Annual Report 2022

Aegon Hypotheken B.V.

Contents

Report of the Board of Directors

1. General information

Aegon Hypotheken B.V. (‘Aegon Hypotheken’), incorporated and domiciled in the Netherlands, is a private 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 52054454.

Aegon Hypotheken is a wholly owned subsidiary of Aegon Nederland N.V. (‘Aegon Nederland’). Aegon Hypotheken’s ultimate holding company is Aegon N.V. (‘Aegon’).

1.1. 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 more than 300 thousand mortgage contracts under Aegon label.

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.

Strategic Assets

Aegon Hypotheken is one of Aegon Nederland’s growth pillars. Aegon Hypotheken in the Netherlands offers annuity, linear, savings mortgages 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 Aegon Hypotheken has the exclusive right to purchase and distribute the mortgages receivables). 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 Hypotheken is to be the number 1 non-bank mortgage originator in the Netherlands with satisfied and loyal customers, advisors and investors, driven by engaged and enabled employees. In line with aforementioned mission, Aegon Hypotheken aims to grow its fee business portfolio through Assets under Administration (AuA) increase and enabling asset strategies for internal balance sheets.

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.

1.2. Composition of the Board of Directors

In 2022 the statutory management board of Aegon Hypotheken (the “Board of Directors”) consisted of the following members: Mr. M.A.J. Hofstede, CEO and Mr. R.J. Maat, CFRO.

1.3. Employees

Aegon Hypotheken itself does not have labor contracts with employees, but is serviced by Aegon Nederland at which the Aegon Hypotheken entity employees are employed. Related expenses are charged to Aegon Hypotheken.

Enhancing gender diversity is an important topic for Aegon Hypotheken. Selection and appointment is based on expertise, skills and relevant experience. When identifying candidates for open positions, the Board of Directors actively searches for suitable female candidates.

1.4. 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.

1.5. 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.

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 of Aegon Nederland 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 2022 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 that are assigned to Aegon Hypotheken. The total amount of variable compensation paid out (in cash or shares) to the members of the Management Team of Aegon Hypotheken in 2022 was EUR 0.0 million (2021: EUR 0.4 million Management Team of Aegon Nederland). In 2022 no individuals within Aegon Hypotheken received a total annual compensation equal to or 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 more information regarding the remuneration of the Board of Directors please refer to note 17 'Commissions and expenses' in the consolidated financial statements.

1.6. 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 Nederlansche 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 4.4 'Regulation and supervision' in the consolidated financial statements.

1.6.1. 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.

1.6.2. 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 1st 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 2nd line. Internal Audit functions as Aegon's 3rd 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.

1.7. Asset and Liability Management (ALM) and Financial Instruments

In order to execute on Aegon Hypotheken'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 Hypotheken 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 Hypotheken is able to take residential mortgages on its own balance sheet, amongst others funded by warehouses and securitisations. Risk mitigating techniques are used in addition to these instruments in order to optimize our ALM. This can be done through directly targeting specific risks, such as interest rate risk via e.g. interest rate swaps.

Aegon Hypotheken sees derivatives as a suitable instrument to use in its ALM processes. The derivatives market is a highly regulated market. Any counterparty risk embedded in such transactions is contained with strong collateral processes that Aegon Hypotheken 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 Hypotheken 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 Hypotheken's ALCO, which meets at least once a month, reviews and monitors the capital position, the balance sheet as well as the IFRS P&L. The focus of these meetings is, among other activities, to ensure an optimal use of the balance sheet, to decide on hedging strategies to manage interest rate risks, and to decide on the need for securitizations of residential mortgage portfolios in order to improve the liquidity and funding position of Aegon Hypotheken.

1.8. 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 is 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.

The financial statements of Aegon Hypotheken have been prepared assuming a going concern basis of accounting based on the reasonable assumption that Aegon Hypotheken is, and will be, able to continue its normal course of business in the foreseeable future. Relevant facts and circumstances relating to the 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 and liquidity. Considering all these areas management concluded that the going concern assumption for Aegon Hypotheken is appropriate in preparing the financial statements.

1.9. Rising interest rate environment

During 2022 the interest rates continued to rise. The increase in interest rates was most significant for shorter tenors, 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, 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 riskier 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 Hypotheken. The interest rate risk associated with the mortgages on the balance sheet of Aegon Hypotheken is hedged using swaps. Hedge accounting is applied in order to immunize the equity position for the market value movements in the swaps. The sharp increase in rates resulted in the receipt of (previously posted) cash collateral, which is (partially) offset by collateral posting under the derivatives used to mitigate the interest risk for the securitizations. With the adjustment to higher rates in the mortgage market, the size of the mortgage market has dropped significantly, especially in the re-financing segment. A smaller market has impacted the origination volumes negatively, which in turn reduced the need to use the financing facilities.

1.10. Business developments

1.10.1. General business developments

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.

1.11 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).

1.12. Inflation hedging

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 are 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 year, 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 Nederland is relatively limited.

Next to direct impacts of 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 decreasing values of real estate.

1.13. 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 Hypotheken 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.

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 currently not possible to determine whether, or to what extent, any such changes would affect Aegon Hypotheken. However, the implementation of alternative reference rates may have a material adverse effect on Aegon Hypotheken' business, financial condition, customers, and operations.

2. Financial information

2.1. Developments during the year

Mortgage production and portfolio

The mortgage production of Aegon Hypotheken amounted to EUR 8.7 billion (2021: EUR 10.9 billion). The mortgage production for fee business was EUR 4.7 billion in 2022 (2021: EUR 6.9 billion). The mortgage production for Aegon Nederland group's own account was EUR 4.0 billion (2021: EUR 4.0 billion) of which EUR 449 million (2021: EUR 381 million) for the account of Aegon Hypotheken. These mortgages have been originated using both the Aegon and Robuust label, with the Aegon label being responsible for the vast majority of the overall production volume.

The mortgage production for external funders' fee-based business is concentrated in the Dutch Mortgage Funds (DMF1 and DMF2) and other investment vehicles like single client SPV's and multi-client SPV's. DMF has specifically been created, in cooperation with Aegon Asset Management, to establish third party funded mortgages. DMF offers institutional investors the ability to invest in Dutch residential mortgages granted by Aegon Hypotheken for the account and risk of DMF. The fund pays Aegon Hypotheken a fee for originating and managing the mortgages. DMF has proven to be a successful proposition in the market. This fee-based business complements the spread business in which the mortgages are held by either Aegon Hypotheken or other entities within the Aegon Nederland group for their own account and risk. Over time, other investment solutions have been added, offering investors the opportunity to invest in segregated pools of mortgages instead of a comingled fund.

In 2022 Aegon Hypotheken continued its white label proposition (where Aegon Hypotheken is not the lender of record) by originating over EUR 1.1 billion mortgage loans via the Robuust label. Currently, the Robuust label is only invested in by Aegon Nederland group's own account, though it has been open to third party investors as well. In Q2 2022 Aegon Hypotheken sold a Robuust portfolio of approximately EUR 98 million (par value) to Aegon Bank, at a price of EUR 90.4 million (fair value) and a carrying amount of EUR 88.0 million. This sale generated a profit of EUR 2.4 million.

Aegon Hypotheken has continued its pro-active approach in 2022 to arrears management and taken considerable effort to inform and support its customers. This approach has resulted in a further decrease in arrears during 2022. The number of foreclosures has also reduced mainly due to the low number of loans in default as a result of pro-active and successful arrears management.

In line with last year, the number of clients not able to meet their mortgage obligations has been decreasing. Arrears and foreclosures are at historic low levels of approx. 0.90% of total portfolio. Total arrears decreased from 1.03% in December 2021 to 0.90% (of which 0.09% three months in arrears) in December 2022. Defaults and default losses were limited and lower than in 2021. There has been one realized losses in 2022 amounting to EUR 2K on a portfolio of EUR 63 billion. Higher housing prices and the contractual redemptions on mortgage loans resulted in more favorable Loan-to-Values (LTVs). The credit risk on the mortgage portfolio has thus reduced.

Laws and regulations

The EBA Guidelines on loan origination and monitoring came into force on 30 June 2021. These guidelines are to a great degree relevant for banks, but some requirements also directly apply to mortgage creditors like Aegon Mortgages.

Sustainable mortgages

In 2022 a considerable uptake in interest for sustainable housing and mortgage financing for sustainable measures can be seen in the Dutch mortgage market, following the increase in energy prices at the beginning of 2022. At Aegon Hypotheken we also registered a strong increase in originated energy depots used for financing sustainable measures. During the year we have pro-actively engaged with our clients to help them in taking sustainable measures for their homes, in which the introduction of our new sustainable tooling together with our partner HomeQGo was an important step.

Interest only mortgages

In accordance with the Action Plan of the 'Verbond van Verzekeraars' Aegon Hypotheken has continued its efforts to activate clients with an Interest Only (IO) mortgage. These clients are informed of the risks that come with their IO mortgage product and are informed about the options to address these risks. Besides a general movement towards the lower risk buckets, activities aimed at very high risk customers showed positive outcomes. In 2022 we have embedded these efforts in the regular business operations.

In close alignment with Aegon Nederland controlled business operations of Aegon Hypotheken were further strengthened with the development of detailed roadmaps.

Financial results
The result in 2022 was a profit before tax of EUR 55.2 million (2021: profit before tax of EUR 61.0 million). This decrease is mainly the result of higher expenses than in 2021, partly offset by increased service margin driven by the EUR 3 billion growth of the total mortgages portfolio (year-end 2022: EUR 63 billion, year-end 2021: EUR 60 billion). For the services rendered to other Aegon entities and external fee partners, Aegon Hypotheken receives management fees. Turnover in 2022 is EUR 171.7 mln (2021: EUR 170.4 mln) and consists of fees and commissions of EUR 124.5 mln (2021: EUR 116.7 mln), net interest income of EUR 35.8 mln (2021: EUR 39.6 mln) and other income of EUR 11.4 million (2021: EUR 14.1 mln).

Solvency and liquidity
Shareholders' equity at December 31, 2022 amounts to EUR 199.4 million compared to EUR 195.4 million at year-end 2021. The increase resulted from net profit of 2022 of EUR 41.0 million being higher than the dividend payment of EUR 37 million to Aegon Nederland in 2022.

Aegon Hypotheken's solvency and liquidity position has been assessed as part of Aegon Nederland's solvency and liquidity management and was considered adequate during the whole year of 2022.

Cash flows and funding
To meet its liquidity and solvency requirements effectively the funding of Aegon Hypotheken is a combination of long term secured market transactions, and short term secured warehouse financing facilities. Additionally, Aegon Hypotheken has long term secured and unsecured loans and an uncommitted secured loan facility from Aegon Levensverzekering and a committed revolving credit facility from Aegon N.V..

Aegon Hypotheken's funding arrangement with companies within the Aegon group consists of secured and unsecured borrowings from Aegon Levensverzekering totaling EUR 570 million per year-end 2022 (year-end 2021: EUR 570 million per December 31, 2021), an uncommitted secured loan facility of EUR 250 million, of which EUR 0 million drawn (EUR 0 million commitment requested) as per December 31, 2022 (2021: EUR 0 million) and of a committed credit facility of EUR 500 million, of which EUR 105 million drawn as per December 31, 2022 (2021: EUR 163 million), from its ultimate parent company Aegon N.V..

The long-term maturity of the mortgages requires a funding profile that matches this maturity. Aegon Hypotheken therefore obtained longer term loans as part of the Saecure program. These loans have an expected maturity derived from the FORD which stands for the First Optional Redemption Date. This is the first date that Aegon Hypotheken has the right to repurchase the underlying mortgages from the special purpose entity (SPE). The legal maturity date of the RMBS notes is related to the underlying mortgage loans with the longest legal maturity. We refer to note 11 'Borrowings and group borrowings' of the consolidated financial statements for more information on these loans.

As per December 31, 2022, undrawn parts of current facilities consist of EUR 1.0 billion (2021: EUR 0.4 billion) from external (warehouse) facilities and EUR 0.4 billion (2021: EUR 0.1 billion) from the liquidity line of Aegon N.V.. These facilities provide room for short-term liquidity needs.

3. Corporate Governance

Aegon Hypotheken is a wholly owned subsidiary of Aegon Nederland, and as such part of the Aegon NL group. Aegon Hypotheken is licensed by the AFM.

Board of Directors

Aegon Hypotheken has a statutory management board comprising of a CEO and a CFRO.

Together with non-statutory members (Director Funding & Liquidity, Head of Legal, Head of Business Development, Head of IT, Manager Agile Change, Manager Strategy Productmanagement & Policies and Businesspartner HR), the CEO and CFRO form MT Hypotheken and as such manage Aegon Hypotheken. The statutory members of the Board of Directors have equal decision making authority. The members of the Board of Directors have broad-based commercial background and experience in the financial sector. The knowledge of the members of the Board of Directors is kept up to standard and is improved by means of Aegon Nederland's permanent education program, which is organized by the Secretary of the Board, together with the HR Learning & Development department. The latter is also responsible for keeping records on participation.

In its decision making, MT Hypotheken 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.

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

Within MT Hypotheken, the CEO coordinates all the activities of MT Hypotheken. 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 is responsible for operational business and commercial results of Aegon Hypotheken and ensuring that processes, the change to be implemented and the organization as a whole comply to the requirements of sound and controlled business operations, and to ensure that the Wwft (Money Laundering and Terrorist Financing Prevention Act) is complied with.

The CFRO is responsible for, amongst others, (i) formulating, communicating and implementing Aegon Hypotheken's financial strategy, (ii) overseeing, monitoring and ensuring that the reporting of Aegon Hypotheken gives a true and fair view, (iii) financial, tax and management reporting of Aegon Hypotheken, and (iv) overseeing, monitoring and ensuring that Aegon Hypotheken's risk management functions in an adequate and effective manner.

Supervisory Board

Aegon Hypotheken does not have its own supervisory board. Aegon Nederland is supervised by a supervisory board, and its supervision indirectly extends to Aegon Hypotheken.

Place within the Aegon NL Group

Aegon Hypotheken is a fully owned subsidiary of Aegon Nederland, which is the parent company of Aegon's operations in the Netherlands. Aegon's ultimate holding company, is Aegon N.V. which is listed on Euronext Amsterdam and at the New York Stock Exchange.

As the parent company of Aegon's operations in the Netherlands, Aegon Nederland is responsible for centrally managing the group of companies of direct or indirect subsidiaries of Aegon Nederland such as Aegon Hypotheken.

As part of this responsibility it is important that Aegon Nederland is provided with adequate information on relevant developments on a regular basis, and if circumstances so dictate, without delay. As part hereof within the Aegon NL Group, Aegon NL Approval Requirements, Aegon NL Functions Policy and Aegon NL Holding Policy have been established to which Aegon Hypotheken adheres.

The Aegon NL Approval Requirements stipulate that certain material resolutions of the board of directors of Aegon Hypotheken are subject to prior approval of the board of directors of Aegon Nederland. Certain of these resolutions are also subject to the Aegon NV Approval Requirements that apply between Aegon Nederland and Aegon N.V..

Under the Aegon NL Functions Policy functional reporting (at inter alia Finance, Risk, IT, HR, Compliance & Legal) is established to ensure consistency and alignment across the organization. Under this Aegon NL Functions Policy a functional reporting line is established between the function holders at Aegon Hypotheken and at Aegon Nederland. Similar reporting lines exist between Aegon Nederland and Aegon N.V..

Pursuant to the Aegon NL Holding Policy, Aegon Hypotheken adheres to certain policies that address topics that are relevant across the Aegon NL group.

Finally, as part of the Aegon NL group, Aegon Hypotheken also endorses the Aegon Nederland Code of Conduct. This Code of Conduct (which can be found on www.aegon.com) is intended to provide further clarity on sound and responsible business practices, and ensures a common approach for how we carry out our business in Aegon Nederland's markets.

4. Responsible Business

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

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_2 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[1].

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[2].

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 to 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.

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

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

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.

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.

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 Aegon Nederland and its subsidiaries as a standalone company. Additionally, Aegon Hypotheken and a.s.r. will liaise on the impact and consequences of the new business combination on the entire value chain of Aegon Hypotheken, as soon as this is permitted according to regulatory restrictions.

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.

The recent interest rate development is expected to have an important impact on the development of the mortgage market over the next years. In the coming quarters, Aegon Hypotheken expects a lower mortgage production compared with 2022 driven by, amongst others, a smaller mortgage market while maintaining attractive margins. This expected lower production reduces growth of the total mortgage porfolio in the near future. The rising interest rate environment decreases demand for mortgages from investors such as pension funds and insurers, potentially negatively impacting availability for future funding of mortgages.

As stressed in recent years, technological developments, the digitization of financial services and data-driven decision-making are accelerating. The traditional financial institutions are transforming their businesses towards a new era. Addressing these developments is at the core of the strategy of Aegon Hypotheken.

Further, there are no special events that should be taken into account for the financial statements.

5.2. Post reporting date events and expectations

In March 2023 EUR 10 million dividend was paid to Aegon Nederland.

There are no further post reporting date material events and relevant 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,

M.A.J. Hofstede (chair)	
R.J. Maat	

Consolidated financial statements 2022 of

Aegon Hypotheken B.V.

Consolidated financial statements 2022 of Aegon Hypotheken B.V

Consolidated statement of financial position

(as at December 31, 2022)

(before profit appropriation)

Amounts in EUR thousand	Note	2022	2021
Assets			
Cash and cash equivalents	5	137,357	117,012
Loans	6	2,327,267	2,628,553
Group loans	7	66,457	299,570
Derivatives	8	440,981	62,905
Deferred tax assets	12	20,528	28,629
Other assets and receivables	9	536,618	996,356
Total assets		**3,529,208**	**4,133,025**
Equity and liabilities			
Equity	10	199,395	195,417
Equity		**199,395**	**195,417**
Borrowings and group borrowings	11	2,906,979	3,473,971
Provisions		4,250	-
Derivatives	8	281,811	262,133
Other liabilities and accruals	13	136,773	201,504
Total liabilities		**3,329,813**	**3,937,608**
Total equity and liabilities		**3,529,208**	**4,133,025**

Consolidated income statement

(for the year ended December 31, 2022)

Amounts in EUR thousand	Note	2022	2021
Income			
Interest income calculated using the effective interest method	14	80,882	81,719
Interest expense calculated using the effective interest method	19	(16,646)	(4,403)
Other interest expense	19	(28,482)	(37,748)
Net interest income		**35,754**	**39,568**
Fee and commission income	15	124,549	116,706
Results from financial transactions	16	11,606	13,799
Impairment (losses) / reversals	18	(160)	308
Total income		**171,749**	**170,381**
Expenses			
Commissions and expenses	17	116,523	109,419
Total operating expenses		**116,523**	**109,419**
Income before tax		**55,226**	**60,962**
Income tax	20	(14,248)	(14,258)
Net income		**40,978**	**46,704**
Net income attributable to the parent company		**40,978**	**46,704**

Consolidated statement of comprehensive income

(for the year ended December 31, 2022)

Amounts in EUR thousand	**2022**	2021
Net income	**40,978**	**46,704**
Other comprehensive income	**-**	**-**
Total comprehensive income	**40,978**	**46,704**
Total comprehensive income attributable to the parent company	**40,978**	**46,704**

Consolidated statement of changes in equity

(for the year ended December 31, 2022)

Amounts in EUR thousand	Share capital	Share premium	Retained earnings	Total
At January 1, 2022	18	20,000	175,398	195,417
Net income recognized in the income statement	-	-	40,978	40,978
Total comprehensive income	**-**	**-**	**40,978**	**40,978**
Dividends paid on common shares	-	-	(37,000)	(37,000)
At December 31, 2022	**18**	**20,000**	**179,376**	**199,395**

	Share capital	Share premium	Retained earnings	Total
At January 1, 2021	18	20,000	162,694	182,712
Net income recognized in the income statement	-	-	46,704	46,704
Total comprehensive income	**-**	**-**	**46,704**	**46,704**
Dividends paid on common shares	-	-	(34,000)	(34,000)
At December 31, 2021	**18**	**20,000**	**175,398**	**195,417**

Consolidated cash flow statement

(for the year ended December 31, 2022)

Amounts in EUR thousand	Note	2022	2021
Income before tax		55,226	60,962
Results from financial transactions	16	(9,215)	(13,436)
Amortization and depreciation	17	7,415	13,009
Impairment losses / (reversals)	18	160	308
Adjustments of non-cash items		**(1,640)**	**(119)**
Accrued expenses and other liabilities	13	(55,808)	99,012
Accrued income and prepayments	9	459,738	237,782
Changes in accruals		**403,930**	**336,795**
Additions to mortgage loans	6	(440,554)	(663,938)
Purchase of derivatives	8	301	(159)
Redemptions of mortgage loans	6	294,313	453,961
Net change in cash collateral		233,113	63,519
Cash flow movements on operating items not reflected in income		**87,173**	**(146,616)**
Tax paid	20	(10,819)	(10,604)
Net cash flows from operating activities		**533,870**	**240,418**
Sale of mortgage loans [1)]		90,467	-
Net cash flows from investing activities		**90,467**	**-**
Repayment of borrowings and group loans	11	(593,992)	(798,000)
Proceeds from borrowings and group loans	11	27,000	624,859
Dividends paid		(37,000)	(34,000)
Net cash flows from financing activities		**(603,992)**	**(207,141)**
Net increase in cash and cash equivalents		**20,345**	**33,277**
Cash and cash equivalents at the beginning of the year	5	117,012	83,734
Cash and cash equivalents at the end of the year		**137,357**	**117,012**

1 In 2022 Aegon Hypotheken sold mortgage portfolios to Aegon Bank due to overall ALM alignment. In 2021 no sales of mortgage portfolios were recorded. Sales, if any, are of an incidental nature and primarily due to ALM alignment within Aegon Nederland N.V..

In the cash flow statement a split has been made between on the one hand additions and redemptions of mortgages as part of ordinary course of business and the purchases and sales of mortgages on the other hand. Purchases and sales are of incidental nature and driven by asset and liability management.

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:

Amounts in EUR thousands	2022	2021
Included in the net cash flows from operating activities is the increase/(decrease) in cash and cash equivalents relating to:		
Interest received (excluding derivatives)	72,268	73,704
Interest paid (excluding derivatives)	13,698	2,652
Interest derivatives paid	(31,554)	(37,509)

Notes to the consolidated financial statements

1. General information

Aegon Hypotheken incorporated and domiciled in the Netherlands, is a limited liability company organized under Dutch law and recorded 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 52054454. Aegon Hypotheken is a wholly owned subsidiary of Aegon Nederland N.V. (or Aegon Nederland) in The Hague. Aegon Hypotheken's ultimate holding company is Aegon N.V. in The Hague.

Aegon Hypotheken offers and services mortgages to Dutch consumers. Aegon Hypotheken obtains the funding it needs to finance those loans from companies within the Aegon group (internal funding) and through financing agreements with professional parties outside the Aegon group (external funding). These financing arrangements include arrangements where Aegon Hypotheken offers institutional investors the ability to invest in Dutch mortgages granted by Aegon Hypotheken for the account and risk of these institutional investors.

2. Significant accounting policies

2.1. Basis of presentation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), 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 2.1.1 '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 thousand, unless otherwise stated. The consequence is that the rounded amounts may not add up to the rounded total in all cases. All ratios and variances are calculated using the underlying amount rather than the rounded amount.

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

Aegon Hypotheken 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 is applied. Details are provided in note 2.7 'Derivatives'.

Company financial statements

The company's financial statements of Aegon Hypotheken 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 Hypotheken. 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 Hypotheken, article 402, Book 2 of the Dutch Civil Code has been applied, allowing a condensed format.

Going concern

The consolidated financial statements of Aegon Hypotheken have been prepared assuming a going concern basis of accounting based on the reasonable assumption that Aegon Hypotheken 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 and liquidity. Considering all these areas management concluded that the going concern assumption for Aegon Hypotheken 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. Changes in presentation

There have been no changes in presentation.

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

The following standards and amendments to existing standards, published prior to January 1, 2023, were not early adopted by Aegon Hypotheken, 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 [1)]	Yes	No	See below for comments
Prepayment Features with Negative Compensation (Amendments to IFRS 9)	January 1, 2019 [1)]	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

1 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.

2.2. Basis of consolidation

2.2.1. Subsidiaries

The consolidated financial statements include the financial statements of Aegon Hypotheken and its subsidiaries. Subsidiaries (including structured entities) are entities over which Aegon Hypotheken has control. Aegon Hypotheken controls an entity when Aegon Hypotheken 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 Hypotheken 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 Hypotheken, which is consistent with EU-IFRS. 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 Hypotheken 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 12 months after the acquisition date, are made against goodwill. Aegon Hypotheken 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.

2.2.2. 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 Hypotheken 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 Hypotheken 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 Hypotheken.

2.3. Current versus non-current

For certain assets and liabilities, a split is made in the notes between current and non-current. An amount of an asset or liability is classified as current, when it is expected to be recovered or settled no more than twelve months after the reporting period, and as non-current, when it is expected to be recovered more than twelve months after the reporting period.

2.4. Foreign exchange translation

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

2.5. Offsetting of assets and liabilities

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

2.6. Financial assets and liabilities, excluding derivatives

2.6.1. Initial recognition and measurement

Financial assets and financial liabilities are recognised at trade-date when Aegon Hypotheken becomes a party to the contractual provisions of the instruments. All financial assets and liabilities are classified for accounting purposes depending on the characteristics and the purpose for which they were purchased.

At initial recognition, Aegon Hypotheken measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss (FVPL), transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability, such as fees and commissions. Transaction costs for a financial asset or financial liability measured at FVPL are directly recorded in the income statement. Immediately after initial recognition, an expected credit loss allowance (ECL) is recognised for financial assets measured at amortised cost and investments in debt instruments measured at FVOCI, as described in note 4.3.1 'Expected credit loss measurement', which results in an accounting loss being recognised in profit or loss when an asset is newly originated.

When the fair value of financial assets and liabilities differs from the transaction price on initial recognition, Aegon Hypotheken recognizes the difference as follows:

a. When the fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e. a Level 1 input) or based on a valuation technique that uses only data from observable markets, the difference is recognized as a gain or loss.
b. In all other cases, the difference is deferred and the timing of recognition of deferred day one profit or loss is determined individually. It is either amortized over the life of the instrument, deferred until the instrument's fair value can be determined using market observable inputs, or realized through settlement.

2.6.2. Financial assets

Under IFRS 9, Aegon Hypotheken classifies its financial assets in the following measurement categories:

- Amortised cost;
- Fair value through other comprehensive income (FVOCI); or
- Fair value through profit or loss (FVPL).

Amortised cost and effective interest rate

The amortised cost of a debt instrument is the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

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 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.

Interest income

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets, except for:

a. Purchased or originated credit impaired ('POCI') financial assets – assets that are credit impaired at original recognition, for which the original credit-adjusted effective interest rate is applied to the amortised cost of the financial asset.
b. Financial assets that are not 'POCI' but have subsequently become credit-impaired (or 'Stage 3'), for which interest revenue is calculated by applying the effective interest rate to their amortised cost (i.e. net of the expected credit loss provision).

The classification requirements for debt are described below:

Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans, government and corporate bonds, and trade receivables.

Classification and subsequent measurement of debt instruments depend on:
- Aegon Hypotheken's business model for managing the asset; and
- The cash flow characteristics of the asset.

Based on these factors, Aegon Hypotheken classifies its debt instruments into one of the following three measurement categories:
- Amortised cost: 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 amortised cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognised (section 4.3.4.2). Interest income from these financial assets is included in 'Interest income calculated using the effective interest method' using the effective interest rate method.
- 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. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses on the instrument's amortised cost which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in 'Results from financial transactions'. Interest income from these financial assets is included in 'Interest income calculated using the effective interest method' using the effective interest rate method.
- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented in the profit or loss statement within 'Net trading income' in the period in which it arises, unless it arises from debt instruments that were designated at fair value or which are not held for trading, in which case they are presented separately in 'Results from financial transactions'. Interest income from these financial assets is included in 'Other interest income'.

Business model: the business model reflects how Aegon Hypotheken manages the assets in order to generate cash flows. That is, whether Aegon Hypotheken's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'other' business model and measured at FVPL. Factors considered by Aegon Hypotheken in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated. For example, Aegon Hypotheken's business model for the mortgage loan book is to hold to collect contractual cash flows, with transfer of loans only taking place internally to a SPV for the purposes of collateralising notes issued, with no resulting derecognition due to risks and rewards being retained by Aegon Hypotheken.

SPPI: Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, Aegon Hypotheken assesses whether the financial instruments' cash flows represent solely payments of principal and interest (the 'SPPI test'). In making this assessment, Aegon Hypotheken 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.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest. Aegon Hypotheken reclassifies debt investments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and none occurred during the period.

Impairment of financial assets

Aegon Hypotheken assesses on a forward-looking basis the expected credit losses ('ECL') associated with its debt instrument assets carried at amortised cost and FVOCI and with the exposure arising from loan commitments and financial guarantee contracts. Aegon Hypotheken recognises 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.

Modification of loans

Aegon Hypotheken sometimes renegotiates or otherwise modifies the contractual cash flows of loans. When this happens, Aegon Hypotheken assesses whether or not the new terms are substantially different to the original terms. Aegon Hypotheken does this by considering, among others, the following factors:

- If the borrower is in financial difficulty, whether the modification merely reduces the contractual cash flows to amounts the borrower is expected to be able to pay.
- Whether any substantial new terms are introduced, such as a profit share/equity-based return that substantially affects the risk profile of the loan.
- Significant extension of the loan term when the borrower is not in financial difficulty.
- Significant change in the interest rate.
- Change in the currency the loan is denominated in.
- Insertion of collateral, other security or credit enhancements that significantly affect the credit risk associated with the loan.

If the terms are substantially different, Aegon Hypotheken derecognises the original financial asset and recognises a 'new' asset at fair value and recalculates a new effective interest rate for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purposes, including for the purpose of determining whether a significant increase in credit risk has occurred. However, Aegon Hypotheken also assesses whether the new financial asset recognised is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed payments. Differences in the carrying amount are also recognised in profit or loss as a gain or loss on derecognition.

If the terms are not substantially different, the renegotiation or modification does not result in derecognition, and Aegon Hypotheken recalculates the gross carrying amount based on the revised cash flows of the financial asset and recognises a modification gain or loss in profit or loss. The new gross carrying amount is recalculated by discounting the modified cash flows at the original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets).

The impact of modifications of financial assets on the expected credit loss calculation is discussed in note 4.3.7 'Modifications of financial assets'.

Derecognition other than on a modification

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

2.6.3. Financial liabilities

Classification and subsequent measurement

Financial liabilities are classified as subsequently measured at amortised cost, except for:

- Financial liabilities at fair value through profit or loss: this classification is applied to derivatives, financial liabilities held for trading and other financial liabilities designated as such at initial recognition. Gains or losses on financial liabilities designated at FVPL are presented partially in other comprehensive income (the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability, which is determined as the amount that is not attributable to changes in market conditions that give rise to market risk) and partially in profit or loss (the remaining amount of change in the fair value of the liability). This is unless such a presentation would create, or enlarge, an accounting mismatch, in which case the gains and losses attributable to changes in the credit risk of the liability are also presented in profit or loss;
- Financial liabilities arising from the transfer of financial assets which did not qualify for derecognition, whereby a financial liability is recognised for the consideration received for the transfer. In subsequent periods, Aegon Hypotheken recognises any expense incurred on the financial liability; and,
- Financial guarantee contracts and loan commitments.

Derecognition

Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

The exchange between Aegon Hypotheken and its original lenders of debt instruments with substantially different terms, as well as substantial modifications of the terms of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. In addition, other qualitative factors, such as the currency that the instrument is denominated in, changes in the type of interest rate, new conversion features attached to the instrument and change in covenants are also taken into consideration. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

2.7. Derivatives

2.7.1. Definition

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

2.7.2. Measurement

All derivatives recognized on the statement of financial position are carried at fair value. The fair value is calculated net of the interest accrued to date and is based on market prices, when available. When market prices are not available, other valuation techniques, such as option pricing or stochastic modelling, are applied. The valuation techniques incorporate all factors that market participants would consider and are based on observable market data, to the extent possible. Fair value changes are recognized in the income statement.

2.7.3. Hedge accounting

As part of its asset liability management, Aegon Hypotheken 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 Hypotheken has elected to continue to apply the hedge accounting requirements of IAS 39 for macro fair value hedges (EU 'carve out') on adoption of IFRS 9. Aegon Hypotheken 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 Hypotheken 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 Hypotheken 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).

Aegon Hypotheken holds a portfolio of long-term fixed rate mortgages and therefore is exposed to changes in fair value due to movements in market interest rates. Aegon Hypotheken manages this risk exposure by entering into pay fixed/receive floating interest rate swaps.

Only the interest rate risk element is hedged and therefore other risks, such as credit risk, are managed but not hedged by the Aegon Hypotheken. This hedging strategy is applied to the portion of exposure that is not naturally offset against matching positions held by Aegon Hypotheken. Changes in fair value of the long-term fixed rate mortgages arising from changes in interest rate are usually the largest component of the overall change in fair value. This strategy is designated as a fair value hedge and its effectiveness is assessed by comparing changes in the fair value of the loans attributable to changes in the benchmark rate of interest with changes in the fair value of the interest rate swaps.

Aegon Hypotheken establishes the hedging ratio by matching the notional of the derivatives with the principal of the portfolio being hedged. Possible sources of ineffectiveness are as follows:

- Differences between the expected and actual volume of prepayments, as Aegon Hypotheken hedges to the expected repayment date taking into account expected prepayments based on past experience;
- Difference in the discounting between the hedged item and the hedging instrument, as cash collateralised interest rate swaps are discounted using Overnight Indexed Swaps (OIS) discount curves, which are not applied to the fixed rate mortgages;
- Hedging derivatives with a non-zero fair value at the date of initial designation as a hedging instrument; and
- Counterparty credit risk which impacts the fair value of uncollateralised interest rate swaps but not the hedged items.

Aegon Hypotheken manages the interest rate risk arising from fixed rate mortgages by entering into interest rate swaps on a monthly basis. The exposure from this portfolio frequently changes due to new loans originated, contractual repayments and early prepayments made by customers in each period. As a result, Aegon Hypotheken adopts a dynamic hedging strategy (sometime referred to as a 'macro' or 'portfolio' hedge) to hedge the exposure profile by closing and entering into new swap agreements at each month-end. Aegon Hypotheken uses the portfolio fair value hedge of interest rate risk to recognise fair value changes related to changes in interest rate risk in the mortgage portfolio, and therefore reduce the profit or loss volatility that would otherwise arise from changes in fair value of the interest rate swaps alone.

2.8. Other assets and receivables

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

2.9. Cash and cash equivalents

Cash comprises cash at banks and in-hand. Cash equivalents are short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known cash amounts, are subject to insignificant risks of changes in value and are held for the purpose of meeting short-term cash requirements.

2.10. Equity

Share capital is stated at par value. The share premium reserve, where applicable, relates to capital contributions which have occurred since incorporation without issuing new shares. Dividends and other distributions to holders of equity instruments are recognized directly in equity. A liability for dividends payable is not recognized until the dividends have been declared and approved.

2.11. Borrowings and group loans

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

2.12. Assets and liabilities relating to employee benefits

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

2.13. Tax assets and liabilities

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

2.13.1. Current tax assets and liabilities

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 Hypotheken 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 Hypotheken is jointly and severally liable for all tax liabilities of the entire tax group. Current taxes are settled in current account with the parent company.

2.13.2. Deferred tax assets and liabilities

Deferred tax assets and liabilities are recognized, 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 Hypotheken's mid-term projections including sensitivities and tax planning and is reassessed periodically. Deferred tax liabilities relating to investments in subsidiaries are not recognized if Aegon Hypotheken 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 Hypotheken concerning the manner of recovery or settlement.

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

2.14. Other liabilities and accruals

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

2.15. Contingent assets and liabilities

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

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

2.16. Interest 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.

2.17. Fee and commission income

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

2.18. Results from financial transactions

Results from financial transactions include:

- Gains and losses on financial investments include realized gains and losses on general account financial assets, other than those classified as at fair value through profit or loss.
- All changes in fair value of derivatives are recognized in the income statement, unless the derivative has been designated as a hedging instrument in a cash flow hedge. Fair value movements of fair value hedge instruments are offset by the fair value movements of the hedged item, and the resulting hedge ineffectiveness, if any, is included in this line.

2.19. Commission and expenses

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

2.20. 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.

2.21. 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.

2.22. 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 paragraph 2.6 and 2.8), corporate income taxes (refer to paragraph 2.12) and the potential effects of resolving litigation matters (refer to paragraph 2.22).

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 assumption 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. In 2022 no material changes in estimates took place for Aegon Hypotheken.

3.2. Determination of fair value and fair value hierarchy

The following is a description of Aegon Hypotheken'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 Hypotheken 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 Hypotheken 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 Hypotheken 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 Hypotheken, 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 21 'Fair value of assets and liabilities' more information, both quantitative and qualitative is given.

3.3. 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 Hypotheken 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 Hypotheken 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.

3.4. 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 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. Measurement of the expected credit loss allowance

The measurement of the expected credit loss (ECL) allowance for financial assets measured at amortised cost and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses).

A number of significant judgements are required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL; and,
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL.

Detailed information about the judgements and estimates made by Aegon Hypotheken in the above areas is set out in note 4.3. 'Credit risk management' and more specific 4.3.1 'Expected credit loss measurement'.

3.6 Control assessment

In making the assessment whether Aegon Hypotheken has control over an entity, Aegon Hypotheken 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 Hypotheken 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 Hypotheken is exposed to or has rights to variable returns from its involvement with the entity and whether Aegon Hypotheken 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.

3.7 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 Hypotheken closely monitors financial and wider economic developments to understand our exposure to potential shocks in the markets, and Aegon Hypotheken works proactively to mitigate related risks. The inflation rates for the Netherlands increased significantly. Aegon'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, mortgage interest rates have increased significantly compared to December 31, 2021.

4. Risk Management

4.1. Enterprise Risk Management

4.1.1. Introduction

The Risk Management & Compliance department within Aegon Nederland, sets the risk management framework that is implemented within Aegon Hypotheken. Aegon Hypotheken is in the business of funding, originating and servicing mortgages. The Aegon Hypotheken CRO function is double hatted with the CFO function (thus CFRO). The CFRO can draw upon resources from the different risk departments as deemed necessary.

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.

Note 4.2 provides additional information on specific risk management information for Aegon Hypotheken.

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. These are adopted and implemented by Aegon Hypotheken.

Risk and Audit Committee (RAC)

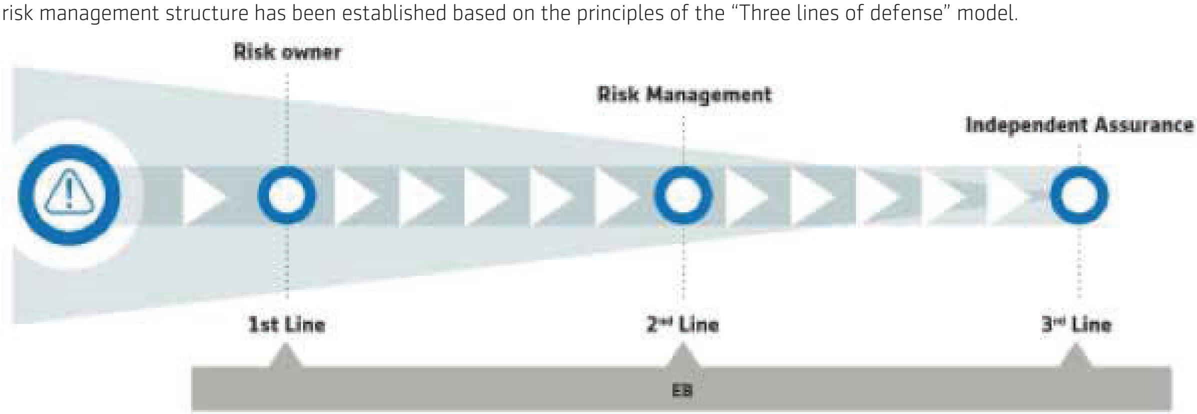
The Risk and Audit Committee (RAC) monitors, discusses, supports progress and decides on risks and issues, which are relevant for the proper management of strategic, operational and compliance risks. The focus of the RAC is primarily to those risks and issues that are outside the target zone of the predefined 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.

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.

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.

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 Tolerance

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

Risk Identification

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

Risk Assessment

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

Risk Response

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

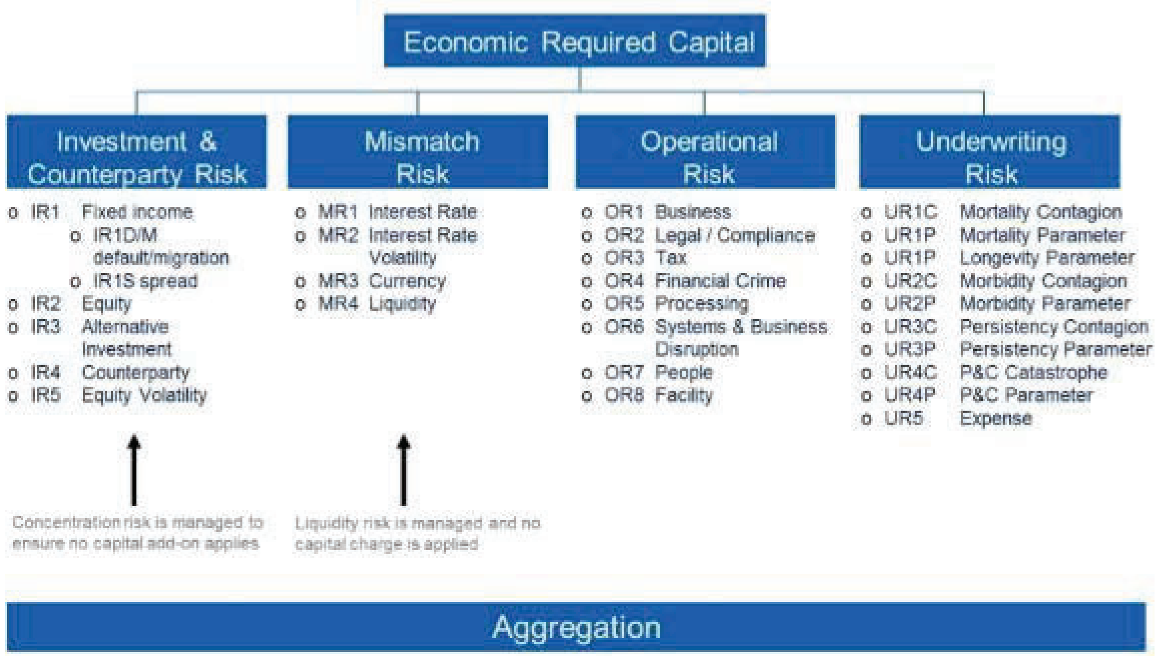
Risk Reporting (& Monitoring)

Compliance with the risk tolerance statements and the risk policy requirements is monitored and reported on a periodic basis to 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'. Risks specifically related to the insurance activities of Aegon Nederland are not relevant for Aegon Hypotheken and therefore not included in this description.

4.2. Risk Management approach

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

Category	Risk description	Measures taken
Information security risk	Information security risk relates to confidentiality, integrity and availability of information. Access to data by unauthorized parties could lead to loss of competitive advantages or could lead to privacy related risks. Information risk includes unauthorized or erroneous changes to business data or applications (business process controls) leading to fraud, error or failing internal controls. It also includes the loss of data and systems, or unavailability, causing inability to meet business process needs.	Aegon Nederland protects and continually strengthens its existing security control environment and use preventive tooling to minimize impact and exposure to new and existing threats. Evaluations of security controls – including detection and response capabilities are frequently performed by both internal and external experts. Identified vulnerabilities are followed-up by risk based actions plans, which are reported, tracked and monitored by management. Aegon Nederland performed a security capability assessment to determine the maturity of current capabilities and desired future maturity of these capabilities to be able to manage current and future information security/cyber risks. The prioritized risks – based on maturity current capability and target maturity for the capability provide the input for the security roadmap with focus on IT domains such as govern, protect, transition and operate.
Credit risk	Credit risk is a combination of Fixed Income risk and Counterparty risk. Fixed Income risk is the risk that the market value of fixed income investments will fluctuate because of changes in the financial condition of the obligor. This risk can result from changes in the rating category of the obligor, regular fluctuation of spreads associated with each credit rating over time, and potentially default. Counterparty risk is the risk that the value of positions taken by Aegon Nederland to change its risk-return profile (e.g., derivatives or reinsurance) will fluctuate because of a deteriorating financial condition of those counterparties.	Having a well-diversified investment portfolio means that Aegon Nederland can accept credit spread risk to earn a liquidity premium on assets that match liabilities. Aegon Nederland operates a Credit Name Limit Policy under which limits are placed on the aggregate exposure that it has to any one counterparty. Refer to section 4.2.3 Credit risk for more information on how the counter party default risk is managed.
Equity market risk and other investment risks	Aegon Nederland runs the risk that the market value of its investments changes. Investment risk affects Aegon Nederland direct investments in the general account, indirect investments on the account of clients and agreements where Aegon Nederland relies on counterparties, such as reinsurance and derivative counterparties.	Aegon Nederland has a low preference for investments in equity securities via the general account. Equity investments generate an equity risk premium over the long run, but in combination with a high capital charge result in a relatively low return on capital. Aegon Nederland has experience and expertise in managing complex investment guarantees and leverages this capability by providing customers access to a range of investment strategies and guaranteed benefits.
Interest rate risk	Aegon Nederland is exposed to interest rates as both its assets are liabilities are sensitive to movements in the long and short term interest rates as well as to changes in the volatility of interest rates.	Aegon Nederland accepts interest rate risk in order to meet customer needs. However, as no spread is earned on this interest rate risk, Aegon Nederland prefers to hedge the risk to the extent possible.
Liquidity risk	Aegon Nederland needs to maintain sufficient liquidity to meet short term cash demands under normal conditions, but also in crisis situations.	Aegon Nederland has put a strong liquidity management strategy in place. Aegon Nederland considers extreme liquidity stress scenarios, including the possibility of prolonged 'frozen' capital markets, an immediate and permanent rise in interest rates, and policyholders withdrawing liabilities at the earliest conceivable date. In addition, Aegon Nederland has liquidity stress planning in place.
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. Primary financial risks

The primary financial risks of Aegon Hypotheken have been identified in the following areas: default risk, prepayments, maturity of the existing portfolio and potentially lower margin for new production.

Default risk or credit risk is the risk that clients are not able to meet their mortgage obligations. The loss resulting from default is mitigated by collateral from residential real estate, saving deposits linked to the mortgage and guarantees such as NHG. The severity of credit risk therefore depends on the extent to which the collateral covers the outstanding loan. Because of the Aegon Hypotheken prudential loan offering policy and regulations that require redemptions for an increasing part of the portfolio, losses from defaults have been, absolute and compared to peers, low. The probability of default is expected to remain at low levels, although economic downturns and/or shocks to housing prices may lead to an increase compared to the very low 2021 levels. Aegon Hypotheken remains strict in it lending policies to ensure that the credit risk continues to be low.

Liquidity risks are inherent in much of Aegon Hypotheken business. Each asset purchased and liability sold has unique liquidity characteristics. The mortgage loan assets are by nature illiquid, though may be transferred through securitization or funded by third parties. Funding agreements may contain requirements on eligibility of mortgages. Eligibility could deteriorate under adverse market circumstances.

Aegon Hypotheken manages its liquidity position in ordinary course of business and taking into account extreme events, including significantly reduced liquidity in capital markets. Based on regular assessments made, Aegon Hypotheken liquidity position has been adequate during 2022.

Aegon Hypotheken has no exposure to currency exchange risk, limited exposure to inflation risk and no exposure to equity markets.

4.2.2. Hedging

For its hedging strategy Aegon Hypotheken holds a portfolio of interest rate swaps and interest rate cap derivatives. The main objective of this portfolio is to translate the cash flows of the fixed rate mortgages into variable cash flows to protect the fair value of the mortgages and to align with the floating interest paid on its borrowings. The risks associated with the portfolio of swaps are over- or under-hedging and liquidity risk. In case of over- and under-hedging the objective of the hedging strategy is not met and may, in adverse circumstances, lead to substantial losses. Liquidity risk relates to the possibility of the event that margin (cash collateral) must be posted when the swap's market value becomes negative. In its policy, Aegon Hypotheken clearly defined limits and mandates for its hedge portfolio to avoid these risks. A specialized department monitors the limits and mandates set.

4.2.3. Funding risk

To fund its business Aegon Hypotheken is dependent on external and Aegon group funding. To maintain a strong funding base, diversification between institutional investors (through the Saecure program), banks (through the warehouse program) and Aegon group entities, and diversification between maturity dates of the outstanding borrowings is critical. Aegon Hypotheken's strong funding base is furthermore based on the eligibility of mortgages as pledge for borrowings. It is therefore important to maintain a high quality mortgage portfolio with low delinquencies and favorable LTV ratios.

To meet its liquidity and solvency requirements in an effective manner Aegon Hypotheken has a funding structure that consists of a combination of long term secured and unsecured loans from Aegon Levensverzekering and a committed revolving credit facility from Aegon N.V. This funding structure leads to a sustainable long term business model for Aegon Hypotheken with more robust funding sources.

The long-term maturity of the mortgages requires a funding profile that matches this maturity. Aegon Hypotheken therefore entered into longer term loans as part of the Saecure program. These loans have an expected maturity derived from the FORD which stands for the First Optional Redemption Date. At this date Aegon Hypotheken has the first right to repurchase the underlying mortgages from the special purpose entity (SPE). The legal maturity date of the RMBS notes is related to the underlying mortgage loans with the longest legal maturity.

Further funding is available from the undrawn part of the current facilities as per December 31, 2022, which are EUR 0.2 billion (2021: EUR 0.4 billion) from external (warehouse) facilities and EUR 0.4 billion (2021: EUR 0.1 billion) from the liquidity line of Aegon N.V. These facilities provide room for short-term liquidity needs.

4.2.4. IFRS Sensitivities

Results of Aegon Hypotheken'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 have been affected by changes in the relevant risk variable that were reasonably possible at the reporting date. For each sensitivity test the impact of a reasonably possible change in a single factor is shown. Management action is taken into account to the extent that it is part of Aegon Hypotheken'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 judgment in applying Aegon Hypotheken's accounting policies. Market-consistent assumptions underlying the measurement of non-listed assets and liabilities are adjusted to reflect the shock tested. Although management's short-term assumptions may change if there is a reasonably possible change in a risk factor, long-term assumptions will generally not be revised unless there is evidence that the movement is permanent. This fact is reflected in the sensitivity analysis provided below.

The 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 Hypotheken'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 Hypotheken'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 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.

4.2.5. Interest rate risk

Aegon Hypotheken is exposed to interest rate risk since many of the mortgages it grants are fixed rate while the financing contracts are based on floating rates. Aegon Hypotheken's policy is that this interest rate risk must be limited on market consistent principles and it uses financial derivatives to hedge the net interest rate risk that arises from its investments and obligations, taking into account expected levels of prepayment.

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 in the table below shows an estimate of the effect of a parallel shift in the yield curves on net income and equity. Although the interest risk is hedged by derivatives, movements in interest rates will have an effect on shareholders' equity and on net income as part of the derivatives are not included in the hedge accounting relationship.

Parallel movement of yield curve	**2022**		2021	
Estimated approximate effect	Net income	Equity	Net income	Equity
Shift up 100 basis points	(242)	(242)	(917)	(917)
Shift down 100 basis points	(497)	(497)	(252)	(252)

The sensitivity of net income and shareholders' equity for parallel shifts in the yield curves has decreased compared to 2021 for upward shocks, and increased for downward shocks. The impact of interest rate shocks on the linear derivatives portfolio is almost fully offset by the impact on the mortgages in the hedge relation of Aegon Hypotheken as can be seen in the table above.

Since loans are not, other than derivatives, being revalued under IFRS, there is no interest sensitivity. Note that sensitivities are calculated without taking into account any floors in coupons which apply to part of the financing transactions.

4.2.6. Credit rating

The ratings distribution of investments portfolio of Aegon Hypotheken is presented in the next table.

2022	Amortized cost	Fair value	Reinsurance assets	Total 2022
AAA	10,917	-	-	10,917
AA	25	440,981	-	441,006
BB	1	-	-	1
Assets not rated	2,316,324	-	-	2,316,324
Total on balance credit exposure at December 31	**2,327,267**	**440,981**	**-**	**2,768,248**
Of which past due and/or impaired assets	16,244	-	-	16,244

2021	Amortized cost	Fair value	Reinsurance assets	Total 2021
AAA	12,813	-	-	12,813
AA	43	62,959	-	63,002
BB	1	-	-	1
Assets not rated	2,615,696	-	-	2,615,696
Total on balance credit exposure at December 31	**2,628,553**	**62,959**	**-**	**2,691,512**
Of which past due and/or impaired assets	10,966	-	-	10,966

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

4.2.7. Credit risk concentration

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

Credit risk concentration - mortgage loans	**2022**	2021
Apartment	238,818	240,755
Retail	229	-
Commercial	-	339
Residential	2,275,735	2,233,614
At December 31	**2,514,782**	**2,474,708**
Of which past due and/or impaired assets	16,173	10,895

The amount disclosed in the table above for the investments at amortized cost is excluding the adjustment relating to the fair value hedge accounting of minus EUR 198 million (2021: EUR 141 million). Refer to note 6 'Loans' for more information.

Fair value of the mortgage loan portfolio:	**2022**	2021
Fair value mortgage loans	2,301,283	2,758,969
Loan to value (approximately)	50.0%	54.5%
Part of portfolio government guaranteed	33.4%	36.7%
Delinquencies in portfolio (defined as 60 days in arrears)	0.1%	0.2%
Reversals of impairment during the year	(9)	(78)

4.2.8. Past due and impaired financial assets

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 Hypotheken 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
Mortgage loans	792	369
Other	71	71
At December 31	**863**	**440**
Interest received on impaired financial assets	15	8

4.2.9. Liquidity risk

Liquidity risk is inherent in much of Aegon Hypotheken's activity. Each asset and liability has its own liquidity characteristics. Most assets and liabilities are of a long-term nature and will not create an unexpected short-term liquidity requirement. However, most of the assets of Aegon Hypotheken are mortgage loans, which are not highly liquid. If Aegon Hypotheken requires more than the normal amount of cash at short notice, it may have difficulty selling these investments at attractive prices or in a timely manner.

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

Investments in less liquid assets, such as mortgage loans, 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. 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.

Management uses this information for insight into the liquidity position and may, if necessary, make adjustments.

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

Events that may have a sudden, adverse impact on available liquidity include the following:
- Large change in interest rates (300 bps upward shock and 100 bps downward);
- Large change in credit spreads (150 bps upward);
- Insolvency of a counterparty, credit facility or bank where current accounts are held.

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 Hypotheken 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 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 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.

2022	On demand	< 1 year	1 < 5 year	5 < 10 year	> 10 year	Total 2022
Borrowings and group borrowings	-	1,183,622	1,653,357	70,000	-	2,906,979
Other financial liabilities	13,556	127,555	-	-	-	141,111
At December 31	**13,556**	**1,311,177**	**1,653,357**	**70,000**	**-**	**3,048,090**

2021	On demand	< 1 year	1 < 5 year	5 < 10 year	> 10 year	Total 2021
Borrowings and group borrowings	-	814,018	1,579,945	347,008	-	2,740,971
Other financial liabilities	14,005	172,943	-	-	-	186,948
At December 31	**14,005**	**986,961**	**1,579,945**	**347,008**	**-**	**2,927,919**

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.

2022	On demand	< 1 year	1 < 5 year	5 < 10 year	> 10 year	Total
Cash inflows	-	120,813	384,966	283,719	182,823	972,321
Cash outflows	-	(94,410)	(330,597)	(237,539)	(147,713)	(810,259)

2021	On demand	< 1 year	1 < 5 year	5 < 10 year	> 10 year	Total
Cash inflows	-	13,716	28,571	44,507	46,503	133,297
Cash outflows	-	(49,917)	(120,988)	(107,355)	(65,600)	(343,860)

Line item 'Borrowings and group borrowings' in the table with comparative figures only contains 'Debentures and other loans'. In the 2022 figures this line item also contains group loans.

4.3. Credit risk management

This section describes credit risk management as applied by Aegon Hypotheken since the application of IFRS 9.

The estimation of credit exposure for risk management purposes requires the use of models, as the exposure varies with changes in market conditions, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of default correlations between counterparties. Aegon Hypotheken measures credit risk using Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD). This is similar to the approach used for the purposes of measuring Expected Credit Loss (ECL) under IFRS 9. Refer to note 4.3.4. 'Measuring ECL – Inputs, assumptions and estimation techniques' for more details.

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

During 2021 and 2022 there were no breaches regarding the CNLP that were relevant to Aegon Hypotheken.

Aegon Hypotheken mitigates the credit risk in derivative contracts with collateral and by using International Swaps and Derivatives Association (ISDA) agreements. The fair value of the derivatives is adjusted to the credit risk based on observable market spreads.

As Aegon Hypotheken mainly invests in mortgage loans, almost all of the assets of Aegon Hypotheken are not rated.

4.3.1. Expected credit loss measurement

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

- A financial instrument that is not credit-impaired on initial recognition is classified in 'Stage 1' and has its credit risk continuously monitored by Aegon Hypotheken.
  - 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. Please refer to note 4.3.2. for a description of how Aegon Hypotheken determines when a significant increase in credit risk has occurred.
  - If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'. Please refer to note 4.3.3. for a description of how Aegon Hypotheken defines credit-impaired and default.
- Financial instruments in Stage 1 have their 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. Please refer to note 4.3.4. for a description of inputs, assumptions and estimation techniques used in measuring the ECL.
- 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 (Stage 3).

A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward-looking information. Note 4.3.5. includes an explanation of how Aegon Hypotheken has incorporated this in its ECL models.

The following diagram summarises the impairment requirements under IFRS 9 (other than purchased or originated credit-impaired financial assets):

Change in credit quality since initial recognition

Stage 1	Stage 2	Stage 3
(Initial recognition)	(Significant increase in credit risk since initial recognition)	(Credit-impaired assets)
12-month expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses

Aegon Hypotheken employ separate models to calculate ECL on its mortgage loans and private loans portfolios.

ECL calculations are performed on an individual basis, as such no grouping has been applied. Asset classes not covered in the ECL calculations are considered to have immaterial credit risk or to be of short-term nature. Given the need to adapt the models to the different portfolio characteristics, the ECL model contains a number of key judgements and assumptions. As such, the below paragraphs outline the key judgements and assumptions made by Aegon Hypotheken in addressing the requirements of the Standard. Aegon Hypotheken has not applied the simplified approach to its ECL model.

4.3.2. Significant increase in credit risk (SICR)

Aegon Hypotheken considers a financial instrument to have experienced a significant increase in credit risk when one or more of the following quantitative, qualitative or backstop criteria have been met:

Mortgage loans	Variation in Forward-in-Time Probability of Default	None	30 days past due
Private loans	Relative changes of rating	Watch-list approach	No other backstop applied

Quantitative criteria

For mortgage loans the Variation in Forward-in-Time (FiT) Probability of Default (PD) is used as a primary indicator to assess significant increase in credit risk. This method assesses whether a significant increase in credit risk has occurred based on the relative negative movements in a mortgage loan's PD.

For private loans the relative change of the credit rating is used as primary indicator to assess significant increase in credit risk, for this purpose the CNLP credit ratings are used. The CNLP rating is a composite rating of the main rating agencies (Moody's, Standard and Poor's, Fitch). The rating agencies are using forward-looking macroeconomic factors and other available supportive information to rate a counterparty. In case no external credit rating is available to determine the composite CNLP rating, internal ratings are used.

Qualitative criteria

No secondary indicator is applied to mortgage loans, given that the Probability of Default variation approach has been applied. For private loans the watch-list approach is applied as an additional qualitative criterion.

The watch-list approach means instruments on the watch list are manually observed, the criteria for an instrument to move to the watch list are:

- The value either drops to 80% and below the (amortized) cost price and stays there for six months; or
- The value falls by 20% over 3 months; or
- The value falls to 60% and below the (amortized) cost price.

The assessment of SICR incorporates forward-looking information and is performed on a quarterly basis at a portfolio level for all financial instruments held by Aegon Hypotheken. The criteria used to identify SICR are monitored and reviewed periodically for appropriateness by the independent Credit Risk team.

Backstop

A backstop is applied in the mortgage loans portfolios to exposures considered to have experienced a significant increase in credit risk if the borrower is more than 30 days past due on its contractual payments. No backstop is applied to private loans, given that the 30 days past due presumption is rebutted based on the default backstop being 5 days past due on these instruments.

In line with regulatory requirements, Aegon Hypotheken has used the low credit risk exemption for private loans in the year ended 31 December 2022. As such, external and internal credit ratings are used respectively for these assets to assess whether a significant increase in credit risk has occurred.

4.3.3. Definition of default and credit-impaired Assets

Aegon Hypotheken assesses a financial instrument to be in default or credit-impaired using the following criteria:

Mortgage loans	90 days past due	- Foreclosure
		- Sale at material economic loss (>1%)
		- Distressed restructuring
Private loans	5 days past due backstop	- Rating falling to “D” (external or internal)
		- Breach of significant covenants without reasonably supportable waiver obtained
		- Distressed restructuring taking place
		- Bankruptcy or an equivalent of an injunction for the obligor was filed
		- Obligor was classified as default internally

Aegon Hypotheken consents to a distressed restructuring of the credit obligation which is likely to result in a diminished financial obligation caused by the material forgiveness, or postponement of principal, interest or, where relevant, fees. With regard to distressed restructuring of credit obligations, the threshold for sale at material economic loss is set at 1%.

The definition of default has been applied consistently to model the Probability of Default (PD), Exposure at Default (EAD) and Loss given No Cure (LGN) throughout Aegon Hypotheken’s expected loss calculations.

An instrument is considered to no longer be in default (i.e. to have cured) when it no longer meets any of the default criteria for a consecutive period of three months and an assessment has shown the obligor is no longer unlikely to pay. Upon curing, the instrument will transfer from Stage 3 to Stage 2. The period of three months has been determined based on regulatory requirements which consider the likelihood of a financial instrument returning to default status after cure using different possible cure definitions.

4.3.4. Measuring ECL – Inputs, assumptions and estimation techniques

The ECL is measured on either a 12-month (Stage 1) or Lifetime basis (Stage 2/3) depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired.

Expected credit losses are the discounted product of the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD), defined as follows:

- The PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation.
- EAD is based on the amounts Aegon Hypotheken expects to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining lifetime (Lifetime EAD).
- Loss Given Default (LGD) represents Aegon Hypotheken’s expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of exposure at the time of default (EAD). LGD is calculated on a 12-month or lifetime basis, where 12-month LGD is the percentage of loss expected to be made if the default occurs in the next 12 months and Lifetime LGD is the percentage of loss expected to be made if the default occurs over the remaining expected lifetime of the loan.

The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

The Lifetime PD is calculated for a mortgage loan in Stage 2 and 3 that results in default by summing the probabilities of all future developments which end-up in the ECL. All possible future developments are enumerated and for each future development a probability is calculated. The possibility of full prepayment is included among all possible future developments. For each possible future development the probability is estimated using statistical modelling techniques.

Expected credit losses measured on a Stage 3 Lifetime basis are the discounted product of the expected amount of exposure that will default without cure, and the Loss Given No-cure ('LGN'), defined as follows:

- The expected amount that will default without cure is calculated as the current exposure amount times the sum of probabilities over possible future developments that result in default without cure. All possible future developments are enumerated and for each future development a probability is calculated. The possibility that an exposure amount is repaid by means of scheduled payments or unscheduled prepayments is included among all possible future developments. For each possible future development the probability is estimated using statistical modelling techniques.
- The LGN 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.

The LGN is based on factors that impact the recoveries made post-default. These vary by product type:

- For mortgages, this is primarily based on the collateral type and projected value, the estimated recovery rate on the collateral, NHG guaranty eligibility, and savings proceeds when applicable.
- For private loans, LGN is estimated using a statistical modelling technique on historical recovery rate data provided by rating agencies.

Forward-looking economic information is included in determining the 12-month and Lifetime ECL, as well as the Lifetime PD by using a set of variables describing the state of the macro economy as input in the calculation of the LGN and the probability of default and prepayment.

There have been no material changes in estimation techniques or significant assumptions made during the reporting period.

4.3.5. Forward-looking information incorporated in the ECL model

The assessment of significant increase in credit risk (SICR) and the calculation of ECL both incorporate forward-looking information. Aegon Hypotheken has performed historical analysis and identified the key economic variables impacting credit risk and expected credit losses for each portfolio. Expert judgment has also been applied in this process.

These economic variables and their associated impact on the ECL and Lifetime PD vary by financial instrument. Forecasts of these economic variables (the "base economic scenario") are derived from DNB and Bloomberg. They provide an estimate of the economy over the next three years. After three years, to project the economic variables out for the full remaining lifetime of each instrument, a mean reversion approach has been used, which means that economic variables tend to either a long run average rate (e.g. for unemployment) or a long run average growth rate (e.g. GDP) over a period of three years. Statistical regression analysis has been performed to understand the impact changes in these macro-economic variables have had historically on default rates, prepayment rates and the LGN.

Three macro-economic scenarios, upside, downside, and base, are generated, taking into account their correlation as historically observed. The upside and downside scenarios are generated by applying shocks to the historical average deviance from the long term observed in the best/worst 25% of the historically observed quarters. The shocks applied correspond to the historical average deviance from the long term mean observed in the best/worst 25% of the historically observed quarters. The ECL is a weighted average of the expected credit losses in all three macro-economic scenarios, where the weighting depends on the likelihood of the scenario. The use of multiple economic scenarios ensures that the ECL represents the best estimate of expected credit loss and is not merely the credit loss in the most likely scenario.

Additionally, the macro-economic scenarios are used in the assessment of SICR. The assessment of SICR is performed using the Lifetime PD under each of the scenarios, multiplied by the associated scenario weighting, along with qualitative and backstop indicators.

The assessment of SICR is performed using the Lifetime PD under each of the scenarios, multiplied by the associated scenario weighting, along with qualitative and backstop indicators. This determines whether the whole financial instrument is in Stage 1, Stage 2, or Stage 3, and hence whether 12-month or lifetime ECL should be recorded. Following this assessment, Aegon Hypotheken measures ECL as either a probability-weighted 12 month ECL (Stage 1), or a probability-weighted lifetime ECL (Stages 2 and 3). These probability-weighted ECLs are determined by running each scenario through the relevant ECL model and multiplying it by the appropriate scenario weighting (as opposed to weighting the inputs).

As with any economic forecasts, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected. Aegon Hypotheken considers these forecasts to represent its best estimate of the possible outcomes.

Economic variable assumptions

The most significant forward-looking considerations used for the ECL estimate for the mortgage loans are the house price index and the unemployment rate. The “base”, “upside” and “downside” scenarios were used for the mortgage portfolio.

The weightings assigned to each economic scenario at year-end were as follows:

	Base	Upside	Downside
At 31 December 2022	30%	20%	50%
At 31 December 2021	45%	29%	26%

Other forward-looking considerations not otherwise incorporated within the above scenarios, such as the impact of any regulatory, legislative or political changes, have also been considered, but are not deemed to have a material impact. Therefore no adjustment has been made to the ECL for such factors. This is reviewed and monitored for appropriateness on a quarterly basis.

The most significant macro-economic assumptions affecting the ECL allowance for the mortgage loans are as follows:

1. House price index, because it provides an indication of mortgage collateral valuations; and
2. Unemployment rate, because of its impact on obligors’ ability to meet their contractual repayments.

Set out below are the changes to the ECL as at year-end that would result from reasonably possible changes in these parameters from the actual assumptions used in Aegon Hypotheken’s economic variable assumptions:

	Stress scenario 2022		Stress scenario 2021	
House price index	(10%)	+10%	(10%)	+10%
House price index	9	(6)	34	(24)

	Stress scenario 2022		Stress scenario 2021	
Unemployment rate	(1%)	+1%	(1%)	+1%
Unemployment rate	(17)	15	(68)	37

4.3.6. Write-off policy

Aegon Hypotheken writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include (i) ceasing enforcement activity and (ii) where Aegon Hypotheken’s recovery method is foreclosing on collateral and the value of the collateral is such that there is no reasonable expectation of recovering in full.

Aegon Hypotheken may write-off financial assets that are still subject to enforcement activity. The outstanding contractual amounts of such assets written off during the year ended 31 December 2022 was EUR 0.1 million (2021: EUR 0.1 million). Aegon Hypotheken still seeks to recover amounts it is legally owed in full, but which have been partially written off due to no reasonable expectation of full recovery.

4.3.7. Modifications of financial assets

Aegon Hypotheken sometimes modifies the terms of loans provided to customers due to commercial renegotiations, or for distressed loans, with a view to maximizing recovery. Such restructuring activities include extended payment term and penalty interest arrangements. Restructuring policies and practices are based on indicators or criteria which, in the judgement of management, indicate that payment will most likely continue. These policies are kept under continuous review.

The risk of default of such assets after modification is assessed at the reporting date and compared with the risk under the original terms at initial recognition, when the modification is not substantial and so does not result in derecognition of the original asset. Aegon Hypotheken monitors the subsequent performance of modified assets. Aegon Hypotheken may determine that the credit risk has significantly improved after restructuring, so that the assets are moved from Stage 3 or Stage 2 (Lifetime ECL) to Stage 1 (12-month ECL). This is only the case for assets which have performed in accordance with the new terms for three consecutive months or more.

Aegon Hypotheken continues to monitor if there is a subsequent significant increase in credit risk in relation to such assets through the use of specific models for modified assets. The number of loans within Aegon Hypotheken's mortgage portfolio that are modified during 2022 are limited. There is no significant impact on the lifetime ECL from modifications of financial assets during 2022.

4.3.8. Loss allowance

The loss allowance recognised in the period is impacted by a variety of factors, as described below:

Transfers between Stage 1 and Stages 2 or 3 due to financial instruments experiencing significant increases (or decreases) of credit risk or becoming credit-impaired in the period, and the consequent "step up" (or "step down") between 12-month and Lifetime ECL;

- Additional allowances for new financial instruments recognised during the period, as well as releases for financial instruments de-recognised in the period;
- Impact on the measurement of ECL due to changes in PDs, EADs and LGDs in the period, arising from regular refreshing of inputs to models;
- Impacts on the measurement of ECL due to changes made to models and assumptions;
- Discount unwind within ECL due to the passage of time, as ECL is measured on a present value basis;
- Financial assets derecognised during the period and write-offs of allowances related to assets that were written off during the period (see note 2.6.2.).

The following table explains the changes in the loss allowance between the beginning and the end of the annual period for mortgage loans due to these factors:

	Mortgage loans 2022			
	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL	Lifetime ECL	
Loss allowance as at 1 January 2022	78	218	69	365
Stage transfers	11	(21)	(21)	(31)
New financial assets originated or purchased	32	58	-	90
Changes in PD/LGD/EAD	47	112	27	186
Financial assets derecognised during the period	(12)	(51)	(14)	(77)
Loss allowance as at 31 December 2022	**157**	**316**	**61**	**534**

	Mortgage loans 2021			
	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL	Lifetime ECL	
Loss allowance as at 1 January 2021	247	282	141	670
Stage transfers	37	(81)	(36)	(80)
New financial assets originated or purchased	17	95	2	114
Changes in PD/LGD/EAD	(197)	(37)	3	(231)
Financial assets derecognised during the period	(26)	(41)	(40)	(107)
Loss allowance as at 31 December 2021	**78**	**218**	**69**	**365**

The following table further explains changes in the gross carrying amount of the mortgage portfolio to help explain their significance to the changes in the loss allowance for the same portfolio as discussed above.

	Mortgage loans 2022			
	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL	Lifetime ECL	
Gross carrying amount as at 1 January 2022	2,468,769	144,028	2,828	2,615,625
Stage transfers	38,100	(37,812)	(288)	-
New financial assets originated or purchased	388,507	22,746	-	411,253
Financial assets derecognised during the period other than write-offs	(323,077)	(23,171)	(441)	(346,688)
Other movements	(363,937)	-	-	(363,937)
Gross carrying amount as at 31 December 2022	**2,208,362**	**105,791**	**2,099**	**2,316,253**

	Mortgage loans 2021			
	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL	Lifetime ECL	
Gross carrying amount as at 1 January 2021	2,441,472	53,282	4,224	2,498,978
Stage transfers	15,803	(15,267)	(537)	-
New financial assets originated or purchased	477,108	111,169	94	588,371
Financial assets derecognised during the period other than write-offs	(270,976)	(7,383)	(1,232)	(279,592)
Other movements	(194,638)	2,227	279	(192,132)
Gross carrying amount as at 31 December 2021	**2,468,769**	**144,028**	**2,828**	**2,615,625**

Other movements relate to the change in fair value of the mortgage loans that are designated in portfolio fair value interest rate hedging relationships.

Aegon Hypotheken does not have purchased or originated credit-impaired financial assets recognized during the period.

4.3.9. Credit risk exposure

Maximum exposure to credit risk - Financial instruments subject to impairment

The following table contains an analysis of the credit risk exposure of mortgage loans. Refer to note 4.3.4 for a more detailed description of ECL measurement. All asset categories not presented here are determined to have non-material credit risk or to be of short-term nature. The gross carrying amount of financial assets below also represents Aegon Hypotheken's maximum exposure to credit risk on mortgage loans.

	Mortgage loans 2022			
	ECL staging			
	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL	Lifetime ECL	
Credit grade				
Investment grade (NHG guarantees)	743,215	28,703	1,109	773,027
Investment grade (non-NHG guarantees)	1,465,305	77,267	-	1,542,572
Standard/Special monitoring	-	137	1,051	1,188
Gross carrying amount	**2,208,519**	**106,107**	**2,160**	**2,316,787**
Loss allowance	157	316	61	534
Carrying amount	**2,208,362**	**105,791**	**2,099**	**2,316,253**

	Mortgage loans 2021			
	ECL staging			
	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL	Lifetime ECL	
Credit grade				
Investment grade (NHG guarantees)	905,596	51,145	1,745	958,485
Investment grade (non-NHG guarantees)	1,563,250	92,533	505	1,656,288
Standard/Special monitoring	-	569	648	1,217
Gross carrying amount	**2,468,846**	**144,247**	**2,897**	**2,615,990**
Loss allowance	78	218	69	365
Carrying amount	**2,468,768**	**144,029**	**2,828**	**2,615,625**

The credit risk of mortgages is divided into mortgages which are NHG guaranteed, not NHG guaranteed and mortgages with standard / special monitoring. Mortgages which are more than 60 days in arrear will be classified under standard / special monitoring.

Maximum exposure to credit risk – Financial instruments not subject to impairment

The following table contains an analysis of the maximum credit risk exposure from financial assets not subject to impairment (i.e. FVPL).

2022	Maximum exposure to credit risk			
	Gross exposure	Collateral received		Net exposure
		Collateral	Master netting agreement	
Loans to individuals	71	-	-	71
Derivatives with positive values	10,943	-	10,943	-
Total	**11,014**	**-**	**10,943**	**71**

2021	Maximum exposure to credit risk			
	Gross exposure	Collateral received		Net exposure
		Collateral	Master netting agreement	
Loans to individuals	71	-	-	71
Derivatives with positive values	12,856	-	12,856	-
Total	**12,927**	**-**	**12,856**	**71**

4.3.10. Collateral and other enhancements

Aegon Hypotheken employs a range of policies and practices to mitigate credit risk. The most common of these is accepting collateral for funds advanced. Aegon Hypotheken has internal policies on the acceptability of specific classes of collateral or credit risk mitigation.

Aegon Hypotheken prepares a valuation of the collateral obtained as part of the loan origination process. This assessment is reviewed periodically. The principal collateral types for mortgages are:

- Mortgages over residential properties;
- Guarantees given (e.g. NHG);
- Margin agreement for derivatives, for which Aegon Hypotheken has also entered into master netting agreements;

Aegon Hypotheken's policies regarding obtaining collateral have not significantly changed during the reporting period and there has been no significant change in the overall quality of the collateral held by Aegon Hypotheken since the prior period.

Aegon Hypotheken closely monitors collateral held for financial assets considered to be credit-impaired, as it becomes more likely that Aegon Hypotheken will take possession of collateral to mitigate potential credit losses.

Financial assets that are credit-impaired and related collateral held in order to mitigate potential losses are shown below.

2022	Gross exposure	Impairment allowance	Carrying amount	Fair value of collateral held
Credit-impaired assets				
Loans to individuals:				
- Mortgage loans	2,160	61	2,099	2,099
Total credit-impaired assets	**2,160**	**61**	**2,099**	**2,099**

2021	Gross exposure	Impairment allowance	Carrying amount	Fair value of collateral held
Credit-impaired assets				
Loans to individuals:				
- Mortgage loans	2,897	69	2,828	2,828
Total credit-impaired assets	**2,897**	**69**	**2,828**	**2,828**

The following table shows the distribution of LtV ratios for Aegon Hypotheken's mortgage credit impaired portfolio:

Mortgage portfolio - LTV distribution	2022	2021
Lower than 50%	-	437
50 to 60%	119	-
60 - 70%	116	119
70 - 80%	159	285
80 - 90%	1,127	1,453
90 -100%	578	263
More than 100%	-	272
Total	**2,099**	**2,828**

4.4. Regulation and supervision

Regulation of the financial sector in the Netherlands is included in the Financial Supervision Act (Wet op het financieel toezicht or Wft). The Wft embeds the cross-sectorial functional approach within the Dutch supervisory system. The supervision of financial institutions pursuant to the Wft rests with the Dutch Central Bank (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. Although Aegon Nederland is under supervision of DNB, Aegon Hypotheken does not fall under specific supervision of DNB.

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 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.

4.5. Product information

Aegon Hypotheken uses a variety of distribution channels to help customers assess which products and services are appropriate for their needs. In general, all business lines use the intermediary channel, which focuses on independent brokers in different market segments in the Netherlands.

In recent years, Aegon Hypotheken has invested heavily in its direct online channel on achieving a better digital self-service. Aegon Hypotheken distributes most of its products and services through intermediaries.

Aegon Hypotheken in the Netherlands offers annuity, linear, savings mortgages and interest only (max. 50% of the market value when the mortgage is granted) residential mortgages. Mortgage loans are partly funded externally. In addition to residential mortgage-backed securities in Saecure – Aegon Nederland's Dutch residential mortgage-backed securities program and private placements - the Dutch Mortgage Funds I and II are the main source of external funding. For this business, Aegon Hypotheken originates the mortgage loans fully for account of third parties and remains the service provider for these mortgage loans.

5. Cash and cash equivalents

	2022	2021
Cash on hand and balances with banks	137,357	117,012
At December 31	**137,357**	**117,012**

The carrying amounts disclosed reasonably approximate the fair values at year-end. Refer to note 23 'Transfers of financial assets' for more information on collateral.

Investment of cash collateral received is restricted through limitations on credit worthiness, duration, approved investment categories and borrower limits. Refer to note 7 'Group loans' for more information on collateral.

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

6. Loans

2022	Amortized cost	Fair value
Mortgage loans	2,316,253	2,301,283
Private loans	10,943	10,719
Other [1]	71	71
At December 31	**2,327,267**	**2,312,073**

2021	Amortized cost	Fair value
Mortgage loans	2,615,625	2,758,969
Private loans	12,857	15,048
Other [1]	71	71
At December 31	**2,628,553**	**2,774,088**

1 Other loans do not pass for SPPI and are classified as fair value through profit or loss. The carrying amount is not impacted by this.

	2022	2021
Current	222,319	297,474
Non-current	2,104,948	2,331,079
Total financial assets, excluding derivatives	**2,327,267**	**2,628,553**

Certain mortgage loans shown within the category 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 198 million as at December 31, 2022 (2021: EUR 141 million higher). Total movement of the mortgage loan portfolio due to hedge accounting was a loss of EUR 339 million during 2022 (2021: a loss of EUR 83 million). None of the financial assets have been reclassified during the financial year.

Movements on the loan allowance account during the year were as follows:

	2022	2021
At January 1	**362**	670
Reversal to income statement	160	(308)
At December 31	**522**	**362**

7. Group loans

	2022	2021
Loan Aegon Derivatives N.V.	66,457	299,570
At December 31	**66,457**	**299,570**
Current	66,457	299,570
Total	**66,457**	**299,570**

The loan with Aegon Derivatives N.V. ('Aegon Derivatives') is cash collateral received under derivatives transactions. Aegon Derivatives settles this collateral with external parties on behalf of Aegon Hypotheken. Movements in collateral result from movements in market values on derivatives and is settled daily. These borrowings are current borrowings. ESTR interest is applied on the variation margin. Clearing costs will be charged on quarterly basis.

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

8. Derivatives

	Derivative asset		Derivative liability	
	2022	2021	2022	2021
Derivatives not designated in a hedge	169,795	39,780	205,471	53,077
Derivatives designated as fair value hedges	271,186	23,125	76,340	209,056
At December 31	**440,981**	**62,905**	**281,811**	**262,133**

	2022	2021
Current	6,783	(2,110)
Non-current	152,387	(197,118)
Total net derivatives at December 31	**159,170**	**(199,228)**

For a summary of all financial assets and financial liabilities at fair value through profit or loss see note 21 'Fair value of assets and liabilities'.

Derivatives not designated in a hedge

	Derivative asset		Derivative liability	
	2022	2021	2022	2021
Derivatives held as an economic hedge	169,795	39,780	205,471	53,077
At December 31	**169,795**	**39,780**	**205,471**	**53,077**

Aegon Hypotheken uses derivative instruments (interest rate swaps and interest rate cap derivatives) as a part of its asset liability management strategy: the risk management of all assets and liabilities. They may relate to an existing asset or liability or a future reinvestment risk. Derivatives are classified as economic hedges to the extent that they do not qualify for hedge accounting or where Aegon Hypotheken has elected not to apply hedge accounting. In all cases, they are in accordance with internal risk guidelines and are closely monitored for continuing compliance with these guidelines.

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 for this are interest rate swaps.

Derivatives designated as fair value hedges

Aegon Hypotheken's fair value hedges consist of interest rate swaps that are used to protect against changes in the fair value of fixed-rate instruments due to movements in market interest rates. Gains and losses on derivatives designated under fair value hedge accounting are recognized in the income statement. The effective portion of the fair value change on the hedged item is also recognized in the income statement. As a result, only the net accounting ineffectiveness has an impact on the net result. This offset is only possible when using the EU carve-out on hedge accounting, as otherwise the hedge would not have been 'highly' effective as required by IFRS. The table below summarizes the effect of the fair value hedges.

Effect of fair value hedges	**2022**	2021
Fair value changes mortgage loans recognized in income statement under the EU carve-out	(360,027)	(94,461)
Offset amount of fair value changes recognized on derivatives used as hedging instrument	355,413	98,648
Total accounting ineffectiveness under the EU carve-out recognized in the income statement	**(4,614)**	**4,187**
Amortization of the base-adjustment	10,597	11,483
Total accounting hedge result	**5,983**	**15,670**

The following table contains details of the hedging instruments used in Aegon Hypotheken's hedging strategies:

Fair value hedges	Accumulated amounts	
Macro fair value hedge	2022	2021
Carrying amount of the hedged item		
- Assets	2,344,509	2,152,996
- Liabilities	-	-
Accumulated amount of fair value adjustments on the hedged item		
- Assets	(198,011)	141,265
- Liabilities	-	-
Balance sheet line item - Loans	**(198,011)**	**141,265**
Changes in fair value of the hedged item for ineffectiveness assessment	**(360,027)**	**(94,461)**

The following table contains details of the hedged exposures covered by Aegon Hypotheken's hedging strategies:

Fair value hedges	Carrying amounts	
Macro fair value hedge	2022	2021
Notional	2,653,055	2,837,457
Assets	271,186	22,877
Liabilities	76,340	202,201
Balance sheet line item - Derivatives	**194,846**	**(179,324)**
Changes in fair value used in calculating hedge ineffectiveness	**355,413**	**98,648**

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 recognizes that IBOR transitions potentially 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. Compensation has been exchanged through the clearing house for any resulting impact on the valuation of derivatives. The switch in discount rates is widely expected to result in increased liquidity in the new risk-free rates.

The majority of the fair value hedges are directly exposed to changes in benchmark rates (predominantly Euribor), as it is not clear until when this benchmark rate will be continued and how it will transition to alternative rates. For example, the majority of financial instruments designated as fair value hedges have a maturity date beyond December 31, 2022 (Gross notional amount EUR 3,235 million; 2021: EUR 2,837 million).

Aegon Hypotheken 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. Other assets and receivables

	2022	2021
Investment debtors	392,795	700,155
Receivables from policyholders	3,646	3,828
Current account with group companies	126,717	282,851
Accrued interest	13,415	9,522
Other	46	-
Current	**536,618**	**996,356**
At December 31	**536,618**	**996,356**

Included in investment debtors is a short term receivable to Dutch Mortgage Fund (DMF) of EUR 158 million (2021: EUR 337 million) in relation to the mortgages originated to the fund. For external fee partners an amount of EUR 48 million (2021: EUR 87 million) has been recognized. In the pipeline EUR 140 million (2021: EUR 232 million) has been recognized, which is divided over internal and external investors according to an allocation process.

The ‘current account with group companies’ relate to the current accounts with Aegon Nederland, Aegon Bank N.V. (or Aegon Bank) and Aegon Levensverzekering N.V. (or Aegon Levensverzekering).

The other assets and receivables presented above are mostly not externally rated. The carrying amounts disclosed reasonably approximate the fair values at year-end.

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.

10. Equity

	2022	2021
Share capital	18	18
Share premium	20,000	20,000
Statutory reserves	-	-
Revaluation reserves	-	-
Retained earnings	179,377	175,399
At December 31	**199,395**	**195,417**

The authorized share capital of EUR 90,000 is divided into 90 shares of EUR 1,000 nominal value each, of which 18 shares have been issued and fully paid. According to the dividend policy, the dividend amounts to be paid out by Aegon Hypotheken are based on the net operating result and paid on a quarterly basis provided that the legal and internal requirements related to capital- and liquidity are met. In 2022, Aegon Hypotheken paid EUR 37 million dividend to Aegon Nederland N.V. (2021: EUR 34 million).

11. Borrowings and group borrowings

	Note	2022	2021
Debentures and other loans	11.1	2,231,979	2,740,971
Loan Aegon N.V.		105,000	163,000
Loan Aegon Levensverzekering N.V.		570,000	570,000
At December 31		**2,906,979**	**3,473,971**
Current		1,114,000	980,000
Non-current		1,792,979	2,493,971
Total		**2,906,979**	**3,473,971**

Aegon Hypotheken’s funding arrangement with companies within the Aegon group consists of secured and unsecured borrowings from Aegon Levensverzekering totaling EUR 570 million per year-end 2022 (2021: EUR 570 million per December 31, 2021), and of a committed credit facility of EUR 500 million, of which EUR 105 million drawn as per December 31, 2022 (2021: EUR 163 million), from its ultimate parent company Aegon N.V..

As part of the funding structure, Aegon Hypotheken pledged mortgage loans and pools of mortgage loans underlying to sub (e.g. junior) notes and subordinated loans in the warehouses held for own account for secured borrowings and pledged all its mortgage loans that are not already pledged otherwise to unsecured borrowings and revolving credit facilities. The secured and unsecured loans have a fixed rate, the revolving credit facility has a floating rate.

The carrying amounts disclosed reasonably approximate fair value at year-end. Refer to note 21 ‘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 period.

11.1. Debentures and other long-term loans

in EUR millions	Coupon rate	Coupon date	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	354
EUR 657 million 'SAECURE 20' RMBS Note	floating	quarterly	2021 / 27	Oct. 2027	Apr. 2093	542	625
Loan facilities warehouse mortgage loans	floating	monthly	- / 2024	-	-	521	494
Loan facility pre funding mortgage loans	floating	monthly	- / 2023	-	-	260	592
Total						**2,232**	**2,741**
Current						1,009	817
Non-current						1,223	1,924
Total						**2,232**	**2,741**

Residential mortgage backed securities (RMBS)

The RMBS notes were issued under the Dutch Saecure program. The net proceeds were used to finance a part of the existing Dutch mortgage portfolio of Aegon Hypotheken. The expected maturity of the RMBS notes is derived from the FORD which stands for the first optional redemption date. At this date Aegon Hypotheken has the first right to repurchase the underlying mortgages from the special purpose entity (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 investments of Aegon Hypotheken. 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 is 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).

Loan facilities warehouse mortgage loans

Committed financing takes place in a 'warehouse' structure for which a special purpose entity ('SPE'), Aegon Hypotheken Prefunding B.V. ('Aegon Hypotheken Prefunding'), has been incorporated. 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. The facility has, upon request of the third party lender, been newly set-up and the continuance secured in March 2022.

Loan facility pre funding mortgage loans

In 2017 Aegon Hypotheken entered into loan agreements with third parties for temporarily funding of mortgages via Aegon Hypotheken Financiering B.V.. 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.

12. Deferred tax

	2022	2021
Deferred tax assets	20,528	28,629
Deferred tax liabilities	-	-
Net deferred tax liability / (asset) at December 31	**(20,528)**	**(28,629)**

Movement in deferred tax

2022	Financial assets	Other	Total
At January 1	-11,951	-16,679	-28,630
Charged to income statement	3,452	4,649	8,101
At December 31	**(8,499)**	**(12,029)**	**(20,528)**

2021	Financial assets	Other	Total
At January 1	-12,329	-17,737	-30,065
Charged to income statement	378	1,058	1,436
At December 31	**(11,951)**	**(16,679)**	**(28,629)**

The deferred tax with respect to financial assets relate to derivatives, base-adjustment from hedge accounting and fair value reserves on mortgage sales. 'Other' relates mainly to the realized losses in 2020 on the unwinding of a swaps portfolio. This loss is amortized over a period of 12.5 years.

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.

13. Other liabilities and accruals

	2022	2021
Investment creditors	47,310	157,408
Income tax payable	8,082	12,755
Accrued interest	17,108	16,150
Other creditors	64,273	15,191
At December 31	**136,773**	**201,504**
Current	136,773	201,504
Total	**136,773**	**201,504**

The carrying amounts disclosed reasonably approximate the fair values at year-end, given the predominantly current nature of the other liabilities and accruals.

In the cash flow statement the movement in this account in the book year is disclosed the line items 'Accrued expenses and other liabilities' ((excluding the change of the 'Current account with group companies', as per year-end 2021 this item is included in the 'Other assets and receivables').

Investment creditors contains the monthly interest receipts and repayments collected on behalf of external investors.

14. Interest income calculated using the effective interest method

	2022	2021
Interest income calculated using the effective interest method	80,882	81,719
Total	**80,882**	**81,719**

	2022	2021
Interest income accrued on impaired financial assets	15	43
Interest income on financial assets that are not carried at fair value through profit or loss	80,882	81,719

Interest income calculated using the effective interest rate relates to mortgage loans and private loans, which are measured at amortized cost.

15. Fee and commission income

	2022	2021
Administration fee income	124,549	116,706
Total	**124,549**	**116,706**

The services provided by the mortgage service center of Aegon Hypotheken include mainly offering and management of mortgages. For services rendered to other Aegon entities and external fee partners, Aegon Hypotheken receives management fees. Of total fee and commission income EUR 125 million comprises fee income on financial assets and liabilities that are not at fair value through profit or loss (2021: 115 million).

16. Results from financial transactions

	2022	2021
Realized gains / (losses) on financial investments	2,392	363
Net fair value change of derivatives	9,215	13,436
Total	**11,607**	**13,799**

Realized gains and losses on financial investments

	2022	2021
Loans	2,392	363
Total	**2,392**	**363**

In 2022 Aegon Hypotheken sold a mortgage portfolio to Aegon Bank. This sale was an incidental transaction due to overall ALM alignment within the Aegon Nederland group. Refer to note 26 'Related party transactions' for more information.

Net fair value change of derivatives comprise:

	2022	2021
Net fair value change economic hedges - no hedge accounting applied	13,829	9,249
Ineffective portion hedge transactions - hedge accounting applied	(4,614)	4,187
Total	**9,215**	**13,436**

Effect of fair value hedges	2022	2021
Fair value changes mortgage loans recognized in income statement under the EU carve-out	(360,027)	(94,461)
Offset amount of fair value changes recognized on derivatives used as hedging instrument	355,413	98,648
Total accounting ineffectiveness under the EU carve-out recognized in the income statement	**(4,614)**	**4,187**
Amortization of the base-adjustment	10,597	11,483
Total accounting hedge result	**5,983**	**15,670**

17. Commissions and expenses

	2022	2021
Administration expenses	109,060	93,917
Other	7,463	15,502
Total	**116,523**	**109,419**

Administration expenses and employee expenses

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

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

Remuneration Board of Directors

Until 1 August 2021 the members of the Board of Directors of Aegon Hypotheken were also members of the Boards of other entities within the Aegon Nederland group, including the Board of Aegon Nederland. In 2021 the Board of Directors of Aegon Nederland group consisted of a CEO, a CFO, a CRO and a CTO. As per 1 August 2021 Aegon Hypotheken has its own Board of Directors, that consists of a CEO and a CFRO. The members of the Board of Directors are employees of Aegon Nederland and receive their remuneration from Aegon Nederland. The total remuneration for their activities within the Aegon Nederland group pursuant to Section 383:1 of Book 2 of the Dutch Civil Code is set out below. The amounts are in euro, instead of EUR thousand.

Members of the Board of Directors	**2022**	2021
Gross salary and social security contributions	504,786	1,954,804
Pension premium	5,739	10,487
Other benefits	58,410	477,271
Total	**568,935**	**2,442,562**

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

Aegon Nederland allocates expenses to subsidiaries according to the extent to which the expenses incurred can be related to the activities of the subsidiary. With respect to the total remuneration of the Board of Directors of Aegon Nederland 26% (2021: 28%) was allocated to the income statement of Aegon Hypotheken.

Mortgage loans Board of Directors

On the reporting date, the current members of the Board of Directors had mortgage loans totalling EUR 473 thousand from a company associated with Aegon Nederland (2021: EUR 422 thousand) at interest rates ranging from 1.48% to 3.53% (2021: 1.48% to 1.60%). Mortgage loans provided during the year amounted to EUR 90 thousand (2021: nil) and repayments amounted to EUR 39 thousand (2021: EUR 21 thousand). No other loans, guarantees or advance payments exist.

17.1. Remuneration Independent Auditor

PricewaterhouseCoopers Accountants N.V. has served as Aegon Hypotheken'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 Hypotheken.

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 Hypotheken'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

- Audit of internal control procedures;
- Audit of separate financial statements or audit of a specific element, account or item of a financial statement.

18. Impairment (losses) / reversals

The impairment loss of EUR 160 thousand (2021: EUR 308 thousand impairment reversals) relates to the mortgage portfolio.

19. Interest expenses calculated using the effective interest method/Other interest expense

	2022	2021
Interest expenses calculated using the effective interest method		
Borrowings	9,633	(273)
Short-term liabilities and deposits	7,013	4,676
Total	**16,646**	**4,403**

	2022	2021
Other interest expenses	28,482	37,748
Total	**28,482**	**37,748**

	2022	2021
Interest charges accrued on financial assets and liabilities not carried at fair value through profit or loss	16,646	4,403

Other interest expenses relates to the paying leg of interest rate swaps.

20. Income tax

	2022	2021
Current tax		
- Current year	8,111	12,817
- Adjustments to prior year	(1,965)	6
Deferred tax		
- Origination / (reversal) of temporary differences	6,137	2,424
- Changes in tax rates / bases	-	(983)
- Adjustment to prior year	1,965	(6)
Income tax for the period (income) / charge	**14,248**	**14,258**

The temporary differences relate mainly to financial assets.

Reconciliation between standard and effective corporate income tax:

	2022	2021
Income before tax	55,226	60,963
Income tax calculated using weighted average applicable statutory rates	14,248	15,241
Difference due to the effects of:		
- Changes in tax rates / bases	-	(983)
Income tax for the period (income) / charge	**14,248**	**14,258**

The weighted average applicable statutory tax rate for Aegon Hypotheken in 2022 was 25.8% (2021: 25%).

In the Netherlands, the enacted future corporate income tax rate increased from 25% to 25.8% as from January 1, 2022 which resulted in a tax rate impact in 2021.

21. Fair value of assets and liabilities

The estimated fair values of assets and liabilities of Aegon Hypotheken 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 Hypotheken 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 Hypotheken 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 Hypotheken 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 Hypotheken 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 Hypotheken 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.

21.1. Fair value hierarchy

Aegon Hypotheken holds derivatives that are measured at fair value on a recurring basis. The derivatives, both assets and liabilities, both in 2022 and 2021 are considered Level II investments within the fair value hierarchy. During 2022 and 2021 there were no other financial assets or liabilities measured at fair value in the balance sheet of Aegon Hypotheken.

Significant transfers between Levels

Aegon Hypotheken's policy is to record transfers of assets and liabilities between Level I and Level II at their fair values as of the beginning of each reporting period. During 2022 and 2021 no amount of assets or liabilities was transferred from Level I to Level II, or transferred in or out of level III.

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

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

2022	At December 31		Level of fair value hierarchy		
	Carrying amount	Estimated fair value	Level I	Level II	Level III
Assets					
Mortgage loans	2,316,253	2,301,283	-	-	2,301,283
Private loans	10,943	10,719	-	26	10,693
Other	71	71	-	71	-
Liabilities					
Borrowings	2,231,979	2,231,979	-	-	2,231,979

2021	At December 31		Level of fair value hierarchy		
	Carrying amount	Estimated fair value	Level I	Level II	Level III
Assets					
Mortgage loans	2,615,625	2,758,969	-	-	2,758,969
Private loans	12,857	15,048	-	44	15,004
Other	71	71	-	71	-
Liabilities					
Borrowings	2,740,971	2,740,971	-	-	2,740,971

21.2. Fair value measurement

Aegon Hypotheken's methods of determining fair value and the valuation techniques are described on the following pages.

21.2.1. Mortgage loans and private loans

For private loans, fixed interest mortgage loans and other loans originated by Aegon Hypotheken, 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.

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

21.2.3. Other borrowings

Other borrowings are carried at 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 Hypotheken uses a discounted cash flow method including yield curves such as deposit rates, floating rate and 3-month swap rates. In addition Aegon Hypotheken includes the own credit spread based on Aegon's credit default swap curve.

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

The following table 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	-	-	-	141,266
Derivatives with positive values	169,795	271,186	10,702	23,125
Total financial assets at FVTPL	**169,795**	**271,186**	**10,702**	**164,391**

	2022		2021	
	Trading	Designated	Trading	Designated
Investments for general account	-	198,011	-	-
Derivatives with negative values	205,471	76,340	23,945	209,056
Total financial liabilities at FVTPL	**205,471**	**274,351**	**23,945**	**209,056**

The amount reported for mortgage loans relates to the higher carrying value of the mortgage loans that are designated in portfolio fair value interest rate hedging relationships, and are fair valued with respect to the hedged interest rate. See note 6 'Loans'.

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:

	2022		2021	
	Trading	Designated	Trading	Designated
Net gains and losses	3,232	5,983	(2,234)	15,670

22. Commitment and contingencies

22.1. Investments contracted

In the normal course of business, Aegon Hypotheken 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. Mortgage loans commitments represent undrawn mortgage loan facility provided and outstanding proposals on mortgages.

Contracted purchases	2022	2021
Mortgage loans	1,093,926	883,013

Contracted sales	2022	2021
Mortgage loans	920,361	697,062

Since 2020 Aegon Hypotheken is the contract partner for the mortgages originated under the Robuust label, and as a result, Aegon Hypotheken has significant contracted purchases at year-end 2022. The sale of mortgage loans relate for EUR 572 million (2021: EUR 690 million) to committed purchases to group companies Aegon Bank and Aegon Levensverzekering. The remaining amount relates to pre-announced redemptions on mortgage loans.

In addition Aegon Hypotheken has mortgage loans contracted purchases, which, according to an allocation process will be divided over internal and external investors in 2022. Refer to note 9 'Other assets and receivables' for more information.

22.2. Litigations and proceedings

Aegon Hypotheken is involved in litigation in the ordinary course of business including claims for compensation of damage, penalties on top of the claims and class or group compensation. Aegon Hypotheken has established litigation policies to deal with the claims, defending when the claim is without merit and seeking to settle in certain circumstances. There can be no assurances that Aegon Hypotheken will be able to resolve existing litigation in the manner it expects or that existing or future litigation will not result in unexpected liability.

23. Transfers of financial assets

Transfers of financial assets occur when Aegon Hypotheken transfers contractual rights to receive cash flows of financial assets or when Aegon Hypotheken 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.

The following disclosures provide details for transferred financial assets that are not derecognized in their entirety, transferred financial asset that are derecognized in their entirety, but where Aegon Hypotheken has a continuing involvement and assets accepted and pledged as collateral.

Assets pledged

Aegon Hypotheken pledges assets that are on its statement of financial position in relation to long-term borrowings and group loans. In addition, for its derivative position, Aegon Hypotheken posts cash as collateral. These transactions are conducted under terms that are usual and customary to standard long-term borrowing and derivative transactions.

To the extent that cash collateral is paid, a receivable under 'Cash and cash equivalents' is recognized for the corresponding amount. If other non-cash financial assets are given as collateral, these are not derecognized.

As part of Aegon Hypotheken's mortgage loan funding program, EUR 2.1 billion (2021: EUR 2.2 billion) have been pledged as security for notes issued. In relation to the group loans provided, Aegon Hypotheken pledged several assets, amongst others mortgage loans and pools of mortgage loans underlying to sub (e.g. junior) notes and subordinated loans in the warehouses held for own account for an amount of EUR 416 million (2021: EUR 415 million) for secured borrowings and pledged all its assets that are not already pledged otherwise to unsecured borrowings and revolving credit facilities.

24. 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 Hypotheken 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 Hypotheken mitigates credit risk in derivative contracts by entering into collateral agreements, where practical, and in ISDA master netting agreements to facilitate Aegon Hypotheken'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 Hypotheken or its counterparty. Transactions requiring Aegon Hypotheken or its counterparty to post collateral are typically the result of over-the-counter derivative trades, comprised mostly of interest rate swaps. These transactions are conducted under terms that are usual and customary to standard long-term borrowing and derivative, as well as requirements determined by exchanges where the bank acts as intermediary. The financial assets in the following tables relate entirely to derivatives.

Financial assets and liabilities subject to offsetting, enforceable master netting arrangements and similar agreements

	Assets		Liabilities	
Financial instruments in balance sheet	2022	2021	2022	2021
Gross (=Net) amounts of financial instruments	440,981	62,905	281,811	262,133
Related amounts not set off				
- Financial instruments	281,811	62,905	281,811	62,905
- Cash collateral pledged (excluding surplus collateral)	(66,457)	-	-	199,228
Net amount at December 31	**225,627**	**-**	**-**	**-**

The financial instruments referred to in this table relate to derivatives.

In the Netherlands, mortgage customers can take a construction deposit for home construction and improvements as part of their total mortgage. Undrawn amounts of construction deposits are netted against the outstanding total mortgage loans. At 31 December 2022, an amount of EUR 42 million (31 December 2021: EUR 32 million) of construction deposits is undrawn.

25. Group companies

Aegon Hypotheken holds no shares in Aegon Hypotheken Financiering B.V. vested in Amsterdam. 100% of the shares in Aegon Hypotheken Financiering are held by Stichting Aegon Hypotheken Financiering Holding. However, as Aegon Hypotheken has 'control' over this special purpose entity, Aegon Hypotheken Financiering is consolidated. In case of a possible termination of the warehouse construction, Stichting Aegon Hypotheken Financiering Holding will be eliminated and any remaining balance will flow to Aegon Hypotheken.

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 that has started activities in 2022.

In addition to Aegon Hypotheken Financiering B.V. and Aegon Hypotheken Prefunding B.V. the following structured entities are group companies and have been consolidated:

- SAECURE 16 B.V. ('Saecure 16')
- SAECURE 18 NHG B.V ('Saecure 18 NHG')
- SAECURE 20 B.V. ('Saecure 20')

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 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.

26. Related party transactions

In the normal course of business, Aegon Hypotheken 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 Hypotheken 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 Hypotheken is jointly and severally liable for all tax liabilities of the entire tax group.

Aegon Hypotheken participates in the treasury and derivative valuation services of Aegon N.V. The interest rate swaps that Aegon Hypotheken uses to mitigate interest rate risk are concluded with Aegon Derivatives. Aegon Hypotheken has paid cash collateral on derivative positions via Aegon Derivatives, see also note 7 ‘Group loans’. The expenses are included in the charge from Aegon Nederland.

Aegon Hypotheken has group loans and borrowings. Refer to note 7 ‘Group loans’ and 11 ‘Borrowings and group borrowings’ for more information.

Aegon Hypotheken’s funding arrangement with companies within the Aegon group consists of secured and unsecured borrowings of in total EUR EUR 570 mln from Aegon Levensverzekering and of a committed credit facility of EUR 500 million (EUR 105 million drawn as per December 31, 2022) from its ultimate parent company Aegon. As part of the funding structure, Aegon Hypotheken pledged mortgage loans and pools of mortgage loans underlying to sub (e.g. junior) notes and subordinated loans in the warehouses held for own account for secured borrowings and pledged all its mortgage loans that are not already pledged otherwise to unsecured borrowings and revolving credit facilities. The secured and unsecured loans have a fixed rate, the revolving credit facility has a floating rate.

Except for the financing transactions listed above and sales transactions, the majority of the transactions with group companies run through Aegon Nederland and are settled through the current account with Aegon Nederland. Aegon Hypotheken has an uncollateralized current account relationship with Aegon Nederland. This current account position is subject to internally set limits which are monitored; regular realignments occur even if no limit is exceeded. At the end of the year, Aegon Hypotheken had a current account receivable of EUR 41 million with Aegon Nederland (2021: current account receivable of EUR 131 million).

Aegon Hypotheken paid EUR 37 million dividend to Aegon Nederland in 2022 (2021: EUR 34 million).

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). The mortgages amounted to EUR 30.6 billion (book value) (2021: EUR 30.3 billion).

During 2022, Aegon Hypotheken has originated mortgages for Aegon Bank for a total amount of EUR 1,896 million (2021: EUR 1,646 million). In 2022 Aegon Hypotheken sold a mortgage portfolio to Aegon Bank of EUR 98.4 million (par value) at a price of EUR 90.4 million (fair value) and a carrying amount of EUR 88.0 million. This sale generated a profit of EUR 2.4 million.

Aegon Hypotheken has a current account relationship with Aegon Bank to facilitate the payment for the deliverance of mortgages by Aegon Hypotheken. These mortgage transactions are settled within several days. At the end of the year, Aegon Bank had a current account liability to Aegon Hypotheken of EUR 42.9 million (2021: liability EUR 113.7 million). No interest is charged regarding this account liability.

Aegon Bank offers a 'Banksparen' mortgage product in cooperation with Aegon Hypotheken. Aegon Hypotheken paid Aegon Bank EUR 6.5 million for this in 2022 (2021: EUR 6.2 million). The recharges are on normal commercial terms.

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).

During 2022, Aegon Hypotheken originated mortgage loans for account of Aegon Levensverzekering for an amount of EUR 1,330 million (2021: EUR 1,853 million).

Aegon Hypotheken has a current account relationship with Aegon Levensverzekering to facilitate the payment for the deliverance of mortgages by Aegon Hypotheken. These mortgage transactions are settled within several days. At the end of the year Aegon Levensverzekering had a current account payable to Aegon Hypotheken of EUR 0 million (2021: EUR 38 million).

Furthermore, in 2020 Aegon Hypotheken obtained a new loan facility with Aegon Levensverzekering. This loan facility is an uncommitted secured loan facility with a maximum of EUR 250 million. Aegon Hypotheken can request funding on a daily basis, but due to the uncommitted nature of the loan, Aegon Levensverzekering is not obligated to grant the request. Aegon Hypotheken pays a commitment fee on the undrawn amount and the coupon rate for the drawn amount is ESTR plus 80 bps. At year-end 2021 and 2022 there was no commitment requested.

27. 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 Aegon Nederland and its subsidiaries as a standalone company.

In March 2023 EUR 10 million dividend was paid to Aegon Nederland.

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

28. Approval of the consolidated financial statements

The consolidated financial statements of Aegon Hypotheken for the year ended 31 December 2022 were approved by the Board of Directors 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,

M.A.J. Hofstede (chair)	
R.J. Maat	

Financial statements 2022 of Aegon Hypotheken B.V.

Report of the Board of Directors

See page 3 of the Report of the Board of Directors within the annual report.

Statement of financial position

(as at December 31, 2022)

(before profit appropriation)

Amounts in EUR thousand	Note	2022	2021
Non-current assets			
Financial fixed assets			
Loans	3	2,327,267	2,628,553
Derivatives	4	332,171	33,773
Long term loans and group loans	5	404,799	548,454
		3,064,237	**3,210,780**
Current assets			
Receivables			
Deferred tax assets	6	20,528	28,629
Other assets and receivables	7	536,618	996,356
		557,146	**1,024,985**
Cash and cash equivalents	8	137,357	117,012
Total assets		**3,758,740**	**4,352,777**
Equity	9		
- Share capital		18	18
- Share premium		20,000	20,000
- Retained earnings		138,399	128,695
- Net income		40,978	46,704
Total equity		**199,395**	**195,417**
Provisions			
Provisions		4,250	-
		4,250	**-**
Non-current liabilities			
Derivatives	4	281,811	262,133
Borrowings and group borrowings	10	3,136,511	3,693,723
		3,418,322	**3,955,856**
Current liabilities			
Other liabilities and accruals	11	136,773	201,504
Total liabilities		**3,559,345**	**4,157,360**
Total equity and liabilities		**3,758,740**	**4,352,777**

Income statement

(for the year ended December 31, 2022)

Amounts in EUR thousand	2022	2021
Other income after tax	40,978	46,704
Net income	**40,978**	**46,704**

Notes to the financial statements

1. General information

For general information on Aegon Hypotheken we refer to note 1 ‘General information’ of the consolidated financial statements.

2. Summary of significant accounting policies

2.1. Basis of preparation

The company’s financial statements of Aegon Hypotheken 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 Hypotheken. These principles also include the classification and presentation of financial instruments, being equity instruments or financial liabilities.

A reference is made to Note 2 ‘Significant accounting policies’ of the consolidated financial statements for the description of the accounting policies applied.

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

With regard to the cash flow statement of Aegon Hypotheken, the exemption as defined in the Dutch Financial Standards (RJ), Section 360.106 has been applied.

2.2. Group companies

Aegon Hypotheken holds no shares in the group companies. For details on the accounting policies applied for the group companies refer to the consolidated financial statements.

3. Loans

Refer to note 6 ‘Loans’ of the consolidated financial statements for more information on loans.

4. Derivatives

Certain derivative positions closed between Aegon Hypotheken and the Special purpose entities (‘SPE’s’) Saecure 16, Saecure 18 NHG and Saecure 20 are recognized in the consolidated financial statements, but cannot be recognized in the company financial statements of Aegon Hypotheken. This is due to the fact that the mortgage loans transferred to the SPE’s are not derecognized in the financial statements. The derivatives that have prevented the derecognition are therefore not recognized. This is resulting in a difference with the consolidated financial statements. There are no other differences. Refer to note 8 ‘Derivatives’ of the consolidated financial statements for more information.

5. Long term loans and group loans

	2022	2021
Loan Aegon Derivatives N.V.	66,457	299,570
Loan Aegon Hypotheken Financiering B.V.	63,377	53,597
Loan Saecure 16, 18 NHG and 20	274,965	195,287
At December 31	**404,799**	**548,454**
Current	66,457	299,570
Non-current	338,342	248,884
Total	**404,799**	**548,454**

The loan with Aegon Derivatives is cash collateral received under derivatives transactions. Aegon Derivatives settles this collateral with external parties on behalf of Aegon Hypotheken. Movements in collateral result from movements in market values on derivatives and is settled daily.

The loan to Aegon Hypotheken Financiering relates to the warehouse structure for mortgage loans and is subordinated. Aegon Hypotheken's funding structure consists of secured and unsecured borrowings from Aegon Levensverzekering. Refer to note 11 'Borrowings and group borrowings' of the consolidated financial statements for more information.

The Saecure loans pertain to the cash deposits held in the SPEs as pledge.

The carrying amounts disclosed reasonably approximate fair value at year-end.

6. Deferred tax

Refer to note 12 'Deferred tax' of the consolidated financial statements for more information.

7. Other assets and receivables

Refer to note 9 'Other assets and receivables' of the consolidated financial statements for more information.

8. Cash and cash equivalents

Refer to note 5 'Cash and cash equivalents' of the consolidated financial statements for more information.

9. Equity

	2022	2021
Share capital	18	18
Share premium	20,000	20,000
Retained earnings	138,399	128,688
Net income	40,978	46,711
At December 31	**199,395**	**195,417**

2022	Share capital	Share premium	Retained earnings	Net income / (loss)	Total
At January 1	**18**	**20,000**	**128,688**	**46,711**	**195,417**
Net income prior year retained	-	-	46,711	(46,711)	-
Net income current year	-	-	-	40,978	40,978
Total net income / (loss)	**-**	**-**	**46,711**	**(5,733)**	**40,978**
Dividend paid on common shares	-	-	(37,000)	-	(37,000)
Equity changes from relation with shareholder	**-**	**-**	**(37,000)**	**-**	**(37,000)**
At December 31	**18**	**20,000**	**138,399**	**40,978**	**199,395**

2021	Share capital	Share premium	Retained earnings	Net income / (loss)	Total
At January 1	**18**	**20,000**	**124,807**	**37,887**	**182,712**
Net income prior year retained	-	-	37,881	(37,881)	-
Net income current year	-	-	-	46,704	46,704
Total net income / (loss)	**-**	**-**	**37,881**	**8,823**	**46,704**
Dividend common shares	-	-	(34,000)	-	(34,000)
Equity changes from relation with shareholder	**-**	**-**	**(34,000)**	**-**	**(34,000)**
At December 31	**18**	**20,000**	**128,688**	**46,711**	**195,417**

10. Borrowings and group borrowings

	2022	2021
Loan Aegon N.V.	105,000	163,000
Loan Aegon Levensverzekering N.V.	570,000	570,000
Loan Saecures	1,617,334	1,821,325
Loan Aegon Hypotheken Financiering B.V.	584,177	547,397
Loan facility pre funding mortgage loans	260,000	592,000
At December 31	**3,136,511**	**3,693,722**
Current	1,189,400	980,000
Non-current	1,947,111	2,713,722
Total	**3,136,511**	**3,693,722**

Refer to note 11 ‘Borrowings and group borrowings’ of the consolidated financial statements for more information. The ‘Loan Saecures’ are accounted as payable to the SPEs (Aegon Hypotheken Financiering, Aegon Hypotheken Prefunding, Saecure 16, and Saecure 18 NHG) because, under IFRS, the mortgage loans sold to the SPEs continue to be recognized on the balance sheet of Aegon Hypotheken (no ‘derecognition’), as only the legal title has transferred to the SPE. Beneficial ownership of the portfolio remains with Aegon Hypotheken after sale of the mortgage loans.

The carrying amounts disclosed reasonably approximate fair value at year-end.

11. Other liabilities and accruals

We refer to note 13 'Other liabilities and accruals' of the consolidated financial statements for more information on other liabilities and accruals.

12. Remuneration Directors

Refer to note 17 'Commissions and expenses' of the consolidated financial statements for information on the remuneration of the Directors.

13. Remuneration Independent Auditor

Refer to note 17 'Commissions and expenses' of the consolidated financial statements for information on the remuneration of the independent Auditor.

14. Commitments and contingencies

Refer to note 22 'Commitments and contingencies' of the consolidated financial statements for more information on commitment and contingencies.

15. Related party transactions

The following transactions within the Aegon N.V. group are of significance from the perspective of the separate financial statements of Aegon Hypotheken.

Aegon Hypotheken receives interest on mortgages from customers, which are transferred to Saecure 16. The recharge amounts to EUR 21.3 million (2021: EUR 27.4 million). Aegon Hypotheken receives a fee for servicing the mortgages of EUR 1.1 million (2021: EUR 1.2 million). The amounts not paid to external note holders are recharged from Saecure 16 to Aegon Hypotheken. The amount recharged was EUR 11.5 million (2021: EUR 19.2 million).

Aegon Hypotheken receives interest on mortgages from customers, which are transferred to Saecure 18 NHG. The recharge amounts to EUR 17.6 million (2021: EUR 21.8 million). Aegon Hypotheken receives a fee for servicing the mortgages of EUR 631 thousand (2021: EUR 716 thousand). The amounts not paid to external note holders are recharged from Saecure 18 NHG to Aegon Hypotheken. The amount recharged was EUR 15.2 million (2021: EUR 20.4 million).

Aegon Hypotheken receives interest on mortgages from customers, which are transferred to Saecure 20. The recharge amounts to EUR 22.1 million (2021: EUR 21.2 million). Aegon Hypotheken receives a fee for servicing the mortgages of EUR 1.2 million (2021: EUR 1.2 million). The amounts not paid to external note holders are recharged from Saecure 20 to Aegon Hypotheken. The amount recharged was EUR 15.9 million (2021: EUR 16.9 million).

Aegon Hypotheken receives interest on mortgages from customers, which are transferred to a warehouse. The recharge amounts to EUR 12.1 million (2021: EUR 15.2 million). Aegon Hypotheken receives a fee for servicing the mortgages of EUR 30 thousand (2021: EUR 36 thousand). The amounts not paid to external note holders are recharged from a warehouse to Aegon Hypotheken. The amount recharged was EUR 7.2 million (2021: EUR 12.8 million).

Refer to note 26 'Related party transactions' of the consolidated financial statements for more information on the related party transactions.

16. 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 Aegon Nederland and its subsidiaries as a standalone company.

In March 2023 EUR 10 million dividend was paid to Aegon Nederland.

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

17. Approval of the financial statements

The financial statements of Aegon Hypotheken for the year ended 31 December 2022 were approved by the Board of Directors 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.

18. 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 41 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,

M.A.J. Hofstede (chair)	
R.J. Maat	

Other information

Statutory provisions regarding profit appropriation

Appropriation of profit will be determined in accordance with article 17 of the Articles of Association of Aegon Hypotheken B.V. The relevant provisions read as follows:

Article 17 Profit and distributions

1. The general meeting is authorized to appropriate the profit established by adoption of the financial statements and to set distributions, subject to the restrictions set by law.
2. The authority of the general meeting of shareholders to set distributions applies to distributions charged to the profit not taken to the reserves and distributions charged to any reserve, and also to distributions when the financial statements are adopted and interim distributions.
3. A resolution to make a distribution shall have no effect until approved by the board. The board shall withhold approval if it knows or reasonably ought to know that the company would be unable to pay it due liabilities following the distribution.

Independent auditor's report

To: the general meeting of AEGON Hypotheken B.V.

Report on the financial statements 2022

Our opinion

In our opinion:

- the consolidated financial statements of AEGON Hypotheken B.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 Hypotheken B.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 Hypotheken B.V., Den Haag. The financial statements comprise 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 statements of comprehensive income, changes in equity and cash flows; 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 accounting policies applied 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 AEGON Hypotheken B.V. 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).

Information in support of our opinion

We designed our audit procedures with respect to 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 the audit approach fraud risk and the audit approach going concern was addressed in this context, and we do not provide a separate opinion or conclusion on these matters.

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 internal control system. This included the board of directors' risk-assessment process, the board of directors' process for responding to the risks of fraud and monitoring the internal control system.

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, whistle-blower 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 inquired the relevant executives, directors, including internal audit, risk management, legal and compliance 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:

Identified fraud risks	***Our audit work and observations***
Management override of controls Management is in a unique position to perpetrate fraud because of management's ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. That is why, in all our audits, we pay attention to the risk of management override of controls in: • The appropriateness of journal entries and other adjustments made in the preparation of the financial statements. • Estimates. • Significant transactions, if any, outside the normal course of business for the entity.	We evaluated the design and implementation of the internal control system in the processes of generating and processing journal entries, making estimates, and monitoring projects. We also paid specific attention to the access safeguards in the IT system and the possibility that these lead to violations of the segregation of duties. We performed our audit procedures in a mix of controls and substantive procedures. We selected journal entries based on risk criteria that includes unexpected account combinations, journal entries made after period end close and journal entries made by unexpected users and conducted specific audit procedures for these entries. These procedures include, amongst others, inspection of the entries to source documentation. We also paid particular attention to consolidation and elimination entries, focusing on testing entries that affect results in the relevant fiscal year. We did not identify any significant transactions outside the normal course of business. We also performed specific audit procedures related to important estimates of management, including the fair value of loans and derivatives. We specifically paid attention to the inherent risk of bias of management in estimates and took into account the implications of the acquisition of AEGON Nederland N.V. by A.S.R. Our audit procedures did not lead to specific indications of fraud or suspicions of fraud with respect to management override of controls.

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.

Audit approach going concern

The board of directors prepared the financial statements on the assumption that the entity is a going concern and that it will continue all its operations for at least 12 months from the date of preparation of the financial statements. Our procedures to evaluate the board of directors' going concern assessment included, amongst others:

- considering whether the board of directors identified events or conditions that may cast significant doubt on the entity's ability to continue as a going concern (hereafter: going-concern risks);
- considering whether the board of directors' going-concern assessment includes all relevant information of which we are aware as a result of our audit and inquiring with the board of directors regarding the board of directors' most important assumptions underlying its going-concern assessment. Amongst others, the board of directors took into consideration the financial performance, capital adequacy, the financial position and flexibility, liquidity and solvency;
- evaluating the board of director'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 the board of director's assessment of the stress testing of liquidity and regulatory capital requirements, including severity of the stress scenarios that were applied;
- performing inquiries of the board of directors as to its knowledge of going-concern risks beyond the period of the board of directors' assessment.

We concluded that the board of directors' use of the going-concern basis of accounting is appropriate, and based on the audit evidence obtained, that no material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern.

Report on the other information included in the annual report

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

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

- is consistent with the financial statements and does not contain material misstatements; 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.

Responsibilities for the financial statements and the audit

Responsibilities of the board of directors

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.

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 H.C.L. Scholtes MSc RA

Appendix to our auditor's report on the financial statements 2022 of AEGON Hypotheken B.V.

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

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

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

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

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 board of directors 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.

Aegon Hypotheken B.V.
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