Annual Report 2022

Aegon Schadeverzekering N.V.

Contents

Report of the Board of Directors

1. General information

Aegon Schadeverzekering N.V. ('Aegon Schadeverzekering'), incorporated and domiciled in the Netherlands, is a public limited liability company organized under Dutch law and registered in the Trade Register of the Chamber of Commerce in The Hague under its registered address at Aegonplein 50, 2591 TV The Hague, with registration number 27085000.

1.1. Group Structure

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

1.2. Strategy, purpose and mission statement

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

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

In order to achieve our strategic and financial goals, the various business units of Aegon Nederland are managed and organized in two categories:
- *Financial Assets*: where we focus on maximizing value and releasing capital over time to invest in Strategic Assets, and
- *Strategic Assets*: the businesses in which we will invest to grow our customer base, improve customer retention, and margins.

Strategic Assets

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

Aegon Schadeverzekering ('Non-Life') is positioned within the Business Unit 'Workplace Solutions', and consists of two Value Streams (Accident & Health and Property & Casualty) and out of three staff & support departments Finance, IT and Legal. Together with the Head of Risk and HR Business Partner strategic priorities are to demonstrate In Control and maximize Value Delivery to key stakeholders (customer, advisors, employees and shareholders). Where staff & support within Non-Life will facilitate the Value Streams, the Value Stream themselves focus on Value delivery for specific Product-Market-Combinations.

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

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

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

1.3. Main activities, products, services and geographic areas

Aegon Schadeverzekering (Non-Life) is incorporated and domiciled in the Netherlands and is active in the retail markets of Property and Casualty and the Income Protection market for self-employed and SME. Aegon Schadeverzekering operates from The Hague.

1.4. Composition of the Board of Directors

In 2022 the statutory management board of Aegon Schadeverzekering (the 'Board of Directors') consisted of the following members: Mrs. A.C.C. van Hövell-Patrizi, Mr. B. Magid, Mrs. A.H.T.M. Schlichting (until April 4, 2022), Mr. W.H.M. van de Kraats (as of 1 September 2022 and successor to Mr. W. Horstmann who resigned on February 1, 2022). Section 1.8 'Inclusion and diversity' describes the measures and initiatives Aegon Schadeverzekering has taken to increase (gender) diversity.

1.5. Employees

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

1.6. 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 October 27, 2022 and is still subject to customary conditions, and relevant laws and regulations.

1.7. Remuneration policy

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

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

Variable compensation

The directives for the variable remuneration in the Aegon Nederland remuneration policy are adopted one-on-one from the AGGRF. Statutory members of the Board of Directors of Aegon Nederland are eligible for the Aegon Variable Compensation plan. Some senior management staff of Aegon Nederland has been offered to participate in the Aegon Variable Compensation plan in 2022, which some of them have accepted. The remaining employees assigned to Aegon Nederland and/or working under the direction and supervision of Aegon Nederland or its subsidiaries are not eligible for the Aegon Variable Compensation plan.

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

Application of the remuneration policy

The remuneration policy (including variable remuneration) and its implementation was discussed in meetings held by the Supervisory Board on several occasions during 2022. The Supervisory Board approved the 2022 performance targets for Material Risk Takers (MRT) within the framework set out in the AGGRF. It also approved payment of the variable remuneration to MRT relating to the prior Aegon

Variable Compensation plan years that vested in 2022. This remuneration was within Aegon Nederland's remuneration policy. No retention payments were made. There were no welcome and exit arrangements granted in 2021 outside of the policy.

The total income of the Board of Directors in 2022 was in line with the remuneration policy and the total variable remuneration of senior management (including members of the statutory board) did not exceed 20% of fixed income for the whole of Aegon Nederland. The total amount of variable compensation paid out (in cash or shares) to the members of the Management Team of Aegon Nederland in 2022 was EUR 0.4 million (2021: EUR 0.4 million). In 2022 one individual within Aegon Nederland received a total annual compensation higher than EUR 1.0 million. The malus clause was applied on variable remuneration granted conditionally to MRT, there was no claw back of variable remuneration.

For more information regarding the remuneration of the Board of Directors please refer to note 21 'Commissions and expenses' in the financial statements.

1.8. Inclusion and diversity

Inclusion & Diversity

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

Diversity on board level

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

Diversity senior management layer

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

Glass ceiling research

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

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

Diversity at the Top Act

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

1.9. 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 DNB and the Authority for the Financial Markets ('AFM'). De Nederlansche Bank ('DNB') is responsible for prudential supervision, and AFM responsible for market conduct supervision, and is committed to ensuring fair and transparent financial markets. From these two perspectives, the two supervisors work closely together.

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

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

1.9.1. Privacy

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

1.9.2. 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.

For more information regarding the non-financial risk transformational program please refer to section 1.13.3.

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

In order to execute on Aegon Schadeverzekering'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 Schadeverzekering 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 Schadeverzekering makes use of predominantly fixed income instruments for matching its liabilities. These are, to a large extent, high quality sovereign and corporate bonds and loans. In addition, a sizeable portfolio of residential mortgages has been built up to match liabilities. Risk mitigating techniques are used in addition to these instruments in order to reduce the underwriting risks embedded in some of our products and to optimize our ALM. This can be done through directly targeting specific risks, such as interest rate risk via e.g. interest rate swaps.

Aegon Schadeverzekering sees derivatives as a suitable instrument to use in its ALM processes. The derivatives market is a highly regulated market. Any counterparty risks embedded in such transactions are contained with strong collateral processes that Aegon Schadeverzekering 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 Schadeverzekering 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 Schadeverzekering's Risk and Capital Committee, which meets at least once a month, reviews and monitors the capital position, the balance sheet as well as the Solvency II capital generation. The focus of these meetings is, among other activities, to ensure an optimal strategic asset allocation, to decide on hedging strategies to manage interest rate risk, to manage and possibly hedge actuarial or underwriting risks.

1.11. Risk Management

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

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

Operational risks are assessed through Risk and Control Self Assessments, in which all processes are analyzed periodically and recalibrated in order to bring risks within the thresholds of our risk appetite. In case of risk events, a Root Cause Analysis is performed in order to investigate whether a control was missing or if a particular control failed. Action plans are put in place to improve organizational control and these are continuously monitored by the Operational Risk Management department. Aegon Nederland's systems and processes are designed to support complex products and transactions, and to help protect against issues as system failures, business disruption, financial crime, and breaches of information security.

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

Going Concern

The financial statements of Aegon Schadeverzekering have been prepared assuming a going concern basis of accounting based on the reasonable assumption that Aegon Schadeverzekering 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, liquidity and solvency. Considering all these areas management concluded that the going concern assumption for Aegon Schadeverzekering is appropriate in preparing the financial statements.

1.12. Rising interest rate environment

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

The sharp rise in short and long term interest rates has had a significant impact on the balance sheet of Aegon Schadeverzekering. Both assets and liabilities have declined in value, as the discount rates rose. Since Aegon Schade is hedging its interest rate risk, the impact on the equity position was muted. Aegon Schade is mainly hedging its interest rate risk with government bonds and other high credit quality fixed income assets, supplemented by some interest rate derivatives. Over the course of 2022, Aegon Schadeverzekering increased its exposure to Dutch residential mortgages, as part of the strategy to increase the investment risk on the balance sheet. As part of this strategy, the first investments in international real estate have also been made. The year 2022 has proven the effectiveness of Aegon Schade's robust liquidity management processes, as the balance sheet was able to weather the storm on the financial markets.

1.13. Business developments

1.13.1. General business developments

Retail P&C (Property & Casualty)

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

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

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

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

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

Income A&H (Accident & Health) market

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

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

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

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

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

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

Investments in alternatives

Aegon Schadeverzekering continued its strategy to increase exposure to alternative investments in 2022, as they offer a better risk/ return profile. This comes at the expense of liquidity: normally the alternative investments (for example private debt and private equity) are less liquid because there is no active market where investments can be bought or sold. In general, these investments take a long time to materialize, and when invested, the intention is to hold them till maturity or end-date.
As the liabilities of Aegon Schadeverzekering are more concentrated in shorter tenors, Aegon Schadeverzekering was only marginally exposed to collateral requests on derivatives following the sharp rise in rates. Therefore, the share of alternative investments on the balance sheet could be expanded. Aegon Schadeverzekering invested new capital in international real estate, and expanded its exposure to Dutch residential mortgages.

1.13.2. IFRS 17 & IFRS 9

The International Accounting Standards Board (IASB) issued IFRS 17 for Insurance Contracts in May 2017. This Standard replaces IFRS 4 per January 1, 2023. The Standard represents a fundamental change to current financial reporting and the implementation effort is significant. An implementation project was started soon after the publication of the new Standard. Based on the final amendments of June 2020 quantitative assessments are performed, which continued during 2021. In 2022, methodology and policy choices were finalized, which formed the basis of preparing the opening balance sheet per January 1, 2022 and the 2022 quarterly results.

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

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

1.13.3. Transformation program

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

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

Aegon Schadeverzekering is contributing to the Aegon transformation program with its own 20+ initiatives.

1.13.4. IT

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

Besides this the next steps in the service optimization which started in 2021 were made. This resulted e.g. in a transparent service catalogue with all the enabling business services for the business units. Enabling the business units to focus on their client interaction while the platforms are delivered stable and secure by design. The platforms are not only in use for the business units but the data platform also enabled the delivery on the IFRS17 program.
The Security roadmap was another, and ongoing, focus area. As a company we made good progress on this roadmap by increasing the security of our environments and safeguarding our customers personal and financial information.

1.14. 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).

1.15. Inflation

Over 2022, following two years of severe disruption from lockdowns around the globe, inflation has increased sharply. Driven by food and energy costs in the wake of the COVID-19 pandemic, inflation has been exacerbated by the Russian invasion of Ukraine. Central Banks initially treated increases as transitory, with markets in agreement. However, inflation numbers have continually exceeding expectations and Central Banks 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 on the financial position of Aegon Schadeverzekering is relatively limited with around -1% as hedges are in place. Increasing interest rates have a positive impact on the Solvency II ratio due to the hedging program. A 50bps interest rate increase has a positive impact of around 8% on the solvency ratio of Aegon Schade. Next to these direct impacts of rising inflation and rising interest yields on the financial position of Aegon Schadeverzekering, these developments have in the last year also created turmoil on the financial markets which among others increased volatility on mortgage spreads.

1.16. 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 Schadeverzekering has written a transition plan containing among others project solutions and actions, timelines and ownership to ensure timely preparation and implementation. We are currently implementing the actions as described in the transition plans.

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

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

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

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

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

2. Financial information

2.1. Developments during the year

The income before tax in 2022 was a profit of EUR 158 million, compared to a income before tax in 2021 of EUR 59 million. In the following paragraphs the specific items of the net profit are further explained.

Revenues

The total revenues increased by EUR 12 million to EUR 419 million (2021: EUR 407 million) as a result of a higher premium income for both 'Property & Casualty' and 'Accident & Health' business lines due to respectively higher sales and positive premium true-ups.

Results from financial transactions

The reported result from financial transactions were a loss of EUR 8 million (2021: a loss of EUR 5 million). This is largely explained by the net fair value change of financial investments, which was EUR 9 million negative in 2022 and EUR 2 million negative in 2021. On the derivatives portfolio a loss is made of EUR 7 million in 2022 (2021: a loss of EUR 9 million), which is offset by net foreigncurrency gains, these were a gain of EUR 9 million (2021: a gain of EUR 5 million).

Policyholder claims and benefits

Policyholder claims and benefits were significantly lower with EUR 114 million, compared to EUR 196 million in 2021. The decrease is driven by several developments in the 'Accident and health insurance' portfolio, among others: several model changes and parameter updates. Refer to note 3.1 'Actuarial assumption and model updates' and note 12 'Insurance contracts' in the financial statements for more information on this.

Commissions and expenses

Commissions and expenses amounted to EUR 135 million in 2022, slightly lower than in 2021 (EUR 138 million), due to lower administrative expenses resulting from cost efficiencies offset against higher commissions and employee expenses.

Shareholders' equity

Shareholders' equity increased by EUR 50 million to EUR 465 million at December 31, 2022 compared to EUR 415 million at year-end 2021. The increase is explained by net profit over 2022 (EUR 118 million), partly offset by the decrease of revaluation reserve and the dividend paid to Aegon Nederland N.V. of EUR 2.5 million.

Cash flows and funding

During 2022 the net cash flows decreased by EUR 41 million (2021: decrease by EUR 103 million) due to cash flow movements on operating items as well as the cash flow movement from financing activities. Refer to the 'Cash flow statement' in the financial statements for more information.

Circumstances that impact future income and results

No significant changes are expected for the following year regarding investing, financing and personnel. Furthermore, Aegon Schadeverzekering did not perform significant activities regarding research and development during the year, nor expects to do so in the near future. The main drivers of future income and results are market and demographic developments.

2.2. Solvency II

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

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

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

Aegon Schadeverzekering uses the standard formula to calculate the Solvency Capital Requirement in its Solvency position of its insurance activities under Solvency II.

As per December 31, 2022, Aegon Schadeverzekering Solvency II capital position is provided in the table below:

Amounts in EUR million	December 31, 2022 [1)]	December 31, 2021
Own Funds	483	469
Standard formula required capital	190	234
Solvency II ratio	254%	200%

1 The solvency II ratio for 2022 is an estimate, and is not final until filed with the regulator and subject to supervisory review.

The Solvency II ratio of Aegon Schadeverzekering increased during 2022. The Own Funds increased mainly due to underwriting variances, market impacts and normalized capital generation, with an offset from dividend payments, model and assumption changes. The SCR decreased relatively sharply due to market impacts, partly offset by model changes for disability pensions.

The lowering of Ultimate Forward Rate (UFR) from 3.60% to 3.45% in 2022 did not materially affect the Solvency II ratio. In 2023 the UFR will remain unchanged at 3.45% and thus not affect the Solvency II ratio.

Minimum regulatory solvency requirements

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

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

Recent developments Solvency II

Solvency II 2020 review

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

DNB guidance issued during 2022

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

Sustainability and Solvency II

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

On August 2, 2021, The European Commission has published a delegated regulation ((EU) 2021/1256), amending the Solvency II Delegated Regulation ((EU) 2015/35), integrating sustainability risks in the governance of insurance and reinsurance undertakings. The amendments relate to the inclusion of sustainability risk in the risk management areas, to be covered in the risk management system, in particular in relation to underwriting and reserving and investment risk management, as well as in the corresponding risk management policies. In addition, the identification of emerging risks and sustainability risks is included as part of the tasks of the risk management function, and as risks that form part of the calculation of the overall solvency needs and consequently of the ORSA process. Furthermore, sustainability risk is made explicitly part of the opinion of the actuarial function on the underwriting, policy, made explicitly part of the remuneration policy (i.e. information how the remuneration policy takes into account the integration of sustainability risks in the risk management system. Lastly, the amendments relate to the integration of sustainability risk in the prudent person principle, as well as the integration of the potential long-term impact of investment strategy and decisions on sustainability factors, and where relevant, the investment strategy and decisions to take into account sustainability preferences in the product approval process.

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

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

Ahead of the amendments to the Solvency II Delegated Regulation and proposed amendments to the Solvency II Directive, EIOPA issued, on April 19, 2021, guidance on the use of climate change scenarios in the Own Risk and Solvency Assessment (ORSA). The Opinion provides practical guidance on how to select and use climate change scenarios. Where applicable (i.e. in the presence of material climate risks), the opinion advises two specific climate scenarios at a minimum:
- A climate change risk scenario where the global temperature increase remains below 2°C, preferably no more than 1.5°C, in line with the EU commitments; and
- A climate change risk scenario where the global temperature increase exceeds 2°C.

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

The capitalization of Aegon Schadeverzekering is managed on regulatory requirements, rating agency requirements and/or self-imposed criteria. For more details about the Solvency II target range for Aegon Schadeverzekering refer to note 4.4 'Capital management and solvency' in the financial statements.

3. Corporate Governance

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

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

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

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

Governance principles

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

Accountability

Aegon Nederland presents an overview of the application of governance principles. This is done on behalf of the insurance companies Aegon Levensverzekering N.V., Aegon Schadeverzekering N.V. and Aegon Spaarkas N.V. The accountability report also forms an integral part of the annual reports of these insurance companies. References in the remainder of this annual report to 'Aegon Nederland' include these insurance companies.

Supervisory Board

The members of the Supervisory Board of Aegon Nederland also serve on the supervisory board of the insurance companies mentioned above that are under supervision of DNB.

Membership and expertise

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

The members have broad social and commercial backgrounds and experience. As members of Aegon Nederland's Supervisory Board and through other supervisory directorships, they have in-depth knowledge of the role and function of insurance companies and their stakeholders in society. Regarding decision making and supervision, the Supervisory Board balances the interests of all stakeholders, including but not limited to customers, distribution partners and employees. Where relevant, this is recorded in the minutes and is part of the annual self-evaluation by the Supervisory Board.

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

Experience has shown that all members of the Supervisory Board are sufficiently available and accessible to perform their duties properly. The members of the Supervisory Board receive suitable compensation that is independent of Aegon Nederland's financial results. Compensation is set by the General Meeting of Shareholders.

Aegon Nederland has a permanent education program for members of the Supervisory Board and Board of Directors. The program covers national and international developments in the financial sector as well as corporate governance in general and in the financial sector in particular. The program further includes topics such as the duty of care towards customers and putting customers' interests first, integrity, risk management, financial reporting and audit. In 2022, the annual self-evaluation session was facilitated. The results were satisfactory and have been discussed by the Supervisory Board and with the Board of Directors and where necessary, actions were taken.

Duties and working methods

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

Board of Directors

Membership and expertise

At Aegon Nederland, complementarity and diversity within the Board of Directors is ensured by the members' different backgrounds, personalities and range of knowledge and experience. Whereas the statutory members of the Board of Directors have equal decision making authority, it aspires to take decisions by consensus as far as possible. The members of the Board of Directors have broad-based commercial background and experience in the financial sector in general and in insurance in particular. With this wide range of experience they have sufficient knowledge of the function of insurance companies in society and are aware of the interests of stakeholders. Each member of the Board of Directors also has the necessary knowledge to be able to assess and determine the main points of Aegon Nederland's overall policy and to form a balanced and independent opinion on the risks that Aegon Nederland faces.

The knowledge of the members of the Board of Directors is kept up to standard and is improved by means of Aegon Nederland's permanent education program, which is organized by the Secretary of the Board, together with the HR Learning & Development department. The latter is also responsible for keeping records on participation.

The Board of Directors, in its decisions, takes into account Aegon Nederland's risk appetite. The Board considers whether or not a decision to be taken is within the risk appetite, thus ensuring a careful balance between its commercial objectives and the interests and the risks involved.

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

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

The CFO is fully responsible for the financial and capital management of Aegon Nederland. The CFO leads the financial function in the statutory board of Aegon Nederland in the broadest sense, to ensure the financial position of Aegon Nederland is known at all times, the management is in control and regulators and other stakeholders receive sufficient reports to form a judgment about the state of Aegon Nederland in time. The function is responsible for the financial policies of Aegon Nederland. Amongst others the departments of Financial Information Management (Accounting, Reporting, Actuarial & Solvency II) and Balance Sheet Management report to the CFO.

Duties and working methods

In its decision making, Aegon Nederland's Board of Directors carefully considers the interests of all parties concerned, taking into account its vision, strategy and applicable codes of conduct such as the Aegon Nederland Code of Conduct. Putting customers and their interests first is at the heart of our vision, strategy and day-to-day activities. It is an integral part of our thinking and runs through all operations at every level of the company. This means that employees with customer contacts are closely involved with the theme. There are special training programs on the theme and it is part of our recruitment policy.

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

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

The members of the Board of Directors act in a careful, expert and fair manner. They keep up to date with developments in legislation and regulations, partly through the permanent education program. All members of the Board of Directors took the oath or affirmation as required by the Financial Sector Oath or Affirmation Regulations. Integrity, care and putting customers' interests first are guiding principles for all Aegon Nederland employees, which is reflected are the Aegon Nederland Code of Conduct and applies to all Aegon Nederland employees.

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

Management Team Non-Life

Concerning the day-to-day operational management of the Aegon Schadeverzekering, that consist of the Value Streams Property & Casualty and Income Protection the Board of Directors has appointed a management team consisting of senior managers ('MT Non-Life').

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

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.

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 December 31, 2024 and by 50% before December 31, 2029 versus December 31, 2019 levels.

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

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

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

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

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

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

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

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

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

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

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

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

The insurance industry has been in a period of major change for a number of years partly as a result of developments in the economy, climate changes and developments in technology, but also because customers, legislators and regulators require it.

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.

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

2022 is also characterized by a return-to-normal after the COVID-19 pandemic impact has declined and related restrictions have been alleviated.

Property & Casualty

In order to enable our retail customers to Live their Best Lives, the P&C Value Stream offers peace of mind whenever things unfortunately don't turn out as expected. This entails offering P&C products protecting property and includes services like legal assistance, emergency travel service & damage repair services.

Key developments are threefold:

1. Technology & data to enable efficient operations,
2. Demographic trend shows increase in one-person-households, increasing costs for Home & Living while population is stable of growing with the pace of immigration.
3. Climate change increases to impact the society and our product-coverages

As the organization is compact, intention is to focus on what creates most value: distinguish on the Home & Living domain, while being operational excellent on all other activities. P&C follows a growth strategy so product development and distribution are key for success. Even though the market is mature, the relative small market share of Aegon Non-Life P&C still provides enough opportunities to grow.

Accident & Health

In order to enable our individual business customers & the employees of our SME customers to Live their Best Lives, the A&H Value Streams offers peace of mind in case of accidents and health issues.

We believe it is key that our customers are prepared for illness and disability scenarios throughout their working lives. This entails offering both collective and individual A&H products which offering income protection in case of disability including services like re-integration and remote health services.

Key developments are threefold:

1. Longevity, people live longer and hence are expected to work longer,
2. Increasing interest rates,
3. Pandemic related health shocks with uncertain long term impact (Long-COVID)

As the organization is compact, intention is to focus on what creates most value: improve competitive position by being operational excellent on all activities. A&H follows a strategy to increase the return on the existing portfolio (keep stable). In Control and Efficiency are key for success.

As we have stressed in recent years, technological developments and the digitization of financial services are accelerating. The traditional financial institutions are starting to transform their businesses towards a new era. Addressing these developments is at the core of our strategy.

Since COVID-19 lockdown restrictions were alleviated in the first quarter of 2022, Aegon Non-Life continues to monitor indicators related to the pandemic and development of government measures (such as national illness percentages, traffic movements) in order to forecast impacts on both P&C and A&H product lines.

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

5.2. Post reporting date events and expectations

In March 2023 EUR 2.5 million dividend was paid to Aegon Nederland N.V.

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

The Hague, April 7, 2023

The Board of Directors,

A.C.C. van Hövell-Patrizi (chair)	
B. Magid	
W.H.M. van de Kraats	

Report of the Supervisory Board

1. General

The same individuals that serve on the Supervisory Board of Aegon Nederland also serve on the supervisory board of each of the insurance subsidiaries of Aegon Nederland that are under supervision of DNB, i.e. Aegon Levensverzekering N.V., Aegon Schadeverzekering N.V. and Aegon Spaarkas N.V. The Supervisory Board has the duty to supervise and advise the Board of Directors on its management of the company and the business connected with it. In the exercise of their duties, the Supervisory Board members are guided by the interests of the company. The Supervisory Boards of the insurance subsidiaries meet at least four times a year at regular intervals, simultaneously with the Supervisory Board of Aegon Nederland.

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

The Supervisory Board was involved in the process of appointments of members of the Board of Directors and discussed the company's quarterly results, accounting policies, internal control procedures and strategy. Also, the Supervisory Board is involved in setting the remuneration targets of members of the Board of Directors in line with the remuneration policy and group targets. Amongst others, the Supervisory Board approves and periodically assesses the general principles of the Aegon Nederland remuneration policies and is responsible for the remuneration policy for the Board of Directors.

In 2022, the Supervisory Board performed its duties in close co-operation with the Board of Directors and held six meetings. Moreover the Supervisory Board held several calls with the Board of Directors to discuss amongst other the transaction with a.s.r, strategic transformation programs, risk management and compliance. The Risk and Audit Committee of the Supervisory Board held five meetings. Also the Remuneration Committee held two meetings. The attendance percentage was high.

2. Subjects discussed during the meetings

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

- Strategy of the business portfolios and new strategic developments (a.o. Transformation Program, Target Operating Model).
- Solvency II updates and discussions in general, regarding (inter alia) developments in the Solvency ratio and more specific developments and implications of (expected/future) major model changes.
- Solvency II 2022 Reports, such as ORSA, SCFR and RSR reports.
- Quarterly business results. Each quarter the Supervisory Board was updated on and discussed the business results of the Aegon Nederland business portfolio.
- Technical deep dive sessions a.o. on IFRS 17, information security and sustainability regulations.
- IFRS 17, e.g. progress on model validation, control testing, reruns, paralel runs and opening balance.
- Combination with a.s.r.
- Organizational health, Engagement and Talent Management.
- In control program and Regulatory Roadmap.
- Dividend proposals.
- Purpose, Brand and Culture.
- Supervisory Board self-evaluation (meeting effectiveness). The Supervisory Board evaluated its own functioning. The results were satisfactory and were discussed by the Supervisory Board and with the Board of Directors and where necessary, actions were taken.
- PricewaterhouseCoopers Accountants N.V. Management Letter 2022 and Audit plan 2022, and quarterly draft review findings report.
- Report of the Board of Directors and Supervisory Board report 2021.
- Internal Audit plan 2022.
- Risk Management, Compliance and Actuarial Function reports.
- Updates on the execution of and preparation for implementation of impactful laws and regulations.
- Budget MTP (Medium Term Plan) 2023-2025.
- Updates on DNB and AFM letters, discussions and on-site visits, including DNB 'Focus' reports and meetings and AFM annual report and meeting.
- Evaluation of system of governance.

3. Gender diversity

Enhancing gender diversity in the Board of Directors and Supervisory Board is an important topic for Aegon Nederland. Selection and appointment is based on expertise, skills and relevant experience. The Supervisory Board also takes gender diversity into account in view of its aim of having a balanced Supervisory Board composition. When identifying candidates for open positions, the Board of Directors actively searches for suitable female candidates. It also instructs external search firms to present female candidates.

4. Risk and Audit Committee

The Supervisory Board has formed a Risk and Audit Committee, whose members in 2022 were Mr. Vrancken (chair), Mrs. Jansen Heijtmajer and Mr. Rider. In 2022, the Risk and Audit Committee met five times. The CEO, CFO, CTTO (until April 4, 2022) and CRO attended meetings on behalf of Aegon Nederland, along with Internal Audit, and managers of Balance Sheet Management, Financial Information Management & Reporting Office and the Actuarial, Risk and Compliance function holders (or their substitutes). On behalf of PricewaterhouseCoopers Accountants N.V., Mrs. Korver-Heins and Mr. Ferwerda both attended each of the quarterly meetings.

On the agenda for the regular quarterly meetings, standing items were (i) the financial results of the previous quarter, (ii) quarterly reports on capital management, and (iii) regulatory developments, supplemented with quarterly reports from (iv) Risk Management & Compliance, and (v) Internal Audit, and the PricewaterhouseCoopers Accountants N.V. quarterly reports. The Risk and Audit Committee and the Supervisory Board approved the audit plan of Internal Audit and considered the audit plan of PricewaterhouseCoopers Accountants N.V., and discussed the Aegon Nederland Risk Appetite. Other topics discussed during 2022 included among others the annual reports, RSR, ORSA, SFCR reports, developments related to Solvency II, in particular capital ratio, developments related to COVID-19, Actuarial Function Holder Report, SOx controls and the Management Letter. The Risk and Audit Committee reported – partly through the minutes of its meetings – on its findings to the Supervisory Board.

5. Remuneration Committee

The Remuneration Committee, members Mrs. Jansen Heijtmajer and Mrs. Hoek, convened in March 2022 and adopted a resolution outside a formal meeting in October 2022. In its meetings, the committee discussed and subsequently advised the Supervisory Board in respect of:

- The 2022 Aegon Nederland variable compensation company targets results.
- The 2022 Aegon Nederland variable compensation company performance indicators and target setting.
- The performance of, and the allocation of variable compensation 2022 to participants (Aegon Management Team Aegon Nederland (MT-NL) members and Statutory Board of Aegon Bank), and the pay-out of deferred variable compensation.
- The 2023 Aegon MT-NL variable compensation individual performance indicators and target setting.
- The identification of the Material Risk Takers (Aegon Netherland and its subsidiaries).
- The Aegon Nederland Remuneration Policy.
- Extending the scope of variable compensation for Aegon Nederland senior management as of 2022.

6. Members of the Supervisory Board

The terms of office of the supervisory board members in 2022 are as follows:

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

The Hague, April 7, 2023

The Supervisory Board,

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

Financial statements 2022 of

Aegon Schadeverzekering N.V.

Financial statements 2022 of Aegon Schadeverzekering N.V.

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	42,282	83,349
Investments	6	1,317,416	1,396,823
Derivatives	7	67,579	12,794
Loans and group loans	8	29,531	27,625
Reinsurance assets	9	78,156	52,071
Deferred tax assets	14	1,959	-
Other assets and receivables	10	42,619	35,694
Total assets		**1,579,542**	**1,608,356**
Equity and liabilities			
Equity	11		
- Share capital	11.1	30,858	30,858
- Share premium	11.2	141,808	141,808
- Revaluation reserves	11.3	(20,279)	26,759
- Retained earnings		194,856	171,538
- Net income		117,552	44,485
Total equity		**464,796**	**415,448**
Insurance contracts	12	961,280	1,069,262
Derivatives	7	96,223	38,571
Borrowings and group borrowings	13	270	-
Deferred tax liabilities	14	-	4,245
Other liabilities and accruals	15	56,974	80,830
Total liabilities		**1,114,747**	**1,192,908**
Total equity and liabilities		**1,579,542**	**1,608,356**

Income statement

(for the year ended December 31, 2022)

Amounts in EUR thousand	Note	2022	2021
Revenues			
Premium income	16	401,138	390,531
Investment income	17	17,482	16,694
Fee and commission income		229	222
Total revenues		**418,849**	**407,447**
Income from reinsurance ceded	18	63,074	58,954
Results from financial transactions	19	(8,206)	(5,480)
Total income		**473,716**	**460,921**
Charges			
Premiums paid to reinsurers	16	66,385	65,602
Policyholder claims and benefits	20	113,964	195,901
Commissions and expenses	21	134,831	138,048
Impairment charges	22	45	983
Interest charges and related fees	23	65	1,252
Total charges		**315,290**	**401,787**
Income before tax		**158,426**	**59,134**
Income tax	24	(40,874)	(14,649)
Net income		**117,552**	**44,485**
Net income attributable to the parent company		**117,552**	**44,485**

Statement of comprehensive income

(for the year ended December 31, 2022)

Amounts in EUR thousand	Note	2022	2021
Net income		**117,552**	**44,485**
Items that may be reclassified to profit or loss:	**11.3**		
Losses on revaluation of available-for-sale investments		(63,533)	(14,410)
Losses transferred to the income statement on disposal and impairment of available-for-sale investments		(1)	(155)
Income tax relating to items that may be reclassified		16,495	3,499
Total other comprehensive loss for the period		**(47,038)**	**(11,067)**
Total comprehensive income		**70,514**	**33,419**
Total comprehensive income attributable to the parent company		**70,514**	**33,419**

Statement of changes in equity

(for the year ended December 31, 2022)

Amounts in EUR thousand	Share capital	Share premium	Revaluation reserves	Retained earnings	Net income / (loss)	Total
At January 1, 2022	30,858	141,808	26,759	171,538	44,485	415,448
						-
Net income / (loss) prior year retained	-	-	-	44,485	(44,485)	-
Net income / (loss) current year	-	-	-	-	117,552	117,552
Other comprehensive income / (loss)	-	-	(47,038)	-	-	(47,038)
Total comprehensive income / (loss)	**-**	**-**	**(47,038)**	**44,485**	**73,067**	**70,514**
Dividends paid on common shares	-	-	-	(21,167)	-	(21,167)
At December 31	**30,858**	**141,808**	**(20,279)**	**194,856**	**117,552**	**464,796**

	Share capital	Share premium	Revaluation reserves	Retained earnings	Net income / (loss)	Total
At January 1, 2021	30,858	141,808	37,826	178,139	-6,601	382,030
						-
Net income / (loss) prior year retained	-	-	-	(6,601)	6,601	-
Net income / (loss) current year	-	-	-	-	44,485	44,485
Other comprehensive income / (loss)	-	-	(11,067)	-	-	(11,067)
Total comprehensive income / (loss)	**-**	**-**	**(11,067)**	**(6,601)**	**51,086**	**33,418**
Dividends paid on common shares	-	-	-	-	-	-
At December 31	**30,858**	**141,808**	**26,759**	**171,538**	**44,485**	**415,448**

Cash flow statement

(for the year ended December 31, 2022)

Amounts in EUR thousand	Note	2022	2021
Income / (loss) before tax		158,426	59,134
Results from financial transactions	19	8,206	5,480
Amortization and depreciation		3,891	3,773
Impairment losses / (reversals)	22	(14)	(10)
Adjustments of non-cash items		**12,084**	**9,243**
Insurance liabilities	12	(134,067)	(36,324)
Accrued expenses and other liabilities	15	(38,632)	40,930
Accrued income and prepayments	10	(6,925)	(26,247)
Changes in accruals		**(179,625)**	**(21,642)**
Purchase of investments (other than money market investments)	6	(274,287)	(327,976)
Purchase of derivatives	7	828	-
Disposal of investments (other than money market investments)	6	284,238	183,532
Disposal of derivatives	7	(3,767)	950
Cash flow movements on operating items not reflected in income		**7,013**	**(143,495)**
Tax (paid) / received		(15,807)	3,704
Other		(356)	425
Net cash flows from operating activities		**(18,264)**	**(92,630)**
Loans to group related parties	8	(1,906)	(7,293)
Net cash flows from investing activities		**(1,906)**	**(7,293)**
Proceeds from group borrowings	13	270	-
Repayment of group borrowings	13	-	(2,640)
Dividends paid		(21,167)	-
Net cash flows from financing activities		**(20,897)**	**(2,640)**
Net decrease in cash and cash equivalents		**(41,068)**	**(102,563)**
Cash and cash equivalents at the beginning of the year	5	83,349	185,912
Cash and cash equivalents at the end of the year		**42,282**	**83,349**

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

	2022	2021
Included in the net cash flows from operating activities is the increase/(decrease) in cash and cash equivalents relating to:		
Interest received (excluding derivatives)	19,407	19,939
Interest paid (excluding derivatives)	65	1,252
Interest derivatives paid	(5,274)	(3,269)
Dividend received	2,300	-

Reconciliation of liabilities arising from financing activities

In 2022, the outflow of net cash flows from financing activities increased to EUR 21 million as a result of paid dividend. Other movements in 2022 and 2021 relate to the increase or decrease of group loans.

There was no effect from foreign currencies, as all financing activities take place in EUR. Furthermore the carrying value of all balance sheet items related to financing activities are measured at amortized cost, therefore there are no effects from fair value movements or any other movements.

Notes to the financial statements

1. General information

Aegon Schadeverzekering N.V., incorporated and domiciled in the Netherlands, is a public limited liability company organized under Dutch law and recorded in the Trade Register of the Chamber of Commerce in The Hague with its registered address at Aegonplein 50, 2591 TV The Hague, with registration number 27085000. Aegon Schadeverzekering N.V. (or Aegon Schadeverzekering) is wholly owned subsidiary of Aegon Nederland N.V. in The Hague. Aegon N.V., also domiciled in The Hague, is the ultimate parent of the group. Aegon Schadeverzekering is active in accident and health insurance, and general insurance.

2. Significant accounting policies

2.1. Basis of presentation

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

The financial statements have been prepared in accordance with the historical cost convention as modified by the revaluation of investment properties and those financial instruments (including derivatives) and financial liabilities that have been measured at fair value. Information on the standards and interpretations that were adopted in 2022 is provided below in note 2.1.1 'Adoption of new EU-IFRS accounting standards and amendments effective in 2022'.

The financial statements are presented in euro and all amounts are rounded to the nearest thousands unless otherwise stated. The consequence is that the rounded amounts may not add up to the rounded total in all cases. All ratios and variances are calculated using the underlying amount rather than the rounded amount.

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

Going Concern

The financial statements of Aegon Schadeverzekering have been prepared assuming a going concern basis of accounting based on the reasonable assumption that Aegon Schadeverzekering 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, liquidity and solvency. Considering all these areas management concluded that the going concern assumption for Aegon Schadeverzekering is appropriate in preparing the 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

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

The following standards and amendments to existing standards, published prior to January 1, 2023, were not early adopted by Aegon Schadeverzekering, 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.

IFRS 17 Insurance contracts

The IASB issued IFRS 17 Insurance Contracts in May 2017. The Standard replaced IFRS 4, which was intended as an interim solution and allowed insurers to continue to use accounting principles that they had applied prior to the initial adoption of IFRS. IFRS 17 establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued, reinsurance contracts held and investment contracts with discretionary participating features issued. The objective of the Standard is to ensure that entities provide relevant information in a way that faithfully represents those contracts. This information should provide users of financial statements with a basis to assess the effects that the contracts have on the financial position, financial performance and cash flows of the insurer. The Standard also specifies presentation and disclosure requirements to enhance comparability between insurance companies.

On June 25, 2020, the IASB decided, next to a number of significant amendments to the Standard, to defer the effective date of IFRS 17 to annual reporting periods beginning on or after January 1, 2023. As a consequence of the IFRS 17 deferral, the IASB also agreed to revise the fixed expiry date of the temporary exemption from IFRS 9 in IFRS 4 to allow entities to continue applying the temporary exemption from IFRS 9 until January 1, 2023. The EU has endorsed IFRS 17 including the June 25, 2020 amendments as per November 2021.

The Standard represents a fundamental change to current financial reporting and the implementation effort is significant. An implementation project was started soon after the publication of the new Standard. Based on the final amendments of June 2020 quantitative assessments are performed which continued during 2021. In 2022, methodology and policy choices were finalized which formed the basis of preparing the opening balance sheet per 1 January 2022 and the 2022 quarterly results.

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

a) Changes compared to previous accounting policies

Under IFRS 4, Aegon Schadeverzekering largely continued to report under the accounting policies that were applied prior to the adoption of EU-IFRS. This meant that, in general, Aegon applied non-uniform accounting policies for insurance assets and liabilities as allowed under Dutch General Accepted Accounting Policies for insurance contracts that were continued as measurement basis under IFRS 4. Under IFRS 17, consistent accounting policies will be applied to all insurance contracts and investment contracts with discretionary features, regardless of the jurisdiction in which the contracts have been issued.

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

Measurement

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

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

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

Acquisition costs

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

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

Revenue and expenses

Under IFRS 4, the revenues reported in the income statement include gross insurance premiums when due. Under IFRS 17, the insurance revenue in each reporting period reflects the consideration to which Aegon Schadeverzekering expects to be entitled in exchange for the services provided in that period.

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

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

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

Other assets and liabilities

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

b) Transition

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

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

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

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

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

IFRS 9 Financial Instruments

Aegon Schadeverzekering adopts IFRS 9 as issued by the IASB in July 2014, with a date of initial application of January 1, 2023 and a transition date of January 1, 2022, which results in changes in accounting policies and adjustments to the amounts previously recognized in the financial statements. Aegon Schadeverzekering did not early adopt IFRS 9 in previous periods.
For the transition to IFRS 9 and IFRS 17 in the financial statements of 2023, Aegon Schadeverzekering has decided, based on the amendment to IFRS 17, to apply the overlay approach for 2022 including impairment requirements. As the overlay approach can only be applied in periods where IFRS 17 comparatives are restated, 2021 as comparative period will not be restated for IFRS 9 (nor IFRS 17).

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

a) Changes compared to previous accounting policies

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

Classification and measurement

Under IFRS 9, classification and measurement differ for debt instruments and equity instruments.
Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as mortgage loans, private loans, and government and corporate bonds. Classification and subsequent measurement depend on:

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

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

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

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

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

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

Aegon Schadeverzekering performed a detailed analysis of its business models for managing financial assets and analysis of their cash flow characteristics. Financial assets within Aegon Schadeverzekering will be designated at FVPL to minimize accounting mismatches.

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets. Examples of equity instruments include basic ordinary shares. Under IFRS 9, equity investments do not qualify for amortized cost or FVOCI treatment because they would fail the contractual cash flow characteristics assessment (cash flows are typically declared dividends at the discretion of the issuer, instead of interest). Thus, equity investments would generally only qualify for FVTPL treatment and not subject to impairment under expected credit loss model.
However, IFRS 9 allows the entity to make an irrevocable election at initial recognition to present changes in the fair value of equity investment in OCI rather than profit or loss. The equity investments designated as FVOCI are not subject to impairment under expected credit loss model. Aegon Schadeverzekering has not elected for this option for equity investments.

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

Impairment

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

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

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

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

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

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

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

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

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

As stated earlier, most of the financial assets will be designated at FVPL to minimize accounting mismatches. For those assets the impairment methodology is not applicable, as for those assets any movement in fair value will be recognized immediately in profit or loss.

b) Transition

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

Effects of initial adoption of IFRS 9 and IFRS 17

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

The impact on shareholders' equity of the implementation of IFRS 9 and IFRS 17 is estimated to be an increase of approximately EUR 81 million. This is mainly due to the remeasurement of insurance liabilities (estimated increase of EUR 82 million).

After tax the CSM is estimated to amount EUR 25 million. This is partly impacting shareholders' equity, the other part results from lower fulfilment cashflows under IFRS 17 compared to the IFRS 4 insurance liabilities.

Amounts in EUR million	Shareholder's equity
Balances as at January 1, 2022, as previously reported	415
Impact of the change in accounting policies (IFRS 9 and 17)	81
Restated balances as at January 1, 2022	**496**

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

Temporary exemption from IFRS 9 Financial Instruments

Application of IFRS 9 is required for annual periods beginning on or after January 1, 2018. However, on May 18, 2017, the IASB published the final version of the IFRS 17 – Insurance Contracts standard. Prior to its finalization, the IASB issued an amendment to IFRS 4 – Insurance Contracts (the predecessor standard to IFRS 17) that provides for a qualifying insurer a temporary exemption that permits, but does not require, the insurer to apply IAS 39 Financial Instruments: Recognition and Measurement rather than IFRS 9 for annual periods beginning before January 1, 2021 (i.e., a temporary exemption of IFRS 9). The objective of the amendment is to address the temporary accounting consequences of the different effective dates of IFRS 9 and IFRS 17. This amendment was endorsed by the European Union in November 2017.

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

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

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

Aegon Schadeverzekering performed this analysis at December 31, 2015, and concluded that it meets the requirements for the temporary exception as > 90% of its liabilities are connected with insurance activities. There are no (significant) changes in the activities of Aegon Schadeverzekering since the performance of this analysis. As a result, Aegon Schadeverzekering elected to defer implementation of IFRS 9 until January 1, 2023.

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

Fair value changes

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

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

		2022		2021	
		Fair value	Change in FV	Fair value	Change in FV
Debt securities	SPPI	408,246	(65,015)	485,610	(16,947)
	Other	1,468	(106)	1,575	(30)
Money Markets and other short-term investments	SPPI	-	-	-	-
	Other	126,230	(252)	181,395	(524)
Mortgage loans	SPPI	390,935	(85,635)	434,730	(4,727)
	Other	-	-	-	-
Private loans	SPPI	126,715	(31,536)	169,764	(3)
	Other		-	-	-
Other financial assets	SPPI	-	-	533	-
	Other	294	-	310	-
Loans and group loans	SPPI	29,531	-	27,625	-
	Other	-	-	-	-
Total		**1,083,420**	**(182,544)**	**1,301,541**	**(22,231)**

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

The fair value at the end of the reporting period in the table reconciles to the respective table in note 25 ‘Fair value of assets and liabilities’.

Credit risk

The table below details the credit risk rating grades, as of December 31, 2022, for financial assets with cash flows that are SPPI, excluding any financial assets that meet the definition of held for trading in IFRS 9, or that are managed and whose performance is evaluated on a fair value basis. The tables show the carrying value of those financial assets applying IAS 39 (in the case of financial assets measured at amortized cost, before adjusting for any impairment allowances).

2022	Debt securities	Mortgage loans	Private loans	Loans and group loans	Total
AAA	171,279	-	158,289	-	329,568
AA	95,109	-	-	-	95,109
A	109,614	-	-	29,531	139,145
BBB	32,244	-	-	-	32,244
Without external rating (not rated)	-	443,568	-	-	443,568
Total	**408,246**	**443,568**	**158,289**	**29,531**	**1,039,634**

2021	Debt securities	Mortgage loans	Private loans	Loans and group loans	Total
AAA	206,306	-	169,785	-	376,091
AA	91,126	-	-	-	91,126
A	143,050	-	-	27,625	170,675
BBB	45,128	-	-	-	45,128
Without external rating (not rated)	-	401,858	-	-	401,858
Total	**485,610**	**401,858**	**169,785**	**27,625**	**1,084,878**

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

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

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

2.2. Foreign exchange translation

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

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

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

2.3. Offsetting of assets and liabilities

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

2.4. Cash and cash equivalents

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

2.5. Investments

General account investments comprise financial assets, excluding derivatives. Financial assets are recognized at trade date when Aegon Schadeverzekering becomes a party to the contractual provisions of the instruments. All financial assets are classified for accounting purposes depending on the characteristics of the instruments and the purpose for which they were purchased.

Classification

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

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

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

Measurement

Financial assets are initially recognized at fair value plus, in the case of a financial asset not at fair value through profit or loss, any directly attributable incremental transaction costs. Loans are subsequently carried at amortized cost using the effective interest rate method. Financial assets at fair value through profit or loss are measured at fair value with all changes in fair value recognized in the income statement as incurred. Available-for-sale assets are recorded at fair value with unrealized changes in fair value recognized in other comprehensive income.

Amortized cost

IFRS 17 Insurance Contracts

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

The IASB issued IFRS 17 Insurance Contracts in May 2017. The Standard will replace IFRS 4, which was intended as an interim solution and allowed insurers to continue to use accounting principles that they had applied prior to the initial adoption of IFRS. IFRS 17 establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued, reinsurance contracts held and investment contracts with discretionary participating features issued. The objective of the Standard is to ensure that entities provide relevant information in a way that faithfully represents those contracts. This information should provide users of financial statements with a basis to assess the effects that the contracts have on the financial position, financial performance and cash flows of the insurer. The Standard also specifies presentation and disclosure requirements to enhance comparability between insurance companies.

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

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

Fair value

The Standard represents a fundamental change to current financial reporting and the implementation effort is significant. Aegon Schadeverzekering will not early adopt the Standard. An implementation project was started soon after the publication of the new Standard. Based on the final amendments of June 2020 quantitative assessments are performed and these continued during 2021. In 2022, finalization of methodology and policy choices are expected and will also form the basis of parallel runs. The impact of the initial application on Aegon Schadeverzekering's financial statements is expected to be significant.

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

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

Derecognition

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

Collateral

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

2.6. Derivatives

2.6.1. Definition

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

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

2.6.2. 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. Reinsurance assets

Reinsurance contracts are contracts entered into by Aegon Schadeverzekering in order to receive compensation for claims/benefits incurred on contracts written by Aegon Schadeverzekering (outgoing reinsurance). For contracts transferring sufficient insurance risk, a reinsurance asset is recognized for the expected future benefits, less expected future reinsurance premiums. Reinsurance contracts with insufficient insurance risk transfer are accounted for as investment or service contracts, depending on the nature of the agreement.

Reinsurance assets are measured consistently with the assumptions associated with the underlying insurance contracts and in accordance with the terms of each reinsurance contract. They are subject to impairment testing and are derecognized when the contractual rights are extinguished or expire or when the contract is transferred to another party.

Aegon Schadeverzekering is not relieved of its legal liabilities when entering into reinsurance transactions, therefore the reserves relating to the underlying insurance contracts will continue to be reported on the statement of financial position during the contractual term period of the underlying contracts.

Reinsurance premiums, commissions and claim settlements are accounted for in the same way as the original contracts for which the reinsurance was concluded. The insurance premiums for the original contracts are presented gross of reinsurance premiums paid.

2.8. Other assets and receivables

Other assets and receivables include trade and other receivables, and prepaid expenses.

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

2.9. Impairment of assets

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

2.9.1. Impairment of non-financial assets

Assets are tested individually for impairment when there are indications that the asset may be impaired. The impairment loss is calculated as the difference between the carrying and the recoverable amount of the asset, which is the higher of an asset’s value in use and its fair value less cost of disposal. The value in use represents the discounted future net cash flows from the continuing use and ultimate disposal of the asset and reflects its known inherent risks and uncertainties. The valuation utilizes the best available information, including assumptions and projections considered reasonable and supportable by management. The assumptions used in the valuation involve significant judgments and estimates.

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

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

2.9.2. Impairment of debt instruments

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

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

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

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

2.9.3. Impairment of equity instruments

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

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

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

2.9.4. Impairment of reinsurance assets

Reinsurance assets are impaired if there is objective evidence, as a result of an event that occurred after initial recognition of the reinsurance asset, that not all amounts due under the terms of the contract may be received. In such a case, the value of the reinsurance asset recoverable is determined based on the best estimate of future cash flows, taking into consideration the reinsurer's current and expected future financial conditions plus any collateral held in trust for Aegon Schadeverzekering's benefit. The carrying value is reduced to this calculated recoverable value, and the impairment loss recognized in the income statement.

2.10. Equity

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

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

2.11. Insurance contracts

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

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

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

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

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

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

2.11.1. Non-Life insurance contracts

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

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

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

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

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

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

2.11.2. Liability Adequacy Test

At each reporting date the adequacy of the non-life insurance liabilities is assessed. This test is performed on a total level of insurance provisions. The liability is considered to be "adequate" if the current estimate of all contractual future cash flows is less than the insurance liability plus the difference between carrying value and fair value of certain investments. To the extent that the account balances are insufficient to meet future claims and expenses, additional liabilities are established and included in the liability for non-life insurance.

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

With respect to AOV group contracts as well as the WIA ('Wet Inkomen en Arbeid') contracts, the claims regarding long-term sick leave (>2 years) are calculated on an 'item by item' based on empirical data and information from the industry and discounted with the LAT curve. The LAT curve is constructed using 6 months swaps until the last liquid point of 30 years. From the last liquid point it converges linearly to an Ultimate Forward Rate of 3.65% (2021: 3.65%).

2.12. Borrowings and group borrowings

Borrowings and group borrowings are initially recognized at their fair value excluding accrued interest and including directly attributable incremental transaction costs and are subsequently carried at amortized cost using the effective interest rate method, with the exception of specific borrowings that are measured at fair value through profit or loss to eliminate, or significantly reduce, an accounting mismatch, or specific borrowings which are carried at fair value as part of a fair value hedge relationship. Borrowings and group borrowings are derecognized when Aegon Schadeverzekering's obligation under the contract expires or is discharged or cancelled.

2.13. Assets and liabilities relating to employee benefits

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

2.14. Tax assets and liabilities

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

2.14.1. Current tax assets and liabilities

Current tax receivables and payables for current and prior periods reflect the best estimate of the tax amount expected to be paid or received and includes provisions for uncertain income tax positions, if any. Corporate income tax assets and liabilities for current and prior periods are measured at the amount expected to be received from or paid to the taxation authorities, applying the tax rates that have been enacted or substantively enacted by the reporting date.

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

2.14.2. Deferred tax assets and liabilities

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

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

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

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

2.15. Other liabilities and accruals

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

2.16. Contingent assets and liabilities

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

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

2.17. Premium income and premium outgoing reinsurance

Gross premiums are recognized as revenue when they become receivable. Premium loadings for instalment payments and additional payments by the policyholders towards costs borne by the insurer are included in the gross premiums. Rebates that form part of the premium rate, such as no-claim rebates, are deducted from the gross premium, others are recognized as an expense.

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

Reinsurance premiums are accounted for in the same way as the original contracts for which the reinsurance was concluded.

2.18. Investment income

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

2.19. Income from reinsurance ceded

Reinsurance claims are recognized as income when the related gross insurance claims and commissions are recognized in accordance with terms and conditions of the corresponding insurance contract. For a breakdown of reinsurance assets please refer to note 9 'Reinsurance assets'.

2.20. Policyholders claims and benefits

Policyholders claims and benefits consists of claims and benefits paid to policyholders, including benefits in excess of account value for products for which deposit accounting is applied and the change in the valuation of liabilities for insurance contracts. It includes internal and external claims handling costs that are directly related to the processing and settlement of claims. Amounts receivable in respect of salvage and subrogation are also considered.

2.21. Results from financial transactions

Results from financial transactions include:

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

2.22. Commissions 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 Schadeverzekering as services rendered to Aegon Schadeverzekering. 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 Schadeverzekering are made available by Aegon Nederland and the associated costs are recharged.

2.23. Interest charges and related fees

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

2.24. Corporate income tax

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

2.25. Events after the reporting period

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

3. Critical accounting estimates and judgment in applying accounting policies

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

Those estimates are inherently subject to change and actual results could differ from those estimates. Included among the material (or potentially material) reported amounts and disclosures that require extensive use of estimates are: fair value of certain invested assets and derivatives (refer to paragraph 2.5 and 2.6), insurance contracts (refer to paragraph 2.11), income taxes (refer to paragraph 2.14) and the potential effects of resolving litigation matters (refer to paragraph 2.16). Accounting policies that are critical to the financial statements presentation and that require complex estimates or significant judgment are described in the following sections.

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 the mortality assumptions were updated for the income insurance product WIA ("Wet Werk naar Inkomen en Arbeidsvermogen"), resulting in a EUR 8.3 million decrease of the income before tax. Due to the current high inflation rates the best estimate inflation rates for AOV and WIA have been updated, resulting in a EUR 14 million increase of the technical reserves and decrease of tthe income before tax. The parameter update of the best estimate maintenance costs (ABC costs) assumptions resulted in an increase of EUR 9.6 million on the income before tax.

3.2. Valuation of assets and liabilities arising from insurance contracts

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

Assumptions are reviewed at least annually, in the fourth quarter of the calendar year, based on historical experience and observable market data, including market transactions such as acquisitions and reinsurance transactions. The models and systems used for determining our liabilities are reviewed periodically and, if deemed necessary, updated based on emerging best practices and available technology.

Assumptions on morbidity are based on Aegon Schadeverzekering's claims history, augmented where necessary with industry information or data from the Dutch Association of Insurers or the Employee Insurances Implementing Agency (UWV or *Uitvoeringsinstituut Werknemers-verzekeringen*) with respect to WIA.

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

Mortality tables are generally developed based on a blend of company experience and industry wide studies, taking into consideration product characteristics, own risk selection criteria, target market and past experience.

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

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

The liability adequacy test uses a discount rate using 6 months swaps which converges linearly to an Ultimate Forward Rate of 3.65% (2021: 3.65%) from the last liquid point. The uniform last liquid point is set at 30 years. The discount rate uses a liquidity spread.

3.3. 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 Schadeverzekering's Solvency II capital position remained at a strong level increasing from 200% per December 31, 2021, to 254% per December 31, 2022.

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

3.4. Determination of fair value and fair value hierarchy

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

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

Aegon Schadeverzekering 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 Schadeverzekering 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 Schadeverzekering 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 Schadeverzekering, 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.

3.5. 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 Schadeverzekering 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 Schadeverzekering 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.

3.6 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 Schadeverzekering closely monitors financial and wider economic developments to understand our exposure to potential shocks in the markets where we invest, and Aegon Schadeverzekering works proactively to mitigate related risks. The inflation rates for the main economies that Aegon Schadeverzekering is exposed to increased significantly. Aegon Schadeverzekering's expense savings program helps to mitigate the impact of rising inflation.

High inflation has prompted central banks to start raising interest rates significantly. As a consequence, interest rates have increased significantly in Aegon Schadeverzekering's main markets compared to December 31, 2021.

4. Risk Management

4.1. Enterprise Risk Management

4.1.1. Introduction

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

4.1.2. Risk Management structure and governance

Risk committees

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

Supervisory Board

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.

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.

Management Board (MT NL)

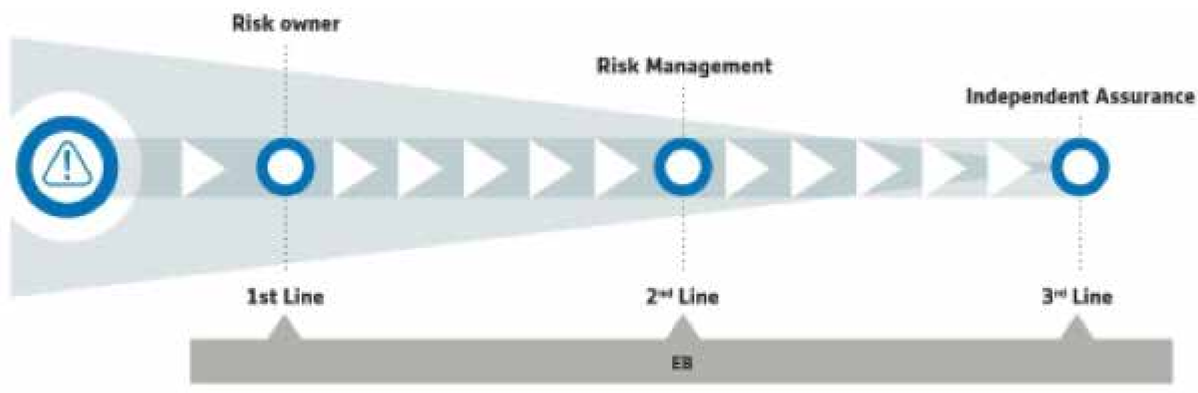
Aegon Nederland's Management Board has an overall responsibility for risk management. The Management Board adopts the risk strategy, risk governance, risk tolerance and material changes in risk methodology and risk policies.

Risk and 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.

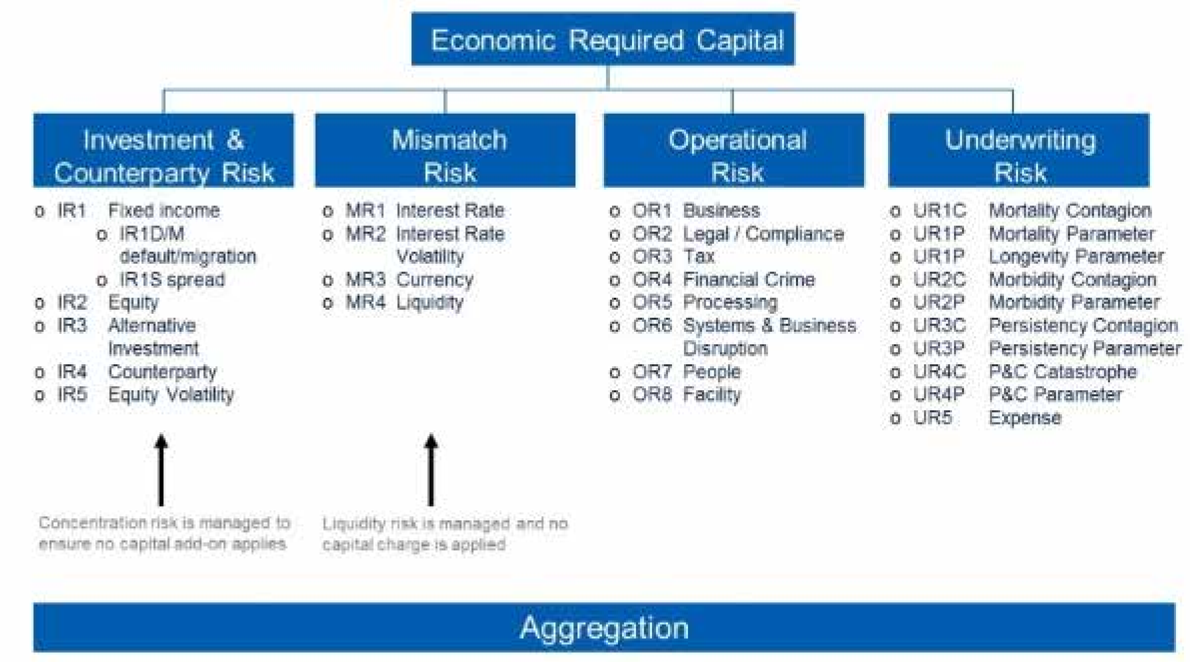
Risk Reporting (& Monitoring)

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'.

4.2. Risk Management approach

Category	Risk description	Measures taken
Operational risks	Aegon Nederland faces operational risks resulting from operational failures or external events, such as processing errors, acts from personnel, and natural or man made disasters. The risks in internal processes include the risk of fraud and reporting incidents.	Aegon Nederland analyzes operational risks on a continuous basis and regularly develops contingency plans to deal with them. Through Risk and Control Self Assessments, all processes are analyzed periodically and recalibrated in order to bring risks within the thresholds of our risk appetite. In case of risk events, a Root Cause Analysis is performed in order to investigate whether a control was missing or if a particular control failed. Action plans are put in place to improve organizational control and these are continuously monitored by the Operational Risk Management department. Aegon Nederland's systems and processes are designed to support complex products and transactions, and to help protect against issues as system failures, business disruption, financial crime, and breaches of information security. Aegon Nederland monitors and analyses these risks, and retains flexibility to update and revise where necessary. Among others, the following policies are 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. IFRS sensitivities

Results of Aegon Schadeverzekering'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 Schadeverzekering'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 Schadeverzekering's accounting policies[1]. Market-consistent assumptions underlying the measurement of non-listed assets and liabilities are adjusted to reflect the shock tested. Although management's short-term assumptions may change if there is a reasonably possible change in a risk factor, long-term assumptions will generally not be revised unless there is evidence that the movement is permanent. This fact is reflected in the sensitivity analysis provided below.

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

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

4.2.2. Interest rate risk

Aegon Schadeverzekering's policy is that the interest rate risk on its balance sheet must be kept as limited as possible on market value principles. Under current IFRS, this means that movements in interest rates may lead to movements in the (IFRS) capital as a result of the accounting mismatch, while the capital on market consistent policies is much less sensitive to interest rate movements. The IFRS result may also be sensitive to movements in interest rates despite hedging risks. Persistent low interest rates will lead to a lower return on reinvestments. Coupon income on existing investments will not change in those circumstances.

Aegon Schadeverzekering manages its maturity mismatch (the difference between the average maturity of liabilities and the average maturity of investments) within given limits. The position is actively monitored and adjusted when necessary. Aegon Schadeverzekering manages interest rate risk closely, taking into account all of the complexity on the conduct of policyholders and management action, making active use of derivatives and other risk mitigation instruments.

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

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

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

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

Sensitivity of interest rates

The sensitivity analysis shows an estimate of the effect of a parallel shift in the yield curves on net income and equity arising from the impact on general account investments and offset due to liabilities from insurance contracts. In general, increases in interest rates have a negative effect on shareholders' equity and net income in the current year because it results in unrealized losses on investments that are carried at fair value. The rising interest rates would also cause the fair value of the available-for-sale bond portfolio to decline and the level of unrealized gains could become too low to support recoverability of the full deferred tax asset triggering an allowance charge to income. The offsetting economic gain on the insurance contracts is not fully reflected in the sensitivities because many of these liabilities are not measured at fair value. Over time, the medium-term reduction in net income due to rising interest rates would be offset by higher net income in later years, everything else remaining equal. Therefore, higher interest rates are not considered a long-term risk to Aegon Schadeverzekering.

Parallel movement of yield curve	**2022**		2021	
Estimated approximate effect	Net income	Equity	Net income	Equity
Shift up 100 basis points	29,850	13,468	16,561	(5,499)
Shift down 100 basis points	(34,864)	(16,030)	(20,550)	4,803

Parallel movements of the yield curve impacts the fair value of the fixed income portfolio. As the fixed income portfolio is classified as 'available for sale', these fair value movements only impact equity. The impact on net income results from the interest sensitivity of the swap portfolio of Aegon Schadeverzekering and the insurance liabilities for WIA and AOV group contracts, which are both discounted with Aegon Schadeverzekering's LAT curve. Aim of Aegon Schadeverzekering's hedge strategy is to protect the Own Funds under Economic Framework and Solvency II, causing an accounting mismatch under IFRS, as under IFRS some balance sheet items have a different valuation treatment than fair value. The impact from interest sensitivity on net income and equity increased significantly, especially driven by renewal of the WIA portfolio, which increases the portfolio's duration and therefore the impacts of the shocks as these are applied over longer periods. In 2022 this more than offsets the reverse impact on available for sale investments, resulting in opposite impacts on equity compared to 2021.

4.2.3. Credit risk

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

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

Positions for general account in the balance sheet

2022	Maximum exposure credit risk	Cash	Securities	Real estate	Guaran-tees [2]	Master netting agree-ment	Surplus collateral	Total collateral received	Net exposure
Shares	232,335	-	-	-	-	-	-	-	232,335
Debt securities	482,930	-	-	-	-	-	-	-	482,930
Mortgage loans [1]	434,581	2,910	-	1,019,023	648	-	(589,398)	433,184	1,397
Private loans	158,289	-	-	-	-	-	-	-	158,289
Other loans	294	-	-	-	-	-	-	-	294
Derivatives with positive values	67,579	-	-	-	-	67,579	-	67,579	-
Loans and group loans	29,531	-	-	-	-	-	-	-	29,531
Reinsurance assets	78,156	-	-	-	-	-	-	-	78,156
At December 31	**1,483,696**	**2,910**	**-**	**1,019,023**	**648**	**67,579**	**(589,398)**	**500,763**	**982,933**

1 The base-adjustment of EUR 9.0 million has been excluded from the maximum exposure credit risk from the mortgages loans as this is a non-credit risk bearing item.

2 Guarantees for mortgage loans refer to the NHG guarantee. The NHG guarantees are subordinated to other collateral and is based on historically realized NHG guarantee payments capped at the maximum loan value.

2021	Maximum exposure credit risk	Cash	Securities	Real estate	Guaran-tees [2]	Master netting agree-ment	Surplus collateral	Total collateral received	Net exposure
Shares	248,639	-	-	-	-	-	-	-	248,639
Debt securities	576,231	-	-	-	-	-	-	-	576,231
Mortgage loans *	391,648	3,568	-	872,159	157	-	(486,315)	389,570	2,078
Private loans	169,785	-	-	-	-	-	-	-	169,785
Other loans	310	-	-	-	-	-	-	-	310
Derivatives with positive values	12,794	-	-	-	-	12,794	-	12,794	-
Loans and group loans	27,625	-	-	-	-	-	-	-	27,625
Reinsurance assets	52,071	-	-	-	-	-	-	-	52,071
At December 31	**1,479,103**	**3,568**	**-**	**872,159**	**157**	**12,794**	**(486,315)**	**402,364**	**1,076,739**

1 The base-adjustment of EUR 10.3 million has been excluded from the maximum exposure credit risk from the mortgages loans as this is a non-credit risk bearing item.

2 Guarantees for mortgage loans refer to the NHG guarantee. The NHG guarantees are subordinated to other collateral and is based on historically realized NHG guarantee payments capped at the maximum loan value.

Mortgage loans

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

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

A substantial part of Aegon Schadeverzekering's Dutch residential mortgage portfolio benefits from guarantees by a Dutch government-backed trust (Stichting Waarborgfonds Eigen Woning) through the Dutch Mortgage Guarantee program (NHG). These guarantees cover all principal losses, missed interest payments and foreclosure costs incurred upon termination and settlement of defaulted mortgage loans when lender-specific terms and conditions of the guarantee are met. When not fully met, the trust may pay claims in part or in full, depending on the severity of the breach of terms and conditions. For each specific loan, the guarantee amortizes in line with an equivalent annuity mortgage. When the remaining loan balance at default does not exceed the amortized guarantee, it covers the full loss under its terms and conditions. Any loan balance in excess of this decreasing guarantee profile serves as a first loss position for the lender. For NHG-backed mortgage loans originated after January 1, 2014, a 10% lender-incurred haircut applies on realized losses on each defaulted loan.

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

Derivatives

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

Collateral

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

Credit risk management

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

Aegon Nederland operates a Credit Name Limit Policy (CNLP) under which limits are placed on the aggregate exposure that it has to any one counterparty. Limits are set by Aegon N.V. and also vary by a rating system, which is a composite of the main rating agencies (S&P, Moody’s and Fitch) and Aegon Nederland’s internal rating of the counterparty. When the exposure to a counterparty exceeds 75% it is considered to be at a warning level and the assets are monitored more closely. A warning and violation list is sent to portfolio managers on a weekly basis. If an exposure exceeds the stated limit, then the exposure must be reduced to the limit set by Aegon N.V. and rating category as soon as possible. Exceptions to these limits can only be made after explicit approval from Aegon N.V. The policy is reviewed regularly. During 2022 there were no breaches regarding the CNLP.

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

	2022	2021
AAA	270,000	270,000
AA	270,000	270,000
A	200,000	200,000
BBB	135,000	135,000
BB	75,000	75,000
B	38,000	38,000
CCC or lower	15,000	15,000

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

The ratings distribution of the general account investments is presented in the table in note ‘Credit rating’.

Spread sensitivities

Aegon Schadeverzekering is exposed to non-government spreads narrowing and government spread widening. Exposure to government spread sensitivities is contributed by exposure to spreads widening due to the reduction in value of its fixed income assets. Please find below the estimated sensitivities on shareholders' equity and on net income of Aegon Schadeverzekering for up and down shocks for credit spreads for the bond portfolio and liquidity premium shocks for general account insurance liabilities:

Parallel movement of yield curve	**2022**		2021	
	Net income	Equity	Net income	Equity
Estimated approximate effect				
Bond credit spread - Shift up 50 bps	(1,039)	(11,950)	(383)	(15,565)
Bond credit spread - Shift down 50 bps	1,073	12,811	387	16,728
Liquidity premium - Shift up 5 bps	781	781	510	510
Liquidity premium - Shift down 5 bps	(784)	(784)	(512)	(512)

4.2.4. Credit rating

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

Investments for general account and reinsurance assets by rating

2022	Amortized cost	Fair value	Reinsurance assets	Total
AAA	158,289	171,279	-	329,568
AA	-	161,834	22,290	184,124
A	-	114,930	55,285	170,215
BBB	-	93,001	-	93,001
BB	-	8,475	-	8,475
Assets not rated	443,862	233,324	582	677,768
Total on balance credit exposure at December 31	**602,151**	**782,844**	**78,156**	**1,463,151**
Of which past due and/or impaired assets	870	-	-	870

2021	Amortized cost	Fair value	Reinsurance assets	Total
AAA	169,785	206,306	-	376,091
AA	-	104,284	32,524	136,808
A	-	148,869	18,693	167,562
BBB	-	120,673	-	120,673
BB	-	8,532	-	8,532
Assets not rated	402,168	249,000	854	652,022
Total on balance credit exposure at December 31	**571,953**	**837,664**	**52,071**	**1,461,688**
Of which past due and/or impaired assets	1,871	-	-	1,871

The 'Assets not rated' category relates to shares at fair value and other financial assets at amortized cost (mainly mortgage loans).

4.2.5. Credit risk concentration

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

Credit risk concentration - debt securities and money market investments	**2022**	2021
ABSs- Collateralized Debt Obligations (CDOs)	-	-
Total investments in unconsolidated structured entities at December 31	**-**	**-**
Financial - Banking	59,866	43,871
Financial - Other	7,639	10,001
Industrial	190,576	239,011
Utility	12,310	18,846
Sovereign exposure	212,538	264,502
At December 31	**482,930**	**576,231**

Credit risk concentration - mortgage loans	**2022**	2021
Apartment	48,627	45,242
Other commercial	804	962
Residential	385,150	345,444
At December 31	**434,581**	**391,648**
Of which past due and/or impaired assets	844	1,792

Fair value of the mortgage loan portfolio:	**2022**	2021
Fair value mortgage loans	390,935	434,730
Loan to value (approximately)	45.6%	47.9%
Part of portfolio government guaranteed	45.3%	51.3%
Delinquencies in portfolio (defined as 60 days in arrears)	0.1%	0.1%
Impairments / (reversals) during the year	(14)	(10)

Unconsolidated structured entities

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

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

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

4.2.6. Past due and impaired financial assets

The tables that follow provide information on past due and impaired financial assets for Aegon Schadeverzekering. 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 Schadeverzekering 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	-	257
Other	26	26
At December 31	**26**	**283**
Interest received on impaired financial assets	-	4

Past due but not impaired financial assets

2022	0-6 months	6-12 months	> 1 year	Total
Mortgage loans	518	326	-	844
Other loans	-	-	-	-
At December 31	**518**	**326**	**-**	**844**

2021	0-6 months	6-12 months	> 1 year	Total
Mortgage loans	1,301	89	145	1,536
Other loans	-	-	53	53
At December 31	**1,301**	**89**	**198**	**1,588**

4.2.7. Equity market risk and other investment risk

A decline in equity markets may adversely affect Aegon Schadeverzekering's profitability and shareholders´ equity and the amount of assets under management. Exposure to equity markets exists in the assets of Aegon Schadeverzekering liabilities. Asset exposure exists through direct equity investments in which Aegon Schadeverzekering bears all or most of the volatility in returns and investment performance risk as well as through investments in investment funds.

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

	2022	2021
Equity funds	228,143	244,849
Common shares	4,192	3,790
At December 31	**232,335**	**248,639**

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

	2022	2021
Financials	4,192	3,790
Funds	228,143	244,849
At December 31	**232,335**	**248,639**

Sensitivity analysis of net income and equity to equity markets

The equity investments in common shares comprise investments in entities where Aegon Schadeverzekering does not have significant influence and which relate to interests where it participates because of its insurance activities. These investments are not listed and as such net income and equity are not influenced by changes in equity prices with respect to these investments. The equity investment in funds consist of participations in money market investment funds and real estate investments, and these are not directly influenced by changes in equity prices either.

4.2.8. Liquidity risk

Liquidity risk is inherent in much of Aegon Schadeverzekering's activity. Each asset purchased and liability assumed has its own liquidity characteristics. Although most liabilities are of a long-term nature and will not create an unexpected short-term liquidity requirement, some can be called on demand. Other, more volatile, short-term liquidity requirements arise from collateral requirements as a result of having a derivatives portfolio. In normal circumstances, a significant proportion of the investment portfolio can be quickly converted into liquid assets but some assets, such as private loans, mortgage loans, and holdings in unlisted enterprises are not highly liquid. If Aegon Schadeverzekering requires more than the normal amount of cash at short notice, it may have difficulty selling these investments at attractive prices or in a timely manner.

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

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

The liquidity position is tested in the following scenarios:

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

Events included in the stressed liquidity scenario that have a sudden, adverse impact on available liquidity include the following:

- Large change in interest rates (300 bps upward shock and 100 bps downward);
- Large change in credit spreads (150 bps upward);
- Impaired market period in which no assets, other than highly liquid sovereign bonds which are explicitly and fully guaranteed by the local authorities, can be sold.

Available liquidity

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

- Contractual repayments and coupon payments;
- Expected advance payments on certain categories of assets, such as early repayment of mortgages;
- Expected extensions of maturity on certain categories of assets;
- Sales proceeds after an impaired market period on assets taking into account conservative assumptions in the stressed liquidity scenario.

Required liquidity

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

- Contractual repayments at maturity;
- Benefits and claims;
- Full or partial withdrawal of assets at call;
- Periodic premium payments and potential changes in them;
- New business activities;
- Collateral obligations from derivatives.

For insurance liabilities too, most cash flows are fixed and stable but some will vary considerably when a different liquidity scenario is applied. In the stressed liquidity scenario it is expected there will be limited new commercial activity if Aegon Schadeverzekering's rating is cut and the situation in the financial market deteriorates. The amount of cash required as collateral payments for some derivative transactions will increase as well in the stressed liquidity scenario.

Results of excess liquidity

Aegon Schadeverzekering holds EUR 213 million (2021: EUR 265 million) of general account investments in money market products and sovereign bonds that are readily saleable or redeemable on demand in the event of a liquidity shortfall. It is also possible to use such bonds as the basis for repurchase contracts so that liquidity can be drawn from the market. The afore mentioned amounts are based upon Aegon Schadeverzekering internally used definitions when testing the liquidity.

The excess liquidity is calculated after modelling the expected cash flows for assets and liabilities for each period of up to 2 years. The results of the excess liquidity calculations, available liquidity minus required liquidity, show that Aegon Schadeverzekering had sufficient liquidity in different scenarios and for all tested periods at year-end 2022.

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

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

The tables below show the remaining contractual maturities for each category of financial liability. When the counterparty has a choice of when an amount is paid, the liability is included on the basis of the earliest date on which it can be required to be paid. Financial liabilities that are payable on demand with a given delay are reported in the category ‘On demand’. If there is a notice period, Aegon Schadeverzekering 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 Schadeverzekering 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 Schadeverzekering 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 year	5 < 10 year year	> 10 year year	Total 2022
Borrowings and group borrowings	-	270	-	-	-	270
Other financial liabilities	588	56,386	-	-	-	56,974
At December 31	**588**	**56,656**	**-**	**-**	**-**	**57,244**

2021	On demand	< 1 year year	1 < 5 year year	5 < 10 year year	> 10 year year	Total 2021
Borrowings and group borrowings	-	-	-	-	-	-
Other financial liabilities	904	79,737	190	-	-	80,830
At December 31	**904**	**79,737**	**190**	**-**	**-**	**80,830**

Expected undiscounted cash flows relating to insurance contracts

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

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

The liability amount in the financial statements reflects the discounting for interest as well as adjustments for the timing of other factors as described above. As a result, the sum of the cash benefit payments shown for all years in the table exceeds the corresponding liability amounts included in note 12 ‘Insurance contracts’.

2022	< 1 year	1 < 5 year	5 < 10 year	> 10 year	Total
Insurance contracts	218,768	421,955	217,883	291,454	1,150,060
At December 31	**218,768**	**421,955**	**217,883**	**291,454**	**1,150,060**

2021	< 1 year	1 < 5 year	5 < 10 year	> 10 year	Total
Insurance contracts	199,400	459,803	274,039	368,870	1,302,112
At December 31	**199,400**	**459,803**	**274,039**	**368,870**	**1,302,112**

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. 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	-	19,041	60,963	53,787	66,509	200,300
Cash outflows	-	(20,906)	(69,682)	(62,487)	(70,399)	(223,474)

2021	On demand	< 1 year	1 < 5 year	5 < 10 year	> 10 year	Total
Cash inflows	-	4,799	11,398	13,216	18,962	48,375
Cash outflows	-	(7,875)	(19,049)	(20,155)	(24,420)	(71,499)

4.2.9. Underwriting risk

Description of the measures used to assess underwriting risks

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

Within underwriting risk, a distinction is made between Health underwriting and Non-life underwriting risk, where Health underwriting risk is further split in Health similar to life techniques (“SLT”), Health non similar to life techniques (“non-SLT”) and Health Catastrophe.

Aegon Schadeverzekering monitors and manages its underwriting risk by underwriting risk type. Attribution analysis is performed on earnings and reserve movements in order to understand the source of any material variation in actual results relative to expectations. Aegon Schadeverzekering also performs experience studies for underwriting risk assumptions, where Aegon Schadeverzekering’s experience (e.g. actual deaths, lapses, incidences of disability) is compared with previously formulated expectations (assumptions). Conclusions drawn from these studies play an important role in revising assumptions for pricing and valuation of the business of Aegon Schadeverzekering. Where policy charges are flexible in products, Aegon Schadeverzekering uses these analyses as the basis for modifying these charges, with a view to maintain a balance between policyholder and shareholder interests. Aegon Schadeverzekering also has the ability to reduce expense levels over time, thus mitigating unfavorable expense variation.

Underwriting risk	Description of underwriting risks
Health SLT - Longevity	The risk that improvements in life expectancy result in higher than expected claim payments.
Health SLT – Disability & morbidity	The risk that disability rates are higher or recovery rates are lower than expected.
Health SLT - Lapse	The risk that lapse rates are higher or lower than expected resulting in lower profits and/or higher claim payments including guaranteed returns.
Health SLT - Expenses	The risk that the value of future expenses is higher than expected resulting in lower profits.
Health SLT - Revision	The risk that annuity payments need to be revised following a change in the health status of the insured people.
Health non-SLT – Premium & reserve	The risk that premiums rates are set to low or best estimate reserves are set inadequately.
Health - Catastrophe	The risk of a mass accident, accident concentration or pandemic event.
Non-life – Premium & reserve	The risk that premiums rates are set to low or best estimate reserves are set inadequately.
Non-life - Catastrophe	The risk of a natural disaster, like windstorm or hail, or a man-made catastrophe.

Within Health SLT Underwriting Risk, Disability & morbidity is the dominant risk. Within Non-life and Health non-SLT Underwriting Risk, Premium & reserve is the dominant risk.

Risk Concentrations

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

Risk mitigation techniques used for underwriting risks

Reinsurance contracts are contracts entered into by Aegon Schadeverzekering in order to receive compensation for losses on contracts written by Aegon Schadeverzekering (outgoing reinsurance). For contracts transferring sufficient insurance risk, a reinsurance recoverable is recognized for the best estimate future cash flows, adjusted for the expected counterparty default. Reinsurance contracts with insufficient insurance risk transfer are accounted for as investment or service contracts, depending on the nature of the agreement.

Aegon Schadeverzekering is not relieved of its legal liabilities when entering into reinsurance transactions, therefore the reserves relating to the underlying insurance contracts will continue to be reported in the statement of financial position.

Aegon Schadeverzekering reinsures its property, general third-party liability, legal aid, disability and motor third-party liability business. The main counterparties are Hannover Re and Mapfre Re Belgium. For property insurance, an 'excess of loss' contract is in place with a retention level of EUR 500,000 for each separate risk, and EUR 5 million for each catastrophe event. For general third-party liability, Aegon Schadeverzekering has reinsurance in place with a retention level of EUR 350,000 per event. In 2018 an reinsurance agreement for disability was signed with Munich Re. The structure of the reinsurance agreement is a quota share of 95% for the annual income portions up to and including EUR 100,000 and a quota share of 10% for benefits related to the annual income portions above EUR 100,000. In 2019 a reinsurance agreement with respect to the legal aid portfolio ('Rechtsbijstandsverzekeringen)' was signed with Arag SE Nederland (ARAG). Aegon Schadeverzekering has fully reinsured the risk for this portfolio.

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

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

Risk sensitivity for underwriting risks

The main underwriting risk Aegon Schadeverzekering is exposed to is morbidity risk, i.e. the risk that more insured people become disabled. With more insured people disabled, more people receive benefits from their policy. In the scenario shown below, morbidity rates increase or decrease by with the disclosed percentage in all future years. The second underwriting risk relevant for Aegon Schadeverzekering is the longevity risk; an increase in mortality rates has a positive effect on the equity and net income as this leads to lower claims payments.

	2022		2021	
Estimated approximate effect	Net income	Equity	Net income	Equity
20% increase in lapse rates	(608)	(608)	(589)	(589)
20% decrease in lapse rates	608	608	589	589
5% increase in mortality rates	1,066	1,066	1,953	1,953
5% decrease in mortality rates	(1,838)	(1,838)	(1,969)	(1,969)
10% increase in morbidity rates	(29,806)	(29,806)	(36,872)	(36,872)
10% decrease in morbidity rates	29,806	29,806	36,872	36,872

The sensitivity of net income and equity for parallel shifts in morbidity and mortality relates to the AOV and WIA-portfolio. The decrease of the sensitivity impacts is driven by the lower insurance liabilities for these products, and the increased IFRS curve that is used for discounting of the AOV and WIA-portfolio, which decreases the duration and subsequently the impacts of the shocks.

4.2.10. Climate risk

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

Transition risks are those arising from the shift to a low-carbon economy. These risks are a function of policy and regulatory uncertainty, including political, social and market dynamics and technological innovations.

Transition risks can affect the value of assets and investment portfolios. Furthermore, Aegon Schadeverzekering may be unable to adjust to environmental and sustainability goals. Linked to both the physical and the transition risks, there could also be litigation and reputational risks following from not fully considering or responding to the impacts of climate change, or not providing appropriate disclosure of current and future risks. Aegon Schadeverzekering may not be able to fully predict or manage the financial risks stemming from climate change, resource depletion, environmental degradation and related social issues. The risks can relate both to Aegon Schadeverzekering and the companies in which it invests.

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

4.3. Regulation and supervision

4.3.1. General

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

The DNB is responsible for prudential supervision, while the AFM supervises the conduct of business of financial institutions and the conduct of business on financial markets. The aim of the DNB's prudential supervision is to ensure the solidity of financial institutions and contribute to the stability of the financial sector.

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

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

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

4.3.2. Financial supervision of insurance companies

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

An insurance company is neither permitted to conduct both life insurance and non-life insurance business within a single legal entity (with the exception of reinsurance), nor to carry out both insurance and banking activities within the same legal entity. Aegon Schadeverzekering conducts non-life insurance activities.

Prudential supervision is exercised by the home state supervisory authority (DNB in the Netherlands). Insurance companies in the Netherlands may conduct their activities on a cross-border basis or through a branch office based on the mutual recognition of (prudential) supervision in the EU (the so-called 'European passport'). Aegon Schadeverzekering does not have material cross-border insurance business or business conducted through branch offices elsewhere in the EU.

4.4. Capital management and solvency

Strategic importance

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

Management of capital

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

Aegon Schadeverzekering’s goal is to maintain a strong financial position and be able to sustain losses from adverse business and market conditions. The company’s overall capital management strategy is based on adequate solvency capital, capital quality, and the use of leverage.

Aegon Schadeverzekering’s ERM framework ensures that Aegon Schadeverzekering’s is adequately capitalized and that Aegon Schadeverzekering’s obligations towards policyholders are always adequately met. As a specific part of this larger framework, Aegon Schadeverzekering’s capital management framework builds on a set of key pillars: the use of internal target capital management zones and supported by robust risk and capital monitoring processes that timely triggers and escalates interventions if and when needed to ensure that capital is always being managed towards these internal target ranges and is prevented from falling below the minimum regulatory capital requirements.

Adequate capitalization

During 2022 and 2021 Aegon Schadeverzekering complied with externally imposed minimum capital requirements. Aegon Schadeverzekering applies the standard formula to calculate the required capital.

Amounts in EUR million	December 31, 2022 [1]	December 31, 2021
Own Funds	483	469
Standard formula required capital	190	234
Solvency II ratio	254%	200%

1 The solvency II ratio for 2022 is an estimate, and is not final until filed with the regulator and subject to supervisory review.

The Solvency II ratio of Aegon Schadeverzekering increased during 2022. The Own Funds increased mainly due to underwriting variances, market impacts and normalized capital generation, with an offset from dividend payments, model and assumption changes. The SCR decreased relatively sharply due to market impacts, partly offset by model changes for disability pensions.

The lowering of Ultimate Forward Rate (UFR) from 3.60% to 3.45% in 2022 did not materially affect the Solvency II ratio. In 2023 the UFR will remain unchanged at 3.45% and thus not affect the Solvency II ratio.

In the following table a reconciliation between the shareholder's equity under IFRS equity and the own funds under Solvency II is presented.

Amounts in EUR million	December 31, 2022 [1]	December 31, 2021
Shareholders' Equity (IFRS)	465	415
Revaluations	18	54
Available own funds	**483**	**469**

1 The solvency II ratio for 2022 is an estimate, and is not final until filed with the regulator and subject to supervisory review.

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

- Items that are not recognized under Solvency II. For Aegon Schadeverzekering only the deferred acquisition costs, which are included in the technical provision, fall into this category; other examples of this category (Goodwill and other intangible assets) are not applicable to Aegon Schadeverzekering;
- Items that have a different valuation treatment between EU-IFRS and Solvency II. Solvency II is a market consistent framework hence all assets and liabilities are to be presented at fair value while EU-IFRS also includes other valuation treatments in addition to fair value. The most relevant examples of this category include Loans and Mortgages, Reinsurance Recoverables, Deferred tax assets balances and Technical provisions.

Minimum regulatory solvency requirements

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

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

As of December 31, 2022, the factor of LAC DT is set at 70%, an increase compared to 2021 (the 2021 factor of LAC DT was 55%). Aegon changed the methodology to determine the factor of LAC DT as of 2021 to address the DNB guidance and LAC DT related aticles in the Solvency II Delegated Regulations. The settings underlying this methodology were reassessed in 2022 and led to an increase of the applied factor of LAC DT per year-end 2022 to better reflect the observed loss-absorbing capacity of deferred taxes and to reduce unnecessary prudence.

During 2022, Aegon Schadeverzekering continued to comply with the minimum regulatory solvency requirements, driven by the fact that Aegon Schadeverzekering's internal target capital levels are well above 100% SCR levels.

Capital restrictions

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

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

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

Aegon Nederland's capital management framework is built on, among other things, managing capital in the operating units within target capital management zones. Under Aegon Nederland's capital management framework, the bottom-end of the capitalization target range of Aegon Schadeverzekering is 150%.

Capital quality

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

4.5. Product information

Aegon Schadeverzekering offers products that can be split in two segments. These are described in the next sections.

4.5.1. Non-life accident and health protection insurance

Aegon Schadeverzekering offers disability and sick leave products to employers that cover sick leave payments for employees not covered by social security and for which the employer bears the risk. In addition, for some forms of disability, employers can choose to use the social security system with related premiums or opt out and seek private insurance. Private insurance may lead to lower premiums and Aegon Schadeverzekering offers solutions for this. For individuals Aegon Schadeverzekering offers a disability product mainly targeted at the growing self-employed market.

4.5.2. Non-life Property and Casualty (P&C)

Aegon Schadeverzekering has focused exclusively on retail lines in general insurance, offering products in the segments of property, motor, travel, legal assistance, private liability claims, pet insurance, and injury. The ambition for the P&C retail segment is to provide the best digital servicing in the Dutch market, while building long-lasting relationships with customers and distribution partners.

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

5. Cash and cash equivalents

	2022	2021
Cash on hand and balances with banks	22,341	28,335
Short term bank deposits	-	25,000
Money market investments	19,941	30,015
At December 31	**42,282**	**83,349**

The cash of Aegon Schadeverzekering is managed on an overall Aegon level and can therefore fluctuate on a year by year basis. The carrying amounts disclosed reasonably approximate the fair values at year-end. These cash items are not subject to restrictions.

6. Investments

Investments for general account comprise financial assets, excluding derivatives. For a summary of all financial assets and financial liabilities at fair value through profit or loss see note 25.3 ‘Summary of financial assets and financial liabilities at fair value through profit or loss’ for more details.

	Note	2022	2021
Available-for-sale financial assets (AFS)	6.1	413,906	490,975
Loans (amortized cost)	6.1	602,151	571,953
Financial assets at fair value through profit or loss (FVTPL)	6.1	301,359	333,895
Total investments for general account		**1,317,416**	**1,396,823**

6.1. Financial assets, excluding derivatives

2022	AFS	Loans	FVTPL	Total	Fair value
Shares	4,192	-	228,143	232,335	232,335
Debt securities	409,714	-	73,216	482,930	482,930
Mortgage loans	-	443,568	-	443,568	390,935
Private loans	-	158,289	-	158,289	126,715
Other	-	294	-	294	294
At December 31	**413,906**	**602,151**	**301,359**	**1,317,416**	**1,233,210**

2021	AFS	Loans	FVTPL	Total	Fair value
Shares	3,790	-	244,849	248,639	248,639
Debt securities	487,185	-	89,046	576,231	576,231
Mortgage loans	-	401,858	-	401,858	434,730
Private loans	-	169,785	-	169,785	169,764
Other	-	310	-	310	310
At December 31	**490,975**	**571,953**	**333,895**	**1,396,823**	**1,429,674**

	2022	2021
Current	365,230	359,482
Non-current	952,186	1,037,341
At December 31	**1,317,416**	**1,396,823**

The decrease in investments is mainly driven by lower market values for debt securities due to increased interest rates.

Reference is made to note 25 ‘Fair value of assets and liabilities’ for information on fair value measurement. Other loans comprise deposits with insurance companies with respect to reinsurance agreements. These are not freely available.

7. Derivatives

	Derivative asset		Derivative liability	
	2022	2021	2022	2021
Derivatives not designated in a hedge	67,579	12,794	96,223	38,571
At December 31	**67,579**	**12,794**	**96,223**	**38,571**

	2022	2021
Current	(2,721)	(61)
Non-current	(25,923)	(25,716)
Total net derivatives at December 31	**(28,644)**	**(25,777)**

For a summary of all financial assets and financial liabilities at fair value through profit or loss see note 25.3 'Summary of financial assets and financial liabilities at fair value through profit or loss'.

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

In 2022 fair value of derivatives is significantly impacted by increasing interest rates, resulting in increased asset and liability derivative positions.

Aegon Schadeverzekering's fair value hedges consisted of interest rate swaps that were used to protect against changes in the fair value of fixed-rate instruments due to movements in market interest rates. In 2017 Aegon Schadeverzekering changed its risk management policy and decided to take on more interest rate risk, in order to economically offset the interest rate risk on the insurance liabilities. This has resulted in a de-designation of all fair value hedge accounting applied to these mortgage portfolios as of that date. The cumulative base adjustment of EUR 9.0 million (EUR 10.3 million at year-end 2021) is amortized over the weighted average duration of the mortgage portfolios to which hedge-accounting was applied at the date of de-designation. The remaining average duration of these mortgage portfolio ranges is 7 years (2021: 8 years).

8. Loans and group loans

	2022	2021
Loan Aegon N.V.	-	270
Loan Aegon Derivatives N.V.	29,531	27,355
At December 31	**29,531**	**27,625**
Current	29,531	27,625
Total	**29,531**	**27,625**

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

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

In 2021, the loan from Aegon N.V. relates to collateral received under FX derivatives transactions. Aegon N.V. settles this collateral with external parties on behalf of Aegon Schadeverzekering. The derivative transactions are for ordinary operations. The FX forward contracts are used to hedge currency exposure. No securities or guarantees have been agreed and no collateral is posted for this loan.

9. Reinsurance assets

	2022	2021
Non-life insurance	78,156	52,071
At December 31	**78,156**	**52,071**
Current	12,671	9,516
Non-current	65,485	42,555
Total	**78,156**	**52,071**

Amounts due from reinsurers in respect of claims already paid by Aegon Schadeverzekering on contracts that are reinsured are included in note 10 ‘Other assets and receivables’.

Movements during the year in reinsurance assets

	2022	2021
At January 1	52,071	22,283
Gross premiums and deposits	66,385	65,602
Changes in unearned premiums	(67,269)	(66,370)
Incurred related to current year	49,835	32,226
Incurred related to prior year	-	11,377
Release for claims settled current year	(14,538)	(11,196)
Release for claims settled prior years	(8,327)	(1,850)
At December 31	**78,157**	**52,071**

10. Other assets and receivables

	2022	2021
Other	661	630
Non current	**661**	**630**
Investment debtors	315	507
Receivables from policyholders	3,672	2,462
Current account with group companies	29,940	24,664
Accrued interest	8,721	7,813
Prepaid expenses	506	-
Other	(143)	612
Provision for doubtful debts	(1,052)	(993)
Current	**41,959**	**35,064**
At December 31	**42,619**	**35,694**

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

The movement in "Other assets and receivables" during the financial year are recorded in line items ‘Accrued income and prepayments’ and ‘Tax (paid) / received’ in the consolidated cash flow statement.

11. Equity

	2022	2021
Share capital	30,858	30,858
Share premium	141,808	141,808
Revaluation reserves	(20,279)	26,759
Retained earnings	194,856	171,538
Net income	117,552	44,485
At December 31	**464,796**	**415,448**

11.1. Share capital

	2022	2021
Authorized share capital	50,000	50,000
Not issued	19,142	19,142
At December 31	**30,858**	**30,858**

The authorized share capital is EUR 50 million, divided into 50,000 shares of EUR 1,000 nominal value each, of which 30,858 shares have been issued and fully paid. There have been no changes since the previous financial year. In 2022 Aegon Schadeverzekering paid EUR 21.2 million (2021: nil) dividend to Aegon Nederland.

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

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

11.2. Share premium

	2022	2021
At January 1	141,808	141,808
Capital contributions	-	-
At December 31	**141,808**	**141,808**

11.3. Revaluation reserves

	2022	2021
At January 1	26,759	37,826
Gross revaluation	(63,533)	(14,410)
Net gains transferred to income statement	(1)	(155)
Tax effect	16,495	3,499
At December 31	**(20,279)**	**26,759**

There are restrictions on the distribution to shareholders of the revaluation reserve relating to financial instruments that are not actively traded or quoted. The balance of the revaluation reserve related to investments that are not actively traded or quoted amounts to EUR 2.5 million (2021: EUR 2.1 million).

12. Insurance contracts

	2022	2021
Non-life insurance		
- Unearned premiums and unexpired risks	44,742	50,477
- Outstanding claims	623,363	676,775
- Incurred but not reported claims	293,176	342,010
Total insurance contracts at December 31	**961,280**	**1,069,262**

Non life	2022	2021
Accident and health insurance	844,794	953,711
Property and casualty	116,487	115,551
Total	**961,280**	**1,069,262**

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

- The increase in the interest rate significantly affected the WIA portfolio, resulting in a release of EUR 60 million.
- The higher interest rates also significantly impacted the AOV portfolio, releasing an estimated EUR 36 million.
- The decrease of risk percentage on WIA resulted in a release of EUR 15 million.

Movements during the year:	2022	2021
At January 1	1,069,262	1,075,798
Gross premiums - existing and new business	355,272	347,400
Changes in unearned premiums	(361,007)	(347,171)
Changes in incurred but not reported claims	(54,863)	(32,175)
Unwind of discount / interest credited	20,447	7,194
Incurred related to current year	178,024	165,426
(Credited)/Incurred related to prior years	(24,735)	55,226
Release for claims settled current year	(94,429)	(80,438)
Release for claims settled prior years	(126,690)	(121,999)
At December 31	**961,280**	**1,069,262**

Run off result	2022	2021
Accident and health insurance	182,015	94,854
Property and casualty	5,503	6,775
Total	**187,517**	**101,629**

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

Gross (before reinsurance) claim history in EUR million

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

Net (after reinsurance) claims history in EUR million

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

13. Borrowings and group borrowings

	2022	2021
Loan Aegon N.V.	270	-
At December 31	**270**	**-**
Current	270	-
Total	**270**	**-**

The loan with Aegon N.V. relates to collateral paid under FX derivatives transactions. Aegon N.V. settles this collateral with external parties on behalf of Aegon Schadeverzekering. The derivative transactions are for ordinary operations. The FX forward contracts are used to hedge currency exposure. No securities or guarantees have been agreed and no collateral is posted for this loan.

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

14. Deferred tax liabilities

	2022	2021
Deferred tax assets	1,959	271
Deferred tax liabilities	-	4,516
Net deferred tax (asset) / liability at December 31	**(1,959)**	**4,245**

Movement in deferred tax

2022	Financial assets	Other	Total
At January 1	4,516	-271	4,245
Charged to income statement	10,075	217	10,291
Credited to equity	(16,495)	-	(16,495)
At December 31	**(1,905)**	**(54)**	**(1,959)**

2021	Financial assets	Other	Total
At January 1	9,208	-472	8,736
Charged to income statement	(1,193)	202	(992)
Credited to equity	(3,499)	-	(3,499)
At December 31	**4,516**	**(271)**	**4,245**

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.

The decrease of deferred tax assets and liabilities in 2022 is in line with the decrease of investments and insurance liabilities and is primarily driven by rising interest rates.

15. Other liabilities and accruals

	2022	2021
Payables due to policyholders	7,160	10,887
Payables out of reinsurance	7,588	9,322
Investment creditors	(14)	32,478
Income tax payable	30,583	15,807
Social security and taxes payable	3,978	4,108
Accrued interest	2,536	2,677
Other creditors	5,144	5,551
At December 31	**56,974**	**80,830**
Current	56,974	80,640
Non-current	-	190
Total	**56,974**	**80,830**

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

In the cash flow statement the movement in this account in the book year is disclosed the line items 'Accrued expenses and other liabilities'.

16. Premium income and premiums paid to reinsurers

	2022		2021	
	Gross	Reinsurance	Gross	Reinsurance
Non-life	401,138	66,385	390,531	65,602
Total	**401,138**	**66,385**	**390,531**	**65,602**

Premiums split by branch

	2022	2021
Accidents and illness	257,292	254,049
Motor vehicles	19,403	18,345
Motor vehicles civil liability	26,738	24,326
Maritime liability	74	75
Fire	35,651	33,702
Property - other damages	31,211	30,483
General liability	13,806	13,325
Legal aid	13,386	13,056
Relief operations	3,578	3,170
Total	**401,138**	**390,531**

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

17. Investment income

	2022	2021
Investment income related to general account	17,482	16,694
Total	**17,482**	**16,694**

Investment income consists of:

	2022	2021
Interest income out of:		
- Debt securities	6,047	5,657
- Loans	13,416	14,801
- Other investments	(4,280)	(3,765)
Dividend income from shares	2,300	-
Total	**17,482**	**16,694**
Interest income accrued on impaired financial assets	-	4
Interest income on financial assets not carried at FVTPL	17,286	18,435

The interest expense from ‘Other investments’ mainly refers to interest from derivatives and short-term bank deposits and money market investments.

Investment income from financial assets held for general account:

	2022	2021
Available-for-sale	4,009	3,915
Loans	13,416	14,801
Fair value through profit or loss	4,337	1,743
Derivatives	(4,141)	(3,484)
Other	(139)	(281)
Total	**17,482**	**16,694**

18. Income from reinsurance ceded

This item relates mainly to the reinsured claims and commissions with respect to the disability agreement with Munich Re and the legal aid reinsurance agreement with ARAG. For a breakdown of reinsurance assets please refer to note 9 ‘Reinsurance assets’.

19. Results from financial transactions

	2022	2021
Net fair value change general account financial investments FVTPL, other than derivatives	(9,490)	(1,870)
Realized gains / (losses) on financial investments	81	197
Net fair value change of derivatives	(7,330)	(9,039)
Net foreign currency gains / (losses)	8,533	5,231
Total	**(8,206)**	**(5,480)**

The net foreign currency gains in 2022 and 2021 relate to the FVTPL investments Aegon Schadeverzekering has in investments that are nominated in US dollar. The US dollar currency risk has been hedged with FX derivatives. The negative result in 2022 and 2021 from financial transactions is mainly due to interest increases.

Realized gains and losses on financial investments:

	2022	2021
Debt securities and money market investments (AFS)	1	155
Loans	81	42
Total	**81**	**197**

Net fair value change of derivatives comprise:

	2022	2021
Net fair value change economic hedges - no hedge accounting applied	(6,107)	(7,816)
Ineffective portion hedge transactions - hedge accounting applied	(1,223)	(1,223)
Total	**(7,330)**	**(9,039)**

20. Policyholder claims and benefits

	2022	2021
Claims and benefits paid to policyholders	221,118	202,437
Change in valuation of liabilities for insurance contracts	(107,154)	(6,536)
Total	**113,964**	**195,901**

The change in valuation of liabilities for insurance contracts is significantly lower than in 2021 and primarily driven by increasing interest rates resulting in lower insurance liabilities for WIA products. Refer to note 12 'Insurance contracts' for more information on this decrease.

21. Commissions and expenses

	2022	2021
Commissions	45,040	43,131
Employee expenses	27,708	23,309
Administration expenses	62,084	71,607
Total	**134,831**	**138,048**

The increase of this account is largely explained by higher recharged staff expenses to Aegon Schadeverzekering by Aegon Nederland.

Employee expenses

	2022	2021
Salaries	17,662	14,332
Post-employment benefit costs	3,502	2,789
Social security charges	2,124	1,768
Other personnel costs	4,419	4,420
Total	**27,708**	**23,309**

Employees
Aegon Schadeverzekering 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 Schadeverzekering are recharged to Aegon Schadeverzekering by Aegon Nederland. The assets and liabilities arising from employee benefits for staff working for Aegon Schadeverzekering 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 Schadeverzekering are a fixed percentage of the salaries charged to the entity.

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

Remuneration Board of Directors
The members of the Board of Directors of Aegon Schadeverzekering are also members of the Board of Directors of the other entities within the Aegon Nederland Group, including the Board of Directors of Aegon Nederland. The members of the Board of Directors are employees of Aegon Nederland and receive their remuneration via Aegon Nederland. The total remuneration for their activities within Aegon Nederland group pursuant to Section 383:1 of Book 2 of the Dutch Civil Code is set out below. The amounts are in euro, instead of in EUR thousand. The Managing Director Non-Life and Managing Director Workplace Solutions are not considered to be key management in accordance with IAS 24.

Members of the Board of Directors	2022	2021
Gross salary and social security contributions	2,238,663	3,114,760
Pension premium	8,608	15,360
Other benefits	686,905	796,659
Total	**2,934,176**	**3,926,779**

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

Aegon Nederland allocates expenses to subsidiaries according to the extent to which the expenses incurred can be related to the activities of the subsidiary. With respect to the total remuneration of the Board of Directors of Aegon Nederland 13% (2021: 11%) was allocated to the income statement of Aegon Schadeverzekering.

Mortgage loans Board of Directors

On the reporting date, the current members of the Board of Directors had mortgage loans totaling EUR 68 thousand from a company associated with Aegon Nederland (2021: EUR 2,122 thousand) at an interest rates of 5.10% (2021: 1.16% to 2.09%) in line with the terms and conditions available to the employees of Aegon Nederland. Mortgages provided during the year amount to nil (2021: nil) and repayments amount to nil (2021: EUR 135 thousand). Other movements within mortgages are the result of changes in the composition of the Board of Directors. No other loans, guarantees or advance payments exist.

Remuneration Supervisory Board

Aegon Schadeverzekering has a Supervisory Board which is equal to the Supervisory Board of parent company Aegon Nederland. Members and former members of the Supervisory Board are regarded as key management personnel. The remuneration for current and former supervisory board members charged to the company in the financial year pursuant to Section 383:1 of Book 2 of the Dutch Civil Code was EUR 203 thousand (2021: EUR 190 thousand). This remuneration consists entirely of gross pay and the employer's share of social security charges. The members of the Supervisory Board employed by Aegon N.V. did not receive any remuneration for their membership. No payments were made in connection with severance schemes; no remuneration or rights attaching to shares were granted. The members of the Supervisory Board of Aegon Schadeverzekering do not receive additional remuneration for this task.

Mortgage loans Supervisory Board

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

21.1. Remuneration Independent Auditor

PricewaterhouseCoopers Accountants N.V. has served as Aegon Schadeverzekering's independent public auditor during 2022 and audited these financial statements. The fees for services rendered to Aegon Schadeverzekering need not be disclosed in this Annual Report, based on article 382a of Book 2 of the Dutch Civil Code. The aggregate fees for services rendered by PricewaterhouseCoopers Accountants N.V. to the whole group of Aegon N.V. are disclosed in the Annual Report of Aegon N.V.

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

Audit assignments

- Audit of the financial statements of Aegon Schadeverzekering;
- Audit of the regulatory reports (Wft staten) of Aegon Schadeverzekering as required by the Act on the financial supervision ('Wet op het financieel toezicht')

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

Audit-related assignments

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

22. Impairment charges / (reversals)

	2022	2021
Loans	(14)	(10)
Other	59	993
Net impairment charges / (reversals)	**45**	**983**

The total amount net impairment charges of EUR 1 million in 2021 is an addition to the provision for doubtful debts. We refer to note 10. 'Other assets and receivables'.

23. Interest charges and related fees

	2022	2021
Short-term liabilities and deposits	65	1,252
Total	**65**	**1,252**
Interest charges accrued on financial assets and liabilities not carried at FVTPL	65	1,252

24. Income tax

	2022	2021
Current tax		
- Current year	30,583	15,807
Deferred tax		
- Origination / (reversal) of temporary differences	10,291	(1,023)
- Changes in tax rates / bases	-	(135)
Income tax for the period (income) / charge	**40,874**	**14,649**

The weighted average applicable statutory tax rate for Aegon Schadeverzekering 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.

Reconciliation between standard and effective corporate income tax:

	2022	2021
Income before tax	158,426	59,134
Income tax calculated using weighted average applicable statutory rates	40,874	14,784
Difference due to the effects of:		
- Changes in tax rates / bases	-	(135)
Income tax for the period (income) / charge	**40,874**	**14,649**

	2022	2021
Items that may be reclassified subsequently to profit and loss:		
Gains / losses on revaluation AFS investments	(16,495)	(3,460)
Gains / losses transferred to the income statement on disposal and impairment AFS investments	-	(39)
Total income tax related to components of other comprehensive income	**(16,495)**	**(3,499)**

25. Fair value of assets and liabilities

The estimated fair values of assets and liabilities of Aegon Schadeverzekering 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 Schadeverzekering 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 Schadeverzekering determines the market is inactive or quoted market prices are not available for the asset or liability at the measurement date. However, the fair value measurement objective remains the same, that is, to estimate the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions (e.g. an exit price at the measurement date from the perspective of a market participant that holds the asset or owes the liability). Therefore, unobservable inputs reflect the own assumptions of Aegon Schadeverzekering 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 Schadeverzekering 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 Schadeverzekering has the most confidence, where the least amount of manual intervention exists and to embed consistency in the selection of price sources. Depending on asset type the pricing hierarchy consists of a waterfall that starts with making use of market prices from indices and follows with making use of third-party pricing services or brokers.

25.1. Fair value hierarchy

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

2022	Level I	Level II	Level III	Total
Assets carried at fair value				
AFS investments				
- Shares	-	-	4,192	4,192
- Debt securities	203,875	154,989	50,851	409,714
FVTPL investments				
- Shares	-	151,497	76,646	228,143
- Debt securities	8,475	64,741	-	73,216
- Derivatives	-	67,579	-	67,579
Total assets	**212,350**	**438,806**	**131,688**	**782,844**
Liabilities carried at fair value				
- Derivatives	-	96,223	-	96,223
Total liabilities	**-**	**96,223**	**-**	**96,223**

2021	Level I	Level II	Level III	Total
Assets carried at fair value				
AFS investments				
- Shares	-	-	3,790	3,790
- Debt securities	201,902	202,064	83,219	487,185
FVTPL investments				
- Shares	-	212,373	32,476	244,849
- Debt securities	7,837	81,209	-	89,046
- Derivatives	-	12,794	-	12,794
Total assets	**209,738**	**508,441**	**119,485**	**837,664**
Liabilities carried at fair value				
- Derivatives	-	38,571	-	38,571
Total liabilities	**-**	**38,571**	**-**	**38,571**

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

2022	As at 1-1-2022	Result income statement	Result OCI	Purchases	Sales	Transfers between I/II and III	As at 31-12-2022	Result year-end
Assets carried at fair value								
AFS investments								
- Shares	3,790	-	402	198	-	-	4,389	-
- Debt securities	83,219	478	(3,847)	25,123	(198)	(53,925)	50,851	478
FVTPL investments								
- Shares	32,476	(2,262)	-	50,000	(3,567)	-	76,646	(2,262)
Total assets	**119,485**	**(1,785)**	**(3,445)**	**75,320**	**(3,765)**	**(53,925)**	**131,886**	**(1,785)**

2021	As at 1-1-2021	Result income statement	Result OCI	Purchases	Sales	Transfers between I/II and III	As at 31-12-2021	Result year-end
Assets carried at fair value								
AFS investments								
- Shares	3,295	-	495	-	-	-	3,790	-
- Debt securities	29,153	196	671	-	(923)	54,122	83,219	196
FVTPL investments								
- Shares	-	-	-	32,476	-	-	32,476	-
Total assets	**32,449**	**196**	**1,165**	**32,476**	**(923)**	**54,122**	**119,485**	**196**

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

Significant transfers between Levels I/II/III

During 2022 securities were transferred from level III to level I for an amount of EUR 54 million as quoted prices became available for unsecured bonds of European Investment Bank.

During 2022 and 2021 there were no other significant transfers.

Significant unobservable assumptions

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

2022	Carrying amount	Valuation technique	Significant unobservable input [1]	Range	Weighted average
Assets carried at fair value					
AFS investments					
Shares	4,192	Broker quote	n.a.	n.a.	n.a.
Debt securities - ABS	50,851	Broker quote	n.a.	n.a.	n.a.
FVTPL					
Shares	76,646	Broker quote	n.a.	n.a.	n.a.
Total assets at fair value	**131,688**				

2021	Carrying amount	Valuation technique	Significant unobservable input [1]	Range	Weighted average
Assets carried at fair value					
AFS investments					
Shares	3,790	Broker quote	n.a.	n.a.	n.a.
Debt securities - ABS	83,219	Broker quote	n.a.	n.a.	n.a.
FVTPL					
Shares	32,476	Broker quote	n.a.	n.a.	n.a.
Total assets at fair value	**119,485**				

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

Effect of changes in significant unobservable assumptions to reasonably possible alternatives

As Aegon Schadeverzekering does not have level III assets or liabilities with unobservable input for which quantitative information is developed by Aegon Schadeverzekering when measuring fair value (e.g. uses prices from prior transactions or third-party pricing information without adjustment). Therefore also no impact analysis has been made on the fair value measurements of changes in unobservable input.

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.

Instruments not included in the table

Certain financial assets and liabilities that are not carried at fair value are carried at amounts that approximate fair value, due to their short-term nature and generally negligible credit risk. These instruments include:

- Cash and cash equivalents,
- Short-term receivables and accrued interest receivable,
- Short-term liabilities and accrued liabilities
- Internal group borrowings and group loans.

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

2022	At December 31		Level of fair value hierarchy		
	Carrying amount	Estimated fair value	Level I	Level II	Level III
Assets					
Mortgage loans	443,568	390,935	-	-	390,935
Private loans	158,289	126,715	-	-	126,715
Other	294	294	-	294	-

2021	At December 31		Level of fair value hierarchy		
	Carrying amount	Estimated fair value	Level I	Level II	Level III
Assets					
Mortgage loans	401,858	434,730	-	-	434,730
Private loans	169,785	169,764	-	-	169,764
Other	310	310	-	310	-

25.2. Fair value measurement

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

25.2.1. Shares

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

25.2.2. Debt securities

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

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

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

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

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

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

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

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

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

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

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

The fair value of floating interest rate mortgage loans and private placements used for disclosure purposes is assumed to be approximated by their carrying amount, adjusted for changes in credit risk. Credit risk adjustments are based on market observable credit spreads if available, or management's estimate if not market observable.

25.2.4. Derivatives

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

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

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

25.2.5. Money market and other short-term investment and deposits with financial institutions

The fair value of assets maturing within a year is assumed to be approximated by their carrying amount adjusted for credit risk where appropriate. Credit risk adjustments are based on market observable credit spreads if available, or management's estimate if not market observable.

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

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

	2022		2021	
	Trading	Designated	Trading	Designated
Investments for general account	-	310,346	-	344,105
Derivatives with positive values	67,579	-	12,794	-
Total financial assets at FVTPL	**67,579**	**310,346**	**12,794**	**344,105**

	2022		2021	
	Trading	Designated	Trading	Designated
Derivatives with negative values	96,223	-	38,571	-
Total financial liabilities at FVTPL	**96,223**	**-**	**38,571**	**-**

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	(6,107)	(8,476)	(7,816)	(3,093)

Investments for general account

Aegon Schadeverzekering has investments in investment funds. These have been designated at fair value through profit or loss.

Derivatives

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

26. Commitment and contingencies

26.1. Investments contracted

In the normal course of business, Aegon Schadeverzekering 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. The sale of mortgage loans relates to pre-announced redemptions on mortgage loans.

Contracted sales	**2022**	2021
Mortgage loans	688	1,225

26.2. Other commitments and contingencies

Guarantees given	**2022**	2021
Standby letters of credit	1,356	1,393
Other guarantees	12,000	12,000

Aegon Schadeverzekering is part of the Nederlandse Herverzekeringmaatschappij voor Terrorismeschade N.V. and consequently pays its share of the reinsurance premium and other expenses. The letters of credit shown above relate to the guarantee issued by Aegon Schadeverzekering for its share in the excess risk of the Nederlandse Herverzekeringmaatschappij voor Terrorismeschade N.V..

Aegon Schadeverzekering does not have other material commitments and contingencies, other than disclosed in this note.

26.3. Legal and arbitrary proceedings, regulatory proceedings and actions

Aegon Schadeverzekering is involved in litigation and proceedings in the ordinary course of its business. Aegon Schadeverzekering 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 Schadeverzekering will be able to resolve existing litigation in the manner it expects or that existing or future litigation will not result in unexpected liability. Management is not aware of any proceedings which may have or have in the recent past had a significant effect on the financial position, profitability, solvency or reputation of the company.

27. Transfers of financial assets

Aegon Schadeverzekering does not have financial assets that have been transferred to another party in such a way that part or all of the transferred assets do not qualify for de-recognition. Aegon Schadeverzekering is not involved in securities lending activities or repurchase agreements. Furthermore Aegon Schadeverzekering does not have continuing involvement for derecognized financial assets that have been transferred in their entirety.

28. Offsetting, enforceable master netting arrangements and similar arrangements

The table below provides details relating to the effect or potential effect of netting arrangements, including rights 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 Schadeverzekering 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 Schadeverzekering mitigates credit risk in derivative contracts by entering into collateral agreements, where practical, and in ISDA master netting agreements for each of the legal entities of Aegon Schadeverzekering to facilitate Aegon Schadeverzekering'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 Schadeverzekering or its counterparty. Transactions requiring Aegon Schadeverzekering or its counterparty to post collateral are typically the result of over-the-counter derivative trades, comprised mostly of interest rate swaps, currency swaps and credit swaps. These transactions are conducted under terms that are usual and customary to standard borrowing, derivative, securities lending and securities borrowing activities, as well as requirements determined by exchanges where the bank acts as intermediary.

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

	Assets		Liabilities	
Financial instruments in balance sheet	2022	2021	2022	2021
Gross (=Net) amounts of financial instruments	67,579	12,794	96,223	38,571
Related amounts not set off				
- Financial instruments	67,579	12,794	67,579	12,794
- Cash collateral pledged (excluding surplus collateral)	-	-	28,644	27,625
Net amount at December 31	**-**	**-**	**-**	**(1,848)**

In the Netherlands, mortgage customers can take on top of their mortgage a construction deposit for home improvements. Undrawn amounts of construction deposits are netted against the outstanding total mortgage loans. At December 31, 2022, an amount of EUR 11 million (December 31, 2021: EUR 5 million) of construction deposits is undrawn.

29. Related party transactions

In the normal course of business, Aegon Schadeverzekering 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 recognized on outstanding balances with related parties.

Aegon Schadeverzekering 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 Schadeverzekering is jointly and severally liable for all tax liabilities of the entire tax group.

Aegon Schadeverzekering participates in the treasury and derivative valuation services of Aegon N.V. The interest rate swaps that Aegon Schadeverzekering uses to mitigate interest rate risk are concluded via Aegon Derivatives. The intercompany short-term deposit with Aegon Derivatives for the required collateral was EUR 30 million as of December 31, 2022. Refer to note 7 Derivatives / 8 Loans and Group loans.

Aegon Nederland provides Aegon Schadeverzekering with administrative support and facilities at cost. Total recharged overhead expenses were EUR 66 million (2021: EUR 72 million).

Aegon Schadeverzekering 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. All financial transactions pass through Aegon Nederland and are accounted for in the current account with Aegon Nederland. At the end of the year, Aegon Schadeverzekering had a current account receivable with Aegon Nederland, see note 15 'Other liabilities and accruals'.

Aegon Schadeverzekering offers its products to employees of Aegon Nederland. The conditions for these products are the same for key management personnel and other staff.

Investment and derivative activities are undertaken through Aegon Investment Management B.V. and securities custody through Aegon Custody B.V.. Costs are recharged on normal commercial terms.

The premium income from the production of Aegon Cappital related to Aegon Schadeverzekering was EUR 17 million (2021: EUR 16 million). As of January 2020, Aegon Cappital receives a fee from Aegon Schadeverzekering for the administration of the risk insurance contracts. The fee received in 2022 was EUR 0.3 million (2021: EUR 0.3 million). The claims paid to Aegon Cappital in 2022 were EUR 4.4 million (2021: 6.2 million).

30. 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 2.5 million dividend was paid to Aegon Nederland N.V.

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

31. Approval of the financial statements

The financial statements of Aegon Schadeverzekering for the year ended December 31, 2022 were approved by the Board of Directors and by the Supervisory Board on April 7, 2023.

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

32. Proposal for profit appropriation

A proposal will be put to the General Meeting of Shareholders to add the positive result for the financial year of EUR 118 million to the retained earnings. This proposal has been incorporated in the financial statements.

The Hague, April 7, 2023

The Board of Directors,

A.C.C. van Hövell-Patrizi (chair)	
B. Magid	
W.H.M. van de Kraats	

The Hague, April 7, 2023

The Supervisory Board,

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

Other information

Statutory provisions regarding profit appropriation

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

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

Independent auditor's report

Independent auditor's report

To: the General Meeting of Shareholders and the Supervisory Board of Aegon Schadeverzekering N.V.

Report on the financial statements 2022

Our opinion

In our opinion, the financial statements of Aegon Schadeverzekering N.V. ('the Company') give a true and fair view of the financial position of the Company as at 31 December 2022, and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union ('EU-IFRS') and with Part 9 of Book 2 of the Dutch Civil Code.

What we have audited

We have audited the accompanying financial statements 2022 of Aegon Schadeverzekering N.V., The Hague.

The financial statements comprise:

- the statement of financial position as at 31 December 2022;
- the following statements for 2022: the income statement, the statement of comprehensive income, the statement of changes in equity and the cash flow statement; and
- the notes, comprising a summary of the significant accounting policies and other explanatory information.

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

The basis for our opinion

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

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

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

Independence

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

Our audit approach

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

Overview and context

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

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where the Board of Directors made important judgments, for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. In Note 3 'Critical accounting estimates and judgment in applying accounting policies', to the financial statements, the Company describes the areas of judgment in applying accounting policies and the key sources of estimation uncertainty. Given the significant estimation uncertainty and the related higher inherent risks of material misstatement in the valuation of liabilities arising from insurance contracts and the valuation of certain Level 3 investments, we considered these matters as key audit matters as set out in the section 'Key audit matters' of this report. Furthermore, we identified disclosures on the capital position based on Solvency II regulations as key audit matter. Lastly, we determined the disclosure in the financial statements of the Company of the estimated impact of IFRS 17 and IFRS 9 on the transition balance as of 1 January 2022 to be an additional key audit matter in 2022 given the combination of the complexity of (new) models, management estimates, assumptions, the significant impact of the new standard and the interest by stakeholders about the effects of the new standards.

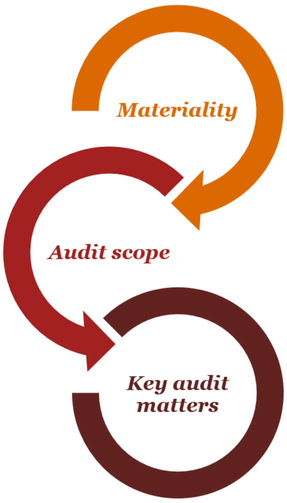
On 27 October 2022, Aegon Europe Holding B.V. (‘Aegon Europe’) and ASR Nederland N.V. (‘a.s.r.’) signed a business combination agreement (‘the Agreement’). In the Agreement, Aegon Europe agreed to sell the shares of Aegon Nederland N.V. (which includes the Company) to a.s.r. This transaction has been approved by the Aegon N.V.’s and a.s.r.’s shareholders in their respectively extraordinary meeting of shareholders on 17 January 2023. Approval of regulatory bodies (e.g., De Nederlandsche Bank, the Dutch Authority for Consumers and Markets) is pending. We discussed with management their assessment on how the transaction impacts the strategy, operations, and financial position of the Company. The impact of the transaction is limited for 2022 and hence does not warrant a key audit matter.

We discussed with management their assessment on how the risk of climate change impacts the strategy, operations, and financial position of the Company. The Company committed to a net zero impact objective in respect to its financed greenhouse gas emissions across all their investments and its operational greenhouse gas emissions by 2050. We discussed with management the planned actions which in their view should lead to realization of the commitments. The impact on the 2022 financial statements resulting from the risk of climate change on the insurance activities is considered limited, due to among others, the size and nature of the property and casualty portfolio of the Company. As the investment portfolio is largely valued at market value, based on market observable inputs, the risk of climate change on this portfolio does also not lead to a material risk from a 2022 financial statements perspective. Hence, the risk of climate change on the Company does not warrant a key audit matter.

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

We ensured that the audit team included the appropriate skills and competences which are needed for the audit of a non-life insurance company. We, therefore, included experts and specialists in the areas of amongst others IT, tax, the valuation of certain types of assets (e.g. complex financial instruments) and liabilities (actuarial services for liabilities arising from insurance contracts) in our team.

The outline of our audit approach was as follows:



Materiality

- Overall materiality: € 11.6 million

Audit scope

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

Key audit matters

- Valuation of liabilities arising from insurance contracts;
- Valuation of certain Level 3 investments;
- Disclosures on the capital position based on Solvency II regulations; and
- Disclosure of the estimated impact of IFRS 17 and IFRS 9 on the transition balance sheet as at 1 January 2022.

Materiality

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

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

Overall materiality	€ 11.6 million (2021: € 10.3 million).
Basis for determining materiality	We used our professional judgment to determine overall materiality. As a basis for our judgment we used 2.5% of equity. This resulted in an overall materiality of € 11.6 million (2021: € 10.3 million).
Rationale for benchmark applied	At the start of the planning of our audit we performed a stakeholders' analysis that identified suitable benchmarks and thresholds for determining overall materiality for the financial statements. We utilised quantitative and qualitative measures that included the perspective of the common information needs of the (ultimate) parent company, policyholders, creditors and regulators for assessing suitable benchmarks and thresholds for determining overall materiality. We used equity as the primary benchmark, a generally accepted auditing practice, based on our analysis of the common information needs of the users of the financial statements, which includes regulators, policyholders and other creditors. On this basis, we believe that equity is the most relevant metric for the financial performance of the Company.

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

We agreed with the Supervisory Board that we would report to them any misstatement identified during our audit above € 580,000 (2021: € 470,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

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 Company and its environment and the components of the system of internal control, including the risk assessment process and management's process for responding to the risks of fraud and monitoring the system of internal control and how the Supervisory Board exercises oversight, as well as the outcomes.

As part of our process of identifying fraud risks, we evaluated fraud risk factors with respect to financial reporting fraud, misappropriation of assets and bribery and corruption. We evaluated these factors to consider whether these factors indicated a risk of material misstatement due to fraud. In all our audits, we pay attention to the risk of management override of controls, as this risk is always considered to present a significant risk of fraud.

We evaluated the design and relevant aspects of the system of internal control with respect to the risks of material misstatements due to fraud and in particular the fraud risk assessment by management, as well as the code of conduct, whistleblower procedures, incident registration and follow-up, among other things. Where considered appropriate, we tested the operating effectiveness of internal controls designed to mitigate fraud risks.

We incorporated elements of unpredictability in our audit. We reviewed lawyer's letters and correspondence with regulators. During the audit, we remained alert to indications of fraud. We also considered the outcome of our other audit procedures and evaluated whether any findings were indicative of fraud or non-compliance of laws and regulations. Whenever we identify any indications of fraud, we re-evaluate our fraud risk assessment and its impact on our audit procedures.

We enquired the relevant executives, directors, including internal audit, risk management, legal, compliance and the Supervisory Board whether they are aware of any actual or suspected fraud. This did not result in signals of actual or suspected fraud that may lead to a material misstatement.

Based on our considerations of various factors, such as the high volume of individually small transactions, non-complex calculations, and our assessment of the inherent risk at the assertion level, the engagement team concluded that the risk of fraud in revenue recognition does not rise to the level of a material risk for any of the revenue streams for the 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 In accordance with the Dutch Standard on Auditing 240.32, the risk of management override of controls is always considered to present a significant risk of fraud. Methods by which management could override controls include, but are not limited to, the following: • Manipulation of the financial reporting process by recording inappropriate or unauthorized journal entries. • Intentional misstatement of accounting estimates that involve subjective inputs and assumptions. • Entering into significant transactions that are outside the normal course of business for the entity or that otherwise appear to be unusual, that have been entered into to engage in fraudulent financial reporting or to conceal misappropriation of assets.	To the extent relevant to our audit, we have reviewed the design of internal controls to mitigate the risk of override of internal control and tested the effectiveness of the controls in the processes for generating and processing journal entries and making estimates. We also paid specific attention to the restricted access in IT systems and the possibility that segregation of duties is not enforced. We identified significant assumptions and tested and compared these against the Company's and market experience information. For details we refer to the key audit matters in respect of 'Valuation of liabilities arising from insurance contracts' and 'Valuation of certain Level 3 investments'. We tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements. We selected journal entries based on risk criteria and performed specific audit procedures on these. Besides the indirect impact following the Agreement between Aegon Europe and a.s.r. to sell the shares of Aegon Nederland N.V. to a.s.r., we identified no significant transactions outside the normal business operations. Our work did not lead to specific indications of fraud or suspicions of fraud with regard to the override of internal control by management.

Audit approach going concern

As disclosed in Note 2.1, 'Basis of presentation', to the financial statements, management performed their assessment of the entity's ability to continue as a going concern for at least 12 months from the date of preparation of the financial statements and has not identified events or conditions that may cast significant doubt on the entity's ability to continue as a going concern (hereafter: going-concern risks). Our procedures to evaluate the Board of Director's going-concern assessment include, amongst others:

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

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

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

We obtained a general understanding of the legal and regulatory framework applicable to the Company and how the Company is complying with that framework. There is an industry risk that emerging compliance or litigation areas have not been identified and/or addressed by management for financial statement purposes. This includes the consideration whether there is a need for the recognition of a provision or a contingent liability disclosure on the future outcome of legal or regulatory processes.

In our audit, a distinction is made between those laws and regulations which have a direct effect on the determination of material amounts and disclosures in the financial statements and those that do not have a direct effect but where compliance may be fundamental to the operating aspect of the business, to the Company's ability to continue its business or to avoid material penalties.

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

Key audit matters

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

The key audit matters described below are mostly related to the nature of the Company and are therefore expected to occur year over year.

As explained in the paragraph overview and context, we added the 'Disclosure of the estimated impact of IFRS 17 and IFRS 9 on the transition balance sheet as at 1 January 2022' as a new additional key audit matter compared to our auditor's report of 2021.

Key audit matter	*Our audit work and observations*
Valuation of liabilities arising from insurance contracts *Refer to Note 2.11 'Insurance contracts', Note 3 'Critical accounting estimates and judgment in applying accounting policies' and Note 12 'Insurance contracts'* The Company has insurance contracts stated at € 961 million (2021: € 1,069 million) at 31 December 2022 representing 86% (2021: 90%) of the Company's total liabilities. These areas involve the use of valuation models that use significant inputs that are not market observable and significant judgment over uncertain future outcomes, including the timing and ultimate full settlement of policyholder liabilities, and as a result are more likely to be subject to a material misstatement either due to error or fraud. Therefore, we consider these areas a key matter for our audit. To assess the adequacy of the liabilities for insurance contracts, the Company performs liability adequacy testing. This testing is done to verify that the valuation of these liabilities is adequate compared to the expected future contractual cash flows. The main assumptions used in measuring the liabilities for insurance contracts relate to morbidity, mortality, future expenses, lapses, claim statistics and discount curve. Significant judgment is applied in setting these assumptions. In addition, the Company adjusts the outcome of the liability adequacy test for the difference between the fair value and the book value of loans (mortgage loans and private loans) within the scope of the liability adequacy test. The fair value of mortgage loans and private loans is determined using significant assumptions that require judgment. Given the magnitude of the insurance contract liabilities and the sensitivities as explained in Note 4.2.9 'Underwriting risk', a change in assumptions (especially morbidity and mortality) could have a significant impact on net income and equity. During 2022, the Company continued a multi-year review of its actuarial models, focussing on those considered medium and high risk. Model updates, in combination with the actuarial and economic assumption updates, resulted in certain charges being recorded for the year as explained in Note 3.1 'Actuarial assumption and model updates'.	Our audit focused on the application of valuation models and the judgments applied in the assumption setting process, taking into account the uncertainty, complexity, change and subjectivity associated with this. We assessed the design and tested the operating effectiveness of internal controls over the actuarial process that are relevant for the purpose of our audit, including management's determination and approval process for setting economic and actuarial assumptions as well as controls over management's actuarial analyses, including estimated versus actual results and experience studies, controls over data integrity and change management for internally operated valuation models (including Aegon's model validation process) and controls over the valuation of mortgage loans and private loans. We performed audit procedures over the valuation models and the model updates to determine the appropriateness of those. We tested the impact of model updates against supporting evidence. For the models used, we tested the completeness and accuracy of key data underlying the development of the aforementioned significant assumptions, as well as actuarial judgments applied, which may vary depending on the product and/or the specifications of the product, and the compliance of the models with the applicable accounting standards. We evaluated the reasonableness of management's significant assumptions, taking into account the impact of the COVID-19 pandemic and current management initiatives, especially on assumed future expenses. In our assessment we considered the risk of management bias in setting these significant assumptions. Based on our procedures we found these assumptions to be reasonable and appropriate. Our work on the liability adequacy test included assessing the reasonableness of the projected cash flows and challenging the main assumptions adopted in the context of both the Company's and industry experience and specific product features, as well as reconciliations to support audit information. The quality of prior years' assumptions is assessed by the analyses of the actual versus expected developments. Where expert judgment was used, we challenged management on the judgment applied and the use of alternative scenarios. Based on our procedures performed, we found that the assumptions set by management are supported by

Key audit matter	*Our audit work and observations*
	available audit information and are within a range we consider acceptable based on the Company's and industry experience. Valuation specialists were used to assist in evaluating the reasonableness of management's estimate of the valuation of mortgage loans and private loans by developing an independent range of prices and comparing management's estimate to the independently developed range. Developing the independent estimate involved utilising a range of available market inputs and assumptions and testing the completeness and accuracy of data provided by management. We also evaluated whether the disclosures in the financial statements are adequate and in accordance with EU-IFRS. We found the disclosures to be appropriate in this context.
Valuation of certain Level 3 investments *Refer to Note 2.5 'Investments', Note 3 'Critical accounting estimates and judgment in applying accounting policies', Note 6 'Investments' and Note 25 'Fair value of assets and liabilities'.* The Company has investments of € 1,317 million (2021: € 1,397 million), of which € 132 million are categorised as Level 3 investments in the valuation hierarchy. The Company also has assets that are carried at amortised cost, but for which the fair value is required to be disclosed and for which the fair value is used to determine the excess value in the liability adequacy test (mortgage loans and private loans) of € 518 million (2021: € 604 million), on a fair value basis). Management's estimate of the valuation of Level 3 investments is developed using quotes from third-party brokers or internal cash flow modelling techniques that use significant unobservable inputs, including discount and capitalisation rates, default rates, liquidity assumptions, issuer specific credit adjustments and indicative quotes from market makers. These estimates involve significant judgment by management and have a higher potential risk to be affected by error or management bias. Therefore, this area is considered a key audit matter. Our focus considered both the positions that are presented at fair value on the balance sheet and those positions carried at amortised cost on the balance sheet, but for which fair value is required to be disclosed.	We assessed the design and tested the operating effectiveness of internal controls over the investments' valuation and impairment process including management's determination and approval of assumptions and methodologies used in model-based calculations, controls over data integrity and change management for internally operated valuation models and management's review of valuations provided by external experts, brokers or data vendors. We performed substantive audit procedures to supplement procedures over internal controls testing. These procedures included, among others, developing an independent estimate of the value for a sample of investments by obtaining independent pricing from third party vendors, if available. We evaluated the reasonableness of management's estimate for the full population of mortgage loans and private loans by developing an independent range of prices utilising a range of prices and comparing management's estimate to the independently developed ranges. Developing the independent estimate involved utilising a range of available market inputs and assumptions and testing the completeness and accuracy of data provided by management. We assessed pricing models and the underlying methodologies against industry practice and valuation guidelines. We also evaluated whether the disclosures in the financial statements are adequate and in accordance with EU-IFRS. We found the disclosures to be appropriate in this context.

Key audit matter	*Our audit work and observations*
The risk is considered higher for investments traded in the absence of an active market as the fair value of those instruments is estimated by using other market observable data, such as corroborated external quotes and present value or other valuation techniques using unobservable data.	

Disclosures on the capital position based on Solvency II regulations.

Refer to Note 4.4 'Capital management and solvency'.

The Company, as a regulated insurer, determines the required capital to cover its risk exposure based on the Solvency II requirements.

The capital position is determined based upon the available capital ('Own Funds') of € 483 million (2021: € 469 million) and the required capital of € 190 million (2021: € 234 million). This results in a solvency ratio of 254% as per 31 December 2022 (2021: 200%).

The risk of misstatement is higher due to the use of estimates and valuation models. The fact that the solvency ratio constitutes a key indicator and the Solvency II information is relevant within the Company's capital and dividend policy means that we consider the audit of this information to be important.

Available capital

The determination of the available capital position is based on the economic balance sheet drawn up by the Company. Several important estimates and valuation models are applied that use inputs not observable in the market.

The main estimates are:

- The cash flows used to determine the economic value of the technical provisions and reinsurance liabilities (parameters and assumptions with respect to morbidity, mortality, investment returns, lapse, claim statistics and future expenses); and
- Projected fiscal results and an analysis of future realisations.

Required capital

The standard formula is used to determine the capital requirements.

An important estimate for determining required capital is the loss-absorbing capacity of deferred taxes in case of a shock in the solvency capital (LAC-DT). The main elements are disclosed under available capital above.

Available capital

We performed audit procedures over the economic balance sheet, which was drawn up for the determination of the available capital, against the valuation and classification criteria of the Solvency II regulations.

We tested the estimates to determine the cash flows (parameters and assumptions with respect to mortality, investment returns, lapse and future expenses) based on historical developments within the insurance portfolio and market developments.

We challenged the assumptions made by management for feasibility and impact by testing them against information available to the Company and relevant market developments. We determined that management's estimates are substantiated and we, therefore, consider the estimates to be reasonable.

Required capital

We performed audit procedures over the capital requirements for each risk component as to whether these were calculated in accordance with the criteria of the Solvency II regulations or the approved internal model, where applicable. For this purpose, we tested the internal control procedures concerning the data used, the model governance and the calculation process. We also tested the data and calculations applied.

We performed audit procedures over the LAC-DT that is taken into account in determining the required capital. On the basis of these procedures, we evaluated the projections of future (fiscal) results, which included the evaluation of the reliability of the forecasted results. These forecasted results, such as the release of the risk margin and the excess return on general account assets, have been tested to determine the reasonableness. We determined that the valuation differences between the fiscal and the Solvency II valuation were taken into account in the correct year of the projection.

Key audit matter	*Our audit work and observations*
	Furthermore, we focused on the accuracy of the movements in the expected results due to measures to recover that capital position, the correct timing of the inclusion of losses from the shock in fiscal results, the correct application of corporate tax rates and the correct application of regulations with respect to the offsetting of losses. We determined that management's estimates are adequately substantiated by our audit-evidence. Other We have taken note of the correspondence with DNB and the findings reported therein with respect to the calculations of the capital position. Disclosures We also evaluated whether the disclosures relating to the available capital and the disclosures of the required capital are adequate. We also verified the compliance with the applicable financial reporting framework. We found the disclosures to be appropriate in this context.
Disclosure of the estimated impact of IFRS 17 and IFRS 9 on the transition balance sheet as at 1 January 2022 *Note 2.1.2 'Future adoption of new EU-IFRS accounting standards and amendments'.* As from 1 January 2023, both IFRS 17 'Insurance Contracts' and IFRS 9 'Financial Instruments' will become effective for the annual reporting of the Company. The Company needs to disclose the estimated impact of these new standards in accordance with IAS 8. As per the disclosure, the IFRS 17 and IFRS 9 adoption is expected to overall increase the IFRS equity as at 1 January 2022 by € 81 million. For IFRS 9, management has performed a business model assessment for each business model to determine whether these are hold to collect, hold to collect and sell or trading. For the financial assets in business models hold to collect and hold to collect and sell, management has performed an assessment to conclude whether the cash-flows from financial instruments fulfil the solely of payment of principal of interest criteria ('SPPI'). Furthermore, the Company determined which financial assets are designated at fair value through profit or loss to minimize accounting mismatches. Equity investments are classified as at fair value through profit or loss.	Regarding the accounting policy choices, we reviewed technical memos and accounting position papers to determine whether this has been set up in accordance with the requirements of IFRS 17 and IFRS 9. We challenged management on their accounting policy choices judgments, and they provided us with reasonable explanations and evidence supporting the judgments. For IFRS 9, on classification and measurement we evaluated management's business model assessments and the evidence supporting the business model decisions for every business model. For the SPPI criteria, our procedures did not identify any deviations from management's assessment. With respect to the transition method applied, we assessed the judgments made by management that lead to the conclusion that the full retrospective method cannot be applied. Where a fair value method is applied, we challenged the assumption input into the valuation model applied and, where possible, the comparison towards market-observable transactions. For the remaining contracts the premium allocation approach is applied.

Key audit matter	Our audit work and observations
The Company has implemented IFRS 9 impairment models. Judgments have been applied in the models which have been built and implemented to measure the expected credit losses on financial instrument measured at amortized cost. For IFRS 17, the measurement of the insurance contracts is primarily performed applying a model that estimates the present value of future best estimate cash flows that will arise as these contracts are fulfilled, which includes an explicit risk adjustment and a contractual service margin reflecting unearned profits. The estimates are to be current, unbiased and probability weighted incorporating all available information in a way that is consistent with observable market data. The prescribed modifications are applied for reinsurance contracts held. For certain short-term contracts, the Company applies the premium allocation approach. For the determination of the measurement of the insurance contracts on the transition balance sheet date (1 January 2022), the Company determined whether a full retrospective application is practicable for each group of contracts and, if not, which transition approach is to be used for these contracts. Given the significance of the new standards, the number of accounting policy choices and judgment decisions to be taken by management on the implementation of IFRS 17 and IFRS 9 and the significance of the impact of assumptions involved, we consider this a key audit matter.	With regard to both IFRS 17 and IFRS 9 (impairment), we further performed the following procedures to support our conclusions on the disclosed estimated impact: • Controls over governance and model development were tested. We, together with our modelling specialists tested the modelling methodology for the most significant portfolios; • Risk based testing of models including challenging the main assumptions, was performed; • Assessing the design of management's validation and integrity checks on data used as input for the assumptions and input into the valuation models and from there to financial reporting via walkthrough procedures; • For source data we leveraged on testing of the operating effectiveness included in current existing reporting frameworks; • Substantive testing procedures on key reconciliations in the full process from source data to financial reporting; • Testing management's bridge analysis between current existing valuation frameworks and IFRS 17 for the transition balance sheet; • We assessed management's disclosure on the presentation of the impact, judgments and uncertainties of IFRS 17 and IFRS 9 in the context of the IAS 8 disclosure requirements in the financial statements. While we note that, as stated by the Company, the impact on the transition balance sheet is indicative and can be subject to change, based on the procedures outlined above, we found the estimated impact of application of IFRS 17 and IFRS 9 on Company reported equity to be reasonable and the disclosures appropriate.

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.

Report on other legal and regulatory requirements

Our appointment

We were initially appointed as auditors of Aegon Schadeverzekering N.V. by the Board of Directors following the passing of a resolution by the shareholders of Aegon N.V. at the annual meeting held on 15 May 2013. We are the independent auditor for a total period of 9 years.

No prohibited non-audit services

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

Services rendered

The services, in addition to the audit, that we have provided to the Company, for the period to which our statutory audit relates, are disclosed in Note 21.1 'Remuneration Independent Auditor' to the financial statements.

Responsibilities for the financial statements and the audit

Responsibilities of the Board of Directors and the Supervisory Board for the financial statements

The Board of Directors is responsible for:

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

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

The Supervisory Board is responsible for overseeing the Company's financial reporting process.

Our responsibilities for the audit of the financial statements

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

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

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

Amsterdam, 7 April 2023
PricewaterhouseCoopers Accountants N.V.

Original has been signed by A. Korver-Heins RA

Appendix to our auditor's report on the financial statements 2022 of Aegon Schadeverzekering N.V.

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

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

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

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

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

We provide the Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related actions taken to eliminate threats or safeguards applied.

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

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