

Annual Report 2022  
**Aegon Nederland N.V.**



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# Report of the Board of Directors

## 1. General information

Aegon Nederland N.V. ('Aegon Nederland'), incorporated and domiciled in the Netherlands, is a public limited liability company organized under Dutch law and registered in the Trade Register of the Chamber of Commerce in The Hague under its registered address at Aegonplein 50, 2591 TV, The Hague with registration number KvK 27111251. Aegon Nederland's subsidiaries offer life insurance, pensions, savings and investment products, mortgages, accident and health insurance, general insurance, banking, asset management, pension administration and intermediary activities. Aegon Nederland and its subsidiaries operate from The Hague, Leeuwarden, Groningen, Zaandam, and Amsterdam.

### Sales and distribution

Aegon Nederland uses a variety of distribution channels to help customers assess the products and services appropriate for their needs. In general, all business lines use an intermediary channel, which focuses on independent brokers in different market segments in the Netherlands. In recent years, Aegon Nederland continues to invest in online capabilities to support customers and intermediaries, to further enhance the digital self-service experience. Through its subsidiaries Aegon Nederland is one of the country's leading pension providers, providing a full range of pension products and services.

In 2021, Aegon decided to stop offering bank savings products to non-fee-paying customers. Due to low market interest rates, Aegon could not offer these savings products to its customers in a profitable way. These customers were offered the opportunity to either transfer their funds to another bank or transfer their funds to a fee-based Knab account. Going forward, new banking products will be offered through the Knab label only, distributed fully online.

### 1.1 Legal company and group structure

Aegon Nederland is a wholly-owned subsidiary of Aegon Europe Holding B.V. ('Aegon Europe Holding'). Aegon N.V., which is a listed entity, is the ultimate parent company of Aegon Nederland. For further information reference is made to note 42 'Group companies' in the consolidated financial statements.

### 1.2. Strategy, purpose and mission statement

Aegon N.V. 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's online bank, or are customers through Aegon'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.

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

### Strategic Assets

Strategic Assets are the businesses in which Aegon Nederland will invest to grow its customer base and increase margins. Aegon Nederland strategically focuses on the following business: Mortgages (Aegon Hypotheken), Banking (Knab); and Workplace solutions for employers. The last category consists of the following businesses: Aegon Cappital, TKP Pensioen, Aegon Schadeverzekering, Robidus and Nedasco.

Aegon Nederland offers annuity, linear and interest only (max. 50% of the market value when the mortgage is granted) residential mortgages, using both the Aegon label and the Robuust label (a third-party label where the Aegon Nederland Group has the exclusive right to purchase and distribute the mortgages receivables), while also catering to consumers requiring interest-only mortgage loans. Mortgage loans are originated both as investments for Aegon Nederland's insurance and bank entities as well as for distribution to third-party investors. Such investors are provided access to this high-quality asset class through the Aegon Dutch Mortgage Fund, SAECURE (Aegon's Dutch residential mortgage-backed securities program), Aegon Bank's covered bond program, and various bespoke structures tailored to investors' needs. The mission of Aegon is to be the number 1 non-bank mortgage originator in the Netherlands with satisfied and loyal customers, advisors and investment partners, driven by engaged and enabled employees. In line with aforementioned mission, Aegon Nederland aims to grow its fee business portfolio through Assets under Administration (AuA) increase and enabling asset strategies for internal balance sheets.

In 2021, Aegon completed the migration and integration of the Aegon Bank brand into the Knab brand. Knab is a fully online/digital bank that went live in 2012 and forms the gateway to individual retirement solutions. By integrating both operations and rationalizing product offerings, costs are lower, operations more efficient, and governance is unified. Knab continues to offer banking products like savings accounts and investments, as part of Aegon's pension offerings in the Netherlands.

The strategic pillar "Workplace solutions" consists of our business in the wholesale market: Aegon Cappital, TKP Pensioen, Aegon Schadeverzekering, Robidus and Nedasco.

Aegon Cappital continues to grow in the DC pension market with EUR 5.7 billion assets under management and more than 300 thousand unique pension participants at December 31, 2022. We aim to improve our existing market position and benefit from economies of scale through outsourcing to Aegon Asset Management and TKP Pensioen.

TKP Pensioen benefits from its strong market position in the pension market and is a top-three player in the Dutch market for pension administration, with more than 3 million participants.

Aegon Schadeverzekering consists of the segments Retail P&C (Property & Casualty) and Income (Accident & Health).

Robidus advises corporations on the risks and associated costs of absenteeism and disability under Dutch social security legislation and acts as an insurance broker for income related insurances.

Nedasco is an intermediary service provider that is mainly active in non-life business domains.

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

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

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

### 1.3. Composition of the Board of Directors

In 2022 the statutory management board of Aegon Nederland (the "Board of Directors") consisted of the following members: Mrs. A.C.C. van Hövell-Patrizi, Mr. B. Magid, Mrs. A.H.T.M. Schlichting (until April 4, 2022), Mr. W.H.M. van de Kraats (as of 1 September 2022 and successor to Mr. W. Horstmann who resigned on February 1, 2022). Section 1.7 'Inclusion and diversity' describes the measures and initiatives Aegon Nederland has taken to increase (gender) diversity.

#### 1.4. Employees

The average number of employees in 2022 is 3,540, including 153 agents (2021: 3,528, including 150 agents), all working in the Netherlands. The expected developments in the total number of employees depend on the company's strategic choices made.

On March 11, 2021 Aegon Nederland submitted a request for advice to the Central Works Council (COR). After the request for advice had been granted, Aegon Nederland transformed and aligned the structure of its organization with the new strategy, while at the same time realizing a cost reduction. This includes a number of initiatives from the Transformation program (refer to section 1.12.4 'Transformation program'). The organization now has a structure of four business lines: Life, Bank, Mortgages and Workplace Solutions. Support departments have been decentralized, where possible.

In August 2022 Aegon Nederland reached agreement regarding a new Collective Labor Agreement (CLA) and a new Social Plan (SP) with the trade unions CNV Vakmensen and De Unie. The agreement was fully supported by the Central Works Council (employee representation). This CLA and SP will have a 2-year duration (2022-2024). Aegon's purpose 'helping people living their best lives' has been the driving factor in the new CLA. Central themes resulting from this driving factor are amongst others Inclusion & Diversity, employability and wellbeing, coming to live in e.g. broadened and more inclusive leave arrangements (e.g. Rainbow leave), the introduction of an Early Retirement Regulation (RVU), a vitality budget, a digital mental health check and measures to increase equality between employees and temporary workers. In addition, through this CLA we support our employees in a time marked by rising energy prices and high inflation (a total general wage increase of 6% has been concluded).

#### 1.5. Key elements of policy

During 2022, 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, client's interest, Aegon's transformation program, functional governance, transformation of the Aegon Nederland organization, cost and capital management, financial and non-financial controls, people management and wellbeing, sustainability, responsible business, potential divestments and acquisitions, as well as the combination with a.s.r. that was announced on 27 October 2022 and is still subject to customary conditions, and relevant laws and regulations.

#### 1.6. Remuneration policy

The remuneration policy of Aegon Nederland is designed in line with the applicable national and international regulations and also 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. Statutory members of the Board of Directors of Aegon Nederland are eligible for the Aegon Variable Compensation plan. Some senior management staff of Aegon Nederland has been offered to participate in the Aegon Variable Compensation plan in 2022, which some of them have accepted. 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 2022. The Supervisory Board approved the 2022 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 2022. This remuneration was within Aegon Nederland's remuneration policy. 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 2022 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 2022 was EUR 0.4 million (2021: EUR 0.4 million). In 2022 one individual within Aegon Nederland received a total annual compensation higher than EUR 1.0 million. The malus clause was applied on variable remuneration granted conditionally to MRT. There was no claw back of previously granted variable remuneration. For information regarding the variable compensation of the Board of Directors please refer to note 33 'Commissions and expenses' in the consolidated financial statements.

## 1.7. Inclusion and diversity

### Inclusion & Diversity

In this annual report we primarily highlight our efforts to improve gender diversity, although our diversity focus within Aegon Nederland spans multiple areas (gender, religion, age, sexual preference).

### Diversity on board level

During the entire year of 2022 the composition of the Supervisory Board has been balanced, as at all times 50% of the seats were occupied by men and 50% by women. In addition, during the entire year of 2022 the seats of the Board of Directors were at least one-third occupied by women and one-third occupied by men.

### Diversity senior management layer

Aegon Nederland has set an explicit gender diversity target requiring one third female representation in senior management positions by the end of 2022. Aegon Nederland has proudly met its target, especially considering this would not have been an achievable target a few years ago. We are heading in the right direction, but also reckon so many more steps can be taken to get more diverse in other areas.

### Glass ceiling research

Aegon Nederland conducted an analysis on a possible glass ceiling in 2021. The glass ceiling is a known phenomenon in which women on their way to the top layers of the organization are held back. The results of this analysis became available in the second quarter of 2022 and has shown us that there is indeed a glass ceiling within Aegon. The analysis has provided us with valuable insights and has led to more inclusive talent management and internal mobility. Our research set up is available for other organizations as we have been pioneers in conducting this research.

With a new Global Head of Inclusion & Diversity as of October 2022, we feel empowered to create more momentum in 2023.

### Diversity at the Top Act

The Diversity at the Top Act ('Act') came into force on January 1, 2022 and also applies to Aegon Nederland. The Act requires appropriate and ambitious gender diversity targets for the board and requires amongst others a protocol for gender diversity at the top, officially recording targets and an action plan. HR ensures the action plan is monitored and regularly reviewed to ensure progress is being made.

### 1.8. Regulation and supervision

Regulation of the financial sector in the Netherlands is included in the Wft. The supervision of financial institutions pursuant to the Wft rests with De Nederlandsche Bank ('DNB') and the Authority for the Financial Markets ('AFM'). DNB is responsible for prudential supervision, and AFM responsible for market conduct supervision, and is committed to ensuring fair and transparent financial markets. From these two perspectives, the two supervisors work closely together.

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 consolidated financial statements.

#### 1.8.1. 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. 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 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 2022 the number of personal data breaches, such as letters or e-mails sent to the wrong address and by human error, was lower compared 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.

#### 1.8.2. Customer Due Diligence

At Aegon Nederland we are committed to conducting business with the highest level of integrity, and compliance with relevant laws, regulations and standards. Aegon is at risk of being used to launder proceeds of crime, to finance terrorism and/or to be involved in transactions related to sanctioned persons, entities and/or countries as well as trade-controlled exports and proliferation financing. Aegon defines these as Customer Due Diligence (CDD) risks. Aegon has implemented several policies, standards and guidance documents on CDD to prevent its businesses from involvement in money-laundering and terrorist financing, fraud and/or bribery. For Aegon it is mandatory to comply with the policies and set (key) requirements. These policies are based on international laws and regulations, including but not limited to e.g.: The EU Directives and Regulations in the area of prevention of money laundering and terrorist financing; The Dutch Money Laundering and Terrorist Financing Prevention Act (Wwft); Dutch, EU, UN and US sanction regimes and the Recommendations from the Financial Action Task Force (FATF).

Our CDD Operating Model includes a dedicated 1<sup>st</sup> line CDD Office, providing advice & guidance to the CDD stewards in the business, a Financial Services CDD team providing alert handling and transaction monitoring services, and a dedicated Money Laundering Reporting Officer located in the 2<sup>nd</sup> line. Internal Audit functions as Aegon's 3<sup>rd</sup> line. As one of the work streams in the non-financial risk transformation program, the CDD roadmap commenced in the third quarter of 2021 and will run into the fourth quarter of 2023. It continues to deliver on identified improvements and will further cement our contribution to safeguarding the integrity of our financial system.

For more information regarding the non-financial risk transformational program please refer to section 1.12.4.

### 1.9. 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 risks embedded in such transactions are 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 ensure we will be able to fulfill this need in extreme scenarios. 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, regulatory risk is a category within operational risk and it needs constant monitoring. Our automated processes regarding real-time monitoring, 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 secure the liquidity and funding position of Aegon Nederland.

### 1.10. Risk Management

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

Aegon Nederland analyzes operational and financial risks on a continuous basis and regularly develops contingency plans to deal with them. Aegon Nederland monitors and analyses these risks, and retains flexibility to update and revise where necessary.

Operational risks are assessed through Risk and Control Self Assessments, in which 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.

Financial risks are assessed through a combination of risk identification and reviews of proposals. This allows Aegon Nederland to have a second line perspective on areas such as investments, hedging, liquidity management and capital management decisions. The second line reviews are significant input into governance committees such as the Asset and Liability Committee (ALCO) and the Risk and Capital Committee (RCC) and will be weighted in decision making. There is a close cooperation with Aegon N.V.'s Group Risk department in some areas to make sure that we use qualified risk resources as effectively as possible. Aegon Nederland's Financial Risk Management department (FRM) produces a quarterly report summarizing their views and opinions on areas of financial risk management.



### Going concern

The consolidated financial statements of Aegon Nederland have been prepared assuming a going concern basis of accounting based on the reasonable assumption that Aegon Nederland is, and will be, able to continue its normal course of business in the foreseeable future. Relevant facts and circumstances relating to the consolidated financial position on December 31, 2022, 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 Nederland is appropriate in preparing the consolidated financial statements.

#### 1.11. Rising interest rate environment

During 2022 the interest rates continued to rise, with spreads increasing as well. The increase in interest rates was most significant for shorter tenors (2-year swap rates increased by 3.7% to 3.4%), as short term rates followed the change in central bank policy. Central banks across the globe started to raise rates frequently and in larger steps than we had seen in the last 30 years in order to combat the rising inflation. Long term interest rates also rose significantly (30-year swap rates were up 2% to 2.5%), but continued to be supported by demand from institutional investors, resulting in an inverse yieldcurve. Spreads for most fixed income asset classes increased in 2022, as the increase in central bank rates increased the possibility of a looming economic recession. Spreads were most impacted for the more risky assets (i.e. lower credit quality) as these assets are deemed to be less resilient in an economic downturn. Other assets, like mortgages or investment grade credits, also registered an increase in spreads, but to a lesser extent.

The sharp rise in short and long term interest rates has had a significant impact on the balance sheet of Aegon Nederland. Both assets and liabilities have declined in value, as the discount rates rose. Since Aegon Nederland is hedging its interest rate risk, the impact on the equity position was muted. Within the context of the reduced balance sheet, significant cash collateral had to be made available in order to meet the contractual obligations on our derivative positions. The required cash has been generated by accelerating our investment strategy to invest less in liquid assets, and increasing the share of illiquid assets on the balance sheet. Over the course of 2022, Aegon Nederland sold significant amounts of government bonds and investment grade credits in order to generate cash to replenish its liquidity buffers. Furthermore, new investments in illiquid asset classes were scaled down as the relative share of illiquids reached our desired level. From time to time, Aegon Nederland also made use of short term repos to efficiently manage the cash position. The year 2022 has proven the effectiveness of Aegon Nederland's robust liquidity management processes, as the balance sheet was able to weather the storm on the financial markets.

At December 31, 2022 the liability adequacy test (LAT) of Aegon Nederland resulted in a deficiency. The LAT assesses the adequacy of the insurance liabilities by comparing them to their fair value. Aegon Nederland adjusts the outcome of the LAT for certain unrealized gains in the bond portfolio (shadow loss recognition) and certain differences between the fair value and the book value of assets measured at amortized cost, mainly residential mortgages. As a consequence of the LAT deficiency, Aegon Nederland's income statement is sensitive to spread and interest rate movements. The latter are largely offset by results on hedges, e.g. interest rate derivatives. Furthermore, any changes in actuarial assumptions will have an immediate impact on the income statement.

## 1.12. Business developments

### 1.12.1. General business developments

#### 1.12.1.1. Aegon Levensverzekering

##### Market developments

Financial markets were turbulent and volatile in 2022 with significantly risen interest and inflation rates combined with volatile spreads and equity markets. Following the aftermath of the COVID-19 pandemic and war between Russia and Ukraine, inflation rates have peaked to levels that we have not experienced for decades, resulting in negative real economic growth in mature economies. Moreover, the higher inflation rates caused a slowdown in the price development of the Dutch house market. The above developments were actively taken into account by Aegon Levensverzekering when managing its balance sheet positions and related risks in terms of liquidity, hedging positions, and asset mix. For example, a significant portfolio of liquid credits had to be sold in order to finance the collateral needs for derivatives resulting from higher rates while maintaining a liquidity buffer.

##### Investments in alternatives

Aegon Levensverzekering continued its strategy to increase exposure to alternative investments in 2022, as they offer a better risk/return profile. This comes at the expense of liquidity: normally the alternative investments (for example private debt and private equity) are less liquid because there is no active market where investments can be bought or sold. In general, these investments take a long time to materialize, and when invested, the intention is to hold them till maturity or end-date.

As described before, the sharp rise in interest rates in 2022 has proven that Aegon Levensverzekering needs to maintain a fine balance between liquid and less liquid investments. A significant amount of liquid assets were sold to generate cash for collateral management on the derivatives book. As a consequence, the relative share of the alternative investments has gone up over the course of 2022.

Part of the investment strategy, therefore, was accelerated by market movements. This implied that some temporization of new alternative investment strategies was warranted. Selectively, Aegon Levensverzekering invested new capital in national- and international real estate, insured private debt (i.e. loans to non-investment grade borrowers, which are fully insured by credit insurers), investment grade private debt and insured trade finance (pass-through notes backed by a fully insured pool of trade receivables), and in a direct lending fund. Furthermore, Aegon Levensverzekering continued to re-invest the vast majority of the pre- and repayments in the Dutch residential mortgage book.

## Business developments

### Insured Pensions

At the end of 2022, the House of Representatives in the Netherlands approved a new Dutch pension system, which is currently going through legislative approval in the Senate. The new pension system is more focused on individual savings accounts rather than collectively guaranteed nominal pension rights. In order to move to the new system, pension funds have a transition window until the end of 2026, in which decisions need to be made on old pension rights and whether or not to move them to the new system. The latter forms an opportunity for Aegon Levensverzekering as it will enable us to selectively offer buyout solutions to pension funds that prefer to keep their old rights in the guaranteed system. In addition, consequence for Aegon Levensverzekering will be that all group pension clients will move to a defined contribution plan for their future service where all investment risk and longevity risk will largely be borne by the policyholders. Aegon Nederland offers these schemes in a separate legal entity, Aegon Cappital. In this setup, Aegon Levensverzekering will continue to focus on managing the existing defined benefit (DB) and defined contribution (DC) portfolios as service books while offering risk insurances as rider to Aegon Capital's DC schemes and immediate annuities to both internal and external clients as portfolios open for new business.

### Individual Life

2022 showed a continued decline in the market for endowment products and a further decrease in our life individual in-force portfolio, as anticipated. No new business has been generated in this segment.

## Outsourcing programs

### Insured Pensions

To optimize the pension administration and to reduce costs, the administration of pension products is being transferred to Aegon Nederland's subsidiary TKP Pensioen. In 2022 almost all policies were migrated which makes that 99% of the insured pension portfolio per year-end 2022 is administered by TKP. Together with the administration of Aegon Cappital, practically all pension schemes of Aegon Nederland will be administered by TKP Pensioen.

### Individual Life

Aegon Levensverzekering manages the existing life portfolio as efficient 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, the BPO partner IBM is responsible for administrating and servicing all policies. In addition, all policies will be transferred to a new platform. For Aegon Nederland this outsourcing makes costs more variable and more predictable.

Working closely with Aegon Nederland's banking business and IBM, Aegon Nederland continues to offer customers integrated solutions and services fit to the customer demands.

#### 1.12.1.2. Aegon Spaarkas

The portfolio of Aegon Spaarkas, which sold a specific kind of unit-linked products, has been closed for a few years already. Hence, no new products are introduced by Aegon Spaarkas. Similar to the Life - Individual portfolio this portfolio of unit-linked products is steadily decreasing in size, which is why the Spaarkas portfolio is also part of the BPO described before. Furthermore, Aegon Spaarkas continues to manage and optimize this portfolio as efficiently as possible from the perspective of its customers and the perspective of Aegon Nederland. Refer also to the Koersplan and unit-linked products sections in this report.

#### 1.12.1.3. Aegon Schadeverzekering Income A&H (Accident & Health) market

In 2022 we have seen the continuation of trends that have been present in the market over the last few years (discussion about insurance for the self-employed as part of new pension law, demand for fast and easy contact, intermediary consolidation, focus on risk and control). Besides the execution of the operational excellence-strategy and the execution of the initiatives on the management agenda, 2022 is characterized as a return to normal after two years of COVID-19 impact on the A&H book.

Throughout 2022, claims development was extraordinarily favorable. Especially within the first half of 2022 the number of disabled cases declined significantly.

Accident & Health (A&H) performance has been further boosted by actual observations of inflow of claims which was lower versus the expected inflow of claims from the Incurred But Not Reported (IBNR) which resulted in a release of the total provision. Third significant contributor was the reinsurance started in 2020. This result is driven by a release in provision belonging to claims not covered by reinsurance, whilst new claims are covered by reinsurance and net provision is lower.

Execution of the strategy resulted in growth of the portfolio with approximately 3%, while lowering cost by restructuring the organization and improving efficiency.

As per the end of 2022, Aegon Schadeverzekering successfully continued 60% quota share reinsurance on its main AOV (disability insurance for self-employed, "arbeidsongeschiktheidverzekering voor zelfstandigen") product by terminating the existing contract and entering into a new transaction with similar conditions. Through this transaction, a number of reinsurers take over the disability risk from Aegon Schadeverzekering and financially compensate Aegon Schadeverzekering for insurance claims if and when these arise on the underlying AOV products. This transaction provides Aegon Schadeverzekering with continued protection against its key risk (disability risk) and improves diversification of its risk profile. A collateral framework has been set-up with the main reinsurers involved in this transaction to manage counterparty risk going forward.

The as per the fourth quarter of 2021 introduced methodology change in the valuation of AOV insurances, where the contract boundary until contract end date is applied in combination with a future management action, has throughout 2022 been applied in calculating the Solvency II figures.

### Retail P&C (Property & Casualty)

Market conditions demonstrate a saturated market in property & casualty. Within such market, growth is difficult to realize. Small adjustments to product pricing have been advantageous to policy holders and resulted in fewer lapses, but also limited autonomous growth.

The retail P&C business is mainly distributed through intermediaries (IFA's). The number of IFA's is shrinking rapidly due to a heavy consolidation (-49% in 15 years). Whilst focusing on strong relations with IFA's, the increase in production is largely due to extended focus on online sales.

In the beginning of 2022 all COVID-19 related restrictions were alleviated resulting in a 'return to normal'. Particularly, the positive claim experience we observed throughout 2020 and 2021 has returned to pre-COVID-19 level. Most notably in the final months of 2022, multiple accidents with personal injuries have resulted in negative claim experience on Motor.

In February 2022 a trifold storm (Dudley, Eunice and Franklin) has hit the Netherlands. Storm Eunice was in the top three heaviest storms in more than fifty years in the Netherlands. The storms have had an impact of EUR 10 million before reinsurance on the P&C portfolio. Most of this impact has been mitigated through reinsurance.

Climate change and high inflation combined with withdrawals from reinsurance providers have resulted in a hardening of the reinsurance market. P&C reinsurance requires higher retention and higher reinsurance premiums. Through reinsurance program optimization and diligently addressing the reinsurance market, Aegon managed to limit the impact.

#### Investments in alternatives

Aegon Schadeverzekering continued its strategy to increase exposure to alternative investments in 2022, as they offer a better risk/return profile. This comes at the expense of liquidity: normally the alternative investments (for example private debt and private equity) are less liquid because there is no active market where investments can be bought or sold. In general, these investments take a long time to materialize, and when invested, the intention is to hold them till maturity or end-date.

As the liabilities of Aegon Schadeverzekering are more concentrated in shorter tenors, Aegon Schadeverzekering was only marginally exposed to collateral requests on derivatives following the sharp rise in rates. Therefore, the share of alternative investments on the balance sheet could be expanded. Aegon Schadeverzekering invested new capital in international real estate, and expanded its exposure to Dutch residential mortgages.

#### 1.12.1.4. Aegon Hypotheken

The mortgage market in the Netherlands has decreased with 6% in 2022, from a record high EUR 163 billion production in 2021 to EUR 154 billion in 2022 (source: Kadaster). This decrease in demand for mortgages was mainly driven by a decrease in refinancing of mortgages as mortgage rates increased strongly in 2022. Average housing price increase stagnated in 2022 compared to 2021 after years of consecutive increases. (Source: CBS).

There are some changes in the top 10 lenders in the Dutch mortgage market. After top 3 with Rabobank, ABN AMRO and ING several lenders are very close to each other in terms of production market shares. The 2022 mortgage production market share of Aegon Hypotheken slightly decreased to 5.7% (2021: 5.9%) (Source: Kadaster), which resulted in Aegon Hypotheken being in fourth position of the Dutch mortgage origination market. The annual mortgage production of Aegon Hypotheken decreased to EUR 8.7 billion in 2022 (2021: EUR 10.9 billion) amongst others due to the decreased mortgage market.

In 2022, Aegon Hypotheken has been able to further grow its fee business through Assets under Administration increase, while simultaneously enabling asset strategies for internal Aegon Nederland's balance sheets. Strong attention and focus on controlled business operations has further improved the insight, status and awareness of controls within the operational processes in Aegon Mortgages. Finally, the efforts in making our mortgage portfolio more sustainable are paying off with an increasing number of mortgage clients taking out a mortgage loan to finance sustainable measures in their homes.

#### 1.12.1.5. Aegon Bank N.V./Knab

Although in 2022 we only sold Knab products and services, we still have a small number of clients with Aegon Bank labeled products. They continued to be served and will be migrated to the Knab label in 2023.

Introduced in 2012 and operating under Aegon Bank N.V.'s banking license, Knab was the first fully online bank in the Netherlands. It is Knab's ambition to be the online bank for entrepreneurs and their families. Knab focuses on digital innovation, excellent customer service, and user friendliness. As an online bank, Knab offers meaningful, understandable, and easy-to-use products and services for convenience today (such as payments and bookkeeping) and solutions for tomorrow that help our customers protect and grow their businesses and wellbeing (such as insurance policies and business loans). Knab aims to optimize wealth by closing the pension gap so as to help customers plan and attain financial freedom in the future (such as savings, investments, and pension products).

As Knab's operations reached a substantial size, it was decided in 2019 to integrate the Aegon Bank label and Knab label to combine the strengths of the two brands into one digital bank. Project ONE involved integrating Knab and Aegon Bank and carving out a more autonomous and self-supporting position within Aegon Netherlands as a specialized subsidiary. The migration and integration of the former Aegon Bank brand into the Knab brand was completed in 2022. We are now in the final stages and expect to complete the full IT integration in 2023.

#### Innovation Aegon Bank N.V./Knab

In 2022, Knab continued to deliver value to its customers by launching new easy-to-use features and financial solutions. In addition to 2021's Apple Pay release, Knab successfully launched Google Pay in May 2022, enabling business and retail customers to make payments with both an Apple and Android smartphone.

In 2022, Knab also launched Knab Managed Investment for self-employed and the Business Travel Insurance, extending its existing value propositions for business customer.

During 2023 our first Business lending solution had its go live with its first loan disbursements. Furthermore we launched our new bookkeeping solution in 2023.

#### Customer growth and NPS Aegon Bank N.V./Knab

Despite the turbulence in the world, Knab continued to grow in 2022. The Knab fee-paying customer base grew to a total of 346 thousand (+44 thousand customers) and total savings deposits have increased by EUR 423 million in 2022, continuing to support our growth strategy. This customer base consists of 108 retail customers and 238 thousand business customers. Growth was primarily achieved through the increase of new business account holders (+36 thousand), while retail also showed steady growth (+8 thousand).

The Aegon Bank label had a total of 104 thousand customers at the end of 2022.

Knab's Net Promotor Score (NPS) remained at a high level. For 2022, the relational-NPS (r-NPS) showed an average of 39 for our business customers and 30 for our retail customers.

Since November 2022, the Soft Bullet Covered Bond (SBCB) Program is registered as 'European Covered Bond (Premium) program' by the Dutch central bank ('DNB') and allows Knab to issue new bonds in the future (due to this update no new CPTCB issuances are allowed anymore under the Conditional Pass-Through Covered Bond) Program.

#### 1.12.1.6. Aegon Cappital

Aegon Cappital is a low-cost provider of DC pension schemes offered through intermediary advisors. Aegon Cappital offers DC pension schemes in a standardized subscription-based model and via customized contracts. The model enables employers to choose from a variety of contribution tables and social security offsets, while remaining flexible for regulatory changes, such as changes in pension age or fiscal contribution limits. Savings premiums are invested in life cycle funds managed by Aegon Investment Management B.V.

Aegon Cappital is one of the largest pension premium institutions (PPIs) in the Netherlands and benefits considerably from economies of scale. Aegon the Netherlands has identified this market as an opportunity for growth and intends to maintain its leadership position with Aegon Cappital in cooperation with other Aegon units. The volatile interest rate environment, which results in unpredictable DB pension costs for the employer did result in a continued shift from DB to DC schemes in the last years. In addition, the fundamental changes of the Dutch pension system as of mid-2023 will add to this shift up until the implementation of the new Dutch pension system will be completed (January 1, 2027). Aegon Cappital has the ambition to be a frontrunner in this transition.

The schemes include disability and/or life insurance which are offered by partners Aegon Levensverzekering, Aegon Schadeverzekering and elipsLife AG, and the option for participants to buy deferred annuities offered by partner Aegon Levensverzekering. The main risks for Aegon Cappital are operational and regulatory risk.

In 2022, Aegon Cappital had its main focus on sustainability, the new pension system and growth, leading to a significant number of new clients. Aegon Cappital continued to grow in terms of participants and (both gross and net) deposits. The Assets under Management decreased due to adverse market movements.

#### 1.12.1.7. TKP Pensioen

TKP Pensioen is a top 3 player in the Dutch market for pension administration. TKP Pensioen administers pension rights for large company and industry pension funds as well as other pension providers such as a premium pension institution, a general pension fund and the pension business of Aegon Levensverzekering. Additionally, TKP Pensioen takes care of the communication for these clients: from the mandatory pension statements to customer contact and digital customer service.

At the end of 2022, 17 customers has entrusted this important work to TKP Pensioen. Their clients, more than 3.8 million participants, rely on TKP Pensioen for correct and timely pension payments and clear and accessible pension information and communication. On behalf of 17 customers, TKP Pensioen paid out approximately EUR 4.7 billion in pensions and collected approximately EUR 5.8 billion in pension premium in 2022.

Key to the strategy of TKP Pensioen is the focus on simplicity for customers and their participants and employers. TKP Pensioen offers participants and employers online self-service, more convenience and personal contact. In addition, TKP Pensioen is a strategic partner for its clients, who ensures reliable and flexible pension administration that runs smoothly, at low costs. And a knowledge partner who knows what is going on in the market and shares this with its clients. Due to the change program TKP Connect, TKP Pensioen has taken major steps in the last few years in improving and digitizing its services to participants and employers.

By the end of 2022 99% of the migration of the Aegon insured pensions administration towards TKP Pensioen has been finalised. The New Retirement Solutions Program (NRS) has delivered new functionality to accelerate sales and opportunities in the PPI and APF market. This program will further continue in 2023.

In 2023 the implementation of the changes from the new Dutch pension law, which fundamentally changes the Dutch pension system per 2027, will continue. In January 2023 TKP Pensioen announced the investment in the external pension platform Plexus by Keylane, a leading European software provider in the pension- and insurance industry. Plexus will be integrated in the existing information landscape that was developed under the program TKP Connect.

#### 1.12.1.8. Nedasco

Nedasco is an intermediary service provider that is mainly active in non-life business domains. Nedasco gives its intermediaries quick and easy access to insurance companies. Nedasco makes available to its intermediaries "choose, compare and close tools" that help intermediaries in its services. Nedasco has a strong focus on the business market and wants to be the best partner for intermediaries in this area. In addition, Nedasco offers its financial advisers the opportunity to purchase absenteeism guidance (Risk Case Management) and occupational health and safety service based on the "one stop serving" principle. This can be done through the Nedasco companies BeSuitable B.V. and ArboNext B.V.

#### 1.12.1.9. Robidus group

The Robidus group offers integrated solutions including BPO Services & Consulting, intermediation of insurances and specialized software applications in the field of social security. During 2022 the Robidus group continued to create the best employability platform within the Netherlands. Through a proven software platform, the Robidus group has built client propositions which deliver tangible benefits for its clients, resulting in considerable cost savings (by mitigating the risks of absenteeism and work disability) and improved productivity (by a strong focus on employability). This integrated service offering is unique in the Dutch social security market.

### 1.12.2. Innovation

Innovation is key for the future of Aegon Nederland. In 2020 an Innovation Board was installed to further enhance and streamline the processes and coordination of innovation. This board oversaw the innovation funnel for Aegon Nederland, ensuring the right measures were taken in each step of the funnel and increased the speed at which decisions on innovation projects were made. However, since the target operating model was implemented in 2021, the innovation funnels slowly moved to independent business units.

Currently, the biggest projects Aegon Nederland is currently working on are Finsnap within TKP, Lifecheck within Robidus and Robot advice within Mortgages. With Finsnap and Lifecheck Aegon Nederland provides a one-stop shop for all its customer's financial information, while Robo advice within mortgages will help customers get support without having to contact the human service desk.

### 1.12.3. IFRS 17 & IFRS 9

The International Accounting Standards Board (IASB) issued IFRS 17 for Insurance Contracts in May 2017. This Standard replaces IFRS 4 per January 1, 2023. The Standard represents a fundamental change to current financial reporting and the implementation effort is significant. 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, which continued during 2021. In 2022, methodology and policy choices were finalized, which formed the basis of preparing the opening balance sheet per January 1, 2022 and the 2022 quarterly results.

Whilst the preparation of the opening balance sheet has been completed, the preparation of the 2022 quarterly results are still ongoing and full year 2022 results are only expected to be completed in the first half-year of 2023. Aegon has an established governance framework to manage the implementation of IFRS 17, including the preparation of the 2022 quarterly results, which might impact significant accounting estimates and judgements. The impact on the 2022 opening balance sheet is presented in note 2.1.2. 'Future adoption of new EU-IFRS accounting standards and amendments' is therefore indicative.

Furthermore, the transaction with a.s.r. might lead to a change of Aegon Nederland's IFRS 9 and 17 accounting policies, but the impact of potential changes hereof on the shareholders' equity at transition is still under investigation. Refer to note 2.1.2. Future adoption of new EU-IFRS accounting standards and amendments' of the consolidated financial statements for further details.

### 1.12.4. 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.

The contribution of Aegon Nederland to the company-wide transformation program contains more than 390 growth- & cost saving initiatives. Per end 2022, Aegon Nederland is on plan with 357 initiatives already being executed. The daily management of the program is executed by a Transformation Office (TO), led by the workstream lead and chaired by the NL Sponsor (CEO of Aegon Nederland) in close cooperation with Finance, central TO and all NL business units.

### 1.12.5. IT

In 2022 IT finished the worldwide transformation program successfully with all (cost) targets met resulting in efficient and agile teams supporting the business units. This program ended but besides this we continued focusing on our Simplification approach. This is a simplified application landscape and a simplified organisational structure resulting in more speed and agility to adapt on market demand. The results of this effort are not implemented yet because of the a.s.r. announcement but the results can benefit the new Aegon Nederland / a.s.r. combination.

Besides this the next steps in the service optimization which started in 2021 were made. This resulted e.g. in a transparent service catalogue with all the enabling business services for the business units. Enabling the business units to focus on their client interaction while the platforms are delivered stable and secure by design. The platforms are not only in use for the business units but the data platform also enabled the delivery on the IFRS17 program.

The Security roadmap was another, and ongoing, focus area. As a company we made good progress on this roadmap by increasing the security of our environments and safeguarding our customers personal and financial information.

### 1.12.6. Collective Labor Agreement

In August 2022, Aegon Nederland reached an agreement regarding a new Collective Labor Agreement (CLA) and a new Social Plan (SP) with the trade unions CNV Vakmensen and De Unie. The agreement was fully supported by the Central Works Council (employee representation). This CLA and SP will have a 2-year duration (2022-2024). Aegon's purpose 'helping people living their best lives' has been the driving factor within the new CLA. Central themes resulting from this driving factor are amongst others Inclusion & Diversity, employability and wellbeing, coming to live in e.g. broadened and more inclusive leave arrangements (e.g. Rainbow leave), the introduction of an Early Retirement Regulation (RVU), a vitality budget, a digital mental health check and measures to increase equality

between employees and temporary workers. In addition, through this CLA we support our employees in a time marked by rising energy prices and high inflation (a total general wage increase of 6% has been concluded).

### 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 Nederland's 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 2025. For centrally cleared derivatives, Aegon Nederland has moved its interest rate swap book from LCH to Eurex. The development of liquidity and eligibility of Eurex and LCH is monitored by the derivatives team of Aegon Asset Management (AAM).

### 1.14. Inflation

Over 2022, following two years of severe disruption from lockdowns around the globe, inflation has increased sharply. Driven by food and energy costs in the wake of the COVID-19 pandemic, inflation has been exacerbated by the Russian invasion of Ukraine. Central Banks initially treated increases as transitory, with markets in agreement. However, inflation numbers have continually exceeding expectations and Central Banks have been reacting with direct measures to control inflation. In response to inflationary economic conditions, the Central Banks increased interest rates multiple times throughout the year. Seen over the whole of 2022, interest rates have materially risen such as the 10-year swap rate from 30bps at the beginning of the year to over 300bps at the end of the year. The impact of rising inflation and interest rates on the financial position of Aegon Netherlands is relatively limited. At Aegon Levensverzekering hedges are in place to reduce these risks. The sensitivities towards a +50bps increase of inflation or interest rates on the solvency position of Aegon Levensverzekering is around -5%. The rising interest rates have a positive impact on the future capital generation as the negative impact of the unearned Ultimate Forward Rate (UFR) is reducing at increasing interest rates. The impact of rising inflation on the financial position of Aegon Schade is relatively limited with ~-1% as hedges are in place. Increasing interest rates have a positive impact on the Solvency II ratio due to the hedging program. A 50bps interest rate increase has a positive impact of around 8% on the solvency ratio of Aegon Schade. Next to these direct impacts of rising inflation and rising interest yields on the financial position of Aegon Nederland, these developments have in the last year also created turmoil on the financial markets which among others increased volatility on mortgage spreads and decreased values of real estate.

### 1.15. 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.

To prepare for the IBOR transition Aegon Nederland has written a transition plan containing among others project solutions and actions, timelines and ownership to ensure timely preparation and implementation. We are currently implementing the actions as described in the transition plans.

There are no plans for the discontinuation for EURIBOR and appropriate fallback language has been implemented for derivatives via the International Swaps and Derivatives Association ('ISDA') fallback protocol and rulebook changes by the clearing houses.



Aegon Nederland recognizes that the reform of IBORs and any transition to replacement rates entail risks for all our businesses across our assets and liabilities. These risks include, but are not limited to:

- Legal risks, as Aegon Nederland is required to make changes to documentation for new and existing transactions, such as funding instruments issued with an IBOR reference and derivatives held with an IBOR reference;
- Financial risks, arising from any changes in the valuation of financial instruments linked to benchmark rates, such as derivatives and floating rate notes, issued by, or invested in by Aegon Nederland;
- Pricing risks, as changes to benchmark indices could impact pricing mechanisms on some funding instruments or investments;
- Operational risks, due to the potential requirement to adapt informational technology systems, trade reporting infrastructure and operational processes; and
- Conduct risks, relating to communication with potential impact on Aegon Nederland's customers, and engagement during the transition period.

In July 2020 the discount rates of EUR cleared derivatives switched from EONIA to €STR which impacted the valuation of derivatives for which compensation was exchanged. All EUR Credit Support Annex ('CSA') which have positions outstanding have been amended from EONIA to €STR discounting. The switch in discount rates is expected to lead to increased liquidity in the new risk free rates.

Various supranational institutions, central banks, regulators, benchmark administrators and industry working groups play a role in the benchmark reform and the preparation for the replacement of IBORs. Although a lot of work has been done, there is still significant uncertainty around liquidity development, and the timetable and mechanisms for implementation, including application of spread adjustments to the alternative reference rates. Accordingly, it is not currently possible to determine whether, or to what extent, any such changes would affect Aegon Nederland. However, the implementation of alternative reference rates may have a material adverse effect on Aegon Nederland's business, financial condition, customers, and operations.

## 1.16. 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. In the collective action from Woekerpolis.nl against Aegon Leven and Aegon Spaarkas a plea is scheduled for April 14, 2023.

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.

### Securities leasing products ("aandelenlease")

Lawsuits have been brought against providers of securities leasing products ('aandelenlease producten'). Although sales of securities leasing products ended more than a decade ago, litigation relating to these products has resurfaced. In December 2020 Aegon Bank N.V. reached an agreement in principle on a settlement with Leaseproces B.V. for claims regarding Vliegwiël and Sprintplan customers represented by Leaseproces. On 4 June 2021 Aegon and Leaseproces B.V. announced it had finalized its agreement to settle these claims. By the end of the response period, 99.7% of "Vliegwiël" customers and 94.5% of "Sprintplan" customers had agreed to the proposed settlement. Full performance of the agreement ended in 2022. There are still some individual claims pending at the courts and Kifid.

#### Optas

In 2019 Optas has been merged into Aegon Levensverzekering. Prior to the merger DNB gave permission for this merger and instructed Aegon Levensverzekering to execute the merger. A (limited) number of policyholders has opposed the merger and have appealed the permission of DNB at the administrative Court. On 13 February 2023 the administrative Court granted the objections and has annulled the permission of DNB. The Court finds that DNB should have required that all policyholders were individually informed in writing regarding the merger and the possibility to oppose the merger. The Court also finds that DNB should have shared all documents relating to the permission to the objectors, including documents that were marked classified and sensitive at the time. Based on the Wft the legality of the merger is not affected by an administrative annulment. This has been confirmed by ruling of the civil Court in a case against Aegon, that is now subject of a pending appeal. Though Aegon Levensverzekering does not expect the pending litigation at the administrative Court and/or civil Court to have a material impact, if any, there can be no assurances that these matters, will not ultimately result in a material adverse effect on Aegon Levensverzekering's business, results of operations and financial position.

## 2. Financial information

### 2.1. Developments during the year

Operating result reflect our profit from operating business operations and exclude components that relate to accounting mismatches that are dependent on market volatility or relate to events that are considered outside the normal course business. Non-Operating items are results depending upon market volatility or relates to events that are considered outside the normal course of business.

#### 2.1.1. Earnings per line of business

Amounts in EUR million	2022	2021
Life	463	512
Mortgages	68	71
Banking	128	115
Workplace Solutions	123	50
<b>Operating result before tax</b>	<b>783</b>	<b>747</b>
Non-Operating items	213	(1)
Other income/(charges)	(221)	(48)
<b>Result before tax</b>	<b>775</b>	<b>697</b>
Income tax	(603)	(186)
<b>Net result</b>	<b>172</b>	<b>511</b>

Aegon Nederland's Results before tax in 2022 amounted to EUR 775 million (2021: EUR 697 million). The Operating result before tax increased by EUR 36 million compared with 2021 and the Non-Operating items increased with EUR 214 million compared with 2021. In the following paragraphs more details on the development of income before tax are given.

#### Operating result before tax

Operating result before tax amounts to EUR 783 million (2021: EUR 747 million). The main changes per business line are explained as follows:

- The business line Life decreased by EUR 49 million compared to 2021. The main contributor was lower investment income mainly driven by lower prepayment compensations and lower yields on mortgages. Other drivers were the impact of the longevity reinsurance transaction announced in December 2021 and lower fees and revenues from the closed individual life book.
- The business line Mortgages decreased by EUR 3 million compared to 2021. The impact of higher fees resulting from business growth was partly offset by the combination of lower revenues from lower customer prepayment compensations and yields
- Earnings within Banking increased by EUR 13 million compared to 2021. The main contributor was a higher interest margin due to higher interest rates. Furthermore, higher fee income from more fee-paying customers at Knab and reduced costs from expense savings initiatives contributed favorably.
- Earnings in Workplace Solutions increased by EUR 73 million compared to 2021. This primarily reflected increased earnings of the non-life disability business, due a release from the incurred but not reported (IBNR) reserve, elevated recoveries, and lower claims. Furthermore, business growth and improved business mix at the pension administration business TKP contributed favorably.

#### Non-Operating result before tax

##### Fair value items

Total fair value items amount to a gain of EUR 415 million, compared to a loss of EUR 168 million in 2021. Fair value items are driven by market parameter movements, such as interest, spread, inflation and real estate prices. The 2022 fair value items were mostly driven by rising interest and spread that led to a lower fair value of liabilities.

##### Gains / (losses) on investments

Gains/(losses) on investments were EUR 299 million lower compared to 2021. Realized losses in 2022 on investments were driven by sales of sovereign and corporate bonds.

##### Other income / (charges)

In 2022 other income amounted to -/- EUR 221 million (2021: other income of -/- EUR 48 million). This amount consists of several items, of which the main ones are described below.

- In 2022, model and assumption updates had a negative impact on the non-underlying earnings of approximately EUR 118 million, whereas these had a negative impact of approximately EUR 50 million in 2021.
- In 2022, the non-operating expenses were EUR 124 million and in line with 2021 (EUR 123 million).

### Income tax

Income tax amounted to -/- EUR 603 million (2021: -/- EUR 186 million). The weighted average applicable statutory tax rate for Aegon Nederland in 2022 was 78% (2021: 25%). The weighted average applicable statutory tax rate increased compared to 2021 due to the recognition a deferred tax liability of EUR 454 million on the undistributed profits of certain subsidiaries, which were previously not recognized. Refer to note 24 'Deferred taxes' of the consolidated financial statements for further information.

### Revenues

<b>Amounts in EUR million</b>	<b>2022</b>	<b>2021</b>
Pensions	887	1,015
Life	282	308
Accident and health	256	254
General insurance	144	136
<b>Gross premiums</b>	<b>1,569</b>	<b>1,712</b>
Investment income	2,000	2,009
Fees and commissions	325	300
<b>Total revenues</b>	<b>3,894</b>	<b>4,021</b>

### Pensions

The single pension premiums decreased in 2022 caused by lower premiums from the DB pension products, due to the continuous shift to DC products.

### Life

Life premiums decreased in 2022, which was the result of the decision of Aegon Nederland to stop selling individual life product as of March 2020.

### Non-Life

The Non-Life premiums increased compared to prior year. Non-Life consists of 'Accident and Health' and 'Property & Casualty' ('General Insurance'). In 2022 the total premiums increased by EUR 10 million as a result of a higher premium income for both 'Property & Casualty' and 'Accident & Health' business lines due to respectively higher sales and positive premium true-ups.

### Mortgages

Total mortgage production in 2022 decreased by EUR 2.2 billion compared with 2021 to EUR 8.7 billion following adverse market movements.

### Fees and commissions expenses

<b>Amounts in EUR million</b>	<b>2022</b>	<b>2021</b>
Commissions	53	50
Operating expenses	788	781
<b>Total commissions and expenses</b>	<b>841</b>	<b>831</b>

Total commissions and expenses increased compared with 2021 as expense savings were more than offset by higher expenses related to the Aegon pension scheme following the increase in interest rates.

### Solvency and financial position

Group equity at December 31, 2022 amounts to EUR 6,701 million compared to EUR 7,503 million at year-end 2021. The decrease is largely explained by the negative other comprehensive income over 2022 of EUR 724 million and the dividend paid to Aegon Europe Holding B.V. of EUR 250 million, partly offset by the positive net income of EUR 173 million.

### Cash flows and funding

During 2022 the net cash flows increased by EUR 1,537 million (2021: decrease of EUR 1,529 million). This increase is mainly explained by cash inflows from operating activities (+/- EUR 3,040 million).

### Circumstances that impact future income and results

The main drivers of future income and results are interest rate developments, other market developments and demographic developments. There are no significant changes expected for the following year regarding the investing and financing activities. However, strategic investing opportunities are evaluated on an ongoing basis. Furthermore, Aegon Nederland did not perform significant activities regarding research and development during the year, nor expects to do so in the near future.

### Reinsurance of longevity exposure

On December 15, 2021, Aegon Levensverzekering announced that it has reinsured an additional part of its longevity exposure with Reinsurance Group of America, Incorporated (RGA). This transaction improves the risk profile of Aegon Levensverzekering and releases capital at attractive terms. The reinsurance agreement provides protection against the longevity risk associated with EUR 5 billion of pension liabilities. The risk transfer is effective per December 31, 2021 and will continue until the reinsured block of business has run off in full.

The transaction includes deferred pensioners as well as in-payment policies of pensioners and dependents, leading to a very long run-off period. This reinsurance protects Aegon against the potential adverse financial impact of longevity risk over the full life of the policies at an attractive cost of capital. The transaction follows a similar longevity reinsurance structure executed by Aegon in December 2019. Together, these agreements mitigate approximately 40% of the longevity risk exposure of the Dutch life business. These reinsurance agreements have no impact on the services and guarantees that Aegon provides to its policyholders.

The benefit of the most recent reinsurance program to the Solvency II ratio of Aegon Levensverzekering amounted to 15% points. The impact on operating capital generation and the operating result will decrease over time in line with the maturity of the reinsured portfolio.

### 2.1.2. 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).

The following insurance entities of Aegon Nederland are subject to prudential insurance supervision of DNB:

- Aegon Levensverzekering;
- Aegon Schadeverzekering; and
- Aegon Spaarkas.

An insurance company is not permitted to conduct both life insurance and non-life insurance business within a single legal entity (with the exception of reinsurance). In addition, it is not permitted to carry out both insurance and banking activities within the same legal entity. Aegon Nederland is in compliance with this legislation.

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 Nederland does not have material cross-border insurance business or business conducted through branch offices elsewhere in the EU.

Prudential supervision is exercised by 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 Nederland, the liability calculation includes the use of the Volatility Adjustment (VA) but does not include the use of any transitional measures. Aegon Nederland 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 Nederland made several major changes to its PIM, the latest in 2022, all of which have been approved by the DNB.

Aegon Nederland uses a standard formula to calculate the solvency position of its non-life insurance activities related to Aegon Schadeverzekering under Solvency II. The solvency position of the Other Financial Sector (OFS) activities will continue to be calculated using the CRR/CRD IV framework. The Solvency II ratio reported by Aegon Nederland is including the OFS activities, in accordance with industrywide guidelines from DNB.

Aegon Nederland's Solvency II capital position is provided in the table below:

Amounts in EUR million	December 31, 2022 <sup>1)</sup>	December 31, 2021
Own Funds	5,800	7,112
Partial Internal Model SCR	2,926	3,739
<b>Solvency II ratio</b>	<b>198%</b>	<b>190%</b>

<sup>1)</sup> The Solvency II ratio for 2022 is an estimate. Concerning the individual insurance entities, it is not final until filed with the regulator and subject to supervisory review. For Aegon Nederland, no filing requirements apply. Aegon Nederland reports a Solvency II ratio including OFS activities (Aegon Bank and Aegon Hypotheken), in accordance with industrywide guidelines from DNB.

	December 31, 2022 <sup>1)</sup>	December 31, 2021
Aegon Levensverzekering	210%	186%
Aegon Schadeverzekering	254%	200%
Aegon Spaarkas	482%	276%
<b>Aegon Nederland</b>	<b>198%</b>	<b>190%</b>

<sup>1)</sup> The Solvency II ratio for 2022 is an estimate. Concerning the individual insurance entities, it is not final until filed with the regulator and subject to supervisory review. For Aegon Nederland, no filing requirements apply. Aegon Nederland reports a Solvency II ratio including OFS activities (Aegon Bank and Aegon Hypotheken), in accordance with industrywide guidelines from DNB.

The 2022 Solvency II ratio disclosed is without taking into account the dividend paid in March 2023 and the 2021 Solvency II ratio disclosed is without taking into account the dividend paid in March 2022.

The Solvency II ratio of Aegon Nederland, including Aegon Bank, increased from 190% to 198% during 2022. This is the result of a proportionally stronger decrease in SCR compared to the decrease in Own Funds.

The decrease in Own Funds is driven by management actions, market movements (increased interest rates and spread widening), quarterly dividend payments, model and assumption changes and experience variances, these are partially offset by operating capital generation (OCG), and new business.

The decrease in SCR is mainly driven by market movements, management actions and model and assumption changes. Interest rates decreased sharply over 2022, leading to a large decrease in SCR. In addition, spreads widened, leading to a further reduction in SCR. The impact from management actions reflects changes in fixed income and real estate portfolio and movements in the hedge portfolio. Model and assumption changes included a change in LAC DT factor, updated mortality tables and the annual market risk calibration. Lastly, changes in diversification benefits during the year had an increasing impact on the SCR.

The lowering of Ultimate Forward Rate (UFR) from 3.60% to 3.45% in 2022 resulted in a realized impact of 3.4%-points decrease of the Solvency II ratio. In 2023 the UFR will remain unchanged at 3.45% and thus not affect the Solvency II ratio. The Solvency II ratio of Aegon Nederland does not include any contingent liability potentially arising from unit-linked products sold, issued or advised on by Aegon Nederland in the past as the potential liability cannot be reliably quantified at this point (refer to paragraph 39.4 of the consolidated financial statements).

#### 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. 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 European Economic Area (EEA) countries, Aegon Nederland 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. All insurance entities operate in excess of this requirement.

## Recent developments Solvency II

### Solvency II 2020 review

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 are assessing the legislative proposals in order to arrive at final text, resulting in amendments to the Solvency II Directive and the Solvency II Delegated Regulation.

### DNB guidance issued during 2022

During 2022 no further DNB guidance has been issued. In 2022 DNB started a sector-wide investigation into deferred taxes for which Aegon filled out a quantitative template and self-assessment for each legal entity. DNB is expected to give specific feedback to the different insurers in 2023. This could also result in revised or updated guidance from DNB.

### 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 2, 2021, The European Commission has published a delegated regulation ((EU) 2021/1256), amending the Solvency II Delegated Regulation ((EU) 2015/35), 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, and where relevant, the investment strategy and decisions to take into account sustainability preferences in the product approval process.

Commission Delegated Regulation (EU) 2021/1256 forms part of a larger package of legislation, amending sectoral rules (e.g. the AIFMD, IDD, UCITS and MiFID), integrating sustainability risks and factors more explicitly in those sectoral rules.

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.

Ahead of the amendments to the Solvency II Delegated Regulation and proposed amendments to the Solvency II Directive, EIOPA issued, on April 19, 2021, guidance on the use of climate change scenarios in the Own Risk and Solvency Assessment (ORSA). The Opinion provides practical guidance on how to select and use climate change scenarios. Where applicable (i.e. in the presence of material climate risks), the opinion advises two specific climate scenarios at a minimum:

- A climate change risk scenario where the global temperature increase remains below 2°C, preferably no more than 1.5°C, in line with the EU commitments; and
- A climate change risk scenario where the global temperature increase exceeds 2°C.

Ahead of this guidance by EIOPA, DNB had already issued a good practice in November 2019 and a Q&A in February 2021, targeted at Dutch insurers and insurance groups, recommending insurers to include climate risk assessments in the ORSA. DNB's guidance discusses qualitatively the types of risk to consider (e.g. physical risk, transition risk) and the longer horizon for climate risk to manifest itself. Aegon, in its activity for the 2022 ORSA, is including several climate scenarios.



The capitalization of Aegon Nederland and its subsidiaries 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 consolidated 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](http://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 but not limited to customers, distribution partners and employees. Where relevant, this is recorded in the minutes and is part of the annual 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 2022, the annual 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 Aegon Nederland and its subsidiaries. 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 of Aegon N.V. representing the Aegon Nederland 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.

#### 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 in 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, e.g. by 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.

#### Managing Directors

The Board of Directors have appointed a Managing Director Workplace Solutions (MD WPS), Managing Director Life (MD-Life) and a Managing Director Non-Life (MD Non-Life). The MD WPS, MD Life and MD Non-Life are not considered to be key management in accordance with IAS 24.

#### 4. Responsible Business

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

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

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

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

##### Healthy living environment

We have already undertaken multiple activities in the field of sustainability. For instance, we contribute to a clean and healthy living environment by aiming to ensure that our own operations and investments generate as few harmful emissions as possible. We also facilitate the transition to an economy that emits less CO<sub>2</sub> by promoting sustainable use of our natural resources and try to reduce our own carbon footprint, and help our customers to do the same. We also support our customers to become climate resilient, by for example, helping homeowners make their homes more sustainable, and by developing insurance policies that mitigate the effects of climate change, such as water damage from flooding.

##### More inclusive and diverse

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

##### Top priority

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

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

- We care about people
- We care for the planet
- We are a responsible business

##### We care about people

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

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

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

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

### We care for the planet

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

In 2022 we have published our [Climate Action Plan](#). This plan sets out the steps we are taking to align our business with the Paris Agreement. This starts with our own operations. Although the direct greenhouse gas emissions from our operations are relatively limited, we nonetheless aim to reduce them to net-zero by 2050 at the latest. To guide us towards this goal, we have set intermediate targets to reduce our operational greenhouse gas emissions by 25% before 2025 and 50% before 2030<sup>1</sup>.

### Our investments

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

We want to take immediate action on climate change, and we have set a number of short-term targets for the investments that we manage for our own account. These include a target to reduce the greenhouse gas emissions we finance with our investments by at least 30% before 2025, and a target to invest an additional 1 billion euros in climate-positive assets over the same time period<sup>2</sup>.

### Our products

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

### We are a responsible business

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

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

### More sustainable behaviour

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

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

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

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

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

### Governance

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

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

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

### Sustainable Finance Regulation

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

As part of our Sustainable Finance Regulation Roadmap, we took further steps in 2022 to bring our disclosures into compliance with SFDR requirements. These include updating our website, as well as pre-contractual information for products that promote E/S features.

More information about our approach to responsible investment and the products that promote E/S features can be found on our website.

### We invest responsibly

As one of the largest financial institutions in the Netherlands, the biggest impact we have on the world is through the investments we make for our own account and on behalf of our clients. With these investments, we aim to reduce negative impacts on people and the planet as much as possible, and to contribute to the many sustainability challenges facing our society.

Our Responsible Investing Policy sets out the approach we follow and the tools we use to realize our goals. This includes defining minimum expectations for all investments and setting out the activities we believe are too controversial or harmful to invest in. It also includes explaining our approach to 'active ownership', and our belief that we can use our influence as a large investor to encourage the companies in which we invest to mitigate any negative impacts they have caused and to become more sustainable.

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

More information on our approach to responsible investing and our Responsible Investing Policy can be found at [www.aegon.nl](http://www.aegon.nl).

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

## 5. Outlook

### 5.1. Developments

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

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

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

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.

Aegon Nederland operates in a changing environment: the labor market changes rapidly, high inflation resulting in increasing interest rates and employers and employees demand more flexibility.

Aegon Nederland is committed to a sustainable future-proof pension system that provides adequate pensions for all participants in the labor market. Aegon Nederland is well and broadly positioned in the pension market with administration (TKP Pensioen), DC products (Aegon Cappital) and insurance (Aegon Levensverzekering) to meet our customer expectations. We continue to invest in new solutions for employers and employees, are an opinion leader and actively involved in public discussions about retirement with all stakeholders.

At the end of 2022, the House of Representatives in the Netherlands approved a new Dutch pension system, which is currently going through legislative approval in the Senate. The new pension system is more focused on individual savings accounts rather than collectively guaranteed nominal pension rights. This has a significant impact on Aegon Levensverzekering as it will enable us to selectively offer buyout solutions to pension funds that seek a solution with guarantees for their current rights. In addition, new schemes are offered via a separate legal entity of Aegon Nederland as a result of which Aegon Levensverzekering will focus on selling risk insurance riders and immediate annuities.

The mortgage market is expected to cool-down further in 2023. Mortgage interest rates have steeply increased in 2022, resulting in lower refinancing volumes and reduced borrowing capacity of customers. The use of a portable mortgage is getting more popular and Aegon Hypotheken expects more customers to make use of it. The expectation is that the acceleration in the focus on 'ESG' within the Dutch housing market of last year will continue in upcoming years, both from a customer perspective, being confronted with higher energy prices, as well as from increasing regulatory pressure. Aegon Hypotheken will continue its efforts to enable its customers making their homes more sustainable to address these challenges.

For 2023, Aegon Cappital expects further growth in terms of new customers and Assets under Management from saving premiums and incoming transfers of pension savings from existing clients. Aegon Cappital will continuously improve its products taking into account input from our customers, participants and advisors. In the field of product development Aegon Cappital anticipates, where possible, on market demand that will arise from the new Dutch pension law. This is continuously coordinated with pension advisors.

Multiple developments are especially relevant for Non-Life, such as: the increasing number of one-person-households, increasing costs for home & living while population is stable or growing with the pace of immigration, and the impact of climate change on society and on our product-coverages.

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**

As of March 2023 Aegon Nederland has increased its repurchase agreement facility of EUR 500 million to EUR 1 billion. Under this facility Aegon Nederland has the right to enter into repurchase transactions up to an amount of EUR 1 billion to generate additional liquidity. To the date of preparation of this annual report no amount is drawn under the agreement.

In March 2023 EUR 70 million dividend was paid to Aegon Europe Holding B.V..

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, 2023

The Board of Directors,

<b>A.C.C. van Hóvell-Patrizi (chair)</b>	
<b>B. Magid</b>	
<b>W.H.M. van de Kraats</b>	

# Report of the Supervisory Board

## 1. General

The same individuals that serve on the Supervisory Board of Aegon Nederland also serve on the supervisory board of 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 process of appointments 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 targets of members of the Board of Directors in line with the remuneration policy and group targets. 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 2022, the Supervisory Board performed its duties in close co-operation with the Board of Directors and held six meetings. Moreover the Supervisory Board held several calls with the Board of Directors to discuss amongst other the transaction with a.s.r, 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 2022 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 IFRS 17, information security, sustainability regulations and Partial Internal Model.
- IFRS 17, e.g. progress on model validation, control testing, reruns, paralel runs and opening balance
- Combination with a.s.r.
- 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 2022 and Audit plan 2022, and quarterly draft review findings report.
- Report of the Board of Directors and Supervisory Board report 2021.
- 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) 2023-2025.
- Updates on DNB and AFM letters, discussions and on-site visits, including DNB 'Focus' reports and meetings and AFM annual report and meeting.
- Evaluation of system of governance.

### 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 Supervisory Board 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 2022 were Mr. Vrancken (chair), Mrs. Jansen Heijtmajer and Mr. Rider. In 2022, the Risk and Audit Committee met five times. The CEO, CFO, CTTO (until April 4, 2022) 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 each of 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 2022 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 2022 and adopted a resolution outside a formal meeting in October 2022. In its meetings, the committee discussed and subsequently advised the Supervisory Board in respect of:

- The 2022 Aegon Nederland variable compensation company targets results.
- The 2022 Aegon Nederland variable compensation company performance indicators and target setting.
- The performance of, and the allocation of variable compensation 2022 to participants (Aegon Management Team Aegon Nederland (MT-NL) members and Statutory Board of Aegon Bank), and the pay-out of deferred variable compensation.
- The 2023 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.
- 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 2022 are as follows:

<b>Name</b>	<b>Year of first appointment</b>	<b>(Re-) Appointment</b>	<b>Resigns</b>
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

The Hague, April 7, 2023

The Supervisory Board,

<b>D. Jansen Heijtmajer (chair)</b>	
<b>G.J.M. Vrancken</b>	
<b>M.J.E. Hoek</b>	
<b>M.J. Rider</b>	

Consolidated  
financial statements 2022 of  
**Aegon Nederland N.V.**

# Financial information

## Consolidated financial statements 2022 of Aegon Nederland N.V.

### Consolidated statement of financial position

(as at December 31, 2022)

(before profit appropriation)

Amounts in EUR million	Note	2022	2021
<b>Assets</b>			
Cash and cash equivalents	5	4,968	3,430
Investments	6	54,753	67,302
Investments for account of policyholders	7	17,682	23,401
Derivatives	8	8,445	6,569
Investments in associates	9	1,107	1,103
Investments in joint ventures	10	382	343
Loans and group loans	11	1,025	627
Reinsurance assets		79	53
Deferred expenses	12	212	235
Other assets and receivables	13	1,557	1,894
Intangible assets	14	165	168
<b>Total assets</b>		<b>90,375</b>	<b>105,126</b>
<b>Equity and liabilities</b>			
Shareholders' equity	15	6,688	7,489
Non-controlling interests	15	13	14
<b>Group equity</b>		<b>6,701</b>	<b>7,503</b>
Insurance contracts	16	31,452	40,514
Insurance contracts for account of policyholders	17	19,577	25,294
Savings deposits	19	12,009	11,586
Investment contracts	20	169	181
Derivatives	8	9,243	5,493
Borrowings and group borrowings	21	6,166	8,779
Provisions	22	52	67
Defined benefit liabilities	23	2,462	3,466
Deferred tax liabilities	24	627	376
Other liabilities and accruals	25	1,916	1,865
<b>Total liabilities</b>		<b>83,674</b>	<b>97,623</b>
<b>Total equity and liabilities</b>		<b>90,375</b>	<b>105,126</b>

**Consolidated income statement**

(for the year ended December 31, 2022)

Amounts in EUR million	Note	2022	2021
<b>Revenues</b>			
Premium income	26	1,569	1,712
Investment income	27	2,000	2,009
Fee and commission income	28	325	300
<b>Total revenues</b>		<b>3,894</b>	<b>4,021</b>
Income from reinsurance ceded	29	38	26
Results from financial transactions	30	(10,809)	(639)
Other income	31	23	27
<b>Total (loss)/income</b>		<b>(6,854)</b>	<b>3,436</b>
<b>Charges</b>			
Premiums paid to reinsurers	26	112	99
Policyholder claims and benefits	32	(8,628)	1,851
Profit sharing		4	7
Commissions and expenses	33	841	831
Impairment charges/(reversals)	34	-	(2)
Interest charges and related fees	35	99	106
Other charges	36	3	3
<b>Total (benefits)/charges</b>		<b>(7,569)</b>	<b>2,895</b>
<b>Income before share in profit/(loss) of joint ventures and associates and tax</b>		<b>716</b>	<b>541</b>
Share in profit of associates	9	23	123
Share in profit of joint ventures	10	37	33
<b>Income before tax</b>		<b>775</b>	<b>697</b>
Income tax	37	(603)	(186)
<b>Net income</b>		<b>173</b>	<b>511</b>
<b>Net income attributable to the parent company</b>		<b>173</b>	<b>511</b>



**Consolidated statement of comprehensive income**

(for the year ended December 31, 2022)

Amounts in EUR million	Note	2022	2021
<b>Net income</b>		<b>173</b>	<b>511</b>
<b>Items that will not be reclassified to profit or loss:</b>			
Changes in revaluation reserve real estate held for own use	13.1	-	1
Remeasurement of defined benefit plans	23	948	156
Income tax relating to items that will not be reclassified	24	(245)	(24)
<b>Items that may be reclassified to profit or loss:</b>			
(Losses)/Gains on revaluation of available-for-sale investments	15.3	(2,110)	163
Equity movements of associates	9	2	(1)
Gains/(losses) transferred to the income statement on disposal and impairment of available-for-sale investments	15.3	185	(126)
Income tax relating to items that may be reclassified	15.3	497	(17)
Other		(1)	-
<b>Total other comprehensive (loss)/income</b>		<b>(724)</b>	<b>152</b>
<b>Total comprehensive (loss)/income</b>		<b>(551)</b>	<b>663</b>
<b>Total comprehensive (loss)/income attributable to the parent company</b>		<b>(551)</b>	<b>663</b>

## Consolidated statement of changes in equity

Amounts in EUR million	Share capital	Share premium	Revaluation reserves	Retained earnings	Shareholders' equity	Non-controlling interests	Group equity
<b>At January 1, 2022</b>	24	1,817	818	4,830	7,489	14	7,503
Net income/(loss) recognized in the income statement	-	-	-	173	173	-	173
Other comprehensive income/(loss)	-	-	(1,426)	702	(724)	-	(724)
<b>Total comprehensive income/(loss)</b>	<b>-</b>	<b>-</b>	<b>(1,426)</b>	<b>875</b>	<b>(551)</b>	<b>-</b>	<b>(551)</b>
Dividends paid on common shares	-	-	-	(250)	(250)	-	(250)
Other movements	-	-	-	-	-	(1)	(1)
<b>At December 31, 2022</b>	<b>24</b>	<b>1,817</b>	<b>(608)</b>	<b>5,455</b>	<b>6,688</b>	<b>13</b>	<b>6,701</b>

Amounts in EUR million	Share capital	Share premium	Revaluation reserves	Retained earnings	Shareholders' equity	Non-controlling interests	Group equity
<b>At January 1, 2021</b>	24	1,817	793	4,327	6,961	15	6,976
Net income/(loss) recognized in the income statement	-	-	-	511	511	-	511
Other comprehensive income/(loss)	-	-	25	127	152	-	152
<b>Total comprehensive income/(loss)</b>	<b>-</b>	<b>-</b>	<b>25</b>	<b>638</b>	<b>663</b>	<b>-</b>	<b>663</b>
Dividends paid on common shares	-	-	-	(135)	(135)	-	(135)
Other movements	-	-	-	-	-	(1)	(1)
<b>At December 31, 2021</b>	<b>24</b>	<b>1,817</b>	<b>818</b>	<b>4,830</b>	<b>7,489</b>	<b>14</b>	<b>7,503</b>

Refer to note 8.2 'Statement of changes in equity' in the statutory financial statements for information on capital restrictions and legal reserves.

## Consolidated cash flow statement

(for the year ended December 31, 2022)

Amounts in EUR million	Note	2022	2021
<b>Income/(loss) before tax</b>		<b>775</b>	697
Results from financial transactions	30	10,809	638
Amortization and depreciation	33	90	167
Impairment losses	34	3	(6)
Income from joint ventures	10	(37)	(33)
Income from associates	9	(23)	(123)
Income from reinsurance ceded	29	23	36
Change in provisions	22	(16)	(39)
<b>Adjustments of non-cash items</b>		<b>10,849</b>	<b>640</b>
Insurance and investment liabilities	16/19/20	(9,100)	(3,761)
Insurance liabilities for account of policyholders	17	(5,717)	209
Defined benefit liabilities	23	(56)	(97)
Accrued expenses and other liabilities	25	(73)	92
Deferred expenses	12	(9)	(120)
Accrued income and prepayments	13	318	177
Shadow accounting		2,833	1,476
<b>Changes in accruals</b>		<b>(11,804)</b>	<b>(2,023)</b>
Purchase of investments (other than money market investments)	6	(9,071)	(11,123)
Purchase of derivatives	8	(3,592)	(1,064)
Disposal of investments (other than money market investments)	6	15,185	12,875
Disposal of derivatives	8	1,269	22
Net disposal/(purchase) of investments for account of policyholders	7	729	1,148
Net change in cash collateral	25	55	35
<b>Cash flow movements on operating items not reflected in income</b>		<b>4,575</b>	<b>1,892</b>
Tax (paid)/received	37	(23)	132
Other		(2)	(9)
<b>Net cash flows from operating activities</b>		<b>4,371</b>	<b>1,330</b>
Purchase of individual intangible assets	14	(9)	(9)
Purchase of equipment and real estate for own use	13	(7)	(2)
Acquisition and capital contribution joint ventures and associates	9/10	(41)	(24)
Dividend received from joint ventures and associates	9/10	63	67
<b>Net cash flows from investing activities</b>		<b>6</b>	<b>33</b>
Loans to group related parties	11	(402)	(3)
Repayment of loans by group related parties	11	3	396
Proceeds from borrowings	21	4	1,171
Repayment of borrowings	21	(512)	(767)
Proceeds from group borrowings	21	7	-
Repayment of group borrowings	21	(2,112)	(2,597)
Additions to entrusted savings	19	21,432	19,064
Redemption of entrusted savings	19	(21,009)	(20,019)
Dividends paid	15	(250)	(135)
Issuances and repurchases subordinated perpetual liabilities (participations)		(1)	(1)
<b>Net cash flows from financing activities</b>		<b>(2,839)</b>	<b>(2,891)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>1,537</b>	<b>(1,529)</b>
Cash and cash equivalents at the beginning of the year	5	3,430	4,958
<b>Cash and cash equivalents at the end of the year</b>		<b>4,968</b>	<b>3,430</b>

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:

	2022	2021
<b>Included in the net cash flows from operating activities is the increase/(decrease) in cash and cash equivalents relating to:</b>		
Interest received (excluding derivatives)	1,771	1,836
Interest paid (excluding derivatives)	101	107
Interest derivatives received/(paid)	(28)	(3)
Dividend received	206	201

#### Reconciliation of liabilities arising from financing activities

Total net cash flow from operating activities increased by EUR 3,041 million to a EUR 4,371 million inflow (2021: EUR 1,330 million inflow). The main movements are the increased cash inflows from disposal of investments (refer to note 6 Investments) and derivatives (refer to note 8 Derivatives), partially offset by an increase of outflow from purchase of derivatives.

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 consolidated financial statements

## 1. General information

Aegon Nederland 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 in The Hague with its registered address at Aegonplein 50, 2591 TV, The Hague with registration number KvK 27111251. Aegon Nederland N.V. ('Aegon Nederland') is wholly owned subsidiary of Aegon Europe Holding B.V. in The Hague. Aegon N.V., also domiciled in The Hague is the ultimate parent of the group.

Aegon Nederland (or 'the Company') and its subsidiaries ('Aegon' or 'the Group') are active in life insurance and pensions operations, savings and investment products, asset management operations, accident and health insurance, general insurance, banking operations, mortgages, pension administration and intermediary activities.

## 2. Significant accounting policies

### 2.1. Basis of presentation

The consolidated 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 consolidated 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 2022 is provided below in note 'Adoption of new EU-IFRS accounting standards and amendments effective in 2022'.

The consolidated financial statements are presented in euro and all amounts are rounded to the nearest million 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, goodwill, policyholders claims and benefits, insurance contracts and guarantees (including the liability adequacy test, or LAT), pension plans, corporate income taxes and the potential effects of resolving litigation matters. Aegon Nederland applies fair value hedge accounting for portfolio hedges of interest rate risk (macro hedging) under the European Union (EU) 'carve out' of IFRS.

### Company financial statements

The company's financial statements of Aegon Nederland have been prepared in accordance with accounting principles in the Netherlands as embodied in Part 9 of Book 2 of the Dutch Civil Code. In accordance with article 362.8, Book 2, of the Dutch Civil Code, the Company's financial statements are prepared based on the accounting principles of recognition, measurement and determination of profit, as applied in the consolidated financial statements of Aegon Nederland. These principles also include the classification and presentation of financial instruments, being equity instruments or financial liabilities.

With regard to the income statement of Aegon Nederland, article 402, Book 2 of the Dutch Civil Code has been applied, allowing a condensed format.

### Going concern

The consolidated financial statements of Aegon Nederland have been prepared assuming a going concern basis of accounting based on the reasonable assumption that Aegon Nederland is, and will be, able to continue its normal course of business in the foreseeable future. Relevant facts and circumstances relating to the consolidated financial position on December 31, 2022, 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 Nederland is appropriate in preparing the consolidated financial statements.

### 2.1.1. Adoption of new EU-IFRS accounting standards and amendments effective in 2022

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 2022, 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
Reference to the Conceptual Framework (Amendments to IFRS 3)	January 1, 2022	Yes	Low
Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)	January 1, 2022	Yes	Low
Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)	January 1, 2022	Yes	Low
Annual Improvements to IFRS Standards 2018–2020	January 1, 2022	Yes	Low
Covid-19- Related Rent Concessions beyond 30 June 2021 (Amendments to IFRS 16)	April 1, 2021	Yes	Low

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

### 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 Nederland, 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	Yes	No	See below for comments
Initial Application of IFRS 17 and IFRS 9 - Comparative Information (Amendments to IFRS 17)	January 1, 2023	Yes	No	See below for comments
IFRS 9 Financial instruments	January 1, 2018 <sup>1)</sup>	Yes	No	See below for comments
Prepayment Features with Negative Compensation (Amendments to IFRS 9)	January 1, 2019 <sup>1)</sup>	Yes	No	See below for comments
Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)	January 1, 2024	Not yet	No	Low
Classification of Liabilities as Current or Non-current (Amendments to IAS 1)	January 1, 2024	Not yet	No	Low
Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)	January 1, 2023	Yes	No	Low
Definition of Accounting Estimates (Amendments to IAS 8)	January 1, 2023	Yes	No	Low
Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)	January 1, 2023	Yes	No	Low

<sup>1)</sup> 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 'Amendments to IFRS 9 Financial instruments on prepayment features with negative compensation'). The amendments to IFRS 4 are further explained below.

#### IFRS 17 Insurance Contracts

The IASB issued IFRS 17 Insurance Contracts in May 2017. The Standard has replaced 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, next to a number of significant amendments to the Standard, 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 EU has endorsed IFRS 17 including the June 25, 2020 amendments as per November 2021.

The Standard represents a fundamental change to current financial reporting and the implementation effort is significant. 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 were finalized which formed the basis of preparing the opening balance sheet per January 1, 2022 and the 2022 quarterly results.

Whilst the preparation of the opening balance sheet has been completed, the preparation of the 2022 quarterly results are still ongoing and full year results are only expected to be completed in the first half-year of 2023. Aegon Nederland has an established governance framework to manage the implementation of IFRS 17, including the preparation of the 2022 quarterly results, which might impact significant accounting estimates and judgements. In addition the alignment of accounting policies with a.s.r. could lead to changes in policy choices. The impact on the 2022 opening balance sheet as presented in this note is therefore indicative.

#### **a) Changes compared to previous accounting policies**

Under IFRS 4, Aegon Nederland largely continued to report under the accounting policies that were applied prior to the adoption of EU-IFRS. This meant that, in general, Aegon Nederland applied non-uniform accounting policies for insurance assets and liabilities as allowed under Dutch Accounting Policies for insurance contracts that were continued as measurement basis under IFRS 4. Specific measurement methodologies differ between Aegon Nederland's operations, reflecting local regulatory requirements and local practices for specific product features. Under IFRS 17, consistent accounting policies will be applied to all insurance contracts and investment contracts with discretionary features, regardless of the jurisdiction in which the contracts have been issued.

Under Aegon Nederland's current accounting policies, some minimum guarantees are separated from the host insurance contracts and classified as derivatives. Aegon Nederland has also elected to apply the accounting option under IFRS 4 to measure certain closely related minimum guarantees at fair value. Under IFRS 17, Aegon Nederland has not identified any embedded derivatives that require separation. All minimum guarantees will be measured together with the host contract, in accordance with the requirements of IFRS 17.

Policy loans, value of business acquired, and insurance payables and receivables, which are currently accounted for as separate assets, will be included in the measurement of the insurance liabilities.

#### **Measurement**

IFRS 17 establishes principles for the accounting for insurance contracts, reinsurance contracts, and investment contracts with discretionary participation features. It introduces a model that measures groups of contracts based on Aegon Nederland's estimate of the present value of the future cash flows that will arise as these contracts are fulfilled, and which includes an explicit risk adjustment for non-financial risk and a contractual service margin reflecting unearned profits. Contrary to current accounting, IFRS 17 requires estimates to be current, unbiased and probability-weighted, incorporating all available information in a way that is consistent with observable market data.

Insurance contracts are grouped together for measurement purposes. Aegon Nederland does not use the optional exemption provided under EU-IFRS to group together specific insurance contracts that were issued more than 12 months apart, but instead, intends to apply the IFRS 17 cohort requirements to all groups of contracts that are in scope of the Standard.

IFRS 17 prescribes modifications to the general measurement model for contracts with direct participating features (the 'variable fee approach') and for reinsurance contracts held. The standard also provides an option to simplify the measurement of certain short-term contracts (the 'premium allocation approach'), which will primarily be applied by Aegon Nederland to non-life insurance contracts and related reinsurance contracts held. The measurement of these contracts will be similar to the current IFRS 4 treatment, albeit that, when measuring liabilities for incurred claims, Aegon Nederland will discount cash flows expected to occur more than one year after the claim's date and will include an explicit risk adjustment for non-financial risk.

#### **Acquisition costs**

Currently, under IFRS 4, all acquisition costs are recognized and presented as separate assets ('deferred policy acquisition costs or DPAC') until these costs are included in profit or loss. Under IFRS 17, only insurance acquisition cash flows that arise before the recognition of the related insurance contracts, are presented as separate assets. These assets, which are subject to recoverability testing, are derecognized and included in the carrying amount of the related portfolio of contracts on initial recognition.

For all groups of contracts for which the premium allocation approach is applied, Aegon Nederland intends to expense acquisition costs when incurred.

### Revenue and expenses

Under IFRS 4, the revenues reported in the income statement include gross insurance premiums when due or, for products where deposit accounting was required, surrender fees and other charges. Under IFRS 17, the insurance revenue in each reporting period reflects the consideration to which Aegon Nederland expects to be entitled in exchange for the services provided in that period.

The actual claims and expenses incurred in providing the service, are presented in the income statement as insurance service expenses.

Insurance finance income and expenses are presented separately from insurance revenue and insurance service expenses in profit or loss.

Income and expenses from reinsurance contracts, other than insurance finance expenses, are presented as a single net amount in the income statement. Currently, amounts recovered from reinsurers and reinsurance expenses were presented separately.

### Other assets and liabilities

On transition to IFRS 9 and IFRS 17, most of the available-for-sale investments and loans are designated as fair value through profit or loss to reduce the accounting mismatch between assets and liabilities.

Interests in insurance joint ventures and associates that are accounted for under the equity method, are remeasured based on Aegon Nederland's new accounting policies.

### b) Transition

Changes in accounting policies resulting from the adoption of IFRS 17 were initially applied retrospectively, to the extent practicable. Under a full retrospective approach, Aegon Nederland:

- Identifies, recognizes and measures each group of contracts as if IFRS 17 had always been applied;
- Derecognizes previously reported balances that would not have existed if IFRS 17 had always been applied; and
- Recognizes any resulting net difference in equity.

Aegon Nederland considers the full retrospective approach to be impracticable if its application requires hindsight, for example in setting historical assumptions, or if the required historical input data cannot be made available within reasonable efforts. The latter might be concluded if information is not, or no longer, available electronically and incorporating it into the IFRS 17 reporting process would be expected to cause undue cost and efforts.

If the retrospective application of IFRS 17 to a group of contracts is impracticable, either the modified retrospective approach or the fair value approach will be applied. The objective of the modified retrospective approach is to achieve the closest outcome to retrospective application possible. Under the fair value approach, the carrying amount of a group of insurance contracts at transition is determined in accordance with IFRS 13 Fair Value Measurement but with the exclusion of the guidance on demand features. The modified retrospective approach may only be applied if there is sufficient reasonable and supportable information available to do so.

Aegon Nederland applied the fair value approach to all group of contracts for which the general measurement model or variable fee approach are applied.

In estimating the fair value of insurance contracts for the transition to IFRS 17, Aegon Nederland applied a methodology whereby the estimated future cash flows were adjusted for known differences between the IFRS 17 and market valuation methodologies and the risk adjustment was recalculated at a higher confidence level to reflect the additional compensation that a market participant would require for financial risk and the remaining contractual services that need to be provided. Where possible, the results were compared to market-observable transactions, such as recent reinsurance transactions entered into by Aegon Nederland and sales transactions of insurance portfolios and businesses.

### IFRS 9 Financial instruments

Aegon Nederland adopts IFRS 9 as issued by the IASB in July 2014, with a date of initial application of January 1, 2023 and a transition date of January 1, 2022, which results in changes in accounting policies and adjustments to the amounts previously recognized in the financial statements. Aegon did not early adopt IFRS 9 in previous periods.

For the transition to IFRS 9 and IFRS 17 in the financial statements of 2023, Aegon Nederland has decided, based on the amendment to IFRS 17, to apply the overlay approach for 2022 including impairment requirements. As the overlay approach can only be applied in periods where IFRS 17 comparatives are restated, 2021 as comparative period will not be restated for IFRS 9 (nor IFRS 17).



### a) Changes compared to previous accounting policies

The adoption of IFRS 9 results in changes in Aegon Nederland's accounting policies for recognition, classification and measurement of financial assets and financial liabilities, impairment of financial assets and hedge accounting. IFRS 9 also significantly amends other Standards dealing with financial instruments such as IFRS 7 'Financial Instruments: Disclosures'.

#### Classification and measurement

Under IFRS 9, classification and measurement differ for debt instruments and equity instruments.

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as mortgage loans, private loans, and government and corporate bonds. Classification and subsequent measurement depend on:

- Aegon Nederland's business model for managing the asset;
- The cash flow characteristics of the asset; and
- The designation at FVPL to eliminate or significantly reduce an accounting mismatch or recognition inconsistency.

Aegon Nederland determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. The business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors, such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to Aegon Nederland's senior management;
- The risks that affect the performance of the business model and the financial assets held within it. In particular, the way those risks are managed;
- How Aegon Nederland's management is compensated, i.e. whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected;
- The expected frequency, value and timing of sales are also important aspects of Aegon Nederland's assessment.

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and cash flows from the sale of the asset, Aegon Nederland assesses whether the financial instruments' cash flows represent solely payments of principal and interest (the 'SPPI test'). In making this assessment, Aegon Nederland considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss.

Based on these factors, Aegon Nederland classifies its debt instruments into one of the following three measurement categories:

- Amortized cost ('AC'): Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest ('SPPI'), and that are not designated at FVPL, are measured at amortized cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognized
- Fair value through other comprehensive income ('FVOCI'): Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest, and that are not designated at FVPL, are measured at FVOCI.
- Fair value through profit or loss ('FVPL'): Assets that do not meet the criteria for amortized cost or FVOCI are measured mandatorily at fair value through profit or loss.

Aegon Nederland performed a detailed analysis of its business models for managing financial assets and analysis of their cash flow characteristics. This leads to a classification of most of the mortgage, consumer, and private loan portfolios within Aegon Nederland's non-insurance entities as measured at AC, given that the cash flows on these contracts represent solely payment of principal and interest, and they fit the business model hold-to-collect. For the most significant part of Aegon Nederland's insurance entities, financial assets will be designated at FVPL to minimize accounting mismatches.

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets. Examples of equity instruments include basic ordinary shares. Under IFRS 9, equity investments do not qualify for amortized cost or FVOCI treatment because they would fail the contractual cash flow characteristics assessment (cash flows are typically declared dividends at the discretion of the issuer, instead of interest). Thus, equity investments would generally only qualify for FVTPL treatment and not subject to impairment under expected credit loss model.

However, IFRS 9 allows the entity to make an irrevocable election at initial recognition to present changes in the fair value of equity investment in OCI rather than profit or loss. The equity investments designated as FVOCI are not subject to impairment under expected credit loss model. Aegon Nederland has not elected for this option for equity investments.

Financial liabilities are to be classified as subsequently measured at amortized cost, except financial liabilities measured at fair value through profit or loss, financial liabilities arising from the transfer of financial assets which did not qualify for derecognition, and financial guarantee contracts and loan commitments.

### Impairment

The IAS 39 impairment methodology was based on an 'incurred loss' model, which means that an allowance was determined when an instrument was deemed credit-impaired. Under IFRS 9, Aegon will assess on a forward-looking basis the expected credit losses ('ECL') associated with its debt instrument assets carried at amortized cost and FVOCI. Aegon Nederland recognizes a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

When incorporating forward looking information, consideration should be given to the relevance of the information (and the availability of more relevant information) for each specific financial instrument or group of financial instruments. Forward looking information that is relevant for one financial instrument may not be relevant or as relevant for other financial instruments depending on the specific drivers of credit risk. To the extent relevant, forward-looking information used for the measurement of ECLs it needs to be consistent with that used for the assessment of a significant increase in credit risk.

The IFRS 9 ECL model of Aegon Nederland generally employs a Probability of Default (PD) / Loss Given Default (LGD) / Exposure at Default (EAD) methodology; each model consists of multiple sub-models that are used to generate the measurement of expected credit loss. The LGN (Loss Given No-cure) represents the expectation of the extent of the loss on an exposure that defaults without cure. The LGN varies by type and amount of exposure, and type and amount of collateral available, the presence of other credit support, the duration of default, and the macro-economic forecast. The LGN is expressed as a percentage loss per unit of exposure at the time of default. The LGN is calculated for each future quarter. Credit losses are calculated as the product of projected PD, LGD and EAD and are discounted using an appropriate discount rate. The ECL is determined as the probability weighted discounted credit losses that are determined for different scenarios (i.e., base, positive, adverse).

IFRS 9 outlines a 'three-stage' model for impairment based on relative changes in credit quality since initial recognition:

- A financial instrument that is not credit-impaired on initial recognition is classified in 'Stage 1' and has its credit risk continuously monitored by the Group.
- If a significant increase in credit risk ('SICR') since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired.
- If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'.

Financial instruments in Stage 1 have their Expected Credit Loss (ECL) measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Financial instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis. Purchased or originated credit-impaired financial assets are those financial assets that are credit-impaired on initial recognition. Their ECL is always measured on a lifetime basis.

Aegon Nederland considers a financial instrument to have experienced a significant increase in credit risk when specific criteria have been met which are determined for each class of financial instruments. These criteria involve quantitative, qualitative or backstop indicators. Examples of quantitative indicators include relative changes in forward-in-time probability of default or relative changes in rating. For specific assets Aegon Nederland uses qualitative indicators like a watchlist approach. Backstop indicators are also defined and are set specific per asset class. Aegon Nederland uses the low credit risk exemption for specific assets that are of low credit risk (i.e. investment grade or internal credit ratings that are consistent with the definition of low credit risk). Aegon Nederland's definition of default involves qualitative and quantitative criteria defined at asset class level. Backstop criteria of 90 days past due is generally applied for all asset classes, except for private loans and debt securities and deposits with financial institutions, where 5 days past due is determined. Qualitative criteria include distressed restructuring, foreclosure, breach of significant covenants without reasonably supportable waiver obtained, bankruptcy or an equivalent of an injunction for the obligor, and an internal or external credit rating falling to D.

The allowance for instruments that are credit impaired under IAS 39 generally aligns with the Stage 3 category of IFRS 9. However, within the expected loss framework of IFRS 9 the entire portfolio of financial instruments is assigned an impairment allowance through the additions of the 12-month ECL category (stage 1) and the Lifetime ECL Non-credit-impaired (Stage 2), generally leading to increases in the overall allowances.

As stated earlier, most of the financial assets within Aegon Nederland's insurance entities are designated at FVPL to minimize accounting mismatches. For those assets the impairment methodology is not applicable, as for those assets any movement in fair value is recognized immediately in profit or loss.

### Hedge accounting

Although currently hedge accounting for micro fair value hedges is not used, Aegon Nederland has elected to adopt the new hedge accounting model in IFRS 9. This requires Aegon Nederland to ensure that hedging relationships are aligned with its risk management objectives and strategy and to apply a more qualitative and forward-looking approach to assessing hedge effectiveness. Aegon Nederland has elected to continue to apply hedge accounting requirements for macro fair value hedges of IAS 39 on adoption of IFRS 9. As such, fair value hedge accounting for portfolio hedges of interest rate risk (macro hedging) under the EU 'carve out' of IFRS continues to be applied.

### b) Transition

Any adjustments to the carrying amounts of financial assets and liabilities is recognized in the opening retained earnings and other reserves at the date of transition, January 1, 2022.

### Effects of initial adoption of IFRS 9 and IFRS 17

The effect of transition to IFRS 17 and IFRS 9 on the opening balance of shareholders' equity in the comparative period in the consolidated financial statements on January 1, 2022 are presented in the table below. Please note that, as stated earlier, the impact on the opening balance are indicative and the numbers can therefore change.

The impact on shareholders' equity of the implementation of IFRS 9 and IFRS 17 is estimated to be a decrease of approximately EUR 1.1 billion. This is mainly due to a release of the revaluation reserve of financial assets that are reclassified under IFRS 9 (net increase of approximately EUR 2.6 billion, EUR 1.9 billion after tax), the establishment of a contractual service margin and the net effect of remeasuring the insurance liabilities (estimated decrease of approximately EUR 4.3 billion, EUR 3.1 billion after tax).

After tax the CSM is estimated to amount EUR 2.8 billion. This is partly impacting shareholders' equity, the other part results from lower fulfilment cashflows under IFRS 17 compared to the IFRS 4 insurance liabilities.

Amounts in EUR billion	Shareholder's equity
Balances as at January 1, 2022, as previously reported	7.5
Impact of the change in accounting policies (IFRS 9 and 17)	(1.1)
<b>Restated balances as at January 1, 2022</b>	<b>6.4</b>

Please note that the pending transaction with a.s.r. might lead to a change of Aegon Nederland's IFRS 9 and 17 accounting policies. The impact of potential changes hereof on the shareholders' equity at transition is still under investigation. Aegon Nederland has transitioned all its insurance liabilities (except for the ones where PAA is applied) to IFRS 17 using the fair value approach. The current fair value estimate of the insurance liabilities falls within the range of observable market prices for recent portfolio transfers and is unlikely to change as result of the alignment project which assesses the policy and methodology alignment between Aegon and a.s.r.. If changes are made to the accounting policies, then these will impact the CSM on transition.

### Temporary exemption from applying IFRS 9 Financial Instruments

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 for 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 liabilities, and the insurer does not have significant activities unrelated to insurance.

Aegon Nederland performed this analysis at December 31, 2015, and determined that 84% of its liabilities are connected to insurance activities. The 16% non-insurance activity related liabilities are mainly caused by the banking activities of subsidiary Aegon Bank and mortgage activities of subsidiary Aegon Hypotheken.

As a consequence Aegon Nederland assessed other quantitative (percentage of equity, percentage of net income, percentage of employees) and qualitative factors (such as that the regulatory status of parent company is insurer and falls under insurance supervision of DNB). Based on that assessment Aegon Nederland concluded that it meets the requirements for the temporary exception. There are no (significant) changes in the activities of Aegon Nederland since the performance of this analysis. As a result, Aegon Nederland elected to defer implementation of IFRS 9 until January 1, 2023.

Aegon Nederland has determined that it does not engage in significant activities unconnected with insurance based on an assessment of mainly the following factors:

- Its main subsidiaries, Aegon Levensverzekering, Aegon Spaarkas and Aegon Schadeverzekering, are all regulated insurance entities;
- Its non-insurance subsidiaries, Aegon Bank and Aegon Hypotheken comprise a small portion of equity and a small portion of its workforce (all below 10%).

As Aegon Nederland 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 Nederland 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:

## Credit risk

The table below details the credit risk rating grades, as of December 31, 2022, 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).

<b>2022</b>	Debt securities	Mortgage loans	Private loans	Other financial assets	Loans and group loans	Total
AAA	8,521	-	2,622	-	-	11,143
AA	2,545	-	253	-	-	2,798
A	1,387	-	195	-	1,025	2,608
BBB	1,628	-	1,025	-	-	2,653
BB	26	-	3	-	-	29
B	-	-	-	-	-	-
CCC or lower	-	-	-	-	-	-
Without external rating (not rated)	-	30,580	386	82	-	31,048
<b>Total</b>	<b>14,107</b>	<b>30,580</b>	<b>4,484</b>	<b>82</b>	<b>1,025</b>	<b>50,278</b>

<b>2021</b>	Debt securities	Mortgage loans	Private loans	Other financial assets	Loans and group loans	Total
AAA	11,722	-	2,607	-	-	14,329
AA	4,699	-	216	-	-	4,915
A	4,695	-	128	-	627	5,449
BBB	3,261	-	1,050	-	-	4,311
BB	29	-	44	-	-	72
B	-	-	-	-	-	-
CCC or lower	-	-	-	-	-	-
Without external rating (not rated)	-	31,138	804	16	-	31,958
<b>Total</b>	<b>24,406</b>	<b>31,138</b>	<b>4,849</b>	<b>16</b>	<b>627</b>	<b>61,035</b>

For assets that do not qualify for the low credit risk exemption (assets rated below BBB or not rated) 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 Nederland. The financial assets are categorized by asset class with a carrying amount and fair value measured in accordance with IAS 39 measurement requirements.

	<b>2022</b>		2021	
	Carrying amount	Fair value	Carrying amount	Fair value
Debt securities	26	26	29	29
Private loans	3	3	44	44
<b>Total</b>	<b>29</b>	<b>29</b>	<b>72</b>	<b>73</b>

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

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

**Fair value changes**

The table below presents an overview of the fair value of the classes of financial assets as of December 31, 2022, as well as the change in fair value during the reporting period. The asset classes are divided into two categories:

- 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,
- Other: all financial assets other than those specified in SPPI:
  - 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;
  - That meet the definition of held for trading in IFRS 9; or,
  - That are managed and whose performance are evaluated on a fair value basis.

		2022		2021	
		Fair value	Change in FV	Fair value	Change in FV
Debt securities	SPPI	14,107	(4,098)	24,406	(1,359)
	Other	752	(165)	904	(80)
Money Markets and other short-term investments	SPPI	-	-	-	-
	Other	-	-	-	-
Mortgage loans	SPPI	28,477	(5,163)	34,198	(109)
	Other	-	-	-	-
Private loans	SPPI	3,966	(1,081)	5,458	(267)
	Other	-	-	-	-
Other financial assets <sup>1)</sup>	SPPI	-	-	1	-
	Other	82	-	16	-
Loans and group loans	SPPI	1,025	-	627	-
	Other	-	-	-	-
<b>Total</b>		<b>48,410</b>	<b>(10,507)</b>	<b>65,608</b>	<b>(1,815)</b>

<sup>1)</sup> Other financial assets consist of deposits with financial institutions, policy loans, other investments, and shares. Deposits with financial institutions not pass the SPPI test.

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 38 'Fair value of assets and liabilities'.

**Subsidiaries, joint ventures and associate applying IFRS 9 in their statutory accounts**

Principal subsidiaries, namely Aegon Bank and Aegon Hypotheken, are for statutory purposes not allowed to defer implementation of IFRS 9. Information on the application of IFRS 9 by these entities can be found in their statutory annual reports which are available on [www.aegon.nl](http://www.aegon.nl).

Aegon Nederland applies the exemption under IFRS 4 from certain requirements in IAS 28 for its joint ventures in Amvest entities and the associate Amvest Residential Core Fund. Under this exemption, Aegon Nederland applies IAS 39 under the temporary exemption from applying IFRS 9. When accounting for the investment in Amvest entities under the equity method, the IAS 39 figures of Amvest are used. There are no differences between the IAS 39 and IFRS 9 figures of Amvest. For statutory purposes Amvest cannot elect to defer the effective date of IFRS 9; information on the adoption of IFRS 9 for Amvest can be found in their respective statutory annual reports. Except Amvest, Aegon Nederland does not hold any other individually material joint ventures nor associates.

## 2.2. Basis of consolidation

### 2.2.1. Investment funds

Investment funds managed by Aegon Nederland in which Aegon Nederland holds an interest are consolidated in the financial statements if Aegon Nederland has power over that investment fund and it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. In assessing control, all interests held by Aegon Nederland in the fund are considered, regardless of whether the financial risk related to the investment is borne by Aegon Nederland or by the policyholders.

In determining whether Aegon Nederland has power over an investment fund all facts and circumstances are considered, including the following:

- Control structure of the asset manager (i.e. whether an Aegon Nederland subsidiary);
- The investment constraints posed by investment mandate;
- Legal rights held by the policyholder to the separate assets in the investment vehicle (e.g. policyholders could have the voting rights related to these investments);
- The governance structure, such as an independent board of directors, representing the policyholders, which has substantive rights (e.g. to elect or remove the asset manager); and
- Rights held by other parties (e.g. voting rights of policyholders that are substantive or not).

Exposure or rights to variability of returns can be the result of, (for example):

- General account investments of Aegon Nederland;
- Aegon Nederland's investments held for policyholders;
- Guarantees provided by Aegon Nederland on return of policyholders in specific investment vehicles;
- Fees dependent on fund value (including, but not limited to, asset management fees); and
- Fees dependent on performance of the fund (including, but not limited to, performance fees).

Aegon Nederland concluded, for all investment funds, that it does not exercise control, as Aegon Nederland has no power over the asset manager (key decision maker).

Participations in investment funds held for general account are recognized as equity investments. Investments in venture capital entities, mutual funds and investment funds are managed on the basis of market value and accounted for as financial assets at fair value through profit or loss. Participations in investment funds are regarded as part of the investment portfolio. The income from these investment funds is recognized as investment income.

Participations in investment funds held for account of policyholders are accounted for as 'investments for account of policyholder' and measured at Fair Value Through profit or loss.

### 2.2.2. Subsidiaries

Subsidiaries (including structured entities) are entities over which Aegon Nederland has control. Aegon Nederland controls an entity when Aegon Nederland is exposed to, or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The assessment of control is based on the substance of the relationship between Aegon Nederland and the entity and, among other things, considers existing and potential voting rights that are substantive. For a right to be substantive, the holder must have the practical ability to exercise that right.

The subsidiary's assets, liabilities and contingent liabilities are measured at fair value on the acquisition date and are subsequently accounted for in accordance with the accounting principles of Aegon Nederland. Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Non-controlling interests are initially stated at their share in the fair value of the net assets on the acquisition date and subsequently adjusted for the non-controlling share in changes in the subsidiary's equity.

The excess of the consideration paid to acquire the interest and the fair value of any interest already owned, over the share of Aegon Nederland in the net fair value of assets, liabilities and contingent liabilities acquired is recognized as goodwill. Negative goodwill is recognized directly in the income statement. If the fair values of the assets, liabilities and contingent liabilities, acquired in the business combination, have been determined provisionally, adjustments to these values, resulting from the emergence of new evidence within twelve months after the acquisition date, are made against goodwill. Aegon Nederland recognized contingent considerations either as provision or as financial liability depending on the characteristics. Any contingent consideration payable is recognised at fair value at

the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in the income statement.

The identifiable assets, liabilities and contingent liabilities are stated at fair value when control is obtained.

Subsidiaries are deconsolidated when control ceases to exist. Any difference between the net proceeds plus the fair value of any retained interest and the carrying amount of the subsidiary including non-controlling interests is recognized in the income statement.

### 2.2.3. Structured entities

A structured entity is defined as "An entity that has been designed so that voting rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements."

Structured entities that are consolidated include certain mortgage backed securitization deals, where Aegon Nederland was involved in the design of the structured entities and also has the ability to use its power to affect the amount of the investee's returns. Other factors that contribute to the conclusion that consolidation of these entities is required includes consideration of whether Aegon Nederland fully services the investees and can therefore influence the defaults of the mortgage portfolios and the fact that in these cases the majority of risks are maintained by Aegon Nederland.

Structured entities that are not consolidated include general account investments in non-affiliated structured entities that are used for investment purposes.

## 2.3. Foreign exchange translation

The consolidated financial statements are presented in euro, which is Aegon Nederland's functional currency. Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction. Aegon Nederland does not have investments in subsidiaries of which the functional currency is not the euro.

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

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

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

## 2.4. Offsetting of assets and liabilities

Financial assets and liabilities are offset in the statement of financial position when Aegon Nederland 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.

## 2.5. 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.



## 2.6. Investments

Investments for general account comprise financial assets, excluding derivatives, as well as investments in real estate and investments in investment funds.

### 2.6.1. Financial assets, excluding derivatives

Financial assets are recognized at trade date when Aegon Nederland 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 Nederland; and financial assets containing an embedded derivative that is not closely related and that cannot be reliably bifurcated. In addition, in certain instances Aegon Nederland 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 Nederland 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. Financial assets that are designated as hedged items are measured in accordance with the requirements for hedge accounting.

#### Amortized cost

The amortized cost of a debt instrument is the amount at which it is measured at initial recognition minus principal repayments, plus or minus the cumulative amortization of any difference between the initial amount and the maturity amount and minus any reduction for impairment. The effective interest rate method is a method of calculating the amortized cost and of allocating the interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the debt instrument or, when appropriate, a shorter period to the net carrying amount of the instrument. When calculating the effective interest rate, all contractual terms are considered. Possible future credit losses are not taken into account. Charges and interest paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts are included in the calculation.

#### Fair value

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

Fair value is defined as the amount that would be received from the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date under current market conditions (i.e. an exit price at the measurement date from the perspective of a market participant that holds the asset or owes the liability). For quoted financial assets for which there is an active market, the fair value is the bid price at the balance sheet date. In the absence of an active market, fair value is estimated by using present value based or other valuation techniques. Where discounting techniques are applied, the discount rate is based on current market rates applicable to financial instruments with similar characteristics.

The valuation techniques that include unobservable inputs can result in a different outcome than the actual transaction price at which the asset was acquired. Such differences are not recognized in the income statement immediately but are deferred. They are released over time to the income statement in line with the change in factors (including time) that market participants would consider in setting a price for the asset. Interest accrued to date is not included in the fair value of the financial asset.

### Derecognition

A financial asset is derecognized when the contractual rights to the asset's cash flows expire or when Aegon Nederland 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 Nederland has neither transferred nor retained significantly all the risk and rewards and retained control are recognized to the extent of Aegon Nederland's 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.

### Securities lending and repurchase agreements

Financial assets that are lent to a third party or that are transferred subject to a repurchase agreement at a fixed price are not derecognized as Aegon Nederland 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 Nederland. The difference between sale and repurchase price is treated as investment income. If Aegon Nederland subsequently sells that security, a liability to repurchase the asset is recognized and initially measured at fair value.

### 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.

### 2.6.2. Real estate

Investments in real estate include property held to earn rentals or for capital appreciation, or both. Investments in real estate are presented as 'Investments'. Property that is occupied by Aegon Nederland and that is not intended to be sold in the near future is classified as real estate held for own use and is presented in 'Other assets and receivables'.

All property is initially recognized at cost (including purchase expenses like transfer tax, broker fees, civil notary, if applicable). Subsequently, investments in real estate are measured at fair value with the changes in fair value recognized in the income statement.

Investments in real estate are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future benefit is expected from its disposal. Any gains or losses on the derecognition of an investment property are recognized in the income statement in the year of derecognition.

Investment property is revalued periodically by external valuers. The revaluations are performed by independent valuers who hold a recognised and relevant professional qualification and have recent experience in the location and category of the investment property being valued.

Fair value is based on quarterly external appraisals and updates of the appraised portfolio by independent external appraisers, based on the MSCI guidelines. The full portfolio is externally appraised every quarter. A representative part of at least 25% of the total portfolio is appraised by a full valuation, and the remaining portfolio (75%) is updated at the same time using a desktop valuation. The appraisals are based on both the yield method (BAR/NAR) and a DCF calculation with an average discount rate of 5.3% (2021: 4.8%). The yield method on MSCI guidelines is based on:

- Cash flows estimated on the basis of market rent;
- Allowable deductions for owners' charges in line with market conditions;
- Capitalization at net initial yields (minus purchasing costs payable by the purchaser) of similar transactions;
- Adjusting entries for (initial) vacancy, overdue maintenance, and future renovations.

Investments made in existing properties since the last appraisal was carried out are capitalized at cost price in addition to the carrying amount of the investment until the next appraisal. In the income statement, changes in fair value are recorded as gains / (losses) on investments.

#### Maintenance costs and other subsequent expenditure

Expenditure incurred after initial recognition of the asset is capitalized to the extent that the level of future economic benefits of the asset is increased. Costs that restore or maintain the level of future economic benefits are recognized in the income statement as incurred.

#### Property under construction

Aegon Nederland is involved in developing property activities with the intention to hold it as investments in real estate.

Property under construction is initially valued at directly attributable costs, plus a premium on the amount invested to cover internal expenses. Upon completion, the property is carried at fair value, or at an earlier time when the fair value can be determined reliably.

## 2.7. Investments for account of policyholders

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

## 2.8. Derivatives

### 2.8.1. 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 Nederland 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.

### 2.8.2. 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.

### 2.8.3. Hedge accounting

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

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

#### Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognized in the income statement, together with fair value adjustments to the hedged item attributable to the hedged risk. If the hedge relationship no longer meets the criteria for hedge accounting, the cumulative adjustment of the hedged item is, in the case of interest bearing instruments, amortized

through the income statement over the remaining term of the original hedge or recognized directly when the hedged item is derecognized.

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

## 2.9. Investment in joint arrangements and associates

### 2.9.1. Joint arrangements

Joint arrangements are contractual agreements whereby Aegon Nederland undertakes with other parties an economic activity that is subject to joint control. Joint control exists when it is contractually agreed to share control over an economic activity. Joint control exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

Investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor has rather than the legal structure of the joint arrangement. Aegon Nederland has assessed the nature of its joint arrangements and determined them to be joint ventures. Investments in joint ventures are accounted for using the equity method (see below), after initially being recognized at cost in the consolidated balance sheet.

On disposal of an interest in a joint venture, the difference between the net proceeds and the carrying amount is recognized in the income statement and gains and losses previously recorded directly in the revaluation reserve are reversed and recorded through the income statement.

### 2.9.2. Associates

Associates are all entities over which Aegon Nederland has significant influence but not control. Significant influence generally results from a shareholding of 20% or more of the voting rights, but also the ability to participate in the financial and operating policies through situations including, but not limited to, one or more of the following:

- Representation on the board of directors
- Participation in the policy making process
- Interchange of managerial personnel

Entities over which Aegon Nederland has significant influence through power to participate in financial and operating policy decisions, but which do not meet the definition of a subsidiary, are accounted for using the equity method. Interests held by Aegon Nederland in venture capital entities, mutual funds and investment funds that qualify as an associate are accounted for as an investment held at fair value through profit or loss. Interests held by Aegon Nederland in venture capital entities, mutual funds and investment funds that are managed on a fair value basis, are also accounted for as investments held at fair value through profit or loss.

Investments in associates are accounted for using the equity method (see below), after initially being recognized at cost in the consolidated balance sheet.

On disposal of an interest in an associate, the difference between the net proceeds and the carrying amount is recognized in the income statement and gains and losses previously recorded directly in the revaluation reserve are reversed and recorded through the income statement.

### 2.9.3. Equity method

Under the equity method of accounting, the investments are initially recognized at cost, which includes positive goodwill arising on acquisition. Negative goodwill is recognized in the income statement on the acquisition date. If joint ventures and associates are obtained in successive share purchases, each significant transaction is accounted for separately.

The carrying amount is subsequently adjusted to reflect the change in the share of Aegon Nederland in the net assets of the joint venture or associate and is subject to impairment testing. The net assets are determined based on the accounting policies of Aegon Nederland. Any gains and losses recorded in other comprehensive income by the joint venture or associate are recognized in other

comprehensive income and reflected in the revaluation reserves in shareholders' equity, while the share in the joint venture's or the associate's net income is recognized as a separate line item in the consolidated income statement. The share in losses of Aegon Nederland is recognized until the investment in the joint ventures' or associate's equity and any other long-term interest that are part of the net investment are reduced to nil, unless guarantees exist.

Gains and losses on transactions between Aegon Nederland and the joint ventures and associates are eliminated to the extent of the interest in the entity of Aegon Nederland, with the exception of losses that are evidence of impairment, which are recognized immediately.

## 2.10. Deferred expenses

### 2.10.1. Deferred Policy Acquisition Costs (DPAC)

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

### 2.10.2. Deferred cost of reinsurance

A deferred cost of reinsurance is established when Aegon Nederland enters into a reinsurance transaction, except for reinsurance transactions that are entered into as part of a plan to exit a business. When Aegon Nederland enters into a reinsurance contract as part of a plan to exit a business, an immediate loss is recognized in the income statement. Upon reinsurance, Aegon Nederland is not relieved of its legal liabilities, so the reserves relating to the underlying reinsured contracts will continue to be reported in the consolidated statement of financial position during the contractual term of the underlying contracts. The difference, if any, between amounts paid in a reinsurance transaction and the amount of the liabilities relating to the underlying reinsured contracts is part of the deferred cost of reinsurance. When losses on buying reinsurance are deferred, the amortization is based on the assumptions of the underlying insurance contracts, i.e. the percentage of premium paid on the reinsurance contract. The amortization is recognized in the income statement.

## 2.11. Other assets and receivables

Other assets and receivables include real estate held for own use, equipment, trade and other receivables, and prepaid expenses. Trade and other receivables and prepaid expenses are initially recognized at fair value and are subsequently measured at amortized cost using the effective interest method, less provision for impairment. Equipment is initially carried at cost, depreciated on a straight line basis over its useful life to its residual value and is subject to impairment testing.

### 2.11.1. Real estate held for own use

Real estate held for own use is carried at its revalued amount, which is the fair value at the date of revaluation less subsequent accumulated depreciation and impairment losses. Depreciation is calculated on a straight line basis over the useful life of a building. Land is not depreciated.

Real estate held for own use is revalued at least once in three years, based on appraisals by independent external valuers. On revaluation the accumulated depreciation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount. Revaluation of real estate for own use is recognised in other comprehensive income and accumulated in revaluation reserve in equity. On disposal of an asset, the difference between the net proceeds received and the carrying amount is recognized in the income statement. Any remaining surplus attributable to real estate in own use in the revaluation reserve is transferred to retained earnings.

## 2.12. Intangible assets

### 2.12.1. Goodwill

Goodwill is recognized as an intangible asset for interests in subsidiaries and is measured as the positive difference between the consideration transferred to acquire the business and the Aegon Nederland's interest in the net fair value of the entity's identifiable assets, liabilities and contingent liabilities. Subsequently, goodwill is carried at cost less accumulated impairment charges. It is derecognized when the interest in the subsidiary is disposed.

### 2.12.2. Software and other intangible assets

Software and other intangible assets, such as Value of Business acquired (VOBA), are recognized to the extent that the assets can be identified, are controlled by Aegon Nederland, are expected to provide future economic benefits and can be measured reliably.

Software and other intangible assets with finite useful lives are measured at cost, less accumulated amortization and any accumulated impairment losses. Amortization of the asset is over its useful life as the future economic benefits emerge and is recognized in the income statement as an expense. The amortization period and pattern are reviewed at each reporting date, with any changes recognized in the income statement. An intangible asset is derecognized when it is disposed of or when no future economic benefits are expected from its use or disposal.

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

### 2.13.1. Impairment of non-financial assets

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

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

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

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

### 2.13.2. Impairment of debt instruments

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

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.

### 2.13.3. 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.

If an available-for sale equity security is impaired, any further declines in the fair value at subsequent reporting dates are recognized as impairments. Impairment losses on equity instruments cannot be reversed.

### 2.14. Equity

Share capital is stated at par value. The share premium reserve, 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 and on real estate held for own use, 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.

### 2.15. Insurance contracts

Insurance contracts are accounted for under IFRS 4 – Insurance Contracts. In accordance with this standard, Aegon Nederland 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 Nederland 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 Nederland 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 Nederland 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 Nederland 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 Nederland 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).

### 2.15.1. Life insurance contracts

Life insurance contracts are insurance contracts with life-contingent benefits. The measurement of the liability for life insurance contracts varies depending on the nature of the product.

Liabilities arising from traditional life insurance products that are offered by Aegon Nederland, particularly those with fixed and guaranteed account terms, are typically measured using the net premium method. Under this method, the liability is determined as the sum of the discounted value of the expected benefits and future administration expenses directly related to the contract, less the discounted value of the expected theoretical premiums that would be required to meet the future cash outflows based on the valuation assumptions used. The liability is based on current assumptions, although for the discount rate a fixed 3% or 4% is used. Furthermore, the liability for life insurance comprises reserves for unearned premiums and accrued annuity benefits payable.

The liability for life insurance products includes the provision for future administration expenses, formed to cover the expected future expenses with respect to the period after premium payment, as well as a provision with respect to future expenses associated with processing benefits (such as annuities and pension payments).

Terms and conditions, including participation features, are considered when establishing the insurance liabilities. Where Aegon Nederland has discretion over the amount or timing of the bonuses distributed resulting from participation features, a liability is recognized equal to the amount that is available at the balance sheet date for future distribution to policyholders.

In establishing the liability, guaranteed minimum benefits issued to the policyholder are measured as described in note 2.15.4 'Embedded derivatives' or, if bifurcated from the host contract, as described in note 2.8 'Derivatives'.

### 2.15.2. Deferred interest contracts

A rebate granted and/or future interest compensation granted during the year is a form of profit sharing whereby Aegon Nederland applies a correction to the premium payable based on the expected (surplus or deficit) interest that will be earned on the contract. The expected interest is calculated with reference to a portfolio of government bonds. The rebate can be subject to additional conditions concerning actual returns or the continuation of the policy for a specified number of years.

Rebates granted and/or future interest compensation granted during the year that are expected to be recovered in future periods are deferred and amortized on a straight line basis as the surplus or deficit interest is realized. The amortization is recognized in the income statement in 'Policyholder claims and benefits'. Interest rebates form part of the insurance contract liability.

Deferred rebates granted and/or future interest compensation granted during the year are derecognized when the related contracts are settled or disposed of.

### 2.15.3. 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 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.

### 2.15.4. 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. An additional liability is established for guaranteed minimum investment returns on group pension plans with profit sharing and on traditional insurance contracts with profit sharing based on an external interest index, that are not bifurcated. These guarantees are measured at fair value.

### 2.15.5. 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 lead to unlocking deferred expenses and can also affect the outcome of the liability adequacy test to the extent that it considers actual future investment returns. For similar changes in unrealized gains and losses, shadow accounting is applied. If interest rate movement resulting in an unrealized gain or loss triggers a shadow accounting adjustment to deferred expenses or the insurance liabilities, the corresponding adjustment is recognized through other comprehensive income in the revaluation reserve, together with the unrealized gain or loss.

#### 2.15.6. Non-life insurance contracts

Non-life insurance contracts are insurance contracts where the insured event is not life-contingent. For non-life products the insurance liability generally includes reserves for unearned premiums, unexpired risk, inadequate premium levels and outstanding claims and benefits. No catastrophe or equalization reserves are included in the measurement of the liability.

The reserve for unearned premiums includes premiums received for risks that have not yet expired. Generally, the reserve is released over the coverage period of the premium and is recognized as premium income on a linear basis.

Deferred acquisition expenses with respect to the non-life insurance contracts represents directly attributable costs that are related to the selling, underwriting and initiating of these insurance contracts. Acquisition costs are deferred to the extent that they are recoverable and are subsequently amortized based on the remaining duration of related non-life contracts with an average remaining amortization period of less than one year. The deferred acquisition expenses are included in the non-life insurance liabilities, under 'Unearned premiums and unexpired risks'.

The liability for outstanding claims and benefits is established for claims that have not been settled and any related cash flows, such as claims handling costs. It includes claims that have been incurred but have not been reported. The liability is calculated at the reporting date using statistical methods based on empirical data and current assumptions that may include a margin for adverse deviation.

Liabilities for claims subject to periodic payment are calculated using actuarial methods consistent with those applied to life insurance contracts. Discounting is applied when measuring these insurance liabilities when there is a high level of certainty concerning the amount and settlement term of the cash outflows. The margin for risk represents the cost of capital held for un-hedgeable financial and underwriting risks.

The insurance liability for periodic payments ('Arbeidsongeschiktheidsverzekering' (AOV)) is calculated on an 'item by item' basis. For AOV Individual contracts, the liability is discounted at a 3% discount rate. For the WIA products, the liability is discounted using the LAT curve plus 50% liquidity premium.

#### 2.15.7. Liability Adequacy Test

##### Liability Adequacy Test (LAT) with respect to life insurance contracts

At each reporting date, the adequacy of the life insurance liabilities (including life insurance contracts for account of policyholders), net of value of business acquired and deferred expenses, 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, 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.

Aegon Nederland adjusts the outcome of the liability adequacy test for the difference between the fair value and the book value of the assets that are measured at amortized cost in the statement of financial position. Only differences between the fair value and the book value build up during the period when the asset were allocated to the insurance portfolio are included in the LAT.

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, either by impairing the DPAC and VOBA or by establishing an insurance liability for the entire remaining deficiency. 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 assumptions in the liability adequacy test contain a margin for risk. The risk margin is determined according to the cost of capital method. Only differences between the fair value and the book value build up during the period when the asset were allocated to the insurance portfolio are included in the LAT.

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

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

#### Shadow loss recognition

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

#### Liability Adequacy Test with respect to non-life insurance contracts

At each reporting date, the adequacy of the non-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. To the extent that the account balances are insufficient to meet future claims and expenses, additional liabilities are established and included in the liability for non-life insurance. 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.

With respect to AOV group contracts as well as the WIA ('Wet Inkomen en Arbeid') contracts, the claims regarding long-term sick leave (>2 years) are calculated on an 'item by item' based on empirical data and information from the industry and discounted with Aegon Schadeverzekering's LAT curve. The LAT curve is constructed using 6 months swaps until the last liquid point of 30 years.

#### 2.16. Savings deposits

Savings deposits are stated at amortized cost (net of accrued interest). Accrued interest is recognized in the consolidated statement of financial position under 'other liabilities and accruals'. The balances are largely repayable on demand.

#### 2.17. Investment contracts

Contracts that do not transfer significant insurance risk, but do transfer financial risk from the policyholder to Aegon Nederland, and where Aegon Nederland runs the risks associated with the investments, are accounted for as investment contracts. Investment contract liabilities are recognized when the contract is entered into and are derecognized when the contract expires, is discharged, cancelled or substantially modified. Investment contracts are measured at amortized cost.

#### 2.18. Borrowings and group borrowings

Borrowings and group borrowings 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, with the exception of specific borrowings that are measured at fair value through profit or loss to eliminate, or significantly reduce, an accounting mismatch, or specific borrowings which are carried at fair value as part of a fair value hedge relationship. Borrowings and group borrowings are derecognized when Aegon Nederland's obligation under the contract expires or is discharged or cancelled.

## 2.19. Provisions

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. Management exercises judgment in evaluating the probability that a loss will be incurred.

The amount recognized as a provision is the best estimate of the expenditure required to settle the present obligation at the balance sheet date, considering all its inherent risks and uncertainties, as well as the time value of money. The estimate of the amount of a loss requires management judgment in the selection of a proper calculation model and the specific assumptions related to the particular exposure. The unwinding of the effect of discounting is recorded in the income statement as an interest expense.

### Onerous contracts

With the exception of insurance contracts and investment contracts with discretionary participation features for which potential future losses are already considered in establishing the liability, a provision is recognized for onerous contracts in which the unavoidable cost of meeting the resulting obligations exceed the expected future economic benefits. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it.

## 2.20. Assets and liabilities relating to employee benefits

### 2.20.1. Short-term employee benefits

A liability is recognized for the undiscounted amount of short-term employee benefits expected to be settled within one year after the end of the period in which the service was rendered. Accumulating short-term absences are recognized over the period in which the service is provided. Benefits that are not service-related are recognized when the event that gives rise to the obligation occurs.

### 2.20.2. Post-employment benefits

Aegon Nederland has issued defined contribution plans and defined benefit plans. A plan is classified as a defined contribution plan when Aegon Nederland has no further obligation than the payment of a fixed contribution. All other plans are classified as defined benefit plans.

#### Defined contribution plans

The contribution payable to a defined contribution plan for services provided is recognized as an expense in the income statement. An asset (or liability) is recognized to the extent that the contribution paid exceeds (or fall short of) the amount due for services provided.

#### Defined benefit plans

The defined benefit obligation is based on the terms and conditions of the plan applicable on the balance sheet date. In measuring the defined benefit obligation Aegon Nederland uses the projected unit credit method and actuarial assumptions that represent the best estimate of future variables.

The benefits are discounted using an interest rate based on the market yield for high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity that approximate the terms of the related pension liability. Actuarial assumptions used in the measurement of the liability include the discount rate, estimated future wage inflation, mortality rates and price inflation.

Plan assets are qualifying insurance policies and assets held by long-term employee benefit funds that can only be used to pay the employee benefits under the plan and are not available to the creditors of Aegon Nederland. They are measured at fair value and are deducted from the defined benefit obligation in determining the amount recognized on the statement of financial position.

Assets held by Aegon Nederland backing the retirement benefits do not meet the definition of plan assets and as such were not deducted from the defined benefit obligation. Instead, these assets are recognized as general account assets. Consequently, the expected return on these assets also does not form part of the calculation of defined benefit expenses.

Plan improvements (either vested or unvested) are recognized in the income statement at the date when the plan improvement occurs.

The costs of the defined benefit plans are determined at the beginning of the year. The current year service cost and the net interest on the net defined benefit liability (asset) are recognized in the income statement.

Any employee contributions are deducted from the current year service cost. Net interest on the net defined benefit liability (asset) shall be determined by multiplying the net defined benefit liability (asset) by the applicable discount rate. Net interest on the net defined benefit liability (asset) comprises interest income on plan assets and interest expenses on the defined benefit obligation. Whereby interest income on plan assets is a component of the return on plan assets, and is determined by multiplying the fair value of the plan assets by the applicable discount rate. The difference between the interest income on plan assets and the actual return on plan assets is included in the remeasurement of the net defined benefit liability (asset).

Remeasurements of the net defined benefit liability (asset) which are recognized in other comprehensive income are revisited quarterly. Remeasurements of the net defined benefit liability (asset) shall not be reclassified to profit or loss in a subsequent period. Remeasurements of the net defined benefit liability (asset) comprise of the actuarial gains and losses; the return on plan assets, excluding amounts included in net interest on the net defined benefit liability (asset); and any change in the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability (asset).

Past service cost is the increase in the present value of the defined benefit obligation for employee service, resulting from a plan amendment or curtailment.

Gains or losses on the curtailment or settlement of a defined benefit plan are recognized in the income statement when the curtailment or settlement occurs. Gains or losses on curtailments or settlements of a defined benefit plan comprise of the difference between:

- The present value of the defined benefit obligation being settled, as determined on the date of settlement; and
- The settlement price, including any plan assets transferred and any payments made directly by Aegon Nederland in connection with the settlement.

### 2.20.3. Share-based payments

Aegon Nederland operates share-based plans applicable to the Aegon N.V. Group that entitle employees to receive equity instruments over common shares of the parent company Aegon N.V.

For the share-based plans where employees are granted the conditional right to receive Aegon N.V. common shares if certain performance indicators are met and depending on continued employment of the individual employee, expenses recognized are based on the fair value on the grant date of the shares. The fair value is measured at the market price of the Aegon N.V. common shares, adjusted to take into account the non-vesting and market conditions upon which the shares were granted. For example, where the employee is not entitled to receive dividends during the vesting period, this factor is taken into account when estimating the fair value of the shares granted.

The number of shares that will vest may partly depend on Aegon N.V.'s relative total shareholder return in comparison with a peer group. For the determination of factors such as expected dividends, market observable data has been considered. In addition, where the relative total shareholder return is included in the performance criteria, this factor represents a market condition and hence is taken into account when estimating the fair value of the shares granted.

All of the share-based plans operated are settled by Aegon Nederland in common shares of Aegon N.V. or in cash and are therefore recognized as cash-settled share based payment transactions.

For these cash settled plans a liability is recognized using the fair value based on the elapsed portion of the vesting period. The liability is remeasured at each reporting date and at the date of settlement, with any changes in fair value recognized in the income statement.

## 2.21. 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. Aegon Global Investment Fund B.V. is not part of the group of companies included Aegon N.V. tax group. The results from Aegon Capital B.V. are exempt from paying corporate income tax.

### 2.21.1. 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 Nederland 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 Nederland 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.

### 2.21.2. 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 Nederland's mid-term projections including sensitivities and tax planning and is reassessed periodically. Deferred tax liabilities relating to investments in subsidiaries, associates and joint ventures are not recognized if Aegon Nederland is able to control the timing of the reversal of the temporary difference and it is probable that the difference will not be reversed in the foreseeable future.

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 Nederland 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.

### 2.21.3. Deferred tax assets and liabilities relating to investments in subsidiaries

Deferred tax liabilities relating to investments in subsidiaries, associates and joint ventures are not recognized if Aegon Nederland is able to control the timing of the reversal of the temporary difference and it is probable that the difference will not be reversed in the foreseeable future.

## 2.22. 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.

## 2.23. 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.

## 2.24. Premium income

Gross premiums from life and non-life insurance 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.

Unearned premiums are the portion of premiums written in a financial year that relate to risk periods after the reporting date. Unearned premiums are calculated pro rata. The proportion attributable to subsequent reporting periods is recognized in the reserve for unearned premiums.

### 2.25. 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.

### 2.26. Fee and commission income

Fees and commissions from investment management services and mutual funds, services where Aegon Nederland 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.

### 2.27. Policyholders claims and benefits

Policyholders claims and benefits consists 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. It includes internal and external claims handling costs that are directly related to the processing and settlement of claims. Amounts receivable in respect of salvage and subrogation are also considered.

### 2.28. Results from financial transactions

Results from financial transactions include:

- Net fair value change of general account financial investments at fair value through profit or loss, other than derivatives include fair value changes of financial assets carried at fair value through profit or loss. The net gains and losses do not include interest or dividend income.
- 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.
- Gains and losses on real estate (both realized and unrealized) relate to the changes in fair value of the investments in real estate.
- 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.
- Net foreign currency result comprises net foreign currency gains and losses.

### 2.29. Commissions and expenses

Commissions, staff and administration expenses incurred are allocated to the period to which they relate. Acquisition expenses are deferred to the extent that they are recoverable and subsequently amortized.

### 2.30. 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.

### 2.31. 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.

## 2.32. Leases

### As a lessee

Aegon Nederland recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of real estate and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses (using the same rate to measure the lease liability), if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, Aegon Nederland's incremental borrowing rate. Generally, Aegon Nederland uses its incremental borrowing rate as the discount rate. The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in Aegon Nederland's estimate of the amount expected to be payable under a residual value guarantee, or if Aegon Nederland changes its assessment of whether it will exercise a purchase, extension or termination option. Aegon Nederland presents right-of-use assets that do not meet the definition of investment property in 'Other assets and receivables' and lease liabilities in 'Other liabilities and accruals' in the statement of financial position.

### Short-term leases and leases of low-value assets

Aegon Nederland has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets, including small office equipment. Aegon Nederland recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

### As a lessor

Where Aegon Nederland is the lessor under an operating lease, the assets subject to the operating lease arrangement are presented in the statement of financial position according to the nature of the asset. Income from these leases are recognized in the income statement on a straight line basis over the lease term, unless another systematic basis is more representative of the time pattern in which use benefit derived from the leased asset is diminished.

## 2.33. 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 (including hedge accounting) (refer to note 8), goodwill (refer to note 14), insurance contracts and guarantees (refer to note 16), pension plans (refer to note 23), corporate income taxes (refer to note 37) and the potential effects of resolving litigation matters (refer to note 39).

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. Actuarial assumptions and model updates

Assumptions are reviewed periodically in the fourth quarter, based on historical experience, observable market data, including market transactions such as acquisitions and reinsurance transactions, anticipated trends and legislative changes. Similarly, the models and systems used for determining our liabilities are reviewed periodically and, if deemed necessary, updated based on emerging best practices and available technology.

During 2022, Aegon Nederland implemented actuarial assumption and model updates resulting in a net charge of EUR 151 million on the result before tax. This mainly reflects the refined expenses methodology for Life and Pensions, which was aligned with the new strategy including the new retirement solutions program, resulting in a negative impact of EUR 131 million on result before tax. The classification and treatment of future indexation approaches with regards to Separated Investment Deposits products resulted in a model refinement with an increase of EUR 38 million of result before tax. The mortality assumption updates resulting in a net charge of EUR 14 million on result before tax.

Other changes included refinement of the methodology to stabilize the MRC-factors (a surcharge impacting the difference between profit sharing reserve on market interest rates and profit-sharing reserve on contractual technical interest rates) decrement pattern resulting in a decrease of result before tax of EUR 39 million.

In Aegon's mortgage valuation methodology, the contractual cash flows are corrected by the expected prepayment cash flows. The expected prepayments are based on assumptions regarding prepayment. During 2022 the customer prepayment rate (CRP) for mortgages was updated. Given the rising interest rates, CPR rates decrease, with an unfavourable impact of EUR 67 million on result before tax.

#### 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 Aegon Nederland uses mortality tables that take into account expected future changes in life expectancy (the Aegon prospective mortality table).

The liability adequacy test uses a discount rate which converges linearly to an Ultimate Forward Rate of 3.65% (2021: 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 Nederland's statement of financial position are determined using discount rates as contractually agreed. Insurance liabilities for risk of policyholders are generally shown at the balance sheet value of the related investments.



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

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

#### 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.

Starting point for the future operational costs is the current level of expenses. For the projection of the operational costs a split is made between fixed and variable expenses. Further it is assumed that a part of the portfolio will be outsourced as soon as outsourcing is more attractive.

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. Valuation of liabilities arising from non-life insurance contracts

The main assumptions used in measuring liabilities for accident and health non-life insurance contracts relate to morbidity (sick leave insurance and recoveries), mortality, expenses and lapses. The main assumptions used for the other non-life branches relate to claims statistics (including incurred but not reported (IBN(E)R)), investment return and future expenses. IBN(E)R claims relate to claims that have occurred but that have not yet been reported to Aegon Nederland as well as claims where the incurred amount is expected not to be enough.

Assumptions are reviewed at least annually, in the fourth quarter of the calendar year, based on historical experience and observable market data, including market transactions such as acquisitions and reinsurance transactions. 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.

Assumptions on morbidity are based on Aegon Nederland's claims history, augmented where necessary with industry information or data from the Dutch Association of Insurers or the Employee Insurances Implementing Agency (UWV). Assumptions on claims statistics are based on Aegon Nederland's claims history, adjusted where necessary for expected benefits inflation.

Assumptions on claims statistics are based on the company's claims history including underwriting risk specific frequency and severity analysis, adjusted where necessary for expected benefits inflation.

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.

Starting point for the future operational costs is the current level of expenses. For the projection of the operational costs a split is made between fixed and variable expenses. Further it is assumed that a part of the portfolio will be outsourced as soon as outsourcing is more attractive.

Lapse rates depend on product features, policy duration and external factors such as foreseeable competitor and policyholder behavior. Company experience and data published by the industry are used in establishing the assumptions.

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.

The liability adequacy test uses a discount rate which converges linearly to an Ultimate Forward Rate of 3.65% (2021: 3.65%) from the last liquid point. The uniform last liquid point is set at 30 years. The discount rate uses a liquidity spread.

### 3.4. Uncertainty resulting from COVID-19

In 2022 the COVID-19 pandemic continued to cause disruption to the business, markets and the industry. 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 Nederlands' Solvency II capital position remained at a strong level increasing from 190% per December 31, 2021, to 198% per December 31, 2022.

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).

### 3.5. Determination of fair value and fair value hierarchy

The following is a description of Aegon Nederland's 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 (i.e. an exit price at the measurement date from the perspective of a market participant that holds the asset or owes the liability). A fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

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

Aegon Nederland 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 Nederland 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 Nederland 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 Nederland, 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 38 'Fair value of assets and liabilities' more information, both quantitative and qualitative is given.

### 3.6. Goodwill

Goodwill is reviewed and tested for impairment under a fair value approach. Goodwill must be tested for impairment at least annually or more frequently as a result of an event or change in circumstances that would indicate an impairment charge may be necessary. The recoverable amount is the higher of the value in use and fair value less costs to sell for a cash-generating unit. Impairment testing requires the determination of the value in use or fair value less costs for each of the identified cash generating units of Aegon Nederland. The valuation utilized the best available information, including assumptions and projections considered reasonable and supportable by management. The assumptions used in the valuation involve significant judgments and estimates.

### 3.7. Valuation of defined benefit plans

The liabilities or assets recognized in the statement of financial position in respect of defined benefit plans is the difference between the present value of the projected defined benefit obligation at the balance sheet date and the fair value of plan assets. Assets held by Aegon Nederland backing the retirement benefits do not meet the definition of plan assets and as such were not deducted from the defined benefit obligation. Instead, these assets are recognized as general account assets.

The present value of the defined benefit obligation is determined by discounting the estimated future cash flows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity that approximate the terms of the related pension liability. Actuarial assumptions used in the measurement of the liability include the discount rate, estimated future wage inflation and estimated future pension increases. To the extent that actual experience deviates from these assumptions, the valuation of defined benefit plans and the level of pension expenses recognized in the future may be affected.

### 3.8. Recognition of deferred tax assets

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

The measurement of corporate income tax receivable/payable depends among other things on the application of the tax rules. It can be unclear how a specific tax law provision applies to a certain transaction or event.

### 3.9. Recognition of provisions

Provisions are established for contingent liabilities when it is probable that a past event has given rise to a present obligation or loss and the amount can be reasonably estimated. Management exercises judgment in evaluating the probability that a loss will be incurred. The estimate of the amount of a loss requires management judgment in the selection of a proper calculation model and the specific assumptions related to the particular exposure.

### 3.10. Control assessment

In making the assessment whether Aegon Nederland has control over an entity, Aegon Nederland analyses whether it has power over the entity. The outcome of this analysis depends on the purpose and design of the entity, what are the relevant activities (that drive the entity's returns) and how decisions about them are taken and whether rights of the entity give current ability to direct the relevant activities. In performing this assessment, Aegon Nederland has defined the most relevant activity as the ability to determine the strategic policies of an entity. The outcome of the analysis also depends on whether Aegon Nederland is exposed to or has rights to variable returns from its involvement with the entity and whether Aegon Nederland has the ability to use its powers over the entity to affect the amount of its returns. Different assumptions may result in a different outcome of the control assessment.

### 3.11. Macro-economic context

In 2022, the Russian invasion of Ukraine caused a humanitarian crisis and also impacted global financial markets and caused significant economic turbulence. Aegon Nederland closely monitors financial and wider economic developments to understand our exposure to potential shocks in the markets where we invest, and Aegon Nederland works proactively to mitigate related risks. The inflation rates for the main economies that Aegon Nederland is exposed to increased significantly. Aegon Nederland has implemented an inflation hedge covering liabilities with conditional indexation rights to address the uncertainty around the rise in inflation. In addition, Aegon Nederland's expense savings program helps to mitigate the impact of rising inflation.

High inflation has prompted central banks to start raising interest rates significantly. As a consequence, interest rates have increased significantly in Aegon Nederland's main markets compared to December 31, 2021. Equity markets in Aegon Nederland's three main markets decreased in 2022 compared to an increase of equity markets in 2021. Additionally, credit spreads have widened in 2022 and affected Aegon Nederland's results negatively.

## 4. Risk Management

### 4.1. Enterprise Risk Management

#### 4.1.1. Introduction

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

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.

##### Management Board (MT NL)

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)

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.

##### Risk and Capital Committee (RCC)

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)

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.

#### Risk Management Function Holder (RFH)

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.

#### Actuarial Function Holder (AFH)

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.

#### Internal Audit Function Holder

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

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 Identification

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

#### Risk Response

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

#### Risk Tolerance

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

#### Risk Assessment

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

#### Risk Reporting (& Monitoring)

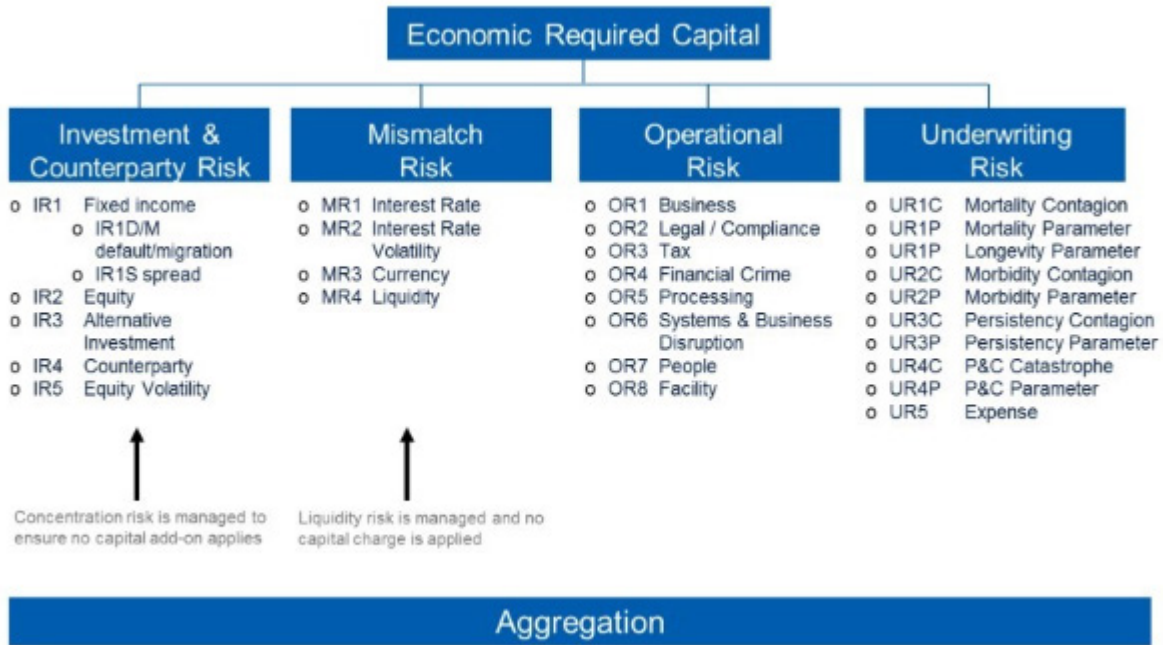
Compliance with the risk tolerance statements and the risk policy requirements is monitored and reported on a periodic basis to operational management. Through a formal Risk and Audit Committee senior management is informed on their forward looking risk profile on a quarterly basis, together with details 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

Operational risks

### Risk description

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.

### Measures taken

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 incorporated 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**

Regulatory and compliance risks

**Risk description**

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.

**Measures taken**

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**

Information security risk

**Risk description**

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.

**Measures taken**

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 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 counterparty 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 and 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.

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.

Category	Risk description	Measures taken
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.
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 Nederland's 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 be 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 Nederland's 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 judgements in applying Aegon Nederland's accounting policies<sup>1</sup>. 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

<sup>1</sup> Please refer to note 3 'Critical accounting estimates and judgements in applying accounting policies' for a description of the critical accounting estimates and judgments.

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 Nederland 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 booked through other comprehensive income to the revaluation reserves in equity, unless impaired.

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 Nederland's future equity or earnings. The analysis does not take into account the impact of future new business, which is an important component of Aegon Nederland's future earnings. It also does not consider all methods available to management to respond to changes in the financial environment, such as changing investment portfolio allocations or adjusting premiums and crediting rates. Furthermore, the results of the 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 solely contains investments for general account and guarantees issued by Aegon Nederland. Investments for risk of policyholders are for the account and risk of third parties and do not lead to an increase in Aegon Nederland's exposures, other than in the form of possible guarantees.

#### 4.2.2. Interest rate risk

Aegon Nederland 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, surrenders and withdrawals may increase. Premiums in flexible premium policies may decrease as policyholders seek investments with higher expected returns. Furthermore, additional margin payment may be required as a result of existing derivatives positions. This activity may result in cash payments by Aegon Nederland 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 realizing investment losses. These cash payments to policyholders result in a decrease in total invested assets and a decrease in net income. Among other things, early withdrawals may also require accelerated amortization of DPAC, which in turn reduces net income.

During periods of sustained low interest rates, Aegon Nederland 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 Nederland 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 Nederland manages interest rate risk closely, taking into account all of the complexity regarding policyholder behavior and management action. Aegon Nederland employs sophisticated interest rate measurement techniques and actively uses derivatives and other risk mitigation tools to closely manage its interest rate risk exposure. Aegon Nederland operates a Hedge Standard that limits the amount of interest rate risk to which Aegon Nederland is exposed. All derivative use is governed by Aegon Nederland's 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. If interest rates fall, the unrealized gains on certain investments will 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 a deficit position, 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.

	2022	2021	2020	2019	2018
3-month US Libor	4.77%	0.21%	0.24%	1.91%	2.81%
3-month Euribor	2.13%	(0.57%)	(0.55%)	(0.38%)	(0.31%)
10-year US Treasury	3.83%	1.51%	0.91%	1.91%	2.68%
10-year Dutch government	2.91%	(0.03%)	(0.48%)	(0.06%)	0.38%

#### 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 Nederland and are therefore not considered a long-term risk. However, timing and valuation differences between assets and liabilities may cause short-term reductions in net income or solvency ratios as rates rise. Rising interest rates would also cause the fair value of the available-for-sale bond portfolio to decline and the level of unrealized gains could become too low to support recoverability of the full deferred tax asset triggering an allowance charge to income. The offsetting economic gain on the insurance contracts is however not fully reflected in the sensitivities because many of these liabilities are not measured at fair value. Over time, the medium-term reduction in net income due to rising interest rates would be offset by higher net income in later years, everything else remaining equal. However, a long sustained period of low interest rates will erode net income due to lower returns earned on reinvestments.

#### Parallel movement of yield curve

Estimated approximate effect	2022		2021	
	Net income	Equity	Net income	Equity
Shift up 100 basis points	(256)	(1,010)	70	361
Shift down 100 basis points	(1,079)	(1,287)	(317)	(740)

The interest sensitivities under IFRS 4 take into account the impact of the liability adequacy test (LAT). Due to the current negative headroom position, changes in the LAT margin of Aegon Nederland, triggered by up or down interest shocks, are directly recognized in the income statement. This started to occur in 2019, and did not change in subsequent year-ends.

As interest rates increased in 2022, the LAT deficit significantly decreased compared to 2021. Besides, in 2022, market prices of debt securities significantly decreased. This resulted in a negative revaluation reserve for debt securities, which cannot be used for shadow loss accounting. In 2022, the LAT deficit is fully absorbed by upward shock impacts, resulting in a loss on net income and equity, as the negative impact on derivatives and debt securities (through equity) can only partially be absorbed by the reversal of the LAT deficit. In 2021, the LAT deficit was sufficiently high to fully compensate the negative impact of an interest upward shock on derivatives and debt securities. In 2022 and 2021 a downward shock would lead to a further increase of the deficit of the LAT, which outweighs the positive impact of the increasing market value of the fixed income portfolio. As the revaluation reserve is negative in 2022, only part of the positive impact on debt securities from a downward shock can be used to compensate the negative impact on LAT, resulting in increased impacts on equity and net income in 2022.

#### 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 Nederland bears the risk for investment performance which is equal to the return of principal and interest. Aegon Nederland is exposed to credit risk on its general account fixed-income portfolio, over-the-counter derivatives and reinsurance contracts. During financial downturns, Aegon Nederland can incur defaults or other reductions in the value of its fixed income portfolio, which could have a material adverse effect on Aegon Nederland's 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 shows Aegon Nederland's maximum exposure to credit risk from investments in general account financial assets, as well as general account derivatives and reinsurance assets, collateral held and net exposure. Please refer to note 40 'Transfers of financial assets' for further information on collateral given, which may expose Aegon Nederland to credit risk.

## Positions for general account in the balance sheet

	Maximum exposure credit risk	Cash	Securities	Real estate	Guarantees <sup>2)</sup>	Master netting agreement	Surplus collateral	Total collateral received	Net exposure
<b>2022</b>									
Shares	2,204	-	-	-	-	-	-	-	2,204
Debt securities	14,858	-	-	-	-	-	-	-	14,858
Mortgage loans <sup>1)</sup>	31,435	2,590	-	60,991	22	-	(32,263)	31,340	95
Private loans	4,484	-	-	-	-	-	-	-	4,484
Other loans	3	-	-	-	-	-	-	-	3
Other financial assets	79	-	-	-	-	-	-	-	79
Derivatives with pos. values	8,445	-	-	-	-	8,445	-	8,445	-
Loans and group loans	1,025	-	-	-	-	-	-	-	1,025
Reinsurance assets	79	-	-	-	-	-	-	-	79
<b>At December 31</b>	<b>62,614</b>	<b>2,590</b>	<b>-</b>	<b>60,991</b>	<b>22</b>	<b>8,445</b>	<b>(32,263)</b>	<b>39,785</b>	<b>22,829</b>

<sup>1</sup> The base-adjustment of EUR 856 million has been excluded from the mortgages loans as this is a non-credit risk bearing item.

<sup>2</sup> 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.

	Maximum exposure credit risk	Cash	Securities	Real estate	Guarantees <sup>2)</sup>	Master netting agreement	Surplus collateral	Total collateral received	Net exposure
<b>2021</b>									
Shares	3,331	-	-	-	-	-	-	-	3,331
Debt securities	25,309	-	-	-	-	-	-	-	25,309
Mortgage loans <sup>1)</sup>	30,511	2,650	-	54,308	10	-	(26,522)	30,445	66
Private loans	4,849	-	-	-	-	-	-	-	4,849
Other loans	4	-	-	-	-	-	-	-	4
Other financial assets	84	-	-	-	-	-	-	-	84
Derivatives with pos. values	6,569	2,255	-	-	-	4,077	-	6,332	237
Loans and group loans	627	-	-	-	-	-	-	-	627
Reinsurance assets	53	-	-	-	-	-	-	-	53
<b>At December 31</b>	<b>71,336</b>	<b>4,905</b>	<b>-</b>	<b>54,308</b>	<b>10</b>	<b>4,077</b>	<b>(26,522)</b>	<b>36,778</b>	<b>34,559</b>

<sup>1</sup> The base-adjustment of EUR 627 million has been excluded from the mortgages loans as this is a non-credit risk bearing item.

<sup>2</sup> 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.

### Debt securities

Collateral for structured securities such as ABSs, RMBSs and CMBSs is not included in the table above. Whilst collateral for structured securities is present, the collateral is however related to the cash flows for paying the principal and interest on the securities and not to mitigate credit risk. The credit risk management relating to structured securities is disclosed in the 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 Nederland's 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, 2014, a 10% lender-incurred haircut applies on realized losses on each defaulted loan.

The 'surplus collateral' column represents the surplus value of individual mortgage loans (where the value of the real estate exceeds the value of the mortgage loan) as Aegon Nederland 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 Nederland's credit risk management. The offset in the master netting agreements column includes balances where there is a legally enforceable right of offset, but no intention to settle these balances on a net basis under normal circumstances. As a result, there is a net exposure for credit risk management purposes. However, as there is no intention to settle these balances on a net basis, they do not qualify for net presentation for accounting purposes.

#### Collateral

Aegon Nederland 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.

Aegon Nederland also receives cash collateral or other financial assets for financial assets that have been transferred to another party under reverse repurchase agreements and securities lending transactions. See note 40 'Transfers of financial assets' for more information.

#### 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. These limits are set by Aegon N.V. and 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 2022 there were no breaches with regards to the CNLP.

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

	2022	2021
AAA	270	270
AA	270	270
A	200	200
BBB	135	135
BB	75	75
B	38	38
CCC or lower	15	15

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. Sovereign exposures (regardless of rating) that are issued by the government of the functional currency of Aegon Nederland's 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'.



### Spread sensitivities

Aegon Nederland is exposed to non-government spreads narrowing, government spread widening and mortgage spreads widening. Exposure to government spread sensitivities is contributed by exposure to spreads widening due to the reduction in value of its fixed income assets. Aegon Nederland is exposed to mortgage spreads widening, which has an adverse impact on the asset valuation.

Furthermore, as a result of the current negative LAT headroom position, future results will become more volatile due to changes in credit spreads as these are not hedged. Please find below the estimated sensitivities on shareholders' equity and on net income of Aegon Nederland for up and down shocks for credit spreads, mortgage spreads for the bond and mortgage portfolio and liquidity premium shocks for general account insurance liabilities:

Parallel movement of yield curve	2022		2021	
	Net income	Equity	Net income	Equity
<b>Estimated approximate effect</b>				
Bond credit spread - Shift up 50 bps	(173)	(635)	(131)	(937)
Bond credit spread - Shift down 50 bps	149	654	124	1,001
Mortgage spreads - Shift up 50 bps	(323)	(323)	(439)	(439)
Mortgage spreads - Shift down 50 bps	146	146	460	460
Liquidity premium - Shift up 5 bps	87	87	142	142
Liquidity premium - Shift down 5 bps	(87)	(87)	(144)	(144)

#### 4.2.4. Credit rating

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

2022	Amortized cost	Fair value	Reinsurance assets	Total
AAA	2,623	8,587	-	11,210
AA	253	9,208	22	9,483
A	233	3,120	55	3,408
BBB	1,025	2,232	-	3,257
BB	3	90	-	93
CCC or lower	-	1	-	1
Assets not rated	30,931	2,349	1	33,281
<b>Total on balance credit exposure at December 31</b>	<b>35,067</b>	<b>25,587</b>	<b>79</b>	<b>60,733</b>
Of which past due and/or impaired assets	174	17	-	190

2021	Amortized cost	Fair value	Reinsurance assets	Total
AAA	2,607	11,830	-	14,437
AA	216	6,175	33	6,424
A	128	9,723	19	9,870
BBB	1,050	4,030	-	5,080
BB	44	99	-	143
CCC or lower	-	-	-	-
Assets not rated	31,945	3,436	2	35,383
<b>Total on balance credit exposure at December 31</b>	<b>35,990</b>	<b>35,294</b>	<b>53</b>	<b>71,337</b>
Of which past due and/or impaired assets	176	17	-	193

'Assets not rated' relate to equities and derivatives (with positive value) at fair value and other financial assets at amortized cost (mainly mortgage loans).

#### 4.2.5. Credit risk concentration

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

<b>Credit risk concentration - debt securities and money market investments</b>	<b>2022</b>	<b>2021</b>
ABSs- Collateralized Debt Obligations (CDOs)	2,714	1,576
ABSs- Other	-	1
Residential mortgage backed securities (RMBSs)	65	106
Commercial mortgage backed securities (CMBSs)	2	3
<b>Total investments in unconsolidated structured entities at December 31</b>	<b>2,782</b>	<b>1,686</b>
Financial - Banking	892	2,036
Financial - Other	410	757
Industrial	2,486	5,998
Utility	185	551
Sovereign exposure	8,103	14,282
<b>At December 31</b>	<b>14,858</b>	<b>25,309</b>

<b>Credit risk concentration - mortgage loans</b>	<b>2022</b>	<b>2021</b>
Apartment	3,333	3,379
Retail	6	6
Other commercial	19	23
Residential	27,221	27,729
<b>At December 31</b>	<b>30,580</b>	<b>31,138</b>
Of which past due and/or impaired assets	155	139

<b>Fair value of the mortgage loan portfolio:</b>	<b>2022</b>	<b>2021</b>
Fair value mortgage loans	28,477	34,198
Loan to value (approximately)	49.8%	56.0%
Part of portfolio government guaranteed	38.5%	42.0%
Delinquencies in portfolio (defined as 60 days in arrears)	0.1%	0.1%
Impairments/(reversals) during the year	(1)	(1)

The breakdown by quality of the available-for-sale (AFS) ABS portfolio of Aegon Nederland is as follows:

<b>Amounts in EUR million</b>	AAA	AA	A	BBB	<BBB	Total amortized cost	Total fair value
CDOs backed by ABS, corp. bonds, bank loans	2,565	221	6	24	-	2,816	2,714
Other ABS	-	-	-	-	-	-	-
<b>At December 31, 2022</b>	<b>2,565</b>	<b>221</b>	<b>6</b>	<b>24</b>	<b>-</b>	<b>2,816</b>	<b>2,714</b>
CDOs backed by ABS, corp. bonds, bank loans	1,488	53	10	24	-	1,576	1,576
Other ABS	-	-	1	-	-	1	1
<b>At December 31, 2021</b>	<b>1,488</b>	<b>53</b>	<b>11</b>	<b>24</b>	<b>-</b>	<b>1,577</b>	<b>1,577</b>

#### Unconsolidated structured entities

Aegon Nederland's investments in unconsolidated structured entities such as RMBSs, CMBSs and ABSs are presented as part of the line item 'Investments' of the statement of financial position. Aegon Nederland's interests in these unconsolidated structured entities can be characterized as basic interests, Aegon Nederland does not hold loans, derivatives or other interests related to these investments. The maximum exposure to losses from 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 Nederland invests primarily in senior notes. Additional information on credit ratings for Aegon Nederland's investments in unconsolidated structured entities are disclosed in the sections that describe per category of debt securities the composition and impairment assessments (refer to note 4.2.4

'Credit rating'). The composition of the structured entities portfolios of Aegon Nederland are widely dispersed looking at the individual amount per entity, therefore Aegon Nederland only has non-controlling interests in unconsolidated structured entities. Furthermore these structured entities are not originated by Aegon Nederland.

Aegon Nederland did not provide financial or other support to unconsolidated structured entities. Nor does Aegon Nederland have intentions to provide financial or other support to unconsolidated structured entities in which Aegon Nederland has an interest or previously had an interest.

Unconsolidated structured entities	2022		2021	
	Number of entities	Carrying amount	Number of entities	Carrying amount
EUR 0 < 10 million	33	125	40	171
> EUR 10 < 25 million	16	271	13	232
> EUR 25 < 50 million	16	579	13	467
> EUR 50 < 75 million	14	868	6	346
> EUR 75 < 100 million	6	505	1	87
> EUR 100 < 150 million	2	254	3	384
> EUR 150 < 250 million	1	180	-	-
> EUR 250 million	-	-	-	-
<b>At December 31</b>	<b>88</b>	<b>2,782</b>	<b>76</b>	<b>1,686</b>

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

Type of asset in unconsolidated entity	2022			
	Interest income	Total gains and losses	Total	Investments
RMBSs	1	1	1	65
CMBSs	-	-	-	2
ABSs - CDOs	7	-	7	2,714
ABSs - Other	-	-	-	-
<b>Total</b>	<b>8</b>	<b>1</b>	<b>8</b>	<b>2,782</b>

Type of asset in unconsolidated entity	2021			
	Interest income	Total gains and losses	Total	Investments
RMBSs	1	1	2	106
CMBSs	-	-	-	3
ABSs - CDOs	17	-	17	1,576
ABSs - Other	-	-	-	1
<b>Total</b>	<b>17</b>	<b>1</b>	<b>18</b>	<b>1,686</b>

#### 4.2.6. Past due and impaired financial assets

The tables that follow provide information on past due and impaired financial assets for Aegon Nederland. 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 Nederland 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:

	2022	2021
Shares	17	17
Mortgage loans	6	10
Other	2	2
<b>At December 31</b>	<b>24</b>	<b>29</b>

#### Past due but not impaired financial assets

2022	0-6 months	6-12 months	> 1 year	Total
Mortgage loans	145	3	1	149
Private loans	7	4	6	18
<b>At December 31</b>	<b>152</b>	<b>7</b>	<b>7</b>	<b>167</b>

2021	0-6 months	6-12 months	> 1 year	Total
Mortgage loans	127	1	1	129
Private loans	19	5	10	35
<b>At December 31</b>	<b>146</b>	<b>6</b>	<b>11</b>	<b>164</b>

#### 4.2.7. Equity market risk and other investment risk

A decline in equity markets may adversely affect Aegon Nederland's profitability and shareholders' equity, sales of savings and investment products, and the amount of assets under management. Exposure to equity markets exists in both assets and liabilities. Asset exposure exists through direct equity investments in which Aegon Nederland 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 Nederland's 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 Nederland. Lower investment returns also reduce the asset management fee that Aegon Nederland 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 Nederland's insurance businesses have minimum investment return guarantees that require Aegon Nederland 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 result in significant decreases in the value of Aegon Nederland's equity investments. However, these guarantees are hedged against to a certain extent.

The general account equity, real estate (mainly residential property) and other non-fixed-income portfolio of Aegon Nederland is as follows:

	2022	2021
Equity funds	2,200	3,327
Common shares	4	4
General account shares	2,204	3,331
Investments in real estate	2,545	2,588
Other financial assets	79	84
<b>At December 31</b>	<b>4,828</b>	<b>6,003</b>

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

	2022	2021
Financials	4	4
Funds	2,200	3,328
<b>At December 31</b>	<b>2,204</b>	<b>3,331</b>
Of which past due and/or impaired assets	17	17

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

	2022	2021	2020	2019	2018
S&P 500	3,840	4,766	3,756	3,231	2,507
Nasdaq	10,466	15,645	12,888	8,973	6,635
FTSE 100	7,452	7,385	6,461	7,542	6,728
AEX	689	798	625	605	488

#### 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 Nederland's portfolios and the strengthening of the provisions for guaranteed minimum benefits, when applicable.

Estimated approximate effect	2022		2021	
	Net income	Equity	Net income	Equity
Equity increase 10%	30	31	(21)	(19)
Equity decrease 10%	(42)	(43)	(64)	(66)
Equity increase 25%	58	61	(45)	(42)
Equity decrease 25%	(110)	(113)	(188)	(191)

Aegon Nederland uses derivatives to lower Solvency II capital requirements for 'Equity Risk' leading to increased and reversed sensitivity of net income and equity for changes in equity markets.

#### 4.2.8. Liquidity risk

Liquidity risk is inherent in much of Aegon Nederland's 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 Nederland 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 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 on assets taking into account conservative assumptions in the stressed liquidity scenario.

#### Required liquidity

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 there will be limited new commercial activity if Aegon Nederland's rating is cut and 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.

As part of managing its liquidity risk Aegon Nederland has entered into a repurchase agreement facility for the period 24 August 2018 until 24 August 2023. Under this facility Aegon Nederland has the right to enter into reverse repurchase transactions up to an amount of EUR 500 million to generate liquidity. To date no amount is drawn under the agreement. Furthermore, in light of the rising interest rates during 2022, in March 2023 Aegon Nederland increased the facility to EUR 1 billion to provide more flexibility and resilience with regards to liquidity management.

#### Results of excess liquidity

Aegon Nederland holds EUR 8.1 billion (2021: EUR 14.3 billion) 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 aforementioned amounts are based upon Aegon Nederland's 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 Aegon Nederland had sufficient liquidity in different scenarios and for all tested periods at year-end 2022.

On the basis of project operating cash flows and the income from financial assets, Aegon Nederland expects to be able to continue to meet its liabilities. This not only applies to Aegon Nederland on total, but also for the insurance entities and Aegon Bank on a stand-alone basis.

#### 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 Nederland 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 Nederland 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 Nederland 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.

<b>2022</b>	On demand	< 1 year	1 < 5 year	5 < 10 year	> 10 year	Total
Borrowings and group borrowings	-	2,448	3,222	2	495	6,166
Savings deposits	9,167	570	1,258	616	397	12,009
Investment contracts	-	10	40	20	100	169
Other financial liabilities	455	1,052	163	120	177	1,966
<b>At December 31</b>	<b>9,622</b>	<b>4,080</b>	<b>4,682</b>	<b>759</b>	<b>1,168</b>	<b>20,311</b>

<b>2021</b>	On demand	< 1 year	1 < 5 year	5 < 10 year	> 10 year	Total
Borrowings and group borrowings	-	3,859	6,245	856	495	11,454
Savings deposits	8,333	614	1,635	679	325	11,586
Investment contracts	-	10	40	30	102	181
Other financial liabilities	408	1,063	167	118	176	1,933
<b>At December 31</b>	<b>8,742</b>	<b>5,546</b>	<b>8,087</b>	<b>1,683</b>	<b>1,097</b>	<b>25,154</b>

#### Expected undiscounted cash flows relating to insurance and investment contracts

Aegon Nederland's liquidity management is based on expected claims and 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 Nederland's historical experience, modified for recently observed trends. Actual payment obligations may differ if experience varies from these assumptions. The cash benefit payments are presented on an undiscounted basis and are before deduction of tax and before reinsurance.

The liability amount in the financial statements reflects the discounting for interest as well as adjustments for the timing of other factors as described above. As a result, the sum of the cash benefit payments shown for all years in the table exceeds the corresponding liability amounts included in note 16 'Insurance contracts' and note 17 'Insurance contracts for account of policyholders'.

<b>2022</b>	< 1 year	1 < 5 year	5 < 10 year	> 10 year	Total
Insurance contracts	1,819	6,330	7,411	30,422	45,982
Insurance contracts for account of policyholders	1,227	4,598	5,791	16,253	27,870
Investment contracts	11	42	20	100	174
<b>At December 31</b>	<b>3,058</b>	<b>10,971</b>	<b>13,222</b>	<b>46,775</b>	<b>74,025</b>

<b>2021</b>	< 1 year	1 < 5 year	5 < 10 year	> 10 year	Total
Insurance contracts	1,819	5,842	7,112	33,796	48,569
Insurance contracts for account of policyholders	1,720	4,415	5,341	15,341	26,817
Investment contracts	12	43	30	102	187
<b>At December 31</b>	<b>3,551</b>	<b>10,300</b>	<b>12,484</b>	<b>49,238</b>	<b>75,573</b>

#### Maturity analysis – derivatives (contractual cash flows)

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

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

This table includes all financial derivatives regardless of whether they have a positive or a negative value, but excludes the bifurcated embedded derivatives. These are presented together with the host contract. For interest rate derivatives only cash flows related to the 'paying leg' are taken into account for determining the gross undiscounted cash flows.

<b>2022</b>	On demand	< 1 year	1 < 5 year	5 < 10 year	> 10 year	Total
Cash inflows	-	2,449	9,757	10,618	20,748	43,572
Cash outflows	-	(2,422)	(10,107)	(11,167)	(20,613)	(44,310)

<b>2021</b>	On demand	< 1 year	1 < 5 year	5 < 10 year	> 10 year	Total
Cash inflows	-	561	2,265	3,163	7,954	13,943
Cash outflows	-	(586)	(1,924)	(2,888)	(6,411)	(11,809)

#### 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.

Aegon Nederland 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 in comparison to expectations.



Aegon Nederland also performs experience studies for underwriting risk assumptions, where Aegon Nederland's experience (e.g. actual deaths, lapses, incidences of disability) is compared with previously formulated expectations (assumptions). Conclusions drawn from these studies play an important role in revising assumptions for pricing and valuation of the business of Aegon Nederland. Where policy charges are flexible in products, Aegon Nederland uses these analyses as the basis for modifying these charges, with a view to maintain a balance between policyholder and shareholder interests. Aegon Nederland also has the ability to reduce expense levels over time, thus mitigating unfavorable expense variation.

Another way to mitigate underwriting risk is through reinsurance. Aegon uses reinsurance to primarily manage and diversify risk, limit volatility, improve capital positions, limit maximum losses and gain access to reinsurer support. While the objectives and use can vary by region due to local market considerations and product offerings, the use of reinsurance is coordinated and monitored globally.

The key areas where reinsurers are to reduce our exposure to mortality and morbidity risk primarily through a combination of quota-share and Excess of Loss reinsurance. Also, Excess of Loss is used to limit our exposure to large losses on non-life business. In addition, we have used longevity reinsurance in recent years to manage a significant part of our longevity exposure in line with our Risk Appetite.

In order to minimize its reinsurer defaults exposure, Aegon regularly monitors the creditworthiness of its reinsurers, and where appropriate, arranges additional protection through letters of credit, trust agreements and overcollateralization. For certain agreements, funds are withheld for investment rather than relying on the reinsurer to meet investment expectations. Default exposure is further reduced by using multiple reinsurers within certain reinsurance agreements.

External reinsurance counterparties are, in general, major global reinsurers. At the same time, local reinsurers are utilized to ensure a balance for local capacity and diversification.

#### Mortality/longevity risk

Mortality risk arises from economic losses due to actual mortality levels deviating from expectation. When mortality is lower than expected, this is referred to as longevity risk. 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 Nederland is exposed to the risk that the best estimate assumptions for current and future mortality are inaccurate.

Aegon Nederland sells certain types of policies that are at risk if mortality increases, such as term life insurance, and sells certain types of policies that are at risk if mortality decreases such as annuity and pension products.

For our term life insurance, most of our liabilities are exposed to mortality and morbidity rates, both the current levels and the uncertainty around how these will develop relative to our assumptions over the coming decades. An important driver when assessing the value of our liabilities is how past trends in longevity are extrapolated into the future. Climate change plays a role in the development of future mortality and morbidity rates, just like other factors – including the continuing COVID-19 pandemic, medical advancements, limits to human biology, and changes in lifestyle.

#### 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 is the risk of higher or lower prepayments than anticipated, including early redemption rates, thus impacting the value of the mortgage portfolio.

In general, Aegon Nederland is at risk of lower lapses as in some cases higher claim payments including guaranteed returns have to be provided.

### Expense risk

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

- Expense inflation risk is the risk that expenses increase 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 best estimate expense assumption given a 1-in-200 year expense event.

Most expenses Aegon Nederland 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.

### Risk Concentrations

In addition to the risk tolerance limits it is 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 large 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.

For non-life, concentrations of underwriting risk arise in case a catastrophic event causes a large number of claims. Concentration risks identified by Aegon Schadeverzekering, with a material impact on Own Funds are Windstorm & Hail and Accident Concentration. The first Concentration Risk is the loss due to one or more Wind or Hail storms causing damage to insured buildings in large parts of the country, net of reinsurance. The second Concentration Risk represents the net of reinsurance impact of an accident occurring in a single location, affecting a large number of persons carrying some form of Accident & Health coverage provided by Aegon Schadeverzekering.

### Risk mitigation techniques used for underwriting risks

Aegon Nederland has put in place a number of contracts with external parties that mitigate its exposure to underwriting risk and qualify either as reinsurance contracts or hedges. In case of reinsurance, specific insurance obligations are transferred to a reinsurer. In the hedge contracts, pay-outs are linked to the development of a general Longevity index, which is closely related to Aegon Nederland's insurance obligations.

The effectiveness of the reinsurance program is annually monitored by the Actuarial Function Holder, and reported in the Actuarial Function Holder report.

### Reinsurance

Aegon Nederland reinsures part of its insurance exposure to third-party reinsurers under traditional indemnity, and 'excess of loss' contracts. Reinsurance helps Aegon Nederland manage, mitigate and diversify its insurance risks, and limit the maximum loss it may incur.

Aegon Levensverzekering has reinsured its term life assurance through quota-sharing contracts with Reinsurance Group of America and Munich Re. In December 2019, Aegon Levensverzekering entered into a longevity reinsurance contract with Canada Life Reinsurance. In December 2021, Aegon Levensverzekering N.V. has entered into a longevity reinsurance contract with Reinsurance Group of America (RGA). Both contracts reinsure a specified portfolio of insurance contracts against possible future mortality developments. The related portfolio is approximately half of the longevity exposure of Aegon Levensverzekering. Both agreements include both deferred and in-payment pensions and annuities. The contracts commenced on respectively December 31, 2019 and December 31, 2021, and will run until the portfolios run off. Refer to note 12 'Deferred expenses' for more information.

For non-life, Aegon Schadeverzekering reinsures its property, general third-party liability, legal aid, disability and motor third-party liability business. The main counterparties are Hannover Re and Mapfre Re Belgium. For property insurance, an 'excess of loss' contract is in place with a retention level of EUR 500,000 for each separate risk, and EUR 5 million for each catastrophe event. For motor third-party liability insurance, Aegon Schadeverzekering has reinsurance in place with a retention level of EUR 750,000 per event. For general third-party liability, Aegon Schadeverzekering has reinsurance in place with a retention level of EUR 350,000 per event. In 2018 a reinsurance agreement for disability was signed with Munich Re. The structure of the reinsurance agreement is a quota share of

95% for the annual income portions up to and including EUR 100,000 and a quota share of 10% for benefits related to the annual income portions above EUR 100,000. In 2019 a reinsurance agreement with respect to the legal aid portfolio ('Rechtsbijstandsverzekeringen') was signed with Arag SE Nederland (ARAG). Aegon Schadeverzekering has fully reinsured the risk for this portfolio.

As per the end of 2022, Aegon Schadeverzekering successfully continued 60% quota share reinsurance on its main AOV product by terminating the existing contract and entering into a new transaction with similar conditions. Through this transaction, a number of reinsurers take over the disability risk from Aegon and financially compensate Aegon for insurance claims if and when these arise on the underlying AOV products. This transaction provides Aegon Schadeverzekering with continued protection against its key risk (disability risk) and improves diversification of its risk profile. A collateral framework has been set-up with the main reinsurers involved in this transaction to manage counterparty risk going forward.

#### Risk sensitivity for underwriting risks

The main underwriting risk Aegon Nederland is exposed to is longevity risk, i.e. the risk that life expectancy improves and policyholders as a whole will live longer. As a result, policyholders, who are entitled to pension benefits after retirement, will receive these benefits over a longer period. On the other hand, payments to policyholders holding coverage of death benefits, such as Term and Whole Life Insurance, are expected to decline when life expectancy improves.

In the sensitivity scenario for longevity risk, the impact of a 5% decrease and 5% increase of mortality rates in all future years is analyzed, including coverage of pension as well as death benefits. The impact on net income and shareholders' equity is shown below.

If mortality rates decrease expected future benefits to policyholders increase markedly, as the increase in future pension benefits outweighs the reduction of death benefit payments. As a result, the value of obligations to policyholders increases and net income and shareholders' equity decline.

Aegon Nederland is also at risk if policy lapses decrease or if morbidity rates increase, but to a much lesser extent than in case of a decrease in mortality rates. If lapses decrease, then higher claim payments including guaranteed returns have to be provided in some cases. If morbidity rates increase, then more people receive benefits from their policy (mainly related to the WIA-portfolio).

Estimated approximate effect	2022		2021	
	Net income	Equity	Net income	Equity
20% increase in lapse rates	14	14	38	38
20% decrease in lapse rates	(15)	(15)	(43)	(43)
5% increase in mortality rates	185	199	385	422
5% decrease in mortality rates	(196)	(211)	(426)	(468)
10% increase in morbidity rates	(58)	(58)	(79)	(79)
10% decrease in morbidity rates	58	58	79	79

The sensitivity of net income and equity for parallel shifts in underwriting shocks decreased compared with prior year sensitivity, as a result of the lower LAT deficit following increased interest rates in 2022.

#### 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 Nederland's mortgage portfolio. Aegon Nederland 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 Nederland 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 Nederland 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 Nederland 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 Nederland's 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. With regard to banks, the DNB undertakes its supervisory role, in particular with respect to prudential supervision, together with the European Central Bank (ECB).

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

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

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).

The following insurance entities of Aegon Nederland are subject to prudential supervision of the DNB:

- Aegon Levensverzekering;
- Aegon Schadeverzekering; and
- Aegon Spaarkas

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 N.V. and Aegon Spaarkas N.V. conduct life insurance activities. Aegon Schadeverzekering N.V. 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 Nederland does not have material cross-border insurance business or business conducted through branch offices elsewhere in the EU.

#### 4.3.3. Financial supervision of credit institutions

As of November 4, 2014, Aegon Bank has been subject to indirect supervision by the ECB under the new European system of banking supervision, the Single Supervisory Mechanism (SSM), which comprises the European Central Bank and the relevant national authorities of participating EU Member States. The SSM is one of the elements of the Banking Union. The ECB may give instructions to the DNB in respect of Aegon Bank or even assume direct supervision over the prudential aspects of the Aegon Bank's business. Pursuant to the

banking supervision by the DNB, Aegon Bank is (among others) required to file monthly regulatory reports and an audited Annual Report.

Credit institutions are subject to regulatory requirements. These include (among others) capital and liquidity requirements, the requirement to maintain a certain leverage ratio, governance and reporting requirements in line with the requirements of EU Directive 2013/36/EU (CRD IV) and EU Regulation 575/2013 (CRR).

CRD IV and the CRR are the European Union's translation of the Basel III accord for prudential supervision of credit institutions and investment firms. The CRR is binding for all EU member states and became effective on January 1, 2014. CRD IV is an EU directive, and is required to be implemented into local legislation. CRD IV has been implemented in the Netherlands by means of amending the Wft on August 1, 2014.

The CRR is applied across all EU member states starting January 1, 2014. The CRD IV and CRR frameworks include requirements with respect to capital adequacy, and introduce requirements with respect to increased capital against derivative positions, the introduction of two supplementary buffers (a capital conservation buffer and a counter-cyclical buffer), a new liquidity framework (liquidity coverage ratio and net stable funding ratio and a leverage ratio. The leverage ratio is defined as Tier-1 capital divided by a measure of non-risk weighted assets. Under CRD IV, the leverage ratio may not fall below 3%, although uncertainty still remains as to the exact percentage and the scope of the leverage ratio under CRD IV. With respect to the percentage, the Dutch government has announced that it wishes to implement a leverage ratio of at least 4% for large Dutch banks, which does not apply to Aegon Bank. The ultimate aim of Basel III/CRD IV is to reduce leverage in order to bring institutions' unweighted assets more in line with their Tier-1 capital. The capital requirements include qualitative in addition to quantitative requirements.

Capital of the highest quality, Common Equity Tier 1, forms a substantial part of the capital of a credit institution. Additional Tier 1 capital forms the rest of the Tier 1 capital. In addition, the capital of a credit institution may be composed of Tier 2 capital, which is of a lesser quality than Tier 1 capital.

EU Directive 2014/59/EU (the Banking Recovery and Resolution Directive, BRRD) and Regulation 806/2014 on the Single Resolution Mechanism (the SRM Regulation) form the European framework for recovery and resolution for (among others) ailing banks, certain investment firms and their holding companies. The BRRD was implemented in the Netherlands on November 26, 2015, by means of an amendment of the Wft (the BRRD Implementation Act). The SRM Regulation was adopted on July 15, 2014. Those parts of the SRM Regulation that deal with recovery and resolution came into effect on January 1, 2016.

The BRRD provides for early intervention measures that may be imposed by the national competent authority in respect of Aegon Bank in the event that its financial condition is deteriorating. These early intervention measures could pertain, among others, to a change of its legal or operational structure, the removal of (individuals within) senior management or the management body, or the appointment of a temporary administrator to work together with or replace such (individual within) senior management or management body. The national resolution authority may also under certain circumstances decide to write down or convert relevant capital instruments, including Common Equity Tier 1, Additional Tier 1 and Tier 2 instruments, in a specific order.

Should Aegon Bank fail or likely fail and meet the other settlement conditions, the national resolution authority would be able to place Aegon Bank under resolution. As part of the resolution scheme to be adopted by the national resolution authority it may decide to apply certain resolution tools and exercise its powers pursuant to the implemented BRRD in order to give effect to such resolution tools. In addition, the SRM Regulation and the BRRD Implementation Act introduce the bail-in tool which gives the national resolution authority the power to write down or convert into equity certain debt and other liabilities of the institution.

Pursuant to the SRM Regulation and the BRRD Implementation Act, banks are required at all times to meet a minimum amount of Own Funds and eligible liabilities (MREL), expressed as a percentage of the total liabilities and Own Funds. The competent resolution authority will set a level of minimum MREL on a bank-by-bank basis based on assessment criteria due to be set out in technical regulatory standards.

## 4.4. Capital management and solvency

### 4.4.1. Insurance activities

#### Strategic importance

Aegon Nederland's approach towards capital management plays a vital role in supporting the execution of Aegon Nederland's strategy. Aegon Nederland's capital management priorities include the shift of capital to products that offer higher growth prospects and return prospects, the shift from capital intensive spread business to capital light fee business and from defined benefit plans to defined contribution plans for our clients.

#### Management of capital

Disciplined risk and capital management support Aegon Nederland's decisions in deploying the capital that is generated in Aegon Nederland's businesses. Aegon Nederland balances the funding of new business growth with the funding required to ensure that Aegon Nederland's obligations towards policyholders are always adequately met.

Aegon Nederland's 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 Nederland's ERM framework ensures that Aegon Nederland and its subsidiaries are adequately capitalized and that Aegon Nederland's obligations towards policyholders are always adequately met. As a specific part of this larger framework, Aegon Nederland's 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 all regulated entities within Aegon Nederland complied with externally imposed minimum capital requirements.

The capitalization of the Aegon Nederland and its operating units is managed in relation to the most stringent of local regulatory requirements, rating agency requirements and/or self-imposed criteria. Aegon Nederland manages its Solvency II capital in relation to the required capital.

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 operating level to which Aegon Nederland is managed over-the-cycle is 155% and for the subsidiaries of Aegon Nederland these levels are as follows:

- Aegon Levensverzekering: 150%;
- Aegon Schadeverzekering: 145%;
- Aegon Spaarkas: 155%.

In the following table a reconciliation between the group equity under IFRS equity and the Own Funds under Solvency II is presented.

Amounts in EUR million	December 31, 2022 <sup>1)</sup>	December 31, 2021
Shareholders' Equity (IFRS)	6,688	7,490
Revaluations	(888)	(378)
<b>Available own funds</b>	<b>5,800</b>	<b>7,112</b>

<sup>1)</sup> The available Own Funds for 2022 is an estimate. Concerning the individual insurance entities, it is not final until filed with the regulator and is subject to supervisory review. For Aegon Nederland, no filing requirements apply. Aegon Nederland reports the Solvency II figures including Other Financial Sector (OFS) activities (Aegon Bank and Aegon Hypotheken), in accordance with industrywide guidelines from the DNB.

The decrease in Own Funds is driven by market movements (most notably increased interest and inflation rates partly offset by a higher EIOPA VA), model and assumptions changes and dividend payments. OCG had an offsetting (increasing) effect on Own Funds.

The lowering of Ultimate Forward Rate (UFR) from 3.60% to 3.45% in 2022 resulted in a realized impact of 3.4%-points decrease of the Solvency II ratio. In 2023 the UFR will remain unchanged at 3.45% and thus not affect the Solvency II ratio. The Solvency II ratio of Aegon Nederland does not include any contingent liability potentially arising from unit-linked products sold, issued or advised on by Aegon Nederland in the past as the potential liability cannot be reliably quantified at this point (refer to paragraph 39.4 of the consolidated financial statements).

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 include Goodwill, DPAC and other intangible assets;
- 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, Reinsurance Recoverables, 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. Aegon monitors these minimum regulatory capital requirements as the level around which the regulator will formally require management to provide regulatory recovery plans.

During 2022, the insurance companies of Aegon Nederland (Aegon Levensverzekering, Aegon Schadeverzekering and Aegon Spaarkas) continued to comply with the minimum regulatory solvency requirements, driven by the fact that Aegon Nederland's internal target capital levels are well above 100% SCR levels.

#### Capital restrictions

Aegon Nederland is subject to legal restrictions on the amount of dividends it can distribute to its shareholder. Refer to the disclosure for capital restrictions included in the statutory financial statements in note 8.2 'Statement of changes in equity'. 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 Nederland's main subsidiaries, principally insurance companies, to pay dividends to Aegon Nederland is constrained by the internal thresholds that Aegon Nederland set to adequately capitalize its subsidiaries. These levels exceed the levels set and governed by DNB. Based on the capitalization level of the subsidiary, 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 arbitral 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 Nederland's internal target capitalization ranges.

#### Capital quality

At year-end 2022 the capital of Aegon Nederland qualifies as unrestricted Tier 1 capital. At year-end 2022 Aegon Nederland has a net Deferred Tax Liability position (2021: a net Deferred Tax Liability (DTL) position). A Deferred Tax Asset (DTA) qualifies as Tier 3 capital).

The Available Own Funds are equal to the Eligible Own Funds per December 31, 2022. No overflow from restricted Tier 1 to Tier 2 Own Funds is applied per year end 2022 and 2021.

#### 4.4.2. Banking activities

Aegon Nederland's banking activities are executed via its subsidiary Aegon Bank. Pursuant to guidance issued by the Dutch Central Bank, the level of capital is subject to certain requirements. Aegon Bank's capital is reviewed against its on-balance sheet and off-balance sheet assets. These assets are weighted according to their risk level. The minimum total capital ratio (also known as the BIS ratio) is 8%. Due to the introduction of CRD IV the CET1 ratio is considered a better measure for capital management purposes than the BIS ratio. During the year Aegon Bank fully complied with the required CET1 ratio. At year-end the CET1 ratio amounts to 22.0% (2021: 20.7%).

#### 4.5. Product information

Aegon Nederland operates through a number of brands, including Knab, TKP Pension and the Robidus group. Aegon is itself one of the most widely recognized brands in the Dutch financial services sector. Refer to note 42 'Group companies' for information on Aegon Nederland's primary subsidiaries and developments in legal structure. Aegon Nederland had the following reporting segments in 2022:

- Life;
- Mortgages;
- Banking; and
- Workplace Solutions.

##### 4.5.1. Life

Aegon Nederland's life entities Aegon Levensverzekering and Aegon Spaarkas are managed as a Financial Asset. This means that the focus is on 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 the servicing of the life-books.

##### Pensions

Over the last years there has been a shift from Defined Benefit (DB) pension plans to Defined Contribution (DC) pensions plans. In 2020, fundamental changes were proposed to the Dutch pension system. Although implementation is delayed from 2026 to 2027, these changes include that new pension accrual is only allowed in DC schemes. As Aegon the Netherlands offers DC schemes through a separate legal entity - Aegon Capital - the consequence for Aegon Levensverzekering is that all of its Group pension products will become service books.

Aegon the Netherlands will only selectively compete in the defined benefit market. This also includes supporting employers in their transition towards defined contribution solutions under the new pension agreement. Renewals of existing contracts are possible, but only if the renewal facilitates the existing customers in their transition to DC. In addition, Aegon Levensverzekering will continue to sell risk insurance and annuities that are closely linked to DC schemes. More detail on annuities is provided further below.

The Group DB products that remain on the balance sheet of Aegon Levensverzekering are the following:

- Separate account group contracts with individually determined asset investment strategies, profit sharing and guarantees;
- Contracts with profit sharing based on a pre-determined interest rate;
- DB subscriptions, a standardized product that offers a 1-year guarantee; and
- Contracts without profit sharing.

As the DB subscription product remains open for existing customers and, as some contracts have a due date in the future, there are still premiums received for these products.

##### Annuities

The actively sold products in this category are simple pay-out annuities and variable annuities without guarantees. These products are linked to DC schemes in which participants build up their capital and are obliged, by law, to purchase an annuity at the pension date. Participants can choose between a guaranteed annuity - where all risks are borne by Aegon - or a variable annuity without investment guarantees, where all risks are borne by the participant. Given that a significant shift has been observed to DC schemes, these annuities are a natural driver of growth as they provide a solution for the pay-out phase. Annuity insurance also includes older products with guaranteed interest rates and profit sharing for which no new business is written.

##### Risk insurance

This category mainly includes the survivor's pension insurance sold as a rider to DC pension schemes. Premiums are mainly paid by the employer and the product pays benefits to the spouse/children in the event of the death of the insured.

##### Endowment insurance

Endowment insurance includes several products that accumulate a cash value. Premiums are paid at inception or over the term of the contract. These products pay benefits on the policy maturity date, subject to survival of the insured. Most policies also pay death benefits should the insured die during the term of the contract. Minimum interest guarantees exist for all generations of endowment insurance products written, except for universal life products, for which premiums are invested solely in equity funds. These products are no longer being sold.



### Term and whole life insurance

Term life insurance pays out death benefits should the insured die during the term of the contract. Whole life insurance pays out death benefits in the event of death, regardless of when this occurs. Premiums and amounts insured are established at inception of the contract and are guaranteed. The amount insured may be adjusted at the request of the policyholder. Term life insurance policies do not include profit-sharing mechanisms. Part of the whole life insurance portfolio has profit-sharing features, which are based on external indices or the return of related assets. In the first quarter of 2020, Aegon the Netherlands stopped offering these products.

### 4.5.2. Mortgages

Aegon Nederland offers mainly annuity/linear residential mortgages, while also catering to consumers requiring interest only Mortgage loans. Mortgage loans are originated both as investments for Aegon Nederland's insurance and bank entities as well as distributed to third-party investors. Such investors are provided access to this high-quality asset class through the Aegon Dutch Mortgage Fund, Robuust (a third-party label where Aegon has the exclusive right to purchase and distribute the mortgages receivables), SAECURE (Aegon's Dutch residential mortgage-backed securities program), covered bond program, and various bespoke structures to tailor to investors' needs. Investors value our mortgage offering for its attractive spread and low credit-loss experience through disciplined conservative underwriting. Consumers and independent financial advisors choose Aegon mortgages for the high quality of service, reliable performance, and accessibility through the economic cycle. During 2022, total gross mortgages assets-under administration grew EUR 3 billion to EUR 63 billion.

### 4.5.3. Banking

Knab operates mainly under the Knab brand. In 2021, the migration and integration of the former Aegon Bank brand into the Knab brand was completed. Both labels were still active during 2022, but Knab will be Aegon Bank N.V.'s main brand in the market. All new banking products are offered by the bank under the Knab label. All customers with remaining Aegon Bank labeled products are still being served and are relabelled to Knab.

Introduced in 2012 and operating under Aegon Bank N.V.'s banking license, Knab was the first fully online bank in the Netherlands. It's Knab's ambition to be the online bank for entrepreneurs and their families. Knab focusses on digital innovation, human service, and user friendliness. As an online bank, Knab offers meaningful, understandable, and easy-to-use products and services for convenience today (such as payments and bookkeeping) and solutions for tomorrow that help customers to protect and grow their businesses and wellbeing (such as insurances and business loans). Knab aims to optimize wealth by closing the pension gap to help its customers to plan and attain their financial freedom in the future (such a savings, investments, and pension products).

In 2022, Knab continued to deliver value to its customers by launching new easy-to-use features and financial solutions. In addition to 2021's Apple Pay release, Knab successfully launched Google Pay in May 2022, enabling business and retail customers to make payments with both an Apple and Android smartphone.

In 2022, we also launched Knab Managed Investment for self-employed and the Business Travel Insurance, extending our existing value propositions for business customer.

### 4.5.4. Workplace Solutions

The strategic pillar "Workplace solutions for employers" consists of our business in the Wholesale market: Aegon Cappital, TKP Pensioen, Aegon Schadeverzekering, Robidus and Nedasco.

#### Aegon Schadeverzekering

Non-life insurance activities take place within the entity Aegon Schadeverzekering and consists of 'Accident and Health' and 'Property and Casualty'.

#### *Accident and Health*

Aegon Nederland offers disability and sick leave products to employers that cover disability and sick leave payments for employees not covered by social security and for which employers bear the risk. In addition, for some forms of disability, employers can choose to use the social security system to insure these risks or opt out and seek private insurance. Private insurance appeals to employers as it helps to reduce absenteeism and disability thanks to better reintegration efforts. For individuals, Aegon Nederland offers a disability product mainly targeted at the growing self-employed market.

#### *Property and Casualty*

Aegon Nederland has focused exclusively on retail lines in general insurance, offering products in the segments of property, motor,

travel, legal assistance, private liability claims, pet insurance, and injury. The ambition for the P&C retail segment is to provide the best digital servicing in the Dutch market, while building long-lasting relationships with customers and distribution partners.

Through the service concepts, Aegon Nederland supports intermediaries with excellent digital processes to help their customers in the optimal way, while also protecting the health of the supply chain by stimulating performance at sustainable levels for customers, intermediaries, and insurer. In addition to the intermediary market, Aegon Nederland further develops digital and online capabilities, as the direct market has sustained a sizable share in the overall distribution in the past years, especially for the Motor segment. The direct market includes sales via Aegon's own website and affiliates, and via aggregator websites.

#### Aegon Cappital

Aegon Cappital is a low-cost provider of DC pension schemes offered through intermediary advisors. Aegon Cappital offers DC pension schemes in a standardized subscription-based model to small and medium enterprises and customized contracts for medium-to-large corporations. The model enables employers to choose from a variety of contribution tables and social security offsets, while remaining flexible for regulatory changes, such as changes in pension age or fiscal contribution limits. Savings premiums are mainly invested in life cycle funds by Aegon Investment Management B.V.

Aegon Cappital is one of the largest pension premium institutions ('PPIs') in the Netherlands and benefits considerably from economies of scale. The low interest rate environment and the fundamental changes of the Dutch pension system per 2027 will result in a continued shift to DC schemes.

PPIs cannot bear any investment or insurance risks on their offerings due to regulatory requirements. The schemes include disability or life insurance which are offered by partners Aegon Levensverzekering, Aegon Schadeverzekering and Elips Life AG, and an optional guaranteed interest rate during the accumulation phase offered by partner Aegon Levensverzekering. Apart from operational and regulatory risk, Aegon Cappital runs no other risk.

#### TKP Pensioen, Robidus and Nedasco

TKP Pensioen is a top 3 player in the Dutch market for pension administration. TKP Pensioen administers pension rights for several large company and industry pension funds as well as other pension providers such as a premium pension institution. Their clients rely on TKP Pensioen for correct and timely pension payments and clear and accessible pension information and communication - from the mandatory pension statements to customer contact and digital customer services.

Robidus Groep advises corporations on the risks and associated costs under Dutch social security legislation and provides corporations and insurance companies with claims management and outsourcing solutions to manage these issues, including outsourcing services. It operates as an independent organization within Aegon Nederland.

Nedasco is an intermediary service provider that is mainly active in non-life business domains.

## 5. Cash and cash equivalents

	2022	2021
Cash on hand and balances with banks	3,557	1,692
Short term bank deposits	1,190	1,044
Money market investments	220	695
<b>At December 31</b>	<b>4,968</b>	<b>3,430</b>

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

Investment of cash collateral received is restricted through limitations on credit worthiness, duration, approved investment categories and borrower limits. Aegon Nederland earns a share of the spread between the collateral earnings and the rebate paid to the borrower of the securities. Refer to note 40 'Transfers of financial assets' for more information on collateral and reverse repurchase obligations.

Cash and cash equivalents include cash and demand balances held at DNB. DNB requires Aegon Bank to place 1% of their deposits with agreed maturity or the savings accounts (without restrictions to withdraw their money) in an account with DNB. These deposits are not freely available. This so-called minimum reserve is renewed each maintenance period consisting of approximately 6 weeks. An interest of 2.5% is received on this minimum reserve (2021: No interest was paid on this minimum reserve).

	2022	2021
Average balance on deposit with DNB at year-end	198	765
Average minimum required balance on deposit by DNB for year-end	82	74

Other cash and cash equivalents are unrestricted. Due to the nature of this asset the total amount classifies as current assets.

## 6. Investments

Investments for general account comprise financial assets, excluding derivatives, as well as investments in real estate and investments in investment funds. Refer to note 38 'Fair value of assets and liabilities' for information on fair value measurement.

	Note	2022	2021
Available-for-sale financial assets (AFS)	6.1	14,209	24,515
Loans (amortized cost)	6.1	35,067	35,990
Financial assets at fair value through profit or loss (FVTPL)	6.1	2,932	4,210
<b>Total financial assets, excluding derivatives</b>		<b>52,208</b>	<b>64,714</b>
Investments in real estate	6.3	2,545	2,588
<b>Total investments for general account</b>		<b>54,753</b>	<b>67,302</b>

**6.1. Financial assets, excluding derivatives**

<b>2022</b>	AFS	Loans	FVTPL	Total	Fair value
Shares	21	-	2,183	2,204	2,204
Debt securities	14,109	-	749	14,858	14,858
Money market and short-term investments					
Mortgage loans	-	30,580	-	30,580	28,477
Private loans	-	4,484	-	4,484	3,966
Other	79	3	-	82	82
<b>At December 31</b>	<b>14,209</b>	<b>35,067</b>	<b>2,932</b>	<b>52,208</b>	<b>49,588</b>
<b>2021</b>	AFS	Loans	FVTPL	Total	Fair value
Shares	21	-	3,310	3,331	3,331
Debt securities	24,409	-	900	25,309	25,309
Money market and short-term investments					
Mortgage loans	-	31,138	-	31,138	34,198
Private loans	-	4,849	-	4,849	5,458
Other	84	4	-	88	88
<b>At December 31</b>	<b>24,515</b>	<b>35,990</b>	<b>4,210</b>	<b>64,714</b>	<b>68,384</b>

	<b>2022</b>	2021
Current	5,773	8,099
Non-current	46,435	56,616
<b>At December 31</b>	<b>52,208</b>	<b>64,714</b>

Certain mortgage loans shown within the category amortized loans are designated in portfolio fair value interest rate hedging relationships, and are fair valued with respect to the hedged interest rate. This resulted in a lower carrying value of EUR 856 million as at December 31, 2022 (2021: EUR 627 million higher). None of the financial assets has been reclassified during the financial year. Other loans comprise deposits with insurance companies with respect to reinsurance agreements. These are not freely available.

**6.2. Loans allowance account**

	<b>2022</b>	2021
<b>At January 1</b>	115	184
Addition charged to income statement	3	-
Reversal to income statement	-	(16)
Amounts written off	(26)	(13)
Other movements	(15)	(40)
<b>At December 31</b>	<b>76</b>	<b>115</b>

'Other movements' relates to the release in provision due to the sale of non-performing loans and FX results.

**6.3. Investments in real estate**

	<b>2022</b>	2021
<b>At January 1</b>	2,588	2,331
Additions	41	47
Disposals	(37)	(58)
Fair value gains / (losses)	(52)	253
Other	5	14
<b>At December 31</b>	<b>2,545</b>	<b>2,588</b>

Aegon Nederland's investments in real estate consists mainly of residential property. The investments in real estate are deemed non-current. Aegon Nederland has entered into long-term residential property leases that can be terminated subject to a short-term notice by the tenant. Although most rental contracts have a clause that stipulates that the annual rent can be increased based on a

fixed schedule or market conditions, for the majority of these residences the possibility of increasing rent is limited. Under Dutch law, the maximum annual rent increase on residential property rented in the affordable housing segment is specified by the Dutch national government and equals the annual inflation rate plus a small margin.

There are no restrictions on the realizability of investment property or the remittance of income and proceeds of disposal. The entire portfolio of investments in real estate was appraised during the reporting period by independent external valuers.

Other movements concerns a transfer of office buildings out of real estate held for own use to Investments in real estate, as the office buildings are no longer in use by Aegon Nederland.

Rental income is reported as part of investment income in the income statement, see note 27 'Investment income'. Additional information on rental income is presented in the table below:

	2022	2021
Theoretical rental income	111	106
Minus missed rental income vacant investment property	8	9
<b>Gross rental income</b>	<b>103</b>	<b>97</b>
Direct operating expenses of property that generated rental income	(29)	(28)
<b>Net income on real estate</b>	<b>74</b>	<b>69</b>

## 7. Investments for account of policyholders

Investments for account of policyholders comprises of financial assets held by investment funds to meet obligations to third parties. Investment returns on these assets are passed on to the policyholder. The fees for managing these investments are included in note 28 'Fee and commission income'. See also note 38.3 'Summary of financial assets and financial liabilities at fair value through profit or loss'. The investments for account of policyholders are deemed non-current.

	2022	2021
Shares	6,732	8,944
Debt securities	5,724	8,306
Investments in investment funds	631	1,059
Mortgage loans	1,342	1,599
Other financial investments	439	(108)
Cash and cash equivalents	2,813	3,601
<b>At December 31</b>	<b>17,682</b>	<b>23,401</b>

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

## 8. Derivatives

	Derivative asset		Derivative liability	
	2022	2021	2022	2021
Derivatives not designated in a hedge	6,573	6,363	8,382	4,828
Derivatives designated as fair value hedges	1,873	206	861	665
<b>At December 31</b>	<b>8,445</b>	<b>6,569</b>	<b>9,243</b>	<b>5,493</b>

	2022	2021
Current	273	143
Non-current	(1,070)	933
<b>Total net derivatives at December 31</b>	<b>(797)</b>	<b>1,076</b>

### Derivatives not designated in a hedge – general account

	Derivative asset		Derivative liability	
	2022	2021	2022	2021
Derivatives held as an economic hedge	6,573	6,363	7,628	3,412
Bifurcated embedded derivatives	-	-	754	1,416
<b>At December 31</b>	<b>6,573</b>	<b>6,363</b>	<b>8,382</b>	<b>4,828</b>

Derivatives are classified as economic hedges to the extent that they do not qualify for hedge accounting or where Aegon Nederland has elected not to apply hedge accounting. Bifurcated embedded derivatives are embedded in unit-linked insurance contracts in the form of guarantees for minimum benefits.

Aegon Nederland utilizes derivative instruments as a part of its asset liability risk management practices. The derivatives held for risk management purposes are classified as economic hedges to the extent that they do not qualify for hedge accounting, or that Aegon has elected not to apply hedge accounting. The economic hedges of certain exposures relate to an existing asset, liability or future reinvestment risk. In all cases, these are in accordance with internal risk guidelines and are closely monitored for continuing compliance.

### Derivatives designated as fair value hedges

Macro fair value hedge accounting under the EU carve out is applied by subsidiaries Aegon Bank and Aegon Hypotheken.

	2022	2021
Fair value changes mortgage loans recognized in income statement under EU carve-out	(1,482)	(423)
Offset amount of fair value changes recognized on derivatives used as hedging instrument	1,445	441
<b>Total accounting ineffectiveness under EU carve-out recognized in the income statement</b>	<b>(37)</b>	<b>19</b>

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

	2022	2021
<b>Presented as asset</b>	1,873	206
Presented as liability	861	665
<b>At December 31</b>	<b>1,012</b>	<b>(459)</b>

### 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 from January 2020 only BMR-compliant benchmarks may be used within the EU.

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

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

In July 2020, the discount rates used for EUR-denominated cleared derivatives was switched from EONIA to ESTR (Euro Short-Term Rate). Compensation has been exchanged through the clearing house for any resulting impact on the valuation of derivatives. By the end of 2021, LIBOR rates for various currencies (like GBP, JPY) as well as Eonia ceased to exist. The most relevant benchmark for Aegon Nederland, the Euribor benchmark, has been reformed and continues to exist. In the derivatives market, instruments based on Euribor still have a higher liquidity than instruments based on the alternative ESTR rate. The majority of the fair value hedges are directly exposed to changes in Euribor, as it is not clear until when this benchmark rate will be continued and how it will transition to alternative rates.

Aegon Nederland applies the reliefs offered in IAS 39 to ensure that this uncertainty does not result in the early termination of hedge accounting, whilst also assuming for measurement purposes that, owing to the general principle of equivalence, transitions to alternative rates will not result in significant contract modifications.

## 9. Investments in associates

	2022	2021
<b>At January 1</b>	1,103	1,004
Additions	13	3
Share in net income	23	123
Dividend	(37)	(29)
Share in changes in associates' equity	2	(1)
Other	3	3
<b>At December 31</b>	<b>1,107</b>	<b>1,103</b>

All associates are unlisted and are considered to be non-current assets. The investments in associates include stakes in insurance companies that are required to maintain a minimum solvency margin based on local directives. Such restrictions can affect the ability of these associates to transfer funds in the form of cash dividends, or repayment of loans or advances, and therefore, there can be no assurance that these restrictions will not become a limitation in the future. There are no unrecognized shares of losses in associates. The financial statements of all associates have the same reporting date as Aegon Nederland.

The (non-material) associate Aegon Growth Capital Fund, which had a carrying amount of EUR 11 million on December 31, 2022, (2021: EUR 12 million) and dividends of EUR 9 million paid by the fund during 2022 are not in scope of the transaction to sell Aegon Nederland to a.s.r., and is to be transferred to Aegon N.V. prior to the closing in 2023.

Refer to note 42.2 'Investments in associates and joint ventures' for a listing of the principal associates and the percentage holding of Aegon Nederland.

## Summarized financial information of material associates

Aegon Nederland considers its investment in the Amvest Residential Core Fund as a material associate. The summarized financial information below presents the material associate Amvest Residential Core Fund on a 100% basis.

	2022	2021
Current assets	55	49
Non-current assets	4,411	4,380
<b>Total assets</b>	<b>4,466</b>	<b>4,429</b>
Current liabilities	46	50
Non-current liabilities	917	921
<b>Total liabilities</b>	<b>963</b>	<b>971</b>
<b>Net assets</b>	<b>3,503</b>	<b>3,458</b>
<b>Summarized statement of comprehensive income</b>		
Revenues	119	109
Profit from continuing operations	40	433
Income tax expense or income	-	-
<b>Post-tax profit from continuing operations</b>	<b>40</b>	<b>433</b>
Post-tax profit/(loss) from discontinued operations	-	-
Other comprehensive income	-	-
<b>Total comprehensive income</b>	<b>40</b>	<b>433</b>
Dividends received from associates	27	27

A reconciliation of the summarized financial information of the material associate to the carrying amounts is as follows:

	2022	2021
<b>Net assets of associates as presented above</b>	<b>3,503</b>	<b>3,458</b>
Group share of net assets of associates, excluding fair value adjustments	1,005	1,020
<b>Carrying amount of investments in material associates</b>	<b>1,005</b>	<b>1,020</b>

Of the non-current assets in the table with 'Summarized financial information of material associates', EUR 439 million is related to investment property under construction (2021: EUR 433 million).

In addition to the interest in the material associates disclosed above, Aegon Nederland also has interests in a number of individually immaterial associates.

	2022	2021
<b>Aggregate carrying amount of individually immaterial associates</b>	<b>102</b>	<b>84</b>
<i>Aggregate amount of Aegon Nederland's share of:</i>		
- Income/(loss) from continuing operations	14	(4)
- Other comprehensive income/(loss)	2	(1)
<b>Total comprehensive income/(loss)</b>	<b>16</b>	<b>(5)</b>



**10. Investments in joint ventures**

	<b>2022</b>	2021
<b>At January 1</b>	343	327
Additions	28	21
Share in net income	37	33
Dividend	(26)	(38)
<b>At December 31</b>	<b>382</b>	<b>343</b>

All joint ventures are unlisted and are considered to be non-current assets. There are no unrecognized shares of losses in joint ventures. The financial statements of all joint ventures have the same reporting date as the group.

Refer to note 42.2 'Investments in associates and joint ventures' for a listing of the principal investments in joint ventures and the percentage holding of Aegon Nederland.

**Summarized financial information of material joint ventures**

Aegon Nederland considers its investment in the Amvest entities as material joint ventures. The summarized financial information below presents the material joint ventures of the Amvest entities on a 100% basis.

	<b>2022</b>			Total
	Amvest Living & Care Fund	Amvest Development Fund	Amvest Vastgoed B.V.	
Cash and cash equivalents	11	19	37	67
Other current assets	2	20	6	28
<b>Total current assets</b>	<b>13</b>	<b>39</b>	<b>43</b>	<b>95</b>
<b>Non-current assets</b>	<b>454</b>	<b>307</b>	<b>60</b>	<b>821</b>
<b>Total assets</b>	<b>467</b>	<b>346</b>	<b>103</b>	<b>916</b>
Current liabilities	9	36	11	55
Non-current liabilities	-	89	7	96
<b>Total liabilities</b>	<b>9</b>	<b>125</b>	<b>18</b>	<b>152</b>
<b>Net assets</b>	<b>459</b>	<b>221</b>	<b>85</b>	<b>765</b>
<b>Summarized statement of comprehensive income</b>				
Revenues	19	-	-	19
Profit or loss from continuing operations	42	29	10	81
Income tax expense or income	-	(7)	(2)	(9)
<b>Post-tax profit or loss from continuing operations</b>	<b>42</b>	<b>22</b>	<b>8</b>	<b>72</b>
Other comprehensive income	-	-	-	-
<b>Total comprehensive income</b>	<b>42</b>	<b>22</b>	<b>8</b>	<b>72</b>
<b>Dividends received from joint ventures</b>	<b>8</b>	<b>10</b>	<b>8</b>	<b>26</b>

**Summarized statement of financial position**

	2021			
	Amvest Living & Care Fund	Amvest Development Fund	Amvest Vastgoed B.V.	Total
Cash and cash equivalents	1	37	38	76
Other current assets	2	24	3	29
<b>Total current assets</b>	<b>3</b>	<b>61</b>	<b>41</b>	<b>105</b>
<b>Non-current assets</b>	<b>380</b>	<b>298</b>	<b>65</b>	<b>743</b>
<b>Total assets</b>	<b>383</b>	<b>359</b>	<b>106</b>	<b>848</b>
Current liabilities	6	31	16	53
Non-current liabilities	-	108	1	109
<b>Total liabilities</b>	<b>6</b>	<b>139</b>	<b>17</b>	<b>162</b>
<b>Net assets</b>	<b>377</b>	<b>220</b>	<b>89</b>	<b>686</b>
<b>Summarized statement of comprehensive income</b>				
Revenues	16	-	-	16
Profit or loss from continuing operations	26	36	17	79
Income tax expense or income	-	(9)	(4)	(13)
<b>Post-tax profit or loss from continuing operations</b>	<b>26</b>	<b>27</b>	<b>13</b>	<b>66</b>
Other comprehensive income	-	-	-	-
<b>Total comprehensive income</b>	<b>26</b>	<b>27</b>	<b>13</b>	<b>66</b>
<b>Dividends received from joint ventures</b>	<b>7</b>	<b>25</b>	<b>6</b>	<b>38</b>

A reconciliation of the summarized financial information to the carrying amounts of the joint ventures is as follows:

	2022	2021
<b>Net assets of joint venture as presented above</b>	765	686
Group share of net assets of joint venture, excluding fair value adjustments	382	343
<b>Carrying amount of investments in joint ventures</b>	<b>382</b>	<b>343</b>

Of the non-current assets in the table with 'Summarized financial information of material joint ventures', EUR 244 million is related to investment property under construction (2021: EUR 255 million).

**11. Loans and group loans**

	2022	2021
Loan Aegon Derivatives N.V.	1,025	623
Loan Aegon N.V.	-	4
<b>At December 31</b>	<b>1,025</b>	<b>627</b>
Current	1,025	627
Non-current	-	-
<b>Total</b>	<b>1,025</b>	<b>627</b>

The loan with Aegon Derivatives is cash collateral received under derivatives transactions. Aegon Derivatives settles this collateral with external parties on behalf of Aegon Nederland. 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. Refer to note 38 'Fair value of assets and liabilities' for information on fair value measurement.

## 12. Deferred expenses

	2022	2021
<b>At January 1</b>	235	135
Costs deferred	9	120
Amortization through income statement	(32)	(21)
Other	-	1
<b>At December 31</b>	<b>212</b>	<b>235</b>
Current	22	23
Non-current	190	212
<b>Total</b>	<b>212</b>	<b>235</b>

The balance at year-end 2022 and 2021 consists entirely of the deferred cost of reinsurance.

In December 2021, Aegon Levensverzekering N.V. has entered into a longevity reinsurance contract with Reinsurance Group of America (RGA). The contract reinsures a specified portfolio of insurance contracts against possible future mortality developments. The size of the underlying portfolio is EUR 5 billion. RGA will pay benefits as long as the participants live and receive fixed payments from Aegon Leven. EUR 107 million is recognized as at year-end as deferred cost of reinsurance with regard to this reinsurance contract (2021: EUR 115 million), which will be amortized over the duration of the underlying insurance contracts. A net reinsurance liability for an equal amount is recognized accordingly. Collateral positions as part of the transaction are included in the disclosures on collateral as part of the credit risk notes in the risk management paragraph and the note on transfer of financial assets.

In December 2019, Aegon Levensverzekering earlier entered into a longevity reinsurance contract with Canada Life Reinsurance. The contract reinsures a specified portfolio of insurance contracts (EUR 8 billion based on measurements in accordance with IFRS 4 at the inception of reinsurance contract) against possible future mortality developments. Canada Life Reinsurance will pay benefits as long as the participants live and receive fixed payments from Aegon Levensverzekering. The balance at year-end 2022 comprises of EUR 105 million deferred cost of reinsurance with regard to this reinsurance contract being amortized over the duration of the underlying insurance contracts (2021: EUR 114 million).

Net reinsurance liabilities for an equal amount were recognized initially (as 'Payables out of reinsurance' in note 25 'Other liabilities and accruals'). At year-end 2022, the net value of the reinsurance liability is EUR 224 million higher than the value of the asset (2021: EUR 183 million). This is due to the impact of the mortality table updates on the reinsurance contract's floating leg. As this update leads to an increase in the value of the liability, the remeasurement was recognised in the income statement. The deferred cost of reinsurance asset is tested for impairment, but no remeasurement gains are recognised on it.

Similar to the measurement of reinsured insurance liabilities under IFRS 4 the reinsurance contract components deferred cost of reinsurance and net reinsurance liability are measured based on current non-financial assumptions and non-current contractual financial assumptions.

**13. Other assets and receivables**

	Note	2022	2021
Real estate held for own use	13.1	76	83
Equipment		28	29
Right-of-use assets		28	33
Other		1	1
<b>Non current</b>		<b>132</b>	<b>146</b>
Investment debtors		454	789
Receivables from policyholders		162	225
Current account with group companies		24	85
Accrued interest		674	531
Prepaid expenses		17	17
Other		99	107
Provision for doubtful debts		(4)	(6)
<b>Current</b>		<b>1,425</b>	<b>1,748</b>
<b>At December 31</b>		<b>1,557</b>	<b>1,894</b>

The carrying amounts disclosed reasonably approximate the fair values at year-end. Refer to note 38 'Fair value of assets and liabilities' for information on fair value measurement.

'Other' mainly relates to other receivables within TKP and Robidus.

The movement in "Other assets and receivables" during the financial year is recorded in line item 'Accrued income and prepayments' in the consolidated cash flow statement.

**13.1. Real estate held for own use**

<b>Cost</b>	2022	2021
<b>At January 1</b>	93	108
Revaluations	-	1
Reversal of depreciation	(7)	(2)
Other	(5)	(14)
<b>At December 31</b>	<b>81</b>	<b>93</b>
<b>Accumulated depreciation</b>		
<b>At January 1</b>	10	4
Depreciation through income statement	3	8
Reversal of depreciation	(7)	(2)
<b>At December 31</b>	<b>5</b>	<b>10</b>
<b>Net book value at December 31</b>	<b>76</b>	<b>83</b>

The entire portfolio of investments in real estate held for own use was appraised in 2022. Key assumptions in determining the fair value were the rental income and the lease term of the property. The useful life of real estate held for own use is between 40 and 50 years. Real estate held for own use has not been provided as collateral for liabilities nor are ownership rights restricted. Depreciation through the income statement is included in note 33 'Commissions and expenses' as 'Administration expenses'. In 2022 and 2021, other movements in real estate held for own use concerns the transfers of office buildings to Investments in real estate, as the office buildings are no longer in use by Aegon Nederland.

## 14. Intangible assets

Intangible assets	2022	2021
Goodwill	97	97
Software	37	37
Other intangible assets	32	34
<b>Total</b>	<b>165</b>	<b>168</b>

	Goodwill	Software	Other intangible assets	Total
<b>Cost</b>				
At January 1, 2022	97	95	118	310
Additions	-	9	-	9
Other movements	-	-	-	-
<b>At December 31, 2022</b>	<b>97</b>	<b>104</b>	<b>118</b>	<b>319</b>
<b>Accumulated amortization/impairment</b>				
At January 1, 2022	-	58	84	142
Amortization	-	9	3	12
Impairment through income statement	-	-	-	-
Other movements	-	-	-	-
<b>At December 31, 2022</b>	<b>-</b>	<b>67</b>	<b>87</b>	<b>154</b>
<b>Net book value at December 31, 2022</b>	<b>97</b>	<b>37</b>	<b>32</b>	<b>165</b>

	Goodwill	Software	Other intangible assets	Total
<b>Cost</b>				
At January 1, 2021	97	88	118	302
Acquisitions through business combinations	-	-	-	-
Additions	-	9	-	9
Other movements	-	(1)	-	(1)
<b>At December 31, 2021</b>	<b>97</b>	<b>95</b>	<b>118</b>	<b>310</b>
<b>Accumulated amortization/impairment</b>				
At January 1, 2021	-	46	82	128
Amortization	-	6	2	8
Impairment through income statement	-	7	-	7
Other movements	-	(2)	-	(2)
<b>At December 31, 2021</b>	<b>-</b>	<b>58</b>	<b>84</b>	<b>142</b>
<b>Net book value at December 31</b>	<b>97</b>	<b>37</b>	<b>34</b>	<b>168</b>

With the exception of goodwill, all intangible assets have a finite useful life and are amortized accordingly. Software is generally amortized over an average period of 5 years. At year-end 2022, the remaining average amortization period was 4 years (2021: 4 years). 'Other intangible assets' mainly consists of customer relationships and is generally amortized over an average period of 15 years, at year-end 2022 the remaining average amortization period was 10.75 years (2021: 11.75 years). None of the intangible assets have titles that are restricted or have been pledged as collateral for liabilities. Amortization is included in note 33 'Commissions and expenses' as Administration expenses'.

### Impairment testing

For the goodwill and other intangible assets impairment test an impairment model is developed. Goodwill is tested for impairment annually, considering the higher of the value in use and fair value less costs to sell. The cash-generating unit (CGU) that was identified to allocate the goodwill is Robidus Group.

The goodwill impairment test was performed based on the fourth quarter 2022 financial information. For our impairment testing of intangible assets we have tested whether the carrying value of the Robidus Group is below its recoverable value. The carrying value of EUR 115 million is the net book value of Robidus based on the actual reporting of Robidus per the reporting date. The recoverable value amount of EUR 216 million is determined by discounting the expected cash flows for a five-year period based on our MTP

Budget, a pre-tax discount rate of 7.2%, a post-tax discount rate of 7.2%, and terminal growth rate at 1% (2021: 1% terminal growth rate). The discount rate is determined by using the WACC rate consistent with our Economic Framework and IFRS Recoverability testing methodology.

This test did not give indications for an impairment of goodwill. The goodwill arises mainly from new customers, future software platform developments, synergies, and assembled workforce.

## 15. Equity

	Note	2022	2021
Share capital	15.1	24	24
Share premium	15.2	1,817	1,817
Revaluation reserves	15.3	(608)	818
Retained earnings		5,455	4,831
<b>Shareholders' equity</b>		<b>6,688</b>	<b>7,490</b>
Non-controlling interests	15.4	13	14
<b>Group equity at December 31</b>		<b>6,701</b>	<b>7,503</b>

There are restrictions on the distribution to shareholders. Share capital, the revaluation reserves and other legal reserves together form the Legal reserves which are restricted from distribution to shareholders. A revaluation reserve is formed for unrealised positive revaluations for subsidiaries, joint ventures, real estate investments, AFS investments, and for positive unrealised revaluation of investments which are illiquid or do not have a frequent market listing. Refer to note 8.2 'Statement of changes in equity' in the 'Statutory financial statements' of Aegon Nederland for more information.

### 15.1. Share capital

The authorized share capital is EUR 50 million, divided into 100,000 common shares of EUR 500 nominal value each, of which 47,194 shares have been issued and fully paid up. There have been no changes since the previous financial year. Aegon Nederland holding does not generate capital itself and the dividend distribution is dependent on the dividends received from its subsidiaries. The dividend distribution as described in the dividend policy in principle equals the operating capital generation of the subsidiaries (received as dividends) less amounts needed for funding needs, operating- and finance expenses and potential capital support or improvements of the liquidity position. In 2022, Aegon NL paid EUR 250 million dividend to Aegon Europe Holding B.V. (2021: EUR 135 million).

Under Dutch law the amount available for distribution as dividend to the shareholder can be calculated as total equity, deducted by 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, the Dutch insurance subsidiaries of Aegon Nederland may terminate proposed 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 proposed dividend, (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 completion of the distribution.

In addition, Aegon Nederland's subsidiary Aegon Bank is not allowed to pay dividend to its shareholder if a distribution would lead to a deterioration of the capital position of Aegon Bank, such that the capital requirements, as prescribed in article 3:62b of the Wft would no longer be complied with. However, notwithstanding article 3:62b of the Wft, Aegon Bank may distribute dividend, subject to the prior notification to the Dutch Central Bank, up to the amount of the Maximum Distributable Amount (MDA), as referred to in article 141(4) of the Capital Requirements Regulation (CRR).

### 15.2. Share premium

	2022	2021
<b>At January 1</b>	1,817	1,817
Capital contributions	-	-
<b>At December 31</b>	<b>1,817</b>	<b>1,817</b>

**15.3. Revaluation reserves**

	<b>2022</b>	2021
<b>At January 1</b>	818	793
Gross revaluation	(2,108)	163
Net (gains)/losses transferred to income statement	185	(126)
Tax effect	497	(17)
Other movements	-	4
<b>At December 31</b>	<b>(608)</b>	<b>818</b>

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

	<b>2022</b>	2021
Shares	14	13
Debt securities	(643)	2,888
Participations	2	1
Real estate held for own use	3	3
Investments in associates	15	14
<b>Total AFS investments</b>	<b>(608)</b>	<b>2,920</b>
Shadow accounting	-	(2,102)
<b>At December 31</b>	<b>(608)</b>	<b>818</b>

The negative revaluation reserve for debt securities in 2022 is driven by negative market movements within the bonds portfolio, which is due to strong increases of bond yields. Refer to note 16.1 'Life insurance' for more information on the LAT deficit and shadow accounting.

**15.4. Non-controlling interests**

The non-controlling interests relates to the other equity instruments ("participations") issued by subsidiary Aegon Bank and the minority stake held by Robidus management in Robidus Groep B.V.

As at December 31, 2022, Aegon Bank has issued 1,900 client participations under the brand name Knab with a corresponding value of EUR 9.5 million (2021: 1,900 participations, corresponding value EUR 9.5 million). Based on the specific characteristics the participations qualify as tier 1 capital under the applicable banking regulations. Aegon Bank has the right to redeem all participations starting from 1 November 2022 (if not earlier redeemed pursuant to the program conditions). Participants can sell these participations to Aegon Nederland. At December 31, 2022 Aegon Nederland has bought 483 participations (2021: 435 participations). Aegon Nederland N.V. is legally not required to buy the participations. Subsequently no commitment has to be reported for (potential) future purchases.

## 16. Insurance contracts

	Note	2022	2021
<b>Life insurance</b>	<b>16.1</b>	30,491	39,445
<i>Non-life insurance</i>			
- Unearned premiums and unexpired risks		45	50
- Outstanding claims		623	677
- Incurred but not reported claims		293	342
<b>Total non-life insurance</b>	<b>16.2</b>	<b>961</b>	<b>1,069</b>
<b>Total insurance contracts at December 31</b>		<b>31,452</b>	<b>40,514</b>

### 16.1. Life insurance

Movements during the year:	2022	2021
<b>At January 1</b>	39,445	43,166
Gross premiums	470	536
Unwind of discount/interest credited	893	908
Insurance liabilities released	(1,634)	(1,769)
Changes in valuation of expected future benefits	(8,527)	(3,303)
Portfolio transfers and acquisitions	(15)	(22)
Expense loadings released	(81)	(84)
Movement unamortized interest rate contracts	(56)	35
Other	(5)	(24)
<b>At December 31</b>	<b>30,491</b>	<b>39,445</b>

The life insurance contract liabilities decreased by EUR 8,954 million (2021: decrease of EUR 3,721 million). The change in valuation of expected future benefits mainly relates to decreased value of guarantees and the decrease of the LAT deficit, which are both mainly driven by rising interest rates during 2022.

The LAT deficit in the insurance liability at year-end 2022 amounts to EUR 171 million (2021: EUR 5,211 million). After tax the deficit amounts to EUR 127 million (2021: EUR 3,867 million). Due to the negative revaluation reserve in 2022, this addition to the insurance contract liabilities could not have been offset against the revaluation reserve by applying shadow accounting.

In 2019, 2020 and 2021 Aegon Nederland also had a LAT deficit and cumulatively EUR 2,210 million was recorded as an expense in the account 'Policyholder claims and benefits'. In 2022 a partial reversal of EUR 2,207 million was recorded as negative expense in the same account.

Due to the LAT deficit in 2022, the insurance liabilities as per the end of 2022, as well as 2021, are de facto measured at accounting principles used in the liability adequacy test.

#### Deferred interest rebates

Movement unamortized interest rate contracts	2022	2021
<b>At January 1</b>	2,477	2,442
Rebates or future interest compensation granted	157	231
Amortization through income statement	(213)	(196)
<b>At December 31</b>	<b>2,421</b>	<b>2,477</b>

The deferred interest contracts form part of the insurance liabilities of Aegon Nederland. As a result of the low interest rate environment, policyholders paid a surplus on the premium where previously a premium discount was given.



**16.2. Non-life insurance**

<b>Non life</b>	<b>2022</b>	2021
Accident and health insurance	845	954
Property and casualty	116	116
<b>Total</b>	<b>961</b>	<b>1,069</b>

<b>Movements during the year:</b>	<b>2022</b>	2021
<b>At January 1</b>	1,069	1,076
Gross premiums - existing and new business	355	347
Changes in unearned premiums	(361)	(347)
Changes in incurred but not reported claims	(55)	(32)
Unwind of discount/interest credited	20	7
Incurred related to current year	178	165
Incurred related to prior years	(25)	55
Release for claims settled current year	(94)	(80)
Release for claims settled prior years	(127)	(122)
<b>At December 31</b>	<b>961</b>	<b>1,069</b>

<b>Run off result</b>	<b>2022</b>	2021
Accident and health insurance	182	95
Property and casualty	6	7
<b>Total</b>	<b>188</b>	<b>102</b>

A net release from the non-life claims reserve is shown as a negative figure and a net addition as a positive figure.

The decrease of the insurance contracts is mainly driven by several developments in the 'Accident and health insurance' portfolio, of which the main ones are described below:

- The increase in the interest rate significantly affected the WIA portfolio, resulting in a release of EUR 60 million.
- The higher interest rate also significantly impacted the AOV portfolio, releasing an estimated EUR 36 million.
- The decrease of risk percentage on WIA resulted in a release of EUR 15 million.
- The higher incurred claims for the Property and Motor line of business led to an increase of EUR 5 million. The rise of the provision in the motor was driven by higher claim experience during Q4 and Property due to large claims and Q1 storms.

## Gross (before reinsurance) claim history in EUR million

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013	Total
Year-end financial year	308	301	300	277	317	296	299	309	300	311	
After 1 year	-	281	294	285	283	275	275	322	331	344	
After 2 years	-	-	241	279	277	255	249	295	323	318	
After 3 years	-	-	-	243	263	251	240	275	309	307	
After 4 years	-	-	-	-	243	242	230	270	289	285	
After 5 years	-	-	-	-	-	225	219	267	289	279	
After 6 years	-	-	-	-	-	-	207	257	284	275	
After 7 years	-	-	-	-	-	-	-	249	274	272	
After 8 years	-	-	-	-	-	-	-	-	266	264	
After 9 years										259	
<b>Estimated cumulative claims</b>	<b>308</b>	<b>281</b>	<b>241</b>	<b>243</b>	<b>243</b>	<b>225</b>	<b>207</b>	<b>249</b>	<b>266</b>	<b>259</b>	
Cumulative payments	(94)	(128)	(136)	(171)	(171)	(168)	(162)	(213)	(234)	(236)	
	<b>214</b>	<b>153</b>	<b>105</b>	<b>72</b>	<b>72</b>	<b>57</b>	<b>45</b>	<b>36</b>	<b>32</b>	<b>23</b>	<b>808</b>
Outstanding claims prior year (<2013)											109
<b>Outstanding claims in financial statements (including IBNR)</b>											<b>917</b>

## Net (after reinsurance) claims history in EUR million

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013	Total
Year-end financial year	258	257	286	265	308	296	296	309	298	304	
After 1 year		240	279	273	273	274	271	322	331	337	
After 2 years			227	267	268	254	246	295	322	313	
After 3 years				230	256	250	236	274	308	304	
After 4 years					236	241	228	269	286	282	
After 5 years						224	217	266	286	276	
After 6 years							204	256	282	272	
After 7 years								248	271	269	
After 8 years									264	261	
After 9 years										256	
<b>Estimated cumulative claims</b>	<b>258</b>	<b>240</b>	<b>227</b>	<b>230</b>	<b>236</b>	<b>224</b>	<b>204</b>	<b>248</b>	<b>264</b>	<b>256</b>	
Cumulative payments	(79)	(113)	(128)	(165)	(167)	(167)	(159)	(213)	(232)	(234)	
	<b>179</b>	<b>127</b>	<b>99</b>	<b>65</b>	<b>69</b>	<b>57</b>	<b>45</b>	<b>35</b>	<b>32</b>	<b>22</b>	<b>730</b>
Outstanding claims prior year (<2013)											107
<b>Outstanding claims in financial statements (including IBNR)</b>											<b>837</b>

## 17. Insurance contracts for account of policyholders

<b>Movements during the year:</b>	<b>2022</b>	2021
<b>At January 1</b>	25,294	25,085
Gross premiums	549	563
Unwind of discount/interest credited	(2,946)	1,052
Change in unit linked account value	(750)	719
Insurance liabilities released	(1,278)	(1,361)
Changes in valuation of expected future benefits	(1,121)	(142)
Portfolio transfers and acquisitions	(75)	(551)
Expense loadings released	(99)	(110)
Other	3	40
<b>At December 31</b>	<b>19,577</b>	<b>25,294</b>

Line item 'other' in 2021 refers to the transfer of a provision from 'Insurance contracts' to 'Insurance contracts for account of policyholders' for a contract ended in 2021.

## 18. Guarantees

For financial reporting purposes Aegon Nederland distinguishes between two types of minimum guarantees:

- Financial guarantees - These guarantees are treated as bifurcated embedded derivatives, valued at fair value and presented as derivatives (refer to note 18.1 'Financial guarantees');
- Minimum investment return guarantees - These guarantees are not bifurcated from their host contracts, valued at fair value and presented together with the underlying insurance contracts (refer to note 18.2 'Minimum investment return guarantees').

### 18.1. 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:

	<b>2022</b>	2021
<b>At January 1</b>	1,413	2,032
Changes in valuation of expected future benefits	(660)	(619)
<b>At December 31</b>	<b>753</b>	<b>1,413</b>
Account value	7,852	9,748
Net amount at risk	541	1,538

Balances are included in the derivatives liabilities, see note 8 'Derivatives' for more information. Aegon Nederland provides guarantees to its customers on expiry date for certain insurance contracts. In order to mitigate the risks related to the guarantees Aegon Nederland has setup a hedging program. Aegon Nederland does not use reinsurance in order to mitigate risks related to insurance contracts with a guarantee component. The net amount at risk represents the sum of the positive differences between the discounted maximum amount payable under the guarantees and the account value, which is the actual fund value of the policyholder.

### 18.2. Minimum investment return guarantees

The traditional life and pension products offered by Aegon Nederland include various products that accumulate a cash value. Premiums are paid by customers at inception or over the term of the contract. The accumulation products pay benefits on the policy maturity date, subject to survival of the insured. In addition, most policies also pay death benefits if the insured dies during the term of the contract. The death benefits may be stipulated in the policy or depend on the gross premiums paid to date. Premiums and amounts insured are established at inception of the contract. The amount insured can be increased as a result of profit sharing, if provided for under the terms and conditions of the product. Minimum interest guarantees exist for all generations of traditional accumulation products written. Older generations contain a 4% guarantee; in 1999 the guarantee decreased to 3% and in 2013 the guarantee decreased to 0%.

The traditional group pension contracts offered by Aegon Nederland include large group insurance contracts that have an individually determined asset investment strategy underlying the pension contract. The guarantee given is that the profit sharing is the maximum of 0% and the realized return on an asset portfolio specified in the policy conditions adjusted for technical interest rates ranging from 3% to 4%. If the adjusted return is negative, the 0% minimum is effective, but the loss in any given year is carried forward to be offset against any future surpluses within the contract period. In general, a guarantee is given for the life of the underlying employees so that their pension benefit is guaranteed. Large group contracts also share technical results (mortality risk and disability risk). The contract period is typically five years and the premiums are fixed over this period. These guarantees are valued at fair value and are included as part of insurance liabilities with the underlying host insurance contracts. The following table provides information on the liabilities for guarantees that are included in the valuation of the host contracts, net of the present value of the expected future premiums that are received to cover these guarantees.

	2022	2021
<b>At January 1</b>	6,429	7,973
Changes in valuation of expected future benefits	(3,471)	(1,544)
<b>At December 31</b>	<b>2,958</b>	<b>6,429</b>
Account value	16,559	20,176
Net amount at risk	3,133	6,794

The table represents the guaranteed minimum investment return. Balances are included in note 16 'Insurance contracts'. Changes in valuation of expected future benefits mainly comprise the effect of guarantees from new contracts, releases related to expired out-of-the-money guarantees and fair value movements during the reporting year. The account value reflects the liability value of the insurance contracts as a whole. The net amount at risk represents the sum of the differences between the guaranteed and actual amount that credited to the policyholders. For individual policies only positive differences are included, for Group pensions contracts carry forwards of negative differences are recognized.

### 18.3. Fair value measurement of guarantees

The fair values of guarantees are calculated as the present value of future expected guarantee payments to policyholders less the present value of assessed rider fees attributable to the guarantees. Aegon Nederland utilizes different risk management strategies to mitigate the financial impact of the valuation of these guarantees on the results including asset and liability management and derivative hedging strategies to hedge certain aspects of the market risks embedded in these guarantees.

	2022	2021
<b>Effect of guarantees on earnings before tax:</b>	<b>4,174</b>	<b>1,958</b>
<i>Main drivers of this effect:</i>		
- Results related to movement in risk free interest rates	4,734	1,950
- Results related to movement in equity markets	(219)	387
- Results related to movement in own credit spread	383	(119)
- Other	(724)	(260)
<b>Total</b>	<b>4,174</b>	<b>1,958</b>

'Other' in 2022 mainly relates to the result on the guarantees derivatives that are backing the Aegon pension scheme liabilities, which are not part of the hedge (-/- EUR 325 million in 2022, -/- EUR 162 million in 2021), which is also mainly driven by interest developments.

	2022	2021
Hedges related to these guarantees contributed to earnings before tax:	(4,310)	(2,173)

**19. Savings deposits**

	<b>2022</b>	2021
<b>At January 1</b>	11,586	12,540
Deposits	21,376	19,006
Withdrawals	(21,009)	(20,019)
Interest credited	56	58
<b>At December 31</b>	<b>12,009</b>	<b>11,586</b>
Current	9,738	8,947
Non-current	2,271	2,639
<b>Total</b>	<b>12,009</b>	<b>11,586</b>

The savings deposits comprise EUR 1.076 million of savings related to 'Banksparhypotheken' (2021: EUR 1.040 million). The received deposits related to the 'Banksparhypotheken' are directly invested in a sub participation of the mortgage of the specific client. The sub participation in the mortgages and the related deposits are shown gross in the financial statements as there is no intention to (directly) settle the deposit with the mortgage.

The carrying amounts disclosed reasonably approximate the fair values at year-end. Refer to note 38 'Fair value of assets and liabilities' for information on fair value measurement.

**20. Investment contracts**

	<b>2022</b>	2021
<b>At January 1</b>	181	191
Withdrawals	(12)	(10)
<b>At December 31</b>	<b>169</b>	<b>181</b>

This item relates to the Verzekeringsgroep Metaalindustrie (VGMI) contract and is repaid evenly over 26 years starting from 2012. The fair value at December 31, 2022 is EUR 143 million (2021: EUR 176 million). Refer to note 38 'Fair value of assets and liabilities' for information on fair value measurement.

## 21. Borrowings and group borrowings

	Note	2022	2021
Debentures and other loans	21.1	5,227	5,735
Group borrowings	21.2	939	3,044
<b>At December 31</b>		<b>6,166</b>	<b>8,779</b>
Current		2,448	3,859
Non-current		3,719	4,920
<b>Total</b>		<b>6,166</b>	<b>8,779</b>

The carrying amounts disclosed reasonably approximate fair value at year-end. Refer to note 38 'Fair value of assets and liabilities' for information on fair value measurement of the 'Debentures and other loans'.

There have been no defaults or breaches of conditions during the reporting period.

### 21.1. Debentures and other long-term loans

	Coupon rate	Coupon rate	Issue/maturity	FORD	Legal maturity date	2022	2021
EUR 875 million 'SAECURE 16' RMBS Note	floating	quarterly	2018 / 23	Oct. 2023	Oct. 2091	609	676
EUR 550 million 'SAECURE 18 NHG' RMBS Note	floating	quarterly	2019 / 25	Jul. 2025	Apr. 2092	300	355
EUR 750 million 'SAECURE 20' RMBS Note	floating	quarterly	2021 / 27	Oct. 2027	Apr. 2093	542	625
EUR 500 million Senior Non-Preferred Notes	fixed (0,625%)	Annually	2019 / 24	-	Jun. 2024	499	499
EUR 500 million Conditional Pass Through Covered Bond	fixed (0,25%)	Annually	2016 / 23	-	May 2023	500	499
EUR 500 million Conditional Pass Through Covered Bond	fixed (0,75%)	Annually	2017 / 27	-	June 2027	493	492
EUR 500 million Conditional Pass Through Covered Bond	fixed (0,38%)	Annually	2017 / 24	-	Nov. 2024	499	499
EUR 500 million Conditional Pass Through Covered Bond	fixed (0,01%)	Annually	2020 / 25	-	Nov. 2025	505	506
EUR 500 million Soft Bullet Covered Bond	fixed (0,38%)	Annually	2021 / 36	-	Jun. 2036	494	494
Loan facilities warehouse mortgage loans	floating	monthly	- / 2024	-	-	250	494
Loan facilities warehouse mortgage loans	floating	monthly	- / 2025	-	-	271	-
Loan facilities pre funding mortgage loans	floating	monthly	- / 2023	-	-	260	592
Other	-	-	-	-	-	5	6
<b>At December 31</b>						<b>5,227</b>	<b>5,735</b>
Current						1,509	815
Non-current						3,719	4,920
<b>Total</b>						<b>5,227</b>	<b>5,735</b>

#### Residential mortgage backed securities (RMBS)

The net proceeds of the RMBS notes are used to finance the Dutch mortgage portfolio. The expected maturity of the RMBS notes is derived from the FORD which stands for the first optional redemption date. At this date the seller in the transaction (a subsidiary of Aegon Nederland) has the first right to repurchase the underlying mortgages from the SPE. The legal maturity date of the RMBS notes is related to the underlying mortgage loans with the longest legal maturity. All these notes are fully collateralized by mortgage loans which are part of the general account investments of Aegon Nederland. On April 8, 2021, Aegon Hypotheken closed a transaction under the Dutch SAECURE program to sell Class A mortgage backed securities (RMBS). 'SAECURE 20' consisted of a principal amount of EUR 657 million of class A notes at a total issued amount of EUR 676 million, an expected weighted average life at origination of 4.98 years and a coupon of 3 month Euribor plus 70bps. During 2022, an amount of EUR 83 million of class A notes have been redeemed (2021: EUR 47 million).

During 2022, for SAECURE 16 an amount of EUR 67 million is redeemed (2021: EUR 82 million), and for SAECURE 18 an amount of EUR 54 million is redeemed (2021: EUR 67 million).

### Covered Bond

In May 2021, Knab launched a EUR 5 billion Soft Bullet Covered Bond ("SBCB") Program, in addition to the Conditional Pass-Through Covered Bond ("CPTCB") Program previously set up in 2015. Under these Programs, the payment of interest and principal is guaranteed by an Aegon-administered structured entity, i.e., Aegon Conditional Pass-Through Covered Bond Company B.V and Aegon Soft Bullet Covered Bond Company B.V., respectively (the "Companies"). In order for the Companies to honor its guarantee, Knab transfers ownership of mortgage loans originated by Aegon affiliates to the Companies. The Companies are consolidated by Knab. After five successful CPTCB issuances, Knab successfully issued its inaugural EUR 500 million transaction, with a 15-year maturity, under the SBCB Program in June 2021. The first CPTCB issuance, dating back to 2015, was fully repaid in December 2020. The par value of the CPTCB issue amounted to EUR 750 million.

### Senior Non Preferred Notes

The Senior Non-Preferred notes (SNP), issued by Aegon Bank, qualify as MREL (Minimum Required Eligible Liabilities) eligible notes. Based on the MREL regulation the National Resolution Authority imposes a Minimum Requirement for own funds and Eligible Liabilities. If a bank fails and goes into resolution, the MREL acts as a buffer to absorb losses and to provide new capital to the bank. The notes may only be redeemed at the option of the Issuer for tax reasons and upon the occurrence of an MREL Disqualification Event. Such an "MREL Disqualification Event" shall occur if, as a result any amendment to, or change in, any Applicable MREL Regulations, or any change in the application or official interpretation of any Applicable MREL Regulations, in any such case becoming effective on or after the Issue Date of the notes, the notes are or (in the opinion of the Issuer or the Competent Authority) are likely to become fully or partially excluded from the Issuer's MREL Eligible Liabilities

### Loan facilities warehouse mortgage loans

Committed financing takes place in a 'warehouse' structure for which a special purpose entity ('SPE'), Aegon Hypotheken Financiering B.V. ('Aegon Hypotheken Financiering'), has been incorporated. The facility has been restructured and the continuance secured in March 2022. At the end of 2022, Aegon Hypotheken borrowed EUR 521 million via this warehouse structure (2021: EUR 494 million). The interest to be paid is derived from Euribor rates with an additional spread. Aegon Hypotheken has a total of undrawn external committed financing arrangements available for a period of more than one year of EUR 229 million (2021: EUR 406 million). A floating interest rate is applicable on these financing arrangements when drawn and a commitment fee when not.

### Loan facilities pre-funding mortgage loans

Aegon Hypotheken has entered into loan agreements with third parties for temporarily funding of mortgages. These loans are secured by pipeline mortgage loans provided by Aegon Hypotheken. At year-end 2022 EUR 260 million (2021: EUR 592 million) has been drawn from EUR 1,050 million (2021: EUR 1,000 million) available under this facility. These facilities are based on Euribor and additional spread for the drawn part and a commitment fee for the undrawn part.

## 21.2. Group borrowings

	2022	2021
Loan Aegon Derivatives N.V.	814	2,877
Loan Aegon N.V.	124	168
<b>At December 31</b>	<b>939</b>	<b>3,044</b>
Current	939	3,044
<b>Total</b>	<b>939</b>	<b>3,044</b>

The loan with Aegon Derivatives is cash collateral paid under derivatives transactions. Aegon Derivatives settles this collateral with external parties on behalf of Aegon Nederland. The derivative transactions are for ordinary operations. The collateral is the consequence of movements in market values on derivatives and is settled on a daily basis.

The loan with Aegon N.V. relates for EUR 105 million to the loan facility largely for temporarily funding of the mortgage portfolio (2021: EUR 163 million). In total, EUR 500 million is available under this facility. The facility has a floating interest and is secured by mortgages. The remainder of this loan represent cash collateral received under foreign exchange derivative transactions. Aegon N.V. settles this collateral on behalf of Aegon Nederland. The derivative transactions are for ordinary operations. The collateral is the consequence of movements in market values on derivatives and is settled on a daily basis.

## 22. Provisions

### Movements in provisions

	Restructuring	Legal procedures	Other	Total
<b>At January 1, 2022</b>	20	10	38	67
Additions charged to earnings	-	1	8	9
Unused amounts reversed through the income statement	-	(1)	-	(1)
Used during the year	(8)	(9)	(6)	(23)
<b>At December 31, 2022</b>	<b>12</b>	<b>1</b>	<b>39</b>	<b>52</b>

	Restructuring	Legal procedures	Other	Total
<b>At January 1, 2021</b>	23	48	35	106
Additions charged to earnings	11	2	-	13
Unused amounts reversed through the income statement	-	-	-	-
Used during the year	(14)	(40)	3	(52)
<b>At December 31, 2021</b>	<b>20</b>	<b>10</b>	<b>38</b>	<b>67</b>

	2022	2021
Current	20	29
Non-current	32	39
<b>Total</b>	<b>52</b>	<b>68</b>

The restructuring provision relates to the reorganization of Aegon Nederland. The decrease of the provision for legal procedures relates to the the settlement of claims filed by Leaseproces regarding Vliegwiël and Sprintplan products. In December 2020 Aegon Bank reached a signed letter of intent on a settlement with Leaseproces B.V. for claims regarding Vliegwiël and Sprintplan. The settlement was confirmed and became final on September 13, 2021. Subsequently, most claims have been paid during fourth quarter 2021, with a small amount that is paid in 2022. The agreement is fully executed.

## 23. Defined benefit liabilities

### Movements during the year in defined benefit plans

	2022	2021
<b>At January 1</b>	3,409	3,658
Defined benefit expenses	32	19
Remeasurement of defined benefit plans	(933)	(153)
Benefits paid	(87)	(84)
Other	-	(31)
<b>Retirement benefit plans</b>	<b>2,421</b>	<b>3,409</b>
Other post-employment benefit plans <sup>1)</sup>	41	57
<b>At December 31</b>	<b>2,462</b>	<b>3,466</b>

<sup>1)</sup> The other post-employment benefit plans mainly relates to the post-retirement medical plan of Aegon Nederland that contributes to the health care coverage of employees and beneficiaries after retirement.

The decrease in defined benefit plans, relates mainly due to the higher discount rate which resulted in a decrease in 'Remeasurement of defined benefit plans' and 'Defined benefit expenses'. In 2021, 'Other' included a release of a retirement benefit plan liability of EUR 31 million.



**Amounts recognized in the statement of financial position**

The table below shows the movements during the year of the present value of the wholly unfunded obligations.

	<b>2022</b>	2021
<b>At January 1</b>	3,466	3,718
Current year service cost	3	3
Past service cost	(3)	-
Interest expenses (based on discount rate)	34	18
Benefits paid	(90)	(87)
Actuarial (gains)/losses from changes in demographic assumptions	2	(55)
Actuarial (gains)/losses from changes in financial assumptions	(951)	(101)
Other	-	(31)
<b>At December 31</b>	<b>2,462</b>	<b>3,466</b>

**Defined benefit expenses**

Defined benefit expenses are included in note 33 'Commissions and expenses' in the income statement.

	<b>2022</b>	2021
Current year service cost	1	1
Past service cost	(3)	-
Interest expenses	34	18
<b>Retirement benefit plans</b>	<b>32</b>	<b>19</b>
Other post-employment benefit plans	3	2
<b>Total defined benefit expenses</b>	<b>34</b>	<b>21</b>

**Retirement benefit plans**

Aegon Nederland has a number of defined benefit plans and defined contribution plans.

*Defined benefit plans*

The defined benefit plans are subject to Dutch Pension regulations and governed by the Board of Directors of Aegon Nederland. The Board of Directors has the full power and discretion to administer the plan including developing investment policy and managing assets for the plans (although these assets do not qualify as 'plan assets' as defined by IFRS), deciding questions related to eligibility and benefit amounts, and any disputes that may arise from plan participants and for complying with the plan provisions, and legal requirements related to the plan and its operation. Aegon Nederland runs, in principle, full actuarial and investment risk regarding the defined benefit plans, this includes the risks of low interest rates, low returns and increased longevity. A part of this risk can be attributed to plan participants by lowering indexation or by increasing employee contributions.

As all pension obligations relating to the defined benefit plans are insured at subsidiary Aegon Levensverzekering all assets held by Aegon Nederland backing retirement benefits of EUR 2,408 million (2021: EUR 2,783 million) do not meet the definition of plan assets and as such were not deducted in calculating this amount. Instead, these assets are recognized as general account assets. Consequently, the return on these assets does not form part of the calculation of defined benefit expenses.

Investment strategies are established based on asset and liability studies. The overall goal is to maximize total investment returns to provide sufficient funding for the present and anticipated future benefit obligations within the constraints of a prudent level of portfolio risk. These studies use for example return objectives and various investment instruments. Investment restrictions are updated regularly and they result in asset allocation mix and hedges.

As of January 1, 2020, the defined benefit plan of Aegon Nederland, which is administered by Aegon Levensverzekering, is closed for new members and there will be no further accrual of benefits to existing members. Entitlements before January 1, 2020 will remain unchanged and the indexation agreements for those accruals will remain in force.

The contributions to the retirement defined benefit plan of Aegon Nederland were paid by both the employees and the employer, with the employer contribution being variable. The benefits covered are retirement benefits, disability, death and survivor pension and are based on an average wage system. The defined benefit plans were unfunded by EUR 2,421 million at December 31, 2022 (2021: EUR 3,409 million). The defined benefit plans are largely backed by investments, although these assets do not qualify as 'plan assets' as defined by IFRS. The average remaining duration of the defined benefits obligation is 14.3 years (2021: 20.9 years). The decrease of

the average remaining duration is primarily driven by lower defined benefit obligations due to higher interest rates, and excluding expected future indexation from the duration.

#### Defined contribution plans

As of January 1, 2020, all contributions, both for new and existing employees, are made to the new individual defined contribution pension scheme, which is administered and executed by Aegon Cappital. The contributions to this pension scheme are paid by both the employees and the employer, with the employer contribution being variable. Aegon Nederland pays the premiums for the insured mortality and disability risks.

The defined contribution expenses are included in note 33 'Commissions and expenses' in the income statement.

#### Actuarial assumptions used to determine the defined benefit obligations at year-end

The principal actuarial assumptions that apply for the year-ended December 31 are as follows:

	2022	2021
<b>Demographic actuarial assumptions:</b>		
Mortality	Aegon NL mortality table <sup>1)</sup>	Aegon NL mortality table <sup>1)</sup>
<b>Financial actuarial assumptions:</b>		
Discount rate	3.61%	1.01%
Wage inflation <sup>2)</sup>	curve 2022	curve 2021
Indexation <sup>2)</sup>	Percentage is no longer derived	53.05% of curve 2021

<sup>1)</sup> Based on Dutch Actuarial Society 2022 prospective mortality table with minor methodology adjustments. These tables are regularly assessed against the most recent mortality trends.

<sup>2)</sup> Based on Dutch Consumer Price Index.

A change of these assumptions of the retirement benefit plan as indicated in the table below would have the following effects per year-end:

Estimate approximate effects on the defined benefit obligation	2022	2021
<b>Demographic actuarial assumptions:</b>		
Mortality rate: shock + 10%	(38)	(100)
Mortality rate: shock - 10%	41	112
<b>Financial actuarial assumptions:</b>		
Discount rate: shock + 100 basis points	(221)	(622)
Discount rate: shock - 100 basis points	281	849
Wage inflation: shock + 100 basis points	-	-
Wage inflation: shock - 100 basis points	-	-
Indexation: shock + 25 basis points	-	187
Indexation: shock - 25 basis points	-	(170)

The above sensitivity analysis is based on a change in one assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the defined benefit obligation recognized within the statement of financial position.

#### Mortality

The mortality table used is the projected Aegon table which is annually updated for experience results. Changing the mortality rates changes the cash flow expectations. Increasing (decreasing) the mortality rates for one year decreases (increases) the defined benefit obligation. Using the same discount rate, but other expected cash flows determines the quantitative effect.

**Discount rate**

The discount rate used in determining the defined benefit obligation is based on high quality (AA rated) corporate bonds. Increasing (decreasing) the discount rate decreases (increases) the value of the defined benefit obligation.

**Wage inflation rate**

The benefits covered under the plans are based on an average wage system. This curve used as inflation rate is the proxy for the Dutch Consumer Price Index in the projections of the defined benefit obligation. Changing the wage inflation rate changes the expected benefits. Increasing (decreasing) the wage inflation rate increases (decreases) the value of the defined benefit obligation.

**Indexation**

The benefits covered under the plans are chiefly dependent on price inflation. This curve used as indexation rate is a percentage of the proxy for the Dutch Consumer Price Index in the projections of the defined benefit obligation. The percentage indexation is determined taking into account the price inflation curve and the amount available in the indexation depot. Increasing (decreasing) indexation increases (decreases) the value of the defined benefit obligation.

**Changes in actuarial assumptions****Change of discount rate**

The discount rate changed with 260 basis points from 1.01% to 3.61%. This increase is mainly caused by market movements in the past year.

The movement is for the largest part the result of increased interest rates at all maturities (a difference of 313 basis points at maturity 10, 276 basis points at maturity 20 and 236 basis points at maturity 30), for a smaller part the relevant corporate spreads also increased.

**Change of mortality rates**

During 2022 the mortality table and experience adjustments have been updated. These adjustments result in a loss on the DBO of which EUR 2 million relating to mortality (2021: EUR 55 million gain).

**Change of indexation benefits of active and inactive participants**

In 2022 the indexation is based on the indexation depot since indexation is conditional on the means available from the indexation depot. In 2021, the expected indexation rate was 53.05% of the price inflation curve. This percentage was estimated based on the indexation depot as per December 1, 2021 of EUR 643.7 million. Following the price inflation curve as per December 31, 2022, the expected indexation rate has been updated based on the expected indexation depot as per December 1, 2022 of EUR 703.6 million.

**Estimated future benefit payments**

	Retirement benefit plans	Other post-empl. benefit plans	Total
2023	88	3	91
2024	89	3	92
2025	89	3	92
2026	89	3	92
2027	89	3	92
2028-2032	447	12	459

**24. Deferred tax**

	2022	2021
Deferred tax liabilities	1,207	1,989
Deferred tax assets	580	1,613
<b>Net deferred tax liability/(asset) at December 31</b>	<b>627</b>	<b>376</b>

## Movement in deferred tax

	Real estate	Financial assets	Insurance contracts	Defined benefit plan	Other	Total
<b>At January 1, 2022</b>	764	1,189	(1,581)	36	(32)	376
Charged to income statement	(79)	(302)	611	(187)	460	503
Charged to equity	-	(1,228)	732	245	-	(251)
<b>At December 31, 2022</b>	<b>685</b>	<b>(341)</b>	<b>(239)</b>	<b>94</b>	<b>429</b>	<b>627</b>
<b>At January 1, 2021</b>	648	1,714	(2,052)	34	(67)	277
Charged to income statement	116	(195)	125	(22)	36	58
Charged to equity	-	(330)	346	24	-	41
<b>At December 31, 2021</b>	<b>764</b>	<b>1,189</b>	<b>(1,581)</b>	<b>36</b>	<b>(32)</b>	<b>376</b>

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

Due to the intended sale of Aegon Nederland to a.s.r. Aegon Nederland has recognized a deferred tax liability of EUR 454 million on the undistributed profits of certain subsidiaries, which were previously not recognized. These undistributed profits amounted to EUR 1,759 million. Recognition of the deferred tax liability resulted in a negative impact on shareholders' equity for the same amount. The actual settlement of this deferred tax liability is planned prior to closing of the transaction, which is subject to the approval by the regulators. Aegon N.V., through Aegon Europe Holding B.V., will compensate this negative equity effect of Aegon Nederland before closure of the deal with a.s.r..

Aegon Nederland had an agreement with the Dutch tax authorities regarding the valuation of the guarantee hedge for tax purposes. The Dutch tax authorities have unilaterally terminated the guarantee hedge ruling per 1 January 2023. This termination may have an effect for the first time in 2023 and not in 2022. Aegon Nederland disputes the unilateral termination of the guarantee hedge agreement and the content of the termination letter.

## Loss carry forward

At year-end, there were no deferred tax assets for pre-consolidation losses available for carry forward against future taxable profits (2021: nil).

## 25. Other liabilities and accruals

	2022	2021
Payables due to policyholders	308	331
Payables out of reinsurance	487	469
Investment creditors	107	360
Income tax payable	83	7
Social security and taxes payable	83	83
Cash collateral	90	35
Variable compensation	15	13
Accrued interest	218	129
Lease liabilities	29	34
Other creditors	496	406
<b>At December 31</b>	<b>1,916</b>	<b>1,865</b>
Current	1,489	1,443
Non-current	427	422
<b>Total</b>	<b>1,916</b>	<b>1,865</b>

The payables out of reinsurance mainly relates to the longevity reinsurance contracts with RGA and Canada Life Reinsurance that Aegon Levensverzekering entered into. Refer to note 12 'Deferred expenses' for more information.

With the exception to the measurement of the longevity reinsurance contract liability with Canada Life Reinsurance (year-end 2022: EUR 427 million, year-end 2021: EUR 412 million), the carrying amounts disclosed reasonably approximate the fair values at year-end, given the predominantly current nature of the other liabilities. The fair value of the longevity reinsurance contract under the Solvency II framework, which is the present value of the reinsurance fees and the present value of the fixed minus the floating leg, is EUR 468 million (2021: EUR 626 million).

Refer to note 38 'Fair value of assets and liabilities' for information on fair value measurement.

In the cash flow statement the movement in this account in the book year is disclosed the line items 'Accrued expenses and other liabilities' and 'Net change in cash collateral'.

## 26. Premium income and premiums paid to reinsurers

	2022		2021	
	Gross	Reinsurance	Gross	Reinsurance
Life	1,168	46	1,323	34
Non-life	401	66	390	66
<b>Total</b>	<b>1,569</b>	<b>112</b>	<b>1,712</b>	<b>99</b>

The Life premiums decreased in 2022 as the individual life portfolio is shrinking and new contribution plans are no longer offered by Aegon Levensverzekering, but are placed in Aegon Cappital, a subsidiary of Aegon Nederland. The Non-life premiums increased, mainly due to positive premium true-ups in the to 'Accidents and illness' segment.

## Non-Life premiums split by branch

	2022	2021
Accidents and illness	257	254
Motor vehicles	19	18
Motor vehicles civil liability	27	24
Fire	36	34
Property - other damages	31	31
General liability	14	13
Legal aid	13	13
Relief operations	4	3
<b>Total</b>	<b>401</b>	<b>390</b>

**27. Investment income**

	2022	2021
Investment income related to general account	1,616	1,638
Investment income for account of policyholders	384	371
<b>Total</b>	<b>2,000</b>	<b>2,009</b>

## Investment income consists of:

	2022	2021
<b>Interest income out of:</b>		
- Debt securities	554	581
- Loans	1,048	1,150
- Other investments	118	7
Dividend income from shares	206	201
Rental income from real estate	74	69
<b>Total</b>	<b>2,000</b>	<b>2,009</b>
Interest income on financial assets not carried at FVTPL	1,351	1,494

## Investment income from financial assets held for general account:

	2022	2021
Available-for-sale	296	335
Loans	1,048	1,150
Fair value through profit or loss	80	76
Real estate	74	69
Derivatives	111	(2)
Other	7	8
<b>Total</b>	<b>1,616</b>	<b>1,638</b>

**28. Fee and commission income**

	2022	2021
Commissions from intermediary activities	80	73
Fee income from asset management	53	58
Administration fee income	191	169
Other	1	1
<b>Total</b>	<b>325</b>	<b>300</b>

**29. Income from reinsurance ceded**

The income in 2022 and 2021 is largely explained by impact of the update of the population mortality model on the longevity reinsurance contract with Canada Life Reinsurance.

### 30. Results from financial transactions

	2022	2021
Net fair value change general account financial investments FVTPL, other than derivatives	12	49
Realized (losses)/gains on financial investments	(181)	127
(Losses)/gains on investments in real estate	(52)	253
Net fair value change of derivatives	(5,681)	(2,652)
Net fair value change financial assets FVTPL for account of policyholder	(4,990)	1,419
Net foreign currency gains	83	165
<b>Total</b>	<b>(10,809)</b>	<b>(639)</b>

Fair value change of derivatives is primarily driven by interest and spread movements. In 2022 and 2021 interest rates increased, which negatively impacts fair value of derivatives. The net fair value loss in 2022 of investments for account of policyholders is mainly driven by negative impacts from financial markets on asset prices.

#### Realized gains and losses on financial investments

	2022	2021
Shares (AFS)	5	10
Debt securities and money market investments (AFS)	(190)	115
Loans	4	2
<b>Total</b>	<b>(181)</b>	<b>127</b>

#### Net fair value change of derivatives comprise:

	2022	2021
Net fair value change economic hedges - no hedge accounting applied	(6,299)	(3,278)
Net fair value change bifurcated embedded derivatives	655	607
Ineffective portion hedge transactions - hedge accounting applied	(37)	19
<b>Total</b>	<b>(5,681)</b>	<b>(2,652)</b>

#### The ineffective portion of hedge transactions to which hedge accounting is applied comprises:

Fair value change on hedging instruments in a fair value hedge	1,445	441
Fair value change on hedged items in fair value hedge	(1,482)	(423)
<b>Ineffectiveness fair value hedge</b>	<b>(37)</b>	<b>19</b>

#### Net fair value change on financial assets at FVTPL for account of policyholders

	2022	2021
Shares	(1,484)	1,902
Debt securities and money market investments	(1,348)	(302)
Other	(2,158)	(182)
<b>Total</b>	<b>(4,990)</b>	<b>1,419</b>

### 31. Other income

Other income in 2022 of EUR 23 million includes a settlement of a legal dispute of EUR 20 million.

### 32. Policyholder claims and benefits

	2022	2021
Claims and benefits paid to policyholders - life insurance	2,810	3,048
Claims and benefits paid to policyholders - non life insurance	220	201
Change in valuation of liabilities for insurance contracts	(11,658)	(1,399)
<b>Total</b>	<b>(8,628)</b>	<b>1,851</b>

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 and investment contracts is the result of fair value changes of the guarantee provision and insurance contracts for account of policyholders as a result of decrease in interest rates, the net fair value change of investments for account of policyholders (refer to note 30 'Results from financial transactions'), as well as the loss recorded as a result of the LAT deficit (refer to note 16.1 'Life insurance' for more information).

The change in valuation of liabilities for insurance and investment contracts is highly sensitive of financial market movements. In 2022 a gain of EUR 3,591 million (2021: gain of EUR 1,701 million) regarding fair value movements of guarantees was recorded. This gain in 2022 and 2021 is driven by the decrease of the guarantee provision, as a result of higher interest rates in 2022 and 2021.

### 33. Commissions and expenses

	2022	2021
Commissions	53	50
Employee expenses	384	397
Administration expenses	404	385
<b>Total</b>	<b>841</b>	<b>831</b>

#### Employee expenses

	2022	2021
Salaries	211	208
Post-employment benefit costs	61	46
Social security charges	29	28
Other personnel costs	81	112
Variable compensation	2	3
<b>Total</b>	<b>384</b>	<b>397</b>

#### Employees

The average number of employees is 3,540, including 153 agents (2021: 3,528, including 150 agents), all working in the Netherlands.

#### Variable Compensation Plans

Members of the Board of Directors as well as selected jobholders have been granted Variable compensation, in accordance with the rules applicable to them and their interpretations by relevant authorities. Of these, the Dutch 2015 Act on compensation in the financial sector (Wet beloningsbeleid financiële ondernemingen Wft) and Solvency II are prominent examples. The rules have been adopted in the Aegon Group Global Remuneration Framework (AGGRF) drawn up by Aegon N.V. and have been consistently applied within Aegon Nederland. After the performance period, and based on the framework, variable compensation, if any, is partially made available and partly deferred. Variable compensation is paid in both cash and in Aegon N.V. shares. The shares were conditionally granted at the beginning of the year at the volume weighted average price (VWAP) on the Euronext stock exchange in Amsterdam during the period between December 15, preceding a plan year and January 15, of the plan year. The performance indicators apply over a performance period of one year and consist of Aegon N.V. and/or Aegon Nederland targets (both financial and non-financial) set by the Supervisory Board or the remuneration committee and personal/strategic targets. The conditional grant of variable compensation is also dependent on continued employment of the individual employee to whom the rights have been granted. An ex-post assessment is applicable to determine whether allocated (unvested) variable compensation should become unconditional or should be adjusted. In addition, for Members of the Board of Directors, Aegon Nederland's Supervisory Board has the right to reclaim variable compensation that has already been paid out or vested.



The deferred shares of the variable compensation award cliff-vest three years after allocation, while the deferred parts for members of the Board of Directors tranche-vest during a three-year period after allocation. Before each vesting moment, the Supervisory Board can decide to adjust an award downwards based on the annual ex-post risk assessment, which takes into account significant and exceptional circumstances which were not (sufficiently) reflected in the initial performance assessment.

In compliance with regulations under Dutch law, no transactions regarding the shares may be exercised in blackout periods.

All share plans are recognized in the financial statements of Aegon Nederland as cash-settled share based payment transactions since all grants are settled by Aegon Nederland in Aegon N.V. shares via the current account with Aegon N.V. Aegon Nederland uses a net settlement option for participants to meet withholding income tax obligations on vested tranches. This means that Aegon will not sell shares on the market, but hold these shares within Aegon and settle directly with the tax authorities in cash rather than in shares.

The liability related to the above mentioned plan (both cash and Aegon N.V. shares) is disclosed in note 25 'Other liabilities and accruals'. The related expenses are disclosed in note 33 'Commissions and expenses'.

Aegon Nederland provides for the full provision of the Variable Compensation Plans (both for Aegon N.V. and Aegon Nederland) and recharges the Variable Compensation Plans for employees that work solely for Aegon N.V. to Aegon N.V.

#### Shares as fixed compensation

The CEO of Aegon Nederland receives part of her fixed compensation in Aegon shares each pay round, next to receiving fixed compensation in cash. The grant price of these shares is equal to the volume weighted average price (VWAP) on the Euronext stock exchange in Amsterdam during the period between December 15 preceding a plan year and January 15 of the plan year. Once allocated, these shares are unconditional and do not depend on the continued employment of the employee. However, the shares are vested after allocation as soon as the Integrated Annual Report of Aegon N.V. has been adopted by the shareholders at the next Annual General Meeting. The shares granted in 2022 are vested at the AGM of 2023. Shares that are granted in the 2023 calendar year before the 2023 Annual General Meeting will vest as soon as possible after this meeting. The shares that are granted during the remainder of the 2023 calendar year, will vest after the 2024 AGM. No dividend or interest will accrue on any part of the share component before the vesting date. A holding period of three years, starting from the vesting date is applicable to the vested shares.

#### Remuneration Board of Directors

Current and former members of the Board of Directors are regarded as key management personnel. The remuneration for current and former directors charged to the company in the financial year pursuant to Section 383:1 of Book 2 of the Dutch Civil Code is set out below (amounts in euro). The Managing Director Life, Managing Director Non-Life, and Managing Director Workplace Solutions are not considered to be key management in accordance with IAS 24.

Amounts in EUR	2022	2021
Gross salary and social security contributions	2,238,663	3,114,760
Pension premium	8,608	15,360
Other benefits <sup>1)</sup>	686,905	796,659
<b>Total</b>	<b>2,934,176</b>	<b>3,926,779</b>

<sup>1)</sup> Other benefits' consist mainly of pension compensation received due to the plan amendments as at January 1, 2020, shares allocated as fixed compensation, and the fixed expense allowance.

The pension premium relates to premiums paid for the defined contribution plan.

#### Variable compensation for members of the Board of Directors

The following table shows the rights granted for active plans.

Variable compensation plan of year:	Conditionally granted shares	Conditionally granted cash	Actual shares granted	Actual cash granted	Transferred in period
2022	42,074	EUR 0.1 mln	<sup>1)</sup>	<sup>1)</sup>	2023-2026
2021	60,813	EUR 0.2 mln	57,101	EUR 0.2 mln	2022-2025
2020	57,715	EUR 0.2 mln	34,257	EUR 0.1 mln	2021-2024
2019	54,666	EUR 0.1 mln	52,253	EUR 0.1 mln	2020-2023
2018	31,820	EUR 0.2 mln	39,844	EUR 0.2 mln	2019-2022

<sup>1)</sup> To be determined in 2023. Shares allocated as fixed compensation are unconditionally and are not included in this table.

The following tables give information on the granted shares for the Board of Directors.

<b>Movements during the year</b>	<b>2022</b>	<b>2021</b>
<b>Unvested at January 1</b>	226,989	167,101
Reversal conditionally granted	(60,813)	(57,715)
Number of shares conditionally granted <sup>1)</sup>	42,074	60,813
Number of shares allocated	101,003	89,904
Number of shares forfeited	(6,293)	(20,784)
Number of shares vested	(44,796)	(12,330)
<b>Unvested at December 31</b>	<b>258,163</b>	<b>226,989</b>

<sup>1)</sup> To be determined in 2023 respectively 2022

#### Information on share prices used for the grant (in EUR) by plan year

	Fair value of shares at grant date in EUR	Average share price used for grant in EUR
2022	3.399 to 4.230	4.491 <sup>1)</sup>
2021	2.473 to 3.119	3.306
2020	2.785 to 3.796	4,083
2019	2.741 to 3.737	4,162
2018	4.143 to 5.054	5,848

<sup>1)</sup> This number is excluding the shares as fixed compensation as these are unconditionally and have been allocated.

<b>Unvested shares by plan year</b>	<b>2022</b>	<b>2021</b>
2022	85,879	-
2021	81,221	116,461
2020	66,465	72,758
2019	24,599	34,030
2018	-	3,740
<b>Unvested at December 31</b>	<b>258,163</b>	<b>226,989</b>

#### Mortgage loans Board of Directors

On the reporting date, the current members of the Board of Directors had mortgage loans totaling EUR 68 thousand from a company associated with Aegon Nederland (2021: EUR 2,122 thousand) at an interest rates of 5.10% (2021: 1.16% to 2.09%) in line with the terms and conditions available to the employees of Aegon Nederland. Mortgages provided during the year amount to nil (2021: nil) and repayments amount to nil (2021: EUR 135 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

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 203 thousand (2021: EUR 190 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.

#### 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.

### 33.1. Remuneration Independent Auditor

PricewaterhouseCoopers Accountants N.V. has served as Aegon Nederland's independent public auditor during 2022 and audited these financial statements. The fees for services rendered to Aegon Nederland 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 (consolidated) financial statements of Aegon Nederland;
- Audit of the financial statements of subsidiaries;
- Audit of the subsidiaries for group reporting purposes;
- Audit of the regulatory reports (Wft staten) of Aegon Levensverzekering, Aegon Spaarkas and Aegon Schadeverzekering as required by the Act on the financial supervision ('Wet op het financieel toezicht') and the audit of the regulatory returns for the Bank to be submitted to the Dutch Central Bank.

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 Nederland's consolidated 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;
- Review procedures performed on specified information or regulatory returns as specifically required by supervisory authorities pursuant to applicable law or regulations;
- Audit of internal control procedures;
- Audit of separate financial statements or audit of a specific element, account or item of a financial statement;
- Assurance assignments relating to cost price models;
- Specifically agreed services for third parties such as agreed upon assignments.
- Comfort letters relating to the covered bond program and other agreed-upon procedures for offering circulars, prospectuses, registration statements in connection with securities offerings and product filings.

### 34. Impairment charges / (reversals)

	2022	2021
Financial assets AFS	-	2
Loans	3	(16)
Other	(3)	12
<b>Total</b>	<b>-</b>	<b>(2)</b>

### 35. Interest charges and related fees

	2022	2021
Borrowings	11	2
Short-term liabilities and deposits	87	104
<b>Total</b>	<b>99</b>	<b>106</b>
Interest charges accrued on financial assets and liabilities not carried at FVTPL	99	106

### 36. Other charges

'Other charges' relates to the additions in legal procedures and Other in the provisions. Refer to note '22 Provisions'.

**37. Income tax**

	2022	2021
<b>Current tax</b>		
- Current year	100	127
- Adjustments to prior year	-	1
<b>Deferred tax</b>		
- Origination/(reversal) of temporary differences	49	37
- Changes in tax rates/bases	-	19
- Recognition of previously not recognized taxable temporary differences	454	-
- Adjustment to prior year	-	2
<b>Income tax for the period (income)/charge</b>	<b>603</b>	<b>186</b>

## Reconciliation between standard and effective corporate income tax:

	2022	2021
<b>Income before tax</b>	775	697
Income tax calculated using weighted average applicable statutory rates	200	174
<b>Difference due to the effects of:</b>		
- Non-taxable income	(52)	(12)
- Non-tax deductible expenses	-	1
- Changes in tax rates/bases	-	19
- Adjustments to prior years	-	4
- Recognition of previously not recognized taxable temporary differences	454	-
<b>Income tax for the period (income)/charge</b>	<b>603</b>	<b>186</b>

The weighted average applicable statutory tax rate for Aegon Nederland in 2022 was 78% (2021: 25%). The weighted average applicable statutory tax rate increased compared to 2021 due to the recognition a deferred tax liability of EUR 454 million on the undistributed profits of certain subsidiaries, which were previously not recognized. Refer to note 24.

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 in 2021.

	2022	2021
<b>Items that will not be reclassified to profit and loss:</b>		
Remeasurement of defined benefit plans	245	24
<b>Total</b>	<b>245</b>	<b>24</b>
<b>Items that may be reclassified subsequently to profit and loss:</b>		
Gains/losses on revaluation AFS investments	(544)	48
Gains/losses transferred to the income statement on disposal and impairment AFS investments	48	(31)
<b>Total</b>	<b>(497)</b>	<b>17</b>
<b>Total income tax related to components of other comprehensive income</b>	<b>(252)</b>	<b>41</b>

### 38. Fair value of assets and liabilities

The estimated fair values of assets and liabilities of Aegon Nederland 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 Nederland 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 Nederland determines the market is inactive or quoted market prices are not available for the asset or liability at the measurement date. However, the fair value measurement objective remains the same, that is, to estimate the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions (i.e. an exit price at the measurement date from the perspective of a market participant that holds the asset or owes the liability). Therefore, unobservable inputs reflect the own assumptions of Aegon Nederland 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 Nederland 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 Nederland 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.

**38.1. 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.

<b>2022</b>	Level I	Level II	Level III	Total
<b>Assets carried at fair value</b>				
<b>AFS investments</b>				
- Shares	-	-	21	21
- Debt securities	7,897	6,159	54	14,109
- Other	-	79	-	79
<b>Real estate held for own use</b>				
	-	-	76	76
<b>FVTPL investments</b>				
- Shares	32	793	1,357	2,183
- Debt securities	85	664	-	749
- Investments for account of policyholders <sup>1)</sup>	10,235	6,503	944	17,682
- Derivatives	126	8,319	-	8,445
- Investments in real estate	-	-	2,545	2,545
<b>Total assets</b>	<b>18,375</b>	<b>22,517</b>	<b>4,996</b>	<b>45,889</b>
<b>Liabilities carried at fair value</b>				
- Investment contracts for account of policyholders	-	-	-	-
- Derivatives	3	8,486	754	9,243
<b>Total liabilities</b>	<b>3</b>	<b>8,486</b>	<b>754</b>	<b>9,243</b>

<b>2021</b>	Level I	Level II	Level III	Total
<b>Assets carried at fair value</b>				
<b>AFS investments</b>				
- Shares	-	-	21	21
- Debt securities	13,936	10,280	194	24,409
- Other	-	84	-	84
<b>Real estate held for own use</b>				
	-	-	83	83
<b>FVTPL investments</b>				
- Shares	46	1,922	1,343	3,310
- Debt securities	92	807	-	900
- Investments for account of policyholders <sup>1)</sup>	12,282	9,959	1,159	23,401
- Derivatives	134	6,436	-	6,569
- Investments in real estate	-	-	2,588	2,588
<b>Total assets</b>	<b>26,490</b>	<b>29,487</b>	<b>5,388</b>	<b>61,365</b>
<b>Liabilities carried at fair value</b>				
- Investment contracts for account of policyholders	-	-	-	-
- Derivatives	11	4,066	1,416	5,493
<b>Total liabilities</b>	<b>11</b>	<b>4,066</b>	<b>1,416</b>	<b>5,493</b>

<sup>1)</sup> 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

	As at 1-1- 2022	Result income state- ment	Result OCI	Pur- chases	Sales	Transfers between I/II and III	As at 31-12- 2022	Result year- end
<b>2022</b>								
<b>Assets carried at fair value</b>								
<b>AFS investments</b>								
- Shares	21	-	5	-	(5)	-	21	-
- Debt securities	194	-	(3)	25	-	(161)	54	-
<b>Real estate held for own use</b>	83	(3)	-	(5)	-	-	76	(3)
<b>FVTPL investments</b>								
- Shares	1,343	170	-	190	(345)	-	1,357	170
- Investments for account of policyholders	1,333	(36)	-	892	(1,072)	1	1,118	(36)
- Investments in real estate	2,574	(52)	-	41	(37)	-	2,526	(52)
<b>Total assets</b>	<b>5,548</b>	<b>79</b>	<b>1</b>	<b>1,143</b>	<b>(1,460)</b>	<b>(161)</b>	<b>5,151</b>	<b>79</b>
<b>Liabilities carried at fair value</b>								
- Derivatives	1,416	(662)	-	-	-	-	754	(662)
<b>Total liabilities</b>	<b>1,416</b>	<b>(662)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>754</b>	<b>(662)</b>

Result income statement: Includes impairments and movements related to fair value hedges. Gains and losses are recorded in the line item Results from financial transactions of the income statement.

Result OCI: Total gains and losses are recorded in line items: Gains/(losses) on revaluation of available-for-sale investments, (Gains)/losses transferred to the income statement on disposal and impairment of available-for-sale investments and Changes in revaluation reserve real estate held for own use of the statement of other comprehensive income.

Result year-end: Relates to the total income in the financial year during which the financial instrument was held as Level III instrument.

	As at 1-1- 2021	Result income state- ment	Result OCI	Pur- chases	Sales	Transfers between I/II and III	As at 31-12- 2021	Result year- end
<b>2021</b>								
<b>Assets carried at fair value</b>								
<b>AFS investments</b>								
- Shares	28	(2)	5	-	(10)	-	21	(2)
- Debt securities	177	-	2	57	(21)	(20)	194	-
<b>Real estate held for own use</b>	104	(8)	1	(14)	-	-	83	(8)
<b>FVTPL investments</b>								
- Shares	1,302	147	-	179	(284)	-	1,343	147
- Investments for account of policyholders	736	122	-	1,471	(996)	-	1,333	122
- Derivatives	22	(22)	-	-	-	-	-	(22)
- Investments in real estate	2,331	253	-	47	(58)	-	2,574	253
<b>Total assets</b>	<b>4,699</b>	<b>490</b>	<b>8</b>	<b>1,740</b>	<b>(1,369)</b>	<b>(20)</b>	<b>5,548</b>	<b>490</b>
<b>Liabilities carried at fair value</b>								
- Derivatives	2,037	(621)	-	-	-	-	1,416	(621)
<b>Total liabilities</b>	<b>2,037</b>	<b>(621)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,416</b>	<b>(621)</b>

Result income statement: Includes impairments and movements related to fair value hedges. Gains and losses are recorded in the line item Results from financial transactions of the income statement.

Result OCI: Total gains and losses are recorded in line items: Gains/(losses) on revaluation of available-for-sale investments, (Gains)/losses transferred to the income statement on disposal and impairment of available-for-sale investments and Changes in revaluation reserve real estate held for own use of the statement of other comprehensive income.

Result year-end: Relates to the total income in the financial year during which the financial instrument was held as Level III instrument.

Some OTC derivatives are so-called longevity derivatives. The pay-out of longevity derivatives is linked to publicly available mortality tables. The derivatives are measured using the present value of the best estimate of expected pay-outs of the derivative plus a risk margin. The best estimate of expected pay-outs is determined using best estimate of mortality developments. Aegon determined the risk margin by stressing the best estimate mortality developments to quantify the risk and applying a cost-of-capital methodology. The most significant unobservable input for these derivatives is the interest rate due to the long duration of the derivatives. However, the interest rate risk is taken into account in our interest rate hedging strategy. Therefore the net most significant unobservable input is the (projected) mortality development.

#### Significant transfers between Levels I/II/III

During 2022 securities were transferred from level III to level II for an amount of EUR 30 million (2021: EUR 139 million) because of a change in price source to Markit. In addition EUR 108 million was transferred from level III to level I relating to the European Investment Bank. As of the last quarter of 2022 the pricing vendor started pricing, hence the level adjusted to level I. No transfers were made from level I to level II or III during 2022 ( 2021: EUR 27 million, EUR 106 million).

There were no other significant transfers.



### 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.

	Carrying amount	Valuation technique	Significant unobservable input <sup>1)</sup>	Range	Weighted average
<b>2022</b>					
<b>Assets carried at fair value</b>					
<b>AFS investments</b>					
Shares	21	Broker quote	n.a.	n.a.	n.a.
Debt securities - ABS	54	Broker quote	n.a.	n.a.	n.a.
<b>FVTPL</b>					
Shares	1,357	Broker quote	n.a.	n.a.	n.a.
Investments for account of policyholders	944	Broker quote	n.a.	n.a.	n.a.
Investments in real estate	2,545	External appraiser	n.a.	n.a.	n.a.
Real estate for own use	76	External appraiser	n.a.	n.a.	n.a.
<b>Total assets at fair value</b>	<b>4,996</b>				
<b>Liabilities carried at fair value</b>					
Derivatives					
- Bifurcated embedded derivatives	754	Discounted cash flow	Credit spread	0.45%	0.45%
<b>Total liabilities at fair value</b>	<b>754</b>				

	Carrying amount	Valuation technique	Significant unobservable input <sup>1)</sup>	Range	Weighted average
<b>2021</b>					
<b>Assets carried at fair value</b>					
<b>AFS investments</b>					
Shares	21	Broker quote	n.a.	n.a.	n.a.
Debt securities - ABS	194	Broker quote	n.a.	n.a.	n.a.
<b>FVTPL</b>					
Shares	1,343	Broker quote	n.a.	n.a.	n.a.
Investments for account of policyholders	1,159	Broker quote	n.a.	n.a.	n.a.
Investments in real estate	2,588	External appraiser	n.a.	n.a.	n.a.
Real estate for own use	83	External appraiser	n.a.	n.a.	n.a.
<b>Total assets at fair value</b>	<b>5,388</b>				
<b>Liabilities carried at fair value</b>					
Derivatives					
- Bifurcated embedded derivatives	1,416	Discounted cash flow	Credit spread	0.20%	0.20%
<b>Total liabilities at fair value</b>	<b>1,416</b>				

<sup>1)</sup> Not applicable (n.a.) has been included when the unobservable inputs are not developed by Aegon Nederland and are not reasonably available. Refer to the section Fair value measurement in this note for a detailed description of Aegon Nederland's 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 Nederland. 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'.

2022	Carrying amount	Significant unobservable input	Note	Effect of reasonably possible alternative assumptions	
				positive	negative
<b>Liabilities carried at fair value</b>					
Derivatives					
- Bifurcated embedded derivatives	754	Credit spread	b	(4)	4
<b>2021</b>					
<b>Assets carried at fair value</b>					
<b>FVTPL</b>					
Derivatives					
- Bifurcated embedded derivatives	-	Mortality	a	n.a.	n.a.
<b>Liabilities carried at fair value</b>					
Derivatives					
- Bifurcated embedded derivatives	1,416	Credit spread	b	(10)	10

The table above presents the impact on a fair value measurement of a change in an unobservable input for financial assets and liabilities. The impact of changes in inputs may not be independent; therefore the descriptions provided below indicate the impact of a change in an input in isolation.

- Some OTC derivatives are so-called longevity derivatives. The pay-out of longevity derivatives is linked to publicly available mortality tables. The derivatives are measured using the present value of the best estimate of expected pay-outs of the derivative plus a risk margin. The best estimate of expected pay-outs is determined using best estimate of mortality developments. Aegon determined the risk margin by stressing the best estimate mortality developments to quantify the risk and applying a cost-of-capital methodology. Depending on the duration of the longevity swaps either the projected mortality (+/- 5%) development or discount rate (+/- 100 bps) are the most significant unobservable inputs. The longevity contract was terminated at year-end 2021. Since year-end 2021 Aegon Nederland no longer has longevity derivatives.
- 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 Nederland increased or decreased the own credit spread by 5 basis points.

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

The following tables 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.

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.

#### Instruments not included in the table

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.

	At December 31		Level of fair value hierarchy		
	Carrying amount	Estimated fair value	Level I	Level II	Level III
<b>Assets</b>					
Mortgage loans	30,580	28,477	-	-	28,477
Private loans	4,484	3,966	-	-	3,966
Other	3	3	-	3	-
<b>Liabilities</b>					
Savings deposits	12,009	11,683	-	-	11,683
Borrowings	5,227	4,920	-	-	4,920
Investment contracts	169	143	-	-	143

	At December 31		Level of fair value hierarchy		
	Carrying amount	Estimated fair value	Level I	Level II	Level III
<b>Assets</b>					
Mortgage loans	31,138	34,198	-	-	34,198
Private loans	4,849	5,458	-	-	5,458
Other	4	4	-	4	-
<b>Liabilities</b>					
Savings deposits	11,586	11,731	-	-	11,731
Borrowings	5,735	5,773	-	-	5,773
Investment contracts	181	176	-	-	176

## 38.2. Fair value measurement

Aegon Nederland's methods of determining fair value and the valuation techniques are described on the following pages.

### 38.2.1. Shares

When available, Aegon Nederland 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.

### 38.2.2. Real estate funds, private equity funds and hedge funds

The fair values of investments held in non-quoted investment funds are determined by management after taking into consideration information provided by the fund managers. Aegon Nederland reviews the valuations each month and performs analytical procedures

and trending analysis to ensure the fair values are appropriate. The net asset value is considered the best valuation method that approximates the fair value of the funds.

### 38.2.3. Debt securities

The fair values of debt securities are determined by management after taking into consideration several sources of data. When available, Aegon Nederland uses quoted market prices in active markets to determine the fair value of its debt securities. As stated previously, Aegon Nederland's valuation policy utilizes a pricing hierarchy which dictates that publicly available prices are initially sought from indices and third party pricing services. In the event that pricing is not available from these sources, those securities are submitted to brokers to obtain quotes, the majority of which are non-binding. As part of the pricing process, Aegon Nederland 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 Nederland 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 Nederland 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 Nederland 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 Nederland 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 non-priced securities. Additionally Aegon Nederland 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 Nederland of the risk associated with each security. However, Aegon Nederland does not rely solely on external credit ratings and there is an internal process, based on market observable inputs, for determining Aegon Nederland's view of the risks associated with each security.

Aegon Nederland's 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 Nederland's 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 Nederland's 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 Nederland uses quoted market prices in active markets to determine the fair value of its sovereign debt investments. When Aegon Nederland 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 Nederland 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.

Aegon Nederland has mandated Aegon Asset Management to invest in RMBS transactions. Aegon Asset Management uses its own proprietary cash flow tools to analyze and stress test RMBS transactions. The key input parameters are default rates and loss given default assumptions, which are established based on historical pool characteristics and current loan level data.

### 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 Nederland 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.

#### 38.2.4. Mortgage loans and private loans

For private loans, fixed interest mortgage loans and other loans originated by Aegon Nederland, 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.

#### 38.2.5. Real estate

Valuations of both investments in real estate and real estate held for own use are conducted in full by independent external appraisers at least every three years and reviewed at least once a year by qualified internal appraisers to ensure the value correctly reflects the fair value at the balance sheet date. Appraisals are different for each specific local market, but are based on market guidelines such as International Valuation Standards, Uniform Standards of Professional Appraisal Practice or guidelines issued by the Investment Property Databank. Valuations are mostly based on active market prices, adjusted for any difference in the nature, location or condition of the specific property. If such information is not available, other valuation methods are applied, considering the value that the property's net earning power will support, the value indicated by recent sales of comparable properties and the current cost of reproducing or replacing the property. Discount rates used in the valuation of real estate reflect the risk embedded in the projected cash flows for the asset being valued. Capitalization rates represent the income rate for a real estate property that reflects the relationship between a single year's net operating income expectancy and the total property price or value. For property held for own use, appraisers consider the present value of the future rental income cash flows that could be achieved had the real estate been let out.

#### 38.2.6. Money market and other short-term investment and deposits with financial institutions

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

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

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

Some over-the-counter derivatives are so-called longevity derivatives. The pay-out of longevity derivatives is linked to publicly available mortality tables. The derivatives are measured using the present value of the best estimate of expected pay-outs of the derivative plus a risk margin. The best estimate of expected pay-outs is determined using best estimate of mortality developments. Aegon Nederland determined the risk margin by stressing the best estimate mortality developments to quantify the risk and applying a cost-of-capital methodology. Depending on the duration of the longevity swaps either the projected mortality development or discount rate are the most significant unobservable inputs.

### 38.2.8. 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 financial 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 0.45% for the year-end 2022 (2021: 0.20%).

Aegon 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's major currencies (EUR, USD and GBP) is set at 30 years.

The expected returns are based on risk-free rates. Aegon Nederland added a premium to reflect the credit spread as required. The credit spread is set by using the credit default swap 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 18 'Guarantees'.

### 38.2.9. Embedded derivatives in bank products

Some bifurcated derivatives embedded in bank products are not quoted in an active financial market. Valuation techniques are used to determine the fair values of these derivatives. Given the dynamic and complex nature of the cash flows relating to these derivatives, their fair values are often determined by using stochastic techniques under a variety of market return scenarios. A variety of factors are considered, including expected market prices and rates of return, equity and interest rate volatility, credit risk, correlations of market returns, discount rates and actuarial assumptions.

The expected returns are based on risk-free interest rates. Market volatility assumptions for each underlying index are based on observed market implied volatility data and/or observed market performance. As required for discounting cash flows, Aegon Nederland applies a credit spread to the risk-free interest rate when computing the guarantee provisions. This own credit spread is derived from the spread used in the market for credit default swaps in a reference portfolio of European life insurers (including Aegon N.V.).

### 38.2.10. Savings deposits and investment contracts

Savings deposits and investment contracts issued by Aegon Nederland are carried at amortized cost (with fair value being disclosed in the notes to the consolidated financial statements).

Similar to embedded derivatives in insurance contracts, certain investment products are not quoted in active markets and their fair values are determined by using valuation techniques. Because of the dynamic and complex nature of these cash flows, stochastic or similar techniques under a variety of market return scenarios are often used. A variety of factors are considered, including expected market rates of return, market volatility, correlations of market returns, discount rates and actuarial assumptions.

### 38.2.11. Other borrowings

Other borrowings are either carried at fair value (if they are designated as financial liabilities at fair value through profit or loss) or amortized cost (with fair value being disclosed in the notes to the consolidated financial statements). For the determination of the fair value of the borrowings, the level hierarchy as described by IFRS is used. The preferred method of obtaining the fair value of the fair value option bonds is the quoted price (Level I). In case markets are less liquid or the quoted prices are not available, an internal model is used, using parameters which are market observable (Level II). Aegon Nederland uses a discounted cash flow method including yield curves such as deposit rates, floating rate and 3-month swap rates. In addition Aegon Nederland includes the own credit spread based on Aegon's credit default swap curve.

## 38.3. 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.

	2022		2021	
	Trading	Designated	Trading	Designated
Investments for general account	-	2,077	-	4,837
Investments for account of policyholders	-	17,682	-	23,401
Derivatives with positive values	6,573	1,873	6,363	206
<b>Total financial assets at FVTPL</b>	<b>6,573</b>	<b>21,631</b>	<b>6,363</b>	<b>28,443</b>
Liabilities for guarantees	-	2,958	-	6,429
Derivatives with negative values	7,629	1,614	3,415	2,078
<b>Total financial liabilities at FVTPL</b>	<b>7,629</b>	<b>4,571</b>	<b>3,415</b>	<b>8,507</b>

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:

	Trading	Designated	Trading	Designated
Net gains and losses	(6,299)	(4,317)	(3,278)	2,143

### Investments for general account

Aegon Nederland manages certain portfolios on a total return basis which have been designated at fair value through profit or loss. This includes portfolios of investments in limited partnerships and limited liability companies (primarily hedge funds) for which the performance is assessed internally on a total return basis.

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 Nederland elected to designate these investments at fair value through profit or loss, as classification of these financial assets as available-for-sale would result in accumulation of unrealized gains and losses in a revaluation reserve within equity whilst changes to the liability would be reflected in net income (accounting mismatch).

#### Investments for account of policyholders

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

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

#### Derivatives

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



## 39. Commitment and contingencies

### 39.1. Investments contracted

In the normal course of business, Aegon Nederland has committed itself through purchase and sale transactions of investments, mostly to be executed in the course of 2023. 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.

<b>Contracted purchases</b>	<b>2022</b>	<b>2021</b>
Real estate	341	129
Private loans	752	107
Mortgage loans	1,094	883
Other	209	182

<b>Contracted sales</b>	<b>2022</b>	<b>2021</b>
Real estate	4	6
Mortgage loans	37	67
Other	-	-

Aegon Nederland has committed itself, through certain subsidiaries, to invest in real estate, private loans, mortgage loans and receivables and investment funds (included in 'Other') in future years.

Real estate commitments represent the committed pipeline of investments in real estate projects. The sale of real estate relates to properties that are under contract to be sold as per December 31. Mortgage loan commitments represent undrawn mortgage loan facilities provided and outstanding proposals on mortgages. The sale of mortgage loans relates to pre-announced redemptions on mortgage loans. Private loans represent deals on Aegon Nederland's portfolio of private placement securities that Aegon Nederland has committed to, but which have not yet settled and funded. Other commitments include future purchases of interests in investment funds and limited partnerships.

### 39.2. Other commitments and contingencies

Guarantees have been issued for compliance with contractual obligations such as investment mandates of investment funds.

Aegon Nederland has access to unsecured credit facilities totalling up to EUR 231 million, which were unused at the end of the reporting period.

Aegon Nederland does not have other material commitments and contingencies, other than disclosed in this note.

#### 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 2022, outstanding transition charges are estimated to amount to approximately EUR 12 million (excluding VAT), which are expected to be recorded over the next three years, with fixed payments to IBM defined in the agreement and subject to completion of milestones which have been agreed with Aegon Nederland.

On October 31, 2017, Aegon Nederland sold its shares in Unirobe Meeüs Groep (UMG) for EUR 295 million to Aon Groep Nederland. Under the share purchase agreement between Aegon Nederland and the buyer, Aegon Nederland indemnifies and holds the buyer and its group (including UMG) harmless for and against any damage suffered or incurred which is the result of the Unit Linked Insurances Claims until 2027 with respect to Unit Linked Policies in the portfolio of UMG prior to January 1, 2017. The aggregate liability for Aegon Nederland is maximized at an amount equal to the purchase price.

### 39.3. Off-balance sheet assets

As part of its core activities, Aegon Nederland enters into transactions and maintains relationships with institutional and private customers for a wide range of financial services. As consideration for these services, Aegon Nederland receives fees related to the value of the assets, the investment result or the risk run in connection with the contract. These are accounted for in note 28 'Fee and commission income'.

### 39.4. Legal and arbitrary proceedings, regulatory proceedings and actions (not updated in dummy)

#### 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 Nederland 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 Nederland is involved

##### 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.

#### Unit-linked products

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.

#### Securities leasing products ("aandelenlease")

Lawsuits have been brought against providers of securities leasing products ('aandelenlease producten'). Although sales of securities leasing products ended more than a decade ago, litigation relating to these products has resurfaced. In December 2020 Aegon Bank N.V. reached an agreement in principle on a settlement with Leaseproces B.V. for claims regarding Vliegwiël and Sprintplan customers represented by Leaseproces. On 4 June 2021 Aegon and Leaseproces B.V. announced it had finalized its agreement to settle these

claims. By the end of the response period, 99.7% of "Vliegwiël" customers and 94.5% of "Sprintplan" customers had agreed to the proposed settlement. Full performance of the agreement ended in 2022. There are still some individual claims pending at the courts and Kifid.

#### Optas

In 2019 Optas has been merged into Aegon Levensverzekering. Prior to the merger DNB gave permission for this merger and instructed Aegon Levensverzekering to execute the merger. A (limited) number of policyholders has opposed the merger and have appealed the permission of DNB at the administrative Court. On 13 February 2023 the administrative Court granted the objections and has annulled the permission of DNB. The Court finds that DNB should have required that all policyholders were individually informed in writing regarding the merger and the possibility to oppose the merger. The Court also finds that DNB should have shared all documents relating to the permission to the objectors, including documents that were marked classified and sensitive at the time. Based on the Wft the legality of the merger is not affected by an administrative annulment. This has been confirmed by ruling of the civil Court in a case against Aegon, that is now subject of a pending appeal. Though Aegon Levensverzekering does not expect the pending litigation at the administrative Court and/or civil Court to have a material impact, if any, there can be no assurances that these matters, will not ultimately result in a material adverse effect on Aegon's business, results of operations and financial position.

### 39.5. Capital commitments

<b>Contracted purchases</b>	<b>2022</b>	2021
Share of contingent liabilities incurred in relation to interests in joint ventures	5	7

The contingent liabilities above not shown in the statement of financial position relate to investment obligations entered into by Aegon Nederland (for its share of approximately 50%) for real estate development project of Amvest (in real estate development projects).

Amvest itself (100%) has unconditional obligations and planned total investments in real estate of EUR 715 million at year-end 2022 (2021: EUR 734 million). Of this, an amount of EUR 78 million is considered to be an unconditional obligation (2021: EUR 175 million). There are also contingent payment obligations for the acquisition of lands at year-end 2022 for a total amount of EUR 28 million (2021: EUR 27 million). The timing of this contingent consideration is uncertain and will in particular be dependent on the status of realization of the various projects.

### 39.6. Future lease payments

The future non-cancellable leases relate to office space lease and car lease from third parties. These are specified in the table below.

	<b>2022</b>	2021
Not later than 1 year	2	2
Between 1 and 5 years	5	5
Later than 5 years	2	-
<b>Total</b>	<b>8</b>	<b>7</b>

#### 40. Transfers of financial assets

Transfers of financial assets occur when Aegon Nederland transfers contractual rights to receive cash flows of financial assets or when Aegon Nederland retains the contractual rights to receive the cash flows of the transferred financial asset, but assumes a contractual obligation to pay the cash flows to one or more recipients in that arrangement.

##### Assets accepted

Aegon Nederland's financial assets, that have been transferred, but do not qualify for derecognition are debt instruments used in securities lending and reverse repurchase activities. Aegon Nederland 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 Nederland 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.

<b>Securities lending</b>	<b>2022</b>	2021
Carrying amount of transferred financial assets	696	973
Fair value of cash collateral received	-	-
Fair value of non-cash collateral received	(719)	(1,004)
<b>Net exposure</b>	<b>(23)</b>	<b>(31)</b>
Non-cash collateral that can be sold or repledged in the absence of default	719	1,004
Non-cash collateral that has been sold or transferred	-	-

<b>Reverse repurchase agreements</b>	<b>2022</b>	2021
Cash paid for reverse repurchase agreements	220	695
Fair value of non-cash collateral received	(220)	(695)
<b>Net exposure</b>	<b>-</b>	<b>-</b>
Non-cash collateral that can be sold or repledged in the absence of default	220	695
Non-cash collateral that has been sold or transferred	-	-

In addition, Aegon Nederland 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 Nederland or its counterparty. Transactions requiring Aegon Nederland 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. Refer to the credit risk section in note 4.2.3 'Credit risk' for details on collateral received for derivative transactions. In addition, in order to trade derivatives on the various exchanges, Aegon Nederland posts margin as collateral. These transactions are conducted under terms that are usual and customary to standard borrowing, derivative and securities borrowing activities, as well as requirements determined by exchanges where a bank acts as intermediary.

##### Assets pledged

Aegon Nederland pledges assets that are on its statement of financial position in securities borrowing transactions, in repurchase transactions and against borrowings. Non-cash financial assets that are borrowed or purchased under agreement to resell are not recognized in the statement of financial position. To the extent that cash collateral is paid, a receivable is recognized for the corresponding amount. If other non-cash financial assets are given as collateral, these are not derecognized. At year-end 2022 and year-end 2021 there were no assets pledged for repurchase agreements.

As part of Aegon Nederland's mortgage loan funding program EUR 2.1 billion (2021: EUR 2.2 billion) has been pledged as security for notes and loans issued and for subsidiary Aegon Bank EUR 2.9 billion has been pledged for notes related to the Conditional Pass Through Covered Bond program (2021: EUR 2.9 billion). Refer to note 21 'Borrowings and group borrowings' for more information.

#### 41. 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 to offset 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 Nederland 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 Nederland 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 Nederland to facilitate Aegon Nederland's right to offset credit risk exposure. The credit support agreement will normally dictate the threshold over which collateral needs to be pledged by Aegon Nederland or its counterparty. Transactions requiring Aegon Nederland or its counterparty to post collateral are typically the result of over-the-counter derivative trades, comprised mostly of interest rate swaps, currency swaps and credit swaps. These transactions are conducted under terms that are usual and customary to standard borrowing, derivative, securities lending and securities borrowing activities, as well as requirements determined by exchanges where the bank acts as intermediary.

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

Financial instruments in balance sheet	Assets		Liabilities	
	2022	2021	2022	2021
Gross (=Net) amounts of financial instruments	8,445	6,569	8,489	4,077
Related amounts not set off				
- Financial instruments	8,445	4,077	8,445	4,077
- Cash collateral pledged (excluding surplus collateral)	-	2,255	44	-
<b>Net amount at December 31</b>	<b>-</b>	<b>237</b>	<b>-</b>	<b>-</b>

In the Netherlands, mortgage customers can take a construction deposit for home construction and improvements as part of their mortgage. Undrawn amounts of construction deposits are netted against the outstanding total mortgage loans. At December 31, 2022, an amount of EUR 387 million (2021: EUR 319 million) of construction deposits is undrawn.

#### 42. Group companies

##### 42.1. Subsidiaries

The principal subsidiaries of Aegon Nederland, which are all incorporated in the Netherlands, are as follows:

Name	Primary business operation	% equity interest 2022	% equity interest 2021	Country of incorporation
Aegon Bank N.V., The Hague	Banking	100%	100%	The Netherlands
Aegon Hypotheken B.V., The Hague	Mortgages	100%	100%	The Netherlands
Aegon Levensverzekering N.V., The Hague	Life Insurance	100%	100%	The Netherlands
Aegon Schadeverzekering N.V., The Hague	Non-life Insurance	100%	100%	The Netherlands
Aegon Spaarkas N.V., The Hague	Life Insurance	100%	100%	The Netherlands
Aegon Cappital B.V., Groningen	Life Insurance	100%	100%	The Netherlands
Nedasco B.V., Amersfoort	Broker/Dealer	100%	100%	The Netherlands
Robidus Groep B.V., Zaanstad	Insurance related services	94%	94%	The Netherlands
TKP Pensioen B.V., Groningen	Pension Management	100%	100%	The Netherlands
AGIF B.V., The Hague	Investment company	100%	100%	The Netherlands

Aegon Nederland has issued a statement of liability pursuant to Section 403 of Book 2 of the Dutch Civil Code for the following group companies:

- Aegon Administratie B.V.
- Aegon DL B.V.
- Aegon Global Investment Fund B.V.
- Aegon Innovation Investments B.V.
- Vastgoedmaatschappij Inpa B.V.
- Amvest Home Free B.V.

The legally required list of subsidiaries and associates required by Sections 379 and 414 of Book 2 of the Dutch Civil Code has been registered with the Trade Register in The Hague.

## 42.2. Investments in associates and joint ventures

### Associates

The principal associates of Aegon Nederland are:

- Amvest Residential Core Fund (26.68%) real estate
- N.V. Levensverzekeringmaatschappij 'De Hoop', The Hague (33.3%)
- OB Capital Cooperatief U.A., Amsterdam (95.0%);

OB Capital Cooperatief U.A. is a company involved in investment in litigation finance and is incorporated in the Netherlands with principal activities based in the Netherlands, Switzerland, United Kingdom and Guernsey. Aegon Levensverzekering has a 95% interest in OB Capital Cooperatief U.A.. Even though Aegon Levensverzekering held more than half of the voting rights, Aegon Levensverzekering does not have control over the company because the existing contractual agreements with other shareholders do not provide Aegon Levensverzekering with rights to direct the daily activities of the company.

### Joint ventures

The joint ventures of Aegon Nederland are:

- Amvest Vastgoed B.V., Utrecht (50%), property management and real estate
- Amvest Development Fund B.V., Amsterdam (50%), real estate
- Amvest Living & Care Fund, Utrecht (50%), real estate

Amvest Vastgoed B.V. is the fund manager of the funds. The other major participant in the joint venture, Stichting Pensioenfond's Zorg en Welzijn in Zeist, has equal interests and voting power in the entities mentioned above.

## 42.3. Investments in structured entities

The following structured entities are group companies and have been consolidated. The structures entities relate to the securitization of mortgage loans or consumer credit loans. The contractual agreements with these entities do not include provisions in which Aegon Nederland could be required to provide financial support in certain circumstances. Aegon Nederland has not provided, nor has intentions to provide, financial or other support without having a contractual obligation to do so.

- SAECURE 16 B.V.
- SAECURE 17 B.V.
- SAECURE 18 NHG B.V.
- SAECURE 19 B.V.
- SAECURE 20 B.V.
- Aegon Hypotheken Financiering B.V.
- Aegon Hypotheken Prefunding B.V.
- Kigoi 2013 B.V.
- Aegon Conditional Pass Through Covered Bond Company B.V.
- Soft bullet program Aegon Bank

On May 23, 2019, Aegon Levensverzekering closed a transaction under the Dutch SAECURE program to issue Class A mortgage backed securities (RMBS). 'SAECURE 17' consists of EUR 2,900 million of class A notes with an expected weighted average life of 4.99 years and a fixed coupon of 0.50%. These notes can be used as collateral for repurchase facilities Aegon Levensverzekering has entered into with third parties, or alternatively sold to third party investors. As all notes have been retained by Aegon Levensverzekering, the notes acquired by Aegon Levensverzekering are eliminated against the notes issued by the SPE in the consolidation process. At year-end 2022 EUR 600 million (market value EUR 421 million) has been posted as collateral with respect to the longevity reinsurance contract

with Canada Life Reinsurance (2021: EUR 600 million collateral, market value EUR 499 million) and EUR 295 million with respect to the longevity reinsurance contract with RGA (2021: no collateral posted).

On May 28, 2020, Aegon Bank closed a transaction under the Dutch SAECURE program to sell Class A mortgage backed securities (RMBS). 'SAECURE 19' consists of EUR 1,540 million of class A notes with an expected weighted average life of 5.0 years and a fixed coupon of 0.50%. As all notes have been retained by Aegon Bank, the notes acquired by Aegon Bank are eliminated against the notes issued by the SPE in the consolidation process. The notes are ECB eligible retained notes and therefore generated increased liquidity capacity for Aegon Bank.

On April 8, 2021, Aegon Hypotheken closed a transaction under the Dutch SAECURE program to sell Class A mortgage backed securities (RMBS). 'SAECURE 20' consisted of EUR 657 million of class A notes with an expected weighted average life at origination of 4.98 years and a coupon of 3 month Euribor plus 70bps.

#### Residential mortgage backed securities (RMBS)

The net proceeds of the RMBS notes are used to finance the Dutch mortgage portfolio. The expected maturity of the RMBS notes is derived from the FORD which stands for the first optional redemption date. At this date the seller in the transaction (a subsidiary of Aegon Nederland) has the first right to repurchase the underlying mortgages from the SPE. The legal maturity date of the RMBS notes is related to the underlying mortgage loans with the longest legal maturity. All these notes are fully collateralized by mortgage loans which are part of the general account investments of Aegon Nederland. On April 8, 2021, Aegon Hypotheken closed a transaction under the Dutch SAECURE program to sell Class A mortgage backed securities (RMBS). 'SAECURE 20' consisted of EUR 657 million of class A notes with an expected weighted average life at origination of 4.98 years and a coupon of 3 month Euribor plus 70bps.

Aegon Hypotheken neither holds shares in Aegon Hypotheken Prefunding B.V. vested in Amsterdam. 100% of the shares in Aegon Hypotheken Prefunding are held by Stichting Holding Prefunding SPV. However, as Aegon Hypotheken has 'control' over this special purpose entity, Aegon Hypotheken Prefunding falls within the consolidation scope. Aegon Hypotheken Prefunding is set up to accommodate a new financing structure starting activities in 2022.

In May 2021, Knab launched a EUR 5 billion Soft Bullet Covered Bond ("SBCB") Program, in addition to the Conditional Pass-Through Covered Bond ("CPTCB") Program previously set up in 2015. Under these Programs, the payment of interest and principal is guaranteed by an Aegon-administered structured entity, i.e., Aegon Conditional Pass-Through Covered Bond Company B.V and Aegon Soft Bullet Covered Bond Company B.V., respectively (the "Companies"). In order for the Companies to honor its guarantee, Knab transfers ownership of mortgage loans originated by Aegon affiliates to the Companies. The Companies are consolidated by Knab. After five successful CPTCB issuances, Knab successfully issued its inaugural EUR 500 million transaction, with a 15-year maturity, under the SBCB Program in June 2021. The first CPTCB issuance, dating back to 2015, was fully repaid in December 2020. The par value of the CPTCB issue amounted to EUR 750 million.

Aegon Investment Management in cooperation with Aegon Nederland setup Flexible Mortgage Program B.V., which is a Special Purpose Entity used to pass on mortgage loans originated by Aegon Hypotheken to end investors. The parent company of the SPE is Stichting Flexible Mortgage Program Foundation, which is not related to Aegon. The director of both the SPE and its parent, the foundation, is Intertrust Management BV, which is not part of Aegon Group and is not a related party either. Aegon Hypotheken and Aegon Investment Management act as service providers (agents) for mortgage origination, management and administration of the fund on behalf and for the benefit of the external investors and receive fee income in return. Aegon Nederland has no control over the SPE and therefore does not consolidate the SPE. Aegon Nederland and Aegon Investment Management also do not invest in the SPE or in the notes issued by the SPE.

### 43. Related party transactions

In the normal course of business, Aegon Nederland 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 Nederland has a current account payable with Aegon N.V. of EUR 2 million (2021: EUR 10 million receivable). Aegon Nederland has group borrowings and group loans with group companies. See note 21.2 'Group borrowings' and note 11 'Loans and group loans' for further information.

In 2022, Aegon N.V. recharged Aegon Nederland EUR 30 million in overheads and program expenses (2021: EUR 24 million). In turn, Aegon Nederland recharged these expenses to its group companies. Aegon Nederland administers the payroll for employees working for Aegon N.V. in the Netherlands. The total employee benefits recharged were EUR 73 million (2021: EUR 77 million).

Aegon Nederland, without the joint venture Amvest Vastgoed, is a member of the Aegon N.V. tax group and settles its current tax liabilities with the head of the tax grouping as if it were an autonomous taxpayer. Aegon Nederland is jointly and severally liable for all tax liabilities of the entire Aegon N.V. tax group. It also uses the tax expertise of Aegon N.V.

Aegon Nederland participates in the treasury and derivative valuation services of Aegon N.V. The interest rate swaps that Aegon Nederland uses to mitigate interest rate risk are concluded with Aegon Derivatives.

Aegon Nederland paid EUR 250 million dividend to Aegon Europe Holding B.V. in 2022 (2021: EUR 135 million). In 2022 Aegon Nederland increased the equity of Aegon Capital B.V. by means of a capital contribution of EUR 9.7 million as a share premium on shares already issued (2021: capital contribution of EUR 10.2 million)

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 38 million (2021: EUR 49 million).

During 2022, Aegon Hypotheken originated mortgage loans for account of the Dutch Mortgage Fund/Dutch Mortgage Fund 2 and other funds, managed by Aegon Investment Management B.V., for in total EUR 4.7 billion (2021: EUR 6.9 billion).

### 44. Events after the reporting period

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

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

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

As of March 2023 Aegon Nederland has increased its repurchase agreement facility of EUR 500 million to EUR 1 billion. Under this facility Aegon Nederland has the right to enter into repurchase transactions up to an amount of EUR 1 billion to generate additional liquidity. To the date of preparation of this annual report no amount is drawn under the agreement.

In March 2023 EUR 70 million dividend was paid to Aegon Europe Holding B.V..

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



#### **45. Approval of the consolidated financial statements**

The consolidated financial statements of Aegon Nederland for the year ended December 31, 2022 were approved by the Board of Directors and by the Supervisory Board on April 7, 2023.

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

The Hague, April 7, 2023

The Board of Directors,

<b>A.C.C. van Hóvell-Patrizi (chair)</b>	
<b>B. Magid</b>	
<b>W.H.M. van de Kraats</b>	

The Hague, April 7, 2023

The Supervisory Board,

<b>D. Jansen Heijtmajer (chair)</b>	
<b>G.J.M. Vrancken</b>	
<b>M.J.E. Hoek</b>	
<b>M.J. Rider</b>	

# Financial statements 2022 of **Aegon Nederland N.V.**

Report of the Board of Directors

See page **3** of the Annual Report for the Report of the Board of Directors.

**Statement of financial position**

(as at December 31, 2022)

(before profit appropriation)

Amounts in EUR million	Note	2022	2021
<b>Non-current assets</b>			
<b>Immaterial fixed assets</b>			
Intangible assets		8	9
<b>Financial fixed assets</b>			
Shares in group companies	3	9,902	10,455
Loans and group loans	4	-	67
Investments	5	2,251	2,664
		<b>12,153</b>	<b>13,185</b>
<b>Receivables</b>			
Other assets and receivables	6	293	692
<b>Current assets</b>			
<b>Receivables</b>			
Other assets and receivables	6	373	331
<b>Cash and cash equivalents</b>			
Cash and cash equivalents	7	218	167
<b>Total assets</b>		<b>13,045</b>	<b>14,386</b>
<b>Equity</b>			
- Share capital		24	24
- Share premium		1,817	1,817
- Revaluation reserves		843	2,126
- Other legal reserves		37	37
- Remeasurement of defined benefit plans		(675)	(1,379)
- Retained earnings		4,469	4,353
- Net income		173	512
<b>Total equity</b>	8	<b>6,688</b>	<b>7,489</b>
<b>Provisions</b>			
Provisions		29	38
Deferred tax liabilities	9	548	210
		<b>577</b>	<b>248</b>
<b>Non-current liabilities</b>			
Borrowings and group borrowings	10	2,675	2,690
Defined benefit liabilities	11	2,462	3,466
Other liabilities and accruals	12	7	11
		<b>5,144</b>	<b>6,167</b>
<b>Current liabilities</b>			
Other liabilities and accruals	12	636	481
<b>Total liabilities</b>		<b>6,358</b>	<b>6,896</b>
<b>Total equity and liabilities</b>		<b>13,045</b>	<b>14,386</b>

**Income statement**

(for the year ended December 31, 2022)

<b>Amounts in EUR million</b>	<b>2022</b>	<b>2021</b>
Net income group companies	879	586
Other income/(loss) after tax	(706)	(74)
<b>Net income</b>	<b>173</b>	<b>512</b>

## 1. General information

For general information on Aegon Nederland we refer to note 1 'General information' of the consolidated financial statements.

## 2. Summary of significant accounting policies

### Basis of preparation

The company's financial statements of Aegon Nederland have been prepared in accordance with accounting principles in the Netherlands as embodied in Part 9 of Book 2 of the Dutch Civil Code. In accordance with article 362.8, Book 2, of the Dutch Civil Code, the Company's financial statements are prepared based on the accounting principles of recognition, measurement and determination of profit, as applied in the consolidated financial statements of Aegon Nederland. These principles also include the classification and presentation of financial instruments, being equity instruments or financial liabilities.

A reference is made to note 2 'Summary of significant accounting policies' of the consolidated financial statements for the description of the accounting policies applied. The critical accounting estimates are set out in note 3 'Critical accounting estimates and judgment in applying accounting policies' of the consolidated financial statements. These also apply to the separate financial statements unless stated otherwise.

With regard to the income statement of Aegon Nederland, article 402, Book 2 of the Dutch Civil Code has been applied, allowing a condensed format.

### Group companies

The group companies are stated at their net asset value, determined on the basis of IFRS as applied in the consolidated financial statements of the Group. For details on the accounting policies applied for the group companies refer to the consolidated financial statements.

### Equity

Revaluation reserves include unrealized gains and losses on available-for-sales assets and the positive changes in value that have been recognized in net income/(loss) relating to investments (including real estate) and which do not have a frequent market listing. In addition to the notes in the consolidated financial statements it is reported that revaluation reserves include legal reserves in respect of group companies. Legal reserves in respect of group companies include net increases in net asset value of subsidiaries and associates since their first inclusion, less any amounts that can be distributed without legal restrictions.

## 3. Shares in group companies

	2022	2021
<b>At January 1</b>	10,455	10,220
Capital contributions and acquisitions	10	10
Net income for the financial year	879	586
Dividends received	(305)	(471)
Revaluations	(1,137)	110
<b>At December 31</b>	<b>9,902</b>	<b>10,455</b>

For a list of names and locations of the most important group companies, refer to note 42 'Group companies' of the consolidated financial statements. Refer to the tables below for information on the capital contributions received by group companies of Aegon Nederland as well as the dividends received from group companies by Aegon Nederland. All shares in group companies are deemed non-current.

### Capital contributions

	2022	2021
<b>Capital contributions and acquisitions</b>		
Aegon Cappital B.V.	10	10
<b>Total</b>	<b>10</b>	<b>10</b>

## Dividends received

	2022	2021
Aegon Bank N.V.	-	45
Aegon Hypotheken B.V.	37	34
Aegon Levensverzekering N.V.	200	350
Aegon Schadeverzekering N.V.	21	-
Aegon Spaarkas N.V.	8	35
Aegon Global Investment Fund B.V.	30	-
Nedasco B.V.	3	3
Robidus Groep B.V.	6	4
<b>Total</b>	<b>305</b>	<b>471</b>

## 4. Loans and group loans

	2022	2021
<b>At January 1</b>	67	600
Additions	-	67
Repayments	(67)	(600)
<b>At December 31</b>	<b>-</b>	<b>67</b>
Current	-	67
Non-current	-	-
<b>Total</b>	<b>-</b>	<b>67</b>

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.

Aegon Nederland had a subordinated loan from Aegon Levensverzekering. This subordinated loan had an indefinite duration and a term of notice of five years. The interest rate was 6%. In 2021 the remainder of EUR 600 million was repaid, after approval of DNB.



## 5. Investments

	2022	2021
Available for sale debt securities	815	1,326
Loans (amortized cost)	777	633
Financial assets at fair value through profit and loss (FVPL)	82	95
Investments in real estate	557	590
Other available for sale investments	20	20
<b>At December 31</b>	<b>2,251</b>	<b>2,664</b>
Current	259	227
Non-current	1,992	2,437
<b>Total</b>	<b>2,251</b>	<b>2,664</b>

Aegon Nederland has insured its defined pension obligations with Aegon Levensverzekering. The investments represent the investments related to the defined benefit plan of Aegon Nederland held in the separated accounts of Aegon Levensverzekering. Refer to note 23 'Defined benefit liabilities' of the consolidated financial statements for more information on the defined benefit plan of Aegon Nederland.

	Debt securities	Mortgage loans	Private loans	Financial assets FVPL	Investments in real estate	Other financial assets	Total
<b>2022</b>							
<b>At January 1</b>	<b>1,326</b>	<b>483</b>	<b>150</b>	<b>95</b>	<b>590</b>	<b>20</b>	<b>2,664</b>
Acquisitions	22	251	2	1	-	-	276
Disposal	(153)	(107)	-	(30)	(23)	-	(313)
Unrealized gains/losses through equity	(378)	-	-	-	-	-	(378)
Amortizations through income statement	(2)	-	-	-	-	-	(2)
Realized gains and losses through income statement	-	-	(2)	16	(10)	-	4
<b>At December 31</b>	<b>815</b>	<b>627</b>	<b>150</b>	<b>82</b>	<b>557</b>	<b>20</b>	<b>2,251</b>
Fair value	815	585	165	82	557	20	2,224
<b>2021</b>							
<b>At January 1</b>	<b>1,444</b>	<b>543</b>	<b>150</b>	<b>94</b>	<b>546</b>	<b>21</b>	<b>2,798</b>
Acquisitions	44	3	-	6	14	-	67
Disposal	(45)	(63)	-	(13)	(35)	(2)	(158)
Unrealized gains/losses through equity	(115)	-	-	-	-	1	(114)
Amortizations through income statement	(2)	-	-	-	-	-	(2)
Realized gains and losses through income statement	-	-	-	8	65	-	73
<b>At December 31</b>	<b>1,326</b>	<b>483</b>	<b>150</b>	<b>95</b>	<b>590</b>	<b>20</b>	<b>2,664</b>
Fair value	1,326	549	242	95	590	20	2,822

## 6. Other assets and receivables

	2022	2021
<b>Non-current</b>		
Equipment	23	24
Other	270	668
<b>At December 31</b>	<b>293</b>	<b>692</b>
<b>Current</b>		
Receivables from group companies	302	139
Receivables	44	166
Accrued income	27	27
<b>At December 31</b>	<b>373</b>	<b>331</b>
At December 31	666	1,024

The category 'Other' represents the value of the contract with Aegon Levensverzekering for the defined pension plan, that exceeds the value of the investments (as disclosed in note 5 'Investments') and the cash deposits (as included in note 7 'Cash and cash equivalents') attributed to the contract. The carrying amounts disclosed reasonably approximate fair value at year-end.

'Receivables from group companies' concern the current accounts with group companies. Each group company has an uncollateralized current account relationship with Aegon Nederland, consisting of either a claim or a debt position. These current account positions are subject to internally set limits which are monitored; regular realignments occur even if no limit is exceeded.

## 7. Cash and cash equivalents

The cash items include an amount of EUR 184 million (2021: EUR 47 million) of cash held in the segregated accounts at Aegon Levensverzekering that is related to the pension plan of Aegon Nederland. The remaining cash items are not subject to restrictions.

## 8. Equity

	2022	2021
Share capital	24	24
Share premium	1,817	1,817
Revaluation reserves	843	2,126
Remeasurement of defined benefit plans	(675)	(1,379)
Other legal reserves	37	37
Retained earnings	4,469	4,353
Net income	173	512
<b>At December 31</b>	<b>6,688</b>	<b>7,489</b>

### 8.1. Share capital

The authorized share capital is EUR 50 million, divided into 100,000 common shares of EUR 500 nominal value each, of which 47,194 shares have been issued and fully paid up. There have been no changes since the previous financial year.

## 8.2. Statement of changes in equity

	Share capital	Share premium	Revaluation reserves	Remeasurement of defined benefit plans	Other legal reserves	Retained earnings	Net income/(loss)	Shareholders' equity
<b>2022</b>								
<b>At January 1</b>	24	1,817	2,126	-1,379	37	4,353	512	7,489
Net income prior year retained						512	(512)	-
Net income current year	-	-	-	-	-	-	173	173
<b>Total net income/(loss)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>512</b>	<b>(339)</b>	<b>173</b>
Changes revaluation subsidiaries	-	-	(1,137)	-	-	-	-	(1,137)
Adjustment to revaluation reserves	-	-	146	-	-	(146)	-	-
Changes revaluation reserves	-	-	(292)	-	-	-	-	(292)
Remeasurement of defined benefit plans	-	-	-	704	-	-	-	704
Other	-	-	-	-	-	-	-	-
<b>Other comprehensive income/(loss)</b>	<b>-</b>	<b>-</b>	<b>(1,283)</b>	<b>704</b>	<b>-</b>	<b>(146)</b>	<b>-</b>	<b>(725)</b>
Dividend common shares	-	-	-	-	-	(250)	-	(250)
<b>Equity changes from relation with shareholder</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(250)</b>	<b>-</b>	<b>(250)</b>
<b>At December 31</b>	<b>24</b>	<b>1,817</b>	<b>843</b>	<b>(675)</b>	<b>37</b>	<b>4,469</b>	<b>173</b>	<b>6,688</b>

	Share capital	Share premium	Revaluation reserves	Remeasurement of defined benefit plans	Other legal reserves	Retained earnings	Net income/(loss)	Shareholders' equity
<b>2021</b>								
<b>At January 1</b>	24	1,817	1,771	(1,510)	41	4,279	538	6,961
Net income prior year retained	-	-	-	-	-	538	(538)	-
Net income current year	-	-	-	-	-	-	512	512
<b>Total net income/(loss)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>538</b>	<b>(26)</b>	<b>512</b>
Changes revaluation subsidiaries	-	-	110	-	-	-	-	110
Adjustment to revaluation reserves	-	-	333	-	-	(333)	-	-
Changes revaluation reserves	-	-	(88)	-	-	-	-	(88)
Remeasurement of defined benefit plans	-	-	-	131	-	-	-	131
Other	-	-	-	-	(4)	4	-	-
<b>Other comprehensive income/(loss)</b>	<b>-</b>	<b>-</b>	<b>355</b>	<b>131</b>	<b>(4)</b>	<b>(329)</b>	<b>-</b>	<b>153</b>
Dividend common shares	-	-	-	-	-	(135)	-	(135)
<b>Equity changes from relation with shareholder</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(135)</b>	<b>-</b>	<b>(135)</b>
<b>At December 31</b>	<b>24</b>	<b>1,817</b>	<b>2,126</b>	<b>(1,379)</b>	<b>37</b>	<b>4,353</b>	<b>512</b>	<b>7,489</b>

Share capital, the revaluation reserves and other legal reserves together form the Legal reserves which are restricted from distribution to shareholders. A revaluation reserve is formed for unrealised positive revaluations for subsidiaries, joint ventures, real estate investments, AFS investments, and for positive unrealised revaluation of investments which are illiquid or do not have a frequent market listing.

The line item 'Changes revaluation reserves' is related to the revaluations in the AFS investments portfolio (net of deferred taxes).

The reclassification item from retained earnings ('Adjustment to revaluation reserves') is mainly related to unrealized gains on real estate investments and unrealized gains on participations in real estate investment funds for which legally a revaluation reserve should be formed.

As at December 31, 2022 a revaluation reserve is formed for unrealised positive revaluations for subsidiaries (EUR 304 million, 2021: EUR 323 million), joint ventures (EUR 113 million, 2021: EUR 68 million), real estate investments (EUR 712 million, 2021: EUR 750 million), AFS investments (EUR 156 million; 2021: EUR 2,982 million), and for positive unrealised revaluation of investments which are illiquid or do not have a frequent market listing (EUR 185 million, 2021: EUR 13 million).

The revaluation reserves and other 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 'Other legal reserves' relate to software that has been capitalized (accounted for under 'Intangibles') and includes software held within the group companies.

As a result of the adjustment with respect to the presentation of the legal reserves under the Dutch Civil Code Part 9 Book 2, the revaluation reserves in the company financial statements differ with of EUR 1,452 million (2021: EUR 1,308 million) from the amount presented in note 15 'Equity' of the consolidated financial statements.

## 9. Deferred tax liabilities

	Real estate	Financial assets	Defined benefit plans	Other	Total
<b>2022</b>					
<b>At January 1</b>	67	105	36	2	210
Charged to income statement	(67)	(4)	(187)	453	195
Charged to equity	-	(101)	244	-	143
<b>At December 31</b>	<b>-</b>	<b>-</b>	<b>93</b>	<b>455</b>	<b>548</b>
<b>2021</b>					
<b>At January 1</b>	48	130	34	4	216
Charged to income statement	19	-	(22)	(2)	(5)
Charged to equity	-	(25)	24	-	(1)
<b>At December 31</b>	<b>67</b>	<b>105</b>	<b>36</b>	<b>2</b>	<b>210</b>

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

## 10. Borrowings and group borrowings

	<b>2022</b>	2021
Loan Aegon Global Investment Fund B.V.	2,500	2,500
Loan Aegon Spaarkas N.V.	100	100
Loan Aegon Levensverzekering N.V.	75	90
<b>At December 31</b>	<b>2,675</b>	<b>2,690</b>
Current	1,815	15
Non-current	860	2,675
<b>Total</b>	<b>2,675</b>	<b>2,690</b>
	<b>2022</b>	2021
<b>At January 1</b>	2,690	3,555
Repayments	(15)	(865)
<b>At December 31</b>	<b>2,675</b>	<b>2,690</b>

The fixed term loan with Aegon Global Investment Fund B.V. has been terminated in July 2019 and was replaced by a new loan for 5 years for the same amount, with the coupon of 6 months plus 68.3bps.

Aegon Spaarkas has a fixed term loan with Aegon Nederland for a 10 years period and a coupon of 6 months Euribor plus 148bps.

As of June 2017 Aegon Levensverzekering has a loan of EUR 150 million with Aegon Nederland, consisting of ten loan parts of EUR 15 million with a maturity vary from 1 year to 10 years at fixed interest per loan part. In 2022 EUR 15 million was redeemed (2021: EUR 15 million).

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.

### 11. Defined benefit liabilities

Refer to note 23 'Defined benefit liabilities' of the consolidated financial statements for information on the defined benefit liabilities.

### 12. Other liabilities and accruals

	2022	2021
<b>Non-current</b>		
Other liabilities	7	11
<b>At December 31</b>	<b>7</b>	<b>11</b>
<b>Current</b>		
Payables to group companies	326	413
Other liabilities	310	68
<b>At December 31</b>	<b>636</b>	<b>481</b>
Total at December 31	643	492

'Payables to group companies' concern the current accounts with group companies. Refer to note 6 'Other assets and receivables' for more information.

There are no non-current liabilities with a maturity over 5 year. The carrying amounts disclosed reasonably approximate fair value at year-end.

### 13. Remuneration Directors and Supervisory Board

Refer to note 33 'Commissions and expenses' of the consolidated financial statements for information on the remuneration of the Directors and Supervisory Board.

### 14. Remuneration Independent Auditor

Refer to note 33 'Commissions and expenses' of the consolidated financial statements for information on the remuneration of the independent Auditor.

### 15. Employees

The average number of employees is 2,089 (2021: 2,155), including 89 agents (2021: 93), all working in the Netherlands. 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.

### 16. Related party transactions

Aegon Nederland has a current account facility with the subsidiaries of the Aegon Nederland group. At year-end, the amount of EUR 48 million (2021: EUR 302 million) was drawn upon this facility.

Aegon Nederland provides its group companies with staff and facilities at cost. All intra-group transactions are accounted for through the current account with group companies (in the separate financial statements). The total recharge was EUR 184 million (2021: EUR 215 million).

Aegon Nederland has paid EUR 5 million (2021: EUR 5 million) to its subsidiary Aegon Levensverzekering for the rental of the Aegon offices in The Hague

As of January 1, 2020, the defined benefit plan of Aegon Nederland for its own employees, which is administered by Aegon Levensverzekering, is closed for new members and there will be no further accrual of benefits to existing members. Entitlements before January 1, 2020 will remain unchanged and the indexation agreements for those accruals will remain in force. The premium paid for this scheme to Aegon Levensverzekering was EUR 11 million (2021: EUR 11 million). Refer to note 23 'Defined benefit liabilities' for more information.

All contributions after January 1, 2020 are made to a new individual defined contribution pension scheme that is administered at Aegon Cappital. By law Aegon Cappital cannot bear insurance risks. The insurance risks relating to death benefits are insured by Aegon Levensverzekering, the insurance risks relating to disability are insured by Aegon Schadeverzekering. In 2022 EUR 42 million of defined contribution premiums were paid to Aegon Cappital (2021: EUR 42 million). With respect to the premiums paid for the insured death benefits EUR 3 million (2021: EUR 3 million) was paid to Aegon Levensverzekering (through Aegon Cappital), and EUR 1 million (2021: EUR 1 million) as premium was paid to Aegon Schadeverzekering (through Aegon Cappital) relating to the insured disability benefits.

Aegon Nederland has group loans and group borrowings with group companies, see note 4 'Loans and group loans' and note 10 'Borrowings and group borrowings' for further information.

The mortgages held by the Aegon Nederland Group are managed and administered by Aegon Hypotheken. The recharge for these services was EUR 48.2 million (2021: EUR 47.7 million).

Refer to note 43 'Related party transactions' of the consolidated financial statements for more information on the related party transactions.

## 17. Commitments and contingencies

### 17.1. Future lease payments

Aegon Nederland leases the head office building in The Hague from its subsidiary Aegon Levensverzekering. From a consolidated perspective this office building is accounted for as 'Property for own use'. From a separate financial statement perspective this classifies as an operational lease. There is no contract end date. The annual rent amounts to EUR 5 million. Currently, the statutory Board of Aegon Nederland and Aegon Levensverzekering are the same. This means that the contract effectively can be cancelled without taking into account the two-years notice in the lease contract. Therefore, the lease is considered as a short term lease.

Refer to note 39 'Commitment and contingencies' of the consolidated financial statements for more information on other commitment and contingencies.

## 18. Events after the reporting period

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

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

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

In March 2023 Aegon Levensverzekering provided an internal loan to Aegon Nederland in the principal amount of EUR 75 million and with a total duration of 5 years. The internal loan is repayable in 5 equal terms of EUR 15 million, payable at the end of each year. The interest is payable annually and based on a 6-months swap rate plus a spread.

In March 2023 EUR 70 million dividend was paid to Aegon Europe Holding B.V..

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

## 19. Approval of the financial statements

The financial statements of Aegon Nederland for the year ended December 31, 2022 were approved by the Board of Directors and by the Supervisory Board on April 7, 2023.

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.

## 20. 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 173 million to the retained earnings. This proposal has not yet been incorporated in the financial statements.

The Hague, April 7, 2023

The Board of Directors,

<b>A.C.C. van Hóvell-Patrizi (chair)</b>	
<b>B. Magid</b>	
<b>W.H.M. van de Kraats</b>	



The Hague, April 7, 2023

The Supervisory Board,

<b>D. Jansen Heijtmajer (chair)</b>	
<b>G.J.M. Vrancken</b>	
<b>M.J.E. Hoek</b>	
<b>M.J. Rider</b>	

## Other information

### Statutory provisions regarding profit appropriation

Appropriation of profit will be determined in accordance with article 28 of the Articles of Association of Aegon Nederland N.V. The relevant provisions read as follows:

- 1** The profit made in a financial year shall be at the disposal of the Annual General Meeting.
- 2** Distribution of profit shall take place after adoption of the financial statements which show this to be permissible.
- 3** The Annual General Meeting may resolve to make interim distributions and/or distributions charged to a reserve of the company.
- 4** Distributions on shares may only take place up to the amount of the distributable equity.
- 5** A shareholder' claim to a distribution on shares shall lapse after a period of five years.

**Independent auditor's report**



## *Independent auditor's report*

To: the General Meeting of Shareholders and the Supervisory Board of Aegon Nederland N.V.

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### *Report on the financial statements 2022*

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#### *Our opinion*

In our opinion:

- the consolidated financial statements of Aegon Nederland N.V. together with its subsidiaries ('the Group') give a true and fair view of the financial position of the Group as at 31 December 2022 and of its result and 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;
- the company financial statements of Aegon Nederland N.V. ('the Company') give a true and fair view of the financial position of the Company as at 31 December 2022 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

#### *What we have audited*

We have audited the accompanying financial statements 2022 of Aegon Nederland N.V., The Hague. The financial statements include the consolidated financial statements of the Group and the company financial statements.

The consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2022;
- the following statements for 2022: the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement; and
- the notes, comprising a summary of the significant accounting policies and other explanatory information.

The company financial statements comprise:

- the statement of financial position as at 31 December 2022;
- the income statement for the year then ended; and
- the notes, comprising a summary of 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 for the consolidated financial statements and Part 9 of Book 2 of the Dutch Civil Code for the company financial statements.

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### *The basis for our opinion*

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

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

### *Independence*

We are independent of the Group in accordance with 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).

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### *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, such as 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 Nederland N.V. is through its Dutch subsidiaries, a provider of life insurance, pensions, (savings) mortgages, non-life insurance, banking, asset management and intermediary activities. The Group is comprised of several components and therefore we considered our group audit scope and approach as set out in the section 'The scope of our group audit'. We paid specific attention to the areas of focus driven by the operations of the Group, as set out below.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where the Board of Directors made important 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', to the consolidated financial statements, the Group 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 considered these matters as key audit matters as set out in the section 'Key audit matters' of this report. Furthermore, we identified uncertainties in policyholder claims and litigation as a key audit matter. Lastly, we determined the disclosure in the financial statements of the Group of the estimated impact of IFRS 17 and IFRS 9 on the transition balance as of 1 January 2022 to be an additional key audit matter in 2022 given the combination of the complexity of (new) models, management estimates, assumptions, the significant impact of the new standard and the interest by stakeholders about the effects of the new standards.



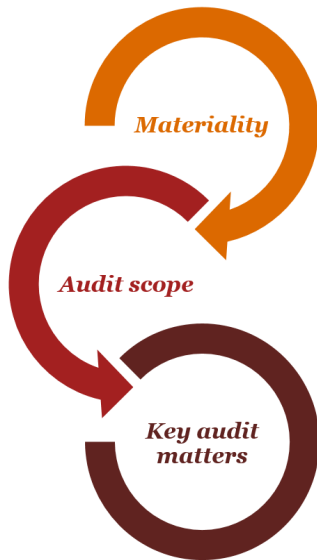
On 27 October 2022, Aegon Europe Holding B.V. ('Aegon Europe') and ASR Nederland N.V. ('a.s.r.') signed a business combination agreement ('the Agreement'). In the Agreement, Aegon Europe agreed to sell the shares of Aegon Nederland N.V. ('Group') to a.s.r. This transaction has been approved by the Aegon N.V.'s and a.s.r.'s shareholders in their respectively extraordinary meeting of shareholders on 17 January 2023. Approval of regulatory bodies (e.g., De Nederlandsche Bank, the Dutch Authority for Consumers and Markets) is pending. We discussed with management their assessment on how the transaction impacts the strategy, operations, and financial position of the Group. The impact of the transaction is limited for 2022 and hence does not warrant a key audit matter.

We discussed with management their assessment on how the risk of climate change impacts the strategy, operations, and financial position of the Group. The Group committed to a net zero impact objective in respect to its financed greenhouse gas emissions across all their investments and its operational greenhouse gas emissions by 2050. We discussed with management the planned actions which in their view should lead to realization of the commitments. The impact on the 2022 financial statements resulting from the risk of climate change on the insurance activities is considered limited, due to among others, the size and nature of the property and casualty portfolio of the Group. 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 2022 financial statements perspective. Hence, the risk of climate change on the Group 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 Group 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 teams at both group and component level included the appropriate skills and competences which are needed for the audit of a diverse financial institution, such as Aegon Nederland N.V., including industry expertise in life and non-life insurance, banking and asset management. We, therefore, included experts and specialists in the areas of amongst others IT, tax, the valuation of certain types of assets (e.g. complex financial instruments and real estate) and liabilities (actuarial services for both liabilities arising from insurance contracts and defined benefit liabilities) in our team.

The outline of our audit approach was as follows:



#### **Materiality**

- Overall materiality: € 110 million.

#### **Audit scope**

- We conducted audit work on all significant components within the Group.
- We included all regulated insurance and banking subsidiaries in the scope of our audit, including the investment and real estate operations managed by outsourcing partners.
- A site visit was conducted for certain real estate related investments where we make use of the work of other auditors (service organisation auditor). For the other components we performed the audit work ourselves.
- Audit coverage: 95% of consolidated revenue, 99% of consolidated total assets and 96% of consolidated profit before tax.

#### **Key audit matters**

- Valuation of liabilities arising from insurance contracts;
- Valuation of certain Level 3 investments;
- Uncertainties in policyholder claims and litigation; and
- Disclosure of the estimated impact of IFRS 17 and IFRS 9 on the transition balance sheet as at 1 January 2022.

### **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.

<b>Overall group materiality</b>	€ 110 million (2021: € 100 million).
<b>Basis for determining materiality</b>	<p>We used our professional judgment to determine overall materiality. As a basis for our judgment, we used 2% of shareholders' equity.</p> <p>This resulted in an initial overall materiality of € 133.8 million (2021: € 150 million). The allocated materiality to the Group from the auditor of the ultimate parent company (Aegon N.V.) that was used for group reporting purposes amounted to € 110 million (2021: € 100 million).</p> <p>We applied the lower of the two amounts as overall materiality in our audit of the financial statements (approximately 1.6% of shareholders' equity).</p>



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***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 shareholders' 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 shareholders' equity is the most relevant metric for the financial performance of the Group.

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***Component materiality***

Based on our judgment, we allocate materiality to each component in our audit scope that is less than our overall group materiality. The range of materiality allocated across components was between € 7.1 million and € 96.6 million.

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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 € 5.5 million (2021: € 5 million) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

***The scope of our group audit***

Aegon Nederland N.V. is the parent company of a group of entities. The financial information of this group is included in the consolidated financial statements of Aegon Nederland N.V.

We tailored the scope of our audit to ensure that we, in aggregate, provide sufficient coverage of the financial statements for us to be able to give an opinion on the financial statements as a whole, taking into account the management structure of the Group, the nature of operations of its components, the accounting processes and controls, and the markets in which the components of the Group operate. In establishing the overall group audit strategy and plan, we determined the type of work required to be performed at component level.

The group audit primarily focussed on the significant activities, which have been identified, based on type of products, geographical location and industry, as: Head Office, Non-Life Insurance, Group Pensions, Individual Life, Mortgages, Bank, Asset Management and Real Estate managed by an external service organisation.

The Group's accounting process is structured around a centralised finance function that supports the individual insurance and banking operations, called reporting units. We consider these reporting units to be components in planning and executing our audit. The finance function maintains all actuarial and tax functions, its own accounting records and controls and reports to senior management and the (ultimate) parent company through an integrated consolidation and reporting system. In establishing the overall approach to the group audit, we determined the type of work that is needed to be performed by our audit team at each of the reporting units.





In our view, due to their significance and/or risk characteristics, the financial information of all regulated banking and insurance operations within the Group, as disclosed in Note 42 'Group companies' of the consolidated financial statements, were in scope of our group audit. For all of these operations the group engagement team performed the audit procedures, except for certain real estate related investments where we made use of the work of other auditors (service organisation auditor).

In total, in performing these procedures, we achieved the following coverage on the financial line items:

<b>Revenue</b>	95%
<b>Total assets</b>	99%
<b>Profit before tax</b>	96%

None of the remaining components represented more than 1% of total Group assets or more than 3% of total Group revenue. For those remaining components we performed, among other things, analytical procedures to corroborate our assessment that there were no significant risks of material misstatements within those components.

Where another auditor (i.e. service organisation auditor) performed audit procedures, we determined the level of our procedures we needed to be able to conclude whether we had obtained sufficient and appropriate audit evidence as a basis for our opinion on the consolidated financial statements as a whole.

To obtain sufficient and appropriate audit evidence for the Group's Dutch real estate operations managed by an external service organisation (including Investments in real estate, Investments in joint ventures and Investments in associates), we analysed available reports from the service organisation and their auditor, had communications with the auditor and conducted a site-visit with the auditor where we also reviewed selected working papers of this auditor via access to their audit files in order to assess whether those reports provide sufficient and appropriate audit evidence for the purpose of our audit.

By performing the procedures outlined above at the components, combined with additional procedures exercised at group level, we have been able to obtain sufficient and appropriate audit evidence on the Group's financial information to provide a basis for our opinion on the financial statements.

### *Audit approach fraud risks*

We identified and assessed the risks of material misstatements of the financial statements due to fraud. During our audit we obtained an understanding of the Group 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.

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 factors to consider whether these 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 with respect to the risks of material misstatements due to fraud and in particular the fraud risk assessment by management, as well as the code of conduct, whistleblower procedures, incident registration and follow-up, among other things. 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 reviewed lawyer's letters and correspondence with regulators. During the audit, we remained alert to indications of fraud. We also considered the outcome of our other audit procedures and evaluated whether any findings were indicative of fraud or non-compliance of laws and regulations. Whenever we identify any indications of fraud, we re-evaluate our fraud risk assessment and its impact on our audit procedures.

We enquired the relevant executives, directors, including internal audit, risk management, legal, compliance and the Supervisory Board whether they are aware of any actual or suspected fraud. This did not result in signals of actual or suspected fraud that may lead to a material misstatement.

Based on our considerations of various factors, such as the high volume of individually small transactions, non-complex calculations, 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 material risk for any of the revenue streams for the Group consolidated 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:

<b>Identified fraud risks</b>	<b>Our audit work and observations</b>
<b>Management override of controls</b>  In accordance with the Dutch Standard on Auditing 240.32, the risk of management override of controls is always considered to present a significant risk of fraud.  Methods by which management could override controls include, but are not limited to, the following: <ul style="list-style-type: none"><li>• Manipulation of the financial reporting process by recording inappropriate or unauthorized journal entries.</li><li>• Intentional misstatement of accounting estimates that involve subjective inputs and assumptions.</li></ul>	 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 and compared these against the Group'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. Besides the indirect impact following the Agreement between Aegon Europe and a.s.r. to sell the shares of Aegon Nederland N.V. to a.s.r., we identified no significant transactions outside the normal business operations.  Our work did not lead to specific indications of fraud or suspicions of fraud with regard to the override of internal control by management.

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- 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.
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### *Audit approach going concern*

As disclosed in Note 2.1, 'Basis of presentation', to the consolidated financial statements, management performed their assessment of the entity's ability to continue as a going concern for at least 12 months from the date of preparation of the financial statements 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 the Board of Director'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 and inquiring with management regarding the Board of Director's most important assumptions underlying its 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;
- Understanding and evaluating management's assessment of the Group's stress testing of liquidity and regulatory capital requirements, including severity of the stress scenarios that were applied;
- Performing inquiries of management as to its knowledge of going-concern risks beyond the period of the 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 Group and how the Group 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 Group'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 Group's activities (insurance, asset management, banking) including Solvency II.



For this category, we performed 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 Group and are therefore expected to occur year over year.

As explained in the paragraph overview and context, we added the ‘Disclosure of the estimated impact of IFRS 17 and IFRS 9 on the transition balance sheet as at 1 January 2022’ as a new additional key audit matter compared to our auditor’s report of 2021.

<b>Key audit matter</b>	<b>Our audit work and observations</b>
<p><b>Valuation of liabilities arising from insurance contracts</b></p> <p><i>Refer to Note 2.15 ‘Insurance contracts’, Note 3 ‘Critical accounting estimates and judgment in applying accounting policies’, Note 8 ‘Derivatives’, Note 16 ‘Insurance contracts’, Note 17 ‘Insurance contracts for account of policyholders’ and Note 18 ‘Guarantees’.</i></p> <p>The Group has insurance contracts stated at € 31.5 billion (2021: € 40.5 billion), insurance contracts for account of policyholders stated at € 19.6 billion (2021: € 25.3 billion) and bifurcated embedded derivatives stated at € 0.8 billion (2021: € 1.4 billion) at 31 December 2022 representing 62% (2021: 69%) of the Group’s total liabilities.</p> <p>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.</p>	<p>Our audit focused on the application of valuation models and the judgments applied in the assumption setting process, taking into account the uncertainty, complexity, change 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 and private loans.</p> <p>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.</p>



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**Key audit matter**

To assess the adequacy of the liabilities for insurance contracts, the Group 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, morbidity, investment return, future expenses, lapses and discount curve. Significant judgment is applied in setting these assumptions. In addition, the Group adjusts the outcome of the liability adequacy test for the difference between the fair value and the book value of loans (mortgage loans and private loans) within the scope of the liability adequacy test. The fair value of mortgage loans and private loans is determined using significant assumptions that require judgment. Given the magnitude of the insurance contract liabilities and the sensitivities as explained in Note 4.2.9 'Underwriting risk', a change in assumptions (especially mortality and morbidity) could have a significant impact on net income and shareholders' equity.

During 2022, the Group continued a multi-year review of its actuarial models, focussing on those considered medium and high risk. Model updates, in combination with the actuarial and economic assumption updates, resulted in certain charges being recorded for the year as explained in Note 3.1 'Actuarial assumptions and model updates'.

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**Our audit work and observations**

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 Group'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 Group's and industry experience.

Valuation specialists were used to assist in evaluating the reasonableness of management's estimate of the valuation of mortgage loans and private loans by developing an independent range of prices 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 consolidated financial statements are adequate and in accordance with EU-IFRS. We found the disclosures to be appropriate in this context.

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### **Key audit matter**

#### **Valuation of certain Level 3 investments**

*Refer to Note 2.6 'Investments', Note 3 'Critical accounting estimates and judgment in applying accounting policies', Note 6 'Investments', Note 7 'Investments for account of policyholders' and Note 38 'Fair value of assets and liabilities'.*

The Group has investments, including investments for account of policyholders, of € 72.4 billion (2021: € 90.7 billion), of which € 5.0 billion are categorised as Level 3 investments in the valuation hierarchy.

This includes positions that are presented at fair value in the statement of financial position (investments in real estate of € 2.5 billion; 2021: € 2.6 billion). The Group 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 of € 32.4 billion (2021: € 39.7 billion), 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.

The significant inputs used in valuing real estate are monthly rent rolls, vacancy rates provided by the external service organisation, and discount rates and capitalisation rates obtained from external parties.

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### **Our audit work and observations**

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, in addition to the evaluation of management's procedures to assess service organisation reports over real estate investments.

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 mortgage loans and private loans 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 used our real estate valuation experts to conduct a site-visit with the service organisation auditor in order to assess whether the service organisation auditor reports provide sufficient and appropriate audit evidence for the purpose of our audit. Based on our procedures we consider that the valuation of these investments was within the bandwidth that we consider acceptable.

We also evaluated whether the disclosures in the consolidated financial statements are adequate and in accordance with EU-IFRS. We found the disclosures to be appropriate in this context.



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**Key audit matter**

In addition, real estate properties are valued using industry standard models and sales comparison based on the type of property.

Given the nature of certain inputs/rates utilised and valuation methodology employed, the valuation of real estate has a high estimation uncertainty and a change in assumptions could have a significant effect on net income and shareholders' equity.

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**Uncertainties in policyholder claims and litigation**

*Refer to Note 39 'Commitment and contingencies'.*

The insurance industry continues to face consumer activism and regulatory scrutiny over product design and selling practices. The Group 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 Group 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.

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**Disclosure of the estimated impact of IFRS 17 and IFRS 9 on the transition balance sheet as at 1 January 2022**

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

As from 1 January 2023, both IFRS 17 'Insurance Contracts' and IFRS 9 'Financial Instruments' will become effective for the annual reporting of the Group. The Group needs to disclose the estimated impact of these new standards in accordance with IAS 8. As per the disclosure, the IFRS 17 and IFRS 9 adoption is expected to overall reduce the IFRS equity as at 1 January 2022 by € 1.1 billion.

For IFRS 9, management has performed a business model assessment for each business model to determine whether these are held to collect, held to collect and sell or trading.

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**Our audit work and observations**

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 Group. 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 Group. We assessed that the Group 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 Group 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.

Regarding the accounting policy choices, we reviewed technical memos and accounting position papers to determine whether this has been set up in accordance with the requirements of IFRS 17 and IFRS 9. We challenged management on their accounting policy choices judgments, and they provided us with reasonable explanations and evidence supporting the judgments.

For IFRS 9, on classification and measurement we evaluated management's business model assessments and the evidence supporting the business model decisions for every business model. For the SPPI criteria, our procedures did not identify any deviations from management's assessment.

### **Key audit matter**

For the financial assets in business models held to collect and hold to collect and sell, management has performed an assessment to conclude whether the cash-flows from financial instruments fulfil the sole of payment of principal of interest criteria ('SPPI'). Furthermore, the Group determined which financial assets are designated at fair value through profit or loss to minimize accounting mismatches. Equity investments are classified as at fair value through profit or loss.

The Group has implemented IFRS 9 impairment models. Judgments have been applied in the models which have been built and implemented to measure the expected credit losses on financial instrument measured at amortized cost.

For IFRS 17, the measurement of the insurance contracts is primarily performed applying a model that estimates the present value of future best estimate cash flows that will arise as these contracts are fulfilled, which includes an explicit risk adjustment and a contractual service margin reflecting unearned profits. The estimates are to be current, unbiased and probability weighted incorporating all available information in a way that is consistent with observable market data. The prescribed modifications are applied for contracts with direct participation features and for reinsurance contracts held. For certain short-term contracts, the Group applies the premium allocation approach.

For the determination of the measurement of the insurance contracts on the transition balance sheet date (1 January 2022), the Group determined whether a full retrospective application is practicable for each group of contracts and, if not, which transition approach is to be used for these contracts.

Given the significance of the new standards, the number of accounting policy choices and judgment decisions to be taken by management on the implementation of IFRS 17 and IFRS 9 and the significance of the impact of assumptions involved, we consider this a key audit matter.

### **Our audit work and observations**

With respect to the transition method applied, we assessed the judgments made by management that lead to the conclusion that the full retrospective method cannot be applied. Where a fair value method is applied, we challenged the assumption input into the valuation model applied and, where possible, the comparison towards market-observable transactions. For the remaining contracts the premium allocation approach is applied.

With regard to both IFRS 17 and IFRS 9 (impairment), we further performed the following procedures to support our conclusions on the disclosed estimated impact:

- Controls over governance and model development were tested. We, together with our modelling specialists tested the modelling methodology for the most significant portfolios;
- Risk based testing of models including challenging the main assumptions, was performed;
- Assessing the design of management's validation and integrity checks on data used as input for the assumptions and input into the valuation models and from there to financial reporting via walkthrough procedures;
- For source data we leveraged on testing of the operating effectiveness included in current existing reporting frameworks;
- Substantive testing procedures on key reconciliations in the full process from source data to financial reporting;
- Testing management's bridge analysis between current existing valuation frameworks and IFRS 17 for the transition balance sheet;
- We assessed management's disclosure on the presentation of the impact, judgments and uncertainties of IFRS 17 and IFRS 9 in the context of the IAS 8 disclosure requirements in the financial statements.

While we note that, as stated by the Group, the impact on the transition balance sheet is indicative and can be subject to change, based on the procedures outlined above, we found the estimated impact of application of IFRS 17 and IFRS 9 on group reported equity to be reasonable and the disclosures appropriate.



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## ***Report on the other information included in the annual report***

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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; and
- 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.

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## ***Report on other legal and regulatory requirements***

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### ***Our appointment***

We were initially appointed as auditors of Aegon Nederland 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 9 years.

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## ***Responsibilities for the financial statements and the audit***

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### ***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.



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### ***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 2023  
PricewaterhouseCoopers Accountants N.V.

Original has been signed by A. Korver-Heins RA

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## ***Appendix to our auditor's report on the financial statements 2022 of Aegon Nederland N.V.***

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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 consolidated financial statements, we are responsible for the direction, supervision and performance of the group audit. In this context, we have determined the nature and extent of the audit procedures for components of the Group to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole. Determining factors are the geographic structure of the Group, the significance and/or risk profile of group entities or activities, the accounting processes and controls, and the industry in which the Group operates. On this basis, we selected group entities for which an audit or review of financial information or specific balances was considered necessary.

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. 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.

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