financial statements, such as anti-money laundering and anti-terrorist financing regulations, regulations linked to the operating licenses for the Company's insurance activities including Solvency II. 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. These procedures comprise inquiring of management, evaluating compliance and risk management reporting and inspecting correspondence with relevant authorities.

Key audit matters

Key audit matters are those matters that, in our professional judgment, 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.

The key audit matters described below are mostly related to the nature of the Company and are therefore expected to occur year over year. We took the impact of the COVID-19 pandemic into consideration in the audit procedures we performed on the existing key audit matters. These are described in more detail in the individual key audit matters below, where appropriate.

Key audit matter	***Our audit work and observations***
Valuation of liabilities arising from insurance contracts. *Refer to Note 2.12 'Insurance contracts', Note 3 'Critical accounting estimates and judgment in applying accounting policies', Note 8 'Derivatives', Note 12 'Insurance contracts for account of policyholders' and Note 13 'Guarantees'.* The Company has insurance contracts for account of policyholders stated at € 1.6 billion (2020: € 1.5 billion) and bifurcated embedded derivatives stated at € 3.8 million (2020: € 6.7 million) at December 31, 2021 representing 97% (2020: 97%) of the Company's total liabilities. These areas involve the use of valuation models that use significant inputs that are not market observable 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 are more likely to be subject to a material misstatement either due to error or fraud. Therefore, we consider these areas a key matter for our audit. To assess the adequacy of the liabilities for insurance contracts, the Company performs liability adequacy testing. This testing is done to verify that the valuation of these liabilities is adequate compared to the expected future contractual cash flows. The main assumptions used in measuring the liabilities for insurance contracts relate to mortality, investment return, future expenses, lapses and discount curve.	Our audit focused on the application of valuation models and the judgments applied in the assumption setting process, taking into account the uncertainty, complexity and subjectivity associated with this. We assessed the design and tested the operating effectiveness of internal controls over the actuarial process that are relevant for the purpose of our audit, including management's determination and approval process for setting economic and actuarial assumptions as well as controls over management's actuarial analyses, including estimated versus actual results and experience studies, controls over data integrity and change management for internally operated valuation models (including Aegon's model validation process) and controls over the valuation of mortgage loans. Based on this work, we found that we, to the extent relevant for our audit, could rely on these controls. We performed audit procedures over the valuation models and the model updates to determine the appropriateness of those. We tested the impact of model updates against supporting evidence. For the models used, we tested the completeness and accuracy of key data underlying the development of the aforementioned significant assumptions, as well as actuarial 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.

Key audit matter	*Our audit work and observations*
Significant judgment is applied in setting these assumptions. In addition, the Company adjusts the outcome of the liability adequacy test for the difference between the fair value and the book value of mortgage loans within the scope of the liability adequacy test. The fair value of mortgage loans is determined using significant assumptions that require judgment, including conditional prepayment rate assumptions. Given the magnitude of the insurance contract liabilities 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 and lapse) could have a significant impact on net income and shareholders' equity. During 2021, the Company continued a multi-year review of its actuarial models, focussing on those considered medium and high risk.	We evaluated the reasonableness of management's significant assumptions, taking into account the impact of the COVID-19 pandemic and current management initiatives, especially on assumed future expenses. In our assessment we considered the risk of management bias in setting these significant assumptions. Based on our procedures we found these assumptions to be reasonable and appropriate. 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 support audit information. The quality of prior years' assumptions is assessed by the analyses of the actual versus expected developments. Where expert judgment was used, we challenged management on the judgment applied and the use of alternative scenarios. Based on our procedures performed, we found that the assumptions set by management are supported by available audit information and are within a range we consider acceptable based on the Company's and industry experience. In respect of mortgage loans, we evaluated the reasonableness of management's estimate of the fair value of the portfolio by independently developing a range of acceptable outcomes and comparing management's estimate to the independently developed range. Developing the independent estimate involved utilising a range of available market inputs and assumptions and testing the completeness and accuracy of data provided by management. We also evaluated whether the disclosures in the financial statements are adequate and in accordance with EU-IFRS. We found the disclosures to be appropriate in this context.

Key audit matter	Our audit work and observations
Valuation of certain Level 3 investments. *Refer to Note 2.5 'Investments', Note 3 'Critical accounting estimates and judgment in applying accounting policies', Note 6 'Investments' and Note 22 'Fair value of assets and liabilities'.* The Company has investments, including investments for account of policyholders, of € 1.7 billion (2020: € 1.6 billion), of which € 10 million are categorised as Level 3 investments in the valuation hierarchy. The Company also has assets that are carried at amortised cost, but for which the fair value is required to be disclosed and for which the fair value is used to determine the excess value in the liability adequacy test (mortgage loans and private loans (including inflation linked notes) of € 36 million (2020: € 43 million), on a fair value basis). Management's estimate of the valuation of Level 3 investments is developed using quotes from third-party brokers, external appraisals or internal cash flow modelling techniques that use significant unobservable inputs, including discount and capitalisation rates, default rates, liquidity assumptions, issuer specific credit adjustments and indicative quotes from market makers. These estimates involve significant judgment by management and have a higher potential risk to be affected by error or management bias. Therefore, this area is 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 amortised cost on the balance sheet, but for which fair value is required to be disclosed. The risk is considered higher for investments 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 assessed the design and tested the operating effectiveness of internal controls over the investments' valuation and impairment process including management's determination and approval of assumptions and methodologies used in model-based calculations, controls over data integrity and change management for internally operated valuation models and management's review of valuations provided by external experts, brokers or data vendors. Based on this work, we found that we, to the extent relevant for our audit, could rely on these controls. We performed substantive audit procedures to supplement procedures over internal controls testing. These procedures included, among others, developing an independent estimate of the value for a sample of investments by obtaining independent pricing from third party vendors, if available. We evaluated the reasonableness of management's estimate for the full population of private loans and inflation linked notes by developing an independent range of prices utilising a range of prices and comparing management's estimate to the independently developed ranges. Developing the independent estimate involved utilising a range of available market inputs and assumptions and testing the completeness and accuracy of data provided by management. We assessed pricing models and the underlying methodologies against industry practice and valuation guidelines. We also evaluated whether the disclosures in the financial statements are adequate and in accordance with EU-IFRS. We found the disclosures to be appropriate in this context.

Key audit matter	Our audit work and observations
Uncertainties in policyholder claims and litigation. *Refer to Note 23 'Commitment and contingencies'.* 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 management, claims, including related litigations, 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 incomplete disclosure of contingent liabilities. Therefore, we determined this as a key audit matter.	We gained an understanding of the policyholders' claims and litigations through discussions with management, the 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 assessed 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.
Disclosures on the capital position based on Solvency II regulations. *Refer to Note 4.4 'Capital management and solvency'.* The Company, as a regulated insurer, determines the required capital to cover its risk exposure based on the Solvency II requirements. The capital position is determined based upon the available capital ('Own Funds') of € 124 million (2020: € 151 million) and the required capital of € 45 million (2020: € 43 million). This results in a solvency ratio of 276% as per December 31, 2021 (2020: 353%). The risk of misstatement is higher due to the use of estimates and valuation models. The fact that the solvency ratio constitutes a key indicator and the Solvency II information is relevant within the Company's capital and dividend policy means that we consider 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.	Available capital We performed audit procedures over the economic balance sheet, which was drawn up for the determination of the available capital, against the valuation and classification criteria of the Solvency II regulations. We tested the estimates to determine the cash flows (parameters and assumptions with respect to mortality, investment returns, lapse and future expenses) based on historical developments within the insurance portfolio and market developments. We challenged the assumptions made by management for feasibility and impact by testing them against information available to the Company and relevant market developments. We determined that management's estimates are substantiated and we, therefore, consider the estimates to be reasonable. Required capital We performed audit procedures over 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.

Key audit matter	*Our audit work and observations*
Several important estimates and valuation models are applied that use inputs not observable in the market. The main estimates are: • The cash flows used to determine the economic value of the technical provisions and reinsurance liabilities (parameters and assumptions with respect to mortality, investment returns, lapse, and future expenses); • Projected fiscal results and an analysis of future realisations; and • Material contingencies. 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. 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.	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. We performed audit procedures over the loss absorbing capacity of deferred taxes that is taken into account in determining the required capital. On the basis of these procedures, we evaluated the projections of future (fiscal) results, which included the evaluation of the reliability of the forecasted results. These forecasted results, such as the release of the risk margin and the excess return on general account assets, have been tested to determine the reasonableness. 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, the correct application of corporate tax rates and the correct application of regulations with respect to the offsetting of losses. We determined that management's estimates are adequately substantiated by our 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 and we ensured that new elements of the partial internal model representing 'major model changes' were duly approved by DNB. Disclosures We also evaluated whether 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.

Report on the other information included in the annual report

The annual report contains other information. This includes all information in the annual report in addition to the financial statements and our auditor's report thereon.

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 all the information regarding the directors' report and the other 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 the 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 procedures 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 the board of directors following 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 period of 8 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 20.1 '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 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 in the financial statements any event and circumstances that may cast significant doubt on the Company's ability to continue as a going concern.

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 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, 7 April 2022
PricewaterhouseCoopers Accountants N.V.

Original has been signed by A. Korver-Heins RA

Appendix to our auditor's report on the financial statements 2021 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 judgment 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.

Considering our ultimate responsibility for the opinion on the financial statements, we are responsible for the direction, supervision and performance of the audit of the financial statements. In this context, we have determined the nature and extent of the audit procedures for subsidiaries to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole.

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 risk and 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 actions taken to eliminate threats or safeguards applied.

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