SFCR Aegon Levensverzekering N.V. 2023

a.s.r. | AEGON

Contents

Executive summary

Scope of the report

This report is Aegon Levensverzekering's Solvency and Financial Condition Report (SFCR) for the year 2023. This report informs Aegon Levensverzekering's stakeholders about its:
- Business and performance;
- System of governance;
- Risk profile;
- Valuation for solvency purposes; and
- Capital management.

The SFCR report contains both quantitative and qualitative information. The main focus of this report is on the Solvency Balance Sheet, its relation to IFRS and on the Solvency Capital Requirement ("SCR").

Basis of presentation

This report is prepared in accordance with the requirements of Solvency II Directive and Delegated Regulation (in particular articles 51, 53 – 55 of the Solvency II Directive, articles 290-298 of the Delegated Regulation, and relevant EIOPA Guidelines, in particular 'Guidelines on reporting and public disclosure' (EIOPA-BoS-15/109) as issued by the European Insurance and Occupational Pensions Authority (EIOPA)).

The figures reflecting monetary amounts in the SFCR are presented in Euro (€) unless otherwise stated. Aegon Levensverzekering discloses monetary amounts in millions of units for disclosing purposes. All values are rounded to the nearest million unless otherwise stated. The rounded amounts may therefore 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.

As per January 1, 2023 Aegon Levensverzekering has changed its accounting framework as a basis for preparing its financial statements. The financial statements are prepared in accordance with the stipulations in Part 9 of Book 2 of the Dutch Civil Code ('DCC') and the pronouncements of the Guidelines for Annual Reporting, which is issued by the Dutch Accounting Standards Board ('Raad voor de Jaarverslaggeving'). Together this is referred to as 'Dutch GAAP'. Aegon Levensverzekeringen's statutory balance sheet will be equal to the Solvency II balance sheet.

The 2023 SFCR of Aegon Levensverzekering has been prepared and disclosed under the responsibility of the Executive Board. This document was approved on March 28, 2024 by Aegon Levenverzekering's Executive Board.

Summary

The 2023 Solvency Financial Condition Report provides Aegon Levensverzekering's stakeholders with insight into:

A. Business and performance

Until September 30, 2023, Aegon Levensverzekering N.V. (hereafter: 'Aegon Levensverzekering'), was a 100% subsidiary of Aegon Nederland N.V. (hereafter: 'Aegon Nederland') in the Hague. Since October 1, 2023, Aegon Levensverzekering is a 100% subsidiary of ASR Nederland N.V. (hereafter: 'a.s.r.'), due to the legal merger between a.s.r. and Aegon Nederland on October 1, 2023, after which Aegon Nederland ceased to exist.

Aegon Levensverzekering intends to enable people to be insured against risks they are unable or unwilling to bear themselves. Aegon Levensverzekering is convinced that its main strategic principle is justified by thinking in terms of customer interests and perception. The products and services of Aegon Levensverzekering must be in line with this. Understandability and simplicity combined with efficient business processes and a solid financial position are essential. Customers can count on their risk coverage being held by an insurer that works sustainably, listens to them, thinks along with them and is accessible through various channels.

Aegon Levensverzekering has split its Individual Life and Pensions activities. As a result, the management of the (customer service of) Life, and Pensions activities are combined. The Life activities are considered financial assets and are managed for maximizing its value.

Individual Life

Aegon Levensverzekering manages the existing Individual Life portfolio as efficiently as possible and optimizes its portfolio from both the customer and a.s.r. perspective. The declining portfolio requires strict control of costs to reflect the (downward) movements in the portfolio. To keep a grip on the costs of the declining portfolio, Aegon Levensverzekering has completed business process outsourcing (BPO) for the Individual Life portfolio as of June 1, 2020. However, due to the merger with a.s.r., this cooperation will be terminated as of April 1, 2024, in order to bring the policies on to a.s.r.'s platform. The conversions to the a.s.r. target platform are planned for 2025.

Pensions

Aegon Levensverzekering focus on managing the existing defined benefit (DB) and defined contribution (DC) portfolios as service books while offering risk insurances as rider to Aegon Cappital's DC schemes and immediate annuities to both internal and external clients as portfolios open for new business. To optimize the pension administration and to reduce costs, the administration of pension products is being transferred to a.s.r. subsidiary TKP Pensioen. In 2023 all policies were migrated and administered by TKP.

Pensions - Products

Aegon Levensverzekering is doing well in the market of immediate pension annuities that are bought by customers out of their DC-capital at retirement age. In a very competitive market, Aegon Levensverzekering aims for quality over price and has continued its pricing discipline, thus achieving a positive market consistent value of new business. In addition to the fixed annuity product, Aegon Levensverzekering also has a variable pension product. This offers customers a product for the payout phase of their pension, with an appropriate balance between risk and return.

Pensions - Strategy and achievements

The Aegon Levensverzekering's strategy in pensions consists of five focus points:

- Serving the needs of clients and partners. Helping customers increase their financial health, providing more insight into their financial situation and helping them to make the right financial decisions. Excellent operational performance with a high level of client satisfaction.
- Realising a new IT landscape to administer the pension portfolio. This new target IT landscape will contribute to the efficient implementation of changes in laws and regulations (among them the new pension legislation) and the further reduction of costs.
- Building a future-proof company by investing in the development of its employees and developing a data- driven organisation with healthy financial performance.
- Realising growth by having the right product propositions in place and looking for opportunities through ongoing market consolidation to acquire portfolios or companies in order to achieve cost reductions.
- Maintaining control by keeping service levels on-track, complying with legislation and continuously monitoring the risk appetite. If necessary, Aegon Levensverzekering can enact measures and make adjustments.

Performance

At € 1,447 million, the gross written premiums increased by 19% (€ 234 million). This increase was mainly driven by indexations on existing pension contracts and stable performance of immediate annuities. Gross written premiums is also including premium from DB subscriptions renewals. The renewal rate is high (97%) due to delay of New Pension Reforms. Gross written premiums of Individual life decreased with 8% mainly due to a declining portfolio.

Operating expenses decreased by € 31 million to € -157 million. The decrease in operating expenses is mainly attributable to lower project expenses in 2023 and the clearing of the expense charge from Aegon N.V. for 2H 2023 due to the a.s.r. transaction. Result for the year increased by € 486 million to € - 233 million, due to a decrease in claims and benefits paid, while written premiums have increased. Capital market developments resulted in improved result in investment income, which also contributed to the increase in the result for the year.
New business in APE increased by € 5 million to € 47 million (2022: € 42 million). This is mainly due to indexations on existing pension contracts and stable performance of immediate annuities.

Full details on the Aegon Levensverzekering's business and performance are described in chapter A. Business and performance.

B. System of governance

This paragraph contains a description of group policy, which is also applicable for the solo entity.

General

ASR Nederland N.V. (hereafter referred to as a.s.r.) is a public limited company which is listed on Euronext Amsterdam and governed by Dutch corporate law. It has a two-tier board governance structure consisting of an Executive Board (EB) and a Supervisory Board (SB). The EB is responsible for the realisation of corporate objectives, the strategy with its associated risks and the delivery of the results.

The SB is responsible for advising the EB, supervising its policies and the general state of affairs relating to a.s.r. and its group entities. Next to the EB, there is also a Business Executive Committee (BEC). The task of the BEC is to support the EB in implementing and realising a.s.r.'s objectives and executing the (business) strategy with the associated risk profile.

Risk management

It is of great importance to a.s.r. that risks within all business lines are timely and adequately controlled. In order to do so, a.s.r. has implemented a Risk Management framework based on internationally recognized and accepted standards. With the aid of this framework, material risks that a.s.r. is, or can be, exposed to are identified, measured, managed, monitored and evaluated. The framework is both applicable to a.s.r. group and the underlying business entities.

Control environment

In addition to risk management, a.s.r.'s Solvency II control environment consist of an internal control system, an actuarial function, a compliance function, a risk management function and an internal audit function. The system of internal control includes the management of risks at different levels in the organisation, both operational and strategic. Internal control at an operational level centres around identifying and managing risks within the critical processes that pose a threat to the achievement of the business line's objectives. The Actuarial Function is responsible for expressing an opinion on the adequacy and reliability of reported technical provisions, reinsurance and underwriting. The mission of the Compliance department is to enhance and ensure a controlled and sound business operation. The Audit Department evaluates the effectiveness of governance, risk management and internal control processes, and gives practical advice on process optimisation.

Full details on the a.s.r.'s system of governance are described in chapter B System of governance.

C. Risk profile

Aegon Levensverzekering accepts and manages risk for the benefit of its customers and other stakeholders. Aegon Levensverzekering's risk management and control systems are designed to ensure that these risks are managed effectively and efficiently, aligned with Aegon Levensverzekering's strategy. The targeted risk profile is determined by customers' needs, Aegon Levensverzekering's competence to manage the risk, Aegon Levensverzekering's preference for risk as well as by the availability of sufficient capacity to take the risk. Aegon Levensverzekering is exposed to a range of underwriting, market, credit, liquidity and operational risks.

Key risks reflect the following:

Solvency II PIM SCR

Amounts in € millions	Components description	2023	2022
C.2 Market risk	Market risk (SF)	654	535
	Market risk (IM) including DA	1,800	1,588
C.3 Credit risk	Counterparty default risk (SF)	94	78
	Counterparty default risk (IM)	-	-
C.1 Underwriting risk	Life underwriting risk (SF)	534	583
	Life underwriting risk (IM)	1,014	948
	Health underwriting risk (SF)	-	-
	Health underwriting risk (IM)	-	-
	Non-life underwriting risk (SF)	-	-
	Non-life underwriting risk (IM)	-	-
C.5 Operational risk	Operational risk (SF)	214	208
	Operational risk (IM)	-	-
E.2.1 Solvency Captial Requirement	Diversification	-1,358	-1,279
	LAC Deferred Taxes (negative amount)	-591	-455
	Total SCR	**2,361**	**2,205**

Aegon Levensverzekering's Partial Internal Model SCR amounted to € 2,361 million on December 31, 2023 (2022: € 2,205 million). The increase in SCR is mainly driven by market risk due to model and assumption changes. Model and assumption changes included a change for the fixed income module and aggregation, and the annual parameter updates.

D. Valuation for Solvency purposes

As per January 1, 2023 Aegon Levensverzekering has changed its accounting framework as a basis for preparing its financial statements. The financial statements are prepared in accordance with the stipulations in Part 9 of Book 2 of the Dutch Civil Code ('DCC') and the pronouncements of the Guidelines for Annual Reporting, which is issued by the Dutch Accounting Standards Board ('Raad voor de Jaarverslaggeving'). Together this is referred to as 'Dutch GAAP'.

Maintaining the IFRS-EU standard would result in two different IFRS accounting systems for statutory reporting and group reporting purposes due to the IFRS 17 implementation and the simultaneous change of ultimate parent (from Aegon N.V. to a.s.r. Nederland N.V.) in 2023. This would be operationally complex, a multilevel IFRS implementation program would have to be setup, which would have a significant impact on the processes and systems and the costs for implementation. Ongoing costs would be significantly high and would require additional resources. The conversion to Dutch GAAP, on the other hand, requires less effort and lower costs, because the basis of the accounting is close to the earlier IFRS 4 accounting standard and the Solvency II framework. Dutch GAAP is also a commonly used standard among Dutch insurers. This accounting policy change therefore results in equally transparent and comparable annual financial statements.

The overall balance sheet on statutory reporting is therefore equal to the Solvency II balance sheet.

E. Capital management

Eligible Own Funds of Aegon Levensverzekering equaled 170% of the SCR at year-end 2023. This ratio being higher than 100%, demonstrates Aegon Levensverzekering's ability to meet policyholder obligations when they fall due, even under stressed conditions.

a.s.r. group is committed to maintain a strong capital position in order to be a robust and sustainable insurer for its policyholders and other stakeholders. The objective is to maintain a solvency ratio well above the minimum levels as defined in the risk appetite statements and above the relevant management threshold levels. Sensitivities are periodically performed for principal risks and annual stress tests are performed to test a.s.r.'s robustness to withstand moderate to severe scenarios. An additional objective is to achieve a combination of a capital position and a risk profile that is at least in line with a 'single A' rating by Standard & Poor's.

The internal minimum solvency ratio for Aegon Levensverzekering as formulated in the risk appetite statement is 120%. The lower limit solvency target is 140%. The management threshold level for the solvency ratio is above 160%. The solvency ratio stood at 170% at 31 December 2023, which was comfortably above the internal requirement of 120% and the management threshold level of 160%.

Solvency II key figures for Aegon Levensverzekering are presented as of December 31, 2023, in the following tables:

Solvency II key figures for Aegon Levensverzekering as of December 31, 2023

Amounts in € million	December 31, 2023	December 31, 2022
Own Funds	4,022	4,627
PIM SCR	2,361	2,205
Solvency II ratio	170%	210%
Solvency II ratio without Volatility Adjustment	102%	135%
Minimum Capital Requirement (MCR)	994	961
Unrestricted Tier 1 – before adjustments	3,696	4,358
Non-available	-	-
Tier 2	-	-
Tier 3	326	269
Total eligible Own Funds to meet the SCR	**4,022**	**4,627**

Compared to year-end 2022, eligible Own Funds decreased. The decrease is mainly driven by market impacts, dividend payments and experience variances.

Aegon Levensverzekering uses a Partial Internal Model (PIM) to calculate the solvency position. Aegon Levensverzekering's internal model was approved by the College of Supervisors as part of the Internal Model Application Process. The application process was concluded on November 26, 2015. Aegon Levensverzekering is of the opinion a partial internal model is a better representation of the actual risk, since this contains company specific modelling and sensitivities as opposed to industry-wide approximations included in the standard formula methodology. Where using the standard formula of the Solvency II legislative framework, Aegon Levensverzekering has not applied simplified calculations or undertaking specific parameters for any of the risk modules and sub-risk modules.

With respect to the eligible Own Funds of Aegon Levensverzekering, the liability calculation includes the use of the Volatility Adjustment (VA) but does not include the use of any transitional measures.

In 2020 Aegon Levensverzekering identified improvements to its internal model that mitigate volatility caused by the basis risk between the EIOPA VA reference portfolio and its own asset portfolio ("Deterministic adjustment"). These improvements were implemented for year-end reporting 2020 and they will be in place until changes arising from the Solvency II review are enacted.

Developments in 2023 regarding LAC DT

There have been changes to the LAC DT methodology in 2023:

- Similar to previous years, the Loss Absorbing Capacity of Deferred Taxes (LAC DT) is determined by applying a LAC DT factor on the Dutch corporate tax rate, which is 80% per year-end 2023, an increase of 10%-pts compared to 2022. The LAC DT is calculated according to the requirements as stated in the Solvency II (SII) regulations, which provides a principle-based approach for the LAC DT substantiation. The methodology reflects Aegon Levensverzekering's current interpretation of both the SII regulations combined with the guidance provided by De Nederlandsche Bank (DNB) on this topic.

Aegon Levensverzekering was compliant with the Minimum Capital Requirement (MCR) over the reporting period 2023. Furthermore, there was no non-compliance with the SCR.

Full details on the Aegon Levenverzekering's available and eligible Own Funds are described in section E.1 Own Funds. Details on Aegon Levenverzekering's PIM SCR is described in section E.2.1 Solvency capital requirement.

A. Business and performance

A.1. Business

A.1.1. Name, details and legal form of the undertaking

Aegon Levensverzekering N.V. (hereafter: 'Aegon Levensverzekering'), 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 with registration number KvK 27095315 and its actual place of business and statutory seat at Aegonplein 50, 2591 TV, The Hague. Aegon Levensverzekering is a wholly owned subsidiary of ASR Nederland N.V. (hereafter: 'a.s.r.').

Until September 30, 2023, Aegon Levensverzekering was a 100% subsidiary of Aegon Nederland N.V. (hereafter: 'a.s.r.') in the Hague. Since October 1, 2023, Aegon Levensverzekering is a 100% subsidiary of a.s.r., due to the legal merger between a.s.r. and Aegon Nederland on October 1, 2023, after which Aegon Nederland ceased to exist. Up until July 3, 2023, Aegon N.V., also domiciled in The Hague, was the ultimate parent of the Aegon Nederland group. Since July 4, 2023, a.s.r. is the ultimate parent of the group after the acquisition of 100% of the shares of Aegon Nederland.

a.s.r. is a public limited company under Dutch law having its registered office located at Archimedeslaan 10, 3584 BA in Utrecht, the Netherlands. a.s.r. is registered with the Dutch Chamber of Commerce under number 30070695. a.s.r. has chosen the Netherlands as 'country of origin' (land van herkomst) for the issued share capital and corporate bonds which are listed on Euronext Amsterdam and Euronext Dublin (Ticker: ASRNL).

Aegon Levensverzekering is the parent company of several subsidiaries, and other related undertakings, which have been described below in accordance with their description in the annual accounts of Aegon Levensverzekering as investments in associates and joint ventures:

Subsidiaries of Aegon Levensverzekering

	Country of incorporation	Primary business operation	% equity interest 2023	% equity interest 2022
AEGON DL B.V.	The Netherlands	Investment Company	100%	100%
AMVEST Home Free B.V.	The Netherlands	Investment Company	100%	100%
Vastgoedmaatschappij Inpa B.V.	The Netherlands	Investment Company	100%	100%

Investments in associates and joint ventures

Aegon Levensverzekering has the following investments in associates and joint ventures.

Associates

The principle associates of Aegon Levensverzekering are (ownership percentage designated between brackets):
- Amvest Residential Core Fund, (26.68%) real estate;
- N.V. Levensverzekering-Maatschappij 'De Hoop', The Hague (33.3%);
- OB Capital Cooperatief U.A., Amsterdam (95%).

The main associate is the Amvest Residential Core Fund which invests in real estate. Up to 2019 this investment was accounted for as 'Investment in joint ventures'.

OB Capital Cooperatief U.A. is a company involved in investment in litigation finance and is incorporated in the Netherlands with principal activities based in the Netherlands, Switzerland, United Kingdom and Guernsey. Aegon Levensverzekering has a 95% interest in OB Capital Cooperatief U.A.. Even though Aegon Levensverzekering held more than half of the voting rights, Aegon Levensverzekering does not have control over the company because the existing contractual agreements with other shareholders do not provide Aegon Levensverzekering with rights to direct the daily activities of the company.

The joint ventures of Aegon Levensverzekering are:
- Amvest Vastgoed B.V., Utrecht (50%), property management and real estate
- Amvest Development Fund B.V., Utrecht (50%), real estate
- Amvest Living & Care Fund, Utrecht (50%), real estate

Amvest Vastgoed B.V. is the fund manager of the funds. The other major participant in the joint venture, Stichting Pensioenfonds Zorg en Welzijn in Zeist, has equal interests and voting power in the entities mentioned above.

Investments in structured entities

Aegon Levensverzekering currently holds no investments in structured entities.

A.1.2. Name of the Supervisory Authority responsible for the financial supervision of the undertaking and group

For both Aegon Levensverzekering and a.s.r., the supervisory authority responsible for prudential supervision is:

De Nederlandsche Bank N.V.
Spaklerweg 4
1096 BA Amsterdam
The Netherlands
Telephone: +31(0)20-5249111

A.1.3. Name and contact details of the external auditor of the undertaking

The external auditor of Aegon Levensverzekering is:

PricewaterhouseCoopers Accountants N.V.
Thomas R. Malthusstraat 5
1066 JR Amsterdam
Postbus 90357
1006 BJ Amsterdam The Netherlands
Telephone: +31(0)88-7920020

The external auditor's mandate does not cover an audit on the information disclosed in this SFCR.

A.1.4 The undertaking's material lines of business and material geographical areas where it carries out business

Aegon Levensverzekering has split its Life and Pensions activities. As a result, the management of the (customer service of) Life, and Pensions activities are combined. The Life activities are considered financial assets and are managed for maximizing its value. Aegon Levensverzekering is incorporated and domiciled in the Netherlands and operates from The Hague and Leeuwarden.

Life - Individual

Aegon Levensverzekering manages the existing Individual Life portfolio as efficiently as possible and optimizes its portfolio from both the customer and a.s.r. perspective. The declining portfolio requires strict control of costs to reflect the (downward) movements in the portfolio. To keep a grip on the costs of the declining portfolio, Aegon Levensverzekering has completed business process outsourcing (BPO) for the Individual Life portfolio as of June 1, 2020. However, due to the merger with a.s.r., this cooperation will be terminated as of April 1, 2024, in order to bring the policies onto a.s.r.'s platform. The conversions to the a.s.r. target platform are planned for 2025.

Life - Pensions

Aegon Levensverzekering focus on managing the existing defined benefit (DB) and defined contribution (DC) portfolios as service books while offering risk insurances as rider to Aegon Cappital's DC schemes and immediate annuities to both internal and external clients as portfolios open for new business. To optimize the pension administration and to reduce costs, the administration of pension products is being transferred to a.s.r. subsidiary TKP Pensioen. In 2023 all policies were migrated and administered by TKP.

A.1.5. Any significant business or other events that have occurred over the reporting period that have had a material impact on the undertaking

Pensions market

Following enforcement of the Future Pensions Act (Wet toekomst pensioenen; WTP) on 1 July 2023, the pensions market is in full swing. The purpose of this Act is to enable all pensions to become more personal, with more choices. Communications and advice on customer options form important parts of the WTP.

All existing contracts must be adapted to this Act before 1 January 2028. New contracts will be subject to the new rules immediately. This also means that all DB schemes will be converted into DC schemes in the coming years.

In order to prepare for these changes, a.s.r. is developing a new system for all its DC products, with the aim of further digitisation of communications and guidance on choices, while reducing costs. Customers expect to be able to arrange their financial affairs themselves, online, and a.s.r. wishes to facilitate this. The new target landscape went live for new business at the end of 2023. For the administration of DB schemes, Aegon Levensverzekering makes use of the pensions administrator TKP.

Individual life market

The Dutch market for Individual Life insurance has seen major consolidation in recent years. In GWP terms, a.s.r. holds a top 2 position with the combined Aegon Levensverzekering and a.s.r. Individual Life insurance portfolio. 2023 Showed a continued decline in the market for endowment products and a further decrease in our life individual in-force portfolio as anticipated. No new business has been generated in this segment.

A.2. Underwriting performance

In this section we highlight the key attributors to the underwriting performance. The figures below are based on the financial statements which are prepared in accordance with the stipulations in Part 9 of Book 2 of the Dutch Civil Code (DCC) and the pronouncements of the Guidelines for Annual Reporting, which is issued by the Dutch Accounting Standards Board (Raad voor de Jaarverslaggeving). Together this is referred to as 'Dutch GAAP'. As of the financial statements 2020 Aegon Levensverzekering no longer prepares consolidated financial statements.

Underwriting Performance Aegon Levensverzekering

Amounts in € million	2023	2022
Gross written premiums	1,447	1,213
Operating expenses	- 157	- 188
Result before tax from continuing operations	- 339	- 1,029
Income tax (expense) / gain	106	310
Result for the year	- 233	- 719
New business (APE)	47	42

Gross written premiums

At € 1,447 million, the gross written premiums increased by 19% (€ 234 million). This increase was mainly driven by indexations on existing pension contracts and stable performance of immediate annuities. GWP is also including premium from DB subscriptions renewals. The renewal rate is high (97%) due to delay of New Pension Reforms. GWP of Individual life decreased with 8% mainly due to a declining portfolio.

Operating expenses

Operating expenses decreased by € 31 million to € -157 million. The decrease in operating expenses is mainly attributable to lower project expenses in 2023 and the clearing of the expense charge from Aegon N.V. for 2H 2023 due to the a.s.r. transaction.

Result for the year

Result for the year increased by € 486 million to € - 233 million, due to higher interest rates which are positively impacting the result compared with 2022.

New business (APE)

New business in APE increased by € 5 million to € 47 million (2022: € 42 million). This is mainly due to indexations on existing pension contracts and stable performance of immediate annuities.

A.3. Investment performance

In this section the key attributors to the investment performance are presented. The figures below are from the company financial statements of Aegon Levensverzekering on basis of Dutch GAAP.

A.3.1. Breakdown of investments

Aegon Levensverzekering holds investments for the own general account, recorded on balance sheet as 'Other financial investments', and for the account of policyholders, recorded on balance sheet as 'Investments for the account of policyholders'. The composition of the assets on the balance sheet are presented in the following tables.

Other financial assets (for own general account)

Amounts in € million	2023	2022
Shares and other equity securities	265	-
Bonds and other fixed income securities	12,523	12,882
Receivables from mortgage loans	13,681	13,677
Receivables from other loans	3,184	3,102
Deposits at credit institutions	299	283
Other financial investments	1,104	1,722
Total	**31,056**	**31,666**

Other loans include deposits with insurance companies with respect to reinsurance agreements. These are not freely available.

Investments for account of policyholders

Amounts in € million	2023	2022
Real estate	469	557
Shares	6,385	5,926
Debt securities	6,764	6,427
Mortgage loans	2,163	1,994
Other financial investments	1,424	1,169
Cash and cash equivalents	2,415	2,830
Total	**19,620**	**18,904**

A.3.2. Investment performance

The investment performance attributors are recorded in the income statement solely, as under Dutch GAAP, which is aligned with the Solvency II reporting framework, there are no attributors which are accounted for directly through equity in the balance sheet. In line with Dutch GAAP the investment performance is split in result on technical account life insurance and non-technical account.

Investment performance on technical account life insurance

Attributors to investment performance on technical account life insurance

Amounts in € million	2023	2022
1 (Loss) / income from investments	1,278	1,625
2 Unrealized gains on investments	2,645	146
3 Unrealized loss on investments	-192	-20,537

1 (Loss) / income from investments

The investment income is further explained in the table below.

Breakdown (Loss) / income from investments

Amounts in € million	2023	2022
Shares, units and other variable-yield securities	52	27
Bond and other fixed-income securities	326	345
Receivables from mortgage loans	445	427
Receivables from other loans	114	95
Other	103	372
Investment income for account of policyholders	238	359
Total	**1,278**	**1,625**

2 Unrealised gains on investments

The unrealized gains from investments is further explained in the table below.

Unrealised gains on investments

Amounts in € million	2023	2022
Shares and other equity securities	27	125
Other financial investments	892	20
Derivative financial instruments	278	-
Investments at the risk of policyholders	1,448	1
Total	**2,645**	**146**

3 Unrealised loss on investments

The unrealized loss from investments is further explained in the table below.

Unrealised loss on investments

Amounts in € million	2023	2022
Other financial investments	-192	-9,105
Derivative financial instruments	-	-6,186
Investments at the risk of policyholders	-	-5,246
Total	**-192**	**-20,537**

Investment performance on non-technical account

The allocation of investment income to the technical account in the life business is based on a rate of return related to the technical provisions based on ALM studies. The results on investments determined in this way are recognised in the technical account. Results that do not relate to technical provisions are recognised in the non-technical account as stated in the table below.

Table: Attributors to investment performance on non-technical account

Amounts in € million	2023	Restated 2022
Result of the technical account for life insurance	-220	-811
Income from other investments	143	106
Unrealized gains on investments	72	125
Unrealized losses on investments	-181	-305
Other income/(expenses) not for technical account		
Other income	9	4
Other expenses	-162	-148
Loss on ordinary activities before tax	-339	-1,029
Income tax on ordinary activities	106	310
Result after tax	-233	-719

A.3.3. Investments in securitization

Aegon Levensverzekering's interests in unconsolidated structured entities can be characterized as basic interests. Aegon Levensverzekering does not have loans, derivatives or other interests related to these investments.

For unconsolidated structured entities in which Aegon Levensverzekering has an interest, the following table presents the amount of investments and total income received.

Investment income on Investments in Securitizations 2023

Amounts in € million	Interest income	Total gains and losses	Total	Investments
Residential mortgage-backed securities	0	0	0	16
Commercial mortgage-backed securities	0	0	0	0
Asset Backed Securities	17	0	17	2,538
ABS's – Other	0	0	0	0
Total	**17**	**0**	**17**	**2,554**

Investment income on Investments in Securitizations 2022

Amounts in € million	Interest income	Total gains and losses	Total	Investments
Residential mortgage-backed securities	0	0	0	21
Commercial mortgage-backed securities	0	0	0	3
Asset Backed Securities	7	0	7	2,554
ABS's – Other	0	0	0	0
Total	**7**	**1**	**7**	**2,578**

A.4. Performance of other activities

Aegon Levensverzekering does not perform any other activities than underwriting and investment activities. Therefore, overall performance is disclosed under A.2 Underwriting performance and A.3 Investment performance.

A.5. Any other information

All relevant information is covered in the previous sections.

B. System of governance

B.1. General information on the system of governance

This paragraph contains a description of group policy, which is also applicable for Aegon Levensverzekering.

B.1.1 Corporate governance

Executive Board

The composition of the Executive Board (EB) of Aegon Levensverzekering (hereafter: Aegon Leven) is the same as that of ASR Nederland N.V. (hereafter: a.s.r.). The EB is collectively responsible for the day-to-day conduct of business of Aegon Leven as a whole and for its strategy, structure and performance. In performing its duties, the EB is guided by Aegon Leven's interests, which include the interests of the businesses connected with Aegon Leven, which, in turn, include the interests of customers, shareholders, employees and society in general. For the performance of its duties, the EB is accountable to the Supervisory Board (SB) and to the General Meeting of Shareholders.

The EB currently consists of three members. The General Meeting of Shareholders appoints the members of the EB and may suspend or dismiss any member of the EB at any time.

The SB may also suspend any member of the EB. A suspension by the SB may be raised by the General Meeting of Shareholders at any time.

Apart from the EB, each division of Aegon Leven has its own management team (MT).

Supervisory Board

The composition of the SB of Aegon Leven is the same as that of a.s.r. The SB performs its duties on the basis of three roles; the supervisory role, the advisory role and the employer's role. The SB supervises the policy pursued by the EB and the general course of affairs at a.s.r. and its group entities. Specific powers are vested in the SB, including the approval of certain decisions taken by the EB.

The SB currently consists of seven members. The General Meeting of Shareholders appoints the members of the SB and may suspend or dismiss any member of the SB at any time.

B.1.1.1. Corporate Governance

a.s.r. is the group's holding company. Aegon Leven is one of the supervised entities (OTSOs) within this group. a.s.r. is a public limited company which is listed on the Euronext Amsterdam Exchange and governed by Dutch corporate law. It has a two-tier board governance structure consisting of an Executive Board (EB) and a Supervisory Board (SB). The EB is responsible for the realisation of the company's corporate objectives, the strategy with its associated risks and the delivery of the results.

The SB is responsible for advising the EB, supervising its policies and for the general state of affairs relating to a.s.r. and its group entities.

The EB members and SB members of Aegon Leven are the same as those of a.s.r.

B.1.1.2. Executive Board

The Executive Board (EB) is collectively responsible for the day-to-day conduct of business at a.s.r. and for its strategy, structure and performance. In carrying out its duties, the EB is guided by Aegon Leven's interests, which include the interests of the businesses connected with it, which in turn include the interests of customers, shareholders, employees and society at large. The EB is accountable to the Supervisory Board (SB) and the General Meeting of Shareholders with regard to the performance of its duties.

Certain resolutions made by the EB require the approval of the SB and/or the General Meeting of Shareholders. These resolutions are outlined in the a.s.r. articles of association and the Rules of Procedure of the Executive and Management Board of a.s.r. Both can be viewed at www.asrnl.com.

Composition of the Executive Board

The articles of association of a.s.r. specify that the EB must consist of a minimum of two members, including at least a CEO and CFO. Only candidates found to meet the fit and proper test under the Dutch Financial Supervision Act are eligible for appointment. The EB currently consists of the following three members: the CEO, Jos Baeten, the CFO, Ewout Hollegien and the COO/CTO, Ingrid de Swart.

Permanent education and evaluation

The 2023 self-evaluation session of the EB was conducted on the basis of a questionnaire and interviews. The outcome of the questionnaire was discussed within the EB, guided by an expert consultant to further interpret the results.

The EB has shown tremendous decisiveness and execution power in 2023 and therefore looks back on the year positively. The Aegon transaction is the common thread in 2023. In the first half of the year, in the run-up to the closing, the EB worked towards the transaction step-by-step and in good cooperation. There is an open culture within the EB where even sensitive issues can be discussed. The strength of the EB is decision making based on commitment and the drive to do well for a.s.r. The composition of the SB has expanded since closing of the Aegon transaction. Communication with the SB is considered to be transparent and positive. The transaction was prepared step by step, well monitored and with optimal use of the sparring partner role of the SB. Integration remains the focus point of the EB in 2024. The EB plans the integration in phases and is progressing well.

The performance of the EB was also assessed by the SB as part of the scope of the annual assessment process. In this context, interviews are held twice a year with the individual EB members (by two SB members on each occasion) in which the results of the aforementioned self-evaluation are included. In 2023, specific permanent education sessions were attended by the SB and EB, for the purpose of further education. A series of three sessions focused on the implementation of a partial internal model for a.s.r. During these sessions, led by Balance & Performance Management and Group Risk Management, the SB and EB were educated on the model structure and design of the PIM, the material risk drivers and their dynamics, the modelling approaches of the risk modules and the concept of aggregation and diversification. Another session, led by Group Performance Management, provided an overview and explanation of KPIs related to IFRS 17. The final session was led by Group Finance & Risk Reporting and provided an update of a.s.r.'s interest hedging strategy, including the position on derivatives.

The individual EB members attended (leadership) sessions on various topics in their capacity as board members and supervisory directors at other organisations.

B.1.1.3. Supervisory Board

The SB has three roles: the supervisory role, the advisory role and the employer's role for the EB. The SB supervises the policy pursued by the EB and the general course of affairs at a.s.r. and its group entities. Specific powers are vested in the SB, including approving certain EB decisions.

Composition of the Supervisory Board

In line with a.s.r.'s articles of association, the SB should consist of at least three members.
The SB currently consists of seven members: Joop Wijn (chair), Herman Hintzen, Sonja Barendregt, Gerard van Olphen, Gisella van Vollenhoven, Daniëlle Jansen Heijtmajer and Lard Friese. The composition of the SB of Aegon Levensverzekering is the same as that of ASR Nederland N.V.

Diverse representation

The SB has drawn up a projected profile for its size and composition, taking into account the nature of a.s.r.'s business, its activities and the desired expertise and background of its members. The SB profile can be viewed on www.asrnl.com.

Due to a combination of experience, expertise and independence of the individual members, the SB has the skills to assess the main aspects of the a.s.r. strategy and policies. The diversity of its members ensures the complementary profile of the SB. a.s.r. will continue to aim for an adequate and balanced composition of the SB in any future appointments by taking into account the DEI policy and all relevant selection criteria such as executive experience, experience in finance and experience in the political and social environment.

Independence and conflicts of interest

In line with the Dutch Corporate Governance Code, SB members of a.s.r. are appointed by the AGM for a four-year term. They can be reappointed for a single additional four-year term and subsequently reappointed for a period of two years, which appointment may be extended by two years at most. Reappointments following an eight-year period must be justified in the SB report. SB members retire no later than by the AGM immediately following the end of their term of appointment.

All the SB members passed the fit and proper test required under the Dutch Financial Supervision Act. In 2023, the SB was able to carry out its tasks independently pursuant to principles 2.1.7 to 2.1.9 of the Dutch Corporate Governance Code, in accordance with article 39 (1) Directive 2014/56/EU. All members are independent as defined in the Corporate Governance Code, with the exception of Lard Fries (due to his position as CEO of Aegon Ltd.).

Although formally legally there were no reports of potential conflicts of interest relating to members of the SB in 2023, the SB acted as such regarding to the strategic choice on Knab as a matter of prudence and adequate measure to prevent the emergence of potential conflicts of interest.

The maximum number of other mandates for a member of the SB is set at 5.

Permanent education and evaluation

The SB is responsible for assessing the quality of its own performance. It therefore performs an annual self-assessment and discussion of its own performance and that of its committees and members. A self-assessment with external supervision is carried out every three years.

The self-assessment for 2023 was based on a questionnaire and a plenary SB evaluation session with external supervision. The following aspects were assessed:
- Role and composition of the SB;
- Effectiveness of processes (information-gathering and decision-making);
- Role as an employer;
- Advisory role and strategy.

The outcome of the assessment was discussed by the members of the SB and the Company Secretary, and at a later stage with the members of the EB.

The current composition of the SB is assessed as good and diversified (gender, background and complementary capabilities). The expansion of members of the SB as of the closing of the Aegon transaction has contributed to the diversity. Onboarding of the new members has gone smoothly, while preserving the transparent and positive dynamics within the SB.; dynamics within the SB are transparent and positive. The SB has an open, constructive and professional relationship with the EB. Dilemmas, in general or in specific files, are openly discussed both during meetings and during informal (and one-on-one) contact . The tone of voice is constructive. In 2023 the SB was actively engaged in the Aegon transaction and integration.

B.1.1.4. Governance codes

The current articles of association (dated 3 August 2021) of a.s.r. are published on www.asrnl.com. The SB and Executive and Management Board rules are also available on the corporate website. These rules were most recently amended and adopted in 2023.

Dutch Corporate Governance Code

Since being listed on Euronext Amsterdam, a.s.r. has been required to abide by the Dutch Corporate Governance Code. a.s.r. complies with all the principles and best practices of the Dutch Corporate Governance Code, with the exception of those that are not applicable. In the Corporate Governance section of its website, a.s.r. also publishes a detailed comply or explain list indicating which principles and best practices of the Dutch Corporate Governance Code (2022) do not apply to it.

Professional oath

On 1 January 2013, the Dutch financial sector introduced a mandatory oath for EB and SB members of financial institutions licensed in the Netherlands. With regard to insurance companies, in addition to the EB and SB members, individuals holding a management position immediately below the EB who are responsible for staff who could have a significant influence on the risk profile of the insurance company are also required to take the oath, as are certain other employees. This includes individuals who may (independently) significantly influence the risk profile of the undertaking as well as those who are or may be involved in the provision of financial services.

Notwithstanding the above, a.s.r. has decided that all employees and other individuals carrying out activities under its responsibility must also take the oath. New employees must take the oath within three months of joining the company.

a.s.r. also wishes to be transparent concerning the non-financial information in its Management Report. Since the 2017 reporting year, the relevant legal requirements have been extended for large companies of public interest. Such organisations, which include a.s.r., are expected to clarify how they deal with environmental, social and personnel issues, respect for human rights and the fight against corruption and bribery in their business operations and value chain. Large listed companies must also provide insight into their policy on diversity in relation to the EB and SB. In addition, as from 1 January 2022, large companies of public interest must publish information about how and to what extent their activities are associated with economic activities (eligibility) that qualify as environmentally sustainable as defined in Regulation (EU) 2020/852 (EU Taxonomy Regulation).

B.1.2 Remuneration of Supervisory Board and Executive Board

The members of the EB and SB of Aegon Levensverzekering are the same members in the EB and SB of a.s.r. The amount of compensation paid for the services provided by the EB and the SB of a.s.r. was not charged to Aegon Levensverzekering and is subsequently not accounted for in the result of Aegon Levensverzekering. The remuneration policy of the EB and SB members is determined in accordance with the current Articles of Association of ASR Nederland N.V. An overview of these remunerations is described in the consolidated financial statements of a.s.r. Group.

B.2. Fit and proper requirements

a.s.r. has a policy that sets out principles and criteria to ensure that persons who effectively run the undertaking and other key functions are fit and proper. The fit and proper policy provides guidance on the assessment process and contributes to controlled and sound business operations and promotes the stability and integrity of a.s.r. as well as customer confidence.

a.s.r. assesses all employees (internal and external FTEs) for their reliability and integrity prior to their appointment and periodically during the course of employment. This includes persons who effectively run the undertaking and other key functions.

The fit and proper requirements that are imposed on persons who effectively run the undertaking and other key functions are included in the job profile, which is used as a basis for recruitment. A.s.r. has a program for the continuing education of persons who effectively run the undertaking and other key functions.

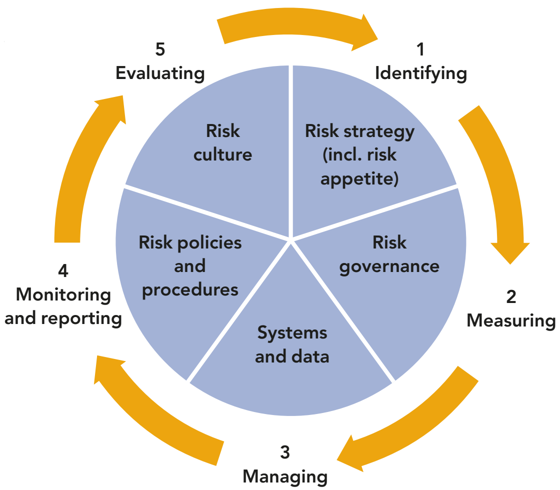
B.3. Risk management system including the Own Risk and Solvency Assessment

It is of great importance to a.s.r. that risks within all business lines are timely and adequately controlled. In order to do so, a.s.r. implemented a Risk Management (RM) framework based on internationally recognised and accepted standards (such as COSO ERM and ISO 31000 RM principles and guidelines). Using this framework, material risks that a.s.r. is, or can be, exposed to, are identified, measured, managed, monitored, reported and evaluated. The RM framework is both applicable to a.s.r. group and the underlying (legal) business entities.

B.3.1 Risk Management Framework

The figure below is the RM framework as applied by a.s.r.

Risk management framework



Risk Management framework

The RM framework consists of risk strategy (including risk appetite), risk governance, systems and data, risk policies and procedures, risk culture, and RM process. The RM framework contributes to achieving the strategic, tactical and operational objectives as set out by a.s.r. The overall effectiveness of the RM framework is evaluated as part of the regular internal review of the system of governance.

Risk strategy (incl. risk appetite)
Risk strategy is defined to contain at least the following elements:
- Strategic, tactical and operational objectives that are pursued;
- The risk appetite in pursuit of those strategic, tactical and operational objectives.

a.s.r.'s risk strategy aims to ensure that decisions are made within the boundaries of the risk appetite, as stipulated annually by the EB and the SB (see chapter Risk strategy and risk appetite).

Risk governance
Risk governance can be seen as the way in which risks are managed, through a sound risk governance structure and clear tasks and responsibilities, including risk ownership. a.s.r. employs a risk governance framework that entails the tasks and responsibilities of the RM organisation and the structure of the Risk committees (see chapter Risk governance).

Systems and data
Systems and data support the RM process and provide management information to the risk committees and other relevant bodies. a.s.r. finds it very important to have qualitatively adequate data, models and systems in place, in order to be able to report and steer correct figures and to apply risk-mitigating measures timely. To ensure this, a.s.r. has designed a policy for data quality and model validation in line with Solvency II. Tools, models and systems are implemented to support the RM process by giving guidance to and insights into the key risk indicators, risk tolerance levels, boundaries and actions, and remediation plans to mitigate risks (see chapter Systems and data).

Risk policies and procedures:
Risk policies and procedures contain at least:
- Define the risk categories and the methods to measure the risks;
- Outline how each relevant category, risk area and any potential aggregation of risk is managed;
- Describe the connection with the overall solvency needs assessment as identified in the ORSA, the regulatory capital requirements and the risk tolerances;
- Provide specific risk tolerances and limits within all relevant risk categories in line with the risk appetite statements;
- Describe the frequency and content of regular stress tests and the circumstances that would warrant ad-hoc stress tests.

The classification of risks within a.s.r. is performed in line with, but is not limited to, the Solvency II risks. Each risk category consists of one or more policies or procedures that explicates how risks are identified, measured and controlled within a.s.r. (see chapter Risk policies and procedures).

Risk culture
An effective risk culture is one that enables and rewards individuals and groups for taking risks in an informed manner. It is a term describing the values, beliefs, knowledge, attitudes and understanding about risk. All the elements of the RM framework combined make an effective risk culture.
Within a.s.r. risk culture is an important element that emphasises the human side of RM. The EB has a distinguished role in expressing the appropriate norms and values (tone at the top). a.s.r. employs several measures to increase the risk awareness and, in doing so, the risk culture (see chapter Risk culture).

Risk management process
The RM process contains all activities within the RM processes to structurally 1) identify risks; 2) measure risks; 3) manage risks; 4) monitor and report on risks; and 5) evaluate the risk profile and RM framework. At a.s.r., the RM process is used to implement the risk strategy in the steps mentioned. These five steps are applicable to the risks within the company to be managed effectively (see chapter Risk Management process).

B.3.1.1. Risk management strategy and risk appetite
a.s.r.'s risk strategy aims to ensure that decisions are made within the boundaries of the risk appetite, as stipulated annually by the EB and the SB.

Risk appetite is defined as the level and type of risk a.s.r. is willing to bear in order to meet its strategic, tactical and operational objectives. The risk appetite is formulated to give direction to the management of the (strategic) risks. The risk appetite contains a number of qualitative and quantitative risk appetite statements and is defined for both financial (FR) and non-financial risks (NFR). The statements highlight the risk preferences and limits of the organisation and are viewed as key elements for the realisation of the strategy. The statements and limits are defined at both group level and at legal entity level and are determined by the a.s.r. risk committee and approved by the SB.

The statements are evaluated yearly to maintain alignment with the strategy. The NFR statements have been strengthened in 2023, but not materially changed. FR statements have not been changed at a.s.r. group level. An additional update took place in 2023 due to the merger with Aegon.

Risk strategy aims to ensure that management decisions lead to a risk profile that remains within the risk limits. The risk strategy entails all processes to identifying, measuring and managing risks and opportunities. Through a combined top-down and bottom-up Strategic Risk Analysis (SRA) approach, the most important strategic risks are identified. The main strategic risks are translated into 'risk priorities' and 'emerging risks' at group level and are monitored throughout the year. Important changes in risk priorities and emerging risks are reported to the a.s.r. risk committee and the Audit & Risk Committee. Output from the SRA, combined with the risk appetite statements, provides insight into the strategic risk profile of a.s.r. and underlying legal entities. The entire risk profile is monitored in the relevant risk committees.

Risk Appetite Statement ASR Nederland N.V. 2023

1	ASR Nederland N.V. places long-term value creation at the forefront of its (strategic) operations and ensures that all stakeholders' interests (customer, society, employee, investors) are met in a balanced and sustainable way.	NFR
2	ASR Nederland N.V. acts in accordance with the a.s.r. sustainability objectives and sufficiently manages its sustainability risks.	NFR
3	ASR Nederland N.V. focuses on customer and has effective and controlled (business) processes, whereby the customer data quality is in order.	NFR
4	ASR Nederland N.V. has reliable financial reports, whereby IFRS and Solvency II data quality is in order.	NFR
5	ASR Nederland N.V. manages its internal and external outsourcing in a controlled and effective manner.	NFR
6	ASR Nederland N.V. processes information safely (in accordance with availability, confidentiality and integrity requirements) and is cyber threat resilient.	NFR
7	ASR Nederland N.V. has controlled projects (in terms of timeliness, budget and/ or quality).	NFR
8a	ASR Nederland N.V. meets the legitimate expectations and interests of its stakeholders and puts customer interests first in its proposition. a.s.r. therefore offers products and services that are cost-efficient, useful, safe and understandable for customers, distribution partners, society and a.s.r. By acting with integrity, a.s.r.'s reputation is protected and strengthened.	NFR
8b	ASR Nederland N.V. only wants to do business with relationships who are honest and reliable. a.s.r. therefore does not enter into or continue a business relationship with parties involved in crimes, socially undesirable acts and/or unethical behavior, including money laundering and terrorist financing. a.s.r. takes appropriate measures to guarantee its sound and controlled business operations and thus protect and strengthen its reputation.	NFR
8c	ASR Nederland N.V. handles personal data with care, including those of its customers. a.s.r. processes personal data lawfully, fairly and transparently, taking into account the principles of purpose limitation, data minimization, accuracy and storage limitation and taking measures to ensure the integrity and confidentiality of personal data. By taking appropriate measures, a.s.r. maintains a sound and ethical operational management and thus protects and strengthens its reputation.	NFR
9	ASR Nederland N.V. has a minimum SCR ratio of 120%.	FR
10	ASR Nederland N.V. remains within the bandwidth of periodically reassessed market risk budgets.	FR
11	ASR Nederland N.V. has at least a single A rating and therefore holds an AA rating in accordance with the S&P Capital Model.	FR
12	ASR Nederland N.V. assesses the amount of dividend payments against the current and expected future solvency ratio and economic outlook. Dividend payments are in line with the conditions laid down in the capital and dividend policy of ASR Nederland N.V.	FR
13	ASR Nederland N.V. has a maximum financial leverage ratio of 40%. Financial leverage ratio = Debt / (Debt + Equity).	FR
14	ASR Nederland N.V. has a maximum double leverage ratio of 135%.Double leverage ratio = Total value of associates / (equity attributable to shareholders + hybrids and subordinated liabilities).	FR
15	ASR Nederland N.V. has a minimum interest coverage ratio of between 4 and 8. Interest coverage ratio = EBIT operational / interest expense.	FR
16	a. ASR Nederland N.V. (excluding Aegon entities) is capable of releasing liquidities worth up to € 1 billion over a 1-month period following stress. b. ASR Nederland N.V. (excluding Aegon entities) remains capable of meeting its collateral requirements in the event of an (instant) increase of 3% interest rate.	FR
17	ASR Nederland N.V. generates a robust and high-quality operational ROE, i.e. pursues an overall ROE > 12% and seeks an ROE > 10% for individual investment decisions, where in exceptional cases an ROE > 8% is accepted.	FR
18	ASR Nederland N.V. (excl. ASR Ziektekosten) has a maximum combined ratio of 99%.	FR
19	ASR Nederland N.V. has a total SCR market risk which will be a maximum of 50% of the total risk.	
20	ASR Nederland N.V. maintains a moderate risk appetite for losses resulting from modelling incidents, including events such as flawed and/or inadequately documented methods, model design and development, assumptions and expert judgment; poor data quality; coding errors; inappropriate use of models; or misinterpretation of model results[1].	NFR

[1] Applicable from July 1, 2023

B.3.1.2. Risk governance

a.s.r.'s risk governance can be described by:

- risk ownership;
- the implemented three lines of defence model and associated (clear delimitation of) tasks and responsibilities of key function holders; and
- the risk committee structure to ensure adequate decision making.

Risk ownership

The EB has the final responsibility for risk exposures and management within the organisation. Part of the responsibilities have been delegated to persons that manage the divisions where the actual risk-taking takes place. Risk owners are accountable for one or more risk exposures that are inextricably linked to the department or product line they are responsible for. Through the risk committee structure, risk owners provide accountability for the risk exposures.

Three lines of defence

The risk governance structure is based on the 'three lines of defence' model. The 'three lines of defence' model consists of three defence lines with different responsibilities with respect to the ownership of controlling risks. The model below provides insight in the organisation of the three lines of defence within a.s.r.

Three lines of defence		
First line of defence	**Second line of defence**	**Third line of defence**
• Executive Board / Management Board • Management teams of the business lines and their employees • Finance & risk decentral	• Group Risk Management department - Risk management function - Actuarial function • Compliance - Compliance function	• Audit department - Internal audit function
Ownership and implementation	**Policies and monitoring implementation by 1st line**	**Independent assessment of 1st and 2nd lines**
• Responsible for the identification and the risks in the daily business • Has the day-to-day responsibility for operations (sales, pricing, underwriting, claims handling, etc.) and is responsible for implementing risk frameworks and policies.	• Challenges the 1st line and supports the 1st line to achieve their business objectives in accordance with the risk appetite • Has sufficient countervailing power to prevent risk concentrations and other forms of excessive risk taking • Responsible for developing risk policies and monitoring the compliance with these policies	• Responsible for providing dedicated assurance services and oversees and assesses the functioning and the effectiveness of the first two lines of defence

Positioning of key functions
Within the risk governance, the key functions (compliance, risk, actuarial and audit) are organised in accordance with Solvency II regulation. They play an important role as countervailing power of management in the decision-making process. The four key functions are independently positioned within a.s.r. In all the risk committees one or more key functions participate. The second line report to the CRO, which is a member of the management board. All functions have direct communication lines with the EB and can escalate to the chairman of the Audit & Risk Committee of the SB. Furthermore, the key functions have regular meetings with the supervisors of the Dutch Central Bank (DNB) and / or The Dutch Authority for the Financial Markets (AFM).

Group Risk Management
GRM is responsible for the execution of the RM function (RMF) and the Actuarial Function (AF). The department is led by the RMF holder. At year-end GRM consists of the following four sub-departments:
- Enterprise Risk Management;
- Financial Risk Management;
- Model Validation & Model Risk;
- Methodology.

As of 1 January 2023, Business Risk Management (BRM) will be hierarchically part of GRM. This is a temporary position in a transition phase. An important goal for this change is to realise a future proof and efficient RM organisation (regarding the organisation, processes and the execution of non-financial risk management) taking into account the impact of the intended acquisition of Aegon Nederland. For the implementation a maximum period of 2-3 years is expected

Enterprise Risk Management
Enterprise Risk Management (ERM) is responsible for second-line strategic and operational (including IT) RM and the enhancement of the risk awareness for a.s.r. and its subsidiaries. The responsibilities of ERM include the development of risk policies and procedures, the annual review and update of the risk strategy (risk appetite), the coordination of the SRA process leading to the risk priorities and emerging risks and ORSA scenarios and the monitoring of the non-financial risk profile. For the management of operational risks, a.s.r. has a solid Risk-Control framework in place that contributes to its long-term solidity. The quality of the framework is continuously enhanced by the analysis of operational incidents, periodic risk assessments and monitoring by the RMF. ERM actively promotes risk awareness at all levels to contribute to the vision of staying a socially relevant insurer.

Financial Risk Management
Financial Risk Management (FRM) is responsible for the second line financial RM and supports both the AF and RMF. An important task of FRM is to be the countervailing power to the EB and management in managing financial risks for a.s.r. and its subsidiaries. FRM assesses the accuracy and reliability of the market risk, counterparty risk, insurance risk and liquidity risk, risk margin and best estimate liability. As part of the AF, FRM reviews the technical provisions, monitors methodologies, assumptions and models used in these calculations, and assesses the adequacy and quality of data used in the calculations. Furthermore, the AF expresses an opinion on the underwriting policy and determines if risks related to the profitability of new products are sufficiently addressed in the product development process. The AF also expresses an opinion on the adequacy of reinsurance arrangements. Other responsibilities of financial RM are e.g. monitoring Solvency II compliancy (e.g. changes in Solvency II regulation), updating policies on valuation and risk, activities related to the DNB (National Supervisor), assessment of the ORSA (financial parts), assessment of strategic initiatives.

Model Validation & Model Risk
Model Validation (MV) is responsible for performing validation activities or having them carried out in accordance with the drawn up annual model validation plan. MV is responsible for supervising compliance with the model validation policy, discussing and challenging the (draft) validation reports and advising the Model Committee. The MV is a separate sub-department within GRM. The MV is part of the RMF and operates independent of the AF.

Methodology
Methodology is responsible for establishing methodologies for PIM (Aegon and a.s.r. group) and Standard Formula (SF: Aegon entities).

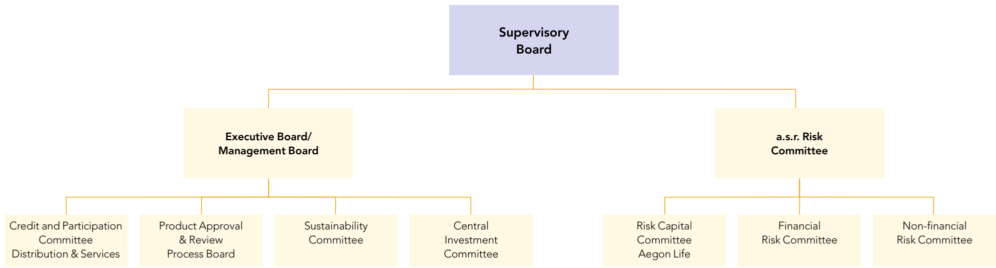
Compliance
Compliance is responsible for the execution of the compliance function. An important task of Compliance is to be the countervailing power to the EB and other management in managing compliance risks for a.s.r. and its subsidiaries. The mission of the compliance function is to enhance and ensure a controlled and sound business operation.

As second line of defence, Compliance encourages the organisation to comply with relevant rules and regulations, ethical standards and the internal standards derived from them (‘rules’) by providing advice and formulating policies. Compliance supports the first line in the identification of compliance risks and assesses the effectiveness of RM on which Compliance reports to the relevant risk committees. In doing so, Compliance uses a compliance risk and monitoring framework. In line with RM, Compliance also creates further awareness to comply with the rules and desired ethical behaviour. Compliance coordinates interaction with regulators in order to maintain effective and transparent relationships with those authorities.

Audit
The Audit department, the third line of defence, provides an independent opinion on governance, risk and management processes, with the goal of supporting the EB and other management of a.s.r. in achieving the corporate objectives. To that end, Audit evaluates the effectiveness of governance, risk and management processes, and provides pragmatic advice that can be implemented to further optimise these processes. In addition, senior management can engage Audit for specific advisory projects.

Risk committee structure
a.s.r. has established a structure of risk committees with the objective to monitor the risk profile for a.s.r. group, its legal entities and its business lines in order to ensure that it remains within the risk appetite and the underlying risk tolerances and risk limits. When triggers are hit or likely to be hit, risk committees make decisions regarding measures to be taken, being risk-mitigating measures or measures regarding governance, such as the frequency of their meetings. For each of the risk committees a statute is drawn up in which the tasks, composition and responsibilities of the committee are defined.

Risk committee structure



Audit & Risk Committee
The Audit & Risk Committee was established by the Supervisory Board to gain support, among other things, in the following matters:
- Assessment of the risk appetite proposal and quarterly monitoring of the risk profile;
- Assessment of the annual report, including the financial statements of a.s.r.;
- The relationship with the independent external auditor, including the assessment of the quality and independence of the independent external auditor and the proposal by the SB to the AGM to appoint the independent external auditor;
- The performance of the audit function, compliance function, the AF and the RMF;
- Compliance with rules and regulations; and
- The financial position.

The Audit & Risk Committee has three members of the SB, one of whom acts as the chairman.

a.s.r. risk committee
The a.s.r. risk committee monitors a.s.r.'s overall risk profile on a quarterly basis. At least annually, the a.s.r. risk committee determines the risk appetite statements, limits and targets for a.s.r. This relates to the overall a.s.r. risk appetite and the subdivision of risk appetite by financial and non-financial risks. The risk appetite is then submitted to the a.s.r. Audit & Risk Committee, which advises the SB on the approval of the risk appetite. The a.s.r. risk committee also monitors the progress made in managing risks included in the risk priorities and emerging risks of the EB.

All members of the MB participate in the a.s.r. risk committee, which is chaired by the CEO. The involvement of the EB ensures that risk decisions are being addressed at the appropriate level within the organisation. In addition to the EB, the Key Functions (Risk management, Compliance, Internal audit, Actuarial function) are members of the Committee.

Non-Financial Risk Committee
The Non-Financial Risk Committee (NFRC) discusses, advises and decides upon non-financial risk policies. The most relevant non-financial risk policies are approved by the a.s.r. risk committee. The NFRC monitors that non-financial risks of a.s.r. and the OTSO's are managed adequately and monitors that the risk profile stays within the agreed risk limits. If the risk profile exceeds the limits, the NFRC takes mitigating actions. The NFRC reports to the a.s.r. risk committee. The NFRC is chaired by a member of the EB. The NFRC discusses the most important risks from the underlying non-financial risk committees (Business Risk Committee (BRC) and for Aegon the Risk & Audit Committee (RAC).

Financial Risk Committee
The Financial Risk Committee (FRC) discusses, advises and decides upon financial risk policies. The most relevant financial risk policies are approved by the a.s.r. risk committee. The FRC monitors that financial risks of a.s.r. and the OTSO's (excl. Aegon Levensverzekering and Aegon Spaarkas) are managed adequately and monitors that the risk profile stays within the agreed risk limits. If the risk profile exceeds the limits, the NFR takes mitigating actions. The FRC reports to the a.s.r. risk committee. The Chairman of the FRC is the CFO.

Risk Capital Committee Aegon Levensverzekering
The Risk Capital Committee (RCC) oversees Aegon Levensverzekering's financial risks, capital and associated expected returns. The aim is to maintain a strong liquidity and capital position at Aegon Levensverzekering NV, in support of the Aegon Levensverzekering's strategy. The RCC has the mandate to make decisions regarding the Partial Internal Model with an impact between €20 million and €200 million. The chairman of the RCC is the CFO.

Central Investment Committee
In addition to the risk committee structure, the Central Investment Committee (CIC) monitors tactical decisions and the execution of the investment policy. It takes investment decisions within the boundaries of the strategic asset allocation as agreed upon in the FRC. The CIC bears particular responsibility for investment decisions exceeding the mandate of the investment department. The CIC is chaired by the CFO.

Product Approval and Review Process Board
The Product Approval & Review Process Board (PARP Board) is responsible for the final decision-making process around the introduction of new products and adjustments in existing products. The committee evaluates if potential risks in newly developed products are sufficiently addressed. New products need to be developed in such a way that they are cost efficient, reliable, useful and secure for our clients. New products also need to have a strategic fit with a.s.r.'s mission to be a solid and trustful insurer. In addition, the risks of existing products are evaluated, as requested by the PARP as a result of product reviews. The PARP Board is chaired by the managing Director of Services.

B.3.1.3. Systems and data
GRC tooling is implemented to support the RM process by giving guidance and insight into the key risk indicators, risk tolerance levels, boundaries and actions and remediation plans to mitigate risks. The availability, adequacy and quality of data and IT systems is important in order to ensure that correct figures are reported and risk mitigating measures can be taken in time. It is important to establish under which conditions the management information that is submitted to the risk committees has been prepared and which quality safeguards were applied in the process of creating this information. This allows the risk committees to ascertain whether the information is sufficient to base further decisions upon.

a.s.r. has a Data Governance and Quality policy in place to support the availability of correct management information. This policy is evaluated on an annual basis and revised at least every three years to keep the standards in line with the latest developments on information management. With the adoption of the Aegon partial internal model a.s.r. explores the added value of implementing (part) of the Aegon Data governance and Quality policy into its own framework. The quality of the information is reviewed based on the following aspects, based on Solvency II:
- completeness (including documentation of accuracy of results)
- adequacy
- reliability
- timeliness

Adherence to this policy is ensured by the three lines of defence risk governance model. With a new Central Data Office and a Data Quality Improvement Programme, additional measures are taken to increase maturity in data management practices.

The preparatory body or department checks the assumptions made and the plausibility of the results and ensures coordination with relevant parties. When a preparatory body has established that the information is reliable and complete, it approves and formally submits the document(s) to a risk committee.

The information involved tends to be sensitive. To prevent unauthorised persons from accessing it, it is disseminated using a secure channel or protected files. a.s.r.'s information security policy contains guidelines in this respect.

a.s.r.'s information security policy is based on relevant laws and market standards, like ISO 2700x, COBIT 2019, NIST Cybersecurity framework, SOC2 principles, PCI DSS, COSO, BS 25999, ISO 31000, ITIL. These standards describes best practices for the implementation of information security.

There are technical solutions for accomplishing this, by enforcing a layered approach (defence-in-depth) of technical measures to avoid unauthorised persons to compromise a.s.r. data and systems. In this perspective, one may think of methods of logical access management, intrusion detection techniques, in combination with firewalls are aimed at preventing hackers and other unauthorised persons from accessing information stored on a.s.r. systems. Nevertheless, confidential information can also have been committed to paper. On top of technical measures a.s.r. implemented physical measures and measures that help create the desired level of awareness of personnel as part of the information security environment. The resilience of these measures is actively tested.

When user defined models (e.g. spreadsheets) are used for supporting the RM framework, the 'a.s.r. Standard for End user computing'- in addition to the general information security policy - defines and describes best practices in order to guard the reliability and confidentiality of these tools and models. a.s.r. recognises the importance of sound data quality and information management systems. The management of IT and data risks of the implemented tools, models and systems (including data) is part of the Operational IT RM.

B.3.1.4. Risk policies and procedures
a.s.r. has established guidelines, including policies that cover all main risk categories (market, counterparty default, liquidity, underwriting, strategic and operational). These policies address the accountabilities and responsibilities regarding management of the different risk types. Furthermore, the methodology for risk measurement is included in the policies. The content of the policies is aligned to create a consistent and complete set. The risk policy landscape is maintained by GRM and Compliance. These departments also monitor the proper implementation of the policies in the business. New risk policies or updates of existing risk policies are approved by the risk committees as mentioned previously. a.s.r. has drawn up an integrated policy calendar which includes all risk related documents. This guarantees that policies are drawn up and reassessed in a timely manner and that tasks and responsibilities are clear.

B.3.1.5. Risk culture
Risk awareness is a vital component of building a sound risk culture within a.s.r. that emphasises the human aspect in the management of risks. In addition to gaining sufficient knowledge, skills, capabilities and experience in RM, it is essential that an organisation enables objective and transparent risk reporting in order to manage them more effectively.

The EB clearly recognises the importance of RM and is therefore represented in all of the major group level risk committees. Risk Management is involved in the strategic decision-making process, where the company's risk appetite is always considered. The awareness of risks during decision-making is continually addressed when making business decisions, for example by discussing and reviewing risk scenarios and the positive and / or negative impact of risks before finalising decisions.

It is very important that this risk awareness trickles down to all parts of the organisation, and therefore management actively encourages personnel to be aware of risks during their tasks and projects, in order to avoid risks or mitigate them when required. The execution of risk analyses is embedded in daily business in, for example, projects, product design and outsourcing.

In doing so, a.s.r. aims to create a solid risk culture in which ethical values, desired behaviours and understanding of risk in the entity are fully embedded. Integrity is of the utmost importance at a.s.r.: thisis translated into a code of conduct and strict application policies for new and existing personnel, such as taking an oath or solemn affirmation when entering the company, and the 'fit and proper' aspect of the Solvency II regulation, ensuring that a.s.r. is overseen and managed in a professional manner. Furthermore, a.s.r. believes it is important that a culture is created in which risks can be discussed openly and where risks are not merely perceived to be negative and highlight that risks can also present a.s.r. with opportunities. Risk Management (both centralised and decentralised) and Compliance are positioned as such, that they can communicate and report on risks independently and transparently, which also contributes to creating a proper risk culture.

B.3.1.6. Risk management process

The RM process typically comprises of five important steps: 1) identifying; 2) measuring; 3) managing; 4) monitoring and reporting; and 5) evaluating1. a.s.r. has defined a procedure for performing risk analyses and standards for specific assessments. The five different steps are explained in this chapter.
Identifying

Management should endeavour to identify all possible risks that may impact the strategic, tactical and operational objectives of a.s.r., ranging from the larger and / or more significant risks posed on the overall business, down to the smaller risks associated with individual projects or smaller business lines. Risk identification comprises of the process of identifying and describing risk sources, events, and the causes and effects of those events.

Measuring

After risks have been identified, quantitative or qualitative assessments of these risks take place to estimate the likelihood and impact associated with them. Methods applicable to the assessment of risks are:

- Sensitivity analysis
- Stress testing
- Scenario analysis
- Expert judgments (regarding likelihood and impact)
- Portfolio analysis

Managing

Typically, there are four strategies to managing risk:

- Accept: risk acceptance means accepting that a risk might have consequences, without taking any further mitigating measures.
- Avoid: risk avoidance is the elimination of activities that cause the risk.
- Transfer: risk transference is transferring the impact of the risk to a third party.
- Mitigate: risk mitigation involves the mitigation of the risk likelihood and / or impact.

RM strategies are chosen in a way that ensures that a.s.r. remains within the risk appetite tolerance levels and limits.

Monitoring and reporting

The risk identification process is not a continuous exercise. Therefore, risk monitoring and reporting arerequired to capture changes in environments and conditions. This also means that RM strategies could, or perhaps should, be adapted in accordance with risk appetite tolerance levels and limits.

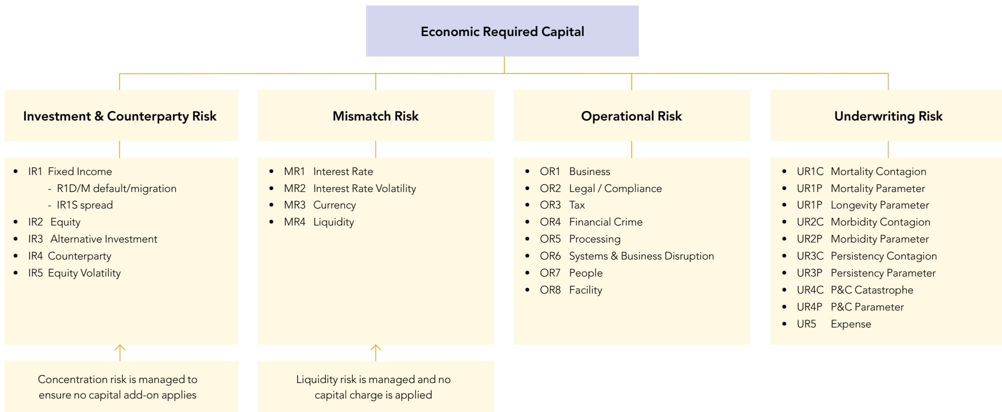
Evaluating

The evaluation step is twofold. On the one hand, evaluation means risk exposures are evaluated against risk appetite tolerance levels and limits, taking (the effectiveness of) existing mitigation measures into account. The outcome of the evaluation could lead to a decision regarding further mitigating measures or changes in RM strategies. On the other hand, the RM framework (including the risk management processes) is evaluated by the RM function, in order to continuously improve the effectiveness of the RM framework as a whole.

B.3.2. a.s.r.'s risk categories

a.s.r. is exposed to a variety of risks. Aegon Levensverzekering and Aegon Spaarkas uses a Partial Internal Model. The risk universe of Aegon Levensverzekering and Aegon Spaarkas is therefore different and 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 Levensverzekering's and Aegon Spaarkas' risk universe is provided below.

Risk Universe



For the other insurance entities there are six main risk categories that a.s.r. recognizes, as described below. In addition, a.s.r. recognizes sustainability risks arising from environmental, social or governance (ESG) events or conditions. These risks can be financial and non-financial and can be both strategic and operational. This means that all six main risk categories that a.s.r. recognizes can be affected by sustainability risks. In chapter B.3.2 Climate change a.s.r. briefly describes how a.s.r. identifies, measures and manages climate risks and opportunities for its business.

Insurance risk
Insurance risk is the risk that premium and / or investment income or outstanding reserves will not be sufficient to cover current or future payment obligations, due to the application of inaccurate technical or other assumptions and principles when developing and pricing products. a.s.r. recognizes the following insurance risks:
- Life insurance risk
- Health insurance risk
- Non-life insurance risk

Market risk
The risk of changes in values caused by market prices or volatility of market prices differing from their expected values. The following types of market risk are distinguished:
- Interest rate risk
- Equity risk
- Property risk
- Spread risk
- Currency risk
- Concentration risk / market concentration risk

Counterparty default risk
Counterparty default risk is the risk of losses due to the unexpected failure to pay or credit rating downgrade of counterparties and debtors. Ca.s.r.'s counterparty default risk exists in respect of the following counterparties:
- Reinsurers
- Consumers
- Intermediaries
- Counterparties that offer cash facilities
- Counterparties with which derivatives contracts have been concluded

Liquidity risk
Liquidity risk is the risk that a.s.r. is not able to meet its financial obligations to policyholders and other creditors when they become due and payable, at a reasonable cost and in a timely manner.

Operational risk
Operational risk is the risk of losses caused by weak or failing internal procedures, weaknesses in the action taken by personnel, weaknesses in systems or because of external events. The following subcategories of operational risk are used:
- Sustainability
- Business process
- Financial reporting
- Outsourcing
- Information technology
- Project risks

Strategic risk
Strategic risk is the risk of a.s.r. or its business lines failing to achieve the objectives due to incorrect decision-making, incorrect implementation and / or an inadequate response to changes in the environment. Such changes may arise in the following areas:
- Macro-economic
- Geopolitical instability
- Climate change and energy transition
- Cyber and information security
- Regulation
- Biodiversity
- Social tensions
- Pandemics

Strategic risk may arise due to a mismatch between two or more of the following components: the objectives (resulting from the strategy), the resources used to achieve the objectives, the quality of implementation, the economic climate and / or the market in which a.s.r. and / or its business lines operate.

B.3.3. Climate change
In addition to the six main categories, a.s.r. recognises sustainability risks arising from environmental, social or governance (ESG) events or conditions. These risks can be financial and non-financial and can be both strategic and operational. This means that all six main risk categories that a.s.r. recognizes can be affected by sustainability risks.

Climate-related risks are divided into physical, transition and reputational risks. Physical risks arise from more frequent and severe climate events. Physical risks can be acute, such as extreme weather events, or chronic when they arise from gradual changes such as water shortages or rising temperatures. Transitions risks result from the process of adjustment towards a climate-neutral society. The failure to appropriately address these adjustments can result in reputational risk.

Technical provisions
The net impact of climate change on the current Solvency II Technical Provisions or SCR estimation is considered to be limited. A qualitative assessment has been performed in 2022 by the Actuarial Function and discussed with the product lines. For the Life and Pension business the impact of climate change on life expectancy is considered to be limited. Increased inflation caused by social or geopolitical factors is adequately valued in the liabilities. The Non-life business is characterized by a short contract boundary, most premiums can therefore yearly be adjusted to the gradually impact of climate change.

The Group Business Actuary performed a portfolio assessment of the impact of sustainability factors (ESG). Bases on the portfolio characteristics and product features the potential adverse effect on the value of liabilities has been assessed. In addition an assessment of the impact of sustainability factors to the prudential risks has been finalized in 2023. These analysis confirms the limited net impact.
Based on the assessments a.s.r. does not consider ESG to have impact on the method or results of current Solvency II Technical Provisions or SCR estimation. The ESG risks are expected to be within the limits of the Solvency II Capital Requirement.

Reference is made to chapter 4.9.2 Climate change of the a.s.r. annual report for more information how a.s.r. identifies, measures and manages climate risks and opportunities for its business.

Risk assessments
Transition risks apply in particular to investments and financing. The scenario analysis for transition risks is performed by considering the proposal from the Strategic Asset Allocation (SAA) 2023 under three climate scenarios. The dynamically managed market risk budgets are resilient to the climate impact with regard to the development of the SII ratio over the coming 20 years.

The ORSA assesses the overall solvency needs of a.s.r. in the context of the strategic plans making allowance for the current and expected solvency positions, the risk appetite and solvency targets. Physical risks are mainly associated with the Non-life portfolio and adequately priced in the products. Physical risks (a major storm and major flood) are assessed in the ORSA combined business scenario's for the Non-life portfolio. Within life and health insurance, the impact is mainly in the longer term and not quantified in the standard ORSA horizon of 5 years. Therefore, a.s.r. introduced in the ORSA 2023 a climate scenario with the horizon of 10 years. Starting point for this climate scenario is the failed transition, which is the most negative scenario from the SAA study. In addition a.s.r. Real estate, Non-Life, Health and Disability are exposed to physical climate risk.

As part of the CSRD project a.s.r. performed the double materiality assessment in 2023. This assessment led to 21 material sustainability topics that will be included in future sustainability reporting.

Overall, climate risks as a result of climate change and the energy transition are incorporated into a.s.r.'s risk appetite and part of the regular risk management processes such as the annual group-wide SRA process. The risk appetite has been strengthened in 2023 by adding sufficiently management of the sustainability risks. Material climate risks identified in the SRA process, including storms and floods, are incorporated into the scenario analysis of the Own Risk and Solvency Assessment (ORSA) and quantified by the business actuary team.

B.4. Internal control system

Within a.s.r., internal control is defined as the processes, affected by the board of directors, senior management, and other personnel within the organisation, implemented to obtain a reasonable level of certainty with regard to achieving the following objectives:
- High-level goals, aligned with and supporting the organisation's mission;
- Effective and efficient use of resources;
- Reliability of operational and financial reporting.

B.4.1. Strategic and operational risk management
The system of internal control includes the management of risks at different levels in the organisation, both operational and strategic.

B.4.1.1. Strategic risk management
Strategic risk management aims to identify and manage the most significant risks that may impact a.s.r.'s strategic objectives. Subsequently, the aim is to identify and analyse the risk profile as a whole, including risk interdependencies. The process of strategic risk analysis (SRA) is designed to identify, measure, manage, monitor, report and evaluate those risks that are of strategic importance to a.s.r.:

Identifying
Through the SRA process, identification of risks is structurally organised through the combined top-down and bottom-up SRA approach. The SRA outcomes are jointly translated into 'risk priorities' and 'emerging risks', in which the most significant risks for a.s.r. are represented.

Measuring
Through the SRA process, the likelihood and impact of the identified risks are assessed, taking into account (the effectiveness of) risk mitigating measures and planned improvement actions. Information from other processes is used to gain additional insights into the likelihood and impact. One single risk priority can take multiple risks into account. In this manner, the risk priorities provide (further) insights into risk interdependencies.

Managing
As part of the SRA processes, the effectiveness of risk mitigating measures and planned measures of improvement is assessed. This means risk management strategies are discussed, resulting in refined risk management strategies.

Monitoring and reporting
The output of the SRA process is translated into day-to-day risk management and monitoring and reporting, both at group level and product line levels. At group level, the risk priorities are discussed in the a.s.r. risk committee and the Audit & Risk Committee. At the level of the product lines, risks are discussed in the BRC's.

Evaluating
Insights regarding likelihood and impact are evaluated against solvency targets in the SRA process. Based on this evaluation, conclusions are formulated regarding the adequacy of solvency objectives at group and individual legal entity level.

Climate change
One of the areas within Strategic Risk Management concerns climate change. For a.s.r., climate change is a direct and indirect risk, both to its assets and liabilities. In chapter 4.7.3 Identified risks of the Annual report of a.s.r. and 4.9.2 Climate change of the Annual report of a.s.r., the relevant climate related risks for a.s.r. are discussed including how these risks are managed. Climate change related risks have had no direct impact on the valuation in the current accounting and disclosures of a.s.r.'s assets and liabilities.

B.4.1.2. Operational risk management
Operational Risk Management (ORM) involves the management of all possible risks that may influence the achievement of the business goals and that can cause financial or reputational damage. ORM includes the identification, analysis, prioritization and management of these risks in line with the risk appetite. The policy on ORM is drafted and periodically evaluated under the coordination of ERM. The policy is implemented in the decentralised business entities under the responsibility of the management boards.

A variety of risks is covered by ORM policy: IT, outsourcing, project, reporting etc.

Identifying
With the operational targets as a starting point, each business entity performs risk assessments to identify events that could influence these targets. In each business entity the business risk manager facilitates the periodic identification of the key operational risks. All business processes are taken into account to identify the risks. All identified risks are prioritised and recorded in a risk-control framework.

The risk policies prescribe specific risk analyses to be performed to identify and analyse the risks. For IT systems, Information Security Analyses (DIVA – Dienstverlening en Informatie Veiligheids Analyse) have to be performed and for large outsourcing projects a specific risk analysis is required.

Measuring
All risks in the risk-control frameworks are assessed on likelihood of defaults and impact. Where applicable, the variables are quantified, but often judgments of subject matter experts are required. Based on the estimation of the variables, each risk is labelled with a specific level of concern (1 to 4). Gross risks with a level of concern 3 or 4 are considered 'key'.

Managing
For each risk, identified controls are implemented into the processes to keep the level of risk within the agreed risk appetite (level of concern 1 or 2). In general, risks can be accepted, mitigated, avoided or transferred. A large range of options is available to mitigate operational risks, depending on the type. An estimation is made of the net risk, after implementing the control(s). A more effective and efficient approach to managing risks is required driven by increased complexity of processes, data processing and the need for a timely and accurate view on the risk profile. a.s.r. is therefore in the process of shifting towards a more automated approach to manage risks, for example automated controls and data analysis.

Monitoring and reporting
The effectiveness of operational risk management is periodically monitored by the business risk manager at each business line or legal entity. For each key control in the risk-control framework a testing calendar is established based on auditing standards. Each control is tested regularly and the outcomes of the effectiveness of the management of key risks are reported to the management board. Outcomes are also reported to the NFRC and a.s.r. risk committee.

Evaluating
Periodically, yet at least annually, the risk-control frameworks and ORM policies are evaluated to see if revisions are necessary. The risk management function also challenges the business lines and legal entities regarding their risk-control frameworks.

Operational incidents
Operational incidents are reported to GRM, in accordance with the operational risk policy. The causes of losses are evaluated in order to learn from these experiences. An overview of the largest operational incidents and the level of operational losses is reported to the NFRC. Actions are defined and implemented to avoid repetition of operational losses.

ICT
Through IT risk management, a.s.r. devotes attention to the confidentiality, integrity and availability of ICT, including End User Computations. The logical access control for key systems used in the financial reporting process remains a high priority in order to enhance the integrity of applications and data. The logical access control procedures also prevents fraud by improving segregation of duties and by offsetting current and desired access levels within the systems and applications. Proper understanding of information, security and cyber risks is essential and the reason for which continuous actions are carried out to create awareness among employees. All of a.s.r.'s security measures are tested periodically. To increase cyber resilience, a.s.r. is participating in de DNB Threat Intel Based Ethical Red Teaming exercise.

Business Continuity Management
Operational management can be disrupted significantly by unforeseen circumstances or calamities which could ultimately disrupt the execution of critical and operational processes. Business Continuity Management enables a.s.r. to resume its daily business with limited interruptions and to react quickly and effectively during such situations.

Critical processes and activities and the tools necessary to use for these processes are identified during the Business Impact Analysis. The factors that can threaten the availability of those tools necessary for the critical processes are identified in the Threat Analysis.

a.s.r. defines a crisis as: one or more business lines are (in danger of being) disrupted in their operations, due to a calamity, or when there is a reputational threat. In order to manage the crisis, and to be able to react timely, efficiently and effectively, a.s.r. has set up a crisis organisation.

There is a central crisis team led by a member of the board. Each business line has their own crisis team led by the director of the business line. The continuity of activities and the systems supporting critical activities are regularly tested and crisis teams are trained annually. The objective of the training is to give the teams insights in how they function during emergencies and to help them perform their duties more effectively during such situations. Some important training scenarios used are scenarios that include cyber threats.

Recovery and Resolution
a.s.r. has to comply with Dutch legislation that addresses the recovery and settlement of insurance companies ('Wet herstel en afwikkeling van verzekeraars' in Dutch). The objective is that insurance companies and supervisors are better prepared against a crisis and that insurance companies can recover from a crisis without government aid. On 5 April 2023 a new policy rule on resolvability of insurance companies was published. The policy rule specifies the criteria DNB has to take into account when identifying impediments to resolution in relation to Dutch insurance companies.

As part of the legislation a.s.r. is obliged to have a Preparatory Crisis Plan('Voorbereidend Crisisplan' in Dutch) in place that has been approved by DNB. a.s.r.'s Preparatory Crisis Plan helps to be prepared and supports the organisation in various scenarios of extreme financial stress. The Preparatory Crisis Plan describes and quantifies the measures that can be applied to handle a crisis situation and to resume business. These measures are tested in the scenario analysis, in which the effects of each recovery measure on a.s.r.'s financial position (solvency and liquidity) are quantified. The required preparations for implementing the measures, their implementation time and effectiveness, potential obstacles, impact on clients and operational effects are also assessed. The main purpose of the Preparatory Crisis Plan is to increase the chances of early intervention in the event of a financial crisis situation and to further guarantee that the interest of clients and other stakeholders are protected.

Reasonable assurance and model validation
a.s.r. aims to obtain reasonable assurance regarding the adequacy and accuracy of the outcomes of models that are used to provide best estimate values and solvency capital requirements. To this end, multiple instruments are applied, including model validation. Triggers for model (re)validation are diverse, e.g. regulation, conversions, analysis of change. Materiality is determined by means of an assessment of impact and complexity. Impact and complexity is expressed in terms of High (H), Medium (M), or Low (L).

In the pursuit of reasonable assurance, model risk is mitigated and unacceptable deviations are avoided, against acceptable costs

B.4.2. Compliance Function

The Compliance department (Compliance) is a centralised function within a.s.r., headed by the compliance manager for both a.s.r. and its subsidiaries. Being part of the second line of defence, Compliance is considered a key function in line with the Solvency II regulation. The Compliance key function-holder is hierarchically managed by and reports to the CRO, a member of the Management Board. The CRO ensures that the Compliance annual plan proposed by the Compliance key function-holder is adopted by the Management Board.

To enhance and ensure sound and controlled business operations, Compliance is responsible for:
- Encouraging compliance with relevant legislation and regulations, self-regulation, ethical standards and the internal standards derived from them (the rules), by providing advice and drafting policies;
- Monitoring compliance with the rules;
- Monitoring management of compliance risks by further developing adequate compliance risk management, including, where necessary, advising on business measures and actions;
- Creating awareness of the need to comply with the rules and desired ethical behaviour;
- Interaction with regulators in order to maintain effective and transparent relationships.

The compliance manager also has an escalation line to the CEO and/or the Chair of the A&RC and/or the Chair of the SB in order to safeguard the independent position of the compliance function and to allow it to operate autonomously.

The compliance manager issues quarterly reports on compliance matters and on the progress made with regard to recommended business measures and actions at Group level, supervised entity (OTSO) level and business line level. The quarterly report at the divisional level is discussed with the management responsible and with the relevant Business Risk committees. The quarterly report at Group and OTSO levels is presented to and discussed with members of the MB, with the Non-Financial Risk Committee, with the Risk Committee and with the A&RC of the SB. The report is shared and discussed with Dutch Central Bank (De Nederlandsche Bank; DNB), the Dutch Authority for the Financial Markets (Autoriteit Financiële Markten; AFM) and the internal and external auditors.

With a view to the institution of the Compliance function in connection with the integration of Aegon NL, Compliance set up a number of work flows in order to further develop the integration of Compliance. The matters considered in this context included the standardisation of policy processes, monitoring and reports, including the best practices of Aegon NL. The Compliance department itself, which will be integrated in 2024 and tailored to the new a.s.r. organisation, was also taken into consideration.

Compliance risks
Developments in legislation and in the management of (identified) compliance risks and action plans provide the basis for the annual compliance plan and compliance monitoring activities. a.s.r. continuously monitors changing legislation and regulations and assesses their impact on a.s.r. and the corresponding measures to be taken.

In 2023, a.s.r. paid specific attention to:
- Customer Due Diligence (CDD), including Anti-Money Laundering and Anti-Terrorist Financing;
- Privacy laws and regulations, including the General Data Protection Regulation (GDPR). a.s.r. considers it important that personal data are handled with care;
- Sustainability regulation, such as the SFDR, the EU Taxonomy Regulation and the CSRD. Increasing attention has been given to sustainability and the implementation of regulations as part of the EU Green Deal, as well as to expressions in the field of sustainability.
- The further development and safeguarding of the PARP, in collaboration with the PARP Board and the relevant business units;
- Compliance participated in the so-called baseline risk measurement which started immediately after the Aegon NL transaction was completed.

a.s.r. monitors sound and controlled business operations, including the management of reputational risks. The framework for monitoring and reviewing is based on the rules, regulations and standards of a.s.r. itself, including the a.s.r. code of conduct. In 2023, a.s.r. monitored compliance with e.g. the rules, regulations and policies on CDD, privacy, remuneration, the digital agenda, sustainability (including the assessment of communications expressions), handling of customer requests and the quality of information provided to customers. The CDD Centre is continuously working on an improvement plan for CDD-related risks. The implementation was carried out in line with this plan in 2023.

In addition, a.s.r. continued to work on further improvement of ongoing monitoring activities in 2023, by reviewing the compliance risk and monitoring framework and its translation into the business units' Risk Control Matrix (RCM). It is the ambition of a.s.r. to increasingly integrate behaviour and culture into its monitoring surveys. Good insight into behaviour and culture, together with the analysis of process design and monitoring, provides an integral picture of the control environment.

B.5. Internal audit function

The Audit Department evaluates the effectiveness of governance, risk management and internal control processes, and gives practical advice on process optimisation. This statement of duties has been set down in the Audit Charter for ASR Nederland N.V. and its subsidiaries. The Audit Department reports its findings to the EB of a.s.r., to the managing boards of the legal entities and, by means of the quarterly audit management report, to the a.s.r. risk committee and to the Audit and Risk Committee.

The Audit Department has an independent position within a.s.r., as set down in the Audit Charter. The SB guarantees Audit and its employees an independent, impartial and autonomous position in order to execute the mission of Audit. The head of the Audit Department reports to the chairman of the EB and has a direct reporting line to the chairman of the Audit and Risk Committee. The Chief Audit Executive is appointed by the SB. In order to maintain the independence and impartiality of the internal audit function, the audit function is not influenced by the EB and managing boards of the legal entities in the execution of an audit and the evaluation of and reporting on audit outcomes. The audit function is not subjected to any inappropriate influence from any other function, including the key functions.

The persons carrying out the internal audit function do not assume any responsibility for any other (key) function. The Audit Department has periodic consultations with the supervisors (DNB and AFM) to discuss the risk assessment, findings and audit plan. The Audit Department's risk assessment is performed in close consultation with the independent external auditor. The department also takes the initiative to organise a 'tripartite consultation' with DNB and the independent external auditor at least once a year. On 18 april 2023 this tripartite consultation was held.

The Audit Department sets up a multi-year audit plan based upon an extensive risk assessment. The audit plan is approved by the Audit and Risk Committee. At least once a year, the audit plan is evaluated and any changes to the plan must be approved by the Audit and Risk Committee.

All auditors took the oath for the financial sector and are subject to disciplinary proceedings. All auditors have committed themselves to the applicable code of conduct of a.s.r., follow the Code of Ethics of the Institute of Internal Auditors (IIA) and comply with the specific professional rules of the Netherlands Institute of Chartered Accountants (NBA) and the professional association for IT-auditors in the Netherlands (NOREA).

Audit applies the standards of the IIA, NBA and NOREA for the profession of internal auditing. Each year, Audit performs a self-assessment and an internal quality review and reports the results to the chairman of the board and to the members of the Audit and Risk Committee. In accordance with the standards of the IIA, an external quality review is performed every five years. During the last review in 2022, Audit was approved by the IIA and received the Institute's quality certificate.

B.6. Actuarial function

The Actuarial Function (AF) is one of four key functions in a.s.r.'s system of governance.
The main tasks and responsibilities of the AF are to:

- coordinate the calculation of technical provisions;
- ensure the appropriateness of the methodologies, underlying models and the assumptions made in the calculation of technical provisions;
- assess the sufficiency and quality of the data used in the calculation of technical provisions;
- compare best estimates against experience;
- inform the administrative, management or supervisory body of the reliability and adequacy of the calculation of technical provisions;
- express an opinion on the overall underwriting policy;
- express an opinion on the adequacy of reinsurance arrangements; and
- contribute to the effective implementation of the risk management system.

The AF is part of the second line of defense and operates independently of both the first line (responsible for determining the technical provisions, reinsurance and underwriting), as well as the other three key functions (internal audit, risk management and compliance).

The AF for both a.s.r. and the insurance legal entities is operationally part of a.s.r. GRM. The AF is performed by persons who have profound knowledge of actuarial and financial mathematics, proportionate to the nature, scale and complexity of the risks present in a.s.r.'s businesses.

There are three Actuarial Function Holders in place at a.s.r. There is one functionholder responsible for the entities Aegon Levensverzekering N.V. and Aegon Spaarkas N.V. and one functionholder for the entity ASR Levensverzekering N.V. Together they are the functionholder for the life segment. The third function holder is responsible for the entities of the Non-life segment.

The AF function is represented in several risk committees. At least annually the AF drafts a formal report, which is discussed with the a.s.r. Risk Committee (or MB) and the a.s.r. Audit & Risk Committee.

Independence of the AF is secured through several measures:

- The AF holders are appointed and dismissed by the Board. Both the appointment and the dismissal of the holders is, together with an advice from the Audit and Risk Committee, submitted to the SB for approval;
- The AF holders have unrestricted access to all relevant information necessary for the exercise of their function;
- The AF holders have a direct reporting line to the a.s.r. Risk Committee or EB and the Audit and Risk Committee of a.s.r. The AF is free to report to one of the management or risk committees when considered necessary;
- The AF is free to report all relevant issues;
- In case of a conflict of interest with the CRO, the function holders may escalate directly to the CEO and to the Chairperson of the Audit & Risk Committee of a.s.r.;
- If the AF is asked to perform tasks that are outside the formal scope described in a charter, the function holder(s) assess if there is a conflict of interest. If so, the AF will not execute the task unless there are

sufficient additional measures to mitigate conflicts of interest;
- The Internal Audit Department evaluates periodically the governance of a.s.r. including the (independent) operation of the AF;
- Target setting and assessment of the function holders is done by the CEO taking into account the opinion of the Audit & Risk Committee.

B.7. Outsourcing

a.s.r. has outsourced some of its (operational) activities and/or processes to external service providers, including certain critical and/or important activities that are part of material (operational) processes. Part of the outsourced activities is related to front-, mid- or back office activities of supervised entities within the group. In addition, the management and service of some supporting systems is outsourced.

When activities are outsourced, a.s.r. remains fully accountable for these activities and the processed data and a.s.r. retains full control ('volledige zeggenschap' in Dutch) over the outsourced activities. To manage the risks related to outsourcing, a.s.r. has implemented an outsourcing policy to safeguard controlled and sound business operations which ensures compliance with laws and regulatory requirements. Solid risk management, governance, monitoring and a complete overview of outsourced activities are essential to manage those risks. The outsourcing policy outlines the relevant procedures and is applicable to a.s.r. and its supervised entities. The policy is also applicable to intragroup outsourcing.

To define the respective rights and obligations, a.s.r. drafts and agrees a written outsourcing contract with the service provider. The contract includes amongst others the obligations for all parties involved, commitment to comply with applicable laws and regulatory requirements, right to audit and information security requirements.

Confidentiality, quality of service, and continuity are key for a.s.r. in carrying out its activities. To safeguard the quality of outsourced activities, service providers are carefully examined prior to selection and during the period of service provision. a.s.r. monitors compliancy with the terms of the contract and performance of the outsourced activities. The findings of the monitoring activities serve as input for the regular consultation on operational, tactical and strategic level with the service provider and in case of non-compliance immediate action is taken.

In light of recent developments, it's worth noting that a.s.r. is updating the outsourcing policy and practices with regards to the impact of the Digital Operational Resilience Act (DORA) and the Corporate Sustainability Reporting Directive (CSRD). DORA introduces specific and prescriptive requirements that have impact on how financial organisations manage ICT and cyber risks. As for the CSRD, it is EU legislation that requires to publish regular reports on environmental and social impact activities.

B.8. Any other information

Not applicable.

C. Risk profile

General

This section is outlined as follows. The first subsection describes the risk assessment and measurement, sensitivity analyses and risk concentrations in general.

In subsections C.1 through C.5, more detailed information is provided on underwriting, market, credit, liquidity and operational risk, respectively. Finally, subsection C.6 and C.7 comments on other risks and any other information.

Risk Assessment and Measurement: Solvency Capital Requirement
The assessment of Aegon Levensverzekering's risk profile forms part of the ERM framework, which is discussed in section B. Within this framework, risk policies provide specific operating guidelines for Aegon Levensverzekering's risk governance and risk tolerance statements. Aegon Levensverzekering complies with the risk policies of both a.s.r. and the former Aegon Nederland. The Aegon Nederland risk policies are tailored to fit local circumstances and therefore entail additional restrictions compared to the a.s.r. policies.

Within the ERM Framework, risk exposures are identified and quantified using Aegon Levensverzekering's PIM. The PIM, which has been developed in close cooperation with the former Aegon Group, has been validated by the former Aegon Nederland's Risk Function and approved by Aegon Levensverzekering's supervisor DNB. The main output of the PIM is the SCR. The SCR is the minimum level of Eligible Own Funds (hereafter: Own Funds) required in accordance with Solvency II legislation to absorb unexpected developments in all risk exposures of Aegon Levensverzekering combined. It serves to ensure that obligations to policyholders can be met with a very high degree of certainty. When available Own Funds are in excess of the aggregate SCR, Aegon Levensverzekering will be able to meet obligations to policyholders with a likelihood of at least 99.5% over a period of one year.

The PIM contains separate modules for market risk, counterparty default risk, underwriting risk, and operational risk. A separate SCR is determined for each of them. Major risks within the PIM are assessed using an internally developed model. For the other risks, the Solvency II standard formula is applied.

The table below shows the components and the structure of Aegon Levensverzekering's PIM, the amounts of the main risk types and whether the components have been developed internally or are based on the Solvency II standard formula.

Key risks underlying the SCR

Amounts in € millions	Components description	2023	2022
C.2 Market risk	Market risk (SF)	654	535
	Market risk (IM) including DA	1.800	1,588
C.3 Credit risk	Counterparty default risk (SF)	94	78
	Counterparty default risk (IM)	-	-
C.1 Underwriting risk	Life underwriting risk (SF)	534	583
	Life underwriting risk (IM)	1,014	948
	Health underwriting risk (SF)	-	-
	Health underwriting risk (IM)	-	-
	Non-life underwriting risk (SF)	-	-
	Non-life underwriting risk (IM)	-	-
C.5 Operational risk	Operational risk (SF)	214	208
	Operational risk (IM)	-	-
E.2.1 Solvency Captial Requirement	Diversification	-1,358	-1,279
	LAC Deferred Taxes (negative amount)	-591	-455
	Total SCR	**2,361**	**2,205**

The increase in SCR is mainly driven by market risk due to model and assumption changes. Model and assumption changes included a change for the fixed income module and aggregation, and the annual parameter updates.

Mitigating effects of diversification between risks, as well as the loss absorbing capacity of deferred taxes (LAC DT) are taken into account in the aggregate SCR. Diversification exists as the degree to which different risks are related to one another is, in many cases, limited. As a result, the likelihood of severely adverse developments of all risks occurring within the same year is less likely than the intended 1-in-200 years event. The impact of diversification is measured separately within the PIM. Further explanation on the LAC DT and diversification is provided in Section E.2.1.

Furthermore, with regards to the methodology to derive the SCR, it should be noted that:
- The SCRs for underwriting, market, credit and operational risk include the exposures to these risks in the Aegon Vastgoed subsidiaries, AMVEST joint ventures and Direct Lending B.V. The so-called 'look through' approach ensures assessment of the risks within these subsidiaries on a consistent basis with the exposures directly held by Aegon Levensverzekering.

- The risks related to other, smaller participations (as listed in section A) are included as market risks, based on a reduced value of the participation in an adverse scenario.
- For liquidity risk, no SCR has been determined, as the Liquidity Risk policy ensures that sufficient liquidity is available with a very high degree of certainty over a period of two years. Liquidity risk is discussed further in section C.4.

Quantitative description of Aegon Levensverzekering's risk priorities

Solvency II ratio in 2023

The Solvency ratio is the main indicator of the ability of Aegon Levensverzekering to meet all its obligations to policyholders and other stakeholders, as and when they fall due. It is defined as follows:

Solvency ratio = Own Funds / SCR

The Own Funds are the assets of the company, valued according to Solvency II principles, in excess of all obligations to policyholders as well as other liabilities that are not subordinated. Own Funds, SCR and Solvency ratio as of December 31, 2023 are shown below.

Own Funds and SCR

Amount in € million	Own Funds	SCR	Solvency ratio December 31, 2023
Solvency ratio	4,022	2,361	170%

The lower bound for the target range for the Solvency II ratio (Eligible Own Funds divided by SCR) of Aegon Levensverzekering is set at 140%. This creates a buffer for the protection of the interests of policyholders. The target zone ensures that capital management can be employed relatively flexible and ensures execution of strategy, capital generation and dividends. When the ratio drops near or into the recovery zone, the management of the entity will take actions that will restore the ratio to a level back in the target zone.

In addition to the derivation of the SCR, Aegon Levensverzekering performs sensitivity analyses and stress testing on a regular basis to assess the impact of the scenarios considered in these tests.

Solvency II sensitivities

The sensitivities of the solvency ratio as at 31 December 2023, expressed as the impact on Aegon Levensverzekering's Solvency II ratio (in percentage points) are as presented in the table below. The total impact is split between the impact on the Solvency II ratio related to movement in the available capital and the required capital. The sensitivities are based on the situation per 31 December 2023. The Solvency II ratios presented are not final until filed with the regulators. In 2023 the scenarios have been aligned between a.s.r. and Aegon, therefore for some scenarios no comparison with 2022 can be made.

Solvency II sensitivities – market risk

Effect on:	Available capital		Required capital		Ratio	
Type of risk (%-points)	31 Dec 2023	31 Dec 2022	31 Dec 2023	31 Dec 2022	31 Dec 2023	31 Dec 2022
UFR 3.2%	-131	n/a	10	n/a	-6	n/a
Interest rate +1% (incl. UFR 3.45%)	-205	-289	-109	-51	-1	-8
Interest rate -1% (incl. UFR 3.45%)	150	312	147	113	-4	3
Interest steepening +10bps	-7	-20	1	0	-0	-1
Volatility Adjustment -10bps	-492	n/a	-197	n/a	-7	n/a
Government spread + 50 bps / VA + 10 bps	-209	-164	-94	-91	-2	1
Mortgage spread +50 bps	-482	-381	-117	-92	-13	-9
Equity prices -20%	-154	n/a	-42	n/a	-4	n/a
Property values -10%	-378	n/a	-18	n/a	-15	n/a
Spread + 75bps/VA +17bps	460	n/a	259	n/a	1	n/a
Inflation +30bps	-12	n/a	9	n/a	-1	n/a

Solvency II sensitivities - explanation

Risk	Scenario
Interest rate risk - UFR 3.2%	Measured as the impact of a lower UFR. For the valuation of liabilities, the extrapolation to the UFR of 3.2% after the last liquid point of 20 years remained unchanged. The impact on available capital, required capital and ratio relates to a comparison with a solvency ratio measured at a UFR of 3.45% for 2023 (3.45% for 2022).
Interest rate risk (incl. UFR 3.45%)	Measured as the impact of a parallel 1% upward and downward movement of the interest rates. For the liabilities, the extrapolation to the UFR (3.45% for 2023 and 3.45% for 2022.) after the last liquid point of 20 years remained unchanged.
Interest steepening	Measured as the impact of a linear steepening of the interest rate curve between 20Y and 30Y of 1 bps to 10 bps.
Volatility Adjustment	Measured as the impact of a 10 bps decrease in the Volatility Adjustment.
Government spread	Measured as the impact of an increase of spread on Government bonds of 50 bps. At the same it is assumed that the Volatility Adjustment will increase by 10 bps (2022: +10 bps).
Mortgage spread	Measured as the impact of a 50 bps increase of spreads on mortgages.
Equity risk	Measured as the impact of a 20% downward movement in equity prices.
Property risk	Measured as the impact of a 10% downward movement in the market value of real estate.
Spread risk (including impact of spread movement on VA)	Measured as the impact of an increase of spread on loans and corporate bonds of 75 bps. At the same time, it is assumed that the Volatility Adjustment will increase by 17 bps (2022: +18 bps) based on reference portfolio.
Inflation risk	Measured as the impact of a 30 bps parallel increase of the inflation rates (EUSWI-curve). The extrapolation of the UFR remains unchanged.

Expected development Ultimate Forward Rate

European Insurance and Occupational Pensions Authority (EIOPA) will reduce the ultimate forward rate used to extrapolate insurers' discount curves to better reflect expected inflation and real interest rates. There are various scenarios regarding lowering the Ultimate Forward Rate (UFR).

After a decrease of the UFR each year by 15 basis points, per 2023 the UFR remained stable compared to 2022 at 3.45%. The solvency ratio remains above internal solvency objectives.

Changes in the UFR have an almost linear effect on the solvency ratio. The impact on the solvency ratio of various UFR levels is stated below

Sensitivities Solvency II ratio to UFR

Effect on:	Ratio	
Type of risk (%-points)	31 December 2023	31 December 2022
UFR 2,4%	141%	-
UFR 2,7%	149%	-
UFR 3,2%	164%	-
UFR 3,45%	170%	-

For Aegon Levensverzekering, no comparable UFR sensitivity figures for 2022 are available.

Interest rate sensitivity of Solvency II ratio

The impact of the interest rate on the Solvency II ratio, including the UFR effect, is stated below. The UFR methodology has been applied to the shocked interest rate curve. The figure shows a decrease in interest rate sensitivity. As the over hedged position has declined in 2023, Aegon Levensverzekering is less sensitive for interest rate changes.

Sensitivities Solvency II ratio to interest rate

Effect on:	Ratio	
Type of risk (%-points)	31 December 2023	31 December 2022
Interest rate -1% (incl. UFR 3.45%)	166%	213%
Interest rate -0,5% (incl. UFR 3.45%)	169%	214%
Interest rate 0% (incl. UFR 3.45%)	170%	210%
Interest rate 0,5% (incl. UFR 3.45%)	171%	205%
Interest rate 1% (incl. UFR 3.45%)	170%	201%

Equity risk

For equity risk no comparable sensitivities have been calculated in 2022.

Spread risk

For spread sensitivities the impact on ratio has increased in 2023. This is mainly caused by the DTA ineligibility. As the DTA at the end of the year was high, a decrease in Own funds resulted in DTA ineligibility and therefore a stronger decrease of the Eligible own Funds.

The sensitivity to spread risk is measured as the impact of an increase of spread on loans and corporate bonds of 75 bps. The volatility adjustment is based on a reference portfolio. An increase of 75 bps of the spreads on loans and corporate bonds within the reference portfolio leads to an increase of the VA with 17 bps in 2023.

Loss Absorbing Capacity of Deferred Tax

Aegon Levensverzekering uses the following methodology for the calculation of the Loss Absorbing Capacity Deferred Tax (LAC DT) benefit in euros. Relevant regulation and current guidance (Delegated Regulation, Level 3 guidelines, Dutch Central Bank Q&As and IAS12) are taken into account in the development of the LAC DT methodology.

LAC DT Components

Sources of DTA	Sources of DTL
BSCR* shock loss	Future profits
Unwind DTA	Unwind DTL
	Previous year profit (LCB)

The outcome is a Worst Case Tax Factor (WCTF), which is a factor between 0% and 100% representing the recoverability of the BSCR* shock loss.

1. In the model that Aegon Levensverzekering applies, the unrounded WCTF is determined based on fiscal profits from the previous year available for loss carry back and the unwind of the current DTL position. To determine what part of the remaining DTA (both before and after shock) is recoverable, future profits are taken into account of which most importantly excess returns on GA assets and drag impacts. Fiscal planning is not used.
2. Four scenarios of varying input (such that uncertainty increases over time and is larger post-shock than pre-shock) are used to substantiate that sufficient future taxable profits are available against which the DTA (pre-shock) and WCTF (post-shock) can actually be utilised. These scenarios are combined into a weighted average WCTF.

The weighted average WCTF is adjusted to a final setting to be used in reporting. The main rationale is to have a relatively stable WCTF setting during the year. For this, the weighted average WCTF is rounded down to the nearest 5% and capped by an entity specific upper bound. The value of the upper bound is set at the lower end of the reasonable expected range of model outcomes, based on past performance and model/entity dynamics. The upper bound is reassessed on an annual basis and has been updated for Aegon Levensverzekering to 80%. As the raw WCTF model outcome exceeded 80%, the WCTF is set to 80% for 2023 Q4 reporting.

Loss Absorbing Capacity of Technical Provisions (LAC TP)
LAC TP does not apply to Aegon Levensverzekering.

C.1. Insurance risk

Insurance risk is the risk that future insurance claims and benefits cannot be covered by premium and/or investment income, or that insurance liabilities are not sufficient, because future expenses, claims and benefits differ from the assumptions used in determining the best estimate liability.

Risk-mitigating measures are used to reduce and contain the volatility of results or to decrease the possible negative impact on value as an alternative for the capital requirement. Proper pricing, underwriting, reinsurance, claims management, and diversification are the main risk mitigating actions for insurance risks.

The solvency buffer is held by Aegon Levensverzekering to cover the risk that claims may exceed the available insurance provisions and to ensure its solidity. The solvency position of Aegon Levensverzekering is determined and continuously monitored in order to assess if Aegon Levensverzekering meets the regulatory requirements.

Aegon Levensverzekering measures its risks using a Partial Internal Model (PIM).

Solvency II sensitivities
Aegon Levensverzekering has assessed the impact of various sensitivities on the Solvency II ratio. The sensitivities as at 31 December 2023 expressed as impact on the Aegon Levensverzekering solvency ratio (in percentage points) are as follows:

Solvency II sensitivities - insurance risk

Effect on:	Available capital		Required capital		Ratio	
Type of risk (%-points)	31 Dec 2023	31 Dec 2022	31 Dec 2023	31 Dec 2022	31 Dec 2023	31 Dec 2022
Expenses +10%	-141	n/a	17	n/a	-7	n/a
Mortality rates, all products -5%	-222	-166	-1	-14	-9	-6
Lapse rates -10%	-4	n/a	1	n/a	0	n/a

Solvency II sensitivities - explanation

Risk	Scenario
Expense risk	Measured as the impact of a 10% increase in expense levels.
Mortality risk	Measured as the impact of a 5% decrease in all mortality rates.
Lapse risk	Measured as the impact of a 10% decrease in lapse rates.

C.1.1. Life insurance risk

The life portfolio can be divided into individual life and group pension

The products are sold as insurance products in cash or unit-linked contracts. With respect to products in cash, the investment risk is fully borne by the insurer whereas, in the case of unit-linked products, the majority of the investment risk is for the policyholder's account.

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

The material underwriting risks for Aegon Levensverzekering are mortality/longevity risk, policyholder behavior risk and expense risk.

Mortality
Mortality risk is associated with (re)insurance obligations, such as endowment or term assurance policies, where a payment or payments are made in case of the policyholder's death during the contract term. The increase in mortality rates is applied to (re)insurance obligations which are contingent on mortality risk. The required capital for this risk is calculated within the PIM.

Longevity risk
Longevity risk is associated with (re)insurance obligations where payments are made until the death of the policyholder and where a decrease in mortality rates results in higher technical provisions. The decrease in mortality rates is applied to (re)insurance obligations portfolio's where payments are contingent on longevity risk. The required capital is calculated within the PIM.

Disability-morbidity risk
Morbidity or disability risk is associated with all types of insurance compensating or reimbursing losses (e.g. loss of income, adverse changes in the best estimate of the liabilities) caused by changes in the morbidity or disability rates. The scenario analysis consists of a 35% increase in disability rates for the first year, 25% for subsequent years, combined with a decrease in revalidation rates of 20%. Due to limited materiality, some simplifications are applied within the modelling implementation.

Policyholder behavior risk (lapse risk)
Policyholder behavior risk is the risk of losses (or adverse changes in the best estimate of the liabilities) due to an unanticipated (higher or lower) rate of policy lapses, terminations, changes to paid-up status (cessation of premium payment) and surrenders.

Policyholder behavior risk arises from economic losses due to policyholder behavior deviating from expectations. Insurance contracts typically provide policyholders with a variety of options that they may or may not exercise. Policyholder behavior risk is the risk that actual policyholder behavior deviates from the assumptions built into the reserve calculations. This includes assumptions about lapses, withdrawals, premium payment levels, allocation of funds, and the utilization of possible options in the products.

The above-mentioned elements of policyholder behavior risk all relate to insurance contracts. The prepayment risk on mortgages constitutes another important component of policyholder behavior risk; it is the risk of higher or lower prepayments that anticipated, including early redemption rates, thus impacting the value of the mortgage portfolio.

In general, Aegon Levensverzekering is at risk for decrease as in some cases higher claim payments including guaranteed returns have to be provided.

Expense risk

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

- Expense inflation risk is the risk that expenses inflate at a higher rate than that assumed in the calculation of the technical provisions. It does not cover the risk of general price inflation increases, which would be covered by mismatch risk; and
- Expense level risk is the risk that unexpected changes in maintenance expenses for in-force business will occur (assuming that the volumes of business are unchanged from best estimate assumptions). The risk therefore corresponds to an increase in the total expenses spread among the same number of policies – i.e., the per policy expenses increase. It is effectively the change in the best estimate expense assumption given a 1-in-200-year expense event.

Most expenses Aegon Levensverzekering has within its business will be subject to expense risk if not contractually defined. These types of expenses may include salaries, office space, software licenses and fees to intermediaries.

Life catastrophe risk

Catastrophe risk arises from extreme events which are not captured in the other life insurance risks, such as pandemics. The capital requirement for this risk is calculated as a 1.5 per mille increase in mortality rates in the first projected year for (re)insurance obligations where the increase in mortality rates leads to an increase in technical provisions.

Mortgage Loans

Within the individual life portfolio there is a group of policies directly linked to a mortgage loan (‘Spaarhypotheken’). In case the mortgage loan is not on the balance sheet of Aegon Levensverzekering, Aegon Levensverzekering receives the premium relating to the savings policy, which represents an asset.

Other Information

Within Aegon Levensverzekering, longevity risk is dominant and arises from group pension business and individual annuities. The longevity risk is partly offset by mortality risk that arises from individual policies with mortality risk. The other main risks Aegon Levensverzekering is exposed to are expense risk and policy behaviour risk.

Required capital in 2023 decreased mainly due to lapse and expense risks. Lapse risk decreased due to lower mortgage prepayment risk and life lapse risk as interest rates increased. Expense risk reduced due to inflation movements, data movements and an assumption update in Q4.

For the life portfolio, the provision at year-end (provided figures are without reductions resulting from reinsurance contracts) can be broken down as follows under Solvency II:

Life portfolio - technical provision per segment

	31 December 2023	31 December 2022
Insurance with profit participation		
Best estimate	12,985	12,542
Risk margin	572	532
Technical provision	**13,557**	**13,075**
Other life insurance		
Best estimate	14,683	14,239
Risk margin	284	309
Technical provision	**14,967**	**14,548**
Index-linked and unit-linked insurance		
Best estimate	24,059	23,087
Risk margin	630	585
Technical provision	**24,689**	**23,671**
Total		
Best estimate	51,727	49,868
Risk margin	1,485	1,426
Technical provision	**53,213**	**51,294**

In 2023 the technical provisions increased with € 1,919 million, this was mainly caused by decreased interest rates.

C.1.1.1 Managing life insurance risk

Life insurance risk is mitigated by pricing, underwriting policies and reinsurance.

Pricing is based on profit capacity calculations. A calculation is made of the price required to cover the risks. A calculation is made of the price required to cover the insurance liabilities, expenses and risks.

Underwriting policies describe the types of risks and the extent of risk Aegon Levensverzekering is willing to accept.

Reinsurance is used mitigate its exposure to underwriting risk for Aegon Levensverzekering. More information about reinsurance is included in C.1.3.

C.1.2. Risk Concentrations

In addition to the risk tolerance limits as measured by gross ERC, it's common practice to address 'concentration' of risk on insured lives, using a risk limit per individual life (or joint lives). The exposures on a few lives with a much higher risk than the average in the portfolio can create too high a volatility in the results. Limiting such exposures reduces the impact of process risk and also increases the stability of the underwriting results. These risk limits per single life (or joint lives) will be further referred to as 'retention limits'. The retention limits are typically chosen in such a way that the remaining exposure is acceptable, relative to the size of the earnings and the size of the balance sheet of the company. Risk mitigation and managing compliance with the retention limits can be achieved by reinsurance (external or internal), by the underwriting process or by the product design.

C.1.3. Risk mitigation techniques used for underwriting risks

Aegon Levensverzekering has reinsurance contracts in place with external parties that mitigate its exposure to underwriting risk. Reinsurance helps Aegon Levensverzekering to manage, mitigate and diversify its insurance risks, and limit the maximum loss it may incur in an adverse scenario.

Longevity Risk

At the end of 2023 Aegon Levensverzekering has two longevity reinsurance swap agreements in place that provide protection against the longevity risk associated with the Defined Benefit pension liabilities. A first reinsurance agreement is in place with Canada Life Re since year-end 2019, and a second similar agreement is in place with Reinsurance Group of America since year-end 2021.

Both agreements cover the longevity risk associated with Aegon's policyholders, including deferred pensioners and in-payment policies of pensioners and dependents during the full run-off of these policies. Both agreements are collateralized to mitigate any potential counterparty risk and the agreements have no impact on the services and guarantees that Aegon provides to its policyholders.

Together, these two agreements mitigate approximately 40% of the longevity risk exposure of Aegon Levensverzekering. As such, these agreements strongly reduce the concentration of Aegon's risk exposure in longevity risk and help to diversify the risk profile of Aegon Levensverzekering.

Mortality Risk

Aegon Levensverzekering has reinsured a share of the mortality risk associated with its term life assurance book through quota-share reinsurance agreements with Reinsurance Group of America and Munich Re.

C.2. Market risk

Market risk is the risk of potential losses due to adverse movements in financial market variables. Exposure to market risk is measured by the impact of movements in financial variables such as equity prices, interest rates and property prices. The various types of market risk which are discussed in this section, are:

- interest rate risk (including interest rate volatility risk)
- equity risk (including equity volatility risk)
- property risk
- currency risk
- credit risk
- concentration risk

Aegon Levensverzekering's largest exposures are to changes in financial markets (e.g. fixed-income market, equity market, interest rate risk and credit risk relating to investments). When market prices fall, the value of Aegon Levensverzekering's investments is reduced. For certain products, Aegon Levensverzekering's insurance liabilities may also increase, when guaranteed investments held for the benefit of policyholders reduce in value. In addition, the value of future fee income potential reduces. The cost of insurance liabilities is also determined with reference to interest rates and the liabilities associated with long term benefits (such as annuities) increase and decrease as interest rates fall and rise.

The main market risks of Aegon Levensverzekering are interest rate, equity, property and spread risk.

C.2.1. Interest rate risk (mismatch risk)

Interest rate risk is the risk that the value of assets, liabilities or financial instruments will change due to fluctuations in interest rates. Many insurance products are exposed to interest rate risk; the value of the products is closely related to the applicable interest rate curve. The interest rate risk of insurance products depends on the term to maturity, interest rate guarantees and profit-sharing features. Life insurance contracts are particularly sensitive to interest rate risk. The required capital is calculated based on the PIM.

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

Aegon is exposed to interest rate risk, as both its assets and liabilities are sensitive to movements in long- and short-term interest rates. The majority of Aegon Levensverzekering's products are long-term in nature and consequently low interest rates, or high interest rate volatility may adversely affect Aegon Levensverzekering´s profitability and shareholders´ equity. It is also the case that a steepening of the interest rate curve could have negative consequences for Aegon Levensverzekering. For example, in such a scenario surrenders and withdrawals may increase. This activity may result in cash payments by Aegon requiring the sale of invested assets at a time when the prices of those assets have fallen due to the increase in market interest rates.

Aegon Levensverzekering applies a look through approach for investment funds to assess the interest rate risk.

Solvency II sensitivities - interest rate

Effect on:	Available capital		Required capital		Ratio	
Type of risk (%-points)	31 Dec 2023	31 Dec 2022	31 Dec 2023	31 Dec 2022	31 Dec 2023	31 Dec 2022
UFR 3.2%	-131	n/a	10	n/a	-6	n/a
Interest rate +0,5% (incl. UFR 3.45%)	-96	-134	-64	-15	1	-5
Interest rate -0,5% (incl. UFR 3.45%)	76	156	71	34	-2	4
Interest steepening +10bps	-7	-20	1	0	-0	-1
Volatility Adjustment -10bps	-492	n/a	-197	n/a	-7	n/a

The impact on interest rate sensitivities on SCR increased due to an adjustment in the calculation method for the several IM elements in the SCR. Aegon Levensverzekering has an over-hedged Own funds position under Solvency II. This results in an exposure on interest rate sensitivities. During 2023 the over-hedged position has decreased resulting in a smaller impact on the Own funds.
The UFR 3.2% and Volatility Adjustment -10bps have not been calculated per Q4 2022, therefore no comparison can be made.

C.2.2. Equity risk

A decline in equity markets may adversely affect Aegon Levensverzekering's profitability and shareholders' equity, sales of savings and investment products, and the amount of assets under management. Declining market values of equity investments may constitute a risk for both Aegon and its customers. Exposure to equity markets exists in both assets and liabilities. Asset exposure exists through direct equity investments in which Aegon bears all or most of the volatility in returns and investment performance risk. Direct equity risk is very limited, as defined by Aegon Levensverzekering's Risk policies.

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

Some of Aegon Levensverzekering's insurance business have minimum return or accumulation guarantees that require Aegon to establish reserves to fund these future guaranteed benefits when equity market returns do not meet or exceed these guarantee levels. Deteriorating general economic conditions may again result in a significant decrease in the value of Aegon's equity investments.

Solvency II sensitivities - equity prices

Effect on:	Available capital		Required capital		Ratio	
Type of risk (%-points)	31 Dec 2023	31 Dec 2022	31 Dec 2023	31 Dec 2022	31 Dec 2023	31 Dec 2022
Equity prices -20%	-154	n/a	-42	n/a	-4	n/a

C.2.3. Property risk (Alternative investment risk)

Aegon Levensverzekering N.V. invest in various sorts of real estate. Under the Solvency II regime, these investments are classified as alternative investments). The associated risk is quantified using an internal model and the Standard Formula.

Solvency II sensitivities - spread risk

Effect on:	Available capital		Required capital		Ratio	
Scenario (%-points)	31 Dec 2023	31 Dec 2022	31 Dec 2023	31 Dec 2022	31 Dec 2023	31 Dec 2022
Property values -10%	-378	n/a	-18	n/a	-15%	n/a

C.2.4. Currency risk

Aegon Levensverzekering 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 much as possible.

C.2.5. Spread risk (credit risk)

Internally Aegon considers credit risk to consist of the following three components:

- Spread risk; the risk that the value of bonds reduces due to a general widening of credit spreads;
- Migration risk; the risk that the rating of bonds fall due to an increased risk of default and as a consequence their value falls; and
- Default risk; the risk that the counterparty fails to meet agreed obligations.

For general account products, Aegon typically bears the risk for investment performance and is exposed to credit risk in the fixed income portfolio and over-the counter (OTC) derivatives.

Aegon is also indirectly exposed to credit risk on separate account investments held for the benefit of policyholders. Credit losses reduce account values, leading to lower fee income to Aegon. For certain products, Aegon has also provided guarantees to protect customers against the risk of losses in the separate account. For these benefits Aegon is directly exposed to separate account credit losses.

Solvency II sensitivities - spread risk

Effect on:	Available capital		Required capital		Ratio	
Type of risk (%-points)	31 Dec 2023	31 Dec 2022	31 Dec 2023	31 Dec 2022	31 Dec 2023	31 Dec 2022
Spread +75bps (2023: VA +17bps/2022: VA +18bps)	460	n/a	260	n/a	1%	n/a

C.2.6. Market risk concentrations

Concentrations of market risk constitute an additional risk to an insurer. Concentration risk is the concentration of exposures to the same counterparty. Other possible concentrations (region, country, etc.) are not in scope. The capital requirement for concentration risk is determined in three steps:

1. determine the exposure above threshold. The threshold depends on the credit quality of the counterparty;
2. calculation of the capital requirement for each counterparty, based on a specified factor depending on the credit quality;
3. aggregation of individual capital requirements for the various counterparties.

According the spread risk module, bonds and loans guaranteed by a certain government or international organisation are not in scope of concentration risk. Bank deposits can be excluded from concentration risk if they fulfill certain conditions.
Concentration of market risks could occur in case relatively high amounts are invested in a single security, or where a collection of highly correlated investments is held. Aegon Levensverzekering specifically manages concentration risk within the investment portfolio to mitigate concentration risks. Where concentrations risks exist nonetheless, an additional amount of SCR is determined.

The Market Risk Concentration capital is calculated using the Standard Formula Concentration Risk module.

C.2.7. Deterministic adjustment

In 2020 Aegon Levensverzekering identified improvements to its internal model that mitigate volatility caused by the basis risk between the EIOPA VA reference portfolio and its own asset portfolio. These improvements were implemented for year-end reporting 2020 onwards and they will be in place until changes arising from the Solvency II review are enacted. The Deterministic adjustment has been included in QRT S.25.05 under market risk as a separate risk type.

C.2.8. Risk mitigation techniques used for Market risks

Aegon Levensverzekering is exposed to several types of market risk. Certain of these types are accepted, others are mitigated. Risk is not hedged if a positive return is expected or if it is not possible or too expensive to hedge the exposure.

Aegon Levensverzekering employs sophisticated interest rate measurement techniques. Fixed income assets, interest rate swaps and swaptions are used to manage the interest rate risk exposure. Aegon Levensverzekering sets a limit on interest rate risk. The use of derivatives is governed by Aegon's Derivative Use Policy. There is a hedge program for the interest rate exposure of the guarantee provisions and a separate program for the linear hedge of General Account exposure.

Aegon Levensverzekering is exposed to inflation because of certain indexed pension products and its own expenses. Inflation exposure is hedged on an own fund's basis using inflation linked swaps. For the pension products, a legacy portfolio of inflation linked bonds and notes is maintained.

Aegon Levensverzekering has generally positive income benefits from equity market increases and negative impacts from equity market declines as it earns fees on policyholder account balances and in certain cases provides minimum guarantees for account values. Hedging of exposures may change those effects significantly and equity hedges are used to manage the equity market risk related to products with guarantees that have underlying equity funds.

Aegon Levensverzekering sets a limit on equity risk. Hedging programs are in place that are designed to manage the risks within these defined limits. Equity hedge programs use equity options to provide protection against the impact of equity market declines.
Aegon Levensverzekering sets a limit on currency risk. Aegon Levensverzekering does not engage in direct currency speculation or program trading and any assets or liabilities not in the functional currency of the business are hedged back to that currency. In any case where this is not possible or practical, the remaining currency exposure is controlled by limits on total exposure.

Aegon Levensverzekering manages credit risk exposure by individual counterparty, sector and asset class, including cash positions through its ERM framework as described in section B.3 Risk management system. Different exposures are mitigated with derivatives as described below.

Credit risk mitigation
Aegon Levensverzekering mitigates credit risk in derivative contracts by entering into a credit support agreement, where practical, and in ISDA (International Swaps and Derivatives Association) master netting agreements. The counterparties to these transactions are investment banks that are typically rated ‘A’ or higher. The credit support agreement contains a threshold above which collateral needs to be pledged by Aegon Levensverzekering or its counterparty.

Transactions requiring Aegon Levensverzekering to post collateral are typically derivative trades, mostly interest rate swaps and swaptions, inflation linked swaps, equity swaps, currency swaps and credit swaps. Collateral received is mainly cash. The credit support agreements that outline the acceptable collateral require high quality instruments to be posted.

C.3. Counterparty Default Risk

Counterparty default risk reflects possible losses due to unexpected default or deterioration in the credit standing of counterparties and debtors. Counterparty default risk affects several types of assets:

- mortgages
- saving- linked mortgage loans
- derivatives
- reinsurance
- receivables
- cash and deposits

Assets that are in scope of spread risk are, by definition, not in scope of counterparty default risk and vice versa. The Solvency II regime makes a distinction between two types of exposures:

- Type 1: These counterparties generally have a rating (reinsurance, derivatives, current account balances, deposits with ceding companies and issued guarantee (letter of credit). The exposures are not diversified.
- Type 2: These counterparties are normally unrated (receivables from intermediaries and policyholders, mortgages with private individuals or SMEs). The exposures are generally diversified.

The total capital requirement for counterparty risk is an aggregation of the capital requirement for type 1 exposure and the capital requirement for type 2 exposure by taking 75% correlation.

Counterparty default risk for Aegon Levensverzekering mainly covers exposure to risk mitigating contracts (such as reinsurance), derivatives, cash at bank and derivatives for which capital is calculated under the standard formula.

The counterparty default risk for type 1 exposures follows the Standard Formula approach.
The counterparty default risk type 2 exposure consists only of mortgage loans and is calculated in a separate model under PIM (fixed income) and therefore excluded from counterparty default risk type 2.

C.3.1. Mortgages
Mortgages are not included in Aegon Levensverzekering's counterparty default risk. Mortgages are included in the Spread and Policyholder Behaviour PIM risk modules.

C.3.2 Savings-linked mortgage loans
Saving linked mortgage loans are not included in Aegon Levensverzekering's counterparty default risk.

C.3.3 Derivatives
The Aegon Levensverzekeing derivative portfolio consist of a broad array of instruments. The derivatives are shocked under counter party default risk standard formula, taking into account the risk mitigating impact.

C.3.4 Reinsurance
Below the rating of the reinsurance counterpart is given for Aegon Levensverzekering.

Composition reinsurance counterparties by rating

	Amount	
	31 December 2023	31 December 2022
AAA	0	0
AA	-445	-420
A	0	0
NR	0	0
Total	**-445**	**-420**

C.3.5. Receivables

Composition receivables

	Amount	
	31 December 2023	31 December 2022
Policyholders	69	77
Other receivables	530	245
Total	**599**	**322**

C.3.6. Cash and Cash equivalents

The current accounts amounted € 2,728 million in 2023.

Composition cash accounts by rating

	Amount	
	31 December 2023	31 December 2022
AAA	773	-
AA	514	-
A	1,441	-
Lower than A	0	-
Total	**2,728**	**-**

C.3.7. Risk Concentrations

Concentration within counterparty default risk could occur in case relatively high amounts are outstanding with a single counterparty, or if default risks of many counterparties are highly correlated.

An important measure to avoid concentration within counterparty default risk is to diversify and limit exposure to individual issuers. More specifically, Aegon Levensverzekering has put in place a policy to limit the aggregate exposure to any single counterparty. Exposures are monitored on a weekly basis and any potential violations of exposure limits must be reduced on short notice. Concentration in exposures is managed by setting limits on risk types and single counterparties, by testing extreme scenarios in the Multi-Year Budget (MYB) process.

No risk concentrations within counterparty default risk have been identified as per December 31, 2023.

C.3.8. Risk mitigation techniques used for Counterparty Default risks

Counterparty risk related to derivatives transactions is mitigated by daily exchange of collateral. Collateral management has been put in place for all centrally cleared and bilaterally traded derivatives of Aegon Levensverzekering. Central clearing for parts of the derivatives markets has increased the collateral requirements and reduced counterparty risk.

C.4. Liquidity risk

C.4.1. Description of the measures used to assess liquidity risks & sensitivity testing

Under normal circumstances, a significant proportion of the investment portfolio can be quickly converted into cash. However, it may not be possible to sell some part of the asset portfolio, such as private loans, mortgage loans, real estate and holdings in unlisted enterprises at a reasonable price on short notice, if necessary.

Events that may have a sudden, adverse impact on available liquidity include the following:
- Large change in interest rates;
- Large change in credit spreads;
- Insolvency of a counterparty, credit facility or bank where current accounts are held; and
- Credit downgrade of Aegon Levensverzekering N.V.

Furthermore, circumstances can arise in which liquidity/cash/funding in the market becomes scarce.

Aegon Levensverzekering operates 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 under extreme conditions resulting from unforeseen circumstances.

This policy aims to ensure that sufficient liquidity exists in the asset portfolio to provide for timely payment of all potential cash demands under both normal business conditions and under extreme conditions resulting from unforeseen events. The liquidity tests quantitatively measure the ability of Aegon Levensverzekering to meet all potential cash demands.

The liquidity position is tested at least 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.

The liquidity position remained excellent during the year.

C.4.2. Risk Concentrations

The described stressed liquidity scenario can be regarded as a concentration with respect to liquidity risk. The liquidity risk policy requires that sufficient liquid assets are available in this scenario.

C.4.3. Risk mitigation techniques used for liquidity risks

In 2018, two liquidity facilities were established with third parties. The use of these facilities in the liquidity stress test came to an end during 2022 due to the approaching contract end date. A new € 1 billion liquidity facility was implemented in 2023Q1.

C.4.4. Expected Profit in Future Premiums (EPIFP)

Expected Profit in Future Premiums (EPIFP) reflects the current value of the net cash flow expected to arise from in-force contracts until the end date of each contract. Note that the EPIFP is determined only for contracts where such a value is positive. EPIFP forms part of the technical provisions of Aegon Levensverzekering, where a positive EPIFP value leads to a reduction of the total technical provisions. The total amount of the EPIFP amounts to € 141 million at year-end 2023. Note that this value does not reflect derivatives contracts that have been put in place in previous years to hedge against the risk of low interest rates. The increase is mainly driven by changes in economic related assumptions, lapse parameters and approximations.

EPIFP

	31 December 2023	31 December 2022
EPIFP	141	99

C.4.5. Risk sensitivity for liquidity risks
The sensitivity to liquidity risk is tested using the stressed liquidity scenario described above. The result of the calculation of the stressed liquidity scenario contains the separate components that contribute to liquidity use in such a scenario. This gives insight in the sensitivity of the liquidity position to these separate components. Besides the described stressed liquidity scenario additional sensitivities for that scenario are also tested. The sensitivities tested comprise of the most material liquidity risks for Aegon Levensverzekering.

C.5. Operational risk

Operational risk concerns the risk of direct and / or indirect losses which can occur within a.s.r. as a result of inadequate or failing (changing) internal processes, people, systems and/or as a result of external events. Operational risks occurred are most times being caused by the failure of processes, people, systems, external events or a combination of these factors.

The SCR for operational risk is based on volumes of premiums, technical provisions and expenses, distinguishing between index and unit-linked, and other business. Additional measures have been developed internally for the day-to-day management and assessment of operational risks.

C.5.2. Risk Concentrations
Operational risk concentration can occur where specific risk exposures are in excess of operational risk appetite. Aegon Levensverzekering's management maintains a well-controlled environment and sound (conduct) policies and practices to control these risks and keep operational risk at appropriate levels. Operational risk capital (ORC) is held on the basis of the economic framework model and is determined annually. Operational risk for Aegon is dominated by the following material risk concentrations:
- Legal, regulatory, conduct & compliance; and
- Processing risk.

Legal, regulatory, conduct & compliance risk
ORC is held on the basis of potential but unlikely extreme loss events such as punitive damages issued by a court resulting from accusations of corporate misconduct, substantial changed legislation due to regulatory regime change, or inability to enforce policy terms. Further details are provided in Section D.5.

Processing risk
ORC is held on the basis of potential but unlikely extreme loss events such as a material financial misstatement, non-payment of claims by reinsurer, modelling errors, or failure of an outsourcing partner.

C.5.3. Risk mitigation techniques used for operational risks
Operational risks at Aegon are mitigated by maintaining a strong risk control framework and culture.

All operational risks that are assessed as exceeding the set risk tolerance levels require management to determine a risk response in terms of accepting, controlling, transferring or avoiding risks.

No specific risk mitigation techniques, in the form of contracts with third parties, are currently in place for Operational risk exposures, nor under consideration for purchase.

C.6. Other Material Risks

As part of the regular ORSA process, the overall risk profile and associated solvency capital needs are assessed against Aegon Levensverzekering's actual solvency capital position. The objective of appropriateness testing is to evaluate whether the risks on the balance sheet of Aegon Levensverzekering are appropriately reflected in the calculation of the SCR. Furthermore, identified risks in the own risk profile which are not captured in Pillar 1 SCR are being assessed.

C.7. Any other information

C.7.1. Description of off -balance sheet positions
Aegon Levensverzekering has no off-balance sheet positions per year-end 2023

C.7.2 Reinsurance policy and risk budgeting

C.7.2.1 Reinsurance policy
When deemed effective in terms of capital relief versus costs incurred, a.s.r. enters into reinsurance agreements to mitigate insurance risks. Reinsurance can be taken out for each separate claim (per risk), for the accumulation of claims due to natural disasters or to human actions (per event), or for both these risks.

The level of retention in the various reinsurance contracts is aligned with the size and the risk profile of the underlying portfolios, taking in account of the cost of reinsurance on the one hand, and of the risk that is retained on the other. By determining the retention, the impact on the statement of financial position is taken into account as well.

To limit risk concentration, reinsurance contracts are placed with various reinsurance companies. a.s.r. requires the counterparties to be rated at least single A-.

C.7.2.2 Risk budgeting
The projected Solvency position including the impact of the financial markets on the solvency position is discussed in the RCC. Action is taken where appropriate to ensure the predefined levels in the risk appetite statement will not be violated.

C.7.3 Monitoring of new and existing products
Group Risk Management, Compliance, and Legal Affairs participate in the Product Approval and Review Process Board. All these departments evaluate whether risks in newly developed products are sufficiently addressed. New products need to be developed in a way that they are cost efficient, reliable, useful and

secure for the client. New products must also be strategically aligned with a.s.r.s mission to be a solid and trustworthy insurer. In addition, the risks of existing or modified products are evaluated, as requested by the PARP, as a result of product reviews.

C.7.4 Prudent Person Principle

a.s.r. complies with the prudent person principles as set out in Directive 2009/138/EC/article 132: Prudent person principle. The prudent person principle ensures that assets are managed on behalf of its subsidiaries, policyholders or other stakeholders in a prudent manner, and covers aspects that relate to market, credit, liquidity and operational risk. a.s.r. has mandated ASR Vermogensbeheer N.V. as their asset manager.

a.s.r. ensures that assets of policyholders or other stakeholders are managed in a prudent manner. a.s.r. complies with the Prudent Person Principle by investing only in assets and instruments which a.s.r. can adequately assess, measure, monitor, control, maintain and report the risks. All assets will be assessed against solvency criteria according to article 45 (1a).

Derivatives are only used when these contribute to a lower risk or when it can be used to manage/hedge the portfolio more efficient. Mortgages, real estate and illiquid assets, which are not traded on regulated financial markets, are limited to a prudent level.

Governance of Investments

Within the Three Lines-of-Defence model, investments are managed in the first line by ASR Vermogensbeheer NV, reporting to the CFO of a.s.r.

ASR Vermogensbeheer NV manages its investments within the boundaries of a.s.r.'s Risk Appetite Framework, Strategic Asset Allocation and its Market-Risk Budget. The Market-Risk Budget is calculated on a monthly basis by Group Balance & Performance Management (GBPM), taking into account the Risk Appetite Framework. Group Risk Management (GRM), acting as the second line of defence, is responsible for the review. Internal Audit acts as the third-line of defence.

a.s.r. has established a structure of risk committees with the objective to monitor the risk profile for a.s.r. group, its legal entities and its business lines in order to ensure that it remains within the risk appetite and the underlying risk tolerances and risk limits. When triggers are hit or likely to be hit, risk committees make decisions regarding measures to be taken, being risk-mitigating measures or measures regarding governance, such as the frequency of their meetings.

All investment related activities are performed according to mandates as set by a.s.r., clients or policyholders. Mandates for investments for own account, clients and for account of policyholders are set out in internal guidelines, in order to ensure that prudent person principles are satisfied. This should always be in line with internal policies and internal constraints (such as ESG policy) and external constraints (such as regulatory limits).

D. Valuation for Solvency Purposes

In chapter D, the valuation for Solvency purposes is disclosed and the differences compared to the valuation under statutory reporting in the annual report will be addressed. The balance sheet is that of Aegon Levensverzekering on a stand-alone basis, in line with Solvency II regulations concerning disclosure of QRT 02.01.

As per January 1, 2023 Aegon Levensverzekering has changed its accounting framework as a basis for preparing its financial statements. The financial statements are prepared in accordance with the stipulations in Part 9 of Book 2 of the Dutch Civil Code ('DCC') and the pronouncements of the Guidelines for Annual Reporting, which is issued by the Dutch Accounting Standards Board ('Raad voor de Jaarverslaggeving'). Together this is referred to as 'Dutch GAAP'.
Maintaining the IFRS-EU standard would result in two different IFRS accounting systems for statutory reporting and group reporting purposes due to the IFRS 17 implementation and the simultaneous change of ultimate parent (from Aegon N.V. to a.s.r. Nederland N.V.) in 2023. This would be operationally complex, a multilevel IFRS implementation program would have to be setup, which would have a significant impact on the processes and systems and the costs for implementation. Ongoing costs would be significantly high and would require additional resources. The conversion to Dutch GAAP, on the other hand, requires less effort and lower costs, because the basis of the accounting is close to the earlier IFRS 4 accounting standard and the Solvency II framework. Dutch GAAP is also a commonly used standard among Dutch insurers. This accounting policy change therefore results in equally transparent and comparable annual financial statements.

The overall balance sheet on statutory reporting is therefore equal to the Solvency II balance sheet.

The overall balance sheet is shown below.

Balance Sheet (in € million)

Balance sheet	31 December 2023 Solvency II
1. Deferred acquisition costs	-
2. Intangible assets	-
3. Deferred tax assets	326
4. Property, plant, and equipment held for own use	24
5. Investments - Property (other than for own use)	1,884
6. Investments - Equity	265
7. Investments - Bonds	12,523
8. Investments - Derivatives	6,267
9. Investments - Other	3,306
10. Unit-linked investments	19,620
11. Loans and mortgages	17,483
12. Reinsurance	-445
13. Cash and cash equivalents	2,728
14. Receivables	599
15. Any other assets, not elsewhere shown	1
Total assets	**64,579**
16. Technical provisions (best estimates)	27,669
17. Technical provisions (risk margin)	856
18. Unit-linked best estimate	24,059
19. Unit-linked risk margin	630
20. Pension benefit obligations	-
21. Deferred tax liabilities	38
22. Subordinated liabilities	-
23. Other liabilities	7,307
Total liabilities	**60,558**
Excess of assets over liabilities	**4,022**

D.1. Assets

D.1.1. Solvency II valuation

In this section, the valuation under Solvency II is described per main asset class. In accordance with Solvency II regulations, figures are based on 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 market participants at the measurement date under current market conditions (i.e. an exit price at the measurement date from the perspective of a market participant that holds the asset). A fair value measurement assumes that the transaction to sell the asset takes place:

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

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

- Level I: quoted prices (unadjusted) in active markets for identical assets that Aegon Levensverzekering can access at the measurement date;
- Level II: inputs other than quoted prices included within Level I that are observable for the asset, either directly (that is, as prices) or indirectly (that is, derived from prices of identical or similar assets) using valuation techniques for which all significant inputs are based on observable market data; and
- Level III: inputs for the asset 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 judgement used in measuring the fair value of assets generally negatively correlates with the level of observable valuation inputs. Aegon Levensverzekering 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 as a consequence little judgment has to be used in measuring fair value. Conversely, financial instruments for which no quoted prices are available have little observability and are measured at fair value using valuation models or other pricing techniques that require more judgment.

The asset categorization within the fair value hierarchy is based on the lowest level that is significant to the fair value measurement.

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

To operationalize the fair value hierarchy of Aegon Levensverzekering, individual financial and non-financial instruments 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 modeled). 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.

D.1.2. Solvency II valuation per asset class

In this section of the report, the valuation bases under Solvency II and annual reporting of 2023 of the material asset classes are discussed. The value of the assets is disclosed in the balance sheet at the beginning of Chapter D.

1. Deferred acquisition costs

All costs incurred to acquire insurance contracts (acquisition costs) at Aegon Levensverzekering are charged directly. Therefore the balance sheet shows no deferred acquisition costs.

2. Intangible assets

The intangible assets related to goodwill and other intangible assets are not recognized in the Solvency II framework and are set to nil.

3. Deferred tax assets

The Solvency II methodology for the calculation of deferred taxes follows the provisions of IAS 12 in the financial statements. Deferred tax assets and liabilities are recognized for the estimated future tax effects of temporary differences between the carrying value of an item and its tax value. A tax asset is recognized for tax loss carry forward to the extent that it is probable at the reporting date that future taxable profits will likely be available against which the tax losses and tax credits can be utilized.

Deferred tax assets and liabilities are reviewed at the balance sheet date and are measured at tax rates that are expected to apply when the asset is realized, or the liability is settled. Since no absolute assurance can be granted that these assets will ultimately be realized, management reviews Aegon Levensverzekering's deferred tax positions periodically to determine whether it is probable 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 business expected to provide future earnings.

Furthermore, management considers the tax-planning strategies it can utilize to increase the likelihood that the tax assets can be realized. These strategies are also considered in the periodic reviews. The carrying amount is not discounted and reflects the expectation of Aegon Levensverzekering concerning the manner of recovery or settlement.

The deferred tax assets related to temporary differences do not have an expiry date, as Aegon makes sufficient profits to counteract possible future losses linked to the deferred tax assets. Furthermore, the deferred tax assets on the balance sheet of Aegon Levensverzekering N.V. are offset by the deferred tax liabilities which are incorporated in its subsidiaries. The run-off of the deferred tax assets of Aegon Levensverzekering is largely in line with the run-off of the technical provisions.

Resulting the investigation from DNB, the recoverable Net DTA is now determined in two steps: in the first step the DTA and DTL are offset by applying the fiscal rules; in the second step it is determined what part of the resulting DTA is recoverable by taking future profits into account. The Tier-3 restriction is applied to the amount of recoverable Net DTA. The total Net DTA on the Solvency II balance sheet amounts to € 326 million. The total Net DTL is equal to € 38 million.

4. Property plant, and equipment held for own use

The property held for own use is valued at € 24 million on the balance sheet.

Investments (other than assets held for index-linked and unit-linked funds)

The Solvency II balance sheet contains an investment position of € 24.2 billion. The different components will be explained in the next sections.

General account investments comprise financial assets excluding derivatives as well as investments in real estate.

Financial assets, excluding derivatives

Financial assets, excluding derivatives, are recognized on the trade date when Aegon Levensverzekering becomes a party to the contractual provisions of the instrument. They 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: 1) financial assets held for trading; 2) financial assets managed on a fair value basis in accordance with the investment strategy of Aegon Levensverzekering; and 3) financial assets containing an embedded derivative that is not closely related and that cannot be reliably bifurcated. In addition, in certain instances Aegon Levensverzekering 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 Levensverzekering 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, for other reasons than 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 excluding interest accrued to date plus, in the case of a financial asset not at fair value through profit or loss, any directly attributable incremental transaction costs.

Loans and financial assets held-to-maturity are subsequently carried at amortized cost using the effective interest rate method. Financial assets at fair value through profit or loss are measured at fair value with all changes in fair value recognized in the income statement as incurred. Available-for-sale assets are recorded at fair value with unrealized changes in fair value recognized in other comprehensive income. Financial assets that are designated as hedged items are measured in accordance with the requirements for hedge accounting.

The effective interest rate method is a method for calculating the amortized cost and 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.

Amortized cost

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

Fair value

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

Fair value is defined as the amount that would be received from the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date under current market conditions (i.e. an exit price at the measurement date from the perspective of a market participant that holds the asset or owes the liability). For quoted financial assets for which an active market exists, the fair value equals 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 compared to 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 and when Aegon Levensverzekering retains the right to receive cash flows from the asset or has an obligation to pay 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 Levensverzekering has neither transferred nor retained significantly all the risk and rewards are recognized to the extent of the Aegon Levensverzekering continuing involvement. If significantly all risks are retained, the assets are not derecognized.

On derecognition, the difference between the proceeds from disposal 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.

5. Investments - Property (other than for own use)
Valuations of both investments in real estate and real estate held for own use are conducted in full by independent external appraisers at least every three to five years and reviewed at least once a year by qualified internal appraisers to ensure the value correctly reflects the fair value at the reporting date. Appraisals are different for each specific local market but are based on market guidelines such as International Valuation Standards, Uniform Standards of Professional Appraisal Practice or guidelines issued by the Investment Property Databank. Valuations are mostly based on active market prices, adjusted for any difference in the nature, location or condition of the specific property. If such information is not available, other valuation methods are applied, considering the value that the property's net earning power will support, the value indicated by recent sales of comparable properties and the current cost of reproducing or replacing the property. Discount rates used in the valuation of real estate reflect the risk embedded in the projected cash flows for the asset being valued. Capitalization rates represent the income rate for a real estate property that reflects the relationship between a single year's net operating income expectancy and the total property price or value. For property held for own use, appraisers consider the present value of the future rental income cash flows that could be achieved had the real estate been rented to a third party.

The Solvency II balance sheet contains a property position of € 1.9 billion.

6. Investments - Equities
Solvency II balance sheet measures equities at fair value. Equities are € 0.3 billion on the Solvency II balance sheet.

7. Investments - Bonds
The Solvency II balance sheet measure bonds at fair value. The Solvency II balance sheet contains bond positions of € 12.5 billion.

8. Investments - Derivatives
The Solvency II balance sheet contains a derivatives position of € 6.3 billion, which is measured at fair value.

9. Investments - Other investments
The Solvency II balance sheet contains a position of € 3.3 billion for other investments.

This contains the following elements:
Collective investment undertakings: € 0.8 billion.
Investment funds managed by Aegon Levensverzekering, in which Aegon Levensverzekering holds an interest, are consolidated in the financial statements if Aegon Levensverzekering has power over that investment fund and is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. In assessing control, all interests held by Aegon Levensverzekering in the fund are considered, regardless of whether the financial risk related to the investment is borne by Aegon Levensverzekering or by the policyholders.

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

Participations: € 1.5 billion
Participations in investment funds held for general account are recognized as equity investments. Some of these investments in venture capital entities, mutual funds and investment funds are managed on the basis of market value and accounted for as financial assets at fair value through profit or loss. Participations in investment funds that are measured using the equity method are regarded as part of the investment portfolio.

Deposits other than cash equivalents: € 0.3 billion.
This contains the fair value of the built-up part of the savings mortgages that are being held by external entities.

Other: € 0.3 billion.
This contains the fair value of the built-up part of the savings mortgages that relate to an SPV or other fund structure.

10. Assets held for index-linked and unit-linked contracts
Investments for account of policyholders are valued at fair value through profit or loss.
The Solvency II balance sheet contains a position of € 19.6 billion.

11. Loans and mortgages
Loans and mortgages are measured at amortized cost in the financial statements. Under Solvency II fair value measurement is required.

Mortgages

The valuation methodology for mortgage loans includes the following procedures:
1. Projection of future cash flows of mortgages loans;
2. Determination of the interest rate curve to use for discounting; and
3. Net present value (NPV) calculation.

In this approach, cash flows for each mortgage loan part in Aegon's portfolio are projected separately, based on product characteristics, mortgage rates and interest reset dates. Aegon's methodology recognizes four mortgage cash flow profile types, being: Interest only, Annuity, Linear and Savings mortgages.

Cash flows are adjusted for expected early repayments (also known as prepayments). The rate of early repayments follows from a model calibrated with historical data. Cash flows of non-performing loans are adjusted based on their estimated probability of default and loss given default.

The interest rate curve used for discounting is determined by applying a spread curve over the risk-free yield curve, which varies over the maturity of the term structure. The spread curve applicable to each mortgage loan part is dependent on the Loan to Value and remaining time until the next interest reset date.

The spread is derived from the most recent, most competitive consumer mortgage rates observed in the market, after applying a spread deduction, which serves to cover the risks and expenses of originating the mortgage portfolio. The consumer rate minus the spread deduction reflects the yield that an external investor would be able to obtain when investing in mortgage loans.

The method described above for obtaining the spread is also known as a top-down approach.

For the purpose of valuation, it is assumed that each mortgage will be redeemed at the next interest reset date of that mortgage, i.e. at the date at which the mortgage provider can reset the interest rate and the mortgagee can terminate the contract without a penalty.

The assumption that all mortgages will be terminated at the first interest reset date will, generally speaking, lead to some degree of underestimation of the value of a portfolio. As interest rates can be set or reset to a profitable level at the interest reset date, profits occurring after this date are not included in the valuation. This assumption is made nonetheless, as mortgagees do not have a contractual obligation to continue their mortgage after the interest reset date and can exit without a penalty.

The estimated rate of prepayment is compared annually against actual prepayment rates for verification, and the prepayment rate in the valuation is updated accordingly.

The valuation of the mortgage portfolio is based on a number of factors that are not known precisely or may change over time, creating a degree of uncertainty. Main uncertainties relate to the rate of early repayments, and the dependence of the valuation on mortgage rates offered by other providers in the market.

Loans

Fair value measurement of loans on policies, IC loans and other loans on the Solvency II balance sheet is based on amortized cost measurement. The fair value of floating interest rate mortgage loans, policy 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.

Fair value of private loans is based on an internal valuation model. On a monthly basis, the Dutch government curve and additional spreads are received and used as input for matrix pricing. The curves per sector are uploaded into the system. Based on private loan characteristics and classifications, the system selects the appropriate curve and yield per security. Via the net present value ("NPV") component combining yields and security cash flow the system calculates prices via interpolation where bid, mid and ask are populated with the same price.

Inflation-linked bonds

Aegon Levensverzekering holds inflation-linked notes and bonds. The inflation-linked notes are tailored to liabilities of Aegon Levensverzekering. The generic inflation-linked bonds (ILB) are issued by governments and have all characteristics of a government bond with as additional aspect that the bond is linked to the inflation index. The ILB's cannot be matched with a single client. The valuation of the index-linked notes and bonds is equal. The valuation on the Solvency II balance sheet is based on the market value which is calculated as the discounted value of future cashflows. For these bonds, index-linked coupons are payable, resulting in additional increasing future cashflows, over and above the nominal value payable on expiry. This drives the material difference between the current market value and the original notional value. The calculation is performed by an external valuation agent.

The Solvency II balance sheet equals € 17.5 billion for loans and mortgages.

12. Reinsurance

Reinsurance contracts are contracts entered into by Aegon Levensverzekering in order to receive compensation for losses on contracts written by Aegon Levensverzekering (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 recoverables at the end of 2023 amounted to € - 445 million on Solvency II balance sheet.

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 derecognized when the contractual rights are extinguished or expire, or when the contract is transferred to another party.

Aegon Levensverzekering 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 run-off period of the underlying business.

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.

13. Cash and cash equivalents
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.

The Solvency II balance sheet contains a cash and cash equivalents position of € 2.7 billion.

14. Receivables
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.

The Solvency II balance sheet contains a position of € 0.6 billion.

15. Any other assets, not elsewhere shown
The position on the Solvency II balance sheet equals € 1 million.

D.2. Technical provisions

D.2.1. Introduction
In this section, the policies regarding methodology and assumptions for the technical provisions are described. These liabilities arise from insurance contracts issued by Aegon Levensverzekering that transfer significant insurance risks from the policyholder to Aegon Levensverzekering.

In this paragraph line items 16-19 from the simplified balance-sheet above are described.

D.2.2. Technical provisions methods
The provisions are split in 'Technical provisions-Life' and 'Technical provisions - Index-linked and Unit Linked' and further in provisions with profit participation, with options or guarantees and without options and guarantees.

For Solvency II the default valuation approach is to use market prices whenever available. If these prices are not available alternative valuation methods can be applied. As no active market for insurance liabilities exists, Aegon Levensverzekering calculates the Solvency II provisions as the sum of the probability weighted average of future cash flows, the time value of options and guarantees and the risk margin.

The calculation of the best estimate liability is on a policy-by-policy basis, using a market consistent basis and the current risk-free rate as prescribed by EIOPA and including indirect overhead expenses. Scaling is applied if products are not modelled and when data are incomplete or unavailable.

For products that contain options and/or guarantees the fair value of the options and guarantees is taken into account. These provisions are calculated separately on a stochastic basis, taking into account risk and volatility. The provisions for options and guarantees are calculated using full data in combination with scenario shuffling.

Aegon Levensverzekering determines homogeneous risk groups in such a way that the risk groups are stable over time. The following criteria are taken into account in determining the homogeneous risk groups:
- Branch (Group pensions and Individual Life);
- Underwriting criteria (Medical examination or not);
- Claim pattern (Lump sum, annuities);
- Risk profile (Longevity or mortality risk);
- Specific product features (savings or term insurance, guarantees or participating/non-participating); and
- Administrative unit (Own account Aegon Levensverzekering or risk policyholder).

Based on the features described above, Aegon Levensverzekering has split the portfolio into 21 homogenous risk groups. These are used for reporting to combine contracts with comparable characteristics.

The intrinsic value is the net present value of projected cash flows from insurance contracts, i.e. benefits and claims, profit sharing liabilities and costs less premiums. These cash flows are estimated using best estimate assumptions with respect to mortality, claims experience, lapse, expense and inflation. Where applicable, the participating features of the insurance contracts, such as profit sharing, are taken into account in the future cash flows. Scaling is applied if products are not modelled and when data are incomplete or unavailable.

The cash flows are discounted using the term structure of risk-free interest rates (including volatility adjustment) as prescribed under Solvency II for the valuation of underwriting liabilities. The best estimate assumptions regarding mortality and longevity include recent trend assumptions for life expectancy in the Netherlands, as provided by the Dutch Actuarial Association.

In unit-linked contracts, the best estimate equals the fund value of the contract less the net present value of future margins on mortality and expense.

For products that contain options and/or guarantees the fair value of the options and guarantees is taken into account. These provisions are calculated separately on a stochastic basis, taking into account risk and volatility. The provisions for options and guarantees are calculated using full data in combination with scenario shuffling.
Aegon Levensverzekering does not offer products with profit participation where the policyholder participates in the profit of the firm. All profit sharing is in the form of index or unit-linked, or based on external benchmarks such as TL (interest rebate contracts) and U-yield (external yield to determine level of profit sharing).

Options & Guarantees
If products contain options and/or guarantees (e.g. surplus interest profit sharing or guaranteed investment returns), the fair value of the option or guarantee is calculated separately on a stochastic basis, taking into account risk and volatility.

The market value contains an intrinsic as well as a time value and the basis curve to calculate the market value of the options and/ or guarantees is the Solvency II swap curve. To create a scenario set for investment returns and interest rates, market volatilities are used. The market volatilities are derived from market prices of tradable financial instruments.

Aegon Levensverzekering has the following categories of products that can contain options and/or guarantees:
- Universal Life (UVL) and Unit-linked;
- Surplus Interest profit sharing; and
- Group pension products.

We describe the options and guarantees embedded in the insurance products in more detail below.

UVL and Unit-linked
When investing in a fund with a guarantee (mix or interest fund), the proportion of the policy invested in this fund will accumulate at a guaranteed rate (in the range of 3% to 4% and before deduction of the asset management fee and the service fee). The accumulation rate varies by fund and the guarantee is fund specific.

Some products have other type of guarantees, e.g. some products contain guarantees that the minimum amount paid on maturity will be the sum of all premiums paid (with or without interest). These products have mixed exposure due to the variety of underlying funds, accumulation rates and the possibility of other guarantees on the policy.

Surplus interest profit sharing
Surplus interest profit sharing can be split into a tariff discount rate guarantee and a profit guarantee at maturity. The profit sharing is linked to government bond investment returns (U-rate).

For products with a guaranteed interest rate for the determination of the premium (mostly 3% or 4%), interest surplus profit sharing can be applied and is then dependent on the return on specific government bonds. If the return on government bonds is higher than the interest rate for the determination of the premiums, profit sharing is applicable. If the return on government bonds is lower than the interest rate for the determination of the premiums, no profit sharing is applicable.

The profit guarantee is applicable for policies where upfront (part) of the profit sharing (percentage of the sum assured) is guaranteed under the condition that the guarantee is only applicable if the insured is alive at the maturity date.

Group pension contracts
The following categories of pension products can contain guarantees:
- GB & FTK (Separate Account and 'Financieel Toetsingskader' contracts);
- Unit-linked;
- OA (Surplus interest profit sharing contracts); and
- TL (interest rate rebate contracts).

GB & FTK
Each contract premium is invested in a specific pool of assets. In case a guarantee is issued, then this guarantee involves the settlement of all liabilities that were financed during the period in which the contract was in place. Upon retirement, the maturity amount is based on an interest rate guarantee of either 3% or 4% for GB contracts. For FTK policies, premiums are based on the DNB curve at the time of payment (the liabilities financed from these premiums are guaranteed as well, similar to the GB portfolio). In case of an interest rate surplus, it may be paid to the customer, depending on the specific arrangements that have been agreed in the contract, at the discretion of Aegon Levensverzekering. The policyholder pays a fee for this guarantee.

Unit-linked
The vast majority (70%) of this portfolio consists of endowment retirement policies whose premiums are invested in funds that policyholders are free to select by themselves to a certain degree. Certain funds have a guaranteed return. On maturity date, for the portion of the maturity benefit that is contained in a guaranteed fund, the guaranteed amount is paid or the fund value itself if the actual fund value is higher. If the actual fund value is less than the guaranteed value, the guaranteed value is for account of Aegon Levensverzekering. For the part of the maturity benefit in non-guaranteed funds, the fund value is paid. These products have mixed exposure due to the variety of underlying funds and the possible combinations of guaranteed and non-guaranteed funds.

OA
OA is a traditional pension product with guaranteed liabilities. The contract features an agreed interest rate and an agreed mortality table. The part of the provisions that is not needed for the direct claims are invested in so called "tranches", being equal redemption loans with a maturity of usually 10 years. The reference interest rate on these tranches is the U-rate at the time of the purchase. Over time if an interest surplus emerges, it may be distributed to policyholders. It may be used to offset previous losses or to act as a buffer for future losses. A charge for indexation is applied to this product.

TL
TL contracts have both interest guarantees and profit sharing mechanisms, leading to mixed exposure. Based on the pricing rates, clients do not pay a surcharge on future premiums, if interest rates are low. However if interest rates are high, then policyholders receive a rebate on future premiums. The profit share is given once in advance. Future discounts cannot be negative, therefore all rebates applied are guaranteed. Aegon Levensverzekering maintains a guarantee provision for these items.

Risk Margin
The risk margin is to ensure that the value of technical provisions is equivalent to the amount that insurance undertakings would be expected to require in order to take over and meet the insurance and reinsurance obligations. A Cost-of-Capital approach is applied to determine the value of the risk margin.

The risk margin captures the following risks:
- underwriting risk;
- credit risk with respect to reinsurance contracts, arrangements with special-purpose vehicles, intermediaries, policyholders and any other material exposures which are closely related to the

insurance and reinsurance liabilities; and
- operational risk.

In order to calculate the risk margin, the SCRs for above mentioned risks for future years need to be determined. The expected SCR in future years is projected by using the projected best estimate liability as "risk driver" and the SCR at reporting date as starting point. Aegon Levensverzekering applies a Cost-of-Capital percentage of 6%, in accordance with the Delegated Acts. Note that the application of the risk driver is a simplification relative to recalculating the expected SCR in each point in time in the future. This simplification does not lead to a material misstatement of the risk margin.

Best estimate assumptions
The valuation date is the end date of the reporting period and the starting point for projecting. Assumptions are calculated on the presumption that a.s.r.Aegon will pursue its business as a going concern reflecting the organisation's or industry's most realistic view.
Assumptions are considered to be best estimates when they represent the mean or probability-weighted average of possible outcomes of an uncertain event. The assumptions distinguish between economic assumptions and operating assumptions.

Expense inflation
Aegon Levensverzekering's expense provision is largely determined by wages. The inflation of these wages in the future is modelled with the HICPxT inflation curve.

Operating assumptions
Operating or non-economic assumptions generally capture risks directly related to movements and uncertainty as a result of underwriting. Operating assumptions are generally based on analyses of recent experience. The goal is to make a best estimate of future experience, but staying cautious if there is broad scope for judgment. Operating assumptions are specific to the entity and rely on a combination of analysis of past experience and assessments of future trends. The operating assumptions are updated once a year. Operating assumptions are set by the product lines.

Mortality, longevity
Mortality rate tables applied are generally developed based on a blend of company experience and industry wide studies, taking into consideration product characteristics, own risk selection criteria, the insured population, mortality trend and past experience. Mortality experience is monitored through regular studies, the results of which are fed into the pricing cycle for new products and reflected in the liability calculation when appropriate.

Surrenders, lapses, paid-up
Aegon Levensverzekering is exposed to considerable potential financial impact from changes in the value of its liabilities caused by policy cancellations. Cancellation rates depend on product features, policy duration and external circumstances such as the interest rate environment and competitor and policyholder behavior.

Policyholder behavior can be reflected in several ways, depending on the product and policy agreements. The main items are:
- Full or partial surrender or termination;
- Premium termination (policy becomes paid up before end of premium payment term);
- Decrease or suspension of premiums;
- Policy conversion (fund switching, reduce or reverse paid up status);
- Utilization of policyholder fund allocation privileges; and
- Decisions on when and how much to annuitize.

Adverse changes in underlying risk drivers will affect Aegon Levensverzekering's ability to meet business objectives and in particular to ensure business continuity. Reliable own experience, as well as available industry wide data, are used in establishing assumptions.

Expenses
Costs are allocated in line with IFRS financial statements. Costs are carefully allocated using cost drivers. This also applies to the cost allocations to the various products. Cost allocation is documented and reported.
The maintenance expenses allocated to the insurance contracts are transformed into expenses per policy, taking into account product/contract features like type of contract or status (active, retired or inactive).
The cash flow projections for expenses are based on budget 2023 expense levels and take into account inflation in future periods. Also fixed expense levels are assumed in the long run and it is taken into account that part of the administration activities associated with the portfolio will be outsourced.

Morbidity and Disability
The assumption for disability-morbidity has been determined for each portfolio based on the most recent available accounting records and prior years. The provision, premiums, benefits and results relating to disability-morbidity have been used to define the assumption.

Risk-free yield curve
The basis for the reference rate of the best estimate is the swap rate at the date of valuation (31 December 2023). The following adjustments have been made to the swap curve:
- Reduction by 10 bps to account for counterparty default risk (30 December 2022: 10 bps);
- Extrapolation from year 20 to the ultimate forward rate of 3.45% in year 60 using the Smith-Wilson extrapolation method;
- Inclusion of a volatility adjustment (VA) of 20 bps, as provided by EIOPA, to the zero rates for the first 20 years (31 December 2022: VA 19 bps).

Volatility adjustment
Aegon Levensverzekering applies the volatility adjustment for discounting cash flows to determine the best estimate and in determining the Required Capitals for the SCR.

The VA aims to avoid pro-cyclical investment behavior of insurers when bond prices deteriorate due to low liquidity of bond markets or exceptional expansion of credit spreads. Removing the VA would lead to lower discount rates for calculating the technical provisions, which leads to higher technical provisions and thereby lower Own Funds. Aegon applies a dynamic VA model and assesses the impact of changes in spreads on assets through scenario analyses. Key rationale is that Aegon is a long term investor (given its long-dated liabilities) and that initial market value losses on assets after a spread shock will be (partially) regained over time as the assets keep paying the interest and notional. This effect is quantified in Aegon's Dynamic VA model and therefore lowers the capital requirement for spread risk. In line with regulatory requirements, Aegon Levensverzekering determines the VA-impact on the SCR if the regulatory concept of the VA would not exist at all and without adjusting for the spread risk on the asset side. Aegon considers the dynamic VA an integral part of the modelling of spread risk. In case the VA were not applied in the SCR calculation, other model changes would be triggered as well, leading to compensatory effects which are not incorporated in the table below.

In the figures calculated in 2023 the VA impact includes the application of the Tier 3 restriction on eligible Own funds. The impact of the application of the VA on several Solvency II metrics is as follows as shown in table below.

Impact of applying VA = 0 bps

	VA = 20 bps	VA = 19 bps	VA = 0 bps		Impact	
	31 December 2023	31 December 2022	31 December 2023	31 December 2022	31 December 2023	31 December 2022
TP	53,213	51,294	54,147	52,172	934	878
SCR	2,362	2,204	3,180	2,902	819	698
MCR	994	961	1,011	977	17	17
Basic own funds (total)	4,022	4,627	3,323	3,906	-699	-720
Eligible own funds	4,022	4,627	3,231	3,906	-791	-720

Contract boundaries

According to Solvency II regulations the valuation of insurance and reinsurance obligations should include obligations relating to existing insurance and reinsurance business. Obligations relating to future business should not be included in the valuation. Where insurance and reinsurance contracts include policyholder options to establish, renew, extend, increase or resume the insurance or reinsurance cover, or undertaking options to terminate the contract or amend premiums or benefits, a contract boundary is defined to specify whether the additional cover arising from those options is regarded as existing or future business.

For the Individual Life portfolio the contract boundary is equal to the end date of the contract. For group pension contracts the boundary is equal to the contract renewal date. For contracts that can be renewed on an annual basis the contract boundary is equal to one year.

For group pension contracts the contract boundary for the premium payments is equal to the contract renewal date. After the contract renewal date the contract becomes paid up and will run-off until the last insured person dies. For contracts that can be renewed on an annual basis, the new contract term is equal to one year.

D.2.3 Level of uncertainty

The main source of uncertainty associated with the technical provisions is in the setting of assumptions where a significant level of judgment may be required about how future experience may differ from past experience. The assessment of uncertainty in this case is addressed by sensitivity testing of key assumptions so that the governing body can understand how different choices would impact the technical provisions. Main uncertainties affecting the technical provisions of Aegon Levensverzekering relate to mortality rates, cancellation rates and expense levels.

The risk margins relate to the cost of holding capital to allow for uncertainty around the best estimate assumptions and are included in the technical provisions as addition to the best-estimate liabilities.

Other sources of uncertainties are associated with scaling (applied to portfolio segments for which accurate portfolio data are incomplete or unavailable at all) and the applied UFR and VA.

D.2.4 Reinsurance and special purpose vehicles (SPVs)

Contracts that transfer a significant insurance risk from Aegon Levensverzekering to third parties are accounted for as reinsurance contracts, and are classified as outgoing reinsurance.
Aegon Levensverzekeringen has reinsured a substantial part of all underwriting risk of a certain group pension contract on a proportional basis and does not make use of SPVs.

D.2.5. Technical Provision

The table below shows the Solvency II liabilities at year end 2023 (in € million).

Total technical provisions

31 December 2023	Solvency II
Life	
Best estimate	27,669
Risk margin	856
Technical provision	**28,524**
Index-linked and unit-linked	
Best estimate	24,059
Risk margin	630
Technical provision	**24,689**

D.2.6. Reconciliation between IFRS and Solvency II

As mentioned at the start of chapter D, there is no difference between the statutory value and the Solvency II value in the technical provision.

D.3. Other liabilities

D.3.1. Solvency II valuation for each material class of other liabilities

In this section, the valuation under Solvency II is described per material other liability class (i.e. total liabilities excluding technical provisions), shown as line item 23 in the balance sheet. In accordance with Solvency II regulations, the amounts are based on fair value.
Fair value is defined as the amount that would be paid to transfer a liability in an orderly transaction between market participants at the measurement date under current market conditions (i.e. an exit price at the measurement date from the perspective of a market participant that holds the asset).

D.3.1.1. Financial liabilities other than debts owed to credit institutions

Financial liabilities other than debts owed to credit institutions primarily include other long-term loans issued as well as intercompany loans.

The Solvency II balance sheet contains a Financial liability other than debts owed to credit institutions position of € 204 million at fair value.

D.3.1.2. Insurance and intermediaries payables

The fair value of liabilities 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.

The Solvency II balance sheet position of € 238 million includes payables to individual and pension clients.

D.3.1.3. Reinsurance payables

The fair value of liabilities 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.

The Reinsurance payables position on the Solvency II balance sheet amounts to € 52 million.

D.3.1.4. Payables (trade, not insurance)

The fair value of liabilities 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.

The Payables (trade, not insurance) position on the Solvency II balance sheet predominantly consists of the current account payables and is € 1.8 billion.

D.3.1.5. Subordinated liabilities

There are currently no subordinated loans for Aegon Levensverzekering.

D.3.1.6. Any other liabilities, not elsewhere shown

The Solvency II balance sheet includes an Any other liabilities position of € 0 million.

D.3.1.7. Provisions other than technical provisions

The Solvency II balance sheet position of € 156 million contains € 148 million of unit-linked compensations settlement.

D.4. Alternative methods of valuation

Alternative methods of valuation are used for assets and liabilities for which no quoted markets prices exist in active markets for the same or similar assets and liabilities. This concerns the following assets and liabilities; deferred tax assets, Property, Loans and mortgages, and the Technical provisions.

For these assets and liabilities we refer to sections D.1, D.2 and D.3, for information regarding these alternative methods of valuation.

D.5. Any other information

Dutch Unit-Linked Products

Background

Since the end of 2006, individual unit-linked life insurance products (beleggingsverzekeringen) have received negative attention in the Dutch media, from the Dutch Parliament, the AFM, consumers and consumer protection organisations. Elements of unit-linked policies are being challenged or may be challenged on multiple legal grounds. The criticism and scrutiny on unit-linked life insurance products led to the introduction of compensation schemes by Dutch insurance companies that have offered unit-linked products.

Aegon compensation scheme

In July 2009, Aegon reached an agreement with Stichting Verliespolis and Stichting Woekerpolis to reduce charges and risk premiums for customers of its unit-linked insurance policies in the Netherlands (Aegon compensation scheme). Additional provisions were recognised, including compensation for situations of undue hardship (schrijnende gevallen). The total compensation paid to customers by Aegon amounts to €900 million. Aegon also offered consumers additional measures such as alternative products and less costly investment funds. In 2014, Aegon also decided to pay extra compensation to customers of the Koersplan product and other tontine products, following a Supreme Court ruling. This involved further compensation of the risk premiums. As from 2015, Aegon decided not to charge surrender penalties anymore. Aegon also implemented additional measures (flankerend beleid), including the ten best in class principles as formulated by the Dutch Minister of Finance.

Remaining provision from a.s.r.'s and Aegon's compensations schemes

The remaining provision in the balance sheet of the Group on the basis of the Company's and Aegon's compensation schemes amounts to €40 million as at 30 September 2023. This provision therefore is prior to the 29 November 2023 settlement agreement reached with the consumer protection organisations (see paragraph below). The Company's and Aegon's compensation schemes and additional measures are not binding for policyholders. Consequently, neither the implementation of the compensation schemes nor the additional measures offered by the Group prevent individual policyholders from initiating legal proceedings against the Group and making claims for damages.

Settlement of 29 November 2023

On 29 November 2023, the Group has reached a settlement for unit-linked life insurance customers of the Group affiliated to the consumer protection organisations Consumentenclaim, Woekerpolis.nl, Woekerpolisproces, Wakkerpolis and Consumentenbond. All collective proceedings of the consumer protection organisations against the Group will be terminated. The settlement involves approximately €250 million. The settlement applies to all the Group's products of customers affiliated to one of the above consumer protection organisations. It was also agreed that no new lawsuits will be filed. The settlement is not an acknowledgement of too high costs, risk premiums and/or charges, nor is it a reliable estimate of the contingent liability as previously disclosed. The agreement will become final once 90% of the consumer protection organizations' member customers reached agree to the settlement and final discharge is granted by these customers. Affiliated customers will be informed by the consumer protection organisations as soon as all details of the implementation have been worked out. This process will take several months. Customers will receive information about this personally. The Group is making an additional provision of €50 million for special cases and for unaffiliated customers that have not previously received compensation, on top of the existing €40 million provision remaining from the previous compensation schemes. The total provision recognised by the Group to finalise the unit-linked life insurance file therefore amounts to €340 million as at the date of this Offering Circular.

Legal proceedings

The Group is subject to a limited number of legal proceedings initiated by individual unit-linked policyholders, in most cases represented by claims organisations. Since the Business Combination, the Group is also subject to legal proceedings against Aegon Nederland Group. While to date fewer than ten cases are pending before Dutch courts and courts of appeal and fewer than 50 cases are pending before the FSCB (the Dispute Committee as well as the Committee of Appeal of the FSCB), there is no assurance that further proceedings will not be brought against the Group in the future. Future legal proceedings regarding 80 unit-linked life insurance policies might be brought upon the Group by consumers individually, by consumer organisations acting on their behalf or in the form of a collective action. These organisations argue, amongst other things, that consumers did not receive sufficient compensation based on the previous compensation scheme. The Group is subject to four collective actions initiated by Vereniging Woekerpolis.nl, Consumentenbond and Wakkerpolis. Because of the settlement that was reached with these consumer protection organisations, these collective actions will be cancelled as soon as 90% of the affiliated customers agrees with the settlement. Currently, legal proceedings regarding unit-linked life insurance products are pending before the FSCB against the Group. The collective proceedings initiated by consumer protection organizations will be terminated once 90% of the member customers reached agree to the settlement. In general, customers claim, among other things, that: (i) the investment risk, costs charged or the risk premium was not, or not sufficiently, made clear to the customer at the time of the offering of the product; (ii) the products sold to the customer contained specific risks that were not, or not sufficiently, made clear to the customer (such as the leverage capital consumption risk, the risk that the customer might not be able to achieve the projected final policy value and the risk of unrealistic capital projections due to differences between geometric versus arithmetic returns) or these specific risks were not suitable to the customer's personal circumstances; (iii) the insurer had a duty of care towards individual policy holders which the insurer has breached; (iv) the general terms and conditions regarding costs were unfair; (v) the insurer has not correctly executed the compensation scheme; and/or (vi) there was insufficient transparency regarding product costs and the product costs charged at the time of the initial sale and on an ongoing basis were so high that the marketed expected return on investment was not realistically achievable. These claims may be based on general standards of contract or securities law, such as reasonableness and fairness, error, duty of care, or standards for proper customer treatment or due diligence and may be made by customers, or on behalf of customers, holding active policies or whose policies have lapsed, matured or been surrendered.

Risk profile and contingent liability unit-linked life insurance products

Elements of unit-linked life insurance policies of the Group are being challenged on multiple legal grounds in current, and may be challenged in future, legal proceedings. There is a risk that one or more of the current and/or future claims and/or allegations will succeed. To date, a number of rulings regarding unit-linked life insurance products in specific cases have been issued by the FSCB and courts (of appeal) in the Netherlands against the Group and other insurers. In these proceedings, different (legal) approaches have been taken to come to a ruling. The outcomes of these rulings are diverse. Because the book of policies of the Group dates back many years, contains a variety of products with different features and conditions and because of the fact that rulings are diverse, no reliable estimation can be made regarding the timing and the outcome of the remaining and future legal proceedings brought against the Group and other insurance companies. The settlement is not an acknowledgement of too high costs, risk premiums and/or charges, nor is it a reliable estimate of the contingent liability. The total costs related to compensation for unit-linked insurance contracts as described above, have been and/or will be fully recognised in the financial statements based on management's best knowledge of current facts, actions, claims, complaints and events. Provisions are and/or will be recognised in the 81 liabilities arising from insurance contracts and legal provisions. With the recent settlement with the consumer protection organisations and the additional provision for special cases, the Group has taken big steps in resolving the unit-linked life insurance file and limiting the risks involved. The financial consequences of the legal developments could however still be substantial. The Group's current exposures cannot be reliably estimated or quantified at this point. If one or more of these legal proceedings should succeed, there still is a risk a ruling, although legally only binding for the parties that are involved in the procedure, could be applied to or be relevant for other unit-linked life insurance policies sold by the Group. Consequently, the financial consequences of any of the current and/or future legal proceedings brought upon the Group can be substantial for its Life insurance business and may have a material adverse effect on its financial position, business, reputation, revenues, results of operations, solvency, financial condition and prospects. See also risk factors, "Risk Factors—Legal and Regulatory Risks—Litigation, mis-selling claims and regulatory investigations and sanctions may have a material adverse effect on the Group's business, revenues, results and financial condition" and "Risk Factors—Legal and Regulatory Risks—Holders of the Group's products where the customer bears all or part of the investment risk, or consumer protection organisations acting on their behalf, have filed claims or proceedings against the Group and may continue to do so. Such litigation and actions taken by regulators or governmental authorities against the Group or other insurers in respect of these products (including unit-linked life insurance products), settlements, collective or otherwise, or other actions taken by other insurers and sector-wide measures could substantially affect the Group's insurance business and, as a result, may have a material adverse effect on the Group's business, reputation, revenues, results, solvency and financial condition".

Optas

In 2019, Optas N.V., a Life insurance company owned by Aegon Nederland merged with Aegon Levensverzekering following approval of the merger by DNB. Two groups of policyholders filed complaints against DNB's decision to approve the merger and appealed this decision at the administrative Court after DNB persisted in its approval. On 13 February 2023, the administrative Court annulled DNB's decision to approve the merger as the court is of the opinion that in the interest of policyholders, among other things, DNB should have required Optas N.V. to individually inform all policyholders in writing regarding the merger and the possibility to oppose the merger. One of the two groups of policyholders and Aegon Levensverzekering have filed an appeal against the administrative Court's decision. The DFSA provides that the annulment of DNB's approval from an administrative law perspective in itself does not affect the legality of the merger from a civil law perspective. This has been confirmed by a ruling of the District Court in a civil case opposing the merger brought against Aegon Levensverzekering by three policyholders. The policyholders were unsuccessful in first instance and the case is now under appeal. Although the Aegon Nederland Group does not expect the pending administrative litigation and civil litigation to have a material, if any, impact there can be no assurances that these matters will not ultimately result in a material adverse effect on Group's business, results of operations and financial position.

E. Capital Management

Key figures

Eligible Own Funds

Amounts in € million	31 December 2023	31 December 2022
Unrestricted Tier 1 – before adjustments	3,696	4,358
Non-available	-	-
Tier 2	-	-
Tier 3	326	269
Total eligible Own Funds to meet the SCR	**4,022**	**4,627**

SCR

Amounts in € millions	Components description	2023	2022
C.2 Market risk	Market risk (SF)	654	535
	Market risk (IM) including DA	1.800	1,588
C.3 Credit risk	Counterparty default risk (SF)	94	78
	Counterparty default risk (IM)	-	-
C.1 Underwriting risk	Life underwriting risk (SF)	534	583
	Life underwriting risk (IM)	1,014	948
	Health underwriting risk (SF)	-	-
	Health underwriting risk (IM)	-	-
	Non-life underwriting risk (SF)	-	-
	Non-life underwriting risk (IM)	-	-
C.5 Operational risk	Operational risk (SF)	214	208
	Operational risk (IM)	-	-
E.2.1 Solvency Captial Requirement	Diversification	-1,358	-1,279
	LAC Deferred Taxes (negative amount)	-591	-455
	Total SCR	**2,361**	**2,205**

The solvency ratio stood at 170% per 31 December 2023 (2022: 210%) as a result of € 4,022 million EOF and € 2,361 million SCR. The decrease was mainly the result of decreased Own funds an increased required capital. Increase of the SCR is driven by increased market risk.

Reconciliation total equity IFRS vs EOF Solvency II

As stated in Chapter D, Aegon Levensverzekering has changed its accounting framework as a basis for preparing its financial statements. Currently Dutch GAAP is being used, this is equal to Solvency II. Therefore there are no differences in the excess assets over liabilities between Solvency II and financial statements.

E.1 Own Funds

E.1.1. Capital Management objectives

Management

Overall capital management is administered at group level. a.s.r. currently plans to consider investing capital above the Solvency II ratio (calculated based on the standard formula) of 160% (management threshold level) with the objective of creating value for its shareholders. If and when a.s.r. operates at a level considerably above the management threshold level and it believes that it cannot invest this capital in value-creating opportunities for a prolonged period of time, it may decide to return (part of this) capital to shareholders. If a.s.r. chooses to return capital, it plans to do so in a form that is efficient for shareholders at that time. a.s.r. actively manages its in-force business, which is expected to result in free capital generation over time. Additionally, business improvement and balance sheet restructuring should improve the capital generation capacity while advancing the risk profile of the company. The legal entities are individually capitalised and excess capital over management's targets for the legal entities is intended to be upstreamed to the holding company as far as is needed for amongst others covering external dividend, coupon payments on hybrids/senior financing instruments and holding costs and in so far the local regulations and the internal risk appetite statement allow.

Objective and policies

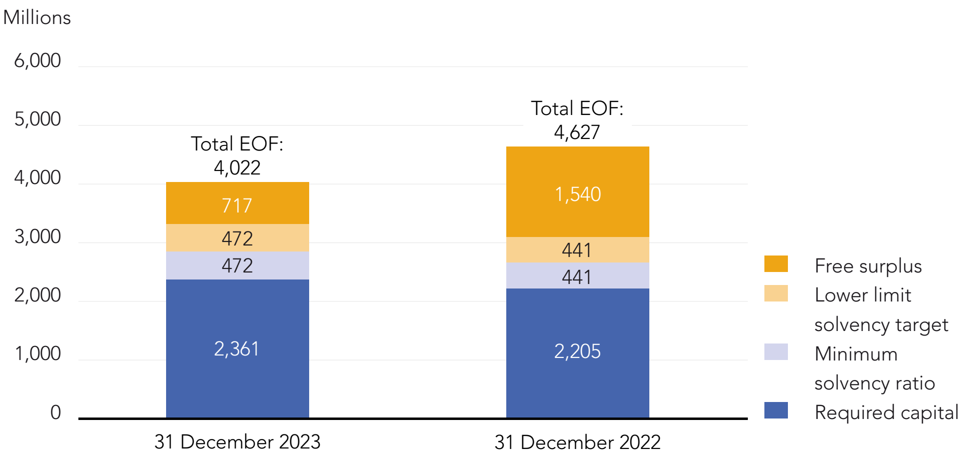
A.s.r. group is committed to maintain a strong capital position in order to be a robust and sustainable insurer for its policyholders and other stakeholders. The objective is to maintain a solvency ratio well above the minimum levels as defined in the risk appetite statements and above the relevant management threshold levels. Sensitivities are periodically performed for principal risks and annual stress tests are performed to test a.s.r.'s robustness to withstand moderate to severe scenarios. An additional objective is to achieve a combination of a capital position and a risk profile that is at least in line with a 'single A' rating by Standard & Poor's.

The SCR is reported on a quarterly basis and proxies are also made on a monthly basis. The internal minimum solvency ratio for Aegon Levensverzekering as formulated in the risk appetite statement is 120%. The lower limit solvency target is 140%. The management threshold level for the solvency ratio is above 160%. The solvency ratio stood at 170% at 31 December 2023, which was comfortably above the internal requirement of 120% and the management threshold level of 160%.

The capital policy of a.s.r. focuses on the best possible use of available capital within the group and the different entities. In doing so, a.s.r. applies two principles: i) dividend distributions and capital contributions from or to a.s.r. life are made to satisfy the defined targets for capital, own funds and liquidity positions, and ii) available capital is maintained at Aegon Levensverzekering for the creation of return and capital generation.

In accordance with a.s.r.'s dividend policy, the liquidity of the underlying entities is not taken into account for the liquidity position of the group. However, the capital is recognised in the capital position of the group, since a.s.r. has the ability to realise the capital of this OTSO, for example by selling the entity. If Aegon Levensverzekering elects to return capital, it intends to do so in the form that is efficient for shareholders at that time. In 2023, € 371 million dividend upstream took place of which € 166 million to a.s.r.

Market value own funds under SCR



E.1.2. Tiering Own Funds

The table below details the capital position of Aegon Levensverzekering as at the dates indicated. With respect to the capital position, Solvency II requires the insurers to categorise own funds into the following three tiers with differing qualifications as eligible available regulatory capital:

- Tier 1 capital consists of Ordinary Share Capital and Reconciliation reserve.
- Tier 2 capital consists of ancillary own funds and basic Tier 2. Ancillary own funds consist of items other than basic own funds which can be called up to absorb losses. Ancillary own fund items require the prior approval of the supervisory authority. Aegon Levensverzekering has no ancillary own fund items.
- Tier 3 consists of Deferred tax assets. Aegon Levensverzekering has Tier 3 own fund items amounting to € 326 million at year-end 2023 (2022: 269 million).

The rules impose limits on the amount of each tier that can be held to cover capital requirement aim of ensuring that the items will be available if needed to absorb any losses that might arise

An overview of Own Funds components including an allocation by tier is given below.

Eligible Own Funds to meet the SCR

Amounts in € million	31 December 2023	31 December 2022
Unrestricted Tier 1 – before adjustments	3,696	4,358
Non-available	-	-
Tier 2	-	-
Tier 3	326	269
Total eligible Own Funds to meet the SCR	**4,022**	**4,627**

Compared to year-end 2022, eligible Own Funds decreased. The decrease is mainly driven by market impacts, dividend payments and experience variances. The decrease was partly offset by operating capital generation.

The total eligible Own Funds to meet the SCR are equal to the available Own Funds. There is no capital loss or capital overflow after applying capital restrictions to all 3 Tiering buckets. Approximately 92% of the eligible Own Funds consist out of unrestricted Tier 1 capital, covering 157% of the total SCR.

E.1.3 Own Funds versus MCR

The MCR calculation is based on the standard formula.

Eligible Own Funds to meet the MCR

Amounts in € million	31 December 2023	31 December 2022
Unrestricted Tier 1 – before adjustments	3,696	4,358
Non-available	-	-
Tier 2	-	-
Tier 3	-	-
Total eligible Own Funds to meet the MCR	**3,696**	**4,358**

The total amount of eligible Own Funds to cover the MCR is lower than the SCR eligible Own Funds, as Tier 3 capital is not considered eligible to meet MCR.

E.1.4. List of hybrid loans

Not applicable for Aegon Levensverzekering.

E.2. Solvency Capital Requirement and Minimum Capital Requirement

E.2.1. Solvency Capital Requirement

Capital requirement
Aegon Levensverzekering's Partial Internal Model SCR amounted to € 2,361 million on December 31, 2023 (2022: € 2,205 million). The increase in SCR is driven by market movements.

Aegon Levensverzekering's Solvency II ratio complied during 2022 with the applicable externally imposed capital requirement. The table below presents the solvency ratio as at the date indicated.

Solvency II ratio

Amounts in € million	31 December 2023	31 December 2022
Eligible Own Funds Solvency II	4,022	4,627
Required capital	2,361	2,205
Solvency II ratio	170%	210%

The Solvency II ratio stood at 170% at 31 December 2023 (2022: 210%). The Solvency II ratios are not final until filed with the regulators

On December 14, 2023, a political agreement was reached on amendments to the Solvency II Directive, following the 2020 review of the Solvency II framework. The formal adoption of the amendments to the directive is expected to take place by April 2024. The amendments are expected to take effect in EU member states by mid 2026 or 1st of January 2027. The proposed amendments consist of various changes to the Solvency II framework, affecting most notably the liability discount curve, the risk margin and the volatility adjustment (VA), the equity risk module for the SCR calculation, the introduction of a prudential climate-transition plan and sustainability-related considerations in the prudent person principle and in the ORSA and group supervision. Some measures could include a phase-in period. The amendments to the Solvency II Directive will require amendments to the Solvency II Delegated Regulation and/or the introduction of additional delegated acts and guidelines, to be developed by EIOPA.

In addition to the revisions to the Solvency II Directive, an agreement was reached on the Insurance Recovery and Resolution Directive (IRRD), which provides for recovery and resolution framework for insurance companies at European level and to be implemented by EU member states, comparable to the Act on Insurance Recovery and Resolution, currently in force in the Netherlands.

Standard & Poor's confirmed the single A rating of Aegon Leven on 27 October 2022.

Ratings

Ratings Standard & Poor's	Type	Rating	Outlook	Rating & outlook since
Aegon Levensverzekering N.V	IFSR	A	Stable	23 May 2023
Aegon Levensverzekering N.V	ICR	A	Stable	23 May 2023

CCR: counterparty credit rating FSR: financial strength rating

Rating reports can be found on the a.s.r. website: http://asrnl.com/investor-relations/ratings

SCR methodology based on the Solvency II PIM
Aegon uses a Solvency II PIM to calculate the solvency position of its insurance activities under Solvency II. Aegon's internal model was approved by the College of Supervisors as part of the Internal Model Application Process. For Aegon, a partial internal model is a better representation of the actual risk since this contains Aegon Levensverzekering specific modeling and sensitivities as opposed to industry-wide approximations included in the standard formula methodology. The purpose of the internal model is to better reflect the actual risk profile of Aegon Levensverzekering in the SCR. The most material risk types for Aegon Levensverzekering are therefore covered by the internal model as part of the Solvency II PIM, and less material risk types are covered by the standard formula part of the Solvency II PIM. A visual representation of the structure of the internal model is provided below.

Structure of the internal model

Risk Class	QRT S.25.05	Risk Type	Application
Mismatch risk	Market risk	Interest rate level	IM
		Interest rate volatility	IM
		Currency	SF
Investment & Counterparty risk		Fixed income	IM & SF
		Equity level	IM & SF
		Equity volatility	IM
		Alternative investment	IM & SF
		Deterministic adjustment	IM
	Counterparty default risk	Counterparty	SF
Underwriting risk	Life Underwriting risk	Mortality Contagion	SF
		Mortality Parameter	IM
		Longevity Parameter	IM
		Disability/morbidity	SF
		Persistency	IM & SF
		Expense risk	SF
	Health Underwriting risk	Health	n/a
	Non-life Underwriting risk	P&C	n/a
Operational risk	Operational risk	Operational	SF
Diversification	Aggregation		IM
	PIM - integration		Integration technique 3

For every risk factor, a marginal probability distribution function is fitted using historical data and expert judgement. The overall joint probability distribution function of all the risk factors combined takes into account the dependency structure between the risks. The losses from 2 million scenarios simulating the samples from this joint distribution are used to fit an overall empirical loss distribution function, from which we derive the 1-200 loss by taking the 99.5% point.

Additional purposes for which Aegon Levensverzekering uses the Solvency II PIM include:
- Quantification of risk exposures in order to set adequate capital buffers;
- Monitoring of these exposures against the stated risk appetite and risk tolerance;
- Product pricing, where the cost of capital has a significant impact on overall costs;
- Assessment of the value of new business sold, in particular the value of options and guarantees included therein; and
- Budgeting of capital requirements, Dividend Policy & Contingency Planning.

The following risk types are modeled under the internal model component of the Solvency II PIM:

Within the Mismatch risk category:
- Interest rate risk and interest rate volatility risk.

Within the Investment and counterparty risk category:
- Regular equity risk excluding private equity;
- Equity volatility risk;
- Spread, default and migration risk for fixed income securities including mortgages, but excluding certain illiquid investments; and
- Property risk for the direct real estate investments intended for rentals.

Within the Investment and counterparty risk category, Aegon Levensverzekering includes the category "Deterministic adjustment" since year-end 2020. In 2020 Aegon Levensverzekering identified improvements to its internal model that mitigate volatility caused by the basis risk between the EIOPA VA reference portfolio and its own asset portfolio. These improvements were implemented for year-end reporting 2020 and they will be in place until changes arising from the Solvency II review are enacted.

Within the Underwriting risk category:
- Mortality and longevity risk; and
- Mortgage prepayment risk.

All risk types that are not covered by the internal model are covered under the standard formula component of the Solvency II PIM. The risk measure used in all components of the Solvency II PIM is the 99.5% value at risk applied over a one-year time horizon. The standard formula SCRs and internal model SCRs are combined to calculate the Solvency II PIM SCR using Integration Technique 3 (IT3) as listed in annex XVIII.D of Commission Delegated Regulation (EU) 2015/35 (Delegated Acts).

Diversification within the Solvency II PIM SCR

Under Solvency II PIM, Aegon Levensverzekering calculates the diversification benefit across risk types. Within the standard formula components, diversification is determined following the prescribed correlation matrices.

Within the internal model component, diversification is calculated as follows: For each risk type a worst-case shock is calibrated at the 99.5% confidence level over a one-year time horizon. These shocks reflect the adverse value change of the assets and liabilities over the time horizon including the amounts paid during the one-year time horizon, as well as the change in present value of cash flows projections at the end of the projected time horizon. The combination of these adverse value changes are the Own Funds losses.

To calculate the total SCR and diversification, the Own Funds losses are determined not only at the 99.5% confidence level of the risk types, but at two million equally likely scenarios. This is a Monte Carlo simulation approach. These scenarios are generated using a scenario generator and a dependency structure, defining the dependency (correlation) between risk drivers based on market data and expert judgment. Each scenario contains values for risk drivers such as interest rates, equity returns and mortality levels.

Aegon uses loss functions to calculate the Own Funds losses in all these scenarios. These loss functions are fitted using full valuations at several points (percentiles) of the distribution of the applicable risk type. For each of the two million scenarios, the Own Funds losses are summed between the risk types and business units that apply the internal model, resulting in the total loss in Own Funds for the scenario. By ordering these scenarios based on their aggregated losses, the 99.5 percentile of the losses is determined. The total net SCR (after diversification) is then determined by the average loss in Own Funds for the 5,001 scenarios around the 99.5 percentile.

Diversification is defined as the difference between the sum of the standalone SCRs of the risk types and the total net SCR.

Diversification between the internal model and the standard formula components of the Solvency II PIM are calculated using Integration Technique 3 (IT3) in accordance with Solvency II regulation. IT3 describes how an implied linear correlation coefficient between the internal model and standard formula components is calculated. This correlation coefficient is subsequently used to calculate the total Solvency II PIM SCR using a square root formula.

Data quality

Aegon Levensverzekering has implemented the Data Quality Policy of the former Aegon Group for the Solvency II reporting processes, including the required data directory and a description of the criteria regarding data completeness, accurateness and appropriateness. Data used in the internal model originate from internal as well as external sources, for example:
- Policy Data level detailing characteristics and coverage of individuals insured;
- Data specifying the portfolio of assets, e.g. type of asset, amount, and maturity date.
- Data from external sources such as population mortality tables and prices of traded securities.

The internal model design aims to make optimal use of all available data in the stages of model design and execution. An assessment of the appropriateness of data usage forms part of the model validation process.

Other

No simplified calculations or undertaking specific parameters have been used for the SCR components determined on the basis of the Standard Formula.

Solvency II PIM SCR

The table below shows the breakdown of the Solvency II PIM SCR for Aegon Levensverzekering at year-end 2023:

Solvency II PIM SCR

Amounts in € millions	Components description	2023	2022
C.2 Market risk	Market risk (SF)	654	535
	Market risk (IM) including DA	1.800	1,588
C.3 Credit risk	Counterparty default risk (SF)	94	78
	Counterparty default risk (IM)	-	-
C.1 Underwriting risk	Life underwriting risk (SF)	534	583
	Life underwriting risk (IM)	1,014	948
	Health underwriting risk (SF)	-	-
	Health underwriting risk (IM)	-	-
	Non-life underwriting risk (SF)	-	-
	Non-life underwriting risk (IM)	-	-
C.5 Operational risk	Operational risk (SF)	214	208
	Operational risk (IM)	-	-
E.2.1 Solvency Captial Requirement	Diversification	-1,358	-1,279
	LAC Deferred Taxes (negative amount)	-591	-455
	Total SCR	**2,361**	**2,205**

Diversification of € 1,358 million includes the integration between the SF and IM parts of the PIM SCR and diversification between the risk categories, but does not include diversification within each risk component.

Within the risk categories there is diversification within each the risk category, mainly:
- Market Risk (MR) diversification, driven by diversification between spread and interest rate level risk, as well as diversification between interest rate level and other market risk types. Diversification benefits for interest rate level risk are relatively large as Aegon Leven is exposed to an increase in interest rates, which has low correlation with the spread widening scenarios. Diversification benefits for spread risks are relatively small as spread risk (exposure to spread widening) is the largest risk category in terms of SCR and therefore drive the aggregated Own Funds losses in a 1-in-200-year event. Note that all these figures are after applying the dynamic volatility adjustment;
- Underwriting risks (UR) diversification benefits are driven by longevity risk, which is the largest underwriting risk with comparably small diversification. Longevity risk has a relatively low correlation with other underwriting risk types, such as lapse risk. Underwriting risks typically also have low correlation with Market risk types, like spread risk, that drive the aggregated Own Funds losses around the 99.5th percentile.

The LAC DT is calculated after diversification and lowered the net PIM SCR by € 591 million (2022: € 455 million).

LAC DT developments in 2023

There have been changes to the LAC DT methodology last year:
- Similar to previous years, the Loss Absorbing Capacity of Deferred Taxes (LAC DT) is determined by applying a LAC DT Factor on the Dutch corporate tax rate, which is 80% per year-end 2023, an increase of 10% compared to 2022. The LAC DT is calculated according to the requirements as stated in the Solvency II (SII) regulations, which provides a principle-based approach for the LAC DT substantiation. The methodology reflects Aegon Levensverzekering's current interpretation of both the SII regulations combined with the guidance provided by De Nederlandsche Bank (DNB) on this topic.

E.2.2. Minimum Capital Requirement

The MCR has been determined as the sum of the following components, leading to a linear MCR of € 961 million. The MCR contains a minimum of 25% and a maximum of 45% of the SCR, as stipulated in article 292(2)(g) of the Delegated Regulation. Applying the MCR cap, the MCR equals € 994 million.

Component MCR 2023

Amounts in € millions	Charge	Net best estimate / Capital at Risk	MCR
Technical Provisions for Obligations with profit participation - guaranteed benefits, excluding the risk margin, net of reinsurance with a floor equal to zero	3.70%	12,985	480
Technical Provisions for index-linked and unit-linked insurance, excluding the risk margin, net of reinsurance with a floor equal to zero	0.70%	24,059	168
Technical Provisions for all other life insurance, excluding the risk margin, net of reinsurance with a floor equal to zero.	2.10%	15,129	318
Capital at Risk by policy summed over for all life insurance policies	0.07%	39,486	28
Total linear MCR			**994**
MCR cap			1,062
MCR combined			**994**

As a comparison, the MCR on December 31, 2022 is shown below.

Component MCR 2022

Amounts in € millions	Charge	Net best estimate / Capital at Risk	MCR
Technical Provisions for Obligations with profit participation - guaranteed benefits, excluding the risk margin, net of reinsurance with a floor equal to zero	3.70%	12,542	464
Technical Provisions for index-linked and unit-linked insurance, excluding the risk margin, net of reinsurance with a floor equal to zero	0.70%	23,087	162
Technical Provisions for all other life insurance, excluding the risk margin, net of reinsurance with a floor equal to zero.	2.10%	14,658	308
Capital at Risk by policy summed over for all life insurance policies	0.07%	38,815	27
Total linear MCR			**961**
MCR cap			992
MCR combined			**961**

Compared to year-end 2022, the MCR increased. As the linear MCR does not exceed the MCR cap, the linear MCR result is leading per year-end 2023. Overall, the Technical Provisions (TP) increased compared to 2022 (for more details on the TP movement, refer to paragraph D.2) while the Capital at Risk remained stable.

E.3. Use of duration-based equity risk sub-module in the calculation of the Solvency

Aegon Levensverzekering does not make use of the duration-based equity risk sub-module set out in article 304 of Directive 2009/138/EC for the calculation of the Standard Formula SCR.

E.4. Differences between internal model and standard formula

The main differences between the methodologies and assumptions of the Solvency II PIM and the standard formula are discussed by risk type below.

Market risk

The fixed income risk for bonds differs because Solvency II PIM shocks are calibrated on the basis of Aegon Levensverzekering's fixed income portfolio. In contrast to the standard formula, government bonds are shocked with a factor larger than zero. Furthermore, the Solvency II PIM makes use of a dynamic volatility adjustment approach within Aegon Levensverzekering, while the standard formula does not.

Aegon's Dynamic Volatility Adjustment methodology follows an asset-only approach, ensuring spread widening is the biting scenario. The performance of the fixed income portfolio is assessed under a broad range of credit scenarios and the model determines which part of the (short-term) losses experienced by the assets are recouped.

For mortgages, the Solvency II PIM contains a spread shock, while the standard formula implies a counterparty default risk shock.

Equity risk shocks are calibrated based on Aegon Levensverzekering's own portfolio. In addition, the equity exposures are also shocked for equity volatility risks.

Within Aegon Levensverzekering, property risk shocks on the real estate portfolio are calibrated on the portfolio itself as opposed to a 25% shock in the standard formula.

The Solvency II PIM results for interest rate risks differ from the standard formula results for the following reasons:

- The standard formula interest rate shock only considers a parallel shift in the interest rate curve, whereas the Solvency II PIM considers not only a parallel shift, but also for a flattening/steepening and twisting of the interest rate curve;
- The Solvency II PIM interest rate curve shocks are calibrated based on historical market data;
- The Solvency II PIM assumes that the UFR does not change in a shock scenario, while the standard formula interest rate shock assumes that the whole curve moves, including the UFR; and
- In addition, the Solvency II PIM includes a capital requirement for interest rate volatility risk.

Underwriting risk

The Solvency II PIM for longevity and mortality risk differs from the standard formula as follows:

- The Solvency II PIM makes a distinction between a population mortality shock and an experience factor shock while the standard formula assumes a fixed decrease in all mortality rates; and
- The Solvency II PIM projects mortality rates by age and gender while the standard formula assumes the same shock for all ages and both genders.

For Aegon Levensverzekering, the Solvency II PIM includes pre-payment (lapse) risk on the mortgage portfolio.

Diversification

Diversification between the internal model and the standard formula components of the Solvency II PIM are calculated using Integration Technique 3 (IT3). IT3 describes how an implied linear correlation coefficient between the internal model and standard formula components is calculated. This correlation coefficient is then used to calculate the total Solvency II PIM SCR using a square root formula. The standard formula makes use of correlation matrices to calculate the diversifications by risk module and on total level.

E.5. Non-compliance with the Minimum Capital Requirement and non- compliance with the Solvency Capital Requirement

As Aegon Levensverzekering has not faced any form of non-compliance with the MCR or significant non-compliance with the SCR during the reporting period or at the reporting date, no further information is included here.

Glossary

Collateral is an asset pledged by a borrower to secure a loan and is subject to seizure in the case of default.

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

Diversification is the general concept of reducing the total risk of a portfolio of assets and/or liabilities by spreading it across a mix of different risk exposures. Risk reduction occurs due to the less than perfect correlation among the individual risk exposures in the portfolio, meaning risks will not materialize all at the same time.

Financial risks are risks of a possible future change in one or more of the following variables: a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index or prices or rates, credit rating or credit index or other variable, provided in the case of a non-financial variable, that the variable is not specific to a party to the contract.

Insurance contract is a contract under which one party (the insurer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder.

Insurance risk is a risk, other than financial risk, transferred from the holder of a contract to the issuer.

Interest rate risk is a market risk, more specifically the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments.

Loss absorbing capacity of deferred taxes is a loss compensating effect of taxes taken into account in the solvency capital requirement.

Minimum capital requirement is the absolute minimum level of capital an insurance company must hold in excess of its Technical Provisions under Solvency II.

Operating expenses are all expenses associated with selling and administrative activities (excluding commissions) after reallocation of claim handling expenses to benefits paid.

Partial Internal Model is a combination of a Standard Formula and Internal Model, used to calculate the Solvency II capital requirement.

Policyholder is a party that has a right to compensation under an insurance contract if an insured event occurs.

Solvency II is the fundamental reform of European insurance legislation.

Solvency capital requirement is the level of capital an insurance company must hold in excess of its Technical Provisions under Solvency II.

Spread is the difference between the current bid and the current ask or offer price of a given security.

Standard Formula is a risk-based approach to the calculation of an insurer’s solvency capital requirement, prescribed by the regulator.

Stochastic modeling is a statistical process that uses probability and random variables to predict a range of probable investment performances.

Transitional measures allow EEA entities to gradually move to a full implementation of Solvency II over a period of time.

Volatility adjustment is a volatility adjustment to the discount rates for calculating technical provisions aims at avoiding pro- cyclical investment behavior of insurers when bond prices deteriorate owing to low liquidity of bond markets or exceptional expansion of credit spreads. The adjustment has the effect of stabilizing the capital resources of insurers and will be calculated by EIOPA.

Cautionary notes

Intended use of the SFCR

This Solvency and Financial Condition Report is prepared and published in accordance with the requirements of the Solvency II regulations and EIOPA guidelines and follows a prescribed format. The SFCR is primarily prepared for prudential considerations, which includes informing policyholders and other beneficiaries of Aegon's insurance products. While the document is made available to the public in general and may be of interest to stakeholders such as investors in Aegon shares and other financial instruments, it is not specifically aimed at them.