



Aegon Integrated Annual Report 2021

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Welcome to Aegon's 2021 Integrated Annual Report

This is Aegon's Integrated Annual Report for the year ended December 31, 2021. The report outlines the challenges and opportunities facing our business today and how we address these through our purpose, vision, and strategy, to create long-term value for our stakeholders. The report also contains the 2021 consolidated financial statements and company financial statements of Aegon N.V. (from page 119).

We have prepared the consolidated financial statements in accordance with the International Financial Reporting Standards, as adopted by the European Union (EU-IFRS). This report also conforms to the relevant reporting requirements under the Dutch Corporate Governance Code and Dutch Civil Code.

In compliance with the requirements resulting from our listing on the New York Stock Exchange, we also prepare an Annual Report on Form 20-F in accordance with the International Financial Reporting Standards as issued by the International Accounting Standards Board (IASB).

Throughout this document, Aegon N.V. is referred to as either 'Aegon' or 'the Company'. For the purposes of this report, 'member companies' shall mean, with respect to Aegon N.V., those companies consolidated in accordance with Dutch legislation relating to consolidated accounts.

References to 'NYSE' and 'SEC' relate to the New York Stock Exchange and the US Securities and Exchange Commission respectively. Aegon uses 'EUR' and 'euro' when referring to the lawful currency of European Monetary Union member states; 'USD' and 'US dollar' when referring to the lawful currency of the United States, and 'GBP', 'UK pound', and 'pound sterling' when referring to the lawful currency of the United Kingdom.

If you have comments or suggestions about this report, please contact our offices in The Hague, the Netherlands. Contact details may be found on page 396.

PDF/printed version

This document is the PDF/printed version of the 2021 Integrated Annual Report of Aegon N.V. and has been prepared for ease of use and does not contain ESEF information as specified in the Regulatory Technical Standards on ESEF (Delegated Regulation (EU) 2019/815). The 2021 Integrated Annual Report was made publicly available pursuant to section 5:25c of the Dutch Financial Supervision Act (Wet op het financieel toezicht) and was filed with the Netherlands Authority for the Financial Markets (Autoriteit Financiële Markten) in European single electronic reporting format (the ESEF package). The ESEF package is available on the [company's website](#) and includes a human readable XHTML version of the 2021 Integrated Annual Report. The auditor's report of the independent auditor is issued with the ESEF reporting package. In any case of discrepancies between this PDF/printed version and the ESEF package, the latter prevails.



Helping people live their best lives

Our purpose

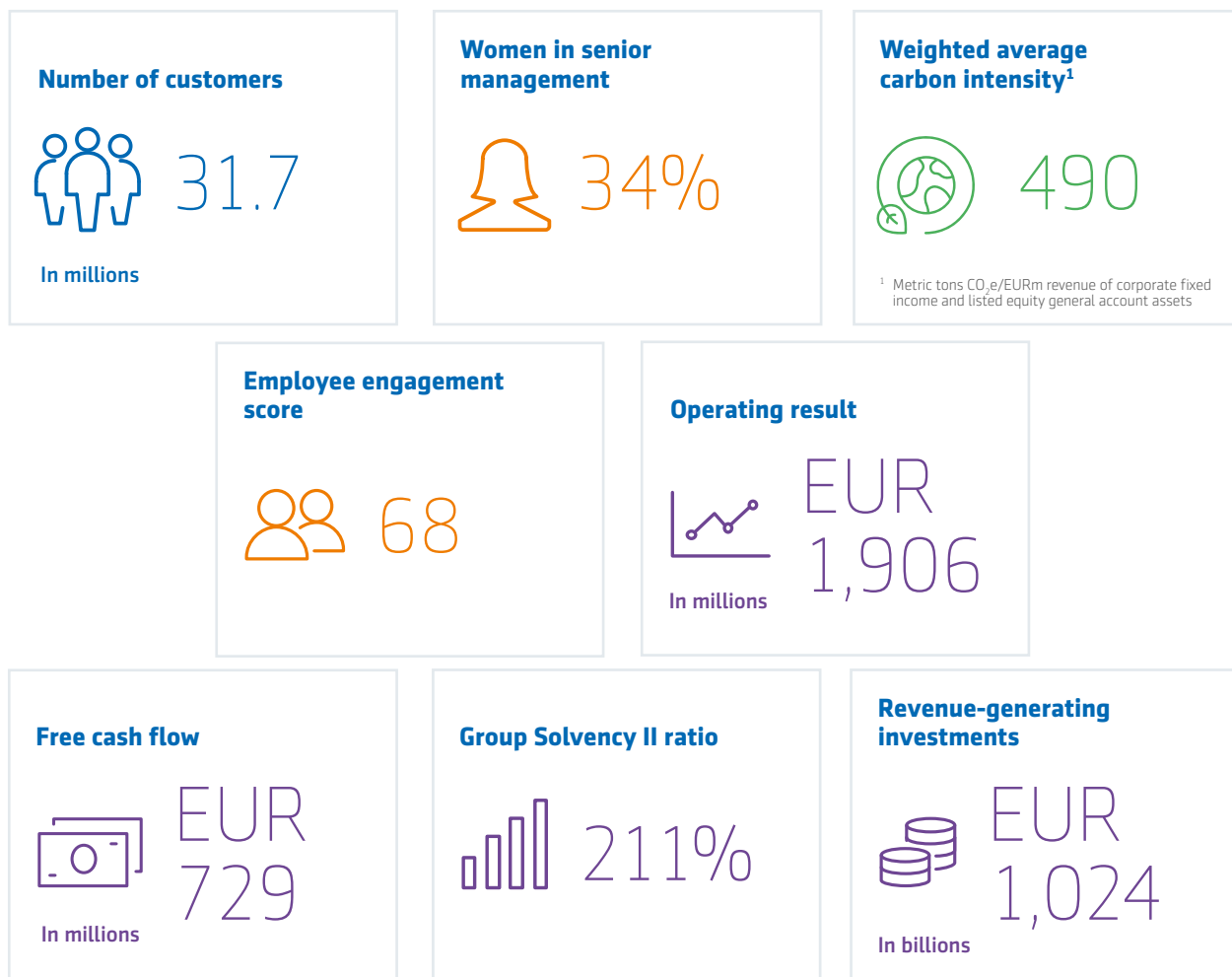
People are living longer, and at Aegon we are excited by the opportunities this brings. We are here for everyone who wants to make the most of their time on our planet and leave it a little better than they found it. That is why our purpose is **Helping people live their best lives.**

Much has changed since Aegon's founding almost 180 years ago. But our principles of solidarity and being there for one another when it matters remain unchanged. Our commitment to *Helping people live their best lives* is firmly rooted in our DNA. Our role is to champion the possibilities offered by longer lifespans. We are here to support every stage of a long, healthy life with guidance, financial advice, and propositions. With our solutions for investment, protection, and retirement, we give people the confidence to make the right choices for their future.

About Aegon

Aegon is an integrated, diversified, international financial services group. We offer investment, protection, and retirement solutions, always with a clear purpose: **Helping people live their best lives.**

This commitment requires a sustainable, future-oriented business that actively considers all stakeholders, including our customers, employees, investors, partners, and society at large. Our roots date back almost 180 years to the first half of the 19th century. Our strategy is focused on three core markets (the United States, the United Kingdom, and the Netherlands), three growth markets (Spain & Portugal, Brazil, and China), and one global asset manager. Aegon is headquartered in The Hague, the Netherlands.



Business overview

Aegon allocates capital toward profitable opportunities in its core and growth markets, and through Aegon Asset Management. As an international financial services group, we share capital, talent, knowledge, processes, and technologies across our different businesses. We derive our revenues and earnings from insurance premiums, investment returns, fees, and commissions.

We offer both direct and intermediary-assisted access to our products and services. For more complex and advanced services and products requiring tailored advice, we rely on a broad network of business partners that includes brokers, agents, banks, employee benefits consultants, and independent financial advisors. For simpler types of solutions, we are growing our direct distribution capabilities to engage with customers directly.

Aegon's core markets



In the **United States**, Aegon operates primarily under the Transamerica brand. Through employers, Transamerica's Workplace Solutions division offers retirement plans, individual retirement accounts, voluntary employee benefits, and stable value solutions. Its Individual Solutions division offers life insurance, annuities, and mutual funds through third-party broker-dealers, banks, wire houses, independent financial planners, and agents. These products are also distributed through its affiliated retail distribution group.



In the **Netherlands**, Aegon mainly operates under the Aegon brand. Aegon the Netherlands focuses on life insurance, long-term savings, and pension and annuity solutions. The Workplace Solutions business focuses on new-style defined contribution pension solutions, associated disability services, and pensions administration. The company also operates a large mortgage origination business. Under the Knab brand, Aegon provides digital banking solutions with a focus on retail and self-employed customers.

In the **United Kingdom**, Aegon provides solutions for retirement, workplace savings, investing, and protection, all under the Aegon brand. Aegon UK accesses customers through wealth advisors as well as the workplace, and holds leading positions in the retirement and savings markets in both the workplace and retail segments.

Aegon's growth markets



In **China**, Aegon participates in two different joint ventures, each with its own brand and market presence. Aegon owns a 49% stake in Aegon THTF Life Insurance Company, which offers life insurance solutions through a network of branches, primarily in eastern China, and develops multi-channel distribution capabilities. Aegon Asset Management owns 49% of Aegon-Industrial Fund Management Company, a Shanghai-based asset manager that offers mutual funds, segregated accounts, and advisory services.



In **Brazil**, Aegon has a 55% interest in Mongeral Aegon Group (MAG Seguros), the country's third-largest independent life insurer. MAG Seguros offers individual protection solutions, ranging from life insurance and pension products to solutions in investments, pension funds, and pension management. Together with Banco Cooperativo do Brasil (Bancoob), MAG Seguros also operates a joint venture company dedicated to providing life insurance and pension products within the Sicoob, Brazil's largest cooperative financial system.



In **Spain & Portugal**, Aegon has operated under the Aegon brand since 1980. In 2013, Aegon entered a strategic partnership with a 51% stake in a joint venture with Banco Santander to distribute life, health, and non-life insurance products through the bank's network of branches. Distribution agreements are also in place with Liberbank. Aegon Spain's own distribution channel offers life insurance, health insurance, and pension products.



One global asset manager



Aegon Asset Management is an active global investment business that manages and advises on assets of EUR 410 billion for a global client base consisting of pension plans, public funds, insurance companies (including Aegon's subsidiaries), banks, wealth managers, family offices, and foundations. Aegon Asset Management is active in our core and growth markets, as well as in France, Germany, Hungary, and Japan.

Aegon's operations in small and niche markets

Aegon operates a small number of businesses that are sub-scale or active in small or niche markets, which are managed with tight capital and with a bias to exit. They include Transamerica Life Bermuda, providing life insurance to high-net-worth individuals globally, as well as our digitally focused joint venture Aegon Life Insurance Company in India. In November 2020, Aegon announced the sale of its businesses in Hungary, Poland, Romania, and Turkey to Vienna Insurance Group AG Wiener Versicherung Gruppe. The closing of the sale is subject to regulatory approval.

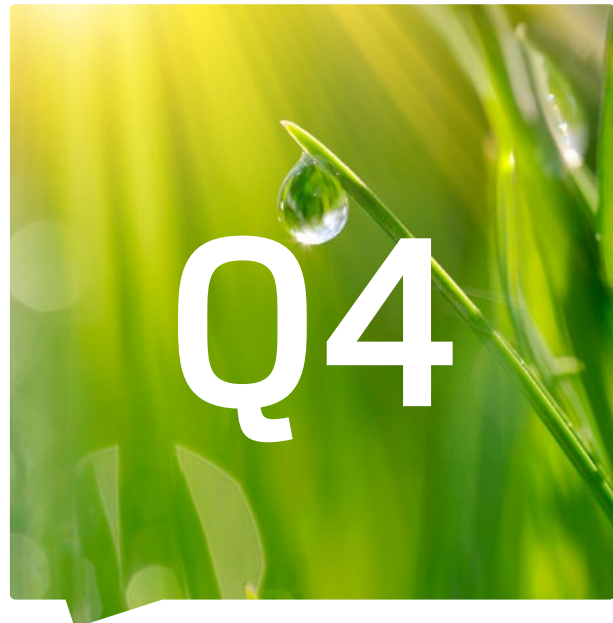
Further information on our businesses can be found in the business overview section on page 302 of this report.

2021 milestones



- Transamerica ceases sales of variable annuities with significant interest-rate-sensitive riders, fixed index annuities, and standalone individual long-term care products.
- Aegon UK launches the Financial Wellbeing Index in partnership with the Initiative for Financial Wellbeing and Edinburgh University.
- To standardize its operating model and reduce costs, Aegon Asset Management (AAM) launches a program to reduce its IT complexity by approximately halving the number of systems it employs. AAM also creates a common front office platform and global portfolio risk environment, while shortening its client reporting from over five business days to between one and two business days.
- Aegon the Netherlands successfully prices a EUR 657 million residential-mortgage-backed securitization to further diversify its mortgage funding. The transaction is oversubscribed three times by investors.
- Aegon completes the divestment of Stonebridge, a UK-based provider of accident insurance products.
- Together with its joint venture partner, Aegon ceases funding of GoBear, a digital financial supermarket in Southeast Asia.
- Transamerica earns a score of 100% from the Human Rights Campaign Foundation on its annual Corporate Equality Index (CEI).

- Aegon UK acquires Pension Geeks, a business specializing in connecting people with their finances through innovative engagement techniques, communication, and events.
- The Hungarian Ministry of Interior denies the acquisition of the Aegon companies in Hungary by Vienna Insurance Group AG Wiener Versicherung Gruppe (VIG). Aegon and VIG jointly appeal this decision. For further details, see Q3 milestones on page 5.
- To achieve cost and capital efficiencies, Aegon combines its programs for purchasing corporate insurance into a single existing US-based unit and centralizes all retained risks.
- Transamerica completes the sale of its portfolio of fintech and insurtech companies to a fund managed and advised by private equity firm Montana Capital Partners.
- Aegon the Netherlands expands mortgage options to help customers finance energy-efficient home improvements.
- Together with the Aegon Transamerica Foundation in the United States, Aegon donates EUR 300,000 to support COVID-19 relief efforts in India.
- Aegon places second in responsible investment NGO ShareAction's 2021 ranking of how leading global life and health insurers approach responsible investment and underwriting.



- To reduce financial market exposure and release capital, Transamerica launches a program offering certain variable annuity customers a lump-sum payment in return for surrendering their policies.
- Aegon the Netherlands ceases offering savings products to customers of its original savings bank, giving them the opportunity to transfer their funds to a Knab account or to another bank.
- The European Commission grants the competition law clearance for the acquisition of Aegon's businesses in Central & Eastern Europe by VIG.
- The Budapest Metropolitan Court rejects a joint appeal by Aegon and VIG challenging the Ministry of the Interior's decision to block the latter's acquisition of Aegon's Hungarian businesses. Subsequently, VIG and Aegon ask the Hungarian Supreme Court to review the ruling. VIG continued its dialogue with the Hungarian Ministry of Finance to clarify possibilities for a positive conclusion to the acquisition. In February 2022, VIG and the Hungarian government reached an agreement about a 45% participation of the Hungarian state in VIG's and Aegon's operations in Hungary.
- Aegon calls USD 250 million in perpetual capital securities in line with the target to reduce gross financial leverage.
- Aegon UK becomes a Living Wage Foundation accredited employer.

- Aegon commits to transitioning its general account investment portfolio to net-zero greenhouse gas emissions by 2050 and, in doing so, joins the Net-Zero Asset Owner Alliance.
- Aegon Asset Management becomes a signatory to the Net Zero Asset Managers initiative.
- Aegon Asset Management and Aegon UK partner with the Global Ethical Finance Initiative (GEFI) to introduce the new Aegon Global Sustainable Sovereign Bond Fund at 'COP26'.
- Aegon becomes a signatory of the United Nations (UN) Global Compact, which calls upon companies to align on universal principles on human rights, labor, environment, and anti-corruption, and to advance societal goals.
- Transamerica expands its dynamic hedging program to the legacy variable annuities portfolio to stabilize economic cash flows and reduce economic sensitivities to equity and interest rate risks.
- Aegon reinsures an additional part of its longevity exposure in the Netherlands with Reinsurance Group of America, improving its risk profile.
- Transamerica reinsures a portfolio of universal life secondary guarantee policies with Wilton Re, which reduces its exposure to mortality risk and policies with a large face amount.
- Aegon maintains its position as leading third-party mortgage originator in the Netherlands, having originated EUR 10.9 billion worth of residential mortgages in 2021.
- Aegon's Global Sustainable Equity Fund wins the 2021 UNCTAD Global Sustainable Fund Award.

CEO letter

The past year has been challenging in many ways, particularly as the ongoing COVID-19 pandemic has lasted longer than many people may have anticipated.



“We have been fully engaged in implementing a rigorous company-wide transformation program aimed at strengthening our operating performance.”

Lard Friese, CEO Aegon

As a company, we are adjusting to this new reality, while also dealing with other far-reaching changes taking place around us. Looking back and reflecting on an eventful 12 months, I am pleased with the progress we have made together in difficult circumstances.

In 2021, my first full year as Chief Executive Officer of Aegon, our focus remained on creating value for our different stakeholder groups. To our shareholders and wider investor community, in particular, I am pleased to report clear headway with executing our new strategy. We have been working to build a more enduring, high-performance company, with a focus on three core markets, three growth markets, and one global asset manager. To realize our goals, we have been fully engaged in implementing a rigorous company-wide transformation program aimed at strengthening our operating performance.

More than two-thirds of our planned performance improvement initiatives have already been executed, and our focus on expense savings puts us on track to realize a significant reduction in addressable¹ expenses by 2023. Furthermore, the growth initiatives being implemented are delivering positive results across our activities in our core and growth markets.

In 2021, we continued to invest in the expansion of our distribution network, while simultaneously improving the digital experience for our customers, advisers, and employers. This supported solid growth in our US Life business, together with record-high asset balances in our Dutch mortgage and defined contribution businesses. Meanwhile, net deposits for our UK platform turned positive. I can also point to the track record of our asset management business, which enjoyed a tenth consecutive year of positive third-party net deposits. There is still work to be done, though, including the need to attract more customers, for example to our US Workplace Solutions business.

On the back of our performance improvement initiatives, we have achieved an increase in our operating result, aided by increased fees from higher equity markets and positive contributions from business growth. These drivers were only partly offset by an adverse claims experience in the United States mainly due to COVID-19. We have also maintained a strong balance sheet by actively managing both our risks and our capital position.

Looking ahead to 2022, we will continue the rigorous execution of our performance improvement plan, building on what we have achieved so far. We are actively managing our risks and capital

¹ Addressable expenses are expenses reflected in the operating result, excluding deferrable acquisition expenses, expenses in joint ventures and associates, and expenses related to operations in CEE countries.

position to maintain a robust balance sheet, as we navigate through the uncertainty created by the current geopolitical situation. The actions we have taken to improve our performance and improve our risk profile provide us with confidence in our ability to deliver on our 2023 financial targets.

Aegon's responsibility to society

Our strategic objectives go beyond operational and financial performance. I understand the important role our company plays within wider society, and I acknowledge the increasing importance of sustainability for Aegon and its stakeholders.

In 2021, we continued to advance our approach to sustainability and responsible investing by further embedding these topics as central pillars within our strategy. We have established a Global Sustainability Board, supported by our Global Corporate Sustainability Team, to realize this goal and intensify our focus on company-wide sustainability targets.

Sustainability is a broad topic, of course, and dialogues with our stakeholders indicate two areas that should be at the forefront of our thinking in the coming years: climate change and inclusion and diversity. In November 2021, we decided to transition our general account investment portfolio to net-zero greenhouse gas emissions by 2050. To ensure progress toward this 2050 commitment, Aegon has set a clear medium-term target for 2025. Alongside this commitment, we are actively strengthening our inclusion and diversity efforts to help position us as a welcoming employer for underrepresented talent. I have been personally involved in exploring ways to further build inclusion and diversity into our talent pipelines, and in 2022 Aegon will appoint a Global Head of Inclusion & Diversity to address this important issue.

Moving closer to our customers and business partners

In 2021, we continued to expand and evolve our offerings to customers across our core and growth markets, with a focus on building close, personal connections. Many recent and ongoing initiatives have been prompted by the need to help people navigate the deep financial and personal impact of the pandemic.

However, I believe the steps we are taking to support our customers now will have positive benefits for our company and its stakeholders for many years to come.

Similarly, we are building closer relationships with our business partners and suppliers around the world to support our efforts to deliver value to our stakeholders. It is especially important that our partners share our values, and over the course of 2021, we continued to integrate specific sustainability criteria and requirements into our supplier selection, development, and ordering processes, as we work to develop a more sustainable supply chain.

Employee engagement top of mind

In a year of tremendous change, the recent period has been particularly transformative for Aegon's workforce. Against the backdrop of the COVID-19 pandemic, we continue to closely monitor employee wellbeing and engagement amid the disruption taking place all around us. Based on feedback from our employees, we have introduced local initiatives and adapted our ways of working to help people cope with the dual pressures of work and COVID-19.

An unfortunate consequence of our transformation journey is that we have had to say goodbye to valued Aegon colleagues. I extend my respect and concern for those who are no longer employed at Aegon, and thank them for their invaluable contribution over the years. I realize that this has also been a difficult process for all members of our community, and I would like to thank those colleagues continuing with Aegon, too, for their resilience and their continued efforts during this journey.

Looking ahead with purpose

Over the past few months, we have taken time as a company to carefully consider our purpose, and reflect on what makes Aegon relevant to its customers, local communities, and wider society. This has been a valuable exercise: as people generally live longer and embark on non-linear life journeys, their financial behaviors and needs are changing. Aegon is adapting accordingly. We champion the opportunities offered by a longer, multi-stage life, and seek to support individuals, families, and employers as they move through the resulting changes.

This responsibility is at the heart of Aegon's redefined purpose of *Helping people live their best lives*, which describes our focus on positive longevity, and how we seek to be a force for good for our customers and other stakeholders throughout their lifetimes. Renewing our purpose provides a common thread that will guide our vision and strategy. This process has also inspired Aegon's new employee behaviors, *We tune in, We step up, We are a force for good*. These core behaviors will ensure our entire organization continues to work in unison to create value for our stakeholders. As I look ahead, our solidarity and togetherness will remain vitally important as we navigate new challenges in an increasingly uncertain world. Indeed, the weeks preceding the publication of this Integrated Annual Report saw the escalation of the aggression against Ukraine and its citizens. On behalf of Aegon, I want to express our support to everyone affected by this shocking and saddening situation, and to add our voice to international demands for an immediate cessation of violence.

Thank you to all our stakeholders for your continued contributions and commitment; I look forward to continuing our journey together in 2022 and beyond.

The Hague, the Netherlands, March 16, 2022

Lard Friese
CEO of Aegon



Our business environment

Aegon operates in a complex and fast-moving environment influenced by a wide range of economic, financial, regulatory, social, and environmental factors. We keep a close eye on developments across these different areas, and we seek to understand their impact on our business and our stakeholders.



These insights support our day-to-day decision-making as well as our long-term business planning. They also help in shaping Aegon’s purpose and vision.

The global economy recovered strongly in 2021 on the back of continued fiscal and monetary stimulus. The steady roll-out of vaccination programs allowed the world’s major economies to scale back COVID-19 restrictions during large parts of the year. The economic rebound, which was strongest in the early months of 2021 before slowing in the second half of the year, has boosted employment and wage growth. Improved consumer confidence has, in turn, supported demand for financial services, including various types of long-term savings and life insurance products.

Despite the ongoing pandemic, financial markets performed well in 2021, regaining positive momentum following the volatility seen during 2020. Prices for equities and real assets increased throughout the year on the back of the global economic recovery. Interest rates remained at relatively low levels, rising nonetheless from the historical lows witnessed in 2020.

Rising inflation has become an important concern for financial services providers, as consumer prices increased at their fastest pace in decades in the final months of 2021. Increasing demand, in combination with supply chain disruptions, led to surges in the price of energy, raw materials, and other goods. Higher inflation and volatile economic growth later in 2021 created uncertainties that influence consumer behavior, including the risk of reduced purchasing power of households, and weaker demand for investment products in the years ahead.

Despite current inflationary pressures, interest rates have remained low as central banks have only gradually begun scaling back pandemic-era stimuli. Aegon’s medium-term view is that interest rates will slowly increase while remaining at low levels. Although there is a risk of increasing inflation, we expect to see a normalizing inflation rate, well managed by central banks, and modest economic growth. Persistently low nominal interest rates present challenges for insurers given that they make saving fundamentally less attractive, and they represent a headwind to our businesses, particularly in the United States and Europe.



Geopolitical factors also feature significantly in our business planning. January 2021 saw the United Kingdom formally exit the European Union, and provisions for the activities of financial services firms within the 'Trade and Cooperation Agreement' between the regions are still being negotiated. Meanwhile, the shift in global economic power to developing regions is a long-term 'megatrend' that affects multinational companies like Aegon in different ways. On the one hand, we see opportunities to further expand our business in growth markets such as China and Brazil. However, the increasing geopolitical influence of Asia has also created political and regulatory uncertainty, and ongoing tensions between the United States and China are a concern, given our extensive interests in these markets.

Increasing regulatory scrutiny and complexity continues to shape our operating environment. At Aegon, we keep a close eye on specific insurance industry requirements, but also on broader developments with respect to sustainability, data management, and privacy, as well as consumer protection and fiduciary duties. While compliance is our absolute priority, our Government and Policy Affairs team proactively monitors potential developments regarding these areas. Aegon is also actively involved in helping to shape future regulations, either directly or as an active member of various industry associations.

Sustainability is increasingly top of mind for the global business community, and our stakeholders expect us to manage our business in accordance with the highest ethical standards, beyond legal and regulatory requirements. November 2021 saw heightened private sector involvement in the UN Climate Change Conference (COP26). The increasing expectations of governments and society are elevating the sustainability agenda, and sustainability has the potential to be a key value driver as companies align with these requirements. Net inflows into US sustainable funds rose by 35% to nearly USD 70 billion in 2021, according to Morningstar¹. Meanwhile, in Europe, assets in sustainable investment products are on track to outnumber traditional funds by 2025, according to a publication from PwC².

¹ <https://aegon.me/sustainable-funds>

² <https://aegon.me/esgfundsforecast>

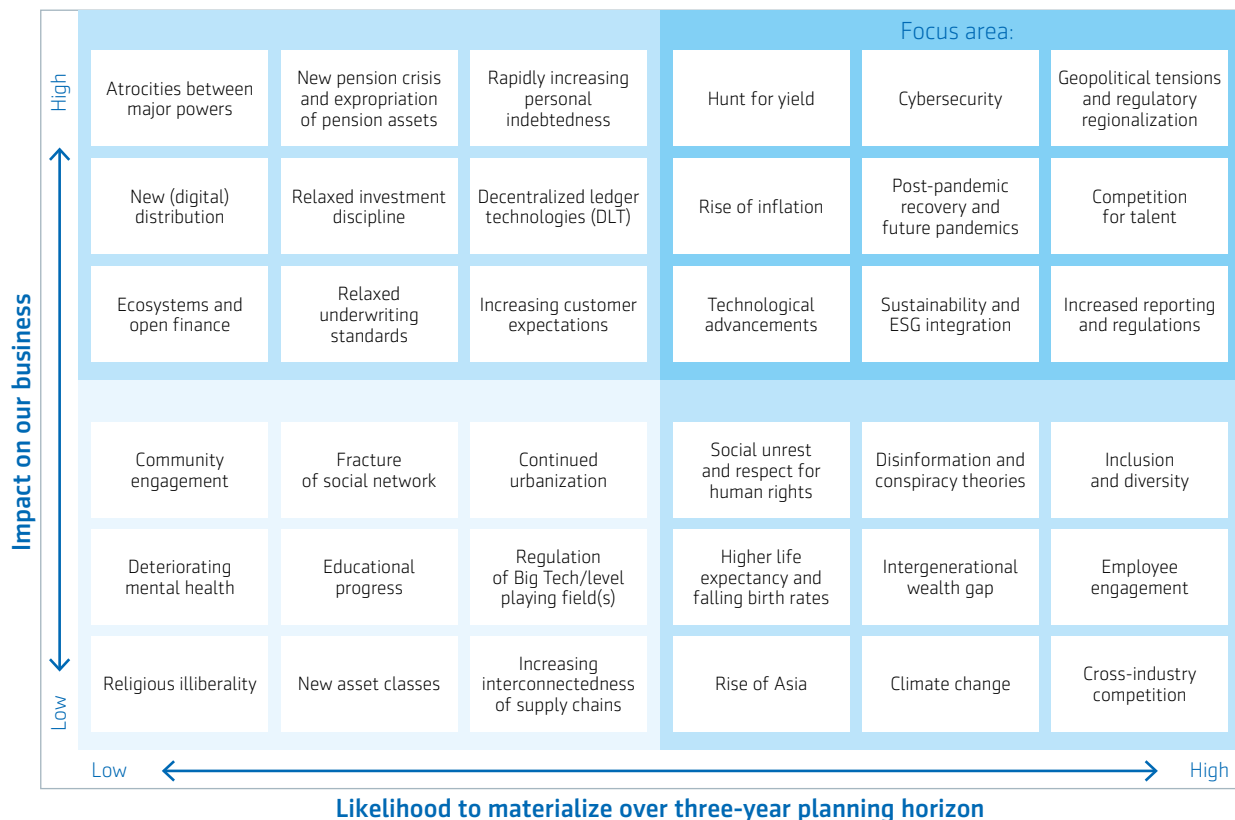
Business Environment Scan

At Aegon, we conduct a biennial Business Environment Scan (BES) to identify emerging structural trends, risks, and opportunities with the potential to impact our financial strength and competitive position, and consequently the value we create for our stakeholders. The key findings from the exercise help inform Aegon’s strategic and planning activities, watch lists, and management discussions and actions.

The BES is a critical, cross-functional exercise that combines the materiality assessment with emerging risk identification. It looks beyond impact alone to assess the potential of topics to influence ongoing value creation, as shown by the materiality matrix below. While the BES highlights opportunities for our business, we are also mindful of potential challenges ahead. Indeed, the exercise is a key component of our Enterprise Risk Management (ERM) framework and provides input for our wider reporting activities as described in this Integrated Annual Report,

as well as for the annual Own Risk and Solvency Assessment (ORSA). For more information on Aegon’s risk management approach, please see the dedicated risk management section on page 73 of this report and the risk factors for Aegon N.V. on page 326.

The 2021 BES drew out a number of relevant insights, and our materiality matrix has been adjusted to reflect this. The topics ‘Rise of inflation’ and ‘Sustainability and ESG-integration’ both moved into the top-right quadrant of the matrix, signifying them as material topics that are both high impact and high likelihood to materialize during the next three years. This means they are significant for our business and our stakeholders, with the potential to have an impact over our business planning horizon. We have also dedicated space to the discussion of these and other selected material topics in ‘Opportunities and challenges’ on page 11.



Opportunities and challenges

We have selected the important topics for discussion that we believe are significant for our short-term planning horizon. Below, we look at how these issues may affect our business, the opportunities and challenges they present for our business and our stakeholders, and the actions we are taking to leverage or mitigate these developments.

The hunt for yield and the rise of inflation

In the current low-interest-rate environment, companies and investors seek ways to generate higher financial returns by investing in riskier asset classes, which increases the risk of asset bubbles and debt crises forming. Aegon is exposed to potential economic and financial market shocks. In addition, inflation expectations are increasing, with Aegon exposed to expense and claims cost increases, and their potential impacts, through guarantees for policyholders.

What Aegon is doing

We closely monitor financial and wider economic developments to understand our exposure to potential shocks in the markets where we invest, and we work proactively to mitigate related risks. In the United States, we have expanded our dynamic hedging program to the full legacy variable annuities portfolio to better protect us from equity and interest rate risks. To address the uncertainty around the rise in inflation, we have implemented an inflation hedge covering liabilities with conditional indexation rights in the Netherlands. In the United States, the inflation risk within long-term care claims derives primarily from wage inflation, which we mitigate by offering customers downgrades of the maximum daily benefit as an alternative to premium rate increases. In addition, our expense savings program helps to mitigate the impact of rising inflation.

Cybersecurity

The increasing digitalization of the financial services landscape has intensified the financial and reputational risk presented by cybersecurity threats. The COVID-19 pandemic, and the rise in remote working, have further escalated these threats, with the FBI reporting a 300% increase in cybercrimes in the United States since the start of the pandemic¹. As our business becomes more technology driven and our digital reliance increases, we become a greater target for cybercriminals, and more vulnerable to threats such as ransomware attacks.

What Aegon is doing

We continue to take steps to strengthen our cybersecurity governance, infrastructure, and ability to respond to cyberattacks, for example by further developing our dedicated IT security team, and strengthening controls. The security program aims at analyzing and remediating known vulnerabilities, as well as conducting ongoing exercises to prepare for and respond effectively to cyberattacks. Aegon's Risk department also periodically assesses known potential cyber risk factors, together with the first line functions such as the Security Operations Center, with known trends or material incidents reported to Aegon's Management and Supervisory Boards as necessary. Aegon also has dedicated teams, processes, and procedures in place that are intended to mitigate potential cyberattacks.

Sustainability and ESG-integration

Sustainability is increasingly a key value driver for companies like Aegon. Businesses that shape their sustainability journeys along consistent, company-wide approaches, covering the entire sustainability landscape while paying specific attention to areas where they can have a significant positive impact, enjoy opportunities to attract new customers, and receive access to capital at preferential terms. In contrast, businesses that fail to meet their stakeholders' expectations with regard to sustainability are at risk of damaging their reputations and market positions.

What Aegon is doing

In 2020 and 2021, we took significant steps to strengthen our sustainability approach. We established a Global Sustainability Board, which is supported by our Global Corporate Sustainability Team. Furthermore, in November 2021, we committed to transitioning our general account investment portfolio to net-zero greenhouse gas emissions by 2050. The commitment includes an immediate target to reduce the carbon intensity of our corporate fixed income and listed equity general account assets by 25% by 2025. Our focus remains on strengthening our governance and enhancing the quality of our reporting processes and infrastructure, to ensure that we are ready for limited assurance for external non-financial reporting over 2023. Furthermore, we are improving our engagement on sustainability-related topics both internally and externally.

¹ <https://aegon.me/cybercrime-pandemic>



Competition for talent and technological advancements

In today's increasingly technology-driven financial services industry, there is a growing demand for – and shortage of – digital and analytical talent. To remain successful as a business, we require a reliable long-term pipeline of these specific talents, and we must prioritize attracting and retaining hard-to-find employees and upskilling our existing workforce. Equally, we must continue to further improve our IT systems, by developing our cloud infrastructure, data lakes, and data analytics capabilities, and by resolving issues with our legacy systems.

What Aegon is doing

Aegon has dedicated IT talent acquisition programs in place around the world, which are overseen by our local and global human resources teams and discussed in various forums, including Aegon's Management Board. As part of this approach, we direct attention and resources to topics such as employee compensation, personal development, and our employer value proposition.

Aegon also recognizes the need to attract new and diverse talents with the broader skills and capabilities required to deliver our purpose and transformation agenda. Our Talent Acquisition teams actively source underrepresented candidates and partner with organizations to encourage interest from diverse groups. In 2021, Aegon Asset Management also launched its Inclusive Hiring Guide for recruiting managers, and now works with talent acquisition agencies to ensure a diverse selection of candidates for open positions.

Other topics

Aegon's additional identified focus areas relate to the post-pandemic recovery period and future pandemics, as well as geopolitical tensions, regulatory regionalization, and increased reporting and regulation. This last focus area concerns insurance-specific requirements but also broader developments, for instance with respect to sustainability, ESG, privacy, data management, and fiduciary rules. Aegon actively monitors developments in these focus areas and takes management actions where necessary.

Looking to the longer term

As well as our immediate operating environment, we examine the longer-term horizon to identify trends and developments with the potential to significantly influence our business and our stakeholders in the years ahead. We have identified the key trends we believe will provide the greatest opportunities or challenges for our business in the medium to long term. These themes serve as the foundation for our purpose and long-term vision, in turn shaping our company strategy.

Higher life expectancy and falling birth rates

As people live longer and birth rates decline, these long-term demographic shifts taking place in Aegon's core and growth markets have significant repercussions for its customers and other stakeholders. They are also critical for our longer-term value proposition, and therefore for our product development strategy and wider business planning. We capture opportunities to deliver retirement solutions and other products and services linked to longevity at scale, as well as other solutions associated with higher life expectancies and shrinking working-age populations. The question of how to manage the impact of longer lifespans on individuals and society is directly linked to Aegon's purpose and vision.

Changing customer expectations

Increasingly, our customers are embarking on non-linear life journeys rather than the traditional path to retirement, a trend that raises questions for our long-term business model and that we directly address through our company purpose of *Helping people live their best lives*. The rapid digitalization of financial services and the rise of artificial intelligence provide opportunities to strengthen our direct relationships with customers by using digital tools such as portals, platforms, and so-called 'robo-advice'. With our new business strategy, we seek to harness these trends by continuing to invest in our customer engagement and experience.

Meeting the needs of a diverse society

We see a growing long-term need for retirement solutions that cater to less affluent individuals, as well as for other financial products and services that can meet the increasingly disparate needs of different segments of society. In our long-term planning, we consider ways to expand our reach, for example by broadening our distribution and continuing to provide fairly priced financial products and advice. In addition to adapting our products and services, we are working to further embed inclusion and diversity within our employer value proposition to make it easier for underrepresented talent to work and thrive at Aegon.

Sustainability, competition for talent, and technological advancements

In keeping with our short-term outlook, we expect sustainability, competition for talent, and technological advancements to continue to shape our strategy over the longer-term horizon. As we move toward a net-zero society, it is important that our approach to issues such as climate change and inclusion and diversity positions us in line with, or ahead of, our peers. The long-term success of our business also depends on attracting diverse talent and seizing opportunities created by technological advancement and innovation.

Our purpose

As the lives of our customers become longer and more varied, at Aegon we strive to be a financial services company that gives people the confidence and flexibility to find their own way and contribute to a better world.



This ambition underpins our new company purpose, **Helping people live their best lives**. Our purpose shapes how we engage with and create value for our customers and wider stakeholder base. In turn, this provides the foundation for our vision and strategy, as well as for our business planning and decision-making.

Living and working in the age of longevity

Pensions and other financial services providers have traditionally based their customer propositions on a three-stage view of life. Broadly speaking, this involves individuals partaking in education up to the ages of 20 to 25, followed by a career of around 40 years and a short retirement of about 15-20 years. However, in recent decades, demographic, technological, and health trends have brought an end to the concept of the three-stage life. People everywhere are living longer, and many children born today can expect to live to 100 in developed countries. The World Bank forecasts the proportion of the global population aged 65 and over to nearly double from 9% in 2020 to 16% in 2050 (see Figure 'Population aged 65 or above' on page 15).

While the possibility of a 100-year life is a leap forward for humankind, it also presents a number of economic, social, and health challenges. As lifespans generally increase around the world, there is a need to rethink conventional, linear approaches to both work and life. An education gained before the age of 25 is unlikely to sustain an individual through a career spanning multiple decades. Meanwhile, supporting older people through a retirement of potentially 30 or more years is increasingly unsustainable from a societal perspective. According to the World Bank, the global age-dependency ratio (a metric used to measure the size of the working-age demographic relative to the total population) fell from a modern-day high of 77.1% in 1967 to 54.1% in 2020. This changing demographic landscape is putting increasing strain on state retirement systems.

However, longevity creates an extensive agenda for governments that goes beyond retirement with considerations, including education, vitality, the environment, and a range of broader social concerns. In particular, corresponding with the rapid increase in life expectancy, there is a growing awareness that our environment can no longer sustain our rampant consumption of resources.

A positive view on aging

The growth in life expectancies and the shift away from the traditional, linear life journey have long been top of mind within the pensions and financial services industry. However, the topic has too often been framed in a negative context. At Aegon, we believe an aging society can also be a healthy and productive society, and we view longevity as an opportunity for individuals and companies to rethink how they exist within society. Nearly half of all Fortune 500 CEOs are over the age of 60, while the elected leaders of more than 60 nations are in their seventies. The long-held association of aging with frailty and long periods of inactivity is being replaced by the expectation that the years after 60 can be the most rewarding.

Individuals are also taking advantage of their longer lifespans by finding new ways to have a positive impact on society and the environment. Similarly, Aegon sees longevity and sustainability as two sides of the same coin, as both issues create an extensive agenda for governments, businesses, and individuals. To champion the possibilities offered by a longer life and help improve quality of life and wellbeing for everyone, we need an approach founded on ESG factors that creates lasting value. Indeed, our recent engagements with our stakeholders have revealed two key strategic priorities: climate change, and inclusion and diversity. These topics are shaping our sustainability agenda.

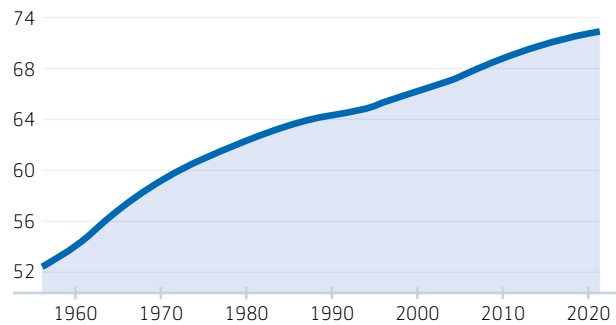
Ensuring positive longevity

At Aegon, we can realize our purpose by helping our different stakeholder groups capture the opportunities offered by a longer, non-linear life journey. The advice, products, and services we provide help people accumulate and use their wealth throughout the different stages of life, take control of their finances, and adapt confidently to changing circumstances. We support our customers as they move jobs, start a family, take sabbaticals, save for the future, or buy a home. At the same time, we help them balance their financial priorities with other crucial assets, such as their health, social networks, and personal development.

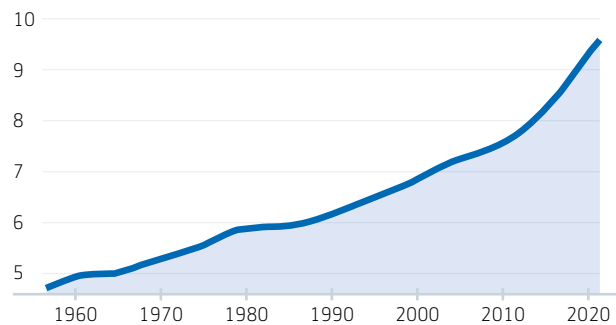
The shift to a multi-stage life also has consequences for Aegon's workforce, creating the possibility of an improved trade-off between work and leisure, career and family, and finances and health. As a responsible employer, we want to be at the forefront of this change, providing broad career opportunities, dynamic support for learning and development, and a purpose-led, inclusive culture that supports vitality.

More widely, we commit to helping society adapt to far-reaching demographic changes through our expertise, investment strategies, ESG commitments, and community investment programs. We also remain committed to investing responsibly. As an asset manager, we can make a difference by integrating longevity into our sustainability approach, and actively investing in companies that equip society to support longer lifespans.

Life expectancy at birth¹
(world; years)



Population aged 65 and above²
(world; % of total population)



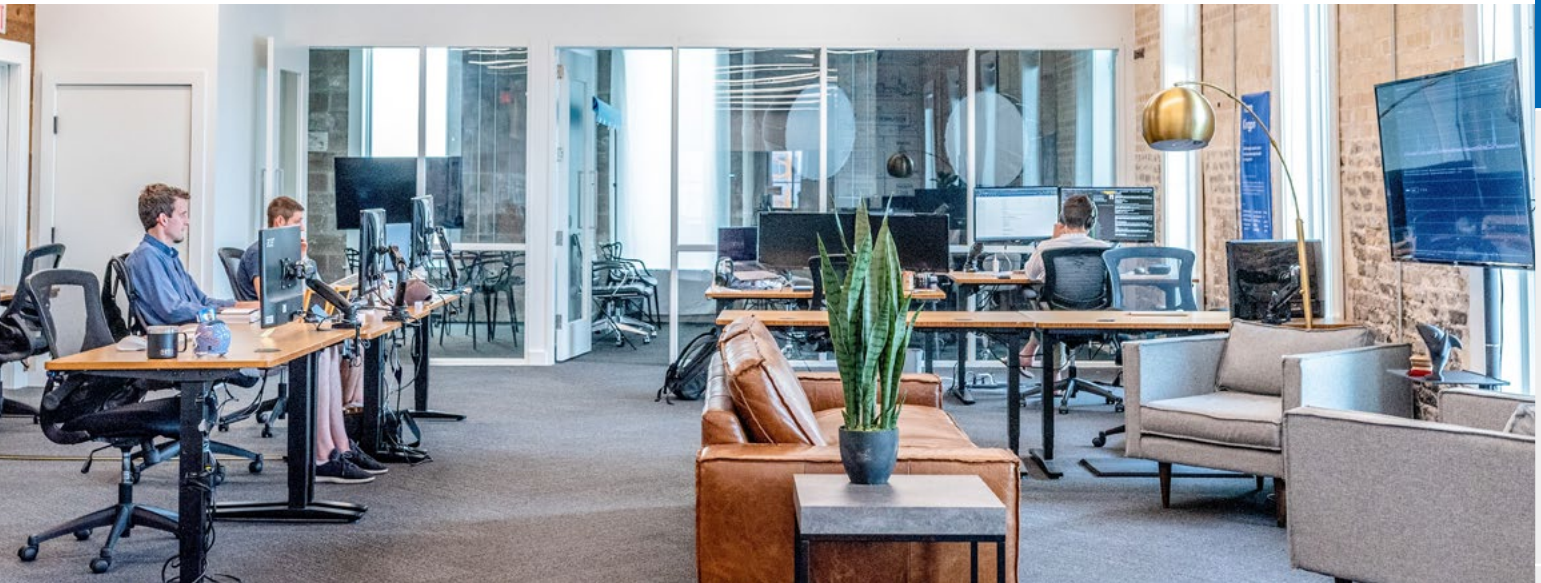
¹ For the world population (male plus female), measured in years. Source World Bank database.
² Source World Bank database.

Our business partners play an important role in delivering on our purpose. Together, we cultivate strong, respectful relationships, enabling them to provide the support our customers need to enjoy a long and fulfilling life.

Our investors are equally central to how we live our purpose as a company. We balance our efforts to generate stable, competitive returns for our shareholders and bondholders with our aim to have a positive impact on the world around us and our future society.

Our strategy and value creation

Our operating environment presents new challenges but also new opportunities. By taking steps to strengthen our business, we are adapting to this evolving landscape while playing a key role in shaping a thriving and sustainable society.

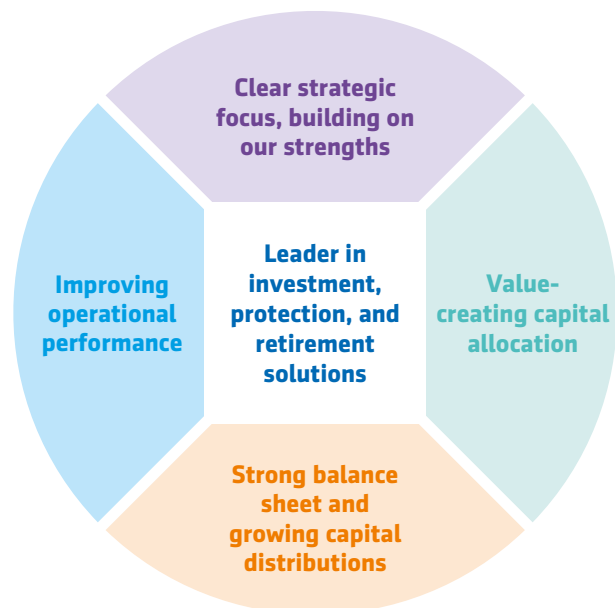


With our strategy, we are positioning Aegon to be a leader in investment, protection, and retirement solutions. We aim to build a resilient, future-fit business that can continue to add value to our customers, shareholders, and other stakeholders. Indeed, our strategy is not just about strengthening our operational and financial performance; we also seek to have a positive impact on society by balancing the financial objectives of our direct operations and investment activities with our sustainability ambitions.

Realizing our vision

As we work toward our vision to be a leader in investment, protection, and retirement solutions, we strive to create a well-managed, well-respected company that delivers value for all, including attractive, sustainable capital distributions to our shareholders. Realizing our future vision will involve building on our strengths today, including, first and foremost, the deep capabilities of our business, whereby we leverage our global expertise to operate trusted brands and leading retirement platforms.

Investment proposition



Aegon has strong foundations in advanced retirement and global asset management solutions, as well as in under-penetrated growth markets. Aegon is well positioned to benefit from favorable structural trends in its key markets, where demographic realities and low interest rates are requiring customers to save more. We also operate with an increasing presence in large growth markets such as China and Brazil.

Our base of 31.7 million customers provides a strong foundation for further growth. We have the global reach to deliver our propositions to our customers, who will increasingly benefit from more sophisticated and tailored digital services and advice. Our global, integrated asset management business is key to our continued success, offering the opportunity to grow our share of the overall assets under management over time.

Focusing our business portfolio

We are creating a more focused business portfolio to deliver success for us and our stakeholders as we move toward our vision. A central element of this approach is the reallocation of capital from our Financial Assets to our Strategic Assets in our three core markets, as well as our three growth markets, and Aegon Asset Management. We want to be seen as leading with contemporary propositions and outstanding, digitally enabled, customer service. The organization of Aegon's core and growth markets is explained in the next column.

In parallel, we own several businesses that are sub-scale or active in niche or small markets. These are managed with tight capital and with a bias to exit. For Transamerica Life Bermuda, for example, our focus is on products that are less interest-rate sensitive, as well as on actively managing the policies that are in force while reducing expenses. We have closed our traditional distribution channels in India in favor of our digital commerce partnerships, and we are exiting other sub-scale positions and ventures globally. In 2020, we reached an agreement with Vienna Insurance Group AG Wiener Versicherung Gruppe to sell our businesses in Central & Eastern Europe. The transaction is subject to regulatory approval.

Our portfolio

Aegon has narrowed its strategic focus to three core markets, three growth markets, and one global asset manager.

Core markets

We have three core markets – the United States, the Netherlands, and the United Kingdom – where we possess leading positions that we want to grow. Within our core markets, we distinguish between Strategic Assets and Financial Assets.

Strategic Assets are businesses with a greater potential for an attractive return on capital, and where Aegon is well-positioned for growth. In these businesses, Aegon will invest in profitable growth by expanding its customer base and increasing its margins. These businesses are:

- United States: Individual Solutions (certain life insurance products, investment products, and mutual funds), and Workplace Solutions (middle-market retirement plans and voluntary employee benefits);
- The Netherlands: Workplace Solutions, mortgage origination, and banking;
- United Kingdom: Workplace and Retail platform business and protection.

Financial Assets are blocks of business that are capital intensive with relatively low returns on capital employed. New sales for these blocks are limited and focused on products with higher returns and a moderate risk profile. We aim to maximize the value of these businesses through disciplined risk management and capital management actions. These businesses are:

- United States: Fixed and Variable Annuities with interest-rate-sensitive riders, and stand-alone long-term care;
- The Netherlands: term life, individual deferred annuities, and defined benefit group pensions.

Growth markets

Aegon focuses on three attractive growth markets – China, Brazil, and Spain & Portugal – that we will continue to access through our successful partnerships. Together with our partners, we will develop these businesses and capture the growth potential they provide while leveraging our global expertise and capabilities.

Aegon Asset Management

Aegon Asset Management (AAM) is an active global investment business with approximately EUR 410 billion assets under management. Leveraging our global brand and a global operating platform, AAM is active in our core and growth markets as well as in France, Germany, Hungary, and Japan.

Building on our strengths

We have identified several areas of our business in our different markets, together with corresponding actions, that will best contribute to profitable growth and create value for our customers, shareholders, and other stakeholders in the years ahead.

In the United States, the largest of our core markets, we aim to harness the current market dynamics that play into the historical strengths and presence of Transamerica. Our Workplace Solutions division is well positioned for growth in volume and earnings, and we will invest in growth with an enhanced focus on small and mid-sized employers. The Individual Solutions division will invest in selected individual life, accumulation, and investment products and leverage our strong distribution capabilities in this large market.

In the Netherlands, we plan to expand our capabilities in new-style, defined contribution pensions, and in mortgage origination, to support our growth ambitions. We are further expanding our position in the small and medium-sized enterprise (SME) and retail markets with our digital-only bank Knab.

In the United Kingdom, where we are market leader in workplace solutions and financial advice platforms, we aim to sharpen our competitive edge and improve the digital experience for customers, advisors, and employers.

We regard our global asset manager as an important contributor to realizing our strategy and we aim to advance its growth. We are moving toward a global new-technology platform to drive expenses down and make Aegon Asset Management more scalable and client focused.

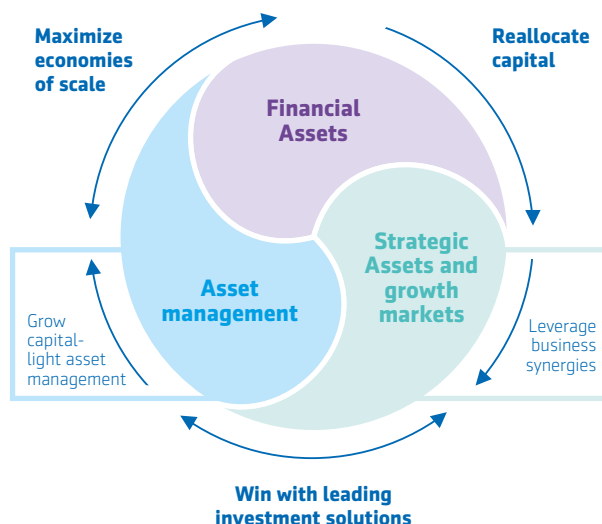
In Aegon's growth markets, we will continue to expand our businesses by making the most of the generous scale and untapped potential of these regions. Our strong local partnerships are key to this ambition. In Spain & Portugal, for instance, we have expanded our bancassurance partnership with Banco Santander following its acquisition of Banco Popular in 2020. We will invest further in China and Brazil, and generate growing volumes and earnings by expanding distribution and entering new pension markets.

Leveraging our capabilities

One of our most important resources is the deep knowledge and expertise of our employees around the world. We have a clearly defined workforce strategy and culture, through which we aim to preserve and develop our human and intellectual capital. Strong leadership is at the heart of this approach. In line with our new strategy, regular talent reviews now take place with every Aegon leader to ensure their competencies and skillsets directly support their assignment in their respective business unit. More widely, we are stepping up our efforts to develop our people, hire new talent where appropriate, and invest in execution capabilities and skills. Intensifying the organizational rhythm in this way allows Aegon to shift to a high-performance culture.

Our expertise and capabilities travel across our markets, as what works for one region or customer group can also work well in another. A key focus of our strategy is therefore to leverage business synergies across our company and our different markets. For example, the link between our Strategic Assets and our global asset manager is strong. Likewise, our asset management teams strive to deliver strong investment returns, to support the sound and effective management of the large back books of our Financial Assets. Clear strategies and decisive actions will make these connections even stronger and more powerful in the years ahead.

In addition, we are speeding up decision-making and installing clear accountabilities, moving to a concept of 'accountability within a clear framework'. Within this new model, the Group outlines strategy, allocates capital, defines risk appetite, sets targets, and drives strategy implementation. In addition, we centrally determine functional mandates, set policies and frameworks, and provide shareholder services. Our business units develop local strategies and operating plans within the company's strategic framework and ensure their implementation.



Maintaining a strong balance sheet

We make sure to maintain a strong balance sheet, so that we can focus our time and energy on increasing our return on capital and the return of capital to shareholders. We have a clear capital management policy in place that informs our capital deployment decisions. The capital deployment of the company is driven by the Cash Capital at Holding and is supported by reliable remittances from the units. To strengthen our balance sheet, reduce our risk profile, and make Aegon more resilient, we are reducing our gross financial leverage.

In 2021, Aegon continued to pursue a range of actions to strengthen its capital position and reduce the volatility of the company's solvency ratios. To further reduce our risk exposure, we launched a lump-sum buy-out program for certain variable annuities policies, and we are implementing a rate increase program for long-term care policies. Furthermore, we have expanded the hedging of our legacy variable annuity block, which will allow us to more actively consider a broader range of options for this block of business. We have also reinsured an additional part of the longevity exposure in the Dutch Life insurance portfolio and a portfolio of universal life secondary guarantee policies in the US Life business, with both actions further improving the risk profile of the company.

Dividends are typically expected to grow in line with sustainable free cash flows. Additional capital deployment decisions will consider our deleveraging target, as well as planned management actions to improve and de-risk the company. Aegon seeks to return surplus cash flows to its shareholders over time, unless we invest it in value-creating opportunities, which are subject to strict financial and non-financial criteria.



Progress on Aegon's operational improvement plan

In 2020, we began taking concrete steps to transform the company to improve our long-term performance and ensure we continue to create value for our customers, shareholders, and other stakeholders. We have developed a rigorous and granular company-wide operational improvement plan that comprises more than 1,200 specific initiatives. The aim of the plan is to improve Aegon's operating performance by reducing costs, expanding margins, and growing profitably. A total of 844 initiatives were executed between the launch of the operational improvement plan in 2020 and the end of 2021, of which 649 were related to expense savings.

Our expense savings program aims to reduce addressable expenses by EUR 400 million by 2023 compared with 2019. We have delivered on our ambition to achieve half of our expense reduction target by end-2021, by delivering addressable expense savings of EUR 244 million compared with the 2019 base year. Meanwhile, we continue to fund growth initiatives to strengthen key areas of our business, for example by improving customer service, enhancing user experiences, and developing new products. As part of this approach, we continue to make strategic investments in our digital systems and customer portals.

Sustainability

At Aegon, we have further embedded sustainability as a central pillar within our company strategy. Guided by our purpose, we aim to create long-term value for our stakeholders through the integration of environmental, social, and governance (ESG) criteria in our strategy.

Our overarching objective through our sustainability approach is to contribute to society at large and play our part in addressing the planet's greatest challenges.

From January 1, 2021, our newly formed Global Corporate Sustainability Team has been mandated to strengthen our focus on company-wide sustainability targets, reflecting Aegon's shift from a federated model to a principle of 'accountability within a clear framework'. We have set three priorities to achieve this:

1. Streamlining company-wide governance;
2. Identifying thematic priorities based on stakeholder engagement; and
3. Enhancing our sustainability reporting.

Streamlining company-wide governance

In 2021, we established our Global Sustainability Board (GSB) to enhance governance and oversight of our sustainability approach. The GSB's core function is to steer and strengthen the sustainability agenda across our country units, and it will be supported by our local sustainability boards. Key actions put forward by the agenda include formulating sustainability-focused commitments, key performance indicators (KPIs), and targets.

The GSB also provides advice and recommendations on specific topics such as inclusion and diversity and responsible investment, as well as on products, processes, initiatives, and communications relating to sustainability. The GSB plays an advisory role to the Management Board, with the Supervisory Board's Nomination and Governance Committee having ultimate oversight.

Identifying thematic priorities

Stakeholders, including investors and representative bodies, are increasingly engaging with Aegon on sustainability-related themes. These dialogues have highlighted climate change and inclusion and diversity as particularly critical issues that will guide our sustainability agenda in the years to come. We continue to monitor best practices for broader sustainability issues and act accordingly, as further described in our 'Sharing value with our stakeholders' section (see page 26). In 2021, Aegon became a signatory of the UN Global Compact. We aim to embed its principles into our strategy, culture, and day-to-day operations, as well as through collaborative projects. As a signatory, we remain firmly committed to supporting the UN Sustainable Development Goals, with a focus on the goals that are most relevant to our business and strategy, and to which we can make a significant contribution.



Aegon commits to a net-zero investment portfolio

Coinciding with the 'COP26' conference in Glasgow in November 2021, Aegon announced its company-wide commitment to transitioning its general account investment portfolio to net-zero greenhouse gas (GHG) emissions by 2050. In this context, we joined the Net-Zero Asset Owner Alliance, a UN-convened group of institutional investors committed to decarbonization.

To ensure progress toward our 2050 commitment, by 2025, we aim to reduce by 25% the weighted average carbon intensity of our corporate fixed income and listed equity general account assets. This will be followed by additional targets at five-year intervals, in line with Net-Zero Asset Owner Alliance requirements.

Aegon will engage with carbon-intensive investee companies to drive real-world reductions in emissions. We will update our company-wide responsible investment exclusion criteria regularly to reflect the latest scientific findings on climate change, with the most recent update coming into effect on January 1, 2022.

Our company-wide commitments are supported by the additional actions and commitments that our country units have made in our local markets. For instance, Aegon the Netherlands has included their separate accounts in their commitment to halve the emissions of their investments by 2030 and Aegon UK has committed to net-zero emissions across its default pension funds. Furthermore, Aegon Asset Management has joined the Net zero Asset Managers initiative, a group of international asset managers committed to supporting investing aligned with the goal of net-zero emissions by 2050.

Climate change

As an insurance company, Aegon can support the transition to a climate-resilient economy and a net-zero world using both sides of its balance sheet. We finance the upside through our responsible investment framework, while mitigating the downside by integrating ESG into our risk management processes, and the savings and protection solutions we provide. The influence, both positive and negative, we can have as an investor is particularly significant, and we have committed to transitioning our general account investment portfolio to net-zero greenhouse gas (GHG) emissions by 2050 (see page 20).

Aegon does not operate energy- or resource-intensive processes as part of its direct business operations. Our operational activities (gas consumption, electricity consumption, and air travel) have been carbon-neutral since 2019, which has been achieved by substituting our energy consumption with renewable sources and offsetting our remaining carbon emissions. In developing regions where we have a sizeable operational presence, we specifically support carbon offset projects that reflect our own footprint and align with our priority United Nations Sustainable Development Goals (SDGs), as well as our purpose of *Helping people live their best lives*. In 2021, this included a Voluntary Emission Reduction project in China focused on diverting atmospheric methane emissions from agriculture to local communities as an alternative source of energy to coal, along with providing employment opportunities in supporting the associated infrastructure.

In line with the net-zero commitment announced in November 2021, Aegon has set a supporting greenhouse gas emission reduction target to reduce the carbon footprint of its operational activities by 25% by 2025 against a 2019 baseline. The target includes the consumption of natural gas and electricity. In 2021, the carbon footprint of Aegon's operational activities reduced by 54% compared with 2019. While some of these reductions can be traced to our initiatives to stimulate hybrid working – for instance reductions in leased space across the US in 2021 – there has also been a temporary benefit from fewer employees



2021 climate performance indicators

- Weighted average carbon intensity (WACI) of corporate fixed income and listed equity: 490 metric tons CO₂e/EURm revenue¹
- No change in WACI against 2019
- Operational carbon footprint: 24,024 metric tons CO₂e²
- Reduction of operational carbon footprint against 2019: 54%
- Green electricity purchased: 99%

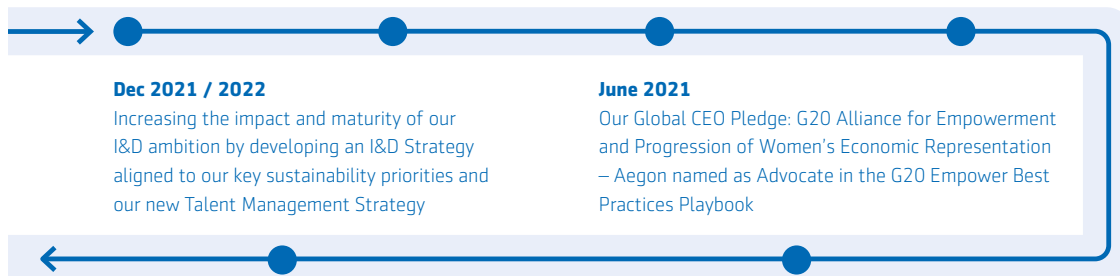


in the office due to the COVID-19 pandemic, which we expect to reverse over time. Through implementing our hybrid working policy and other initiatives, we will work toward achieving our target. Aegon will also look toward expanding the scope of measurement of our GHG emissions and explore setting further targets against these in the future.

Finally, Aegon worked with Ortec Finance to perform an extensive and systematic climate risk assessment for the general and separate account assets of all business units within Aegon. The analysis investigated three plausible climate pathways (orderly, disorderly and failed transitions) to explore potential future climate policies, interventions, and consequences of the world failing to mitigate climate change.

Recent steps on our journey to becoming a more inclusive and diverse organization

<p>June 2020 Public statement on Transamerica's commitment to racial equity</p>	<p>Mid 2020 Aegon Asset Management and Aegon UK sign up to the Race at Work Charter</p>	<p>Nov 2020 I&D strengthened in Brand and Marketing Pledge</p>	<p>Dec 2020 I&D strengthened in Vendor Code of Conduct</p>
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¹ For details on the methodology used, please see our TCFD disclosure (Methodology) on page 378.
² For details on the methodology used, please see footnote 1, Society: Operational footprint on page 392.

Modelling results indicate resilience of the Aegon general account portfolio allocation to key systemic climate risk drivers across all modelled climate scenarios. High allocation of fixed income assets is the key driver that limits the cumulative climate-related impact on returns over a 40-year horizon. Continuing to monitor developments in climate science, policy, technology, regulation, and consumer sentiment will remain critical for understanding and adapting to the future.

Inclusion and diversity

Our inclusion and diversity approach is designed to ensure our policies and actions permeate all areas and levels of the company. Together with the company's leadership, Aegon's employees and other stakeholders share accountability for building an inclusive and diverse organization. In 2021, we held Strategic People Discussions centered on ensuring inclusion and diversity within our talent pipeline, with a focus on underrepresented and young talents. These conversations have created opportunities for aspiring leaders to participate in mentorship programs, stretch assignments, group development programs, and conversations with Management Board members to raise their profiles.

Alongside diversity and equality, improving openness and inclusion is a priority across Aegon. We have updated how we measure these elements in Aegon's Global Employee Survey to enable more targeted interventions and track our progress. The 2021 survey included additional questions exploring whether people feel comfortable speaking up and being their authentic selves, along with openness about learning from mistakes.

In 2022, Aegon will appoint a Global Head of Inclusion & Diversity to support the development of our inclusion and diversity strategy across the following three pillars:

1. **Workplace** – moving from awareness of unconscious bias to helping people adopt conscious inclusion.
2. **Workforce** – leveraging diversity data to understand the current context, deliver impactful interventions, and track progress.
3. **Marketplace** – assessing our current level of maturity on inclusion and diversity – including how we compare with relevant peers – and determining our level of ambition and how to achieve it.

Furthermore, Aegon's new Diversity Policy is intended to address the legal requirements of the 'Diversity at the Top Act', effective from January 1, 2022, to improve the designed gender balance in listed and large Dutch-owned companies. We will also continue to include a non-financial performance indicator for Management Board members regarding gender diversity in all senior management positions (see 'Performance in 2021' on page 33).

A further example of Aegon's approach to inclusion and diversity from one of our core markets is provided in the long-term value creation section, on page 28.



Inclusion and diversity performance indicators

At Aegon, we view inclusion and diversity as integral qualities in a robust, futureproof business. Along with providing a welcoming and supportive environment for people from different ethnicities and backgrounds, we strive to maintain a healthy level of gender diversity at all levels of our organization.

For 2022, we set a target of a minimum of 36% female representation among senior management. In 2021, the proportion of female representation among senior management increased to 34%.



Including diverse voices in our transformation

At Aegon, we believe ideas are central to our transformation and we value different perspectives. Every initiative introduced at Aegon originally began as someone's idea, and it is crucial we have a continuous stream of such ideas to fuel our ongoing improvement and growth.

In July 2021, Transamerica's Heads of Transformation hosted an ideation session for members of our Employee Resource Groups (ERGs). The session resulted in 34 new ideas generated by 23 ERG members, covering topics ranging from diversifying our intern population to improving efficiency through increased cross-training. Six ideas from the session are in the process of being taken forward and are now at varying stages of implementation.

Enhancing our sustainability reporting

The development of sustainability-related legislation and regulation has advanced significantly in recent years, both in terms of volume and pace. This has had a bearing on corporate reporting and disclosure requirements. In the European Union, we have witnessed the accelerated development of sustainable-finance-related legislation and regulation following the 2018 launch the European Commission's action plan on sustainable finance. This trend can only be expected to continue in years to come.

In 2021, we began the process of enhancing our sustainability reporting with a view to optimizing our ability to adapt to changing reporting requirements and to report on a voluntary basis. We are developing a Target Operating Model, whereby sustainability reporting is integrated into our company-wide finance reporting function, leveraging its existing processes and best practices. This includes ensuring Aegon is ready for limited assurance for external non-financial reporting over 2023, given the European Commission's incoming Corporate Sustainability Reporting Directive.

Responsible investment at Aegon

At Aegon, we recognize our responsibility to ensure our investments do not negatively affect society or the planet. We apply this ethos to our own general account investments and use our influence to encourage similar standards in the investment decisions of our customers. By taking an active approach to responsible investment, we seek to minimize risks to our business and explore ways to serve the interests of our customers and society at large.

Aegon's Responsible Investment Policy recognizes a broad range of recurring sustainability and ESG topics, from climate change to corporate governance. In November 2021, we took an important step forward in our commitment to transitioning our general account investment portfolio to net-zero GHG emissions by 2050 (see page 20).

Key responsible investment activities in 2021

In 2021, we continued to introduce new responsible investment solutions across our different investment platforms. In the fixed income space, Aegon Asset Management and Aegon UK partnered with the Global Ethical Finance Initiative to launch the Aegon Global Sustainable Sovereign Bond Fund. The launch coincided with COP26 in November 2021. In the equities space, Aegon Asset Management launched the Sustainable US Large Cap Equities strategy. The launch was accompanied by new multi-asset and real asset solutions that included the Sustainable Diversified Growth Fund, and the Sustainable Real Estate Securities Fund, respectively.

Asset manager: *Our solutions*

Aegon Asset Management (AAM) has a Responsible Investment Framework that reflects the key elements of our Responsible Investment Policy, as well as similar policies put forward by AAM's clients. The framework is structured as follows:

- **ESG integration** – Material ESG factors are fundamental to our investment decision-making across all AAM portfolios. By integrating ESG considerations into traditional financial analysis, the AAM research team arrives at an independent view of an issuer's fundamentals.
- **Active ownership** – Aegon actively engages with investee companies to help improve their ESG profile and address sustainability issues. We also exercise our shareholder voting rights to support our engagement efforts and enhance long-term value creation for all stakeholders.
- **Solutions** – AAM provides a range of responsible investment solutions to pursue ESG objectives alongside financial returns, based on four categories:
 1. Exclusion-based strategies (Utilize negative screening to avoid certain sectors, companies or practices based on specific criteria);
 2. Best-in-class strategies (Seek to outperform by emphasizing positive screening of issuers with better or improving ESG practices);
 3. Sustainability-themed strategies (Focus on issuers aligned with sustainability themes in an effort to generate competitive returns over the long term);
 4. Impact investments (Pursue financial returns alongside measurable positive social and/or environmental impact).

Further information about Aegon Asset Management's activities can be found in the dedicated Responsible Investment Report published by AAM.

Example: Active engagement with investee companies

Company	Healthcare company
Objectives	Calling on a globally important player to fight the COVID-19 pandemic to assure its products are available worldwide with equitable pricing.
How we engaged	We challenged the company on the topic, sending an engagement letter, followed by phone calls and emails.
Outcome	The company announced an advanced vaccine purchase agreement with COVAX for low- and lower-middle-income countries.
Voting	We supported the shareholder proposal requesting a 'Report on Access to COVID-19 Products'. The report provides shareholders with additional information about access to the COVID-19 vaccine produced by the healthcare company. It provides information about the effect of the company's decisions and how the related risks are managed.

Value creation

Our inputs



Financial

- Shareholders' equity: EUR 24.3 billion
- Gross financial leverage: EUR 5.9 billion
- Solvency II Own Funds: EUR 19.4 billion
- Solvency II Capital Required: EUR 9.2 billion



Manufactured

- Gross premium income: EUR 15.4 billion
- Gross deposits: EUR 235 billion
- Fees and commissions received: EUR 2.8 billion
- Investment income: EUR 7.0 billion
- Revenue-generating investments: EUR 1,024 billion



Intellectual

- Internal processes, systems, and controls (not quantified)
- Actuarial expertise (not quantified)



Human

- Number of employees: 22,272
- Amount spent on training and development: EUR 9.5 million
- Number of tied agents: 4,335



Social and relationship

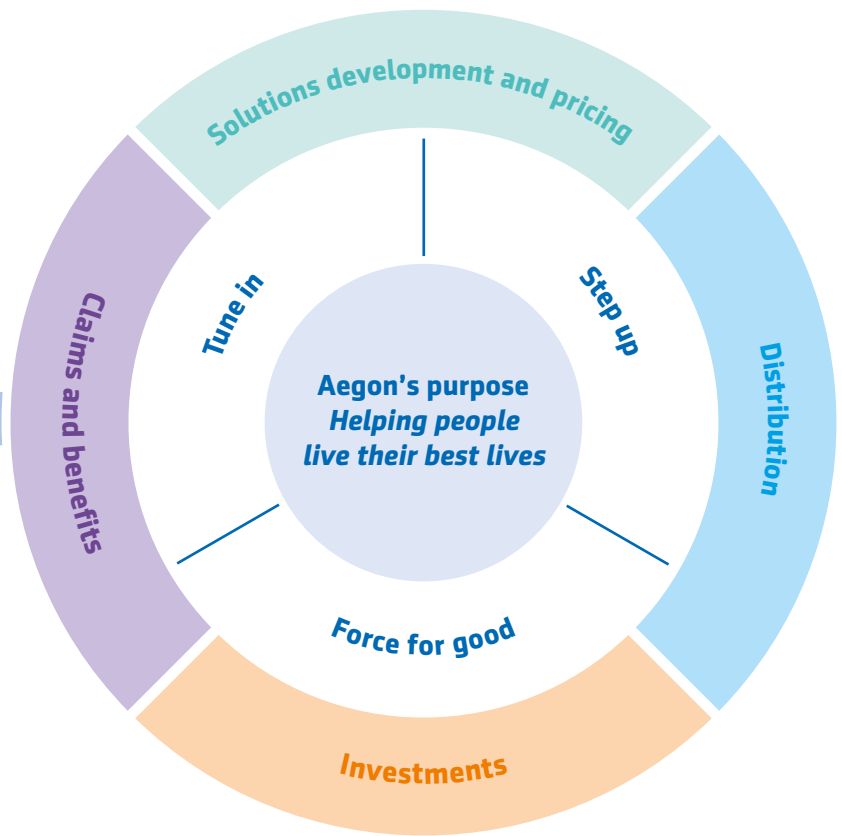
- Number of customers: 31.7 million
- Brand equity (not quantified)
- Intermediaries, business partners, and suppliers (not quantified)
- Other key stakeholders such as regulators (not quantified)



Natural

- Total energy used by company: 77,151 MWh

Aegon's business model



We tune in:

We live on a fascinating, diverse, and fast-changing planet, and we will only stay relevant if we are curious and make every effort to understand it, learn from it, and keep pace with it.

We step up:

Our purpose is an ambitious one. We deliver on it through initiative, action, and a positive attitude. Where obstacles exist, we remove them, and we harness our collective strengths to deliver on our promises.

We are a force for good:

We care for our fellow humans, and we are sincere in our desire to leave the planet better than we found it. We think beyond today and prove our integrity through words and actions.

The value we created



Financial

- Dividends to shareholders: EUR 289 million
- Interest payments to bondholders: EUR 220 million
- Group Solvency II ratio: 211%
- Free cash flow: EUR 729 million
- Operating result: EUR 1,906 million



Manufactured

- Claims, benefits, and retirement plan withdrawals: EUR 62 billion
- Business partners¹: EUR 7.7 billion
- Residential mortgages originated: EUR 10.9 billion



Intellectual

- Reduction in addressable expenses compared with 2019 through improved efficiency: EUR 217 million



Human

- Total employment costs: EUR 1.9 billion
- Women in senior management positions: 34%
- Employee engagement score: 68



Social and relationship

- Corporate and local tax paid: EUR 381 million
- Impact investments: EUR 4.1 billion
- Responsible investment solutions: EUR 177.7 billion



Natural

- Weighted average carbon intensity relating to our general account investment portfolio: 490 metric tons CO₂e/EURm revenue for corporate fixed income + listed equity
- GHG emissions own operations: 24,024 metric tons CO₂e
- Carbon offsets purchased: 7,237 metric tons

Outcome for our stakeholders

Customers

Aegon's investment, protection, and retirement solutions support our customers as they live longer and healthier lives. Our solutions protect our customers from the unexpected, help them to manage their long-term savings by accumulating and using their wealth, and preserve it for future generations.

Employees

A positive view on longevity will fundamentally shift our company culture and our values and behaviors. Employees are a key part of our success as a company, and we want them to share in that success. As our business progresses and grows, we are better able to provide fulfilling careers, advancement opportunities, and development.

Business partners

Aegon's business partners include distributors, joint venture partners, reinsurers, sourcing partners, and suppliers of goods and services. Our goal is to cultivate positive long-term relationships that benefit our business and allow our partners to develop and grow theirs. To do so, we make sure to offer fair and competitive rewards for the services they provide.

Investors

Aegon seeks to provide a consistent and attractive return on investment to its investors around the world, based on a resilient and sustainable business model. This includes paying regular capital distributions to our equity investors, who may also derive value from the performance of our shares, while our bondholders derive value from regular interest payments.

Society

Our products and services enable individuals to save for their own retirement, reducing future burdens on public pension systems and increasing financial stability in our society. More widely, we strive to add value to the communities where we operate through tax payments, charitable donations, and volunteer work. Where possible, we seek to ensure a positive environmental impact, whether through our direct operations or our investment activities.

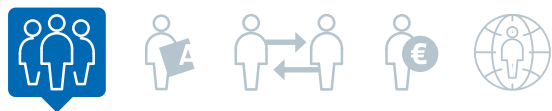
¹ Business partners consists of commissions paid to brokers and other intermediaries, premiums paid to reinsurers, and total spend on goods and services.

Sharing value with our stakeholders

Aegon strives to create long-term value for a broad range of stakeholders, including its customers, employees, business partners, and investors, as well as society at large. As underpinned by our purpose and our resulting sustainability approach, we see our business as inherently beneficial to society and people's lives. We believe the value we create is widely shared. However, we also recognize that some decisions we make may result in the erosion of value for certain stakeholders. The active identification and management of potentially negative consequences is, therefore, an integral part of our decision-making.

To meet the expectations of our stakeholders, we commit to being a good corporate citizen with a strong ESG foundation. Fostering an inclusive and diverse workforce and addressing climate change have been identified as specific strategic sustainability priorities for our business in the coming years. Meanwhile, our broader sustainability agenda also encompasses investing and paying taxes in a responsible way, safeguarding data privacy and information security, respecting human rights, and upholding sustainable procurement principles, among other actions.

We define our stakeholders as any individual or organization currently or potentially affected by our activities, or with the potential to influence the environment in which we operate. In the following pages, we describe our efforts in 2021 to share value with each of our five main stakeholder groups.



Customers

Delivering long-term value to Aegon's 31.7 million customers is central to our purpose of *Helping people live their best lives* and provides the foundation for our strategy. As people live longer, our customers are under increasing pressure to save more for their own retirement. Low interest rates make this requirement even more challenging.

There is a growing need for the investment, protection, and retirement solutions that Aegon can provide, and we are constantly looking to enhance our customer propositions with value-adding products and services. At the same time, we seek to enrich our customers' lives by improving our levels of customer service, including through digital tools and platforms, and by developing direct, close, personal connections.

As well as supporting our existing customers, we are extending our reach to underserved groups and regions with a low financial services penetration, by expanding access to our products and

offering solutions that cater to specific user needs. For example, World Financial Group is uniquely positioned to serve small business owners in the US market, many of whom are first- or second-generation immigrants who may require financial advice in their native language.

Enhancing our propositions

In 2021, Aegon continued to expand its offering across its key markets to be able to cater to customers' evolving needs even more closely. In the United States, Transamerica Individual Solutions rolled out its accelerated underwriting process to additional products, and extended flexible criteria for non-medical underwriting. Transamerica Workplace Solutions launched a health savings account and rejuvenated its Group Life and Disability proposition, focused on critical illness and accident products.

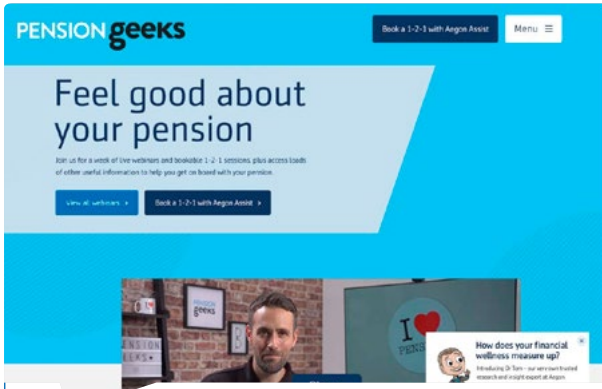
In the Netherlands, we enhanced our customer propositions in important areas, for example by introducing a new 'green' mortgage to help people pay for sustainable home improvements. We also added new features to our banking services, which included Apple Pay, a refunded VAT savings proposition, and attractively priced insurance coverages.

Improving customer service

To enhance customer experience and satisfaction, we took steps to enhance and further professionalize our customer interactions, by digitalizing and simplifying customer journeys. Our focus during 2021 was on introducing more opportunities for human connection in the interactions that truly matter to our customers and that require empathy or personalized advice. At the same time, we continued to introduce 24/7 self-service options to allow customers to complete simple requests by themselves.

Aegon's digital channels are an important means of communicating with households and individuals. In 2021, we continued to strengthen our customer portals across our different business units, including our Employee Benefits business in the United States. The focus was on improving customers' ability to file claims, receive status updates for requests, and check the terms and conditions of their policies. We also took steps to streamline our billing and disbursement processes.

In our Transamerica Workplace Solutions business, we developed a digital onboarding functionality for advisors, improved a 'Connect Desk' for small and middle-market customers, and introduced digital disbursements to significantly accelerate our handling time. We also introduced Transamerica 401Kares, through which our Managed Advice service is offered to selected customers as a free trial, allowing them to review their pension savings and make important investment decisions.



A new home for Pension Geeks

In April 2021, Aegon UK acquired Pension Geeks, a business specializing in connecting people with their finances through innovative engagement techniques, communication, and events.

Pension Geeks partners with like-minded companies to deliver onsite employer events and has also developed a digital platform for employers focused on pensions and wellbeing. The platform includes a range of features such as webinars, a one-to-one chat facility, and a video library to help employees manage their finances.

The firm is also the creator of Pension Awareness Day. As part of this yearly initiative, Pension Geeks team members visit different locations around the United Kingdom to provide local residents with one-on-one guidance about their pensions.

Now as part of our family, Pension Geeks will continue to help employers to encourage their people to engage with workplace benefits programs. This important acquisition, in turn, supports our strong company-wide focus on customer centricity

Strengthening engagement and trust

Across Aegon, we are focused on finding new ways to engage with our customers and build close, personal connections centered on trust.

In March 2021, Aegon UK partnered with the Initiative for Financial Wellbeing and Edinburgh University to launch the Financial Wellbeing Index, which helps advisors and employee benefits consultants provide personalized, needs-based advice to end-customers. Meanwhile, in the Netherlands, Knab, Aegon's digital banking platform, continued to support local entrepreneurs through Knab Bieb, an extensive online library for topics related to finance and entrepreneurship.

Customer satisfaction in each of our core markets, measured in benchmarked Net Promoter Score^(SM) (NPS®), should be in line with or above the average of our industry peers.

In 2021, our efforts were rewarded by solid NPS outcomes. Our US business, Transamerica, performed in line with the market average while Aegon UK was above the average. Aegon the Netherlands was slightly below the market average, though its score is steadily improving over time. For further details of Aegon's NPS outcomes, please see page 382 of this report.



Employees

Aegon is continuously adapting to our evolving operating environment. It is important we guide and support our employees through the resulting changes to our business.

The communication of our new vision and strategy at the end of 2020 clearly articulated the need for transformation and the demands that this would put on our workforce as we work to improve our performance and create greater value for our customers and shareholders. Since then, our employees have been engaged in defining a rigorous and granular operational improvement plan comprising more than 1,200 initiatives across Aegon. At the same time, we have continued to adapt to new ways of working in light of the ongoing COVID-19 pandemic. In 2021, we introduced a new hybrid working model to help our people achieve a healthy and productive balance between office-based and remote working.

People at the heart of our transformation journey

Key to our transformation is building an organizational rhythm that empowers employees to deliver positive results. This means clearly communicating our priorities to employees, ensuring they understand the need to change, and giving them the tools and skills to do so. We also depend on our leaders to role-model the behavior required by our transformation program.

To this end, throughout 2021, Aegon's business units each conducted weekly meetings for colleagues responsible for executing initiatives linked to the operational improvement plan. The meetings provided an opportunity to report on their progress and ask for help. To help foster a high-performance culture, Aegon's Management Board offered support through regular recognition calls with initiative owners to discuss what they contributed and how. Regarding the means of contribution, we continued to focus on the three priorities set by our Management Board in 2020: clarity, discipline, and external focus.

We also provided new tools and programs to help our people deliver results. A comprehensive program management tool was introduced in the context of Aegon's transformation to encourage initiative owners to think through business cases and milestones carefully and manage progress based on KPIs. We also launched Ability 2 Execute (A2E), an employee-focused capability-building program delivered through virtual training sessions and online learning. The program aims to drive engagement with our transformation journey, build a common language, and equip our people with core implementation capabilities and skills (See figure on page 29).

Supporting engagement and wellbeing

We monitor the wellbeing and engagement of our employees closely, particularly given the twin pressures of the transformation process and the ongoing pandemic. In 2021, our business units continued to introduce local activities aimed at helping employees deal with work pressure, contributing to our improved employee wellbeing score of 65% in the third quarter of 2021. With this result, as measured by our Global Employee Survey, we improved on our score of 61% at the start of the year, though we remain below our benchmark¹ of 68%. Our engagement score fell back to pre-COVID-19 levels in 2021, having peaked in 2020 following our initial response to the pandemic.

Introducing our hybrid working model

At Aegon, we have developed a *Future Ways of Working* plan that draws on the learnings from our employee surveys and reflects the growing shift toward flexible and remote working. One focal point is our new hybrid working model, adopted in 2021 across most of our business units. The approach is based on globally agreed principles – hybrid working, office utilization and location, and employee benefits – that are translated locally.

We have embraced hybrid working as we believe it helps our people to have a full professional life. A healthy balance between working in and out of the office helps us to stay tuned in and perform at our best. Our managers have a key role in making the hybrid model work by building teams where people speak up, self-organize and support each other's well-being. We will continue to get together regularly, because it strengthens collaboration, innovation and networking. To ensure we get things done regardless of work setting, we ensure we have the technology and tools in place to help bridge gaps in time or place, so everyone feels included. Creating opportunities for our employees to reach a preferred working solution also reinforces our purpose of *Helping people live their best lives*.



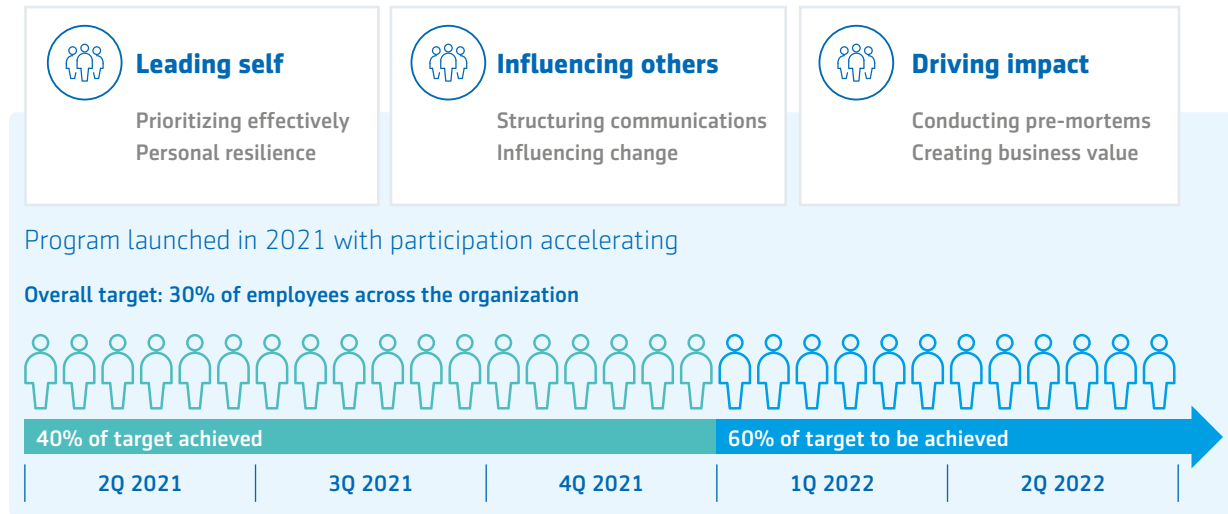
Strengthening inclusion and diversity with Black Professionals Scotland

Inclusion and diversity is a strategic sustainability priority that will guide Aegon's sustainability agenda in the years ahead. We aim to establish Aegon as a leading employer that is home to a diverse and highly skilled workforce through interesting and forward-looking work, future-focused training opportunities, and strong inclusion and diversity policies.

Our local partnerships directly support our inclusion and diversity approach. In early 2021, Aegon Asset Management (AAM) in the United Kingdom partnered with Black Professionals Scotland (BPS) to further expand recruitment and engagement to untapped talent. BPS exists to empower Scotland-based black ethnic minority professionals, school leavers, and recent university graduates. Members are given skills and information to support them in their careers. Alongside helping ethnic minority professionals with their development, BPS supports organizations in realizing their inclusion and diversity ambitions.

AAM now advertises all UK vacancies with BPS, and we have onboarded our first BPS recruit into the Portfolio Risk team in Edinburgh. In October 2021, AAM and BPS team members also took part in events together to celebrate Black History Month in the United Kingdom. Our budding partnership with BPS underlines AAM's commitment to inclusion and valuing diverse perspectives in the workplace, in line with our ambition to harness the potential of different talents and become more representative of the communities we serve.

A2E Essentials program to build core transformation capabilities¹



¹ This program focuses on three development themes: Leading self, Influencing others, and Driving impact.



Partners and suppliers

Our global network of partners and suppliers helps us operate a successful business that creates value for all our stakeholders. We design our procurement processes to deliver excellent value for money for our business functions while also contributing to a sustainable global supply chain.

We are steadily integrating best-practice ESG criteria and requirements into our supplier selection, development, and ordering processes. We aim to develop a procurement approach that prioritizes vendors who go beyond the minimum standards by respecting and sharing our values and upholding these along the supply chain. We work closely with our suppliers and, in doing so, encourage them to make positive changes to their operations and products for the benefit of the environment and wider society.

Vendor Code of Conduct

Minimum requirements for conducting business with Aegon apply to all procurement activities conducted by wholly or majority-owned companies in which Aegon has management control. These requirements are set out in our global Vendor Code of Conduct. In cases where we have an equity interest but no management control, the partnering company is expected to use its influence to apply the spirit of the code.

Our partners and suppliers are required to recognize and build processes to comply with applicable laws and ethical business practices in jurisdictions where they operate or conduct business. This includes taking steps to communicate the Vendor Code of Conduct within their own organizations, and, in particular, to employees or sub-contractors working directly with Aegon. More widely, we expect our suppliers to align with Aegon's ethics, values, and standards. This includes adhering to Aegon's Statement on Human Rights and avoiding complicity in the abuse or violation of internationally proclaimed human rights standards. Furthermore, we ask our suppliers to acknowledge and minimize their environmental impact wherever possible, and to provide fair compensation for any ecological damage they cause.

The close attention we pay to diversity also extends to the diversity of our supplier portfolio. In the United Kingdom, for example, we are a member of Social Enterprise UK, a community interest company encouraging businesses to spend a total of GBP 1 billion with social enterprises. Aegon UK far exceeded its 2021 target of GBP 100,000, eventually reaching GBP 150,000. Meanwhile, Transamerica also took steps to improve supplier diversity in 2021. Most notably, its new Supplier Diversity Program is designed to increase the number of diverse suppliers in our portfolio, and in 2021 we added two new diverse suppliers in the contingent labor category.



Managing Aegon's growing contingent workforce

Like other major organizations around the world, Aegon is optimizing the use of non-permanent external resources, who include contractors, freelancers, and other contingent workers. In 2021, our Transamerica business took steps to expand and mature its Contingent Workforce Program, a practice through which we oversee our relationships with non-permanent external resources. In 2021, we also significantly expanded our use of the SAP Fieldglass vendor management system (VMS) in the United States and the Netherlands, to connect us with top external talent and source contingent workers more efficiently and effectively.

The VMS includes built-in financial and security controls and is supported by a Contingent Labor Tenure Policy that allows us to better manage this significant area of expenditure. The VMS is integrated internally with our key finance systems and processes, data and analytics, risk, identity, and real estate systems. This provides clear visibility of the costs associated with attracting and employing external talent, while helping to maintain high standards for workers performance throughout Aegon.

Risk management and due diligence

Aegon's procurement function applies a company-wide framework within which all elements of third-party risk are identified and verified against our standards of reliability and integrity. A risk-based approach is applied to managing our supply base through a globally standardized segmentation methodology that considers the inherent risk of each vendor relationship, as well as the impact of that relationship on Aegon's operations.

Through our risk management approach, we mitigate potential risks resulting from our engagements with third parties to an acceptable level. In 2021, we continued the roll-out of the SAP Ariba vendor lifecycle management platform to improve our vendor due diligence processes and prevent the duplication of efforts to validate suppliers between different business units. All suppliers seeking qualification for Aegon's Supplier Register must meet general requirements regarding their ethical and professional suitability, as well as specific business, financial, technical, and organizational criteria.

Third-party risk assessment programs

Aegon works with external experts to adopt market-wide standards for risk assessment that strengthen and simplify the evaluation processes and reduce the risk evaluation requirements for Aegon and its vendors. 2021 was our second year working with sustainability rating company EcoVadis to evaluate the ESG risks involved in our partnerships with our top 250 vendors by spend (representing 80% of Aegon's total procurement spend). We now have valid EcoVadis scorecards for 81 of our top vendor accounts, covering 59% of the spend of these relationships. We also expanded a program supported by Aegon's technology partner, Rapid Ratings, to standardize our financial assessments of vendors around the world.



Investors

In 2021, Aegon made further progress on realizing its strategic priorities and financial targets. This enabled us to accelerate the increase in dividend payments, in keeping with the ambitions we presented at our 2020 Capital Markets Day. This puts us on a more linear path to achieving our aim of paying around 25 eurocents dividend per common share over 2023 to equity investors.

In 2021, Aegon increased its interim dividend by 2 eurocents to 8 eurocents per common share, and proposed to increase the final dividend by 3 eurocents to 9 eurocents per common share. As such, we deliver a total of EUR 348 million in dividends to shareholders over 2021.

At the end of 2021, Aegon had a gross financial leverage position of EUR 5.9 billion. This delivered EUR 220 million value in the form of interest payments to bondholders.

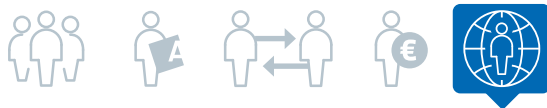
Value derived from share performance

Aegon's share price rose by 36% over 2021. The wider European insurance industry performed less well, with the STOXX Europe 600 Insurance Index ending the year up by 15%. We believe the relative overperformance was supported by favorable market movements, progress made on our operational improvement plan, and management actions to improve our risk profile. Our total shareholder return for the year amounted to a gain of 41% (this measure considers payment of dividends as well as share price performance).

Safeguarding long-term value

We are taking steps to further strengthen our balance sheet. This allows for attractive and sustainable capital deployment decisions, which generate value for our investors over the longer term. We are committed to reducing our gross financial leverage to between EUR 5.0 billion and EUR 5.5 billion until 2023 to further strengthen our balance sheet. Capital deployment decisions are driven by Cash Capital at Holding, taking into account our deleveraging target and the planned management actions to further improve the risk profile of our company, and are supported by reliable and sustainable remittances from our country units.

Cash Capital at Holding is used to achieve the financial leverage target over time and to pay interest to bondholders. At Aegon, we seek to distribute surplus cash flows (defined as the amount of cash available from the remittances from country units after subtracting the holding funding and operating expenses) to shareholders over time, unless we invest it in value-creating opportunities. We expect to pay dividends to shareholders in line with growth in sustainable free cash flow, barring unforeseen circumstances.



Society

*As a provider of pensions and other retirement solutions, Aegon has a responsibility to help people plan effectively for old age and to enjoy longer, more active retirements. Financial security and education, as well as wellbeing and longevity, are at the heart of our business and go hand in hand with our purpose of *Helping people live their best lives.**

However, the value we create for society goes beyond individuals. In 2021, the EUR 62 billion we paid in claims, benefits, and retirement plan withdrawals to our customers helped support national economies and relieve pressure on social support



Supporting COVID-19 relief efforts in India

In 2021, the Aegon community came together to support relief efforts amid the unprecedented surge of COVID-19 cases across India and in recognition of the many Aegon employees who live and work in the country.

Donations totaling EUR 300,000 were made to worthwhile causes. The Aegon Transamerica Foundation contributed to Direct Relief, an international humanitarian aid organization that provides oxygen concentrators, medication, personal protection equipment, and financial resources to frontline healthcare providers in India.

A further contribution was made on behalf of Aegon to the United Nations Children's Fund (UNICEF), which is working tirelessly to tackle the impact of the pandemic on India's children and their families, and boost access to critical oxygen therapy and accurate testing. With these swift and coordinated actions, we helped deliver essential relief and support that saved lives.

systems. Furthermore, our research partnerships and programs create awareness and insights into longevity and retirement that benefit society. We also support our local communities through donations and volunteering, and by paying fair taxes in the different locations where we operate.

Adapting to the modern retirement landscape

Longer lifespans are putting traditional, state-managed retirement systems under strain and shifting responsibility from governments and employers to individuals. By pursuing research, advocacy, and visibility around financial planning, retirement, health, and insurance, we aim to increase recognition of this critical social issue within global policymaking agendas.



Aegon is dedicated to developing understanding around trends, issues, and opportunities related to saving and planning for retirement, and to the achievement of financial security in later life. This includes participating in relevant international projects, such as an Organisation for Economic Co-operation and Development (OECD) working group on the future of work, and the Living, Learning, and Earning Longer initiative led by the World Economic Forum (WEF), to examine the benefits of an age-inclusive workforce. Our research efforts are channeled through dedicated institutes operating on the ground in our local markets. These include the Transamerica Institute in the United States and the Instituto de Longevidade MAG in Brazil.

Aegon also advocates for people to have access to insurance and financial services as well as opportunities for flexible employment in old age, and for governments to provide for their citizens in an era of increasing longevity. Meanwhile, we maintain a visible presence in the communities that benefit from our services through initiatives such as a 'Silver Starters' learning program for entrepreneurs aged 50 and over.

Investing in our communities

Our country units support local causes that align with our purpose and ambitions, including by way of investments that seek to serve and strengthen the communities in which we operate. At the same time, through donations and volunteering, we aim to drive engagement between employees and their local communities and promote our purpose and ESG approach to all stakeholders.

In 2021, Aegon supported approximately 469 charities and good causes. Our donations amounted to EUR 9.4 million, a 1.3% increase compared with 2020. Much of this investment was driven by our Charitable Donations Standards, which require country units to allocate at least 50% of their annual donations to causes that directly support financial security and personal wellbeing.

As was the case in 2020, we prioritized helping our most vulnerable communities navigate the COVID-19 pandemic and its economic consequences, with a specific focus on people who needed help handling their finances. Despite ongoing constraints due to the pandemic, Aegon employees recorded 6,806 volunteer hours in 2021 (equivalent to EUR 0.3 million, based on volunteers' average salaries). Many initiatives took place online, and our 'Volunteer Friday' program in the Netherlands was held virtually for the first time.

Responsible tax

We make a valuable economic and social contribution to the communities in which we operate through our own tax payments as well as the collection and payment of third-party taxes. We seek to pay 'fair taxes', namely by paying the right amounts of tax in the right places. Published online, our Global Tax Policy outlines our approach to responsible tax, which seeks to align the long-term interests of our customers, employees, business partners, investors, and wider society. In 2021, we also began publishing a Global Tax Report to provide a comprehensive overview of our approach to tax and our tax contributions on a country-by-country basis.

Performance in 2021

Financial markets saw equity markets generally finding higher levels at the end of the year than before the COVID-19 pandemic. Interest rates increased considerably in the United States compared with the low levels seen during 2020, whereas credit spreads remained relatively stable over the year.

These developments contributed positively to Aegon's financial results. However, excess mortality mainly induced by the pandemic continued to have a negative impact on our earnings in the United States. Overall, we maintained strong capital ratios for our main businesses above their respective operating levels. Aegon made steady progress against the medium-term targets announced in December 2020. Both free cash flows and expense savings exceeded targets, and we made continued progress against our medium-term deleveraging goal. We are also ahead of schedule with respect to our free cash flow target and above target with regard to the planned expense savings that were delivered during the year.

Financial performance

Aegon's operating result amounted to EUR 1,906 million in 2021, an increase of 11% compared with 2020. All business units showed improved performance, driven by positive contributions from business growth, as well as expense savings and favorable equity markets. These drivers were only partly offset by a more adverse mortality result in the United States than in 2020, due to the COVID-19 pandemic. Our net result amounted to EUR 1,701 million in 2021, versus EUR 55 million in 2020. This increase was supported by the higher operating result and a gain on non-operating items, compared with a loss in non-operating items in 2020. In addition, a reduction in non-recurring Other charges contributed to the increase in the net result.

In 2021, we further strengthened our balance sheet, reduced our risk exposure to financial markets, and improved the company's risk profile. Aegon redeemed USD 250 million in floating rate perpetual capital securities in September 2021, lowering the company's financial leverage to EUR 5.9 billion at year end. In our US variable annuity business, we completed a successful lump-sum buy-out program and expanded our dynamic hedging program to release capital and increase the predictability of capital generation. In addition, we executed plans to reduce our economic interest rate exposure in the United States and reduced the targeted interest rate risk exposure by approximately 70%. We have also seen a steady flow of regulatory approvals in our long-term care rate increase program, and we have reinsured additional longevity risk in the Netherlands as well as reducing the risk of volatility in mortality claims in the United States.

The capital positions of each of Aegon's main business units ended the year above the units' respective operating levels, while the Group Solvency II ratio increased by 15 percentage points

to 211%. Actively managing Aegon's risks and capital position has increased the predictability of remittances. Free cash flows increased from EUR 530 million in 2020 to EUR 729 million in 2021, partly supported by the distribution of excess capital from several units. Based on the steady progress made against Aegon's strategic priorities and financial targets, a final dividend for 2021 of 9 eurocents per common share will be proposed, bringing the total dividend for the year to 17 eurocents per share.

In 2022, we aim to make further progress on delivering on our strategic objectives and toward realizing our 2023 financial targets. The performance improvement plan will be rigorously executed, and we remain on track to reach our 2023 target of EUR 400 million in expense savings, building on the EUR 244 million achieved so far. The actions taken to improve our performance will support the delivery of around EUR 1.2 billion operating capital generation in 2022, barring unforeseen circumstances. The current geopolitical situation creates uncertainty and has implications for financial markets and the global economy. However, we believe that we have the right strategy to deal with these conditions and will continue to actively manage our risks and capital position. Please refer to the Capital and liquidity management section for sensitivities of our capital position to certain parameters, including lower equity markets, lower interest rates and US credit defaults. For 2022, we expect free cash flow of between EUR 550 million and EUR 600 million. We also expect a more linear growth in our dividend in 2022 compared with the muted near-term growth outlook that was previously provided and continue to target a dividend of around 25 eurocents per share over 2023.

Further information on our performance in 2021 can be found in the Results of Operations section on page 96.

Financial targets 2021-2023

Reduce leverage	EUR 5.0-5.5 billion Gross financial leverage target
Implement expense savings	EUR 400 million Lower addressable expenses vs. 2019
Increase free cash flows	EUR 1.4-1.6 billion Cumulative free cash flows over 2021-2023
Distribute capital to shareholders	Around EUR 0.25 dividend per share over 2023

Non-financial performance

In December 2020, Aegon launched its new business strategy, which touches on a broad range of non-financial elements and includes a commitment to integrate a strengthened vision on sustainability. In 2021, we made good progress against our ambitions by establishing new sustainability governance, preparing for migration of sustainability reporting to our finance department, and selecting two priority themes, which are climate change and inclusion and diversity.

Our new strategy has led to a review of our key non-financial performance metrics, to ensure a more balanced approach to our stakeholders and that our priority themes are addressed. This has led to the retirement of three customer-related KPIs: number of customers, percentage of customers with two or more products, and proportion of digitally connected customers. In their place, Aegon has introduced two new KPIs that align directly with the priority themes. With regard to climate change, we have introduced a weighted average carbon intensity metric for our corporate fixed income and listed equity. For inclusion and diversity, the percentage of women in senior management is now included as a KPI.

With these changes, we have taken an important step toward our sustainability ambitions, though we recognize that there is still work to be done. As our strategy evolves and our approach to sustainability matures, we will proactively review our non-financial KPIs to ensure we continue to monitor and showcase the most relevant metrics to our stakeholders. The rationale for our four non-financial KPIs is detailed below.

1. Aegon wants to be there for its customers. This means providing solutions that create long-term value and developing products and services that fully meet their needs and expectations at every stage of their lives. Customer satisfaction in each of our core markets, which is measured by benchmarked Net Promoter Score^(SM), should be in line with or above the average of those of our industry peers.
 - Our US business, Transamerica, performed in line with the market average while Aegon UK was above average. Aegon the Netherlands performed slightly below the market average, though its score has been steadily improving over time.
2. For us to deliver on our promises to all our stakeholders, it is important that our employees are fully engaged and motivated to contribute to this task.
 - The employee engagement score in 2021 was 68, a decrease of 4 points. This decline reflects the challenge of maintaining engagement during a time when the company is undergoing significant change, including challenges due to the COVID-19 pandemic.

3. At Aegon, we value a diverse workforce, because we believe including different perspectives is critical for richer debates and innovation.
 - The proportion of female representation among our senior management increased by 2%-points to 34% in 2021.
4. Aegon seeks to ensure the reduction of the weighted average carbon intensity of the company's investment portfolio is aligned to its net-zero ambitions, for the benefit of wider society.
 - In 2021, the weighted average carbon intensity of our own investment portfolio stayed flat compared with 2019. We remain on track to meet our target for a 25% reduction in the carbon intensity of our corporate fixed income and listed equity investments by 2025.

To further embed the above non-financial KPIs in our operations, the KPIs were reflected in the remuneration targets set at both a company-wide and individual level in 2021. The remuneration targets for our Executive Board members are required to be comprised of at least 50% non-financial performance indicators, of which ESG has been a mandatory performance indicator category since 2020. In 2021, the performance indicators for Aegon's Executive Board members included the further integration of ESG into the company strategy and the increased presence of women in senior management.

Non-financial targets

Customers	<ul style="list-style-type: none"> • Customer satisfaction in each of our core markets (measured by NPS) in line with or above the average of those of our peers
Employees	<ul style="list-style-type: none"> • A 70% employee engagement score for 2022, measured through our Global Employee Survey • Minimum level of 36% of female representation amongst our senior management for 2022
Society	<ul style="list-style-type: none"> • At least 25% reduction in weighted average carbon intensity of our corporate fixed income and listed equity investments by 2025



Governance and risk management 2021

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Letter from our Supervisory Board Chairman

2021 was an important year for Aegon as attention within the company turned to the execution of the new strategy and the accompanying plans and targets.



“We fully support Aegon’s leaders as they execute the steps needed to adapt to a changing operating environment and deliver on the company’s ambitions.”

William Connelly, Supervisory Board Chairman Aegon

As outlined at the 2020 Capital Markets Day, Aegon’s ambition is to build an enduring, high-performance company that continues to add value to our stakeholders, including by narrowing its strategic focus to markets and business opportunities in our core perimeter.

The Supervisory Board continues to play an important advisory role as part of Aegon’s transformation journey, and I believe we have successfully performed this task over the past year. The added value of the Board lies in the diverse skills and talents of each of our different members. On this note, I very much welcome the recent appointment of Jack McGarry to the Supervisory Board, who brings a wealth of experience from the US insurance industry.

Throughout the year, the Supervisory Board remained in close consultation with the Executive Board about the measures taken to support Aegon’s long-term value creation strategy and transformation. I see clear signs of progress. Multiple expense savings initiatives have been implemented, putting the company on track to realize significant cost reductions by 2023. Adjustments to the company’s portfolio, such as divestments, were also regularly discussed with Aegon’s leadership in the context of the strategy implementation.

There is a cultural side to our transformation journey, of course. In 2021, our leaders and employees spent time examining our culture, values, and behaviors to better understand “who” Aegon is and the value we create as an organization. This exercise will help us to meet the changing needs and expectations of our customers and other stakeholders in the years ahead. Again, the Supervisory Board is pleased to have been closely involved in this process.

Confidence in our leadership

We fully support Aegon’s leaders as they execute the steps needed to adapt to a changing operating environment and deliver on the company’s ambitions. Indeed, we have full confidence in those recently joining Aegon’s leadership team. At Transamerica, Will Fuller has been appointed as President and Chief Executive Officer (CEO) and Chris Ashe has been appointed as Chief Financial Officer. The company has also appointed Allegra van Hövell–Patrizi as CEO of Aegon the Netherlands, and Elisabetta Caldera as its new Chief Human Resources Officer. Furthermore, Aegon has recently appointed Astrid Jäkel as Chief Risk Officer and Deborah Waters as Chief Technology Officer, with both taking up their duties in early 2022.

A further development taking place at Aegon involves the current efforts to increase the company’s focus on sustainability, which are being led by the recently established Global Corporate

Sustainability Team. The strengthened sustainability agenda recognizes the far-reaching impact of Aegon's operations and investment activities, and the company's desire to help shape a thriving and sustainable future society.

Accordingly, the Supervisory Board has strengthened its oversight of Aegon's policies and performance regarding sustainability. I am pleased that we are dedicating particular attention to climate change, and inclusion and diversity, as these have been highlighted as priority issues by our stakeholders.

Navigating new challenges

In 2021, the COVID-19 pandemic continued to have significant repercussions for Aegon's stakeholders around the world. As in 2020, the company was at hand to help Aegon's customers and partners navigate the pandemic, including by introducing new, personalized customer propositions and donating time and resources to local communities. Similarly, the Supervisory Board is supportive of the escalation of efforts to help Aegon colleagues manage the stresses of the pandemic, including by offering people more flexibility in their working arrangements.

We also keep track of changes in the wider business environment with the potential to impact Aegon going forward. The financial services industry is steadily becoming more technology- and data-driven. This, in turn, creates new complexities in areas such as cybersecurity and data privacy, and we are pleased to see Aegon addressing these developments head on through dedicated IT teams and processes. A further topic demanding close attention is the so-called "war for talent", given the critical shortage of digital talent and professionals in other highly skilled fields.

Meanwhile, the regulatory landscape is also shifting, as providers face stricter requirements regarding issues such as customer due diligence. Among other ongoing developments in this space, the Supervisory Board is closely monitoring Aegon's efforts to prepare for the forthcoming introduction of IFRS 17, a new

reporting standard regarding the accounting of insurance liabilities, which takes effect from 2023.

In this fast-changing environment, the Supervisory Board welcomes the development of Aegon's newly defined purpose, as well as the accompanying communications and messaging. This is an important achievement that will help to guide the company's strategy in the years to come, as well as Aegon's vision to be a leader in investment, protection, and retirement solutions.

We appreciated the opportunity to be regularly involved in discussions that contributed to shaping the purpose. Our conversations with the Management Board during the year also touched on important HR topics, including the development of Aegon's new expected employee behaviors. Looking ahead, the devastating aggression conducted by the Russian government against Ukraine is a significant cause for concern, and we will be paying close attention to developments in our talks with the Executive Board.

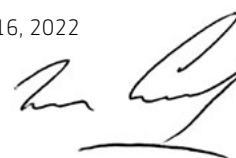
The Supervisory Board is satisfied that it fulfilled its responsibilities to Aegon and its stakeholders during 2021. A detailed report on the Supervisory Board and its activities during the year can be found on page 47 of this Integrated Annual Report.

Thank you to our stakeholders

On behalf of those on the Board, I would once again like to thank Aegon employees for their continued efforts as we work toward our renewed purpose of *Helping people live their best lives*. I would also like to thank all those who invest in Aegon for their continued trust and confidence.

The Hague, the Netherlands, March 16, 2022

William L. Connelly
Supervisory Board Chairman Aegon



Corporate governance

Aegon is incorporated and based in the Netherlands. As a company established and listed in the Netherlands, Aegon must comply with Dutch law and is subject to the Dutch Corporate Governance Code.

Aegon is governed by three corporate bodies:

- General Meeting of Shareholders
- Supervisory Board
- Executive Board

Aegon also has a Management Board. This works in unison with the Executive Board and helps to oversee operational issues and the implementation of Aegon's strategy. Aegon's corporate governance structure is the responsibility of both the Supervisory Board and the Executive Board. Any substantive change to this structure is submitted to the General Meeting of Shareholders for discussion.

The shareholders

Listing and shareholder base

Aegon's common shares are listed on Euronext Amsterdam and the New York Stock Exchange. Aegon has institutional and retail shareholders around the world. More than three-quarters of shareholders are located in Aegon's three main markets, the Netherlands, United States, and the United Kingdom. Aegon's largest shareholder is Vereniging Aegon, a Dutch association with a special purpose to protect the broader interests of the Company and its stakeholders.

General Meeting of Shareholders

A General Meeting of Shareholders is held at least once a year and, if deemed necessary, the Supervisory or Executive Board of the Company may convene an Extraordinary General Meeting of Shareholders. The main function of the General Meeting of Shareholders is to decide on matters such as the adoption of annual accounts, the approval of dividend payments and (re)appointments to the Supervisory Board and Executive Board of Aegon.

Convocation

General Meetings of Shareholders are convened by public notice at least 42 days before the meeting. The convocation states the time and location of the meeting, the record date, the agenda items, and the procedures for admittance to the meeting and representation at the meeting by means of a written proxy. Those shareholders who alone or jointly represent at least 1% of Aegon's issued capital or a block of shares worth at least EUR 100 million may request items be added to the agenda of a General Meeting of Shareholders. In accordance with Aegon's Articles of Association, such a request will be granted if it is received in writing at least 60 days before the meeting,

and if there are no important interests of the Company that dictate otherwise.

Record date

The record date is used to determine shareholders' entitlements with regard to their participation and voting rights. In accordance with Dutch law, the record date is 28 days before the day of the General Meeting of Shareholders.

Attendance

Every shareholder is entitled to attend the General Meeting to speak and vote, either in person or by proxy granted in writing. This includes proxies submitted electronically. All shareholders wishing to take part must provide proof of their identity and shareholding and must notify the Company ahead of time of their intention to attend the meeting. Aegon also solicits proxies from New York registry shareholders in line with common practice in the United States.

Voting at the General Meeting

At the General Meeting, each common share carries one vote. In the absence of a Special Cause, Vereniging Aegon casts one vote for every 40 common shares B it holds.

Supervisory Board

Aegon's Supervisory Board oversees the management of the Executive Board, in addition to the Company's business and corporate strategy. The Supervisory Board must take into account the interests of all Aegon stakeholders. The Supervisory Board operates according to the principles of collective responsibility and accountability.

Composition of the Supervisory Board

Members of the Supervisory Board are appointed by the General Meeting of Shareholders, following nomination by the Supervisory Board itself. Aegon aims to ensure that the composition of the Company's Supervisory Board is in line with Aegon's diversity policy for the Supervisory Board, Executive Board and Management Board and is as such well-balanced in terms of professional background, geography, gender and other relevant aspects of the diversity policy. A profile, which is published on aegon.com, has been established that outlines the required qualifications of its members. Supervisory Board members are appointed for a four-year term and may then be reappointed for another four-year period. Subsequently, a Supervisory Board member can be reappointed again for a period of two years, and then extended by two

years at the most. Supervisory Board members are no longer eligible for (re)appointment after reaching the age of 70, unless the Supervisory Board decides to make an exception. Remuneration of the Supervisory Board members is determined by the General Meeting of Shareholders. In 2021, no transactions were concluded between the Company and any of the Supervisory Board members. Furthermore, the Company did not provide loans or issue guarantees to any members of the Supervisory Board. At present, Aegon's Supervisory Board consists of eight members, all of whom qualify as independent in accordance with the Dutch Corporate Governance Code.

Committees

The Supervisory Board also oversees the activities of its committees. These committees are composed exclusively of Supervisory Board members and deal with specific issues related to Aegon's financial accounts, risk management, executive remuneration and appointments. These committees are the:

- Audit Committee;
- Risk Committee;
- Remuneration Committee; and
- Nomination and Governance Committee.

Executive Board

Aegon's Executive Board is charged with the overall management of the Company and is therefore responsible for developing and executing Aegon's strategy. Additionally, it is responsible for managing the Company's risk profile and overseeing any relevant sustainability issues. Each member has duties related to his or her specific area of expertise.

Aegon's Articles of Association determine that for certain decisions the Executive Board must seek prior approval from the Supervisory Board and/or the approval of the General Meeting of Shareholders. In addition, the Supervisory Board may also subject other Executive Board decisions to its prior approval.

Composition of the Executive Board

Aegon's Executive Board consists of Lard Friese, who is Chief Executive Officer (CEO) and Chairman of the Executive Board, and Matt Rider, who is Chief Financial Officer (CFO).

The number of Executive Board members and their terms of employment are determined by the Company's Supervisory Board. Executive Board members are appointed by the General Meeting of Shareholders for a four-year term, following nomination by the Supervisory Board.

The members of the Executive Board have an engagement agreement with the Company rather than an employment contract. The Company's Remuneration Policy for the Executive Board limits exit arrangements to a maximum of one year of the fixed component of the salary.

In 2021, no transactions were concluded between the Company and either member of the Executive Board. Furthermore, the Company did not provide any loans to, or issue guarantees in favor of either of the members of the Executive Board.

Management Board

Aegon's Executive Board is assisted in its work by the Company's Management Board, which had 10 members, including the members of the Executive Board per December 31, 2021. Aegon's Management Board is composed of Lard Friese, Matt Rider, Elisabetta Caldera, Will Fuller, Mike Holliday-Williams, Allegra van Hövell-Patrizi, Marco Keim, Onno van Klinken, Bas NieuweWeme and Duncan Russell. At the time of publishing this 2021 Integrated Annual Report, the Management Board consisted of 12 members, including Astrid Jäkel as Chief Risk Officer and Deborah Waters as Chief Technology Officer.

Aegon's Management Board works in unison with the Executive Board and helps oversee operational issues and the implementation of Aegon's strategy. Members are drawn from Aegon's business units and from Aegon's global functions. The members have both regional and global responsibilities. This ensures that Aegon is managed as an integrated international business. While the Executive Board is Aegon's sole statutory executive body, the Management Board provides vital support and expertise in pursuit of the Company's strategic objectives.

In the relationship between the Supervisory Board and the Management Board, the CEO shall be the first point of contact for the Supervisory Board and its Chairman. Further, the members of the Boards will act in accordance with the provisions provided therefore in the Management Board Charter, the Executive Board Charter, and the Supervisory Board Charter.

Capital, significant shareholders and exercise of control

As a publicly listed company, Aegon is required to provide the following detailed information regarding any structures or measures that may hinder or prevent a third party from acquiring the Company or exercising effective control over it.

The capital of the Company

Aegon has an authorized capital of EUR 1,080 million, divided into 6 billion common shares and 3 billion common shares B, each with a nominal value of EUR 0.12. As of December 31, 2021, a total of 2,106,313,195 common shares and 568,839,440 common shares B had been issued.

Depository receipts for Aegon shares are not issued with the Company's cooperation.

As per the Dutch act on conversion of bearer shares, all 16,040 bearer shares outstanding at December 2020 have been converted into registered shares held by the Company as per January 1, 2021. Until January 1, 2026, and upon request

of a holder of a certificate of a bearer share, the Company will provide the holder of such a valid certificate of a bearer share with a registered share as a replacement of the bearer share.

Each common share carries one vote. There are no restrictions on the exercise of voting rights by holders of common shares.

All issued and outstanding shares B are held by Vereniging Aegon, the Company's largest shareholder. The nominal value of the common shares B is equal to the nominal value of a common share. This means that common shares B also carry one vote per share. However, the voting rights attached to common shares B are subject to restrictions as laid down in the Voting Rights Agreement, under which Vereniging Aegon may cast one vote for every 40 common shares B it holds in the absence of a Special Cause.

The financial rights attached to a common share B are one-fortieth (1/40th) of the financial rights attached to a common share. The rights attached to the shares of both classes are otherwise identical. For the purpose of the issuance of shares, reduction of issued capital, the sale and transfer of common shares B or otherwise, the value or the price of a common share B is determined as one-fortieth (1/40th) of the value of a common share. For such purposes, no account is taken of the difference between common shares and common shares B in terms of the proportion between financial rights and voting rights.

Significant shareholdings

On December 31, 2021, Vereniging Aegon, Aegon's largest shareholder, held a total of 301,774,161 common shares and 538,250,640 common shares B.

Under the terms of the 1983 Merger Agreement, as amended in May 2013, Vereniging Aegon has the option to acquire additional common shares B. Vereniging Aegon may exercise its call option to keep or restore its total stake to 32.6% of the voting rights, irrespective of the circumstances that caused the total shareholding to be or become lower than 32.6%.

During 2021, two transactions were concluded between Aegon N.V. and Vereniging Aegon. Execution of these transactions was done in compliance with all requirements of Best Practice 2.7.5 of the Dutch Corporate Governance Code.

On December 15, 2021, Aegon N.V. repurchased 22,643,360 common shares B from Vereniging Aegon for the amount of EUR 2,285,621 based on 1/40th of the Value Weight Average Price of the common shares of the five trading days preceding this transaction. The repurchase of common shares B was executed to align the aggregate holding of voting shares by Vereniging Aegon in Aegon N.V. with its special cause voting rights of 32.6%.

On June 3, 2021, Vereniging Aegon exercised its option rights to purchase in aggregate 1,983,360 common shares B at fair value (1/40th of the market value of a common share in the capital of the Company at the time of issuance) to mitigate dilution caused by Aegon's issuance of shares on June 3, 2021 in connection with the Long Term Incentive Plans for senior management.

Special control rights

As a matter of Dutch corporate law, the common shares and the common shares B offer equal full voting rights, as they have equal nominal value (EUR 0.12). The Voting Rights Agreement entered into between Vereniging Aegon and Aegon provides that under normal circumstances, i.e. except in the event of a Special Cause, Vereniging Aegon is not allowed to exercise more votes than is proportionate to the financial rights represented by its shares. This means that in the absence of a Special Cause, Vereniging Aegon may cast one vote for every common share it holds and one vote only for every 40 common shares B it holds. In the event of a Special Cause, Vereniging Aegon may cast one vote for every common share and one vote for every common share B.

A Special Cause may include:

- The acquisition by a third party of an interest in Aegon N.V. amounting to 15% or more;
- A tender offer for Aegon N.V. shares; or
- A proposed business combination by any person or group of persons, whether acting individually or as a group, other than in a transaction approved by the Company's Executive and Supervisory Boards.

If Vereniging Aegon, acting at its sole discretion, determines that a Special Cause has arisen, it must notify the General Meeting of Shareholders. In this event, Vereniging Aegon retains full voting rights on its common shares B for a period limited to six months. Vereniging Aegon would, for that limited period, command 32.6% of the votes at a General Meeting of Shareholders.

Based on the Voting Rights Agreement, Vereniging Aegon has a right to, at its own discretion, take the decision to exercise its full voting rights on common shares B. Vereniging Aegon may exercise this right unilaterally and independent of Aegon N.V., and therefore also irrespective of any decisions of the Executive Board of Aegon N.V., including any decision whether or not to invoke a 180 or 250 day response time under the Dutch Corporate Governance Code or Civil Code.

Issue and repurchase of shares

New shares may be issued up to the maximum of the Company's authorized capital, following a resolution adopted by the General Meeting of Shareholders. Shares may also be issued following a resolution of the Executive Board, subject to approval by the Supervisory Board, providing, and to the extent that, the Board has been authorized to do so by the General Meeting of Shareholders. A resolution authorizing

the Executive Board to issue new shares is usually presented at Aegon's Annual General Meeting of Shareholders.

Aegon is entitled to acquire its own fully paid-up shares, providing it acts within existing statutory restrictions. Shareholders usually authorize the Executive Board to purchase the Company's shares under terms and conditions determined by the General Meeting.

Transfer of shares

There are no restrictions on the transfer of common shares. Common shares B can only be transferred with the prior approval of Aegon's Supervisory Board.

Aegon has no knowledge of any agreement between shareholders that might restrict the transfer of shares or the voting rights pertaining to them.

Significant agreements and potential change of control

Aegon is not party to any significant agreements that would take effect, alter or terminate as a result of a change of control following a public offer for the outstanding shares of the Company, other than those customary in financial markets (for example, financial arrangements, loans and joint venture agreements).

Share plan

Senior executives at Aegon companies and some other employees are entitled to variable compensation of which part is granted in the form of shares. For further details, please see the Remuneration Report on page 55 and note 50 of the notes to Aegon's consolidated financial statements of this Annual Report. Under the terms of existing share plans the vesting of granted rights is predefined. The shares shall vest as soon as possible in accordance with payroll requirements of the relevant subsidiary after the adoption of the Company's Annual Report at the Annual General Meetings of Shareholders in the year of vesting of these shares.

Appointing, suspending or dismissing Board members

The General Meeting of Shareholders appoints members of both the Supervisory and Executive Boards, following nominations by the Supervisory Board. These nominations are binding providing at least two candidates are nominated. The General Meeting of Shareholders may cancel the binding nature of these nominations with a majority of two-thirds of votes cast, representing at least one half of Aegon's issued capital. The General Meeting may, in addition, bring forward a resolution to appoint someone not nominated by the Supervisory Board. In order for the resolution to be adopted, the resolution requires a two-thirds majority of votes cast, representing at least one half of Aegon's issued capital.

Members of Aegon's Supervisory and Executive Boards may be suspended or dismissed by the General Meeting of Shareholders with a two-thirds majority of votes cast, representing at least one half of Aegon's issued capital,

unless the suspension or dismissal has first been proposed by the Company's Supervisory Board in which case the suspension or dismissal can be resolved by the General Meeting of Shareholders with an absolute majority of votes and a limited quorum. A member of the Executive Board may also be suspended by the Supervisory Board, although the General Meeting of Shareholders has the power to annul this suspension.

Amending the Articles of Association

The General Meeting of Shareholders may, with an absolute majority of votes cast, pass a resolution to amend Aegon's Articles of Association or to dissolve the Company, in accordance with a proposal made by the Executive Board and approved by the Supervisory Board.

Dutch Corporate Governance Code

As a company based in the Netherlands, Aegon adheres to the Dutch Corporate Governance Code. The version of the code applicable to the financial year 2021 is the version that came into force on January 1, 2017. Aegon endorses the Code and strongly supports its principles for sound and responsible corporate governance and long-term value creation. Aegon regards the Code as an effective means to help ensure that the interests of all stakeholders are duly represented and taken into account. It is the responsibility of both the Supervisory Board and the Executive Board to oversee Aegon's overall corporate governance structure.

In general, Aegon applies the best practice provisions set out in the Code. There is one best practice provision with which Aegon does not fully apply. In this case, Aegon adheres, as much as is possible, to the spirit of the Code.

Best Practice 4.3.3

The Dutch Corporate Governance Code recommends that the General Meeting of Shareholders may cancel the binding nature of nominations for appointments of members of the Executive Board and Supervisory Board with an absolute majority of votes and a limited quorum.

Aegon's position on Best Practice 4.3.3

Aegon's Articles of Association provide for a larger majority and a higher quorum than those advocated by the Code. Given that the Company has no specific anti-takeover measures, the current system is deemed appropriate within the context of the 1983 Merger Agreement under which Aegon was formed. However, to mitigate any possible negative effects stemming from this, the Supervisory Board has decided that, in the absence of any hostile action, it will only make nominations for the appointment of members to the Executive and Supervisory Boards that are non-binding in nature.

Corporate Governance Statement

For an extensive review of Aegon's compliance with the Dutch Corporate Governance Code, please refer to the Corporate Governance Statement on Aegon's corporate website.

Composition of the Boards

Members of the Executive Board

Lard Friese (1962, Dutch)

CEO and Chairman of the Executive and Management Boards of Aegon N.V.

Lard Friese earned a Master of Law degree at the University of Utrecht. He has worked most of his professional career in the insurance industry, including ten years at Aegon between 1993 and 2003. He was employed by ING as from 2008, where he held various positions. In July 2014, upon the settlement of the Initial Public Offering of NN Group N.V., he became the CEO of NN Group. During his tenure at NN Group, he led a wide range of businesses in Europe and Asia and created a stable platform for growth and shareholder value.

He has extensive experience in the areas of insurance, investment management, customer centricity, mergers & acquisitions, and business transformation. Mr. Friese was appointed CEO Designate as of March 1, 2020. During the 2020 Annual General Meeting (AGM), he was appointed as member of the Executive Board for a term of four years until the end of the AGM to be held in 2024. Mr. Friese is Chairman of Aegon's Executive Board and Management Board.

Matthew J. Rider (1963, American)

CFO and member of the Executive and Management Boards of Aegon N.V.

Matt Rider began his career at Banner Life Insurance Company and held various management positions at Transamerica, Merrill Lynch Insurance Group and ING before joining Aegon. From 2010 to 2013, he was Chief Administration Officer and a member of the Management Board at ING Insurance, based in the Netherlands. In this role he was responsible for all of ING's insurance and asset management operations,

and specifically for Finance and Risk Management. Mr. Rider joined Aegon on January 1, 2017, and was appointed as CFO and member of the Executive Board of Aegon at the Annual General Meeting of Shareholders of Aegon N.V. of May 19, 2017. During the 2021 Annual General Meeting (AGM), Mr. Rider was reappointed for another term of four years until the end of the AGM to be held in 2025.

Members of the Management Board

Lard Friese: see above

Matthew J. Rider: see above

Deborah Waters (1968, American)

Chief Technology Officer and member of the Management Board of Aegon N.V.

Debbie Waters was appointed as Global Chief Technology Officer and member of the Management Board of Aegon N.V., effective February 7, 2022. She began her career at aerospace group Lockheed Martin in 1989 before moving to software consultancy group Seer Technologies. In 1995, she joined Citigroup Inc., where she held various technology leadership positions

in the intervening years. Most recently she served for over five years as Citi's Global Head of Private Bank Operations and Technology. Additionally, Ms. Waters was the Head of Inclusion and Diversity for Citi's Institutional Client Group Operations and Technology.

Former Chief Technology Officer Mark Bloom stepped down as per June 1, 2021.

Allegra van Hövell-Patrizi (1974, Italian and Belgian)

CEO of Aegon the Netherlands and member of the Management Board of Aegon N.V.

Allegra van Hövell-Patrizi began her career in 1996 at McKinsey & Company, specializing in financial institutions. After several years as a partner there, she joined F&C Asset Management in 2007 as a member of the Management Committee. In 2009, she joined Prudential plc where she was part of the CEO Office and then later became Group Risk Director, and a member of the Group Executive

Risk Committee, as well as the PUSL Board (within the Prudential plc Group). Ms. van Hövell-Patrizi joined Aegon at the end of 2015. She was appointed Chief Risk Officer of Aegon N.V. and a member of Aegon's Management Board in January 2016. Ms. van Hövell-Patrizi was appointed CEO of Aegon the Netherlands on June 15, 2021, and following the resignation of Maarten Edixhoven as per May 11, 2021. Ms. van Hövell-Patrizi is a member of the Supervisory Board of LeasePlan (not listed) since 2018.

Mike Holliday-Williams (1970, British)

CEO of Aegon UK and member of the Management Board of Aegon N.V.

Mike Holliday-Williams started his career with WHSmith in 1991 as a graduate trainee, working as a Retail Manager in many UK stores and in Business Development. In 1997, he joined Centrica where he had several general management and marketing roles in British Gas, before becoming the Residential & Marketing Director of Centrica Telecoms/One.Tel in 2004.

In 2006, Mr. Holliday-Williams joined RSA, becoming the UK Managing Director of Personal Lines in 2008, responsible

for MORETH>N, Partnerships and the Broker businesses. In 2011, he moved to Copenhagen to become the CEO of RSA Group's Scandinavian businesses, Codan A/S and Trygg-Hansa, he also became a member of the RSA Group Executive. In 2014, he moved to Direct Line Group (DLG) to become MD of the Personal Lines business, joining the Board of DLG in February 2017.

Mr. Holliday-Williams joined Aegon UK in October 2019, to take over as CEO. He is a member of Aegon's Management Board since March 2020.

Astrid Jäkel (1977, German)

Chief Risk Officer of Aegon N.V. and member of the Management Board of Aegon N.V.

Astrid Jäkel joined Aegon as Chief Risk Officer (CRO) and member of the Management Board of Aegon N.V. on March 1, 2022.

Astrid Jäkel has almost 20 years of experience in the European and global insurance sectors. She joined Aegon from the international management consultancy firm Oliver Wyman where she was a partner in the European Insurance and Asset Management Practice, co-leader of the European Insurance Financial Effectiveness team as well as a member of the Board of Oliver Wyman's Swiss subsidiary. Her consulting work focused

on high-impact risk, capital, asset liability and investment management topics. Ms. Jäkel worked with leading European and global insurers on a broad range of projects to help transform and optimize their risk and balance sheet management capabilities for market, credit, insurance, and non-financial risks.

Her responsibilities include managing Aegon's Group Risk and Actuarial functions, along with maintaining the Group's Risk Management framework and overseeing the risk management capabilities.

Former Chief Risk Officer Allegra van Hövell-Patrizi was appointed CEO of Aegon the Netherlands on June 15, 2021.

Marco Keim (1962, Dutch)

CEO Aegon International and member of the Management Board of Aegon N.V.

Marco Keim began his career with accountancy firm Coopers & Lybrand/Van Dien, before moving to the aircraft manufacturer Fokker Aircraft and NS Reizigers, part of the Dutch railway company, NS Group. In 1999, he joined Swiss Life in the Netherlands as a Member of the Board, and was appointed CEO three years later. Mr. Keim was appointed CEO of Aegon

the Netherlands and member of Aegon's Management Board in June 2008. From 2017 to 2020, Mr. Keim headed Aegon's operations on mainland Europe. Since January 2020, Mr. Keim is responsible for Aegon's business in Central and Eastern Europe, Spain and Portugal, Asia, and, since January 2022, Brazil. Mr. Keim is a former member of the Supervisory Board of Eneco Holding N.V.

Onno van Klinken (1969, Dutch)

General Counsel and member of the Management Board of Aegon N.V.

Onno van Klinken has over 25 years' experience providing legal advice to a range of companies and leading Executive Board offices. Mr. Van Klinken started his career at Allen & Overy, and previously worked for Aegon between 2002 and 2006. He then served as Corporate Secretary for Royal Numico, before it was acquired by Groupe Danone. His next position was as General Counsel for the Dutch global mail and express group TNT, where

he served from 2008 until the legal demerger of the group in 2011. This was followed by General Counsel positions at D.E. Master Blenders 1753 and Corio N.V. Mr. Van Klinken rejoined Aegon in 2014 as General Counsel responsible for Group Legal, Regulatory Compliance, the Executive Board Office, and Government and Policy Affairs. Mr. Van Klinken has been a member of Aegon's Management Board since August 2016. Mr. Van Klinken was appointed member of the Board of Stichting Continuïteit SBM Offshore in December 2016.

Elisabetta Caldera (1970, Italian)

Chief Human Resources Officer and member of the Management Board of Aegon N.V.

Elisabetta Caldera started her career in HR in 1994 at Foster Wheeler and soon moved to ABB Alstom.

In 2004, she joined Vodafone Italy where she was appointed Human Resources and Organization Director and member of the Management Board Vodafone Italy. Ms. Caldera moved to Vodafone Group in the UK as Human Resources Director

for the Global Technology function and finally was appointed as HR Director for Europe Cluster & Egypt since 2018.

Ms. Caldera joined Aegon as of June 1, 2021 as Chief HR Officer and member of Aegon's Management Board, succeeding Ms. Carla Mahieu who stepped down as per June 1, 2021.

Ms. Caldera is a member of the Supervisory Board of Falck Renewable since 2014.

Will Fuller (1970, American)

CEO of Aegon Americas and member of the Management Board of Aegon N.V.

Will Fuller has almost 30 years of experience in financial services, including life insurance, annuities, retirement plans and wealth management. Prior to joining Aegon, Mr. Fuller served as Executive Vice President of Lincoln Financial Group. His responsibilities included leading growth strategies, product and distribution innovation, and governance. His previous experience also includes Merrill Lynch, where he was responsible for product and distribution for Wealth Management in the Americas.

Mr. Fuller was appointed as a member of Aegon's Management Board in March 2021. He has been actively engaged in the financial services industry, most recently in forming the Alliance for Lifetime Income. He formerly served as board member of LL Global, Inc. (LIMRA/LOMA), Forum for Investor Advice, Money Management Institute, and Insured Retirement Institute.

Mr. Fuller succeeded Mr. Mark Mullin who stepped down as per March 31, 2021.

Bas NieuweWeme (1972, Dutch)

Global CEO of Aegon Asset Management and member of the Management Board of Aegon N.V.

Bas NieuweWeme was appointed Global CEO of Aegon Asset Management and Member of the Aegon N.V. Management Board in June 2019. Having obtained a Master of Laws (2000) and an Executive MBA in 2007, Mr. NieuweWeme has worked in global investment management for 20 years.

The majority of this time was spent in various management positions within ING Investment Management Americas and Voya Investment Management. In 2016, he was named Global Head of the Client Advisory Group and a member

of the management team at PGIM Fixed Income and Global Head of the Institutional Relationship Group at PGIM, Prudential Financial's global investment management business. He serves as vice-chairman of the supervisory board of La Banque Postal Asset Management and is a member of the Board of Aegon Industrial Fund Management Co., Ltd (China).

He is also a member of the Board of Directors of The Netherlands-America Foundation (NAF) and a member of the Leadership Council of AmeriCares, a non-profit disaster relief and global health organization.

Duncan Russell (1978, British)

Chief Transformation Officer and member of the Management Board of Aegon N.V.

Duncan Russell has worked most of his professional career in the financial services sector, lastly as CFO and Board member at Admiral Financial Services, the financial services subsidiary of Admiral Group, responsible for finance, analytics, funding, credit risk and pricing.

Before joining Admiral Group, Mr. Russell was Head of Group Strategy and Corporate Finance at NN Group N.V.,

the Netherlands, where he was responsible for capital management, treasury, M&A, and the group's strategy.

Before joining NN Group N.V., Mr. Russell held various positions at financial services groups in London.

Mr. Russell was appointed Chief Transformation Officer and member of the Management Board of Aegon N.V. on September 1, 2020.

Members of the Supervisory Board

William L. Connelly (1958, French)

Chairman of the Supervisory Board
 Chairman of the Nomination and Governance Committee
 Member of the Remuneration Committee

Mr. Connelly started his career at Chase Manhattan Bank, fulfilling senior roles in commercial and investment banking in France, the Netherlands, Spain, the United Kingdom, and the United States. He was appointed to Aegon's Supervisory Board in 2017 and became Chairman in May 2018 and his current term ends in 2025.

He is also chairman of the Supervisory Board Nomination and Governance Committee and member of the Supervisory Board Remuneration Committee. Mr. Connelly is also an independent director at the Board of Directors of Société Générale, an independent director at the Board of Directors of Singular Bank S.A. (formerly known as Self Trade Bank S.A., non-listed) and Chairman of the Board of Directors of Amadeus IT Group S.A.

Mark A. Ellman (1957, American)

Member of the Nomination and Governance Committee
 Member of the Risk Committee

Mark A. Ellman is a former Vice Chairman Global Origination of Bank of America/Merrill Lynch. Before joining Bank of America/Merrill Lynch, he held various roles in the US insurance industry. These mostly entailed working in corporate finance at large US financial institutions, where he was engaged in M&A advice and transactions, together with equity and debt raisings for insurance companies. He was a Managing Director and Co-Head of the Global Financial Institutions Group of Credit Suisse First Boston, and a founding partner of Barrett Ellman Stoddard Capital Partners.

Mr. Ellman was appointed to Aegon's Supervisory Board in 2017, and his current term ends in 2025. He is a member of the Supervisory Board Risk Committee and the Supervisory Board Nomination and Governance Committee. Mr. Ellman was a non-executive director of Aegon USA from 2012 to 2017.

Jack McGarry (1958, American)

Member of the Audit Committee
 Member of the Remuneration Committee

Jack McGarry is a former actuary who spent the majority of his career at Unum Group, an NYSE-listed provider of workplace financial protection benefits. He has held various leadership roles in risk management, in finance, as CEO of Unum's business in the United Kingdom, and CEO of Unum's Closed Block.

His last position at Unum was as Chief Financial Officer. As CFO, he successfully led the transformation of the finance organization by outsourcing transactional processes, driving automation across the organization, implementing accounting and financial planning & analysis platforms and modelling, and navigating the company through the implementation of tax reform. This experience underscores his in-depth knowledge of the insurance industry and his integral perspective on managing an insurance company. During the 2021 AGM, Mr. McGarry was appointed to Aegon's Supervisory Board, and his current term ends in 2025. Mr. McGarry is member of the Audit Committee and member of the Remuneration Committee.

Ben J. Noteboom (1958, Dutch)

Chairman of the Remuneration Committee
 Member of the Risk Committee

Ben J. Noteboom worked for Randstad Holding N.V. from 1993 until 2014, where he was appointed member of the Executive Committee in 2001 and became CEO in 2003. Before joining Randstad, Mr. Noteboom worked for Dow Chemical in several international management functions between 1984 and 1993.

He started his career in 1982 at Zurel as management assistant. He was appointed to Aegon's Supervisory Board in May 2015, and his current term ends in 2023. He is Chairman of the Supervisory Board Remuneration Committee and a member of the Supervisory Board Risk Committee.

Mr. Noteboom is Chairman of the Supervisory Board of Royal Vopak N.V. In addition, Mr. Noteboom is a member of the Board of Directors of VUmc Cancer Center Amsterdam and the Chairman of Stichting Prioriteit Ordina Groep. Mr. Noteboom is a former member of the Supervisory Boards of Wolters Kluwer N.V. and Royal Ahold Delhaize N.V.

Caroline Ramsay (1962, British)

Chair of the Audit Committee

Member of the Risk Committee

Mrs. Ramsay gained a Master's degree in Natural Sciences in 1984 at Cambridge. She started her professional career at KPMG in Ipswich and London, where she qualified as a Chartered Accountant in 1987. During her long career, Mrs. Ramsay gained substantial experience in Finance and Audit at large insurance companies. In addition to her strong financial background, Mrs. Ramsay acquired extensive managerial expertise in executive roles at Norwich Union plc (now Aviva plc) and RSA.

Mrs. Ramsay holds various Non-Executive Board positions. In 2013, she joined the board of Scottish Equitable – and as of 2017 also the boards of Aegon UK plc and Cofunds Ltd. – where she served as the Audit Committee Chair until May 14, 2020. Mrs. Ramsay was appointed to Aegon's Supervisory Board in May 2020 and her current term ends in 2024. She is Chair of the Supervisory Board Audit Committee and a member of the Supervisory Board Risk Committee.

Mrs. Ramsay is senior independent director of the Board of Brit Syndicates Ltd (non-listed), a member of the Board of Directors of Aberdeen UK Smaller Companies Growth Trust Plc, and a member of the Board of Directors of Tesco Underwriting Ltd. (non-listed). Mrs. Ramsay is a member of the FCA Regulatory Decisions Committee and Member of the Payment Systems Regulator's Enforcement Decisions Committee.

Thomas Wellauer (1955, Swiss)

Member of the Audit Committee

Member of the Remuneration Committee

Thomas Wellauer started his professional career at McKinsey & Company, where he served as Senior Partner and Practice Leader. He held various executive management positions at multi-industries, including financial services, pharmaceuticals and chemicals. Among others, he served on the executive committees of Winterthur Insurance, Credit Suisse, Swiss Re, and Novartis. His most recent position from 2010 to 2019 was Group Chief Operating Officer of Swiss Re. During his career, Mr. Wellauer also served as independent director on the boards of several global companies such as Munich Re and Syngenta.

Mr. Wellauer was appointed to Aegon's Supervisory Board in May 2020 and his current term ends in 2024. He is a member of the Supervisory Board Audit Committee and a member of the Supervisory Board Remuneration Committee.

Mr. Wellauer is Chairman of the Board of Directors of SIX Group (non-listed). In addition, he serves as Chairman of the Board of Trustees of the University Hospital Zurich Foundation and Chairman of the International Chamber of Commerce in Switzerland.

Corien M. Wortmann-Kool (1959, Dutch)

Vice Chair of the Supervisory Board

Member of the Audit Committee

Member of the Nomination and Governance Committee

Corien M. Wortmann-Kool is Chair of the Board of Stichting Pensioenfonds ABP, the Dutch public sector collective pension fund. Ms. Wortmann-Kool is a former Member of the European Parliament and Vice President on Financial, Economic and Environmental affairs for the EPP Group (European People's Party). She was appointed to Aegon's Supervisory Board in May 2014, and her current term ends in 2022.

She is Vice Chair of the Supervisory Board, and a member of the Supervisory Board Audit Committee and the Supervisory Board Nomination and Governance Committee.

Ms. Wortmann-Kool is a member of the Supervisory Board of Royal DSM N.V., and member of De Autoriteit Financiële Markten Capital Markets Advisory Committee. She was vice president of the European People's Party until March 2018, member of the Advisory Council of the Centraal Bureau voor de Statistiek until June 2018, a member of the Supervisory Board of Het Kadaster until March 2021. Furthermore, she was the Chair of the Board of Trustees of Save the Children Netherlands until January 2022.

Dona D. Young (1954, American)

Chair of the Risk Committee

Member of the Nomination and Governance Committee

Dona D. Young is an executive/board consultant and retired Chairman, President and Chief Executive Officer of The Phoenix Companies, which was an insurance and asset management company at the time of her tenure. She was appointed to Aegon's Supervisory Board in 2013, and her current term will end in 2023.

She is Chair of the Supervisory Board Risk Committee, and member of the Supervisory Board Nomination and Governance Committee.

Ms. Young is member and Lead Director of the Board of Directors of Foot Locker, Inc, serves as a member of the Board of Directors of Spahn and Rose (non-listed), and as a member of the Board of Directors of USAA (non-listed). Furthermore, Ms. Young is a member of the Audit Committee of the Board of Trustees of Save the Children US (non-listed), member of the Board of Save the Children International and Save the Children Association (non-listed) and a member of the Board of the National Association of Corporate Directors.

Report of the Supervisory Board

The Supervisory Board is entrusted with supervising and advising the Executive Board regarding management of the Company and overseeing Aegon's strategy and the general course of its businesses.

Oversight and advice

The Supervisory Board is a separate independent corporate body, charged with the supervision of the Executive Board, of the general course of affairs and strategy of the Company, and of its businesses. In performing their duties, members of the Supervisory Board are guided by the interests of Aegon and the Company's stakeholders.

The duties of the Supervisory Board with regard to the activities of members of the Executive Board are published in the Supervisory Board Charter, which is available on Aegon's corporate website, aegon.com. The Supervisory Board makes recommendations to the General Meeting of Shareholders concerning all appointments and reappointments to, and dismissals from, both the Executive Board and the Supervisory Board.

In addition, the Supervisory Board determines the remuneration of individual members of the Executive Board in line with the Remuneration Policy adopted by the Company's General Meeting of Shareholders. Overall accountability for Aegon's remuneration governance also resides with the Supervisory Board, which is advised by its Remuneration Committee. This includes the responsibility for designing, approving, and maintaining the Aegon Group Global Remuneration Framework, including the remuneration policies for the Executive Board and Heads of Group Control functions.

Corporate governance

Details of Aegon's corporate governance structure and a summary of how the Company complies with the Dutch Corporate Governance Code can be found on pages 38-41 of this Annual Report and in the Corporate Governance Statement published on aegon.com.

Composition of the Supervisory Board and Executive Board

The composition of the Supervisory Board is discussed regularly in Board meetings and in particular by the Nomination and Governance Committee. All members of the Supervisory Board are considered independent under the terms of best practice provisions 2.1.7, 2.1.8 and 2.1.9 of the Dutch Corporate Governance Code. In compliance with the Dutch Corporate Governance Code, members of the Supervisory Board are appointed by shareholders for a term of four years. The option exists to reappoint members for one additional four-year

term. A Supervisory Board member can then subsequently be reappointed again for a period of two years, which reappointment may be extended by at most two years. For a reappointment after an eight-year period, reasons will be provided in the report of the Supervisory Board.

An overview of the composition of the Supervisory Board in 2021 can be found on pages 42-46 of this Annual Report. The retirement schedule and other information about members of the Supervisory Board are available on aegon.com.

During the 2021 Annual General Meeting (AGM), several members were (re)appointed to the Supervisory Board. Mr. Jack McGarry was appointed as new Supervisory Board member for a term of four years until the end of the AGM to be held in 2025. Mr. William Connelly and Mr. Mark Ellman were reappointed for another term of four years until the end of the AGM to be held in 2025. Following two previous 4-year terms, Ms. Dona Young was reappointed for another term of two years until the end of the AGM to be held in 2023. In proposing the reappointment for approval to the AGM, the Supervisory Board considered the constructive and active way in which Ms. Young contributes as a member of the Supervisory Board and as Chair of the Risk Committee. Ms. Young's extensive knowledge of the Aegon organization, her experience from other non-executive positions, and her expertise in the areas of governance, board succession planning and board composition also supported the proposal for reappointment.

An induction program for new Supervisory Board members is in place. The program is regularly updated to reflect changes in the environment in which Aegon operates, including regulatory changes. The program is tailored to the needs of individual Board members.

Executive Board

The Executive Board consists of Mr. Lard Friese, Chief Executive Officer (CEO) and Chairman of the Executive Board, and Mr. Matthew J. Rider, Chief Financial Officer (CFO). During the Annual General Meeting on June 3, 2021, Mr. Matthew J. Rider was reappointed as member of the Executive Board for a term of four years until the end of the AGM to be held in 2025. Members of the Executive Board are appointed by shareholders for a term of four years, with the option of reappointment for additional four-year terms. The appointment schedule and other information about members of the Executive Board are available on aegon.com.

Board meetings

Attendance overview

The 2021 Supervisory Board members' attendance overview is provided in the table below.

Name	Regular SB meeting	Audit Committee Member	Risk Committee Member	Combined Audit & Risk Committee	Remuneration Committee Member	Nomination & Governance Committee Member	Additional SB mtgs. / calls
Total no. Mtgs.	7	5	4	1	6	6	2
SB members ¹⁾							
Mr. William Connelly	7/7				6/6	v	2/2
Mr. Mark Ellman	7/7		4/4	v	1/1	6/6	v
Mr. Jack McGarry ²⁾	3/3	2/2	v		1/1	3/3	v
Mr. Ben Noteboom	7/7		4/4	v	1/1	6/6	Chair
Ms. Caroline Ramsay	7/7	5/5	Chair	4/4	v	1/1	2/2
Mr. Thomas Wellauer	7/7	5/5	v		1/1	6/6	v
Ms. Corien Wortmann	7/7	5/5	v		1/1	6/6	v
Ms. Dona Young ²⁾	7/7	3/3	4/4	Chair	1/1	6/6	v

¹⁾ The Supervisory Board is a separate independent corporate body, consisting of 8 members on December 31, 2021.

²⁾ Where a Supervisory Board member retired from the SB, stepped down from a Committee or was appointed throughout the year, only meetings during his / her tenure are taken into account.

Members of the Executive Board and Management Board regularly attended the Supervisory Board meetings held in 2021. At the request of the Supervisory Board, other Company executives attended the meetings to report on specific topics. Representatives from Aegon's external auditor PwC attended the March 2021 Supervisory Board meeting on Aegon's 2020 Annual Report. PwC also attended all 2021 Audit Committee meetings, including the combined Supervisory Board Audit and Risk Committee meeting. Regular Board meetings were preceded or followed by meetings attended only by members of the Supervisory Board and the Chief Executive Officer. Furthermore, the Supervisory Board held meetings without Executive Board or Management Board members present.

Highlights and activities

Key topics discussed during the 2021 Supervisory Board meetings were Aegon's quarterly results and annual reporting, Aegon's strategy, the main business risks, IT, regulatory developments, acquisitions and divestments, human resources items, the approach to sustainability and responsible investments, and the ongoing COVID-19 developments.

The Supervisory Board regularly and actively discussed the long-term value creation strategy and transformation with the Executive Board and the Management Board, and closely monitored its execution, the risks involved in its execution, and any opportunities to further enhance the strategy. The Company's strategy is routinely discussed. On the request of the Supervisory Board, deep dives were provided on strategic topics and the Supervisory Board was involved in strategic deliberations and decision making. Plans and projects were discussed during executive sessions and in regular meetings,

together with the strategic focus for all operating segments. Focus areas included, amongst others, building and maintaining clear strategic focus, the improvement of the operational performance – including the further reduction of addressable expenses, building strength in Strategic Assets, realizing growth, reducing the risk profile and the further strengthening of the balance sheet. The Supervisory Board monitors the implementation of the strategy by discussing the progress, risks, opportunities, and achievements on a quarterly basis with the regional CEOs and the Executive Board. Also, the progress is reflected in the regular risk reports, the HR updates, and the financial reporting. The Supervisory Board was informed about the annual Global Employee Survey, which was conducted at the end of 2021. The Supervisory Board discussed the outcome of this survey in detail in the first quarter of 2022.

Acquisitions and divestments were regularly discussed in the context of the execution of the strategy. The Supervisory Board supports the active management of the business portfolio, including acquisitions, the sale of underperforming businesses, and the disposal of entities no longer consistent with Aegon's strategy. During the year, the Board discussed various M&A and balance sheet transactions, including but not limited to the completion of the divestment of Stonebridge, the UK-based provider of accident insurance products, developments in relation to the sale of the Central Eastern European business to Vienna Insurance Group AG, the sale of the US portfolio of fintech and insurtech companies, the wind down of the Irish corporate insurance entity, the reinsurance of part of the longevity risk in the Netherlands, and management actions to release capital and increase the predictability of capital generation from the US variable annuity business.

In more detail, Supervisory Board discussions included the following topics in 2021:

- COVID-19 developments;
- Strategy, including Aegon's long-term value creation based on the three core markets, three growth markets and one global asset manager, its responsible business strategy and business reviews;
- Approach to sustainability and the setting of Group wide commitments;
- Acquisitions, divestments, and the strategic direction of Aegon's businesses;
- Executive Board and senior management succession planning;
- Executive remuneration, including the remuneration framework;
- Composition of the Supervisory Board, including the Board's effectiveness;
- Corporate Governance;
- Human resources, including talent development, results of the global employee survey, organizational health developments, cultural change, and inclusion and diversity;
- Annual and quarterly results, dividends, and the Company's Medium Term Plan, including the 2022 budget, the capital plan and the funding plan;
- Capital generation and solvency capital positions, including the impact of COVID-19, management actions, and developments in the financial markets;
- Enterprise risk management, cybersecurity and information security risks, and the risks related to the execution of the strategy within the Company;
- Investor relations, including Aegon's shareholder base, market analysis and roadshow feedback;
- Legal, regulatory and compliance topics, including Aegon's engagement with regulators;
- Highlighted topics by Supervisory Board Committees;
- Regulatory changes at both a regional and global level;
- Tax policy and tax developments; and
- Technology, including the technology strategy, IT Security, technological developments, and innovations.

Results and budget

In February 2021, the Supervisory Board convened to discuss the fourth quarter 2020 results. In March 2021, the Supervisory Board, in the presence of PwC, reviewed and adopted Aegon's 2020 Annual Report, the Consolidated Financial Statements of Aegon N.V., and the Financial Statements of Aegon N.V. In May, August and November, the Supervisory Board reviewed Aegon's first, second and third quarter 2021 results respectively based on the recommendation of the Audit Committee.

In December 2021, the Supervisory Board and Management Board reviewed the Company's Medium Term Plan, which included the budget and capital plan for 2022. The Boards took note of the uncertainties and challenges in the coming years as described in the Plan. These included, among others: ongoing COVID-19 developments, increased regulatory requirements, execution risk,

and developments in the interest rates, credit markets, and equity markets. The Board discussed Aegon's capital generation and capital projections, together with the continued focus on cost efficiency. The Supervisory Board supported the Medium Term Plan and approved the Budget for 2022. The Board also approved the 2022 funding plan and authorized the Executive Board to execute on it in 2022. The full-year results reported in this Annual Report were discussed in the March 2022 meeting in the presence of PwC.

Sustainability

Sustainability was further embedded as a central pillar within the company strategy through integration of ESG topics in the strategy. Developments were regularly discussed during the Supervisory Board meetings. In 2021, and on the request of the Supervisory Board, the Supervisory Board received an educational session on developments in the sustainability landscape. Through its Nomination and Governance Committee, the Supervisory Board is advised and kept apprised of business and regulatory developments in this area. The Supervisory Board is supportive of Aegon's approach to sustainability, and sustainability topics will receive ongoing attention from the Supervisory Board. This includes, amongst others, overseeing the progress made on the sustainability agenda, discussing the further development of related non-financial controls, and overseeing the progress on the Net-Zero Asset Owner Alliance commitments.

Legal, compliance and regulatory affairs

In 2021, the Supervisory Board and the Audit Committee discussed compliance, regulatory and legal topics relating to the Americas, Europe, UK, Asia, and Asset Management with management, the General Counsel, the Global Head of Compliance and the Global Head of Operational and Model Risk. In particular, the Board discussed the state of the Legal and Compliance functions, Compliance risks, Fraud and Financial crime including know your customer and ultimate beneficial owner requirements, anti-money laundering (AML), and whistleblower reports. An overview of the topics discussed in the field of Risk Management can be found in the Audit Committee and Risk Committee sections below.

The Chairmen of the Supervisory Board, the Audit Committee and the Risk Committee held two meetings with the group supervisor, the Dutch Central Bank (DNB), one in May and one in November 2021.

Educational sessions

The Board and its Committees received updates and presentations on topics including sustainability, climate change, diversity, financial crime and AML, IT strategy, IFRS 17, tax, and cultural change and organizational health programs. In addition to these updates and presentations provided by the Company, the members of the Supervisory Board gathered general information on industry developments by participating in networks, reading independent reports, and sharing knowledge with other Board members within and

outside Aegon. Also, the Board took notice of the trending topics provided in the reports of the external auditor. These topics included, for example, reporting on non-financial information, the approach to sustainability, trends in the US Insurtech, climate related financial disclosures, risks for the insurance industry, and the impact of IFRS 17 transformation projects. Furthermore, the Supervisory Board and Executive Board members were included in all staff training, such as the Code of Conduct and Speak up awareness exercises.

Focus items for 2022

In 2022, the Supervisory Board will, amongst others, focus on the further developments related to the Financial and Strategic Assets, and the management actions that support the long-term value creation. Given the fast-moving IT environment, in particular the areas of information security and cybersecurity, will receive additional attention this year. Furthermore, the Board will closely follow the developments related to the reporting of non-financial information, which includes sustainability reporting. Regulatory developments, risk, and compliance will receive appropriate attention. Through the Audit Committee, the Board will also closely follow the developments regarding the implementation of IFRS 17. Other items that will receive special attention in 2022 are cultural change and the wellbeing of employees.

Board review

The Supervisory Board undertakes an internal review of Board effectiveness on an annual basis. An external assessment takes place every three to four years. The 2021 (internal) assessment was based on a survey completed by Supervisory Board members and Management Board members, as well as interviews with all Supervisory Board members. The Board reviewed and assessed how the Board functions as a whole, the composition of the Board, the quality of information presented to the Board, the functioning of its Committees, and the interaction of the Board with the Executive and Management Board. The results of the assessment were discussed in February 2022, and the Supervisory Board will act on the observations and recommendations that were listed in the assessment report (e.g. organizing educational sessions in line with further education needs, addressing the identified focus areas of supervisors, and following up on further improvement of meeting materials).

Outside the presence of the Executive Board, the Supervisory Board reviewed the performance (results) of the individual members of the Executive Board and Management Board over the preceding calendar year in February 2022. In addition, the Executive Board evaluated its own functioning as a whole and that of the individual Executive Board members as well. The performance of the members of the Executive and Management Boards was also discussed regularly during the year. During these reviews, the Executive Board and the Supervisory Board also identified areas for which Board members – or the Board as a whole – could require training or education.

Supervisory Board Committees

The Supervisory Board has four Committees that report into the Supervisory Board meetings. Supervisory Board members receive all minutes of the Committee meetings, and the Board discusses the items reported by the Committees.

The four Committees are the:

- Audit Committee;
- Risk Committee;
- Nomination and Governance Committee; and
- Remuneration Committee.

The Risk Committee is responsible for supervising the activities with respect to the Company's enterprise risk management framework and internal control systems. The Audit Committee primarily relies on oversight and advice from the Risk Committee for these topics, which is in line with the Dutch Corporate Governance Code.

The Audit Committee

The Committee confirmed that all of its members qualified as independent according to Rule 10A-3 of the SEC. The Chair of the Audit Committee qualifies as a financial expert according to the Sarbanes-Oxley Act in the United States and the competence in accounting and auditing according to the Audit Committee Decree 2016 ('Besluit instelling auditcommissie'), section 2(3).

Role and responsibilities

As Aegon has both an Audit Committee and a Risk Committee, the risk management responsibilities outlined in the Dutch Corporate Governance Code are assigned to the Risk Committee. With regard to the oversight of the operation of the risk management framework and risk control systems, including supervising the enforcement of relevant legislation and regulations, the Audit Committee operates in close coordination with the Risk Committee. Certain Board members participate in both committees and a combined meeting of the Audit and Risk Committees is scheduled on an annual basis.

The main role and responsibilities of the Audit Committee are to assist and advise the Supervisory Board in fulfilling its oversight responsibilities regarding:

- The integrity of the consolidated quarterly, half-yearly and full-year financial statements and financial reporting processes;
- Internal control systems and the effectiveness of the internal audit process; and
- The performance of the external auditors and the effectiveness of the external audit process, including monitoring the independence and objectivity of the external auditor.

The Audit Committee reports to the Supervisory Board on its activities, identifying any matters about which it considers action or improvements are needed, and making recommendations as to the steps to be taken. For more information about the functioning of the Audit Committee, please see the Audit Committee Charter on [aegon.com](https://www.aegon.com).

Committee meeting attendance

Audit Committee meetings were attended by, amongst others, the members of the Audit Committee, Aegon's Chief Financial Officer, the Head of Corporate Financial Center, the Chief Risk Officer, the Chief Internal Auditor, and partners of PwC, Aegon's external auditor.

Members of Aegon's Group Risk, Group Legal, Group Compliance, Investor Relations, Group Tax, Human Resources, Actuarial, and Business departments regularly attended Audit Committee meetings. Aside from the Audit Committee meetings, additional sessions were held with internal and external auditors, and the Global Head of Compliance, without management being present.

Financial Reporting

In discharging their responsibilities with regards to the 2021 interim and full year financial statements, the Audit Committee:

- Reviewed and discussed the management letter and follow up actions with the Executive and the Management Board, Internal Audit, and PwC;
- Discussed PwC's interim report leading to a review opinion on the interim financial statements;
- Considered presentations on various topics by local business unit managers and chief financial officers;
- Reviewed and discussed areas of significant judgments in the preparation of the financial statements, including, in particular: Solvency II, investment valuation and impairments, accounting changes, economic and actuarial assumption setting, and model validations; and
- Reviewed and approved the internal and external audit plans for 2021 and monitored execution, including progress in respect of recommendations made.

The Audit Committee was satisfied with the explanations provided by the Executive and Management Board, Internal Audit, and PwC, and conclusions reached. Recurring items on the Audit Committee agenda in 2021 were Solvency II developments, controls, capital and liquidity, the quarterly legal and compliance reports, and the IFRS 17 implementation progress. Other items included tax updates, capital plans, funding plans, the EIOPA stress test results, the systemic integrity risk assessment, the Annual Report, the AFM (non-) financial reporting supervision, management actions focusing on releasing capital and increasing the predictability of capital generation from the US variable annuity business, and the performance review of the internal audit function and external auditor.

Risk management and internal controls

With respect to their oversight of internal controls (other than those where oversight is carried out via the Risk Committee), the Audit Committee:

- Discussed quarterly updates on the activities of the internal audit function, together with details of progress on internal audits with the internal auditor. Areas of focus include the Internal Audit strategy, audit planning process, Internal Audit charter, Internal Audit functional governance, quality assurance reviews, issue tracking and resolution, control environment, and results of audits in the areas of information and cybersecurity, Solvency II, third party management and administration partnerships, General Data Protection Regulation, performance management and integrity;
- Reviewed the internal control framework, among others with respect to the Sarbanes-Oxley Act; and
- Discussed the internal control statement with the Executive Board.

External audit effectiveness

The external auditor has been appointed by the shareholder for the period 2021-2023. In 2021, the Audit Committee started the preparations for the mandatory auditor rotation process in line with regulations as the current auditor is nearing the maximum audit term of 10 years, ending after the audit of Aegon's financial statements over 2023. Aegon has well-established policies on audit effectiveness and independence of auditors that set out, among other things:

- The review and evaluation of the external auditor and the lead partner of the external audit team on at least an annual basis;
- Non-audit services performed by the external auditor; and
- Rotations of the external auditor and lead partner.

For more information about the policies relating to the effectiveness and independence of the external auditor, please see Annexes A, B and C of the Audit Committee Charter on [aegon.com](https://www.aegon.com).

The Risk Committee Role and responsibilities

The main role and responsibilities of the Risk Committee are to assist and advise the Supervisory Board in fulfilling its oversight responsibilities regarding the effectiveness of the design, operation, and appropriateness of both the Enterprise Risk Management (ERM) framework and the internal control systems of the Company and the subsidiaries and affiliates that comprise the Aegon Group. This includes:

- Risk strategy, risk tolerance, and risk governance;
- Product development and pricing;
- Risk assessment;
- Risk responses and internal control effectiveness;
- Risk monitoring; and
- Risk reporting.

Furthermore, the Risk Committee regularly reviews risk exposures as they relate to capital, earnings, liquidity, operations, and compliance with risk policies. The Company's risk management is an important topic for the Supervisory Board.

The Risk Committee works closely with the Audit Committee. One combined meeting was held in December 2021. The combined meeting focused on the 2022 global risk plan, model validation, information security, cloud governance and controls, and system of governance.

For more information about the functioning of the Risk Committee, please see the Risk Committee Charter on [aegon.com](https://www.aegon.com).

Committee meetings attendance

The Company's Chief Executive Officer and Chief Risk Officer attended all the Committee meetings. The Chief Financial Officer assumed the Management Board responsibilities for Risk Management (on an interim basis) as per June 15, supported by the Head of Operational & Model Risk management. Both attended all the Committee meetings as per this date. The Chair of the Risk Committee granted the Global Chief Audit Executive a standing invitation to all the Risk Committee meetings. Other Management Board members and senior managers attended the meetings when relevant for the discussion.

Risk management and Internal controls

Recurring items on the Risk Committee agenda in 2021 were risk exposure information, risk policy compliance monitoring, risks associated with IT and information security, as well as risks associated with COVID-19 and strategic change programs in the company. The Risk Committee assessed the effectiveness of the design and operation of the ERM framework and internal control systems in 2021 by:

- Discussing the quarterly risk dashboard, including all material group level risks, with the Executive Board, Chief Risk Officer, and relevant senior managers. The material group level risks consisted of financial, underwriting, and operational risks, including cybersecurity and information security risk. Specific attention was paid to the regulatory roadmap of Aegon the Netherlands, and to hedging, especially in relation to the US Variable Annuity book;
- Assessing a quarterly dashboard that outlined risks with regards to the execution of the strategic change programs in each region, and how those risks were monitored and mitigated;
- Reviewing the Group risk appetite, which consists of the risk strategy, risk tolerances and indicators; and
- Reviewing the risk governance structure and risk competencies, including the skills and resources necessary for the risk function.

The Risk Committee also discussed several regulatory topics, including the DNB Focus! report and actions in the context of the Risk Function and the plan to reduce interest rate risk in the US. The Risk Committee furthermore spent time

on the identification and monitoring of non-financial risks, assumption and model changes, the actuarial function report, cloud governance and its control framework, data protection, the impact of market risk on the annual budget plan, reinsurance developments, risks related to the performance improvement program and to third party management, and on a number of important asset and liability management and hedging topics across the Group. In addition, the Risk Committee dedicated time to wider global developments, such as geopolitical environment, risks associated with the COVID-19 pandemic, and the development of financial markets in 2021, including the impact of rising inflation.

The Nomination and Governance Committee

Role and responsibilities

The main role and responsibilities of the Nomination and Governance Committee are to assist and advise the Supervisory Board in fulfilling its responsibilities in the areas of Human Resources Management and Corporate Governance. This includes:

- Board member and senior management succession planning;
- Drawing up selection criteria and procedures for the appointment of Board members, together with supervising the selection criteria and procedures for senior management;
- Advising on and proposing nominations, appointments, and reappointments;
- Assessing and advising on the approach to sustainability as part of the corporate strategy and overseeing the execution thereof;
- Reviewing and updating the Supervisory Board profile and charters for the Supervisory Board and its committees;
- Periodically assessing the functioning of individual members of the Supervisory Board and the Executive Board;
- Overseeing the corporate governance structure of the Company, compliance with the Dutch Corporate Governance Code and any other applicable corporate governance legislation and regulations.

Committee meetings attendance

In addition to the committee members, these meetings were attended in whole or in part by the CEO, the Global Head Human Resources, and the General Counsel.

Supervisory Board related activities

The Nomination and Governance Committee discussed the composition of the Supervisory Board and its Committees, thereby addressing succession planning and diversity. The profiles of Supervisory Board members, as well as their capabilities, also in terms of working collectively with other members of the Supervisory Board, were debated by the Committee.

With the appointment of Mr. McGarry and the re-appointments of Ms. Young, Mr. Connelly, and Mr. Ellman, a well-balanced composition in terms of gender diversity, nationality, and backgrounds has been ensured, which furthermore does justice to the geographical spread of Aegon's activities. With the appointment of Mr. McGarry, the desired criteria

of a candidate with a background in US (life) insurance, and qualifying as a financial expert, have been met.

The Supervisory Board has noted the new Act on Diversity and is following up on this Act accordingly when addressing (re)appointments, if so required. In future searches for a new Supervisory Board member, the Committee continues to strive for a diversified composition, also beyond gender diversity.

A Supervisory Board competency overview is published on aegon.com.

Executive and Management Board related activities

During 2021, the Nomination and Governance Committee supported the intention to propose the re-appointment of Mr. Matt Rider as CFO of Aegon N.V. to the 2021 AGM of shareholders. The Committee also reviewed the composition of the Management Board and was informed – and consulted on – the succession of multiple Management Board vacancies, and on certain appointments of key management.

The Committee was also kept apprised of major organizational changes, developments in employee engagement, and talent management. The Committee was thereby informed about the annual Global Employee Survey, which was conducted at the end of 2021.

Further to the activities mentioned above, the Nomination and Governance Committee discussed senior management team developments and governance matters and structures, also in relation to the material business units and functions.

The Nomination and Governance Committee also reviewed the important outside board positions of the members of the Management and Supervisory Boards and discussed specific appointments to important outside board positions where applicable.

Sustainability

Sustainability and ESG were a regular agenda topic in Committee meetings. In 2021, the Committee was kept apprised of regulatory and business developments in this area and discussed at length the regulatory framework and reporting standards as being developed in both Europe and the US, and the impact thereof on Aegon. In consultation with the Committee, an ESG roadshow was held in December 2021 and January 2022, during which input was gathered by the Head of Sustainability and the Head of Investor Relations from stakeholders on Aegon's sustainability approach. As part of such ongoing dialogue with stakeholders, the feedback from shareholders, proxy advisors, and interest groups was discussed with the Committee.

The Committee discussed and supported Aegon's approach to sustainability, and in particular the commitment to join the Net-Zero Asset Owner Alliance, a UN-convened group

of institutional investors committed to transitioning their portfolios to net-zero greenhouse gas emissions by 2050. The Supervisory Board was advised by the Committee accordingly.

Diversity

Enhancing diversity in the Executive, Management and Supervisory Boards is an important goal for Aegon. Selection and appointment are based on expertise, skills and relevant experience, and the Supervisory Board takes diversity into account with a view to achieving its aim of having a balanced Supervisory, Executive and Management Board composition.

In 2017, the Supervisory Board adopted a diversity policy for the Executive, Management and Supervisory Boards. The purpose of the diversity policy is to have a more balanced and diverse composition of the Supervisory Board, the Executive Board, and the Management Board in terms of nationality, age, gender and educational, professional, and geographical background and experience of the individual members. The Committee strives to have at least 30% female and male representation in the Supervisory Board, the Executive Board, and the Management Board.

In 2021, the Committee discussed the New Act on Diversity aimed at improving gender diversity in (boards of) Dutch companies and will review the implementation thereof within Aegon.

In the current Supervisory Board composition, there are three female members out of eight members in total (meeting the requirement under Dutch law that at least one third of the Supervisory Board positions should be filled by women and at least one third by men). With the appointment of a new Chief Risk Officer as of March 1, 2022 and the appointment of the new Chief Technology Officer (as of February 7, 2022), there are four female members out of twelve Management Board members in total (– achieving the minimum female presentation that Aegon strives for in the Management Board).

When identifying candidates for open positions in the Executive and Supervisory Boards, the Committee actively searches for female candidates. It also instructs external search firms to present female candidates. More information on diversity within the Board is available in the Supervisory Board Composition and Competency overview and in Chapter 7 (Diversity) of the Corporate Governance Statement – as published on aegon.com.

The Remuneration Committee

Role and responsibilities

The main role and responsibilities of the Remuneration Committee are to advise the Supervisory Board and prepare decisions to be taken by the Supervisory Board. The Committee is designated to safeguard sound remuneration policies and practices within the Company by overseeing the development and execution of these policies and practices. In order to ensure that

the remuneration policies and practices take all types of risks properly into account, in addition to considering liquidity and capital levels, the Remuneration Committee assesses in particular the remuneration governance processes, procedures and methodologies adopted. Furthermore, the Committee ensures that the overall remuneration policy is consistent with the longer-term strategy of the Company and the longer-term interests of its shareholders, investors, and other stakeholders. This includes:

- Reviewing the Aegon Group Global Remuneration Framework and making recommendations on the remuneration policies;
- Overseeing the remuneration of the Executive Board and Heads of Group Control functions;
- Preparing recommendations regarding variable compensation both at the beginning and at the end of the performance year; and
- Preparing the information provided to shareholders on remuneration policies and practices, including the Remuneration Report.

The Remuneration Committee also oversaw the further application, implementation and approval of Aegon's Group Global Remuneration Framework and the various policies and procedures related to it, including the Remuneration Policy for Material Risk Takers (Identified Staff). The above included:

- Setting the outcome of the 2020 Group Performance Indicators and of the 2020 Individual Performance Indicators for Executive Board members, and allocating variable compensation related to 2020 where required;
- Setting the 2021 Individual Performance Indicators for Executive Board members;
- Setting the 2021 Group Performance Indicators and targets for remuneration purposes;
- Preparing for the 2022 performance indicators;
- Reviewing and/or approving the ex-ante risk assessments and ex-post assessments, any exemption requests (e.g. sign-on arrangements) under the remuneration policies, and changes to the list of Material Risk Takers (Identified Staff); and
- Reviewing the related Remuneration Report.

In addition, the Remuneration Committee discussed developments with respect to possible new regulations pertaining to remuneration.

Committee meetings attendance

In addition to the committee members, these meetings were attended in whole or in part by the CEO, the Global Head Human Resources, and the General Counsel.

Annual Accounts

This Annual Report includes the Annual Accounts for 2021, which were prepared by the Executive Board and discussed by both the Audit Committee and the Supervisory Board. The Annual Accounts are signed by the members of the Executive Board and the Supervisory Board and will be placed on the agenda of the 2022 Annual General Meeting of Shareholders for adoption. The Supervisory Board recommends that shareholders adopt the annual accounts.

Acknowledgement

The members of the Supervisory Board would like to reiterate their appreciation for the continued dedication shown by the Executive Board, management, and all employees of Aegon to its customers, during another year that was characterized by challenges and uncertainty.

The Hague, the Netherlands, March 16, 2022

William L. Connelly

Chairman of the Supervisory Board of Aegon N.V.

Remuneration Report

The 2021 Remuneration Report from our Remuneration Committee, on behalf of the Supervisory Board

Introduction

This report has been prepared by the Remuneration Committee of the Supervisory Board, which was led by the Committee's Chairman Mr. Ben J. Noteboom and was approved by the Supervisory Board. In the first chapter, the Remuneration Committee presents an overview of the business and remuneration highlights in 2021 and a look ahead to 2022. This is followed by chapter two which contains a general introduction to remuneration at Aegon. The third chapter is the 2021 Supervisory Board Remuneration Report, which contains a summary of the Supervisory Board Remuneration Policy that was applicable in 2021 and the Supervisory Board remuneration over the recent years. In chapter four, the 2021 Executive Board Remuneration Report provides a summary of the Executive Board Remuneration Policy that was applicable in 2021, the Executive Board remuneration over the recent years and the 2022 Executive Board performance indicators.

1. Business and remuneration highlights

This chapter presents an overview of the business and remuneration highlights in 2021 and a look ahead to 2022.

Business performance highlights

	2021	2020
Free cash flows (in EUR million)	729	530
Operating result (in EUR million)	1,906	1,710
Addressable expenses (in EUR million)	2,903	2,986
Market consistent value of new business (in EUR million)	538	262

2021 Remuneration highlights

At the Annual General Meeting of Shareholders on June 3, 2021, shareholders were asked to cast an advisory vote on the Remuneration Report for the second time. The 2020 Remuneration Report was approved with 97.99% of the votes cast, which was a significant increase compared to 2019 (83.79%). Following feedback from several large shareholders regarding the 2019 report, the 2020 report included more information in the remuneration highlight section and more information was disclosed on the calculation of variable compensation for the Executive Board in chapter four. Aegon continued with shareholder engagement regarding the remuneration report and made a few updates to this report to make it more concise and easier to read.

2021 Business highlights

In 2021, Aegon demonstrated solid progress against its strategic and financial objectives. The measures that Aegon has taken to improve its operational performance and reduce its risk profile, together with support from favorable markets, resulted in free cash flows of EUR 729 million for the full year 2021, well ahead of the previous guidance. The operating result for 2021 amounted to EUR 1,906 million, an increase of 11% compared with last year as a consequence of business growth, expense savings, and favorable equity markets, despite a more adverse mortality result in the United States, which was driven by the COVID-19 pandemic. To date, Aegon has executed 844 out of approximately 1,200 performance improvement initiatives, split between 649 expense initiatives and 195 growth initiatives. The expense savings initiatives drove a EUR 244 million reduction in addressable expenses in 2021 compared with the base year 2019. Aegon's growth initiatives are aimed at improving customer service, enhancing user experience, and developing new products. These growth initiatives contributed EUR 115 million to the operating result in 2021. The increase of the market consistent value of new business from EUR 262 million in 2020 to EUR 538 million in 2021 was mainly driven by the United States due to increasing sales in Life and the decision to stop selling variable annuities with significant interest rate sensitive riders.

In 2021 Aegon paid out EUR 168 million in variable compensation and 22 employees received EUR 1 million or more in total annual compensation (i.e. the sum of fixed compensation, variable compensation and pension contributions paid in 2021). These employees worked for Aegon's Corporate Center, Aegon Americas, Aegon UK and Aegon Asset Management.

For the period during which the individual served as Executive Board member in 2021, Mr. Friese received EUR 1,485,000 in fixed compensation (2020: EUR 931,071 for 7.5 months) and Mr. Rider received EUR 968,394 (2020: EUR 940,950). For Mr. Rider this included a 5% increase per June 2021. Mr. Friese's fixed compensation level was not changed during 2021. For that same period, Mr. Friese was allocated EUR 3.5 million in total compensation (2020: EUR 2.0 million for 7.5 months) and Mr. Rider EUR 2.3 million (2020: EUR 2.0 million).

The 2021 CEO pay ratio was 28.0 (2020: 32.2, 2019: 32.8). This ratio was based on the EU-IFRS remuneration expenses for Mr. Friese and for Aegon's employees in 2021, which have been audited. The annual expenses for Mr. Friese's total compensation were EUR 2.9 million (2020: EUR 3.5 million). The average expenses for the employees' total compensation were EUR 105 thousand (2020: EUR 110 thousand), which were calculated by:

- The total EU-IFRS remuneration expenses for all employees, which are the total employee expenses (see Note 14) minus the CEO remuneration expenses: EUR 1.897 million – EUR 2.9 million = EUR 1.894 million.
- Divided by the number of employees in scope, which are the total number of employees minus employees in joint ventures and associates (as their expenses are not included in Note 14 given the partial consolidation for these businesses) and minus the CEO: $22,271 - 4,228 - 1 = 18,043$ employees.

The Remuneration Committee took note that certain factors have influenced the CEO pay ratio. Last year, Mr. Friese's annualized annual remuneration expenses were higher because these included EUR 0.9 million for his sign-on arrangement, while these expenses were EUR 0.1 million in 2021. As a result of our company-wide transformation program, we have seen a combination of reductions, shifts and increases in our workforce. Because the CEO pay ratio is influenced by a constantly changing international employee population, with the majority of employees based outside the Netherlands, the Committee does not have a preferred ratio. Instead, all compensation within Aegon (including for the Executive Board members) should be in line with the relevant internal and external references for the relative weight of the position, its responsibilities and characteristics as well as the employee's qualifications, experience, and performance.

Looking ahead to 2022

In accordance with the Supervisory Board remuneration policy, the fees for the Supervisory Board members have been indexed with 5% per January 2022, in response to the economic developments in the last three years (2019-2021). The last change to these fees was in January 2019.

In accordance with the Executive Board remuneration policy, Mr. Friese's fixed compensation has been increased by 5% per January 2022 from EUR 1,485,000 to EUR 1,559,250. The increase will keep Mr. Friese aligned with internal and external compensation levels, economic developments (e.g. inflation) and changes to the compensation levels of other senior managers within Europe and in the Netherlands. There are no changes foreseen to the compensation package of Mr. Rider in 2022.

Aegon will monitor the development of rules, regulations and guidance that could affect Aegon's remuneration policies. This includes the finalization of the European Committee's guidelines on the standardized presentation of the remuneration report.

2. Remuneration at Aegon in general

This chapter contains a general introduction to Aegon's Global Remuneration Framework, Human Resources Strategy, Remuneration Principles, the concepts of total compensation and variable compensation, Risk Management in relation to remuneration and remuneration of Material Risk Takers.

Global Remuneration Framework

Aegon's Global Remuneration Framework (GRF) outlines the Aegon Group Human Resources Strategy, the Aegon Group Remuneration Principles and the Aegon Group Remuneration Guidelines, which apply to all Aegon employees, including the Executive Board members. The GRF has been designed in accordance with relevant rules, guidelines, and interpretations, such as the Dutch Financial Supervision Act, the Dutch Civil Code, the Dutch Corporate Governance Code and the Solvency II Legal Framework.

Aegon's remuneration policies are derived from the GRF, which includes the Executive Board Remuneration Policy and local business Remuneration Policies. These policies define specific terms and conditions for the employment of Aegon's employees across the various countries and local businesses. All steps in the remuneration process are governed by the GRF and its underlying policies. Staff from Human Resources, Risk Management and Compliance are involved in all steps of the process.

Human Resources Strategy

In order to support the Aegon Strategy and local business objectives, the Aegon Group Human Resources Strategy contains the following remuneration-related goals:

- Attract, retain, motivate, and reward a highly qualified and diverse workforce;
- Align the interests of executives, managers and all other employees with the business strategy and risk tolerance, the values and the long-term interests of Aegon;
- Provide a well-balanced and performance-related compensation package to all employees, taking into account shareholder and other stakeholder interests, relevant regulations, the corporate responsibilities and Aegon's purpose, values and behaviors.

Remuneration Principles

Based on the Human Resources Strategy, Aegon has formulated the following Remuneration Principles, which are the foundation for all remuneration policies and practices within the Group.

Aegon's remuneration is:

- employee-oriented by fostering a sense of value and appreciation in each individual employee; promoting the short- and long-term interests and well-being of Aegon's employees through fair compensation and supporting the career development and mobility of employees;
- performance-related by establishing a clear link between pay and performance by aligning objectives and target setting with performance evaluation and remuneration, reflecting individual as well as collective performance in line with Aegon's long-term interests;
- fairness-driven by promoting fairness and consistency in Aegon's remuneration policies and practices, avoiding discrimination, and by providing total compensation packages in line with an appropriately established peer group at a country and/or functional level; and
- risk-prudent (see Risk Management in relation to Remuneration below).

Risk Management in relation to Remuneration

Remuneration, and specifically variable compensation, may have an impact on risk-taking behaviors of employees and, as such, may undermine effective risk management. The GRF therefore includes additional remuneration rules for Executive Board members, Material Risk Takers and Control Staff, as their roles and responsibilities require tailored risk mitigating measures and governance processes. These rules include mandatory ex-ante and ex-post risk assessments and related malus and claw-back provisions.

Both the Risk Management and Compliance functions are involved in the design and execution of Aegon's GRF and remuneration policies, such as reviewing proposed updates to the GRF and remuneration policies, reviewing the selection of Material Risk Takers and executing various risk mitigating measures during the compensation cycle (when the targets are set, before a variable compensation award is allocated, before and after deferred variable compensation is paid).

Remuneration of Material Risk Takers

Aegon selects Group Material Risk Takers for the Aegon N.V. legal entity (i.e. the holding company) based on the Solvency II selection criteria. These positions are defined as 'the administrative, management or supervisory body, persons who effectively run the undertaking or have other key functions and other categories of staff whose professional activities have a material impact on the undertaking's risk profile'.

Additionally, legal entities within the Group that are directly subject to the Capital Requirements Directive, Solvency Directive, the Alternative Investment Fund Managers Directive and/or the Undertakings for the Collective Investment in Transferable Securities Directive, select their own Local Material Risk in accordance with the applicable European Directive, its guidelines, and local regulatory requirements (where available).

The Group and Local Material Risk Takers are subsequently subject to remuneration rules outlined in the applicable European Directive, its guidelines and local regulatory requirements (where available), such as:

- a minimum portion of variable compensation must be deferred and paid in non-cash instruments.
- the employee's individual goals are subject to an ex-ante risk assessment when they are set, which may lead to adjustments thereof.
- before variable compensation is allocated and before deferred variable compensation is paid out (vests), it is subject to an ex-ante and ex-post risk assessment respectively, which may result in a downward adjustment (malus).
- once variable compensation is paid out / has vested, it may be subject to a claw-back provision.

Total compensation

Following from the Remuneration Principles, Aegon aims to offer experienced and competent employees a total compensation level which is consistent with the market in which Aegon operates and competes for similar talent. Total compensation typically consists of fixed compensation, variable compensation (where in line with the local market practice), pension and other benefits. Market survey information from reputable sources is used to regularly assess the competitiveness of compensation levels and practices which Aegon offers its employees.

Variable compensation

Variable compensation, if any, is capped at an appropriate level as a percentage of fixed compensation. For senior management, variable compensation is usually paid out in upfront cash and deferred Aegon shares and is subject to malus and claw-back provisions. In accordance with the Dutch Financial Supervision Act, Aegon offered its Corporate Center employees variable compensation up to 100% of fixed compensation in 2021 and continued to comply with the related requirement that least 75% of its employees within the entire Group were employed outside the Netherlands. Aegon also obtained shareholder approval at the Annual General Meeting of Shareholders of May 20, 2016, to offer variable compensation up to 200% of fixed compensation to selected senior employees outside Europe in positions that, based on local market practice, could receive variable compensation that exceeds 100% of fixed compensation. Aegon's capital was not adversely impacted by the maximum variable compensation that could be paid out.

3. 2021 Supervisory Board Remuneration Report

The 2021 Supervisory Board Remuneration Report has been prepared by the Remuneration Committee of the Supervisory Board in accordance with the Dutch Civil Code (article art 2:135b) and the Dutch Corporate Governance Code. The Remuneration Committee was led by the Committee's Chairman Ben J. Noteboom. This report was approved by the Supervisory Board.

This report contains a summary of the Supervisory Board Remuneration Policy which applied to 2021 and the Supervisory Board remuneration over the recent years.

Aegon's Supervisory Board remuneration is subject to various rules and regulations, including the Dutch Financial Supervision Act, the Dutch Civil Code, the Dutch Corporate Governance Code and the Solvency II Legal Framework.

Supervisory Board Remuneration Policy in 2021

Aegon's Supervisory Board Remuneration Policy is aimed at ensuring fair compensation and protecting the independence of the Supervisory Board members. The Supervisory Board Remuneration Policy that has been applied in 2021 was adopted at the Annual General Meeting of Shareholders on May 15, 2020. This policy will be subject to annual reviews by the Supervisory Board. The policy remains in place until a new or revised policy has been adopted by the shareholders in accordance with the applicable requirements from the Dutch Civil Code. The Supervisory Board will submit a proposal to the shareholders to adopt a policy at an Annual Meeting of Shareholders at least every four years.

The policy contributes to Aegon's strategy, long-term interests, and sustainability through the remuneration of the Supervisory Board members in various ways:

- The policy provides the Supervisory Board with the means to attract, motivate, and retain competent, diverse, and experienced Supervisory Board members for the long-term. This is essential for executing Aegon's strategy and safeguarding and promoting its long-term interests and sustainability.
- Supervisory Board members receive fixed remuneration for their responsibilities which does not depend on the Aegon results in order to protect their independence when supervising the manner in which the Executive Board members implement the long-term value creation strategy. These responsibilities are part of the membership of the Supervisory Board and its Committees and the position of (Vice) Chairman of the Supervisory Board and/or its Committees. The certainty of the fixed compensation also allows Supervisory Board members in their supervisory role to focus on the long-term interest and sustainability of Aegon.
- The Supervisory Board members receive fixed remuneration for their activities, such as attending Committee meetings and additional Supervisory Board meetings, in order to regularly discuss the Aegon strategy, the implementation of the strategy and the principal risks associated with it, while taking into account the broader long-term interests and sustainability of Aegon.

- Supervisory Board members are only allowed to privately own Aegon N.V. Shares if this is a long-term investment, aligning their interests with Aegon's long-term interests.

The Supervisory Board took Aegon's identity, purpose, and values into account when developing the policy and its changes:

- Aegon is an international financial services group based in the Netherlands, that provides life insurance, pensions, and asset management. The main operations are in the US, the Netherlands, and the UK, while there is also significant presence in Southern and Eastern Europe, Asia, and Latin America. The policy provides the Supervisory Board with the means to attract, motivate, and retain Supervisory Board members from various countries, predominantly based in the Netherlands and the US. As Aegon is based in the Netherlands, the policy considers the European Insurance peers as well as Dutch General Industry peers to be the relevant external reference for the Supervisory Board member's Remuneration. The policy is also influenced by the European and Dutch rules and regulations on (Executive) remuneration, which apply to Aegon as a result of its identity (i.e. being an Insurance firm in Europe and being a listed and financial company in the Netherlands).
- In order to fulfill its company purpose, Aegon has a strategy to which this policy actively contributes (see above).
- Aegon's company values aim to create a company that is fit for the future: one that meets customers' expectations, is right for a digitally-connected, data-driven world, and can adapt quickly to changing market conditions. These values are not explicitly reflected in the policy as a result of the fee-based remuneration structure. However, these values are strongly incorporated in the Supervisory Board Charter.

The Supervisory Board has not taken the compensation structures and levels at Aegon into account as the fee-based compensation structure for Supervisory Board members differs significantly from the Aegon compensation structures and levels.

The Supervisory Board members are entitled to the following fees (see also the table below):

- A base fee for membership of the Supervisory Board. No separate attendance fees are paid to members for attendance at the regular Supervisory Board meetings;
- An attendance fee for each extra Board meeting attended, be it in person or by video and/or telephone conference;
- A committee fee for members on each of the Supervisory Board's Committees;
- An attendance fee for each Committee meeting attended, be it in person or through video and/or telephone conference; and
- An additional fee for attending meetings that require intercontinental, continental or US interstate travel between the Supervisory Board member's home location and the meeting location.

Base fee for Supervisory Board membership	EUR / year
Chairman	80,000
Vice-Chairman	50,000
Member	40,000

Fee for Supervisory Board committee membership	EUR / year
Chairman of the Audit or Risk Committee	13,000
Member of the Audit or Risk Committee	8,000
Chairman of other committees	10,000
Member of other committees	5,000

Attendance fees	EUR
Committee meeting	3,000
Extra Supervisory Board meeting	3,000

Travel fees	EUR
Intercontinental	4,000
Continental or US interstate	2,000

Each of these fees is a fixed amount. Each quarter Aegon pays the fees that the Supervisory Board members earned during that period. Where required, Aegon pays the employer social security contributions in the home country of the Supervisory Board member. The employee social security contributions in the home country, if any, are paid by the Supervisory Board member. The Supervisory Board is allowed to annually index the fees for economic developments in the Netherlands, however the fees have not been indexed in 2021.

The Supervisory Board members do not receive any performance or equity-related compensation, and do not accrue pension rights with Aegon. These measures are designed to ensure the independence of Supervisory Board members and to strengthen the overall effectiveness of Aegon's corporate governance.

The Supervisory Board regularly assesses the competitiveness of the Supervisory Board's remuneration structure and levels against peer companies with data provided by Willis Towers Watson. For this purpose, the Supervisory Board selected a primary set of peer group companies according to the following criteria:

- Industry: Insurance, with a preference for Life Insurance;
- Size: Average Market Capitalization, Employees, Revenue and Total Assets;
- Geographic scope: Preferably companies that operate globally; and
- Location: Headquarters based in Europe, excluding UK (because the non-executive directors typically have different responsibilities compared to their continental European counterparts).

Based on these criteria the current peer group consists of the following 16 European Insurance companies: Ageas, Assicurazioni Generali, CNP Assurances, Hannover Rueck, Helvetia, Mapfre, Münchener RE, NN Group, Poste Italiane,

Sampo, Scor, Swiss Life, Swiss Re, Talanx, Vienna Insurance Group and Zurich Insurance Group. This peer group differs from the European peer group for the Executive Board as a result of excluding the UK companies. The peer group is reviewed each year and may be updated accordingly. The last update of this peer group was in 2022, when the peer group size was increased from 12 to 16 (creating a more balanced selection), Hannover Rueck, Helvetia, Poste Italiane, Sampo, Scor and Vienna Insurance Group were added, and Allianz and AXA were removed.

In addition, the Supervisory Board selects a secondary peer group according to the following criteria, in order to monitor alignment with the General Industry in the Netherlands:

- Industry: General Industry and listed on the AEX;
- Size: Average Market Capitalization, Employees, Revenue and Total Assets;
- Location: Headquarters based in the Netherlands.

Based on these criteria, the current secondary peer group consists of the following 12 AEX companies: Akzo Nobel, Ahold Delhaize, ASML, DSM, ING Group, Heineken, KPN, NN Group, Philips, Randstad, Signify and Wolters Kluwer. This peer group is also reviewed each year and was last updated in 2022 (replacing ABN AMRO by Signify). This peer group is identical to the Dutch peer group for the Executive Board.

The Remuneration Committee may recommend changes to the fee levels or structure of the Supervisory Board members, based on the results of a competitiveness review and economic developments in the Netherlands. Such recommendations would be discussed by the Supervisory Board, which can support, revise or reject them. The Supervisory Board is allowed to annually index the fees for economic developments in the Netherlands. For any other change to the level or structure of the fees, the shareholders will be asked to adopt the proposed changes at the Annual General Meeting of Shareholders.

The policy contains a temporary derogation clause, with rules which are in accordance with the Dutch Civil Code. This means derogation is only allowed in exceptional circumstances to serve the long-term interest and sustainability of Aegon or to assure its viability, for a limited period of time, when it stays in line with the general spirit of the policy and when the details are disclosed in the next remuneration report. This clause was not used in 2021.

Information on members of the Supervisory Board and the composition of its four committees can be found in the report of the Supervisory Board in this 2021 Integrated Annual Report.

Supervisory Board remuneration in recent years

The table below shows the fees and benefits that have been allocated to and paid for each Supervisory Board member in the calendar years 2019, 2020 and 2021, in accordance with the Supervisory Board remuneration policy that applied at the time. There were no deviations from the policy in these years. The table also includes the total IFRS expenses that were recognized for the compensation of the Supervisory Board members in 2019, 2020 and 2021.

In EUR thousand	Year	Base fees	Attendance fees ¹⁾	Benefits ²⁾	Total compensation
William L. Connelly ³⁾	2021	95	57	10	162
	2020	95	45	4	144
	2019	95	54	20	169
Mark A. Ellman	2021	53	45	4	102
	2020	55	39	4	98
	2019	56	39	20	115
Ben J. Noteboom	2021	58	45	4	107
	2020	58	39	-	97
	2019	58	39	6	103
Corien M. Wortmann - Kool	2021	63	45	4	112
	2020	63	48	-	111
	2019	63	54	6	123
Dona D. Young ⁴⁾	2021	62	51	6	119
	2020	66	57	4	127
	2019	66	66	26	158
Caroline Ramsay (as of May 15, 2020)	2021	61	39	21	121
	2020	38	21	9	68
Thomas Wellauer (as of May 15, 2020)	2021	53	45	13	111
	2020	33	21	5	59
Jack McGarry (as of June 3, 2021)	2021	31	24	6	61
Ben van der Veer (up to May 15, 2020)	2020	22	27	-	49
	2019	58	54	6	118
Robert W. Dineen (up to Oct 11, 2019)	2019	40	27	12	79
Total compensation	2021	476	351	69	896
	2020	430	297	26	752
	2019	436	333	96	865
Recognized IFRS expenses ⁵⁾	2021	482	357	72	911
	2020	459	321	26	806
	2019	516	393	111	1,020

¹⁾ The attendance fee for the additional Supervisory Board call on December 18, 2020, was paid in in the first quarter of 2021. Mr. Connelly, Mr. Ellman, and Mr. Noteboom received an attendance fee of EUR 3,000 for their attendance at the Supervisory Board audit committee call on March 16, 2021. Mr. Connelly received an attendance fee of EUR 3,000 for his attendance at the combined Supervisory Board audit and risk committee meeting on December 7, 2021.

²⁾ Benefits cover the travel fees for all Supervisory Board members and, retroactively as of May 15, 2020, the mandatory employer social security contributions in the home countries of Ms. Ramsay (UK) and Mr. Wellauer (Switzerland).

³⁾ In 2021, Mr. Connelly received EUR 6,000 in additional attendance fees and EUR 2,000 in additional travel fees for attending meetings outside the regular Supervisory Board meeting cycle.

⁴⁾ Ms. Young stepped down from the audit committee as of June 3, 2021.

⁵⁾ Based on a Decree of the Dutch State Secretary of Finance which came into force as from May 7, 2021, the Supervisory Board fees were not subject to Dutch VAT anymore, retroactively as from June 13, 2019. Therefore, Aegon has not paid Dutch VAT anymore on the fees of the Supervisory Board Members as from Q2 2021. Additionally, Aegon reclaimed VAT for the period Q3 2019 - Q1 2021, except for its Supervisory Board members based in the Netherlands for practical reasons. The 2019 and 2020 amounts were restated in this table for this VAT reclaim. This line also includes expenses or gains related to small exchange rate differences between the moment Ms. Ramsay's fees were paid by our UK payroll and the moment these were recharged to Group.

The table below presents the total compensation (fees and benefits) that was awarded and due in the last five calendar years on an annualized basis and the year-on-year annual change in total compensation. This compensation was paid in accordance with the Supervisory Board remuneration policy that applied

at the time and there were no deviations. Additionally, the table shows the Aegon net result, a proxy of the financial and non-financial business performance, the inflation in the Netherlands and the average employee compensation over the same period.

In EUR thousand	Annualized ¹⁾	2017	2018	2019	2020	2021
William L. Connelly (as of May 19, 2017)	Compensation	98	119	169	144	162
	Change	-	22%	42%	(15%)	13%
Mark A. Ellman (as of May 19, 2017)	Compensation	114	103	115	98	102
	Change	-	(9%)	12%	(15%)	5%
Ben J. Noteboom	Compensation	102	86	103	97	107
	Change	-	(15%)	20%	(6%)	10%
Corien M. Wortmann - Kool	Compensation	101	103	123	111	112
	Change	-	2%	19%	(10%)	1%
Dona D. Young	Compensation	116	121	158	127	119
	Change	-	4%	31%	(20%)	(6%)
Caroline Ramsay (as of May 15, 2020)	Compensation	-	-	-	108	121
	Change	-	-	-	-	12%
Thomas Wellauer (as of May 15, 2020)	Compensation	-	-	-	94	111
	Change	-	-	-	-	18%
Jack McGarry (as of June 3, 2021)	Compensation	-	-	-	-	105
	Change	-	-	-	-	-
Ben van der Veer (up to May 15, 2020)	Compensation	106	101	118	131	-
	Change	-	(5%)	17%	11%	-
Robert W. Dineen (up to Oct 11, 2019)	Compensation	104	101	101	-	-
	Change	-	(3%)	1%	-	-
Dirk P.M. Verbeek (up to May 18, 2018)	Compensation	100	76	-	-	-
	Change	-	(24%)	-	-	-
Robert J. Routs (up to May 18, 2018)	Compensation	134	125	-	-	-
	Change	-	(7%)	-	-	-
Aegon net result based on EU-IFRS	In EUR million	2,358	741	1,525	55	1,701
Aegon business performance ²⁾	Target = 100%	121%	106%	79%	57%	123%
Inflation in the Netherlands	Consumer Price Index	1.4%	1.7%	2.6%	1.3%	2.7%
Average employee compensation ³⁾	Total compensation	102	104	115	110	105
	Annual change		2%	11%	(4%)	(5%)

¹⁾ Retroactive, per May 15, 2020, the compensation includes the mandatory employer social security contributions in the home countries of Ms. Ramsay (UK) and Mr. Wellauer (Switzerland).

²⁾ The weighted average Aegon financial and non-financial business performance, expressed as a percentage on a performance scale with 50% as threshold, 100% as target and 150% as maximum, as used for the allocation of variable compensation in the applicable year.

³⁾ Consistent with the CEO pay ratio calculation, the average employee compensation is based on the audited total EU-IFRS remuneration expenses for all employees divided by the number of employees in scope for these expenses.

4. 2021 Executive Board Remuneration Report

The 2021 Executive Board Remuneration Report has been prepared by the Remuneration Committee of the Supervisory Board in accordance with the Dutch Civil Code (article art 2:135b) and the Dutch Corporate Governance Code. The Remuneration Committee was led by the Committee's Chairman Ben J. Noteboom. This report was approved by the Supervisory Board.

This report contains a summary of the Executive Board Remuneration Policy that applied to 2021, the Executive Board remuneration over the recent years and the 2022 Executive Board performance indicators.

Executive Board Remuneration Policy in 2021

The Supervisory Board has the overall responsibility for Aegon's Remuneration Policies, including the Executive Board Remuneration Policy. The Executive Board Remuneration Policy that has been applied in 2021 was adopted at the Annual General Meeting of Shareholders on May 15, 2020. This policy is subject to annual reviews by the Supervisory Board. The policy remains in place until a new or revised policy has been adopted by the shareholders in accordance with the applicable requirements from the Dutch Civil Code. The Supervisory Board will submit a proposal to the shareholders to adopt a policy at an Annual Meeting of Shareholders at least every four years.

The current policy contributes to Aegon's strategy, long-term interests and sustainability through the remuneration of the Executive Board members in various ways:

- The policy provides the Supervisory Board with the means to attract, motivate and retain competent and experienced Executive Board members for the long-term. This is essential for executing Aegon's strategy and safeguarding and promoting its long-term interests and sustainability.
- The leading performance indicator categories for successful execution of Aegon's strategy are Capital, Growth and Strategy. To support the execution of Aegon's strategy, the policy makes these performance indicator categories mandatory for the Executive Board member.
- Aegon strives to create long-term value for its stakeholders and the communities in which it operates. Due to the nature of Aegon's business, value created is often financial, but it may also be social, economic, or environmental. The policy directly aligns Executive Board member's personal long-term interests with those of Aegon and its shareholders by paying a significant part of the Executive Board members' variable compensation (two-thirds) in shares, which must be held for 5 years after completion of the performance period. The pay-out in these restricted shares is combined with prohibiting Executive Board members using personal hedging strategies or insurance, which could undermine this long-term alignment of interests. Additionally, Executive Board members are aligned with the long-term interest of Aegon, its shareholders and other stakeholders through the use of mandatory performance indicator categories of Earnings, Shareholders and Other Stakeholders.
- Aegon is committed to doing business responsibly and in a sustainable way. Variable compensation of Executive Board members can be adjusted downwards (i.e. malus) or clawed-back in cases where certain performance has not been achieved in a sustainable way. This includes but is not limited to: significant risk and compliance incidents, insufficient response to such incidents and/or insufficient evidence of embedding of good standards of practice, such as sound and responsible business practices and integrity of products and services delivered. Additionally, the policy makes the performance indicator category Environmental, Social and Governance (ESG), mandatory for Executive Board members to support this approach to doing business.

Aegon's Executive Board remuneration is subject to various rules and regulations, including the Dutch Financial Supervision Act, the Dutch Civil Code, the Dutch Corporate Governance Code and the Solvency II Legal Framework. The most prominent requirements thereof are:

- The total variable compensation amount that is allocated to an Executive Board member for a performance year cannot exceed 100% of the fixed compensation level.
- Variable compensation should be based on a mix of Aegon and personal performance, with at least 50% weight on non-financial performance.

- A substantial portion of any variable compensation award should be paid in a non-cash instrument (e.g. Aegon shares) and should be deferred for at least 3 years. Additionally, awarded shares should be restricted for 5 years. With a 3-year vesting period, this requires an additional holding period of 2-years.
- Aegon can claw-back any variable compensation which has been paid (cash and shares) in specific circumstances such as a material financial restatement or individual gross misconduct.

These are also the main reasons why Aegon operates one Executive Board variable compensation plan per year, with a single variable compensation award which is subsequently split into cash and shares, rather than operating separate Short-Term Incentive (cash) and Long-Term Incentive (share) Plans.

The Remuneration Committee may recommend policy changes to the Supervisory Board. In that case, the Remuneration Committee will conduct scenario analyses to determine the long-term effects on the level and structure of compensation granted to each Executive Board member, and reports their findings to the Supervisory Board. The Supervisory Board can subsequently decide on referring the proposed policy changes to the Annual General Meeting of Shareholders for adoption.

The policy contains a temporary derogation clause, with rules which are in accordance with the Dutch Civil Code. This means derogation is only allowed in exceptional circumstances to serve the long-term interest and sustainability of Aegon or to assure its viability, for a limited period of time, when it stays in line with the general spirit of the policy and when the details are disclosed in the next remuneration report. This clause was not used in 2021.

Total compensation

Total compensation for Executive Board members is defined in the Executive Board Remuneration Policy as a combination of fixed compensation, variable compensation, pension and other benefits. The Supervisory Board determines and regularly reviews the appropriate selection of remuneration elements and their (maximum) remuneration level for Executive Board members to ensure the structure remains competitive and provides proper and risk-based incentives in line with Aegon's risk appetite. The fixed and variable compensation elements and their levels are reviewed at least once a year. The pension arrangements and other benefits and their levels are reviewed at least every four years. In its review, the Supervisory Board takes the specific role, responsibilities, experience and expertise of Executive Board members into account as well as internal and external reference information:

- The internal references are the compensation structure and levels of the members of the Management Board of Aegon N.V. and the annual compensation changes of the general employee population and senior managers within Europe and the Netherlands specifically.

- The external references are compensation trends in the market, economic developments (e.g. inflation) as well as quantitative assessments of the competitiveness against a peer group of insurance companies in Europe and a peer group of companies based in the Netherlands.
- Additionally, the Remuneration Committee conducts a scenario analysis in case of a policy change to determine the long-term effect on the remuneration structure and level of each Executive Board member, and reports their findings to the Supervisory Board.

The European Insurance peer group was selected by the following criteria:

- Industry: Insurance, with a preference for Life Insurance;
- Size: Average market capitalization, employees, revenue and total assets;
- Geographic scope: Preferably companies which operate globally;
- Location: Headquarters based in Europe.

Based on these criteria, the current peer group consists of the following 16 European Insurance companies: Ageas, Assicurazioni Generali, Aviva, CNP Assurances, Helvetia, Legal & General, Mapfre, Münchener Re, NN Group, Poste Italiane, Scor, Swiss Life, Swiss Re, Talanx, Vienna Insurance Group and Zurich Insurance Group. The last update of this peer group was in 2022, when Helvetia, Poste Italiane, Scor and Vienna Insurance Group were added, and Allianz, AXA, Prudential and RSA Insurance Group were removed. This peer group differs from the European peer group for the Supervisory Board, as the latter excludes UK companies where non-executive directors typically have different responsibilities compared to their continental European counterparts.

The Dutch peer group was selected by the following criteria:

- Industry: General Industry and listed on the AEX;
- Size: Average Market Capitalization, Employees, Revenue and Total Assets;
- Location: Headquarters based in the Netherlands.

Based on these criteria, this peer group consists of the following 12 AEX companies: Akzo Nobel, Ahold Delhaize, ASML, DSM, ING Group, Heineken, KPN, NN Group, Philips, Randstad, Signify and Wolters Kluwer. This peer group is also reviewed each year and was last updated in 2022 (replacing ABN AMRO by Signify).

The Supervisory Board will review both peer groups annually and will amend them as necessary, within the above-mentioned selection criteria, to ensure they continue to provide a reliable basis for comparison. Any change to the peer group will be disclosed in the Remuneration Report.

The Remuneration Committee may recommend changes to the compensation levels of the Executive Board members in accordance with Remuneration Policy, based on the results

of this annual total compensation review and on discussions with the Executive Board members regarding their remuneration level and structure. Such recommendations would subsequently be discussed by the Supervisory Board, which can approve, revise or reject them.

The Supervisory Board discussed and approved the 2021 total compensation for the Executive Board, after taking the Remuneration Committee's review into consideration.

Fixed compensation

The fixed compensation for the Executive Board members is paid in monthly instalments. The policy allows the fixed compensation to be paid in cash and in shares. All Executive Board members received their 2021 fixed compensation in cash.

The Supervisory Board may offer permanent or temporary gross monthly fixed allowances when the Supervisory Board considers this an appropriate alternative for other remuneration elements.

Variable compensation

Executive Board members are eligible for variable compensation with a target level of 80% of the fixed compensation level (excluding allowances, if applicable), with a threshold level of 50% and a maximum opportunity of 100% of fixed compensation level.

The variable compensation award is based on performance against a set of performance indicators, weights and target levels that have been set by the Supervisory Board at the start of the performance year. The performance indicators contribute to Aegon's strategy, long-term interests and sustainability, within Aegon's risk tolerance and should comply with the following rules:

- It contains a mix of financial and non-financial performance indicators, with at least 50% weight allocated to the non-financial performance indicators in accordance with article 1:118.3 of the Dutch Financial Supervision Act;
- The maximum weight for unadjusted financial indicators is determined by the Global Remuneration Framework and is currently set at 50%.
- It contains a mix of Aegon and personal performance indicators, which can range in weight between 50-80% and 20-50% respectively, depending on the Aegon priorities of the performance year.
- At least 20% of the indicators has a retrospective 3-year performance horizon, while the remainder has a 1-year performance horizon;
- The indicators should cover the following mandatory performance indicator categories: Shareholders, Capital, Earnings, Growth, Stakeholders, ESG and Strategy.

The Remuneration Committee and the Executive Board members prepare a proposal for the performance indicators, weights and target levels. These are subsequently reviewed by Aegon's Risk

Management team (i.e. the first ex-ante risk assessment) before the Supervisory Board approves these, to ensure that:

- The performance indicators and weights are in line with the policy;
- The financial performance indicators are consistent with the risk tolerance statements;
- The non-financial performance indicators are consistent with risk tolerance levels, regulatory requirements, reasonable stakeholder expectations and are supporting sound and responsible business practices and integrity of the products and services delivered.

The Remuneration Committee sends the proposal and the ex-ante risk assessment to the Supervisory Board, which can approve, revise or reject the proposal. After approval, the Executive Board members are granted their conditional variable compensation awards for the plan year. This conditional award equals their at target variable compensation level, split between 33.33% upfront cash and 66.67% deferred Aegon shares. The grant price for the shares is equal to the volume weighted average price on the Euronext Amsterdam stock exchange for the period December 15 to January 15 at the start of the plan year.

After the completion of the performance period, the Remuneration Committee prepares a recommendation for the allocation of a variable compensation award to each Executive Board member. This recommendation is based on the actual performance results compared to target levels and takes a second ex-ante risk assessment by the Risk Management team into account. This risk assessment looks into whether there are reasons for a downward adjustment of the intended variable compensation award (malus) which were not taken into account yet, such as:

- Significant risk or compliance incident(s);
- Insufficient response to risk incident(s), compliance incident(s), regulatory fine(s) and/or insufficient execution of risk mitigating measures in response to these incidents;
- Breaches of laws and regulations;
- Insufficient evidence of embedding good standards of practice;
- Significant deficiencies or material weaknesses relating to the Sarbanes-Oxley Act; and
- Reputation damage due to risk events.

In this assessment possible risk mitigating behaviors are also taken into account, such as remaining within risk limits, risk reduction, risk avoidance, risk transfer and risk response by the Executive Board member.

The Remuneration Committee sends its recommendation and the second ex-ante risk assessment to the Supervisory Board, which can approve, revise or reject the recommendation. This Supervisory Board decision includes validating that, when taken together, the results of the performance indicators represent

a fair reflection of the overall performance of the Executive Board member over the performance year.

The allocated variable compensation award is subsequently split between 33.33% upfront cash (i.e. paid in the year following the performance year) and 66.67% deferred shares. These shares are deferred for a 3-year period after allocation after which they cliff-vest. Before vesting, the Risk Management team executes an ex-post risk assessment which looks into whether there are reasons for a downward adjustment of the originally allocated variable compensation award (malus) which were not taken into account yet. This risk assessment takes the same criteria into consideration as the second ex-ante risk assessment. Based on this assessment, the Remuneration Committee subsequently prepares a recommendation how to pay-out the deferred portion (i.e. unchanged or adjusted downward). The Remuneration Committee sends its recommendation and the ex-post risk assessment to the Supervisory Board. The Supervisory Board can approve, revise or reject the recommendation.

Claw-back provision

Aegon's Supervisory Board can claw-back variable compensation that has already been paid to the Executive Board member in case of a material financial restatement or individual gross misconduct, after considering a risk assessment by Aegon's Risk Management team which looks into whether in hindsight the paid amount should have been lower or nil. Examples of misconduct are, but not limited to, a significant breach of laws and/or regulations, use of violence, either verbally or physically, involvement with fraud, corruption or bribery, significant issues due to evident dereliction of duty and/or discrimination of any kind (for example age or gender).

Pension arrangements

The Executive Board members are entitled to pension contributions that equal 40% of their fixed compensation level, which consists of the following three parts:

- Participation in Aegon's defined contribution pension plan for NL-based employees, for their eligible earnings up to EUR 110,111 (2021 threshold set by Dutch law).
- Participation in Aegon's defined contribution pension plan for NL-based employees, for their fixed income above EUR 110,111.
- An additional gross allowance for pension to make the sum of these three pension contributions equal to 40% of their fixed compensation level.

The Executive Board members receive pension contributions that are somewhat higher compared to NL-based employees of similar age (ca. 10-15% difference). This is done to achieve a competitive total compensation level. Please note the Supervisory Board will consider discontinuing the additional gross allowance for new Executive Board members, while ensuring their total compensation level stays competitive, and including this as a policy change in the next update of the Executive Board Remuneration Policy.

Other benefits

Other benefits include non-monetary benefits (e.g. company car), social security contributions by the employer, and tax expenses borne by Aegon.

Aegon does not grant Executive Board members personal loans, guarantees or other such arrangements, unless in the normal course of business and on terms applicable to all employees, and only with the approval of the Supervisory Board.

Terms of Engagement

Members of the Executive Board are appointed for four years and may then be re-appointed for successive mandates also for a period of four years. Executive Board members have a board agreement with Aegon N.V., rather than an employment contract. Members of the Executive Board may terminate their board agreement with a notice period of three months. The Supervisory Board may terminate the board agreement by giving six months' notice if it wishes to terminate the agreement.

The Supervisory Board may entitle Executive Board members to a termination payment up to or equal to the total annual fixed compensation level. This payment is not allowed in case of early termination at the initiative of the Executive Board member (unless due to imputable acts or omissions of Aegon),

imputable acts or omissions by the Executive or failure of Aegon as a company during the appointment term of the Executive Board members. Mr. Friese and Mr. Rider have a termination clause included in their board agreement. Mr. Wynaendts was not entitled to a termination payment when his board agreement was terminated in 2020.

Executive Board remuneration in recent years

In this section you will find more details related to the remuneration that has been allocated and paid to the Executive Board members. It covers the allocated remuneration (2019-2021), the calculation of the 2021 variable compensation (2019-2025), the pay-out schedule of variable compensation (2019-2025), the recognized IFRS expenses for remuneration (2019-2021), the remuneration that was awarded and due in 2020 and 2021, and the annualized total compensation overview (2017-2021).

Allocated remuneration (2019-2021)

The first table shows the remuneration that has been allocated to the Executive Board members, for the performance years 2019, 2020 and 2021, in accordance with the Executive Board remuneration policy that applied at the time. There were no deviations from the policy in these years.

Allocated compensation In EUR thousand	Fixed	Variable			Total
	compensation	compensation	Pension	Other Benefits	compensation
Lard Friese					
2021	1,485	1,359	594	77	3,515
2020 ¹⁾	931	634	373	49	1,987
Matt Rider					
2021 ²⁾	968	884	387	67	2,306
2020	941	640	376	67	2,024
2019	931	743	373	77	2,123
Alex Wynaendts					
2020 ³⁾	496	302	337	97	1,233
2019	1,314	1,048	1,302	252	3,916
All Executive Board members					
2021	2,453	2,243	981	144	5,821
2020 ¹⁾	2,368	1,577	1,086	213	5,244
2019	2,245	1,791	1,675	329	6,039

¹⁾ The disclosed amounts for 2020 cover the period that Mr. Friese has been a member of the Executive Board (as of May 15, 2020), and excludes the sign-on arrangement of EUR 1,228 thousand that Mr. Friese received when joining Aegon in March 2020.

²⁾ Mr. Rider's fixed compensation increased with 5% per June 2021.

³⁾ The disclosed amounts for 2020 cover the period that Mr. Wynaendts has been a member of the Executive Board (until May 15, 2020). Up to and including May 2019, Mr. Wynaendts participated in a defined benefit arrangement. This arrangement included a back service liability which reflected the increase of his fixed compensation in 2016 and 2018, as well as low interest rates and the final settlement made in May 2019. Additionally, Mr. Wynaendts was entitled to a gross payment of 28% of his fixed compensation level as part of a grandfathered pension arrangement.

Calculation of 2021 variable compensation

Subject to the adoption of the annual accounts at the General Meeting of Shareholders on May 31, 2022, Mr. Friese has been awarded EUR 1,359 thousand in conditional variable compensation for the 2021 performance year (92% of fixed

compensation) and Mr. Rider EUR 884 thousand (91% of fixed compensation). The following table shows how these awards compare to their minimum, target and maximum variable compensation opportunity levels and how the awards will be paid out.

2021 variable compensation	Minimum	Target	Maximum	Result	Pay-out
Lard Friese					
In % of fixed compensation	50%	80%	100%	92%	
In total (EUR thousand)	743	1,188	1,485	1,359	Split in 33.33% cash and 66.67% shares
In cash (EUR thousand)	247	396	495	453	Paid upfront in 2022
In shares ¹⁾	150,340	240,544	300,680	275,182	Deferred for 3 years (2025)
Matt Rider					
In % of fixed compensation	50%	80%	100%	91%	
In total (EUR thousand)	484	775	968	884	Split in 33.33% cash and 66.67% shares
In cash (EUR thousand)	161	258	323	295	Paid upfront in 2022
In shares ¹⁾	98,039	156,863	196,078	178,961	Deferred for 3 years (2025)

¹⁾ The 2021 grant price of the shares was EUR 3.2927, which is equal to the volume weighted average price on the Euronext Amsterdam stock exchange for the period December 15, 2020 to January 15, 2021. After vesting in 2025, these shares are subject to an additional 2-year holding period.

The 2021 variable compensation awards for both Executive Board members were based on a mix of 70% Group performance and 30% personal performance, for which the results are summarized in the first table below. The Group performance is initially measured on a 50-100-150% performance scale, which is used internally to fund the employee bonus pools. The total Group performance result on this scale (123%)

is subsequently converted in a result on the 50-80-100% scale that applies to the variable compensation of the Executive Board members (which equals 89%). Their personal performance results are directly scored on the 50-80-100% scale. The second and third table below, contain more detailed information on the Group and personal performance indicators respectively.

2021 performance indicators	For Aegon bonus pools				Lard Friese		Matt Rider	
	Weight	Target	Outcome	Result ¹⁾	Weight	Result ²⁾	Weight	Result ²⁾
Group performance								
Free cash flows ³⁾	20%	400	685	150%				
Relative total shareholder return	10%	Rank 5	Rank 11	0%				
Operating result	10%	1,394	1,906	150%				
Addressable expenses	10%	2,933	2,903	110%				
Market consistent value of new business	10%	319	538	150%				
Transformation program: Earnings contribution	10%	100%	115%	138%				
Transformation program: Timely initiative execution	10%	100%	102%	105%				
Transformation program: Timely milestone completion	10%	100%	116%	139%				
Transformation program: Timely health milestone completion	10%	100%	117%	142%	70%	89%	70%	89%
Personal performance								
Strategic Roadmap development					10%	100%	5%	100%
Execution of capital initiatives in line with Strategic Roadmap					10%	100%	5%	95%
Women in senior management					5%	80%	5%	80%
ESG strategy development					5%	100%		
Finance strategy execution							15%	100%
Total performance result				123%		92%		91%

¹⁾ The Group performance results are measured on a 50-100-150% performance scale, which is used for the funding of the bonus pools for our employees.

²⁾ For the Executive Board members, the Group performance result (123%) is converted from a result on the 50-100-150% performance scale to a result on the 50-80-100% performance scale (89%).

³⁾ For remuneration purposes, the target and outcome exclude our businesses in CEE. The result in this table therefore differs from Aegon's reported financial result (EUR 729 million).

2021 Aegon performance indicators	Definition
Free cash flows	Free cash flows represent cash flows from remittances from the units less the Holding funding and operating expenses. The 2021 target was based on the 2021-2023 target which was disclosed at the Capital Market Day in December 2020.
Relative total shareholder return	Aegon's position relative to 7 US and 7 non-US peers when looking at Total Shareholder Return for a retrospective 2-year performance period (2020-2021). These peers were selected for being the most similar to Aegon based on their index listing, industry classification, 5-year monthly Beta, Market Capitalization and Total Revenue ¹⁾ .
Operating result	Operating result reflects our profit from underlying business operations and excludes components that relate to accounting mismatches that are dependent on market volatility, updates to best estimate actuarial and economic assumptions and model updates or relate to events that are considered outside the normal course of business. The 2021 target was based on the 2021 budget.
Addressable expenses	Represents the adjusted operating expenses excluding deferrable expenses. The 2021 target was based on the 2021-2023 target which was disclosed at the Capital Market Day in December 2020.
Market consistent value of new business	Represents how much value the sale of new insurance policies is generating for the company. This value represents the present value of our best estimate of incoming premiums and outgoing claims, benefits and expenses related to these new sales. The 2021 target was based on the 2021 budget.
Transformation program: Earnings contributions	Measures the expected run-rate earnings contribution for performance improvement initiatives that moved to the execution phase in 2021, compared to the 2021 targets in the transformation program.
Transformation program: Timely initiative execution	Measures whether performance improvement initiatives moved to the execution phase in time, compared to the 2021 targets in the transformation program.
Transformation program: Timely milestone completion	Measures the timely milestone completion of the performance improvement initiatives, compared to the 2021 targets in the transformation program.
Transformation program: Timely health milestone completion	Measures the timely organizational health milestone completion of the performance improvement initiatives, compared to the 2021 targets in the transformation program.

¹⁾ These peers are in order of the 2020-2021 ranking result: 1) NN Group NV, 2) Principal Financial Group Inc, 3) Axa Equitable Holdings Inc, 4) Swiss Life Holding AG, 5) ASR Nederland NV, 6) Brighthouse Financial Inc, 7) MetLife Inc, 8) Prudential Financial Inc, 9) Lincoln National Corp, 10) Assicurazioni Generali SpA, 11) Aegon NV, 12) Prudential PLC, 13) Balise Holding AG, 14) Unum Group and 15) Athene Holding Ltd / Helvetia Holding. The Athene Holding Ltd / Helvetia Holding result is a blend of the initial peer Athene and the back-up peer Helvetia, which replaced Athene per March 9, 2021, in accordance with our plan rules, following the merger with Apollo announced by Athene.

Lard Friese	Target	Result
10% Strategic Roadmap Development	Develop Strategic Roadmap for strategic assets and assets outside of the core perimeter.	100%. Building on the Aegon strategy, extensive roadmaps were delivered for various strategic assets (invest in profitable growth by expanding customer base and increasing margins) and assets outside of the core perimeter (tight capital management, bias to exit and restructuring).
10% Execution of capital initiatives in line with Strategic Roadmap	Complete management actions in relation to financial assets and assets outside of the core perimeter.	100%. The organization and governance to manage US and NL financial assets were significantly strengthened. Reduced Aegon's risk profile by actions in the US related to long-term care rate increases, lump-sum buy-out program and the dynamic hedging of the legacy Variable Annuities portfolio, resulting in a lower cost of capital. Reduced risk profile and strengthened capital position of NL Life. On assets outside the core perimeter, prepared and supported the closing of the announced sale of CEE and Turkey to VIG, sold Stonebridge, ended funding of GoBear and sold US portfolio of fintech and insurtech companies.
5% Women in Senior Management	Increase the number of women in Aegon's senior management layer worldwide to at least 34%.	80%. At the end of 2021, 34% of the people in Aegon's senior management layer were women.
5% ESG Strategy Development	Further integrate ESG into Group Strategy.	100%. Announced Group-wide commitment to transition general account investment portfolio to net-zero greenhouse gas emissions by 2050, joined the Net-Zero Asset Owner Alliance, set a clear 2025 reduction target, and committed to regularly engage with most carbon intensive companies in our portfolio. Established new sustainability governance, prepared migration of sustainability reporting, selected two priority sustainability themes (climate change and inclusion & diversity) and embedded these priorities in the redefined purpose and behaviors.

Matt Rider	Target	Result
5% Strategic Roadmap Development	Support development of Strategic Roadmap for strategic assets and assets outside of the core perimeter.	100%. Building out the Aegon strategy, supported the delivery of extensive roadmaps for various strategic assets (invest in profitable growth by expanding customer base and increasing margins) and assets outside of the core perimeter (tight capital management, bias to exit and restructuring).
5% Execution of capital initiatives in line with Strategic Roadmap	Support completion of management actions in relation to financial assets and assets outside of the core perimeter.	95%. Supported actions that significantly strengthened the organization and governance to manage US and NL financial assets. Reduced Aegon's risk profile by actions in the US related to long-term care rate increases, lump-sum buy-out program and the dynamic hedging of the legacy Variable Annuities portfolio, resulting in a lower cost of capital. Reduced risk profile and strengthened capital position of NL Life. On assets outside the core perimeter, prepared and supported the closing of the announced sale of CEE and Turkey to VIG, sold Stonebridge, ended funding of GoBear and sold US portfolio of fintech and insurtech companies.
5% Women in Senior Management	Increase the number of women in Aegon's senior management layer worldwide to at least 34%.	80%. At the end of 2021, 34% of the people in Aegon's senior management layer were women.
15% ESG Strategy Development	Complete the 2021 milestones from the Finance Strategy.	100%. Completed the maximum number of milestones. Implemented organizational efficiencies, completed scheduled IFRS 17 implementation actions, transitioned back to quarterly reporting, improved management reporting and ran effectively operating control environment.

Pay-out schedule variable compensation (2019-2025)

The following tables show for each current and former Executive Board member how much variable compensation has been paid in shares and cash respectively in 2019, 2020 and 2021 and how much conditional variable compensation is scheduled to be paid-out in the coming years. The vesting price of the shares were: EUR 4.287 on May 17, 2019, EUR 2.079 on May 15, 2020,

and EUR 3.934 on June 3, 2021. In 2020, the pay-out schedule of variable compensation changed from tranche-vesting to cliff-vesting. Shares allocated for plan years up to and including 2019 are subject to an additional three-year holding period after pay-out. Shares for the plan years from 2020 onwards are subject to an additional two-year holding period after pay-out.

Shares by plan year	VWAP ¹⁾	Years of vesting							Total
		2019	2020	2021	2022	2023	2024	2025	
Lard Friese									
2020	EUR 4.083	-	-	-	-	-	103,580	-	103,580
2021	EUR 3.293	-	-	-	-	-	-	275,182	275,182
Total number of shares		-	-	-	-	-	103,580	275,182	
Matt Rider									
2017	EUR 5.246	9,508	9,508	9,508	-	-	-	-	28,524
2018	EUR 5.405	28,110	14,054	14,054	14,054	-	-	-	70,272
2019	EUR 4.162	-	35,693	17,847	17,847	17,847	-	-	89,234
2020	EUR 4.083	-	-	-	-	-	104,547	-	104,547
2021	EUR 3.293	-	-	-	-	-	-	178,961	178,961
Total number of shares		37,618	59,255	41,409	31,901	17,847	104,547	178,961	
Alex Wynaendts									
2015	EUR 6.106	15,110	-	-	-	-	-	-	15,110
2016	EUR 5.128	20,361	20,361	-	-	-	-	-	40,722
2017	EUR 5.246	21,866	21,866	21,866	-	-	-	-	65,598
2018	EUR 5.405	39,314	19,656	19,656	19,656	-	-	-	98,282
2019	EUR 4.162	-	50,345	25,174	25,174	25,174	-	-	125,867
2020	EUR 4.083	-	-	-	-	-	49,346	-	49,346
Total number of shares		96,651	112,228	66,696	44,830	25,174	49,346	-	
Darryl Button									
2015	EUR 6.106	11,811	-	-	-	-	-	-	11,811
2016	EUR 5.128	14,808	14,808	-	-	-	-	-	29,616
Total number of shares		26,619	14,808	-	-	-	-	-	

¹⁾ This is the volume weighted average price (VWAP) of Aegon on the Euronext Amsterdam stock exchange for the period December 15 to January 15. For instance for the 2021 plan year, this is the VWAP for the period December 15, 2020 to January 15, 2021.

Cash by plan year (in EUR)	Years of vesting					Total
	2019	2020	2021	2022	2023	
Lard Friese						
2020	-	-	211,431	-	-	211,431
2021	-	-	-	452,981	-	452,981
Total cash	-	-	211,431	452,981	-	
Matt Rider						
2017	49,878	49,878	49,878	-	-	149,634
2018	151,931	75,964	75,964	75,964	-	379,823
2019	-	148,560	74,278	74,278	74,278	371,394
2020	-	-	213,404	-	-	213,404
2021	-	-	-	294,589	-	294,589
Total cash	201,809	274,402	413,524	444,831	74,278	
Alex Wynaendts						
2015	92,261	-	-	-	-	92,261
2016	104,412	104,412	-	-	-	208,824
2017	114,710	114,710	114,710	-	-	344,130
2018	212,490	106,243	106,243	106,243	-	531,219
2019	-	209,548	104,772	104,772	104,772	523,864
2020	-	-	100,725	-	-	100,725
Total cash	523,873	534,913	426,450	211,015	104,772	
Darryl Button						
2015	78,431	-	-	-	-	78,431
2016	74,674	74,674	-	-	-	149,348
Total cash	153,105	74,674	-	-	-	

The Executive Board members have a time-based shareholding requirement of 5 years after the initial allocation of their variable compensation in shares (i.e. a 3-year deferral period before vesting and an additional 2-year holding period after vesting). Additionally, Mr. Friese and Mr. Rider voluntarily agreed to a minimum shareholding requirement of 100% of their fixed compensation level, once they have reached that level. For this purpose, both vested and unvested shares that have

been allocated as compensation will be included in the count, with the unvested share allocations valued at what they would be worth after tax. For the vested share allocations, this tax has already been deducted and paid. After the allocation of the 2021 variable compensation award, Mr. Friese will hold 87% of his fixed compensation in shares and Mr. Rider 124%, based on the share price on March 1, 2022.

Recognized IFRS expenses of remuneration (2019-2021)

The following table contains the recognized IFRS expenses of the remuneration of the Executive Board members in the calendar years 2019, 2020 and 2021. These numbers deviate from the above-mentioned allocated remuneration

amounts, as the deferred parts of variable compensation and Mr. Friese's sign-on arrangement are expensed over multiple calendar years, and the shares are included at their fair value instead of the grant price.

IFRS expenses for compensation

In EUR thousand	Fixed	Variable	Pension	Other Benefits	Total
	compensation	compensation			
Lard Friese					
2021 ¹⁾	1,576	692	594	77	2,939
2020 ¹⁾	1,869	282	373	49	2,572
Matt Rider					
2021	968	583	387	67	2,005
2020	941	528	376	67	1,912
2019	931	627	387	77	2,022
Alex Wynaendts					
2020 ²⁾	496	497	337	97	1,427
2019	1,314	976	1,243	252	3,786
All Executive Board members					
2021	2,545	1,275	981	144	4,944
2020	3,306	1,307	1,086	213	5,911
2019	2,245	1,604	1,630	329	5,808

¹⁾ Includes the fixed compensation expenses for the sign-on arrangement of EUR 1,228 thousand that Mr. Friese received when joining Aegon in March 2020. These were EUR 91 thousand in 2021 and EUR 938 thousand in 2020.

²⁾ The disclosed amounts for 2020 cover the period that Mr. Wynaendts has been a member of the Executive Board (until May 15, 2020).

Awarded and due remuneration (2020-2021)

In line with the European guidelines on the standardized presentation of the remuneration report, you find the remuneration that was awarded and due to the Executives

in the calendar years 2020 and 2021 in the table below. These amounts were awarded and due in accordance with the Executive Board remuneration policy that applied at the time and there were no deviations.

In EUR thousand		Fixed		Variable		One-off	Pension	Total	Ratio Fixed/Variable ³⁾
		Salary	Benefits	Upfront ¹⁾	Deferred ²⁾				
Lard Friese	2021 ⁴⁾	1,485	77	211	-	255	594	2,622	82% / 18%
	2020 ⁵⁾	931	49	-	-	565	373	1,918	71% / 29%
Matt Rider	2021	968	67	213	363	-	387	1,999	71% / 29%
	2020	941	67	223	175	-	376	1,782	78% / 22%

¹⁾ The upfront cash and share payments of variable compensation that was allocated for the previous performance year. The shares are valued at their price at vesting. For example, the upfront cash and shares of the 2020 variable compensation award that were paid in 2021.

²⁾ The deferred cash and share payments of the variable compensation that was allocated for performance years before the previous performance year. The shares are valued at their price at vesting. For example, the deferred cash and shares of the 2017-2019 variable compensation awards that were paid in 2021.

³⁾ Fixed (the numerator) is the sum of Salary, Benefits and Pension divided by the Total. Variable (the denominator) is the sum of Upfront, Deferred and One-off divided by the Total.

⁴⁾ The upfront variable amount covers the pro-rated cash bonus payment that was awarded for the period as Executive Board member during 2020 (from May 15 to December 31). The one-off item concerns the payments of the 2020 sign-on arrangement that were deferred for one year (EUR 105 thousand in cash and 37,980 shares at a vesting price of EUR 3.934).

⁵⁾ The salary, benefits and pension amounts cover the pro-rated period as Executive Board member during 2020 (from May 15 to December 31). The one-off item concerns the upfront payments of the 2020 sign-on arrangement (EUR 427 thousand in cash and 66,526 shares at a vesting price of EUR 2.079).

Annualized total compensation overview (2017-2021)

The table below shows the total compensation that was awarded and due in the last five calendar years on an annualized basis and the year-on-year annual change in total compensation. Please note that therefore several amounts have been annualized, while in practice these were pro-rated for the period during which the individual served as Executive Board member. These

amounts were awarded and due in accordance with the Executive Board remuneration policy that applied at the time and there were no deviations. Additionally, the table shows the Aegon net result, a proxy of the financial and non-financial business performance, the vesting price of the Aegon shares, the inflation in the Netherlands and the average employee compensation over the same period.

In EUR thousand	Annualized	2017	2018	2019	2020	2021
Lard Friese	Awarded and due	-	-	-	2,719	2,748
	Change	-	-	-	-	1%
Matt Rider (as of May 19, 2017)	Awarded and due	1,357	1,670	1,799	1,824	2,052
	Change	-	23%	8%	1%	12%
Alex Wynaendts	Awarded and due	4,431	4,969	3,806	3,268	-
	Change	-	12%	(23%)	(14%)	-
Aegon net result (EU-IFRS)	In EUR million	2,358	741	1,525	55	1,701
Aegon business performance ¹⁾	Target = 100%	121%	106%	79%	57%	123%
Vesting price Aegon shares	In EUR	4.423	5.848	4.287	2.079	3.934
Inflation in the Netherlands	Consumer Price Index	1.4%	1.7%	2.6%	1.3%	2.7%
Average employee compensation ²⁾	Total compensation	102	104	115	110	105
	Annual change	-	2%	11%	(4%)	(5%)

¹⁾ The weighted average Aegon financial and non-financial business performance, expressed as a percentage on a performance scale with 50% as threshold, 100% as target and 150% as maximum, as used for the allocation of variable compensation in the applicable year.

²⁾ Consistent with the CEO pay ratio calculation, the average employee compensation is based on the audited total EU-IFRS remuneration expenses for all employees divided by the number of employees in scope for these expenses.

2022 Executive Board performance indicators

Looking ahead to the 2022 performance years, the 2022 performance indicators for Mr. Friese and Mr. Rider will be based again on a mix of 70% Group performance and 30% personal

performance. The first table below shows the weight that is assigned to each performance indicator. The second table contains a summary of the performance indicator definitions.

2022 performance indicator weights

	For Aegon bonus pools	Lard Friese	Matt Rider
Group performance			
Free cash flows	20%		
Relative total shareholder return	10%		
Operating result	10%		
Addressable expenses savings	10%		
Market consistent value of new business	10%		
Transformation program: Earnings contribution	10%		
Transformation program: Timely initiative execution	10%		
Transformation program: Timely milestone completion	10%		
Employee engagement	10%	70%	70%
Personal performance			
Strategic Roadmap development		10%	5%
Execution of capital initiatives in line with Strategic Roadmap		10%	5%
Sustainability integration and execution		5%	5%
Women in senior management		5%	5%
Finance strategy execution			10%
Total weight	100%	100%	100%

2022 performance indicators
Definition

Free cash flow	Free cash flows represent cash flows from remittances from the units less the Holding funding and operating expenses. For 2022 it will be measured on a retrospective 2-year performance period (2021-2022). The 2021-2022 target is based on the 2021-2023 cumulative free cash flows target that was disclosed at the Capital Market Day in December 2020 and the updated guidance in February 2022.
Relative total shareholder return	Aegon's position relative to 7 US and 7 non-US peers when looking at Total Shareholder Return for a retrospective 3-year performance period (2020-2022). These peers were selected for being the most similar to Aegon based on their index listing, industry classification, 5 year monthly Beta, Market Capitalization and Total Revenue ¹ .
Operating result	Operating result reflects our profit before tax from underlying business operations and excludes components that relate to accounting mismatches that are dependent on market volatility, updates to best estimate actuarial and economic assumptions and model updates or events that are considered outside the normal course of business. The 2022 target is based on the 2022 budget.
Addressable expenses savings	Addressable expenses are expenses reflected in the operating result, excluding deferrable acquisition expenses, expenses in joint ventures and associates and expenses related to operations in CEE countries. For 2022 it will be measured on a retrospective 2-year performance period (2021-2022). The 2021-2022 target is based on the 2021-2023 savings target that was disclosed at the Capital Market Day in December 2020.
Market consistent value of new business	Represents how much value the sale of new insurance policies is generating for the company. This value represents the present value of our best estimate of incoming premiums and outgoing claims, benefits and expenses related to these new sales. The 2022 target is based on the 2022 budget.
Transformation program: Earnings contributions	Measures the expected cumulative run-rate earnings contribution for performance improvement initiatives that moved to the execution phase during the retrospective 3-year performance period 2020-2022, compared to the cumulative 2020-2022 target in the transformation program.
Transformation program: Timely initiative execution	Measures whether performance improvement initiatives moved to the execution phase in time, compared to the 2022 targets in the transformation program.
Transformation program: Timely milestone completion	Measures the timely milestone completion of the performance improvement initiatives, compared to the 2022 targets in the transformation program.
Employee Engagement	Increase Aegon's employee engagement to at least 70% in 2022 (+2% compared to 2021).
Strategic Roadmap Development	Further evolve the Strategic Roadmap for strategic assets and non-core assets in 2022.
Execution of capital initiatives in line with Strategic Roadmap	Complete management actions in relation to financial assets and non-core assets in 2022.
Sustainability integration and execution	Complete milestones in 2022 related to further integrating our ESG priorities in Aegon's strategy, sustainability reporting and reaching our 2025 carbon emission reduction target.
Women in Senior Management	Increase the number of women in Aegon's senior management layer worldwide to at least 36% in 2022 (2% increase compared to 2021).
Finance Strategy Execution	Complete the 2022 milestones from the Finance Strategy.

¹ These peers are in order of the 2020-2021 ranking result: 1) NN Group NV, 2) Principal Financial Group Inc, 3) Axa Equitable Holdings Inc, 4) Swiss Life Holding AG, 5) ASR Nederland NV, 6) Brighthouse Financial Inc, 7) MetLife Inc, 8) Prudential Financial Inc, 9) Lincoln National Corp, 10) Assicurazioni Generali SpA, 11) Aegon NV, 12) Prudential PLC, 13) Balaise Holding AG, 14) Unum Group and 15) Athene Holding Ltd / Helvetia Holding. The Athene Holding Ltd / Helvetia Holding result is a blend of the initial peer Athene and the back-up peer Helvetia, which replaced Athene per March 9, 2021, in accordance with our plan rules, following the merger with Apollo announced by Athene.

Risk management

As an insurance group, Aegon manages risk for the benefit of its customers and other stakeholders. The Company is exposed to a range of underwriting, operational and financial risks. Aegon's risk management and internal control systems are designed to ensure that these risks are managed effectively and efficiently in a way that is aligned with the Company's strategy.

For Aegon, risk management involves:

- Understanding risks that the Company faces;
- Maintaining a group-wide framework through which the risk-return trade-off associated with these risks can be assessed;
- Maintaining risk tolerances and supporting policies to limit exposure to a particular risk or combination of risks; and
- Monitoring risk exposures and actively maintaining oversight of the Company's overall risk and solvency positions.

This section provides a description of Aegon's risk management framework.

Enterprise Risk Management (ERM) framework

Aegon's ERM framework is designed and applied to identify risks that may affect Aegon and manage individual and aggregate risks within Aegon's set risk tolerances. The ERM framework covers the ERM components as identified by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The ERM framework applies to all of Aegon's businesses for which it has operational control.

Risk strategy, risk appetite statement and risk tolerances

The setting of the risk strategy starts with the principle that taking a risk should be based on serving a customer's need. The competence to manage the risk is assessed and Aegon's risk preferences are formulated, taking into account Aegon's risk capacity. The process results in a targeted risk profile, reflecting the risks Aegon wants to keep on the balance sheet, and the risks Aegon would like to avoid.

Aegon's risk appetite statement and risk tolerances are established to assist management in carrying out Aegon's strategy within the boundaries of the resources available to Aegon. Aegon's risk appetite statement is to:

"Fulfil our promises towards our customers and other stakeholders by delivering sustainable and growing long-term free cash flow through strong resilience in solvency and liquidity, with a healthy balance in exposures, and by running a responsible business with effective controls."

Following from the risk appetite statement, risk tolerances are defined on:

- Solvency, including Cash Capital at Holding and capital generation, to ensure that Aegon remains solvent even under adverse scenarios.
- Liquidity, to ensure that Aegon remains liquid even under extreme scenarios.
- Risk balance, to ensure a healthy balance of risk exposures that supports delivering on our capital generation and return on capital targets.
- Responsible business with effective controls, which acknowledges an acceptable level of operational risk and stresses a low tolerance for (lack of) actions which could lead to material adverse risk events that result in breaking promises or not meeting reasonable expectations of customers, legal breaches or reputational damage.

The tolerances are further developed into measures, thresholds and indicators that have to be complied with to remain within the tolerances.

Risk universe

Aegon's risk universe is structured to reflect the type of risks to which the Company is exposed. The identified risk categories are financial risk (e.g. interest rate risk and credit risk), underwriting risk (e.g. longevity and policyholder behavior), and operational risk (e.g. fraud, business disruption and non-financial risks, including sustainability risks like climate change). Specific risk types are identified within these risk categories. These risks, internal or external, may affect the Company's operations, earnings, share price, value of its investments, or the sale of certain products and services. In the context of Aegon's risk strategy, a risk appetite is set for the three identified risk categories (see table below).

Risk category	Description	Appetite
Underwriting	The risk of incurring losses when actual experience deviates from Aegon's best estimate assumptions on mortality, longevity, morbidity, policyholder behavior, P&C claims and expenses used to price products and establish technical provisions.	Medium to high - Underwriting risk is Aegon's core business and meets customer needs.
Financial	The risk of incurring financial losses due to movements in financial markets and the market value of balance sheet items. Elements of financial risk are credit risk, investment risk, interest rate risk and currency risk.	Low to medium - Accepted where it meets customer needs and the risk return profile is acceptable.
Operational	The risk of losses resulting from inadequate or failed internal processes and controls, people and systems or from external events, such as processing errors, legal and compliance issues, natural or man-made disasters, and cybercrime.	Low - Accepted as a necessary condition of conducting business, but mitigated as much as possible in an economically efficient manner.

Risk identification and risk assessment

Aegon has identified a risk universe that captures all known material risks to which the Company is exposed. To assess all risks, Aegon maintains a documented, consistent methodology for measuring risks. The risk metrics are embedded in Aegon's key reports and are used for decision making.

Risk response

Aegon distinguishes the following risk responses:

- Risk acceptance when the exposure is within the set risk tolerance; and
- Risk control, transfer or avoidance when the exposure exceeds the established risk tolerance or if cost-benefit analysis supports further actions.

Risk monitoring and reporting

Risks are monitored regularly and reported internally on at least a quarterly basis. The impact of key financial, underwriting, and operational risk drivers on earnings and capital is shown in the quarterly risk dashboards for the various risk types, both separately and on an aggregate basis.

Risk exposures are compared with the measures and indicators as defined by Aegon's risk tolerance statements. Reporting also includes compliance and incident reporting. Finally, the main risks derived from Aegon's strategy and day-to-day business are discussed, as well as forward looking points for attention. If necessary, mitigating actions are taken and documented.

Risk control

A system of effective controls is required to mitigate the risks identified. In Aegon's ERM framework, risk control includes risk governance, risk policies, internal control framework, model validation, risk embedding, risk culture and compliance.

Most significant risks

The most significant risks Aegon faces in terms of exposures and required capital are:

- Financial markets risks (particularly related to credit, equity, and interest rates);
- Underwriting risk (particularly related to longevity and policyholder behavior); and
- Operational risks (particularly related to reputation and continuity of operations).

Description of risk types

Financial risk

Credit risk

Credit risk is the risk of economic loss due to the deterioration in the financial condition of counterparties, either through fair value losses on traded securities or through defaults on traded securities, loans, and mortgages. Having a well-diversified investment portfolio means that Aegon can accept credit spread risk to earn a liquidity premium on assets that match liabilities. The focus is on high-quality securities with low expected defaults because Aegon has a low appetite for default risk.

Equity market risk and other investment risks

Aegon runs the risk that the market value of its investments changes. Investment risk affects Aegon's direct investments in the general account, indirect investments for the account of policyholders and agreements where Aegon relies on counterparties, such as reinsurance and derivative counterparties. Aegon has a low preference for investments in equity securities via the general account. Equity investments generate an equity risk premium over the long run, but in combination with a high capital charge result in a relatively low return on capital. Aegon has experience and expertise in managing complex investment guarantees and leverages this capability by providing customers access to a range of investment strategies and guaranteed benefits.

Interest rate risk

Aegon is exposed to interest rates as both its assets and liabilities are sensitive to movements in long- and short-term interest rates, as well as to changes in the volatility of interest rates. Aegon accepts interest rate risk in order to meet customer needs. However, as no spread is earned on this interest rate risk, Aegon prefers to mitigate the risk to the extent possible.

Currency exchange rate risk

As an international company, Aegon conducts business in different currencies, and is therefore exposed to movements in currency exchange rates. Foreign currency exposure exists primarily when policies are denominated in currencies other than the issuer's functional currency. Currency risk in the investment portfolios backing insurance and investment liabilities is managed using asset liability matching principles. Assets allocated to equity are held in local currencies to the extent shareholders' equity is required to satisfy regulatory and self-imposed capital requirements. Currency exchange rate fluctuations therefore affect the level of shareholders' equity as a result of converting local currencies into euro (EUR), the Group's reporting currency. The Company holds its capital base in various currencies in amounts that correspond to the book value of individual business units.

Liquidity risk

Aegon needs to maintain sufficient liquidity to meet short-term cash demands, not only under normal conditions, but also in the event of a crisis. To that end, Aegon has put a strong liquidity management strategy in place. The Company considers extreme liquidity stress scenarios, including the possibility of prolonged 'frozen' capital markets, an immediate and permanent rise in interest rates, and policyholders withdrawing liabilities at the earliest conceivable date. In addition, the Company has liquidity stress planning in place.

Please refer to note 4 'Financial Risk' to Aegon's financial statements.

Underwriting risk

Underwriting risk relates to the products sold by Aegon's insurance entities and is the risk of incurring losses when actual experience deviates from Aegon's best estimate assumptions on mortality, morbidity, policyholder behavior, P&C claims and expenses. Aegon has a preference to selectively grow underwriting risk, but this must work hand-in-hand with a strong underwriting process. Aegon's earnings depend, to a significant degree, on the extent to which claims experience is consistent with assumptions used to price products and establish technical provisions. Changes in, among other things, morbidity, mortality, longevity trends and policyholder behavior may have a considerable impact on the Company's income. Assumptions used to price products and establish technical provisions are reviewed on a regular basis. Please refer to note 3 'Critical accounting estimates and judgment in applying accounting policies' to Aegon's consolidated financial statements for further information.

Operational risk

Like other companies, Aegon faces operational risk resulting from operational failures or external events, such as processing errors, inaccuracies in models used, negative behavior by personnel, non-compliance to laws and regulations, and natural or man-made disasters, including climate change. In addition, major programs or organizational transformations may also increase potential for operational risks. Aegon's systems and processes are designed to support complex products and transactions, and to help protect against such issues as system failures, business disruption, financial crime, and breaches of information security. Aegon monitors and analyses these risks, and retains flexibility to update and revise where necessary. Aegon's operational risk universe distinguishes eight risk types: business risk; legal, regulatory, conduct and compliance risks; tax risk; financial crime risk; processing risk; information technology and business disruption risk; people risk; and facility risk. These level 1 risk types are split out into more granular level 2 risk types. The more granular risk types include, amongst others, information security risk, conduct risk, fraud risk, Environmental, Social & Governance (ESG) risk, and pandemic risk. The impact of COVID-19 on our risk management system is highlighted below.

Pandemic risk - COVID-19

COVID-19 impacts the company through financial markets and underwriting developments (mortality rates), and also leads to operational risks. From the onset of the COVID-19 pandemic, targeted control assessments were conducted across all regions to monitor the operational risk impact of the pandemic. The assessments showed that the controls continued to operate effectively. The assessments covered the impact on core business processes, the working from home environment and the related information security risk, service levels to customers, and the health of employees. In addition, ongoing attention is being directed at third party risk with the aim to monitor financial health, security and capacity aspects as well as to provide support where needed, to avoid negative knock-on effects for Aegon.

Business environment scan

In addition to the management of described risk types, Aegon performs a business environment scan. The aim is to identify emerging, fundamental/structural trends, risks and opportunities in our operating environment, which could have significant impact on value creation and Aegon's financial strength, competitive position, or reputation. It is a critical, cross functional exercise that looks beyond impact alone to assess the potential of topics to influence value creation. The scan is performed as a check on the ongoing appropriateness of the risk universe, to ensure completeness of Aegon's risk assessment as well as to provide input for ongoing strategy development.

The business environment scan is performed on a biennial basis, with annual updates for significant changes.

Topic identification, mapping and selection are based on desk research, interviews with internal and external experts and management selection. Outcomes can be used for materiality reporting, as input for Aegon's strategy process and for possible follow-up in terms of further analysis, tracking or as a global project. For the 2021 outcomes of Aegon's business environment scan, please refer to on the dedicated section on page 10.

Risk governance framework

Aegon's risk management is based on clear, well-defined risk governance. The goals of risk governance are to:

- Define roles and responsibilities, and risk reporting procedures for decision makers;
- Institute a proper system of checks and balances;
- Provide a consistent framework for managing risk in line with the targeted risk profile; and
- Facilitate risk diversification.

Governance structure

Aegon's risk management framework is represented across all levels of the organization. This ensures a coherent and integrated approach to risk management throughout the Company. Similarly, Aegon has a comprehensive range of company-wide risk policies that detail specific operating guidelines and limits. These policies include legal, regulatory, and internally set requirements, and are designed to keep overall risk-specific exposures to a manageable level. Any breach of policy limits or warning levels triggers remedial action or heightened monitoring. Further risk policies may be developed at a local level to cover situations specific to particular regions or business units.

Aegon's risk management governance structure has four layers:

- The Supervisory Board and the Supervisory Board Risk Committee (SBRC);
- The Executive Board and the Management Board;
- The Group Risk & Capital Committee (GRCC) and its sub-committees; and
- The Regional Risk & Capital Committees.

The SBRC reports to the Supervisory Board on topics related to the ERM framework and the internal control system. The formal responsibility regarding the effectiveness and design, operation, and appropriateness of the ERM and internal control system rests, however, with the Audit Committee of the Supervisory Board. The Audit Committee works closely together with the SBRC with regard to the oversight of, and reports on, the effectiveness of the ERM framework and the risk control systems of the Company. The Audit Committee relies on the findings of the SBRC. The SBRC oversees Aegon's ERM framework, including risk governance and measures taken to ensure risk management is properly integrated into the Company's broader strategy.

For a description of the main roles and responsibilities of the SBRC see the section on the Risk Committee on page 51 of the Report of the Supervisory Board in this Annual Report.

It is the responsibility of the Executive Board and the Group's Chief Risk Officer (CRO) to inform the Supervisory Board of any risk that directly threatens the solvency, liquidity, or operations of the Company.

Aegon's Executive Board has overall responsibility for risk management. The Executive Board adopts the risk strategy, risk governance, risk tolerance and material changes in risk methodology and risk policies. The Group's CRO has a standing invitation to attend Executive Board meetings and a direct reporting line to the Supervisory Board to discuss ERM and related matters, and is a member of the Management Board.

The Management Board oversees a broad range of strategic and operational issues. While the Executive Board is Aegon's statutory executive body, the Management Board provides vital support and expertise in safeguarding Aegon's strategic goals. The Management Board discusses and sponsors ERM, in particular the risk strategy, risk governance, risk tolerance and the introduction of new risk policies.

The Executive Board and Management Board are supported by the Group Risk & Capital Committee (GRCC). The GRCC is Aegon's most senior risk committee. It is responsible for managing Aegon's balance sheet at the global level, and is in charge of risk oversight, risk monitoring and risk management related decisions on behalf of the Executive Board and in line with its charter. The GRCC ensures risk-taking is within Aegon's risk tolerances; that the capital position is adequate to support financial strength, credit rating objectives and regulatory requirements, and that capital is properly allocated. The GRCC informs the Executive Board about any identified (near) breaches of overall tolerance levels which threaten the risk balance, as well as any potential threats to the Company's solvency, liquidity, or operations.

The GRCC has three sub-committees: the ERM framework, Accounting and Actuarial Committee (ERMAAC), the Non-

Financial Risk Committee (NFRC) and the Model Validation Committee (MVC).

The purpose of the ERMAAC is to assist the GRCC, Executive Board and Management Board with financial risk framework setting and maintenance across all group-level balance sheet bases, including policies, standards, guidelines, methodologies, and assumptions.

The purpose of the NFRC is to assist the GRCC, Executive Board and Management Board with non-financial risk framework setting and maintenance, including policies, standards, guidelines and methodologies, and to act as formal discussion and exchange of information platform on matters of concern regarding non-financial risk management.

The MVC is responsible for approving all model validation reports across Aegon. This is an independent committee that reports into the GRCC and the Executive Board to provide information on model integrity and recommendations for further strengthening of models.

Aegon's regions have a risk, or risk and capital committee, and an audit committee established. The responsibilities and prerogatives of the committees are aligned with the Group-level committees and further set out in their respective charters, which are tailored to local circumstances.

In addition to the four layers described above, Aegon has an established company-wide risk function. It is the mission of the Risk Management function to ensure the continuity of the Company through safeguarding the value of existing business, protecting Aegon's balance sheet and reputation, and through supporting the creation of sustainable value for all stakeholders.

In general, the objective of the Risk Management function is to support the Executive Board, Management Board, Supervisory Board, and regional and business unit boards in ensuring that the Company reviews, assesses, understands, and manages its risk profile. Through oversight, the Risk Management function ensures the company-wide risk profile is managed in line with Aegon's risk tolerances, and stakeholder expectations are managed under both normal business conditions and adverse conditions caused by unforeseen negative events.

The following roles are important in order to realize the objective of the Risk Management function:

- Advising on risk-related matters including risk tolerance, risk governance, risk methodology and risk policies;
- Supporting and facilitating the development, incorporation, maintenance and embedding of the ERM framework and sound practices; and
- Monitoring and challenging the implementation and effectiveness of ERM practices.

In the context of these roles, the Risk Management Function has the following responsibilities:

Enterprise Risk Management (ERM) Framework

- The overarching ERM Framework supports Aegon's corporate strategy and enables management to effectively deal with uncertainty and the associate risk-return trade-offs.

Global Risk Appetite (GRA)

- The GRA is linked to and supports Aegon's strategy and purpose and translates into risk tolerances and risk limits.

Risk Identification and Assessment

- All material risks are captured and classified in Aegon's risk universe. An emerging risk process is in place to ensure that risk universe remains up-to-date and complete. Risk assessment includes risk measurement across valuation and reporting metrics and feeds into Aegon's risk strategy, including risk preferences and risk profile considerations.

Risk Governance

- A risk governance framework is in place across all levels of the company, including formal committees, committee charters, memberships across relevant functions, and escalation procedures.

Policies and Standards

- Risk policies and standards set out requirements, roles and responsibilities and processes to manage risks across the risk universe.

Risk Embedding

- The ERM Framework is embedded in Aegon's key business areas. The Own Risk Self-Assessment (ORSA) unites the risk and capital management and the business planning processes across Aegon and aligns to its strategy. The risk strategy is aligned with the business strategy, the strategy execution is closely monitored, and risks are timely identified to help steer towards strong delivery in a safe and timely manner.

Risk Oversight

- Major business (and risk) decisions are risk-based; properly risk informed and, where relevant, challenged by the Risk Management function to protect the balance sheet and proper customer conduct.

Risk Monitoring and Reporting

- Risks across the risk universe are monitored and reported.
- Risk culture is embedded across the company.
- Awareness of employees, management, and leadership of relevant risks and how risks are managed.

Aegon's Group and business unit's risk management staff structure is fully integrated. Business unit CROs have either a direct reporting line to the Group CRO or one of the regional CROs that reports directly to the Group CRO.

Keeping ERM framework up-to-date and effective

Aegon continuously works on keeping its ERM framework up-to-date, effective and fit-for-purpose. The annual risk development plan outlines priorities for the year and rationalizes activities that align with Aegon's strategy and vision. Policies, charters

and other governance documents are regularly reviewed and updated where necessary. Also, activities such as the Business Environment Scan provide an internal and external perspective on the risk universe and will signal where updates are required. As an example, non-financial risk management, including sustainability, is of increasing importance, and climate risk has been incorporated more explicitly in our Operational Risk taxonomy and other business processes. In addition, internal processes like policy attestation verify compliance with policies. Non-compliance requires remediating action plans, which are actively monitored to ensure execution. Aegon conducts an internal System of Governance review on a regular basis, as required by Solvency II legislation. The review includes design and effectiveness assessment of Aegon's risk management system. Identified weaknesses and improvement areas following from such reviews are reported, discussed and acted on.

Internal control system

Aegon has developed an internal control system that serves to facilitate its compliance with applicable laws, regulations (e.g. Sarbanes-Oxley Act and Solvency II), and administrative processes, and the effectiveness and efficiency of operations with regard to its objectives, in addition to the availability and reliability of financial and non-financial information. The overall internal control system ensures appropriate control activities for key processes and the documentation and reporting of administrative and accounting information. A key element of the internal control system is to facilitate action planning and embed continuous improvement regarding the internal control environment throughout the organization. The internal control system is embedded through policies and frameworks such as ERM Framework, Model Validation Framework, Operational Risk Management (ORM) Framework, and Information Technology Framework. Aegon's internal control system is considered more encompassing in scope than the Integrated Framework issued by COSO on which criteria for the internal control system are based.

In relation to the Information Technology Framework, as some of our core processes and systems shift from legacy on-premises environment to the cloud, Aegon has established a strategy to manage cloud risk. This includes defining key elements of cloud governance, cloud security strategy, as well as integrating cloud control requirements into our IT Control Framework.

In 2021, risk management and internal control topics were discussed by the relevant management committees and bodies, including the Management Board, the Executive Board, the Risk Committee of the Supervisory Board, and the Audit Committee of the Supervisory Board. From analysis of internal and external audit reports and risk reviews, no material weaknesses were observed, and no significant changes or major improvements were made or planned to the risk management and internal control systems following from the review.

Capital and liquidity management

Guiding principles

The management of capital and liquidity is of vital importance for Aegon, for its customers, investors in Aegon securities and for Aegon's other stakeholders. In line with its risk tolerance, the goal of Aegon's capital and liquidity management is to promote strong and stable capital adequacy levels for its businesses, in addition to maintaining adequate liquidity to ensure that the Company is able to meet its obligations.

Aegon follows a number of guiding principles in terms of capital and liquidity management:

- Promoting strong capital adequacy in Aegon's businesses and operating units;
- Managing and allocating capital efficiently in support of the strategy and in line with its risk tolerance;
- Maintaining an efficient capital structure, with an emphasis on optimizing Aegon's cost of capital;
- Maintaining adequate liquidity in both the operating units and the Holding to ensure that the Company is able to meet its obligations by enforcing stringent liquidity risk policies; and
- Maintaining continued access to international capital markets on competitive terms.

Aegon believes that the combination of these guiding principles strengthens the Company's ability to withstand adverse market conditions, enhances its financial flexibility, and serves both the short-term and the long-term interests of the Company, its customers and other stakeholders.

The management and monitoring of capital and liquidity is firmly embedded in Aegon's Enterprise Risk Management (ERM) framework.

Management of capital

Aegon's capital management framework is based on adequate capitalization of its operating units, Cash Capital at Holding and leverage.

Capital requirements	Regulatory capital requirement	Minimum dividend payment level	Operating level	Actual capitalization
US RBC ratio	100%	350%	400%	426%
NL Life Solvency II ratio	100%	135%	150%	186%
Scottish Equitable Plc (UK) Solvency II ratio	100%	135%	150%	167%

For more details on the capital ratios and the movement thereof reference is made to note 43 'Capital management and solvency' to Aegon's consolidated financial statements.

Capital adequacy of Aegon's operating units

Aegon manages capital in its operating units at levels sufficient to absorb moderate shocks without impacting the remittances to the Group. These moderate shocks could be caused by various factors, including general economic conditions, financial markets risks, underwriting risks, changes in government regulations, legal and arbitration proceedings. To mitigate the impact of such factors on the ability of operating units to pay remittances to the Group, Aegon established an operating level of capital in each of the units: 150% Solvency Capital Requirement (SCR) for Solvency II units and 400% Risk-Based Capital (RBC) Company Action Level (CAL) in the US. Aegon manages capital in the units to their respective operating levels over-the-cycle.

After investments have been made in new business to generate organic growth, capital generated by Aegon's operating units is available for distribution to the holding company. In addition to an operating level, Aegon established a minimum dividend payment level of capital in each of the units: 135% SCR for Solvency II and 350% RBC CAL in the US. As long as the capital position of the unit is above this minimum dividend payment level, the unit is expected to pay remittances to the Group.

When the operating unit's capital position approaches the minimum dividend payment level, capital management tools will be used to ensure that units will remain well capitalized. The frequent monitoring of actual and forecasted capitalization levels of its operating units is an important element in Aegon's capital framework in order to actively steer and manage towards maintaining adequate capitalization levels.

The regulatory capital requirement, minimum dividend payment level, operating level and actual capitalization for Aegon's main operating units at December 31, 2021, are included in the following table:

Improving risk-return profile

Aegon continues to take measures to improve its risk-return profile. In 2021, several actions were taken to strengthen the capital position and reduce the volatility of the local capital positions.

The Dutch life business reinsured an additional part of its longevity exposure with Reinsurance Group of America, Incorporated (RGA). The reinsurance agreement provides protection against the longevity risk associated with EUR 7 billion of pension liabilities. This transaction improves the risk profile of the Dutch Life business and releases capital at attractive terms.

In 2020 Aegon initiated a program to materially reduce economic interest rate risk in the US. Per the end of 2021, Aegon had almost fully executed its interest rate management plan, mainly by lengthening the duration of its asset portfolio and expanding its forward starting swap program. Furthermore, Aegon has taken actions to improve its risk-return profile by further hedging the legacy variable annuities block in the US and reducing its economic exposure to equity markets and interest rates through a lump-sum buy-out program, which allows Aegon to more actively consider a broad range of options for this block of business. As a result of these actions, at December 31, 2021, the targeted interest rate risk exposure has reduced by approximately 70% since inception of the program.

To reduce the risk of volatility in mortality claims on its statutory capital position in the US, Aegon entered into an agreement with Wilton Re in December 2021 to reinsure a portfolio of universal life secondary guarantee policies with approximately USD 1.4 billion of statutory reserves.

Aegon has an active global reinsurance program designed to optimize the risk-return profile of other insurance risks. In addition, Aegon monitors the risk-return profile of new business written, withdrawing products that do not create value for all stakeholders including policyholders and shareholders.

Cash Capital at Holding and liquidity management

Liquidity management is a fundamental building block of Aegon's overall financial planning and capital allocation processes. Liquidity is managed both centrally and at the operating unit level and is coordinated centrally at Aegon N.V..

The ability of the holding company to meet its cash obligations depends on the amount of liquid assets on its balance sheet and on the ability of the operating units to pay remittances to the holding company. In order to ensure the holding company's ability to fulfil its cash obligations, to maintain sufficient flexibility to provide capital and liquidity support to Aegon's operating units, and to provide stability in external dividends, the Company manages Cash Capital at Holding, including Aegon's centrally managed (unregulated) holding companies, to an operating range of EUR 0.5 to 1.5 billion.

The main sources of liquidity in Cash Capital at Holding are remittances from operating units and divestitures. In addition, contingent internal and external liquidity programs are maintained to provide additional safeguards against extreme unexpected liquidity stresses.

Aegon uses the cash flows from its operating units to pay for holding expenses, including funding costs. The remaining free cash flow is available to execute the Company's strategy to strengthen the balance sheet through deleveraging, to make capital injections into units as required, to make acquisitions, to fund dividends on its shares, and to return capital to shareholders if possible, all subject to maintaining targeted Cash Capital at Holding. Aegon aims to pay out a sustainable dividend to enable equity investors to share in its performance.

When determining whether to declare or propose a dividend, Aegon's Executive Board balances prudence with offering an attractive return to shareholders. This is particularly important during adverse economic and/or financial market conditions. Furthermore, Aegon's operating units are subject to local insurance regulations that could restrict remittances to be paid to the holding company. There is no requirement or assurance that Aegon will declare and pay any dividends.

On December 31, 2021, Aegon held a balance of EUR 1.3 billion in Cash Capital at Holding, compared to EUR 1.1 billion on December 31, 2020. Details on the movement are included in note 43 'Capital management and solvency' to Aegon's consolidated financial statements.

Liquidity management

The Company's liquidity risk policy sets guidelines for its operating companies and the holding in order to achieve a prudent liquidity profile and to meet cash demands under extreme conditions. Aegon's liquidity is invested in accordance with the Company's internal risk management policies. Aegon believes that its working capital, backed by its external funding programs and facilities, is ample for the Company's present requirements.

Aegon maintains a liquidity policy that requires all business units to project and assess their sources and uses of liquidity over a two-year period under normal and severe business and market scenarios. This policy ensures that liquidity is measured and managed consistently across the Company, and that liquidity stress management plans are in place.

Aegon's operating units are engaged in life insurance and pensions business, which are long-term activities with relatively illiquid liabilities and generally matching assets. Liquidity consists of liquid assets held in investment portfolios, in addition to inflows generated by premium payments and customer deposits.

Leverage

Aegon uses leverage in order to lower the cost of capital that supports businesses in the Aegon Group, thereby contributing to a more effective and efficient use of capital. In managing the use of leverage throughout the Group, Aegon has implemented a Leverage Use Framework as part of its broader Enterprise Risk Management framework.

Financial leverage

Aegon defines gross financial leverage as debt or debt-like funding issued for general corporate purposes and for capitalizing Aegon's business units. Gross financial leverage includes hybrid instruments, subordinated and senior debt. Aegon aims to reduce its gross financial leverage to a range of EUR 5.0 – 5.5 billion by 2023. This reduction of leverage will strengthen the balance sheet, reduce Aegon's risk profile and make Aegon more resilient.

The following are metrics that Aegon assesses in managing leverage:

- Gross financial leverage ratio;
- Fixed charge coverage;
- Various rating agency leverage metrics; and
- Other metrics, including gross financial leverage divided by operating capital generation.

Aegon's gross financial leverage ratio is calculated by dividing gross financial leverage by total capitalization. Aegon's total capitalization consists of the following components:

- Shareholders' equity, excluding revaluation reserves and cash flow hedge reserves, based on IFRS as adopted by the EU;
- Non-controlling interests and shares related to Long Term Incentive Plans that have not yet vested; and
- Gross (or total) financial leverage.

Aegon's fixed charge coverage is a measure of the Company's ability to service its financial leverage. It is calculated as the sum of operating result and interest expenses on financial leverage divided by interest payments on financial leverage. The fixed charge coverage includes the impact of interest rate hedging.

Operational leverage

Although operational leverage is not considered part of Aegon's total capitalization, it is an important source of liquidity and funding. Operational leverage relates primarily

to financing Aegon's mortgage portfolios through securitizations, warehouse facilities, covered bonds, and the use of a Federal Home Loan Bank (FHLB) facility.

Funding and back-up facilities

The majority of Aegon's financial leverage is issued by Aegon N.V., the parent company. A limited number of other Aegon companies have also issued debt securities, but for the most part these securities are guaranteed by Aegon N.V.

Aegon N.V. has regular access to international capital markets under a USD 6 billion debt issuance program. Access to the capital market in the United States is made possible by a separate shelf registration.

Aegon also has access to domestic and international money markets through its EUR 2.5 billion commercial paper programs. As at December 31, 2021, Aegon had no amounts outstanding under these commercial paper programs (2020: EUR 72 million).

To support its commercial paper programs and need for Letters of Credit (LOCs), and to enhance its liquidity position, Aegon maintains backup credit and LOC facilities with international lenders. The Company's principal arrangements comprise a EUR 2 billion syndicated revolving credit facility and an LOC facility of USD 2 billion. The syndicated revolving credit facility matures in 2025. The LOC facility matures in 2026. In addition, Aegon also maintains various shorter-dated bilateral backup liquidity facilities in addition to committed and uncommitted LOC facilities.

Rating agency ratings

Aegon's objective is to maintain very strong financial strength ratings in its main operating units, and this plays an important role in determining the Company's overall capital management strategy. Aegon maintains strong financial strength ratings from several international rating agencies for its main operating units, and a strong credit rating for Aegon N.V.

December 31, 2021	Aegon N.V.	Aegon USA	Aegon the Netherlands	Aegon UK
S&P Global¹⁾				
Financial strength	-	A+	A+	A+
Long-term issuer	A-	-	-	-
Senior debt	A-	-	-	-
Subordinated debt	BBB	-	-	-
Moody's Investors Service¹⁾				
Financial strength	-	A1	-	-
Long-term issuer	A3	-	-	-
Senior debt	A3	-	-	-
Subordinated debt	Baa1	-	-	-
Commercial paper ²⁾	P-2	-	-	-
A.M. Best¹⁾				
Financial strength	-	A	-	-

¹⁾ S&P Global and A.M. Best have a stable outlook on the ratings. Moody's Investors Service has a negative outlook on the ratings.

²⁾ Following Aegon's requests, S&P Global withdrew its commercial paper rating of Aegon N.V. on November 23, 2021 and Moody's Investors Service withdrew the commercial paper rating on Aegon N.V. on January 28, 2022.

Aegon Group Solvency Ratio

The Solvency II regulatory framework determines the regulatory capital requirements for EU-domiciled insurance and reinsurance entities. In Aegon's Non-EEA (European Economic Area) regions, (re)insurance entities domiciled in third-countries deemed either provisionally or fully equivalent (US life insurance entities, Bermuda, and Brazil), the capital requirement is based on local capital requirements. For more information about Solvency II and recent developments, please refer to section 'Regulation and supervision'.

As at December 31, 2021, the estimated Solvency II ratio of Aegon Group amounted to 211%, an increase of 15%-points since December 31, 2020. This was mainly due to the positive impact from operating capital generation, management actions including the longevity reinsurance for Aegon Levensverzekering N.V. (NL Life) in December 2021 and model and assumption changes - including an increased LAC-DT factor for NL Life. There was a partial offset from other one-time items, a slight negative impact from markets, external dividends and the impact of deleveraging. For more details, please refer to note 43 'Capital management and solvency' to Aegon's consolidated financial statements.

	December 31, 2021 ¹⁾	December 31, 2020
Group Own Funds	19,431	18,582
Group SCR	9,226	9,473
Group Solvency II ratio	211%	196%

¹⁾ The Solvency II ratios are estimates and are not final until filed with the respective supervisory authority.

Sensitivities

Aegon calculates sensitivities of its Solvency II ratios as part of its capital management framework. The following table provides an overview of the sensitivities (downward and upward) to certain parameters and their estimated impact on the Solvency II ratio. Please note that the sensitivities listed in the tables below represent sensitivities to Aegon's position at the balance sheet date. The sensitivities reflect single shocks – except for the US credit default shock which also includes assumed rating migration – where other elements remain unchanged. Real world market impacts (e.g. lower interest rates and declining

equity markets) may happen simultaneously, which can lead to more severe combined impacts and may not be equal to the sum of the individual sensitivities presented in the table. The Solvency II ratio sensitivities assume deferred tax asset (DTA) admissibility. Under certain adverse scenarios – in particular a severe equity market down shock – a loss of statutory surplus could lead to part of DTAs becoming inadmissible under the US RBC framework. While this would increase the sensitivity of the Solvency II ratio relative to the published sensitivities, the DTAs would still be recoverable over time.

Scenario	Group		Americas ¹⁾		NL Life		SE Plc	
	2021	2020	2021	2020	2021	2020	2021	2020
Equity markets (25%)	(8%)	(11%)	(24%)	(29%)	(2%)	(5%)	2%	(5%)
Equity markets +25%	2%	7%	14%	20%	(1%)	1%	(3%)	(1%)
Interest rates -50bps	(0%)	0%	1%	(3%)	7%	9%	(2%)	(1%)
Interest rates +50bps	(1%)	1%	0%	4%	(8%)	(8%)	1%	1%
Curve steepening +10bps	(2%)	n.a.	n.a.	n.a.	(7%)	n.a.	n.a.	n.a.
Govt spreads excl EIOPA VA -50bps	0%	3%	n.a.	n.a.	(3%)	3%	4%	5%
Govt spreads excl EIOPA VA +50bps	0%	(2%)	n.a.	n.a.	6%	(2%)	(4%)	(5%)
Non-govt spreads excl EIOPA VA ²⁾ -50bps	(1%)	0%	(3%)	(1%)	11%	9%	(9%)	(10%)
Non-govt spreads excl EIOPA VA ²⁾ +50bps	(1%)	0%	4%	1%	(11%)	(10%)	1%	6%
US Credit Defaults ³⁾ ~+200 bps	(17%)	(18%)	(38%)	(38%)	n.a.	n.a.	n.a.	n.a.
UFR -15bps	(2%)	(2%)	n.a.	n.a.	(6%)	(6%)	n.a.	n.a.
Longevity ⁴⁾ +5%	(5%)	(7%)	(8%)	(12%)	(8%)	(10%)	(2%)	(3%)
Mortgage spreads -50bps	2%	2%	n.a.	n.a.	6%	6%	n.a.	n.a.
Mortgage spreads +50bps	(2%)	(2%)	n.a.	n.a.	(6%)	(6%)	n.a.	n.a.
EIOPA VA -5bps	0%	0%	n.a.	n.a.	1%	(1%)	n.a.	n.a.
EIOPA VA +5bps	(0%)	0%	n.a.	n.a.	(1%)	1%	n.a.	n.a.

¹⁾ The sensitivities presented for Americas includes US regulated (life) companies, non-regulated holding companies and the employee pension plan. The sensitivities are presented on a Solvency II basis, after application of the conversion methodology to US regulated (life) companies.

²⁾ Non-government credit spreads include mortgage spreads.

³⁾ Additional 130 bps defaults for 1 year plus assumed rating migration.

⁴⁾ Reduction of annual mortality rates by 5%.

Equity Sensitivities

The Group is exposed to the risk of a fall in equity markets. This is mainly a consequence of indirect equity exposure in the Americas.

In the Americas, equity sensitivities are primarily driven by the variable annuity (VA) business, where base contract fees are charged as a percentage of underlying funds, many of which are equity based. While guaranteed benefits are fully hedged for equity risk, the indirect equity exposure associated with the base contract fees is not. The asymmetry between the impacts of up and down shocks is caused by reserve flooring in the variable annuity business. At market levels per year-end 2021, an equity down shock would result in reserves increasing. However, an equity up shock would not result in a similar release of reserves, as reserves are floored at the cash surrender value of the policies.

Interest Rates Sensitivities

The solvency ratio of the Group is not very sensitive to movements in interest rates given the asset liability management and hedging programs that are in place.

In the Americas, a decrease in interest rates leads to higher reserves for variable annuities and universal life products, which are offset by payoffs from interest rate hedging programs. This offset from hedging has increased in 2021 due to the expansion of the dynamic hedge program to all variable annuity contracts.

NL Life hedges interest rate exposure on an economic basis, which results in an over-hedged position on a Solvency II basis. This results in NL Life's solvency ratio being exposed to rising interest rates. In addition, the curve steepening scenario was added in 2021 to show the impact of a steepening of the interest rate curve at the longer end, given that NL Life hedges on an economic basis.

For SE Plc, exposure to lower interest rates leads to higher required capital on mortality, expense and policyholder lapse risks which is partly offset by gains on the swaps held in the general account.

Spread Sensitivities

The non-government spread sensitivities include shocks on mortgages, corporates bonds and structured instruments. For NL Life the spread sensitivities reflect an internal model feature that mitigates volatility caused by the basis risk between the EIOPA VA reference portfolio and NL Life's own asset portfolio.

Overall, the Group is exposed to the risk of widening credit spreads across non-government, government, and mortgage instruments, which result in lower asset valuations. The solvency ratio of the Americas is positively impacted by widening spreads, which results in a higher discount rate used for valuing employee

pension plan liabilities. For variable annuities, widening credit spreads also lead to lower liabilities, as - since the expansion of the dynamic hedge program in 2021 - an illiquidity premium is used in valuing the liabilities. There is a partial offset, again for variable annuities, from a lower value of separate account fixed income assets resulting in an addition to reserves reflecting a higher cost of guarantees.

The Group as a whole has little exposure to changes in government spreads. The exposure in the Americas is negligible, and there are offsetting risks in NL Life and SE Plc. The solvency ratio of NL Life is exposed to government spreads narrowing because the resulting increase of SCR outweighs the resulting lower Own Funds in terms of ratio impact. The solvency ratio of SE Plc is exposed to spread widening which would have a negative impact on the valuation of fixed income assets.

Exposure to government spread sensitivities is driven by NL Life and SE Plc. NL Life is exposed to spreads narrowing compared to spreads widening last year. This sign change is due to higher interest rates, the sale of sovereigns over the year, and the change in composition of the Solvency II ratio over the year (more Own Funds but materially lower SCR). SE Plc is exposed to spreads widening due to the reduction in the value of fixed income assets.

Group is exposed to mortgage spreads widening, due to exposure in NL Life, which has an adverse impact on the asset valuation. The Americas credit defaults sensitivity reflects the combined impact of credit defaults and adverse credit rating migrations on assets held in the general account portfolio.

Longevity Sensitivities

All main business units contribute to the Group risk that people will live longer than the expectations embedded in our provisions. The exposure has decreased since last year, driven by improved premium deficiency reserve sufficiency in the LTC business in the US, and additional longevity reinsurance that was implemented in NL Life.

Capital quality

Solvency II distinguishes between basic Own Funds and ancillary Own Funds. Aegon's total Own Funds are comprised of Tier 1, Tier 2 and Tier 3 basic Own Funds. Aegon does not currently have ancillary Own Funds. Tier 1 basic Own Funds are divided into unrestricted Tier 1 capital and restricted Tier 1 capital. The latter category contains Own Funds instruments subject to the restrictions of the Solvency II Delegated Regulation, which includes grandfathered Tier 1 Own Funds instruments. Based on agreements with its supervisory authorities, Aegon applies a fungibility and transferability restriction with respect to charitable trusts within the Americas. These restrictions, applied to Aegon's basic Own Funds, result in Aegon's Available Own Funds.

Available Own Funds

Unrestricted Tier 1 capital consists of Aegon's share capital, share premium and the reconciliation reserve. The reconciliation reserve includes deductions to account for foreseeable dividends that meet the IFRS definition of a liability or have been approved by the Board, but that have yet to be distributed to Aegon's shareholders, and restrictions related to Aegon's with-profits fund in the UK for which the excess of Own Funds over its capital requirement is ring-fenced for policyholders, and therefore unavailable to Aegon's shareholders.

Restricted Tier 1 capital consists of Aegon's junior perpetual capital securities, perpetual cumulative subordinated bonds, and perpetual contingent convertible securities. Aegon's Tier 2 capital consists of subordinated notes, which include Solvency II compliant notes and grandfathered dated notes. Aegon's Tier 3 capital under the Solvency II framework consists of Aegon's deferred tax asset position under Solvency II. For more details reference is made to note 43 'Capital management and solvency'.

The grandfathered restricted Tier 1 and Tier 2 capital instruments are grandfathered to count as capital under Solvency II for up to

10 years as of January 1, 2016. All call dates are listed in note 31 'Other equity instruments' and note 32 'Subordinated borrowings' to Aegon's consolidated financial statements.

Eligible Own Funds

Under Solvency II regulation, restrictions apply to the eligibility of restricted Tier 1, Tier 2 and Tier 3 capital. As a result, it is possible that part of the Own Funds overflows to another tier or that it is not considered eligible in determining the Group Solvency II ratio.

The table below shows the composition of Aegon's Available and Eligible Own Funds, taking into consideration tiering restrictions.

For more details on tiering restrictions, reference is made to note 43 'Capital management and solvency' to Aegon's consolidated financial statements.

The Available Own Funds are equal to the Eligible Own Funds per December 31, 2021. No overflow from restricted Tier 1 to Tier 2 Own Funds is applied per year end 2021 and 2020.

	December 31, 2021		December 31, 2020	
	Available Own Funds	Eligible Own Funds	Available Own Funds	Eligible Own Funds
Unrestricted Tier 1	14,044	14,044	12,972	12,972
Restricted Tier 1	2,364	2,364	2,571	2,571
Tier 2	2,348	2,348	2,340	2,340
Tier 3	675	675	700	700
Total Tiers	19,431	19,431	18,582	18,582

Regulation and supervision

Individually regulated Aegon companies are each subject to prudential supervision in their respective home countries and therefore are required to maintain a minimum solvency margin based on local requirements. In addition, the Group as a whole is subject to prudential requirements on a group basis, including capital, internal governance, risk management, reporting and disclosure requirements, pursuant to Solvency II and the Financial Conglomerates Directive.

Solvency II Introduction

The Solvency II framework imposes prudential requirements at group level as well as on the individual EU insurance companies in the Aegon Group. Insurance supervision is exercised by local supervisors on the individual insurance companies in the Aegon Group and, in addition, by the group supervisor at group level. The Dutch Central Bank (DNB) is Aegon's Solvency II group supervisor. Solvency II contains economic, risk-based capital requirements for insurance companies in all EU member states, as well as for groups with insurance and/or reinsurance activities in the EU. The Solvency II approach to prudential supervision can be described as a 'total balance sheet-approach,' and takes material risks to which insurance companies are exposed into account, as well as the interaction between risks.

The Solvency II framework is structured along three pillars. Pillar 1 comprises quantitative requirements (including technical provisions, valuation of assets and liabilities, solvency requirements and own fund requirements). Pillar 2 requirements include governance and risk management requirements, and requirements for effective supervision. Pillar 3 consists of disclosure and supervisory reporting requirements. These three pillars should not only be considered in isolation, but also in terms of how they interact with one another. More complex risks, for instance, require a stronger risk management and governance structure or could lead to higher capital requirements.

Pillar 1

Solvency II requires EU insurance companies to determine technical provisions at a value that corresponds with the present exit value of their insurance obligations towards policyholders and other beneficiaries of insurance and reinsurance contracts. The calculation of the technical provisions should be based on market consistent information where possible.

The value of the technical provisions is equal to the sum of a best estimate and a risk margin. The discount rate at which technical provisions are calculated and other parameters to determine the technical provisions may have an important effect on the amount of own funds (the excess of assets over liabilities) that insurance undertakings are required to maintain as well as volatility thereof. The Solvency II framework contains several

measures - in particular the volatility adjustment and matching adjustment - that should help to reduce volatility of the Solvency II balance sheet.

Insurers and reinsurers are required to hold eligible own funds in addition to the assets held to cover the technical provisions in order to ensure that they are able to meet their obligations over the next 12 months with a probability of at least 99.5% (i.e. the ability to withstand a 1-in-200-year event). The buffer that insurance companies are required to hold is the Solvency Capital Requirement (SCR). Insurance companies are allowed to: (a) use a standard formula to calculate their SCR; (b) use a self-developed internal model; for which the approval of the supervisory authorities is required; or (c) use a partial internal model (PIM); a combination of the standard formula and an internal model; also requires approval of the supervisory authorities. An internal model should better reflect the actual risk profile of the insurance company than the standard formula. Aegon, as a group, uses a PIM.

In addition to the SCR, insurance companies should also calculate a Minimum Capital Requirement (MCR). This represents a lower level of financial security than the SCR, below which the level of eligible own funds held by the insurance company is not allowed to drop. An irreparable breach of the MCR would lead to the withdrawal of an insurance company's license. Insurance companies are required to hold eligible own funds against the SCR and MCR. Own funds are divided into three tiers based on their quality. More details can be found in the Capital and Liquidity Management section.

Pillar 2

Under Pillar 2, insurance companies are required to set up and maintain an adequate and effective system of governance, which includes an appropriate internal organization, a risk governance system and an effective assessment of the risk and solvency position of the Company, including a prospective assessment of risks, through the Own Risk and Solvency Assessment (ORSA) process. In general, the system of governance should be proportionate to the nature, scale and complexity of the insurance company. A number of risks that insurance companies face can only be addressed through proper governance structures, rather than quantitative requirements. Management is ultimately responsible for the maintenance of an effective governance system. An example of such a risk, that has gained more prominence, is climate risk, which is addressed in the ORSA process.

The Supervisory Review Process (SRP), which is part of Pillar 2, allows supervisory authorities to supervise the ongoing compliance of undertakings with Solvency II requirements. Possible enforcement measures include: the imposition of capital

add-ons; the requirement to submit and execute a recovery plan; and ultimately, the revocation of an insurance license.

Pillar 3

Solvency II includes detailed reporting and disclosure requirements. These requirements include non-public supervisory reporting on a regular basis through regular supervisory reports (RSR), complemented by detailed quantitative reporting templates (QRTs) reported on a quarterly basis, which contain detailed financial data and are partly public.

In addition, it is a requirement to publish a Solvency and Financial Condition Report (SFCR) on an annual basis.

Group supervision

Many of the Solvency II requirements that apply to the individual insurance undertakings apply, with the necessary modifications, also at group level. These requirements include group solvency requirements, group reporting and disclosure requirements, and requirements regarding the system of governance, risk management and internal control framework at group level. Entities that are not subject to solo supervision under Solvency II (such as entities in other financial sectors, non-financial entities, and regulated and non-regulated entities in third countries) may be affected indirectly by the Solvency II group requirements. Entities in other financial sectors are, in most cases, taken into account in the group solvency calculation, applying the capital requirements of that specific financial sector and either by using the Deduction and Aggregation method or the Accounting Consolidation method, which is the default method under Solvency II.

The difference between these two methods primarily affects the extent to which diversification can be taken into account in the group capital requirements. Under the Accounting Consolidation method the group is essentially treated as one economic unit together with the Solvency II entities, whereas the Deduction and Aggregation method requires the group to aggregate entities, rather than to fully consolidate entities for the purpose of the group capital requirements. However, the level of diversification under the Accounting Consolidation method also depends on the type of entity.

Subject to certain conditions, entities in other financial sectors may be included in accordance with the Accounting Consolidation method. In particular, this may be the case when the group supervisor is satisfied as to the level of integrated management and internal control regarding these entities. This applies for example to Aegon Bank in the Netherlands. Furthermore, DNB may require groups to deduct any participation from the own funds eligible for the Group Solvency ratio.

As explained in Note 43 'Capital management and solvency' to Aegon's consolidated financial statements, Aegon uses a combination of the two aggregation methods defined

within the Solvency II framework to calculate the Group Solvency ratio.

For insurance entities domiciled outside the EEA for which provisional or full equivalence applies, such as the United States, Aegon uses the Deduction and Aggregation method, based on local regulatory requirements to translate these into the Group Solvency position. US insurance entities are included in Aegon's group solvency calculation in accordance with local US Risk-Based Capital (RBC) requirements. Aegon's current method is applied since July 1, 2017 and received approval from DNB. Details are included in Note 43 'Capital management and solvency' to Aegon's consolidated financial statements.

Aegon's UK insurance subsidiaries continue to be included in the Group Solvency II calculation in accordance with Solvency II standards, including Aegon's approved Partial Internal Model.

Solvency II group supervision is exercised by a combination of the supervisory authorities of the local insurance entities and the group supervisor. An important role in the cooperation between the supervisory authorities in the context of group supervision is played by the college of supervisors, in which the local and group supervisors are represented. This college is chaired by the group supervisor.

At international level, the International Association of Insurance Supervisors (IAIS) is developing a risk based global Insurance Capital Standard (ICS). The IAIS' ultimate goal, by a date yet to be determined, is a single ICS that includes a common methodology by which it achieves comparable outcomes across jurisdictions. Ongoing work is intended to lead to improved convergence over time on the key elements of the ICS towards this ultimate goal. According to the IAIS the key elements include valuation, capital resources and capital requirements. In 2019, the IAIS adopted ICS Version 2.0, which is being used during a five-year monitoring period for confidential reporting to group-wide supervisors and discussion in supervisory colleges, not as a formal capital requirement. From 2025 onwards, it is currently envisaged that local jurisdictions will formally enact the ICS, which is described as a minimum standard. In Europe, and consequently for Aegon, this may entail that ICS standards will be incorporated in the Solvency II framework.

Solvency II review

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

Sustainability and Solvency II

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

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

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

We refer to the non-financial information section of this Integrated Annual Report for a description of the changes to the disclosure requirements, applicable to Aegon N.V., relating to non-financial information, including sustainability-related disclosures.

Financial conglomerate supervision

Since 2009, Aegon has been subject to supplemental group supervision by DNB in accordance with the requirements of the EU's Financial Conglomerate Directive. This includes supplementary capital adequacy requirements for financial conglomerates and supplementary supervision on risk

concentrations and intra-group transactions in the financial conglomerate. Due to the introduction of the Solvency II group supervisory requirements – which include similar, and to a large extent overlapping – supplemental group supervision pursuant to the Financial Conglomerates Directive has become significantly less relevant.

Recovery and resolution and systemic risk G-SII designation, the Holistic Framework for the assessment and mitigation of systemic risk in the insurance sector, and ComFrame

In 2015, Aegon was designated by the Financial Stability Board (FSB) as a Global Systemically Important Insurer (G-SII), based on an assessment methodology developed by the International Association of Insurance Supervisors (IAIS). In 2019, in recognition of the fact that the Holistic Framework (see below) provides an enhanced approach to assessing and mitigating systemic risk in the global insurance sector, the FSB decided to suspend the identification of G-SIIs. In November 2022, the FSB is expected to review the need to either discontinue or re-establish an annual identification of G-SIIs.

Due to its G-SII status, Aegon was subject to an additional layer of direct supervision at the group level. In accordance with these requirements, Aegon submitted a liquidity risk management plan, a systemic risk management plan, and an ex-ante recovery plan to DNB and to the crisis management group (CMG) that was established. These requirements, which are included in the Holistic Framework, continue in practice. Aegon continues to update these plans on an annual basis. In addition, the Aegon Group's Resolution Authority (the Dutch Central Bank) is responsible for the development of Aegon's resolution plan.

In November 2019, the IAIS adopted the Holistic Framework for the assessment and mitigation of systemic risk in the insurance sector. Some of the provisions of the Holistic Framework are included in the IAIS Insurance Core Principles (that apply to all insurers), while others are included in ComFrame (the Common Framework for the Supervision of Internationally Active Insurance Groups, or IAIGs).

The Holistic Framework consists of an enhanced set of supervisory policy measures and powers of intervention, an annual IAIS global monitoring exercise, and an assessment of consistent implementation of supervisory measures. ComFrame establishes supervisory standards and guidance focusing on the effective group-wide supervision of IAIGs. ComFrame is a comprehensive and outcome-focused framework that provides supervisory minimum requirements tailored to the international activities and sizes of IAIGs. ComFrame builds on the Insurance Core Principles that are applicable to the supervision of all insurers. The provisions of both ComFrame and the Insurance Core Principles must be implemented in local legislation in order to have a binding effect.

Regardless of what happens to G-SII or G-SII designation, Aegon would still be subject to ComFrame and ICS, to the extent these would be implemented in local legislation. In Europe, the relevant international standards are expected to be implemented in the Solvency II Framework through the Solvency II Review. The European Commission's proposal to amend the Solvency II Directive includes a number of macro-prudential tools. The legislative proposal to introduce a European Insurance Recovery & Resolution Directive (IRRD), which is discussed briefly below, is expected to include IAIGs based in the European Union.

Recovery and resolution

Dutch Act on Recovery & Resolution for Insurers

On January 1, 2019, the Dutch Act on Recovery & Resolution for Insurers (R&R Act) came into force in the Netherlands, replacing the previously applicable intervention regime. The R&R Act has introduced a revised regulatory framework for recovery and resolution of Dutch insurance companies, and provides for a range of measures to be taken by these companies and the Dutch Central Bank, in order for these insurance companies to be prepared for recovery in circumstances where it no longer meets the required solvency requirements and for orderly resolution, in circumstances where it is failing or is likely to fail.

The R&R Act allows DNB to require a Dutch insurance company or a group in certain circumstances, to remove, ex-ante, impediments to effective resolution of a Dutch insurance undertaking, such as the revision of financing arrangements, the reduction of exposures, the transfer of assets, the termination or limitation of business activities, the prohibition of starting certain new business activities, changes to the legal or operational structure of the group, or the securing certain critical business lines.

The powers under the R&R Act may also extend to the level of the group and to entities, other than in insurance entities in the Netherlands, that are part of the group, such as Aegon N.V.. The powers include the transfer of the undertaking to a third party, the transfer to a bridge institution and the transfer of certain specific assets and/

or liabilities. In addition, a bail-in tool was introduced, that allows for the write-off or conversion of rights of creditors, including policyholders and beneficiaries, while respecting the principle that they should not be worse off through resolution, including the application of the bail-in tool, than they would be in ordinary insolvency proceedings.

As part of the Solvency II review, the European Commission has recently proposed to introduce a recovery and resolution regime at European level, based on minimum harmonization, which means that local regimes should meet minimum standards, set at European level. It is expected that the R&R Act already meets these minimum standards to a significant extent.

Bank Recovery and Resolution Directive

Furthermore, to parts of the Aegon Group, in particular Aegon Bank N.V., the framework of the EU Directive on the recovery and resolution of credit institutions and investments firms (the "Bank Recovery and Resolution Directive") is applicable. The Bank Recovery and Resolution Directive also contains provisions that, in certain specific circumstances, where both Aegon Bank N.V. and Aegon N.V. fail or are likely to fail, could be applied to mixed financial holding companies such as Aegon N.V., including the right of bail-in of creditors.

Intervention by the Dutch Minister of Finance

Lastly, under Part 6 of the Dutch Financial Supervision Act, the Dutch Minister of Finance may intervene immediately, when the stability of the financial system is threatened by the situation of a financial institution, in which case legal or statutory provisions, applicable to the financial institution, might be superseded. The intervention measures available to the Minister of Finance, include in particular the right to expropriate assets of the financial institution, as well as securities and/or other financial instruments issued by or with the cooperation of the financial institution. The exercise of this power may significantly impact the rights of the owners or holders of these assets, securities and/or financial instruments.

Code of Conduct

Aegon's Code of Conduct embodies the Company's values and helps ensure that all employees act ethically and responsibly and is available at aegon.com.

It prescribes a mandatory set of standards for how Aegon employees should conduct business, comply with all applicable laws and regulations, and exercise sound judgment in reaching ethical business decisions in the long-term interests of our stakeholders.

Aegon's Code of Conduct applies to all directors, officers and employees of all Aegon companies around the world (regardless of the contractual basis of their employment), including associate companies and joint ventures that are majority owned and/or controlled by Aegon N.V.. Companies in which Aegon does not hold a majority stake will be expected to either adopt the Aegon Code of Conduct or to implement an equivalent code.

All Aegon employees must certify that they have read and understood the Code of Conduct, and agree to abide by it. Employees are also required to follow mandatory training on a regular basis to help embed the principles of the Code in the way they work.

Aegon Speak Up: Reporting misconduct

Breaching laws and regulations, the Code of Conduct, or internal policies and procedures may have serious consequences for the Company and its staff, our customers, shareholders and business partners, and may also have serious impact on the financial system or the public interest. At Aegon, our ambition is to be a trusted long-term partner to all our stakeholders, and therefore, we would like to be made aware of any suspected unlawful, unethical or otherwise improper

conduct that could be harmful to the Company and its stakeholders. Effective detection and resolution of such conduct will help sustain our business and ensure long term value creation for all stakeholders.

Aegon has introduced Aegon Speak Up to demonstrate its commitment to staff and other stakeholders that it encourages escalation of any concerns regarding potential misconduct and will not tolerate reprisal for making a good faith report.

Aegon Speak Up provides a safe environment for anyone who wishes to raise a concern about suspected or observed misconduct that involves Aegon.

For this purpose, Aegon has contracted with an independent third party to host a secure reporting channel for employees and others to report potential misconduct. Reports can be submitted online or via toll-free telephone lines in all of the countries in which Aegon conducts business (24 hours a day, seven days a week). Reporters can choose to remain anonymous. If an issue is found upon investigation, appropriate management action is taken to resolve the issue and prevent it from happening again to the extent feasible.

It is important that reporters feel supported and protected by the company for bringing issues to the attention of management that may be harmful to the reputation and integrity of the Company, its employees, or other stakeholders. Aegon has established specific measures to provide support, and to address situations that present a risk of reprisal. Reporters who believe they have experienced retaliation are encouraged to immediately bring the issue to the attention of the Group Compliance Officer.

In control statement

Internal risk management and control systems

In accordance with best practice provision 1.4.3 of the 2016 Dutch Corporate Governance Code, the Executive Board of Aegon N.V. states that it is responsible for designing, implementing, and maintaining internal controls, including proper accounting records and other management information suitable for running the business on a going concern basis.

Aegon's internal audit function assists the Executive Board in maintaining effective controls by independently and objectively evaluating the adequacy and effectiveness of the organization's internal control and risk management systems. Criteria established under 'Internal Control - Integrated Framework', the Treadway Commission's Committee of Sponsoring Organizations (COSO, 2013 framework), are used by Aegon's internal audit function to analyze and make recommendations to the Executive Board concerning the effectiveness of the Company's internal control framework. Based on risk assessments performed, the Executive Board, under the supervision of the Supervisory Board and its Audit Committee, is responsible for determining the overall internal audit work and for monitoring the integrity of the financial statements of Aegon N.V..

In addition, the Executive Board is responsible for Aegon's enterprise risk management under the supervision of the Supervisory Board and its Risk Committee. Through oversight and framework setting, Aegon's risk management function ensures that the Group-wide risk profile is managed in line with Aegon's risk tolerances, and stakeholder expectations are managed both under normal business conditions and adverse conditions caused by unforeseen events. The Executive Board is informed in a timely manner of risks to the Company's economic/statutory solvency, reputation, reliability of financial reporting or operations.

The risk management function develops and monitors compliance with risk policies and risk frameworks. The risk management function also advises on risk-related matters including risk tolerance, risk governance, risk methodology and risk policies; supports and facilitates the development, maintenance and embedding of the ERM framework and sound practices; and monitors and challenges the implementation and effectiveness of ERM practices. Finally, both the Compliance function and the Operational & Model Risk Management function play key roles in monitoring the Company's adherence to external rules and regulations and internal policies.

In preparing the consolidated financial statements, Aegon's directors and management have adopted a going

concern basis on the reasonable assumption that the Company is and will be able to continue its normal course of business in the foreseeable future.

Relevant facts, circumstances and risks relating to the consolidated financial position on December 31, 2021, were assessed in order to reach the going concern assumption. The main areas assessed were financial performance, capital adequacy, financial flexibility, liquidity, and access to capital markets, together with the factors and risks likely to affect Aegon's future development, performance, and financial position. Commentary on these areas is set out in the 'Capital and liquidity management', 'Risk management', 'Results of operations' and 'Business Overview' sections in this Annual Report. Management concluded that the going concern assumption is appropriate on the basis of the financial performance of the Company, its continued ability to access capital markets, adequate solvency ratios, and the level of leverage and Cash Capital at Holding.

Aegon's risk management and control systems provide reasonable assurance for the reliability of financial reporting and the preparation and fair presentation of Aegon's published financial statements. They cannot, however, provide absolute assurance that a misstatement of Aegon's financial statements can be prevented or detected.

On the basis of the above, Aegon's Executive Board states the following with respect to risks to the Company's financial reporting:

- The report provides sufficient insights into any failings with regards to the effectiveness of the internal risk management and control systems;
- Aegon's risk management and control systems provide reasonable assurance that the Company's financial reporting does not contain any material inaccuracies;
- Based on the current state of affairs, it is justified that the financial reporting is prepared on a going concern basis; and
- The report states those material risks and uncertainties that are relevant to the expectation of the Company's continuity for the period of twelve months after the preparation of the report.

The statements in this section are not statements in accordance with the requirements of Section 404 of the US Sarbanes-Oxley Act.

Responsibilities for the financial statements and the Annual Report

The Executive Board is responsible for preparing the financial statements and the Annual Report in accordance with Dutch law and the International Financial Reporting Standards, as adopted by the European Union (EU-IFRS).

As required by section 5:25c of the Dutch Financial Supervision Act (Wet op het financieel toezicht (Wft)), the Executive Board confirms that, to the best of its knowledge:

- The Aegon N.V. financial statements have been prepared in accordance with applicable accounting standards and give a true and fair view of the assets, liabilities, financial condition and profit or loss of the Company and the undertakings included in the consolidation as a whole; and
- The report of the Executive Board gives a true and fair view of the position at the reporting date of the Company, the development and performance of the business during the financial year, and the undertakings included in the consolidation as a whole, together with a description of the principal risks and uncertainties that the Company faces.

Statement of materiality, significant audiences, and responsibility

Materiality: Every year, Aegon identifies its material topics. These are the topics that, Aegon believes, will have the most impact on its business in the years ahead, not only on our financial performance, but also its ability to continue creating long-term value for the societies in which Aegon operates. This report looks in detail at these topics, and at how Aegon, as a financial services company, is meeting the challenges and opportunities they represent for its business. Its material topics are also built into Aegon's annual strategy cycle.

Significant audiences: This report is intended first and foremost for investors. Aegon believes it is important that financial markets price in fully social, business and environmental risk. For this to happen, management must disclose these risks, and work to understand the connection between value creation and longer-term financial performance. Legislators are already moving in this direction, with the adoption of the EU Directive on Non-Financial Reporting and the publication of recommendations from the Financial Stability Board's Task Force on Climate-Related Financial Disclosures. Aegon is not only a financial services provider, it is also an investor. Consequently, this report also examines the efforts Aegon has made to embed social, environmental, and economic factors into its own investment decision-making.

Responsibility: Aegon's Executive Board bears ultimate responsibility for this report and its contents. This is Aegon's ninth integrated report – but the fourth time Aegon published a combined integrated and Annual Report. Aegon supports the IIRC and GRI in their push for more complete and relevant corporate reporting. Disclosure is only part of the story. For Aegon, integrated reporting is also about understanding both the financial and non-financial factors affecting its business, and using that understanding to drive better, more integrated decision-making.

The Hague, the Netherlands, March 16, 2022

The Executive Board of Aegon N.V.

Lard Friese, CEO

Matthew J. Rider, CFO



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Selected financial data

The financial results in this Annual Report are based on Aegon's consolidated financial statements, which have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS).

Application of the accounting policies in the preparation of the financial statements requires management to apply judgment involving assumptions and estimates concerning future results or other developments, including the likelihood, timing or amount of future transactions or events. There can be no assurance that actual results will not differ materially from those estimates. Accounting policies that are critical to the presentation of the financial statements and that require complex estimates or significant judgment are described in the notes to the financial statements.

A summary of historical financial data is provided in the table below. It is important to read this summary in conjunction with the consolidated financial statements and related notes (see pages 119-271) of this Annual Report.

Selected consolidated income statement information

In EUR millions (except per share amount)	2021	2020	2019	2018	2017
Amounts based upon EU-IFRS					
Premium income	15,444	16,099	18,138	19,316	22,826
Investment income	6,967	7,149	7,531	7,035	7,338
Total revenues	25,209	25,657	28,197	28,914	32,973
Result before tax	1,979	(84)	1,828	777	2,389
Net result	1,701	55	1,525	741	2,358
Earnings per common share					
Basic	0.78	-	0.70	0.31	1.08
Diluted	0.78	-	0.70	0.31	1.08
Earnings per common share B					
Basic	0.02	-	0.02	0.01	0.03
Diluted	0.02	-	0.02	0.01	0.03

Selected consolidated balance sheet information

In EUR millions	2021	2020	2019	2018	2017
Amounts based upon EU-IFRS					
Total assets	468,884	444,868	440,543	392,406	395,652
Insurance and investment contracts	400,104	370,286	371,014	329,974	323,759
Borrowings including subordinated and trust pass-through securities	11,980	10,735	11,650	13,583	14,532
Shareholders' equity	24,282	22,815	22,449	19,507	20,548

Number of common shares

In thousands	2021	2020	2019	2018	2017
Balance at January 1	2,098,114	2,105,139	2,095,648	2,095,648	2,074,549
Share issuance	-	-	-	-	-
Stock dividends	10,665	2,466	9,491	-	21,099
Shares withdrawn	(2,466)	(9,491)	-	-	-
Balance at end of period	2,106,313	2,098,114	2,105,139	2,095,648	2,095,648

Number of common shares B

In thousands	2021	2020	2019	2018	2017
Balance at January 1	571,795	585,022	585,022	585,022	585,022
Shares withdrawn	(2,956)	(13,227)	-	-	-
Balance at end of period	568,839	571,795	585,022	585,022	585,022

Dividends

Aegon declared interim and final dividends on common shares for the years 2017 through 2021, with the exception for the 2019 final dividend, in the amounts set forth in the following table. The 2021 interim dividend amounted to EUR 0.08 per common share and EUR 0.002 per common share B. The interim dividend was paid in cash or stock at the election of the shareholder. The interim dividend was payable as of September 17, 2021. At the General Meeting of Shareholders currently scheduled for May 31, 2022, the Executive Board will, in line with its earlier announcement and barring unforeseen circumstances, propose a final dividend of EUR 0.09 per common share (at each shareholders option in cash or in stock), and EUR 0.00225 per common share B, which has financial rights attached to it of 1/40th of a common share. This will bring the total dividend for 2021 to EUR 0.17 per common share and EUR 0.00425 per common share B. If the proposed dividend is approved by shareholders, this will be paid in cash or stock at the election of the shareholder. The value of the stock dividend will be approximately equal to the cash dividend. Dividends in US dollars are calculated based on the foreign exchange reference rate (WM/Reuters closing spot exchange rate fixed at 5.00 pm Central European Summer Time ('CEST')) on the US-ex dividend day.

Year	EUR per common share ¹⁾			USD per common share ¹⁾		
	Interim	Final	Total	Interim	Final	Total
2017	0.13	0.14	0.27	0.15	0.16	0.32
2018	0.14	0.15	0.29	0.16	0.17	0.33
2019	0.15	0.00 ²⁾	0.15	0.17	-	0.17
2020	0.06	0.06	0.12	0.07	0.07	0.14
2021	0.08	0.09 ³⁾	0.17	0.09		

¹⁾ Paid at each shareholders' option in cash or in stock.

²⁾ Aegon forewent the 2019 final dividend of EUR 0.16 to strengthen its balance sheet and improve its risk profile.

³⁾ Proposed.

Results of operations

This Integrated Annual Report includes the non-EU-IFRS financial measure operating result. The reconciliation of this measure to the most comparable EU-IFRS measure is presented in note 5 'Segment information' of the consolidated financial statements. This non-EU-IFRS measure is calculated by consolidating on a proportionate basis the revenues and expenses of Aegon's joint ventures in Brazil, China, India, the Netherlands, Portugal and Spain and Aegon's associates in France, the Netherlands and United Kingdom.

The information on the following tables also includes the non-EU-IFRS financial measure operating result after tax. This is the after-tax equivalent of operating result. The reconciliation of operating result to the most comparable EU-IFRS measure is presented in note 5 of the consolidated financial statements. Aegon believes that these non-EU-IFRS measures provides meaningful supplemental information about the operating results of Aegon's businesses, including insight into the financial measures that senior management uses in managing the businesses.

Aegon's senior management is compensated based in part on Aegon's results against targets using the non-EU-IFRS measures presented in this report. While many other insurers in Aegon's peer group present substantially similar non-EU-IFRS measures, the non-EU-IFRS measures presented in this document may nevertheless differ from the non-EU-IFRS measures presented by other insurers. There is no standardized meaning to these measures under EU-IFRS or any other recognized set of accounting standards and readers are cautioned to consider carefully the different ways in which Aegon and its peers present similar information before making a comparison. Aegon believes the non-EU-IFRS measures present within this report, when read together with Aegon's reported EU-IFRS financial statements, provide meaningful supplemental information for the investing public. This enables them to evaluate Aegon's businesses after eliminating the impact of current EU-IFRS accounting policies for financial instruments and insurance contracts, which embed a number of accounting policy alternatives that companies may select in presenting their results (as companies may use different local generally accepted accounting principles (GAAPs)), and this may make the comparability difficult between time periods.

For the discussion on our operating results for the year ended December 31, 2019, including certain comparative discussion on our operating results for the years ended December 31, 2019 and December 31, 2020, please refer to the section Results of operations on pages 128 to 150 in Aegon's 2020 Integrated Annual Report.

Results 2021 worldwide

Operating result geographically

Amounts in EUR millions	2021	2020	%
Operating result after tax	1,582	1,425	11
Tax on operating result	324	285	14
Operating result			
Americas	788	792	-
The Netherlands	755	665	13
United Kingdom	184	144	28
International	145	164	(12)
Asset Management	253	182	39
Holding and other activities	(219)	(237)	8
Operating result	1,906	1,710	11
Fair value items	432	(421)	n.m.
Realized gains / (losses) on investments	446	150	196
Net impairments	53	(237)	n.m.
Non-operating items	930	(508)	n.m.
Other income / (charges)	(780)	(1,239)	37
Result before tax (excluding income tax from certain proportionately consolidated joint ventures and associates)	2,056	(37)	n.m.
<i>Income tax from certain proportionately consolidated joint ventures and associates included in result before tax</i>	78	47	64
Income tax	(355)	92	n.m.
<i>Of which Income tax from certain proportionately consolidated joint ventures and associates included in result before tax</i>	(78)	(47)	(64)
Net result	1,701	55	n.m.
Operating expenses	3,775	3,852	(2)
of which addressable expenses	2,903	2,986	(3)

New life sales

Amounts in EUR millions	2021	2020	%
Americas	430	380	13
The Netherlands	74	92	(19)
United Kingdom	31	33	(7)
International	151	233	(35)
Total recurring plus 1/10 single	686	737	(7)

Amounts in EUR millions	2021	2020	%
New premium production accident and health insurance	170	180	(6)
New premium production property & casualty insurance	96	126	(23)

Gross deposits (on and off balance)

Amounts in EUR millions	2021	2020	%
Americas ²⁾	32,861	36,359	(10)
The Netherlands	19,902	16,399	21
United Kingdom	24,764	8,599	188
International	26	320	(92)
Asset Management ¹⁾	157,290	135,375	16
Total gross deposits²⁾	234,843	197,053	19

¹⁾ Includes deposits from Third-Party and Strategic Partnerships only.

²⁾ Retirement Plans deposits for previous reporting periods have been updated to correct for a double count of intra-plan transfers. Account balances have not been impacted, as there was an offset in the market attribution. The cumulative adjustment for 2020 amounted to EUR (1,461) for gross and net deposits and the equal and opposite amount for market impacts.

Net deposits (on and off balance)

Amounts in EUR millions	2021	2020	%
Americas ²⁾	(17,469)	(19,461)	10
The Netherlands	(273)	1,758	n.m.
United Kingdom	10,228	(3,587)	n.m.
International	3	155	(98)
Asset Management ¹⁾	12,885	5,912	118
Total net deposits / (outflows) ²⁾	5,374	(15,223)	n.m.

¹⁾ Includes deposits from Third-Party and Strategic Partnerships only.

²⁾ Retirement Plans deposits for previous reporting periods have been updated to correct for a double count of intra-plan transfers. Account balances have not been impacted, as there was an offset in the market attribution. The cumulative adjustment for 2020 amounted to EUR (1,461) for gross and net deposits and the equal and opposite amount for market impacts.

Worldwide revenues geographically 2021

Amounts in EUR millions	Americas	The Netherlands	United Kingdom	International	Asset Management	Holding and other activities	Segment total	Associates and Joint Ventures eliminations	Consolidated
Total life insurance gross premiums	7,108	1,323	4,613	1,181	-	-	14,225	(825)	13,400
Accident and health insurance premiums	1,273	254	3	179	-	-	1,709	(67)	1,643
Property & casualty insurance premiums	-	136	-	432	-	-	569	(168)	401
Total gross premiums	8,381	1,713	4,616	1,793	-	-	16,504	(1,060)	15,444
Investment income	2,910	2,088	1,691	360	12	(19)	7,042	(75)	6,967
Fee and commission income	1,920	300	223	59	800	(183)	3,120	(335)	2,785
Other revenue	11	-	-	2	2	12	27	(15)	13
Total revenues	13,222	4,101	6,531	2,215	814	(190)	26,693	(1,484)	25,209
Number of employees, including agent employees	7,675	3,534	2,476	6,590	1,675	321	22,271		

Worldwide revenues geographically 2020

Amounts in EUR millions	Americas	The Netherlands	United Kingdom	International	Asset Management	Holding and other activities	Segment total	Associates and Joint Ventures eliminations	Consolidated
Total life insurance gross premiums	7,105	1,619	4,833	1,095	-	1	14,654	(726)	13,929
Accident and health insurance premiums	1,380	245	25	193	-	-	1,844	(59)	1,784
General insurance premiums	-	130	-	388	-	-	519	(132)	386
Total gross premiums	8,485	1,994	4,858	1,677	-	1	17,016	(917)	16,099
Investment income	2,986	2,083	1,795	362	7	(20)	7,212	(63)	7,149
Fee and commission income	1,653	255	194	50	750	(189)	2,713	(308)	2,405
Other revenue	7	-	-	1	2	3	14	(10)	4
Total revenues	13,131	4,332	6,847	2,091	759	(204)	26,955	(1,298)	25,657
Number of employees, including agent employees	7,960	3,521	2,307	6,598	1,527	409	22,322		

Results 2021 worldwide

Aegon's net result increased by EUR 1,646 million compared with 2020 to EUR 1,701 million in 2021. This was mainly driven by better results on non-operating items and by lower Other charges when compared with 2020. Non-operating items in 2021 benefited mainly from real estate and private equity revaluations. Other charges were lower in 2021, mainly since 2020 included more adverse impact from assumption updates in the United States. An increase in Operating result contributed to the higher net result as well. Adverse claims experience in the US was more than offset by increased fees from higher equity markets, the positive contribution from business growth, and lower expenses driven by expense savings initiatives.

Net result

The 2021 net result amounted to EUR 1,701 million and was driven by the operating result of EUR 1,906 million. Non-operating items amounted to a gain of EUR 930 million in 2021, whereas a loss of EUR 508 was recorded in 2020. The improvement in Non-operating items in 2021 resulted mostly from positive fair value items and increased realized gains on investments, while 2020 reflected the adverse economic impact from the COVID-19 pandemic. Fair value items amounted to EUR 432 million in 2021 and were mainly driven by positive revaluations from real estate and private equity investments in the Americas. Realized gains on investments were EUR 448 million in 2021 and were primarily due to asset sales in the Americas, in part to fund investments in long-duration assets as part of the interest rate risk management plan. Net impairments – mainly related to the unsecured loan portfolio in the Netherlands – amounted to EUR 53 million in 2021. Other charges in 2021 amounted to EUR 780 million, compared with EUR 1,239 million in 2020. Other charges in 2021 were mainly driven by management actions to release capital and increase the predictability of capital generation from the US variable annuity business. The result before tax in 2021 amounted EUR 2,056 million. After the tax charge of EUR 355 million, the net result for 2021 amounted to EUR 1,701 million. The effective tax rate in 2021 was 17%, and reflects regular tax exempt income items and the use of tax credits.

Operating result

Aegon's operating result increased by 11% compared with 2020 to EUR 1,906 million in 2021. Adverse claims experience in the US was more than offset by increased fees from higher equity markets, the positive contribution from business growth and lower expenses driven by expense savings initiatives, leading to higher operating result in all other units, except International. This latter was driven by the reclassification of the 2021 result of Central & Eastern Europe from operating result to Other income following the announced divestment of the business.

- The Americas' operating result in 2021 decreased by 1% compared with 2020 to EUR 788 million as favorable morbidity experience in Long-Term Care and the impact of favorable market performance in Mutual Funds, Variable Annuities and Retirement Plans and lower expenses largely offset the impact of adverse mortality in the Life business and unfavorable currency movements.
- Operating result from the Netherlands increased by 13% compared with 2020 to EUR 755 million in 2021. The increase in the operating result reflects the benefits from expense savings, business growth and an improved investment margin in the Life segment.
- In the United Kingdom, the operating result rose by 28% compared with 2020 to EUR 184 million in 2021. The increase in operating result was mainly driven by higher fee revenues from the growth of the platform business and favorable equity markets, and provision releases along with lower expenses, which more than offset the impacts from the loss of earnings due to the sale of Stonebridge and the gradual run-off of the traditional product portfolio.
- The operating result from International decreased by 12% compared with 2020 to EUR 145 million in 2021. The decrease reflects the reclassification of the result of Aegon's businesses in Central & Eastern Europe from operating result to Other income, following the announced divestment of the business. Adjusted for this, International's operating results increased when compared with 2020, driven by higher results in Spain & Portugal, China and TLB. This reflects portfolio growth in Spain & Portugal and China, and favorable claims experience.
- The operating result from Asset Management increased by 39% compared with 2020 to EUR 253 million in 2021. This increase was mainly driven by higher management fees as a result of net deposits and favorable markets.
- The operating result for Holdings and other activities amounted to a loss of EUR 219 million in 2021 compared with a loss of EUR 237 million in 2020.

Operating expenses

Operating expenses decreased by 2% compared with 2020 to EUR 3.8 billion in 2021. This decrease primarily reflects a reduction in addressable expenses, which decreased by 3% compared with 2020 to EUR 2.9 billion. The reduction in addressable expense savings reflects the benefits from expense savings initiatives across the Group. All business units showed a reduction in addressable expenses compared with 2020, except for Asset Management. The latter was mainly driven by accruals of performance-related compensation.

Sales

Net deposits in 2021 amounted to EUR 5.4 billion, whereas in 2020 net outflows of EUR 15.2 billion were recorded. The improvement was due to the United Kingdom and Asset Management. In the United Kingdom, this was mainly driven by the Institutional business – which can be lumpy – while Retail and Workplace contributed positively as well. For Asset Management, this was mainly the result of net deposits from the Global Platforms, driven by net deposits in the fixed income platform. Net outflows in the Americas were mainly caused by Retirement Plans due to outflows in the low-margin Large-Market segment. Individual Solutions saw outflows from Variable and Fixed Annuities following product exits as these books mature. Net outflows in the Netherlands were driven by the Bank, and mainly resulted from Aegon's decision to stop offering savings products to non-fee-paying customers.

New life sales in 2021 decreased by 7% compared with 2020 to EUR 686 million. Higher new life sales in the United States, mainly driven by increased sales of whole life final expense and indexed universal life, were more than offset by lower new life sales in International and the Netherlands. The lower new life sales in International mainly reflect the exclusion of sales from Central & Eastern Europe as of 2021. In the Netherlands, the decrease follows from the decision to classify the Dutch Life business as a Financial Asset and to close most products for new sales.

New premium production for accident & health insurance decreased by 6% compared with 2020 to EUR 170 million in 2021. This was mainly due to the decision to exit the individual Medicare supplement segment in the United States and an unfavorable impact from currency movements, which more than offset higher long-term-care sales also in the United States. The latter resulted from a change in legislation in the state of Washington. Otherwise, the product remains closed for new business.

New premium production for property & casualty insurance amounted to EUR 96 million, which is a decrease of 26% compared with 2020. The decrease was mainly the result of the exclusion of sales from Central & Eastern Europe as of 2021. Adjusting for this impact, property & casualty sales increased compared with 2020 mainly due to higher sales in Spain & Portugal, driven by the introduction of a new household insurance product in the bancassurance channel.

Capital management

During 2021, shareholders' equity increased by EUR 1.5 billion to EUR 24.3 billion, driven by the net result of EUR 1.7 billion. Higher interest rates and their negative impact on the revaluation reserve were largely offset by the favorable impact of currency movements. Aegon's shareholders' equity, excluding revaluation reserves, non-controlling interests and share options not yet exercised amounted to EUR 18.1 billion on December 31, 2021, or EUR 8.71 per common share.

Gross financial leverage improved to EUR 5.9 billion on December 31, 2021, compared with EUR 6.0 billion on December 31, 2020. This reduction was primarily driven by the redemption of USD 250 million floating rate perpetual capital securities. There was a partial offset from the strengthening of the US dollar against the Euro in 2021.

Cash Capital at Holding increased from EUR 1.1 billion at the end of 2020 to EUR 1.3 billion at the end of 2021. Free cash flows amounted to EUR 729 million for 2021. These Free cash flows were used to reduce leverage and pay dividends to Aegon's shareholders. Capital injections amounted to EUR 125 million and more than offset EUR 66 million proceeds from divestments, notably Transamerica's portfolio of fintech and insurtech companies and Stonebridge in the United Kingdom.

As at December 31, 2021, Aegon's estimated Group Solvency II ratio amounted to 211%, an increase of 15%-points since December 31, 2020. This was mainly due to the positive impact from operating capital generation, management actions including the longevity reinsurance for Aegon Levensverzekering N.V. (NL Life) in December 2021 and model and assumption changes – including an increased LAC-DT factor for NL Life. There was a partial offset from other one-time items, a slight negative impact from markets, external dividends and the impact of deleveraging. For more details, please refer to Note 43.

Results 2021 Americas

	Amounts in USD millions			Amounts in EUR millions		
	2021	2020	%	2021	2020	%
Operating result after tax	845	824	3	714	721	(1)
Tax on operating result	88	80	9	74	70	5
Operating result						
Individual Solutions	668	639	5	565	560	1
Workplace Solutions	268	254	6	226	222	2
Brazil	(3)	11	n.m.	(3)	10	n.m.
Operating result	932	904	3	788	792	-
Fair value items	826	(511)	n.m.	698	(448)	n.m.
Realized gains / (losses) on investments	370	106	n.m.	313	93	n.m.
Net impairments	17	(166)	n.m.	15	(146)	n.m.
Non-operating items	1,213	(571)	n.m.	1,025	(500)	n.m.
Other income / (charges)	(789)	(1,267)	38	(667)	(1,110)	40
Result before tax (excluding income tax from certain proportionately consolidated joint ventures and associates)	1,357	(935)	n.m.	1,147	(819)	n.m.
<i>Income tax from certain proportionately consolidated joint ventures and associates included in result before tax</i>	-	5	(98)	-	5	(98)
Income tax	(162)	324	n.m.	(137)	284	n.m.
<i>Of which Income tax from certain proportionately consolidated joint ventures and associates included in result before tax</i>	-	(5)	98	-	(5)	98
Net result	1,195	(611)	n.m.	1,010	(535)	n.m.
Life insurance gross premiums	8,409	8,111	4	7,108	7,105	-
Accident and health insurance premiums	1,506	1,575	(4)	1,273	1,380	(8)
Total gross premiums	9,915	9,686	2	8,381	8,485	(1)
Investment income	3,442	3,408	1	2,910	2,986	(3)
Fee and commission income	2,272	1,887	20	1,920	1,653	16
Other revenues	13	8	60	11	7	54
Total revenues	15,643	14,990	4	13,222	13,131	1
Operating expenses	1,750	1,784	(2)	1,479	1,562	(5)
of which addressable expenses	1,541	1,557	(1)	1,303	1,364	(4)

New life sales

	Amounts in USD millions			Amounts in EUR millions		
	2021	2020	%	2021	2020	%
Individual Solutions	360	302	19	304	264	15
Workplace Solutions	57	56	1	48	49	(2)
Brazil	92	75	22	77	66	18
Total recurring plus 1/10 single	508	433	17	430	380	13

	Amounts in USD millions			Amounts in EUR millions		
	2021	2020	%	2021	2020	%
New premium production accident and health insurance	152	154	(1)	129	135	(5)

Gross deposits (on and off balance)

	Amounts in USD millions			Amounts in EUR millions		
	2021	2020	%	2021	2020	%
Individual Solutions	10,298	12,374	(17)	8,704	10,839	(20)
Workplace Solutions ¹⁾	28,154	28,954	(3)	23,797	25,363	(6)
Brazil	427	180	138	361	157	129
Total gross deposits¹⁾	38,878	41,508	(6)	32,861	36,359	(10)

¹⁾ Retirement Plans deposits for previous reporting periods have been updated to correct for a double count of intra-plan transfers. Account balances have not been impacted, as there was an offset in the market attribution. The cumulative adjustment for 2020 amounted to USD (1,668) / EUR (1,461) for gross and net deposits and the equal and opposite amount for market impacts.

Net deposits (on and off balance)

	Amounts in USD millions			Amounts in EUR millions		
	2021	2020	%	2021	2020	%
Individual Solutions	(7,709)	(3,184)	(142)	(6,516)	(2,789)	(134)
Workplace Solutions ¹⁾	(13,179)	(19,054)	31	(11,140)	(16,691)	33
Brazil	222	21	n.m.	187	18	n.m.
Total net deposits / (outflows)¹⁾	(20,667)	(22,217)	7	(17,469)	(19,461)	10

¹⁾ Retirement Plans deposits for previous reporting periods have been updated to correct for a double count of intra-plan transfers. Account balances have not been impacted, as there was an offset in the market attribution. The cumulative adjustment for 2020 amounted to USD (1,668) / EUR (1,461) for gross and net deposits and the equal and opposite amount for market impacts.

Exchange rates

Per 1 EUR	Weighted average rate		Closing rate as of	
	2021	2020	December 31, 2021	December 31, 2020
USD	1.1831	1.1416	1.1372	1.2236

Results 2021 Americas

Aegon's businesses in the Americas reported a net result of USD 1,195 million compared with a net loss of USD 611 million in 2020. The operating result increased by 3% compared with 2020 to USD 932 million in 2021, as favorable morbidity experience, the impact of favorable market performance on fee income, and lower expenses more than offset the impact of adverse mortality experience. A positive result of USD 1,213 million in non-operating items in 2021 was driven by fair value gains and realized gains on investments. This was partly offset by USD 789 million other charges, mainly driven by management actions to release capital and increase the predictability of capital generation from the US variable annuity business.

Net result

Aegon's businesses in the Americas reported a net result of USD 1,195 million in 2021 compared with a net loss of USD 611 million in 2020. The increase in net result was largely driven by higher operating result, a higher non-operating result, and lower other charges. The operating result in 2021 of USD 932 million increased by 3% compared with 2020. Non-operating items of USD 1,213 million were driven by fair value gains and realized gains on investments. This was partly offset by USD 789 million other charges, mainly driven by management actions to release capital and increase the predictability of capital generation from the US variable annuity business.

Results on fair value items amounted to a gain of USD 826 million in 2021, which was primarily related to the following items:

- Gains on fair value investments of USD 752 million, mainly driven by the outperformance of private equity and real estate.
- The result on fair value hedges with an accounting match – which includes the hedges of the variable annuities GMWB portfolio – amounted to a gain of USD 146 million caused by gains on unhedged risks.
- Hedges without an accounting match under IFRS resulted in a loss of USD 72 million. This was mainly driven by the macro hedge program net of reserve movements as a result of equity markets movements through the end of the third quarter of 2021, and losses on unhedged risks and unhedged volatility in indexed universal life. Starting in the fourth quarter of 2021, the dynamic hedge program was expanded to cover guaranteed minimum income benefit (GMIB) and guaranteed minimum death benefit (GMDB) riders, and the former macro hedge programs ended at the end of the third quarter 2021. Due to the accounting treatment for the GMIB and GMDB riders, the results related to the dynamic hedge on this block are reported as fair value hedges without accounting match.

Realized gains on investments were USD 370 million and were primarily due to asset sales, in part to fund investments in long-duration assets as part of the interest rate risk management plan. Net impairments amounted to a gain of USD 17 million, reflecting gross impairments of USD 22 million more than offset by recoveries.

Other charges of USD 789 million in 2021 were mainly driven by a charge for the expansion of the variable annuity dynamic hedge program as well as the execution of the lump-sum buy-out program for variable annuities with guaranteed minimum income benefit riders, charges from model and assumption changes, and investments in the operational improvement plan. The model and assumption changes were mainly driven by more conservative assumptions for variable annuities surrender rates to reflect portfolio and industry experience. These charges were partly offset by a one-time gain related to changes in the employee pension plan.

Operating result

The operating result in 2021 increased by 3% compared with 2020 to USD 932 million as favorable morbidity experience in Accident & Health and the impact of favorable market performance in Mutual Funds, Variable Annuities and Retirement Plans and lower expenses offset the impact of adverse mortality in the Life business.

The Individual Solutions operating result increased by 5% compared with 2020 to USD 668 million, which was driven by the following items:

- The operating result from Life resulted in a loss of USD 111 million in 2021 compared to an operating result of USD 3 million in 2020. The Life operating result was impacted by adverse mortality of USD 384 million, which was driven by larger claims at older ages in universal life products and elevated claims in universal life, traditional and term life products. USD 207 million of these claims can specifically be attributed to COVID-19 as direct cause of death, and Aegon believes much of the remaining adverse mortality experience is indirectly related to COVID-19.

- Accident & Health operating result of USD 356 million in 2021 compared with USD 305 million in 2020, mainly due to favorable morbidity experience of USD 209 million. Most of the favorable morbidity experience was related to the closed block of Long-Term Care insurance, where the actual to expected claim ratio amounted to 64% in 2021 compared to 79% in 2020. This was partly driven by the partial release of the incurred but not reported (IBNR) reserve in 2021 that had been set up in 2020, as new claims trended back to pre-pandemic levels over the course of 2021.
- The Mutual Funds operating result of USD 58 million in 2021 compared with USD 30 million in 2020 due to an increase in fees from favorable market performance and net deposits.
- The Variable Annuities operating result of USD 345 million in 2021 compared with USD 263 million in 2020, driven by higher fees as a result of favorable equity market performance, partly offset by net outflows.
- The Fixed Annuities operating result of USD 20 million in 2021 compared with USD 39 million in 2020, mainly due to the impact of lower interest rates on reinvestments and lower account balances.

Workplace Solutions operating result increased by 6% compared with 2020 to USD 268 million, which was driven by the following items:

- Life operating result of USD 13 million in 2021 compared with USD 23 million in 2020, reflecting adverse mortality experience of USD 24 million.
- Accident & Health operating result of USD 21 million in 2021 compared with USD 56 million in 2020, reflecting more normalized claims utilization driving morbidity claims to pre-pandemic levels.
- Retirement Plans operating result of USD 156 million in 2021 compared with USD 95 million in 2020, driven by higher investment income from transferring customer assets to higher yielding general account products, as well as higher fees driven by favorable market performance despite net outflows and continued margin pressure.
- Stable Value Solutions operating result of USD 77 million in 2021 compared with USD 80 million in 2020, due to the decrease in fee revenue from lower fee rates and notional balances.

The operating result from Brazil resulted in a loss of USD 3 million in 2021 compared with an operating result of USD 11 million in 2020, mainly due to increased COVID-19 claims.

Operating expenses

Operating expenses decreased by 2% compared with 2020 to USD 1.8 billion in 2021, reflecting a favorable one-time benefit from changes to the employee pension plan of USD 104 million, largely offset by higher restructuring expenses and one-time investments.

Addressable expenses decreased by 1% compared with 2020 to USD 1.5 billion in 2021, driven by expense savings initiatives and lower expenses for travel, marketing, and sales activities due to COVID-19 related restrictions and cancellations in the first half of 2021 partially offset by higher technology expenses and higher expenses related to performance-related compensation accruals.

Sales

Net outflows amounted to USD 20.7 billion in 2021 compared to net outflows of USD 22.2 billion in 2020. The net outflows in 2021 were mainly caused by Retirement Plans due to outflows in the low-margin Large-Market segment as well as participant withdrawals following favorable market performance in the Middle-Market segment. Variable Annuities and Fixed Annuities also saw outflows following product exits as these books mature.

New life sales increased by 17% to USD 508 million in 2021 compared with USD 433 million in 2020. Individual Solutions new life sales grew by 19% compared to 2020 to USD 360 million. This was mainly driven by increased sales of whole life final expense and indexed universal life, supported by the funeral planning benefit for eligible indexed universal life policyholders, which led to an increase in the average premium per policy especially for sales in the World Financial Group (WFG) distribution channel. Transamerica's market share within the WFG distribution channel expanded during 2021, and at the same time the WFG licensed agent salesforce grew by 6% versus 2020. New Accident & Health premium production declined by 1% compared to 2020 to USD 152 million. In Workplace Solutions, new Accident & Health premium production declined to USD 116 million in 2021 from USD 123 million in 2020. New Individual Solutions Accident & Health premium production increased to USD 36 million from USD 32 million reflecting higher individual long-term care sales in the state of Washington resulting from a change in legislation. Otherwise, the product remains closed.

Results 2021 The Netherlands

Amounts in EUR millions	2021	2020	%
Operating result after tax	573	495	16
Tax on operating result	181	170	7
Operating result			
Life	519	466	11
Mortgages	71	51	39
Bank	115	113	2
Workplace solutions	50	35	41
Operating result	755	665	13
Fair value items	(201)	50	n.m.
Realized gains / (losses) on investments	118	14	n.m.
Net impairments	40	(49)	n.m.
Non-operating items	(44)	15	n.m.
Other income / (charges)	(23)	78	n.m.
Result before tax (excluding income tax from certain proportionately consolidated joint ventures and associates)	688	758	(9)
<i>Income tax from certain proportionately consolidated joint ventures and associates included in result before tax</i>	-	-	n.m.
Income tax	(183)	(197)	7
<i>Of which Income tax from certain proportionately consolidated joint ventures and associates included in result before tax</i>	-	-	n.m.
Net result	505	561	(10)
Life insurance gross premiums	1,323	1,619	(18)
Accident and health insurance premiums	254	245	4
Property & casualty insurance	136	130	5
Total gross premiums	1,713	1,994	(14)
Investment income	2,088	2,083	-
Fee and commission income	300	255	18
Other revenues	-	-	n.m.
Total revenues	4,101	4,332	(5)
Operating expenses	729	763	(4)
of which addressable expenses	607	633	(4)

New Life Sales

Amounts in EUR millions	2021	2020	%
Life	74	92	(19)
Total recurring plus 1/10 single	74	92	(19)

Amounts in EUR millions	2021	2020	%
Mortgage origination	10,856	11,069	(2)
New premium production accident and health insurance	10	16	(37)
New premium production property & casualty insurance	20	15	40

Gross deposits (on and off balance)

Amounts in EUR millions	2021	2020	%
Bank	19,006	15,453	23
Workplace solutions	896	946	(5)
Total gross deposits	19,902	16,399	21

Net deposits (on and off balance)

Amounts in EUR millions	2021	2020	%
Bank	(1,012)	960	<i>n.m.</i>
Workplace solutions	739	798	(7)
Total net deposits	(273)	1,758	<i>n.m.</i>

Results 2021 The Netherlands

The net result for the Netherlands decreased by 10% compared with 2020 to EUR 505 million in 2021. This was primarily driven by negative non-operating items and Other charges in 2021, which more than offset an increase in the operating result. Non-operating items reflect the adverse impact from an increase in inflation expectations. Other charges in 2021, were in part driven by investments in the operational improvement plan. The increase in the operating result reflects the benefits from expense savings, business growth and an improved investment margin in the Life segment.

Net result

The net result from the Netherlands amounted to EUR 505 million in 2021, driven by an operating result of EUR 755 million. Non-operating items amounted to a loss of EUR 44 million in 2021, compared to a gain of EUR 15 million in 2020. In 2021, a EUR 201 million loss from fair value items, was largely offset by EUR 118 million realized gains and EUR 40 million net recoveries. The 2021 fair value items were driven by the adverse impact from an increase in inflation expectations. Realized gains on investments were driven by sales of sovereign bonds. Net recoveries mainly related to the Bank's unsecured loan portfolio. Other charges in 2021 amounted to EUR 33 million, and were driven by investments in the operational improvement plan, while the negative impact from model and assumption updates was offset by the release of a technical provision following a settlement related to a co-insurance contract. The result before tax in 2021 amounted to EUR 688 million. After the tax charge of EUR 183 million, the net result for 2021 amounted to EUR 505 million. The effective tax in 2021 was 27%.

Operating result

The operating result from Aegon's operations in the Netherlands increased by 13% compared with 2020 to EUR 755 million in 2021.

- The operating result from Life increased by 11% compared with 2020 to EUR 519 million in 2021. The increase was driven by a higher investment margin – in turn mainly driven by lower interest rate credited – and by the favorable impact from expense savings initiatives. There was a partial offset from less favorable claims experience.
- The operating result from Mortgages increased by 39% compared with 2020 to EUR 71 million in 2021, mainly due to higher fees resulting from business growth. Mortgages under administration increased by EUR 5 billion in 2021 to EUR 60 billion at December 31, 2021. Expense saving initiatives and higher revenues from customer pre-payment compensation also contributed favorably.
- The operating result from Banking rose by 2% compared with 2020 to EUR 115 million in 2021. Higher fee income from growth in the number of fee-paying customers at Knab and the favorable impact from expense savings initiatives were partly offset by a lower interest income. The latter was primarily due to a reduction of the unsecured loan portfolio.
- The operating result from Workplace Solutions increased by 42% to EUR 50 million in 2021. Improved results from the non-life business were the main driver, due to favorable claims experience in 2021 and reserve additions in 2020. This more than offset a decrease in revenue at TKP due to a large pension fund having left at the beginning of 2021.

Operating expenses

Operating expenses in 2021 decreased by 4% to EUR 729 million compared with 2020, mainly as a result of lower addressable expenses.

Addressable expenses went down from EUR 633 million in 2020 to EUR 607 million in 2021. This was driven by expense savings initiatives, which led to lower employee expenses, lower IT costs and lower costs of outsourced services. In addition, there was a benefit from lower pension cost for own employees driven by lower interest rates.

Sales

Workplace Solutions net deposits decreased by 7% compared to 2020 to EUR 739 million in 2021, driven by a large contract win in 2020 year that did not reoccur in 2021. Net deposits continued to be positive due to continued demand for defined contribution products (PPI).

Net outflows for the Bank amounted to EUR 1.0 billion in 2021, while 2020 had positive net deposits of EUR 1.0 billion. The growth in net deposits from new fee-paying Knab customers was more than offset by gross outflows mainly stemming from Aegon's decision to stop offering savings products to non-fee-paying customers. Due to low market interest rates, Aegon could not offer these savings

products to its customers in a profitable way. These customers were offered the opportunity to either transfer their funds to another bank or transfer their funds to a fee-based Knab account.

Mortgage origination decreased by 2% compared to 2020 to EUR 10.9 billion in 2021, of which EUR 6.9 billion was for third-party investors. Third-party investors pay Aegon a fee for originating and servicing these mortgages. The decrease in 2021 when compared to 2020 is driven by lower mortgage spreads in combination with Aegon's focus on maintaining attractive margins.

New premium production for accident & health insurance amounted to EUR 10 million in 2021, a decrease of EUR 6 million compared to 2020. This decrease was mostly due to lower production within the group disability segment, reflecting lower commercial activity in the market compared to 2020. New premium production for property & casualty insurance increased by 40% to EUR 20 million, driven by good commercial momentum, in particular in the Motor segment.

New life sales decreased by 19% to EUR 74 million, as expected, following the decision to classify the Dutch Life business as a Financial Asset and to close most products for new sales. The remaining sales were mostly from direct annuities, which are linked to Aegon's defined contribution business and remain a core product.

Results 2021 United Kingdom

	Amounts in GBP millions			Amounts in EUR millions		
	2021	2020	%	2021	2020	%
Operating result after tax	143	126	14	166	142	17
Tax on operating result	15	2	n.m.	17	2	n.m.
Operating result	158	128	24	184	144	28
Fair value items	(53)	(2)	n.m.	(62)	(2)	n.m.
Realized gains / (losses) on investments	9	-	n.m.	10	-	n.m.
Non-operating items	(44)	(1)	n.m.	(51)	(1)	n.m.
Other income / (charges)	1	(61)	n.m.	1	(68)	n.m.
Result before tax (excluding income tax from certain proportionately consolidated joint ventures and associates)	115	66	74	134	74	80
<i>Income tax from certain proportionately consolidated joint ventures and associates included in result before tax</i>	-	-	n.m.	-	-	n.m.
Income tax	(10)	(6)	(62)	(12)	(7)	(68)
<i>Of which Income tax from certain proportionately consolidated joint ventures and associates included in result before tax</i>	-	-	n.m.	-	-	n.m.
Net result	104	60	75	122	67	81
Life insurance gross premiums	3,966	4,298	(8)	4,613	4,833	(5)
Accident and health insurance premiums	3	23	(88)	3	25	(87)
Total gross premiums	3,969	4,320	(8)	4,616	4,858	(5)
Investment income	1,454	1,596	(9)	1,691	1,795	(6)
Fee and commission income	192	172	11	223	194	15
Total revenues	5,615	6,089	(8)	6,531	6,847	(5)
Operating expenses	386	406	(5)	448	631	(29)
of which addressable expenses	335	341	(2)	390	456	(15)

New life sales

	Amounts in GBP millions			Amounts in EUR millions		
	2021	2020	%	2021	2020	%
Total recurring plus 1/10 single	27	30	(10)	31	33	(7)

Gross deposits (on and off balance)

	Amounts in GBP millions			Amounts in EUR millions		
	2021	2020	%	2021	2020	%
Total gross deposits	21,292	7,646	178	24,764	8,599	188

Net deposits (on and off balance)

	Amounts in GBP millions			Amounts in EUR millions		
	2021	2020	%	2021	2020	%
Retail	(210)	(1,095)	81	(244)	(1,232)	80
Workplace solutions	1,493	1,104	35	1,736	1,242	40
Institutional	8,754	(2,548)	n.m.	10,181	(2,865)	n.m.
Traditional products	(1,246)	(651)	(91)	(1,449)	(732)	(98)
Total net deposits	8,792	(3,190)	n.m.	10,228	(3,587)	n.m.

Exchange rates

	Weighted average rate		Closing rate as of	
	2021	2020	December 31, 2021	December 31, 2020
Per 1 EUR				
Pound Sterling	0.8598	0.8892	0.8396	0.8951

Results 2021 United Kingdom

The net result for the United Kingdom increased by 75% compared to 2020 to GBP 104 million in 2021. The improvement was driven by a higher operating result and the non-recurrence of Other charges that impacted the 2020 result. The operating result in 2021 amounted to GBP 158 million, which is an increase of GBP 24 million compared with 2020 driven by higher fee revenues from favorable equity markets, and lower expenses.

Net result

The net result for the United Kingdom in 2021 amounted to GBP 104 million, as the operating result was partially offset by fair value losses. The operating result rose by 24% compared with 2020 to GBP 158 million in 2021. Fair value items amounted to a loss of GBP 53 million and included fair value losses on hedges to protect the solvency position, and were driven by higher interest rates, higher equity markets and higher inflation. Gains on investments of GBP 9 million resulted from the sale of bonds. Other income amounted to GBP 1 million, as investments related to the performance improvement plan were more than offset by income related to policyholder taxes, which were fully offset by higher income taxes. The result before tax in 2021 amounted to GBP 115 million and the income tax amounted to GBP 10 million. The latter includes a charge related to the aforementioned policyholder taxes.

Operating result

The operating result rose by 24% compared with 2020 to GBP 158 million in 2021. The increase in operating result was mainly driven by higher fee revenues from the growth of the platform business and favorable equity markets, and provision releases along with lower expenses, which more than offset the impacts from the loss of earnings due to the sale of Stonebridge and the gradual run-off of the traditional product portfolio.

Operating expenses

Operating expenses amounted to GBP 386 million in 2021, which was a decrease of 5% compared with 2020. This decrease was driven by both lower restructuring expenses and expense savings. Addressable expenses amounted to GBP 335 million in 2021, which was a decrease of 2% compared with 2020. This decrease was driven by expense initiatives, which led to lower cost for contractors, external advisors and IT platforms, partially offset by higher employee expenses as more permanent staff were hired to facilitate growth.

Sales

Gross deposits increased by 178% compared with 2020 to GBP 21.3 billion in 2021. Net deposits amounted to GBP 8.8 billion compared with net outflows of GBP 3.2 billion in 2020. Net deposits were driven by GBP 8.8 billion net deposits on the Institutional business as well as GBP 1.5 billion net deposits on the Workplace platform. For the Retail platform GBP 210 million net outflows were recorded in 2021, an improvement compared with the GBP 1.1 billion net outflows in 2020. The improved net deposits on the Workplace and Retail segments of the platform reflect stronger investor sentiment, as well as the benefits from investments in the business. New life sales decreased by 10% compared with 2020 to GBP 27 million in 2021, reflecting the impact on protection sales as a result of the COVID-19 pandemic.

Results 2021 International

Amounts in EUR millions	2021	2020	%
Operating result after tax	112	132	(15)
Tax on operating result	33	33	1
Operating result			
Spain & Portugal	75	53	41
China	24	18	38
TLB	77	57	34
Other	(31)	36	n.m.
Operating result	145	164	(12)
Fair value items	(18)	(7)	(142)
Realized gains / (losses) on investments	2	46	(96)
Net impairments	1	(16)	n.m.
Non-operating items	(15)	22	n.m.
Other income / (charges)	65	(1)	n.m.
Result before tax (excluding income tax from certain proportionately consolidated joint ventures and associates)	195	186	5
<i>Income tax from certain proportionately consolidated joint ventures and associates included in result before tax</i>	20	3	n.m.
Income tax	(36)	(22)	(68)
<i>Of which Income tax from certain proportionately consolidated joint ventures and associates included in result before tax</i>	(20)	(3)	n.m.
Net result	159	164	(3)
Life insurance gross premiums	1,181	1,095	8
Accident and health insurance premiums	179	193	(7)
Property & casualty insurance premiums	432	388	11
Total gross premiums	1,793	1,677	7
Investment income	360	362	-
Fee and commission income	59	50	18
Other revenues	2	1	68
Total revenues	2,215	2,091	6
Operating expenses	386	400	(3)
of which addressable expenses	113	115	(2)

New life sales

Amounts in EUR millions	2021	2020	%
Spain & Portugal	48	43	11
China	90	97	(7)
TLB	11	8	34
Other	2	84	(97)
Total recurring plus 1/10 single	151	233	(35)

Amounts in EUR millions	2021	2020	%
New premium production accident and health insurance	31	29	6
New premium production property & casualty insurance	76	111	(32)

Gross deposits (on and off balance)

Amounts in EUR millions	2021	2020	%
Spain & Portugal	15	15	4
China	10	9	14
Other	-	296	<i>n.m.</i>
Total gross deposits	26	320	(92)

Net deposits (on and off balance)

Amounts in EUR millions	2021	2020	%
Spain & Portugal	-	3	(89)
China	3	3	(17)
Other	-	148	<i>n.m.</i>
Total net deposits	3	155	(98)

Exchange rates

Per 1 EUR	Weighted average rate		Closing rate as of	
	2021	2020	December 31, 2021	December 31, 2020
USD	1.1831	1.1416	1.1372	1.2236
Chinese Yuan Renminbi	7.6313	7.8726	7.2478	8.0018
Czech Koruna	25.6418	26.4557	24.8500	26.2620
Hungarian Florint	358.4993	351.1554	368.5650	362.6850
Polish Zloty	4.5641	4.4433	4.5834	4.5589
Romanian Leu	4.9211	4.8370	4.9488	4.8675
Turkish Lira	10.4938	8.0394	15.1017	9.0940
Ukrainian Hryvnia	32.2848	30.8293	31.0257	34.6693

Results 2021 International

The net result from International decreased by 3% compared with 2020 to EUR 159 million in 2021, as a result of a tax benefit in 2020 that did not reoccur. The result before tax increased compared with 2020, as a higher operating result from Spain & Portugal, China and Aegon's high-net-worth business, TLB, more than offset a loss from non-operating items.

Net result

The net result from International decreased by 3% compared with 2020 to EUR 159 million in 2021. A decrease in operating result and non-operating items was partly offset by an increase in other income for 2021 compared with 2020. The operating result decreased by 12% compared with 2020 to EUR 145 million in 2021 as a result of the reclassification of the result of Aegon's businesses in Central & Eastern Europe from operating result to Other income, following the announced divestment of the business. Adjusting for this impact, the operating result increased compared with 2020, as a result of higher operating result from Spain & Portugal, China and Aegon's high-net-worth business, TLB. The loss from non-operating items of EUR 15 million in 2021 was driven by a fair value loss as a result of the revaluation of an earn-out obligation in Central & Eastern Europe. Other income amounted to EUR 65 million in 2021, and consisted predominantly of the result from Aegon's businesses in Central & Eastern Europe. Income tax in 2021 was EUR 36 million, compared with EUR 22 million in 2020, which included a one-time tax benefit.

Operating result

Operating result from International decreased by 12% compared with 2020 to EUR 145 million in 2021. The decrease reflects the reclassification of the result of Aegon's businesses in Central & Eastern Europe from operating result to Other income, following the announced divestment of the business. This was partly offset by higher results in Spain & Portugal, China and TLB.

- Operating result from Spain & Portugal was EUR 75 million, 41% higher compared with 2020. This was mainly driven by portfolio growth and favorable claims experience.
- Operating result from China increased by 38% compared with 2020 to EUR 24 million in 2021 largely reflecting a growing portfolio.
- TLB, the high-net-worth business, recorded operating result of EUR 77 million, an increase of EUR 20 million compared with 2020. This was mainly driven by an improved investment margin, reflecting a lowering of the crediting rate with the aim to offset lower reinvestment yields and favorable claims experience. In addition, expense savings initiatives led to a decrease in expenses.
- For the Others segment, the result decreased to a loss of EUR 31 million, an EUR 67 million decrease compared with 2020. This was largely due to the reclassification of the result of Central & Eastern Europe from operating result to Other income. This was partly offset by reduced regional expenses.

Operating expenses

Operating expenses decreased by 3% compared with 2020 to EUR 386 million in 2021. This largely reflects lower restructuring expenses, lower sales expenses in China, and expense savings in Central & Eastern Europe.

Addressable expenses decreased by 2% compared with 2020 to EUR 113 million in 2021. This was driven by expense savings initiatives across the businesses.

Sales

Net deposits decreased by EUR 152 million compared with 2020 to EUR 3 million in 2021, mainly reflecting the exclusion of net deposits from Central & Eastern Europe as of 2021.

Total new life sales declined by 35% compared with 2020 to EUR 151 million in 2021, mainly reflecting the exclusion of sales from Central & Eastern Europe as of 2021.

- New life sales from the China joint venture decreased by EUR 7 million to EUR 90 million in 2021 reflecting industry-wide lower demand for critical illness products.
- For TLB, new life sales increased by EUR 3 million to EUR 11 million in 2021 driven by higher Index Universal Life sales following the launch of new, capital-light products.
- Spain & Portugal increased by EUR 5 million to EUR 48 million in 2021 mainly due to sales growth in the bancassurance channel.
- In the Other segment, new life sales decreased by EUR 82 million to EUR 2 million, largely reflecting the exclusion of sales from Central & Eastern Europe as of 2021, following the announced divestment of the business.



New premium production for accident and health insurance increased by 6% compared with 2020 to EUR 31 million in 2021. Higher sales in Spain & Portugal following the launch of new products were partly offset by the exclusion of sales from Central & Eastern Europe. New premium production for property & casualty insurance decreased by 32% compared with 2020 to EUR 76 million in 2021, largely reflecting the exclusion of sales from Central & Eastern Europe as of 2021, following the announced divestment of the business. This was partly offset by higher sales in Spain & Portugal, which were driven by the introduction of a new household insurance product in the bancassurance channel.

Results 2021 Asset Management

Amounts in EUR millions	2021	2020	%
Operating result	181	130	39
Tax on operating result	72	51	40
Operating result			
Global Platforms	54	46	17
Strategic Partnerships	199	136	47
Operating result	253	182	39
Fair value items	(1)	22	n.m.
Realized gains / (losses) on investments	2	1	148
Net impairments	(1)	(1)	53
Non-operating items	-	22	(99)
Other income / (charges)	(18)	(8)	(123)
Result before tax (excluding income tax from certain proportionately consolidated joint ventures and associates)	235	195	21
<i>Income tax from certain proportionately consolidated joint ventures and associates included in result before tax</i>	(57)	40	n.m.
Income tax	(65)	(44)	(47)
<i>Of which Income tax from certain proportionately consolidated joint ventures and associates included in result before tax</i>	57	(40)	n.m.
Net result	170	151	13
Management fees	602	506	19
Performance fees	112	105	7
Other	75	65	16
Total revenues	788	676	17
Operating expenses	552	485	14
of which addressable expenses	371	359	3
Operating Margin - Global Platforms only	12.6%	10.9%	

Gross deposits (on and off balance)

Amounts in EUR millions	2021	2020	%
Global Platforms	52,845	51,950	2
Strategic Partnerships	131,204	115,544	14
Total gross deposits	184,049	167,494	10

Exchange rates

Per 1 EUR	Weighted average rate		Closing rate as of	
	2021	2020	December 31, 2021	December 31, 2020
USD	1.1831	1.1416	1.1372	1.2236
Pound Sterling	0.8598	0.8892	0.8396	0.8951
Hungarian Florint	358.4993	351.1554	368.5650	362.6850
Chinese Yuan Renminbi	7.6313	7.8726	7.2478	8.0018

Results 2021 Asset Management

The net result from Asset Management increased by 13% compared with 2020 to EUR 170 million in 2021. This was driven by an increased operating result mainly as a result of higher management fees from net deposits and favorable markets. Asset Management achieved positive third-party net deposits for the tenth consecutive year, supported by continued third-party net deposits from Strategic Partnerships.

Net result

The net result from Asset Management increased by 13% compared with 2020 to EUR 170 million in 2021. This was driven by higher operating result in 2021.

Operating result

The operating result from Asset Management increased by 39% compared with 2020 to EUR 253 million in 2021. This increase was mainly driven by higher management fees as a result of net deposits and favorable markets.

- The operating result from Strategic Partnerships increased to EUR 199 million in 2021 compared with EUR 136 million in 2020. This was mainly driven by higher management fees as a result of net deposits and favorable markets in AIFMC in 2021. Performance fees net of performance-based compensation were EUR 73 million.
- The operating result from Global Platforms increased from EUR 46 million in 2020 to EUR 54 million in 2021. This was driven by higher management fees, mainly in the fixed income platform, as a result of third-party net deposits and favorable markets. This more than offset higher expenses driven by accruals of performance-related compensation.

Operating expenses

Operating expenses increased by 14% compared with 2020 to EUR 552 million in 2021. The increase is mainly caused by higher performance-based compensation in AIFMC, and higher expenses driven by AIFMC's business growth. For Global Platforms, expenses increased driven by investments related to the operational improvement plan and higher accruals for performance-related compensation. The operating margin in 2021 increased by 2% compared with 2020 supported by higher revenues as a result of net deposits and favorable markets.

Addressable expenses increased by 3% compared with 2020 to EUR 371 million in 2021. This increase was mainly driven by accruals of performance-related compensation and unfavorable currency movements. This was partly offset by lower administration expenses as a result of performance improvement initiatives.

Sales

Third-party gross deposits increased by EUR 22 billion or 16% compared with 2020 to EUR 157 billion in 2021. This increase resulted from higher gross deposits in Strategic Partnerships, which increased by EUR 16 billion compared with 2020 to EUR 131 billion in 2021. This was driven by new fund launches at AIFMC in 2021, and gross deposits into existing AIFMC funds. Global Platforms recorded gross deposits of EUR 26 billion in 2021, which was an increase of EUR 6 billion compared with 2020, mainly due to the fixed income platform.

2021 was the tenth consecutive full year of positive third-party net deposits for Asset Management. Third-party net deposits more than doubled compared with 2020 to EUR 12.9 billion in 2021. Third-party net deposits from Global Platforms increased by EUR 4.5 billion compared with 2020, mainly driven by net deposits in the fixed income platform. Third-party net deposits from Strategic Partnerships increased by EUR 2.5 billion compared with 2020 driven by net deposits in AIFMC.

Assets under management

Assets under management increased by 6% compared with 2020 to EUR 410 billion in 2021. This was mainly attributable to third-party net deposits and favorable market movements.

Exchange rates

Exchange rates at December 31,

		2021			2020			2019		
		EUR	USD	GBP	EUR	USD	GBP	EUR	USD	GBP
1	EUR	-	1.1372	0.8396	-	1.2236	0.8951	-	1.1225	0.8473
1	USD	0.8794	-	0.7383	0.8173	-	0.7315	0.8909	-	0.7548
1	GBP	1.1910	1.3545	-	1.1172	1.3670	-	1.1802	1.3248	-

Weighted average exchange rates

		2021			2020			2019		
		EUR	USD	GBP	EUR	USD	GBP	EUR	USD	GBP
1	EUR	-	1.1831	0.8598	-	1.1416	0.8892	-	1.1197	0.8770
1	USD	0.8452	-	0.7267	0.8760	-	0.7789	0.8931	-	0.7832
1	GBP	1.1631	1.3760	-	1.1246	1.2839	-	1.1403	1.2767	-

Consolidated income statement of Aegon N.V.

For the year ended December 31

Amounts in EUR millions (except per share data)	Note	2021	2020	2019
Premium income	6	15,444	16,099	18,138
Investment income	7	6,967	7,149	7,531
Fee and commission income	8	2,785	2,405	2,523
Other revenues		13	4	6
Total revenues		25,209	25,657	28,197
Income from reinsurance ceded	9	4,289	3,965	3,586
Results from financial transactions	10	23,848	21,677	35,761
Other income	11	77	68	200
Total income		53,423	51,367	67,745
Premiums paid to reinsurers	6	3,518	2,703	2,434
Policyholder claims and benefits	12	41,852	42,006	56,856
Profit sharing and rebates	13	14	8	17
Commissions and expenses	14	5,984	5,983	6,153
Impairment charges / (reversals)	15	15	391	169
Interest charges and related fees	16	335	505	513
Other charges	17	104	150	1
Total charges		51,822	51,746	66,142
Result before share in profit / (loss) of joint ventures, associates and tax		1,602	(379)	1,603
Share in profit / (loss) of joint ventures	25	265	184	214
Share in profit / (loss) of associates	25	112	111	12
Result before tax		1,979	(84)	1,828
Income tax (expense) / benefit	18	(278)	139	(303)
Net result		1,701	55	1,525
Net result attributable to:				
Owners of Aegon N.V.		1,651	45	1,524
Non-controlling interests		50	11	-
Earnings per share (EUR per share)	19			
Basic earnings per common share		0.78	-	0.70
Basic earnings per common share B		0.02	-	0.02
Diluted earnings per common share		0.78	-	0.70
Diluted earnings per common share B		0.02	-	0.02

Consolidated statement of comprehensive income of Aegon N.V.

For the year ended December 31

Amounts in EUR millions	2021	2020 ¹⁾	2019
Net result	1,701	55	1,525
Items that will not be reclassified to profit or loss:			
Changes in revaluation reserve real estate held for own use	(4)	20	(4)
Remeasurements of defined benefit plans	501	(360)	(612)
Income tax relating to items that will not be reclassified	(101)	138	92
Items that may be reclassified subsequently to profit or loss:			
Gains / (losses) on revaluation of available-for-sale investments	(1,173)	2,990	3,477
(Gains) / losses transferred to income statement on disposal and impairment of available-for-sale investments	(450)	13	(412)
Changes in cash flow hedging reserve	(228)	(247)	(8)
Movement in foreign currency translation and net foreign investment hedging reserves	1,240	(1,493)	314
Equity movements of joint ventures	25	12	8
Equity movements of associates	(6)	7	4
Disposal of group assets	8	(8)	(1)
Income tax relating to items that may be reclassified	372	(616)	(634)
Other	16	3	13
Total other comprehensive income / (loss)	200	458	2,237
Total comprehensive income / (loss)	1,901	513	3,762
Total comprehensive income/ (loss) attributable to:			
Owners of Aegon N.V.	1,840	507	3,763
Non-controlling interests	61	7	(1)

¹⁾ Comparative amounts have been updated to reflect revised disclosure on the change in ownership non-controlling interest.

Consolidated statement of financial position of Aegon N.V.

As at December 31

Amounts in EUR millions	Note	2021	2020	2019
Assets				
Cash and cash equivalents	21	6,889	8,372	12,263
Investments	22	158,463	157,595	146,750
Investments for account of policyholders	23	250,953	224,172	226,374
Derivatives	24	8,827	13,986	11,157
Investments in joint ventures	25	1,743	1,376	1,983
Investments in associates	25	1,289	1,264	363
Reinsurance assets	26	20,992	18,910	20,253
Defined benefit assets	39	119	43	1
Deferred tax assets	40	131	101	193
Deferred expenses	27	10,503	8,799	10,806
Other assets and receivables	28	7,642	8,865	8,842
Intangible assets	29	1,333	1,386	1,559
Total assets		468,884	444,868	440,543
Equity and liabilities				
Shareholders' equity	30	24,282	22,815	22,449
Other equity instruments	31	2,363	2,569	2,571
Issued capital and reserves attributable to owners of Aegon N.V.		26,645	25,384	25,020
Non-controlling interests		196	75	20
Group equity		26,841	25,459	25,040
Subordinated borrowings	32	2,194	2,085	2,207
Trust pass-through securities	33	126	126	136
Insurance contracts	34	124,422	122,146	122,885
Insurance contracts for account of policyholders	34	149,323	135,441	135,710
Investment contracts	35	21,767	21,075	18,594
Investment contracts for account of policyholders	35	104,592	91,624	93,826
Derivatives	24	10,639	14,617	11,616
Borrowings	37	9,661	8,524	9,307
Provisions	38	193	309	214
Defined benefit liabilities	39	3,944	4,636	4,360
Deferred gains		9	10	11
Deferred tax liabilities	40	1,722	1,681	1,396
Other liabilities	41	12,916	16,685	14,816
Accruals	42	537	451	426
Total liabilities		442,044	419,410	415,503
Total equity and liabilities		468,884	444,868	440,543

Consolidated statement of changes in equity of Aegon N.V.

For the year ended December 31, 2021

Amounts in EUR millions	Note	Share capital	Retained earnings	Revaluation reserves	Remeasurement of defined benefit plans	Other reserves	Other equity instruments	Issued capital and reserves ¹⁾	Non-controlling interests	Total
At January 1, 2021		7,480	10,943	7,480	(2,534)	(553)	2,569	25,384	75	25,459
Net result recognized in the income statement		-	1,651	-	-	-	-	1,651	50	1,701
Other comprehensive income:										
Items that will not be reclassified to profit or loss:										
Changes in revaluation reserve real estate held for own use		-	-	(4)	-	-	-	(4)	-	(4)
Remeasurements of defined benefit plans		-	-	-	501	-	-	501	-	501
Income tax relating to items that will not be reclassified		-	-	1	(102)	-	-	(101)	-	(101)
Items that may be reclassified subsequently to profit or loss:										
Gains / (losses) on revaluation of available-for-sale investments		-	-	(1,173)	-	-	-	(1,173)	-	(1,173)
(Gains) / losses transferred to income statement on disposal and impairment of available-for-sale investments		-	-	(450)	-	-	-	(450)	-	(450)
Changes in cash flow hedging reserve		-	-	(228)	-	-	-	(228)	-	(228)
Movements in foreign currency translation and net foreign investment hedging reserves		-	-	447	(65)	848	-	1,231	9	1,240
Equity movements of joint ventures		-	-	-	-	25	-	25	-	25
Equity movements of associates		-	-	-	-	(6)	-	(6)	-	(6)
Disposal of group assets		-	-	-	-	8	-	8	-	8
Income tax relating to items that may be reclassified		-	-	369	-	3	-	372	-	372
Other		-	14	-	-	-	-	14	3	16
Total other comprehensive income / (loss)		-	14	(1,038)	335	878	-	188	11	200
Total comprehensive income / (loss) for 2021		-	1,665	(1,038)	335	878	-	1,840	61	1,901
Shares issued		1	-	-	-	-	-	1	-	1
Issuance and purchase of treasury shares		-	(88)	-	-	-	-	(88)	-	(88)
Issuance and redemption of other equity instruments		-	-	-	-	-	(212)	(212)	-	(212)
Dividends paid on common shares		(127)	(120)	-	-	-	-	(247)	(1)	(248)
Dividend withholding tax reduction		-	-	-	-	-	-	-	-	-
Coupons on perpetual securities		-	(39)	-	-	-	-	(39)	-	(39)
Incentive plans		-	-	-	-	-	6	7	-	7
Change in ownership non-controlling interest		-	-	-	-	-	-	-	61	61
At December 31, 2021	30, 31	7,354	12,362	6,442	(2,199)	325	2,363	26,645	196	26,841

¹ Issued capital and reserves attributable to owners of Aegon N.V.

Consolidated statement of changes in equity of Aegon N.V.

For the year ended December 31, 2020

Amounts in EUR millions	Note	Share capital	Retained earnings	Revaluation reserves	Remeasurement of defined benefit plans	Other reserves	Other equity instruments	Issued capital and reserves ¹⁾	Non-controlling interests ²⁾	Total
At January 1, 2020		7,536	10,981	5,873	(2,397)	456	2,571	25,020	20	25,040
Net result recognized in the income statement		-	45	-	-	-	-	45	11	55
Other comprehensive income:										
Items that will not be reclassified to profit or loss:										
Changes in revaluation reserve real estate held for own use		-	-	20	-	-	-	20	-	20
Remeasurements of defined benefit plans		-	-	-	(360)	-	-	(360)	-	(360)
Income tax relating to items that will not be reclassified		-	-	(2)	140	-	-	138	-	138
Items that may be reclassified subsequently to profit or loss:										
Gains / (losses) on revaluation of available-for-sale investments		-	-	2,990	-	-	-	2,990	-	2,990
(Gains) / losses transferred to income statement on disposal and impairment of available-for-sale investments		-	-	13	-	-	-	13	-	13
Changes in cash flow hedging reserve		-	-	(247)	-	-	-	(247)	-	(247)
Movements in foreign currency translation and net foreign investment hedging reserves		-	-	(556)	83	(1,015)	-	(1,489)	(4)	(1,493)
Equity movements of joint ventures		-	-	-	-	12	-	12	-	12
Equity movements of associates		-	-	-	-	7	-	7	-	7
Disposal of group assets		-	-	(0)	-	(7)	-	(8)	-	(8)
Income tax relating to items that may be reclassified		-	-	(610)	-	(7)	-	(616)	-	(616)
Other		-	2	-	-	1	-	3	-	3
Total other comprehensive income / (loss)		-	2	1,607	(137)	(1,009)	-	462	(4)	458
Total comprehensive income / (loss) for 2020		-	46	1,607	(137)	(1,009)	-	507	7	513
Shares issued		(3)	3	-	-	-	-	-	-	-
Issuance and purchase of treasury shares		-	3	-	-	-	-	3	-	3
Issuance and redemption of other equity instruments		-	-	-	-	-	-	-	-	-
Dividends paid on common shares		(54)	(64)	-	-	-	-	(118)	-	(118)
Dividend withholding tax reduction		-	1	-	-	-	-	1	-	1
Coupons on perpetual securities		-	(38)	-	-	-	-	(38)	-	(38)
Incentive plans		-	10	-	-	-	(3)	8	-	8
Change in ownership non-controlling interest		-	-	-	-	-	-	-	49	49
At December 31, 2020	30, 31	7,480	10,943	7,480	(2,534)	(553)	2,569	25,384	75	25,459

¹⁾ Issued capital and reserves attributable to owners of Aegon N.V.

²⁾ Comparative amounts have been updated to reflect revised disclosure on the change in ownership non-controlling interest.

Consolidated statement of changes in equity of Aegon N.V.

For the year ended December 31, 2019

Amounts in EUR millions	Note	Share capital	Retained earnings	Revaluation reserves	Remeasurement of defined benefit plans	Other reserves	Other equity instruments	Issued capital and reserves ¹⁾	Non-controlling interests	Total
At January 1, 2019		7,808	9,922	3,435	(1,850)	149	3,320	22,784	22	22,806
Net result recognized in the income statement		-	1,524	-	-	-	-	1,524	-	1,525
Other comprehensive income:										
Items that will not be reclassified to profit or loss:										
Changes in revaluation reserve real estate held for own use		-	32	(36)	-	-	-	(4)	-	(4)
Remeasurements of defined benefit plans		-	-	-	(612)	-	-	(612)	-	(612)
Income tax relating to items that will not be reclassified		-	(7)	8	90	-	-	92	-	92
Items that may be reclassified subsequently to profit or loss:										
Gains / (losses) on revaluation of available-for-sale investments		-	-	3,477	-	-	-	3,477	-	3,477
(Gains) / losses transferred to income statement on disposal and impairment of available-for-sale investments		-	-	(412)	-	-	-	(412)	-	(412)
Changes in cash flow hedging reserve		-	-	(8)	-	-	-	(8)	-	(8)
Movements in foreign currency translation and net foreign investment hedging reserves		-	-	37	(25)	302	-	314	-	314
Equity movements of joint ventures		-	-	-	-	8	-	8	-	8
Equity movements of associates		-	-	-	-	4	-	4	-	4
Disposal of group assets		-	-	-	-	(1)	-	(1)	-	(1)
Income tax relating to items that may be reclassified		-	-	(629)	-	(5)	-	(634)	-	(634)
Other		-	15	-	-	-	-	15	(2)	13
Total other comprehensive income / (loss)		-	40	2,438	(547)	307	-	2,239	(2)	2,237
Total comprehensive income / (loss) for 2019		-	1,565	2,438	(547)	307	-	3,763	(1)	3,762
Shares issued		1	-	-	-	-	-	1	-	1
Issuance and purchase of treasury shares		-	(30)	-	-	-	-	(30)	-	(30)
Issuance and redemption of other equity instruments		-	(81)	-	-	-	(744)	(825)	-	(825)
Dividends paid on common shares		(273)	(309)	-	-	-	-	(583)	-	(583)
Dividend withholding tax reduction		-	-	-	-	-	-	-	-	-
Coupons on perpetual securities		-	(88)	-	-	-	-	(88)	-	(88)
Incentive plans		-	2	-	-	-	(5)	(3)	-	(3)
At December 31, 2019	30, 31	7,536	10,981	5,873	(2,397)	456	2,571	25,020	20	25,040

¹ Issued capital and reserves attributable to owners of Aegon N.V.

Consolidated cash flow statement of Aegon N.V.

For the year ended December 31

Amounts in EUR millions	Note	2021	2020	2019
Result before tax		1,979	(84)	1,828
Results from financial transactions		(25,294)	(22,372)	(36,309)
Amortization and depreciation		1,167	722	1,184
Impairment losses		5	382	160
Income from joint ventures		(265)	(184)	(214)
Income from associates		(112)	(111)	(12)
Release of cash flow hedging reserve		(106)	(109)	(97)
Other		248	9	26
Adjustments of non-cash items		(24,356)	(21,663)	(35,261)
Insurance and investment liabilities		(1,885)	6,975	3,755
Insurance and investment liabilities for account of policyholders		13,605	11,005	26,512
Accrued expenses and other liabilities		(1,008)	655	352
Accrued income and prepayments		(543)	(1,315)	(1,057)
Changes in accruals		10,169	17,319	29,562
Purchase of investments (other than money market investments)		(35,520)	(44,637)	(40,014)
Purchase of derivatives		(1,611)	924	(214)
Disposal of investments (other than money market investments)		38,040	31,875	40,187
Disposal of derivatives		310	1,771	2,880
Net purchase of investments for account of policyholders		12,063	8,865	7,605
Net change in cash collateral		(2,805)	2,425	(332)
Net purchase of money market investments		(85)	363	1,089
Cash flow movements on operating items not reflected in income		10,391	1,585	11,200
Tax (paid)/ received		21	(7)	(18)
Other		-	(5)	(9)
Net cash flows from operating activities	21	(1,796)	(2,854)	7,302
Purchase of individual intangible assets (other than VOBA and future servicing rights)		(36)	(40)	(46)
Purchase of equipment and real estate for own use		(76)	(80)	(102)
Acquisition of subsidiaries, net of cash		-	(15)	(1)
Acquisition/capital contributions joint ventures and associates		(97)	(305)	(269)
Disposal of intangible asset		-	3	1
Disposal of equipment		2	7	63
Disposal of subsidiaries and businesses, net of cash		59	-	137
Disposal joint ventures and associates		-	154	1
Dividend received from joint ventures and associates		95	138	130
Net cash flows from investing activities	21	(54)	(139)	(86)
Issuance of treasury shares		-	-	1
Issuance of perpetuals		-	-	496
Purchase of treasury shares		(231)	(59)	(318)
Proceeds from TRUPS ¹⁾ , Subordinated borrowings and borrowings		3,914	3,444	4,923
Repayment of perpetuals		(212)	-	(1,343)
Repayment of TRUPS ¹⁾ , Subordinated borrowings and borrowings		(3,000)	(3,985)	(7,014)
Dividends paid		(121)	(63)	(309)
Coupons on perpetual securities		(52)	(55)	(112)
Payment of Right-of-use Assets		(59)	(60)	(54)
Change in ownership non-controlling interests		61	-	-
Net cash flows from financing activities	21	300	(778)	(3,730)
Net increase / (decrease) in cash and cash equivalents²⁾		(1,550)	(3,770)	3,486
Net cash and cash equivalents at the beginning of the year		8,372	12,263	8,744
Effects of changes in exchange rate		67	(121)	33
Net cash and cash equivalents at the end of the year	21	6,889	8,372	12,263

¹⁾ Trust pass-through securities.

²⁾ Included in net increase / (decrease) in cash and cash equivalents are interest received EUR 5,271 million (2020: EUR 5,114 million and 2019: EUR 5,999 million) dividends received EUR 1,624 million (2020: EUR 1,751 million and 2019: EUR 1,702 million) and interest paid EUR 296 million (2020: EUR 491 million and 2019: EUR 407 million). All included in operating activities except for dividend received from joint ventures and associates EUR 95 million (2020: EUR 138 million and 2019: EUR 130 million).

The cash flow statement is prepared according to the indirect method.

Notes to the consolidated financial statements

1 General information

Aegon N.V., incorporated and domiciled in the Netherlands, is a public limited liability company organized under Dutch law and recorded in the Commercial Register of The Hague registered under number 27076669 and with its registered address at Aegonplein 50, 2591 TV, The Hague, the Netherlands. Aegon N.V. serves as the holding company for the Aegon Group and has listings of its common shares in Amsterdam and New York.

Aegon N.V. (or 'the Company') and its subsidiaries ('Aegon' or 'the Group') have life insurance and pensions operations and are also active in savings and asset management operations, accident and health insurance, general insurance and to a limited extent banking operations. Aegon focuses on three core markets (the United States, the Netherlands, and the United Kingdom), three growth markets (Spain & Portugal, China, and Brazil) and one global asset manager. Furthermore, Aegon has activities in Asia and Southern and Eastern Europe. Headquarters are located in The Hague, the Netherlands. The Group employs over 22,000 people worldwide (2020: over 22,000).

2 Significant accounting policies

2.1 Basis of presentation

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

The consolidated financial statements have been prepared in accordance with the historical cost convention as modified by the revaluation of (investment) properties and those financial instruments (including derivatives) and financial liabilities that have been measured at fair value. Information on the standards and interpretations that were adopted in 2021 is provided below in note 2.1.1. The consolidated financial statements are presented in euros and all values are rounded to the nearest million unless otherwise stated. The consequence is that the rounded amounts may not add up to the rounded total in all cases. All ratios and variances are calculated using the underlying amount rather than the rounded amount.

The preparation of financial statements in conformity with EU-IFRS requires management to make estimates and assumptions affecting the reported amounts of assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses for the reporting period. Those estimates are inherently subject to change and actual results could differ from those estimates. Included among the material (or potentially material) reported amounts and disclosures that require extensive use of estimates are: fair value of certain invested assets and derivatives, deferred policy acquisition costs, value of business acquired and other purchased intangible assets, goodwill, policyholder claims and benefits, insurance guarantees, pension plans, income taxes and the potential effects of resolving litigation matters. Aegon applies fair value hedge accounting for portfolio hedges of interest rate risk (macro hedging) under the European Union (EU) 'carve out' of EU-IFRS. Details are provided in note 2.9 Derivatives and note 24 Derivatives.

The consolidated financial statements of Aegon N.V. were approved by the Executive Board and by the Supervisory Board on March 16, 2022. The financial statements will be put for adoption to the Annual General Meeting of Shareholders on May 31, 2022. The shareholders' meeting can decide not to adopt the financial statements but cannot amend them.

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

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

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

Interest rate benchmark reform

In 2019, Aegon elected to early adopt the 'Interest Rate Benchmark Reform – Phase 1 (Amendments to IFRS 9, IAS 39 and IFRS 7)'. In accordance with the transition provisions, the Phase 1 amendments have been adopted retrospectively to hedging relationships that existed on January 1, 2019 or were designated thereafter. The amendments provide temporary relief from applying specific hedge accounting requirements, thereby ensuring that uncertainty on the outcome of the Interest Rate Benchmark Reform (IBOR reform) does not result in early termination of hedge accounting, notably because the retrospective effectiveness may fall outside of the required range due to the IBOR reform. Please refer to note 24 Derivatives for the required disclosures of the uncertainty arising from IBOR reform for hedging relationships for which the Group applied the reliefs.

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

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

The following standards and amendments to existing standards, published prior to January 1, 2022, were not early adopted by the Group, but will be applied in future years:

Accounting standard/ amendment/ interpretation	IASB effective date	Endorsed by EU	Early adopted by Aegon	Impact for Aegon
IFRS 17 Insurance contracts	January 1, 2023	Yes	No	See below for comments
Initial Application of IFRS 17 and IFRS 9 - Comparative Information (Amendments to IFRS 17)	January 1, 2023	Not yet	No	See below for comments
IFRS 9 Financial instruments	January 1, 2018 ¹⁾	Yes	No	See below for comments
Prepayment Features with Negative Compensation (Amendments to IFRS 9)	January 1, 2019 ¹⁾	Yes	No	See below for comments
Reference to the Conceptual Framework (Amendments to IFRS 3)	January 1, 2022	Yes	No	Low
Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)	January 1, 2022	Yes	No	Low
Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)	January 1, 2022	Yes	No	Low
Annual Improvements to IFRS Standards 2018–2020	January 1, 2022	Yes	No	Low
Classification of Liabilities as Current or Non-current (Amendments to IAS 1)	January 1, 2023	Yes	No	Low
Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)	January 1, 2023	Not yet	No	Low
Definition of Accounting Estimates (Amendments to IAS 8)	January 1, 2023	Yes	No	Low
Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)	January 1, 2023	Not yet	No	Low

¹⁾ The amendments to IFRS 4, Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts, issued in September 2016, allow entities that issue insurance contracts within the scope of IFRS 4 to defer the implementation of IFRS 9 (and linked amendments 'Amendments to IFRS 9 Financial instruments on prepayment features with negative compensation'). The amendments to IFRS 4 are further explained below.

IFRS 9 Financial Instruments

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

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

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

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

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

Aegon performed this analysis at December 31, 2015, and concluded that it meets the requirements for the temporary exception as 94% of its liabilities are connected with insurance activities. As a result, Aegon elected to make use of the temporary exemption of IFRS 9.

As Aegon defers the application of IFRS 9 (including linked amendments as included in above table), the full impact of the standard in combination with IFRS 17 is not yet clear, however an initial impact assessment resulted in the expectation that it will have a significant impact on shareholders' equity, income and/or other comprehensive income and disclosures. An implementation project was started in 2017 and is combined with the implementation of IFRS 17 Insurance Contracts.

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

Fair value changes

The table below presents an overview of the fair value of the classes of financial assets as of December 31, 2021, as well as the change in fair value during the reporting period. The asset classes are divided into two categories:

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

		2021		2020	
		Fair value at the end of the reporting period	Change in fair value during the reporting period	Fair value at the end of the reporting period	Change in fair value during the reporting period
Financial assets at fair value					
Shares ¹⁾	SPPI	44	10	51	2
	Other	618	36	623	8
Debt securities	SPPI	93,234	(3,132)	92,836	5,461
	Other	3,961	(75)	6,514	6
Money Markets and other short-term investments	SPPI	2,324	(0)	2,657	-
	Other	2,586	-	2,011	-
Mortgage loans	SPPI	44,366	(195)	43,258	72
	Other	-	-	-	-
Private loans	SPPI	5,474	(267)	5,261	213
	Other	36	(10)	50	13
Deposits with financial institutions	SPPI	52	-	92	-
	Other	-	-	-	-
Policy loans	SPPI	1	-	1	-
	Other	1,892	(0)	1,800	12
Other financial assets	SPPI	-	-	-	-
	Other	5,598	724	4,946	(145)
At December 31		160,187	(2,909)	160,100	5,644

¹ The SPPI-compliant shares include preferred equity instruments.

Cash and cash equivalents, deposits with financial institutions, and receivables all pass the SPPI test and are held at amortized cost, whereby the amortized cost is assumed to approximate fair value due to the short-term nature of the assets. For movement schedules of these financial assets, refer to respective notes. The fair value at the end of the reporting period in the table reconciles back to the respective table in note 22.1 Financial assets, excluding derivatives.

Credit Risk

The table below details the credit risk rating grades, as of December 31, 2021, for financial assets with cash flows that are SPPI, excluding any financial assets that meet the definition of held for trading in IFRS 9, or that are managed and whose performance is evaluated on a fair value basis. The tables show the carrying value of those financial assets applying IAS 39 (in the case of financial assets measured at amortized cost, before adjusting for any impairment allowances).

SPPI compliant financial assets at carrying value	AAA	AA	A	BBB	BB	B	CCC or lower	Not Rated	Total
2021									
Shares – Carried at fair value	-	-	-	23	13	-	8	-	44
Debt securities – Carried at fair value	26,076	10,195	24,916	28,524	1,828	918	754	24	93,234
Money market and other short-term investments- carried at fair value	25	120	1,986	193	-	-	-	-	2,324
Mortgage loans– Carried at amortized cost	1,383	4,221	3,301	519	59	-	-	31,141	40,624
Private loans – Carried at amortized cost	2,607	216	189	1,050	44	-	-	744	4,850
Other financial assets – Carried at fair value	-	-	13	1	-	18	-	21	53
At December 31	30,090	14,752	30,405	30,310	1,944	936	762	31,930	141,128
2020									
Shares – Carried at fair value	-	-	-	17	24	7	3	-	51
Debt securities – Carried at fair value	28,970	9,869	23,615	26,310	2,119	938	1,015	2	92,836
Money market and other short-term investments- carried at fair value	136	129	2,178	213	-	-	-	-	2,657
Mortgage loans– Carried at amortized cost	1,066	3,494	3,369	695	78	-	-	30,596	39,298
Private loans – Carried at amortized cost	1,913	74	142	1,098	46	-	-	1,068	4,341
Other financial assets – Carried at fair value	-	-	6	1	-	45	1	41	93
At December 31	32,085	13,565	29,309	28,334	2,267	989	1,018	31,707	139,275

For assets that do not qualify for the low credit risk exemption (assets rated below BBB or not rated) and of which cash flows represent SPPI, excluding any financial assets that meet the definition of held for trading in IFRS 9, or that are managed and whose performance is evaluated on a fair value basis, the table below provides the credit risk exposure from the financial assets held by Aegon¹. The financial assets are categorized by asset class with a carrying amount and fair value measured in accordance with IAS 39 measurement requirements.

SPPI compliant financial assets rated BB or below	2021		2020	
	Carrying amount	Fair value	Carrying amount	Fair value
Shares – Carried at fair value	21	21	34	34
Debt securities – Carried at fair value	3,524	3,524	4,073	4,073
Mortgage loans – Carried at amortized cost	31,200	34,254	30,674	33,828
Private loans – Carried at amortized cost	788	816	1,114	1,210
Deposits with financial institutions – Carried at amortized cost	38	38	85	86
Other financial assets – Carried at fair value	1	1	1	1
At December 31	35,572	38,654	35,982	39,232

Investments in joint ventures and associates

All Aegon's equity accounted investments remain to apply IAS 39. Except Santander Vida Seguros y Reaseguros S.A. ('Santander Spain Life'), Aegon Industrial Fund Management Co.Ltd. ('AIFMC') and Amvest Residential Core Fund, Aegon does not hold any other individually material joint-venture or associate. As most of AIFMC and Amvest Residential Core Fund financial assets are measured at fair value through profit or loss, there is no material difference between the financial statements of AIFMC and Amvest Residential Core Fund under IFRS 9 and IAS 39. Refer to note 25 Investments in joint ventures and associates for more detailed information on these joint ventures. As the remaining joint ventures and associates are not material on a consolidated level, the additional information required by IFRS 4 for electing the temporary exemption is not disclosed for these entities. The additional information for Santander Spain Life is presented below:

Financial assets at fair value		2021		2020	
		Fair value at the end of the reporting period	Change in fair value during the reporting period	Fair value at the end of the reporting period	Change in fair value during the reporting period
Debt securities	SPPI	178	8	169	119
	Other	-	-	1	-
Money Markets and other short-term investments	SPPI	-	-	-	-
	Other	10	-	37	-
At December 31		188	8	207	119

SPPI compliant financial assets at carrying value	AAA	AA	A	BBB	BB	B	CCC or lower	Not Rated	Total
2021									
Debt securities – Carried at fair value	8	13	120	37	-	-	-	-	178
At December 31	8	13	120	37	-	-	-	-	178
2020									
Debt securities – Carried at fair value	9	19	106	35	-	-	-	-	169
At December 31	9	19	106	35	-	-	-	-	169

¹ Mortgage loans with no low credit risk are defined as being more than 90 days past due, in line with regulatory guidelines.

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

Information on the application of IFRS 9 by principal subsidiaries and joint ventures that for statutory purposes cannot elect to defer the effective date of IFRS 9 can be found in the publicly available statutory annual reports on www.aegon.nl and/or the Chamber of Commerce. This information is not part of the audited consolidated financial statements of Aegon N.V.. The related entities are:

- Aegon Bank N.V.
- Aegon Hypotheken B.V.
- Aegon Asset Management Holding B.V.
- Amvest Vastgoed B.V.
- Amvest Development Fund B.V.
- Amvest Living & Care Fund
- Amvest Residential Core Fund

IFRS 17 Insurance Contracts

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

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

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

2.2 Basis of consolidation

Subsidiaries

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

The subsidiary's assets, liabilities and contingent liabilities are measured at fair value on the acquisition date and are subsequently accounted for in accordance with the Group's accounting policies, which is consistent with EU-IFRS. Intra-group transactions, including Aegon N.V. shares held by subsidiaries, which are recognized as treasury shares in equity, are eliminated. Intra-group losses may indicate an impairment that requires recognition in the consolidated financial statements. Non-controlling interests are initially stated at their share in the fair value of the net assets on the acquisition date and subsequently adjusted for the non-controlling share in changes in the subsidiary's equity.

The excess of the consideration paid to acquire the interest and the fair value of any interest already owned, over the Group's share in the net fair value of assets, liabilities and contingent liabilities acquired is recognized as goodwill. Negative goodwill is recognized directly in the income statement. If the fair value of the assets, liabilities and contingent liabilities acquired in the business combination has been determined provisionally, adjustments to these values resulting from the emergence of new evidence within 12 months after the acquisition date are made against goodwill. Aegon recognized contingent considerations either as provision or as financial

liability depending on the characteristics. Any contingent consideration payable is recognized at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognized in the income statement.

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

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

Transactions with non-controlling interests

Transactions with non-controlling interests are accounted for as transactions with owners. Therefore disposals to non-controlling interests and acquisitions from non-controlling interests, not resulting in losing or gaining control of the subsidiary are recorded in equity. Any difference between consideration paid or received and the proportionate share in net assets is accounted for in equity attributable to shareholders of Aegon N.V.

Investment funds

Investment funds managed by the Group in which the Group holds an interest are consolidated in the financial statements if the Group has power over that investment fund and it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. In assessing control, all interests held by the Group in the fund are considered, regardless of whether the financial risk related to the investment is borne by the Group or by the policyholders (unless a direct link between the policyholder and the fund can be assumed).

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

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

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

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

Investment funds where Aegon acts as an agent are not consolidated due to lack of control of the funds. In particular, for some separate accounts, the independent board of directors has substantive rights and therefore Aegon does not have power over these separate accounts but acts as an agent.

For limited partnerships, the assessment takes into account Aegon's legal position (i.e. limited partner or general partner) and any substantive removal rights held by other parties. Professional judgment is applied concerning the substantiveness of the removal rights and the magnitude of the exposure to variable returns, leading to the conclusion that Aegon controls some, but not all, of the limited partnerships in which it participates.

Upon consolidation of an investment fund, a liability is recognized to the extent that the Group is legally obliged to buy back participations held by third parties. The liability is presented in the consolidated financial statements as investment contracts for account of policyholders. Where no repurchase obligation exists, the participations held by third parties are presented as non-controlling interests in equity. The assets allocated to participations held by third parties or by the Group on behalf of policyholders are presented in the consolidated financial statements as investments for account of policyholders.

Equity instruments issued by the Group that are held by investment funds are eliminated on consolidation. However, the elimination is reflected in equity and not in the measurement of the related financial liabilities towards policyholders or other third parties.

Structured entities

A structured entity is defined in IFRS 12 as "An entity that has been designed so that voting rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements." In these instances the tests and indicators to assess control provided by IFRS 10 have more focus on the purpose and design of the investee (with relation to the relevant activities that most significantly affect the structured entity) and the exposure to variable returns, which for structured entities lies in interests through e.g. derivatives, and will not be focused on entities that are controlled by voting rights.

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

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

Non-current assets held for sale and disposal groups

Disposal groups are classified as held for sale if they are available for immediate sale in their present condition, subject only to the customary sales terms of such assets and disposal groups and their sale is considered highly probable. Management must be committed to the sale, which is expected to occur within one year from the date of classification as held for sale.

Upon classification as held for sale, the carrying amount of the disposal group (or group of assets) is compared to their fair value less cost to sell. If the fair value less cost to sell is lower than the carrying value, this expected loss is recognized through a reduction of the carrying value of any goodwill related to the disposal group or the carrying value of certain other non-current, non-financial assets to the extent that the carrying value of those assets exceeds their fair value. Any excess of the expected loss over the reduction of the carrying amount of these relevant assets is not recognized upon classification as held for sale, but is recognized as part of the result on disposal if and when a divestment transaction occurs.

Classification into or out of held for sale does not result in restating comparative amounts in the statement of financial position.

2.3 Foreign exchange translation

a. Translation of foreign currency transactions

The Group's consolidated financial statements are presented in euros. Items included in the financial statements of individual group companies are recorded in their respective functional currency which is the currency of the primary economic environment in which each entity operates. Transactions in foreign currencies are initially recorded at the exchange rate prevailing at the date of the transaction.

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

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

b. Translation of foreign currency operations

On consolidation, the financial statements of group entities with a foreign functional currency are translated to euro, the currency in which the consolidated financial statements are presented. Assets and liabilities are translated at the closing rates on the reporting date. Income, expenses and capital transactions (such as dividends) are translated at average exchange rates or at the prevailing rates on the transaction date, if more appropriate. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are translated at the closing rates on the reporting date.

The resulting exchange differences are recognized in the 'foreign currency translation reserve', which is part of shareholders' equity. On disposal of a foreign entity the related cumulative exchange differences included in the reserve are recognized in the income statement.

2.4 Segment reporting

Reporting segments and segment measures are explained and disclosed in note 5 Segment information.

2.5 Offsetting of assets and liabilities

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

2.6 Intangible assets

a. Goodwill

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

b. Value of business acquired

When a portfolio of insurance contracts is acquired, whether directly from another insurance company or as part of a business combination, the difference between the fair value and the carrying amount of the insurance liabilities is recognized as value of business acquired (VOBA). The Group also recognizes VOBA when it acquires a portfolio of investment contracts with discretionary participation features.

VOBA is amortized over the useful life of the acquired contracts, based on either the expected future premiums, revenues or the expected gross profit margins. The amortization period and pattern are reviewed at each reporting date; any change in estimates is recorded in the income statement. For all products, VOBA, in conjunction with deferred policy acquisition costs (DPAC) where appropriate, is assessed for recoverability using aggregation levels on a geographical jurisdiction basis or at the level of portfolio of contracts that are subject to broadly similar risks and managed together as a single portfolio. The portion determined not to be recoverable is charged to the income statement. VOBA is considered in the liability adequacy test for each reporting period, for more details refer to 2.19.f Liability adequacy testing.

When unrealized gains or losses arise on available-for-sale assets backing the insurance liabilities, VOBA is adjusted to equal the effect that the realization of the gains or losses (through a sale or impairment) would have had on VOBA. The adjustment is recognized in other comprehensive income and accumulated in the related revaluation reserve in shareholders' equity. VOBA is derecognized when the related contracts are settled or disposed.

c. Future servicing rights

On the acquisition of a portfolio of investment contracts without discretionary participation features under which Aegon will render investment management services, the present value of future servicing rights is recognized as an intangible asset. Future servicing rights can also be recognized on the sale of a loan portfolio or the acquisition of insurance agency activities.

The present value of the future servicing rights is amortized over the servicing period and is subject to impairment testing. It is derecognized when the related contracts are settled or disposed.

Where applicable, Aegon recognizes other intangibles on the acquisition of a business combination such as those related to customer relationships. This can include customer contracts, distribution agreements and client portfolios. For these intangibles the present value of future cash flows are recognized and amortized in the period when future economic benefits arise from these intangibles. These intangible assets are also presented under future servicing rights.

d. Software and other intangible assets

Software and other intangible assets are recognized to the extent that the assets can be identified, are controlled by the Group, are expected to provide future economic benefits and can be measured reliably. The Group does not recognize internally generated intangible assets arising from research or internally generated goodwill, brands, customer lists and similar items.

Software and other intangible assets are carried at cost less accumulated depreciation and impairment losses. Depreciation of the asset is over its useful life as the future economic benefits emerge and is recognized in the income statement as an expense. The depreciation period and pattern are reviewed at each reporting date, with any changes recognized in the income statement.

An intangible asset is derecognized when it is disposed of or when no future economic benefits are expected from its use or disposal.

2.7 Investments

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

a. Financial assets, excluding derivatives

Financial assets are recognized at trade date (except for Private placements that are recognized at settlement date) when the Group becomes a party to the contractual provisions of the instruments. All financial assets are classified for accounting purposes depending on the characteristics of the instruments and the purpose for which they were purchased.

Classification

The following financial assets are measured at fair value through profit or loss: financial assets held for trading, financial assets managed on a fair value basis in accordance with the Group's investment strategy and financial assets containing an embedded derivative that is not closely related and that cannot be reliably bifurcated. In addition, in certain instances the Group 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 the Group does not intend to sell in the near future are classified as loans. Those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration, are accounted for as available-for-sale.

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

Measurement

Financial assets are initially recognized at fair value plus, in the case of a financial asset not at fair value through profit or loss, any directly attributable incremental transaction costs.

Loans 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.

Amortized cost

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

Fair value

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

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

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

Derecognition

A financial asset is derecognized when the contractual rights to the asset's cash flows expire or when the Group retains the right to receive cash flows from the asset but has an obligation to pay any received cash flows in full without delay to a third party and either: has transferred the asset and substantially all the risks and rewards of ownership, or has neither transferred nor retained all the risks and rewards but has transferred control of the asset. Financial assets of which the Group has neither transferred nor retained significantly all the risk and rewards and retained control are recognized to the extent of the Group's continuing involvement. If significantly all risks are retained, the assets are not derecognized.

On derecognition, the difference between the disposal proceeds and the carrying amount is recognized in the income statement as a realized gain or loss. Any cumulative unrealized gain or loss previously recognized in the revaluation reserve in shareholders' equity is also recognized in the income statement.

Security lending and repurchase agreements

Financial assets that are lent to a third party or that are transferred subject to a repurchase agreement at a fixed price are not derecognized as the Group retains substantially all the risks and rewards of the asset. A liability is recognized for cash (collateral) received, on which interest is accrued.

A security that has been received under a borrowing or reverse repurchase agreement is not recognized as an asset. A receivable is recognized for any related cash (collateral) paid by Aegon. The difference between sale and repurchase price is treated as investment income. If the Group subsequently sells that security, a liability to repurchase the asset is recognized and initially measured at fair value.

Collateral

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

b. Real estate

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

All property is initially recognized at cost. Such cost includes the cost of replacing part of the real estate and borrowing cost for long-term construction projects if recognition criteria are met. Subsequently, investments in real estate are measured at fair value with the changes in fair value recognized in the income statement. Real estate held for own use is carried at its revalued amount, which is the fair value at the date of revaluation less subsequent accumulated depreciation and impairment losses. Depreciation is calculated on a straight line basis over the useful life of a building. Land is not depreciated. Revaluation of real estate for own use is recognized in other comprehensive income and accumulated in revaluation reserve in equity. On revaluation the accumulated depreciation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount.

On disposal of an asset, the difference between the net proceeds received and the carrying amount is recognized in the income statement. Any remaining surplus attributable to real estate in own use in the revaluation reserve is transferred to retained earnings.

Maintenance costs and other subsequent expenditure

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

2.8 Investments for account of policyholders

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

2.9 Derivatives

a. Definition

Derivatives are financial instruments of which the value changes in response to an underlying variable, that often require little or no net initial investment and are settled at a future date.

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

Derivatives with positive values are reported as assets and derivatives with negative values are reported as liabilities. Derivatives for which the contractual obligation can only be settled by exchanging a fixed amount of cash for a fixed amount of Aegon N.V. equity instruments are accounted for in shareholders' equity.

b. Measurement

All derivatives recognized on the statement of financial position are carried at fair value.

The fair value is calculated net of the interest accrued to date and is based on market prices, when available. When market prices are not available, other valuation techniques, such as option pricing or stochastic modeling, are applied. The valuation techniques incorporate all factors that market participants would consider and are based on observable market data, to the extent possible.

c. Hedge accounting

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

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

Following the financial crisis, the reform and replacement of benchmark interest rates such as LIBOR and other interbank offered rates ('IBORs') has become a priority for global regulators. There is currently uncertainty around the timing and precise nature of these changes, in light of which the following assumptions have been made with respect to hedge accounting:

- When considering the 'highly probable' requirement, it is assumed that the current benchmark interest rate on which the hedged positions is based will not change as a result of IBOR reform.
- In assessing whether the hedge is expected to be 'highly effective' on a forward-looking basis, it is assumed that the current benchmark interest rate on which the cash flows of the hedged item and the derivative that hedges it are based is not altered as a result of the IBOR reform.
- Hedge accounting is not discontinued during the period of IBOR-related uncertainty solely because the retrospective effectiveness falls outside the required 80-125% range.
- For macro hedging the assessment whether the hedged risk component is a separately identifiable, is performed only when a hedged item is first included in the hedge and not on an ongoing basis.
- The cash flows hedge reserve relating to the period after the IBOR reform is expected to take effect, is not recycled solely because cash flows are expected to change.

When the uncertainty arising from IBOR reform is no longer present with respect to the hedged risk or the timing and the amount of interest rate benchmark-based cash flows of the hedged item or of the hedging instrument, the hedge documentation is amended to reflect the changes required by IBOR reform (i.e. a change results directly from IBOR reform and occurs on an economically equivalent basis). For this purpose, the hedge designation is amended only to make one or more of the following changes:

- designating an alternative benchmark rate as the hedged risk;
- amending the description of the hedged item, including the description of the designated portion of the cash flows or fair value being hedged;
- amending the description of the hedging instrument; or
- amending the description of the method for assessing hedge effectiveness.

Amending the formal designation of a hedging relationship to reflect the changes required by IBOR reform constitutes neither the discontinuation of the hedging relationship nor the designation of a new hedging relationship.

For hedge accounting purposes, a distinction is made between fair value hedges, cash flow hedges and hedges of a net investment in a foreign operation.

Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognized in the profit and loss account, together with fair value adjustments to the hedged item attributable to the hedged risk. If the hedge relationship no longer meets the criteria for hedge accounting, the cumulative adjustment of the hedged item is, in the case of interest bearing instruments, amortized through the profit and loss account over the remaining term of the original hedge or recognized directly when the hedged item is derecognized.

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

Cash flow hedges

Cash flow hedges are hedges of the exposure to variability in cash flows that is attributable to a particular risk of a forecasted transaction or a recognized asset or liability and could affect profit or loss. To the extent that the hedge is effective, the change in the fair value of the derivative is recognized in the related revaluation reserve in shareholders' equity. Any ineffectiveness is recognized directly in the income statement. The amount recorded in shareholders' equity is released to the income statement to coincide with the hedged transaction, except when the hedged transaction is an acquisition of a non-financial asset or liability. In this case, the amount in shareholders' equity is included in the initial cost of the asset or liability.

Net investment hedges

Net investment hedges are hedges of currency exposures on a net investment in a foreign operation. To the extent that the hedge is effective, the change in the fair value of the hedging instrument is recognized in the net foreign investment hedging reserve in shareholders' equity. Any ineffectiveness is recognized in the income statement. The amount in shareholders' equity is released to the income statement when the foreign operation is disposed of.

Hedge accounting is discontinued prospectively for hedges that are no longer considered effective. When hedge accounting is discontinued for a fair value hedge, the derivative continues to be carried on the statement of financial position with changes in its fair value recognized in the income statement. When hedge accounting is discontinued for a cash flow hedge because the cash flow is no longer expected to occur, the accumulated gain or loss in shareholders' equity is recognized immediately in the income statement. In other situations where hedge accounting is discontinued for a cash flow hedge, including those where the derivative is sold, terminated or exercised, accumulated gains or losses in shareholders' equity are amortized into the income statement when the income statement is impacted by the variability of the cash flow from the hedged item.

2.10 Investments in joint arrangements

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

Investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor has rather than the legal structure of the joint arrangement. Aegon has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

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

The carrying amount is subsequently adjusted to reflect the change in the Group's share in the net assets of the joint venture and is subject to impairment testing. The net assets are determined based on the Group's accounting policies. Any gains and losses recorded in other comprehensive income by the joint venture are recognized in other comprehensive income and reflected in other reserves in shareholders' equity, while the share in the joint ventures net result is recognized as a separate line item in the consolidated income statement. The Group's share in losses is recognized until the investment in the joint ventures' equity and any other long-term interest that are part of the net investment are reduced to nil, unless guarantees exist.

Gains and losses on transactions between the Group and the joint ventures are eliminated to the extent of the Group's interest in the entity, with the exception of losses that are evidence of impairment which are recognized immediately. Own equity instruments of Aegon N.V. that are held by the joint venture are not eliminated.

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

2.11 Investments in associates

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

Interests in associates are initially recognized at cost, which includes positive goodwill arising on acquisition. Negative goodwill is recognized in the income statement on the acquisition date. If associates are obtained in successive share purchases, each significant transaction is accounted for separately.

The carrying amount is subsequently adjusted to reflect the change in the Group's share in the net assets of the associate and is subject to impairment testing. The net assets are determined based on the Group's accounting policies. Any gains and losses recorded in other comprehensive income by the associate are reflected in other reserves in shareholders' equity, while the share in the associate's net result is recognized as a separate line item in the consolidated income statement. The Group's share in losses is recognized until the investment in the associate's equity and any other long-term interest that are part of the net investment are reduced to nil, unless guarantees exist.

Gains and losses on transactions between the Group and the associate are eliminated to the extent of the Group's interest in the entity, with the exception of losses that are evidence of impairment which are recognized immediately. Own equity instruments of Aegon N.V. that are held by the associate are not eliminated.

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

2.12 Reinsurance assets

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

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

Aegon 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 consolidated statement of financial position during the contractual term of the underlying contracts.

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

2.13 Deferred expenses

a. Deferred policy acquisition costs (DPAC)

DPAC relates to all insurance contracts as well as investment contracts with discretionary participation features and represents directly attributable costs that are related to the selling, underwriting and initiating of these insurance contracts.

DPAC are deferred to the extent that they are recoverable and are subsequently amortized based on factors such as expected gross profit margins. For products sold in the United States and Asia with amortization based on expected gross profit margins or revenues, the amortization period and pattern are reviewed at each reporting date and any change in estimates is recognized in the income statement. Estimates include, but are not limited to: an economic perspective in terms of future returns on bond and equity instruments, mortality, morbidity and lapse assumptions, maintenance expenses and expected inflation rates.

For all products, DPAC, in conjunction with VOBA where appropriate, is assessed for recoverability at least annually as part of the liability adequacy test for each reporting period. If appropriate, the assumptions included in the determination of estimated gross profits or revenues are adjusted. The portion of DPAC that is determined not to be recoverable is charged to the income statement.

For products sold in the United States and Asia, when unrealized gains or losses arise on available-for-sale assets backing the insurance liabilities, DPAC is adjusted to equal the effect that the realization of the gains or losses (through sale or impairment) would have had on its measurement. This is recognized in other comprehensive income and accumulated in the related revaluation reserve in shareholders' equity.

DPAC is derecognized when the related contracts are settled or disposed.

b. Deferred cost of reinsurance

A deferred cost of reinsurance is established when Aegon enters into a reinsurance transaction, except for reinsurance transactions that are entered into as part of a plan to exit a business. When Aegon enters into a reinsurance contract as part of a plan to exit a business, an immediate loss is recognized in the income statement. Upon reinsurance, Aegon is not relieved of its legal liabilities, so the reserves relating to the underlying reinsured contracts will continue to be reported in the consolidated statement of financial position during the contractual term of the underlying contracts.

The difference, if any, between amounts paid in a reinsurance transaction and the amount of the liabilities relating to the underlying reinsured contracts is part of the deferred cost of reinsurance.

When losses on buying reinsurance are deferred, the amortization is based on the assumptions of the underlying insurance contracts. In the Netherlands, the amortization is based on the percentage of premium paid on the reinsurance contract. For products sold in the Americas and Asia where the amortization is based on expected gross profit margins (EGPs), these EGPs will be net of reinsurance (i.e., net of actual reinsurance cash flows that exceed expected reinsurance cash flows). The amortization is recognized in the income statement.

c. Deferred transaction costs

Deferred transaction costs relate to investment contracts without discretionary participation features under which Aegon will render investment management services. Incremental costs that are directly attributable to securing these investment management contracts are recognized as an asset if they can be identified separately and measured reliably and if it is probable that they will be recovered.

For contracts involving both the origination of a financial liability and the provision of investment management services, only the transaction costs allocated to the servicing component are deferred. The other transaction costs are included in the carrying amount of the financial liability.

The deferred transaction costs are amortized in line with fee income, unless there is evidence that another method better represents the provision of services under the contract. The amortization is recognized in the income statement. Deferred transaction costs are subject to impairment testing at least annually.

Deferred transaction costs are derecognized when the related contracts are settled or disposed.

2.14 Other assets and receivables

Other assets include trade and other receivables, prepaid expenses, equipment and real estate held for own use. Trade and other receivables are initially recognized at fair value and are subsequently measured at amortized cost. Equipment is initially carried at cost, depreciated on a straight line basis over its useful life to its residual value and is subject to impairment testing. The accounting for real estate held for own use is described in note 2.7 Investments.

2.15 Cash and cash equivalents

Cash comprises cash at banks and in-hand. Cash equivalents are short-term, highly liquid investments generally with original maturities of three months or less that are readily convertible to known cash amounts, are subject to insignificant risks of changes in value and are held for the purpose of meeting short-term cash requirements. Money market investments that are held for investment purposes (backing insurance liabilities, investment liabilities or equity based on asset liability management considerations) are not included in cash and cash equivalents but are presented as investments or investments for account of policyholders.

2.16 Impairment of assets

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

There are a number of significant risks and uncertainties inherent in the process of monitoring investments and determining if impairment exists. These risks and uncertainties include the risk that the Group's assessment of an issuer's ability to meet all of its contractual obligations will change based on changes in the credit characteristics of that issuer and the risk that the economic outlook will be worse than expected or have more of an impact on the issuer than anticipated. Any of these situations could result in a charge against the income statement to the extent of the impairment charge recorded.

a. Impairment of non-financial assets

Assets are tested individually for impairment when there are indications that the asset may be impaired. For goodwill and intangible assets with an undefined life, an impairment test is performed at least once a year or more frequently as a result of an event or change in circumstances that would indicate an impairment charge may be necessary. The impairment loss is calculated as the difference between the carrying and the recoverable amount of the asset, which is the higher of an asset's value in use and its fair value less cost of disposal. The value in use represents the discounted future net cash flows from the continuing use and ultimate disposal of the asset and reflects its known inherent risks and uncertainties. The valuation utilizes the best available information, including assumptions and projections considered reasonable and supportable by management. The assumptions used in the valuation involve significant judgments and estimates. Refer to note 29 Intangible assets for more details.

Impairment losses are charged to other comprehensive income to the extent that they offset a previously recorded revaluation reserve relating to the same item. Any further losses are recognized directly in the income statement. Impairment of deferred policy acquisition costs is included in note 15 Impairment charges/(reversals).

With the exception of goodwill, impairment losses are reversed when there is evidence that there has been a change in the estimates used to determine the asset's recoverable amount since the recognition of the last impairment loss. The reversal is recognized

in the income statement to the extent that it reverses impairment losses previously recognized in the income statement. The carrying amount after reversal cannot exceed the amount that would have been recognized had no impairment taken place.

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

b. Impairment of debt instruments

Debt instruments are impaired if there is objective evidence that a credit event has occurred after the initial recognition of the asset that has a negative impact on the estimated future cash flows. Individually significant loans and other receivables are first assessed separately. All non-impaired assets measured at amortized cost are then grouped by credit risk characteristics and collectively tested for impairment.

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

For debt instruments classified as available-for-sale, the asset is impaired to its fair value. Any unrealized loss previously recognized in other comprehensive income is taken to the income statement in the impairment loss. After impairment the interest accretion on debt instruments is recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Impairment losses recognized for debt instruments can be reversed if in subsequent periods the amount of the impairment loss decreases and that decrease can be objectively related to a credit event occurring after the impairment was recognized. For debt instruments carried at amortized cost, the carrying amount after reversal cannot exceed what the amortized cost would have been at the reversal date, had the impairment not been recognized.

c. Impairment of equity instruments

For equity instruments, objective evidence of impairment of an investment in an equity instrument classified as available-for-sale includes information about significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in the equity instrument may not be recovered. A significant or prolonged decline in fair value below initial cost is also considered objective evidence of impairment and always results in a loss being recognized in the income statement. Significant or prolonged decline is defined as an unrealized loss position for generally more than six months or a fair value of less than 80% of the cost price of the investment. Equity investments are impaired to the asset's fair value and any unrealized gain or loss previously recognized in shareholders' equity is taken to the income statement as an impairment loss. The amount exceeding the balance of previously recognized unrealized gains or losses is recognized in the income statement. If an available-for-sale equity security is impaired based upon Aegon's qualitative or quantitative impairment criteria, any further declines in the fair value at subsequent reporting dates are recognized as impairments. Therefore, at each reporting period, for an equity security that is determined to be impaired based upon Aegon's impairment criteria, an impairment is recognized for the difference between the fair value and the original cost basis, less any previously recognized impairments.

Impairment losses on equity instruments cannot be reversed.

d. Impairment of reinsurance assets

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

2.17 Equity

Financial instruments that are issued by the Group are classified as equity if they represent a residual interest in the assets of the Group after deducting all of its liabilities and the Group has an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation. In addition to common shares, the Group has issued perpetual securities. Perpetual securities have no final maturity date, repayment is at the discretion of Aegon and for junior perpetual capital securities, Aegon has the option to defer coupon payments at its discretion. The perpetual capital securities are classified as equity rather than debt, are measured at par and those that are denominated in US dollars are translated into euro using historical exchange rates.

Non-cumulative subordinated notes were identified as a compound instrument due to the nature of this financial instrument. For these non-cumulative subordinated notes, Aegon had an unconditional right to avoid delivering cash or another financial asset to settle the coupon payments. The redemption of the principal was however not at the discretion of Aegon and therefore Aegon had a contractual obligation to settle the redemption in cash or another financial asset or through the exchange of financial assets and liabilities at potentially unfavorable conditions for Aegon. Compound instruments were separated into liability components and equity components. The liability component for the non-cumulative subordinated notes was equal to the present value of the redemption amount and carried at amortized cost using the effective interest rate method. The unwinding of the discount of this component was recognized in the income statement. At initial recognition the equity component was assigned the residual amount after deducting the liability component from the fair value of the instrument as a whole. The equity component in US dollars was translated into euro using historical exchange rates.

Incremental external costs that are directly attributable to the issuing or buying back of own equity instruments are recognized in equity, net of tax. For compound instruments incremental external costs that were directly attributable to the issuing or buying back of the compound instruments were recognized proportionate to the equity component and liability component, net of tax.

The Group recognizes the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where it originally recognized the past transactions or events that generated the distributable profits. A liability for non-cumulative dividends payable is not recognized until the dividends have been declared and approved.

Treasury shares are shares issued by Aegon N.V. that are held by Aegon, one of its subsidiaries or by another entity controlled by Aegon. Treasury shares are deducted from Group equity, regardless of the objective of the transaction. No gain or loss is recognized in the income statement on the purchase, sale, issue or cancellation of the instruments. If sold, the difference between the carrying amount and the proceeds is reflected in retained earnings. The consideration paid or received is recognized directly in shareholders' equity. All treasury shares are eliminated in the calculation of earnings per share and dividend per common share.

2.18 Trust pass-through securities and (subordinated) borrowings

A financial instrument issued by the Group is classified as a liability if the contractual obligation must be settled in cash or another financial asset or through the exchange of financial assets and liabilities at potentially unfavorable conditions for the Group.

Trust pass-through securities and (subordinated) borrowings are initially recognized at their fair value including directly attributable transaction costs and are subsequently carried at amortized cost using the effective interest rate method, with the exception of specific borrowings that are designated as at fair value through profit or loss to eliminate, or significantly reduce, an accounting mismatch, or specific borrowings which are carried as at fair value through profit or loss as they are managed and evaluated on a fair value basis. The liability is derecognized when the Group's obligation under the contract expires, is discharged or is cancelled.

Subordinated borrowings include the liability component of non-cumulative subordinated notes. These notes are identified as a compound instrument due to the nature of this financial instrument. Compound instruments are separated into equity components and liability components. The liability component for the non-cumulative subordinated notes is related to the redemption amount. For further information on the accounting policy of the non-cumulative subordinated notes refer to note 2.17 Equity.

2.19 Insurance contracts

Insurance contracts are accounted for under IFRS 4 Insurance Contracts. In accordance with this standard, Aegon continues to apply the existing accounting policies that were applied prior to the adoption of EU-IFRS with certain modifications allowed by IFRS 4 for standards effective subsequent to adoption. Aegon applies, in general, non-uniform accounting policies for insurance liabilities and insurance related intangible assets to the extent that it was allowed under Dutch Accounting Principles. As a result, specific methodologies applied may differ between Aegon's operations as they may reflect local regulatory requirements and local practices for specific product features in these local markets. At the time of EU-IFRS adoption, Aegon was applying US GAAP for its United States operations whereas in the Netherlands and the United Kingdom, Aegon was applying Dutch Accounting Principles. Since adoption

of EU-IFRS, Aegon has considered new and amended standards in those GAAPs which have become effective subsequent to the date of transition to EU-IFRS. If any changes are made to current accounting policies for insurance contracts, these will be in accordance with IFRS 4.

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

Insurance liabilities are recognized when the contract is entered into and the premiums are charged. The liability is derecognized when the contract expires, is discharged, disposed or cancelled. Within the United States, the Netherlands and the United Kingdom, substantially modified contracts are accounted for as an extinguishment of the original liability and the recognition of a new liability.

Insurance assets and liabilities are valued in accordance with the accounting principles that were applied by the Group prior to the transition to EU-IFRS and with consideration of standards effective subsequent to the date of transition to EU-IFRS, as further described in the following paragraphs. In order to reflect the specific nature of the products written, subsidiaries are allowed to apply local accounting principles to the measurement of insurance contracts. All valuation methods used by the subsidiaries are based on the general principle that the carrying amount of the net liability must be sufficient to meet any reasonably foreseeable obligation resulting from the insurance contracts.

a. Life insurance contracts

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

Liabilities arising from traditional life insurance products that are offered by Aegon, particularly those with fixed and guaranteed account terms, are typically measured using the net premium method. Under this method the liability is determined as the sum of the discounted value of the expected benefits and future administration expenses directly related to the contract, less the discounted value of the expected theoretical premiums that would be required to meet the future cash outflows based on the valuation assumptions used. The liability is either based on current assumptions or calculated using the assumptions established at the time the contract was issued, in which case a margin for risk and adverse deviation is generally included. Furthermore, the liability for life insurance comprises reserves for unearned premiums and accrued annuity benefits payable.

Depending on local accounting principles, the liability may include amounts for future services on contracts where the policy administration charges are higher in the initial years than in subsequent years.

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

In establishing the liability, guaranteed minimum benefits issued to the policyholder are measured as described in note 2.19.c Embedded derivatives or, if bifurcated from the host contract, as described in note 2.9 Derivatives.

b. Life insurance contracts for account of policyholders

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

The liability for the insurance contracts for account of policyholders is measured at the policyholder account balance. Contracts with unit-denominated payments are measured at current unit values, which reflect the fair values of the assets of the fund. If applicable, the liability representing the nominal value of the policyholder unit account is amortized over the term of the contract so that interest on actuarial funding is at an expected rate of return.

c. Embedded derivatives

Life insurance contracts may include derivative-like terms and conditions. With the exception of policyholder options to surrender the contract at a fixed amount, contractual features that are not closely related to the insurance contract and that do not themselves meet the definition of insurance contracts are accounted for as derivatives.

Guaranteed minimum benefits

Certain life insurance contracts, issued by the Group, contain guaranteed minimum benefits. Bifurcated guaranteed minimum benefits are classified as derivatives.

In the United States, the additional liability for guaranteed minimum benefits that are not bifurcated is determined each period by estimating the expected value of benefits in excess of the projected account balance and recognizing the excess over the accumulation period based on total expected assessments. The estimates are reviewed regularly and any resulting adjustment to the additional liability is recognized in the income statement. The benefits used in calculating the liabilities are commonly based on the average benefits payable over a range of stochastic scenarios. Where applicable, the calculation of the liability incorporates a percentage of the potential annuitizations that may be elected by the contract holder.

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

d. Shadow accounting

Shadow accounting allows that all gains and losses on investments affect the measurement of the insurance assets and liabilities in the same way, regardless of whether they are realized or unrealized and regardless of whether the unrealized gains and losses are recognized in the income statement or through other comprehensive income in the revaluation reserve. In some instances, realized gains or losses on investments have a direct effect on the measurement of the insurance assets and liabilities. For example, some insurance contracts include benefits that are contractually based on the investment returns realized by the insurer. In addition, realization of gains or losses on available-for-sale investments can lead to unlocking of VOBA or DPAC and can also affect the outcome of the liability adequacy test to the extent that it considers actual future investment returns. For similar changes in unrealized gains and losses, shadow accounting is applied. If an unrealized gain or loss triggers a shadow accounting adjustment to VOBA, DPAC or the insurance liabilities, the corresponding adjustment is recognized through other comprehensive income in the revaluation reserve, together with the unrealized gain or loss.

Some profit sharing schemes issued by the Group entitle the policyholder to a bonus which is based on the actual total return on specific assets held. To the extent that the bonus relates to gains or losses on available-for-sale investments for which the unrealized gains or losses are recognized through other comprehensive income in the revaluation reserve in shareholders' equity, shadow accounting is applied. This means that the increase in the liability is also charged through other comprehensive income to shareholders' equity to offset the unrealized gains rather than to the income statement.

e. Non-life insurance contracts

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

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

The liability for outstanding claims and benefits is established for claims that have not been settled and any related cash flows, such as claims handling costs. It includes claims that have been incurred but have not been reported to the Group. The liability is calculated at the reporting date using statistical methods based on empirical data and current assumptions that may include a margin for adverse deviation. Liabilities for claims subject to periodic payment are calculated using actuarial methods consistent with those applied to life insurance contracts. Discounting is applied if allowed by the local accounting principles used to measure the insurance liabilities. Discounting of liabilities is generally applied when there is a high level of certainty concerning the amount and settlement term of the cash outflows.

f. Liability adequacy testing

At each reporting date, the adequacy of the life insurance liabilities (including life insurance contracts for account of policyholders), net of VOBA and DPAC, is assessed using a liability adequacy test.

All tests performed within the Group are based on current estimates of all contractual future cash flows, including related cash flows from policyholder options and guarantees. A number of valuation methods are applied, including discounted cash flow methods, option pricing models and stochastic modeling. Aggregation levels are set either on geographical jurisdiction or at the level of portfolio of contracts that are subject to broadly similar risks and managed together as a single portfolio. Specifically, in the Netherlands the liability adequacy test is performed on a consolidated basis for all life and non-life business, whereas in the Americas and the UK it is performed at the level of the portfolio of contracts. To the extent that the tests involve discounting of future cash flows, the interest rate applied is based on market rates or is based on management's expectation of the future return on investments. These future returns on investments take into account management's best estimate related to the actual investments and, where applicable, reinvestments of these investments at maturity. Aegon the Netherlands, as required locally, adjusts the outcome of the liability adequacy test for the difference between the fair value and the book value of the assets that are measured at amortized cost in the statement of financial position. For details on the fair value (measurement) of Aegon's assets and liabilities, please refer to note 44 Fair value. Only differences between the fair value and the book value build up during the period when the assets were allocated to the insurance portfolio are included in the LAT.

To the extent that the account balances are insufficient to meet future benefits and expenses, any resulting deficiency is recognized in the income statement, initially by impairing the DPAC and VOBA and subsequently by establishing an insurance liability for the remaining loss, unless shadow loss recognition has taken place. In the Netherlands, in situations where market interest rates for the valuation of debt securities lead to a change in the revaluation reserve, and where the result of using the same assumptions for the liabilities could lead to a deficiency in the liability adequacy test that should be recognized in the income statement, shadow loss recognition is applied. Shadow loss recognition is applied to the extent that the deficiency of the insurance liabilities relates to the revaluation of debt securities as a result of movements in interest rates, the addition to the insurance liabilities is then offset against the revaluation reserve. If in subsequent periods such a deficiency of the insurance liability is no longer applicable, shadow loss recognition is reversed via the revaluation reserve.

The adequacy of the non-life insurance liability is tested at each reporting date. Changes in expected claims that have occurred, but that have not been settled, are reflected by adjusting the liability for claims and future benefits. The reserve for unexpired risk is increased to the extent that the future claims and expenses in respect of current insurance contracts exceed the future premiums plus the current unearned premium reserve.

2.20 Investment contracts

Aegon conducts its operations through the following type of investment contracts:

Contracts issued by the Group that do not transfer significant insurance risk, but do transfer financial risk from the policyholder to the Group are accounted for as investment contracts. Depending on whether the Group or the policyholder runs the risks associated with the investments allocated to the contract, the liabilities are classified as investment contracts or as investment contracts for account of policyholders. Investment contract liabilities are recognized when the contract is entered into and are derecognized when the contract expires, is discharged, cancelled or substantially modified.

a. Investment contracts with discretionary participation features

Some investment contracts have participation features whereby the policyholder has the right to receive potentially significant additional benefits which are based on the performance of a specified pool of investment contracts, specific investments held by the Group or on the issuer's net result. If the Group has discretion over the amount or timing of the distribution of the returns to policyholders, the investment contract liability is measured based on the accounting principles that apply to insurance contracts with similar features.

Some unitized investment contracts provide policyholders with the option to switch between funds with and without discretionary participation features. The entire contract is accounted for as an investment contract with discretionary participation features if there is evidence of actual switching resulting in discretionary participation benefits that are a significant part of the total contractual benefits.

b. Investment contracts without discretionary participation features

At inception, investment contracts without discretionary participation features are carried at amortized cost.

Investment contracts without discretionary participation features are carried at amortized cost based on the expected cash flows and using the effective interest rate method. The expected future cash flows are re-estimated at each reporting date and the carrying amount of the financial liability is recalculated as the present value of estimated future cash flows using the financial liability's original effective interest rate. Any adjustment is immediately recognized in the income statement. For these investment contracts deposit accounting is applied, meaning that deposits are not reflected as premium income, but are recognized as part of the financial liability.

The consolidated financial statements provide information on the fair value of all financial liabilities, including those carried at amortized cost. As these contracts are not quoted in active markets, their value is determined by using valuation techniques, such as discounted cash flow methods and stochastic modeling. For investment contracts without discretionary participation features that can be cancelled by the policyholder, the fair value cannot be less than the surrender value.

c. Investment contracts for account of policyholders

Investment contracts for account of policyholders are investment contracts for which the actual return on investments allocated to the contract is passed on to the policyholder. Also included are participations held by third parties in consolidated investment funds that meet the definition of a financial liability.

Investment contracts for account of policyholders are designated at fair value through profit or loss. Contracts with unit-denominated payments are measured at current unit values, which reflect the fair values of the assets of the fund.

For unit-linked contracts without discretionary participation features and subject to actuarial funding, the Group recognizes a liability at the funded amount of the units. The difference between the gross value of the units and the funded value is treated as an initial fee paid by the policyholder for future asset management services and recognized as a deferred revenue liability, refer to note 2.23 Deferred gains.

2.21 Provisions

A provision is recognized for present legal or constructive obligations arising from past events, when it is probable that it will result in an outflow of economic benefits and the amount can be reliably estimated. Management exercises judgment in evaluating the probability that a loss will be incurred.

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

Onerous contracts

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

2.22 Assets and liabilities relating to employee benefits**a. Short-term employee benefits**

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

b. Post-employment benefits

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

Defined contribution plans

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

Defined benefit plans

Measurement

The defined benefit obligation is based on the terms and conditions of the plan applicable on the reporting date. In measuring the defined benefit obligation the Group uses the projected unit credit method and actuarial assumptions that represent the management's best estimates. The benefits are discounted using an interest rate based on the market yield for high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity that approximate the terms of the related pension liability. Actuarial assumptions used in the measurement of the liability include the discount rate, estimated future salary increases, mortality rates and price inflation. To the extent that actual experience deviates from these assumptions, the valuation of defined benefit plans and the level of pension expenses recognized in the future may be affected. Plan improvements (either vested or unvested) are recognized in the income statement at the date when the plan improvement occurs.

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

Profit or loss recognition

The cost of the defined benefit plans are determined at the beginning of the year and comprise the following components:

- Current year service cost which is recognized in profit or loss; and
- Net interest on the net defined benefit liability (asset) which is recognized in profit or loss.

Remeasurements of the net defined benefit liability (asset) which is recognized in other comprehensive income are revisited quarterly and are not allowed to be reclassified to profit or loss in a subsequent period.

Deducted from current year service cost are discretionary employee contributions and employee contributions that are linked to service (those which are independent of the number of years of service). Net interest on the net defined benefit liability (asset) is determined by multiplying the net defined benefit liability (asset) by the applicable discount rate. Net interest on the net defined benefit liability (asset) comprises interest income on plan assets and interest cost on the defined benefit obligation. Whereby interest income on plan assets is a component of the return on plan assets and is determined by multiplying the fair value of the plan assets by the applicable discount rate. The difference between the interest income on plan assets and the actual return on plan assets is included in the remeasurement of the net defined benefit liability (asset).

Remeasurements of the net defined benefit liability (asset) comprise of:

- Actuarial gains and losses;
- The return on plan assets, excluding amounts included in net interest on the net defined benefit liability (asset); and
- Any change in the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability (asset).

Past service cost and gains or losses on settlements

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

Gains or losses on curtailments or settlements of a defined benefit plan comprise of the difference between:

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

Aegon recognizes (in the income statement) gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs.

c. Share-based payments

The Group has issued share-based plans that entitle selected employees to receive Aegon N.V. common shares, subject to pre-defined conditions such as the grant price of the shares and (business and personal) performance criteria. The number of shares that will vest may partly depend on Aegon's relative total shareholder return in comparison with a peer group.

The expenses recognized for these plans are based on the fair value on the grant date of the shares. The fair value is measured at the market price of Aegon N.V. common shares, adjusted to take into account the non-vesting and market conditions upon which the shares were granted. For example, where the employee is not entitled to receive dividends during the vesting period, this factor is taken into account when estimating the fair value of the shares granted. For the determination of factors such as expected dividends, market observable data has been considered. In addition, where the relative total shareholder return is included in the performance criteria, this factor represents a market condition and hence is taken into account when estimating the fair value of the shares granted.

The cost for long term incentive plans are recognized in the income statement, together with a corresponding increase in shareholders' equity, as the services are rendered. During this period the cumulative expense recognized at the reporting date reflects management's best estimate of the number of shares expected to vest ultimately.

The withholding of shares to fund the payment to the tax authority in respect of the employee's withholding tax obligation associated with the share-based payment is accounted for as a deduction from equity for the shares withheld, except to the extent that the payment exceeds the fair value at the net settlement date of the equity instruments withheld.

2.23 Deferred gains

Initial fees and front-end loadings paid by policyholders and other clients for future investment management services related to investment contracts without discretionary participation features are deferred and recognized as revenue when the related services are rendered.

2.24 Taxation

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

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

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

Deferred tax assets are recognized for deductible temporary differences and unused tax losses and credits carried forward to the extent that the realization of the related tax benefit through future taxable profits is probable. The recognition of the deferred tax assets is based on Aegon's mid-term projections including sensitivities and tax planning and is reassessed periodically. Deferred tax liabilities relating to investments in subsidiaries, associates and joint ventures are not recognized if the Group is able to control the timing of the reversal of the temporary difference and it is probable that the difference will not be reversed in the foreseeable future.

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

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

2.25 Contingent assets and liabilities

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

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

2.26 Premium income

Gross premiums, including recurring and single premiums, from life and non-life insurance and investment contracts with discretionary participation features are recognized as revenue when they become receivable. For products where deposit accounting is required, the deposits are not reflected as premium income, but are recognized as part of the financial liability. For these products the surrender charges and charges assessed have been included in gross premiums.

Premium loadings for installment payments and additional payments by the policyholder towards costs borne by the insurer are included in the gross premiums. Rebates that form part of the premium rate, such as no-claim rebates, are deducted from the gross premium, others are recognized as an expense. Depending on the applicable local accounting principles, bonuses that are used to increase the insured benefits may be recognized as gross premiums. The insurance premiums for the original contracts are presented gross of reinsurance premiums paid.

2.27 Investment income

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

Investment income also includes rental income due.

2.28 Fee and commission income

Fees and commissions from investment management services and mutual funds are performed on an ongoing basis evenly throughout the year and are accounted for monthly (1/12 of the contractual agreement). Performance fees may be charged to policyholders in the event of outperformance in the investments compared to predefined benchmark levels. They are accounted for only when specified hurdles for generating performance fees are achieved i.e. when the full performance obligation is met.

Aegon acts also as an insurance broker selling insurance contracts of other insurance companies to policyholders and receiving direct sales commission as well as commissions over time when the same policyholders renew their contracts. These commissions are recognized only when received as policyholders' renewals are not certain enough to be recorded upfront.

2.29 Policyholder claims and benefits

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

2.30 Results from financial transactions

Results from financial transactions include:

Net fair value change of general account financial investments at fair value through profit or loss, other than derivatives

Net fair value change of general account financial investments at fair value through profit or loss, other than derivatives include fair value changes of financial assets carried at fair value through profit or loss. The net gains and losses do not include interest or dividend income.

Realized gains and losses on financial investments

Gains and losses on financial investments include realized gains and losses on general account financial assets, other than those classified as at fair value through profit or loss.

Net fair value change of derivatives

All changes in fair value are recognized in the income statement, unless the derivative has been designated as a hedging instrument in a cash flow hedge or a hedge of a net investment in a foreign operation. Fair value movements of fair value hedge instruments are offset by the fair value movements of the hedged item, and the resulting hedge ineffectiveness, if any, is included in this line. In addition, the fair value movements of bifurcated embedded derivatives are included in this line.

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

Net fair value change on for account of policyholder financial assets at fair value through profit or loss includes fair value movements of investments held for account of policyholders (refer to note 2.8 Investments for account of policyholders). The net fair value change does not include interest or dividend income.

Other

In addition, results from financial transactions include gains/losses on real estate (general account and account of policyholders), net foreign currency gains/(losses) and net fair value change on borrowings and other financial liabilities and realized gains on repurchased debt.

2.31 Impairment charges/(reversals)

Impairment charges and reversals include impairments and reversals on investments in financial assets, impairments and reversals on the valuation of insurance assets and other non-financial assets and receivables. Impairment of deferred policy acquisition costs is included in note 15 Impairment charges/ (reversals).

2.32 Interest charges and related fees

Interest charges and related fees includes interest expense on trust pass-through securities and other borrowings. Interest expense on trust pass-through securities and other borrowings carried at amortized cost is recognized in profit or loss using the effective interest method.

2.33 Leases**As a lessee**

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

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

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

As a lessor

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

2.34 Events after the reporting period

The financial statements are adjusted to reflect events that occurred between the reporting date and the date when the financial statements are authorized for issue, provided they give evidence of conditions that existed at the reporting date.

Events that are indicative of conditions that arose after the reporting date are disclosed, but do not result in an adjustment of the financial statements themselves.

3 Critical accounting estimates and judgment in applying accounting policies

Application of the accounting policies in the preparation of the financial statements requires management to apply judgment involving assumptions and estimates concerning future results or other developments, including the likelihood, timing or amount of future transactions or events. Those estimates are inherently subject to change and actual results could differ from those estimates. Included among the material (or potentially material) reported amounts and disclosures that require extensive use of estimates are: fair value of certain invested assets and derivatives, deferred policy acquisition costs (please refer to paragraph 2.13), value of business acquired and other purchased intangible assets (please refer to paragraph 2.6), goodwill (please refer to paragraph 2.6), policyholder claims and benefits (please refer to paragraph 2.29), insurance guarantees (please refer to paragraph 2.19), pension plans (please refer to paragraph 2.22), income taxes (please refer to paragraph 2.24) and the potential effects of resolving litigation matters (please refer to paragraph 2.25). Accounting policies that are critical to the financial statement presentation and that require complex estimates or significant judgment are described in the following sections.

Uncertainty resulting from COVID-19

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

In 2021, Aegon's operating result in the Americas was impacted by EUR 345 million of adverse mortality in Life, of which the large majority can be attributed to COVID-19, either directly or indirectly. This was partly offset by favorable morbidity experience in Accident & Health, mostly related to Long-Term Care insurance with higher claims terminations due to higher mortality and discharges from care facilities. Through 2021, Aegon continued to observe better morbidity experience than expected in Long-Term Care. Over the year, new claims started trending back to pre-pandemic levels. Therefore, in the course of 2021, Aegon Americas released a portion of the EUR 51 million Long-Term Care incurred but not reported (IBNR) reserve established during the pandemic, and at year end 2021 the balance of the reserve is EUR 27 million.

As part of its normal process, Aegon has updated its sensitivity analysis for the impact of changes in financial assumptions on its IFRS equity and net result included in note 4 Financial risks.

Overall there were no significant impacts from COVID-19 on Level-III measurements. Note 44 Fair value, provides additional information on the fair valuation methods and assumptions applied, as well as movements or transfers in fair value hierarchy.

Aegon Group's Solvency II capital position remained at a strong level increasing from 196% per December 31, 2020, to 211% per December 31, 2021.

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

Management's assessment of going concern

The consolidated financial statements of Aegon have been prepared assuming a going concern basis of accounting based on the reasonable assumption that the Company is, and will be, able to continue its normal course of business in the foreseeable future. Relevant facts and circumstances relating to the consolidated financial position on December 31, 2021, were assessed in order to reach the going concern assumption. The main areas assessed are the financial performance, capital adequacy, financial position and flexibility, liquidity, ability to access capital markets, leverage ratios and the level of Cash Capital at Holding. Considering all these areas management concluded that the going concern assumption for Aegon is appropriate in preparing the consolidated financial statements.

Valuation of assets and liabilities arising from life insurance contracts

The valuation of certain assets and liabilities arising from insurance contracts is developed using complex valuation models. The liability for life insurance contracts with guaranteed or fixed account terms is either based on current assumptions, on the assumptions established at inception of the contract, reflecting the best estimates at the time increased with a margin for adverse deviation, or on the valuation assumptions (historical cost), without risk margin. All contracts are subject to liability adequacy testing which reflects management's current estimates of future cash flows (including investment returns). To the extent that the liability is based on current

assumptions, a change in assumptions will have an immediate impact on the income statement. Also, if a change in assumption results in not passing the liability adequacy test, the entire deficiency is recognized in the income statement. To the extent that the deficiency relates to unrealized gains and losses on available-for-sale investments, the additional liability is recognized through other comprehensive income in the related revaluation reserve in shareholders' equity.

Aegon the Netherlands, as required locally, adjusts the outcome of the liability adequacy test for the difference between the fair value and the book value of the assets that are measured at amortized cost in the statement of financial position. Mortgage loans and private loans are the primary asset classes for which the difference between the fair value and the book value of assets impacts the LAT. For details on the fair value (measurement) of Aegon's assets and liabilities, please refer to note 44 Fair value.

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

In addition, certain acquisition costs related to the sale of new policies and the purchase of policies already in force are recorded as DPAC and VOBA assets respectively, and are amortized to the income statement over time. If the assumptions relating to the future profitability of these policies are not realized, the amortization of these costs could be accelerated and may require write-offs due to unrecoverability.

Actuarial and economic assumptions

The main assumptions used in measuring DPAC, VOBA and the liabilities for life insurance contracts with fixed or guaranteed terms relate to mortality, morbidity, investment return and future expenses. Depending on local accounting principles, surrender, lapse, and utilization rates may be considered.

Mortality 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, target market and past experience. Mortality experience is monitored through regular studies, the results of which are fed into the pricing cycle for new products and reflected in the liability calculation when appropriate. For contracts insuring survivorship or mortality, allowance may be made for further longevity or mortality improvements. Morbidity assumptions are based on own claims severity and frequency experience, adjusted where appropriate for industry information.

Investment assumptions are prescribed by the local regulator, market observable or based on management's future expectations. In the latter case, the anticipated future investment returns are set by management on a countrywide basis, considering available market information and economic indicators. A significant assumption related to estimated gross profits on variable annuities and variable life insurance products in the United States and some of the smaller countries, is the annual long-term growth rate of the underlying assets. The reconsideration of this assumption may affect the original DPAC or VOBA amortization schedule, referred to as DPAC or VOBA unlocking. The difference between the original DPAC or VOBA amortization schedule and the revised schedule, which is based on actual and estimates of future gross profits, is recognized in the income statement as an expense or a benefit in the period of determination.

Assumptions on future expenses are based on the current level of expenses, adjusted for expected expense inflation if appropriate. In Aegon the Netherlands, the expense basis makes an allowance for planned future cost savings, which are included in the liability adequacy test.

Surrender and lapse rates depend on product features, policy duration and external circumstances such as the interest rate environment and competitor behavior. For policies with account value guarantees based on equity market movements, a dynamic lapse assumption is utilized to reflect policyholder behavior based on whether the guarantee is in the money. Own experience, as well as industry published data, are used in establishing assumptions. Lapse experience is correlated to mortality and morbidity levels, as higher or lower levels of surrenders may indicate future claims will be higher or lower than anticipated. Such correlations are accounted for in the mortality and morbidity assumptions based on the emerging analysis of experience.

Actuarial assumption and model updates

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

During 2021, Aegon implemented actuarial assumption and model updates resulting in a net EUR 298 million charge to result before tax (2020: EUR 580 million charge). This is mainly related to Aegon's businesses in the Americas and the Netherlands.

Assumption changes and model updates in the Americas led to a net negative impact of EUR 250 million. This mainly reflects a charge of EUR 123 million related to an update of the minimum surrender rate assumption for variable annuities with guaranteed lifetime withdrawal benefits from 2% to 1.5% to reflect latest portfolio and industry experience.

Assumption changes and model updates in the Netherlands led to an unfavorable impact of EUR 52 million mainly related to adverse impacts from more granular modeling driven by the transfer of the administration of defined benefit pensions to TKP. This was partly offset by the favorable impact of model updates relating to interest guarantees and indexation assumptions for certain pension products.

For the years 2019 through 2021, Aegon kept its long-term equity market return assumption for the estimated gross profits on variable life and variable annuity products in the Americas at 8%. The long term credit spread assumption, net of assumed defaults and expenses, on our most common corporate bonds is 120bps. The 90-day Treasury yield was 0.14%, 0.15% and 1.55% at December 31, 2021, 2020 and 2019 respectively. During 2021, the 90-day Treasury yield was assumed to have a uniform grading over 10 years to 2.0%, which was a change from the assumption during 2020 and 2019 of grading over 10 years to 1.5% and 2.5%, respectively. On a quarterly basis, the estimated gross profits are updated for the difference between the estimated market return and the actual market return.

Sensitivities

Please note that the sensitivities listed in the disclosures below represent sensitivities to Aegon's position at the balance sheet date for the respective years. The sensitivities reflect single shocks where other elements remain unchanged. Real world market impacts (e.g. lower interest rates and declining equity markets) may happen simultaneously which can lead to more severe combined impacts and may not be equal to the sum of the individual sensitivities presented in the disclosure.

Sensitivity on variable annuities and variable life insurance products in the United States

Sensitivity analysis of DPAC and VOBA balances to changes in in expected long-term equity growth rate

Estimated approximate effect	2021	2020
	DPAC /VOBA	DPAC /VOBA
1% decrease in the expected long-term equity growth rate	(95)	(108)

The DPAC and VOBA balances for these products in the United States amounted to EUR 2.1 billion at December 31, 2021 (2020: EUR 2.4 billion).

Sensitivity analysis of net result to changes in various underwriting risks

Estimated approximate effect	2021	2020
	Net Result	Net Result
10% increase to mortality assumption	(128)	(124)
20% increase in the lapse rate assumption	71	89

Any reasonably possible changes in the other assumptions Aegon uses to determine EGP margins (i.e. maintenance expenses) would reduce net result by less than EUR 8 million (2020: EUR 11 million).

Sensitivity on long term care (LTC) products in the United States

After tax sensitivities of significant product liability assumptions on the LTC IFRS after-tax Gross Present Value Reserve (GPV) are indicated below. The GPV is the liability as determined on a best estimate assumption basis.

Sensitivity analysis of GPV to changes in various underwriting risks

Estimated approximate effect	2021	2020
	GPV	GPV
5% increase in the utilization rates	195	186
5% decrease in the utilization rates	(201)	(193)
10% increase expected mortality	122	113
10% decrease expected mortality	(114)	(105)

Removing the morbidity improvement assumption, which is a component of the utilization assumption, would result in a GPV increase of approximately EUR 309 million (2020: EUR 278 million), of which EUR 194 million (2020: EUR 173 million) relates to the loss recognition block.

Removing future mortality improvement would result in a GPV decrease of approximately EUR 112 million (2020: EUR 99 million).

Sensitivity on liability adequacy test (LAT) in the Netherlands

At December 31, 2021 the liability adequacy test (LAT) of Aegon the Netherlands resulted in a deficiency. The LAT assesses the adequacy of the insurance liabilities by comparing them to their fair value. Aegon the Netherlands adjusts the outcome of the LAT for certain unrealized gains in the bond portfolio (shadow loss recognition) and certain differences between the fair value and the book value of assets measured at amortized cost, mainly residential mortgages. Please also refer to Note 2.19f Liability adequacy testing for further details on the accounting policy.

The LAT deficit per December 31, 2021 in Aegon the Netherlands amounted to EUR 5.2 billion (2020: EUR 7.0 billion), which was partially offset by the shadow loss recognition of EUR 3.0 billion (2020: EUR 4.5 billion), resulting in a net deficit of EUR 2.2 billion (2020: EUR 2.5 billion). For more information refer to note 34.2 Insurance contracts for general account.

Sensitivity analysis of LAT deficit to changes in various underwriting risks

Estimated approximate effect in EUR billion	2021	2020
	LAT deficit	LAT deficit
100 bps increase in interest rate	(3.3)	(3.9)
100 bps decrease in interest rate	4.3	5.2
50 bps increase in bond credit spread	0.3	0.2
50 bps decrease in bond credit spread	(0.3)	(0.3)
50 bps increase in mortgage spread	0.5	0.6
50 bps decrease in mortgage spread	(0.6)	(0.6)
5 bps increase in liquidity premium	(0.2)	(0.2)
5 bps decrease in liquidity premium	0.2	0.2

Given the LAT deficit at December 31, 2021, the above mentioned results would be reflected directly in the income statement. This impact on the income statement will be partially offset by the application of shadow loss recognition, triggered by the interest rate shock.

Determination of fair value and fair value hierarchy

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

Fair value is defined as the amount that would be received from the sale of an asset or paid to transfer a liability in an orderly transaction between 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). A fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

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

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

- Level I: quoted prices (unadjusted) in active markets for identical assets or liabilities that Aegon can access at the measurement date;
- Level II: inputs other than quoted prices included within Level I that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices of identical or similar assets and liabilities) using valuation techniques for which all significant inputs are based on observable market data; and
- Level III: inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) using valuation techniques for which any significant input is not based on observable market data.

The best evidence of fair value is a quoted price in an actively traded market. In the event that the market for a financial instrument is not active or quoted market prices are not available, a valuation technique is used.

The degree of judgment used in measuring the fair value of assets and liabilities generally inversely correlates with the level of observable valuation inputs. Aegon maximizes the use of observable inputs and minimizes the use of unobservable valuation inputs when measuring fair value. Financial instruments, for example, with quoted prices in active markets generally have more pricing observability and therefore less judgment is used in measuring fair value. Conversely, financial instruments for which no quoted prices are available have less observability and are measured at fair value using valuation models or other pricing techniques that require more judgment.

The assets and liabilities categorization within the fair value hierarchy is based on the lowest input that is significant to the fair value measurement.

An active market is one in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The judgment as to whether a market is active may include, although not necessarily determinative, lower transaction volumes, reduced transaction sizes and, in some cases, no observable trading activity for short periods. In inactive markets, assurance is obtained that the transaction price provides evidence of fair value or it is determined that adjustments to transaction prices are necessary to measure the fair value of the instrument.

The majority of valuation techniques employ only observable market data, and so the reliability of the fair value measurement is high. However, certain assets and liabilities are valued on the basis of valuation techniques that feature one or more significant market inputs that are unobservable and, for such assets and liabilities, the derivation of fair value is more judgmental. An instrument is classified in its entirety as valued using significant unobservable inputs (Level III) if, in the opinion of management, a significant proportion of the instrument's carrying amount is driven by unobservable inputs. 'Unobservable' in this context means that there is little or no current market data available from which to determine the price at which an at arm's length transaction would be likely to occur. It generally does not mean that there is no market data available at all upon which to base a determination of fair value. Additional information is provided in the table headed 'Effect of changes in significant unobservable assumptions to reasonably possible alternatives' in note 44 Fair Value. While Aegon believes its valuation techniques are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain instruments (both financial and non-financial) could result in a different estimate of fair value at the reporting date.

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

To operationalize Aegon's fair value hierarchy, individual instruments (both financial and non-financial) are assigned a fair value level based primarily on the type of instrument and the source of the prices (e.g. index, third-party pricing service, broker, internally 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.

4 Financial risks

General

As an insurance group, Aegon is exposed to a variety of risks. Aegon's largest exposures are to changes in financial markets (e.g. foreign currency, interest rate, credit and equity market risks) that affect the value of the investments, liabilities from products that Aegon sells, deferred expenses and value of business acquired. Other risks include insurance related risks, such as changes in mortality, morbidity, bond credit spread and liquidity premium, which are discussed in note 34 Insurance contracts. Aegon manages risk at local level where business is transacted, based on principles and policies established at the Group level. Aegon's integrated approach to risk management involves similar measurement of risk and scope of risk coverage to allow for aggregation of the Group's risk position.

To manage the risk from changes in financial markets, Aegon's products are priced using a market-consistent framework and comprehensive asset liability management (ALM) programs are implemented to ensure that the assets backing policyholder benefits are invested prudently over the long term. A range of ALM techniques are used across the Group. These range in terms of sophistication and complexity from cash-flow matching (for traditional fixed annuities) to duration matching (for the Universal Life range of products) to derivative-based semi-static and dynamic hedges (to match variable annuities).

To manage its risk exposure, Aegon has risk policies in place. Many of these policies are group-wide while others are specific to the unique situation of local businesses. For ALM specifically, the Enterprise Risk Management (ERM) framework includes several risk policies that govern ALM strategies, such as the Investment and Counterparty Risk Policy (ICRP). The ICRP governs the management of investment risks associated with credit, equity, property, alternative asset classes, interest rate and currency risk in addition to option markets, implied volatility risk, interest rate options and swaptions. As well as product-level ALM programs, subsidiary businesses are required by the ICRP to maintain overarching entity-level ALM strategies that set the direction and limits for the aggregated product-level programs. Significant or complex ALM strategies are approved at group level, and all programs are subject to Group Risk oversight.

Together with the ICRP, which guides ALM strategy, several other ERM policies govern concentration risk, liquidity risk, use of derivatives and securities lending and repos. As Aegon uses derivatives extensively, collateral calls can be significant depending on market circumstances. Liquidity is managed at legal entity level in the first instance with central coordination by Aegon NV. The large US and Dutch units may use external market solutions to match projected liquidity requirements with funding.

Next to guidance, the Group level policies also provide limits to the Group's exposure to major risks such as equity, interest rates, credit, and currency. The limits in these policies in aggregate remain within the Group's overall tolerance for risk and the Group's financial resources. Operating within this policy framework, Aegon employs risk management programs including ALM processes and models and hedging programs (which are largely conducted via the use of financial derivative instruments). These risk management programs are in place in each country unit and are not only used to manage risk in each unit, but are also part of the Group's overall risk strategy.

Aegon operates a Derivative Use Policy to govern its usage of derivatives. This policy establishes the control, authorization, execution and monitoring requirements of the usage of such instruments. In addition, the policy stipulates necessary mitigation of credit risk created through derivatives management tools. For derivatives, counterparty credit risk is normally mitigated by requirements to post collateral via credit support annex agreements or through a central clearing house.

As part of its risk management programs, Aegon takes inventory of its current risk position across risk categories. Aegon also measures the sensitivity of net result and shareholders' equity under both deterministic and stochastic scenarios. Management uses the insight gained through these 'what if?' scenarios to manage the Group's risk exposure and capital position. The models, scenarios and assumptions used are reviewed regularly and updated as necessary.

Results of Aegon's sensitivity analyses are presented throughout this section to show the estimated sensitivity of net result and shareholders' equity to various scenarios. For each type of market risk, the analysis shows how net result and shareholders' equity would have been affected by changes in the relevant risk variable that were reasonably possible at the reporting date. For each sensitivity test the impact of a reasonably possible change in a single factor is shown. Management action is taken into account to the extent that it is part of Aegon's regular policies and procedures, such as established hedging programs. However, incidental management actions that would require a change in policies and procedures are not considered.

Each sensitivity analysis reflects the extent to which the shock tested would affect management's critical accounting estimates and judgment in applying Aegon's accounting policies. Market-consistent assumptions underlying the measurement of non-listed assets and liabilities are adjusted to reflect the shock tested. The shock may also affect the measurement of assets and liabilities based on assumptions that are not observable in the market. For example, a shock in interest rates may lead to changes in the amortization schedule of DPAC or to increased impairment losses on equity investments. Although management's short-term assumptions may change if there is a reasonably possible change in a risk factor, long-term assumptions will generally not be revised unless there is evidence that the movement is permanent. This fact is reflected in the sensitivity analyses.

The accounting mismatch inherent in EU-IFRS is also apparent in the reported sensitivities. A change in interest rates has an immediate impact on the carrying amount of assets measured at fair value. However, the shock will not have a similar effect on the carrying amount of the related insurance liabilities that are measured based on locked-in assumptions or on management's long-term expectations. Consequently, the different measurement bases for assets and liabilities lead to increased volatility in EU-IFRS net result and shareholders' equity. Aegon has classified a significant part of its investment portfolio as 'available-for-sale', which is one of the main reasons why the economic shocks tested have a different impact on net result than on shareholders' equity. Unrealized

gains and losses on these assets are not recognized in the income statement but are booked through other comprehensive income to the revaluation reserves in shareholders' equity, unless impaired. As a result, economic sensitivities predominantly impact shareholders' equity but leave net result unaffected. The effect of movements of the revaluation reserve on capitalization ratios and capital adequacy are minimal. Aegon's target ratio for the composition of its capital base is based on shareholders' equity excluding the revaluation reserve.

The sensitivities do not reflect what the net result for the period would have been if risk variables had been different because the analysis is based on the exposures in existence at the reporting date rather than on those that actually occurred during the year. Nor are the results of the sensitivities intended to be an accurate prediction of Aegon's future shareholders' equity or earnings. The analysis does not take into account the impact of future new business, which is an important component of Aegon's future earnings. It also does not consider all methods available to management to respond to changes in the financial environment, such as changing investment portfolio allocations or adjusting premiums and crediting rates. Furthermore, the results of the analyses cannot be extrapolated for wider variations since effects do not tend to be linear.

Concentration risk for financial risks are measured and managed at the following levels:

- Concentration per risk type: Risk exposures are measured per risk type as part of Aegon's internal economic framework. A risk tolerance framework is in place which sets risk limits per risk type to target desired risk balance and promote diversification across risk types;
- Concentration per counterparty: Risk exposure is measured and risk limits are in place per counterparty as part of the Counterparty Name Limit Policy; and
- Concentration per sector, geography and asset class: Aegon's investment strategy is translated in investment mandates for its internal and external asset managers. Through these investment mandates limits on sector, geography and asset class are set. Compliance monitoring of the investment mandates is done by the insurance operating companies.

Moreover, concentration of financial risks are measured in Aegon business planning cycle. As part of business planning, the resilience of Aegon's business strategy is tested in several extreme event scenarios. In the Adverse Financial scenario, financial markets are stressed without assuming diversification across different market factors. Within the projection certain management actions may be implemented when management deems this necessary.

Aegon's significant financial risks and related financial information are explained in the order as follows:

- Credit risk
- Equity market risk and other investment risks
- Interest rate risk
- Currency exchange risk
- Liquidity risk

Credit risk

As premiums and deposits are received, these funds are invested to pay for future policyholder obligations. For general account products, Aegon typically bears the risk for investment performance which is equal to the return of principal and interest. Aegon is exposed to credit risk on its general account fixed-income portfolio (debt securities, mortgages and private placements), over-the-counter derivatives and reinsurance contracts. Some issuers have defaulted on their financial obligations for various reasons, including bankruptcy, lack of liquidity, downturns in the economy, downturns in real estate values, operational failure and fraud. During financial downturns, Aegon can incur defaults or other reductions in the value of these securities and loans, which could have a materially adverse effect on Aegon's business, results of operations and financial condition. Investments for account of policyholders are excluded as the policyholder bears the credit risk associated with the investments.

The table that follows shows the Group's maximum exposure to credit risk from investments in general account financial assets, as well as general account derivatives and reinsurance assets, collateral held and net exposure. Please refer to note 45 and 46 for further information on capital commitments and contingencies and on collateral given, which may expose the Group to credit risk.

	Maximum exposure to credit risk	Cash	Securities	Letters of credit / guarantees	Real estate property	Master netting agreements	Other	Total collateral	Surplus collateral (or overcollateralization)	Net exposure
2021										
Debt securities - carried at fair value	97,195	-	-	221	-	-	-	221	-	96,974
Money market and other short-term investments - carried at fair value	4,910	-	330	-	-	-	-	330	21	4,601
Mortgage loans - carried at amortized cost	40,624	2,684	-	32	75,412	-	-	78,128	38,197	693
Private loans - carried at amortized cost	4,883	33	-	-	-	-	-	33	-	4,850
Other loans - carried at amortized cost	1,949	-	-	-	-	-	1,872	1,872	1,346	1,423
Other financial assets - carried at fair value	4,245	-	-	-	-	-	-	-	-	4,245
Derivatives	8,780	2,555	107	-	-	5,921	-	8,583	66	263
Reinsurance assets	20,992	-	3,784	77	-	-	-	3,861	-	17,131
At December 31	183,577	5,272	4,221	330	75,412	5,921	1,872	93,028	39,630	130,180

	Maximum exposure to credit risk	Cash	Securities	Letters of credit / guarantees	Real estate property	Master netting agreements	Other	Total collateral	Surplus collateral (or overcollateralization)	Net exposure
2020										
Debt securities - carried at fair value	99,350	-	-	245	-	-	-	245	-	99,105
Money market and other short-term investments - carried at fair value	4,667	-	330	-	-	-	-	330	19	4,357
Mortgage loans - carried at amortized cost	39,298	2,685	-	60	64,028	-	-	66,772	28,655	1,181
Private loans - carried at amortized cost	4,358	45	-	-	-	-	-	45	-	4,313
Other loans - carried at amortized cost	1,917	-	-	-	-	-	1,786	1,786	1,293	1,424
Other financial assets - carried at fair value	3,641	-	-	-	-	-	-	-	-	3,641
Derivatives	13,238	4,873	60	29	-	8,373	-	13,336	135	38
Reinsurance assets	18,910	-	3,578	117	-	-	-	3,694	-	15,216
At December 31	185,380	7,603	3,967	450	64,028	8,373	1,786	86,207	30,101	129,274

Debt securities

Several bonds in Aegon's Americas' portfolio are guaranteed by Monoline insurers. This is shown in the table above in the column 'Letters of credit / guarantees'.

Money market and short-term investments

The collateral reported for the money market and short-term investments are related to tri-party repurchase agreements (repos). Within tri-party repos Aegon invests under short-term reverse repurchase agreements and the counterparty posts collateral to a third party custodian. The collateral posted is typically high-quality, short-term securities and is only accessible for or available to Aegon in the event the counterparty defaults.

Mortgage loans

The real estate collateral for mortgages includes both residential and commercial properties. The collateral for commercial mortgage loans in Aegon Americas is measured at fair value. At a minimum on an annual basis, a fair value is estimated for each individual real estate property that has been pledged as collateral. When a loan is originally provided, an external appraisal is obtained to estimate the value of the property. In subsequent years, the value is typically estimated internally using various professionally accepted valuation methodologies. Internal appraisals are performed by qualified, professionally accredited personnel. International valuation standards are used and the most significant assumptions made during the valuation of real estate are the current cost of reproducing or replacing the property, the value that the property's net earning power will support, and the value indicated by recent sales of comparable properties. Valuations are primarily supported by market evidence. For Aegon the Netherlands, collateral for the residential mortgages is measured as the foreclosure value which is indexed periodically.

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

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

Derivatives

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

Reinsurance assets

The collateral related to the reinsurance assets include assets in trust that are held by the reinsurer for the benefit of Aegon. The assets in trust can be accessed to pay policyholder benefits in the event the reinsurers fail to perform under the terms of their contract. Further information on the related reinsurance transactions is included in note 26 Reinsurance assets.

Other loans

The collateral included in the other column represents the policyholders account value for policy loans. The excess of the account value over the loan value is included in the surplus collateral column. For further information on the policy loans refer to note 22.1 Financial assets, excluding derivatives.

The total collateral includes both under- and over-collateralized positions. To present a net exposure of credit risk, the over-collateralization, which is shown in the surplus collateral column, is extracted from the total collateral.

Credit risk management

Aegon manages credit risk exposure by individual counterparty, sector and asset class, including cash positions. Normally, Aegon mitigates credit risk in derivative contracts by entering into credit support agreement, where practical, and in ISDA master netting agreements for most of Aegon's legal entities to facilitate Aegon's right to offset credit risk exposure. Main counterparties to these transactions are investment banks which are typically rated 'A' or higher. The credit support agreement will normally dictate the threshold over which collateral needs to be pledged by Aegon or its counterparty. Transactions requiring Aegon or its counterparty to post collateral are typically the result of derivative trades, comprised mostly of interest rate swaps, equity swaps, currency swaps and credit swaps. Collateral received is mainly cash (USD and EUR). The credit support agreements that outline the acceptable collateral require high-quality instruments to be posted. Over the last three years, there was no default with any derivatives counterparty. The credit risk associated with financial assets subject to a master netting agreement is eliminated only to the extent that financial liabilities due to the same counterparty will be settled after the assets are realized. Eligible derivative transactions are traded via Central Clearing Houses as required by EMIR and the Dodd-Frank act. Credit risk in these transactions is mitigated through posting of initial and variation margins.

Aegon may also mitigate credit risk in reinsurance contracts by including downgrade clauses that allow the recapture of business, retaining ownership of assets required to support liabilities ceded or by requiring the reinsurer to hold assets in trust. For the resulting net credit risk exposure, Aegon employs deterministic and stochastic credit risk modeling in order to assess the Group's credit risk profile, associated earnings and capital implications due to various credit loss scenarios.

Aegon operates a Credit Name Limit Policy (CNLP) under which limits are placed on the aggregate exposure that it has to any one counterparty. Limits are placed on the exposure at both group level and individual country units. The limits also vary by a rating system, which is a composite of the main rating agencies (S&P, Moody's and Fitch) and Aegon's internal rating of the counterparty. If an exposure exceeds the stated limit, then the exposure must be reduced to the limit for the country unit and rating category as soon as possible. Exceptions to these limits can only be made after explicit approval from Aegon's Group Risk and Capital Committee (GRCC). The policy is reviewed regularly.

At December 31, 2021, there was one violation of the Credit Name Limit Policy at Group level (2020: one). This related to the Republic of Turkey and is being closely monitored. The breach will be resolved by the disposal of Aegon Turkey, which is expected to close in 2022.

At December 31, 2021, Aegon's largest corporate credit exposures are to Wilton Re Holdings Ltd, American United Mutual Insurance, Reinsurance Group of America and JP Morgan. Aegon had large government exposures, the largest being to the United States, the Netherlands and Germany. Highly rated government bonds and government exposure domestically issued and owned in local currency are excluded from the Credit Name Limit Policy.

Aegon group level long-term counterparty exposure limits are as follows:

Group limits per credit rating

Amounts in EUR million	2021	2020
AAA	900	900
AA	900	900
A	675	675
BBB	450	450
BB	250	250
B	125	125
CCC or lower	50	50

Credit rating

The ratings distribution of general account portfolios of Aegon's major reporting units, excluding reinsurance assets, are presented in the table that follows, organized by rating category and split by assets that are valued at fair value and assets that are valued at amortized cost. Aegon uses a composite rating based on a combination of the external ratings of S&P, Moody's, Fitch and National Association of Insurance Commissioners (NAIC which is for US only) and internal ratings. The rating used is the lower of the external rating and the internal rating.

Credit rating general account investments, excluding reinsurance assets 2021	Americas		The Netherlands		United Kingdom		International	
	Amortized cost	Fair value	Amortized cost	Fair value	Amortized cost	Fair value	Amortized cost	Fair value
AAA	1,383	15,537	2,607	11,832	-	74	-	738
AA	4,219	4,438	216	6,474	-	586	-	699
A	3,301	20,888	128	10,636	-	384	52	2,610
BBB	519	21,894	1,050	4,458	-	202	(4)	3,311
BB	59	1,614	44	127	-	1	-	272
B	-	549	-	19	-	-	18	370
CCC or lower	-	441	-	19	-	-	-	13
Assets not rated	1,868	4,257	31,770	1,418	-	644	27	79
Total	11,349	69,618	35,814	34,983	-	1,893	93	8,093
Past due and/or impaired assets	2	2,044	176	17	-	-	-	116
At December 31	11,352	71,662	35,990	35,000	-	1,893	93	8,208

Credit rating general account investments, excluding reinsurance assets 2021	Asset Management		Total 2021 ¹⁾		
	Amortized cost	Fair value	Amortized cost	Fair value	Total carrying value
AAA	-	295	3,989	28,476	32,465
AA	-	-	4,436	12,197	16,633
A	-	-	3,481	34,530	38,011
BBB	-	-	1,564	29,866	31,431
BB	-	-	103	2,015	2,118
B	-	-	18	938	956
CCC or lower	-	-	-	473	473
Assets not rated	-	2	33,685	6,474	40,160
Total	-	296	47,277	114,968	162,245
Past due and/or impaired assets	-	-	178	2,176	2,355
At December 31	-	296	47,455	117,145	164,600

¹⁾ Includes investments of Holding and other activities.

Credit rating general account investments, excluding reinsurance assets 2020	Americas		The Netherlands		United Kingdom		International	
	Amortized cost	Fair value	Amortized cost	Fair value	Amortized cost	Fair value	Amortized cost	Fair value
AAA	1,066	15,551	1,913	14,362	-	43	-	925
AA	3,494	4,112	74	7,663	-	605	-	617
A	3,369	21,741	46	14,421	-	337	49	2,604
BBB	631	21,049	1,098	4,031	-	173	(4)	3,242
BB	56	1,847	46	248	-	1	-	230
B	-	611	-	100	-	-	45	302
CCC or lower	-	556	-	15	-	-	1	12
Assets not rated	1,775	3,360	31,546	1,464	-	848	30	80
Total	10,390	68,828	34,724	42,305	-	2,008	120	8,014
Past due and/or impaired assets	87	1,130	212	14	-	-	-	88
At December 31	10,477	69,958	34,936	42,319	-	2,008	120	8,102

Credit rating general account investments, excluding reinsurance assets 2020	Asset Management		Total 2020 ¹⁾		Total carrying value
	Amortized cost	Fair value	Amortized cost	Fair value	
AAA	-	159	2,980	31,042	34,021
AA	-	3	3,567	13,001	16,568
A	-	4	3,464	39,123	42,586
BBB	-	15	1,725	28,510	30,235
BB	-	16	102	2,372	2,473
B	-	8	45	1,022	1,067
CCC or lower	-	2	1	585	586
Assets not rated	-	1	33,391	5,984	39,374
Total	-	208	45,273	121,637	166,911
Past due and/or impaired assets	-	-	300	1,238	1,538
At December 31	-	208	45,573	122,875	168,448

¹⁾ Includes investments of Holding and other activities.

The following table shows the credit quality of the gross positions in the statement of financial position for general account reinsurance assets specifically:

	Carrying value 2021	Carrying value 2020
AAA	-	-
AA	9,084	9,025
A	11,087	9,430
Below A	7	34
Not rated	813	421
At December 31	20,992	18,910

Credit risk concentration

The tables that follow present specific credit risk concentration information for general account financial assets.

Credit risk concentrations – debt securities and money market investments 2021	Americas	The Netherlands	United Kingdom	International	Asset Management	Total 2021 ¹⁾	Of which past due and/or impaired assets
Residential mortgage-backed securities (RMBSs)	1,854	106	-	20	4	1,984	611
Commercial mortgage-backed securities (CMBSs)	3,005	3	122	517	-	3,647	13
Asset-backed securities (ABSs) - CDOs backed by ABS, Corp. bonds, Bank loans	265	1,576	-	37	-	1,878	2
ABSs – Other	1,972	1	74	267	8	2,321	27
Financial - Banking	5,597	3,146	177	1,035	-	9,956	9
Financial - Other	9,916	854	68	783	257	11,877	175
Capital goods and other industry	4,048	1,078	33	501	-	5,661	144
Communications & Technology	6,190	1,561	3	732	-	8,485	411
Consumer cyclical	3,159	741	43	342	-	4,286	152
Consumer non-cyclical	6,138	1,900	121	825	-	8,984	177
Energy	4,177	143	26	635	-	4,980	91
Transportation	2,151	815	-	197	-	3,163	130
Utility	5,356	707	105	590	-	6,757	153
Government bonds	11,663	14,321	477	1,649	18	28,127	4
At December 31	65,490	26,951	1,248	8,130	286	102,105	2,101

¹⁾ Includes investments of Holding and other activities.

Credit risk concentrations – Government bonds per country of risk 2021	Americas	The Netherlands	United Kingdom	International	Asset Management	Total 2021¹⁾
United States	10,897	-	-	463	-	11,360
Netherlands	-	4,691	-	-	-	4,691
United Kingdom	-	3	413	-	18	433
Austria	-	1,175	-	6	-	1,181
Belgium	-	1,132	-	5	-	1,137
Finland	-	41	-	-	-	41
France	-	1,618	34	2	-	1,654
Germany	-	4,309	-	-	-	4,309
Hungary	-	-	-	302	-	302
Indonesia	75	39	-	28	-	141
Luxembourg	-	873	-	1	-	875
Spain	-	144	-	197	-	341
Rest of Europe	85	65	-	503	-	654
Rest of world	587	230	31	131	-	979
Supranational	19	-	-	11	-	29
At December 31	11,663	14,321	477	1,649	18	28,127

¹⁾ Includes investments of Holding and other activities.

Credit risk concentrations – Credit rating 2021²⁾	Government bonds	Corporate bonds	RMBSs CMBSs ABSs	Other	Total 2021¹⁾
AAA	19,740	754	5,779	1,882	28,155
AA	5,476	4,099	1,125	-	10,700
A	1,228	25,470	1,648	-	28,345
BBB	1,094	28,855	338	-	30,286
BB	238	1,700	63	-	2,001
B	348	553	26	-	927
CCC or lower	5	183	826	-	1,014
Assets not rated	-	3	24	649	676
At December 31	28,127	61,617	9,830	2,531	102,105

¹⁾ Includes investments of Holding and other activities.

²⁾ CNLP Ratings are used and are the lower of the Barclay's Rating and the Internal Rating with the Barclay's rating being a blended rating of S&P, Fitch, and Moody's.

There are no individual issuers rated below investment grade in the RMBS sector, CMBS sector and ABS sector which have unrealized loss position greater than EUR 25 million.

Credit risk concentrations – debt securities and money market investments 2020	Americas	The Netherlands	United Kingdom	International	Asset Management	Total 2020¹⁾	Of which past due and/or impaired assets
Residential mortgage-backed securities (RMBSs)	2,317	165	-	80	3	2,565	736
Commercial mortgage-backed securities (CMBSs)	2,970	12	122	495	-	3,599	9
Asset-backed securities (ABSs) - CDOs backed by ABS, Corp. bonds, Bank loans	422	1,703	-	35	-	2,159	1
ABSs – Other	1,584	11	74	294	2	1,965	9
Financial - Banking	6,144	4,520	164	1,034	2	11,863	9
Financial - Other	9,080	706	78	744	135	10,760	35
Capital goods and other industry	3,968	1,182	18	446	4	5,618	41
Communications & Technology	5,736	1,129	3	701	1	7,570	119
Consumer cyclical	3,112	999	43	368	-	4,522	30
Consumer non-cyclical	6,200	1,773	120	815	1	8,909	32
Energy	3,852	287	27	545	4	4,715	12
Transportation	2,202	784	-	197	1	3,183	21
Utility	4,872	401	78	610	-	5,960	143
Government bonds	11,282	17,208	434	1,658	46	30,627	4
At December 31	63,739	30,880	1,160	8,022	199	104,018	1,200

¹⁾ Includes investments of Holding and other activities.

Credit risk concentrations – Government bonds per country of risk 2020

	Americas	The Netherlands	United Kingdom	International	Asset Management	Total 2020 ¹⁾
United States	10,623	61	-	503	2	11,189
Netherlands	-	6,505	-	-	-	6,505
United Kingdom	-	3	368	-	17	387
Austria	-	1,318	-	9	-	1,326
Belgium	-	1,255	-	5	-	1,260
Finland	-	42	-	-	-	42
France	-	1,779	34	3	-	1,816
Germany	-	4,869	-	-	-	4,869
Hungary	2	-	-	375	1	378
Luxembourg	-	950	-	1	-	951
Spain	-	146	-	208	-	354
Rest of Europe	87	165	-	434	3	689
Rest of world	567	115	32	115	24	854
Supranational	3	-	-	4	-	7
At December 31	11,282	17,208	434	1,658	46	30,627

¹⁾ Includes investments of Holding and other activities.

Credit risk concentrations – Credit rating 2020 ²⁾	Government bonds	Corporate bonds	RMBSs CMBSs ABSs	Other	Total 2020 ¹⁾
AAA	22,335	766	6,256	1,585	30,942
AA	5,657	4,181	1,352	-	11,190
A	1,056	26,438	1,224	-	28,718
BBB	1,175	26,769	320	-	28,264
BB	90	2,055	133	-	2,279
B	308	639	53	-	1,000
CCC or lower	6	282	949	-	1,237
Assets not rated	-	2	2	385	388
At December 31	30,627	61,132	10,289	1,970	104,018

¹⁾ Includes investments of Holding and other activities.

²⁾ CNLP Ratings are used and are the lower of the Barclay's Rating and the Internal Rating with the Barclay's rating being a blended rating of S&P, Fitch, and Moody's.

There are no individual issuers rated below investment grade in the RMBS sector, CMBS sector and ABS sector which have unrealized loss position greater than EUR 25 million.

Credit risk concentrations – mortgage loans 2021	Americas	The Netherlands	United Kingdom	International	Asset Management	Total 2021	Of which past due and/or impaired assets
Agricultural	59	-	-	-	-	59	-
Apartment	5,085	-	-	-	-	5,085	2
Industrial	1,349	-	-	-	-	1,349	-
Office	1,560	-	-	-	-	1,560	-
Retail	1,425	6	-	-	-	1,432	-
Other commercial	-	23	-	-	-	23	1
Residential	6	31,108	-	1	-	31,115	139
At December 31	9,485	31,138	-	1	-	40,624	142

Credit risk concentrations – mortgage loans 2020	Americas	The Netherlands	United Kingdom	International	Asset Management	Total 2020	Of which past due and/or impaired assets
Agricultural	59	-	-	-	-	59	-
Apartment	4,169	-	-	-	-	4,169	86
Industrial	1,240	-	-	-	-	1,240	-
Office	1,624	-	-	-	-	1,625	-
Retail	1,383	7	-	-	-	1,390	1
Other commercial	223	25	-	-	-	248	1
Residential	8	30,559	-	1	-	30,568	173
At December 31	8,706	30,591	-	1	-	39,298	261

The fair value of Aegon Americas commercial and agricultural mortgage loan portfolio as per December 31, 2021, amounted to EUR 10,161 million (2020: EUR 9,518 million). The loan to value (LTV) amounted to approximately 53% (2020: 55%). Of the portfolio 0% (2020: 1%) is in delinquency (defined as 60 days in arrears). In 2021, Aegon Americas recognized EUR 1 million of net impairments (2020: EUR 1 million net impairments) on this portfolio. In 2021, there were no foreclosures (2020: EUR 0 million) and no impairments or recoveries associated with foreclosed loans (2020: EUR 0 million).

The fair value of Aegon the Netherlands mortgage loan portfolio as per December 31, 2021, amounted to EUR 34,198 million (2020: EUR 33,761 million). The LTV amounted to approximately 56% (2020: 66%). A significant part of the portfolio 42% (2020: 45%) is government guaranteed. Of the portfolio, 0.1% (2020: 0.1%) is in delinquency (defined as 60 days in arrears). Impairments in 2021 amounted to EUR 1 million (2020: EUR 0 million). During the last ten years defaults of the portfolio have been 5 basis points on average.

Unconsolidated structured entities

Aegon's investments in unconsolidated structured entities such as RMBSs, CMBSs and ABSs and investment funds are presented in the line item 'Investments' of the statement of financial position. Aegon's interests in these unconsolidated structured entities can be characterized as basic interests, Aegon does not have loans, derivatives, guarantees or other interests related to these investments. Any existing commitments such as future purchases of interests in investment funds are disclosed in note 45 Commitments and contingencies.

For debt instruments, specifically for RMBSs, CMBSs and ABSs, the maximum exposure to loss is equal to the carrying amount which is reflected in the credit risk concentration table regarding debt securities and money market investments. To manage credit risk Aegon invests primarily in senior notes of RMBSs, CMBSs and ABSs. The composition of the RMBSs, CMBSs and ABSs portfolios of Aegon are widely dispersed looking at the individual amount per entity, therefore Aegon only has non-controlling interests in individual unconsolidated structured entities. Furthermore these investments are not originated by Aegon.

Except for commitments as noted in note 45 Commitments and contingencies, Aegon did not provide, nor is required to provide financial or other support to unconsolidated structured entities. Nor does Aegon have intentions to provide financial or other support to unconsolidated structured entities in which Aegon has an interest or previously had an interest.

For RMBSs, CMBSs and ABSs in which Aegon has an interest at reporting date, the following table presents total income received from those interests. The Investments column reflects the carrying values recognized in the statement of financial position of Aegon's interests in RMBSs, CMBSs and ABSs.

	Total result 2021		December 31, 2021	
	Interest income	Total gains and losses on sale of assets	Total	Investments
2021				
Residential mortgage-backed securities	83	(28)	55	1,980
Commercial mortgage-backed securities	113	(31)	82	3,647
Asset-backed securities	29	-	29	1,878
ABSs - Other	70	(11)	59	2,323
Total	295	(69)	226	9,829

2020	Total result 2020		December 31, 2020	
	Interest income	Total gains and losses on sale of assets	Total	Investments
Residential mortgage-backed securities	120	25	144	2,565
Commercial mortgage-backed securities	128	92	220	3,599
Asset-backed securities	38	(5)	34	2,159
ABSs - Other	79	104	183	1,965
Total	366	215	581	10,289

Additional information on credit risk, unrealized losses and impairments

Debt instruments

The amortized cost and fair value of debt securities, money market investments and other, included in Aegon's available-for-sale (AFS) portfolios, are as follows as of December 31, 2021, and December 31, 2020.

2021	Amortized cost	Unrealized gains	Unrealized losses	Total fair value	Fair value of instruments with unrealized gains	Fair value of instruments with unrealized losses
Debt securities, money market instruments and other						
United States government	8,942	2,386	(11)	11,317	10,938	379
Dutch government	3,456	1,238	(0)	4,694	4,688	6
Other government	9,060	2,794	(84)	11,769	10,414	1,356
Mortgage-backed securities	5,265	372	(56)	5,581	3,832	1,749
Asset-backed securities	4,088	118	(16)	4,189	2,334	1,855
Corporate	50,953	5,738	(343)	56,348	45,363	10,985
Money market investments	4,790	-	(0)	4,790	4,547	243
Other	876	34	(66)	844	519	325
Total	87,431	12,679	(576)	99,533	82,635	16,898
Of which held by Aegon Americas and NL	78,468	11,865	(475)	89,859	74,954	14,905

2020	Amortized cost	Unrealized gains	Unrealized losses	Total fair value	Fair value of instruments with unrealized gains	Fair value of instruments with unrealized losses
Debt securities, money market instruments and other						
United States government	8,336	2,608	(9)	10,935	10,661	274
Dutch government	4,769	1,736	-	6,505	6,502	3
Other government	9,085	3,660	(8)	12,736	12,465	271
Mortgage-backed securities	5,678	482	(69)	6,092	5,314	777
Asset-backed securities	3,980	158	(17)	4,121	2,789	1,332
Corporate	45,986	7,404	(98)	53,292	51,252	2,039
Money market investments	4,559	-	(1)	4,558	4,136	422
Other	1,032	39	(75)	996	616	380
Total	83,426	16,087	(277)	99,235	93,736	5,499
Of which held by Aegon Americas and NL	74,880	14,938	(249)	89,569	84,593	4,976

Unrealized bond losses by sector

The composition by industry category of Aegon's available-for-sale (AFS) debt securities, money market investments and other in an unrealized loss position at December 31, 2021, and December 31, 2020, is presented in the following table:

	December 31, 2021		December 31, 2020	
	Carrying value of instruments with unrealized losses	Unrealized losses	Carrying value of instruments with unrealized losses	Unrealized losses
Unrealized losses - debt securities, money market investments and other				
Residential mortgage-backed securities (RMBSs)	810	(21)	142	(17)
Commercial mortgage-backed securities (CMBSs)	803	(27)	543	(40)
Asset-backed securities (ABSs) - CDOs backed by ABS, Corp. bonds, Bank loans	1,244	(9)	1,183	(13)
ABSs - Other	558	(7)	123	(3)
Financial Industry - Banking	1,669	(32)	149	(7)
Financial Industry - Insurance	368	(11)	85	(7)
Financial Industry - Other	1,092	(29)	536	(9)
Industrial	5,630	(179)	1,141	(60)
Utility	1,564	(68)	333	(9)
Government	842	(28)	361	(10)
Other	325	(66)	380	(75)
Total held by Aegon Americas and NL	14,905	(475)	4,976	(249)
Held by other segments	1,994	(102)	523	(28)
Total	16,898	(576)	5,499	(277)

Impairment of financial assets

Aegon regularly monitors industry sectors and individual debt securities for indicators of impairment. These indicators may include one or more of the following: 1) deteriorating market to book ratio, 2) increasing industry risk factors, 3) deteriorating financial condition of the issuer, 4) covenant violations by the issuer, 5) high probability of bankruptcy of the issuer, or 6) downgrades by internationally recognized credit rating agency. Additionally, for asset-backed securities, cash flow trends and underlying levels of collateral are monitored. A security is impaired if there is objective evidence that a loss event has occurred after the initial recognition of the asset that has a negative impact on the estimated future cash flows.

For details on impairments on financial assets, including receivables, refer to note 15 Impairment charges / (reversals).

Past due and impaired assets

The tables that follow provide information on past due and individually impaired financial assets for the whole Aegon Group. An asset is past due when a counterparty has failed to make a payment when contractually due. Assets are impaired when an impairment loss has been charged to the income statement relating to this asset. After the impairment loss is reversed in subsequent periods, the asset is no longer considered to be impaired. When the terms and conditions of financial assets have been renegotiated, the terms and conditions of the new agreement apply in determining whether the financial assets are past due.

Aegon's policy is to pursue realization of the collateral in an orderly manner as and when liquidity permits. Aegon generally does not use the non-cash collateral for its own operations.

	2021				2020			
	0-6 months	6-12 months	> 1 year	Total	0-6 months	6-12 months	> 1 year	Total
Past due but not impaired assets								
Debt securities - carried at fair value	1,171	255	40	1,466	369	34	9	412
Mortgage loans	129	1	1	131	169	55	1	226
Other loans	19	5	10	35	24	8	5	36
Accrued interest	30	10	3	42	5	1	1	8
Other financial assets - carried at fair value	-	-	-	-	-	-	-	-
At December 31	1,350	271	54	1,675	567	98	16	681

Impaired financial assets	Carrying amount 2021	Carrying amount 2020
Shares	62	38
Debt securities - carried at fair value	635	789
Mortgage loans	10	36
Other loans	2	3
Other financial assets - carried at fair value	14	2
At December 31	723	867

Equity market risk and other investments risk

Fluctuations in the equity, real estate and capital markets have affected Aegon's profitability, capital position and sales of equity related products in the past and may continue to do so. Exposure to equity, real estate and capital markets exists in both assets and liabilities. Asset exposure exists through direct equity investment, where Aegon bears all or most of the volatility in returns and investment performance risk. Equity market exposure is also present in insurance and investment contracts for policyholders where funds are invested in equities, backing variable annuities, unit-linked products and mutual funds. Although most of the risk remains with the policyholder, lower investment returns can reduce the asset management fee earned by Aegon on the asset balance in these products. In addition, some of this business has minimum return or accumulation guarantees.

In 2021, Transamerica expanded its dynamic hedge program to variable annuities with guaranteed minimum death benefit riders (GMDB) and remaining policies with guaranteed minimum income (GMIB) riders. This builds on the effective dynamic hedge program of policies with guaranteed minimum withdrawal benefits (GMWB). The dynamic hedge program now covers the equity risks (and interest rate risk) embedded in the guarantees of its entire variable annuity portfolio. Dynamic hedging stabilizes cash flows and reduces sensitivities to changes in equity markets (and interest rates) on an economic basis.

The general account equity, real estate and other non-fixed-income portfolio of Aegon is as follows:

Equity, real estate and non-fixed income exposure	Americas	The Netherlands	United Kingdom	International	Asset Management	Holding and other activities	Total 2021
Equity funds	175	34	-	63	9	-	280
Common shares ¹⁾	190	-	29	5	-	1	226
Preferred shares	128	-	-	-	-	-	128
Investments in real estate	39	2,588	-	16	-	-	2,643
Hedge funds	35	-	-	-	-	-	35
Other alternative investments	1,934	432	-	-	-	-	2,366
Other financial assets	1,595	1,023	598	7	2	-	3,225
At December 31	4,097	4,076	628	91	10	1	8,903

¹⁾ Common shares in Holding and other activities includes the elimination of treasury shares in the general account for an amount of EUR nil million.

Equity, real estate and non-fixed income exposure	Americas	The Netherlands	United Kingdom	International	Asset Management	Holding and other activities	Total 2020
Equity funds	154	40	-	68	8	-	270
Common shares ¹⁾	161	-	34	6	-	16	218
Preferred shares	127	-	-	-	-	27	155
Investments in real estate	37	2,331	-	16	-	-	2,385
Hedge funds	74	-	-	-	-	-	75
Other alternative investments	1,557	381	-	-	-	7	1,945
Other financial assets	1,104	1,046	800	6	1	-	2,957
At December 31	3,215	3,799	834	97	10	51	8,005

¹⁾ Common shares in Holding and other activities includes the elimination of treasury shares in the general account for an amount of EUR nil million.

Market risk concentrations – shares	Americas	The Netherlands	United Kingdom	International	Asset Management	Total 2021 ¹⁾	Of which impaired assets
Communication	1	-	-	-	-	1	-
Consumer	5	-	-	-	-	5	1
Financials	411	4	-	5	-	420	39
Funds	-	1,406	29	62	-	1,498	17
Industries	42	-	-	-	-	42	5
Other	35	-	-	5	9	49	-
At December 31	493	1,410	29	72	9	2,015	62

¹⁾ Includes investments of Holding and other activities.

Market risk concentrations – shares	Americas	The Netherlands	United Kingdom	International	Asset Management	Total 2020 ¹⁾	Of which impaired assets
Communication	1	-	-	-	-	4	-
Consumer	4	-	-	-	1	6	-
Financials	368	14	-	5	3	400	3
Funds	-	1,363	34	63	-	1,470	14
Industries	42	-	-	1	1	44	12
Other	27	-	-	6	3	56	7
At December 31	442	1,376	34	74	9	1,979	35

¹⁾ Includes investments of Holding and other activities.

The table that follows sets forth the closing levels of certain major indices at the end of the last five years.

	2021	2020	2019	2018	2017
S&P 500	4,766	3,756	3,231	2,507	2,674
Nasdaq	15,645	12,888	8,973	6,635	6,903
FTSE 100	7,385	6,461	7,542	6,728	7,688
AEX	798	625	605	488	545

The sensitivity analysis of net result and shareholders' equity to changes in equity prices is presented in the table below. The sensitivity of shareholders' equity and net result to changes in equity markets reflects changes in the market value of Aegon's portfolio, changes in DPAC amortization, contributions to pension plans for Aegon's employees and the strengthening of the guaranteed minimum benefits, when applicable. Aegon generally has positive income benefits from equity market increases and negative impacts from equity market declines as it earns fees on policyholder account balances and provides minimum guarantees for account values. Aegon uses options and other equity derivatives to provide protection against the negative impact of equity market declines.

Sensitivity analysis of net result and shareholders' equity to equity markets

Immediate change of	Estimated approximate effects on net result	Estimated approximate effects on shareholders' equity
2021		
Equity increase 10%	151	341
Equity decrease 10%	(212)	(221)
Equity increase 25%	322	660
Equity decrease 25%	(529)	(685)
2020		
Equity increase 10%	146	394
Equity decrease 10%	(208)	(199)
Equity increase 25%	290	725
Equity decrease 25%	(541)	(715)

Interest rate risk

Aegon bears interest rate risk with many of its products. In cases where cash flows are highly predictable, investing in assets that closely match the cash flow profile of the liabilities can offset this risk. For some Aegon country units, local capital markets are not well developed, which prevents the complete matching of assets and liabilities for those businesses. For some products, cash flows are less predictable as a result of policyholder actions that can be affected by the level of interest rates.

In periods of rapidly increasing interest rates, policy loans, surrenders and withdrawals may increase. Premiums in flexible premium policies may decrease as policyholders seek investments with higher perceived returns. This activity may result in cash payments by Aegon requiring the sale of invested assets at a time when the prices of those assets are adversely affected by the increase in market interest rates; this may result in realized investment losses. These cash payments to policyholders result in a decrease in total invested assets and a decrease in net result. Among other things, early withdrawals may also require accelerated amortization of DPAC, which in turn reduces net result.

During periods of sustained low interest rates, Aegon may not be able to preserve margins as a result of minimum interest rate guarantees and minimum guaranteed crediting rates provided on policies. Also, investment earnings may be lower because the interest earnings on new fixed-income investments are likely to have declined with the market interest rates. Mortgage loans and redeemable bonds in the investment portfolio are more likely to be repaid as borrowers seek to borrow at lower interest rates and Aegon may be required to reinvest the proceeds in securities bearing lower interest rates. Accordingly, net result declines as a result of a decrease in the spread between returns on the investment portfolio and the interest rates either credited to policyholders or assumed in reserves.

Aegon manages interest rate risk closely, taking into account all of the complexity regarding policyholder behavior and management action. Aegon employs sophisticated interest rate measurement techniques and actively uses derivatives and other risk mitigation tools to closely manage its interest rate risk exposure. Aegon operates an Investment & Counterparty Risk policy that limits the amount of interest rate risk to which the Group is exposed. All derivative use is governed by Aegon's Derivative Use Policy. A detailed description on the use of derivatives within Aegon is included in note 24 Derivatives.

In 2020 Transamerica commenced a multi-year plan to gradually reduce its economic interest rate risk, primarily by lengthening the duration of the assets to provide a closer match to the liability duration and extending the existing forward starting swap program. The program is due to be completed by mid-2022.

Furthermore, in 2021, Transamerica expanded its dynamic hedge program to variable annuities with guaranteed minimum death benefit riders (GMDB) and remaining policies with guaranteed minimum income (GMIB) riders. This builds on the effective dynamic hedge program of policies with guaranteed minimum withdrawal benefits (GMWB). The dynamic hedge program now covers the interest rate (and equity risks) embedded in the guarantees of its entire variable annuity portfolio. Dynamic hedging stabilizes cash flows and reduces sensitivities to changes in interest rates (and equity markets) on an economic basis.

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

	2021	2020	2019	2018	2017
3-month US LIBOR	0.21%	0.24%	1.91%	2.81%	1.69%
3-month EURIBOR	(0.57%)	(0.55%)	(0.38%)	(0.31%)	(0.33%)
10-year US Treasury	1.78%	0.91%	1.91%	2.69%	2.41%
10-year Dutch government	(0.03%)	(0.48%)	(0.06%)	0.39%	0.53%

The sensitivity analysis in the table below shows an estimate of the effect of a parallel shift in the yield curves on net result and shareholders' equity arising from the impact on general account investments and offset due to liabilities from insurance and investment contracts. Timing and valuation differences between assets and liabilities may cause short-term reductions in net result as rates rise. Rising interest rates would also cause the fair value of the available-for-sale bond portfolio to decline and the level of unrealized gains could become too low to support recoverability of the full deferred tax asset triggering an allowance charge to income. The offsetting economic gain on the insurance and investment contracts is however not fully reflected in the sensitivities because many of these liabilities are not measured at fair value. The short to medium term reduction in net result due to rising interest rates would be offset by higher net result in later years, all else being equal. Therefore, higher interest rates are not considered a long-term risk to the Group. However, a long sustained period of low interest rates will erode net result due to lower returns earned on reinvestments and due to lower long term returns from decreased overall portfolio yields.

Parallel movement of yield curve	Estimated approximate effects on net result	Estimated approximate effects on shareholders' equity
2021		
Shift up 100 basis points	(340)	(4,227)
Shift down 100 basis points	127	3,627
2020		
Shift up 100 basis points	187	(2,316)
Shift down 100 basis points	(462)	2,064

Aegon's sensitivity to interest rate risk has changed in 2021, compared to 2020. This is the net result of the expansion of the variable annuities dynamic hedge program in the United States and the effect from the improvement of the LAT deficit in the Netherlands.

The hedge strategy targets minimal mismatch according to the Aegon economic framework (which broadly aligns with Solvency II Own Funds) and stabilizes Solvency II ratio volatility.

Risks and risks management arising from financial instruments subject to interest rate benchmark reform

The future of IBORs (Interbank Offered Rates) such as EURIBOR, EONIA and LIBOR has been a major topic on the global agenda since the G20 asked the Financial Stability Board (FSB) to undertake a fundamental review of leading interest rate benchmarks in 2013. The FSB proposed new standards to reform interest rate benchmarks and the use of transaction-based input data instead of non-transactional/panel input data.

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

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

In the US the relevant USD LIBOR benchmark rates are expected to remain available for existing contracts until mid 2023 and these instruments are expected to either be transitioned actively to Secured Overnight Funding Rate ('SOFR') before the 2023 deadline, via the ISDA fallback protocol or via a legislative solution.

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

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

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

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

The table below summarize the exposures of non-derivative financial assets and non-derivative liabilities that yet have to transition to alternative benchmark rates.

Non derivative financial instruments to transition to alternative benchmark	2021	
	Financial assets non-derivatives	Financial liabilities non-derivatives
By benchmark rate		
GBP LIBOR	19	-
USD LIBOR	822	1,143
Euribor	3,095	1,200
Fed Funds	102	-
Total	4,038	2,343

The table below summarize the exposures of derivatives that yet have to transition to alternative benchmark rates.

Derivative financial instruments to transition to alternative benchmark	2021
	Nominal Value
By benchmark rate	
GBP LIBOR	-
USD LIBOR	54,232
Euribor	113,593
Fed Funds	3,574
Total	171,399

Currency exchange rate risk

As an international group, Aegon is subject to foreign currency translation risk. Foreign currency exposure exists mainly when policies are denominated in currencies other than the issuer's functional currency. Currency risk in the investment portfolios backing insurance and investment liabilities is managed using asset liability matching principles. Assets allocated to equity are kept in local currencies to the extent shareholders' equity is required to satisfy regulatory and self-imposed capital requirements. Therefore, currency exchange rate fluctuations will affect the level of shareholders' equity as a result of translation of subsidiaries into euro, the Group's presentation currency. Aegon holds the remainder of its capital base (perpetual capital securities, subordinated and senior debt) in various currencies in amounts that are targeted to correspond to the book value of the country units. This balancing mitigates currency translation impacts on shareholders' equity and leverage ratios. Aegon does not hedge the income streams from the main non-euro units and, as a result, earnings may fluctuate due to currency translation. As Aegon has significant business segments in the Americas and in the United Kingdom, the principal sources of exposure from currency fluctuations are from the differences between the US dollar and the euro and between the UK pound and the euro. Aegon may experience significant changes in net result and shareholders' equity because of these fluctuations.

Aegon operates an Investment & Counterparty Risk Policy which applies currency risk exposure limits both at Group and regional levels, and under which direct currency speculation or program trading by country units is not allowed unless explicit approval has been granted by the Group Risk and Capital Committee and the Management Board. Assets should be held in the functional currency of the business written or hedged back to that currency. Where this is not possible or practical, remaining currency exposure should be sufficiently documented and limits are placed on the total exposure at both group level and for individual country units.

Information on Aegon's three year historical net result and shareholders' equity in functional currency are shown in the table below:

	2021	2020	2019
Net result			
Americas (in USD)	1,195	(611)	1,324
United Kingdom (in GBP)	104	60	(29)
Equity in functional currency			
Americas (in USD)	18,324	19,127	18,123
United Kingdom (in GBP)	1,260	1,391	1,358

The exchange rates for US dollar and UK pound per euro for each of the last five year ends are set forth in the table below:

Closing rates	2021	2020	2019	2018	2017
USD	1.14	1.22	1.12	1.14	1.20
GBP	0.84	0.90	0.85	0.90	0.89

Aegon Group companies' foreign currency exposure from monetary assets and liabilities denominated in foreign currencies (that is, other than the entity's functional currency), is not material.

The sensitivity analysis in the following table shows an estimate of the translation effect of movements in the exchange rates of functional currencies of foreign subsidiaries against the euro presentation currency of the Group's financial statements, on net income and shareholders' equity.

Sensitivity analysis of net result and shareholders' equity to translation risk

Movement of currency exchange rates¹⁾	Estimated approximate effects on net result	Estimated approximate effects on shareholders' equity
2021		
Increase by 15% of USD currencies relative to the euro	205	3,249
Increase by 15% of GBP currencies relative to the euro	152	1,900
Increase by 15% of non-euro currencies relative to the euro	244	3,541
Decrease by 15% of USD currencies relative to the euro	(153)	(2,441)
Decrease by 15% of GBP currencies relative to the euro	107	1,315
Decrease by 15% of non-euro currencies relative to the euro	(179)	(2,616)
2020		
Increase by 15% of USD currencies relative to the euro	(93)	2,848
Increase by 15% of GBP currencies relative to the euro	(43)	1,015
Increase by 15% of non-euro currencies relative to the euro	(52)	3,219
Decrease by 15% of USD currencies relative to the euro	74	(2,066)
Decrease by 15% of GBP currencies relative to the euro	(51)	631
Decrease by 15% of non-euro currencies relative to the euro	45	(2,325)

¹⁾ The effect of currency exchange movements is reflected as a one-time shift up or down in the value of the non-euro currencies relative to the euro on December 31.

Liquidity risk

Liquidity risk is inherent in much of Aegon's business. Each asset purchased and liability incurred has its own liquidity characteristics. Some liabilities are surrenderable while some assets, such as privately placed loans, mortgage loans, real estate and limited partnership interests, have low liquidity. If Aegon requires significant amounts of cash on short notice in excess of normal cash requirements and existing credit facilities, it may have difficulty selling these investments at attractive prices or in a timely manner. Liquidity risk is also affected by the use of collateralized financial derivatives to mitigate other risks.

Aegon operates a Liquidity Risk Policy under which country units are obliged to maintain sufficient levels of highly liquid assets to meet cash demands by policyholders and account holders over the next two years. Potential cash demands are assessed under a stress scenario including spikes in disintermediation risk due to rising interest rates and concerns over Aegon's financial strength due to multiple downgrades of the Group's credit rating. At the same time, the liquidity of assets other than cash and government issues is assumed to be severely impaired for an extended period of time. All legal entities and Aegon Group must maintain enough liquidity in order to meet all cash needs under this extreme scenario.

Aegon held EUR 31,101 million of general account investments in cash, money market products and government bonds that are readily saleable or redeemable on demand (2020: EUR 33,465 million). The Group expects to meet its obligations, even in a stressed liquidity event, from operating cash flows and the proceeds of maturing assets as well as these highly liquid assets. Further, the Group has access to back-up credit facilities, as disclosed in note 37 Borrowings, amounting to EUR 3,399 million which were unused at the end of the reporting period (2020: EUR 3,288 million).

The maturity analysis below shows the remaining contractual maturities of each category of financial liabilities (including coupon interest). When the counterparty has a choice of when an amount is paid, the liability is included on the basis of the earliest date on which it can be required to be paid. Financial liabilities that can be required to be paid on demand without any delay are reported in the category 'On demand.' If there is a notice period, it has been assumed that notice is given immediately and the repayment has been presented at the earliest date after the end of the notice period. When the amount payable is not fixed, the amount reported is determined by reference to the conditions existing at the reporting date. For example, when the amount payable varies with changes in an index, the amount disclosed may be based on the level of the index at the reporting date.

To manage the liquidity risk arising from financial liabilities, Aegon holds liquid assets comprising cash and cash equivalents and investment grade investment securities for which there is an active and liquid market. These assets can be readily sold to meet liquidity requirements. For this reason, Aegon believes that it is not necessary to disclose a maturity analysis in respect of these assets to enable users to evaluate the nature and extent of liquidity risk.

Maturity analysis – gross undiscounted contractual cash flows (for non-derivatives)	On demand	< 1 yr amount	1 < 5 yrs amount	5 < 10 yrs amount	> 10 yrs amount	Total amount
2021						
Trust pass-through securities	-	9	113	16	60	197
Subordinated loans	-	108	377	246	2,964	3,695
Borrowings	-	901	7,651	956	1,052	10,559
Lease liabilities	-	37	86	67	70	259
Other financial liabilities	4,993	1,749	325	154	224	7,444
Total financial liabilities (excluding investment/insurance contracts)	4,993	2,803	8,551	1,439	4,368	22,154
Investment contracts ¹⁾	17,254	2,681	2,114	1,101	655	23,804
Investment contracts for account of policyholders ¹⁾	34,756	34,571	10	6	4	69,347
Total investment contracts	52,009	37,252	2,124	1,107	659	93,151
2020						
Trust pass-through securities	-	8	33	91	58	191
Subordinated loans	-	103	382	283	2,842	3,610
Borrowings	-	1,033	6,627	747	1,002	9,410
Lease liabilities	-	45	97	60	76	278
Other financial liabilities	5,333	2,238	197	100	126	7,993
Total financial liabilities (excluding investment/insurance contracts)	5,333	3,427	7,337	1,282	4,105	21,482
Investment contracts ¹⁾	16,699	2,458	1,878	1,072	795	22,903
Investment contracts for account of policyholders ¹⁾	30,515	27,513	8	4	3	58,043
Total investment contracts	47,214	29,971	1,886	1,077	798	80,946

¹⁾ Excluding investment contracts with discretionary participating features.

Aegon's liquidity management is based on expected claims and benefit payments rather than on the contractual maturities. The projected cash benefit payments in the table below are based on management's best estimates of the expected gross benefits and expenses, partially offset by the expected gross premiums, fees and charges relating to the existing business in force. Estimated cash benefit payments are based on mortality, morbidity and lapse assumptions based on Aegon's historical experience, modified for recently observed trends. Actual payment obligations may differ if experience varies from these assumptions. The cash benefit payments are presented on an undiscounted basis and are before deduction of tax and before reinsurance.

Financial liabilities relating to insurance and investment contracts¹⁾	On demand	< 1 yr amount	1 < 5 yrs amount	5 < 10 yrs amount	> 10 yrs amount	Total amount
2021						
Insurance contracts	-	4,260	16,215	18,438	127,344	166,257
Insurance contracts for account of policyholders	-	11,494	41,638	39,941	131,667	224,740
Investment contracts	-	8,324	7,975	3,847	4,438	24,584
Investment contracts for account of policyholders	193	14,011	27,637	31,715	84,825	158,381
	193	38,089	93,465	93,941	348,274	573,962
2020						
Insurance contracts	-	4,269	16,104	18,382	119,092	157,847
Insurance contracts for account of policyholders	-	10,546	37,153	35,257	117,005	199,961
Investment contracts	-	8,733	8,000	2,998	3,957	23,688
Investment contracts for account of policyholders	165	12,004	27,435	28,318	72,063	139,986
	165	35,552	88,693	84,955	312,117	521,482

¹ The liability amount in the consolidated financial statements reflects the discounting for interest as well as adjustments for the timing of other factors as described above. As a result, the sum of the cash benefit payments shown for all years in the table exceeds the corresponding liability amounts included in notes 34 Insurance contracts and 35 Investments contracts.

The following table details the Group's liquidity analysis for its derivative financial instruments, based on the undiscounted contractual net cash inflows and outflows on derivative instruments that settle on a net basis, and the undiscounted gross inflows and outflows on those derivatives that require gross settlement.

Maturity analysis relating to derivatives¹⁾ (Contractual cash flows)	On demand	< 1 yr amount	1 < 5 yrs amount	5 < 10 yrs amount	> 10 yrs amount	Total amount
2021						
Gross settled						
Cash inflows	-	4,300	3,728	5,034	104,335	117,396
Cash outflows	-	(4,895)	(7,080)	(9,499)	(105,376)	(126,850)
Net settled						
Cash inflows	-	683	3,442	3,640	5,375	13,140
Cash outflows	-	(780)	(3,032)	(3,102)	(12,591)	(19,505)
2020						
Gross settled						
Cash inflows	-	23,118	3,073	3,119	7,554	36,863
Cash outflows	-	(23,429)	(2,267)	(1,974)	(4,782)	(32,451)
Net settled						
Cash inflows	-	612	2,293	2,870	5,418	11,193
Cash outflows	-	(797)	(1,784)	(2,258)	(6,604)	(11,444)

¹ Derivatives includes all financial derivatives regardless whether they have a positive or a negative value. It does not include bifurcated embedded derivatives. These are presented together with the host contract. For interest rate derivatives only, cash flows related to the pay leg are taken into account for determining the gross undiscounted cash flows.

For maturity information on other obligations, please refer to note 45 Commitments and contingencies.

5 Segment information

Aegon's operating segments are based on the businesses as presented in internal reports that are regularly reviewed by the Executive Board which is regarded as the chief operating decision maker. All reportable segments are involved in insurance or reinsurance business, asset management or services related to these activities. The reportable segments are:

- Americas: one operating segment which covers business units in the United States and Brazil, including any of the units' activities located outside these countries;
- The Netherlands: which covers businesses activities from Aegon the Netherlands;
- United Kingdom: which covers businesses activities from platform business and traditional insurance in the United Kingdom;
- International: one operating segment which covers businesses operating in Hong Kong, Singapore, China, India, Indonesia, Hungary, Poland, Turkey, Romania, Spain and Portugal including any of the units' activities located outside these countries;

- Asset Management: one operating segment which covers business activities from AAM Global Platforms and Strategic Partnerships;
- Holding and other activities: one operating segment which includes financing, employee and other administrative expenses of holding companies.

Aegon's segment information is prepared by consolidating on a proportionate basis Aegon's joint ventures and associated companies.

Performance Measure

Aegon uses the non-EU-IFRS performance measure operating result. Operating result reflects Aegon's profit before tax from underlying business operations and mainly excludes components that relate to accounting mismatches that are dependent on market volatility, updates to best estimate actuarial and economic assumptions and model updates or events that are considered outside the normal course of business. There is no standardized meaning to these measures under EU-IFRS or any other recognized set of accounting standards.

Aegon believes that its performance measure operating result provides meaningful information about the operating results of Aegon's business, including insight into the financial measures that Aegon's senior management uses in managing the business. Among other things, Aegon's senior management is compensated based in part on Aegon's results against targets using operating result. While many other insurers in Aegon's peer group present substantially similar performance measures, the performance measures presented in this document may nevertheless differ from the performance measures presented by other insurers.

The reconciliation from operating result to result before tax, being the most comparable EU-IFRS measure, is presented in the tables in this note.

The items that are excluded from operating result as described further below are: fair value items, realized gains or losses on investments, impairment charges/reversals, other income or charges and share in earnings of joint ventures and associates.

Change in naming convention of performance measure

Aegon has changed the naming convention of its primary performance measure to improve alignment with industry practice and the way in which Aegon manages its business. As of 2021, Aegon no longer refers to underlying earnings before tax for segment reporting purposes, instead Aegon refers to Operating result. Furthermore, Aegon introduced a new grouping of non-operating result which is the sum of Fair value items, Realized gains and losses on investments, and Net impairments. Other income / charges remains a separate category outside of Aegon's operating result.

Change in measurement of performance measure

In addition, Aegon has changed the measurement of its operating result from January 1, 2021. The following changes have been made:

- The running cost of the US macro hedge related to the variable annuity portfolio is recorded within Operating result instead of in Fair value items. Management views this as a better reflection of Aegon's operating performance and improves the relevance of Aegon's operating result.
- The periodic intangibles unlocking, caused by short term market movements, in the US Life and TLB business is recorded in Fair value items, instead of Operating result, to improve the insight in Aegon's recurring operating result.
- Results from run-off businesses, mainly related to US are part of Aegon's operating result. The results of run-off businesses were previously recorded outside of Aegon's operating result. Based on management actions executed in prior years the importance of run-off businesses has diminished and continuing to report this as a separate line item is considered no longer relevant.
- Following the announcement to sell Aegon's operations in CEE, results from these businesses, previously reported in operating result, are prospectively recorded within Other income / charges.

For segment reporting purposes, the impact of these changes in measurement on full year 2020 was a decrease in Aegon's consolidated operating result of EUR 19 million, (2019: a decrease of EUR 75 million), as certain losses are no longer reported in Fair value items (2020: EUR 48 million, 2019: EUR 97 million) and results of Run-off businesses are no longer separately reported (2020: EUR 29 million loss, 2019: EUR 22 million loss). There is no impact on Aegon's net result, shareholders' equity, dividend per share, or any of the main schedules included in Aegon's Financial Statements, in any of the reporting periods. Comparative numbers have been restated in Aegon's segment reporting note, enabling a like for like comparison, with the exception of the reclassification of the results from Aegon's operations in CEE to Other income / charges which is applied prospectively.

Fair value items

Fair value items include the over- or underperformance of investments and guarantees held at fair value for which management's best estimate investment return is included in operating result.

In addition, hedge ineffectiveness on hedge transactions, fair value changes on economic hedges without natural offset in earnings and for which no hedge accounting is applied and fair value movements on real estate are included under fair value items.

Certain assets held by Aegon are carried at fair value and managed on a total return basis, with no offsetting changes in the valuation of related liabilities. These include assets such as investments in hedge funds, private equities, real estate (limited partnerships), convertible bonds and structured products. Operating result exclude any over- or underperformance compared to management's best estimate investment return on assets. Based on current holdings and asset returns, the long-term expected return on an annual basis is 3-10%, depending on asset class, including cash income and market value changes. The expected earnings from these asset classes are net of deferred policy acquisition costs (DPAC) where applicable.

In addition, certain products offered by Aegon Americas contain guarantees and are reported on a fair value basis and include the total return annuities and guarantees on variable annuities. The earnings on these products are impacted by movements in equity markets and risk-free interest rates. Short-term developments in the financial markets may therefore cause volatility in earnings.

The fair value movements of certain guarantees and the fair value change of derivatives that hedge certain risks on these guarantees of Aegon's businesses in the Netherlands and Japan are excluded from operating result, because management's best estimate expected return for these guarantees is set at zero. In addition, fair value items include market related results on the loyalty bonus reserves in the United Kingdom. The value of these reserves are directly related to policyholder investments which value is directly impacted by movements in equity and bond markets.

Holding and other activities include certain issued bonds that are held at fair value through profit or loss (FVTPL). The interest rate risk on these bonds is hedged using swaps. The fair value movement resulting from changes in Aegon's credit spread used in the valuation of these bonds are excluded from operating result and reported under fair value items.

The periodic intangibles unlocking in the US Life and TLB business is recorded in fair value items instead of operating result.

Realized gains or losses on investments

Realized gains or losses on investments includes realized gains and losses on available-for-sale investments, mortgage loans and other loan portfolios.

Impairment charges/(reversals)

Impairment charges/(reversals) include impairments on available-for-sale debt securities, shares including the effect of deferred policyholder acquisition costs, mortgage loans and other loan portfolios at amortized cost, joint ventures and associates. Impairment reversals include reversals on available-for-sale debt securities. For Aegon the Netherlands, the expected impairments on alternative assets classes (e.g. illiquid investments – including consumer loans and catastrophe bonds – and residential real estate) are allocated to operating result before tax in order to present management's best estimate investment return in operating result before tax. Deviations from the expected impairments are presented as part of impairment charges / (reversals) in non-operating result.

Other income or charges

Other income or charges includes the following:

- Items which cannot be directly allocated to a specific line of business;
- The impact of actuarial and economic assumption and model updates used to support calculations of our liabilities for insurance and investment contracts sold to policyholders and related assets (refer to note 3 Critical accounting estimates and judgement in applying accounting policies); and
- Items that are outside the normal course of business, including restructuring charges.

In the Consolidated income statement, the restructuring charges are included in operating expenses. Actuarial assumption and model updates are recorded in 'Policyholder claims and benefits' in the Consolidated income statement.

Share in earnings of joint ventures and associates

Earnings from Aegon's joint ventures in China, India, the Netherlands, Spain and Portugal, and Aegon's associates in France, the Netherlands and United Kingdom are reported as operating result.

The following table presents Aegon's segment results.

Income statement - Operating result	Americas	The Netherlands	United Kingdom	International	Asset Management	Holding and other activities	Eliminations	Segment total	Joint ventures and associates eliminations	Consolidated
2021										
Operating result before tax	788	755	184	145	253	(219)	(1)	1,906	42	1,948
Fair value items	698	(201)	(62)	(18)	(1)	12	3	432	(123)	309
Realized gains / (losses) on investments	313	118	10	2	2	1	(0)	446	(9)	437
Impairment charges	(19)	(19)	-	(0)	(1)	(11)	(0)	(49)	-	(49)
Impairment reversals	33	59	-	1	-	8	-	101	-	101
Non-operating items	1,025	(44)	(51)	(15)	-	11	3	930	(132)	798
Other income / (charges)	(667)	(23)	1	65	(18)	(138)	-	(780)	12	(768)
Result before tax	1,147	688	134	195	235	(344)	2	2,056	(77)	1,979
Income tax (expense) / benefit	(137)	(183)	(12)	(36)	(65)	77	(0)	(355)	78	(278)
Net result	1,010	505	122	159	170	(267)	2	1,701	-	1,701
<i>Inter-segment operating result</i>	(20)	(95)	(96)	(31)	191	51				
Revenues										
2021										
Life insurance gross premiums	7,108	1,323	4,613	1,181	-	-	-	14,225	(825)	13,400
Accident and health insurance	1,273	254	3	179	-	-	-	1,709	(67)	1,643
General insurance	-	136	-	432	-	-	-	569	(168)	401
Total gross premiums	8,381	1,713	4,616	1,793	-	-	(0)	16,504	(1,060)	15,444
Investment income	2,910	2,088	1,691	360	12	242	(261)	7,042	(75)	6,967
Fee and commission income	1,920	300	223	59	800	-	(183)	3,120	(335)	2,785
Other revenues	11	-	-	2	2	12	-	27	(15)	13
Total revenues	13,222	4,101	6,531	2,215	814	254	(444)	26,693	(1,484)	25,209
<i>Inter-segment revenues</i>	1	14	-	-	182	247				

The Americas recorded other charges of EUR 667 million in 2021 mainly due to a one-time charge as a result of management actions to release capital and increase the predictability of capital generation from the US variable annuity business and unfavorable impacts from model and assumption updates.

Income statement - Operating result	Americas	The Netherlands	United Kingdom	International	Asset Management	Holding and other activities	Eliminations	Segment total	Joint ventures and associates eliminations	Consolidated
2020										
Operating result before tax	792	665	144	164	182	(237)	1	1,710	31	1,741
Fair value items	(448)	50	(2)	(7)	22	(36)	-	(421)	(87)	(508)
Realized gains / (losses) on investments	93	14	-	46	1	(3)	-	150	(8)	142
Impairment charges	(173)	(50)	-	(16)	(1)	(25)	-	(265)	1	(264)
Impairment reversals	27	1	-	-	-	-	-	28	-	28
Non-operating items	(501)	15	(1)	22	22	(65)	-	(508)	(94)	(602)
Other income / (charges)	(1,110)	78	(68)	(1)	(8)	(130)	-	(1,239)	15	(1,224)
Result before tax	(819)	758	74	186	195	(433)	1	(37)	(47)	(84)
Income tax (expense) / benefit	284	(197)	(7)	(22)	(44)	78	(0)	92	47	139
Net result	(535)	561	67	164	151	(355)	1	55	-	55
<i>Inter-segment operating result</i>	(40)	(87)	(86)	(35)	193	62				
Revenues										
2020										
Life insurance gross premiums	7,105	1,619	4,833	1,095	-	4	(3)	14,654	(726)	13,929
Accident and health insurance	1,380	245	25	193	-	-	-	1,844	(59)	1,784
General insurance	-	130	-	388	-	-	(0)	519	(132)	386
Total gross premiums	8,485	1,994	4,858	1,677	-	5	(3)	17,016	(917)	16,099
Investment income	2,986	2,083	1,795	362	7	261	(281)	7,212	(63)	7,149
Fee and commission income	1,653	255	194	50	750	(9)	(180)	2,713	(308)	2,405
Other revenues	7	-	-	1	2	3	-	14	(10)	4
Total revenues	13,131	4,332	6,847	2,091	759	260	(465)	26,955	(1,298)	25,657
<i>Inter-segment revenues</i>	1	21	-	-	188	264				

The Americas recorded other charges of EUR 1,110 million in 2020 mainly due to unfavorable impacts from model and assumption changes. In addition, the Americas incurred other charges due to a valuation allowance related to the ongoing rehabilitation process of a reinsurer, the restructuring of captives, and a provision for a settlement of class action litigation related to monthly deduction rate adjustments on certain universal life policies.

Income statement - Operating result	Americas	The Netherlands	United Kingdom	International	Asset Management	Holding and other activities	Eliminations	Segment total	Joint ventures and associates eliminations	Consolidated
2019										
Operating result before tax	1,041	648	139	154	139	(228)	1	1,894	50	1,944
Fair value items	378	(365)	(131)	(7)	-	(4)	-	(128)	(88)	(217)
Realized gains / (losses) on investments	125	240	3	36	-	1	-	405	(2)	403
Impairment charges	(54)	(30)	-	(1)	-	(10)	-	(95)	-	(95)
Impairment reversals	68	5	-	1	-	-	-	73	-	73
Non-operating items	517	(150)	(128)	29	-	(13)	-	256	(90)	166
Other income / (charges)	(156)	(1)	(38)	15	(7)	(95)	-	(281)	-	(281)
Result before tax	1,403	496	(27)	198	133	(335)	1	1,868	(40)	1,828
Income tax (expense) / benefit	(220)	(113)	(7)	(33)	(36)	65	(0)	(343)	40	(303)
Net result	1,183	383	(34)	165	97	(270)	1	1,525	-	1,525
<i>Inter-segment operating result</i>	(61)	(105)	(87)	(20)	193	79				
Revenues										
2019										
Life insurance gross premiums	7,279	1,765	6,282	1,289	-	11	(8)	16,617	(691)	15,926
Accident and health insurance	1,416	228	28	201	-	-	-	1,872	(50)	1,823
General insurance	-	130	-	382	-	1	(1)	512	(122)	390
Total gross premiums	8,694	2,123	6,309	1,872	-	12	(9)	19,002	(864)	18,138
Investment income	3,172	2,224	1,830	379	5	269	(284)	7,595	(64)	7,531
Fee and commission income	1,757	237	197	109	627	-	(187)	2,740	(218)	2,523
Other revenues	8	-	-	2	1	5	-	16	(10)	6
Total revenues	13,631	4,583	8,337	2,362	633	286	(480)	29,352	(1,155)	28,197
<i>Inter-segment revenues</i>	1	12	-	-	187	280				

The Group uses operating result in its segment reporting as an important indicator of its financial performance. The reconciliation from operating result to result before tax, being the most comparable EU-IFRS measure, is presented in the table below. For those items that cannot be directly reconciled to the respective notes, the explanation is provided below the table. Aegon believes that operating result, together with the other information included in this report, provides a meaningful measure for the investing public to evaluate Aegon's business relative to the businesses of its peers.

Presentation Non-Operating result	Note	2021	2020	2019
Operating result		1,906	1,710	1,894
Elimination of share in earnings of joint ventures and associates		42	31	50
Premium income	6	(5)	4	(1)
Rental income	7	(71)	(68)	(76)
Dividend income	7	76	(40)	9
Fee and commission income	8	30	(5)	-
Recovered claims and benefits	9	(31)	(143)	7
Change in valuation of reinsurance ceded	9	(43)	86	-
Net fair value change of general account financial investments at fair value through profit or loss, other than derivatives	10	(4)	(421)	(89)
Net fair value change on borrowings and other financial liabilities	10	(13)	2	7
Realized gains and losses on financial investments	10	463	132	399
Gains and (losses) on investments in real estate	10	253	74	317
Net fair value change of derivatives	10	(893)	894	538
Other income	11	77	68	200
Benefits and claims paid life	12	(217)	-	-
Change in valuation of liabilities for insurance contracts	12	994	(1,422)	(1,061)
Change in valuation of liabilities for investment contracts	12	(8)	(7)	(13)
Policyholder claims and benefits - Other	12	38	19	50
Commissions and expenses	14	(715)	(450)	(319)
Impairment (charges) reversals	15	53	(318)	(105)
Interest charges and related fees	16	-	(82)	21
Other charges	17	(37)	(150)	(1)
Results of CEE businesses which were previously reported in operating results		85	-	-
Result before tax		1,979	(84)	1,827

- Net fair value change of general account financial investments at fair value through profit or loss, other than derivatives is reported as part of the respective line in note 10 and reflects the over- or underperformance of investments and guarantees held at fair value for which the expected long-term return is included in operating result.
- Net fair value change of derivatives is reported as part of the respective line in note 10 and includes: 1) the over- or underperformance of derivatives of EUR 8 million loss (2020: EUR 38 million gain, 2019: EUR 34 million gain) for which the expected long-term return is included in operating result; 2) Net fair value change on economic hedges where no hedge accounting is applied of EUR 908 million loss (2020: EUR 907 million gain, 2019: EUR 482 million gain); 3) Ineffective portion of hedge transactions to which hedge accounting is applied of EUR 23 million gain (2020: EUR 25 million gain, 2019: EUR 22 million gain).
- Net foreign currency gains and (losses) are reported as part of the respective line in note 10.
- Benefits and claims paid life relate to the lump-sum buy-out program for certain variable annuities in the Americas and is reported as part of the respective line in note 12.
- Change in valuation of liabilities for insurance contracts is reported as part of the respective line in note 12.
- Change in valuation of liabilities for investment contracts is reported as part of the respective line in note 12.
- Policyholder claims and benefits - Other are reported as part of the 'Other' line in note 12 and is related to policyholder tax.
- Commissions and expenses include: 1) Restructuring charges of EUR 240 million (2020: EUR 266 million charge, 2019: EUR 220 million charge) which are reported as part of Employee and Administration expenses lines in note 14; 2) Amortization of deferred expenses of EUR 260 million income (2020: income of EUR 35 million, 2019: charge of EUR 32 million) which is reported as part of the respective line in note 14. This is offset against realized gains and losses and impairments on financial investments; 3) Amortization of VOBA and future servicing rights of EUR 87 million charge (2020: income of EUR 20 million; 2019: charge of EUR 5 million) which is reported as part of the respective line in note 14. Commissions and expenses include a DPAC/VOBA fair value adjustment of EUR 51 million gain (2020: gain of EUR 159 million; 2019: gain of EUR 151 million).
- Impairment (charges) reversals include: 1) Impairment charges and reversals on financial assets, excluding receivables of EUR 45 million reversal (2020: charge of EUR 266 million, 2019: charge of EUR 60 million) as shown in note 15; 2) Impairment charges and reversals on non-financial assets and receivables of EUR 60 million charge (2020: EUR 128 million charge; 2019: EUR 109 million charge) reported as part of the respective line in note 15.
- There are no interest charges and related fees that are classified for segment reporting purposes as non-operating results.

Impact from assumption and model updates

The 2021 assumption changes and model updates resulted in a negative impact of EUR 298 million and mainly relates to Aegon's businesses in the Americas and the Netherlands. Assumption changes and model updates in the Americas led to a net negative impact of EUR 250 million. This mainly reflects a charge of EUR 123 million related to an update of the minimum surrender rate assumption for variable annuities with guaranteed lifetime withdrawal benefits from 2% to 1.5% to reflect latest portfolio and industry experience. Assumption changes and model updates in the Netherlands led to a negative impact of EUR 52 million, mainly related to adverse impacts from a more granular modeling driven by the conversion of the administration of defined benefit pensions to TKP. This was partly offset by the favorable impact of model updates relating to interest guarantees and indexation assumptions for certain pension products.

The 2020 assumption changes and model updates amounted to a negative impact of EUR 580 million and mainly relates to Aegon's businesses in the Americas and the Netherlands. Assumption changes and model updates in the Americas led to a net negative impact of EUR 805 million. This reflects a charge of EUR 460 million related to the lowering the long-term interest rate assumption from 4.25% to 2.75% and the corresponding adjustment of the separate account bond return assumptions. Non-economic assumption changes resulted in a charge of EUR 345 million, mainly related to Universal Life premium persistency and an increase in mortality rate assumptions, as well as lowering the morbidity improvement assumption for Long-Term Care from 1.5% to 0.75% per year for the next 15 years. Assumption changes and model updates in the Netherlands led to a favorable impact of EUR 225 million mainly related to favorable longevity assumption changes, partially offset by adverse impacts from mortgage prepayment model and expense assumption updates.

The 2019 assumption changes and model updates amounted to a negative impact of EUR 196 million and mainly relates to Aegon's businesses in the Americas and the Netherlands. Assumption changes and model updates in the Americas led to a net negative impact of EUR 64 million mainly driven by updates to Universal Life products for surrender, lapse and mortality to reflect actual experience, partially offset by gains driven by updates to the annuitization of Variable Deferred Annuities Guaranteed Minimum Income Benefit and to the returns on Equity-Index Universal Life. In the second half of 2019, a negative impact of EUR 75 million resulted mostly from expenses assumption updates in the Americas. Assumption changes and model updates in the Netherlands led to negative impact of EUR 57 million mainly related to model enhancements and expense assumption updates which more than offset favorable longevity assumption changes.

Other selected income statement items

	Americas	The Netherlands	United Kingdom	International	Asset Management	Holding and other activities	Total
2021							
Amortization of deferred expenses, VOBA and future servicing rights	929	-	113	61	-	-	1,103
Depreciation	56	20	6	15	2	1	99
Impairment charges / (reversals) on financial assets, excluding receivables	(23)	(14)	-	-	-	(8)	(45)
Impairment charges / (reversals) on non-financial assets and receivables	37	12	-	-	1	11	60
2020							
Amortization of deferred expenses, VOBA and future servicing rights	637	-	119	97	-	-	854
Depreciation	56	20	9	12	2	1	101
Impairment charges / (reversals) on financial assets, excluding receivables	151	86	-	15	-	11	262
Impairment charges / (reversals) on non-financial assets and receivables	72	21	17	-	4	14	128
2019							
Amortization of deferred expenses, VOBA and future servicing rights	687	4	117	66	-	-	875
Depreciation	44	18	12	11	1	2	87
Impairment charges / (reversals) on financial assets, excluding receivables	(12)	72	-	-	-	-	60
Impairment charges / (reversals) on non-financial assets and receivables	3	94	-	3	-	10	109

Number of employees	Americas	The Netherlands	United Kingdom	International	Asset Management	Holding and other activities	Total
2021							
Number of employees - headcount	7,675	3,534	2,476	6,590	1,675	321	22,271
Of which Aegon's share of employees in joint ventures and associates	733	-	59	3,245	191	-	4,228
2020							
Number of employees - headcount	7,960	3,521	2,307	6,598	1,527	409	22,322
Of which Aegon's share of employees in joint ventures and associates	669	-	47	3,294	183	-	4,193
2019							
Number of employees - headcount	8,570	3,582	2,261	7,393	1,535	416	23,757
Of which Aegon's share of employees in joint ventures and associates	651	-	62	4,276	173	-	5,162

Summarized assets and liabilities per segment	Americas	The Netherlands	United Kingdom	International	Asset Management	Holding and other activities	Eliminations	Total
2021								
Assets								
Cash and Cash equivalents	1,127	3,718	210	282	311	1,242	-	6,889
Investments	80,938	67,017	1,876	8,315	296	21	-	158,463
Investments for account of policyholders	115,596	25,673	108,713	974	-	-	(4)	250,953
Investments in joint ventures	56	343	-	936	368	39	-	1,743
Investments in associates	-	1,103	9	18	151	20	(12)	1,289
Deferred expenses	9,052	235	825	391	-	-	-	10,503
Other assets	27,268	9,318	2,125	2,064	199	32,203	(34,133)	39,044
Total assets	234,037	107,408	113,758	12,979	1,326	33,525	(34,149)	468,884
Liabilities								
Insurance contracts	74,967	40,547	1,490	9,028	-	-	(1,611)	124,422
Insurance contracts for account of policyholders	83,316	25,294	39,955	758	-	-	-	149,323
Investment contracts	9,804	11,767	194	2	-	-	-	21,767
Investment contracts for account of policyholders	32,280	2,273	69,819	220	-	-	-	104,592
Other liabilities	17,382	20,038	799	518	540	6,685	(4,022)	41,940
Total liabilities	217,750	99,920	112,257	10,526	540	6,685	(5,633)	442,044

Summarized assets and liabilities per segment

	Americas	The Netherlands	United Kingdom	International	Asset Management	Holding and other activities	Eliminations	Total
2020								
Assets								
Cash and Cash equivalents	903	5,689	257	211	374	938	-	8,372
Investments	77,431	69,615	1,994	8,238	208	108	-	157,595
Investments for account of policyholders	104,374	25,603	93,240	959	-	-	(3)	224,172
Investments in joint ventures	-	327	-	846	204	-	-	1,376
Investments in associates	60	1,004	8	35	151	21	(15)	1,264
Deferred expenses	7,555	136	819	289	-	-	-	8,799
Other assets	26,552	13,642	2,664	1,905	171	31,756	(33,400)	43,290
Total assets	216,875	116,016	98,982	12,482	1,109	32,824	(33,419)	444,868
Liabilities								
Insurance contracts	69,392	44,242	1,458	8,542	-	-	(1,488)	122,146
Insurance contracts for account of policyholders	76,506	25,085	33,078	772	-	-	-	135,441
Investment contracts	8,156	12,732	185	2	-	-	-	21,075
Investment contracts for account of policyholders	27,868	2,473	61,092	191	-	-	-	91,624
Other liabilities	19,265	24,505	1,614	573	515	9,658	(7,007)	49,124
Total liabilities	201,188	109,036	97,427	10,080	515	9,658	(8,495)	419,410

Amounts included in the tables on investments are presented on an IFRS basis, which means that investments in joint ventures and associates are not consolidated on a proportionate basis. Instead, these investments are included on a single line using the equity method of accounting.

	Americas	The Netherlands	United Kingdom	International	Asset Management	Holding and other activities	Eliminations	Total
Investments								
2021								
Shares	493	1,410	29	72	9	1	-	2,015
Debt securities	61,014	26,951	1,159	8,060	11	-	-	97,195
Loans	11,352	35,990	-	93	-	20	-	47,455
Other financial assets	8,040	79	687	73	276	-	-	9,155
Investments in real estate	39	2,588	-	16	-	-	-	2,643
Investments general account	80,938	67,017	1,876	8,315	296	21	-	158,463
Shares	-	9,078	20,221	243	-	-	(4)	29,539
Debt securities	-	12,044	7,649	128	-	-	-	19,821
Unconsolidated investment funds	115,596	1,059	74,698	597	-	-	-	191,950
Other financial assets	-	3,493	5,581	6	-	-	-	9,080
Investments in real estate	-	-	563	-	-	-	-	563
Investments for account of policyholders	115,596	25,673	108,713	974	-	-	(4)	250,953
Investments on balance sheet	196,534	92,690	110,589	9,288	296	21	(4)	409,416
Off-balance sheet investments third parties	240,248	7,711	151,097	2,300	212,779	-	-	614,136
Total revenue-generating investments	436,782	100,402	261,687	11,589	213,076	21	(4)	1,023,552
Investments								
Available-for-sale	65,694	24,443	1,299	8,191	257	-	-	99,884
Loans	11,352	35,990	-	93	-	20	-	47,455
Financial assets at fair value through profit or loss	119,450	29,669	108,727	987	40	1	(4)	258,871
Investments in real estate	39	2,588	563	16	-	-	-	3,206
Total investments on balance sheet	196,534	92,690	110,589	9,288	296	21	(4)	409,416
Investments in joint ventures	56	343	-	936	368	39	-	1,743
Investments in associates	-	1,103	9	18	151	20	(12)	1,289
Other assets	37,447	13,271	3,160	2,736	510	33,444	(34,133)	56,436
Consolidated total assets	234,037	107,408	113,758	12,979	1,326	33,525	(34,149)	468,884

Investments	Americas	The Netherlands	United Kingdom	International ¹⁾	Asset Management	Holding and other activities	Eliminations	Total
2020								
Shares	442	1,376	34	74	9	44	-	1,979
Debt securities	59,419	30,880	1,077	7,926	48	1	-	99,350
Loans	10,477	34,936	-	120	-	40	-	45,573
Other financial assets	7,056	91	883	102	152	23	-	8,308
Investments in real estate	37	2,331	-	16	-	-	-	2,385
Investments general account	77,431	69,615	1,994	8,238	208	108	-	157,595
Shares	-	8,227	16,877	187	-	-	(3)	25,288
Debt securities	-	12,150	7,579	156	-	-	-	19,885
Unconsolidated investment funds	104,374	706	63,084	613	-	-	-	168,777
Other financial assets	-	4,520	5,232	3	-	-	-	9,755
Investments in real estate	-	-	467	-	-	-	-	467
Investments for account of policyholders	104,374	25,603	93,240	959	-	-	(3)	224,172
Investments on balance sheet	181,805	95,218	95,234	9,197	208	108	(3)	381,767
Off-balance sheet investments third parties	215,216	6,144	119,347	6,752	192,098	-	(336)	539,220
Total revenue-generating investments	397,021	101,362	214,580	15,948	192,307	108	(339)	920,987
Investments								
Available-for-sale	63,864	25,972	1,494	8,088	134	28	-	99,580
Loans	10,477	34,936	-	120	-	40	-	45,573
Financial assets at fair value through profit or loss	107,427	31,979	93,272	973	74	40	(3)	233,762
Investments in real estate	37	2,331	467	16	-	-	-	2,853
Total investments on balance sheet	181,805	95,218	95,234	9,197	208	108	(3)	381,767
Investments in joint ventures	-	327	-	846	204	-	-	1,376
Investments in associates	60	1,004	8	35	151	21	(15)	1,264
Other assets	35,010	19,467	3,740	2,405	545	32,695	(33,400)	60,461
Consolidated total assets	216,875	116,016	98,982	12,482	1,109	32,824	(33,419)	444,868

6 Premium income and premiums paid to reinsurers

	2021	2020	2019
Life insurance	13,400	13,929	15,926
Non-life insurance	2,044	2,171	2,212
Total premium income	15,444	16,099	18,138
Accident and health insurance	1,643	1,784	1,823
General insurance	401	386	390
Non-life insurance premium income	2,044	2,171	2,212

Premium income decreased by EUR 655 million in 2021 (2020: EUR 2,039 million decrease) mainly driven by a shrinking life portfolio in the Netherlands and a reduction of upgraded Life insurance policies to the retirement platform in the UK.

	2021	2020	2019
Life insurance	3,326	2,541	2,276
Non-life insurance	192	162	158
Total premiums paid to reinsurers	3,518	2,703	2,434
Accident and health insurance	164	137	138
General insurance	27	25	19
Non-life insurance premiums paid to reinsurers	192	162	158

Premium paid to reinsurers increased by EUR 815 million in 2021 (2020: EUR 270 million increase), mainly driven by a reinsurance transaction covering universal life policies with secondary guarantees in Americas.

7 Investment income

	2021	2020	2019
Interest income	5,340	5,426	5,835
Dividend income	1,528	1,609	1,571
Rental income	99	114	125
Total investment income	6,967	7,149	7,531
Interest income accrued on impaired financial assets	53	70	146
Interest income on financial assets that are not carried at Fair value through profit or loss	4,533	4,688	4,943

Lease income is included within rental income. Please refer to note 45 Commitments and Contingencies for future lease payments (lease rights).

Total investment income from:	2021	2020	2019
Shares	1,528	1,609	1,571
Debt securities and money market instruments	3,548	3,663	3,959
Loans	1,649	1,710	1,779
Real estate	99	114	125
Other	142	53	97
Total	6,967	7,149	7,531

Investment income is split into:	2021	2020	2019
Investment income related to general account	4,952	5,005	5,291
Investment income for account of policyholders	2,015	2,145	2,240
Total	6,967	7,149	7,531

Investment income from financial assets held for general account:	2021	2020	2019
Available-for-sale	3,009	3,075	3,267
Loans	1,649	1,710	1,779
Financial assets designated at fair value through profit or loss	247	130	125
Real estate	68	87	83
Derivatives	(6)	(7)	39
Other	(15)	9	(2)
Total	4,952	5,005	5,291

8 Fee and commission income

	2021	2020	2019
Fee income from asset management	1,904	1,725	1,824
Commission income	713	580	585
Other	168	99	114
Total fee and commission income	2,785	2,405	2,523

Included in fee and commission income:	2021	2020	2019
Fees on trust and fiduciary activities	259	221	225

9 Income from reinsurance ceded

	2021	2020	2019
Recovered claims and benefits	3,363	3,250	3,367
Change in technical provisions	761	310	1
Commissions	163	406	218
Amortization Charges	2	-	-
Total	4,289	3,965	3,586

10 Results from financial transactions

Results from financial transactions comprise:	2021	2020	2019
Net fair value change of general account financial investments at fair value through profit or loss, other than derivatives	785	191	279
Realized gains and (losses) on financial investments	510	132	399
Gains and (losses) on investments in real estate	253	74	317
Net fair value change of derivatives	(1,890)	409	1,505
Net fair value change on account of policyholder financial assets at fair value through profit or loss	23,811	20,982	33,188
Net fair value change on investments in real estate for account of policyholders	46	(36)	(18)
Net foreign currency gains and (losses)	347	(93)	77
Net fair value change on borrowings and other financial liabilities	(13)	18	15
Total	23,848	21,677	35,761

Net fair value change of general account financial investments at fair value through profit or loss, other than derivatives comprise:	2021	2020	2019
Shares	101	(42)	99
Debt securities and money market investments	(46)	30	85
Other	730	203	95
Total	785	191	279

Other mainly includes net fair value changes of limited partnerships such as hedge and private equity funds.

Realized gains and losses on financial investments comprise:	2021	2020	2019
Shares	17	3	11
Debt securities and money market investments	396	153	372
Loans	126	20	32
Other	(30)	(43)	(16)
Total	510	132	399

Realized gains and losses on financial investments comprise:	2021	2020	2019
Available-for-sale investments	384	112	368
Loans	126	20	32
Total	510	132	399

Net fair value change of derivatives comprise:	2021	2020	2019
Net fair value change on economic hedges where no hedge accounting is applied	(3,543)	2,436	2,636
Net fair value change on bifurcated embedded derivatives	1,630	(2,053)	(1,153)
Ineffective portion of hedge transactions to which hedge accounting is applied	23	25	22
Total	(1,890)	409	1,505

The ineffective portion of hedge transactions to which hedge accounting is applied comprises:	2021	2020	2019
Fair value change on hedging instruments in a fair value hedge	438	(245)	(355)
Fair value change on hedged items in a fair value hedge	(416)	270	377
Ineffectiveness fair value hedge	22	25	22
Ineffectiveness cash flow hedges	1	-	-
Total	23	25	22

Net fair value change on for account of policyholder financial assets at fair value through profit or loss comprise:

	2021	2020	2019
Shares	4,560	1,396	4,591
Debt securities and money market investments	(1,007)	588	863
Unconsolidated investment funds	20,927	17,681	26,450
Derivatives	(669)	1,318	1,284
Total	23,811	20,982	33,188

Net fair value change on for account of policyholder financial assets at fair value through profit or loss increased in 2021 compared to 2020, mainly from more favorable equity markets. Net fair value changes on for account of policyholder financial assets at fair value through profit or loss are offset by changes in technical provisions reported as part of the lines Change in valuation of liabilities for insurance contracts and Change in valuation of liabilities for investment contracts in note 12 Policyholder claims and benefits.

Net fair value change on borrowings and other financial liabilities

	2021	2020	2019
Borrowings	-	16	8
Other financial liabilities	(13)	2	7
Total	(13)	18	15

11 Other income

	2021	2020	2019
Other income	77	68	200

Other income in 2021 of EUR 77 million includes a gain of EUR 38 million related to the sale of a small-sized Individual Retirement Account (IRA) portfolio to a third party and a release of a retirement benefit plan liability of EUR 31 million in the Netherlands.

Other income in 2020 of EUR 68 million includes a book gain of EUR 53 million on the divestment of the joint ventures in Japan.

Other income in 2019 of EUR 200 million includes a gain of EUR 101 million on pension plan amendments in the Netherlands following the move from a defined benefit plan to a defined contribution plan, as well as a book gain of EUR 70 million on the divestment of the business in Slovakia and Czech Republic.

Refer to note 48 Companies and businesses acquired and divested for more details on these divestments.

12 Policyholder claims and benefits

	2021	2020	2019
Benefits and claims paid life	20,019	16,016	18,824
Benefits and claims paid non-life	1,441	1,489	1,635
Change in valuation of liabilities for insurance contracts	18,138	22,433	30,679
Change in valuation of liabilities for investment contracts	2,291	2,086	5,768
Other	(38)	(19)	(50)
Total	41,852	42,006	56,856

Policyholder claims and benefits includes claims and benefits in excess of account value for products for which deposit accounting is applied and the change in valuation of liabilities for insurance and investment contracts. The lines "Change in valuation of liabilities for insurance contracts" and "Change in valuation of liabilities for investment contracts" reflect movements in technical provisions resulting from "Net fair value change on for account of policyholder financial assets at fair value through profit or loss" included in note 10 Results from financial transactions of EUR 23,811 million positive (2020: EUR 20,982 million positive, 2019: EUR 33,188 million positive). In addition, the line "Change in valuation of liabilities for insurance contracts" includes a decrease of technical provisions for life insurance contracts of EUR 1,095 million (2020: increase of EUR 3,412 million, 2019: increase of EUR 2,490 million).

Aegon launched a lump-sum buy-out program in July 2021 for policyholders of variable annuities with GMIB riders whose financial objectives may have changed since the issuance of their policies. The execution of the lump-sum buy-out program resulted in a charge of EUR 49 million as recorded in "Policyholder claims and benefits", to record actual and expected offer acceptances.

13 Profit sharing and rebates

	2021	2020	2019
Surplus interest bonuses	2	2	2
Profit appropriated to policyholders	13	7	15
Total	14	8	17

14 Commissions and expenses

	2021	2020	2019
Commissions	2,562	2,283	2,423
Employee expenses	1,897	1,995	2,149
Administration expenses	1,581	1,593	1,537
Deferred expenses	(1,160)	(741)	(832)
Amortization of deferred expenses	933	767	755
Amortization of VOBA and future servicing rights	171	87	120
Total	5,984	5,983	6,153

Included in administration expenses:

Depreciation of equipment, software and real estate held for own use	99	101	87
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Employee expenses

	2021	2020	2019
Salaries	1,300	1,316	1,321
Post-employment benefit costs	172	199	287
Social security charges	128	125	127
Other personnel costs	254	318	378
Shares	44	37	36
Total	1,897	1,995	2,149

Included in employee expenses:

Defined contribution expenses	35	36	43
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Aegon expanded the dynamic hedge covering the equity and interest rate risks of its US Variable Annuities block with guaranteed minimum withdrawal benefits (GMWB) to the entire VA portfolio. Implementing the VA dynamic hedging program for variable annuities with interest sensitive guaranteed minimum income benefits (GMIBs) and guaranteed minimum death benefits (GMDBs) resulted in an EUR 350 million one-time charge, of which EUR 254 million is reported as "Amortization of deferred expenses" and EUR 96 million is reported as "Amortization of VOBA and future servicing rights".

Long Term Incentive Plans

Selected senior employees within Aegon, who have not been classified as Material Risk Takers, can be made eligible for variable compensation, which is partially paid in cash and partially in Aegon shares. The grant price of these shares is equal to the volume weighted average price (VWAP) on the Euronext stock exchange in Amsterdam during the period between December 15 preceding the plan year and January 15 of the plan year. The actual allocation of variable compensation in cash and shares depends on Aegon's performance, the employee's unit performance and individual performance against predefined financial and non-financial performance indicators and targets, as well as the continued employment of the employee. Once variable compensation is allocated, the cash part is paid directly and the payment of the shares is deferred for two years. These shares are paid out as soon as the Integrated Annual Report has been adopted by the shareholders at the Annual General Meeting in the last deferral year. Employees are not eligible to receive dividend during the deferral period. In exceptional circumstances Aegon's Supervisory Board can adjust variable compensation downwards before allocation or pay-out (malus) or after pay-out (claw back), after considering the outcomes of an ex-ante or ex-post risk assessment.

Variable Compensation Material Risk Takers

Members of the Executive Board and the Management Board as well as other senior employees are classified as Material Risk Takers in accordance with the Solvency II Legal Framework. In line with these rules, variable compensation for Material Risk Takers is partially paid in cash and partly in Aegon shares. The grant price of these shares is equal to the volume weighted average price (VWAP) on the Euronext stock exchange in Amsterdam during the period between December 15 preceding the plan year and January 15 of the plan year. The actual allocation of variable compensation in cash and shares depends on Aegon's performance, the employee's unit performance and individual performance against predefined financial and non-financial performance indicators and targets, as well as the continued employment of the employee. Once variable compensation is allocated, the cash part is paid directly and the payment of the shares is deferred for three years. These shares are paid out as soon as the Integrated Annual Report has been adopted by the shareholders at the Annual General Meeting in the last deferral year. Employees are not eligible to receive dividend during the deferral period. For the Members of the Executive Board, the paid-out shares are subject to an additional holding period of two years. During this holding period, the Executive Board member is not allowed to sell these shares. In exceptional circumstances Aegon's Supervisory Board can adjust variable compensation downwards before allocation or pay-out (malus) or after pay-out (claw back), after considering the outcomes of an ex-ante or ex-post risk assessment.

Shares as Fixed Compensation

Selected members of the Management Board as well as other senior employees receive part of their fixed compensation in Aegon shares each pay round, next to receiving fixed compensation in cash. The grant price of these shares is equal to the volume weighted average price (VWAP) on the Euronext stock exchange in Amsterdam during the period between December 15 preceding the plan year and January 15 of the plan year. Once allocated these shares are unconditional and do not depend on the continued employment of the employee. These shares are either paid as soon as the Integrated Annual Report has been adopted by the shareholders at the next Annual General Meeting or the pay-out is deferred until the Integrated Annual Report has been adopted by the shareholders at the Annual General Meeting three years after the plan year. In the former case, these paid-out shares are subject to an additional holding period of three years, while in the latter case there is no holding period after pay-out. During the holding period (if applicable), the employee is not allowed to sell these shares. During the deferral period (if applicable), the employee is not eligible to receive dividend.

Shares as part of a Sign-on Arrangement

Employees may be offered a sign-on arrangement when joining Aegon, with payments in cash and Aegon shares, within the applicable rules and regulations. Once allocated, the sign-on shares depend on the continued employment of the employee. These shares are deferred and typically cliff-vest after one, two and three years after allocation as soon as the Integrated Annual Report has been adopted by the shareholders at the Annual General Meeting of that year. Employees are not eligible to receive dividend during the deferral period.

The following overview contains the cumulative number of shares and their status in relation to active Long Term Incentive Plans, variable compensation allocated to Material Risk Takers, shares allocated as fixed compensation and shares allocated as part of a sign-on arrangement.

Number of shares per plan year

	2017	2018	2019	2020	2021	Total
Conditionally granted ¹⁾	6,722,418	6,513,984	7,378,113	8,381,086	9,449,451	38,445,052
Allocated ²⁾	7,461,564	6,123,546	6,761,360	6,522,324	-	26,868,794

¹⁾ The at target number of shares which were conditionally granted for the plan year.

²⁾ The allocated number of shares based on the actual performance during the plan year.

Number of shares per plan year

	2017	2018	2019	2020	2021	Total
Unvested at January 1, 2020	6,516,995	5,663,455	8,330,014	-	-	20,510,464
Conditionally granted as variable compensation ¹⁾	-	-	-	8,381,086	-	8,381,086
Allocated ²⁾	4,436	38,502	(616,753)	954,850	-	381,035
Forfeited	(55,039)	(199,587)	(94,970)	(17,644)	-	(367,240)
Vested	(2,604,178)	(250,819)	(277,523)	(66,526)	-	(3,199,046)
Unvested at December 31, 2020	3,862,214	5,251,551	7,340,768	9,251,766	-	25,706,299
Conditionally granted as variable compensation ¹⁾	-	-	-	-	9,449,451	9,449,451
Allocated ²⁾	3,928	4,010	(29,388)	(1,858,762)	2,450,661	570,449
Forfeited	(92,665)	(205,734)	(254,543)	(174,128)	(4,729)	(731,799)
Vested	(3,773,477)	(2,037,774)	(259,858)	(221,441)	(69,851)	(6,362,401)
Unvested at December 31, 2021	-	3,012,053	6,796,979	6,997,435	11,825,532	28,631,999
Grant price (in EUR) ³⁾	5.246	5.405	4.162	4.083	3.2927	
Fair value of shares at grant date (in EUR) ⁴⁾	4.040 to 4.933	4.143 to 5.054	2.741 to 3.737	1.794 to 3.796	1.625 to 3.978	

¹⁾ The at target number of shares which were conditionally granted as variable compensation for the plan year.

²⁾ Shares allocated in the same year are a combination of shares allocated as fixed compensation and sign-on shares which have been allocated during that year (e.g. the 954,850 shares allocated during the calendar year 2020 in relation to the 2020 plan year). Shares allocated during a calendar year in relation to the previous plan year concerns the difference between the conditionally granted shares for that plan year and the actual number of shares which have been allocated (e.g. the 616,753 share correction during 2020 for the 2019 plan year). This number can therefore be positive or negative. Shares allocated during a calendar year in relation to earlier plan years are backdated corrections to the administration (e.g. during 2020 a correction of 38,502 shares was made to the 2018 plan year).

³⁾ This is the volume weighted average price (VWAP) of Aegon on the Euronext Amsterdam stock exchange for the period December 15 to January 15. For instance for the 2021 plan year, this is the VWAP for the period December 15, 2020 to January 15, 2021.

⁴⁾ These fair values are adjusted for expected dividend (for which the participants are not eligible during the deferral period) and for the impact of relative total shareholder return as performance indicator for variable compensation (where applicable).

Aegon applies a net settlement option for participants in order to meet their income tax obligations when their shares are paid out. This means that Aegon will not sell shares on the market, but hold these shares within Aegon and settle directly with the tax authorities in cash.

Refer to the Remuneration Report for detailed information on conditional shares granted to the Executive Board.

15 Impairment charges / (reversals)

Impairment charges / (reversals) comprise:	2021	2020	2019
Impairment charges on financial assets, excluding receivables	52	291	133
Impairment reversals on financial assets, excluding receivables	(98)	(29)	(73)
Impairment charges and reversals on non-financial assets and receivables	60	128	109
Total	15	391	169

Impairment charges on financial assets, excluding receivables, from:	2021	2020	2019
Shares	3	42	7
Debt securities and money market instruments	9	162	50
Loans	40	87	76
Total	52	291	133

Impairment reversals on financial assets, excluding receivables, from:	2021	2020	2019
Shares	(8)	-	-
Debt securities and money market instruments	(30)	(26)	(67)
Loans	(55)	(2)	(5)
Other	(4)	(1)	(1)
Total	(98)	(29)	(73)

Impairment charges on financial assets in 2020 were mainly driven by Americas impairments on public fixed income holdings, primarily in the energy sector, as a consequence of the weakening demand related to the nationwide lockdown due to COVID-19.

Impairment charges on non-financial assets and receivables in 2020 amount to EUR 128 million and are mainly related to a valuation allowance due to the ongoing rehabilitation process of a reinsurer of Aegon Americas for EUR 68 million and the impairment of an associate company of Aegon the Netherlands for EUR 17 million.

Impairment charges/(reversals) on non-financial assets and receivables in 2019 amounted to EUR 109 million and were mainly related to a write-off of VOBA and DPAC amounting to EUR 76 million as a result of a liability adequacy test (LAT) deficit in Aegon the Netherlands. Refer to note 34 "Insurance contracts" for further details on the LAT impact. In addition, 2019 included the dilution of the capital injections in India (ALIC) of EUR 10 million and impairments to software in the Netherlands of EUR 9 million.

For more details on impairments on financial assets, excluding receivables, refer to note 4 Financial risks.

16 Interest charges and related fees

	2021	2020	2019
Subordinated loans	110	110	88
Trust pass-through securities	8	9	8
Borrowings	153	194	252
Other	65	191	164
Total	335	505	513
Included in interest charges and related fees:			
Interest charges accrued on financial liabilities not carried at fair value through profit or loss	210	232	298

Other includes interest charges on short term borrowings and bank fees.

17 Other charges

	2021	2020	2019
Other charges	104	150	1

Other charges in 2021 of EUR 104 million are mainly related to settlements of certain universal life policies in the US. For more details refer to Note 45 commitments and contingencies.

Other charges in 2020 of EUR 150 million are mainly driven by charges of EUR 91 million (USD 104 million) related to settlements of certain universal life policies in the US. Furthermore, other charges include a provision of EUR 45 million related to the resolution of pending litigation in the Netherlands. Refer to note 38 Provisions and note 45 Commitments and contingencies for further details.

18 Income tax

	Note	2021	2020	2019
Current tax				
Current year		116	(105)	118
Adjustments to prior years		(5)	(205)	(14)
		111	(310)	103
Deferred tax				
	40			
Origination / (reversal) of temporary differences		190	(29)	162
Changes in tax rates / bases		(20)	9	25
Changes in deferred tax assets as a result of recognition / write off of previously not recognized / recognized tax losses, tax credits and deductible temporary differences		(5)	12	4
Non-recognition of deferred tax assets		9	7	17
Adjustments to prior years		(6)	171	(8)
		167	171	200
Income tax for the period (income) / charge		278	(139)	303

Adjustments to prior years include shifts between current and deferred tax.

	2021	2020	2019
Reconciliation between standard and effective income tax:			
Result before tax	1,979	(84)	1,828
Income tax calculated using weighted average applicable statutory tax rates	403	(29)	385
Difference due to the effects of:			
Non-taxable income	(69)	(46)	(76)
Non-tax deductible expenses	21	22	22
Changes in tax rate/base	(20)	9	25
Tax credits	(48)	(57)	(67)
Other taxes	38	(2)	57
Adjustments to prior years	(11)	(33)	(22)
Change in uncertain tax positions	(16)	-	-
Changes in deferred tax assets as a result of recognition / write off of previously not recognized / recognized tax losses, tax credits and deductible temporary differences	(5)	12	4
Non-recognition of deferred tax assets	9	7	17
Tax effect of (profit) / losses from joint ventures and associates	(18)	(17)	(11)
Other	(5)	(4)	(32)
	(125)	(110)	(82)
Income tax for the period (result) / charge	278	(139)	303

The weighted average applicable statutory tax rate for 2021 is 20.4% (2020: 34.0%, 2019: 21.1%). The weighted average applicable statutory tax rate decreased compared to 2020 due to high contribution of income before tax in the United States and relatively high income in 2021 from equity accounted joint ventures and associates - compared to the total consolidated income - which is presented net of tax in the consolidated income statement.

Non-taxable income in 2021 is comprised of the regular non-taxable items such as the dividend received deduction in the United States and the participation exemption in the Netherlands. Compared to 2020 non-taxable income increased due to more exempt income in the Netherlands and the United Kingdom.

In the Netherlands, the enacted future corporate income tax rate increased from 25% to 25.8% as from January 1, 2022 which resulted in an unfavorable tax rate impact. In the United Kingdom, the enacted future corporate income tax rate will increase from 19% to 25% as of April 1, 2023 which resulted in a beneficial tax rate impact.

Tax credits mainly include tax benefits from United States investments that provide affordable housing to individuals and families that meet median household income requirements.

Other taxes are higher compared to 2020 due to favorable equity markets which yielded higher policyholder taxes in the United Kingdom and state tax expenses in the United States due to positive income.

In 2020, 'Adjustments to prior years' mainly consist of a shift between current and deferred tax in the Netherlands due to the recalculation of the technical insurance provisions for tax purposes.

Changes in uncertain tax positions relate to a partial release of certain reassessed tax provisions in the United States and the Netherlands.

In 2019, 'Other' mainly relates to the one-off tax benefit in the United Kingdom due to the release of the historic deferred tax balances held in respect of the pension scheme deficit when the defined benefit pension scheme moved to surplus.

The following tables present income tax related to components of other comprehensive income and retained earnings.

	2021	2020	2019
Items that will not be reclassified to profit and loss:			
Changes in revaluation reserve real estate held for own use	1	(2)	1
Remeasurements of defined benefit plans	(102)	140	90
	(101)	138	92
Items that may be reclassified subsequently to profit and loss:			
(Gains) / losses on revaluation of available-for-sale investments	222	(666)	(726)
(Gains) / losses transferred to the income statement on disposal and impairment of available-for-sale investments	100	2	94
Changes in cash flow hedging reserve	47	54	3
Movement in foreign currency translation and net foreign investment hedging reserve	3	(7)	(5)
	372	(616)	(634)
Total income tax related to components of other comprehensive income	270	(479)	(542)

	2021	2020	2019
Income tax related to equity instruments and other			
Income tax related to equity instruments	31	13	18
Other	3	1	(1)
Total income tax recognized directly in retained earnings	16	19	50

19 Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the net result attributable to owners, after deduction of coupons on perpetual securities and non-cumulative subordinated notes by the weighted average number of common shares, excluding common shares purchased by the Company and held as treasury shares (refer to note 30.1 Share capital – par value and 30.3 Treasury shares respectively).

	2021	2020	2019
Net result attributable to owners of Aegon N.V.	1,651	45	1,524
Coupons on perpetual securities	(39)	(38)	(88)
Net result attributable to owners for basic earnings per share calculation	1,613	7	1,437
Net result attributable to common shareholders	1,602	7	1,427
Net result attributable to common shareholders B	11	-	10
Weighted average number of common shares outstanding (in million)	2,043	2,044	2,042
Weighted average number of common shares B outstanding (in million)	559	561	572
Basic earnings per common share (EUR per share)	0.78	-	0.70
Basic earnings per common share B (EUR per share)	0.02	-	0.02

Diluted earnings per share

The diluted earnings per share equaled the basic earnings per share for all years disclosed since there were no Long Term Incentive Plans which were considered dilutive.

20 Dividend per common share**Final dividend 2021**

At the Annual General Meeting of Shareholders currently scheduled for May 31, 2022, the Executive Board will, in line with its earlier announcement and barring unforeseen circumstances, propose a final dividend for the year 2021 of EUR 0.09 per common share and EUR 0.00225 per common share B, which has financial rights attached to it of 1/40th of a common share. If approved and in combination with the interim dividend 2021 of EUR 0.08 per common share, Aegon's total dividend over 2021 will amount to EUR 0.17 per common share. After taking into account the interim dividend 2021 of EUR 0.002 per common share B, Aegon's total dividend over 2021 will amount to EUR 0.00425 per common share B.

Interim dividend 2021

The interim dividend 2021 was paid in cash or stock at the election of the shareholder. Approximately 42% of holders of common shares elected to receive the cash dividend. The remaining 58% of shareholders elected to receive the interim dividend in stock. The cash dividend amounted to EUR 0.08 per common share, the stock dividend amounted to one new Aegon common share for every 52 common shares held. The stock dividend and cash dividend are approximately equal in value. The dividend was payable as of September 17, 2021. The interim dividend 2021 for common shares B amounted to 1/40th of the dividend paid on common shares.

To neutralize the dilutive effect of the 2021 interim dividend paid in shares, Aegon executed a program to repurchase 21,531,927 common shares. The repurchase of shares commenced on October 1, 2021 and was completed on October 27, 2021. Aegon engaged a third party to execute the transactions on its behalf. The common shares were repurchased at a maximum of the average of the daily volume-weighted average prices during the repurchase period.

Final dividend 2020

It was decided at the Annual General Meeting of Shareholders on June 3, 2021 to pay a final dividend for 2020 of EUR 0.06 per common share and EUR 0.0015 per common share B. After taking into account the interim dividend of EUR 0.06 per common share and EUR 0.0015 per common share B, this resulted in a total 2020 dividend of EUR 0.12 per common share and EUR 0.0030 per common share B.

The final dividend for 2020 was paid in cash or stock at the election of the shareholder. The value of the dividend in common shares was approximately equal to the cash dividend. Those who elected to receive a stock dividend received one Aegon common share for every 59 common shares held. The stock fraction was based on Aegon's average share price as quoted on Euronext Amsterdam, using the high and low of each of the five trading days from June 24 up to and including June 30, 2021. The average price calculated on this basis amounted to EUR 3.52. The dividend was paid as of July 7, 2021.

To neutralize the dilutive effect of the 2020 final dividend paid in shares, Aegon executed a share buyback program to repurchase 35,933,035 common shares. Between July 8, 2021 and August 20, 2021, these common shares were repurchased at an average price of EUR 3.7013 per share. These shares are held as treasury shares and are used to cover future stock dividends.

Interim dividend 2020

The interim dividend 2020 was paid in cash or stock at the election of the shareholder. Approximately 52% of holders of common shares elected to receive the cash dividend. The remaining 48% of shareholders elected to receive the interim dividend in stock. The cash dividend amounted to EUR 0.06 per common share, the stock dividend amounted to one new Aegon common share for every 39 common shares held. The stock dividend and cash dividend are approximately equal in value. The dividend was payable as of September 18, 2020. The interim dividend 2020 for common shares B amounted to 1/40th of the dividend paid on common shares.

To neutralize the dilutive effect of the 2020 interim dividend paid in shares, Aegon executed a program to repurchase 24,028,645 common shares. The repurchase of shares commenced on October 1, 2020 and was completed on October 27, 2020. Aegon engaged a third party to execute the transactions on its behalf. The common shares were repurchased at a maximum of the average of the daily volume-weighted average prices during the repurchase period.

Final dividend 2019

At the Annual General Meeting of Shareholders on May 15, 2020 it was decided to forego the 2019 final dividend. Aegon decided to comply with the call made by European Insurance and Occupational Pensions Authority (EIOPA) and Dutch Central Bank (DNB)

to postpone all dividend distributions on April 2, 2020. Furthermore, in 2020 Aegon took several actions to strengthen its balance sheet and improve its risk profile. In this context, Aegon decided to retain the final dividend for 2019. Taking into account the interim dividend paid in September 2019, this results in a total dividend for the financial year 2019 of EUR 0.15 per common share and EUR 0.00375 per common share B, paid in September 2019.

Interim dividend 2019

The interim dividend 2019 was paid in cash or stock at the election of the shareholder. Approximately 55% of holders of common shares elected to receive the cash dividend. The remaining 45% opted for stock dividend. The cash dividend amounted to EUR 0.15 per common share, the stock dividend amounted to one new Aegon common share for every 25 common shares held. The stock dividend and cash dividend are approximately equal in value. The interim dividend was payable as of September 20, 2019. The interim dividend 2019 for common shares B amounted to 1/40th of the dividend paid on common shares.

To neutralize the dilutive effect of the 2019 interim dividend paid in shares, Aegon executed a program to repurchase 43,149,667 common shares. Between October 1, 2019, and November 8, 2019, these common shares were repurchased at an average price of EUR 3.89 per share. These shares are held as treasury shares and are used to cover future stock dividends.

21 Cash and cash equivalents

	2021	2020	2019
Cash at bank and in hand	3,638	4,907	4,619
Short-term deposits	1,576	2,214	2,518
Money market investments	1,675	1,247	5,116
Short-term collateral	-	4	11
At December 31	6,889	8,372	12,263
Cash collateral received related to securities lending, repurchase agreements and margins on derivatives transactions	5,776	9,208	7,166
Income from security lending programs	3	9	6
Weighted effective interest rate on short-term deposits	(0.72%)	(0.64%)	(0.38%)
Average maturity days on short-term deposits	16	10	19

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

For cash collateral received related to securities lending, repurchase agreements and margins on derivatives transactions, a corresponding liability to repay the cash is recognized in other liabilities (refer to note 41 Other liabilities). Also, refer to note 46 Transfer of financial assets for details on collateral received and paid. Investment of cash collateral received is restricted through limitations on credit worthiness, duration, approved investment categories and borrower limits. Short-term collateral relates to cash collateral received included in cash and cash equivalents and the remainder is included in other asset classes as that collateral is typically reinvested. Aegon earns a share of the spread between the collateral earnings and the rebate paid to the borrower of the securities which is reflected in Income from securities lending programs.

Cash and cash equivalents include cash and demand balances held at the Dutch Central Bank. The Dutch Central Bank requires Aegon Bank N.V. to place 1% of their deposits with agreed maturity or the savings accounts (without restrictions to withdraw their money) in an account with the Dutch Central Bank. This deposit is renewed every 42-49 days, based on an updated valuation of total assets. The interest paid on this minimum reserve deposit is equal to the ECB deposit facility rate amounting to -50bp. The year-end minimum required balance on deposit by the Dutch Central Bank was EUR 74 million (2020: EUR 84 million, 2019: EUR 79 million). These deposits are therefore not freely available.

	2021	2020	2019
Summary cash flow statement			
Net cash flows from operating activities	(1,796)	(2,854)	7,302
Net cash flows from investing activities	(54)	(139)	(86)
Net cash flows from financing activities	300	(778)	(3,730)
Net increase / (decrease) in cash and cash equivalents	(1,550)	(3,770)	3,486
Net cash and cash equivalents are impacted by:			
Positive (negative) effects of changes in exchange rates	67	(121)	33

Analysis of cash flows**2021 compared to 2020****Net cash flows from operating activities**

Total net cash flow from operating activities increased by EUR 1,058 million to a EUR 1,796 million outflow (2020: EUR 2,854 million outflow). The main movements are the decreased cash outflows regarding purchase of investments and the increased cash inflows from disposal of investments (refer to note 22 Investment), partially offset by outflow from insurance and investment liabilities (refer to note 34 Insurance contracts) and by the increased outflow from results from financial transactions (refer to note 10 Results from financial transactions).

Net cash flows from investing activities

Net cash flows from investing activities increased by EUR 85 million to a EUR 54 million outflow (2020: EUR 139 million outflow). The main movements are the decreased cash outflows regarding acquisition/capital contribution joint ventures and associates, partially offset by decreased inflow from disposal joint ventures and associates (refer to note 48 Business combinations and note 49 Group companies).

Net cash flows from financing activities

Net cash flow from financing activities increased by EUR 1,078 million to a EUR 300 million inflow (2020: EUR 778 million outflow). The increase is a result of lower repayments of borrowings and higher proceeds (refer to note 37 Borrowings), partially offset by higher purchases of treasury shares (refer to the table below and note 31 Other equity instruments).

2020 compared to 2019**Net cash flows from operating activities**

Total net cash flow from operating activities decreased by EUR 10,156 million to a EUR 2,854 million outflow (2019: EUR 7,302 million inflow). The main movements are the cash inflows regarding insurance and investment liabilities general account and for account of policyholders (refer to note 34 Insurance contracts and note 35 Investment contracts), cash inflows from disposal of investments (other than money market investments, refer to note 22 Investments), partially offset by outflow from results from financial transactions (refer to note 10 Results from financial transactions).

Net cash flows from investing activities

Net cash flows from investing activities decreased by EUR 53 million to a EUR 139 million outflow (2019: EUR 86 million outflow). The total consideration paid for acquisitions/capital contributions in joint ventures and associates, was EUR 305 million. The total consideration received for disposals, excluding transferred assets and reinsurance assets from reinsurance transactions, was EUR 154 million. The outflow in 2020 is mainly driven by the expansion of the joint venture arrangement with Banco Santander in Spain, offset by the sale of its 50% stake in the variable annuity joint ventures in Japan (refer to note 48 Companies and businesses acquired and divested).

Net cash flows from financing activities

Net cash flow from financing activities increased by EUR 2,952 million to a EUR 778 million outflow (2019: EUR 3,730 million outflow). The increase is a result of lower repayments of borrowings and other equity instruments redeemed (refer to note 31 Other equity instruments) offset by lower proceeds (refer to the table below and note 37 Borrowings).

Reconciliation of liabilities arising from financing activities

The table below shows the reconciliation between the net cash flows from financing activities and the liabilities as included in the consolidated statement of financial position.

	Cash flows				Non-cash changes					At December 31, 2021
	At January 1, 2021	Addition	Repayment	Realized gains / losses in income statement	Move-ments related to fair value hedges	Amorti-zation	Transfer to/from other headings	Other	Net exchange difference	
Reconciliation of debt from financing activities										
Subordinated borrowings	2,085	-	-	-	-	3	-	-	105	2,194
Trust pass-through securities	126	-	-	-	(9)	-	-	-	9	126
Borrowings	8,524	3,914	(3,000)	-	(1)	1	-	-	222	9,661
Assets held to hedge Trust pass-through securities	12	-	-	(9)	-	-	-	-	1	3
Assets held to hedge Borrowings	62	-	(61)	(1)	-	-	-	-	-	-

	Cash flows				Non-cash changes					At December 31, 2020
	At January 1, 2020	Addition	Repayment	Realized gains / losses in income statement	Move-ments related to fair value hedges	Amorti-zation	Transfer to/from other headings	Other	Net exchange difference	
Reconciliation of debt from financing activities										
Subordinated borrowings	2,207	-	-	-	-	3	-	-	(125)	2,085
Trust pass-through securities	136	-	-	-	2	-	-	-	(11)	126
Borrowings	9,307	3,444	(3,985)	(16)	1	1	-	-	(228)	8,524
Assets held to hedge Trust pass-through securities	11	-	-	2	-	-	-	-	(1)	12
Assets held to hedge Borrowings	-	63	-	(1)	-	-	-	-	-	62

22 Investments

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

	Note	2021	2020
Available-for-sale (AFS)		99,884	99,580
Loans		47,455	45,573
Financial assets at fair value through profit or loss (FVTPL)		8,481	10,057
Total financial assets, excluding derivatives	22.1	155,820	155,210
Investments in real estate	22.2	2,643	2,385
Total investments for general account		158,463	157,595

22.1 Financial assets, excluding derivatives

	AFS	FVTPL	Loans	Total	Fair value
2021					
Shares	350	1,665	-	2,015	2,015
Debt securities	93,899	3,296	-	97,195	97,195
Money market and other short-term investments	4,790	120	-	4,910	4,910
Mortgage loans	-	-	40,624	40,624	44,366
Private loans	-	-	4,883	4,883	5,491
Deposits with financial institutions	-	-	52	52	52
Policy loans	-	-	1,893	1,893	1,893
Other	844	3,401	3	4,248	4,248
At December 31, 2021	99,884	8,481	47,455	155,820	160,171
2020					
Shares	345	1,634	-	1,979	1,979
Debt securities	93,681	5,669	-	99,350	99,350
Money market and other short-term investments	4,558	109	-	4,667	4,667
Mortgage loans	-	-	39,298	39,298	43,258
Private loans	-	-	4,358	4,358	5,280
Deposits with financial institutions	-	-	92	92	92
Policy loans	-	-	1,801	1,801	1,801
Other	996	2,645	25	3,665	3,665
At December 31, 2020	99,580	10,057	45,573	155,210	160,093

	2021	2020
Current portion:		
Debt securities, money market and other short-term investments, mortgage and private loans	12,989	14,777

Refer to note 44 Fair value for further details on fair value measurement.

Loan allowance

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

	2021	2020
At January 1	(188)	(165)
Addition charged to income statement	(40)	(87)
Reversal to income statement	55	2
Amounts written off	55	62
At December 31	(118)	(188)

22.2 Investments in real estate

	2021	2020
At January 1	2,385	2,901
Additions	47	148
Subsequent expenditure capitalized	1	2
Disposals	(60)	(726)
Transfer from real estate for own use and equipment	14	-
Fair value gains / (losses)	253	74
Net exchange differences	3	(14)
At December 31	2,643	2,385
Investments in real estate held by:		
Americas	39	37
The Netherlands	2,588	2,331
Value of Aegon's properties which were appraised in the current year	98%	99%
Appraisals performed by independent external appraisers	98%	99%

Aegon the Netherlands has invested in long-term residential property leases that can be terminated subject to a short-term notice. Under Dutch law, the maximum annual rent increase on residential property rented in the affordable housing segment is specified by the Dutch national government and equals the annual inflation rate plus a small margin.

Refer to note 45 Commitments and contingencies for a description of non-cancellable lease rights.

	2021	2020	2019
Rental income reported as part of investment income	68	87	83
Direct operating expenses (Including repairs and maintenance expenses):			
- From investment property that generated rental income	32	47	59
- From investment property that did not generate rental income	2	2	2

There are no restrictions on the realizability of investment property or the remittance of income and proceeds of disposal.

Refer to note 45 Commitments and contingencies for a summary of contractual obligations to purchase investment property.

23 Investments for account of policyholders

Investments for account of policyholders comprise financial assets at fair value through profit or loss, excluding derivatives, and investments in real estate.

	Note	2021	2020
Shares		29,539	25,288
Debt securities		19,821	19,885
Money market and other short-term investments		1,482	1,051
Deposits with financial institutions		4,105	4,185
Unconsolidated investment funds		191,950	168,777
Other		3,493	4,520
Total investments for account of policyholders at fair value through profit or loss, excluding derivatives		250,390	223,705
Investments in real estate	23.1	563	467
Total investments for account of policyholders		250,953	224,172

Investments for account of policyholders in 2021 increased, compared to 2020, mainly due to positive market movements.

Refer to note 44 Fair value for a summary of all financial assets and financial liabilities at fair value through profit or loss.

23.1 Investments in real estate for account of policyholders

	2021	2020
At January 1	467	586
Additions	54	-
Subsequent expenditure capitalized	6	4
Disposals	(43)	(56)
Fair value gains / (losses)	46	(36)
Net exchange differences	32	(31)
At December 31	563	467

The investment properties are leased out under operating leases.

	2021	2020	2019
Rental income reported as part of investment income	30	27	42
Direct operating expenses from investment in real estate for account of policyholders	4	8	6

There are no restrictions on the realizability of investment property or the remittance of income and proceeds of disposal.

Refer to note 45 Commitments and contingencies for a summary of contractual obligations to purchase investment property.

24 Derivatives

	Derivative asset		Derivative liability	
	2021	2020	2021	2020
Derivatives for general account				
Derivatives not designated in a hedge	8,138	12,522	8,920	12,599
Derivatives designated as fair value hedges	224	183	673	1,082
Derivatives designated as cash flow hedges	346	338	948	608
Derivatives designated as Net foreign investment hedges	73	196	59	161
	8,780	13,238	10,600	14,450
Derivatives for account of policyholders				
Derivatives not designated in a hedge	46	747	39	167
Total derivatives¹⁾	8,827	13,986	10,639	14,617
Of which:				
Current	723	673	2,803	4,220

¹⁾ Refer to note 44 Fair value for a summary of all financial assets and financial liabilities at fair value through profit or loss.

The derivatives are measured at fair value through profit or loss in accordance with IAS 39. For more details on fair value measurement of derivatives refer to note 44 Fair value.

Aegon the Netherlands partially hedges the risk of future longevity increases in the Netherlands related to a part of its insurance liabilities. These longevity derivatives are constructed to pay out if the mortality rates in future years decrease more than a pre-determined percentage compared with the base scenario at the moment of signing the contract. These derivatives are used to enhance Aegon's risk-return profile and to improve capital efficiency. The value of the longevity derivatives are calculated using an internal model as there is no active market for this type of derivatives. As per December 31, 2021 no longevity derivatives are in place. Refer to note 26 Reinsurance assets for further information on the risk of future longevity of Aegon the Netherlands.

Use of derivatives**Derivatives not designated in a hedge - general account**

Derivatives not designated in a hedge – general account	Derivative asset		Derivative liability	
	2021	2020	2021	2020
Derivatives held as an economic hedge	8,121	12,500	5,334	7,567
Bifurcated embedded derivatives	17	22	3,586	5,032
Total	8,138	12,522	8,920	12,599

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

Bifurcated embedded derivatives that are not closely related to the host contracts have been bifurcated and recorded at fair value in the consolidated statement of financial position. These bifurcated embedded derivatives are embedded in various institutional products, modified coinsurance and unit-linked insurance contracts in the form of guarantees for minimum benefits. Please refer to note 36 Guarantees in insurance contracts for more disclosures about these guarantees.

Credit Default Swaps

Aegon has entered into free-standing credit derivative transactions. The positions outstanding at the end of the year were:

Credit derivative disclosure by quality	2021		2020	
	Notional	Fair value	Notional	Fair value
AAA	14	-	13	-
AA	173	3	168	4
A	926	14	762	9
BBB	2,925	50	2,677	46
BB	263	1	205	4
B or lower	148	2	121	-
Total	4,449	70	3,945	63

Certain derivatives are used to add risk by selling protection in the form of single name and index based credit default swaps. This involves the purchase of high quality, low risk assets and the sale of credit derivatives. The table above provides a breakdown in credit quality of these credit derivatives. The credit ratings relate to the underlying exposures of these credit derivatives.

Derivatives designated as fair value hedges

Aegon's fair value hedges includes interest rate swaps, swaptions, equity and fixed income total return swaps, equity options, equity futures, bond futures and variance swaps that are used to protect against changes in the fair value of interest rate and equity sensitive instruments or liabilities. Gains and losses on derivatives designated under fair value hedge accounting are recognized in the income statement. The effective portion of the fair value change on the hedged item is also recognized in the income statement. As a result, only the net accounting ineffectiveness has an impact on the net result.

Aegon has entered into interest rate swap agreements that effectively convert certain fixed-rate assets and liabilities to a floating-rate basis (generally to six months or less LIBOR). These hedges are used for portfolio management to better match assets to liabilities or to protect the value of the hedged item from interest rate movements. These agreements involve the payment or receipt of fixed-rate interest amounts in exchange for floating-rate interest amounts over the life of the agreement without the exchange of the underlying principal amounts. Some of the arrangements use forward starting swaps to better match the duration of assets and liabilities.

Aegon has entered into cross-currency interest rate swap agreements that effectively convert certain foreign currency fixed-rate and floating-rate assets and liabilities to US dollar floating-rate assets and liabilities. These agreements involve the exchange of the underlying principal amounts.

For the years ended December 31, 2021, 2020 and 2019, the gains and (losses) related to the ineffectiveness portion of designated fair value hedges Aegon recognized are as follows:

	2021	2020	2019
Gains (losses) related to the ineffectiveness portion of designated fair value hedges	22	25	22

For the year ended December 31, 2021, Aegon the Netherlands recognized EUR 422 million negative fair value changes on mortgage loans using fair value hedge accounting under the EU carve out version of IAS 39 in the income statement (2020: EUR 280 million positive). This amount was offset by EUR 442 million positive fair value changes recognized on the derivatives used as hedging instrument (2020: EUR 255 million negative).

Derivatives designated as cash flow hedges

Aegon has entered primarily into interest rate swap agreements that effectively convert certain variable-rate assets and liabilities to a fixed-rate basis in order to match the cash flows of the assets and liabilities within Aegon's portfolio more closely. These agreements involve the payment or receipt of variable-rate interest amounts in exchange for fixed-rate interest amounts over the life of the agreement without the exchange of the underlying principal amounts. Aegon hedges its exposure to the variability of future cash flows from the interest rate movements for terms up to 23 years for hedges converting existing floating-rate assets and liabilities to fixed-rate assets.

Aegon uses forward starting interest rate swap agreements to hedge the variability in future cash flows associated with the forecasted purchase of fixed-income assets. These agreements reduce the impact of future interest rate changes on the forecasted transaction. Fair value adjustments for these interest rate swaps are deferred and recorded in equity until the occurrence of the forecasted transaction at which time the interest rate swaps will be terminated. The accumulated gain or loss in equity will be amortized into investment income as the acquired asset affects income. Aegon hedges its exposure to the variability of future cash flows from interest rate movements for terms up to 22 years. The cash flows from these hedging instruments are expected to affect the profit and loss for approximately the next 40 years. For the year ended December 31, 2021, the contracts for which cash flow hedge accounting was terminated resulted in deferred gains of EUR 60 million (2020: EUR 186 million) that are recognized directly in equity to be reclassified into net result during the period when the cash flows occur of the underlying hedged items. During the year ended December 31, 2021, none of Aegon's cash flow hedges were discontinued as it was highly probable that the original forecasted transactions would occur by the end of the originally specified time period documented at the inception of the hedging relationship. Aegon projects investment needs many years into the future in order to support the insurance liabilities and pay all contractual obligations arising from the policies in force today.

In addition, Aegon also makes use of cross currency swaps to convert variable or fixed foreign currency cash flows into fixed cash flows in local currencies. The cash flows from these hedging instruments are expected to occur over the next 35 years. These agreements involve the exchange of the underlying principal amounts.

Hedge ineffectiveness and reclassification of gains (losses)	2021	2020	2019
Hedge ineffectiveness on cash flow hedges	1	-	-
Gains (losses) reclassified from equity into the income statement	(38)	74	51
Expected deferred gain (loss) to be reclassified from equity into net result during the next 12 months	113	92	89

The periods when the cash flows are expected to occur are as follows:

	< 1 year	1 – 5 years	5 – 10 years	> 10 years	2021 Total
Cash inflows	535	2,158	1,640	5,868	10,201
Cash outflows	-	4	-	-	4
Net cash flows	535	2,154	1,640	5,868	10,197

	< 1 year	1 – 5 years	5 – 10 years	> 10 years	2020 Total
Cash inflows	268	761	767	5,402	7,197
Cash outflows	-	4	-	-	4
Net cash flows	267	757	767	5,402	7,193

Effect of uncertainty of IBOR reform on derivatives designated as fair value and cash flows hedges

The future of IBORs (Interbank Offered Rates) such as EURIBOR, EONIA and LIBOR has been a major topic on the global agenda since the G20 asked the Financial Stability Board (FSB) to undertake a fundamental review of leading interest rate benchmarks in 2013. The FSB proposed new standards to reform interest rate benchmarks and the use of transaction-based input data instead of non-transactional/panel input data. In the EU this is adopted in the new Benchmark Regulation (BMR) which stipulates that from January 2020 only BMR compliant benchmarks may be used within the EU.

In order to prepare for the IBOR transition all Aegon units have written transition plans containing among others project solutions and actions, timelines and ownership to ensure timely preparation and implementation. We are currently implementing the actions as described in the transition plans.

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

The majority of the fair value and cash flow hedges are directly exposed to changes in benchmark rates (predominantly EURIBOR and USD LIBOR). There are no plans for the discontinuation of EURIBOR and appropriate fallback language has been implemented via the International Swaps and Derivatives ('ISDA') fallback protocol and rulebook changes by the clearing houses. The relevant USD LIBOR benchmark rates are expected to remain available for existing contracts until mid 2023 and these derivatives will either be actively transitioned to SOFR before the 2023 deadline or via the ISDA fallback protocol. The total notional of financial instruments designated as fair value or cash flow hedges with a USD LIBOR reference that have a maturity date beyond June 30, 2023 amount to EUR 3,439 million (2020: EUR 1,283 million).

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

Net foreign investment hedges

Aegon funds its investments in insurance subsidiaries with a mixture of debt and equity. Aegon aims to denominate debt funding in the same currency as the functional currency of the investment. Investments outside the Eurozone, the United States and the United Kingdom are funded in euros. When the debt funding of investments is not in the functional currency of the investment, Aegon uses derivatives to swap the currency exposure of the debt instrument to the appropriate functional currency. This policy will ensure that total capital will reflect currency movements without distorting debt to shareholders' equity ratios. Aegon utilizes various financial instruments as designated hedging instruments of its foreign investments. These instruments include long-term and short-term borrowings, short-term debts to credit institutions, cross currency swap contracts and forward foreign exchange contracts.

25 Investments in joint ventures and associates

	Joint ventures		Associates	
	2021	2020	2021	2020
At January 1	1,376	1,983	1,264	363
Additions	61	254	12	59
Disposals	-	(105)	-	(5)
Share in net result	265	184	112	111
Share in changes in equity (note 30.6)	25	12	(6)	7
Impairment reversals / (charges)	-	(4)	3	(20)
Dividends	(88)	(94)	(39)	(44)
Net exchange difference	45	(7)	2	(28)
Transfer to / (from) other headings	58	(836)	(58)	818
Other	-	(11)	-	1
At December 31	1,743	1,376	1,289	1,264

In 2021, Aegon amended its agreement related to the investment in MAG Seguros and injected EUR 40 million in the undertaking. Following the amendment the investment required reclassification from Investments in associates to Investments in joint ventures as the level of influence was affected. The transfer to / (from) other headings in 2021 reflect the carrying amount of the investment of EUR 58 million prior to the capital injection of EUR 40 million.

With the exception of a limited number of immaterial venture capital entities, all joint ventures and associates are unlisted and are accounted for using the equity method and are considered to be non-current. The investments in joint ventures and associates include interest in insurance companies that are required to maintain a minimum solvency margin based on local directives. Such restrictions can affect the ability of these joint ventures and associates to transfer funds in the form of cash dividends, or repayment of loans or advances, and therefore, there can be no assurance that these restrictions will not become a limitation in the future. Refer to note 45 Commitments and contingencies for any commitments and contingencies related to investments in joint ventures. There are no unrecognized shares of losses in joint ventures and associates. The financial statements of the principal joint ventures and associates have the same reporting date as the Group. Refer to note 49 Group companies for a listing of the investments in joint ventures and associates and the Group's percentage holding.

Summarized financial information of joint ventures

The summarized financial information presented in the following table presents the joint ventures on a 100% basis. Aegon considers its investments in Santander Vida Seguros y Reaseguros S.A. ('Santander Spain Life') and Aegon Industrial Fund Management Co.Ltd. ('AIFMC') as material joint ventures and are therefore presented separately.

	Santander Spain Life		AIFMC		Other Joint ventures	
	2021	2020	2021	2020	2021	2020
Summarized statement of financial position						
Cash and cash equivalents	20	14	351	227	157	198
Other current assets	130	35	810	423	697	588
Total current assets	150	50	1,161	650	854	785
Non-current assets	1,134	700	204	127	5,574	6,442
Total assets	1,284	750	1,364	777	6,428	7,227
Current financial liabilities excluding trade payables and other provisions	-	-	-	-	7	-
Other current liabilities	126	79	613	360	501	445
Total current liabilities	126	79	613	360	509	445
Non-current financial liabilities excluding trade payables and other provisions	-	-	-	-	183	50
Other non-current liabilities	510	272	-	-	3,921	4,996
Total non-current financial liabilities	510	272	-	-	4,104	5,046
Total liabilities	636	351	613	360	4,613	5,490
Net assets	648	399	752	417	1,816	1,737
Summarized statement of comprehensive income						
Revenue	247	357	858	584	1,866	2,058
Results from financial transactions	-	(4)	-	-	51	20
Depreciation and amortization	(25)	(18)	(3)	(4)	(21)	(8)
Interest income	2	3	8	5	25	8
Interest expense	-	-	-	-	(13)	-
Profit or loss	61	57	386	252	247	157
Income tax (expense) or result	(12)	(14)	(109)	(71)	(40)	36
Post-tax profit or (loss)	48	43	277	181	208	194
Other comprehensive income	(2)	2	-	-	53	10
Total comprehensive income	47	45	277	181	260	203
Dividends received	-	19	-	33	18	43

For 2021, Aegon Industrial Fund Management Co.Ltd. ('AIFMC') is classified as a material joint venture as a result of the growth of the joint venture.

An overview of the summarized financial information of the carrying amount of the joint ventures is as follows:

	Santander Spain Life		AIFMC		Other Joint ventures	
	2021	2020	2021	2020	2021	2020
Net assets of joint venture as presented above	648	399	752	417	1,816	1,737
Net assets of joint venture excluding goodwill	568	66	751	416	1,681	1,343
Group share of net assets of joint venture, excluding goodwill	290	34	368	204	857	562
Goodwill on acquisition	80	333	1	1	148	244
Carrying amount	369	366	369	205	1,005	806

Aegon's group share of net assets of joint ventures, as presented in the table above, is less than Aegon's share of the net assets as presented in the summarized financial information on a 100% basis, due to the inclusion of third parties in the joint ventures.

The following table includes the summarized financial information of the joint ventures based on the Group's relative holding.

	Santander Spain Life		AIFMC		Other Joint ventures	
	2021	2020	2021	2020	2021	2020
Post-tax profit or loss	25	22	136	89	104	81
Other comprehensive income	(1)	1	-	-	26	(10)
Total comprehensive income	24	23	136	89	131	71

Summarized financial information of associates

The summarized financial information presented in the following table presents the material associates on a 100% basis. Aegon considers its investment in Amvest Residential Core Fund as a material associate and is therefore presented below.

	Amvest Residential Core Fund		Other Associates	
	2021	2020	2021	2020
Summarized statement of financial position				
Current assets	49	34	132	167
Non-current assets	4,380	3,876	426	787
Total assets	4,429	3,910	558	955
Current liabilities	50	55	61	155
Non-current liabilities	921	671	82	255
Total liabilities	971	726	144	410
Net assets	3,458	3,184	414	545
Summarized statement of comprehensive income				
Revenue	109	104	595	965
Interest expense	-	-	-	(35)
Profit or loss	433	281	(76)	39
Income tax (expense) or result	-	-	-	(30)
Post-tax profit or (loss)	433	281	(76)	8
Other comprehensive income	-	-	(13)	109
Total comprehensive income	433	281	(89)	117
Dividends received	27	32	35	45

The summarized financial information of associates presented below is based on the Group's relative holding.

	Amvest Residential Core Fund		Other Associates	
	2021	2020	2021	2020
Post-tax profit or loss	126	80	(14)	23
Other comprehensive income	-	-	(6)	7
Total comprehensive income	126	80	(20)	31
Carrying amount	1,020	919	269	345

26 Reinsurance assets

Assets arising from reinsurance contracts related to:	2021	2020
Life insurance general account	19,409	17,421
Non-life insurance	1,245	1,144
Investment contracts	338	345
At December 31	20,992	18,910
Current	16	16
Non-current	20,976	18,895

Amounts due from reinsurers in respect of claims already paid by the Group are included in note 28 Other assets and receivables.

Movements during the year in reinsurance assets relating to life insurance:	Life insurance general account
At January 1, 2021	17,421
Gross premium and deposits – existing and new business	1,825
Unwind of discount / interest credited	828
Insurance liabilities released	(1,890)
Fund charges released	(83)
Changes to valuation of expected future benefits	(38)
Net exchange differences	1,342
Transfer to/from insurance contracts	2
Other movements	1
At December 31, 2021	19,409
At January 1, 2020	18,464
Gross premium and deposits – existing and new business	2,080
Unwind of discount / interest credited	839
Insurance liabilities released	(2,529)
Fund charges released	(103)
Changes to valuation of expected future benefits	195
Net exchange differences	(1,536)
Transfer to/from insurance contracts	8
Other movements	4
At December 31, 2020	17,421

Movements during the year in reinsurance assets relating to non-life insurance:	2021	2020
At January 1	1,144	1,376
Gross premium and deposits – existing and new business	129	97
Unwind of discount / interest credited	83	87
Insurance liabilities released	(113)	(191)
Changes in unearned premiums	(75)	(38)
Incurred related to current year	91	20
Incurred related to prior years	49	32
Release for claims settled current year	(29)	(24)
Release for claims settled prior years	(108)	(130)
Change in IBNR	1	4
Net exchange differences	84	(103)
Other movements	(11)	13
At December 31	1,245	1,144

Assets arising from reinsurance contracts related to:	2021	2020
Normal course of business	7,809	6,485
Exit of a business	13,183	12,426
At December 31	20,992	18,910

27 Deferred expenses

	2021	2020
DPAC for insurance contracts and investment contracts with discretionary participation features	9,303	8,253
Deferred cost of reinsurance	766	141
Deferred transaction costs for investment management services	434	404
At December 31	10,503	8,799
Current	683	679
Non-current	9,820	8,120

	2021			2020		
	DPAC	Deferred costs of reinsurance	Deferred transaction costs	DPAC	Deferred costs of reinsurance	Deferred transaction costs
At January 1	8,253	141	404	9,974	389	442
Costs deferred during the year	636	619	25	725	(4)	20
Amortization through income statement	(899)	(32)	(26)	(753)	(24)	(23)
Shadow accounting adjustments	699	17	-	(950)	(17)	-
Impairments	-	-	-	-	-	-
Net exchange differences	621	21	30	(739)	(1)	(36)
Disposal of Group Assets	-	-	-	-	-	-
Other	(7)	-	-	(4)	(202)	-
At December 31	9,303	766	434	8,253	141	404

The increase in deferred cost on reinsurance in 2021 is mainly the result of an EUR 480 million reinsurance agreement between Transamerica and a third party to reinsure a portfolio of universal life secondary guarantee policies. Furthermore, in the Netherlands a reinsurance agreement protecting against longevity risk was closed with Reinsurance Group of America (RGA) leading to a deferred cost of reinsurance of EUR 115 million.

In 2020, a model change and updated parameters regarding education and mortality experience factors in Aegon the Netherlands led to a decrease in the deferred cost of reinsurance of EUR 214 million, which is included in the line Other.

28 Other assets and receivables

	Note	2021	2020
Real estate held for own use and equipment	28.1	455	472
Receivables	28.2	5,622	6,826
Accrued income	28.3	1,366	1,356
Right-of-use assets	28.4	199	211
At December 31		7,642	8,865

28.1 Real estate held for own use and equipment

Total real estate held for own use and equipment	2021	2020
General account real estate held for own use	185	209
Equipment	270	263
At December 31	455	472

General account real estate held for own use	2021	2020
Net book value		
At January 1	209	208
Additions	-	9
Capitalized subsequent expenditure	7	(2)
Disposals	-	(5)
Transfer to investments in real estate	(14)	-
Unrealized gains/(losses) through equity	(4)	20
Realized gains/(losses) through income statement	-	(5)
Depreciation through income statement	(5)	(5)
Impairment losses	(13)	(4)
Impairment losses reversed	-	1
Net exchange differences	5	(8)
At December 31	185	209
Gross carrying value	218	269
Accumulated depreciation and impairment losses	(33)	(60)
Net book value	185	209
General account real estate held for own use:		
Carrying amount under a historical cost model	165	201
% of real estate appraised in the current year	50%	93%
% of appraisals performed by independent external appraisers	100%	99%

General account real estate held for own use are mainly held by Aegon Americas and Aegon the Netherlands, with relatively smaller holdings at Aegon Hungary and Aegon Spain.

General account real estate held for own use has not been pledged as security for liabilities, nor are there any restrictions on title. Depreciation expenses are recorded in Commissions and expenses in the income statement. The useful lives of buildings range between 40 and 50 years.

Equipment	2021	2020
Net book value		
At January 1	263	281
Additions	69	73
Disposals	(2)	(1)
Depreciation through income statement	(71)	(71)
Impairment losses	(4)	-
Net exchange differences	16	(19)
Other	(1)	-
At December 31	270	263
Gross carrying value	679	628
Accumulated depreciation and impairment losses	(409)	(365)
Net book value	270	263

None of the equipment is held for lease (2020: none). Equipment has not been pledged as security for liabilities, nor are there any restrictions on title. Depreciation expenses have been recorded in Commissions and expenses in the income statement. Equipment is generally depreciated over a period of three to five years.

28.2 Receivables

	2021	2020
Loans to associates	8	9
Receivables from policyholders	691	637
Receivables from brokers and agents	310	264
Receivables from reinsurers	750	733
Cash outstanding from assets sold	160	112
Trade receivables	1,393	1,956
Cash collateral	314	997
Income tax receivable	229	285
Other	1,885	1,921
Provision for doubtful debts	(120)	(88)
At December 31	5,622	6,826
Current	5,600	6,801
Non-current	21	25

With the exception of receivables from reinsurers, the receivables balances presented above are mostly not externally rated.

The movements in the provision for doubtful debts during the year were as follows:

	2021	2020
At January 1	(88)	(34)
Additions charged to earnings	(33)	(71)
Unused amounts reversed through the income statement	5	2
Used during the year	3	8
Net exchange differences	(6)	6
At December 31	(120)	(88)

28.3 Accrued income

	2021	2020
Accrued interest	1,363	1,352
Other	3	4
At December 31	1,366	1,356
Current	1,366	1,356
Non-current	-	-

28.4 Right-of-use assets

	Real estate for own use	Equipment	Other	Total
Net book value				
At January 1, 2021	193	15	3	211
Additions	12	9	2	23
Disposals	(14)	(0)	-	(14)
Modification of lease contracts	17	-	-	17
Depreciation through income statement	(36)	(11)	(2)	(49)
Net exchange differences	10	1	(1)	10
At December 31, 2021	182	14	3	199
Gross carrying value	287	43	8	339
Accumulated depreciation and impairment losses	(105)	(29)	(6)	(140)
Net book value 2021	182	14	3	199
Net book value				
At January 1, 2020	227	25	3	255
Additions	17	3	2	23
Disposals	(2)	-	-	(2)
Modification of lease contracts	1	-	-	1
Depreciation through income statement	(38)	(12)	(2)	(52)
Net exchange differences	(12)	(2)	-	(13)
At December 31, 2020	193	15	3	211
Gross carrying value	262	37	7	306
Accumulated depreciation and impairment losses	(69)	(22)	(4)	(95)
Net book value 2020	193	15	3	211

Right-of-use assets are mainly held by Aegon UK and Aegon Americas and they are mainly office buildings held for own use.

For information on the Lease liabilities and respective maturity analysis, please refer to note 41 Other liabilities and note 4 Financial risks, respectively.

29 Intangible assets

	Goodwill	VOBA	Future servicing rights	Software	Other	Total
Net book value						
At January 1, 2021	375	815	71	79	45	1,386
Additions	-	-	-	25	3	29
Amortization through income statement	-	(163)	(8)	(20)	(4)	(194)
Impairment losses	-	-	-	(7)	(1)	(8)
Shadow accounting adjustments	-	41	-	-	-	41
Capital expenditure	-	-	-	14	-	14
Business combinations, disposals and other changes	-	-	-	(7)	1	(6)
Net exchange differences	16	57	1	(1)	(1)	72
At December 31, 2021	391	750	65	83	44	1,333
Gross carrying value	561	6,923	350	408	185	8,427
Accumulated amortization, depreciation and impairment losses	(169)	(6,174)	(285)	(325)	(141)	(7,094)
Net book value 2021	391	750	65	83	44	1,333
Net book value						
At January 1, 2020	392	952	84	69	61	1,559
Additions	-	-	-	33	11	44
Amortization through income statement	-	(79)	(7)	(18)	(7)	(112)
Impairment losses	-	-	-	(6)	(17)	(23)
Shadow accounting adjustments	-	15	-	-	-	15
Capital expenditure	-	-	-	11	-	11
Business combinations, disposals and other changes	8	-	-	(10)	-	(2)
Net exchange differences	(25)	(73)	(5)	-	(2)	(105)
At December 31, 2020	375	815	71	79	45	1,386
Gross carrying value	537	6,447	339	379	174	7,875
Accumulated amortization, depreciation and impairment losses	(161)	(5,632)	(268)	(300)	(129)	(6,489)
Net book value 2020	375	815	71	79	45	1,386

Amortization and depreciation through income statement is included in Commissions and expenses. None of the intangible assets have titles that are restricted or have been pledged as security for liabilities.

With the exception of goodwill, all intangible assets have a finite useful life and are amortized accordingly. VOBA and future servicing rights are amortized over the term of the related insurance contracts, which can vary significantly depending on the maturity of the acquired portfolio. The amortization is based on either the expected future premiums, revenues or the expected gross profit margins, which for the most significant blocks of business ranges between 50 and 80 years. Future servicing rights are amortized over a period of 10 to 30 years of which 13 years remain at December 31, 2021 (2020: 13 years). Software is generally depreciated over an average period of 3 to 5 years (no changes compared to 2020).

Goodwill

The goodwill balance has been allocated across the cash-generating units which are expected to benefit from the synergies inherent in the goodwill. Goodwill is tested for impairment both annually and when there are specific indicators of a potential impairment. The recoverable amount is the higher of the value in use and fair value less costs of disposal for a cash-generating unit. The operating assumptions used in all the calculations are best estimate assumptions and based on historical data where available.

The economic assumptions used in all the calculations are based on observable market data and projections of future trends. All the cash-generating units tested showed that the recoverable amount was higher than their carrying values, including goodwill. A reasonably possible change in any key assumption is not expected to cause the carrying value of the cash-generating units to exceed its recoverable amount.

A geographical summary of the cash-generating units to which the goodwill is allocated is as follows:

Goodwill	2021	2020
Americas	181	168
The Netherlands	97	97
United Kingdom	57	54
International	23	26
Asset Management	33	31
At December 31	391	375

Within the Americas, Transamerica's goodwill is allocated to groups of cash-generating units including variable annuities, fixed annuities and the retirement plans cash-generating unit. Transamerica uses the value in use concept to determine the recoverable amount and it is calculated annually in the fourth quarter. Transamerica reviewed the recoverable amount of the annuities and retirement plan cash-generating units under the Economic Available Capital (EAC) approach. This approach measures the difference between the market value of assets assigned to a block of business and the market value of liabilities. The EAC is reflective of market conditions where a pre-tax benchmark discount rate ranged from approximately 0.10% to 2.14% from the one month to 30-year tenors. Based on the value in use tests, Transamerica's goodwill for the group of annuities cash-generating units (2021: EUR 125 million; 2020: EUR 116 million) and the retirement plans cash-generating unit (2021: EUR 56 million; 2020: EUR 52 million) remain unchanged from prior year except for the impact of currency translation adjustments.

For Aegon the Netherlands, goodwill was allocated to Robidus - a cash generating unit whose value in use exceeds its carrying value. The value in use calculations were based on business plans covering a period of five years, pre-tax and post-tax discount rate of 7.2%, and terminal growth rate at 1%. The goodwill arises mainly from new customers, future software platform developments, synergies, and assembled workforce.

30 Shareholders' equity

Issued share capital and reserves attributable to shareholders of Aegon N.V.

	Note	2021	2020	2019
Share capital – par value	30.1	321	320	323
Share premium	30.2	7,033	7,160	7,213
Total share capital		7,354	7,480	7,536
Retained earnings		12,635	11,124	11,262
Treasury shares	30.3	(273)	(181)	(281)
Total retained earnings		12,362	10,943	10,981
Revaluation reserves	30.4	6,442	7,480	5,873
Remeasurement of defined benefit plans	30.5	(2,199)	(2,534)	(2,397)
Other reserves	30.6	325	(553)	456
Total shareholders' equity		24,282	22,815	22,449

	2021	2020	2019
Share capital transactions relating to common shares	Number of shares (thousands)	Number of shares (thousands)	Number of shares (thousands)
Transactions in 2021:			
Final dividend 2020 ¹⁾	(15,274)		
Share buyback program (final dividend 2020)	19,452		
Interim dividend 2021 ¹⁾	(17,314)		
Share buyback program (interim dividend 2021)	21,532		
Transactions in 2020:			
Interim dividend 2020 ¹⁾		(22,947)	
Share buyback program (interim dividend 2020)		24,029	
Transactions in 2019:			
Final dividend 2018 ¹⁾			(32,874)
Share buyback program (final dividend 2018)			32,874
Interim dividend 2019 ¹⁾			(35,370)
Share buyback program (interim dividend 2019)			43,150

¹⁾ Dividend distribution paid from treasury shares (note 30.3)

In 2022, Aegon executed a program to repurchase 10,158,360 common shares for an amount of EUR 50 million to meet its obligations resulting from the 2021 and 2022 share-based compensation plans for senior management. Between January 7, 2022 and January 24, 2022, these common shares were repurchased at an average price of EUR 4.9227 per share. These shares are held as treasury shares and are used to cover future stock dividends. Aegon engaged a third party to execute the transactions on its behalf. The common shares were repurchased at a maximum of the average of the daily volume-weighted average prices during the repurchase period.

30.1 Share capital – par value

	2021	2020	2019
Common shares	253	252	253
Common shares B	68	69	70
At December 31	321	320	323

Common shares	2021	2020	2019
Authorized share capital	720	720	720
Number of authorized shares (in million)	6,000	6,000	6,000
Par value in cents per share	12	12	12

Common shares B	2021	2020	2019
Authorized share capital	360	360	360
Number of authorized shares (in million)	3,000	3,000	3,000
Par value in cents per share	12	12	12

	Common shares		Common shares B	
	Number of shares (thousands)	Total amount	Number of shares (thousands)	Total amount
At January 1, 2019	2,095,648	251	585,022	70
Dividend	-	-	-	-
At December 31, 2019	2,105,139	253	585,022	70
Shares withdrawn	(9,491)	(1)	(13,227)	(2)
Dividend	2,466	-	-	-
At December 31, 2020	2,098,114	252	571,795	69
Shares withdrawn	(2,466)	(0)	(2,956)	(0)
Dividend	10,665	1	-	-
At December 31, 2021	2,106,313	253	568,839	68

The common shares and common shares B withdrawn in 2021 are the result of the cancellation of 2,466 and 2,956 shares, respectively, following the repurchase by the Company in connection with the share buyback program. This share buy back program was executed following the 2020 interim dividend distribution in order to reduce the number of own shares, which are not used to cover obligations arising from share-based incentive plans or other obligations.

The table below represents weighted average number of common shares including treasury shares attributable to Aegon N.V.:

	Weighted average number of common shares (thousands)	Weighted average number of common shares B (thousands)
2019	2,098,326	585,022
2020	2,101,749	579,312
2021	2,101,231	570,629

All issued common shares and common shares B each have a nominal value of EUR 0.12 and are fully paid up. Repayment of capital can only be initiated by the Executive Board, is subject to approval of the Supervisory Board and must be resolved by the General Meeting of Shareholders. Moreover, repayment on common shares B needs approval of the related shareholders. Refer to 'Other information' for further information on dividend rights.

Vereniging Aegon, based in The Hague, the Netherlands, holds all of the issued and outstanding common shares B.

Under the terms of the 1983 Amended Merger Agreement, dated May 2013, Vereniging Aegon has a call option relating to common shares B. Vereniging Aegon may exercise its call option at fair value of a common share B (being 1/40th of the market value of a common share in the capital of the Company at the time of issuance) to keep or restore its total stake at 32.6%, irrespective of the circumstances which cause the total shareholding to be or become lower than 32.6%. Refer to Note 50 Related party transactions for transactions between Aegon N.V. and Vereniging Aegon.

30.2 Share premium

	2021	2020	2019
At January 1	7,160	7,213	7,487
Share dividend	(127)	(54)	(273)
At December 31	7,033	7,160	7,213
Share premium relating to:			
- Common shares	5,380	5,507	5,560
- Common shares B	1,653	1,653	1,653
Total share premium	7,033	7,160	7,213

The share premium account reflects the balance of paid-in amounts above par value at issuance of new shares less the amounts charged for share dividends.

30.3 Treasury shares

On the reporting date, Aegon N.V. and its subsidiaries held 71,780,196 (2020: 53,747,701) of its own common shares and 30,588,800 (2020: 12,884,400) own common shares B with a par value of EUR 0.12 each.

Movements in the number of treasury common shares held by Aegon N.V. were as follows:

	2021		2020		2019	
	Number of shares (thousands)	Amount	Number of shares (thousands)	Amount	Number of shares (thousands)	Amount
At January 1	52,686	171	65,540	269	61,418	326
Transactions in 2021:						
Sale: transactions, average price 3.90	(4,139)	(16)				
Shares withdrawn: 1 transaction average price 3.89	(2,466)	(10)				
Sale: 1 transaction, average price 3.89	(15,274)	(59)				
Purchase: 1 transaction average price 3.70	35,933	133				
Sale: 1 transaction, average price 3.02	(17,314)	(52)				
Purchase: 1 transaction average price 4.46	21,532	96				
Transactions in 2020:						
Sale: transactions, average price 4.52			(4,445)	(20)		
Shares withdrawn: 1 transaction average price 4.52			(9,491)	(43)		
Sale: 1 transaction, average price 4.13			(22,947)	(95)		
Purchase: 1 transaction average price 2.46			24,029	59		
Transactions in 2019:						
Sale: transactions, average price 5.10					(3,657)	(19)
Sale: 1 transaction, average price 5.25					(32,874)	(173)
Purchase: 1 transaction average price 4.52					32,874	149
Sale: 1 transaction, average price 5.16					(35,370)	(183)
Purchase: 1 transaction average price 3.89					43,150	168
At December 31	70,958	262	52,686	171	65,540	269

Movements in the number of treasury common shares B held by Aegon N.V. were as follows:

	2021		2020		2019	
	Number of shares (thousands)	Amount	Number of shares (thousands)	Amount	Number of shares (thousands)	Amount
At January 1	12,884	1	25,310	3	13,856	2
Transactions in 2021:						
Sale: 1 transaction, average price 0.10	(1,983)	-				
Shares withdrawn: 1 transaction average price 0.10	(2,956)	-				
Purchase: 1 transaction average price 0.10	22,643	2				
Transactions in 2020:						
Sale: 1 transaction, average price 0.13			(2,154)	-		
Shares withdrawn: 1 transaction average price 0.13			(13,227)	(2)		
Purchase: 1 transaction average price 0.08			2,956	-		
Transactions in 2019:						
Sale: 1 transaction, average price 0.12					(1,774)	-
Purchase: 1 transaction average price 0.10					13,227	1
At December 31	30,589	3	12,884	1	25,310	3

As part of their insurance and investment operations, subsidiaries within the Group also hold Aegon N.V. common shares, both for their own account and for account of policyholders. These shares have been treated as treasury shares and are (de)recognized at the consideration paid or received.

	2021		2020		2019	
	Number of shares (thousands)	Total amount	Number of shares (thousands)	Total amount	Number of shares (thousands)	Total amount
Common shares						
Held by Aegon N.V.	70,958	262	52,686	171	65,540	269
Held by subsidiaries	822	8	1,062	9	1,043	9
Common shares B						
Held by Aegon N.V.	30,589	3	12,884	1	25,310	3
At December 31	102,369	273	66,632	181	91,893	281

	Weighted average number of treasury shares, including treasury shares held by subsidiaries (thousands)	Weighted average number of treasury shares B (thousands)
2019	56,467	13,070
2020	58,224	18,386
2021	57,989	11,621

30.4 Revaluation reserves

	Available-for-sale investments	Real estate held for own use	Cash flow hedging reserve	Total
At January 1, 2021	6,248	35	1,197	7,480
Gross revaluation	(3,930)	(4)	(122)	(4,057)
Shadow accounting adjustment	2,759	-	-	2,759
Net (gains) / losses transferred to income statement	(450)	-	(106)	(556)
Foreign currency translation differences	362	1	84	447
Tax effect	322	1	47	370
Other	(1)	-	-	(1)
At December 31, 2021	5,309	32	1,100	6,442
At January 1, 2020	4,352	19	1,502	5,873
Gross revaluation	5,728	20	(141)	5,607
Shadow accounting adjustment	(2,738)	-	-	(2,738)
Net (gains) / losses transferred to income statement	13	-	(106)	(94)
Foreign currency translation differences	(443)	(2)	(111)	(556)
Tax effect	(664)	(2)	54	(612)
At December 31, 2020	6,248	35	1,197	7,480
At January 1, 2019	1,910	46	1,479	3,435
Gross revaluation	6,619	(4)	89	6,705
Shadow accounting adjustment	(3,142)	-	-	(3,142)
Net (gains) / losses transferred to income statement	(412)	-	(97)	(509)
Net (gains) / losses transferred to retained earnings	-	(32)	-	(32)
Foreign currency translation differences	8	1	27	37
Tax effect	(632)	8	3	(621)
At December 31, 2019	4,352	19	1,502	5,873

The revaluation accounts for both available-for-sale investments and for real estate held for own use include unrealized gains and losses on these investments, net of tax. Upon sale, the amounts realized are recognized in the income statement (for available-for-sale investments) or transferred to retained earnings (for real estate held for own use). Upon impairment, unrealized losses are recognized in the income statement.

The closing balances of the revaluation reserve for available-for-sale investments relate to the following instruments:

	2021	2020	2019
Shares	49	46	25
Debt securities	5,276	6,218	4,353
Other	(15)	(17)	(26)
Revaluation reserve for available-for-sale investments	5,309	6,248	4,352

The cash flow hedging reserve includes (un)realized gains and losses on the effective portions of hedging instruments, net of tax. The amounts are recognized in the income statement at the moment of realization of the hedged position to offset the gain or loss from the hedged cash flow. No amounts have been released from equity to be included in the initial measurement of non-financial assets or liabilities.

30.5 Remeasurement of defined benefit plans

	2021	2020	2019
At January 1	(2,534)	(2,397)	(1,850)
Remeasurements of defined benefit plans	501	(360)	(612)
Tax effect	(102)	140	90
Net exchange differences	(65)	83	(25)
Total remeasurement of defined benefit plans	(2,199)	(2,534)	(2,397)

30.6 Other reserves

	Foreign currency translation reserve	Net foreign investment hedging reserve	Equity movements of joint ventures and associates	Total
At January 1, 2021	(403)	(199)	48	(554)
Movement in foreign currency translation and net foreign investment hedging reserves	1,013	(165)	-	848
Disposal of a business	10	(2)	-	8
Tax effect	(24)	27	-	3
Equity movements of joint ventures	-	-	25	25
Equity movements of associates	-	-	(6)	(6)
At December 31, 2021	596	(338)	67	325
At January 1, 2020	799	(374)	31	456
Movement in foreign currency translation and net foreign investment hedging reserves	(1,209)	195	-	(1,015)
Disposal of a business	(5)	-	(2)	(7)
Tax effect	12	(19)	-	(7)
Equity movements of joint ventures	-	-	12	12
Equity movements of associates	-	-	7	7
At December 31, 2020	(402)	(199)	48	(553)
At January 1, 2019	499	(370)	19	149
Movement in foreign currency translation and net foreign investment hedging reserves	311	(10)	-	301
Disposal of a business	(1)	-	-	(1)
Tax effect	(10)	5	-	(5)
Equity movements of joint ventures	-	-	8	8
Equity movements of associates	-	-	4	4
At December 31, 2019	799	(374)	31	456

The foreign currency translation reserve includes the currency results from investments in non-euro denominated subsidiaries. The amounts are released to the income statement upon the sale of the subsidiary.

The net foreign investment hedging reserve is made up of gains and losses on the effective portions of hedging instruments, net of tax. The amounts are recognized in the income statement at the moment of realization of the hedged position to offset the gain or loss from the net foreign investment.

The equity movements of joint ventures and associates reflect Aegon's share of changes recognized directly in the joint venture's and associate's equity.

31 Other equity instruments

	Perpetual contingent convertible securities	Junior perpetual capital securities	Perpetual cumulative subordinated bonds	Long Term Incentive Plans ¹⁾	Total
At January 1, 2021	500	1,564	454	50	2,569
Shares granted	-	-	-	27	27
Shares vested	-	-	-	(21)	(21)
Securities redeemed	-	(212)	-	-	(212)
At December 31, 2021	500	1,352	454	57	2,363
At January 1, 2020	500	1,564	454	53	2,571
Shares granted	-	-	-	22	22
Shares vested	-	-	-	(25)	(25)
At December 31, 2020	500	1,564	454	50	2,569
At January 1, 2019	-	2,808	454	58	3,320
Shares granted	-	-	-	21	21
Shares vested	-	-	-	(26)	(26)
Securities issued	500	-	-	-	500
Securities redeemed	-	(1,244)	-	-	(1,244)
At December 31, 2019	500	1,564	454	53	2,571

¹⁾ Long Term Incentive Plans include the shares granted to personnel which are not yet vested.

Perpetual contingent convertible securities	Coupon rate	Coupon date	Year of next	2021	2020	2019
			call			
EUR 500 million	5.625% ¹⁾	Semi-annually, April 15	2029	500	500	500
At December 31				500	500	500

¹⁾ The coupon is fixed at 5.625% until the first call date and reset thereafter to a 5 year mid swap plus a margin of 5.207%.

The securities have been issued at par and have subordination provisions, rank junior to all other liabilities and senior to shareholders' equity only. The conditions of the securities contain certain provisions for optional and required coupon payment cancellation. Although the securities have no stated maturity, Aegon has the right to call the securities for redemption at par for the first time between April 15, 2029 and October 15, 2029 and every reset date (October 15, with five year intervals) thereafter. Upon breach of certain regulatory capital requirement levels, the securities convert into common shares.

Junior perpetual capital securities

	Coupon rate	Coupon date	Year of next call Called in	2021	2020	2019
USD 250 million	floating LIBOR rate ¹⁾	Quarterly, December 15	2021	-	212	212
USD 500 million	floating CMS rate ²⁾	Quarterly, July 15	2022	402	402	402
EUR 950 million	floating DSL rate ³⁾	Quarterly, July 15	2022	950	950	950
At December 31				1,352	1,564	1,564

¹⁾ The coupon of the USD 250 million junior perpetual capital securities was reset each quarter based on the then prevailing three-month LIBOR yield plus a spread of 87.5 basis points, with a minimum of 4%.

²⁾ The coupon of the USD 500 million junior perpetual capital securities is reset each quarter based on the then prevailing ten-year US dollar interest rate swap yield plus a spread of ten basis points, with a maximum of 8.5%.

³⁾ The coupon of the EUR 950 million junior perpetual capital securities is reset each quarter based on the then prevailing ten-year Dutch government bond yield plus a spread of ten basis points, with a maximum of 8%.

The interest rate exposure on some of these securities has been swapped to a three-month LIBOR and/or EURIBOR based yield.

With effect on September 15, 2021, Aegon has exercised its right to redeem USD 250 million floating rate perpetual capital securities with a minimum coupon of 4% issued in 2005. The securities had no stated maturity, however Aegon had the right to call the securities for redemption and exercised this right with effect on September 15, 2021.

The securities have been issued at par. The securities have subordination provisions, rank junior to all other liabilities and senior to shareholders' equity only. The conditions of the securities contain certain provisions for optional and required coupon payment deferral and, in situations under Aegon's control, mandatory coupon payment events. Although the securities have no stated maturity, Aegon has the right to call the securities for redemption at par for the first time on the coupon date in the years as specified, or on any coupon payment date thereafter.

Perpetual cumulative subordinated bonds

	Coupon rate	Coupon date	Year of next call	2021	2020	2019
EUR 114 million	1.506% ^{1,4)}	Annually, June 8	2025	114	114	114
EUR 136 million	1.425% ^{2,4)}	Annually, October 14	2028	136	136	136
EUR 203 million	0.496% ^{3,4)}	Annually, March 4	2031	203	203	203
At December 31				454	454	454

¹⁾ The coupon of the EUR 114 million bonds was originally set at 8% until June 8, 2005. Subsequently, the coupon has been reset at 4.156% until June 8, 2015 and 1.506% until June 8, 2025.

²⁾ The coupon of the EUR 136 million bonds was originally set at 7.25% until October 14, 2008. Subsequently, the coupon has been reset at 5.185% until October 14, 2018 and 1.425% until October 14, 2028.

³⁾ The coupon of the EUR 203 million bonds was originally set at 7.125% until March 4, 2011. Subsequently, the coupon has been reset at 4.26% until March 4, 2021 and 0.496% until March 4, 2031.

⁴⁾ If the bonds are not called on the respective call dates and after consecutive period of ten years, the coupons will be reset at the then prevailing effective yield of ten-year Dutch government securities plus a spread of 85 basis points.

These bonds have the same subordination provisions as dated subordinated debt. In addition, the conditions of the bonds contain provisions for interest deferral.

Although the bonds have no stated maturity, Aegon has the right to call the bonds for redemption at par for the first time on the coupon date in the year of next call.

32 Subordinated borrowings

	Coupon rate	Coupon date	Issue / Maturity	Year of next call	2021	2020
Fixed to floating subordinated notes						
EUR 700 million	4% ²⁾	Annually, April 25	2014/44	2024	698	697
USD 800 million	5.5% ³⁾	Semi-annually, April 11	2018/48	2028	697	648
Fixed subordinated notes						
USD 925 million ¹⁾	5.1%	Quarterly, March 15	2019/49	2024	798	740
At December 31					2,194	2,085
Fair value of subordinated borrowings					2,438	2,351

¹⁾ Issued by a subsidiary of, and guaranteed by Aegon N.V.

²⁾ The coupon is fixed at 4% until the first call date and floating thereafter with a 3 months Euribor plus a margin of 335bps.

³⁾ The coupon is fixed at 5.5% until the first call date and floating thereafter with a 6 month USD LIBOR plus a margin of 3.539%.

These securities are subordinated and rank senior to the junior perpetual capital securities and the perpetual contingent convertible securities, equally with the perpetual cumulative subordinated bonds and junior to all other liabilities. The conditions of the securities contain certain provisions for optional and required deferral of interest payments. There have been no defaults or breaches of conditions during the period.

33 Trust pass-through securities

	Coupon rate	Coupon date	Issue / Maturity	Year of next call	2021	2020
USD 225 million ¹⁾	7.65%	Semi-annually, December 1	1996/2026	n.a.	82	85
USD 190 million ¹⁾	7.625%	Semi-annually, November 15	1997/2037	n.a.	43	40
At December 31					126	126
Fair value of trust pass-through securities					139	142

¹⁾ Issued by a subsidiary of, and guaranteed by Aegon N.V.

Trust pass-through securities are securities through which the holder participates in a trust. The assets of these trusts consist of junior subordinated deferrable interest debentures issued by Transamerica Corporation. The trust pass-through securities carry provisions with regard to deferral of distributions for extension periods up to a maximum of 10 consecutive semi-annual periods. The trust pass-through securities are subordinated to all other unsubordinated borrowings and liabilities of Transamerica Corporation. There were no defaults or breaches of conditions during the period.

34 Insurance contracts

34.1 Underwriting risk

Aegon's earnings depend significantly upon the extent to which actual claims experience differs from the assumptions used in setting the prices for products and establishing the technical liabilities and liabilities for claims. To the extent that actual claims experience is less favorable than the underlying assumptions used in establishing such liabilities, income would be reduced. Furthermore, if these higher claims were part of a permanent trend, Aegon may be required to change best estimate assumptions for future claims which could increase the required reserves for these future claims, which could reduce income. In addition, certain acquisition costs related to the sale of new policies and the purchase of policies already in force have been recorded as assets on the statement of financial position and are being amortized into the income statement over time. If the assumptions relating to the future profitability of these policies (such as future claims, investment income and expenses) are not realized, the amortization of these costs could be accelerated and may even require write offs should there be an expectation of unrecoverability. This could have a materially adverse effect on Aegon's business, results of operations and financial condition.

Sources of underwriting risk include policyholder behavior (such as lapses, surrender of policies or partial withdrawals), policy claims (such as mortality, longevity or morbidity) and expenses. For some product lines, Aegon is at risk if policy lapses increase as sometimes Aegon is unable to fully recover upfront expenses in selling a product despite the presence of commission recoveries or surrender charges and fees. There are also products where Aegon is at risk if lapses decrease, for example where this would result in a higher utilization rate of product guarantees. For mortality and morbidity risk, Aegon sells certain types of policies that are at risk if mortality or morbidity increases, such as term life insurance and accident insurance, Aegon also sells certain types of policies that are at risk if mortality decreases (longevity risk) such as annuity products. Aegon is also at risk if expenses are higher than the expenses assumed beforehand by management and that were priced into the products.

Aegon monitors and manages its underwriting risk by underwriting risk type. Attribution analysis is performed on earnings and reserve movements in order to understand the source of any material variation in actual results from what was expected. Aegon's units also perform experience studies for underwriting risk assumptions, comparing Aegon's experience to industry experience as well as combining Aegon's experience and industry experience based on the depth of the history of each source to Aegon's underwriting assumptions. Where policy charges are flexible in products, Aegon uses these analyses as the basis for modifying these charges, with a view to maintain a balance between policyholder and shareholder interests. Aegon also has the ability to reduce expense levels over time, thus mitigating unfavorable expense variation.

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

The key areas where reinsurance is used is to reduce our exposure to mortality and morbidity risk primarily through a combination of quota-share and Excess of Loss reinsurance. Also, Excess of Loss reinsurance is used to limit our exposure to large losses on non-life business. In addition, in recent years in the Netherlands, we have used longevity reinsurance to manage our longevity exposure in line with our Risk Appetite, and Aegon the Netherlands entered into a new contract taking the level of longevity reinsurance to around 40% in December 2021.

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

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

Sensitivity analysis of net result and shareholders' equity to various underwriting risks is shown in the table that follows. Aegon's best estimate assumptions already include expected future developments and the sensitivities represent an increase or decrease of lapse rates, mortality rates and morbidity rates, compared to Aegon's best estimate assumptions. These underwriting sensitivities were run using a permanent shock applied to all of Aegon's products, exposed to an increase and to a decrease in the rates. The table below indicates that the morbidity sensitivity has the largest impact and in aggregate, Aegon is exposed to a decrease in mortality rates.

Sensitivity analysis of net result and shareholders' equity to changes in various underwriting risks

Estimated approximate effect	2021		2020	
	On shareholders' equity	On net result	On shareholders' equity	On net result
20% increase in lapse rates	108	109	(151)	156
20% decrease in lapse rates	(110)	(115)	47	(157)
5% increase in mortality rates	340	295	52	344
5% decrease in mortality rates	(434)	(378)	(217)	(354)
10% increase in morbidity rates	(292)	(284)	(225)	(235)
10% decrease in morbidity rates	178	175	134	140

34.2 Insurance contracts for general account

	2021	2020
Life insurance	110,691	109,062
Non-life insurance		
- Unearned premiums and unexpired risks	6,548	6,117
- Outstanding claims	2,247	2,120
- Incurred but not reported claims	816	881
Incoming reinsurance	4,120	3,965
At December 31	124,422	122,146

	2021	2020
Non-life insurance:		
- Accident and health insurance	9,374	8,887
- General insurance	237	231
Total non-life insurance	9,611	9,118

Movements during the year in life insurance:	2021	2020
At January 1	109,062	109,310
Portfolio transfers and acquisitions	(26)	(29)
Gross premium and deposits – existing and new business	6,033	6,758
Unwind of discount / interest credited	4,037	3,725
Insurance liabilities released	(9,490)	(9,557)
Changes in valuation of expected future benefits	(1,635)	1,918
Loss recognized as a result of liability adequacy testing	(236)	903
Shadow accounting adjustments	(1,821)	1,419
Net exchange differences	4,713	(5,842)
Transfer (to) / from reinsurance assets	36	(12)
Transfer (to) / from insurance contracts for account of policyholders	-	465
Other	17	3
At December 31	110,691	109,062

The LAT deficit per December 31, 2021 in Aegon the Netherlands amounted to EUR 5.2 billion (2020: EUR 7.0 billion), which was partially offset by the shadow loss recognition of EUR 3.0 billion (2020: EUR 4.5 billion), resulting in a net deficit of EUR 2.2 billion (2020: EUR 2.5 billion).

During 2021, the net LAT deficit of Aegon the Netherlands reduced by EUR 0.3 billion, which is recorded in the income statement. The net LAT deficit was positively impacted by the impact of higher interest rate of EUR 0.7 billion (2020: EUR 1.5 billion negative) and positive credit spread movements (tightened mortgage spreads and liquidity premium) of EUR 0.4 billion (2020: EUR 0.3 billion negative). This was partly offset by other unfavorable impacts (model and assumptions updates and portfolio changes) totaling EUR 0.9 billion (2020: EUR 1.0 billion positive).

As a result of the current deficit, changes in the LAT of Aegon the Netherlands, triggered by up or down movements in interest rates, are directly recognized in the income statement. However, net result is less sensitive to interest rate movements as the results from interest rate hedging are also recognized in net result.

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

Sensitivity analysis of net result and shareholders' equity	Estimated approximate effects on net result	Estimated approximate effects on shareholders' equity
2021		
Shift up 50 basis points - Bond credit spreads	(192)	(2,418)
Shift down 50 basis points - Bond credit spreads	169	2,387
Shift up 50 basis points - Mortgage spreads	(444)	(401)
Shift down 50 basis points - Mortgage spreads	452	496
Shift up 5 basis points - Liquidity premium	136	178
Shift down 5 basis points - Liquidity premium	(148)	(104)
2020		
Shift up 50 basis points - Bond credit spreads	(185)	(1,998)
Shift down 50 basis points - Bond credit spreads	172	1,873
Shift up 50 basis points - Mortgage spreads	(449)	(449)
Shift down 50 basis points - Mortgage spreads	476	477
Shift up 5 basis points - Liquidity premium	162	159
Shift down 5 basis points - Liquidity premium	(164)	(161)

Movements during the year in non-life insurance:	2021	2020
At January 1	9,118	9,190
Disposals	(25)	-
Portfolio transfers and acquisitions	1	6
Gross premiums – existing and new business	1,508	1,551
Unwind of discount / interest credited	479	499
Insurance liabilities released	(992)	(1,080)
Changes in valuation of expected future claims	(36)	77
Change in unearned premiums	(731)	(724)
Change in unexpired risks	-	2
Incurred related to current year	670	670
Incurred related to prior years	267	259
Release for claims settled current year	(269)	(257)
Release for claims settled prior years	(757)	(860)
Shadow accounting adjustments	(153)	385
Change in IBNR	(59)	117
Net exchange differences	592	(709)
Other	(1)	(6)
At December 31	9,611	9,118

Movements during the year in incoming reinsurance:	2021	2020
At January 1	3,965	4,385
Gross premium and deposits – existing and new business	1,276	1,306
Unwind of discount / interest credited	192	203
Insurance liabilities released	(1,562)	(1,656)
Changes in valuation of expected future benefits	(36)	66
Shadow accounting adjustments	(7)	8
Loss recognized as a result of liability adequacy	(3)	10
Net exchange differences	296	(358)
Other	(1)	2
At December 31	4,120	3,965

34.3 Insurance contracts for account of policyholders

Insurance contracts for account of policyholders	2021	2020
At January 1	135,441	135,710
Portfolio transfers and acquisitions	(547)	(64)
Gross premium and deposits – existing and new business	5,532	7,030
Unwind of discount / interest credited	14,994	13,858
Insurance liabilities released	(13,199)	(10,160)
Fund charges released	(1,680)	(1,644)
Changes in valuation of expected future benefits	(145)	(266)
Transfer (to) / from insurance contracts	783	(465)
Net exchange differences	8,144	(8,558)
Other	1	-
At December 31	149,323	135,441

35 Investment contracts**35.1 Investment contracts for general account**

	Without discretionary participation features	With discretionary participation features	Total
At January 1, 2021	20,889	185	21,075
Deposits	20,947	-	20,947
Withdrawals	(21,936)	-	(21,936)
Investment contracts liabilities released	-	(3)	(3)
Interest credited	256	-	256
Net exchange differences	660	12	672
Transfer (to)/from other headings	780	-	780
Other	(23)	-	(23)
At December 31, 2021	21,573	194	21,767
At January 1, 2020	18,382	211	18,594
Deposits	16,189	-	16,189
Withdrawals	(16,047)	-	(16,047)
Investment contracts liabilities released	-	(15)	(15)
Interest credited	246	-	246
Net exchange differences	(698)	(11)	(709)
Transfer (to)/from other headings	2,828	-	2,828
Other	(12)	-	(12)
At December 31, 2020	20,889	185	21,075

Investment contracts consist of the following:

	2021	2020
Institutional guaranteed products	187	295
Fixed annuities	9,543	7,786
Savings accounts	11,586	12,540
Investment contracts with discretionary participation features	194	185
Other	256	268
At December 31	21,767	21,075

35.2 Investment contracts for account of policyholders

	Without discretionary participation features	With discretionary participation features	Total
At January 1, 2021	59,625	31,999	91,624
Gross premium and deposits – existing and new business	11,185	810	11,995
Withdrawals	(10,716)	-	(10,716)
Interest credited	7,572	3,130	10,702
Investment contracts liabilities released	-	(3,815)	(3,815)
Fund charges released	(209)	-	(209)
Net exchange differences	4,256	2,097	6,353
Transfer (to)/from other headings	(473)	(871)	(1,344)
Other	1	-	1
At December 31, 2021	71,242	33,350	104,592
At January 1, 2020	59,956	33,870	93,826
Gross premium and deposits – existing and new business	11,116	786	11,902
Withdrawals	(10,404)	-	(10,404)
Interest credited	5,902	2,895	8,797
Investment contracts liabilities released	-	(3,457)	(3,457)
Fund charges released	(196)	-	(196)
Net exchange differences	(4,008)	(1,808)	(5,816)
Transfer (to)/from other headings	(2,740)	(287)	(3,027)
Other	(1)	-	(1)
At December 31, 2020	59,625	31,999	91,624

36 Guarantees in insurance contracts

For financial reporting purposes Aegon distinguishes between the following types of minimum guarantees:

- Financial guarantees: these guarantees are treated as bifurcated embedded derivatives, valued at fair value and presented as derivatives (refer to note 2.9 and note 44 Fair value);
- Total return annuities: these guarantees are not bifurcated from their host contracts because they are presented and valued at fair value together with the underlying insurance contracts (refer to note 2.19);
- Life contingent guarantees in the United States: these guarantees are not bifurcated from their host contracts, presented and valued in accordance with insurance accounting together with the underlying insurance contracts (refer to note 2.19); and
- Minimum investment return guarantees in the Netherlands: these guarantees are not bifurcated from their host contracts, valued at fair value and presented together with the underlying insurance contracts (refer to note 2.19 and note 44 Fair value).

In addition to the guarantees mentioned above, Aegon has traditional life insurance contracts that include minimum guarantees that are not valued explicitly; however, the adequacy of all insurance liabilities, net of VOBA and DPAC, and including all guarantees, are assessed periodically (refer to note 2.19).

a. Financial guarantees

In the United States, a guaranteed minimum withdrawal benefit (GMWB) is offered directly on some variable annuity products Aegon issues and is also assumed from a ceding company. Variable annuities allow a customer to provide for the future on a tax-deferred basis and to participate in equity or bond market performance. Variable annuities allow a customer to select payout options designed to help meet the customer's need for income upon maturity, including lump sum payment or income for life or for a period of time. This benefit guarantees that a policyholder can withdraw a certain percentage of the account value, starting at a certain age or duration, for either a fixed period or during the life of the policyholder.

In the Netherlands, individual variable unit-linked products have a minimum benefit guarantee if premiums are invested in certain funds. The sum insured at maturity or upon the death of the beneficiary has a minimum guaranteed return (in the range of 3% to 4%) if the premium has been paid for a consecutive period of at least ten years and is invested in a mixed fund and/or fixed-income funds. No guarantees are given if the invested amount is in equity only.

The following table provides information on the liabilities for financial guarantees for minimum benefits, net of present value of the expected future premiums that are received to cover these guarantees:

	2021			2020		
	United States ¹⁾	The Netherlands ²⁾	Total ³⁾	United States ¹⁾	The Netherlands ²⁾	Total ³⁾
At January 1	2,715	2,032	4,747	1,296	1,735	3,031
Incurred guarantee benefits ⁴⁾	(1,047)	(619)	(1,666)	1,638	297	1,935
Paid guarantee benefits	(2)	-	(2)	(2)	-	(2)
Net exchange differences	164	-	164	(217)	-	(217)
At December 31	1,830	1,413	3,243	2,715	2,032	4,747
Account value ⁵⁾	34,945	9,748	44,693	32,870	8,968	41,838
Net amount at risk ⁶⁾	314	1,538	1,852	661	2,427	3,088

¹⁾ Guaranteed minimum accumulation and withdrawal benefits.

²⁾ Fund plan and unit-linked guarantees.

³⁾ Balances are included in the derivatives liabilities on the face of the statement of financial position; refer to note 24 Derivatives.

⁴⁾ Incurred guarantee benefits mainly comprise the effect of guarantees from new contracts, releases related to expired out-of-the-money guarantees and fair value movements during the reporting year.

⁵⁾ Account value reflects the actual fund value for the policyholders.

⁶⁾ The net amount at risk represents the sum of the positive differences between the discounted maximum amount payable under the guarantees and the account value.

The decrease of incurred guarantee benefits in 2021 mainly relates to increasing interest rates and rising equity markets with some offset from policyholder behavior assumption updates. The increased account value in 2021 was mainly driven by foreign currency translation differences, partially offset by the impact from significantly reduced sales of guaranteed living benefits in the US after the first quarter.

Transamerica mitigates the exposure from the elective guaranteed minimum withdrawal benefit rider issued with a ceding company's variable annuity contracts. The rider is essentially a return of premium guarantee, which is payable over a period of at least 14 years from the date that the policyholder elects to start withdrawals. At contract inception, the guaranteed remaining balance is equal to the premium payment. The periodic withdrawal is paid by the ceding company until the account value is insufficient to cover additional withdrawals. Once the account value is exhausted, Aegon pays the periodic withdrawals until the guaranteed remaining balance is exhausted. At December 31, 2021, the reinsured account value was EUR 1.8 billion (2020: EUR 1.7 billion) and the guaranteed remaining balance was EUR 0.9 billion (2020: EUR 0.8 billion).

The GMWB rider Aegon assumed from the ceding company is accounted for as a derivative and is carried in Aegon's statement of financial position at fair value. At December 31, 2021, the contract had a value of EUR 39 million (2020: EUR 46 million). Aegon entered into a derivative program to mitigate the overall exposure to equity market and interest rate risks associated with the reinsurance contract. This program involves selling equity futures contracts and equity total return swap contracts (S&P 500, Midcap, Russell 2000, and the MCSI EAFE index in accordance with Aegon's exposure) to mitigate the effect of equity market movement on the reinsurance contracts and the purchase of interest rate swaps, treasury futures and treasury forwards to mitigate the effect of movements in interest rates on the reinsurance contracts.

Aegon the Netherlands provides guarantees to its customers on expiry date for certain insurance contracts. In order to mitigate the risks related to the guarantees Aegon the Netherlands has setup a hedging program. Aegon the Netherlands does not use reinsurance in order to mitigate risks related to insurance contracts with a guarantee component.

b. Total return annuities

Total Return Annuity (TRA) is an annuity product in the United States which provides customers with a pass-through of the total return on an underlying portfolio of investment securities (typically a mix of corporate and convertible bonds) subject to a cumulative minimum guarantee. Both the assets and liabilities are carried at fair value, however, due to the minimum guarantee not all of the changes in the market value of the asset will be offset in the valuation of the liability. This product exists for the fixed annuity line of business and represents a closed block.

The fixed annuities product balance as of December 31, 2021, amounted to EUR 179 million (2020: EUR 186 million).

c. Life contingent guarantees in the United States

Certain variable insurance contracts in the United States also provide guaranteed minimum death benefits (GMDB) and guaranteed minimum income benefits (GMIB). Under a GMDB, the beneficiaries receive the greater of the account balance or the guaranteed

amount upon the death of the insured. The net amount at risk for GMDB contracts is defined as the current GMDB in excess of the capital account balance at the reporting date.

The GMIB feature provides for minimum payments if the contract holder elects to convert to an immediate payout annuity. The guaranteed amount is calculated using the total deposits made by the contract holder, less any withdrawals and sometimes includes a roll-up or step-up feature that increases the value of the guarantee with interest or with increases in the account value.

The additional liability for guaranteed minimum benefits that are not bifurcated are determined each period by estimating the expected value of benefits in excess of the projected account balance and recognizing the excess over the accumulation period based on total expected assessments. The estimates are reviewed regularly and any resulting adjustment to the additional liability is recognized in the income statement. The benefits used in calculating the liabilities are based on the average benefits payable over a range of stochastic scenarios. Where applicable, the calculation of the liability incorporates a percentage of the potential annuitizations that may be elected by the contract holder.

The following table provides information on the liabilities for guarantees for minimum benefits that are included in the valuation of the host contracts:

	2021			2020		
	GMDB ¹⁾	GMIB ²⁾	Total ⁴⁾	GMDB ¹⁾	GMIB ²⁾	Total ⁴⁾
At January 1	488	638	1,127	448	686	1,133
Incurred guarantee benefits ⁵⁾	27	(127)	(99)	144	44	189
Paid guarantee benefits	(49)	(25)	(75)	(61)	(34)	(95)
Net exchange differences	36	42	79	(43)	(57)	(100)
At December 31	502	529	1,031	488	638	1,127
	GMDB ^{1),3)}	GMIB ^{2),3)}		GMDB ^{1),3)}	GMIB ^{2),3)}	
Account value ⁶⁾	56,426	5,186		52,481	5,337	
Net amount at risk ⁷⁾	843	472		919	542	
Average attained age of contract holders	71	72		70	72	

¹⁾ Guaranteed minimum death benefit in the United States.

²⁾ Guaranteed minimum income benefit in the United States.

³⁾ Note that the variable annuity contracts with guarantees may offer more than one type of guarantee in each contract; therefore, the amounts listed are not mutually exclusive.

⁴⁾ Balances are included in the insurance liabilities on the face of the statement of financial position; refer to note 34 Insurance contracts.

⁵⁾ Incurred guarantee benefits mainly comprise the effect of guarantees from new contracts, releases related to expired out-of-the-money guarantees and value changes as a consequence of interest movements during the reporting year.

⁶⁾ Account value reflects the actual fund value for the policyholders.

⁷⁾ The net amount at risk is defined as the present value of the minimum guaranteed annuity payments available to the contract holder determined in accordance with the terms of the contract in excess of the current account balance.

d. Minimum investment return guarantees in the Netherlands

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

The traditional group pension contracts offered by Aegon in the Netherlands include large group insurance contracts that have an individually determined asset investment strategy underlying the pension contract. The guarantee given is that the profit sharing is the minimum of 0% and the realized return on an asset portfolio specified in the policy conditions, adjusted for technical interest rates ranging from 3% to 4%. If the adjusted return is negative, the 0% minimum is effective, but the loss in any given year is carried forward to be offset against any future surpluses within the contract period. In general, a guarantee is given for the life of the underlying employees so that their pension benefit is guaranteed. Large group contracts also share technical results (mortality risk and disability risk). The contract period is typically five years and the premiums are fixed over this period.

These guarantees are valued at fair value and are included as part of insurance liabilities with the underlying host insurance contracts in note 34 Insurance contracts.

The following table provides information on the liabilities for guarantees that are included in the valuation of the host contracts, net of the present value of the expected future premiums that are received to cover these guarantees:

	2021	2020
	GMI^(1),2)	GMI^(1),2)
At January 1	7,973	6,422
Incurring guarantee benefits ³⁾	(1,544)	1,551
At December 31	6,429	7,973
Account value ⁴⁾	20,176	20,202
Net amount at risk ⁵⁾	6,794	7,931

¹ Guaranteed minimum investment return in the Netherlands.

² Balances are included in the insurance liabilities on the face of the statement of financial position; refer to note 34 Insurance contracts.

³ Incurred guarantee benefits mainly comprise the effect of guarantees from new contracts, releases related to expired out-of-the-money guarantees and fair value movements during the reporting year.

⁴ Account value reflects the liability value of the insurance contracts as a whole.

⁵ The net amount at risk represents the sum of the differences between the guaranteed and actual amount that is credited to the policyholders. For Individual policies only positive differences are included, for Group pensions contracts carry forwards of negative differences are recognized.

Fair value measurement of guarantees in insurance contracts

The fair values of guarantees mentioned above (with the exception of life contingent guarantees in the United States) are calculated as the present value of future expected payments to policyholders less the present value of assessed rider fees attributable to the guarantees. For further details refer to note 44 Fair value.

For equity volatility, Aegon uses a term structure assumption with market-based implied volatility inputs for the first five years and a long-term forward rate assumption of 25% thereafter. The volume of observable option trading from which volatilities are derived generally declines as the contracts' term increases, therefore, the volatility curve grades from implied volatilities for five years to the ultimate rate. The resulting volatility assumption in year 20 for the S&P 500 index (expressed as a spot rate) was 22.3% at December 31, 2021, and 22.6% at December 31, 2020. Correlations of market returns across underlying indices are based on historical market returns and their inter-relationships over a number of years preceding the valuation date. Assumptions regarding policyholder behavior, such as lapses, included in the models are derived in the same way as the assumptions used to measure insurance liabilities.

These assumptions are reviewed at each valuation date, and updated based on historical experience and observable market data, including market transactions such as acquisitions and reinsurance transactions. Disclosure on interest rate risk, including interest rate risk sensitivity is included in note 4 Financial risks.

Aegon utilizes different risk management strategies to mitigate the financial impact of the valuation of these guarantees on the results including asset and liability management and derivative hedging strategies to hedge certain aspects of the market risks embedded in these guarantees.

Guarantees valued at fair value contributed a net gain before tax of EUR 63 million (2020: gain of EUR 539 million) to earnings. The main drivers of this gain before tax are a gain of EUR 1,214 million related to an increase in equity markets (2020: EUR 380 million gain), a gain of EUR 2,795 million related increases in risk free rates (2020: EUR 3,775 million loss) and a gain of EUR 16 million related to increases in equity volatility (2020: EUR 134 million loss). These gains are partly offset by a fair value loss on hedges related to the guarantee reserves of EUR 3,855 million (2020: EUR 3,199 million gain), a loss of EUR 19 million related to widening own credit spread (2020: EUR 234 million gain) and other and DPAC offset contributed a loss of EUR 65 million (2020: EUR 305 million gain).

Guarantee reserves decreased by EUR 2,997 million in 2021 (2020: increase of EUR 3,230 million) to EUR 9,878 million (2020: EUR 12,875 million).

37 Borrowings

	2021	2020
Capital funding	1,292	1,241
Operational funding	8,369	7,283
At December 31	9,661	8,524
Current	824	950
Non-current	8,837	7,574
Fair value of borrowings	10,171	9,165

Aegon's borrowings are defined separately as capital funding and operational funding. Capital funding includes debt securities that are issued for general corporate purposes and for capitalizing its business units. Capital funding is part of the Company's total capitalization that is used for financing its subsidiaries and the cash held at the holding company. Operational funding includes debt securities that are issued for financing of dedicated pools of assets. These assets are either legally segregated or tracked as separate portfolios.

The difference between the contractually required payment at maturity date and the carrying amount of the borrowings amounted to EUR 25 million negative (2020: EUR 15 million negative).

Capital funding

A detailed composition of capital funding is included in the following table:

(sorted at maturity)	Coupon rate	Coupon date	Issue / Maturity	2021	2020
EUR 500 million Senior Unsecured Notes	1.00%	December 8	2016 / 23	499	498
GBP 250 million Medium-Term Notes	6.125%	December 15	1999 / 31	296	278
GBP 400 million Senior Unsecured Notes	6.625%	Semi-annually	2009 / 39	472	442
Other				26	24
At December 31				1,292	1,241

These loans are considered senior debt in calculating financial leverage in note 43 Capital management and solvency.

Operational funding

During 2021, the operational funding increased by EUR 1.1 billion mainly due to the latest securitization of mortgage loans originated by Aegon the Netherlands "SAECURE 20" of EUR 0.6 billion, new covered bonds of EUR 0.5 billion, as well as an increase in Federal Home Loan Bank advances of EUR 0.5 billion. This is offset by a decrease of other mortgage loan funding of EUR 0.5 billion.

During 2020, operational funding decreased by EUR 0.3 billion mainly due to the redemption of 'SAECURE 15' of EUR 0.9 billion and the redemption of a covered bond for EUR 0.7 billion. This is partly offset by an increase in other mortgage loan funding of EUR 0.7 billion and the issuance of a covered bond in the Netherlands of EUR 0.5 billion.

	Coupon rate	Coupon date	Issue / Maturity	2021	2020
Revolving Loan Facility Warehouse Mortgage Loans ¹⁾	Floating	Monthly	- / 22	592	743
Revolving Loan Facility Warehouse Mortgage Loans ¹⁾	Floating	Monthly	- / 24	494	802
EUR 875 million "SAECURE 16" RMBS Note ^{1),2)}	Floating	Quarterly	2018 / 23	676	758
EUR 512 million "SAECURE 18" RMBS Note ^{1),3)}	Floating	Quarterly	2019 / 25	355	422
EUR 657 million "SAECURE 20" RMBS Note ^{1),4)}	Floating	Quarterly	2021 / 27	625	-
EUR 500 million Conditional Pass-Through Covered Bond ^{1),5)}	0.250%	Annual	2016 / 23	499	498
EUR 500 million Conditional Pass-Through Covered Bond ^{1),6)}	0.375%	Annual	2017 / 24	499	498
EUR 500 million Conditional Pass-Through Covered Bond ^{1),7)}	0.010%	Annual	2020 / 25	506	508
EUR 500 million Conditional Pass-Through Covered Bond ^{1),8)}	0.750%	Annual	2017 / 27	492	491
EUR 500 million Conditional Pass-Through Covered Bond ^{1),9)}	0.375%	Annual	2021 / 36	494	-
FHLB Secured borrowings ¹⁾	Floating	Quarterly	2021 / 24	2,634	2,055
Aegon Bank Senior Non-Preferred debt ¹⁾	0.625%	Annual	2019 / 24	499	498
Other				5	9
At December 31				8,369	7,283

¹⁾ Issued by a subsidiary of Aegon N.V.

²⁾ The first optional redemption date is October 30, 2023; the final legal maturity date is October 30, 2091. Notes are fully collateralized by mortgage loans which are part of Aegon's general account investments.

³⁾ The first optional redemption date is July 28, 2025; the final legal maturity date is April 28, 2092. Notes are fully collateralized by mortgage loans which are part of Aegon's general account investments.

⁴⁾ The first optional redemption date is October 28, 2027; the final legal maturity date is April 28, 2093. Notes are fully collateralized by mortgage loans which are part of Aegon's general account investments.

⁵⁾ The maturity date is May 25, 2023; the extended due for payment date is May 25, 2055.

⁶⁾ The maturity date is November 21, 2024; the extended due for payment date is November 21, 2056.

⁷⁾ The maturity date is November 16, 2025; the extended due for payment date is November 16, 2057.

⁸⁾ The maturity date is June 27, 2027; the extended due for payment date is June 27, 2059.

⁹⁾ The maturity date is June 9, 2036; the extended due for payment date is June 9, 2037.

Other

Undrawn committed borrowing facilities:	2021	2020
Floating-rate		
- Expiring within one year	408	666
- Expiring beyond one year	2,991	2,622
At December 31	3,399	3,288

There were no defaults or breaches of conditions during the period.

38 Provisions

	2021	2020
At January 1	309	214
Additional provisions	91	180
Disposals	(6)	(38)
Unused amounts reversed through the income statement	-	(1)
Used during the year	(209)	(32)
Net exchange differences	9	(15)
At December 31	193	309
Current	139	253
Non-current	54	56

The provisions as at December 31, 2021 consisted of litigation provisions of EUR 93 million (2020: EUR 191 million) mainly related to a settlement in the US relating to increases in monthly deduction rates on universal life products (refer to note 45 Commitments and contingencies), restructuring provisions of EUR 30 million (2020: EUR 54 million) and other provisions of EUR 70 million (2020: EUR 63 million).

39 Defined benefit plans

	2021	2020
Retirement benefit plans	3,547	4,318
Other post-employment benefit plans	277	275
Total defined benefit plans	3,824	4,593
Retirement benefit plans in surplus	119	43
Total defined benefit assets	119	43
Retirement benefit plans in deficit	3,666	4,361
Other post-employment benefit plans in deficit	277	275
Total defined benefit liabilities	3,944	4,636

Movements during the year in defined benefit plans	2021			2020		
	Retirement benefit plans	Other post-employment benefit plans	Total	Retirement benefit plans	Other post-employment benefit plans	Total
At January 1	4,318	275	4,593	4,076	283	4,359
Defined benefit expenses	(8)	16	8	104	18	122
Remeasurements of defined benefit plans	(487)	(14)	(501)	350	10	360
Contributions paid	(164)	-	(164)	(54)	-	(54)
Benefits paid	(110)	(15)	(125)	(103)	(16)	(119)
Net exchange differences	29	16	45	(61)	(19)	(80)
Other	(32)	-	(32)	5	-	5
At December 31	3,547	277	3,824	4,318	275	4,593

The amounts recognized in the statement of financial position are determined as follows:

	2021			2020		
	Retirement benefit plans	Other post-employment benefit plans	Total	Retirement benefit plans	Other post-employment benefit plans	Total
Present value of wholly or partly funded obligations	4,604	-	4,604	4,858	-	4,858
Fair value of plan assets	(4,717)	-	(4,717)	(4,466)	-	(4,466)
	(112)	-	(112)	392	-	392
Present value of wholly unfunded obligations ¹⁾	3,660	277	3,937	3,926	275	4,201
At December 31	3,547	277	3,824	4,318	275	4,593

¹⁾ As all pension obligations are insured at subsidiary Aegon Levensverzekering almost all assets held by Aegon Nederland backing retirement benefits of EUR 2,783 million (2020: EUR 2,845 million) do not meet the definition of plan assets and as such were not deducted in calculating this amount. Instead, these assets are recognized as general account assets. Consequently, the return on these assets does not form part of the calculation of defined benefit expenses.

The fair value of Aegon's own transferable financial instruments included in plan assets and the fair value of other assets used by Aegon included in plan assets was nil in both 2021 and 2020.

Defined benefit expenses	2021			2020		
	Retirement benefit plans	Other post-employment benefit plans	Total	Retirement benefit plans	Other post-employment benefit plans	Total
Current year service cost	48	11	59	52	11	63
Net interest on the net defined benefit liability (asset)	32	5	37	52	7	59
Past service cost	(88)	-	(88)	1	-	1
Total defined benefit expenses	(8)	16	8	104	18	122

	2019		Total
	Retirement benefit plans	Other post-employment benefit plans	
Current year service cost	148	8	157
Net interest on the net defined benefit liability (asset)	80	9	89
Past service cost	(1)	-	(1)
Total defined benefit expenses	227	17	244

Defined benefit expenses are included in 'Commissions and expenses' in the income statement.

Movements during the year of the present value of the defined benefit obligations	2021	2020
At January 1	9,059	8,779
Current year service cost	59	63
Interest expense	131	175
<i>Remeasurements of the defined benefit obligations:</i>		
- Actuarial gains and losses arising from changes in demographic assumptions	(59)	(51)
- Actuarial gains and losses arising from changes in financial assumptions	(299)	859
Past service cost	(88)	1
Benefits paid	(455)	(362)
Amounts paid in respect of settlements	(140)	-
Net exchange differences	364	(409)
Other	(32)	5
At December 31	8,541	9,059

Movements during the year in plan assets for retirement benefit plans	2021	2020
At January 1	4,466	4,420
Interest income (based on discount rate)	94	116
Remeasurements of the net defined liability (asset)	144	448
Contributions by employer	164	54
Benefits paid	(330)	(243)
Amounts paid in respect of settlements	(140)	-
Net exchange differences	319	(329)
At December 31	4,717	4,466

Breakdown of plan assets for retirement benefit plans	2021				2020			
	Quoted	Unquoted	Total	in % of total plan assets	Quoted	Unquoted	Total	in % of total plan assets
Equity instruments	-	-	-	0%	154	-	154	3%
Debt instrument	603	387	990	21%	450	717	1,167	26%
Real estate	-	142	142	3%	-	110	110	2%
Derivatives	-	(3)	(3)	(0%)	-	16	16	0%
Investment funds	-	3,069	3,069	65%	2	2,449	2,451	55%
Other	2	516	518	11%	3	563	567	13%
At December 31	605	4,112	4,717	100%	610	3,856	4,466	100%

Defined benefit plans are mainly operated by Transamerica, Aegon the Netherlands and Aegon UK. The following sections contain a general description of the plans in each of these subsidiaries and a summary of the principal actuarial assumptions applied in determining the value of defined benefit plans.

Transamerica

Transamerica has defined benefit plans covering substantially all its employees that are qualified under the Internal Revenue Service Code, including all requirements for minimum funding levels. The defined benefit plans are governed by the Board of Directors of Transamerica Corporation. The Board of Directors has the full power and discretion to administer the plan and to apply all of its provisions, including such responsibilities as, but not limited to, developing the investment policy and managing assets for the plan,

maintaining required funding levels for the plan, deciding questions related to eligibility and benefit amounts, resolving disputes that may arise from plan participants and for complying with the plan provisions, and legal requirements related to the plan and its operation. The benefits are based on years of service and the employee's eligible annual compensation. The plans provide benefits based on a traditional final average formula or a cash balance formula (which defines the accrued benefit in terms of a stated account balance), depending on the age and service of the plan participant. The defined benefit plans have a deficit of EUR 7 million at December 31, 2021 (2020: EUR 436 million deficit). Transamerica amended some of their defined benefit pension plans in 2021. The amendments included an updated pay credit percentage and interest credit rates resulting in a decrease of the defined benefit obligation of EUR 88 million.

Investment strategies are established based on asset and liability studies by actuaries which are updated as they consider appropriate. These studies, along with the investment policy, assist to develop the appropriate investment criteria for the plan, including asset allocation mix, return objectives, investment risk and time horizon, benchmarks and performance standards, and restrictions and prohibitions. The overall goal is to maximize total investment returns to provide sufficient funding for the present and anticipated future benefit obligations within the constraints of a prudent level of portfolio risk and diversification. Aegon believes that the asset allocation is an important factor in determining the long-term performance of the plan. The plan uses multiple asset classes as well as sub-classes to meet the asset allocation and other requirements of the investment policy, which minimizes investment risk. From time to time the actual asset allocation may deviate from the desired asset allocation ranges due to different market performance among the various asset categories. If it is determined that rebalancing is required, future additions and withdrawals will be used to bring the allocation to the desired level.

Transamerica maintains minimum required funding levels as set forth by the Internal Revenue Code. If contributions are required, the funding would be provided from the Company's general account assets. Pension plan contributions were not required for Transamerica in 2021 or 2020. However, with the Transamerica Management Board approval of a proposal from Transamerica Corporation, Transamerica Corporation made a pension plan contribution of EUR 91 million in August 2021 that was over and above the minimum required funding levels as set forth by the Internal Revenue Code. In 2020, Transamerica Corporation did not make a voluntary pension plan contributions.

Transamerica also sponsors supplemental retirement plans to provide senior management with benefits in excess of normal retirement benefits. The plans are unfunded and are not qualified under the Internal Revenue Code. The supplemental retirement plans are governed by either Transamerica Corporation, or the Compensation Committee of the Board of Directors of Transamerica Corporation. Transamerica Corporation, or the Compensation Committee of the Board of Directors has the full power and discretion to apply all of the plan's provisions, including such responsibilities as, but not limited to, interpret the plan provisions, to make factual determinations under the plan, to determine plan benefits, and to comply with any statutory reporting and disclosure requirements. The benefits are based on years of service and the employee's eligible annual compensation. The plans provide benefits based on a traditional final average formula or a cash balance formula (which defines the accrued benefit in terms of a stated account balance), depending on the age and service of the plan participant. The company funds the benefit payments of the supplemental retirement plans from its general account assets. The unfunded amount related to these plans, for which a liability has been recorded, was EUR 235 million (2020: EUR 249 million unfunded).

Transamerica provides health care benefits to retired employees through continuation of coverage primarily in self funded plans, and partly in fully insured plans, which are classified as unfunded per IAS 19 financial guidance. The postretirement health care benefits under the Plans are administered by Transamerica Corporation, which has delegated the claims administration to third-party administrators. Transamerica maintains two plans which provide continuation of coverage for retiree medical benefits. For each plan, Transamerica has the fiduciary responsibility to administer the plan in accordance with its terms, and decides questions related to eligibility and determines plan provisions and benefit amounts.

Under the Employee Retirement Income Security Act (ERISA), Transamerica has the fiduciary responsibility to monitor the quality of services provided by the third-party claims administrator and to replace the third-party administrator if needed. In addition, Transamerica has the fiduciary obligation to interpret the provisions of the plans, and to comply with any statutory reporting and disclosure requirements. Finally, Transamerica reviews the terms of the plans and makes changes to the plans if and when appropriate. Transamerica funds the benefit payments or premium payments of the post-retirement health care plans from its general account assets. The post-retirement health benefit liability amounted to EUR 220 million (2020: EUR 214 million).

The weighted average duration of the defined benefit obligation is 12.9 years (2020: 12.9 years).

The principal actuarial assumptions that apply for the year ended December 31 are as follows:

Actuarial assumptions used to determine defined benefit obligations at year-end	2021	2020
Demographic actuarial assumptions		
Mortality	US mortality table ¹⁾	US mortality table ¹⁾
Financial actuarial assumptions		
Discount rate	2.80%/2.61%	2.47%/2.18%
Salary increase rate	4.00%	4.00%
Health care trend rate	6.10%	6.30%

¹⁾ 2021 assumption -PRI-2012 Employee, Healthy Annuitant and Contingent Survivor Tables (90% white collar/10% blue collar) projected with Scale MP-2021. Comparative figures are as included in the Integrated Annual Report 2020.

The principal actuarial assumptions have an effect on the amounts reported for the defined benefit obligation. A change as indicated in the table below in the principal actuarial assumptions would have the following effects on the defined benefit obligation per year-end:

	Estimated approximate effects on the defined benefit obligation	
	2021	2020
Demographic actuarial assumptions		
10% increase in mortality rates	(69)	(86)
10% decrease in mortality rates	77	95
Financial actuarial assumptions		
100 basis points increase in discount rate	(357)	(422)
100 basis points decrease in discount rate	436	521
100 basis points increase in salary increase rate	-	29
100 basis points decrease in salary increase rate	-	(25)
100 basis points increase in health care trend rate	13	13
100 basis points decrease in health care trend rate	(12)	(12)

The above sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognized within the statement of financial position.

Target allocation of plan assets for retirement benefit plans for the next annual period is:

Equity instruments	5%-24%
Debt instruments	57%-88%
Other	4%-22%

Aegon the Netherlands

Aegon the Netherlands has a number of defined benefit plans and defined contribution plans. The defined benefit plans are subject to Dutch Pension regulations and governed by the Board of Directors of Aegon the Netherlands. The Board of Directors has the full power and discretion to administer the plan including developing investment policy and managing assets for the plans (although these assets do not qualify as 'plan assets' as defined by IFRS), deciding questions related to eligibility and benefit amounts, and any disputes that may arise from plan participants and for complying with the plan provisions, and legal requirements related to the plan and its operation. Aegon the Netherlands runs, in principle, full actuarial and investment risk regarding the defined benefit plans. This includes the risks of low interest rates, low returns and increased longevity. A part of this risk can be attributed to plan participants by lowering indexation or by increasing employee contributions.

Furthermore, the specific statutory requirements governing the administration of group pension schemes have been laid down in the Pension Act (Pensioenwet / Pw). Insurers are subject to prudential supervision pursuant to the Financial Supervision Act (Wet op het financieel toezicht / Wft).

Investment strategies are established based on asset and liability studies. The overall goal is to maximize total investment returns to provide sufficient funding for the present and anticipated future benefit obligations within the constraints of a prudent level of portfolio risk. These studies use for example return objectives and various investment instruments. Investment restrictions are updated regularly and they result in asset allocation mix and hedges.

As at December 31, 2019, Aegon the Netherlands amended the defined benefit pension plan for their own employees. As of January 1, 2020, the defined benefit pension plan is closed for new members and there will be no further accrual of benefits to existing members. Entitlements before January 1, 2020, will remain unchanged and the indexation for those accruals will remain in force.

The contributions to the retirement benefit plan of Aegon the Netherlands are paid by both the employees and the employer, with the employer contribution being variable¹. The benefits covered are retirement benefits, disability, death and survivor pension. The defined benefit plans were unfunded by EUR 3,409 million at December 31, 2021. (2020: EUR 3,658 million). The defined benefit plans are largely backed by investment, although these assets do not qualify as 'plan assets' as defined by IFRS. The average remaining duration of the defined benefits obligation is 20.9 years (2020: 22.5 years).

Aegon the Netherlands also has a post-retirement medical plan that contributes to the health care coverage of employees and beneficiaries after retirement. For this plan, Aegon the Netherlands has the responsibility to administer the plan in accordance with its terms, and decides on questions related to eligibility and determines plan provisions and benefit amounts. In addition, Aegon the Netherlands has the obligation to interpret the provisions of the plans, and to comply with any statutory reporting and disclosure requirements. Finally, Aegon the Netherlands reviews the terms of the plans and makes changes to the plans if and when appropriate. The liabilities related to these other post-employment benefit plans are fully unfunded and amount to EUR 57 million at December 31, 2021 (2020: EUR 61 million). The weighted average duration of the other post-employment benefit plans is 12.7 years (2020: 11.1 years).

The principal actuarial assumptions that apply for the year-ended December 31 are as follows:

Actuarial assumptions used to determine defined benefit obligations at year-end	2021	2020
Demographic actuarial assumptions		
Mortality	NL mortality table ¹⁾	NL mortality table ¹⁾
Financial actuarial assumptions		
Discount rate	1.01%	0.51%
Salary increase rate ²⁾	Curve 2021 53.05% of Curve 2021	Curve 2020 55.6% of Curve 2020
Indexation ³⁾		

¹⁾ Based on prospective mortality table of the Dutch Actuarial Society with minor methodology adjustments.

²⁾ Based on Dutch Consumer Price Index.

³⁾ Based on Dutch Consumer Price Index.

The principal actuarial assumptions have an effect on the amounts reported for the defined benefit obligation. A change as indicated in the table below in the principal actuarial assumptions of the retirement benefit plan would have the following effects per year-end:

	Estimated approximate effects on the defined benefit obligation	
	2021	2020
Demographic actuarial assumptions		
10% increase in mortality rates	(100)	(110)
10% decrease in mortality rates	112	124
Financial actuarial assumptions		
100 basis points increase in discount rate	(622)	(703)
100 basis points decrease in discount rate	849	977
100 basis points increase in salary increase rate	-	-
25 basis points increase in indexation	187	213
25 basis points decrease in indexation	(170)	(192)

¹⁾ Aegon Nederland deducts employee contributions from the total pension expenses.

The above sensitivity analysis is based on a change in one assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the defined benefit obligation recognized within the statement of financial position.

Aegon UK

Aegon UK operated a defined benefit pension scheme providing benefits for staff based on final pensionable salary and years of service. The scheme closed to new entrants a number of years ago and closed to future accrual on March 31, 2013. Aegon UK now offers a defined contribution pension scheme to all employees.

The pension scheme is administered separately from Aegon UK and is governed by Trustees, who are required to act in the best interests of the pension scheme members.

The pension scheme Trustees are required to carry out triennial valuations on the scheme's funding position, with the latest valuation being as at March 31, 2019. As part of this triennial valuation process, a schedule of contributions is agreed between the Trustees and Aegon UK in accordance with UK pensions legislation and guidance issued by the Pensions Regulator in the UK. The schedule of contributions includes deficit reduction contributions to clear any scheme deficit. Under IAS 19, the defined benefit plan has a surplus of EUR 119 million at December 31, 2021 (2020: EUR 43 million surplus). During 2021, EUR 73 million (2020: EUR 54 million) of contributions were paid into the scheme.

The investment strategy for the scheme is determined by the trustees in consultation with Aegon UK. Currently 30% of assets are invested in growth assets (i.e. primarily equities) and 70% are income and liability driven investments where the investments are a portfolio of fixed interest and inflation-linked bonds and related derivatives, selected to broadly match the interest rate and inflation profile of liabilities.

Under the scheme rules, pensions in payment increase in line with the UK Retail Price Index, and deferred benefits increase in line with the UK Consumer Price Index. The pension scheme is therefore exposed to UK inflation changes as well as interest rate risks, investment returns and changes in the life expectancy of pensioners.

The scheme purchased a buy-in policy in the name of the Trustee to cover full scheme benefits for a group of pensioners in 2019. The liability (and matching asset) calculated on the year end assumptions has been included in the funded position as at 31 December 2020.

The weighted average duration of the defined benefit obligation is 21.0 years (2020: 22.0 years).

The principal actuarial assumptions that apply for the year ended December 31 are as follows:

Actuarial assumptions used to determine defined benefit obligations at year-end	2021	2020
Demographic actuarial assumptions		
Mortality	UK mortality table ¹⁾	UK mortality table ²⁾
Financial actuarial assumptions		
Discount rate	1.79%	1.45%
Price inflation	3.34%	2.95%

¹⁾ Club Vita tables based on analysis of Scheme membership CMI 2019 1.5%/1.25% p.a. (males/females)

²⁾ Club Vita tables based on analysis of Scheme membership CMI 2019 1.5%/1.25% p.a. (males/females)

The principal actuarial assumptions have an effect on the amounts reported for the defined benefit obligation. A change as indicated in the table below in the principal actuarial assumptions would have the following effects on the defined benefit obligation per year-end:

	Estimated approximate effects on the defined benefit obligation	
	2021	2020
Demographic actuarial assumptions		
10% increase in mortality rates	(55)	(55)
10% decrease in mortality rates	62	63
Financial actuarial assumptions		
100 basis points increase in discount rate	(322)	(330)
100 basis points decrease in discount rate	433	448
100 basis points increase in price inflation	202	172
100 basis points decrease in price inflation	(237)	(316)

The above sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognized within the statement of financial position.

	Target allocation of plan assets for retirement benefit plans for the next annual period is:
Equity instruments	16.7%
Debt instruments	83.3%

All other operating segments

Businesses included in all other operating segments mostly operate defined contribution plans. Please refer to note 14 Commissions and expenses for the employee expenses regarding these contribution plans.

40 Deferred tax

	2021	2020
Deferred tax assets	131	101
Deferred tax liabilities	1,722	1,681
Total net deferred tax liability / (asset)	1,591	1,580

Deferred tax assets comprise temporary differences on:

	2021	2020
Financial assets	(7)	13
Insurance and investment contracts	(8)	(5)
Deferred expenses, VOBA and other intangible assets	(133)	(110)
Defined benefit plans	3	-
Tax losses and credits carried forward	264	321
Other	11	(118)
At December 31	131	101

Deferred tax liabilities comprise temporary differences on:	2021	2020
Real estate	776	663
Financial assets	1,979	2,426
Insurance and investment contracts	(1,410)	(1,539)
Deferred expenses, VOBA and other intangible assets	1,573	1,323
Defined benefit plans	(151)	(206)
Tax losses and credits carried forward	(754)	(502)
Other	(291)	(484)
At December 31	1,722	1,681

The following table provides a movement schedule of net deferred tax broken-down by those items for which a deferred tax asset or liability has been recognized.

	Real estate	Financial assets	Insurance and investment contracts	Deferred expenses, VOBA and other intangible assets	Defined benefit plans	Tax losses and credits carried forward	Other	Total
At January 1, 2021	663	2,413	(1,533)	1,433	(206)	(823)	(366)	1,580
Charged to income statement	113	(206)	217	162	(32)	(140)	54	167
Charged to OCI	(1)	(359)	-	-	100	-	(1)	(261)
Net exchange differences	1	167	(86)	112	(15)	(56)	(20)	103
Transfer (to)/from current income tax	-	-	-	-	-	2	-	2
Transfer (to) /from other headings	-	(29)	-	-	-	(1)	30	-
At December 31, 2021	776	1,986	(1,402)	1,706	(154)	(1,018)	(303)	1,591
At January 1, 2020	644	1,641	(1,470)	1,774	(256)	(734)	(397)	1,203
Acquisitions / Additions	-	-	-	2	-	-	-	2
Charged to income statement	20	379	(102)	(213)	169	(13)	(67)	171
Charged to OCI	2	597	-	-	(140)	-	4	464
Net exchange differences	(3)	(204)	105	(130)	21	56	27	(128)
Transfer (to)/from current income tax	-	-	-	-	-	(132)	-	(132)
Transfer (to)/from other headings	-	-	(66)	-	-	-	66	-
At December 31, 2020	663	2,413	(1,533)	1,433	(206)	(823)	(366)	1,580

Transfer to/from current income tax relates to the deferred tax asset for the loss carry forward position of the Dutch fiscal unit.

Deferred tax assets are recognized for tax losses and credits carried forward to the extent that the realization of the related tax benefit through future taxable profits is probable. For an amount of gross EUR 1,247 million; an amount of tax EUR 301 million related to tax losses carried forward (2020: gross EUR 1,346 million; tax EUR 230 million) and an amount of tax EUR 491 million related to tax credits carried forward (2020; tax EUR 405 million) the realization of the deferred tax asset is dependent on the projection of future taxable profits.

For the following amounts, arranged by loss carry forward periods, the deferred tax asset is not recognized:

	Gross amounts ¹⁾		Not recognized deferred tax assets	
	2021	2020	2021	2020
< 5 years	62	71	15	18
≥ 5 – 10 years	24	12	4	4
≥ 10 – 15 years	-	18	55	57
≥ 15 – 20 years	-	4	-	-
Indefinitely	598	514	151	114
At December 31	684	619	224	192

¹⁾ The gross value of state tax loss carry forward is not summarized in the disclosure, due to the fact that the United States files in different state jurisdictions with various applicable tax rates and apportionment rules

Deferred tax assets in respect of deductible temporary differences are recognized to the extent that the realization of the related tax benefit through future taxable profits is probable. For an amount of gross EUR 32 million; tax EUR 8 million (2020: gross EUR 31 million; tax EUR 5 million) the realization of the deferred tax asset is dependent on future taxable profits in excess of the profits arising from the reversal of existing taxable temporary differences.

Aegon did not recognize deferred tax assets in respect of deductible temporary differences relating to Financial assets and Other items for the amount of gross EUR 30 million; tax EUR 6 million (2020: gross EUR 20 million; tax EUR 4 million).

Deferred tax liabilities have not been recognized for withholding tax and other taxes that would be payable on the unremitted earnings of certain subsidiaries. The unremitted earnings totaled gross EUR 1,770 million; tax EUR 455 million (2020: gross EUR 1,769 million; tax EUR 441 million calculated at the enacted rates).

Deferred taxes are non-current by nature and the majority of the deferred tax assets and liabilities will therefore reverse after more than one year after the balance sheet date.

41 Other liabilities

	2021	2020
Payables due to policyholders	1,229	1,135
Payables due to brokers and agents	467	399
Payables out of reinsurance	1,384	1,218
Social security and taxes payable	145	110
Income tax payable	4	2
Investment creditors	1,103	1,068
Cash collateral on derivative transactions	2,708	6,118
Cash collateral on securities lent	2,171	2,053
Cash collateral - other	76	74
Repurchase agreements	821	962
Short term deposits	-	105
Commercial paper	-	72
Lease liabilities	252	266
Other creditors	2,556	3,100
At December 31	12,916	16,685
Current	12,233	16,111
Non-current	683	575

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

42 Accruals

	2021	2020
Accrued interest	251	241
Accrued expenses	285	210
At December 31	537	451

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

43 Capital management and solvency Strategic importance

Aegon's approach towards capital management plays a vital role in supporting the execution of its strategy. The key capital management priority is to ensure adequate capitalization to cover Aegon's obligations towards its policyholders and debtholders while providing sustainable dividends to shareholders. This priority is accomplished by allocating capital to products that offer high growth and return prospects.

Management of capital

Disciplined risk and capital management support Aegon's decisions in deploying the capital that is generated in the Company's businesses and that is provided for by investors. Aegon balances the funding of new business growth with the funding required to ensure that its obligations towards policyholders and debtholders are always adequately met, and providing for a sustainable dividend to shareholders.

Aegon's goal for both its operating units and for the Aegon group as a whole is to maintain a strong financial position and to be able to sustain losses from extreme business and market conditions. Aegon's Enterprise Risk Management (ERM) framework ensures that the Aegon Group and its operating companies are adequately capitalized and that obligations towards policyholders are always adequately met. Embedded in this larger framework is Aegon's capital management policy, which is based on adequate capitalization of the operating units, Cash Capital at Holding and leverage.

Aegon manages capital in the operating units to their respective operating levels, sufficient to absorb moderate shocks and pay sustainable remittances to the Group, and above their minimum dividend payment levels. Cash Capital at Holding is maintained within an operating range of EUR 0.5 – 1.5 billion and covers holding expenses, near-term dividends, and contingencies, such as potential recapitalization of units. Furthermore, Aegon aims to reduce its gross financial leverage from the current level of EUR 5.9 billion to the range of EUR 5.0 – 5.5 billion by 2023. This reduction of leverage will strengthen the balance sheet, reduce Aegon's risk profile and therefore make Aegon more resilient.

The frequent monitoring of actual and forecasted capitalization levels of its underlying businesses is an important element in Aegon's capital framework in order to actively steer and manage towards maintaining adequate capitalization levels. Group operating capital generation contributed favorably and more than offset dividend payments.

Capital ratios of Aegon's main operating units

	December 31, 2021 ¹⁾	December 31, 2020
US RBC ratio	426%	432%
NL Life Solvency II ratio	186%	159%
Scottish Equitable Plc (UK) Solvency II ratio	167%	156%

¹⁾ The Solvency II ratios are estimates and are not final until filed with the respective supervisory authority.

The estimated RBC ratio in the United States decreased from 432% on December 31, 2020, to 426% on December 31, 2021, and remained above the operating level of 400%. The RBC ratio was positively impacted by higher equity markets and by private equity revaluations. One-time impacts were negative overall, driven by updates to regulatory factors that determine required capital, and in part by the impact of actions taken to reduce mortality risk. There was a partial offset from capital release from the lump-sum buy-out program for variable annuities. Operating capital generation contributed favorably, despite being impacted by adverse mortality as a result of the COVID-19 pandemic, but was more than offset by dividend payments to the intermediate holding company.

The estimated Solvency II ratio of NL Life increased from 159% on December 31, 2020, to 186% on December 31, 2021, which is above the operating level of 150%. The increase includes benefits from management actions and model updates. The main management action was the longevity transaction as announced on December 15, 2021, which significantly reduced required capital. Market impacts had a slight negative impact, mainly due to higher interest rates. This is a reflection of the fact that Aegon hedges on an economic basis. Operating capital generation had a positive impact, which more than offset remittances to Group.

The estimated Solvency II ratio for Scottish Equitable Plc increased from 156% on December 31, 2020, to 167% on December 31, 2021, and remained above the operating level of 150%. The increase was primarily driven by management actions to reduce the equity risk in the own pension plan. Furthermore, a forthcoming change in the corporate income tax rate led to a reduction in required capital, contributing favorably. In addition, strong operating capital generation had a positive impact. These positive impacts more than offset the impact of dividend payments to the intermediate holding company.

The ability of Aegon's operating units, principally insurance companies, to pay remittances to the holding company is constrained by the requirement for these operating units to remain adequately capitalized to the levels set by local insurance regulations and governed by local insurance supervisory authorities. Based on the capitalization level of the operating units, local insurance supervisors are able to restrict and/or prohibit the transfer of remittances to the holding company. In addition, the ability of operating units to pay remittances to the holding company can be constrained by the requirement for these operating units to hold sufficient shareholders' equity as determined by law. The capitalization level and shareholders' equity of the operating units can be impacted by various

factors (e.g. general economic conditions, capital market risks, underwriting risk factors, changes in government regulations, and legal and arbitrational proceedings). To mitigate the impact of such factors on the ability of operating units to transfer funds, Aegon establishes an operating level of capital in each of the units, 150% SCR for Solvency II units and 400% RBC CAL in the US, which includes additional capital in excess of regulatory capital requirements. Aegon manages capital in the units to this operating level over-the-cycle.

Cash Capital at Holding

Cash Capital at Holding increased from EUR 1.1 billion on December 31, 2020 to EUR 1.3 billion on December 31, 2021, driven by free cash flows from the operating units. These free cash flows were used to reduce leverage and pay dividends to Aegon's shareholders and to support operating units through capital injections. Proceeds from divestments also contributed to Cash Capital at Holding, notably Transamerica's portfolio of fintech and insurtech companies and Stonebridge in the United Kingdom.

Aegon Group Solvency Ratio

To calculate its Group Solvency Ratio, Aegon applies a combination of the Group consolidation methods available under Solvency II: the Accounting Consolidation (AC) and Deduction & Aggregation (D&A) based methods. Solvency II capital requirements are mainly used for the European Economic Area (EEA)-based insurance and reinsurance entities, applying the AC method. Local requirements are used for insurance and reinsurance entities in (provisionally) equivalent third-country jurisdictions. Aegon's UK insurance subsidiaries have been included in the Group Solvency II calculation in accordance with Solvency II standards, including Aegon's approved Partial Internal Model. For more details, reference is made to the section "Regulation and Supervision".

The Group Solvency II ratio is calculated as the ratio between the Eligible Own Funds and the Solvency Capital Requirement (SCR). The Eligible Own Funds equal to the Available Own Funds after applying any Own Funds eligibility restrictions.

The Group SCR is calculated based on Solvency II Partial Internal Model (PIM), which includes the SCR of AC entities, the D&A entities and the Other Financial Sector entities (including Aegon Bank). The SCR amount (or 100% Solvency II ratio) reflects a level of Eligible Own Funds that enables insurance and reinsurance entities to absorb significant losses (1-in-200 year events) and gives reasonable assurance to policyholders and beneficiaries that payments will be made as they fall due. On December 31, 2021, Aegon's estimated capital position was:

	December 31, 2021 ¹⁾	December 31, 2020
Group Own Funds	19,431	18,582
Group SCR	9,226	9,473
Group Solvency II ratio	211%	196%

¹⁾ The Solvency II ratios are estimates and are not final until filed with the respective supervisory authority.

Aegon Group Eligible Own Funds amounted to EUR 19,431 million on December 31, 2021 (2020: EUR 18,582 million). The increase of EUR 849 million in Own Funds since December 31, 2020, was mostly driven by the positive impact from expected return on in-force business and market impacts. The positive impact was partly offset by claims experience in the Americas due to COVID-19, and the negative impact on Own Funds resulting from management actions.

Aegon's Group PIM SCR amounted to EUR 9,226 million on December 31, 2021 (2020: EUR 9,473 million). The SCR decreased by EUR 247 million since December 31, 2020. This decrease was mainly the result from the release of required capital of in force business, partially offset by the need to setup SCR for new business, the impact from management actions - notably the reinsurance of longevity risk announced in December 2021 for NL Life - and model and assumption changes including the increased LAC-DT factor for NL Life from 45% to 65%. There were partial offsets from market impacts and a lower benefit of group diversification. As a result of the above changes in Eligible Own Funds and PIM SCR, the Group Solvency II ratio increased by 15%-points to 211% in 2021.

Minimum regulatory requirements

Insurance laws and regulations in local regulatory jurisdictions often contain minimum regulatory capital requirements. For insurance companies in the European Union, Solvency II formally defines a lower capital requirement, being the Minimum Capital Requirement (MCR). An irreparable breach of the MCR would lead to a withdrawal of the Company's insurance license. Similarly, for the US insurance entities the withdrawal of the insurance license is triggered by a breach of the 100% Authorized Control Level (ACL), which is set at 50% of the Company Action Level (CAL).

With the introduction of Solvency II for EEA countries, Aegon views the higher capital requirement, 100% of the SCR, as the level around which EU supervisors will formally require management to provide regulatory recovery plans. For the US insurance entities this is viewed at 100% CAL.

During 2021, the Aegon Group and the regulated entities within the Aegon Group that are subject to regulatory capital requirements on a solo-level continued to comply with the solvency requirements.

Capital quality

Aegon's capital consists of 3 Tiers as an indication of its quality, with Tier 1 capital ranking the highest. The Available Own Funds is an estimate, has not been filed with the regulator and is subject to supervisory review. It is to be noted that the Group Own Funds do not include any contingent liability potentially arising from unit-linked products sold, issued or advised on by Aegon in the Netherlands in the past as the potential liability cannot be reliably quantified at this point.

The below table provides the composition of Aegon's Available Own Funds across Tiers:

Available Own Funds	2021		2020	
	Available Own Funds	Percentage total	Available Own Funds	Percentage total
Tier 1 (Unrestricted Tier 1 + Restricted Tier 1)	16,409	84%	15,542	84%
Unrestricted Tier 1	14,044	72%	12,972	70%
Restricted Tier 1	2,364	12%	2,571	14%
<i>Junior Perpetual Capital Securities</i>	1,391	7%	1,563	8%
<i>Perpetual Cumulative Securities</i>	459	2%	475	3%
<i>Perpetual Contingent Convertible Securities</i>	515	3%	532	3%
Tier 2	2,348	12%	2,340	13%
<i>Subordinated notes issued by AFC</i>	832	4%	818	4%
<i>Subordinated liabilities Aegon NV</i>	767	4%	754	4%
<i>Grandfathered subordinated notes</i>	750	4%	768	4%
Tier 3	675	3%	700	4%
Total Available Own Funds	19,431		18,582	

On December 31, 2021, Tier 1 capital amounted to EUR 16,409 million (2020: EUR 15,542), which includes EUR 2,364 million (2020: EUR 2,571 million) restricted Tier 1 capital. Restricted Tier 1 capital consists of Aegon's junior perpetual capital securities (2021: EUR 1,391 million, 2020: EUR 1,563 million), perpetual cumulative subordinated bonds (2021: EUR 459 million; 2020: EUR 475 million), and perpetual contingent convertible security (2021: EUR 515 million; 2020: EUR 532 million). Both junior perpetual capital securities and perpetual cumulative subordinated bonds are grandfathered. The reduction in junior perpetual capital securities is driven by the redemption in September 2021 of USD 250 million floating rate perpetual capital securities with a minimum coupon of 4% issued in 2005. Perpetual contingent convertible securities are Solvency II compliant liabilities which were issued in 2019. Restricted Tier 1 capital is subject to eligibility restrictions to qualify as Eligible Own Funds.

On December 31, 2021, Tier 2 capital amounted to EUR 2,348 million (2020: 2,340 million). This consists of the subordinated notes issued by Aegon Funding Company LLC (AFC) in 2019 (2021: EUR 832 million; 2020: EUR 818 million), the Solvency II compliant subordinated liabilities that were issued during 2018 (2021: EUR 767 million; 2020: EUR 754 million), and grandfathered subordinated notes (2021: EUR 750 million; 2020: EUR 768 million). Tier 2 capital is subject to eligibility restrictions to qualify as Eligible Own Funds.

The grandfathered restricted Tier 1 and Tier 2 capital instruments are grandfathered such that they are considered as capital under the Solvency II framework until December 31, 2025. For the terms and conditions of these grandfathered instruments refer to note 31 Other equity instruments and note 32 Subordinated borrowings.

It is to be noted that the difference between the amounts mentioned above for junior perpetual capital securities and perpetual cumulative subordinated bonds, and those in note 31 Other equity instruments and note 32 Subordinated borrowings, stem from valuation differences between Solvency II (market value) and EU-IFRS rules (refer to related accounting policies in note 2, paragraphs 2.17 and 2.18).

Tier 3 capital as of December 31, 2021 is comprised of deferred tax assets balances related to Solvency II entities.

EU-IFRS equity compares to Solvency II Own Funds as follows:

	2021	2020
IFRS Shareholders' Equity	24,282	22,815
IFRS adjustments for Other Equity instruments and non controlling interests	2,559	2,644
IFRS Group Equity	26,841	25,459
Solvency II revaluations & reclassifications	(9,564)	(9,418)
Transferability restrictions ¹⁾	(1,772)	(1,766)
Excess of Assets over Liabilities	15,504	14,274
Availability adjustments	4,020	4,416
Fungibility adjustments	(93)	(108)
Available Own Funds	19,431	18,582

¹⁾ This includes the transferability restriction related to the RBC CAL conversion methodology.

The Solvency II revaluations and reclassification of EUR 9,564 million negative (2020: EUR 9,418 million negative) mainly stem from the difference in valuation and presentation between EU-IFRS and Solvency II frameworks. The Solvency II revaluations and reclassification can be grouped into four categories:

- Items that are not recognized under Solvency II. The most relevant examples of this category for Aegon include Goodwill, deferred policy acquisition costs (DPAC) and other intangible assets (EUR 2,263 million negative, 2020: EUR 1,989 million negative);
- Items that have a different valuation treatment between EU-IFRS and Solvency II. Solvency II is a market consistent framework hence all assets and liabilities are to be presented at fair value while EU-IFRS also includes other valuation treatments in addition to fair value. The most relevant examples of this category for Aegon Group include loans and mortgages, reinsurance recoverables, and technical provisions. The revaluation difference stemming from this category amounted to EUR 3,197 million positive (2020: EUR 2,878 million positive) compared to the EU-IFRS Statement of Financial Position;
- The Net Asset Value of subsidiaries that are included under the D&A method (on provisional equivalence or Standard Formula basis) in the Group Solvency II results. The revaluation difference stemming from this category amounted to EUR 7,331 million negative (2020: EUR 6,942 million negative) compared to the EU-IFRS Statement of Financial Position;
- Reclassification of subordinated liabilities of EUR 3,168 million negative (2020: EUR 3,366 negative).

The transferability restrictions reflect the restrictions on Tier 1 unrestricted Own Funds as a consequence of the RBC CAL conversion methodology as described above.

The availability adjustments are changes to the availability of Own Funds of Aegon Group in accordance with Solvency II requirements. Examples include the adjustments for subordinated liabilities, ring-fenced fund, treasury shares and foreseeable dividend.

Finally, the fungibility restrictions limit the availability of Own Funds on Aegon Group level as prescribed by Supervisory Authorities. These limitations refer to charitable trusts in the Americas for which the local Supervisory Authority could limit the upstream of capital to the Group and therefore are excluded for Solvency II purposes.

Capital leverage

Aegon's total capitalization reflects the capital employed in the business units and consists of shareholders' capital and total gross financial leverage. Aegon assesses its gross financial leverage position based on various leverage metrics, including the gross financial leverage ratio, which is calculated by dividing total financial leverage by total capitalization. Aegon defines total financial leverage as debt or debt-like funding issued for general corporate purposes and for capitalizing Aegon's business units. Total financial leverage includes hybrid instruments, in addition to both subordinated and senior debt. Aegon's total capitalization comprises the following components:

- Shareholders' equity excluding revaluation reserves based on IFRS as adopted by the EU;
- Non-controlling interests and Long Term Incentive Plans not yet vested; and
- Total financial leverage.

The following table shows the composition of Aegon's total capitalization, the calculation of the gross financial leverage ratio and its fixed charge coverage:

	Note	2021	2020
Total shareholders' equity - based on IFRS as adopted by the EU	30	24,282	22,815
Non-controlling interests and Long Term Incentive Plans not yet vested	31, SOFP ²⁾	253	126
Revaluation reserves	30	(6,442)	(7,480)
Adjusted shareholders' equity		18,093	15,461
Perpetual contingent convertible securities	31	500	500
Junior perpetual capital securities	31	1,352	1,564
Perpetual cumulative subordinated bonds	31	454	454
Fixed floating subordinated notes	32	1,396	1,345
Fixed subordinated notes	32	798	740
Trust pass-through securities	33	126	126
Currency revaluation other equity instruments ¹⁾		16	(1)
Hybrid leverage		4,642	4,728
Senior debt ³⁾	37	1,290	1,241
Senior leverage		1,290	1,241
Total gross financial leverage		5,932	5,969
Total capitalization		24,008	21,430
Gross financial leverage ratio		24.7%	27.9%
Fixed Charge Coverage		9.3 x	8.3 x

¹⁾ Other equity instruments that are denominated in foreign currencies are, for purpose of calculating hybrid leverage, revalued to the period-end exchange rate.

²⁾ Non-controlling interests are disclosed in the statement of financial position.

³⁾ Senior debt for the gross financial leverage calculation also contains swaps for an amount of EUR (2) million (2020: EUR 0 million).

Aegon N.V. is subject to legal restrictions with regard to the amount of dividends it can pay to its shareholders. Under Dutch law, the amount that is available to pay dividends consists of total shareholders' equity less the issued and outstanding capital and the reserves required by law. The legal reserves in respect of the foreign currency translation reserve (FCTR), group companies and the revaluation reserves, cannot be freely distributed. In case of negative balances for individual reserves legally to be retained, no distributions can be made out of retained earnings to the level of these negative amounts. Total distributable items under Dutch law amounted to EUR 14,093 million as at December 31, 2021 (2020: EUR 12,797 million). The following table shows the composition of the total distributable items:

	2021	2020
Distributable items		
Equity attributable to shareholders	24,282	22,815
Non-distributable items:		
Share capital	(321)	(320)
Legal reserves ¹⁾	(9,868)	(9,697)
At December 31	14,093	12,797

¹⁾ The legal reserves in respect of the foreign currency translation reserve (FCTR), group companies and the positive revaluations in the revaluation reserves, cannot be freely distributed.

Besides the distributable items under Dutch law, a second restriction on the possibility to distribute dividends stems from Solvency II (Dutch Supervision act).

	2021	2020
Distributable reserves		
Reserves available for financial supervision purposes	19,431	18,582
Solvency requirement under the Financial Supervision Act	9,226	9,473
Total distributable reserves on the basis of solvency requirements	10,205	9,109

The freely distributable reserves is the minimum of distributable items under Dutch law and the freely distributable capital on the basis of solvency requirements and amounted to EUR 10,205 million as at December 31, 2021 (2020: EUR 9,109 million).

44 Fair value

The estimated fair values of Aegon's assets and liabilities correspond with the amounts that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When available, Aegon uses quoted market prices in active markets to determine the fair value of investments and derivatives. In the absence of an active market, the fair value of investments in financial assets is estimated by using other market observable data, such as corroborated external quotes and present value or other valuation techniques. An active market is one in which transactions are taking place regularly on an arm's length basis. Fair value is not determined based upon a forced liquidation or distressed sale.

Valuation techniques are used when Aegon determines the market is inactive or quoted market prices are not available for the asset or liability at the measurement date. However, the fair value measurement objective remains the same, that is, to estimate the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions (i.e. an exit price at the measurement date from the perspective of a market participant that holds the asset or owes the liability). Therefore, unobservable inputs reflect Aegon's own assumptions about the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk). These inputs are developed based on the best information available.

Aegon employs an oversight structure over valuation of financial instruments that includes appropriate segregation of duties. Senior management, independent of the investing functions, is responsible for the oversight of control and valuation policies and for reporting the results of these policies. For fair values determined by reference to external quotation or evidenced pricing parameters, independent price determination or validation is utilized to corroborate those inputs. Further details of the validation processes are set out below.

Valuation of assets and liabilities is based on a pricing hierarchy, in order to maintain a controlled process that will systematically promote the use of prices from sources in which Aegon has the most confidence, where the least amount of manual intervention exists and to embed consistency in the selection of price sources. Depending on asset type the pricing hierarchy consists of a waterfall that starts with making use of market prices from indices and follows with making use of third-party pricing services or brokers.

Fair value hierarchy

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

	Level I	Level II	Level III	Total 2021
Assets carried at fair value				
Available-for-sale				
Shares	84	75	191	350
Debt securities	25,166	68,131	603	93,899
Money market and other short-term instruments	1,204	3,586	-	4,790
Other investments at fair value	-	246	599	844
	26,453	72,038	1,393	99,884
Fair value through profit or loss				
Shares	85	237	1,343	1,665
Debt securities	130	3,161	5	3,296
Money market and other short-term instruments	18	102	-	120
Other investments at fair value	2	389	3,010	3,401
Investments for account of policyholders ¹⁾	129,794	119,653	943	250,390
Derivatives	150	8,676	1	8,827
Investments in real estate	-	-	2,643	2,643
Investments in real estate for policyholders	-	-	563	563
	130,178	132,219	8,507	270,904
Revalued amounts				
Real estate held for own use	-	-	185	185
	-	-	185	185
Total assets at fair value	156,631	204,256	10,086	370,974
Liabilities carried at fair value				
Investment contracts for account of policyholders ²⁾	-	71,249	(6)	71,242
Derivatives	39	7,162	3,437	10,639
Total liabilities at fair value	39	78,411	3,431	81,881

¹⁾ The investments for account of policyholders include investments carried at fair value through profit or loss.

²⁾ The investment contracts for account of policyholders represents only those investment contracts carried at fair value.

	Level I	Level II	Level III	Total 2020
Assets carried at fair value				
Available-for-sale				
Shares	90	82	173	345
Debt securities	28,300	64,914	467	93,681
Money market and other short-term instruments	832	3,726	-	4,558
Other investments at fair value	-	415	581	996
	29,222	69,136	1,221	99,580
Fair value through profit or loss				
Shares	80	226	1,329	1,634
Debt securities	168	5,260	242	5,669
Money market and other short-term instruments	17	93	-	109
Other investments at fair value	1	470	2,174	2,645
Investments for account of policyholders ¹⁾	118,057	104,635	1,012	223,705
Derivatives	34	13,930	22	13,986
Investments in real estate	-	-	2,385	2,385
Investments in real estate for policyholders	-	-	467	467
	118,356	124,613	7,631	250,600
Revalued amounts				
Real estate held for own use	-	-	209	209
	-	-	209	209
Total assets at fair value	147,578	193,750	9,061	350,389
Liabilities carried at fair value				
Investment contracts for account of policyholders ²⁾	-	59,637	(12)	59,625
Derivatives	61	9,654	4,902	14,617
Total liabilities at fair value	61	69,291	4,890	74,242

¹⁾ The investments for account of policyholders include investments carried at fair value through profit or loss.

²⁾ The investment contracts for account of policyholders represents only those investment contracts carried at fair value.

³⁾ Total borrowings on the statement of financial position contain borrowings carried at amortized cost that are not included in the above schedule.

Significant transfers between Level I, Level II and Level III

Aegon's policy is to record transfers of assets and liabilities between Level I, Level II and Level III at their fair values as of the beginning of each reporting period.

The table below shows transfers between Level I and Level II for financial assets and financial liabilities recorded at fair value on a recurring basis.

	Total 2021		Total 2020	
	Transfers Level I to Level II	Transfers Level II to Level I	Transfers Level I to Level II	Transfers Level II to Level I
Assets carried at fair value				
Available-for-sale				
Debt securities	44	32	-	46
	44	32	-	46
Total assets at fair value	44	32	-	46
Total Liabilities carried at fair value				
	-	-	-	-

Transfers are identified based on transaction volume and frequency, which are indicative of an active market.

Movements in Level III financial instruments measured at fair value

The following table summarizes the change of all assets and liabilities measured at estimated fair value on a recurring basis using significant unobservable inputs (Level III), including realized and unrealized gains (losses) of all assets and liabilities and unrealized gains (losses) of all assets and liabilities still held at the end of the respective period.

Assets carried at fair value	At January 1, 2021	Acquisitions through business combinations	Disposal of a business	Total gains / losses in income statement ¹⁾	Total gains / losses in OCI ²⁾	Purchases	Sales	Settlements	Net exchange difference	Reclassification	Transfers from levels I and II	Transfers to levels I and II	Transfers to disposal groups	At December 31, 2021	Total unrealized gains and (losses) for the period recorded in the P&L for instruments held at December 31, 2021 ³⁾
Available-for-sale															
Shares	173	-	-	1	3	30	(26)	(0)	11	-	-	-	-	191	-
Debt securities	467	-	-	(1)	6	228	(29)	(46)	22	-	203	(246)	-	603	-
Money markets and other short-term instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other investments at fair value	581	-	-	(113)	7	111	(24)	(6)	43	-	-	-	-	599	-
	1,221	-	-	(114)	16	368	(80)	(52)	77	-	203	(246)	-	1,393	-
Fair value through profit or loss															
Shares	1,329	-	-	150	-	179	(316)	1	1	-	-	-	-	1,343	147
Debt securities	242	-	-	(1)	-	124	(361)	-	-	-	-	-	-	5	1
Other investments at fair value	2,173	-	-	796	-	492	(638)	-	186	-	-	-	-	3,010	(1)
Investments for account of policyholders	1,012	-	-	206	(0)	(198)	(93)	-	22	-	-	(7)	-	943	162
Derivatives	22	-	-	(17)	-	-	(4)	-	-	-	-	-	-	1	(10)
Investments in real estate	2,385	-	-	253	-	48	(60)	-	3	14	-	-	-	2,643	253
Investments in real estate for policyholders	467	-	-	46	-	60	(43)	-	32	-	-	-	-	563	66
	7,631	-	-	1,433	(0)	705	(1,514)	-	245	14	-	(7)	-	8,507	618
Revalued amounts															
Real estate held for own use	209	-	-	(16)	(4)	6	-	(0)	5	(14)	-	-	-	185	1
	209	-	-	(16)	(4)	6	-	(0)	5	(14)	-	-	-	185	1
Total assets at fair value	9,061	-	-	1,303	12	1,079	(1,594)	(52)	326	-	203	(253)	-	10,086	619
Liabilities carried at fair value															
Investment contracts for account of policyholders	(12)	-	-	(1)	-	(361)	366	-	2	-	-	-	-	(6)	3
Derivatives	4,902	-	-	(1,627)	-	-	(14)	-	176	-	-	-	-	3,437	607
	4,890	-	-	(1,628)	-	(361)	352	-	178	-	-	-	-	3,431	610

¹⁾ Includes impairments and movements related to fair value hedges. Gains and losses are recorded in the line item Results from financial transactions of the income statement.

²⁾ Total gains and losses are recorded in line items: Gains / (losses) on revaluation of available-for-sale investments, (Gains) / losses transferred to the income statement on disposal and impairment of available-for-sale investments and Changes in revaluation reserve real estate held for own use of the statement of other comprehensive income.

³⁾ Total gains / (losses) for the period during which the financial instrument was in Level III.

Assets carried at fair value	At January 1, 2020	Acquisitions through business combinations	Disposal of a business	Total gains / losses in income statement ¹⁾	Total gains / losses in OCI ²⁾	Purchases	Sales	Settlements	Net exchange difference	Reclassification	Transfers from levels I and II	Transfers to levels I and II	Transfers to disposal groups	At December 31, 2020	Total unrealized gains and (losses) for the period recorded in the P&L for instruments held at December 31, 2020 ³⁾
Available-for-sale															
Shares	157	-	-	(27)	24	49	(15)	(1)	(12)	-	-	(2)	-	173	-
Debt securities	1,074	-	-	3	(19)	155	(11)	(34)	(32)	-	26	(695)	-	467	-
Money markets and other short-term instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other investments at fair value	482	-	-	(140)	28	302	(19)	(22)	(50)	-	-	-	-	581	-
	1,712	-	-	(163)	34	505	(45)	(56)	(94)	-	26	(697)	-	1,221	-
Fair value through profit or loss															
Shares	1,401	-	-	(132)	-	160	(97)	-	(3)	-	-	-	-	1,329	(98)
Debt securities	4	-	-	-	-	276	(37)	-	-	-	-	-	-	242	-
Other investments at fair value	2,049	-	-	122	-	432	(250)	-	(184)	-	16	(13)	-	2,173	(1)
Investments for account of policyholders	1,805	-	-	3	-	(168)	(607)	-	(20)	-	-	-	-	1,012	37
Derivatives	56	-	-	(33)	-	-	-	-	-	-	-	-	-	22	(32)
Investments in real estate	2,901	-	-	65	-	150	(717)	-	(14)	-	-	-	-	2,385	196
Investments in real estate for policyholders	586	-	-	(36)	-	4	(56)	-	(31)	-	-	-	-	467	(52)
	8,802	-	-	(11)	-	854	(1,765)	-	(251)	-	16	(13)	-	7,631	51
Revalued amounts															
Real estate held for own use	208	-	-	(9)	18	5	(5)	-	(8)	-	-	-	-	209	-
	208	-	-	(9)	18	5	(5)	-	(8)	-	-	-	-	209	-
Total assets at fair value	10,722	-	-	(183)	51	1,364	(1,815)	(57)	(354)	-	42	(710)	-	9,061	51
Liabilities carried at fair value															
Investment contracts for account of policyholders	197	-	-	9	-	(200)	(16)	-	(3)	-	-	-	-	(12)	7
Derivatives	3,081	-	-	2,073	(9)	-	(15)	-	(228)	-	-	-	-	4,902	314
	3,278	-	-	2,082	(9)	(200)	(31)	-	(231)	-	-	-	-	4,890	321

¹⁾ Includes impairments and movements related to fair value hedges. Gains and losses are recorded in the line item Results from financial transactions of the income statement.

²⁾ Total gains and losses are recorded in line items: Gains / (losses) on revaluation of available-for-sale investments, (Gains) / (losses) transferred to the income statement on disposal and impairment of available-for-sale investments and Changes in revaluation reserve real estate held for own use of the statement of other comprehensive income.

³⁾ Total gains / (losses) for the period during which the financial instrument was in Level III.

During 2021, Aegon transferred certain financial instruments from Level I and II to Level III of the fair value hierarchy. The reason for the change in level was that the market liquidity for these securities decreased, which led to a change in market observability of prices. Prior to transfer, the fair value for the Level II securities was determined using observable market transactions or corroborated broker quotes respectively for the same or similar instruments. Since the transfer, all such assets have been valued using valuation models incorporating significant non market-observable inputs or uncorroborated broker quotes.

Similarly, during 2021, Aegon transferred certain financial instruments from Level III to Level I and II of the fair value hierarchy. The change in level was mainly the result of a return of activity in the market for these securities and that for these securities the fair value could be determined using observable market transactions or corroborated broker quotes for the same or similar instruments.

Valuation techniques and significant unobservable inputs

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

Valuation technique ¹⁾		Significant unobservable input ²⁾	December 31, 2021	Range (weighted average)	December 31, 2020	Range (weighted average)
Assets carried at fair value						
Available-for-sale						
Shares						
	Net asset value	n.a.	166	n.a.	136	n.a.
	Other	n.a.	25	n.a.	37	n.a.
			191		173	
Debt securities						
	Broker quote	n.a.	493	n.a.	374	n.a.
	Discounted cash flow	Credit spread	-	n.a.	29	2.38%
	Discounted cash flow	Constant Prepayment Rate	5	21.43%	6	n.a.
	Discounted cash flow	Constant Prepayment Rate	22	9.95%	24	8.57%
	Other	n.a.	82	n.a.	34	n.a.
			603		467	
Other investments at fair value						
Tax credit investments	Discounted cash flow	Discount rate	541	7.09%	517	6.55%
Investment funds	Net asset value	n.a.	3	n.a.	12	n.a.
Other	Other	n.a.	56	n.a.	52	n.a.
			599		581	
At December 31			1,393		1,221	
Fair value through profit or loss						
Shares	Other	n.a.	1,343	n.a.	1,329	n.a.
Debt securities	Other	n.a.	5	n.a.	3	n.a.
Debt securities	Broker quote	n.a.	-	n.a.	239	n.a.
			1,348		1,571	
Other investments at fair value						
Investment funds	Net asset value	n.a.	2,944	n.a.	2,095	n.a.
Other	Other	n.a.	66	n.a.	79	n.a.
			3,010		2,174	
Derivatives						
Longevity swap	Discounted cash flow	Mortality	-	n.a.	22	n.a.
			-		22	
Total assets at fair value ³⁾			5,750		7,582	
Liabilities carried at fair value						
Derivatives						
Embedded derivatives in insurance contracts	Discounted cash flow	Own credit spread	3,437	0.23%	4,902	0.25%
Total liabilities at fair value			3,437		4,902	

¹⁾ Other in the table above (column Valuation technique) includes investments for which the fair value is uncorroborated and no broker quote is received.

²⁾ Not applicable (n.a.) has been included when the unobservable inputs are not developed by the Group and are not reasonably available. Refer to the section Fair value measurement in this note for a detailed description of Aegon's methods of determining fair value and the valuation techniques.

³⁾ Investments for account of policyholders are excluded from the table above and from the disclosure regarding reasonably possible alternative assumptions. Policyholder assets, and their returns, belong to policyholders and do not impact Aegon's net result or equity. The effect on total assets is offset by the effect on total liabilities. Derivatives exclude derivatives for account of policyholders amounting to 1 (2020: 0)

For reference purposes, the valuation techniques included in the table above are described in more detail on the following pages.

Effect of changes in significant unobservable assumptions to reasonably possible alternatives

Own credit spread, as included in the discount rate for embedded derivatives in insurance contracts, is considered as a significant unobservable input. It is estimated that changing the other significant unobservable inputs to reflect reasonable possible alternatives in valuation would have no significant impact for the Group.

An increase in own credit spread results in lower valuation, while a decrease results in a higher valuation of the embedded derivatives.

The table below presents the impact on a fair value measurement of a change in the own credit spread by 5 basis points included in the discount rate.

	December 31, 2021	Effect of reasonably possible alternative assumptions (+/-)		December 31, 2020	Effect of reasonably possible alternative assumptions (+/-)	
		Increase	Decrease		Increase	Decrease
Financial liabilities carried at fair value						
Embedded derivatives in insurance contracts	3,437	39	(39)	4,902	48	(48)

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

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

2021	Carrying amount December 31, 2021	Estimated fair value hierarchy			Total estimated fair value December 31, 2021
		Level I	Level II	Level III	
Assets					
Mortgage loans - held at amortized cost	40,624	-	1	44,366	44,366
Private loans - held at amortized cost	4,883	-	34	5,457	5,491
Other loans - held at amortized cost	1,949	21	1,923	5	1,949
Liabilities					
Subordinated borrowings - held at amortized cost	2,194	1,567	872	-	2,438
Trust pass-through securities - held at amortized cost	126	-	139	-	139
Borrowings - held at amortized cost	9,661	1,735	2,662	5,773	10,171
Investment contracts - held at amortized cost	21,573	-	-	20,861	20,861

2020	Carrying amount December 31, 2020	Estimated fair value hierarchy			Total estimated fair value December 31, 2020
		Level I	Level II	Level III	
Assets					
Mortgage loans - held at amortized cost	39,298	-	1	43,257	43,258
Private loans - held at amortized cost	4,358	-	38	5,242	5,280
Other loans - held at amortized cost	1,917	41	1,850	26	1,917
Liabilities					
Subordinated borrowings - held at amortized cost	2,085	1,517	834	-	2,351
Trust pass-through securities - held at amortized cost	126	-	51	91	142
Borrowings - held at amortized cost	8,524	1,766	2,083	5,315	9,165
Investment contracts - held at amortized cost	20,889	-	-	20,382	20,382

Certain financial instruments that are not carried at fair value are carried at amounts that approximate fair value, due to their short-term nature and generally negligible credit risk. These instruments include cash and cash equivalents, short-term receivables and accrued interest receivable, short-term liabilities, and accrued liabilities. These instruments are not included in the table above.

Fair value measurement

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

Shares

When available, Aegon uses quoted market prices in active markets to determine the fair value of its investments in shares. For Level III unquoted shares, the net asset value can be considered the best approximation to the fair value. Net asset value is the value of an entity's assets minus the value of its liabilities and may be the same as the book value or the equity value of the entity.

Also for unquoted shares, the fair value may be estimated using other methods, such as observations of the price/earnings or price/cash flow ratios of quoted companies considered comparable to the companies being valued. Valuations are adjusted to account for company-specific issues and the lack of liquidity inherent in an unquoted investment. Adjustments for lack of liquidity are generally based on available market evidence. In addition, a variety of other factors are reviewed by management, including, but not limited to, current operating performance, changes in market outlook and the third-party financing environment.

Available-for-sale shares include shares in a Federal Home Loan Bank (FHLB) for an amount of EUR 112 million (2020: EUR 93 million), which are reported as part of the line-item Net asset value. A FHLB has implicit financial support from the United States government. The redemption value of the shares is fixed at par and they can only be redeemed by the FHLB.

Debt securities

The fair values of debt securities are determined by management after taking into consideration several sources of data. When available, Aegon uses quoted market prices in active markets to determine the fair value of its debt securities. As stated previously, Aegon's valuation policy utilizes a pricing hierarchy which dictates that publicly available prices are initially sought from indices and third-party pricing services. In the event that pricing is not available from these sources, those securities are submitted to brokers to obtain quotes, the majority of which are non-binding. As part of the pricing process, Aegon assesses the appropriateness of each quote (i.e. as to whether the quote is based on observable market transactions or not) to determine the most appropriate estimate of fair value.

When broker quotes are not available, securities are priced using internal cash flow modeling techniques. These valuation methodologies commonly use the following inputs: reported trades, bids, offers, issuer spreads, benchmark yields, estimated prepayment speeds, issue specific credit adjustments, indicative quotes from market makers and/or estimated cash flows.

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

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

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

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

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

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

Residential mortgage-backed securities, commercial mortgage-backed securities and asset-backed securities

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

Aegon the Netherlands has mandated Aegon Asset Management to invest in RMBS transactions. Aegon Asset Management uses its own proprietary cash flow tools to analyze and stress test RMBS transactions. The key input parameters are default rates and loss given default assumptions, which are established based on historical pool characteristics and current loan level data.

Corporate bonds

Valuations of corporate bonds are monitored and reviewed on a monthly basis. The pricing hierarchy is dependent on the possibility of corroboration of market prices when available. If no market prices are available, valuations are determined by a discounted cash flow methodology using an internally calculated yield. The yield is comprised of a credit spread over a given benchmark. In all cases the benchmark is an observable input. The credit spread contains both observable and unobservable inputs. Aegon starts by taking an observable credit spread from a similar bond of the given issuer, and then adjust this spread based on unobservable inputs. These unobservable inputs may include subordination, liquidity and maturity differences. During 2021, there were no corporate bonds that met the policy threshold to be internally modeled.

Government debt

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

Money market and other short-term investments and deposits with financial institutions

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

Tax credit investments

The Level III fair value of tax credit investments is determined by using a discounted cash flow valuation technique. This valuation technique takes into consideration projections of future capital contributions and distributions, as well as future tax credits and the tax benefits of future operating losses. The present value of these cash flows is calculated by applying a discount rate. In general, the discount rate is determined based on the cash outflows for the investments and the cash inflows from the tax credits and/or tax benefits (and the timing of these cash flows). These inputs are unobservable in the market place. The discount rate used in valuation of tax credit investments has increased to 7.1% (December 31, 2020: 6.6%).

Investment funds: Real estate funds, private equity funds and hedge funds

The fair values of investments held in non-quoted investment funds are determined by management after taking into consideration information provided by the fund managers. Aegon reviews the valuations each month and performs analytical procedures and trending analyses to ensure the fair values are appropriate. The net asset value is considered the best valuation method that approximates the fair value of the funds.

Mortgage loans, policy loans and private loans (held at amortized cost)

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

The fair value of floating interest rate mortgage loans, 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.

Derivatives

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

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

Some OTC derivatives are so-called longevity derivatives. The payout of longevity derivatives is linked to publicly available mortality tables. The derivatives are measured using the present value of the best estimate of expected payouts of the derivative plus a risk margin. The best estimate of expected payouts is determined using best estimate of mortality developments. Aegon determined the risk margin by stressing the best estimate mortality developments to quantify the risk and applying a cost-of-capital methodology. Depending on the duration of the longevity swaps either the projected mortality development or discount rate are the most significant unobservable inputs.

Aegon normally mitigates counterparty credit risk in derivative contracts by entering into collateral agreements where practical and in ISDA master netting agreements for each of the Group's legal entities to facilitate Aegon's right to offset credit risk exposure. Changes in the fair value of derivatives attributable to changes in counterparty credit risk were not significant.

Embedded derivatives in insurance contracts including guarantees

Bifurcated guarantees for minimum benefits in insurance and investment contracts are carried at fair value. These guarantees include Guaranteed minimum withdrawal benefits (GMWB) in the United States and United Kingdom which are offered on some variable annuity products and are also assumed from a ceding company; minimum investment return guarantees on insurance products offered in the Netherlands, including group pension and traditional products; variable annuities sold in Europe.

Since the price of these guarantees is not quoted in any market, the fair values of these guarantees are based on discounted cash flows calculated as the present value of future expected payments to policyholders less the present value of assessed rider fees attributable to the guarantees. Given the complexity and long-term nature of these guarantees which are unlike instruments available in financial markets, their fair values are determined by using stochastic models under a variety of market return scenarios. A variety of factors are considered, including own credit spread, expected market rates of return, equity and interest rate volatility, correlations of market

returns, discount rates and actuarial assumptions. The most significant unobservable factor is own credit spread. The weighted average own credit spread used in the valuations of embedded derivatives in insurance contracts decreased to 0.23% (2020: 0.25%).

The expected returns are based on risk-free rates. Aegon added a premium to reflect the credit spread as required. The credit spread is set by using the Credit default swap (CDS) spreads of a reference portfolio of life insurance companies (including Aegon), adjusted to reflect the subordination of senior debt holders at the holding company level to the position of policyholders at the operating company level (who have priority in payments over other creditors). Aegon's assumptions are set by region to reflect differences in the valuation of the guarantee embedded in the insurance contracts.

Aegon extrapolates yield curves beyond market observable maturities. The discount rates converge linearly in 10 years to an Ultimate Forward Rate. In the Netherlands, the ultimate forward rate is 3.65% from the last liquid point. The US ultimate forward rate extrapolates linearly beyond 30 years using an average of forward interest rates implied by the market between 20 years and 30 years. In the US, the ultimate forward rate is 3.55% from the last liquid point. The uniform last liquid point for all Aegon's major currencies (EUR, USD and GBP) is set at 30 years.

Since many of the assumptions are unobservable and are considered to be significant inputs to the liability valuation, the liability included in future policy benefits has been reflected within Level III of the fair value hierarchy. Refer to note 36 Guarantees in insurance contracts for more details about Aegon's guarantees.

Real estate

Valuations of Level III 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.

Trust pass-through securities and subordinated borrowings

Trust pass-through securities and subordinated borrowings are either carried at fair value (if they are designated as financial liabilities at fair value through profit or loss) or amortized cost (with fair value being disclosed in the notes to the consolidated financial statements). For the determination of the fair value of these instruments, the level hierarchy as described by EU-IFRS is used. The preferred method of obtaining the fair value of the fair value option bonds is the quoted price (Level I). In case markets are less liquid or the quoted prices are not available, Aegon's valuation policy utilizes a pricing hierarchy which dictates that publicly available prices are initially sought from indices and third-party pricing services. During 2021, the US method of obtaining fair value for trust pass-through securities and subordinated borrowings changed from using internal models to obtaining independent third-party vendor prices. The updated approach reflects consistency in pricing source for the investment grade corporate debt interests and moves the pricing from an internally generated approach to one or more independent third parties. The US trust pass-through securities and subordinated borrowings are classified as Level II of the fair value hierarchy.

Investment contracts

Investment contracts issued by Aegon are either carried at fair value (if they are designated as financial liabilities at fair value through profit or loss) or amortized cost (with fair value being disclosed in the notes to the consolidated financial statements). These contracts are not quoted in active markets and their fair values are determined by using valuation techniques, such as discounted cash flow methods and stochastic modeling or in relation to the unit price of the underlying assets. All models are validated and calibrated. A variety of factors are considered, including time value, volatility, policyholder behavior, servicing costs and fair values of similar instruments.

Similar to embedded derivatives in insurance contracts, certain investment products are not quoted in active markets and their fair values are determined by using valuation techniques. Because of the dynamic and complex nature of these cash flows, stochastic or similar techniques under a variety of market return scenarios are often used. A variety of factors are considered, including expected market rates of return, market volatility, correlations of market returns, discount rates and actuarial assumptions.

The expected returns are based on risk-free rates, such as the current London Interbank Offered Rate (LIBOR) swap rates and associated forward rates, the Overnight Index Swap (OIS) curve or the current rates on local government bonds. Market volatility assumptions for each underlying index are based on observed market implied volatility data and/or observed market performance. Correlations of market returns for various underlying indices are based on observed market returns and their inter-relationships over a number of years preceding the valuation date. Current risk-free spot rates are used to determine the present value of expected future cash flows produced in the stochastic projection process.

Assumptions on customer behavior, such as lapses, included in the models are derived in the same way as the assumptions used to measure insurance liabilities.

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

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

	2021		2020	
	Trading	Designated	Trading	Designated
Investments for general account	41	8,440	114	9,943
Investments for account of policyholders	-	250,390	-	223,705
Derivatives with positive values not designated as hedges	8,184	-	13,269	-
Total financial assets at fair value through profit or loss	8,225	258,830	13,383	233,647
Investment contracts for account of policyholders	-	71,242	-	59,625
Derivatives with negative values not designated as hedges	8,959	-	12,766	-
Total financial liabilities at fair value through profit or loss	8,959	71,242	12,766	59,625

Investments for general account

The Group manages certain portfolios on a total return basis which have been designated at fair value through profit or loss. This includes portfolios of investments in limited partnerships and limited liability companies (primarily hedge funds and private equity funds) for which the performance is assessed internally on a total return basis. In addition, some investments for general account that include an embedded derivative that would otherwise have required bifurcation, such as convertible instruments, preferred shares and credit linked notes, have been designated at fair value through profit or loss.

Aegon has certain insurance and investment liabilities that are carried at fair value with changes in the fair value recognized in the income statement. The Group has elected to designate the investments backing those liabilities at fair value through profit or loss, as a classification of available-for-sale would result in accumulation of unrealized gains and losses in a revaluation reserve within equity whilst changes to the liability would be reflected in net result (accounting mismatch).

Investments for account of policyholders

Investments held for account of policyholders comprise assets that are linked to various insurance and investment contracts for which the financial risks are borne by the customer. Under the Group's accounting policies these insurance and investment liabilities are measured at the fair value of the linked assets with changes in the fair value recognized in the income statement. To avoid an accounting mismatch the linked assets have been designated as at fair value through profit or loss.

In addition, the investment for account of policyholders include with profit assets, where Aegon manages these assets together with related liabilities on a fair value basis in accordance with a documented policy of asset and liability management. In accordance with the Group's accounting policies, these assets have been designated as at fair value through profit or loss.

Investment contracts for account of policyholders

With the exception of the financial liabilities with discretionary participating features that are not subject to the classification and measurement requirements for financial instruments, all investment contracts for account of policyholders that are carried at fair value or at the fair value of the linked assets are included in the table above.

Derivatives

With the exception of derivatives designated as a hedging instrument, all derivatives held for general account and held for account of policyholders are included in the table above.

Borrowings

Borrowings designated as at fair value through profit or loss includes financial instruments that are managed on a fair value basis together with related financial assets and financial derivatives (refer to note 37 Borrowings).

Gains and losses on financial assets and financial liabilities classified at fair value through profit or loss

Gains and losses recognized in the income statement on financial assets and financial liabilities classified as at fair value through profit or loss can be summarized as follows:

	2021		2020 ¹⁾	
	Trading	Designated	Trading	Designated
Net gains and (losses)	(2,930)	25,591	1,150	20,411

¹⁾ Comparative amounts have been updated.

No loans and receivables were designated at fair value through profit or loss.

Changes in the fair value of investment contracts for account of policyholders designated at fair value through profit or loss were not attributable to changes in Aegon's credit spread. There are also no differences between the carrying amounts of these financial liabilities and the contractual amounts payable at maturity (net of surrender penalties).

Refer to note 37 Borrowings for the impact of Aegon's own credit spread on the fair value of the borrowings designated at fair value through profit or loss.

45 Commitments and contingencies**Investments contracted**

In the normal course of business, the Group has committed itself through purchase and sale transactions of investments, mostly to be executed in the course of 2022. The amounts represent the future outflow and inflow, respectively, of cash related to these investment transactions that are not reflected in the consolidated statement of financial position.

	2021		2020	
	Purchase	Sale	Purchase	Sale
Real estate	129	6	180	14
Mortgage loans	1,163	67	1,469	122
Private loans	311	-	172	-
Other	1,358	-	1,310	-

Aegon has committed itself, through certain subsidiaries, to invest in real estate, private loans, mortgage loans and receivables and investment funds.

Real estate commitments represent the committed pipeline of investments in real estate projects. The sale of real estate relates to properties that are under contract to be sold as per December 31. Mortgage loan commitments represent undrawn mortgage loan facilities provided and outstanding proposals on mortgages. The sale of mortgage loans relates to pre-announced redemptions on mortgage loans. Private loans represent deals on Aegon's portfolio of private placement securities that Aegon has committed to, but which have not yet settled and funded. Other commitments include future purchases of interests in investment funds and limited partnerships.

In the Netherlands, mortgage customers can take on top of their mortgage a construction deposit for home improvements. Undrawn amounts of construction deposits are netted against the outstanding total mortgage loans. Per December 31, 2021 an amount of EUR 319 million (2020: EUR 326 million) of construction deposits is undrawn.

Future lease payments

	< 1 year amounts	1 < 2 years amounts	2 < 3 years amounts	3 < 4 years amounts	4 < 5 years amounts	> 5 years amounts
2021						
Operating lease rights	8	8	6	5	5	21
2020						
Operating lease rights	8	6	5	4	4	22

The operating lease rights relate to non-cancellable commercial property leases.

Other commitments and contingencies

	2021	2020
Guarantees	506	364
Standby letters of credit	12	11
Share of contingent liabilities incurred in relation to interests in joint ventures	7	7
Other guarantees	11	11
Other commitments and contingent liabilities	-	7

Guarantees include those guarantees associated with the sale of investments in low-income housing tax credit partnerships in the United States, which can be called upon if there is a deficiency in the tax benefits delivered to the investor or if Aegon is in default under a material provision of the contract. Standby letters of credit amounts reflected above are the liquidity commitment notional amounts. In addition to the guarantees shown in the table, guarantees have been given for fulfillment of contractual obligations such as investment mandates related to investment funds.

Contractual obligations

In March 2019, affiliates of Transamerica Corporation and Long Term Care Group (LTCG), entered into a series of agreements to which Transamerica transferred to LTCG the administration and claims management of its long term care insurance business line, enabling Transamerica to accelerate the enhancement of its digital capabilities and modernize its long term care insurance platform. Over the course of the multi-year contract, Transamerica will pay approximately USD 390 million to LTCG. These fees represent compensation for administering Transamerica's long term care product line including policyholder service, claims processing and care management. The agreement also contains a termination clause in which Transamerica – subject to certain limitations – agrees to compensate LTCG, on a specified schedule, for early termination.

In April 2018, affiliates of Transamerica Corporation entered into a series of agreements with affiliates of Tata Consultancy Services Limited (TCS) to administer the Company's US life insurance, voluntary benefits, and annuity business lines. The collaboration enables Transamerica to accelerate the enhancement of its digital capabilities and the modernization of its platforms to service its customers in all lines of business. Over the course of the multi-year contract, Transamerica could pay more than USD 2 billion to TCS. These fees represent compensation for administering Transamerica's over 10 million policies and are driven by both new business and policies already in force. In addition, this commitment includes remaining transition and conversion charges of approximately USD 9 million in 2022 as well as administrative, IT and finance service fees which are contingent on TCS meeting specified milestones in the underlying agreement with Transamerica. The agreement also contains termination clauses which in certain conditions and subject to certain limitations, could require Transamerica to compensate TCS, on a specified schedule, for early termination.

In November 2018, Aegon UK announced an extended partnership with Atos BPS Ltd (Atos) to service and administer its Traditional Products Business (non-Platform customers). The agreement is a 15-year contract under which Aegon UK pays Atos to administer around 1.4 million customers, which took effect on June 1, 2019 as planned. At year-end 2021, outstanding transition and conversion charges are estimated to amount to approximately GBP 8 million, which are expected to be recorded over the next year, with fixed payments to Atos defined in the agreement and subject to completion of milestones which have been agreed with Aegon UK.

On October 31, 2017, Aegon the Netherlands sold its shares in Unirobe MeeÛs Groep (UMG) for EUR 295 million to Aon Groep Nederland. Under the share purchase agreement between Aegon Nederland and the buyer, Aegon the Netherlands indemnifies and holds the buyer and its group (including UMG) harmless for and against any damage suffered or incurred which is the result of the Unit Linked Insurances Claims until 2027 with respect to Unit Linked Policies in the portfolio of UMG prior to January 1, 2017. The aggregate liability for Aegon the Netherlands is maximized at an amount equal to the purchase price.

An Aegon N.V. indirect US life subsidiary has a net worth maintenance agreement with its subsidiary Transamerica Life (Bermuda) Ltd, pursuant to which Transamerica Life Insurance Company, a US life insurance subsidiary, will provide capital sufficient to maintain a S&P 'AA' financial strength rating and capital sufficient to comply with the requirements of the countries in which its branches are located.

Aegon N.V. has guaranteed and is severally liable for the following:

- Due and punctual payment of payables under letter of credit agreements applied for by Aegon N.V. as co-applicant with its captive insurance companies that are subsidiaries of Transamerica Corporation and Commonwealth General Corporation. At December 31, 2021, the letter of credit arrangements utilized by captives to provide collateral to affiliates amounted to EUR 1,157 million (2020: EUR 1,618 million); as of that date no amounts had been drawn, or were due under these facilities;
- Due and punctual payment of payables by the consolidated group companies Transamerica Corporation, Aegon Funding Company LLC and Commonwealth General Corporation with respect to fixed subordinated notes, bonds, capital trust pass-through securities and notes issued under commercial paper programs amounting to EUR 987 million (2020: EUR 993 million); and
- Due and punctual payment of any amounts owed to third parties by the consolidated group company Aegon Derivatives N.V. in connection with derivative transactions. Aegon Derivatives N.V. enters into derivative transactions with counterparties with which ISDA master netting agreements, including collateral support annex agreements, have been agreed. Net (credit) exposure on derivative transactions with these counterparties was therefore limited as of December 31, 2021.

Legal and arbitration proceedings, regulatory investigations and actions

Aegon faces significant risks of litigation as well as regulatory exams and investigations and actions relating to its and its subsidiaries' businesses. Aegon is also subject to compliance with regulations applicable to it as a corporate entity.

Due to the geographic spread of its business, Aegon Group may be subject to tax audits or litigation in various jurisdictions. Although uncertainties are provided for adequately in the tax position, the ultimate outcome of tax audits or litigation may result in an outcome that differs from the amounts provided for.

Insurance companies and their affiliated regulated entities are routinely subject to litigation, investigation and regulatory activity by various governmental and enforcement authorities, individual claimants and policyholder advocate groups in the jurisdictions in which Aegon does business, including the United States, the Netherlands, Poland and the United Kingdom. These actions may involve issues including, but not limited to, employment or distribution relationships; operational and internal controls and processes; investment returns; sales practices; transparency and adequacy of product disclosures including regarding initial costs, ongoing costs, and costs due on policy surrender as well as changes to costs over time; environmental and climate change related matters; competition and antitrust matters; data privacy; information security; intellectual property; and anti-money laundering, anti-bribery and economic sanctions compliance.

Government and regulatory investigations may result in the institution of administrative, injunctive or other proceedings and/or the imposition of monetary fines, penalties and/or disgorgement as well as other remedies, sanctions, damages and restitutionary amounts. Regulators may also seek changes to the way Aegon operates. In some cases, Aegon subsidiaries have modified business practices in response to inquiries.

Customers of certain Aegon products bear significant investment risks with respect to those products, which are affected by fluctuations in equity markets as well as interest rate movements. When investment returns disappoint, are volatile or change due to changes in the market or other relevant conditions, customers may threaten or bring litigation against Aegon. Disputes and investigations initiated by governmental entities and private parties may lead to orders or settlements including payments or changes to business practices even if Aegon believes the underlying claims are without merit.

The existence of potential claims may remain unknown for long periods of time after the events giving rise to such claims. Determining the likelihood of exposure to Aegon and the extent of any such exposure may not be possible for long periods of time after Aegon becomes aware of such potential claims. Litigation exposure may develop over long periods of time; once litigation is initiated, it may be protracted and subject to multiple levels of appeal, which can lead to significant costs of defense, adverse publicity and other constraints.

In some jurisdictions, plaintiffs may seek recovery of very large or indeterminate amounts under claims of bad faith, which can result in tort, punitive and/or statutory damages. Damages alleged may not be quantifiable or supportable, or may have no relationship to economic losses or final awards. As a result, Aegon cannot predict the effect of litigation, investigations or other actions on its business.

Separate from financial loss, litigation, regulatory action, legislative changes or changes in public opinion may require Aegon to change its business practices, which could have a material adverse impact on Aegon's businesses, results of operations, cash flows and financial position.

Proceedings in which Aegon is involved

Several US insurers, including Aegon subsidiaries, have been named in class actions as well as individual litigation relating to increases in monthly deduction rates (MDR) on universal life products. Plaintiffs generally allege that the increases were made to recoup past losses rather than to cover the future costs of providing insurance coverage. Aegon's subsidiary in the US has settled two such class actions that had been venued in the US District Court for the Central District of California. The settlement in the first of these cases, approved in January 2019, arose from increases implemented in 2015-2016. Over 99% of affected policyholders participated in that settlement. While less than 1% of policyholders opted out of the settlement, they represented approximately 43% of the value of the settlement fund. In a second case, Aegon's subsidiary agreed to settle a class action lawsuit arising out of MDR increases in 2017 and 2018. The court approved that settlement in September 2020. Opt-outs in this case represented less than 7% of the value of the settlement fund. The settlement fund was reduced proportionally for opt outs. In 2021, settlements were reached with some of the opt-out parties from both settled class actions. The remaining opt-out cases and disputes are ongoing, and Aegon continues to hold a provision for the remaining opt-outs from the settlements that were approved by the court in 2019 and 2020. If this provision for these cases proves to be insufficient, then these matters could have an adverse effect on Aegon's business, results of operations, and financial position.

Transamerica subsidiaries may face employment-related lawsuits from time to time. For example, several Transamerica subsidiaries are defendants in a class action alleging that the business model at issue improperly characterizes distributors as independent contractors instead of employees. Depending on the outcome, these lawsuits, along with similar claims against Transamerica subsidiaries and other companies and regulatory action could result in significant settlements or judgments, and could necessitate a change in the distribution model, which would be costly and could have a material impact on the financial results for that part of the Transamerica business.

A former subsidiary of Transamerica Corporation was involved in a contractual dispute with a Nigerian travel broker that arose in 1976. That dispute was resolved in Delaware court for USD 235 thousand plus interest in 2010. The plaintiff took the Delaware judgment relating to the 1976 dispute to a Nigerian court and alleged that it was entitled to approximately the same damages for 1977 through 1984 despite the absence of any contract relating to those years. The Nigerian trial court issued a judgment in favor of the plaintiff of the alleged actual damages as well as pre-judgment interest of approximately USD 120 million. On appeal this decision was reversed on procedural grounds and remanded back to the trial court which ruled to dismiss the case; however, the Plaintiff appealed the trial court's ruling. The appeal is still pending. Aegon has no material assets located in Nigeria.

In Poland, owners of unit-linked policies continue to file claims in civil court against Aegon over fees payable upon purchase or surrender of the product. Plaintiffs claim that these fees are not contractually supported. Aegon faces a significant number of these cases. For reasons of commercial necessity as well as at the instigation of the regulatory authorities, Aegon decided to modify the fee structure. As of 2021, a provision of EUR 8 million remains, which represents management's best estimate of the exposure. The final amount may vary based on regulatory developments and the outcome of litigation.

In the Netherlands, unit linked products (beleggingsverzekeringen) have been controversial and the target of litigation since at least 2005. Allegations include excessive cost, unfair terms, inadequate disclosure, and failure to perform as illustrated. Consumer groups have formed to address these issues and initiate mass claims against insurers. Regulators as well as the Dutch Parliament have been involved ever since, with the principal goal of achieving an equitable resolution. Aegon has made improvements across its product lines, including after settlements reached in 2009 with Stichting Woekerpolis and Stichting Verliespolis. Aegon also decided to reduce future policy costs for the large majority of its unit-linked portfolio. Some of the unit linked products are still involved in ongoing litigation. In September 2014, consumer interest group Vereniging Woekerpolis.nl filed a claim against Aegon in court. The claim related to a range of unit linked products that Aegon sold in the past, including Aegon products involved in the earlier litigation. The claim challenges a variety of elements of these products, on multiple legal grounds, including allegations made previously. In June 2017 (and revised in December 2017), the court issued a verdict which upheld the principle that disclosures must be evaluated according to the standards at the time when the relevant products were placed in-force. Most of the claims of Vereniging Woekerpolis.nl were dismissed under this standard, although the court found that Aegon did not adequately disclose certain charges on a limited

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

Securities leasing products (aandelenlease producten) have also been the subject of litigation in the Netherlands. Although sales of securities leasing products ended more than a decade ago, litigation relating to these products has resurfaced. In December 2020 Aegon Bank N.V. reached an agreement in principle on a settlement with Leaseproces B.V. for claims regarding Vliegwiël and Sprintplan customers represented by Leaseproces. On June 4, 2021 Aegon and Leaseproces B.V. announced it had finalized its agreement to settle these claims. In September 2021, the parties announced that more than 90% of customers had agreed to the settlement, by which the last remaining threshold was met. Subsequently, most claims have been paid during the fourth quarter 2021, with a small amount remaining at year-end. Full performance of the agreement is expected in the first half of 2022. There are still some individual claims pending. There can be no assurances that Aegon is able to resolve these cases in the way it expects and that this matter will not ultimately result in a material adverse effect on Aegon's business, results of operations and financial position.

46 Transfers of financial assets

Transfers of financial assets occur when Aegon transfers contractual rights to receive cash flows of financial assets or when Aegon retains the contractual rights to receive the cash flows of the transferred financial asset, but assumes a contractual obligation to pay the cash flows to one or more recipients in that arrangement.

In the normal course of business Aegon is involved in the following transactions:

- Transferred financial assets that are not derecognized in their entirety:
 - Securities lending; whereby Aegon legally (but not economically) transfers assets and receives cash and non-cash collateral. The transferred assets are not derecognized. The obligation to repay the cash collateral is recognized as a liability. The non-cash collateral is not recognized in the statement of financial position; and
 - Repurchase activities; whereby Aegon receives cash for the transferred assets. The financial assets are legally (but not economically) transferred, but are not derecognized. The obligation to repay the cash received is recognized as a liability.
- Transferred financial assets that are derecognized in their entirety and Aegon does not have a continuing involvement (normal sale);
- Transferred financial assets that are derecognized in their entirety, but where Aegon has a continuing involvement;
- Collateral accepted in the case of securities lending, reverse repurchase agreement and derivative transactions; and
- Collateral pledged in the case of (contingent) liabilities, repurchase agreements, securities borrowing and derivative transactions.

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

46.1 Transferred financial assets that have not been derecognized in their entirety

The following table reflects the carrying amount of financial assets that have been transferred to another party in such a way that part or all of the transferred financial assets do not qualify for derecognition. Furthermore, it reflects the carrying amounts of the associated liabilities.

	2021			
	Available-for-sale financial assets		Financial assets at fair value through profit or loss	
	Shares	Debt securities	Debt securities	Investments for account of policyholders
Carrying amount of transferred assets	34	3,705	12	96
Carrying amount of associated liabilities	37	3,941	18	-

	2020			
	Available-for-sale financial assets		Financial assets at fair value through profit or loss	
	Shares	Debt securities	Debt securities	Investments for account of policyholders
Carrying amount of transferred assets	64	3,068	11	153
Carrying amount of associated liabilities	71	3,166	14	-

Securities lending and repurchase activities

The table above includes financial assets that have been transferred to another party under securities lending and repurchase activities.

Aegon retains substantially all risks and rewards of those transferred assets, this includes credit risk, settlement risk, country risk and market risk. The assets are transferred in return for cash collateral or other financial assets. Non-cash collateral is not recognized in the statement of financial position. Cash collateral is recorded on the statement of financial position as an asset and an offsetting liability is established for the same amount as Aegon is obligated to return this amount upon termination of the lending arrangement. Cash collateral is usually invested in pre-designated high quality investments. The sum of cash and non-cash collateral is typically greater than the market value of the related securities loaned. Refer to note 46.3 Assets accepted and note 46.4 Assets pledged for an analysis of collateral accepted and pledged in relation to securities lending and repurchase agreements.

46.2 Transferred financial assets that are derecognized in their entirety, but where Aegon has continuing involvement

Aegon has no transferred financial assets with continuing involvement that are derecognized in their entirety as per year-end 2021 and as per year-end 2020.

46.3 Assets accepted

Aegon receives collateral related to securities lending, reverse repurchase activities and derivative transactions. Non-cash collateral is not recognized in the statement of financial position. To the extent that cash is paid for reverse repurchase agreements, a receivable is recognized for the corresponding amount.

The following tables present the fair value of the assets received in relation to securities lending and reverse repurchase activities:

	2021	2020
Securities lending		
Carrying amount of transferred financial assets	3,083	2,320
Fair value of cash collateral received	2,171	2,053
Fair value of non-cash collateral received	1,102	393
Net exposure	(190)	(126)
Non-cash collateral that can be sold or repledged in the absence of default	1,004	236
Non-cash collateral that has been sold or transferred	-	-

	2021	2020
Reverse repurchase agreements		
Cash paid for reverse repurchase agreements	1,004	1,180
Fair value of non-cash collateral received	1,025	1,199
Net exposure	(21)	(19)
Non-cash collateral that can be sold or repledged in the absence of default	695	869
Non-cash collateral that has been sold or transferred	-	-

The above items are conducted under terms that are usual and customary to standard securities lending activities, as well as requirements determined by exchanges where the bank acts as intermediary.

In addition, Aegon can receive collateral related to derivative transactions that it enters into. The credit support agreement will normally dictate the threshold over which collateral needs to be pledged by Aegon or its counterparty. Transactions requiring Aegon or its counterparty to post collateral are typically the result of over-the-counter derivative trades, comprised mostly of interest rate swaps, currency swaps and credit swaps. Refer to the credit risk section in note 4 Financial risks for details on collateral received for derivative transactions.

46.4 Assets pledged

Aegon pledges assets that are on its statement of financial position in securities borrowing transactions, in repurchase transactions, in derivative transactions and against long-term borrowings. In addition, in order to trade derivatives on the various exchanges, Aegon posts margin as collateral.

These transactions are conducted under terms that are usual and customary to standard long-term borrowing, derivative and securities borrowing activities, as well as requirements determined by exchanges where the bank acts as intermediary.

Non-cash financial assets that are borrowed or purchased under agreement to resell are not recognized in the statement of financial position.

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

The following tables present the carrying amount of collateral pledged and the corresponding amounts.

Assets pledged for general account and contingent liabilities	2021	2020
General account (contingent) liabilities	3,410	2,832
Collateral pledged	4,594	4,090
Net exposure	(1,183)	(1,258)
Non-cash collateral that can be sold or repledged by the counterparty	-	-

Assets pledged for repurchase agreements	2021	2020
Cash received on repurchase agreements	821	962
Collateral pledged (transferred financial assets)	764	975
Net exposure	57	(13)

As part of Aegon's mortgage loan funding program in the Netherlands, EUR 5.1 billion (2020: EUR 4.4 billion) has been pledged as security for notes issued (refer to note 37 Borrowings). In addition, the notes of SAECURE 17 and SAECURE 19 are held intercompany and are eliminated against the notes issued by the special purpose entity (SPE) in the consolidation process. Per December 31, 2021, as part of SAECURE 17, EUR 600 million has been posted as collateral with respect to the longevity reinsurance contract with Canada Life Reinsurance (2020: EUR 575 million). The notes from SAECURE 19 are European Central Bank eligible retained notes and therefore generated increased liquidity capacity. Additionally, in order to trade derivatives on the various exchanges, Aegon posts margin as collateral. The amount of collateral pledged for derivative transactions was EUR 2.3 billion (2020: EUR 2.3 billion).

47 Offsetting, enforceable master netting arrangements and similar agreements

The following table only includes financial positions for which there is a recognized corresponding position that could be offset under a legally enforceable master netting arrangement or similar agreement. Aegon also enters into collateralized (reverse) repo or security lending and borrowing transaction, for which the collateral is not recognized on the balance sheet. For further information on the financial positions resulting from such transactions please refer to note 46. The table provides details relating to the effect, or potential effect, of netting arrangements, including rights to set-off, associated with the entity's recognized financial assets and recognized financial liabilities.

Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements	Gross amounts of recognized financial assets	Gross amounts of recognized financial liabilities set off in the statement of financial position	Net amounts of financial assets presented in the statement of financial position	Related amounts not set off in the statements of financial position		
				Financial instruments	Cash collateral received (excluding surplus collateral)	Net amount
2021						
Derivatives	8,811	-	8,811	6,045	2,519	247
At December 31	8,811	-	8,811	6,045	2,519	247
2020						
Derivatives	14,030	-	14,030	8,778	5,224	27
At December 31	14,030	-	14,030	8,778	5,224	27

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

	Gross amounts of recognized financial liabilities	Gross amounts of recognized financial assets set off in the statement of financial position	Net amounts of financial liabilities presented in the statement of financial position	Related amounts not set off in the statements of financial position		Net amount
				Financial instruments	Cash collateral pledged (excluding surplus collateral)	
2021						
Derivatives	7,043	-	7,043	6,768	224	52
At December 31	7,043	-	7,043	6,768	224	52
2020						
Derivatives	9,633	-	9,633	9,436	170	28
At December 31	9,633	-	9,633	9,436	170	28

Financial assets and liabilities are offset in the statement of financial position when the Group has a legally enforceable right to offset and has the intention to settle the asset and liability on a net basis, or to realize the asset and settle the liability simultaneously. As shown in the second column there are no financial assets and liabilities offset in 2021 and 2020.

The line Derivatives includes derivatives for general account and for account of policyholder.

Aegon mitigates credit risk in derivative contracts by entering into collateral agreements, where practical, and in ISDA master netting agreements for each of the Aegon's legal entities to facilitate Aegon's right to offset credit risk exposure. The credit support agreement will normally dictate the threshold over which collateral needs to be pledged by Aegon or its counterparty. Transactions requiring Aegon or its counterparty to post collateral are typically the result of over-the-counter derivative trades, comprised mostly of interest rate swaps, currency swaps and credit swaps. These transactions are conducted under terms that are usual and customary to standard long-term borrowing, derivative, securities lending and securities borrowing activities, as well as requirements determined by exchanges where the bank acts as intermediary.

48 Companies and businesses acquired and divested**Companies and businesses acquired****2021**

There were no significant acquisitions in 2021.

2020

On July 30, 2020, Aegon announced the completion of the expansion of its partnership with Santander in Spain. This follows the agreement signed on July 3, 2018 between Aegon and Banco Santander to expand their life and non-life insurance partnership, following Banco Santander's acquisition of Banco Popular. Aegon's insurance joint ventures with Banco Santander in Spain completed the acquisition of the in force term life policies previously sold through Banco Popular branches as well as the right to write new term life and selected lines of non-life policies through the former Banco Popular branches now owned by Banco Santander. The transaction was closed following satisfaction of all closing conditions, including the termination of existing alliances of Banco Popular. For its 51% stake in the expansion of the joint venture with Banco Santander, Aegon paid an upfront amount of EUR 187 million – lower than the EUR 215 million communicated in July 2018 mainly due to the results of the in-force portfolio which accrued to Santander till closing. Furthermore, the previously agreed contingent payment of up to EUR 75 million is due in 2024, subject to the performance of the partnership.

2019

There were no significant acquisitions in 2019.

Companies and businesses divested**2021**

On November 29, 2020, Aegon agreed to sell its insurance, pension, and asset management businesses in Hungary, Poland, Romania, and Turkey to Vienna Insurance Group AG Wiener Versicherung Gruppe (VIG) for EUR 830 million, of which EUR 35 million was received by Aegon in the form of net remittances in 2021. As a result of the transaction, the Group Solvency II ratio is estimated to improve by approximately 8 percentage points. Based on the balance sheet position at December 31, 2021, a book gain amounting to EUR 266 million is expected, which includes a loss of EUR 204 million related to the foreign currency translation reserve, which will be reclassified from Other Comprehensive Income into the income statement. As a result of this transaction, IFRS equity is expected to increase by EUR 470 million. The closing of the transaction is subject to local regulatory and competition approvals customary for transactions of this nature. Aegon will continue to work with VIG to close this transaction.

On February 28, 2021, Aegon successfully completed the divestment of Stonebridge, a UK-based provider of accident insurance products to Global Premium Holdings group, part of Embignell group. Under the terms of the agreement, Aegon sold Stonebridge for a consideration of approximately GBP 60 million (EUR 65 million), consisting of the purchase price and dividends related to the transaction. This excludes a contingent consideration of up to GBP 10 million. The transaction had no material impact on Aegon's capital position and results.

2020

On January 29, 2020, Aegon completed the sale of its 50% stake in the variable annuity joint ventures in Japan. The sale was announced on May 17, 2019. The total cash proceeds are EUR 153 million (JPY 18.75 billion). The divestment had no material impact on Aegon's capital position and led to an IFRS gain of EUR 53 million. This divestment had no material impact on operating result before tax going forward.

2019

On January 8, 2019, Aegon completed the sale of its businesses in Czech Republic and Slovakia. The businesses consisted mainly of unit linked life insurance coverage, term life products and pension reserves. The proceeds of the sale amount to EUR 155 million and the book gain amounts to approximately EUR 70 million, which were reflected in other income. As a consequence of the transaction, annual result before tax and operating result before tax decreased. In 2018, the operating result before tax of the combined operations amounted to EUR 17 million.

49 Group companies

Subsidiaries

The principal subsidiaries of the parent company Aegon N.V. are listed by geographical segment. All are wholly owned, directly or indirectly, unless stated otherwise, and are involved in insurance or reinsurance business, pensions, asset management or services related to these activities. The voting power in these subsidiaries held by Aegon is equal to the shareholdings.

Americas

- Transamerica Corporation, Wilmington, Delaware (United States);
- Transamerica Casualty Insurance Company, Cedar Rapids, Iowa (United States);
- Transamerica Financial Life Insurance Company, Harrison, New York (United States);
- Transamerica Life Insurance Company, Cedar Rapids, Iowa (United States).

The Netherlands

- Aegon Bank N.V., The Hague;
- Aegon Cappital B.V., Groningen;
- Aegon Hypotheken B.V., The Hague;
- Aegon Levensverzekering N.V., The Hague;
- Aegon Schadeverzekering N.V., The Hague;
- Aegon Spaarkas N.V., The Hague;
- Nedasco B.V., Amersfoort;
- Robidus Groep B.V., Zaandam;
- TKP Pensioen B.V., Groningen.

United Kingdom

- Aegon Investment Solutions Ltd., Edinburgh;
- Aegon Investments Ltd., London;
- Scottish Equitable plc, Edinburgh;
- Cofunds Limited, London.

International

- Aegon Magyarország Általános Biztosító Zártkörűen Működő Részvénytársaság, Budapest (Aegon Hungary Composite Insurance Co.);
- Aegon Towarzystwo Ubezpieczeń na Życie Spółka Akcyjna, Warsaw (Aegon Poland Life);
- Aegon Powszechnie Towarzystwo Emerytacyjne Spółka Akcyjna, Warsaw (Aegon Poland Pension Fund Management Co.);
- Aegon Emeklilik ve Hayat A.Ş., Istanbul (Aegon Turkey);
- Aegon Pensii Societate de Administrare a Fondurilor de Pensii Private S.A., Cluj (Aegon Romania Pension Administrator Co.);
- Aegon España S.A.U. de Seguros y Reaseguros, Madrid (Spain);
- Transamerica Life (Bermuda) Ltd., Hamilton (Bermuda).

Asset Management

- Aegon USA Investment Management, LLC, Cedar Rapids (United States);
- Aegon USA Realty Advisors, LLC, Des Moines (United States);
- Aegon Asset Management Holding B.V., The Hague (The Netherlands);
- Aegon Investment Management B.V., The Hague (The Netherlands);
- Aegon Asset Management UK plc, Edinburgh (United Kingdom).

The legally required list of participations as set forth in articles 379 and 414 of Book 2 of the Dutch Civil Code has been registered with the Trade Register in The Hague. Aegon N.V. has issued a statement of liability as meant in article 403 of Book 2 of the Dutch Civil Code for its subsidiary company Aegon Derivatives N.V.

Joint ventures

The principal joint ventures are listed by geographical segment. The voting powers in these joint ventures is equal to the shareholdings, unless stated otherwise.

Americas

Mongeral Aegon, Seguros e Previdencia S.A., Rio de Janeiro (Brazil) (55%, voting rights 50%).

The Netherlands

- AMVEST Vastgoed, Utrecht (50%);
- AMVEST Living & Care Fund, Utrecht (50%);
- AMVEST Development Fund, Amsterdam (50%).

International

- Santander Generales Seguros y Reaseguros, S.A., Madrid (Spain) (51%);
- Santander Vida Seguros y Reaseguros, S.A., Madrid (Spain) (51%);
- Liberbank Vida y Pensiones, Seguros y Reaseguros, S.A., Oviedo (Spain) (50%);
- Aegon Santander Portugal Não Vida – Companhia de Seguros S.A., Lisbon (Portugal) (51%);
- Aegon Santander Portugal Vida – Companhia de Seguros de Vida S.A., Lisbon (Portugal) (51%);
- Aegon THTF Life Insurance Co., Ltd., Shanghai (China) (50%);
- Aegon Life Insurance Co. Ltd (India) (49%).

Asset Management

- Aegon Industrial Fund Management Co., Ltd, Shanghai (China) (49%).

Refer to note 25 Investments in joint ventures and associates for further details on these investments.

Investments in associates

The principal investments in associates are listed by geographical segment. The voting powers in these associates is equal to the shareholdings, unless stated otherwise.

The Netherlands

- AMVEST Residential Core Fund, Amsterdam (29%);
- N.V. Levensverzekeringmaatschappij 'De Hoop', The Hague (33%);
- OB Capital Cooperatief U.A., Schiphol (95%; Aegon does not have control to direct the daily activities of the company).

Asset Management

- La Banque Postale Asset Management, Paris (France) (25%).

Refer to note 25 Investments in joint ventures and associates for further details on these investments.

50 Related party transactions

In the normal course of business, Aegon enters into various transactions with related parties. Parties are considered to be related if one party has the ability to control or exercise significant influence over the other party in making financial or operating decisions. Related parties of Aegon include, amongst others, its associates, joint ventures, key management personnel and the defined benefit and

contribution plans. Transactions between related parties have taken place on an arm's length basis. Transactions between Aegon and its subsidiaries that are deemed related parties have been eliminated in the consolidation and are not disclosed in the notes.

Related party transactions include, among others, transactions between Aegon N.V. and Vereniging Aegon.

None of the transactions listed hereunder qualifies as a Material Transaction, i.e. a transaction entered into by the Company where the information regarding the transaction on its own or taken together with other transactions entered into in the course of the same financial year with the same party, constitutes inside information as defined in article 7 of the Market Abuse Regulation (MAR).

On December 15, 2021, Aegon repurchased 22,643,360 common shares B from Vereniging Aegon for the amount of EUR 2,285,621 based on 1/40th of the Value Weight Average Price of the common shares of the five trading days preceding this transaction. The repurchase of common shares B was executed to align the aggregate holding of voting shares by Vereniging Aegon in Aegon with its special cause voting rights of 32.6%.

On June 3, 2021, Vereniging Aegon exercised its options rights to purchase in aggregate 1,983,360 common shares B at fair value of a common share B (being 1/40th of the market value of a common share in the capital of the Company at the time of issuance) to mitigate dilution caused by the issuance of shares on June 3, 2021, in connection with the Long Term Incentive Plans for senior management.

On December 11, 2020 Aegon N.V. repurchased 2,955,600 common shares B from Vereniging Aegon for the amount of EUR 228,911.22 based on 1/40th of the Value Weighted Average Price of the common shares of the five trading days preceding this transaction. The repurchase of common shares B was executed to align the aggregate shareholding of Vereniging Aegon in Aegon N.V. with its special cause voting rights of 32.6%.

On May 15, 2020, Vereniging Aegon exercised its options rights to purchase in aggregate 2,154,000 common shares B at fair value of a common share B (being 1/40th of the market value of a common share in the capital of the Company at the time of issuance) to mitigate dilution caused the issuance of shares on May 15, 2020, in connection with the Long Term Incentive Plans for senior management.

On December 23, 2019 Aegon N.V. repurchased 13,227,120 common shares B from Vereniging Aegon for the amount of EUR 1,384,046 based on 1/40th of the Value Weighted Average Price of the common shares on the five trading days preceding this transaction. The repurchase of common shares B was executed to align the shareholding of Vereniging Aegon in Aegon N.V. with its special cause voting rights of 32.6%.

On May 17, 2019, Vereniging Aegon exercised its options rights to purchase 1,773,680 common shares B at fair value of a common share B (being 1/40th of the market value of a common share in the capital of the Company at the time of issuance) to mitigate dilution caused by the issuance of shares on May 17, 2019, in connection with the Long Term Incentive Plans for senior management.

Remuneration of members of the Supervisory Board, Executive Board and Key Management

The following table includes the expenses for remuneration, with amounts reflective of time spent on the Board.

Remuneration expenses

	2021	2020 ²⁾	2019
Supervisory Board ¹⁾	0.9	0.8	1.0
Executive Board	4.9	5.9	5.8
Key Management	27.5	24.8	26.3
In fixed compensation	16.8	14.2	14.3
In cash based variable compensation	3.6	3.3	3.6
In share based variable compensation	3.2	2.9	3.2
In pension contributions	2.8	3.2	3.9
In other benefits	1.1	1.2	1.3

¹⁾ Based on a Decree of the Dutch State Secretary of Finance which came into force as from May 7, 2021, the Supervisory Board fees were not subject to Dutch VAT anymore, retroactively as from June 13, 2019. Therefore, Aegon has not paid Dutch VAT anymore on the fees of the Supervisory Board Members as from Q2 2021. Additionally, Aegon reclaimed VAT for the period Q3 2019 - Q1 2021, except for its Supervisory Board members based in the Netherlands for practical reasons. The 2019 and 2020 amounts were restated in this table for this VAT reclaim.

²⁾ Retroactively, fixed compensation in 2020 included sign-on expenses and other benefits in 2020 included mandatory local social security expenses for Key Management members that were not included in this table last year.

Fixed compensation of Key Management included severance payments in 2021 (EUR 2.2 million) and 2019 (EUR 0.7 million). Key Management consisted of all members of the Supervisory Board, Executive Board and Management Board (see the chapter Composition of the Boards for more details).

Additional information on the remuneration and share-based compensation of members of the Executive Board and the remuneration of the Supervisory Board is disclosed in the Remuneration report.

Interests in Aegon N.V. held by active members of the Executive Board

Shares held in Aegon at December 31, 2021 by Mr. Friese amount to 56,554 (2020: 36,001) and by Mr. Rider to 103,699 (2020: 78,164). The shares held in Aegon mentioned above do not exceed 1% of total outstanding share capital at the reporting date. At the reporting date no loans with Aegon or outstanding balances such as guarantees or advanced payments exist for either Mr. Friese or Mr. Rider.

Common shares held by Supervisory Board members

Shares held in Aegon at December 31	2021	2020
Ben J. Noteboom	23,500	23,500
Dona D. Young	13,260	13,260
Total	36,760	36,760

Shares held by Supervisory Board members are only disclosed for the period for which they have been part of the Supervisory Board. At the reporting date no loans with Aegon or outstanding balances such as guarantees or advanced payments exist for the members of the Supervisory Board.

51 Events after the reporting period

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

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

Aegon has no direct operations in Russia and Ukraine. Aegon's direct investment exposure in the company's general account portfolio to Russia and Ukraine is to mainly corporates and amounts to approximately EUR 27 million and EUR 42 million respectively, based on the book value as per March 3, 2022. The combined exposure to Russia and Ukraine on investments for account of policyholders with guarantees amounts to approximately EUR 38 million.

The Hague, the Netherlands, March 16, 2022**Supervisory Board**

William L. Connelly
 Mark A. Ellman
 Jack McGarry
 Ben J. Noteboom
 Caroline Ramsay
 Thomas Wellauer
 Corien M. Wortmann-Kool
 Dona D. Young

Executive Board

Lard Friese
 Matthew J. Rider

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Income statement of Aegon N.V.

For the year ended December 31

Amounts in EUR million	Note	2021	2020
Result			
Investment Income	3	13	10
Total revenues		13	10
Results from financial transactions	4	3	2
Total result		16	12
Charges			
Commissions and expenses	5	80	71
Interest charges and related fees	6	129	126
Total charges		210	197
Result before tax		(193)	(185)
Income Tax	7	54	39
Result after tax		(139)	(146)
Net result group companies	8	1,791	190
Net result		1,651	45

Statement of financial position of Aegon N.V.

As at December 31

Before profit appropriation, amounts in EUR million	Note	2021	2020
Non-current assets			
Financial fixed assets			
Shares in group companies	8	26,511	25,643
Loans to group companies	9	1,829	1,392
Other non-current assets	10	138	148
		28,478	27,183
Current assets			
Receivables			
Receivables from group companies	11	35	56
Other receivables	11	181	100
Other current assets	12	90	198
Accrued interest and rent		6	9
		312	363
Cash and cash equivalents			
Cash and cash equivalents		1,204	887
Total assets		29,993	28,433
Shareholders' equity			
Share capital	13	321	320
Paid-in surplus	14	7,033	7,160
Revaluation account	14	6,453	7,491
Legal reserves – foreign currency translation reserve	14	258	(601)
Legal reserves in respect of group companies	14	2,316	1,710
Retained earnings, including treasury shares	14	8,450	9,224
Remeasurement of defined benefit plans of group companies	14	(2,199)	(2,534)
Net result	14	1,651	45
		24,282	22,815
Other equity instruments	15	2,363	2,569
Total equity		26,645	25,384
Non-current liabilities			
Subordinated borrowings	16	1,396	1,345
Long-term borrowings	17	1,266	1,218
		2,662	2,563
Current liabilities			
Loans from group companies	18	7	6
Payables to group companies		422	44
Other current liabilities		227	406
Accruals and deferred income		31	30
		686	486
Total liabilities		3,349	3,049
Total equity and liabilities		29,993	28,433

Notes to the financial statements

1 General information

Aegon N.V., incorporated and domiciled in the Netherlands, is a public limited liability company organized under Dutch law and recorded in the Commercial Register of The Hague registered under number 27076669 and with its registered address at Aegonplein 50, 2591 TV, The Hague, the Netherlands. Aegon N.V. serves as the holding company for the Aegon Group and has listings of its common shares in Amsterdam and New York.

Aegon N.V. (or 'the Company') and its subsidiaries ('Aegon' or 'the Group') have life insurance and pensions operations and are also active in savings and asset management operations, accident and health insurance, general insurance and to a limited extent banking operations. Aegon focuses on three core markets (the United States, the Netherlands, and the United Kingdom), three growth markets (Spain & Portugal, China, and Brazil) and one global asset manager. Furthermore, Aegon has activities in Asia and Southern and Eastern Europe. Headquarters are located in The Hague, the Netherlands. The Group employs over 22,000 people worldwide (2020: over 22,000).

2 Significant accounting policies

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

The group companies are stated at their net asset value, determined on the basis of the consolidated accounting policies as applied in the consolidated financial statements of the Group. For details on the accounting policies applied for the group companies refer to the consolidated financial statements.

Revaluation account includes unrealized gains and losses on available-for-sales assets and the positive changes in value that have been recognized in net result relating to investments (including real estate) and which do not have a frequent market listing.

Legal reserves in respect of group companies include net increases in net asset value of subsidiaries and associates since their first inclusion, less any amounts that can be distributed without legal restrictions.

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

3 Investment income

	2021	2020
Interest income from intercompany loans	12	16
Interest income from derivatives	1	(6)
Total	13	10

4 Results from financial transactions

	2021	2020
Net fair value change of derivatives	5	(2)
Net foreign currency gains and (losses)	(1)	4
Total	3	2

Net fair value change of derivatives mostly comprises of fair value changes on derivatives that are designated as economic hedges for which no hedge accounting is applied.

5 Commissions and expenses

	2021	2020
Employee expenses	84	86
Administration expenses	71	58
Cost sharing to group companies	(75)	(72)
Total	80	71

6 Interest charges and related fees

	2021	2020
Subordinated borrowings	68	67
Borrowings	54	50
Other	8	8
Total	129	126

7 Income tax

	2021	2020
Current Tax		
Current Tax	54	39
Income tax for the period (result) / charge	54	39
Reconciliation between standard and effective tax		
Result before tax	(193)	(185)
Tax on result on Dutch corporate result tax rate	48	46
Differences due to the effect of:		
Tax rate changes	4	-
Change in uncertain tax positions	8	-
Non deductible expenses	(7)	(7)
Total	54	39

8 Shares in group companies

	2021	2020
At January 1	25,643	25,644
Capital contributions and acquisitions	65	96
Dividend received	(1,196)	(735)
Net result for the financial year	1,791	190
Revaluations	209	448
At December 31	26,511	25,643

For a list of names and locations of the most important group companies, refer to note 49 Group companies of the consolidated financial statements of the Group. The legally required list of participations as set forth in article 379 of Book 2 of the Netherlands Civil Code has been registered with the Commercial Register of The Hague.

9 Loans to group companies

	2021	2020
At January 1	1,392	1,337
Additions / (repayments)	308	110
Other changes	128	(56)
At December 31	1,829	1,392
Current	639	788
Non-current	1,190	604

The other changes in Loans to group companies mainly relate to currency exchange rate fluctuations.

10 Non-current assets

Other non-current assets included deferred tax assets of EUR 138 million (2020: EUR 148 million).

11 Receivables

Receivables from group companies and other receivables have a maturity of less than one year.

Aegon N.V., together with certain of its subsidiaries, is part of a tax grouping for Dutch corporate income tax purposes. The members of the fiscal unit are jointly and severally liable for any taxes receivable or payable by the Dutch tax grouping.

Other receivables included an income tax receivable of EUR 157 million.

12 Other current assets

Other current assets include derivatives with positive fair values of EUR 77 million (2020: EUR 196 million).

13 Share capital

Issued and outstanding capital	2021	2020
Common shares	253	252
Common shares B	68	69
Total share capital	321	320

Common shares	2021	2020
Authorized share capital	720	720
Number of authorized shares (in million)	6,000	6,000
Par value in cents per share	12	12

Common shares B	2021	2020
Authorized share capital	360	360
Number of authorized shares (in million)	3,000	3,000
Par value in cents per share	12	12

All issued common shares and common shares B each have a nominal value of EUR 0.12 and are fully paid up. Repayment of capital can only be initiated by the Executive Board, is subject to approval of the Supervisory Board and must be resolved by the General Meeting of Shareholders. Moreover, repayment on common shares B needs approval of the related shareholders. Refer to Other information for further information on dividend rights.

Vereniging Aegon, based in The Hague, the Netherlands, holds all of the issued and outstanding common shares B.

For detailed information on the transactions between Aegon N.V. and Vereniging Aegon refer to note 50 Related party transactions in the consolidated financial statements of the Group.

The following table shows the movement during the year in the number of common shares and common shares B:

	Common shares		Common shares B	
	Number of shares (thousands)	Total amount	Number of shares (thousands)	Total amount
At January 1, 2020	2,105,139	253	585,022	70
Shares withdrawn	(9,491)	(1)	(13,227)	(2)
Dividend	2,466	-	-	-
At December 31, 2020	2,098,114	252	571,795	69
Shares withdrawn	(2,466)	(0)	(2,956)	(0)
Dividend	10,665	1	-	-
At December 31, 2021	2,106,313	253	568,839	68

The following table shows the weighted average number of common shares and common shares B:

	Weighted average number of common shares (thousands)	Weighted average number of common shares B (thousands)
2020	2,101,749	579,312
2021	2,101,231	570,629

The shares repurchased by Aegon N.V. during the share-buy-back programs to undo the dilution caused by the distribution of dividend in stock, although included in the issued and outstanding number of shares, are excluded from the calculation of the weighted average number of shares.

Long-term incentive plans

For detailed information on the Long Term Incentive Plans refer to note 14 Commissions and expenses to the consolidated financial statements of the Group.

Board remuneration

Detailed information on remuneration of active and retired members of the Executive Board including their share plans, remuneration of active and retired members of the Supervisory Board along with information about shares held in Aegon by the members of the Boards is included in note 50 Related party transactions to the consolidated financial statements of the Group and in the remuneration report on page 55.

14 Shareholders' equity

	Share capital	Paid-in surplus	Revaluation account	Legal reserves FCTR	Legal reserves group companies	Retained earnings	Remeasurement of defined benefit plans of group companies	Treasury shares	Net result	Total
At January 1, 2021	320	7,160	7,491	(601)	1,710	9,405	(2,534)	(181)	45	22,815
Net result 2020 retained	-	-	-	-	-	45	-	-	(45)	-
Net result 2021	-	-	-	-	-	-	-	-	1,651	1,651
Total net result	-	-	-	-	-	45	-	-	1,606	1,651
Foreign currency translation differences and movement in foreign investment hedging reserves	-	-	-	859	-	-	(65)	-	-	795
Changes in revaluation in subsidiaries	-	-	(1,035)	-	-	-	-	-	-	(1,035)
Changes in revaluation reserve real estate held for own use	-	-	(3)	-	-	-	-	-	-	(3)
Remeasurement of defined benefit plans of group companies	-	-	-	-	-	-	399	-	-	399
Changes and transfer to legal reserve	-	-	-	-	606	(587)	-	-	-	19
Other	-	-	-	-	-	14	-	-	-	14
Other comprehensive income / (loss)	-	-	(1,038)	859	606	(573)	335	-	-	189
Shares issued	1	-	-	-	-	-	-	-	-	1
Shares withdrawn	(1)	-	-	-	-	-	-	-	-	(1)
Dividends paid on common shares	-	(127)	-	-	-	(120)	-	-	-	(247)
Issuance and purchase of treasury shares	-	-	-	-	-	4	-	(92)	-	(88)
Coupons on perpetual securities	-	-	-	-	-	(39)	-	-	-	(39)
At December 31, 2021	321	7,033	6,453	258	2,316	8,722	(2,199)	(273)	1,651	24,282

	Share capital	Paid-in surplus	Revaluation account	Legal reserves FCTR	Legal reserves group companies	Retained earnings	Remeasurement of defined benefit plans of group companies	Treasury shares	Net result	Total
At January 1, 2020	323	7,213	6,120	426	1,703	7,817	(2,397)	(281)	1,524	22,449
Net result 2019 retained	-	-	-	-	-	1,524	-	-	(1,524)	-
Net result 2020	-	-	-	-	-	-	-	-	45	45
Total net result	-	-	-	-	-	1,524	-	-	(1,480)	45
Foreign currency translation differences and movement in foreign investment hedging reserves	-	-	-	(1,027)	-	-	83	-	-	(945)
Changes in revaluation in subsidiaries	-	-	1,589	-	-	-	-	-	-	1,589
Changes in revaluation reserve real estate held for own use	-	-	18	-	-	-	-	-	-	18
Remeasurement of defined benefit plans of group companies	-	-	-	-	-	-	(220)	-	-	(220)
Changes and transfer to legal reserve	-	-	(235)	-	6	245	-	-	-	17
Other	-	-	-	-	-	2	-	-	-	2
Other comprehensive income / (loss)	-	-	1,371	(1,027)	6	247	(137)	-	-	460
Shares withdrawn	(3)	-	-	-	-	(42)	-	45	-	-
Dividends paid on common shares	-	(54)	-	-	-	(64)	-	-	-	(118)
Dividend withholding tax reduction	-	-	-	-	-	1	-	-	-	1
Issuance and purchase of treasury shares	-	-	-	-	-	(52)	-	55	-	3
Coupons on perpetual securities	-	-	-	-	-	(38)	-	-	-	(38)
Incentive plans	-	-	-	-	-	10	-	-	-	10
At December 31, 2020	320	7,160	7,491	(601)	1,710	9,405	(2,534)	(181)	45	22,815

The balance of the revaluation account, which includes revaluation reserves for real estate, cash flow hedging and investments that do not have a frequent market listing, consisted of EUR 7,294 million (2020: EUR 7,988 million) of items with positive revaluation and of EUR 840 million (2020: EUR 496 million) of items with negative revaluation (on cash flow hedging and AFS investments). The revaluation linked to cash flow hedging is identified on individual cash flow hedge positions.

The legal reserves in respect of the foreign currency translation reserve (FCTR), group companies and the revaluation reserves, cannot be freely distributed. In case of negative balances for individual reserves legally to be retained, no distributions can be made out of retained earnings to the level of these negative amounts.

Certain of Aegon's subsidiaries, principally insurance companies, are subject to restrictions on the amounts of funds they may transfer in the form of cash dividends or otherwise to their parent companies. There can be no assurance that these restrictions will not limit or restrict Aegon in its ability to pay dividends in the future.

For more details on distributable reserves, refer to note 43 Capital management and solvency of the consolidated financial statements.

On the reporting date, Aegon N.V. and its subsidiaries held 71,780,196 (2020: 53,747,701) of its own common shares and 30,588,800 (2020: 12,884,400) own common shares B with a par value of EUR 0.12 each.

Movements in the number of treasury common shares held by Aegon N.V. were as follows:

	2021		2020	
	Number of shares (thousands)	Amount	Number of shares (thousands)	Amount
At January 1	52,686	171	65,540	269
Transactions in 2021:				
Sale: transactions, average price 3.90	(4,139)	(16)		
Shares withdrawn: 1 transaction, average price EUR 3.89	(2,466)	(10)		
Sale: 1 transaction, average price 3.89	(15,274)	(59)		
Purchase: 1 transaction average price 3.70	35,933	133		
Sale: 1 transaction, average price 3.02	(17,314)	(52)		
Purchase: 1 transaction average price 4.46	21,532	96		
Transactions in 2020:				
Sale: transactions, average price EUR 4.52			(4,445)	(20)
Shares withdrawn: 1 transaction, average price EUR 4.52			(9,491)	(43)
Sale: 1 transaction, average price EUR 4.13			(22,947)	(95)
Purchase: 1 transaction, average price EUR 2.46			24,029	59
At December 31	70,958	262	52,686	171

Movements in the number of treasury common shares B held by Aegon N.V. were as follows:

	2021		2020	
	Number of shares (thousands)	Amount	Number of shares (thousands)	Amount
At January 1	12,884	1	25,310	3
Transactions in 2021:				
Sale: 1 transaction, average price EUR 0.10	(1,983)	-		
Shares withdrawn: 1 transaction, average price EUR 0.10	(2,956)	-		
Purchase: 1 transaction, average price EUR 0.10	22,643	2		
Transactions in 2020:				
Sale: 1 transaction, average price EUR 0.13			(2,154)	-
Shares withdrawn: 1 transaction, average price EUR 0.13			(13,227)	(2)
Purchase: 1 transaction, average price EUR 0.08			2,956	-
At December 31	30,589	3	12,884	1

As part of their insurance and investment operations, subsidiaries within the Group also hold Aegon N.V. common shares, both for their own account and for account of policyholders. These shares have been treated as treasury shares and are included at their consideration paid or received.

	2021		2020	
	Number of shares (thousands)	Total amount	Number of shares (thousands)	Total amount
Common shares				
Held by Aegon N.V.	70,958	262	52,686	171
Held by subsidiaries	822	8	1,062	9
Common shares B				
Held by Aegon N.V.	30,589	3	12,884	1
At December 31	102,369	273	66,632	181

The consideration for the related shares is deducted from or added to the retained earnings.

15 Other equity instruments

	Perpetual contingent convertible securities	Junior perpetual capital securities	Perpetual cumulative subordinated bonds	Long Term Incentive Plans ¹⁾	Total
At January 1, 2021	500	1,564	454	50	2,569
Shares granted	-	-	-	27	27
Shares vested	-	-	-	(21)	(21)
Securities redeemed	-	(212)	-	-	(212)
At December 31, 2021	500	1,352	454	57	2,363
At January 1, 2020	500	1,564	454	53	2,571
Shares granted	-	-	-	22	22
Shares vested	-	-	-	(25)	(25)
At December 31, 2020	500	1,564	454	50	2,569

¹⁾ Long Term Incentive Plans include the shares granted to personnel which are not yet vested.

Perpetual contingent convertible securities

	Coupon rate	Coupon date	Year of next call	2021	2020
EUR 500 million	5.625% ¹⁾	Semi-annually, April 15	2029	500	500
At December 31				500	500

¹⁾ The coupon is fixed at 5.625% until the first call date and reset thereafter to a 5 year mid swap plus a margin of 5.207%.

The securities have been issued at par and have subordination provisions, rank junior to all other liabilities and senior to shareholders' equity only. The conditions of the securities contain certain provisions for optional and required coupon payment cancellation. Although the securities have no stated maturity, Aegon has the right to call the securities for redemption at par for the first time between April 15, 2029 and October 15, 2029 and every reset date (October 15, with five year intervals) thereafter. Upon breach of certain regulatory capital requirement levels, the securities convert into common shares.

Junior perpetual capital securities	Coupon rate	Coupon date	Year of next call	2021	2020
USD 250 million	floating LIBOR rate ¹⁾	Quarterly, December 15	Called in 2021	-	212
USD 500 million	floating CMS rate ²⁾	Quarterly, July 15	2022	402	402
EUR 950 million	floating DSL rate ³⁾	Quarterly, July 15	2022	950	950
At December 31				1,352	1,564

¹⁾ The coupon of the USD 250 million junior perpetual capital securities was reset each quarter based on the then prevailing three-month LIBOR yield plus a spread of 87.5 basis points, with a minimum of 4%.

²⁾ The coupon of the USD 500 million junior perpetual capital securities is reset each quarter based on the then prevailing ten-year US dollar interest rate swap yield plus a spread of ten basis points, with a maximum of 8.5%.

³⁾ The coupon of the EUR 950 million junior perpetual capital securities is reset each quarter based on the then prevailing ten-year Dutch government bond yield plus a spread of ten basis points, with a maximum of 8%.

The interest rate exposure on some of these securities has been swapped to a three-month LIBOR and/or EURIBOR based yield.

With effect on September 15, 2021, Aegon has exercised its right to redeem USD 250 million floating rate perpetual capital securities with a minimum coupon of 4% issued in 2005. The securities had no stated maturity, however Aegon had the right to call the securities for redemption and exercised this right with effect on September 15, 2021.

The securities have been issued at par. The securities have subordination provisions, rank junior to all other liabilities and senior to shareholders' equity only. The conditions of the securities contain certain provisions for optional and required coupon payment deferral and, in situations under Aegon's control, mandatory coupon payment events. Although the securities have no stated maturity, Aegon has the right to call the securities for redemption at par for the first time on the coupon date in the years as specified, or on any coupon payment date thereafter.

Perpetual cumulative subordinated bonds

	Coupon rate	Coupon date	Year of next call	2021	2020
EUR 114 million	1.506% ^{1, 4)}	Annually, June 8	2025	114	114
EUR 136 million	1.425% ^{2, 4)}	Annually, October 14	2028	136	136
EUR 203 million	0.496% ^{3, 4)}	Annually, March 4	2031	203	203
At December 31				454	454

¹ The coupon of the EUR 114 million bonds was originally set at 8% until June 8, 2005. Subsequently, the coupon has been reset at 4.156% until June 8, 2015 and 1.506% until June 8, 2025.

² The coupon of the EUR 136 million bonds was originally set at 7.25% until October 14, 2008. Subsequently, the coupon has been reset at 5.185% until October 14, 2018 and 1.425% until October 14, 2028.

³ The coupon of the EUR 203 million bonds was originally set at 7.125% until March 4, 2011. Subsequently, the coupon has been reset at 4.26% until March 4, 2021 and 0.496% until March 4, 2031.

⁴ If the bonds are not called on the respective call dates and after consecutive period of ten years, the coupons will be reset at the then prevailing effective yield of ten-year Dutch government securities plus a spread of 85 basis points.

These bonds have the same subordination provisions as dated subordinated debt. In addition, the conditions of the bonds contain provisions for interest deferral.

Although the bonds have no stated maturity, Aegon has the right to call the bonds for redemption at par for the first time on the coupon date in the year of next call.

16 Subordinated borrowings

	Coupon rate	Coupon date	Issue / Maturity	Year of next call	2021	2020
Fixed to floating subordinated notes						
EUR 700 million	4% ¹⁾	Annually, April 25	2014/44	2024	698	698
USD 800 million	5.5% ²⁾	Semi-annually, April 11	2018/48	2028	697	648
At December 31					1,396	1,345
Fair value of subordinated borrowings					1,567	1,517

¹ The coupon is fixed at 4% until the first call date and floating thereafter with a 3 months Euribor plus a margin of 335bps.

² The coupon is fixed at 5.5% until the first call date and floating thereafter with a 6 month USD LIBOR plus a margin of 3.539%.

These securities are subordinated and rank senior to the junior perpetual capital securities, equally with the perpetual cumulative subordinated bonds and junior to all other liabilities. The conditions of the securities contain certain provisions for optional and required deferral of interest payments. There have been no defaults or breaches of conditions during the period.

17 Long-term borrowings

	2021	2020
Remaining terms less than 1 year	-	-
Remaining terms 1 - 5 years	499	498
Remaining terms 5 - 10 years	296	-
Remaining terms over 10 years	472	720
At December 31	1,266	1,218
Fair value of long-term borrowings	1,735	1,766

The repayment periods of borrowings vary from 2 years up to 18 years. The interest rates vary from 1.000% to 6.625% per annum.

18 Current liabilities

Loans from and payables to group companies have a maturity of less than one year. Other current liabilities includes derivatives with negative fair values of EUR 116 million (2020: EUR 250 million).

19 Commitments and contingencies

Aegon N.V. has guaranteed and is severally liable for the following:

- Due and punctual payment of payables due under letter of credit agreements applied for by Aegon N.V. as co-applicant with its captive insurance companies that are subsidiaries of Transamerica Corporation and Commonwealth General Corporation. At December 31, 2021, the letter of credit arrangements utilized by captives to provide collateral to affiliates amounted to EUR 1,157 million (2020: EUR 1,618 million); as of that date no amounts had been drawn, or were due under these facilities;
- Due and punctual payment of payables by the consolidated group companies Transamerica Corporation, Aegon Funding Company LLC and Commonwealth General Corporation with respect to fixed subordinated notes, bonds, capital trust pass-through securities and notes issued under commercial paper programs amounted to EUR 987 million (2020: EUR 993 million); and
- Due and punctual payment of any amounts owed to third parties by the consolidated group company Aegon Derivatives N.V. in connection with derivative transactions. Aegon Derivatives N.V. enters into derivative transactions with counterparties with which ISDA master netting agreements including collateral support annex agreements have been agreed; net (credit) exposure on derivative transactions with these counterparties was therefore limited as of December 31, 2021.

20 Number of employees

There were no employees employed by Aegon N.V. in 2021 (2020: nil).

21 Auditor's remuneration

	Total remuneration of the group		Of which PricewaterhouseCoopers Accountants N.V. (NL)	
	2021	2020	2021	2020
Audit fees	31	34	9	9
Audit-related service fees	3	5	1	2
Total	35	40	10	11

Audit fees consist of fees billed for the annual financial statements audit (including quarterly reviews), subsidiary audits, equity investment audits and other procedures required to be performed by the independent auditor to be able to form an opinion on Aegon's consolidated financial statements. These other procedures include information systems and procedural reviews and testing performed in order to understand and place reliance on the systems of internal control, and consultations relating to the audit or quarterly review. They also include fees billed for other audit services, which are those services that only the external auditor reasonably can provide, and include statutory audits or financial audits for subsidiaries or affiliates of the Company and services associated with SEC registration statements, periodic reports and other documents filed with the SEC or other documents issued in connection with securities offerings.

Audit-related services include, among others, assurance services to report on internal controls for third parties, due diligence services pertaining to potential business acquisitions/dispositions; discussions, review and testing of certain information related to the adoption of new accounting standards impacting future periods, financial reporting or disclosure matters not classified as 'Audit services'; financial audits of employee benefit plans; and agreed-upon or expanded audit procedures related to accounting and/or billing records required to respond to or comply with financial, accounting or regulatory reporting matters.

22 Events after the reporting period

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

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

Aegon has no direct operations in Russia and Ukraine. Aegon's direct investment exposure in the company's general account portfolio to Russia and Ukraine is to mainly corporates and amounts to approximately EUR 27 million and EUR 42 million respectively, based on the book value as per March 3, 2022. The combined exposure to Russia and Ukraine on investments for account of policyholders with guarantees amounts to approximately EUR 38 million.

23 Proposal for profit appropriation

At the Annual General Meeting of Shareholders currently scheduled for May 31, 2022, the Executive Board will, in line with its earlier announcement and barring unforeseen circumstances, propose a final dividend for 2021 of EUR 0.09 per common share and EUR 0.00225 per common share B. The final dividend will be paid in cash or stock at the election of the shareholder. The value of the stock dividend will be approximately equal to the cash dividend.

If the proposed dividend is approved by shareholders, Aegon shares will be quoted ex-dividend on June 2, 2022. The record date for the dividend will be June 3, 2022. Shareholders can elect to receive a dividend in cash or in shares during the dividend election period, which will run from June 6, 2022 up to and including June 29, 2022. The dividend will be payable as of July 6, 2022.

In order to reflect the prevailing market price of Aegon N.V. common shares fully within the indication provided, the number of dividend coupons that give entitlement to a new common share of EUR 0.12 (nominal value) will be determined on June 29, 2022 after 5.30 p.m. (CET), based on the average share price on Euronext Amsterdam in the five trading days from June 23, 2022 up to and including June 29, 2022.

	2021	2020
Final dividend on common shares	184	124
Earnings to be retained	1,467	-
To be deducted from retained earnings	-	(79)
Net result attributable to owners of Aegon N.V.	1,651	45

The Hague, the Netherlands, March 16, 2022

Supervisory Board

William L. Connelly
 Mark A. Ellman
 Jack McGarry
 Ben J. Noteboom
 Caroline Ramsay
 Thomas Wellauer
 Corien M. Wortmann-Kool
 Dona D. Young

Executive Board

Lard Friese
 Matthew J. Rider

Independent auditor's report

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

Report on the financial statements 2021

Our opinion

In our opinion:

- The consolidated financial statements of Aegon N.V. together with its subsidiaries ('the Group') give a true and fair view of the financial position of the Group as at December 31, 2021, and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union ('EU-IFRS') and with Part 9 of Book 2 of the Dutch Civil Code;
- The company financial statements of Aegon N.V. ('the Company') give a true and fair view of the financial position of the Company as at December 31, 2021, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

What we have audited

We have audited the accompanying financial statements 2021 of Aegon N.V., The Hague. The financial statements include the consolidated financial statements and the company financial statements.

The consolidated financial statements comprise:

- the consolidated statement of financial position as at December 31, 2021;
- the following statements for 2021: the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement; and
- the notes to the consolidated financial statements, comprising the significant accounting policies and other explanatory information.

The company financial statements comprise:

- the company statement of financial position as at December 31, 2021;
- the company income statement for the year then ended; and
- the notes to the financial statements, comprising the significant accounting policies and other explanatory information.

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

The basis for our opinion

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

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

Independence

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

Our audit approach

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

Overview and context

Aegon N.V. is a provider of mainly life insurance, pension and asset management services. The Group consists of several components. Aegon N.V.'s main operating units are separate legal entities and operate under the laws of their respective countries. Aegon has the following reportable segments: Americas (which covers the business unit in United States), the Netherlands, United Kingdom, International (which covers business units in Southern and Eastern Europe as well as Asia), Asset Management, and Holding and other activities. Aegon has significant operations in the Americas, the Netherlands and the United Kingdom. To be able to obtain sufficient and appropriate audit evidence over the consolidated financial statements, we considered our group audit scope and approach as set out in the section 'The scope of our group audit'. We paid specific attention to the areas of focus driven by the operations of the Group, as set out below.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. We determined our group materiality based on Adjusted Shareholders' Equity since we believe that this metric is the most relevant and suitable benchmark to determine our overall materiality, as we have set out in the section 'Materiality'. In particular, we considered where management made important judgments, for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

In Note 3, 'Critical accounting estimates and judgment in applying accounting policies', to the consolidated financial statements, the Group describes the areas of judgment in applying accounting policies and the key sources of estimation uncertainty. Given the significant estimation uncertainty and the related higher inherent risks of material misstatement in the valuation of certain assets and liabilities arising from insurance contracts and the valuation of certain Level 3 investments, we considered these matters as key audit matters as set out in the section 'Key audit matters' of this report. Furthermore, we identified uncertainties in policyholder claims and litigation as a key audit matter.

We discussed with management their assessment on how the risk of climate change impacts the strategy, operations, and financial position of the Group. The Group committed to a net zero impact objective in respect to its general account investment portfolio and an operational greenhouse gas emission reduction. We discussed with management the planned actions which in their view should lead to realization of the commitments. The impact on the 2021 financial statements resulting from the risk of climate change on the insurance activities is considered limited, due to among others, the size and nature of the property and casualty portfolio of the group. As the investment portfolio is largely valued at market value, based on market observable inputs, the risk of climate change on this portfolio does also not lead to a material risk from a 2021 financial statements perspective. Hence, the risk of climate change on the Group does not warrant a key audit matter.

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

We ensured that the group audit team and the component audit teams included the appropriate skills and competences which are needed for the audit of a complex financial conglomerate, such as Aegon. This includes industry expertise in life and non-life insurance, banking, and asset management. We included experts and specialists in the areas of risk assurance (IT), tax services, actuarial services, global human resource services, valuation services for certain types of assets (e.g., complex financial instruments and real estate) and forensics in our team. For the assessment of the other information included in the annual report in respect of the required EU Taxonomy disclosures we added ESG specialists to our team.

The outline of our audit approach was as follows:



Materiality

- Overall materiality: EUR 130 million.

Audit scope

- We conducted audit work in the segments Americas, the Netherlands, United Kingdom, International, Asset Management and Holding and other activities.
- Virtual site visits were conducted to the United States, the Netherlands, United Kingdom, Spain, Hong Kong and global Asset Management. For the segment Holdings and other activities, we performed the audit work ourselves.
- Audit coverage: 96% of consolidated revenue, 99% of consolidated total assets and 97% of consolidated result before tax.

Key audit matters

- Valuation of certain assets and liabilities arising from insurance contracts.
- Valuation of certain Level 3 investments.
- Uncertainties in policyholder claims and litigation.

Materiality

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

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

Overall group materiality	EUR 130 million (2020: EUR 115 million).
Basis for determining materiality	We used our professional judgment to determine overall materiality. As a basis for our judgment, we used 0.75% of the Adjusted Shareholders' Equity.
Rationale for benchmark applied	<p>We used the Adjusted Shareholders' Equity, as disclosed in Note 43, 'Capital management and solvency', to the consolidated financial statements, as the primary benchmark, based on our analysis of the common information needs of users of the financial statements. Adjusted Shareholders' Equity is defined as EU-IFRS Shareholders' Equity minus revaluation reserves (i.e., the volatile effect of unrealized gains/losses on available-for-sale investments) plus non-controlling interests and long-term incentive plan not yet vested (which are immaterial to the calculation). We believe that Adjusted Shareholders' Equity is the most relevant and suitable benchmark to determine our overall materiality due to the focus of stakeholders (e.g., regulators, rating agencies and shareholders) on capital generation in combination with the nature of the Group's business and the volatility of earnings. Adjusted Shareholders' Equity is a key metric to evaluate Aegon's equity position, which is important for the dividend paying potential of Aegon and gives a relevant indication of the ability of the Group to cover its liabilities.</p> <p>We applied professional judgment to determine the percentage to be applied to this metric. In this respect we considered the activities of the Group, the balance sheet total, revenue, the underlying result, and the result before tax. Based on this assessment, during our planning procedures we considered a percentage of 0.75% adequate considering the anticipated level of Adjusted Shareholders' equity. We have set our final materiality based on the Adjusted Shareholders' Equity position at year end.</p>
Component materiality	To each component in our audit scope, we, based on our judgment, allocate materiality that is less than our overall group materiality. The range of materiality allocated across components was between EUR 15 million and EUR 100 million.

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

We agreed with the Supervisory Board that we would report to them misstatements identified during our audit above EUR 6 million (2020: EUR 6 million) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

The scope of our group audit

Aegon N.V. is the parent company of a group of entities. The Group is structured predominantly along geographical lines as described in Note 5, 'Segment information', to the consolidated financial statements. The financial information of this group is included in the consolidated financial statements of Aegon N.V.

We tailored the scope of our audit to ensure that we, in aggregate, provide sufficient coverage of the financial statements for us to be able to give an opinion on the financial statements as a whole, taking into account the management structure of the Group, the nature of operations of its components, the accounting processes and controls, and the markets in which the components of the Group operate. In establishing the overall group audit strategy and plan, we determined the type of work required to be performed at the component level by the Group engagement team and by each component auditor.

The group audit primarily focused on the significant components: Americas, the Netherlands and United Kingdom.

We subjected these components to audits of their complete financial information, as these components are individually financially significant to the Group. Additionally, we selected Spain, two operating entities in Asia, and Holdings and other activities for audit of specified balances to achieve appropriate coverage on financial line items in the consolidated financial statements.

In total, in performing these procedures and excluding our consolidated analytical procedures, we achieved the following coverage on the financial line items:

Revenue	96%
Total assets	99%
Result before tax	97%

None of the remaining components represented more than 2% of total consolidated revenue or total consolidated assets. For those remaining components we performed, among other things, analytical procedures to corroborate our assessment that there were no significant risks of material misstatements within those components.

Where component auditors performed the work, we determined the level of involvement we needed to have in their audit work to be able to conclude whether we had obtained sufficient and appropriate audit evidence as a basis for our opinion on the consolidated financial statements as a whole.

We issued instructions to the component audit teams in our audit scope. These instructions included amongst others our risk analysis, materiality and scope of the work. We explained to the component audit teams the structure of the Group, the main developments that are relevant for the component auditors, the risks identified (including the risk of fraud), the materiality levels to be applied and our global audit approach. We discussed the risk assessment and audit approach with each of the component teams. This particularly concerned the risk of fraud, revenue recognition, significant estimates and the impact of the COVID-19 pandemic on the risk assessment, for instance the risk of working in a remote and/or hybrid environment. We developed an oversight strategy for each component based on its significance and/or risk characteristics to the Group. This strategy included procedures such as regular virtual meetings and discussions with component auditors to challenge and review significant audit matters and judgments including the review of selected working papers via remote access to our component teams' audit files which is fully supported by the use of the global PwC electronic audit file program.

Furthermore, we had individual calls with each of the in-scope component audit teams during the year and upon conclusion of their work. During these calls, we discussed the significant accounting and audit issues identified by the component auditors and the audit procedures in this respect, their reports, the findings of their procedures, updates on risk assessments and other matters, which could be of relevance for the audit of the consolidated financial statements of the Group. Furthermore, we analyzed the reports received from the component auditors and attended the virtual closing meetings.

Next to the meetings with the component teams, we also had (virtual) meetings with various members of the local Aegon management team of the main components. During these meetings, we discussed the business development, strategy, financial performance of the local businesses, and fraud and climate related risks. We also discussed the impact of change on the organization and people from transformation programs (e.g., performance improvement initiatives), the IFRS 17 implementation, and the COVID-19 pandemic, including the impact on controls and the control environment. The impact of change also affects considerations of controls in respect of outsourcing.

The group engagement team performed the audit work on the group consolidation and financial statement disclosures.

By performing the procedures above at the component level, combined with additional procedures at group level, we have been able to obtain sufficient and appropriate audit evidence on the Group's financial information, as a whole, to provide a basis for our opinion on the financial statements.

Audit approach on fraud risks

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

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

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

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

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

Identified fraud risk

Management override of controls

In accordance with Standard 240.32, the risk of management override of controls is always considered to present a significant risk of fraud that cannot be rebutted.

Methods by which management could override controls include, but are not limited to, the following:

- Manipulation of the financial reporting process by recording inappropriate or unauthorized journal entries.
- Intentional misstatement of accounting estimates that involve subjective inputs and assumptions.
- Entering into significant transactions that are outside the normal course of business for the entity or that otherwise appear to be unusual, that have been entered into to engage in fraudulent financial reporting or to conceal misappropriation of assets.

Audit work and observations

To the extent relevant to our audit, we have reviewed the design of internal controls to mitigate the risk of override of internal control and tested the effectiveness of the controls in the processes for generating and processing journal entries and making estimates. We also paid specific attention to the restricted access in IT systems and the possibility that segregation of duties is not enforced.

We identified significant assumptions and tested these against the Group's and market experience information. For details we refer to the key audit matters in respect of Valuation of certain assets and liabilities arising from insurance contracts and Valuation of certain level 3 investments.

We tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements. We selected journal entries based on risk criteria and performed specific audit procedures on these. We identified no significant transactions outside normal business operations.

Our work did not lead to specific indications of fraud or suspicions of fraud with regard to the override of internal control by management.

Audit approach on going concern

As disclosed in Note 3, 'Critical accounting estimates and judgment in applying accounting policies', to the consolidated financial statements management performed their assessment of the entity's ability to continue as a going concern for the foreseeable future and has not identified events or conditions that may cast significant doubt on the entity's ability to continue as a going concern (hereafter: going concern risks). Our procedures to evaluate management's going concern assessment include, amongst others:

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

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

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

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

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

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

Key audit matters

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

The key audit matters described below are mostly related to the nature of the Group and are therefore expected to occur year over year. In prior year, given the economic impacts resulting from the ongoing COVID-19 pandemic, but also the new strategy presented by the Group in December 2020, we gave significant additional attention to the risk of impairment of assets. Compared to last year, we do not consider the risk of impairment of assets as a key audit matter anymore. Based on our assessment, the economic impact of the pandemic and the impact of the late 2020 announced new strategy on the future earnings capacity do not lead to such an increased risk for impairment of assets at the 2021 year-end that it warrants a key audit matter.

Key audit matter	Our audit work and observations
<p>Valuation of certain assets and liabilities arising from insurance contracts.</p> <p>Note 3 'Critical accounting estimates and judgment in applying accounting policies', Note 27 'Deferred expenses', Note 29 'Intangible assets', Note 34 'Insurance contracts' and Note 44 'Fair value'.</p> <p>The Group has the following assets and liabilities as at December 31, 2021 arising from insurance contracts:</p> <ul style="list-style-type: none"> • Deferred policy acquisition costs (DPAC) of EUR 9.3 billion included in the deferred expenses line item; • Value of business acquired (VOBA) of EUR 0.8 billion included in the intangible assets line item; • Insurance contracts of EUR 124.4 billion; and • Embedded derivatives in insurance contracts of EUR 3.4 billion included in the derivatives liability line item. <p>These areas involve the use of valuation models that use significant inputs that are not market observable and significant judgment over uncertain future outcomes, including the timing and ultimate full settlement of long-term policyholder liabilities and as a result, are more likely to be subject to a material misstatement either due to error or fraud. Therefore, we considered these areas a key matter for our audit.</p> <p>To assess the recoverability of DPAC and VOBA and the adequacy of the liabilities for insurance contracts, at each reporting date, Aegon performs liability adequacy testing. This testing is done to verify that the valuation of these assets and liabilities are adequate as compared to the expected future contractual cash flows.</p> <p>The main assumptions used in measuring the DPAC and VOBA and the liabilities for insurance contracts relate to mortality, morbidity, future expenses, surrender, lapse, utilization rates and, for embedded derivatives, own credit spread. In addition, Aegon the Netherlands adjusts the outcome of the liability adequacy test for the difference between the fair value and the book value of mortgage loans and private loans. The fair value of mortgage loans and private loans is determined using significant assumptions that require judgment, including prepayment rate and lapse assumptions. Given the magnitude of the insurance contract liabilities and the sensitivities as explained in Note 34, 'Insurance contracts', a change in non-market observable inputs (especially mortality and morbidity) could have a significant effect on net income and shareholders' equity.</p> <p>During 2021, Aegon continued a multi-year review of its actuarial models with focus on those considered medium and high risk. Model updates in combination with the Group's actuarial and economic assumptions update resulted in a EUR 298 million pre-tax charge for the year as explained in Note 5, 'Segment information'.</p>	<p>We performed audit procedures over the valuation and liability adequacy testing models and the model updates to determine the appropriateness of those and assessed the compliance with the applicable accounting standards. We tested the impact of model updates against supporting evidence. For the models used, we tested the completeness and accuracy of key data underlying the development of the significant assumptions, as well as judgments applied, which may vary depending on the product and/or the specifications of the product. We evaluated the reasonableness of management's significant assumptions, taking also into account the impact of the COVID-19 pandemic, especially on mortality and morbidity, assumed future expenses, surrender and utilization rates and investment return. In our assessment, we considered the risk of management bias in setting these significant assumptions. Based on our procedures, we found these assumptions to be reasonable and appropriate.</p> <p>The quality of previous years' assumptions is assessed by the analyses of the actual versus expected developments. We also evaluated the different market return scenarios that management used for measurement purposes by performing audit procedures on historical experience. Where expert judgment was used, we challenged management on the judgment applied and the use of alternative scenarios. Based on our procedures performed, we found that the assumptions set by management and the different scenarios used were supported by available audit evidence and are within a range we consider acceptable based on the Group's and industry experience.</p> <p>In respect of mortgage loans and private loans of Aegon in the Netherlands, we evaluated the reasonableness of management's estimate of the fair value of the portfolio that is included in the liability adequacy test by independently developing a range of acceptable outcomes and comparing management's estimate to the independently developed ranges.</p> <p>We also evaluated whether the disclosures in the consolidated financial statements are adequate and in accordance with EU-IFRS. We found the disclosures to be appropriate in this context.</p>

Key audit matter

Valuation of certain level 3 investments.

Note 3 'Critical accounting estimates and judgment in applying accounting policies', Note 22 'Investments' and Note 44 'Fair value'.

The Group has investments of EUR 158.5 billion as at December 31, 2021, of which EUR 3.3 billion were categorized as Level 3 debt securities and investments in real estate in the valuation hierarchy.

Management's estimation of the valuation of Level 3 debt securities and investments in real estate is developed using quotes from third-party brokers, internal cash flow modelling techniques and external appraisals that use significant unobservable inputs, including discount and capitalization rates, default rate and liquidity assumptions, issue specific credit adjustments and indicative quotes from market makers. These estimations involve significant judgment by management and have a higher potential risk to be affected by error or management bias. Therefore, these areas are considered a key audit matter. Our focus considered both the positions that are presented at fair value on the balance sheet and those positions carried at amortized cost on the balance sheet but for which fair value is required to be disclosed.

The models that are utilized in the assessment of impairments on structured securities are dependent on assumptions such as prepayments, severities, and Constant Default Rate vectors. The significant inputs used in valuing real estate are monthly rent rolls, capital expenditure budgets provided by the asset manager, and discount rates and capitalization rates obtained from outside parties. In addition, real estate properties are valued using industry standard models and sales comparison based on the type of property.

Given the nature of certain inputs/rates utilized and valuation methodology employed, the valuation of real estate has a high estimation uncertainty and a change in assumptions could have a significant effect on net income and shareholders' equity.

Uncertainties in policyholder claims and litigation.

Note 38 'Provisions', Note 45 'Commitments and contingencies'.

The insurance industry continues to face consumer activism and regulatory scrutiny over product design and selling practices. The Group has encountered claims and litigations in this respect. Depending on the actual legal position and expectations from management, claims, including litigation related, are either provided for as a liability or reflected as contingent liabilities in the notes to the financial statements based on the criteria as outlined in EU-IFRS. The Group uses internal and external legal experts where applicable to evaluate its legal positions.

Given the uncertainty and judgment in this area in terms of valuation and presentation and disclosure, this area is subject to the risk of understatement of recorded liabilities and incomplete disclosure of contingent liabilities. Therefore, we determined this as a key audit matter.

Our audit work and observations

We performed substantive audit procedures to supplement procedures over our testing of internal controls in respect of assumption setting and data and those assessing service organization reports. These substantive procedures included, among others, developing an independent estimate of the value for a sample of investments by obtaining independent pricing from third-party vendors, if available. We performed retrospective testing, where possible, to assess the quality of previous estimates and assumptions. Also, on a sample basis for certain Level 3 investments, we evaluated the reasonableness of management's estimate by developing an independent range of prices utilizing a range of prices and comparing management's estimate to the independently developed ranges. Developing the independent estimate involved utilizing a range of available market inputs and assumptions and testing the completeness and accuracy of data provided by management. We assessed pricing models and the underlying methodologies against industry practice and valuation guidelines. We used real estate valuation experts to assess on a sample basis the fair value of properties as determined by management and as reported by outsourcing parties based on available market information. Based on our procedures, we considered that the valuation of these investments was within the bandwidth that we consider acceptable.

We also evaluated whether the disclosures in the consolidated financial statements are adequate and in accordance with EU-IFRS. We found the disclosures to be appropriate in this context.

We gained an understanding of the policyholders' claims and litigations through discussions with management including the general legal counsel.

Our procedures also included, among others, obtaining and evaluating lawyers' letters to the extent considered necessary for our audit. For all (potential) material claims, we tested the underlying facts and circumstances considered and assessed the best estimate of outflows as determined by the Group.

We evaluated that the Group has properly reflected the claims and litigations in either the provisions or the contingent liabilities by assessing these against the criteria in IAS 37. In this respect, we assessed whether the Group has a present obligation (legal or constructive) as a result of a past event, if it is probable (i.e., more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Based on our procedures performed, we noted no exceptions.

We also evaluated whether the disclosures in the consolidated financial statements are adequate and in accordance with EU-IFRS. We found the disclosures to be appropriate in this context.

Report on the other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of all information in the annual report besides the financial statements and our auditor's report thereon.

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

- is consistent with the financial statements and does not contain material misstatements;
- contains the information regarding the directors' report and the other information that is required by Part 9 of Book 2 and regarding the remuneration report required by the sections 2:135b and 2:145 subsection 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained in our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing our procedures, we comply with the requirements of Part 9 of Book 2 and section 2:135b subsection 7 of the Dutch Civil Code and the Dutch Auditing Standard 720, 'The auditor's responsibilities relating to other information'. The scope of such procedures was substantially less than the scope of those performed in our audit of the financial statements.

The Executive Board is responsible for the preparation of the other information, including the directors' report and the other information in accordance with Part 9 of Book 2 of the Dutch Civil Code. The Executive and Supervisory Board are responsible for ensuring that the remuneration report is drawn up and published in accordance with sections 2:135b and 2:145 subsection 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements and ESEF

Our appointment

We were initially appointed as auditors of Aegon by the Supervisory Board following the passing of a resolution by the shareholders at the annual meeting held on May 15, 2013. We are the independent auditor for a total period of 8 years.

European Single Electronic Format (ESEF)

Aegon N.V. has prepared the annual report, including the financial statements, in ESEF. The requirements for this format are set out in the Commission Delegated Regulation (EU) 2019/815 with regard to regulatory technical standards on the specification of a single electronic reporting format (these requirements are hereinafter referred to as: the RTS on ESEF).

In our opinion, the annual report prepared in XHTML format, including the partially marked-up consolidated financial statements, as included in the reporting package by Aegon N.V., complies, in all material respects, with the RTS on ESEF.

The Executive Board is responsible for preparing the annual report, including the financial statements, in accordance with the RTS on ESEF, whereby the Executive Board combines the various components into a single reporting package. Our responsibility is to obtain reasonable assurance for our opinion on whether the annual report in this reporting package, complies with the RTS on ESEF.

Our procedures, taking into account Alert 43 of the NBA (Royal Netherlands Institute of Chartered Accountants), included amongst others:

- Obtaining an understanding of the entity's financial reporting process, including the preparation of the reporting package.
- Obtaining the reporting package and performing validations to determine whether the reporting package, containing the Inline XBRL instance document and the XBRL extension taxonomy files, has been prepared, in all material respects, in accordance with the technical specifications as included in the RTS on ESEF.
- Examining the information related to the consolidated financial statements in the reporting package to determine whether all required mark-ups have been applied and whether these are in accordance with the RTS on ESEF.

No prohibited non-audit services

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

Services rendered

The services, in addition to the audit, that we have provided to the Company and its controlled entities, for the period to which our audit relates, are disclosed in Note 21, 'Auditor's remuneration', to the company financial statements.

Responsibilities for the financial statements and the audit

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

The Executive Board is responsible for:

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

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

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

Our responsibilities for the audit of the financial statements

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

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

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

Amsterdam, March 16, 2022

PricewaterhouseCoopers Accountants N.V.

Original has been signed by G.J. Heuvelink RA

Appendix to our auditor's report on the financial statements 2021 of Aegon N.V.

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

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

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

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

Considering our ultimate responsibility for the opinion on the consolidated financial statements, we are responsible for the direction, supervision and performance of the group audit. In this context, we have determined the nature and extent of the audit procedures for components of the Group to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole. Determining factors are the geographic structure of the Group, the significance and/or risk profile of group entities or activities, the accounting processes and controls, and the industry in which the Group operates. On this basis, we selected group entities for which an audit or review of financial information or specific balances was considered necessary.

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

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

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

Other information

Profit appropriation

Appropriation of profit will be determined in accordance with the articles 31 and 32 of the Articles of Association of Aegon N.V. The relevant provisions are as follows:

1. The General Meeting of Shareholders will adopt the Annual Accounts;
2. If the adopted profit and loss account shows a profit, the Supervisory Board may decide, upon the proposal of the Executive Board, to set aside part of the profit to augment and/or form reserves;
3. The profits remaining after application of 2 above shall be put at the disposal of the General Meeting of Shareholders. The Executive Board, subject to the approval of the Supervisory Board, shall make a proposal for that purpose. A proposal to pay a dividend shall be dealt with as a separate agenda item at the General Meeting of Shareholders;
4. The Executive Board may, subject to the approval of the Supervisory Board, make one or more interim distributions to the holders of common shares and common shares B;
5. Distributions are made in accordance with the principle set forth in article 4 of the Articles of Association of Aegon N.V. that the financial rights of a common share B are one fortieth (1/40th) of the financial rights of a common share;
6. The Executive Board may, subject to the approval of the Supervisory Board, decide that a distribution on common shares and common shares B shall not take place as a cash payment but as a payment in common shares. Alternatively, it may decide that holders of common shares and common shares B shall have the option to receive a distribution as a cash payment and/or as a payment in common shares, out of the profit and/or at the expense of reserves, provided that the Executive Board is designated by the General Meeting to issue shares. Subject to the approval of the Supervisory Board, the Executive Board shall also determine the conditions applicable to the aforementioned choices; and
7. The Company's policy on reserves and dividends shall be determined and can be amended by the Supervisory Board, upon the proposal of the Executive Board. The adoption and each amendment of the policy on reserves and dividends thereafter, shall be discussed and accounted for at the General Meeting of Shareholders under a separate agenda item.

Major shareholders

General

As of December 31, 2021, Aegon's total authorized share capital consisted of 6,000,000,000 common shares with a par value of EUR 0.12 per share and 3,000,000,000 common shares B with a par value of EUR 0.12 per share. At the same date, there were 2,106,313,195 common shares and 568,839,440 common shares B issued. Of the issued common shares, 301,774,161 common shares and 538,250,640 common shares B were held by Vereniging Aegon and 821,758 common shares were held by Aegon's subsidiaries.

All of Aegon's common shares and common shares B are fully paid and not subject to calls for additional payments of any kind. All of Aegon's common shares are registered shares. New York Registry Shares ("NYRS") are common shares and are traded at the New York Stock Exchange. Holders of NYRS hold their shares in the registered form issued by Aegon's New York transfer agent on Aegon's behalf. NYRS and shares of listed at Euronext are exchangeable on a one-to-one basis and are entitled to the same rights, except that cash dividends are paid in US dollars on NYRS.

As of December 31, 2021, 254 million common shares were held in the form of NYRS. As of December 31, 2021, there were approximately 13,232 record holders of Aegon's NYRS resident in the United States.

Vereniging Aegon

Vereniging Aegon is the continuation of the former mutual insurer AGO. In 1978, AGO demutualized and Vereniging AGO became the only shareholder of AGO Holding N.V., which was the holding company for its insurance operations. In 1983, AGO Holding N.V. and Ennia N.V. merged into Aegon N.V.. Vereniging AGO initially received approximately 49% of the common shares and all of the preferred shares in Aegon, giving it voting majority in Aegon. At that time, Vereniging AGO changed its name to Vereniging Aegon.

The purpose of the Association is a balanced representation of the direct and indirect interests of Aegon and of companies with which Aegon forms a group, of insured parties, employees, shareholders and other related parties of these companies. Influences that threaten the continuity, independence or identity of Aegon, in conflict with the aforementioned interests will be resisted as much as possible.

In accordance with the 1983 Amended Merger Agreement, Vereniging Aegon had certain option rights on preferred shares to prevent dilution of voting power as a result of share issuances by Aegon. This enabled Vereniging Aegon to maintain voting control at the General Meeting of Shareholders of Aegon. In September 2002, Aegon effected a capital restructuring whereby Vereniging Aegon's ownership interest in Aegon's common shares decreased from approximately 37% to approximately 12% and its aggregate ownership interest in Aegon's voting shares decreased from approximately 52% to approximately 33%.

In May 2003, Aegon's shareholders approved certain changes to Aegon's corporate governance structure, introducing a second class of preferred shares. Both classes of preferred shares had a nominal value of EUR 0.25 each. The voting rights pertaining to the preferred shares were adjusted accordingly to 25/12 vote per preferred share. However, in May 2003, Aegon and Vereniging Aegon also entered into a Preferred Shares Voting Agreement, pursuant to which Vereniging Aegon agreed to exercise one vote only per preferred share, except in the event of a 'Special Cause', as defined below. At that time Aegon and Vereniging Aegon amended the option arrangements under the 1983 Amended Merger Agreement so that, in the event of an issuance of shares by Aegon, Vereniging Aegon could purchase as many class B preferred shares as would enable Vereniging Aegon to prevent or correct dilution to below its actual percentage of voting shares, to a maximum of 33%.

On February 15, 2013, Aegon and Vereniging Aegon entered into an agreement to simplify the capital structure of Aegon and to cancel all of Aegon's preferred shares, of which Vereniging Aegon was the sole owner. The execution of this agreement was approved by the Annual General Meeting of Shareholders on May 15, 2013.

The simplified capital structure entailed, but was not limited, to the conversion of all outstanding preferred shares A and B, with a nominal value of EUR 0.25 each, into a mix of common shares and common shares B, with a nominal value of EUR 0.12 each. The financial rights attached to a common share B were determined at 1/40th of the financial rights attached to a common share.

The simplified capital structure also entailed the amendment of the Voting Rights Agreement between Aegon and Vereniging Aegon, known as the Preferred Shares Voting Agreement before May 2013. As a matter of Dutch corporate law, the shares of both classes offer equal full voting rights, as they have equal nominal values (EUR 0.12). The amended Voting Rights Agreement ensures that under normal circumstances, i.e. except in the event of a Special Cause, Vereniging Aegon will no longer exercise more votes than

is proportionate to the financial rights represented by its shares. This means that in the absence of a Special Cause Vereniging Aegon may cast one vote for every common share it holds and one vote only for every 40 common shares B it holds. As Special Cause qualifies the acquisition of a 15% interest in Aegon, a tender offer for Aegon shares or a proposed business combination by any person or group of persons, whether individually or as a group, other than in a transaction approved by the Executive Board and the Supervisory Board. If, in its sole discretion, Vereniging Aegon determines that a Special Cause has occurred, Vereniging Aegon will notify the General Meeting of Shareholders and retain its right to exercise the full voting power of one vote per common share B for a limited period of six months.

The simplified capital structure also included an amendment to the 1983 Amended Merger Agreement between Aegon and Vereniging Aegon. Following this 2013 amendment, Vereniging Aegon's call option relates to common shares B. Vereniging Aegon may exercise its call option to keep or restore its total stake at 32.6%, irrespective of the circumstances which cause the total shareholding to be or become lower than 32.6%.

On May 17, 2019, Vereniging Aegon exercised its options rights to purchase in aggregate 1,773,680 common shares B at fair value of a common share B (being 1/40th of the market value of a common share in the capital of the Company at the time of issuance) to mitigate dilution caused by the issuance of shares on May 17, 2019, in connection with the Long Term Incentive Plans for senior management.

On December 23, 2019, Aegon repurchased 13,227,120 common shares B from Vereniging Aegon for the amount of EUR 1,384,046 based on 1/40th of the Value Weight Average Price of the common shares of the five trading days preceding this transaction. The repurchase of common shares B was executed to align the aggregate holding of voting shares by Vereniging Aegon in Aegon with its special cause voting rights of 32.6% following the completion of the Share Buy Back Program, initiated by Aegon in October 2019 to neutralize the dilutive effect of the distribution of interim dividend 2019 in stock.

On May 15, 2020, Vereniging Aegon exercised its options rights to purchase in aggregate 2,154,000 common shares B at fair value of a common share B (being 1/40th of the market value of a common share in the capital of the Company at the time of issuance) to mitigate dilution caused by the issuance of shares on May 15, 2020, in connection with the Long Term Incentive Plans for senior management.

On December 14, 2020, Aegon repurchased 2,955,600 common shares B from Vereniging Aegon for the amount of EUR 228,911.22 based on 1/40th of the Value Weight Average Price of the common shares of the five trading days preceding this transaction. The repurchase of common shares B was executed to align the aggregate holding of voting shares by Vereniging Aegon in Aegon with its special cause voting rights of 32.6% following the completion of the Share Buy Back Program, initiated by Aegon in October 2020 to neutralize the dilutive effect of the distribution of interim dividend 2020 in stock.

On June 3, 2021, Vereniging Aegon exercised its options rights to purchase in aggregate 1,983,360 common shares B at fair value of a common share B (being 1/40th of the market value of a common share in the capital of the Company at the time of issuance) to mitigate dilution caused by the issuance of shares on June 3, 2021, in connection with the Long Term Incentive Plans for senior management.

On December 15, 2021, Aegon repurchased 22,643,360 common shares B from Vereniging Aegon for the amount of EUR 2,285,621 based on 1/40th of the Value Weight Average Price of the common shares of the five trading days preceding this transaction. The repurchase of common shares B was executed to align the aggregate holding of voting shares by Vereniging Aegon in Aegon with its special cause voting rights of 32.6% following the completion of the Share Buy Back Programs, initiated by Aegon in July and October 2021 to neutralize the dilutive effect of the distribution of the final dividend 2020 and the interim dividend 2021 in stock.

Development of shareholding in Aegon

Accordingly, at December 31, 2021, the voting power of Vereniging Aegon under normal circumstances amounted to approximately 15.39%, based on the number of outstanding and voting shares (excluding issued common shares held in treasury by Aegon). In the event of a Special Cause, Vereniging Aegon's voting rights will increase, currently to 32.6%, for up to six months.

At December 31, 2021, the General Meeting of Members of Vereniging Aegon consisted of nineteen members. The majority of the voting rights is with the seventeen members who are not employees or former employees of Aegon or one of the Aegon Group companies, nor current or former members of the Supervisory Board or the Executive Board of Aegon. The other two members are from the Executive Board of Aegon.

Vereniging Aegon has an Executive Committee consisting of six members, four of whom are not, nor have ever been, related to Aegon, including the Chairman and the Vice-Chairman. The other two members are also member of the Executive Board of Aegon. Resolutions of the Executive Committee, other than regarding the amendment of the Articles of Association of Vereniging Aegon, are made with an absolute majority of the votes. When a vote in the Executive Committee results in a tie, the General Meeting of Members has the deciding vote. Regarding the amendment of the Articles of Association of Vereniging Aegon, a special procedure requires a unanimous proposal from the Executive Committee, thereby including the consent of the representatives of Aegon at the Executive Committee. This requirement does not apply in the event of a hostile change of control at the General Meeting of Shareholders of Aegon, in which event Vereniging Aegon may amend its Articles of Association without the cooperation of Aegon. Furthermore, the two members of the Executive Board of Aegon, who are also members of the Executive Committee, have no voting rights on several decisions that relate to Aegon, as set out in the Articles of Association of Vereniging Aegon.

Other major shareholders

In this section where reference is made to any filings with the Dutch Autoriteit Financiële Markten or the SEC, the terms 'issued capital' and 'voting rights' are used as defined in the Wet op het Financieel Toezicht.

To Aegon's knowledge based on the filings made with the Dutch Autoriteit Financiële Markten, UBS Group AG, Dodge & Cox Stock Fund, BlackRock, Inc., EuroPacific Growth Fund, Capital Research and Management Company and Dodge & Cox International Stock Fund hold a capital or voting interest in Aegon of 3% or more.

Based on its last filing with the Dutch Autoriteit Financiële Markten as at February 9, 2022, UBS Group AG stated to hold 95,033,675 common shares, representing 3.6% of the issued capital as at December 31, 2021.

Based on its filing with the Dutch Autoriteit Financiële Markten as at December 2, 2021, BlackRock, Inc. stated to hold 84,608,110 common shares, representing 3.2% of the issued capital as at December 31, 2021, and 99,534,476 voting rights, representing 3.7% of the issued capital as at December 31, 2021.

On February 7, 2022, BlackRock, Inc.'s filing with the US Securities and Exchange Commission (SEC) shows that BlackRock holds 116,873,102 common shares, representing 4.5% of the issued and outstanding capital as at December 31, 2021, and has voting rights for 101,297,168 shares, representing 3.9% of the votes as at December 31, 2021.

Based on its last filing with the Dutch Autoriteit Financiële Markten as at November 26, 2021, Dodge & Cox Stock Fund stated to hold 80,432,242 common shares, representing 3.0% of the issued capital as at December 31, 2021.

On February 14, 2022, Dodge & Cox's filing with the US Securities and Exchange Commission (SEC) shows that Dodge & Cox holds 200,536,310 common shares, representing 7.8% of the issued and outstanding capital as at December 31, 2021, and has voting rights for 194,907,390 shares, representing 7.6% of the votes as at December 31, 2021.

Based on its last filing with the Dutch Autoriteit Financiële Markten as at August 24, 2021, EuroPacific Growth Fund stated to hold 86,580,061 common shares, representing 3.2% of the issued capital as at December 31, 2021.

Based on its last filing with the Dutch Autoriteit Financiële Markten as at August 24, 2021, Capital Research and Management Company stated to hold 121,745,561 voting rights, representing 4.6% of the issued capital as at December 31, 2021.

Based on its last filing with the Dutch Autoriteit Financiële Markten as at February 26, 2021, Dodge & Cox International Stock Fund stated to hold 80,049,394 common shares, representing 3.0% of the issued capital as at December 31, 2021.



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Overview of Americas

Aegon Americas operates primarily in the United States and also has operations in Brazil and Canada.

Aegon in the US and Canada

In the United States, Aegon Americas operates primarily under the Transamerica brand. Aegon Americas is also active in Canada through World Financial Group Insurance Agency (WFGIA), its affiliated insurance agency operations and WFG Securities Inc., a securities dealer. The use of the term 'Transamerica' throughout this business overview refers to the operating subsidiaries in the United States and Canada, collectively or individually, through which Aegon conducts business, except those United States operations further described in the 'Overview of Aegon Asset Management'.

Transamerica is one of the leading life insurance companies in the United States, and the largest of Aegon's operating units worldwide. Transamerica employs approximately 7,100 people, and its businesses in the United States serve customers in all fifty states, the District of Columbia, Puerto Rico, the US Virgin Islands, and Guam. Most Aegon companies in the United States operate under the Transamerica brand, which stands for the pursuit of financial and physical well-being: Wealth + Health. The primary offices are in Cedar Rapids, Iowa; Denver, Colorado; and Baltimore, Maryland. There are additional offices located throughout the United States.

Transamerica is organized into two business divisions, Workplace Solutions and Individual Solutions. Workplace Solutions serves employers and their employees, and Individual Solutions serves retail consumers. The two business divisions operate through one or more subsidiaries and affiliated companies to provide a wide range of life insurance, voluntary benefits (including supplemental health insurance), retirement plan recordkeeping and advisory services, annuities, mutual funds and other long-term savings and investment products. Transamerica employs a variety of distribution models to help customers access its products and services.

Aegon in Brazil

Aegon has a 54.9% economic interest, inclusive of 50% of voting common shares reported through the Americas segment, in MAG Seguros. MAG Seguros is Brazil's third largest independent (i.e. non-bank affiliated) life insurer¹. To further capture growth prospects in Brazil, Mongeral Aegon Group and Bancoob (Banco Cooperativo do Brasil) have established Sicoob Seguradora de Vida e Previdência, a company dedicated to providing life insurance and pension products within the Sicoob system. Sicoob is Brazil's largest cooperative financial system², with over 4.6 million associates and over 2,700 points of sale. MAG Seguros has approximately 740 employees. Effective January 1, 2022, all of MAG Seguros will be reported as part of Aegon International.

Organizational structure

Transamerica Corporation is the holding company for Aegon's US operations, and all US business is conducted through its various subsidiaries. Transamerica entities collectively have operating licenses in every US state, in addition to the District of Columbia, Puerto Rico, the US Virgin Islands, and Guam.

Transamerica is structured to provide relevant customer solutions that are easy to understand and that address the full range of customers' financial protection and savings needs at every stage of life. Moreover, Transamerica's structure leverages its brand strength, expertise, and capabilities to fulfill Aegon's purpose of helping people live their best lives.

Transamerica is organized into two business divisions, Workplace Solutions and Individual Solutions. Workplace Solutions offers retirement plan recordkeeping, advisory services, employee benefits (life insurance and supplemental health insurance), group annuities, collective investment trusts, health savings and flexible savings accounts, individual retirement accounts and stable value solutions to employers and their employees. Individual Solutions offers life insurance, annuities, mutual funds, and collective investment trusts (CITs) to retail customers. Transamerica offers these product lines, described in greater detail below, through several distribution and sales channels and delivers insurance primarily through one of its key insurance subsidiaries Transamerica Life Insurance Company and Transamerica Financial Life Insurance Company.

Aegon has designated the US as a core market, with Transamerica's businesses organized into Strategic Assets and Financial Assets.

¹ SUSEP, <http://www2.susep.gov.br/menuestatistica/SES/principal.aspx>. Webpage visited October 8, 2021.

² SICOOB, <https://www.bancoob.com.br/sobre-o-sicoob>. Webpage visited October 12, 2021.

Strategic Assets are those that are considered to have a greater potential for an attractive return on capital and growth. In Workplace Solutions, Transamerica is focused on small to mid-sized retirement plan administration, employee benefits, stable value solutions and the Transamerica Advice Center. It also continues to operate in the retirement plan administration market for large employers. In addition, Workplace Solutions provides value-added services, such as Managed Advice® and its proprietary investment solutions. In Individual Solutions, Transamerica focuses on select life insurance and investment products, including term life insurance, final expense whole life insurance, and indexed universal life insurance, as well as mutual funds and individual retirement products, like accumulation variable annuities (VA) with limited interest rate sensitivity.

Several Transamerica product lines are considered Financial Assets, which are capital intensive with relatively low returns on capital employed. These are traditional VAs with interest rate sensitive guaranteed living benefits and death benefits; stand-alone individual long-term care (LTC) insurance; and fixed annuities. Transamerica ceased new sales of these products in the first half of 2021 and any future new sales for Financial Assets are limited, if any, and focused on products with higher returns and a moderate risk profile.

Overview of sales and distribution channels

Transamerica offers its products and services through affiliated and non-affiliated distributors to meet customer needs and provide guidance to its customers. Workplace Solutions supports individuals primarily through their employers as customers, whereas Individual Solutions supports individual customers.

Workplace Solutions

Transamerica distributes its Workplace Solutions products and services to employers and employees through independent financial advisors, benefits consultants, and insurance agents as well as through an affiliated team of experienced registered representatives, investment advisor representatives, and licensed insurance agents.

Individual Solutions

Wholesale distribution

The Individual Solutions business line of Transamerica offers annuities, investments such as mutual funds and exchange traded funds (ETFs), and life insurance through agreements with independent broker-dealers, banks, wirehouses, independent financial planners, and independent insurance producers. Annuity and investment products are also offered through institutions including large broker-dealer research and advisory platforms, and registered investment advisors.

Additionally, Transamerica offers protection products through direct marketers, independent marketing organizations, and distribution outlets known as brokerage general agents. These products are predominantly non-registered life insurance products (term life, indexed universal life, and whole life insurance) sold through approximately 51,000 independent brokerage distributors and financial institutions.

Retail distribution

Transamerica's retail affiliated distribution group, Transamerica Financial Network (TFN), offers products, guidance and advice to individuals to meet their protection and investment needs. TFN consists of World Financial Group Insurance Agency (WFGIA), Transamerica Agency Network (TAN), and Transamerica Financial Advisors, Inc. (TFA). TFN, through licensed agents and registered representatives/investment advisor representatives, offers insurance, annuities, mutual funds, retirement plans and advisory account solutions. There are approximately:

- 53,200 independent life insurance agents associated with WFGIA in the United States and its affiliated insurance agency operating in Canada;
- 2,600 insurance agents associated with TAN, comprised of both employees and independent producers; and
- 3,000 WFGIA and TAN agents associated with TFA as registered representatives, of whom approximately 1,300 are registered as investment advisor representatives.

Overview of product lines

Life

Transamerica offers a comprehensive portfolio of protection solutions to customers in a broad range of market segments. Life products include term life (TL), universal life (UL), variable universal life (VUL), index universal life (IUL), and whole life insurance (WL).

Term life insurance

TL insurance provides death benefit protection without cash value accumulation. Benefits are paid to policy beneficiaries in the event of the death of the insured during a specified period. Living benefit riders that provide accelerated benefits for critical illnesses or chronic conditions are available on term insurance.

Universal life insurance

UL insurance is flexible permanent life insurance that offers death benefit protection together with the potential for cash value accumulation. After the first few years, there is usually no set premium. The policyholder can adjust the frequency and amount of premium payments, as long as sufficient premiums are accumulated in the policy's account value to cover charges in the month that follows, which are called 'monthly deductions'. Some versions of this product have 'secondary guarantees.' These maintain life insurance coverage when the cash value is insufficient, as long as the customer pays a specified minimum premium.

Variable universal life insurance

VUL insurance is permanent life insurance that offers both a death benefit and cash value accumulation potential with financial market participation. The premium amount for VUL insurance is flexible and may be changed by the policyholder within contract limits. Coverage amounts may change as well. The investment feature usually includes 'sub-accounts,' which provide exposure to investments, such as stocks and bonds. This exposure increases cash value return potential, but also the risk of additional premium requirements or lower coverage amounts in comparison with a traditional, non-variable life insurance policy. Transamerica did not actively market VUL insurance in 2021 but may do so in the future.

Index universal life insurance

IUL insurance provides permanent death benefit protection and cash value accumulation with flexible premium payments. What distinguishes it from other types of permanent life insurance is the way in which interest earnings are credited. Net premiums may be allocated to either a fixed account or indexed accounts. Indexed accounts credit interest based in part on the performance of one or more market indices. The credited interest is based on the index, but with a floor and a cap. IUL offers both market-paced growth potential in the indexed accounts and downside protection. It is an alternative to traditional UL - for which interest is credited at a fixed rate - and VUL, in which the cash value is directly exposed to market fluctuations. LTC riders and other living benefit riders are available on IUL products.

Whole life insurance

WL insurance provides permanent death benefit protection provided that the required premiums are paid, while accumulating cash values based on statutory requirements. Premiums are generally fixed and usually payable over the life of the policy. Among the WL insurance products offered is final expense WL insurance, which is intended to cover medical bills and burial expenses.

Accident & Health

Transamerica offers supplemental health insurance and LTC insurance.

Supplemental health insurance

Supplemental health insurance products include accidental death and dismemberment, accidental injury, cancer, critical illness, disability, hospital indemnity, Medicare supplement, retiree medical, dental, vision, and supplemental medical expense indemnity issued by affiliated and/or unaffiliated insurance companies.

Long-term care insurance

LTC insurance products are a category of health insurance and provide benefits to policyholders that require qualified LTC services when they are unable to perform two or more specified activities of daily living or develop a severe cognitive impairment. LTC insurance helps protect against the high cost of LTC services, and it may also help families better manage the financial, health and safety issues associated with LTC. Transamerica offers a LTC rider on certain life insurance products and ceased offering a standalone product in the first half of 2021.

Mutual Funds, Exchange Traded Funds (ETF) and Collective Investment Trusts (CITs)

Mutual funds are professionally managed investment vehicles comprised of pooled money invested by numerous individuals or institutions. Such funds are invested in various underlying security types such as stocks, bonds, money market instruments, and other securities. Transamerica offers mutual funds that are focused on several different asset classes, including US equity, global/international equity, fixed income, money markets and alternative investments, as well as asset allocation and target-date funds with combined equity and fixed income strategies. Transamerica mutual funds utilize the portfolio management expertise of asset managers across the industry in a sub-advised platform, using managers both affiliated with and not affiliated with Aegon. These managers are subject to a rigorous selection and monitoring due diligence process conducted by Transamerica Asset Management.

ETFs are a pooled investment vehicle for individual and institutional investors that combine some of the features of a mutual fund with the flexibility of allowing investors to trade throughout the day on an exchange. Transamerica offers a suite of managed-risk passive

ETFs that seek to track the S&P Managed Risk 2.0 Indices marketed under the name DeltaShares. This Managed Risk strategy is applied to US Large Cap, Mid Cap, Small Cap, International Developed Equity and Emerging Market Equity Indices.

A CIT is a pooled investment fund, held by a bank or trust company, and generally available only to certain types of retirement plans and other institutional investors. Transamerica serves as the advisor to some of the CITs it offers, which are focused on several different asset classes including US equity, international equity, and fixed income. Transamerica also leverages the portfolio management expertise of asset managers across the industry.

Variable Annuities

VAs allow the policyholder to accumulate assets for retirement on a tax-deferred basis and to participate in equity or bond market performance. Additional insurance guarantees, which are offered through riders, can be added to VAs, including guaranteed minimum death benefits (GMDBs) and guaranteed living benefits (GLBs). GMDBs provide a guaranteed benefit in the event of death. GLBs are intended to provide a measure of protection against market risk while the annuitant is alive. Different forms of GLBs are offered, such as guaranteeing an income stream for life and/or guaranteeing principal protection. While Transamerica discontinued sales of variable annuities with significant interest rate sensitive living and death benefits in the first quarter of 2021, it continues to offer variable annuities, including certain annuities with GLBs and GMDBs.

Fixed Annuities

Fixed annuities allow the policyholder to accumulate assets for retirement on a tax-deferred basis through periodic interest crediting and principal protection. Transamerica no longer allows new contracts of any fixed annuities as it ceased new sales of fixed indexed annuities in the first quarter of 2021. Premium additions on in force fixed annuities are allowed in some contracts; however, Transamerica's fixed indexed annuity rider will no longer receive any premium deposits after the second quarter of 2022, as the contracts allow for additions only for one year after issue.

Retirement Plans and IRAs

Comprehensive and customized retirement plan services are offered to employers across the entire range of defined benefit, defined contribution, and non-qualified deferred compensation plans for single employer plans, multiple employer plans (MEPs) and pooled employer plans (PEPs). Services are also offered to individuals rolling over funds from other qualified retirement funds or IRAs.

Retirement plan services, including administration, recordkeeping and related services are offered to employers of all sizes and to plans across all market segments with focus on small to mid-sized organizations. Transamerica also works closely with plan advisors and third-party administrators to serve their customers. Transamerica Retirement Solutions is a top-ten defined contribution record-keeper in the United States based on number of plan participants¹.

Plan sponsors have access to a wide array of investment options. Tools are provided to help plan participants monitor their retirement accounts and engage in behavior to stay on track towards a funded retirement. Managed Advice® is a managed account option that plan sponsors can make available to participants that provides investment advice to participants using the plan's slate of funds.

For individuals, retirement related services and products include IRAs, advisory services, and annuities as well as access to other financial insurance products and resources.

Stable Value Solutions

Transamerica's Stable Value Solutions business offers synthetic guaranteed investment contracts (GICs) primarily to tax-qualified institutional entities such as 401(k) plans and other retirement plans and college savings plans. A synthetic GIC 'wrapper' is offered around fixed income invested assets, which are owned by the plan and managed by the plan or a third-party money manager hired by the plan. A synthetic GIC is typically issued with an evergreen maturity and may be terminated under certain conditions. Such a contract helps to reduce fluctuations in the value of the wrapped assets and provides book value withdrawals for plan participants. Stable Value fixed annuity contracts are also available to certain types of qualified retirement plans as a participant investment option.

Brazil

Aegon has designated Brazil as a growth market. The Americas business in Brazil consists of a 54.9% economic interest, inclusive of 50% of voting common shares, in MAG Seguros, a Brazilian independent life insurer. MAG Seguros' activities include a life insurance and pension company, an asset management company, a multi-sponsored pension fund, a liabilities management company for

¹ Based on a compilation of qualitative and quantitative responses received from PLANSPONSOR magazine's 2021 Recordkeeping Survey. PLANSPONSOR, June 21, 2021, <https://www.plansponsor.com/research/2021-recordkeeping-survey>. Ranking as of December 2020.

pension funds, and a longevity institute. MAG Seguros and Bancoob (Banco Cooperativo do Brasil) own Sicoob Seguradora de Vida e Previdência (Sicoob), a life insurance and pensions company that provides life insurance and pension products via the Sicoob system. The joint venture distributes products through Sicoob. Bancoob is a private commercial bank owned by the credit cooperative entities affiliated with the Sicoob system. Sicoob represents a key distribution channel for MAG Seguros, which serves over 4 million customers nationwide through over 4,000 brokers.

Competition

The US marketplace is highly competitive. Transamerica's competitors include other large insurance carriers, in addition to certain banks, securities brokerage firms, investment advisors, and other financial intermediaries marketing insurance products, annuities and mutual funds.

In individual life insurance, leading competitors include Pacific Life, Lincoln National, Prudential Financial, John Hancock, National Life, Nationwide, and AIG. Competitors for supplemental health include a wide range of companies and company types based on the nature of the coverage including Aflac, MetLife, Colonial Life, Allstate, Unum, and Guardian Life.

Transamerica's primary competitors in the VA market are Jackson National, Lincoln National, AIG, Nationwide, and Equitable.

Some of Transamerica's main competitors in the mutual fund market include John Hancock, Principal, Hartford Funds, American Funds, PGIM, and Franklin Templeton.

In the defined contribution plan administration market, Transamerica's largest competitors (based on assets under administration) are Fidelity, Empower, Principal Financial, TIAA, Voya, Vanguard, Alight, and BofA Securities. Transamerica's largest competitors in the defined benefit segment are Alight, Willis Towers Watson, Conduent, Fidelity, Aon, Mercer, and Milliman.

In the market for synthetic GICs, Transamerica's Stable Value Solutions business, the largest competitors are Prudential Financial, MetLife, Voya, and Pacific Life.

Regulation and supervision

Transamerica's insurance companies are regulated primarily at the state level. Some activities, products and services are also subject to federal regulation.

State regulation

The Transamerica insurance companies are licensed as insurers and are regulated in each US state and jurisdiction in which they conduct insurance business. The insurance regulators in each state carry out their mission by providing oversight in the broad areas of market conduct and financial solvency.

Transamerica's largest insurance company, Transamerica Life Insurance Company, is domiciled in the State of Iowa, and the Iowa Insurance Division exercises principal regulatory jurisdiction over it. Iowa is Transamerica's designated lead state, giving Iowa a coordinating role in the collective supervision of Transamerica's insurance entities.

In the areas of licensing and market conduct, states grant or revoke licenses to transact insurance business, regulate trade, advertising and marketing practices, approve policy forms and certain premium rates, review and approve products and certain rates prior to sale, address consumer complaints, and perform market conduct examinations on both a regular and targeted basis.

In the area of financial regulation, state regulators implement and supervise statutory reserve and minimum risk-based capital requirements. Insurance companies are also subject to extensive reporting requirements, investment limitations, and required approval of significant transactions. State regulators conduct extensive financial examinations every three to five years.

State regulators have the authority to impose a variety of corrective measures, including the revocation of an insurer's license, for failure to comply with applicable regulations. All state insurance regulators are members of the National Association of Insurance Commissioners (NAIC), a non-regulatory industry association that works to achieve uniformity and efficiency of insurance regulation across the United States and US territories.

Recent state-level regulatory developments that impact Transamerica include changes to the product illustration rules for IUL insurance. The new rules attempt to make product illustrations more consistent across various product designs and should lead to a more level playing field for new sales within the industry.

The NAIC is implementing updated risk-based capital for bonds and real estate, effective at year end 2021. The factors result in required capital increases for many categories of bonds, whereas real estate capital charges decrease. In combination, the changes to bond and real estate risk charges have the effect of increasing regulatory capital requirements for Transamerica.

The NAIC has finalized and is gradually implementing a liquidity stress testing framework for large life insurers, including Transamerica. The requirements are effectuated by changes to the NAIC's Insurance Holding Company System Regulatory Act, which must be adopted by each state, but current submissions are occurring under existing authority. It is anticipated that the required liquidity stress testing exercise will be performed annually.

Recent amendments to the Life and Health Insurance Guaranty Association Model Act adjust guaranty fund assessments for future LTC insurance-related insolvencies so that 50% of such assessments come from life/annuity accounts, with the other 50% from health/Health Maintenance Organization accounts. Under the new formula, in the event of an LTC-related insolvency, Transamerica would be subject to a relatively greater burden for assessments imposed by state guaranty associations. To date, approximately 35 states have adopted the amended model.

Other emerging state issues that may impact Transamerica include a project by the NAIC to update the economic scenario generator that is required to be used to calculate prudential provisions for variable annuities and other products. The NAIC is also investigating emerging simplified and automated underwriting methodologies in light of nondiscrimination objectives. Finally, the NAIC is also exploring enhancements to existing climate risk regulation, including solvency assessment and risk disclosure.

Federal regulation

Although the insurance and retirement-related directed trustee and CIT business is primarily regulated at the state level, securities products, and retirement plans products and services are also subject to federal regulation.

Variable insurance products and mutual funds offered by Transamerica are subject to regulation under the federal securities laws administered and enforced by the Securities and Exchange Commission (SEC). The distribution and sale of SEC-registered products by broker-dealers is regulated by the SEC, the Financial Industry Regulatory Authority (FINRA), and state securities regulators. A number of Transamerica companies are also registered as investment advisors and are subject to the SEC's Regulation Best Interest (Regulation BI), which establishes a "best interest" standard of conduct for broker-dealers and investment advisors when making a recommendation to a retail customer and requires potential conflicts of interest to be disclosed. Several states have adopted an NAIC model law that imposes similar standards as Regulation BI for the sale of non-variable annuities.

There continues to be a very active US federal legislative and regulatory environment with respect to financial services. While there is no certainty whether or in what form these proposals might be adopted, emerging federal proposals that may impact the businesses of Transamerica include a Department of Labor fiduciary advice proposal, several legislative proposals considering independent contractor classification, and new requirements regarding the disclosure of climate risks and potentially other environmental, social, and governance factors.

Information security and privacy regulation

Transamerica's businesses are regulated with respect to information security, data breach response, privacy, and data use at both the federal and state levels. At the federal level, various Transamerica companies are subject to the Gramm-Leach-Bliley Act (GLBA), the Fair Credit Reporting Act (FCRA), and the Health Insurance Portability and Accountability Act (HIPAA), among other laws. At the state level, Departments of Insurance and Financial Services typically administer a series of privacy and information security laws and regulations that impact several Transamerica businesses. In addition, in recent years numerous state legislatures have passed or have attempted to pass additional, more broad-based general consumer privacy laws, such as the California Consumer Privacy Act and the California Privacy Rights Act. Those California laws, as amended, will be administered by the newly formed California Privacy Protection Agency. Additional laws and regulations with respect to these topics are also anticipated to be promulgated and to go into effect in the coming years, and they may be administered by new or different state agencies or by the offices of state Attorneys General. The White House, SEC, and other regulators have also increased their focus on companies' cybersecurity vulnerabilities and risks, including in relation to third-party service providers.

Overview of the Netherlands

For over 175 years, Aegon has operated in the Netherlands, where it is a leading provider of life insurance and pensions. Aegon the Netherlands employs approximately 3,300 people and is headquartered in The Hague, with main other offices in Amsterdam, Leeuwarden, and Groningen.

Organizational structure

Aegon is one of the most widely recognized brands in the Dutch financial services sector. Aegon the Netherlands also operates through several other brands, including Knab, TKP Pensioen, Nedasco and Robidus.

Aegon the Netherlands has four lines of business:

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

Aegon the Netherlands' primary subsidiaries are:

- Aegon Bank N.V.;
- Aegon Cappital B.V.;
- Aegon Hypotheken B.V.;
- Aegon Levensverzekering N.V.;
- Aegon Schadeverzekering N.V.;
- Aegon Spaarkas N.V.;
- Nedasco B.V.;
- Robidus Groep B.V.;
- TKP Pensioen B.V.

Within the strategy of Aegon, Aegon the Netherlands is designated a core market, organized into Financial Assets and Strategic Assets.

The Life activities of Aegon the Netherlands are considered Financial Assets. Aegon has established a dedicated team to manage these businesses, which is responsible for maximizing its value through active in-force management, disciplined risk management and capital management actions. These actions are focused on protecting the capital position, increasing capital generation, and reducing expenses by outsourcing of the servicing of the life-books. Aegon selectively competes in the defined benefit market. This also includes supporting employers in their transition towards defined contribution solutions under the new pension agreement. In 2021, new life sales consisted mainly of immediate pensions annuities, indexations on existing group life contracts and risk insurance.

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

Overview of sales and distribution channels

Aegon the Netherlands uses a variety of distribution channels to help customers access the products and services appropriate to their needs. All business lines use an intermediary channel, which focuses on independent brokers in different market segments in the Netherlands. Aegon the Netherlands continues to invest in online capabilities to support customers and intermediaries, to further enhance the digital self-service experience.

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

Overview of business lines

Life

Aegon the Netherlands' Life entity (Aegon Levensverzekering) is managed as a Financial Asset. This means that the focus is on maximizing its value through active in-force management, disciplined risk management and capital management actions. These actions are focused on protecting the capital position, increasing capital generation, and reducing expenses by outsourcing of the servicing of the life-books.

Pensions

Interest rates have been low for an extended period of time, creating a shift from Defined Benefit (DB) pension plans to Defined Contribution (DC) pensions plans. In 2020, fundamental changes were proposed to the Dutch pension system. Although implementation is delayed from 2026 to 2027, these include that new pension accrual is only allowed in DC schemes. As Aegon the Netherlands offers DC schemes through a separate legal entity - Aegon Cappital - the consequence for Aegon Levensverzekering is that all of its Group pension products will become closed books.

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

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

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

As the DB subscription product remains open for existing customers and, as some contracts have a due date in the future, there are still premiums received for these products. In addition, indexations remain possible for all of the Group DB products.

Annuities

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

Risk insurance

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

Endowment insurance

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

Term and whole life insurance

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

Mortgages

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

Banking

In 2021, Aegon completed the migration and integration of the Aegon Bank brand to the Knab brand. Knab is a fully online digital bank that went live in 2012. By integrating both operations and rationalizing product offerings, costs are lower, operations more efficient, and governance is unified. Knab continues to offer banking products like savings accounts and investments, as part of Aegon's pension offerings in the Netherlands. In 2020, Banking was classified as a Strategic Asset and forms the gateway to individual retirement solutions.

Knab customer growth is geared towards fee-paying customers and products. Increasing efforts to deliver products and offer functionalities (e.g., Google pay, VAT savings) in a higher customer demand environment is key for retaining and acquiring new customers.

Workplace solutions

Non-life

Accident and Health

Aegon the Netherlands offers disability and sick leave products to employers that cover these payments for employees not covered by social security and where the employer bears the risk. For some forms of disability, employers can choose to use the social security system to insure these risks or opt out and seek private insurance, which Aegon also offers. Private insurance appeals to employers, because it offers a wider set of coverage options and therefore better tailor to the needs of the employer regarding the disability risk of their employees, and as a result helps reduce absenteeism and disability thanks to better reintegration efforts.

For individuals, Aegon the Netherlands offers a disability product mainly targeted at the growing self-employed market.

Property and Casualty (P&C)

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

Through the service concepts, Aegon the Netherlands supports intermediaries with excellent digital processes to help their customers in the best possible way. This is done by stimulating performance at sustainable levels for customers, intermediaries, and the insurer. In addition to the intermediary market, Aegon the Netherlands has further developed digital and online capabilities, especially as the direct market has sustained a sizable share in the overall distribution in the past years, in particular for the Motor segment. The direct market includes sales via Aegon's own website and affiliates, as well as through aggregator websites.

Aegon Cappel

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

Aegon Cappel is one of the largest pension premium institutions ('PPIs') in the Netherlands and benefits considerably from economies of scale. The low interest rate environment, and the fundamental changes of the Dutch pension system as of January 1, 2027, will result in a continued shift to DC schemes.

PPIs cannot bear any investment or insurance risks on their offerings due to regulatory requirements. The schemes include disability and/or life insurance which are offered by partners Aegon Levensverzekering, Aegon Schadeverzekering and Elips Life AG, and

the option for participants to buy deferred annuities offered by partner Aegon Levensverzekering. The main risks for Aegon Capital are operational and regulatory risk.

TKP Pensioen, Robidus and Nedasco

TKP Pensioen is a top three player in the Dutch market for pension administration¹. TKP Pensioen administers pension rights for several large company and industry pension funds, as well as other pension providers such as premium pension institutions. Their customers – 67,000 employers representing 3.4 million participants – rely on TKP Pensioen for correct and timely pension payments, and clear and accessible pension information and communication. This ranges from the mandatory pension statements to customer contact and digital customer services.

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

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

Competition

Aegon the Netherlands faces strong competition in all markets from insurers, banks, investment companies and pension funds. Its main competitors are Allianz Benelux, ASR and NN Group.

Aegon has been a key player in the total life market for many years and was ranked fourth in 2020 based on gross premium income². The life insurance market in the Netherlands comprises pensions and life insurance. The top five life insurance companies in the Netherlands by gross premium income accounted for over 80% of total premium (Individual Life and Pensions) income in 2020. Aegon the Netherlands is one of many insurers in the non-life market with a market share of around 2%³, making it the tenth largest company in the market.

In the mortgage loans market, Aegon the Netherlands held a market share of over 7% based on new sales in 2020, making it the fourth largest mortgage loan provider in the market⁴. Rabobank, ABN AMRO, and ING Bank are the largest mortgage loan providers in the market, but their market share is under pressure, because of a shift to fixed rates for longer periods. Competition is still increasing from foreign competitors and capital from pension funds.

Aegon the Netherlands' share in the market for Dutch household savings was just over 3% in 2020⁵, which is relatively small in comparison to the top three which are Rabobank, ING and ABN AMRO. In 2021, market share decreased as a result from the decision to stop selling products under the Aegon Bank label.

In the pensions market the defined contribution (PPI) segment is set to grow further due to the fundamental changes of the Dutch pension system as of 2027 and the demand for transparent and cost-effective pension products. Significant growth of scale is necessary to effectively serve this market. Aegon the Netherlands has identified this market as an opportunity for growth and intends to maintain its leadership position with Aegon Capital in cooperation with other Aegon units. Aegon Capital is the number two in the market based on number of participants and assets under management⁶.

Regulation and supervision

General

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

The DNB is responsible for prudential supervision, while the AFM supervises the conduct of business of financial institutions, and the conduct of business on financial markets. The aim of the DNB's prudential supervision is to ensure the solidity of financial institutions and contribute to the stability of the financial sector. Regarding banks, the DNB undertakes its supervisory role, in particular with respect to prudential supervision, together with the European Central Bank (ECB).

¹ 1 Company source data at the end of 2019

² 2 Dutch Association of Insurers – annual reports insurers 2020

³ 3 Dutch Association of Insurers – Production data Non-Life 2021

⁴ 4 Land register (Kadaster)

⁵ 5 Market data DNB in combination with data Knab

⁶ 6 PPI Association 2020

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

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

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

Financial supervision of insurance companies

The Solvency II framework consists of, inter alia, an EU Directive and EU Delegated Regulation. The EU Directive has been transposed into Dutch legislation, in particular the Wft. The EU Delegated Regulation is directly applicable, without transposition into local legislation.

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

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

An insurance company is neither permitted to conduct both life insurance and non-life insurance business within a single legal entity (except for reinsurance), nor to carry out both insurance and banking activities within the same legal entity. Within Aegon the Netherlands, Aegon Levensverzekering and Aegon Spaarkas conduct life insurance activities. Aegon Schadeverzekering conducts non-life insurance activities.

Solvency II

The Solvency II framework is described in more detail in the section 'Regulation and supervision' of Aegon's Integrated Annual Report 2021.

Aegon the Netherlands uses a partial internal model (PIM) to calculate the solvency position of its life insurance activities under Solvency II. The calculation includes the use of the volatility adjustment (VA), but does not include the use of any transitional measures. The initial internal model of Aegon the Netherlands was approved on November 26, 2015, by the supervisor, the DNB, as part of the Internal Model Application Process. Following the Internal Model Application Process, Aegon the Netherlands made several major changes to its PIM, which have all been approved by DNB.

Dutch Act on Recovery & Resolution for Insurers

The Dutch Act on Recovery & Resolution for Insurers (R&R Act) is the applicable intervention regime for insurance and reinsurance companies in the Netherlands faced with financial difficulties.

The R&R Act has introduced a revised regulatory framework for recovery and resolution of Dutch insurance and reinsurance companies and provides for a range of measures to be taken by these companies and the DNB ex ante, in order for these insurance and reinsurance companies to be prepared for recovery in circumstances where it no longer meets the required solvency requirements and for orderly resolution, in circumstances where it is failing or is likely to fail.

Financial supervision of credit institutions

Aegon Bank is subject to Basel requirements pursuant to the EU Capital Requirements Regulation ('CRR') and the Capital Requirement Directive ('CRD'), as implemented in the Netherlands in the Wft. The CRD and CRR include requirements with respect to the quality and quantity of capital, as well as a liquidity framework. According to EU legislation, competent authorities remain responsible for monitoring leverage policies and processes of individual institutions and may impose additional measures to address risk of excessive leverage, if warranted.

Taking into account the regulatory requirements mentioned above and the outcomes of the annual Supervisory Review and Evaluation Process ('SREP'), Aegon Bank's minimal capital and liquidity requirements are set.

The Banking Recovery and Resolution Directive ('BRRD'), as implemented in the Netherlands in the Wft, and the Single Resolution Mechanism Regulation ('SRM Regulation') form the European framework for recovery and resolution for banks. The BRRD provides for early intervention measures and banks can be placed under resolution when a set of given conditions is met. The BRRD allows the DNB to write down or convert capital instruments and exercise other instruments pursuant of its powers as in the BRRD.

Pursuant to the SRM Regulation and the BRRD, Aegon Bank is at all times required to meet a minimum amount of own funds and eligible liabilities ('MREL'), expressed as a percentage of the total liabilities and own funds. The DNB sets a level of minimum MREL on a bank-by-bank basis based, but has not done so yet for Aegon Bank.

In 2017, the Basel Committee published the finalized Basel III reforms (informally known as 'Basel IV') to improve the global regulatory framework. The implementation of Basel IV in EU regulation will be completed through amendments in the CRD/CRR framework, for which EC proposals were published on October 27, 2021. The proposed changes include stricter rules for internal models, a capital floor, and revisions to the standardized approaches for credit risk, operational risk and the credit valuation adjustment specified at a counterparty level ('CVA'). These changes only have a limited impact for Aegon Bank N.V. as it does not apply internal rating based model for credit risk to which the capital floors apply.

Overview of United Kingdom

Aegon in the United Kingdom (hereafter referred to as Aegon UK) is the market-leading investment platform in the UK, providing a broad range of investment, retirement solutions and protection products to individuals, advisers and employers.

Aegon UK accesses customers through retail financial advisers and the workplace and has a market-leading position in each, with 3.9 million customers and GBP 215 billion assets under administration (AUA).

Aegon has designated the UK as a core market with strategic focus on growing the Retail and Workplace channels, and on retaining customers in its traditional insurance book. Aegon plans to invest in growing the customer base, improving customer retention and growing margins.

Over 4,000 adviser firms have placed business with Aegon UK in the last year (just under one third of the market), and around 10,000 employers.

It employs over 2,000 people and its main offices are in Edinburgh, London, Peterborough, and Witham.

The UK is a core market for Aegon, and Aegon UK is viewed as a strategic asset which Aegon plans to invest in with a view to growing the customer base, improving customer retention and growing margin.

Organizational structure

Aegon UK plc is Aegon's holding company in the UK. It was registered as a public limited company in December 1998. The leading operating subsidiaries, which all operate under the Aegon brand, are:

- Scottish Equitable plc;
- Cofunds Ltd.;
- Aegon Investment Solutions Ltd.; and
- Aegon Investments Ltd.

Overview of business Lines

Aegon UK has both a modern fee-based investment 'platform' business, built organically and scaled through the acquisition of Cofund's retail savings platform and BlackRock's Workplace Defined Contribution business, and a 'traditional insurance' business.

Aegon UK's platform business delivers a range of propositions through Retail and Workplace channels, together with protection products and an institutional trading platform business. This is supported by an investment solutions capability which allows customers to invest in proprietary Aegon funds, driving additional fee margin.

Aegon UK's traditional insurance business consists of older contracts that are no longer actively marketed to new customers. An out-source relationship is in place with Atos to service and administer the book, building on an existing relationship, which has seen Atos successfully administer over 400,000 protection policies since 2016.

Overview of sales and distribution

Aegon UK has two principal distribution channels: financial advisers who advise Retail customers and the workplace.

Aegon UK works with those advisers and employers to deliver an online experience for customers. The platform is designed to support customers throughout their life as needs evolve by providing a comprehensive range of products and funds, moving with them each time they change employers and allowing them to link in with different advisers.

This gives Aegon UK the ability to support customers throughout their lives with the flexibility required to support the modern, complex lives they are living to and through retirement, unlike the majority of its competitors.

Aegon UK is now investing in organic growth where it is seeking to capitalize on its strong positions in the Retail and Workplace pension markets, which are forecast to grow materially in the medium to long term.

Retail channel

The Retail channel provides financial advisers and other institutions access to long-term savings and retirement products, through an open architecture investment platform. It aims to capitalize on the strong demand for advice, especially within the growing affluent population nearing and in retirement.

Aegon UK offers a comprehensive proposition allowing advisers to manage their clients long-term investments by offering equity trading, and a choice of over 4,500 funds. Aegon UK is continuing to develop a strong range of own brand investment solutions, and plans to extend them in 2022.

Aegon UK provides a technology platform that supports advisers and their customers in managing their finances, and is integrated with the back offices of the advisers. The aim is to create a primary platform relationship, which positions Aegon UK to receive the majority of new business flows from the adviser partner.

Over 4,000 adviser firms have placed business with Aegon UK in the last year across a wide range of business models. These include leading wealth management firms such as Chase De Vere, financial services networks such as Quilter, and execution-only brokers.

Nationwide Building Society has been an important partner for Aegon UK since the relationship was established in 2017. There are plans to expand the product offering beyond Individual Savings Accounts (ISAs) and General Investment Accounts (GIAs) to pensions and other solutions. An important dimension of the Nationwide partnership is the inclusion of Aegon's own investment solutions.

Workplace channel

The Workplace channel provides UK-based employers with Workplace pensions and savings schemes. It allows Aegon UK to participate in the strongly growing auto-enrolment market, cost effectively acquiring around 150,000 individual customer relationships every year.

Aegon UK has a market-leading position covering all major Workplace savings products, and participates in both the small and medium-sized (SME) and large employer segments. A key driver of growth is in the Master Trust product, the fastest growing sector of the UK Defined Contribution market, where Aegon UK has an established and market-leading offering.

Aegon UK works with leading employee benefits consultants and corporate advisers to provide a Workplace savings platform to employers such as WH Smith, EasyJet and Skanska. This combines its core pension capabilities with ISAs and GIAs, allowing employees to maximize their savings whilst employed, then take the product with them when they leave or choose to take financial advice in the future.

At the heart of this is Aegon UK's employee digital portal, which provides tools to enable employees to make more informed decisions. The portal also links into the wider engagement activities such as seminars in the workplace, and online innovations such as the launch of digital personalized summaries and an app that helps customers consolidate assets held elsewhere, increase their savings and transition into retirement.

The acquisition of Pensions Geeks in 2021 will allow Aegon UK to bring to market an interactive digital financial education platform in 2022, which will utilize their award-winning marketing capability to further enhance the experience offered to the end customer.

Individual customer channel

Aegon UK has a growing individual customer base of 1.5 million, who are not attached to an adviser or employer. These individuals are provided with tools that enable them to manage their finances, and with customer service support to help with guidance and referrals available to Aegon UK's in-house Financial Adviser business, Origen, where appropriate. The Pension Geeks education platform will also be made available here.

Protection channel

Aegon UK offers a range of products for Retail customers, including life cover, critical illness and income protection available through financial advisers. The target market is wealthier customers over the age of 40, where Aegon UK's underwriting expertise helps it to provide a customer-centric proposition.

In addition, Aegon UK offers a range of protection products for small to medium-sized companies that wish to insure key personnel, complementing the core offerings in the Workplace channel.

Institutional channel

Aegon UK also participates in the institutional market in two areas where investment trading capability is provided to other parties who provide policy administration to the end-client:

- An institutional trading platform which powers 27 of the UK's leading platforms, wealth management firms and investment houses (e.g., Brooks MacDonald, Charles Stanley); and
- An investment-only proposition for Workplace pension schemes, which provides access to insured funds for approximately 154 clients.

Competition

Aegon UK is well positioned for growth, possessing a market leading position in markets with strong growth potential.

Aegon UK encounters different competitors in each of its core markets, but is unique in the way it supports intermediaries wishing to operate across channels providing an end-to-end customer experience.

In the Retail market, Aegon UK aims to become the 'primary platform' for intermediaries and competitors include Fidelity, Transact and Quilter.

In the Workplace market, Aegon UK provides employee benefits, engagement, and scheme governance. And, competitors include Aviva, Legal & General and Willis Towers Watson.

Regulation and supervision

All relevant Aegon UK companies based in the UK are either: authorized by the Prudential Regulation Authority (PRA) and regulated by the Financial Conduct Authority (FCA) and the PRA; or authorized and regulated by the FCA, dependent on firm type.

The PRA is responsible for the prudential regulation of deposit takers, insurers and major investment firms. The FCA is responsible for regulating firms' conduct in Retail and Wholesale markets. It is also responsible for the prudential regulation of those financial services firms that do not come under the PRA's remit.

The Aegon Master Trust is subject to regulatory oversight by The Pensions Regulator.

The UK exit from the European Union (EU) has implications for financial services companies in the UK. Much of the financial regulation applicable in the UK derived originally from EU legislation and has been retained by the UK. In light of their new autonomy, the UK Government and Regulators are reviewing the UK Regulatory Framework to consider if changes are needed, as well as focusing on specific changes in areas such as Solvency II.

Financial supervision of insurance companies

Scottish Equitable plc is authorized by the PRA and is subject to prudential regulation by the PRA and conduct regulation by the FCA. Every life insurance company licensed by and/or falling under the supervision of the PRA must file audited regulatory reports at least annually. These reports, primarily designed to enable the PRA to monitor the solvency of the insurance company, include a (consolidated) balance sheet, a (consolidated) income statement, a breakdown of the Solvency Capital Requirements, extensive actuarial information, and detailed information regarding the investments of the insurance company. The PRA's regulatory reporting is based on a single entity focus and is designed to highlight risk assessment and risk management.

Regulatory Solvency Requirements

The UK adopted Solvency II regulations and Binding Technical Standards as they stood at the end of the Brexit transition period on December 31, 2020 into UK law. Temporary Transitional Powers are in place under which certain provisions of these onshored regulations will continue to apply until March 31, 2022. Consequently, the UK continues to adopt regulatory solvency requirements which are broadly aligned to those under Solvency II. UK life insurance companies are required to maintain Own Funds which are sufficient to withstand a 1-in-200 shock on a 1-year value-at-risk basis, subject to certain absolute minimum requirements.

One area of divergence is that the PRA now publishes its own Technical Information, including basic risk-free term structures, which must be used by UK Solvency II firms. The UK and EU are both conducting separate reviews of Solvency II which may lead to some further divergence, although both the UK and EU remain committed to the principles underlying Solvency II.

Since the introduction of Solvency II on January 1, 2016, Scottish Equitable plc has been using the Aegon Group Partial Internal Model (PIM) to calculate its solo solvency position and its contribution to group solvency. Following the end of the Brexit transition period, the PRA approved the use of the existing PIM for the calculation of the solo regulatory solvency requirements of Scottish Equitable plc. The UK PIM and Group PIM are currently aligned and Aegon UK intends to maintain close alignment in the future, where this remains appropriate.

Scottish Equitable plc uses the Matching Adjustment in the calculation of the technical provisions for its annuities, and uses the Volatility Adjustment in the calculation of the technical provisions for the With-Profits business with investment guarantees. Following the sale of the majority of its annuity business in 2017, Scottish Equitable plc ceased the use of the Transitional Measures on Technical Provisions.

Regulatory requirements for investment firms

In January 2021, Aegon UK Investment Holdings Ltd was established as a wholly owned subsidiary of Aegon UK plc, and became the direct parent of: Cofunds Ltd, Aegon Investment Solutions Ltd, Aegon Investments Ltd, Momentum Group Ltd, Origen Financial Services Ltd, and Origen Ltd. Aegon UK Investment Holdings Ltd and these subsidiaries are referred to as Aegon UK Investment Group (AUKIG). From January 1, 2021, much of Aegon UK's regulatory reporting has been on an AUKIG basis.

From January 1, 2022, the FCA's Investment Firm Prudential Regime (IFPR) rules entered into force. These are relevant to AUKIG. Under the new regime, the Pillar 1 capital requirement is the higher of the Fixed Overhead Requirement (FOR), the Permanent Minimum Requirement, or the new 'K-factor' requirement (which replaces the credit risk requirement). The IFPR also replaces the Pillar 2 Internal Capital Adequacy Assessment Process (ICAAP), with a new Internal Capital and Risk Assessment (ICARA) process. Under ICARA, there is more focus on the impact of risks and the potential harm to clients, wider markets and the firm itself. There is also a greater focus on liquidity.

Overview of International

Aegon International consists of the two growth markets, China and Spain & Portugal, Aegon's business in Central and Eastern Europe, the high-net-worth life insurance business and some smaller ventures in Asia. As of 2022, International will include Brazil and be responsible for all three growth markets of Aegon.

Aegon's presence in the Spanish insurance market dates to 1980. The activities in Spain (and eventually Portugal) have developed largely through distribution partnerships with major Spanish banks Banco Santander S.A. and Liberbank S.A. Spain & Portugal are now one of the three growth markets of Aegon Group. In 1992, Aegon purchased the majority stake in Hungary's former state-owned insurance company, Állami Biztosító. It expanded in Central & Eastern Europe (CEE) in the 2000s. Operations in Asia were established in 2003, starting with a JV in China, which is another growth market for Aegon. TLB was established in 2005 and incorporated in Hamilton, Bermuda followed by full-service branches openings in Hong Kong and Singapore in 2006. In 2008, a joint venture in India was formed.

In November 2020, Aegon announced an agreement to sell its Central and Eastern European operations (Poland, Romania, Turkey, and Hungary) to Vienna Insurance Group, as part of its strategy to focus on key markets, simplify the footprint, and strengthen the balance sheet. This transaction is still to complete.

Organizational structure

The key lines of business within the region are Spain & Portugal, Hungary, TLB, and China. The remaining business units are grouped in one category called "Others" for reporting purposes. The corresponding subsidiaries and affiliates (including Aegon's ownership percentages, where relevant) are as follows:

Spain & Portugal:

- Aegon España S.A.U. de Seguros y Reaseguros (Aegon España Insurance and Reinsurance);
- Santander Generales Seguros y Reaseguros S.A. (Santander General Insurance and Reinsurance) (51%);
- Santander Vida Seguros y Reaseguros S.A. (Santander Life Insurance and Reinsurance) (51%);
- Liberbank Vida y Pensiones, Seguros y Reaseguros, S.A. (Liberbank Life and Pensions, Insurance and Reinsurance) (50%);
- Aegon Santander Portugal Não Vida-Companhia de Seguros S.A. (Aegon Santander Portugal Non-Life Insurance Co.) (51%); and
- Aegon Santander Portugal Vida-Companhia de Seguros de Vida S.A. (Aegon Santander Portugal Life Insurance Co.) (51%).

Hungary:

- Aegon Magyarország Általános Biztosító Zártkörűen Működő Részvénytársaság (Aegon Hungary Composite Insurance Co.).
- Aegon Pension Fund Management Company
- Aegon Intermediary and Marketing Company
- Help 24 Assistance Company
- Aegon Asset Fund Management Company

TLB:

- Transamerica Life (Bermuda) Ltd.

China:

- Aegon THTF Life Insurance Co., Ltd. (50%) in China.

Other key subsidiaries:

- Aegon Towarzystwo Ubezpieczeń na Życie Spółka Akcyjna (Aegon Poland Life);
- Aegon Powszechne Towarzystwo Emerytalne Spółka Akcyjna (Aegon Poland Pension Fund Management Co.);
- Aegon Emeklilik ve Hayat A.Ş. (Aegon Turkey);
- Aegon Pensii Societate de Administrare a Fondurilor de Pensii Private S.A (Aegon Romania Pension Administrator Co.);
- Aegon Life Insurance Company Ltd. (49%) in India; and
- Aegon Insights Ltd.

Effective January 1, 2022, MAG Seguros, Aegon's operations in Brazil, will be reported as part of Aegon International.

Overview of sales and distribution channels

International distributes its products directly to consumers (online and/or physical branches) and via banks, brokers, (tied) agents, and other digital/ e-commerce partners.

The sales and distribution channel mix varies per country, reflecting the differences in the local insurance markets. The strategy is to invest in digital distribution platforms, particularly in China, to build distribution capabilities for the future.

Spain & Portugal

In Spain & Portugal, the life insurance and health products are sold by Santander Life Insurance and Reinsurance, whereas the non-life insurance (accident, home, unemployment, disability, critical illness dependency and funeral) products are sold by Santander General Insurance and Reinsurance Company.

Liberbank, S.A., another bancassurance partner of Aegon, has a nationwide presence with a special focus on retail markets in several regions (Asturias, Cantabria, Castilla La Mancha and Extremadura). It distributes life insurance products through local branches where the distribution agreement is a joint venture between the Life and Pensions, Insurance and Reinsurance company of Liberbank, S.A. and Aegon España, both parties holding equal ownership stakes.

In 2020, Aegon and Banco Santander completed the acquisition of the in-force term life policies previously sold through Banco Popular branches, following Banco Santander's acquisition of Banco Popular. The joint venture also acquired the right to write new term life and selected lines of non-life policies through the former Banco Popular branches now owned by Banco Santander.

On July 30, 2021, a merger between Liberbank and Unicaja Bank was completed, with Unicaja being the acquiring legal entity. Liberbank has ceased to be a distinct legal entity and all of its assets and liabilities have been transferred to Unicaja. As a result of the merger, Unicaja Bank now has bancassurance agreements with each of Aegon, Mapfre and Santa Lucía. These relationships are currently under review.

Aegon España's own distribution channel offers life, health and pension products. The network of brokers and agents accounts for approximately 80% of the total sales of the fully owned subsidiary, and the remaining 20% is generated by the direct channel.

Central & Eastern Europe

Distribution channels in CEE are dominated by tied and external agency as well as brokers.

TLB and Aegon Insights

Transamerica Life (Bermuda) Ltd. (TLB) distributes its life insurance products to high-net-worth (HNW) customers through targeted distribution relationships with selected local and international brokers, and bancassurance channels.

With its singular focus on the HNW segment, TLB has extensive experience in handling large sums assured and complex cases supporting HNW customers' legacy and business planning needs.

Aegon Insights is a marketing, distribution and administration services business operating in Asia Pacific. It primarily worked with local insurers to develop tailored solutions to specific needs. The revenue is generated through underwriting reinsurance agreements and fee income. With changes in consumer preferences, Aegon made the strategic decision to discontinue Aegon Insights' new business acquisition, while continuing to provide services to the existing customer base in Australia, Hong Kong, Indonesia, and Japan.

China: Aegon THTF

Aegon operates in China through a joint venture with Tongfang Co. Ltd., Aegon THTF Life Insurance Co., Ltd. (hereafter: Aegon THTF). The JV is licensed to sell life insurance, annuity, accident and health products in China. Since 2003, the company has expanded its network of branches, primarily in the coastal provinces of Eastern China. It has access to a potential market of approximately 700 million people.

Aegon THTF follows a multi-channel distribution strategy, including agency, brokerage, banks, direct marketing, group sales and digital e-commerce platforms.

India: Aegon Life

Since 2008, Aegon operates in India through its joint venture with Bennett, Coleman & Co. Ltd. (BCCL). The joint venture, Aegon Life Insurance Company, Ltd. (hereafter: Aegon Life), has a mobile and digital consumer model, working through large scale digital partners. In order to focus on the digital, partnership-driven strategy, the traditional distribution channels were closed in December 2020.

Overview of business lines

Aegon International focuses on serving retail customers with individual life and different types of general, accident, and health insurances.

Life Insurance, Savings & Protection

Spain & Portugal's life insurance business comprises of life savings and individual and group protection products, where individual life-risk and health products form the larger part of the business. Customers' savings needs are serviced by Aegon España through its affiliates, offering universal life and unit-linked products. Protection business, pursued both in Spain & Portugal, includes primarily life, health, accident, and disability cover distributed through the JVs and Aegon España's own channels. These products can typically be complemented with critical illness, income protection and other riders.

In Hungary, Aegon offers primarily unit-linked and traditional savings products, which are frequently accompanied with riders that provide customers with additional financial support in the event of an accident, disability or hospitalization. Similarly, in Poland Aegon focuses on unit-linked and traditional life products. The Romanian branch currently sells term life insurance policies with guaranteed interest, with or without profit sharing component. In Turkey, Aegon focuses on Return on Premium (ROP) and savings life products, available in USD.

In Asia, Aegon provides a broad range of life insurance products, including unit-linked, universal life, and traditional life products.

Over the past year, TLB has updated and diversified its product suite. Along with its enhanced flagship product of Universal Life Alpha Pro & Pro Century, its offerings now include the Genesis Indexed Universal Life (IUL) product, that provides a lower guarantee combined with a greater wealth accumulation potential, and the Trendsetter Ultra Term Life, designed for HNW personal and business protection. In China, whole-life critical illness products are key products for many channels, such as agency and broker. Products such as participating annuity and endowment (via agency), whole life insurance products (via agency, brokers) and protection with return of premium (via direct marketing) are also offered. Regular premium whole-life insurance and single premium endowment are the key products offered in the bancassurance channel, while the digital channel is currently focused on offering protection products, such as term life.

In India, Aegon Life currently offers Group term plans, individual term plans and unit-linked life insurance plans.

Health insurance

Health insurance is primarily offered as riders on life insurance policies in Spain and China and as a standalone health insurance in Turkey and Spain.

In Spain, health insurance is offered through own channels and through Santander's branches. Aegon collaborates with medical partners across the country. In Portugal, it is also offered through Santander Totta's distribution network.

Aegon THTF offers non-life products, primarily consisting of short-term accident and short-term health products, mainly through group, direct marketing and agency channels.

Pensions

As of December 31, 2021, Aegon managed the savings of approximately 3 million pension fund members in Spain and the CEE.

In Spain, customers' pension saving needs are serviced by the joint venture with Liberbank Life and Pensions and Aegon España through its managed pension funds.

Aegon's pension business in CEE was impacted by reforms to the pension system in several countries during the past years. In 2021, Aegon was active in the (formerly mandatory) private pension market in Poland and Romania. In the voluntary pension market, Aegon was active in Hungary and Romania. In Turkey, Aegon is only servicing existing pension customers.

General insurance

Aegon España has been offering general insurance products, mainly household protection, unemployment, accident, dependency and funeral insurance, since 2013 through its joint ventures with Banco Santander.

Aegon Hungary also offers various non-life covers, mainly household and car insurance, in addition to some wealth and liability industrial risk and travel insurance. It is a market leader in home insurance in Hungary.

Aegon THTF in China also offers short-term accident products.

Competition**Spain & Portugal**

The Spanish insurance market is highly competitive. For traditional life, unit-linked variable life and pension products, the major competitors are retail bank-owned insurance companies. For health and general insurance products, the main competitors are both foreign and local companies. Aegon España is the exclusive provider of protection products to Santander. The exclusive partnership also holds for Portugal. Key competitors for Aegon's JVs with Santander in Spain and Portugal are large traditional insurance companies.

Central & Eastern Europe

In Hungary, Aegon is the third largest life insurance provider, based on annual standardized premium income, and third largest provider in the non-life insurance market. Key competitors include Generali, Groupama, NN, and Allianz. It is the leading insurance company in the Hungarian household market.

In Turkey, Aegon was ranked 5th in the life insurance market based on written premium in December 2021, following a merger of several government owned insurers in the third quarter of 2020. Other competitors also include Allianz, MetLife, and Aviva.

Aegon is the 11th largest life insurance market participant in Poland (based on standardized APE), with PZU as a market leader. In Romania, Aegon ranks as the 6th player.

In the pension fund market in 2021, Aegon was ranked third in Hungary (voluntary pension scheme) and fourth in Poland (open pension fund) and Romania (mandatory private pension scheme) in terms of both the number of participants and managed assets. Aegon has a smaller share in the voluntary pension market in Romania, Turkey, and Spain.

China: Aegon THTF

As of September 30, 2021, there were 91 life insurance companies in the market, including 63 domestic life companies and 28 foreign life insurers. Based on the gross written premium (GWP), Aegon THTF ranked 50th among 80 companies that have published their GWP data and 15th among foreign life companies in China. Aegon THTF's market share among foreign life insurers was 2.0% in terms of total premium.

India: Aegon Life

There were 24 licensed life insurers in India at the end of August 2021. While the state-owned Life Insurance Corporation of India continues to maintain a dominant share of new business premiums (both individual and group), private sector companies have grown only modestly to obtain more than 62% of the individual recurring new business premiums written (April 2021 to August 2021). Aegon Life India ranked 23rd among private life insurers according to individual recurring premiums (April 2021 to August 2021).

TLB

TLB's main competitors in Asia have mainly been other global life insurance providers such as HSBC Life, Manulife Bermuda, and Sun Life Bermuda. The local subsidiaries of both Sun Life and Manulife, in addition to domestic insurers such as AIA, Great Eastern Life, Singapore Life, Generali, AXA, and FWD, have also been developing competitive offerings for this market segment.

Regulation and supervision

Spain, Portugal, and Central and Eastern Europe

In the European Union, a single insurance company may only be licensed for and conduct either a life insurance business or a non-life insurance business, not both. In Hungary, however, insurance companies established before 1995 are exempt from this rule. This exemption therefore applies to Aegon Hungary, which is a composite insurance company.

State supervision and oversight of the insurance industry is conducted by the following bodies and institutions:

- General Directorate of Insurance and Pension Funds (DGSFP) (Spain);
- The Insurance and Pension Funds Supervisory Authority (ASF) (Portugal);
- The Central Bank of Hungary (MNB) (Hungary);
- The Financial Supervision Authority (KNF) (Poland);
- Authority for Financial Supervision (ASF) (Romania); and
- Insurance and Private Pension Regulatory and Supervisory Board's (IRSB) (Turkey).

The authorities mentioned above promote consumer protection and have the right to investigate prudential activities and conduct, financial position and solvency, and compliance with all relevant laws.

The foundation and operations of voluntary pension funds are regulated in Hungary by the country's Voluntary Mutual Pension Funds Act. Activity in this area is also supervised by the MNB. In Romania, the private and voluntary pension system is regulated and supervised by the ASF. The mandatory pension system is subject to the Privately Administered Pension Funds Act and the voluntary pension system is subject to the Voluntary Pension Law, both complemented by individual regulations (as secondary legislation). In Poland, this activity is supervised by the KNF and governed by the Organization and Operation of Pension Funds Act. In Turkey, the voluntary pension funds are under the supervision of the Undersecretariat of Treasury and the companies are subject to Individual Retirement Saving and Investment System Law and Insurance Law. In Spain, the pension system is supervised by DGSFP and governed by Law on Pension Funds and Plans approved by Royal Legislative Decree, and its implementing regulations.

China: Aegon THTF

China's insurance industry is regulated by the China Banking and Insurance Regulatory Commission (CBIRC). In 2021, the main work focus of the CBIRC was to strengthen corporate governance and strengthen product control. In order to consolidate the management responsibility of insurance institutions, new regulation has been introduced by the CBIRC with stronger controls, with the aim of improving product development and compliance practices.

Since February 1, 2021, 91 life insurance companies have been divided into two groups: 39 insurers are under the direct supervision of the CBIRC and 52 are under the territorial supervision of the local bureaus of CBIRC. Aegon THTF are now under the direct territorial supervision of Shenzhen Bureau. Certain functions, including product filing and approval are still under CBIRC's direct supervision.

India: Aegon Life

Indian life insurance companies are regulated by the Insurance Regulatory and Development Authority of India (IRDAI). The IRDAI regulates, promotes and encourages the orderly growth of insurance and reinsurance businesses in India. Established by the government of India, it safeguards the interests of the country's insurance policyholders.

TLB

TLB is incorporated in Bermuda and regulated by the Bermuda Monetary Authority, the Regulator of the financial services sector in Bermuda. TLB has full-service branches which are registered and licensed in Hong Kong and Singapore, respectively. The Insurance Industry is regulated in Hong Kong by the Hong Kong Insurance Authority (HKIA) and in Singapore by the Monetary Authority of Singapore (MAS). Hong Kong's Insurance Authority (IA) is currently developing HK RBC, a risk-based capital regime that is consistent with core principles issued by the International Association of Insurance Supervisors (IAIS). Under this regime, the capital requirements of licensed insurers will be determined based on the level of risk faced by the insurer. Once in effect, HK RBC will significantly transform the current capital framework defined in the Hong Kong Insurance Ordinance (HKIO). TLB is well progressed in its RBC developments.

Aegon Insights

A broad range of regulations apply to Aegon Insights' activities. Depending on the precise nature of the activities undertaken and the form of business entity used in the jurisdictions in which Aegon Insights operates, relevant regulations include marketing/consultancy business licensing rules, insurance laws, and personal data protection laws. In addition, various regulators also keep oversight of activities undertaken by entities licensed by Aegon Insights. These regulators include the Australian Securities and Investments Commission in Australia, and the Hong Kong Insurance Authority.

**Solvency II**

The Solvency II insurance solvency regime became effective in European Economic Area (EEA) countries on January 1, 2016. Aegon's EU-domiciled entities in SEE use the Standard Formula to calculate the solvency position of their insurance activities. Aegon Spain no longer applies the matching adjustment or transitional arrangements. The insurance activities in Turkey have been included through Deduction & Aggregation on a Solvency II Standard Formula basis.

Aegon's Asian insurance activities are included in the Aegon Group Solvency II ratio through Deduction & Aggregation. For TLB, Deduction & Aggregation is applied using available and required capital as per the local Bermuda capital regime. The regulatory regime of Bermuda was granted full equivalence at the inception of Solvency II in 2016.

Overview of Aegon Asset Management

Aegon Asset Management (Aegon AM) is an active global investor. 375 investment professionals manage and advise on assets of EUR 410 billion as of December 31, 2021, for a global client-base of pension plans, public funds, insurance companies, banks, wealth managers, family offices and foundations.

Organizational structure

Aegon AM provides investment management expertise to institutional and private investors around the world. It has offices in the United States, the Netherlands, the United Kingdom, China, Japan, Germany, Hungary, and Spain. Its investment capabilities are focused around investment platforms, each with asset-class expertise: fixed income, real assets, equities, and multi-asset and solutions. Across platforms, there is a common belief in fundamental, research-driven active management, underpinned by a focus on risk management and a strong commitment to responsible investing.

By organizing its investment teams globally, Aegon AM harnesses its expertise and research resources across regional boundaries. Aegon AM believes this enhances performance potential and generates better investment outcomes for clients. Each of the four investment platforms is led globally by a chief investment officer who sits on the Global Board of Aegon AM. Aegon AM also has a Fiduciary services and multi-manager business in the Netherlands.

Aegon AM holds two key strategic partnerships:

- In China, Aegon AM owns 49% of Aegon Industrial Fund Management Company (AIFMC), a Shanghai-based asset manager that offers mutual funds, segregated accounts, and advisory services;
- In France, Aegon AM owns 25% of La Banque Postale Asset Management (LBPAM). LBPAM offers a comprehensive range of investment strategies to French institutional clients, and to retail investors through La Banque Postale group's retail banking network and affiliated insurance company CNP;

Aegon AM's main entities are Aegon USA Investment Management LLC, Aegon USA Realty Advisors LLC, Aegon Investment Management B.V., Aegon Asset Management UK plc and Aegon Investment Management (Shanghai) Ltd. (a Wholly Foreign Owned Enterprise).

In November 2020, Aegon announced an agreement to sell its Central & Eastern European operations (Poland, Romania, Turkey, and Hungary) to Vienna Insurance Group, as part of its strategy to focus on key markets, simplify the footprint, and strengthen the balance sheet. The asset management division (Aegon Hungary AM Company Zrt. - Assets under Management EUR 2.29 billion per December 31, 2021) is included in this transaction. The closing of the deal is subject to regulatory approval.

Aegon AM has a global operational management board (Global Board). The strategic direction and global oversight of business performance is executed by this Global Board, which has both global and local roles and responsibilities. This board is supported by several sub-committees. Members of the Board are appointed by Aegon N.V. The Risk Advisory Committee and the Remuneration Committee support Aegon's oversight of Aegon AM.

Overview of sales and distribution channels

Aegon AM utilizes both institutional and wholesale distribution channels combining a global perspective with a focus on local relationships in the Americas, Europe and Asia. Client types include banks, pensions funds, insurance companies, fiduciary managers and Outsourced Chief Investment Officers (OCIO's), family offices, investment consultants, wealth managers, charities, foundations & endowments, third-party investment platforms, as well as its affiliated companies and joint ventures.

Overview of business lines

Aegon AM has three distinct business lines:

Third-party business accounts for circa 53% of its Assets under Management (AuM). The main sources for this include third-party business where Aegon Asset Management distributes its investment strategies directly to its clients. The wholesale businesses typically sell collective investment vehicles (mutual funds) to customers through wholesale distributors and independent intermediaries. The asset classes are fixed income, equities, real assets and multi-asset & solutions with fund performance usually measured against a benchmark or peer group. The institutional businesses typically sell its services to large insurance companies, fiduciary managers and

OCIO's and pension funds. Aegon AM manages a full range of asset classes and manages the strategies against objectives, targets and risk profiles agreed with clients. It offers both absolute and relative return products.

Affiliates source third-party business where Aegon AM manages funds for Aegon insurers and retirement companies. These funds have various legal structures and performance is usually measured against a benchmark or peer group. The main asset classes include fixed income, equities, real estate, and multi-asset.

The Aegon general account is the third source, this consists of funds held on the balance sheet of Aegon insurance companies to back policyholder liabilities, typically when the insurer has given the policyholder a guarantee. These assets are managed to match the insurers' liabilities. As a rule, general account assets are managed in a closed architecture structure, and the main asset classes are fixed income and real assets. Furthermore, Aegon AM manages the general account derivatives book of Aegon the Netherlands.

Competition

Aegon AM competes with other asset management companies to acquire business from Aegon customers in the open-architecture parts of the affiliate business and from third parties.

In the United States, Aegon AM focuses on offering investors fixed income, equity, and real estate related strategies. It works directly with pension funds, insurance companies, family offices, endowments, and foundations as well as investment consultants within the institutional market. In the wholesale market, Aegon AM works as a sub-advisor with its insurance company affiliates and other partners to offer competitive and relevant strategies for its client base. It also works with investment consultants and other partners to offer products to third-party institutions. Primary competitors in the United States include AllianceBernstein, BlackRock, Invesco, JP Morgan, Legg Mason, Principal, PIMCO and PGIM.

In continental Europe, Aegon AM focuses on offering investors fixed income, equities, real estate, multi-asset and solutions strategies to institutional and wholesale clients, and through its affiliated insurance company to retail clients. In the Netherlands, Aegon AM also offers fiduciary services to institutional clients. In the third-party institutional market, it competes with domestic and global asset managers, as well as with fiduciary and balance sheet managers. Competition continues to be strong in the institutional market due to both the ongoing consolidation of pension funds and the growing service requirements of pension fund clients. Primary competitors in the Netherlands include BlackRock, Robeco, NN Investment Partners, Achmea and Kempen.

In the United Kingdom, Aegon AM focuses on offering investors fixed income, equities, real estate, and multi-asset and solutions strategies. It serves institutional clients and their advisors and is active in the wholesale market. Primary competitors in the UK include Abrdn, LGIM, Janus Henderson and M&G.

In mainland China, AIFMC focuses on Chinese equity, fixed income, multi-asset and money market strategies. It competes against a wide range of local based asset managers including Alibaba's Yuebao fund, China Universal Asset Management, E Fund Management, Fullgoal Fund Management, and Yinhua Fund Management. The company's products are distributed through banks, securities brokers, and digital platforms.

In France, La Banque Postale Asset Management services private investors through La Banque Postale's retail banking network, representing LBPAM and Aegon Asset Management-advised strategies. In the institutional market, it also offers investment strategies from Aegon Asset Management to compete for affiliate and third-party insurance and pension clients with large local asset managers and specialized international competitors. In France, primary competitors include Amundi Asset Management, AXA Investment Management, and BNP Paribas Investment Partners. LBPAM is in the process of selling its 45% stake in Ostrum, a joint-venture with Natixis that focuses on providing public market fixed income asset management and operational investment services to insurance companies.

Regulation and supervision

Regulation of asset management companies in general differs to that of insurers. Aegon AM's local operating entities are regulated by their local regulators, most notably the Dutch Authority for the Financial Markets (AFM) (conduct of business supervision) and the DNB (prudential supervision) for Dutch-based entities, the Financial Conduct Authority (FCA) for Aegon Asset Management UK plc, and the Securities & Exchange Commission (SEC) and the Commodity Futures Trading Commission (CFTC) for the US-based entities. Aegon Asset Management UK is also regulated by the SEC for its activities in the US market. Aegon Hungary AM is supervised by the National Bank of Hungary. From a regulatory perspective, the asset management activities of the US-based entities of Aegon AM in the United States do not fall directly under the responsibility of Aegon Asset Management Holding B.V., as these entities are subsidiaries of Transamerica Corporation.

Risk factors Aegon N.V.

Aegon faces numerous risks, some of which may arise from internal factors, factors such as failures of compliance systems and other operational risks. Others may arise from external factors, such as developments in financial markets, the business and/or political environment, economic trends, politics and regulations. Any of the risks described below, whether internal or external, may materially and adversely affect the Company's operations, its earnings, the value of its investments, the sale of certain products and services or its ability to fulfill its obligations in respect of securities issued or guaranteed by it. The market price of Aegon securities could decline due to any of the risks described in this section and investors could lose some or all of the value of their investments. Additional risks of which Aegon is not presently aware could also materially and adversely affect its operations and share price. The business of an international financial services group such as Aegon is inherently exposed to risks that may only become apparent with the benefit of hindsight.

This chapter groups the risk factors into different categories based on the origin of the risk, while recognizing that the identified risk factor can have broader consequences, e.g. developments on financial markets (included under financial risks) can impact policyholder behavior (included under underwriting risk). The categories used are: 1) financial risks, 2) underwriting risks, 3) operational risks, 4) political, regulatory and supervisory risks, 5) legal and compliance risks, and 6) risks relating to Aegon's common shares. Within each category, the most material risk factors have been presented first. The order in which the remaining risk factors are presented is not necessarily an indication of the likelihood of occurrence or the potential magnitude of the consequences of the materialization of risks, as that can rarely be determined with any degree of certainty. Furthermore, risks with a low likelihood can have a large impact should they materialize.

The described risk factors below may affect Aegon's businesses and operations in normal market circumstances and in periods of significant economic uncertainty, when the manifestation of those risks may be more acute.

Summary

In summary, the risk factors cover the following topics in the designated categories:

1. Financial risks

- Interest rate volatility, and sustained low or negative interest rate levels
- Rapidly rising interest rates
- Disruptions in the global financial markets and general economic conditions
- Illiquidity of certain investment assets
- Declines in value and defaults in Aegon's debt securities, private placements, mortgage loan portfolios and other instruments or the failure of certain counterparties
- Decline in equity markets
- Downturn in the real estate market
- Default of a major market participant
- Failure by reinsurers to which Aegon has ceded risk
- Downgrade in Aegon's credit ratings
- Fluctuations in currency exchange rates
- Unsuccessful management of derivatives
- Subjective valuation of Aegon's investments, allowances and impairments
- Higher inflation

2. Underwriting risks

- Differences between actual claims experience/underwriting and reserve assumptions
- Changes in assumptions, estimations, and discrepant valuations of DPAC and value of business acquired
- Products with guarantees
- Restrictions on underwriting criteria and the use of data
- Unexpected return on offered financial and insurance products
- Reinsurance may not be available, affordable, or adequate
- Catastrophic events

3. Operational risks

- Competitive factors
- Difficulty in managing the Company's acquisitions and divestments
- Difficulties in distributing and marketing products through its current and future distribution channels.
- Inability to adapt to and apply new technologies
- Failure of data management and governance
- Epidemics or pandemics
- Unsuccessful in managing exposure to climate risk and adequately adapting investment portfolios
- Unidentified or unanticipated risk events
- Failure of Aegon's information technology or communications systems
- Computer system failure or security breach
- Breach of data privacy or security obligations
- Inaccuracies in econometric, financial, or actuarial models, or differing interpretations of underlying methodologies
- Inaccurate, incomplete or unsuccessful quantitative models, algorithms or calculations
- Issues with third party providers, including events such as bankruptcy, disruption of services, or standards of service level agreements not being upheld
- Inability to attract and retain personnel

4. Political, regulatory and supervisory risks

- Requirement to increase technical provisions and/or hold higher amounts of regulatory capital as a result of changes in the regulatory environment or changes in rating agency analysis
- Political or other instability in a country or geographic region
- Changes in accounting standards
- Inability of Aegon's subsidiaries to pay dividends to Aegon N.V.
- Risks of application of intervention measures

5. Legal and compliance risks

- Unfavorable outcomes of legal and arbitration proceedings and regulatory investigations and actions
- Changes in government regulations in the jurisdictions in which Aegon operates
- Evolving ESG standards and requirements
- Tax risks
- Judgments of US courts may not be enforceable against Aegon in Dutch courts
- Inability to manage risks associated with the reform and replacement of benchmark rates
- Inability to protect intellectual property

6. Risks relating to Aegon's common shares

- Volatility of Aegon's share price
- Offering of additional common shares in the future
- Significant influence of Vereniging Aegon over Aegon's corporate actions
- Currency fluctuations
- Influence of Perpetual Contingent Convertible over the market price for Aegon's common shares

Financial risks

Interest rate volatility and sustained low or negative interest rate levels may adversely affect Aegon's profitability and shareholders' equity.

Aegon is exposed to interest rate risk as both its assets and liabilities are sensitive to movements in long- and short-term interest rates as well as to changes in the volatility of interest rates.

During periods of decreasing interest rates, sustained low or even negative interest rates, as experienced in recent years, Aegon may not be able to preserve profit margins in spread-based businesses due to the existence of minimum interest rate guarantees and minimum guaranteed crediting rates provided in policies. Investment earnings may be lower because the interest earnings on new fixed-income investments are likely to have declined with the market interest rates. A prolonged low or even negative interest rate environment may also result in a lengthening of maturities of the policyholder liabilities from initial estimates, due to lower policy lapses and longer duration of annuities. In this context, negative interest rates have comparable but larger impacts than low but positive rates.

In-force life insurance and annuity policies may be relatively more attractive to consumers due to built-in minimum interest rate guarantees, resulting in increased premium payments on products with flexible premium features and a higher percentage of insurance policies remaining in force year-to-year. The majority of assets backing the insurance liabilities are invested in fixed-income securities.

Aegon, in managing its investments and derivative portfolio, considers a variety of factors, including the relationship between the expected duration of its assets and liabilities. However, if interest rates remain low or even negative, the yield earned upon reinvesting interest payments from current investments, or from their sale or maturity, may decline. Reinvestment at lower yields may reduce the spread between interest earned on investments and interest credited to some of Aegon's products and accordingly profitability may decline. In addition, borrowers may prepay or redeem fixed maturity investments or mortgage loans in Aegon's investment portfolio in order to borrow at lower rates. Aegon's ability to lower crediting rates on certain products to offset the decrease in spread may be limited by contractually guaranteed minimum rates or competitive influences.

Depending on economic developments, interest rates for securities with shorter maturities may remain at low or even negative levels for a prolonged period. In such an environment, an anchored expectation of low inflation or deflation could further push down the longer end of the interest rate curve, which could have significant implications for Aegon's profitability.

Rapidly rising interest rates may adversely affect Aegon's profitability and available liquidity.

In periods of rapidly increasing interest rates, policy loans, surrenders and withdrawals may and usually do increase. Premiums in flexible premium policies may decrease as policyholders seek investments with perceived higher returns. This activity may result in cash payments by Aegon requiring the sale of invested assets at a time when the prices of those assets are affected adversely by the increase in market interest rates. This may result in realized investment losses.

These cash payments to policyholders also result in a decrease in total invested assets and net result. Early withdrawals may also require accelerated amortization of deferred policy acquisition costs ('DPAC'), which in turn reduces net result.

In addition, if interest rates rise, unrealized losses on assets carried at fair value will be recorded in other comprehensive income (available-for-sale investments) or as losses (investments at fair value through profit or loss) under International Financial Reporting Standards as adopted by the European Union ('EU-IFRS'). This is inconsistent with the EU-IFRS accounting on much of Aegon's liabilities, where corresponding economic gains from higher interest rates do not affect shareholders' equity or net income in the shorter term. Such temporal mismatch could cause Aegon's results of operations to fluctuate significantly in the short-term.

Disruptions in the global financial markets and general economic conditions may affect, and could have material adverse effects on, Aegon's businesses, profitability, liquidity and financial condition.

Aegon's profitability and financial condition may be materially affected by uncertainty, fluctuations or negative trends in general economic conditions, such as economic growth, levels of unemployment, consumer confidence, inflation and interest rate levels in the countries in which Aegon operates. The COVID-19 pandemic, for example, has caused significant volatility and disruption in the financial markets.

Any disruptions or downturns in the global financial markets or general economic conditions may result in reduced demand for Aegon's products as well as impairments and reductions in the value of the assets in Aegon's general account, separate account, and company pension schemes. Aegon may also experience a higher incidence of claims and unexpected policyholder behavior such as unfavorable changes in lapse rates. Aegon's policyholders may choose to defer or stop paying insurance premiums, which may impact Aegon's businesses, profitability, cash flows and financial condition, and Aegon cannot predict with any certainty if or when such actions may occur.

Governmental action in the United States, the Netherlands, the United Kingdom, the European Union and elsewhere to address market disruptions and economic conditions may impact Aegon's businesses. Aegon cannot predict the effect that these or other government actions, including economic sanctions, as well as actions by the European Central Bank (ECB) or the US Federal Reserve may have on financial markets or on Aegon's businesses, profitability, cash flows and financial condition.

Illiquidity of certain investment assets may prevent Aegon from selling investments at fair prices in a timely manner and Aegon's access to external financing sources may be constrained under certain circumstances.

Aegon must maintain sufficient liquidity to meet short-term cash demands under normal circumstances, as well as in crisis situations. Liquidity risk is inherent in many of Aegon's businesses. Each asset purchased and liability (e.g. insurance products) sold has unique liquidity characteristics. Some liabilities can be surrendered, while some assets, such as privately placed loans, mortgage loans, real estate and limited partnership interests, are to some degree illiquid. In depressed markets, Aegon may be unable to sell or buy significant volumes of assets at quoted prices.

Any security Aegon issues in significant volume may be issued at higher financing costs if funding conditions are impaired. The necessity to issue securities can be driven by a variety of factors; for instance, Aegon may need liquidity for operating expenses, debt servicing and the maintenance of capital levels of insurance subsidiaries. If these extreme conditions were to persist for an extended period of time, Aegon may need to sell assets substantially below the prices at which they are currently recorded to meet its insurance obligations.

Aegon makes use of bilateral and syndicated credit facilities to support liquidity requirements and meet payment obligations under adverse (market) conditions. An inability to access these credit facilities, for example due to non-compliance with conditions for borrowing or the default of a facility provider under stressed market circumstances, could have an adverse effect on Aegon's ability to meet liquidity needs and to comply with contractual and other requirements.

Aegon's derivatives transactions require Aegon to provide collateral against declines in the fair value of these contracts. Volatile financial markets may significantly increase requirements to provide collateral and adversely affect its liquidity position. Further, a downgrade of Aegon's credit ratings may also result in additional collateral requirements.

Declines in value and defaults in debt securities, private placements, mortgage loan portfolios and other instruments held in Aegon's general and separate accounts, or the failure of certain counterparties, may have a material adverse effect on Aegon's businesses, profitability, cash flows and financial condition.

Credit risk is the risk of loss resulting from the default by, or failure to meet contractual obligations of, issuers and counterparties. Aegon also considers credit risk to include spread risk, that is, a decline in the value of a bond due to a general widening of credit spreads. For general account products, Aegon typically bears the risk for investment performance equaling the return of principal and interest on fixed income instruments. Aegon is exposed to credit risk on its general account fixed-income portfolio (debt securities, mortgages, small and medium sized entities ('SME') and consumer loans and private placements), over-the-counter ('OTC') derivatives and reinsurance contracts. In addition, financial institutions acting as a counterparty on derivatives may not fulfill their obligations. Default by issuers and counterparties on their financial obligations may be due to, among other things, bankruptcy, lack of liquidity, market downturns or operational failures, and the collateral or security they provide may prove inadequate to cover their obligations at the time of the default. Losses in excess of predicted losses due to any such default or series of defaults by issuers or counterparties may have a material adverse effect on Aegon's profitability and financial condition.

Additionally, Aegon is indirectly exposed to credit risk on the investment portfolios underlying separate account liabilities. Changes to credit risk can decrease the value of fixed interest assets in the separate accounts. Reduced separate account values will decrease fee income and may accelerate DPAC amortization. In addition, certain separate account products sold in the United States and the Netherlands include guarantees that protect the policyholders against some or all of the downside risks in their separate account portfolios. Reconsideration of assumptions might also affect the DPAC amortization schedule. These factors may have a material adverse effect on Aegon's profitability and financial position.

Aegon's investment portfolio includes Dutch government bonds, US Treasury, agency and state bonds, other government-issued securities and corporate bonds. Especially in a weak economic environment Aegon may incur significant investment impairments due to defaults and overall declines in the capital markets. Defaults or other reductions in the value of these securities and loans may have a material adverse effect on Aegon's businesses, profitability, cash flows and financial condition.

A decline in equity markets may adversely affect Aegon's profitability and shareholders' equity, sales of savings and investment products, and the value of assets under management.

Aegon and its customers run the risk that the market value of their equity investments can decline. Exposure to equity markets exists in both assets and liabilities. Asset exposure exists through direct equity investment where Aegon bears all or most of the volatility in returns and investment performance risk. Equity market exposure is also present in policyholders' accounts for insurance and investment contracts (such as variable annuities, unit-linked products, and mutual funds) where 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 and administration 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's insurance and investment contract businesses have minimum return or accumulation guarantees, which require Aegon to establish reserves to fund these future guaranteed benefits when equity market returns do not meet or exceed these guarantee levels. Aegon's reported results under EU-IFRS are also at risk if returns are not sufficient to allow amortization of DPAC, which may impact the reported net result as well as shareholders' equity. Volatile or poor market conditions may also significantly reduce the demand for some of Aegon's savings and investment products, which may lead to lower sales and reduced profitability.

A downturn in the real estate market may adversely impact valuations and cash flows.

Aegon's investment portfolio has a large exposure to the residential real estate market in the Netherlands through the residential mortgages sourced by Aegon and the AMVEST funds. Aegon also has exposure to the real estate market in the US through commercial mortgage loans. Risks for Aegon in the US and the Netherlands in the event of a downturn in the real estate market include lower returns or valuation losses on its mortgage portfolio, lower margins due to higher prepayment in the mortgage portfolio in the event of lower interest rates and increased payment defaults.

The default of a major financial market participant and systemic risk may disrupt the markets and affect Aegon.

The failure of a sufficiently large and influential financial market participant may disrupt securities markets or clearing and settlement systems in Aegon's markets. This may cause market declines or volatility. Such a failure may lead to a chain of defaults that may adversely affect Aegon and Aegon's contract counterparties. In addition, such a failure may impact future product sales as a potential result of reduced confidence in the insurance industry. The default of one or more large international financial institutions, which may result in disruption or termination of their cash, custodial and/or administrative services, may also have a material adverse impact on Aegon's ability to run effective treasury and asset management operations.

Even the perceived lack of creditworthiness of a government or financial institution (or a default by any such entity) may lead to market-wide liquidity problems and losses or defaults. This risk is sometimes referred to as 'systemic risk' and may adversely affect financial intermediaries, such as clearing members or futures commissions merchants, clearing houses, banks, securities firms and exchanges with which Aegon interacts on a daily basis and financial instruments of governments in which Aegon invests. Systemic risk could have a material adverse effect on Aegon's ability to raise new funds and on its business, financial condition, profitability, liquidity and/or prospects.

Reinsurers to which Aegon has ceded risk may fail to meet their obligations.

Aegon's insurance subsidiaries cede premiums to other insurers under various agreements that cover individual risks, group risks or defined blocks of business, on a co-insurance, yearly renewable term, excess or catastrophe excess basis. The purpose of these reinsurance agreements is to spread the risk and minimize the effect of losses. The amount of each risk retained depends on an evaluation of the specific risk, which is subject, in certain circumstances, to maximum limits based on the characteristics of coverage. Under the terms of the reinsurance agreements, the reinsurer agrees to reimburse for the ceded amount in the event a covered claim is paid. However, Aegon's insurance subsidiaries remain liable to their policyholders for ceded insurance if any reinsurer fails to meet the obligations assumed by it. A bankruptcy or insolvency or inability of any of Aegon's reinsurance counterparties to satisfy its obligations may have a material adverse effect on Aegon's financial condition and results of operations.

A downgrade in Aegon's credit ratings may increase policy surrenders and withdrawals, adversely affect Aegon's relationships with distributors, and negatively affect Aegon's results of operations.

Claims-paying ability and financial strength ratings are factors in establishing the competitive position of insurers. A rating downgrade (or a change in outlook indicating the potential for such a downgrade) of Aegon or any of its rated insurance subsidiaries may, among other things, materially increase the number of policy surrenders and withdrawals by policyholders of cash values from their policies. Aegon cannot predict what actions rating agencies may take, or what actions Aegon may take in response to the actions of rating agencies. As with other companies in the financial services industry, Aegon's credit ratings may be downgraded at any time and without notice by any rating agency.

Withdrawals by policyholders may require the sale of invested assets, including illiquid assets, at a price that may result in realized investment losses. These cash payments to policyholders would result in a decrease in total invested assets and a decrease in net result. Among other things, early withdrawals may also cause Aegon to accelerate amortization of DPAC, reducing net result.

Aegon has experienced downgrades and negative changes to its outlook in the past and may experience rating and outlook changes in the future. A downgrade or potential downgrade, including changes in outlook, may result in higher funding costs on future long-term debt funding transactions and/or affect the availability of funding in the capital markets and lead to increased fees on credit facilities. In addition, a downgrade may adversely affect relationships with broker-dealers, banks, agents, wholesalers and other distributors of Aegon's products and services, which may negatively impact new sales and adversely affect Aegon's ability to compete. A downgrade of Aegon's credit ratings may also affect its ability to obtain reinsurance contracts at reasonable prices or at all.

Fluctuations in currency exchange rates may affect Aegon's financial condition and reported results of operations.

As an international group, Aegon is subject to foreign currency translation risk. Foreign currency exposure also exists when policies are denominated in currencies other than Aegon's functional currency. Currency risk in the investment portfolios backing insurance and investment liabilities is managed using asset liability matching principles. Assets allocated to equity are kept in local currencies to the extent shareholders' equity is required to satisfy regulatory and Aegon's self-imposed capital requirements. Therefore, currency exchange rate fluctuations may affect the level of Aegon's consolidated shareholders' equity as a result of translation of the equity of Aegon's subsidiaries into euro, Aegon's reporting currency. Aegon holds the remainder of its capital base (capital securities, subordinated and senior debt) in various currencies in amounts that are targeted to correspond to the book value of Aegon's business units. This balancing is intended to mitigate currency translation impacts on equity and leverage ratios. Aegon may also hedge proceeds from divestments or the foreign exchange component of expected dividends from its principal business units that maintain their equity in currencies other than the euro.

To the extent the foreign exchange component of proceeds from divestments or the expected dividends is not hedged, or actual dividends vary from expected, Aegon's net result and shareholders' equity may fluctuate. As Aegon has significant business segments in the Americas and in the United Kingdom, the principal sources of exposure from currency fluctuations are from the differences between the US dollar and the euro and between the UK pound and the euro. Aegon may experience significant changes in net result and shareholders' equity because of these fluctuations.

Aegon may be unable to manage asset liability management risks successfully through derivatives.

Aegon is exposed to changes in the fair value of its investments, as a result of the impact of interest rate, equity markets and credit spread changes, currency fluctuations and changes in mortality and longevity. Aegon uses common financial derivative instruments, such as swaps, options, futures, and forward contracts, to hedge some of the exposures related to both investments backing insurance products and Company borrowings. Aegon may not be able to manage these asset liability management risks associated with these activities successfully through the use of derivatives. In addition, a counterparty may fail to honor the terms of its derivatives contracts with Aegon. Clearing members and clearing houses may terminate their derivatives contracts with Aegon. Aegon's inability to manage risks successfully through derivatives, a counterparty's failure to honor Aegon's obligations or a systemic risk that is transmitted from counterparty to counterparty may each have a material adverse effect on Aegon's businesses, net result and financial condition.

Valuation of Aegon's investments, allowances and impairments is subjective, and discrepant valuations may adversely affect Aegon's net result and financial condition.

The valuation of many of Aegon's financial instruments is based on methodologies, estimations, and assumptions that are subject to different interpretations. Changes to investment valuations may have a material adverse effect on Aegon's net result and financial

condition. In addition, the determination of the amount of allowances and impairments taken on certain investments and other assets is subjective and based on assumptions, estimations and judgments that may not reflect or correspond to Aegon's actual experience, any of which may materially impact Aegon's net result or financial condition.

Higher inflation may adversely affect Aegon's business plans and strategy and the profitability of its business.

Inflation has increased in the major economies driven by many factors, such as supply chain disruption, energy and commodity costs. Central banks and governments are assessing whether inflation increases are transitional or lasting and recently started to consider raising interest rates and other monetary policies to combat inflation.

A high inflation environment can adversely affect Aegon directly through higher claims and higher expenses or through broader macro-economic impacts that are associated with high inflation, such as higher interest rates and a correction to the market value of assets.

Certain products Aegon offers have a direct or very strong link to inflation, most notably index linked pension products. Other products have a high correlation to inflation over the longer term, such as long term care products. It is Aegon's practice to hedge the indexation of pension products but it is not possible to hedge the inflation associated with long term care products as no instrument exists to match this risk. Rather Aegon mitigate this risk by close management of claims costs and benefits in the US.

Operating expenses have a strong correlation with inflation (wage and price inflation). An increase in observed inflation may lead to increased expenses and a lower earnings if Aegon is unable to offset the expense of inflation through expense savings initiatives.

Higher inflation may have broader economic impacts on asset valuations and economic activity, which will adversely impact Aegon's business plans and strategy and its profitability.

Underwriting risks

Aegon's reported results of operations and financial condition may be affected by differences between actual claims experience and underwriting and reserve assumptions both due to incurred gains/losses and from potential changes in best estimate assumptions that are used to value insurance liabilities.

There is a risk that the pricing of Aegon's products turns out to be inadequate if the assumptions used for pricing do not materialize. Aegon's earnings depend significantly on the extent to which actual claims experience is consistent with the assumptions used in setting the prices for Aegon's products and the extent to which the established technical provisions for insurance liabilities, both under IFRS and Solvency II reporting, prove to be sufficient. If actual claims experience is less favorable than the underlying assumptions used in establishing such liabilities, Aegon's net income would be reduced. Furthermore, if less favorable claims experience became sustained, Aegon may be required to change its best estimate assumptions with respect to future experience, potentially increasing the technical provisions for insurance liabilities, which may reduce Aegon's net income and solvency ratio. In addition, certain acquisition costs related to the sale of new policies and the purchase of policies already in force have been recorded as assets on the balance sheet and are being amortized into net income over time. If the assumptions relating to the future profitability of these policies (such as future claims, investment net income and expenses) are not realized, the amortization of these costs may be accelerated and may require write-offs should there be an expectation that the costs are not fully recoverable. This may have a material adverse effect on Aegon's results of operations and financial condition.

Sources of underwriting risk include policyholder behavior (such as lapses or surrender of policies), policy claims (such as mortality and morbidity) and expenses. For some product lines, Aegon is at risk if policy lapses increase, as sometimes Aegon is unable to fully recover up-front sales expenses despite the presence of commission recoveries or surrender charges and fees. In addition, some policies have embedded options which at times are more valuable to the client if they stay (lower lapses) or leave (higher lapses), which may result in losses to Aegon's businesses. Aegon sells certain types of policies that are at risk if mortality or morbidity increases, such as term life insurance and accident insurance. Aegon also sells certain other types of policies, such as annuity products, that are at risk if mortality decreases (longevity risk). For example, certain current annuity products, as well as products sold in previous years, have seen their profitability deteriorate as longevity assumptions have been revised upward. Despite the disruption caused by the COVID-19 pandemic, it remains possible for the trend toward increased longevity to return, such that Aegon's annuity products may continue to experience adverse effects due to longer expected benefit payment periods. Aegon is also at risk if expenses are higher than assumed.

Changes in assumptions, estimations, and discrepant valuations of DPAC and value of business acquired may adversely affect Aegon's results of operations and financial condition.

Changes in assumptions, estimations, judgments or actual experience may also require Aegon to accelerate the amortization of DPAC and value of business acquired, establish a valuation allowance against deferred income tax assets, or recognize impairment of other assets, any of which may materially adversely affect Aegon's results of operations and financial condition.

Some of Aegon's products have guarantees that may adversely affect its results of operations, financial condition or liquidity.

Some products, particularly Aegon's variable annuity products in the US and defined benefit pension business in the Netherlands, include death benefit guarantees, guarantees of minimum surrender values or income streams for stated periods or for life, which may be more than account values. These guarantees are designed, among other things, to protect policyholders against downturns in equity markets and interest rates. The value of the guarantees depends on market prices of such products. Failure to re-price the products following a fall in interest rates or a move into more volatile markets could result in Aegon writing business at a loss and potentially writing higher volumes of loss making business if competitors re-price their products. Alternatively, if competitors re-price their products on aggressive pricing terms, then Aegon may be pressured to re-price with less favorable terms than it is willing to take without the pressure.

Restrictions on underwriting criteria and the use of data may adversely impact Aegon's results of operations.

Some jurisdictions impose restrictions on particular underwriting criteria, such as gender or race, or use of genetic test results, for determination of premiums and benefits of insurance products. Such restrictions, now or in the future, could adversely impact Aegon's results of operations if it is unable to take into consideration all factors that potentially bear correlation with risk. Further developments in underwriting, such as automation and use of additional types and sources of data, may also be affected by future regulatory developments regarding privacy and other restrictions with respect to the use of personal data.

Aegon's products may not achieve expected returns and Aegon may be confronted with litigation and negative publicity.

Aegon may face lawsuits from customers and experience negative publicity if Aegon's products fail to perform as expected, regardless of the suitability of products for customers or the adequacy of the disclosure provided to customers by Aegon and by the intermediaries who distribute Aegon's products. Products that are less well understood and that have a lower performance track record may be more likely to be the subject of such lawsuits. Any such lawsuits may have a material adverse effect on Aegon's results of operations, corporate reputation, and financial condition.

Reinsurance may not be available, affordable, or adequate to protect Aegon against losses.

As part of Aegon's overall risk and capital management strategy, Aegon purchases reinsurance for certain risks underwritten by Aegon's various business segments. Market conditions beyond Aegon's control determine the availability and cost of the reinsurance protection Aegon purchases. In addition, interpretations of terms and conditions may differ over time from anticipated coverage as contracts extend for decades, which may lead to denials of coverage and potentially protracted litigation, which may lead to Aegon incurring losses.

Catastrophic events, which are unpredictable by nature, may result in material losses and abruptly and significantly interrupt Aegon's business activities.

Aegon's results of operations and financial condition may be adversely affected by volatile natural and man-made disasters such as hurricanes, windstorms, earthquakes, terrorism, cyber-crime, riots, wars, fires and explosions, pandemics, and other catastrophes. Over the past several years, changing weather patterns and climatic conditions have added to the unpredictability and frequency of natural disasters in certain parts of the world and created additional uncertainty as to future trends and exposure. Aegon is also exposed to the risk of epidemics or pandemics occurring in one or more of the countries in which Aegon operates or globally. For instance, Aegon can be impacted through higher mortality rates in the countries in which it operates and through lower sales and higher lapses on its products due to limitations on customer interactions, pressure on customer income and increased uncertainty. Such events may lead to considerable financial losses to Aegon's businesses. These catastrophic events may also lead to adverse market movements which increase the adverse impacts to Aegon's financial position. For instance, prices and credit quality of investments can be impacted. In addition, monetary policy measures from central banks can result in fluctuations in interest rates. Furthermore, natural disasters, pandemics, terrorism, civil unrest, military actions, acts of war and fires may disrupt Aegon's operations and result in significant loss of

property, key personnel, and information about Aegon and its clients. If its business continuity plans have not included effective and sufficient contingencies for such events, Aegon may also experience business disruption and damage to corporate reputation and financial condition for a substantial period of time.

Operational risks

Competitive factors may adversely affect Aegon's market share and profitability.

Competition in Aegon's business segments is based on service, product features, price, commission structure, financial strength, claims paying ability, ratings, and name recognition. Aegon faces intense competition from a large number of other insurers, as well as non-insurance financial services companies such as banks, broker-dealers and asset managers, for individual customers, employers, other group customers, agents and other distributors of insurance and investment products. Consolidation in the global financial services industry can enhance the competitive position of some of Aegon's competitors by broadening the range of their products and services and increasing their distribution channels and their access to capital. New competitors backed by private equity investors may lead to further pressure on Aegon's margins. In addition, development of alternative distribution channels for certain types of insurance and securities products, including use of digital technologies and platforms, may result in increasing competition as well as pressure on margins for certain types of products. Traditional distribution channels are also challenged by a ban on sales-based commissions in some countries. These competitive factors may result in increased pricing pressures on Aegon's products and services, particularly as competitors seek to win market share. This may harm Aegon's ability to maintain or increase profitability.

Adverse market and economic conditions can be expected to result in changes to the competitive landscape. Financial distress experienced by financial services industry participants as a result of weak economic conditions and newly imposed regulations may lead to acquisition opportunities. Additionally, the competitive landscape in which Aegon operates may be affected by government-sponsored programs or actions taken in response to, for instance, dislocations in financial markets. Aegon's ability or that of Aegon's competitors to pursue such opportunities may be limited due to lower earnings, reserve increases, capital requirements or a lack of access to debt capital markets and other sources of financing. Such conditions may also lead to changes by Aegon or Aegon's competitors in product offerings and product pricing that may affect Aegon and Aegon's relative sales volumes, market shares and profitability.

Aegon may have difficulty managing its expanding operations, and Aegon may not be successful in acquiring new businesses or divesting existing operations.

Over time, Aegon has made a number of acquisitions and divestments around the world and it is possible that Aegon may make further acquisitions and divestments in the future. Acquisitions and divestments involve risks that may adversely affect Aegon's results of operations and financial condition. These include: the potential diversion of financial and management resources from existing operations; difficulties in assimilating or disentangling operations, technologies, products and personnel; significant delays in completing the integration or disentangling of operations; the potential loss of key employees or customers; and potential losses from unanticipated litigation and tax and accounting issues. In addition, expansion into new and emerging markets may involve heightened political, legal and regulatory risks, such as discriminatory regulation, nationalization or expropriation of assets, price controls and exchange controls.

Aegon's acquisitions may result in additional indebtedness, costs, contingent liabilities, and impairment expenses related to goodwill and other intangible assets. Acquisitions may also have a dilutive effect on the ownership and voting percentages of existing shareholders if shares are used as consideration. Divestments of existing operations may result in Aegon assuming or retaining certain contingent liabilities. Aegon may not be able to divest assets within the time or at the price planned. All of these factors may adversely affect Aegon's businesses, results of operations and financial condition. There can be no assurance that Aegon will successfully identify suitable acquisition candidates or buyers for operations to be divested or that Aegon will properly value acquisitions or divestments. Aegon is unable to predict whether or when any prospective acquisition candidate or buyer for operations to be divested will become available, or the likelihood that any transaction will be completed once negotiations have commenced.

Aegon may experience difficulties in distributing and marketing products through its current and future distribution channels.

Although Aegon distributes its products through a wide variety of distribution channels, Aegon's ability to market its products could be affected if key relationships are interrupted. Distributors may elect to reduce or terminate their distribution relationship with Aegon due to adverse developments in its (or their) business. Further, key distribution partners may also merge or change their business models in ways that affect how Aegon's products are sold, or new distribution channels could emerge and adversely impact the effectiveness of its current distribution efforts.

When Aegon's products are distributed through unaffiliated firms, Aegon may not always be able to monitor or control the manner of their distribution despite its significant compliance training and programs. If Aegon's products are distributed by such firms in an inappropriate manner, or to customers for whom they are unsuitable, Aegon may suffer reputational and other harm to its business.

Aegon may be unable to adapt to and apply new technologies.

New technologies are transforming the insurance industry. New technologies include but are not limited to communication channels, automation, artificial intelligence, additional processing platforms and cloud services, data analytics and distributed ledger technology. These technologies are changing the way insurance is distributed and sold. They are also changing the way insurers manage their businesses and the skills they need in their workforces. Furthermore, the new technologies are influencing customer and consumer demands. Technology makes it easier to move into new markets. This increases competition, not just among peers, but also from new competitors and disruptors. An inability to adapt and apply these technologies quickly, and in a controlled manner may impact Aegon's competitive position, and its ability to maintain profitability, and may adversely affect Aegon's future financial condition and results of operations.

Failure of data management and governance can result in regulatory and reputational risk as well as missed business opportunities.

Data is essential for Aegon's operational performance. However, much of the data held by Aegon is subject to various legal, regulatory and contractual restrictions. To be able to benefit from the data that Aegon holds, areas like data management and governance are of key importance. Most internal processes and customer interactions are dependent on accessible, reliable, and compliant data practices and operations. If Aegon fails to adequately execute on these obligations, it faces potential legal, regulatory, contractual and reputational risks. Aegon also must endeavor to obtain adequate data rights to be able to execute its business strategy. Failure to do so will expose it to additional legal risks, including litigation risks.

Aegon may be impacted by epidemics or pandemics.

Aegon is exposed to the risk of an epidemic or a pandemic – such as Asian flu, SARs or COVID-19 – occurring in one or more of the countries in which it operates or globally. Aegon's daily activities may be adversely impacted in addition to the financial and underwriting consequences of higher mortality and economic hardship, as previously mentioned. If the health of a significant number of employees or key functions is compromised or internal controls need to be executed in an atypical way, these could have an impact on core business processes, service levels to customers, and the effectiveness of the control environment. In addition, Aegon faces additional operational risks related to prolonged and expanded working from home/remote working by Aegon's workforce, such as additional remote access to company information which could increase information security risk. Also, Aegon can be impacted via its relationships with third parties. These third parties can also be impacted by an epidemic or pandemic with consequential impacts on Aegon such as disruption in service. The described risks may directly or indirectly impact Aegon's financial health and its ability to generate capital in the medium to long term.

Aegon may not be successful in managing its exposure to climate risk and adequately adapting investment portfolios for the transition to a low-carbon economy.

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

Transition risks are those arising from the shift to a low-carbon economy. These risks are a function of policy and regulatory uncertainty, including political, social and market dynamics and technological innovations. Transition risks can affect the value of assets and investment portfolios. Furthermore, Aegon may be unable to adjust to environmental and sustainability goals. Linked to both the physical and the transition risks, there could also be litigation and reputational risks following from not fully considering or responding to the impacts of climate change, or not providing appropriate disclosure of current and future risks. Aegon may not

be able to fully predict or manage the financial risks stemming from climate change, resource depletion, environmental degradation and related social issues. The risks can relate both to Aegon and the companies in which it invests.

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

Aegon's risk management policies and processes may leave it exposed to unidentified or unanticipated risk events, adversely affecting its businesses, results of operations, and financial condition.

Aegon has devoted significant resources to the implementation and maintenance of a comprehensive enterprise risk management framework in all aspects of the business. Nevertheless, it is possible that risks present in its business strategies and initiatives are not fully identified, monitored, and managed or that risks are not properly measured. Risk measurements make use of historic and public data that may be inaccurate or may not predict future exposures. As a result, Aegon's businesses, results of operations, and financial condition may be adversely affected.

Failure of Aegon's information technology or communications systems may result in a material adverse effect on Aegon's businesses, results of operations, financial condition and corporate reputation.

Any failure of or gap in the systems and processes necessary to support complex transactions and avoid and/or detect systems failure, fraud, information security failures, processing errors, cyber intrusion, loss of data and breaches of regulation may lead to a material adverse effect on Aegon's results of operations and corporate reputation. In addition, Aegon must commit significant resources to maintain and enhance its existing systems in order to keep pace with applicable regulatory requirements, industry standards and customer preferences. If Aegon fails to maintain secure and well-functioning information systems, Aegon may not be able to rely on data for product pricing, compliance obligations, risk management and underwriting decisions. In addition, Aegon cannot assure investors or consumers that interruptions, failures or breaches in security of these processes and systems will not occur, or that if they do occur, that they can be timely detected and remediated. The occurrence of any of these events may have a material adverse effect on Aegon's businesses, results of operations, financial condition and corporate reputation.

A computer system failure or security breach of Aegon's IT systems or that of critical third parties may disrupt Aegon's business, damage Aegon's reputation and adversely affect Aegon's results of operations, financial condition, and cash flows.

Aegon relies heavily on computer and information systems and internet and network connectivity (collectively, "IT systems") to conduct a large portion of its business operations. This includes the need to securely store, process, transmit and dispose of confidential information, including personal information, through a number of complex systems. In many cases this also includes transmission and processing to or through customers, business partners, (semi-) governmental agencies and third-party service providers. The introduction of new technologies, computer system failures, cyber-crime attacks or security or data privacy breaches may material disrupt Aegon's business operations, damage Aegon's reputation, result in regulatory and litigation exposure, investigation and remediation costs, and materially and adversely affect Aegon's results of operations, financial condition and cash flows.

The information security risk that Aegon faces includes the risk of malicious outside forces using public networks and other methods, including social engineering and the exploitation of targeted offline processes, to attack Aegon's systems and information and potentially demand ransom. It also includes inside threats, both malicious and accidental. For example, human error, bugs and vulnerabilities that may exist in Aegon's systems or software, unauthorized user activity and lack of sufficiently automated processing or sufficient logging and monitoring can result in improper information exposure or failure or delayed detection of such activity in a timely manner. Aegon also faces risk in this area due to its reliance in many cases on third-party systems, all of which may face cyber and information security risks of their own. Third-party administrators or distribution partners used by Aegon or its subsidiaries may not adequately secure their own IT systems or may not adequately keep pace with the dynamic changes in this area. Potential bad actors that target Aegon and applicable third parties may include, but are not limited to, criminal organizations, foreign government bodies, political factions, and others.

In recent years, information security risk has increased sharply due to a number of developments in how information systems are used, not only by companies such as Aegon, but also by society in general. Threats have increased in frequency and magnitude, and are expected to continue to increase, as criminals and other bad actors become more organized and employ more sophisticated techniques. At the same time companies increasingly make information systems and data available through the internet, mobile devices or other network connections to customers, employees and business partners, thereby expanding the attack surface that bad actors can potentially exploit. As a result of the COVID-19 pandemic, Aegon also faces increased cybersecurity risks due to the number of Aegon's

and Aegon's service providers' and partners' employees who are (and may continue to be) working remotely, which creates additional opportunities for cybercriminals to launch social engineering attacks and exploit vulnerabilities in non-corporate IT environments. The White House, SEC and other regulators have also increased their focus on cybersecurity vulnerabilities and risks.

Large, global financial institutions such as and including Aegon have been, and will continue to be, subject to information security attacks for the foreseeable future. The nature of these attacks will also continue to be unpredictable, and in many cases may arise from circumstances that are beyond Aegon's control. Attackers are also increasingly using tools and techniques that are specifically designed to circumvent controls, to evade detection and even to remove or obfuscate forensic evidence. As a result, Aegon may be unable to timely or effectively detect, identify, contain, investigate or remediate IT systems in response to, future cyberattacks or security breaches. Especially if and to the extent Aegon fails to adequately invest in defensive infrastructure, timely response capabilities, technology, controls and processes or to effectively execute against its information security strategy, it may suffer material adverse consequences.

To date the highest impact information security incidents that Aegon has experienced are believed to have been the result of e-mail phishing attacks targeted at Aegon's business partners and customers. This in turn led to the unauthorized use of valid Aegon website credentials to engage in fraudulent transactions and improper data exfiltration. Additionally, Aegon has faced other types of attacks, including, but not limited to, other types of phishing attacks, distributed denial of service (DDoS) attacks, technology implementation and update errors, various human errors, e-mail related errors, paper-based errors, exploitations of vulnerabilities and certain limited cases of unauthorized internal user activity, including activity between different Aegon country units. Like many other companies, Aegon could also be subject to malware, ransomware and similar types of attacks or intrusions. There is no guarantee that the measures that Aegon takes will be sufficient to stop all types of attacks or mitigate all types of information security or data privacy risks.

Aegon maintains cyber liability insurance to help decrease the financial impact of cyber-attacks and information security events, subject to the terms and conditions of the policy; however, such insurance may not be sufficient to cover all applicable losses that Aegon may suffer.

A breach of data privacy or security obligations may disrupt Aegon's business, damage Aegon's reputation and adversely affect financial conditions and results of operations.

Pursuant to applicable laws, various government and semi-governmental and other administrative bodies have established numerous rules protecting the privacy and security of personal information and other confidential or sensitive information held by Aegon. Notably, certain of Aegon's businesses are subject to laws and regulations enacted by US federal and state governments, the EU or other non-US/EU jurisdictions and/or enacted by various regulatory organizations relating to the privacy and/or information security of the information of customers, employees or others. Aegon's European operations are mainly subjected to the General Data Protection Regulation (GDPR). In addition, in several Asian and Latin American jurisdictions where Aegon has activities, new privacy and information security laws and regulations have been enacted or existing legislation has been strengthened and updated.

In the United States, the New York Department of Finance Services (NYDFS), pursuant to its cybersecurity regulation, requires financial institutions regulated by the NYDFS, including certain Aegon subsidiaries, to, among other things, satisfy an extensive set of minimum information security requirements, including but not limited to governance, management, reporting, policy, technology and control requirements. Other states have adopted similar cybersecurity laws and regulations.

Numerous other US state and federal laws also impose various information security and privacy related obligations with respect to various Aegon subsidiaries operating in the US, including but not limited to the Gramm-Leach-Bliley Act and related state laws and implementing regulations (GLBA), the California Consumer Privacy Act (CCPA), the California Privacy Rights Act (CPRA), and the Health Insurance Portability and Accountability Act (HIPAA), among many others. These laws generally provide for governmental investigative and enforcement authority, and in certain cases provide for private rights of action.

Numerous other legislators and regulators with jurisdiction over Aegon's businesses are considering or have already enacted enhanced information security risk management and privacy laws and regulations, with the overall number and scope of such laws and regulations continuing to increase every year. A number of Aegon's subsidiaries are also subject to contractual restrictions with respect to the use and handling of the sensitive information of Aegon's clients and business partners.

Aegon, and numerous of its systems, employees, third-party providers and business partners have access to, and routinely process, the personal information of consumers and employees. Aegon relies on a large number of processes and controls to protect

the confidentiality, integrity and availability of personal information and other confidential information that is accessible to, or in the possession of, Aegon, its systems, employees and business partners. It is possible that an Aegon or a third party's employee, contractor, business partner or system could, intentionally or unintentionally, inappropriately disclose or misuse personal or confidential information. Aegon's data or data in its possession could also be the subject of an unauthorized information security attack. If Aegon fails to maintain adequate processes and controls or if Aegon or its business partners fail to comply with relevant laws and regulations, policies and procedures, misappropriation or intentional or unintentional inappropriate disclosure or misuse of personal information or other confidential information could occur. Such control inadequacies or non-compliance could cause disrupted operations and misstated or unreliable financial data, materially damage Aegon's reputation or lead to increased regulatory scrutiny or civil or criminal penalties or (class action) litigation, which, in turn, could have a material adverse effect on Aegon's business, financial condition and results of operations.

In addition, Aegon analyzes personal information and customer data to better manage its business, subject to applicable laws and regulations and other restrictions. It is possible that additional regulatory or other restrictions regarding the use of such information may be imposed. Additional privacy and information security obligations have been imposed by various governments with jurisdiction over Aegon or its subsidiaries in recent years, and more similar obligations are likely to be imposed in the near future across Aegon's operations. Such restrictions and obligations could have material impacts on Aegon's business, financial conditions and results of operations.

Inaccuracies in econometric, financial, or actuarial models, or differing interpretations of underlying methodologies, assumptions and estimates, could have a material adverse effect on Aegon's business, results of operations and financial condition.

Aegon uses econometric, financial, and actuarial models to measure and manage multiple types of risk, to price products and to establish and assess key valuations and report financial results. All these functions are critical to Aegon's operations. Aegon has a model risk management framework in place to manage modelling risk. If, despite this framework, models, their underlying methodologies, assumptions and estimates, or their implementation and monitoring prove to be inaccurate, this could have a material adverse effect on Aegon's business, results of operations and financial condition.

Many of Aegon's business units offer investment products that utilize quantitative models, algorithms or calculations that could experience errors or prove to be incorrect, incomplete or unsuccessful, resulting in losses for clients who have invested in such products and possible regulatory actions and/or litigation against Aegon and/or its affiliates.

Aegon's business units may utilize quantitative models, algorithms or calculations (whether proprietary or supplied by third parties) (Models) or information, or data supplied by third parties (Data) for the management of, or to assist in the management of, investment products offered to clients. Examples of such investment products include volatility-controlled funds, mutual funds, separately managed accounts, and other types of advisory accounts. Models and Data are used to construct sets of transactions and investments, to provide risk management insights, and may be used to assist in hedging investments. If Models and Data prove to be incorrect or incomplete, any decisions made, in whole or part, in reliance thereon expose the investment product to additional risks. For example, by utilizing Models or Data, certain investments may be bought at prices that are too high, certain other investments may be sold at prices that are too low, or favorable opportunities may be missed altogether. Similarly, any hedging based on faulty Models and Data may prove to be unsuccessful. The applicable investment product bears the risk that Models or Data used will not be successful and the product may not achieve its investment objective.

Models can be predictive in nature. The use of predictive Models has inherent risks. For example, such Models may incorrectly forecast future behavior, leading to potential losses on a cash flow and/or a mark-to-market basis. In addition, in unforeseen or certain low-probability scenarios (often involving a market disruption of some kind), such Models may produce unexpected results, which can result in losses for an investment product. Furthermore, the success of relying on or otherwise using Models depends on a number of factors, including the validity, accuracy and completeness of the Model's development, implementation and maintenance, the Model's assumptions, factors, algorithms and methodologies, and the accuracy and reliability of the supplied historical or other Data.

Models rely on, among other things, correct and complete Data inputs. If incorrect Data is entered into even a well-founded Model, the resulting information will be incorrect. However, even if Data is input correctly, Model prices may differ substantially from market prices, especially for securities with complex characteristics. Investments selected with the use of Models may perform differently than expected as a result of the design of the Model, inputs into the Model or other factors.

Additionally, if investment products offered by Aegon's affiliates experience Model errors or use erroneous Data, this could result in regulatory actions and/or litigation brought against Aegon and/or its affiliates.

Issues with third party providers (outsourcing partners and suppliers), including events such as bankruptcy, disruption of services, or standards of service level agreements not upheld may adversely impact Aegon's operational effectiveness and financial condition.

As Aegon continues to focus on reducing expenses necessary to support its business, a key part of its operating strategy has been to outsource certain services that are important to its business. Aegon outsources certain information technology, finance and actuarial services, investment management services and policy administration operations to third party providers and may do so increasingly in the future. If Aegon fails to maintain an effective outsourcing strategy or if third party providers do not provide the core administrative, operational, financial, and actuarial services Aegon requires and anticipates, or perform as contracted, such as compliance with applicable laws and regulations, or suffer an information security or data privacy breach, Aegon may not realize the desired productivity improvements or cost efficiencies or customers might experience lower service levels. In addition, Aegon may not be able to find an adequate alternative provider, and instead experience financial loss, reputational harm, operational difficulties, increased costs, a loss of business and other negative consequences, all of which could have a material adverse effect on Aegon's financial condition. In addition, Aegon's reliance on third party providers does not relieve Aegon of its responsibilities and requirements. Any failure or negligence by such third-party providers in carrying out their contractual duties may result in Aegon being subjected to liability and litigation. Any litigation relating to such matters could be costly and time-consuming, and the outcome would be uncertain. Moreover, any adverse publicity arising from such litigation, even if the litigation is not successful, could adversely affect Aegon's reputation and distribution of its products. Finally, Aegon's ability to receive services from third party providers based in different countries might be impacted by political instability, cultural differences, regulatory requirements or policies inside or outside of the countries within which Aegon has operations. As a result, Aegon's ability to conduct its business might be adversely affected.

Aegon may be unable to attract and retain personnel who are key to the business.

As a global financial services enterprise, Aegon relies, to a considerable extent, on the quality of local management and personnel in the various countries in which Aegon operates. The success of Aegon's operations is dependent, among other things, on Aegon's ability to attract and retain highly qualified professional personnel. The right talent for critical positions and availability of required capabilities determines Aegon's ability to deliver on its strategic objectives. Competition for key personnel in most countries in which Aegon operates is intense. Aegon competes for talent in areas such as digital, information technology, with companies in the consumer products, technology, financial sectors. Aegon's success attracting and retaining key personnel is very much dependent on the competitiveness of the compensation and benefits package and flexibility for employees in the market in which it competes and the work environment it offers.

As a part of the governmental response in Europe and, to a certain extent, the United States to the financial crisis in 2008, there have been various legislative initiatives that have sought to give guidance or regulate the structure of remuneration for personnel, in particular senior management, with a focus on performance-related remuneration and limiting severance payments. With differences in interpretation of these regulations by local regulators on how the guidelines need to be applied these restrictions create an uncertain playing field and may adversely affect Aegon's ability to compete for qualified employees, as well as Aegon's ability to transfer employees between regions.

Political, Regulatory and Supervisory

Aegon may be required to increase its technical provisions and/or hold higher amounts of regulatory capital as a result of changes in the regulatory environment or changes in rating agency analysis, which may impact Aegon's financial condition and/or decrease Aegon's returns on its products.

Prudential regulatory requirements such as with respect to the calculation of technical provisions, capital requirements, the eligibility of own funds and the regulatory treatment of investments may change, which could require Aegon to increase technical provisions, hold higher amounts of regulatory capital and subject it to more stringent requirements with respect to investments and/or own funds. Important examples include changes to applicable capital requirements by the European Union and/or the interpretation thereof by the European Insurance and Occupational Pensions Authority ('EIOPA'), the National Association of Insurance Commissioners ('NAIC') in the US or US state regulators or local regulators in jurisdictions in which Aegon operates. Aegon cannot predict specific proposals that might be adopted, or what impact, if any, such proposals or, if enacted, such laws may have on its businesses, results of operations, or financial condition.

Prudential regulatory requirements may not only apply to the individual entities in the Aegon Group but may additionally apply at Group level or apply to part of the Group. Consequently, those requirements may have different, and more or less impact depending on their scope. Important examples of such requirements are Solvency II group supervision and consolidated requirements resulting from the Capital Requirements Directive ('CRD') and the Capital Requirements Regulation ('CRR'), as applied to groups containing bank and/or asset management activities.

The way such requirements are applied to groups like Aegon has an impact on the Group's capital position, as well as on the availability of capital at a Group level. Changes to prudential regulatory requirements may have an impact on Aegon's competitive position versus companies that are not subject to these or similar requirements at Group level. As an example, as part of the Solvency II group calculation, Aegon applies a specific methodology for its US insurance and reinsurance subsidiaries at Group level, in addition to the requirements to which these subsidiaries are subject under their local prudential regime. This methodology is approved by Aegon's group supervisor, De Nederlandsche Bank N.V. ('DNB'), but remains subject to periodic review. Changes to this methodology might have an impact on Aegon's capital position, as calculated under Solvency II group requirements and/or the manner in which DNB otherwise exercises group supervision on Aegon, for example through more stringent requirements with respect to intra-group transactions, risk concentrations and reporting.

There are several important regulatory standards with respect to capital adequacy that apply to Aegon and are subject to change, which changes could impact Aegon's financial condition and results and operations:

- The European Commission has recently published a formal legislative proposal for amendments to the Solvency II Directive following an extensive technical advice by EIOPA to the European Commission. Proposals to amend the Solvency II Delegated Regulation, amend existing or introduce additional technical standards and/or EIOPA guidelines may follow in a later stage. The impact on Aegon's financial position and results depends on the final form of the requirements, standards and guidelines;
- Following the end of the Brexit transition period on 31 December 2020, UK insurers are no longer directly subject to regulation under the EU's Solvency II. The UK government launched a review into the European Union's Solvency II framework in October 2020 which has resulted in divergence between the UK and EU regulatory regimes in 2021. Increasing divergence cannot be ruled out going forward which could further impact the UK capital ratio;
- In the US, the NAIC periodically updates various prudential requirements. The NAIC is currently updating the risk-based capital ('RBC') charges for mortality risk and is embarking on a project to reconsider the RBC treatment of structured investments. These initiatives or other regulatory changes to capital factors may lead to higher risk-based capital requirements. In addition, the NAIC has constructed a US group capital calculation ('GCC') using an RBC aggregation approach that would be used by regulators as a monitoring tool. The results of the GCC could impact the translation of RBC in the Group capital ratio for the United States; and
- Aegon utilizes affiliated captive insurance companies to manage risks of various insurance policies issued before the adoption of principle-based reserves, including universal life with secondary guarantees and level term life insurance. These structures have been utilized to finance regulatory reserves. To the extent that state insurance regulations restrict or require insurers to restate the valuation of the assets used to finance these structures, this could increase costs or reduce available capital.

In addition to requirements imposed by regulatory and/or supervisory authorities, rating agencies may incorporate higher capital thresholds into their quantitative analyses, thus requiring additional capital for Aegon Group and/or its regulated subsidiaries to maintain their desired credit ratings.

The application of these capital standards and changes thereto could adversely affect Aegon's ability to compete with other insurers that are not subject to those capital requirements. These requirements may also lead Aegon to engage in transactions that affect capital and constrain Aegon's ability to pay dividends or repurchase its own shares. Furthermore, such requirements may constrain Aegon's ability to provide guarantees and may increase the cost to Aegon of offering certain products, resulting in price increases, discontinuance of offering of certain products or reducing the amount of risk Aegon takes on. Aegon may consider structural and other business alternatives in light of requirements or standards applicable with respect to systemic entities or activities, of which the impact on shareholders cannot be predicted. For further detail on developments in these areas, reference is made to the section 'Regulation and supervision' of Aegon's Integrated Annual Report 2021.

Political or other instability in a country or geographic region, could adversely affect Aegon's international business activities and its financial condition.

Political developments such as, foreign investment restrictions, civil unrest, geopolitical tensions, or military action, and new or evolving legal and regulatory requirements on business investment, hiring, migration, and global supply chains could have an adverse effect on Aegon's businesses, results of operations, financial condition and liquidity in many ways, including disruption to our business

operations in countries experiencing geopolitical tensions as well as increased costs associated with meeting customer needs in such regions, and impediments to Aegon's ability to execute strategic transactions.

Changes in accounting standards may affect Aegon's reported results of operations and shareholders' equity.

Aegon's financial statements are prepared and presented in accordance with EU-IFRS. Any future changes in these accounting standards may have a significant impact on Aegon's reported results of operations, financial condition, shareholders' equity and dividend. This includes the level and volatility of reported results of operations and shareholders' equity. New accounting standards that are likely to have a significant impact on Aegon's reported results, financial condition and shareholders' equity include, but are not limited to, IFRS 9 – Financial Instruments and IFRS 17 – Insurance Contracts.

The IASB issued the complete version of IFRS 9 Financial Instruments in July 2014, which was endorsed by the European Union in November 2016. The IASB issued IFRS 17 Insurance Contracts in May 2017 and issued amendments to the standard in June 2020. Both IFRS 9 and IFRS 17 were endorsed by the European Union, except that the endorsement of IFRS 17 included an optional carve-out regarding the grouping of policies for certain contracts. For Aegon, both standards will apply across the group for reporting periods beginning on or after January 1, 2023.

An implementation project was started soon after the publication of the new accounting standards. It is expected that the impact of the initial application on Aegon's financial statements will be significant.

Local statutes, regulators, and decisions of supervisory and other authorities may limit the ability of Aegon's subsidiaries to pay dividends to Aegon N.V., thereby limiting Aegon's ability to make payments on debt obligations and operating expenses.

Aegon's ability to make payments on debt obligations and pay operating expenses is dependent upon the receipt of dividends from subsidiaries, in particular, but not limited to, the operating companies in the US, the Netherlands, and the UK. Most of these subsidiaries are subject to regulatory restrictions that can limit the payment of dividends. In addition, local regulators in the countries where Aegon operates, supervisory and other authorities (such as EIOPA or the European Systemic Risk Board) may decide to impose or advise on further restrictions to dividend payments, or discourage such payments, specifically in exceptional and unpredictable economic circumstances. This may affect Aegon's ability to satisfy its debt obligations or pay its operating expenses.

Risks of application of intervention measures may adversely affect Aegon's business, results of operations and financial condition.

The Dutch Act on Recovery & Resolution for Insurers ('R&R Act') allows DNB to intervene in situations where a Dutch insurer or reinsurer is faced with financial difficulties. The powers under the R&R Act may also extend to the level of the Group and to entities, in addition to insurance or reinsurance entities in the Netherlands, which are part of the Group, such as Aegon N.V.

In addition, the R&R Act allows DNB to require a Dutch insurance or reinsurance company or a group to remove, ex ante, material impediments to effective resolution of a Dutch insurance or reinsurance undertaking (such as the revision of financing arrangements, the reduction of exposures, the transfer of assets, the termination or limitation of business activities, or the prohibition on starting certain business activities, changing the legal or operational structure of the Group, or securing certain critical business lines). The use of this tool may adversely affect Aegon's business, results of operations and financial condition.

In September 2021, the European Commission published a formal proposal for a European Insurance Recovery & Resolution Directive, which will introduce minimum standards at European level for recovery & resolution frameworks in EU member states, such as the Dutch R&R Act. This might lead to the introduction of intervention tools, largely similar to those included in the R&R Act, in other EU member states in which Aegon's subsidiaries are active.

Furthermore, to parts of the Aegon Group, in particular Aegon Bank N.V., the framework of the EU Directive on the recovery and resolution of credit institutions and investment firms (the 'Bank Recovery and Resolution Directive') is applicable. The Bank Recovery and Resolution Directive contains provisions that where both Aegon Bank N.V. and Aegon N.V. fail or are likely to fail, could be applied to mixed financial holding companies such as Aegon N.V., including the right of bail-in of creditors.

Lastly, when the stability of the financial system is threatened by the condition of a financial institution the Dutch Minister of Finance may intervene immediately, in which case legal or statutory provisions, applicable to the financial institution, might be superseded. The intervention measures available to the Minister of Finance include, in particular, the right to expropriate assets of the financial

institution, as well as securities and/or other financial instruments issued by or with the cooperation of the financial institution. The exercise of this power may significantly impact the rights of the owners or holders of these assets, securities and/or financial instruments.

There is a risk that the possible exercise of powers, or any anticipated exercise of powers, by DNB or the Ministry of Finance could have a material adverse effect on the performance by the failing institution, including Aegon, of its obligations (of payment or otherwise) under contracts of any form, including the expropriation, write-off, write-down or conversion of securities such as shares and debt obligations issued by the failing institution. The R&R Act and the regime of the Bank Recovery and Resolution Directive are described in the section 'Regulation and supervision' of Aegon's Integrated Annual Report 2021.

Legal and Compliance

The outcome of legal and arbitration proceedings and regulatory investigations and actions may adversely affect Aegon's business, results of operations and financial condition.

Aegon faces significant risks of litigation as well as regulatory exams and investigations and actions relating to its and its subsidiaries' businesses. Aegon is also subject to compliance with regulations applicable to it as a corporate entity.

Insurance companies and their affiliated regulated entities are routinely the subject of litigation, investigation and regulatory activity by various governmental and enforcement authorities, individual claimants, and policyholder advocate groups in the jurisdictions in which Aegon does business, including the United States, the Netherlands, and the United Kingdom. These actions may involve issues including, but not limited to, employment or distribution relationships; operational and internal controls and processes; investment returns; sales practices; claims payments and practices; transparency and adequacy of product disclosures including regarding initial costs, ongoing costs, and costs due on policy surrender as well as changes to costs over time; environmental and climate change related matters; competition and antitrust matters; data privacy; information security; and intellectual property.

Aegon entities are subject to anti-money laundering laws and regulations, including EU, US and UK laws and regulations and these require Aegon to develop and implement customer identification and risk-based anti-money laundering programs, report suspicious activity, and maintain certain records. Further, Aegon entities are required to adhere to certain economic and trade sanctions programs, including EU, US, UK and UN programs, that prohibit or restrict transactions with suspected persons, governments, and in certain circumstances, geographies. Changes in, or violations of, any of these laws or regulations may require additional compliance procedures, or result in enforcement proceedings, sanctions or penalties, which could have a material adverse effect on Aegon's businesses, financial condition and result of operations.

Aegon entities are subject to anti-bribery legislation in the EU, the US and the UK and other jurisdictions. Any violations of these or other anti-bribery laws by Aegon, its employees, subsidiaries or local agents, could have a material adverse effect on its businesses and reputation and result in substantial financial penalties or other sanctions.

Government and regulatory investigations may result in the institution of administrative, injunctive, or other proceedings and/or the imposition of monetary fines, penalties and/or disgorgement as well as other remedies, sanctions, damages and restitutionary amounts. Regulators may also seek changes to the way Aegon operates. In some cases, Aegon subsidiaries have modified business practices in response to inquiries.

Customers of certain of Aegon's products bear significant investment risks with respect to those products which are affected by fluctuations in equity markets as well as interest rate movements. When investment returns disappoint, are volatile, or change due to changes in the market or other relevant conditions, customers may threaten or bring litigation against Aegon.

The existence of potential claims may remain unknown for long periods of time after the events giving rise to such claims. Determining the likelihood of exposure to Aegon and the extent of any such exposure may not be possible for long periods of time after Aegon becomes aware of such potential claims. Litigation exposure as well may develop over long periods of time; once litigation is initiated, it may be protracted and subject to multiple levels of appeal, which can lead to significant costs of defense, distraction, and other constraints.

In some jurisdictions, plaintiffs may seek recovery of very large or indeterminate amounts under enhanced liability legal theories or claims of bad faith, which can result in tort, punitive and/or statutory damages. Damages alleged may not be quantifiable or supportable or may have no relationship to economic losses or final awards. As a result, Aegon cannot predict the effect of litigation, investigations or other actions on its business.

Separate from financial loss, litigation, regulatory action, legislative changes or changes in public opinion may require Aegon to change its business practices, which could have a material adverse impact on Aegon's businesses, results of operations, cash flows and financial condition. Disputes and investigations initiated by governmental entities and private parties may lead to orders or settlements, including payments or changes to business practices, even if Aegon believes the underlying claims are without merit.

Several US insurers, including Aegon subsidiaries, have been named in class actions as well as individual litigations relating to increases in monthly deduction rates ("MDR") on universal life products. Plaintiffs generally allege that the increases were made to recoup past losses rather than to cover the future costs of providing insurance coverage. Aegon's subsidiary in the US has settled two such class actions in the US District Court for the Central District of California. The settlement in the first of these cases, approved in January 2019, arose from increases implemented in 2015 and 2016. Over 99% of affected policyholders participated in that settlement. While less than 1% of policyholders opted out of the settlement, they represented approximately 43% of the value of the settlement fund. In the second case, Aegon's subsidiary agreed to settle a class action lawsuit arising out of MDR increases in 2017 and 2018. The court approved that settlement on September 16, 2020. Opt-outs in this case represent less than 7% of the value of the settlement fund. The settlement fund was reduced proportionally for opt outs. In 2021, settlements were reached with some of the opt-out parties from both settled class actions. The remaining opt-out cases and disputes are ongoing, and Aegon continues to hold a provision for the remaining opt-outs from the settlements that were approved by the court in 2019 and 2020. If this provision for these cases proves to be insufficient, then these cases could have an adverse effect on Aegon's business, results of operations, and financial condition.

In addition, insurance companies and their affiliated regulated entities may face lawsuits that threaten their business models. For example, several US-based Aegon subsidiaries are defendants in a class action alleging that the business model improperly characterizes distributors as independent contractors instead of employees. Depending on the outcome, this lawsuit, along with similar claims against Transamerica subsidiaries and other companies, as well as regulatory action, could necessitate a change in the business model and/or could result in a significant settlement or judgment.

In the Netherlands, unit linked products (beleggingsverzekeringen) have been controversial and the target of litigation since 2005. Allegations include excessive cost, unfair terms, inadequate disclosure, and failure to perform as illustrated. Consumer groups have formed to address these issues and initiate mass claims against insurers. Regulators as well as the Dutch Parliament have been involved ever since, with the principal goal of achieving an equitable resolution. Aegon has made improvements across its product lines, including after settlements reached in 2009 with Stichting Woekerpolis and Stichting Verliespolis. Aegon also decided to reduce future policy costs for the large majority of its unit-linked portfolio. Some of the unit linked products are still involved in ongoing litigation. In September 2014, the consumer interest group Vereniging Woekerpolis.nl filed a claim against Aegon in court. The claim related to a range of unit linked products that Aegon sold in the past, including Aegon products involved in the earlier litigation. In June 2017 (and revised in December 2017), the court issued a verdict which upheld the principle that disclosures must be evaluated according to the standards at the time when the relevant products were placed in-force. Most of the claims of Vereniging Woekerpolis.nl were dismissed under this standard, although the court found that Aegon did not adequately disclose certain charges on a limited set of policies. The district court did not decide on the reasonableness of the cost levels and whether the previous compensation arrangements provide sufficient compensation. This court decision has been appealed by both parties. The Court of Appeal has stayed the class action proceedings during the preliminary proceedings at the Supreme Court in another class action of Vereniging Woekerpolis.nl against another insurance company. On February 11, 2022, the Supreme Court ruled in these preliminary proceedings. The answers to the preliminary questions regarding transparency and consent about costs and cost levels are a (re)confirmation of the EU Court ruling in a previous case against another Dutch insurance company. The legal debate will now continue at the level of the Court of Appeal, Aegon expects the uncertainty about the possible impact to continue for the foreseeable future. Aegon expects the claims and litigation, whether collective or on an individual basis and in court or through alternative dispute resolution mechanisms, on unit linked products to continue for the foreseeable future. Developments in similar cases against other Dutch insurers currently before regulators and courts may also affect Aegon.

Lawsuits have also been brought against providers of securities leasing products (aandelenlease producten). Although sales of securities leasing products ended more than a decade ago, litigation relating to these products has resurfaced.

In December 2020, Aegon reached an agreement on a settlement with Leaseproces B.V. for claims regarding Vliegwiél and Sprintplan customers represented by Leaseproces. Execution of the settlement is expected to be finalized in 2022. There are still individual claims pending.

There can be no assurances that these matters will not ultimately result in a material adverse effect on Aegon's business, results of operations, competitive position, reputation, and financial condition. For additional information on proceedings in which Aegon

is involved, reference is made to the notes to the consolidated financial statements, note 45 'Commitments and contingencies' of Aegon's Integrated Annual Report 2021.

Changes in government regulations in the jurisdictions in which Aegon operates may affect profitability and operating models.

Aegon's regulated businesses, such as insurance, banking, and asset management, are subject to comprehensive regulation and supervision. The primary purpose of such regulation is to protect clients of these operating companies (e.g. policyholders), rather than holders of Aegon shares, capital securities and debt instruments. Changes in existing laws and regulations may affect the way in which Aegon conducts its businesses, including its relationship with distributors of its products and other third parties and the structure of its relationship with employees. These changes may evolve over time and be open to interpretation through judicial and enforcement action. Such changes may also affect the profitability of its businesses and the products it offers. Additionally, the laws or regulations adopted or amended from time to time may impose greater restrictions on Aegon's financial flexibility and operations or may result in higher costs to operate than currently is the case, including but not limited to financial and accounting requirements; information security, data privacy, transfer, storage, and usage requirements; modeling and other actuarial requirements and standards; investments, reserves, and financial management.

Aegon may not be able to comply fully with, or obtain appropriate exemptions from, the wide variety of laws and regulations applicable to its businesses and legal entities. Failure to comply with or to obtain appropriate exemptions under any applicable laws and regulations may result in restrictions on Aegon's ability to do business in one or more of the jurisdictions in which Aegon operates and may result in fines and other sanctions, which may have a material adverse effect on Aegon's businesses, financial condition or results of operations.

Certain key regulatory proposals that could materially impact Aegon's financial condition and results of operations include the European Commission's proposal for amendments to the Solvency II framework, following the Solvency II 2020 review and the European Commission's proposal for an Insurance Recovery & Resolution Directive. Both proposals serve (inter alia) as the implementation of the IAIS Holistic Framework for Systemic Risk in the Insurance Sector in the European Union and to some extent the IAIS Common Framework for the supervision of internationally active insurance groups ('ComFrame').

Regulatory changes include preventive and corrective supervisory measures that aim to address macro-prudential concerns, referred to in the Holistic Framework for Systemic Risk in the Insurance Sector, as adopted by the IAIS in November 2019 and recently in the European Commission's proposal to amend the Solvency II Directive in the context of the Solvency II 2020 review, which includes macro-prudential tools, as well as in the European Commissions' proposal for an Insurance Recovery & Resolution Directive.

In addition, regulatory changes may include measures that are addressed specifically to certain types of insurers or groups, in particular larger and internationally active groups. ComFrame, which was adopted in November 2019 by the IAIS, establishes minimum supervisory standards and guidance on the effective group-wide supervision of Internationally Active Insurance Groups (IAIGs) and builds on the IAIS Insurance Core Principles (a set of principles that is applicable to all insurers). Therefore, IAIGs may be subject to additional standards that other insurers or other insurance groups are not subject to. In Europe, such additional standards would be introduced through the Solvency II framework.

Aegon was designated a Global Systemically Important Insurer ('G-SII') by the FSB in 2015. The FSB, in consultation with the IAIS, has decided to suspend G-SII identification as from the beginning of 2020 and in November 2022 will, based on the initial years of implementation of the holistic framework, review the need either to discontinue or re-establish an annual identification of G-SIIs. On May 12, 2020, DNB announced, in line with expectations due to Aegon's former designation as a G-SII, that it has identified Aegon as one of the two IAIGs in the Netherlands, based on the size and international activities of the Aegon group. Although generally large insurance groups are subject to a high level of supervisory scrutiny by DNB, thus far no requirements have been introduced in the Netherlands or by DNB that have specifically been targeted at IAIGs.

The implementation of ComFrame and the holistic framework, as well as other requirements aimed to address macro-prudential or concerns or concerns related to its capacity as internationally active group, may cause Aegon to engage in transactions that affect capital or constrain Aegon's ability to pay dividends or repurchase its own shares. Furthermore, such requirements may constrain Aegon's ability to provide guarantees and increase the cost to Aegon of offering certain products resulting in price increases, leading to the discontinuance of offering of certain products or reducing the amount of risk Aegon takes on. Aegon may consider structural and other business alternatives in light of requirements or standards applicable with respect to systemic entities or activities, of which the impact on shareholders cannot be predicted.

As referred to above, the Solvency II 2020 review covers a broad range of topics of the Solvency II framework. Aegon, at Group level is, and Aegon's EU insurance subsidiaries are, subject to the Solvency II framework. If the European Commission's Directive proposal is taken over by the European co-legislators without material changes, and depending on the scope of further amendments to the Solvency II Delegated Regulation, the related technical standards and EIOPA guidelines (that might be necessary as a consequence of changes to the Solvency II Directive), the amendments to the Solvency II framework may have a significant impact on the activities, profitability and financial condition of Aegon and Aegon's subsidiaries in the European Union.

In the United States, the Patient Protection and Affordable Care Act (PPACA) adopted in 2010 has been challenged in whole or in part since its adoption. Changes to the PPACA and to other laws and regulations impacting the US health insurance industry could have a material adverse effect on Aegon's financial condition, results of operations, and competitive position. The extent to which employers or individuals may discontinue their purchase of supplemental health insurance products as a result of any such changes may significantly impact Transamerica's supplemental health insurance products business. The extent of any such changes or the corresponding impact on Transamerica's supplemental health insurance business cannot be determined at this time.

On June 5, 2019, the SEC adopted Regulation Best Interest (Regulation BI), a new rule requiring broker-dealers and investment advisers to recommend only those financial products to their customers that are in their customers' best interest, and to clearly identify any potential conflicts of interest and financial incentives the broker-dealer may have in connection with the sale of such products. In addition, since the Department of Labor ('DOL') Fiduciary Rule was vacated in July 2018, several states have moved forward with developing their own similar rules and proposals, which in some instances substantially broaden the standard of care traditionally owed by broker-dealers and/or insurance agents to their clients. The Biden Administration and the DOL have indicated an interest in revisiting fiduciary-related issues but have not yet made any proposals.

The foregoing regulations and proposed regulations, along with any future regulations by the federal government and/or states that impose new, heightened, conflicting or differing standards of care or restrictions on broker-dealers, insurance agents, or advisers, could have a material impact on annuity sales and, as applicable, life insurance sales.

Changes in pension and employee benefit regulation, social security regulation, financial services regulation, taxation and the regulation of securities products and transactions, and regulation of employee workplace standards may adversely affect Aegon's ability to sell new policies or claims exposure on existing policies.

The introduction of state-run retirement programs for private-sector employees in the United States could directly compete with private-market retirement plans. More than 30 US states have considered legislation that would establish state-run plans but fewer than 10 states have enacted legislation, and among those, even fewer have implemented them. Federal ERISA law raises questions as to whether such plans are pre-empted by ERISA.

In general, changes in laws and regulations may materially increase Aegon's direct and indirect compliance costs and other ongoing business expenses and have a material adverse effect on Aegon's businesses, results of operations or financial condition.

Aegon may not be able to meet evolving ESG standards and requirements, or may fail to meet its sustainability and ESG-related goals and targets.

Increasingly, companies, including insurance companies, asset managers and banks are expected and/or required to disclose the extent to which their activities and products, including their investments and the activities of the companies they invest in, meet ESG standards. These requirements and standards are continuously and rapidly evolving and have not yet crystallized. While Aegon strives to meet applicable ESG standards to the best of its abilities, it may not be successful in doing so, due to the dynamic nature and evolution of these standards and might not be able to anticipate in all respects the further evolution of such standards. This may have an impact on its reputation, products and sales, as well as on its activities and investments, including long term investments. Aegon may face additional costs in the event it's efforts do not meet expectations. Aegon has adopted certain sustainability and ESG-related goals, targets and metrics, including greenhouse gas emissions reduction and diversity and inclusion targets and other sustainability initiatives. If Aegon cannot meet these goals fully or on time, the Company may face reputational damage, litigation or unexpected costs.

Tax risks may have a material adverse effect on Aegon's businesses, profits, capital position, and financial condition.

Aegon is subject to the substance and interpretation of tax laws in all countries in which Aegon operates or invests. The majority of tax risks relate to both Aegon's products and its businesses, that would materialize due to (i) changes in tax laws, (ii) changes

in interpretation of tax laws, (iii) later jurisprudence or case law, or (iv) the introduction of new taxes or tax laws. These tax risks include for example the risk of changes in tax rates, changes in loss carry-over rules and changes in customer taxation rules.

Tax risks also include the risk of consequences arising from failure to comply with procedures required by tax authorities. Failure to manage tax compliance risks could potentially lead to inaccurate, incomplete, or untimely tax returns. Materialization of those risks would lead to non-compliance, and potentially increased tax charges, penalties, and interest. Failure to manage reporting risks may lead to tax positions in financial reporting that do not represent a true and fair view.

Most of Aegon's insurance products enjoy certain policyholder tax advantages. This permits, for example, the build-up of earnings on gross premium amounts with deferred taxation, if any, when the accumulated earnings are actually paid to Aegon's customers. Legislators have, from time to time, considered legislation that may make Aegon's products less attractive to consumers, including legislation that would reduce or eliminate this deferral of taxation. This may have an impact on insurance products and sales.

Overall, tax risks may have a material adverse effect on Aegon's businesses, profits, capital position, and financial condition.

Judgments of US courts may not be enforceable against Aegon in Dutch courts.

There is no treaty between the United States and the Netherlands providing for the reciprocal recognition and enforcement of judgments (other than arbitration awards) in civil and commercial matters. Judgments of US courts, including those predicated on the civil liability provisions of the US federal securities laws, may not be enforceable in Dutch courts. Therefore, Aegon's investors that obtain a judgment against Aegon in the United States may not be able to require Aegon to pay the amount of the judgment unless a competent court in the Netherlands gives binding effect to the judgment, or, if possible, the US investor has brought a successful original action in a Dutch court. Therefore, investors are required to undertake more action in order to enforce a US court judgment than in relation to any US counterparty.

Aegon may not manage risks associated with the reform and replacement of benchmark rates effectively.

Aegon recognizes that the reform of Interbank Offered Rates ('IBORs') and any transition to replacement rates entail risks for all its businesses across its assets and liabilities. These risks include, but are not limited to:

- The EUR 2 billion syndicated revolving credit facility and the USD 2 billion LOC facility have been updated in order to prepare for the cessation of the relevant benchmark rates;
- Financial risks, arising from any changes in the valuation of financial instruments linked to benchmark rates, such as derivatives and floating rate notes, issued by, or invested in by Aegon;
- Pricing risks, as changes to benchmark indices could impact pricing mechanisms on some funding instruments or investments;
- Operational risks, due to the potential requirement to adapt informational technology systems, trade reporting infrastructure and operational processes; and
- Conduct risks, relating to communication regarding potential impact on Aegon's customers, and engagement during the transition period.

The United Kingdom's Financial Conduct Authority (the "FCA"), which regulates London Interbank Offered Rate ("LIBOR"), has announced that the publication of LIBOR on the current basis would cease and no longer be representative immediately after December 31, 2021 (in the case of all sterling, euro, Swiss franc and Japanese yen settings, and one-week and two-month USD settings) and immediately after June 30, 2023 (in the case of all remaining USD settings). Despite this deferral in regard to USD, the FCA has confirmed that use of USD LIBOR will not be permitted in most new contracts after December 31, 2021 and while the FCA is requiring the LIBOR administrator to publish one-, three- and six-month sterling and Japanese yen LIBOR rates for a limited time following December 31, 2021 using a synthetic methodology, such synthetic LIBOR rates are also only permitted for legacy use. If the methods of calculating LIBOR change from their current form while Aegon continues to rely on LIBOR, or if Aegon adopts alternative benchmarks for its current or future debt, interest rates on its debt obligations may be adversely affected.

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

Aegon may not be able to protect its intellectual property and may be subject to infringement claims.

Aegon relies on a combination of contractual rights with third parties and copyright, trademark, patent, and trade secret laws to establish and protect Aegon's intellectual property. Third parties may infringe on or misappropriate Aegon's intellectual property, and it is possible that third parties may claim that Aegon has infringed on or misappropriated their intellectual property rights. Any resulting proceedings in which Aegon would have to enforce and protect its intellectual property or defend itself against a claim of infringement of a third party's intellectual property, may require significant effort and resources and may not prove successful. As a result of any proceeding in which Aegon would have to enforce and protect its intellectual property, Aegon may lose intellectual property protection, which may have a material adverse effect on Aegon's businesses, results of operations, financial condition and Aegon's ability to compete and pursue future business opportunities. As a result of any proceeding in which Aegon would have to defend itself against a claim of infringement of a third-party's intellectual property, Aegon may be required to pay damages and provide injunctive relief, which may have a material adverse effect on Aegon's businesses, results of operations and financial condition.

Risks relating to Aegon's common shares**Aegon's share price could be volatile and could drop unexpectedly, and investors may not be able to resell Aegon's common shares at or above the price paid.**

The price at which Aegon's common shares trade is influenced by many factors, some of which are specific to Aegon and Aegon's operations, and some of which are related to the insurance industry and equity markets in general. As a result of these factors, investors may not be able to resell their common shares at or above the price paid for them. In particular, the following factors, in addition to other risk factors described in this section, may have a material impact on the market price of Aegon's common shares:

- Investor perception of Aegon as a company;
- Actual or anticipated fluctuations in Aegon's results of operations;
- Announcements of intended acquisitions, disposals (and related approvals or refusals from governmental or regulatory authorities) or financings, or speculation about such acquisitions, disposals (and related approvals or refusals from governmental or regulatory authorities) or financings;
- Changes in Aegon's dividend policy, which may result from changes in Aegon's cash flow and capital position;
- Offering of additional shares by Aegon or sales of blocks of Aegon's shares by significant shareholders, including Vereniging Aegon;
- A downgrade or rumored downgrade of Aegon's credit or financial strength ratings, including placement on credit watch;
- Potential litigation or regulatory actions involving Aegon or the insurance industry in general;
- Changes in financial estimates and recommendations by securities research analysts;
- Fluctuations in capital markets, including foreign exchange rates, interest rates and equity markets;
- The performance of other companies in the insurance sector;
- Regulatory developments in the United States, the Netherlands, the United Kingdom, and other countries in which Aegon operates;
- International political and economic conditions, including the effects of terrorist attacks, military operations and other developments stemming from such events, and the uncertainty related to these developments;
- News or analyst reports related to markets or industries in which Aegon operates; and
- General insurance market conditions.

Aegon and its significant shareholders may offer additional common shares in the future, and these and other sales may adversely affect the market price of the outstanding common shares.

Aegon may decide to offer additional common shares in the future, for example, to strengthen Aegon's capital position in response to regulatory changes or to support an acquisition.

An additional offering of common shares by Aegon, the restructuring of Aegon's share capital, the sales of common shares by significant shareholders, or the public perception that an offering or such sales may occur, may have an adverse effect on the market price of Aegon's common shares.

Vereniging Aegon, Aegon's major shareholder, holds a large percentage of the voting shares and therefore has significant influence over Aegon's corporate actions.

Vereniging Aegon holds 32.6% of Aegon's voting shares. For details on the shareholding of Vereniging Aegon, its developments, the Amended 1983 Merger Agreement and the Voting Rights Agreement, please see the section Major shareholders on pages 298 through 300 of the 2021 Integrated Annual Report.

Following the 1983 Amended Merger Agreement between Aegon N.V. and Vereniging Aegon, Vereniging Aegon has a call option on common shares B, which Vereniging Aegon may exercise to keep or restore its total stake at 32.6%, irrespective of the circumstances which cause the total shareholding to be or become lower than 32.6%.

As a matter of Dutch corporate law, common shares and common shares B offer equal full voting rights, as they have equal nominal values (EUR 0.12). The financial rights attached to a common share B are 1/40 of the financial rights attached to a common share. The Voting Rights Agreement between Aegon N.V. and Vereniging Aegon ensures that under normal circumstances, i.e. except in the event of a Special Cause, Vereniging Aegon will no longer be able to exercise more votes than is proportionate to the financial rights represented by its shares. This means that in the absence of a Special Cause, Vereniging Aegon will cast one vote for every common share it holds and one vote only for every 40 common shares B. It is at the sole discretion of Vereniging Aegon if a Special Cause has occurred. A Special Cause includes the acquisition of a 15% interest in Aegon N.V., a tender offer for Aegon N.V. shares or a proposed business combination by any person or group or persons, whether individually or as a group, other than in a transaction approved by the Executive Board and the Supervisory Board. In the event of a Special Cause, Vereniging Aegon's voting rights will increase to 32.6% for up to six months. Consequently, Vereniging Aegon may have substantial influence on the outcome of corporate actions requiring shareholder approval.

Currency fluctuations may adversely affect the trading prices of Aegon's common shares and the value of any cash distributions made.

Since Aegon's common shares listed on Euronext Amsterdam are quoted in euros and Aegon's common shares listed on NYSE New York are quoted in US dollars, fluctuations in exchange rates between the euro and the US dollar may affect the value of Aegon's common shares. In addition, Aegon declares cash dividends in euros, but pays cash dividends, if any, on Aegon's New York registry Shares in US dollars based on an exchange rate set the business day following the shareholder meeting approving the dividend. As a result, fluctuations in exchange rates may affect the US dollar value of any cash dividends paid.

Perpetual Contingent Convertible Securities (or other securities that permit or require Aegon to satisfy its obligations by issuing common shares) that Aegon may issue could influence the market price for Aegon's common shares.

In April 2019, Aegon issued EUR 500 million Perpetual Contingent Convertible Securities ('PCCS'). Upon the occurrence of a conversion trigger event the PCCS will be converted into common shares of the Company at the prevailing conversion price. A conversion trigger event shall occur if at any time: (i) the amount of eligible own funds items eligible to cover the Solvency Capital Requirement is equal to or less than 75% of the Solvency Capital Requirement; (ii) the amount of own fund items eligible to cover the Minimum Capital Requirement is equal to or less than the Minimum Capital Requirement; (iii) in case the Minimum Capital Requirement is an event, such event occurs; or (iv) a breach of the Solvency Capital Requirement has occurred and such breach has not been remedied within a period of three months from the date on which the breach was first observed. The conversion price was set at EUR 2.994 per common share and will be adjusted upon occurrence of dilutive events like stock splits, extraordinary dividends or stock dividends, rights issues and others. A reduction of the conversion price will result in an increase in the number of common shares to be issued.

The PCCS and other convertible securities may influence the market for Aegon's common shares. For example, the price of Aegon's common shares may become more volatile and may be depressed by the issue of common shares upon conversion of the PCCS and/or any convertible securities or by the acceleration by investors of any convertible securities (or other such securities) that Aegon may have issued. Negative price developments may also result from hedging or arbitrage trading activity by holders of such convertible securities that may develop involving such convertible securities (or other such securities) and Aegon's common shares. Any such developments may negatively affect the value of Aegon's common shares.



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Basis of preparation

This Integrated Annual Report (IAR) is prepared in accordance with the International Financial Reporting Standards (IFRS), as adopted by the European Union, as well as the Integrated Reporting Framework (<IR> Framework) of the International Integrated Reporting Council (IIRC). Aegon has used the <IR> Framework since 2014.

Introduction

This non-financial information section is specifically designed to evidence and support Aegon's overarching approach to sustainable value creation. Our value creation approach is introduced in detail under the section 'Aegon in 2021/ Our strategy and value creation' (pages 16-34). We use the six capitals (financial, manufactured, intellectual, human, social and relationship, and natural) as defined by the <IR> Framework to communicate how our strategy, governance, and performance create and protect value in the short, medium, and long term for our key stakeholder groups. Accordingly, the section 'Value Created' (page 382) is organized based on the value Aegon creates for its main stakeholder groups, namely its customers, employees, business partners, investors and society.

This non-financial information part of the IAR also contains information related to our commitments to various global and sector-specific sustainability initiatives such as the UN Global Compact (UNGC), the UN Sustainable Development Goals (SDGs), the Task Force on Climate-related Financial Disclosures (TCFD), and the UN Principles for Sustainable Insurance (PSI), as well as information required by regulatory authorities such as the EU Non-Financial Reporting Directive (NFRD) and the EU Taxonomy Regulation.

Reporting process for non-financial data

The non-financial metrics detailed in this section of the IAR cover the full calendar year 2021, unless otherwise stated. Explanatory notes and definitions are provided as footnotes to the accompanying stakeholder tables under the section 'Value created' (page 382).

The aggregated data has been reviewed by dedicated subject matter experts at Aegon and approved by Aegon's Management and Supervisory Boards before publication.

The non-financial information in this report has not been subject to external audit or review.

In 2021, Aegon initiated a process to enhance its sustainability reporting, with the aim to ensure Aegon's ability to adapt to changing mandatory and voluntary reporting requirements.

This entails integrating financial and non-financial data collection and reporting processes to leverage the expertise of the Group Finance function. This will ensure our readiness for limited assurance on non-financial reporting as required from 2023 under the forthcoming Corporate Sustainability Reporting Directive (CSRD) of the European Union. For more information on CSRD, please refer to section 'Regulation and compliance' (pages 357-362).

Reporting scope

The scope of non-financial data reported in this section is all entities over which Aegon has management control. Divested businesses (of which closings are finalized by year end), or joint ventures and associates are excluded from the scope unless otherwise stated. The table 'Reporting scope by operating segment' provides an overview of the scope of non-financial data included in this section of the report, for each of our operating segments. In some cases, the scope does not apply to certain operating segments, and this is indicated in the table.

While the data presented covers the operating segments illustrated in the table below, the data collection for our 'Operational footprint' focuses on our largest operations, namely in the United States, the Netherlands, and the United Kingdom. Based on this data (which covers approximately 81% of our employees), by means of extrapolation, we report on our operational footprint covering all our operating segments.

Defining content

This section of the IAR contains non-financial information that is deemed important either to Aegon's stakeholders or to Aegon. To determine the content that is disclosed in this section of the IAR, Aegon applies the principle of 'materiality'. The <IR> Framework defines materiality as "A matter is material if it could substantively affect the organization's ability to create value in the short, medium or long term".

Non-financial information disclosed in this section of the report focuses on information related to topics Aegon believes have, or will have, a significant long-term impact on its profitability, operations, strategy, reputation, brand, customer loyalty and recruitment; and as well as on the environment and society at large. In determining materiality, we take into account numerous wide-ranging factors of significance for Aegon and its stakeholders. Another input for identifying material topics are the stakeholder expectations raised through various communication channels. Moreover, we take into account topics that have gained prominence in the reporting year as well as material environment, social and governance (ESG) topics that we disclose to various sustainability performance benchmarks (page 393).

Reporting scope by operating segment

Indicator topics by stakeholder	Operating segment					
	United States	Netherlands	United Kingdom	International	Asset Management	Holding and others
Customers						
Number of customers	●	●	●	●	●	–
Customer satisfaction	●	●	●	○	–	–
Complaints	●	●	●	●	–	–
Fines and settlements	●	●	●	●	●	●
Claims, benefits and plan withdrawals	●	●	●	●	●	–
Employees						
Workforce	●	●	●	●	●	●
Inclusion and diversity	●	●	●	●	●	●
Recruitment and retention	●	●	●	●	●	●
Health and safety	●	●	●	●	●	●
Training and development	●	●	●	●	●	●
Employee engagement	●	●	●	●	●	●
Remuneration	●	●	●	●	●	●
Business partners						
Brokers and intermediaries	●	●	●	●	●	–
Reinsurers	●	●	●	●	●	–
Goods and services	●	●	●	○	●	●
Investors						
Corporate governance	●	●	●	●	●	●
Financial returns	○	○	○	○	○	●
Society						
Responsible investment	●	●	●	●	●	●
Investment footprint	●	●	●	●	●	–
Tax transparency	●	●	●	●	●	●
Community investment	●	●	●	●	●	●
Compliance	●	●	●	●	●	●
Operational footprint	●	●	●	●	●	●

- reported
- not reported
- not applicable

For each topic listed in the table above, we have identified a number of underlying and supporting non-financial indicators.

The tables under the section 'Value Created' (page 382) provide our performance data related to these topics, broken down by the relevant non-financial indicator.

Integration and monitoring

As introduced in 'Our strategy and value creation' (page 16), in 2021 we took steps to further embed sustainability as a central pillar within our company strategy. Guided by our purpose, we aim to create long-term value for our stakeholders through the integration of sustainability in our strategy. We have identified climate change and inclusion and diversity as two strategic sustainability priorities that are particularly critical issues, and they will guide our sustainability agenda in the years to come.

Key performance indicators

In line with our company strategy, we have identified key performance indicators to measure our non-financial performance, two of which align directly with the priority themes.

Key performance indicators	Stakeholder group supported	Description and purpose
Customer Satisfaction ¹⁾	Customers	To ensure customer satisfaction in each of our core markets (measured in NPS) is in line with or above the average of those of our peers.
Employee Engagement ²⁾	Employees	To ensure a 70% employee engagement score for 2022, measured through our Global Employee Survey.
Gender Diversity ³⁾	Employees	To ensure 36% female representation amongst our senior management for 2022.
Net-Zero Emissions ⁴⁾	Society	To ensure at least 25% reduction in weighted average carbon intensity of our corporate fixed income and listed equity investments by 2025.

1 Customer satisfaction is measured in benchmarked Net Promoter Score^(SM) (NPS®), and is based on the question: 'How likely are you to recommend Aegon/Transamerica to a friend or colleague?' It is a single, easy-to-understand metric that predicts overall company growth and customer lifetime value. Customers answer based on a 0-10 scale, where those answering 9 or 10 are deemed 'promoters', those answering 7 or 8 are 'passive', and 6 to 0 are 'detractors'. NPS is calculated by subtracting the percentage of detractors from the percentage of promoters. On an annual basis, we measure the NPS of our core markets (the Netherlands, the United Kingdom, and the United States) and compare findings against peers in each local market. To achieve this, each core market worked with local research experts who specialize in NPS benchmarking:

- NL: In partnership with Ipsos, the aggregated gap to market average score has been calculated as a weighted average of the gaps to market average of the various lines of business in active markets in the Netherlands. Weights are based on the number of contracts in each business line.
- UK: In partnership with Respondi, the required market sample size was obtained from a group of panel participants. The Aegon score was taken from Aegon UK's own NPS survey using the same questionnaire. The gap to market score is calculated as the difference between the Aegon NPS and the average NPS of all active brands in the market as established by the external research partner.
- US: In partnership with Qualtrics, the required sample size was collected through an external consumer panel for both the Life and Retirement businesses. The aggregated gap to market average is calculated by weighting the gaps to market average for Life and Retirement. Weights are based on the number of contracts for each product.

With regards to the definition of "peers" for each core market:

- In the Netherlands, the competitive set used per line of business for the survey consisted of 25 brands (life), 37 brands (pension schemes), 22 brands (savings), 30 brands (P&C), 27 brands (mortgages)
- In the UK, the competitive set used for the survey consisted of 10 brands (pension providing peers)
- In the United States the competitive set per line of business used for the survey consisted of 25 brands (life) and 19 brands (retirement)

2 Employee engagement is measured on a five-point scale (strongly disagree to strongly agree), and it is the average score of four statements:

- "The company motivates me to go beyond expectations"
- "I am proud to work for this company"
- "I see myself still working at this company in two years' time"
- "I would recommend this company as a great place to work"

All employees, including those in joint ventures, participate on a voluntary basis. New hires employed for under three months do not participate. In 2021, three engagement surveys were conducted throughout the year (Q1, Q2 and Q3), where the participation rate for the most recent one was 77%.

3 In this context, senior management includes our Management Board and extends up to two levels below the Management Board (depending on the number of employees in each business or country unit).

4 Aegon will set targets on its General Account investments in line with membership requirements of the Net-Zero Asset Owner Alliance, following five-year increments of increasing ambition toward achieving net-zero greenhouse gas emissions by 2050. For details on the methodology used, please see our TCFD disclosure (Methodology) on page 378.

Policies and procedures

As a company, Aegon is committed to doing business responsibly. We have internal policies, procedures and frameworks setting out how decisions should be made in areas such as procurement, investment, tax, product development, remuneration and information security. Aegon also has a Code of Conduct, which applies to all employees worldwide. The aim of these policies and procedures is to protect stakeholders by ensuring we are aware of all relevant financial and non-financial factors in our decision-making. We monitor implementation and take remedial action where necessary to ensure full compliance.

The Aegon website includes a dedicated library for our [ESG policies](#). The following table demonstrates the incorporation of sustainability themes into Aegon’s decision-making processes through specific policies and statements, and provides an overview of the outcomes and our performance against the indicators underpinning them.

The following table shows how various sustainability topics are incorporated into Aegon’s decision-making processes, as well as relevant policies and statements and the outcomes as a result of the actions taken.

Topics	Policy / Statement	Indicators (used to monitor compliance and/or outcomes)	Outcome / Performance 2021
Business conduct and ethics	Code of Conduct Externally published document prescribing a mandatory set of conditions for how Aegon employees should conduct business, comply with all applicable laws and regulations, and exercise sound judgment in reaching ethical business decisions in the long-term interests of our stakeholders. Training on the Code of Conduct is mandatory for all employees). Aegon also has the Speak Up program, allowing employees and third parties to report suspected illegal or unethical behavior in confidence.	<ul style="list-style-type: none"> Total number of incidents of fraud involving employees, intermediaries, and third parties Significant fines (in excess of EUR 100,000) to address cases of mis-selling. Proportion of employees completing mandatory training on the Code of Conduct. 	<ul style="list-style-type: none"> Incidents of possible fraud involving employees, intermediaries and third parties: 889 (2020: 4,014). No significant fines were imposed (2020: EUR 8.2 million). 98% of employees completed mandatory Code of Conduct training (2020: 97%).¹⁾
	Anti-Bribery & Corruption In addition to the Code of Conduct, Aegon has internal, globally applicable policies addressing the prevention of financial crime (fraud, money laundering, economic sanctions), including our dedicated Anti-Bribery and Corruption policy.	<ul style="list-style-type: none"> Policy attestation for Anti-Bribery and Corruption policy 	<ul style="list-style-type: none"> 87% compliance with Aegon Anti-Bribery and Corruption Policy (2020: 86%).²⁾
	Conflict of Interest In addition to the Code of Conduct, Aegon has internal, globally applicable policies addressing the prevention of financial crime (fraud, money laundering, economic sanctions), including our dedicated Conflict of Interest policy.	<ul style="list-style-type: none"> Policy attestation for Conflict of Interest policy 	<ul style="list-style-type: none"> 98% compliance with Conflict of Interest Policy (2020: 86%).²⁾
Community investment	Charitable Donations Standards Externally published set of standards covering Aegon’s objectives with regard to community investment, including key themes ('financial security and education' and 'well-being and longevity'), selection criteria, governance and approval. The Standards also detail Aegon’s contribution to humanitarian aid.	<ul style="list-style-type: none"> Cash donations to charities and other good causes. Allocation of more than 50% of annual cash donations to the key themes. Employee volunteering time for to charities and other good causes. Total value of community investment 	<ul style="list-style-type: none"> Cash donations totaled EUR 9.4 million (2020: EUR 9.5 million). Proportion of cash donations to priority areas amounted to 81% (2020: 92%). Volunteering totaled 6,806 hours with a value of EUR 0.3 million (2020: 4,399 hours with a value of EUR 0.2 million). Total value of community investment amounted to EUR 9.7 million and 0.6% of our net result (2020: EUR 9.7 million and 17.6% of our net result).

1 A rate of (mandatory) completion less than 100% reflects new hires and legitimate circumstances where employees have not yet been through the annual cycle.
 2 Prior to 2021, compliance with Aegon anti-bribery and corruption policies was expressed as combined metric of the separate Aegon Conflict of Interest and Aegon Gift & Entertainment policies. The latter has since been incorporated into a new unified Aegon Anti-bribery and Corruption policy. As such, there is not a complete like-for-like comparison of 2021 performance with previous years. Compliance with the Aegon Conflict of Interest is now reported separately as a distinct item, backdated to 2019 on a like-for-like basis.

Topics	Policy / Statement	Indicators (used to monitor compliance and/or outcomes)	Outcome / Performance 2021
Data protection	<p>Global Information Security Policy</p> <p>Internal policy overseen by the Global Chief Information Security Officer, setting out the company's approach to cyberthreats and data protection. The policy applies to all Aegon businesses worldwide (including all units, entities or joint ventures where Aegon has operational control) and is supported by mandatory training in data and cyber security.</p>	<ul style="list-style-type: none"> Maintenance of an internal IT Control Framework, and action items to address gaps in performance are documented and monitored. The internal IT Control Framework is regularly mapped and updated to embed new and updated market standards. Periodic attestation to the internal IT Control Framework, with certain exceptions as applicable by country unit, for among other reasons adequate implementation timelines. 	<ul style="list-style-type: none"> Institutions such as Aegon will continue to remain subject to information security attacks. To Aegon's knowledge, the cyber-security attacks and events it experienced in 2021 were not material in nature.
Inclusion and Diversity	<p>Statement on Inclusion & Diversity</p> <p>Externally published statement setting out Aegon's approach to inclusion and diversity to creating an environment where our employees can bring their authentic selves to work. The statement incorporates our commitment to enabling this through our actions and inclusive policies. The statement applies to all Aegon businesses worldwide.</p> <p>Aegon UK also publishes its annual Gender Pay Gap Report as required by the UK Equality Act 2010 (Gender Pay Gap Information) Regulations 2017.</p>	<ul style="list-style-type: none"> Balanced representation of women in senior management. Balanced representation of women across Aegon's workforce. Employee perception of key themes from the Statement are also tracked in the Global Employee Survey. 	<ul style="list-style-type: none"> Against a target of 34% for 2021, women accounted for 34% of Aegon's senior management (2020: 32%) Women accounted for 50% of Aegon's workforce (2020: 50%) New benchmark set in 2021, based on updated question sets in the Survey. On 'Openness & Inclusion' 74% of participants scored favorably, and on 'Diversity & Equity' 72% of participants scored favorably.
Environment	<p>Environmental Policy</p> <p>Externally published policy outlining how Aegon seeks to minimize the negative impacts of its direct business operations on the environment whilst maximizing opportunities for performance improvement.¹⁾</p>	<ul style="list-style-type: none"> Commits Aegon to using renewable or sustainable sources of energy where possible. Commits Aegon to assessing the impact of air travel. Commits Aegon, to annually reporting environmental impacts and activities and monitoring progress against targets. 	<ul style="list-style-type: none"> Fuel (gas) consumption: 27,288 MWh (2019: 30,002 MWh) Electricity consumption: 49,863 MWh (2019: 83,249 MWh) Proportion of renewable electricity consumption: 99% (2019: 98%) Renewable electricity generated on-site 24 MWh (2019: 28 MWh) Renewable energy as a proportion of total energy consumption: 64% (2019: 72%) Total distance traveled: 16,3 million km (2019: 103.4 million km) Travel class as proportion of total distance: Economy 87%, Premium 13% Route type as proportion of total distance: <500km 3%, >500km 97% Total (gross / location-based) GHG emissions 24,024 metric tons (2019: 52,536 metric tons). Reduction in total (gross / location-based) GHG emissions on 2019 target baseline: 54%

¹ In line with the net-zero commitment announced in November 2021, Aegon has set a supporting GHG reduction target to reduce the carbon footprint of its operational activities by 25% by 2025. While some of these reductions can be traced to our initiatives to stimulate hybrid working – there has also been a temporary benefit from fewer employees in the office due to the COVID-19 pandemic, which we expect to reverse over time.

Topics	Policy / Statement	Indicators (used to monitor compliance and/or outcomes)	Outcome / Performance 2021
Human rights	<p>Statement on Human Rights</p> <ul style="list-style-type: none"> Externally published statement designed to frame Aegon's ongoing stewardship of human rights, including both the direct impacts of our daily operations as well as the indirect impacts of our business activities. Based on the UN Declaration of Human Rights, core standards of the International Labor Organization (ILO), and the principles of the UN Global Compact. The statement commits Aegon to upholding international human rights standards at all businesses where the company has sufficient management control and, where possible, to ensure partners uphold the same standards. Consideration for human rights is built into Aegon's Responsible Investment Policy, Vendor Code of Conduct and Statement on Inclusion & Diversity. Other company policies also cover aspects of human rights, including: <ul style="list-style-type: none"> - Code of Conduct - Speak Up - Anti-bribery and corruption - Conflict of Interest - Employment Screening - Anti-money laundering - Sanctions - Anti-fraud - Distribution Risk management - Third Party Risk management Aegon UK also issues a modern slavery statement (in line with the UK government's 2015 Modern Slavery Act) 	<ul style="list-style-type: none"> Results of Aegon's biennial global Human Rights Risk Assessment (conducted internally and based on external sources¹). The assessment scores Aegon's countries against a combination of 10 publicly available indicators: <ul style="list-style-type: none"> - Civil and political rights - Corruption - Human development - Health coverage - Business environment - Illicit economy - Gender development - Working conditions - Rule of law - Internet inclusion 	<ul style="list-style-type: none"> Our most recent assessment (2020) identified four 'Aegon' countries where the operating environment presents a meaningful human rights risk: <ul style="list-style-type: none"> - China - India - Indonesia - Turkey These risks relate essentially to outside political factors. In the United States, the Netherlands and the United Kingdom, Aegon faces little or no significant human rights risk. In Central and Eastern Europe, the environment is potentially more difficult, particularly with regard to corruption. In the Americas, risk is concentrated in Brazil. Again, this relates mainly to corruption. For those countries with the highest risk, Aegon has recommended preventative or remedial measures for local management² focusing on indicators where Aegon has the greatest potential to minimize the human rights faced by the company. The aim of these measures is to ensure Aegon's overall human rights risk remains low.
Investment	<p>Responsible Investment Policy</p> <p>Externally published policy acting as the basis for how our assets should be managed consistently with our responsible business objectives and relevant laws and governance standards. It is applicable to all of our proprietary assets globally, regardless of country of operation or whether they are managed by Aegon business units or externally. Local business units within Aegon may implement additional mechanisms to further identify, manage and mitigate ESG risks, within the context of local norms and stakeholder expectations.</p> <p>The policy covers all major asset classes and sets out minimum social and environmental standards for Aegon's investments that incorporates exclusions in areas including controversial weapons, tobacco, Arctic or oil sands production and transportation and thermal coal.</p> <p>The policy also incorporates a commitment to net-zero emissions, to ensure the reduction in the weighted average carbon intensity of the company's investment portfolio is aligned with its net-zero ambitions.</p>	<ul style="list-style-type: none"> Total investments in responsible investment solutions (RIS) Companies engaged with as part of Aegon's approach to responsible investment Weighted average carbon intensity of the company's investment portfolio 	<ul style="list-style-type: none"> Our responsible investment solutions totaled EUR 177.7 billion at the end of 2021 In 2021, 38% of our engagements addressed corporate governance matters, including corruption, remuneration, and board structure. Social issues addressed included health and well-being (opioids, drug price increases and meat sourcing), and human rights (UN Global Compact principles 1 & 2). Climate change (GHG emission reduction) and pollution were topics most commonly discussed in engagements concerning the environment. Of our engagements related to social themes, 27% of those were related to human rights issues. In 2021, the weighted average carbon intensity of our corporate fixed income and listed equity investments remained flat at 490 metric tons CO₂e/EURm revenue), no change on 2019. At the end of 2021, our business units ensured our new commitment was captured in their investment mandates, as a first step towards our net-zero commitment.

1 The methodology for Aegon's Human Rights Risk Assessment is derived from the UN Declaration of Human Rights. The assessment uses publicly available data from 10 non-governmental organizations specializing in human rights and which have a reputation for conducting fair and appropriate assessments. These organizations include Freedom House, Transparency International, UN Development Program, the World Bank and the World Health Organization.

2 These remedial measures include effective access to Speak Up, raising employees' awareness of human rights risk, ensuring basic healthcare and financial services for employees, suggesting alternative employee representation where there is no independent trade union, ensuring neutrality at times of regime change and enforcing a zero tolerance approach to corruption and discrimination in the workplace.

Topics	Policy / Statement	Indicators (used to monitor compliance and/or outcomes)	Outcome / Performance 2021
Procurement	<p><u>Vendor Code of Conduct</u></p> <p>The externally published Vendor Code of Conduct contains the standards for the business relationship between Aegon and its vendors in order to enable Aegon manage the most material business conduct, social and environmental risks (also referred to as sustainability risks) associated with its procurement of goods and services. The code sets the standards for the business relationship between Aegon and its vendors to enable Aegon to manage the most material environment, social and governance (ESG) risks associated with our procurement of goods and services under the following categories:</p> <ul style="list-style-type: none"> - Corporate governance - Human rights - Labor rights and good health and well-being - Climate change and biodiversity <p>Aegon requires its vendors to comply with the Code and assesses the ESG-related performance of those vendors against its standards.</p>	<ul style="list-style-type: none"> • Top 250 suppliers by spend (in-scope suppliers) scored for ESG performance through the EcoVadis rating platform. 	<ul style="list-style-type: none"> • Spend with 'in-scope' suppliers comprised 86% of overall procurement spend in 2021 (2020: 85%) • By the end of 2021, 59% of Aegon's 'in-scope' spend had been assessed for ESG performance through the implementation of the EcoVadis rating platform (2020: 56%)
Occupational health and safety	<p><u>Global Health & Safety Statement</u></p> <p>Externally published statement committing Aegon to provide and maintain high health and safety standards across all its business units worldwide, outlining our objectives and expectations.</p>	<ul style="list-style-type: none"> • Aim to limit absentee rate to an absolute minimum. 	<ul style="list-style-type: none"> • Employee absenteeism: 1.7% (2020: 1.7%)
Product development	<p><u>Pricing and Product Development Policy</u></p> <p>Internal policy setting out market conduct principles, aimed at ensuring fair treatment of customers and reasonable distribution of returns between customers, intermediaries and shareholders.</p>	<ul style="list-style-type: none"> • Policy attestation for terms of Pricing and Product Development Policy 	<ul style="list-style-type: none"> • 97% compliance with Pricing and Product Development Policy (2020: 93%)
Remuneration	<p><u>Global Remuneration Framework</u></p> <p>Internal framework, detailing the company's approach to pay. The Framework is based on the principle of pay for performance, setting down the principles of governance covering both fixed and variable pay. On variable pay, remuneration for Aegon executives and other senior management is based on both financial and non-financial performance metrics (including employee engagement and customer loyalty scores).</p>	<ul style="list-style-type: none"> • Policy attestation for terms of the Global Remuneration Framework 	<ul style="list-style-type: none"> • 95% compliance with requirements of the Global Remuneration Framework (2020: 95%)¹
Tax	<p><u>Global Tax Policy and Principles of Conduct</u></p> <p>Externally published policy outlining Aegon's approach to responsible taxpaying, which seeks to align the long-term interests of all our stakeholders, including customers, employees, business partners, investors, and wider society. Aegon seeks to pay 'fair taxes', which means paying the right amount of tax in the right places.</p>	<ul style="list-style-type: none"> • Applying global tax reporting standards that support public disclosure of the company's tax policies and tax contributions on a country-by-country basis. 	<ul style="list-style-type: none"> • Annual Aegon Global Tax Report² • Total taxes borne by Aegon: EUR 381 million (2020: EUR 319 million) • Taxes collected on behalf of others: EUR 2.41 billion (2020: EUR 2.51 billion)

1 The assessment of compliance against the Global Remuneration Framework was limited to our largest business units only (Aegon NL, Aegon UK and Transamerica).
 2 Developed in accordance with the GRI 207: Tax standard of GRI Sustainability Reporting Standards, and which provides Aegon's tax contributions on a country-by-country basis.

Regulation

Regulation and compliance

The importance of non-financial factors in underpinning long-term financial value creation is widely recognized. This includes the identification and mitigation of aspects of economic activities that erode non-financial value, as well as the identification of, and capitalization on, opportunities to create value.

Reflecting this understanding, there is a clear and increasing global trend of capital allocation toward economic activities that manage non-financial value most effectively.

Around the world, governments are passing regulation to drive transparency in the non-financial value aspects of any given economic activity, for better-informed risk assessment and decision-making in the allocation of financial capital. For example, the EU Sustainable Finance Disclosure Regulation (SFDR) is driving more transparency regarding how financial market participants and financial advisors integrate sustainability risks into their investment decisions or insurance advice. Financial market participants should disclose information on those procedures and descriptions and the impact of sustainability risks on the performance of the financial products. To do so they need sustainability-related information about their investees (companies). This is why the European Union has been developing two other key pieces of legislation, namely the Corporate Sustainability Reporting Directive (CSRD) and the EU Taxonomy. The CSRD and EU Taxonomy aim to ensure that investees report on these topics, so financial institutions can use this information in return. The 2021 reporting year is the first step in the implementation of the EU Taxonomy. For more information on the EU Taxonomy please refer to the section 'EU Taxonomy Regulation' on page 359.

EU Non-Financial Reporting Directive (NFRD)

Non-financial reporting has been a regulatory requirement for Aegon since the implementation of EU Directive 2014/95/EU on non-financial reporting, hereafter referred to as the EU Non-Financial Reporting Directive, for the 2018 reporting year. The NFRD requirements, applicable to Aegon N.V. are included in article 29a of Directive 2013/34/EU (Accounting Directive). In the Netherlands, article 29a of the Accounting Directive is implemented in Dutch law, on the basis of article 391 of Book 2 of the Dutch Civil Code in the Decree on the contents of the management report (*Besluit inhoud bestuursverslag*), in the Decree on the establishment of further provisions on the content of the Annual Report (*Besluit tot vaststelling van nadere voorschriften omtrent de inhoud van het jaarverslag*) and in the Decree on the publication of non-financial information (*Besluit bekendmaking niet-financiële informatie*).

The NFRD requires 'large companies' such as Aegon to disclose information regarding the way they operate and manage social and environmental challenges. More specifically, it requires companies to report on social, employee and environmental matters, human rights, bribery and anti-corruption, as well as information on board diversity. Information on board diversity is included in the diversity section of [Aegon's Corporate Governance Statement](#) (page 17).

On the basis of the above-mentioned Decrees, Aegon is required to publish non-financial information in a (consolidated) non-financial statement. To this end, the table below details the disclosures required, additionally referencing the corresponding requirement of the NFRD itself and the corresponding requirements in the Dutch decrees.

EU Non-Financial Reporting Directive (NFRD) requirement ¹⁾	Reference (IAR 2021)	Equivalent requirement under Dutch law ²⁾
Brief description of company's business model	Our strategy and value creation (pages 16-34) Value creation (pages 24-25)	Decree non-financial information (article 3.1.a)
Description of the policies relating to environmental matters (including due diligence processes implemented)	Sustainability (page 20-23) Table under 'Policies and Procedures' (pages 353-356)	
The outcome of these policies	Sustainability (pages 20-23) Sharing value with our stakeholders (pages 26-32) Table under 'Policies and Procedures' (pages 353-356) Tables under 'Value Created': Business partners/Goods and services, (page 386) Society/ Investment footprint, and Operational footprint (pages 388-392)	Decree non-financial information (article 3.1.b)
Description of the policies relating to social and employee matters (including due diligence processes implemented)	Sustainability (pages 20-23) Table under 'Policies and Procedures' (pages 353-356)	
The outcome of these policies	Sustainability (pages 20-23) Sharing value with our stakeholders (pages 26-32) Table under 'Policies and Procedures' (pages 353-356) Tables under 'Value Created': Employees/Inclusion and diversity, Recruitment and retention, Health and safety, Training and development and Engagement (pages 383-385) Business partners/Goods and services (page 386) Society/Responsible investment, Tax transparency, Community investment (pages 388-392)	Decree non-financial information (article 3.1.b)
Description of policies relating to respect for human rights (including due diligence processes implemented)	Sustainability (pages 20-23) Table under 'Policies and Procedures' (pages 353-356)	
The outcome of these policies	Table under 'Policies and Procedures' (pages 20-23) Sharing value with our stakeholders (pages 26-32) Tables under 'Value Created': Employees/Inclusion and diversity, Health and safety, and Engagement (pages 383-385) Business partners/Goods and services (page 386) Society/Responsible investment (pages 388-392)	Decree non-financial information (article 3.1.b)
Description of policies relating to anti-corruption and bribery matters (including due diligence processes implemented)	Code of Conduct (page 88) Table under 'Policies and Procedures' (pages 353-356)	Decree non-financial information (article 3.1.b)
The outcome of these policies	Sharing value with our stakeholders (pages 26-32) Table under 'Policies and Procedures' (pages 353-356) Tables under 'Value Created': Business partners/Goods and services (page 386) Society/Responsible investment, and Compliance (pages 388-392)	Decree non-financial information (article 3.1.b)
Description of the principal risks with regard to environmental, social and employee matters, respect for human rights, and the fight against corruption and bribery; and, how these risks are managed	Our business environment (pages 8-13) Our purpose (pages 14-15) Our strategy and value creation (pages 16-34) Business environment scan (page 10) Risk management (pages 73-77) Risk factors Aegon N.V. (pages 326-348) Task Force on Climate-related Disclosures (pages 372-378)	Decree non-financial information (article 3.1.c)
Non-financial key performance indicators relating to environmental, social and employee matters, respect for human rights, and the fight against corruption and bribery	Performance in 2021 (pages 33-34) Sharing value with our stakeholders (pages 26-32) Table under 'Policies and Procedures' (pages 353-356) Tables under 'Value Created': Employees/Inclusion and diversity, Recruitment and retention, Health and safety, Training and development, and Engagement (pages 383-385) Business partners/Goods and services (page 386) Society/Responsible investment, Investment footprint, Tax transparency, Community investment, Compliance, and Operational footprint (pages 388-392)	Decree non-financial information (article 3.1.d)
Diversity of the Management Board and Supervisory Board	Diversity section of Aegon's Corporate Governance Statement (page 17). Tables under 'Value Created': Employees/Inclusion and diversity (pages 383-385) Investors/Corporate Governance (page 387)	Decree content of the management report (article 3a)

1 As included in the EU Accounting Directive

2 The EU Non-Financial Reporting Directive was transposed into Dutch law through two decrees relating respectively to non-financial information and diversity policy (*Besluit bekendmaking niet-financiële informatie/Besluit Bekendmaking diversiteitsbeleid*, included in the *Besluit tot vaststelling nadere voorschriften omtrent de inhoud van het jaarverslag*).

EU Taxonomy Regulation

The EU Taxonomy Regulation has been adopted by the EU in 2021 and is one of the cornerstones of the EU Action plan on financing sustainable growth. The EU taxonomy is a classification system to define environmentally sustainable economic activities, based on the following criteria:

- Substantially contributing to one of the six EU environmental objectives:
 - Climate change mitigation
 - Climate change adaptation
 - Sustainable use and protection of water and marine resources
 - Circular economy
 - Pollution prevention and control
 - Protection and restoration of biodiversity and ecosystems
- Doing no harm to any of the other objectives, and
- Meeting minimum safeguards, including OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights

For each of the six environmental objectives, delegated acts are being developed at EU level. Thus far, one delegated act for two objectives, climate change adaptation and climate change mitigation, has been finalized and is in effect. The delegated acts concerning the other four environmental objectives are expected to be published by the EU during 2022. Related eligibility disclosures are expected to follow in our IAR 2022.

Article 8 of the EU Taxonomy Regulation

Article 8 of the EU Taxonomy Regulation requires undertakings to report how and to what extent the undertaking's activities are associated with economic activities that qualify as environmentally sustainable. The requirements are applicable for undertakings which are subject to an obligation to publish non-financial information in accordance with the NFRD, such as Aegon N.V. The information should be included in the non-financial statement or consolidated non-financial statement information.

Article 8 of the EU Taxonomy Regulation aims to ensure that large public-interest entities (such as Aegon) report on these topics, so financial institutions and other stakeholders can use this information in return. The 2021 reporting year is the first step in the implementation of article 8 of the EU Taxonomy Regulation.

EU Corporate Sustainability Reporting Directive

From January 1, 2024, the Corporate Sustainability Reporting Directive (CSRD) is expected to replace the NFRD and as mentioned under section 'Reporting process for non-financial data' on page 350, at Aegon we are preparing internally for this change. The CSRD will require companies, including Aegon N.V., to include in their management report information necessary to understand their impacts on sustainability matters, and how sustainability matters affect their development, performance and position, including the information that they are required to disclose pursuant to article 8 of the Taxonomy Regulation.

The EU Taxonomy is linked to the CSRD. While the EU Taxonomy is currently focused on environmental objectives only, the CSRD will set sustainability standards based on a broader, ESG+, definition. We expect that the CSRD will adopt an integrated perspective to reporting and that disclosures should cover key performance indicators around ESG matters and other 'intangibles' or value creators.

Disclosure of EU Taxonomy-eligible economic activities and investments

In the IAR 2021, Aegon must disclose the proportion of Taxonomy-eligible economic activities and investments related to climate change mitigation and climate change adaptation only. When estimates and proxies are used, disclosures under Article 8 of the Taxonomy Regulation may not be classified as 'mandatory' and should be classified as 'voluntary'.

To assess the eligibility of our investments, we are often dependent on the information provided by our investees. In many cases, this information is not yet available. Therefore, we have used alternative methods and estimates which we describe below under 'Assumptions and data limitations'. These investments are included in the voluntary disclosures. Only for our underwriting activities and investments in mortgage loans and real estate is actual information currently available to assess eligibility. Therefore, these investments and activities form the mandatory disclosures. The distinction between 'mandatory' and 'voluntary' disclosures is explicitly mentioned in the EU Taxonomy tables below.

'Eligible' means that an economic activity is described in one of the delegated acts as mentioned above, irrespective of whether that economic activity meets any or all of the technical screening criteria laid down in those delegated acts to qualify as sustainable. 'Alignment' means that an eligible economic activity meets the technical screening criteria to qualify as sustainable. Aegon N.V. needs to disclose the alignment of its economic activities in its IAR 2023.

Scope of assets and activities covered by the EU Taxonomy disclosures

Aegon's EU Taxonomy performance indicators are split between underwriting activities and on-balance investments.

Investments

To calculate the proportion of Taxonomy-eligible investments, the total of covered investments is used as the denominator, which includes General Account investments, investments in accounts of policyholders, derivatives and real estate for own use. The total covered assets in proportion to the total balance sheet is 82% (EUR 385 billion out of EUR 469 billion).

We also include in the covered assets, on a voluntary basis, investments in undertakings that are not obliged to publish non-financial information, unless the data is not available to assess Taxonomy-eligibility. This includes investments in companies established outside the EU.

Own activities

The underwriting disclosure includes an assessment of all non-life business as prescribed by the EU Taxonomy. Non-life business only relates to the EU Climate Change Adaptation objective, as these products can significantly contribute to the protection of policyholders for the negative impact of climate change, but do not contribute to the Climate Change Mitigation objective.

We have only classified non-life activities as eligible when there is a reference in the policy conditions to one or more of the climate-related perils as defined by the EU Taxonomy Climate Delegated Act (such as storm, flood, cold wave/frost, or drought). We have assessed that this is applicable to our motor vehicle, other motor and property insurance. As a consequence, we have classified our medical expense, income protection and worker's compensation insurance products as non-eligible.

The Taxonomy Regulation allows different methods to measure the total premium of eligible products. The total premium of eligible products can be calculated at line of business level, product level or coverage level. Aegon takes a product-level approach, which means that the total gross written premium of all eligible products is taken into account.

Assumptions and data limitations

To determine the eligibility of our investments in 2021 we used publicly available sector information (referred to as NACE codes), collected by an external data vendor to map the investments in shares, debt securities and part of our private loans to the EU Taxonomy. We have measured eligible investments for the full carrying amount. In the alignment phase in 2023 we will use actual information from the underlying companies to assess the alignment percentage, which will likely be lower than 100% of the IFRS value for most investments.

Our mortgage and real estate portfolio are classified as 100% eligible in line with the EU Taxonomy. We expect that not all properties will meet the screening criteria in 2023, which is in large part based on the energy label information of the underlying properties. As a result, we expect that the actual alignment of our mortgage and real estate portfolio in 2023 will also be lower than 100%.

The eligibility assessment of our investment funds is more difficult since we are dependent on external asset managers to provide relevant sustainability information of the underlying companies. For 2021 we have a data limitation to assess the eligibility of our investment funds. As a result we have classified these investments as non-eligible. This mainly impacts the eligibility of Investments for account of policyholders.

For our 2021 disclosures we do not make a distinction between the two climate objectives Climate Change Mitigation and Climate Change Adaptation. For investments the distinction becomes relevant in the alignment phase as the screening criteria for Mitigation are different than those for Adaptation. In the eligibility phase these categories are very similar and the information to make a distinction is not yet available. As mentioned above, non-life activities are all related to Climate Change Adaptation.

EU Taxonomy underwriting	Eligibility based on actual information (mandatory disclosure)	
	Absolute premium (EUR million)	% of non-life premium
Eligible non-life activities	270	13%
- Of which reinsured	13	
Taxonomy-non-eligible	1,774	87%
Total premium non-life	2,044	

EU Taxonomy investment (on-balance)	Eligibility based on actual information (mandatory disclosure)		Eligibility including estimates (mandatory and voluntary disclosure)	
	Absolute value (EUR million)	Percentage of investments covered	Absolute value (EUR million)	Percentage of investments covered
Eligible investments (numerator)	44,015	11% ¹⁾	59,471	15%
- Of which General Account investments	43,267		55,898	
- Of which Investments for account of policyholders	563		3,388	
- Of which real estate for own use	185		185	
Non-eligible investments (numerator)	320,555	83%	305,099	79%
Excluded from numerator only: exposures to derivatives	8,827	2%	8,827	2%
Excluded from numerator only: exposures to undertakings that are not obliged to publish non-financial information pursuant to Article 19a or 29a of Directive 2013/34/EU and data is not available	11,304	3%	11,304	3%
Total investments covered (denominator)	384,701		384,701	
Excluded from numerator and denominator: exposures to central governments, central banks and supranational issuers	33,727		33,727	
Total investments in scope	418,428		418,428	
Which includes:				
- Investments General Account	158,463		158,463	
- Investments for account of policyholders	250,953		250,953	
- Derivatives	8,827		8,827	
- Real estate for own use	185		185	

1 The percentage of eligible investments of total investments is 11% (44,015/418,428) and over total assets is 9% (44,015/468,884)

Note: When estimates and proxies are used, disclosures under Article 8 of the Taxonomy Regulation may not be classified as 'mandatory' and should be classified as 'voluntary'. Only for our investments in mortgage loans and real estate, actual information is currently available to assess the eligibility. Therefore, these investments form the mandatory disclosures.

Breakdown of eligible investments	Eligibility per investment class covered			Eligibility determined based on actual information (part of mandatory disclosure)	Eligibility determined based on estimates (part of voluntary disclosure)
	Eligible (absolute value) (EUR million)	Total value of investment class covered (EUR million)	Percentage of investment class covered		
General Account investments in scope:					
- Shares	71	644	11%	No	Yes
- Debt securities	10,595	62,956	17%	No	Yes
- Mortgage loans	40,624	40,624	100%	Yes	No
- Private loans	1,910	4,886	39%	No	Yes
- Policy loans	-	1,893	0%	No	Yes
- Real estate	2,643	2,643	100%	Yes	No
- Other ¹⁾	55	5,681	1%	No	Yes
Total eligible General Account investments (numerator)	55,898	119,326	47%		
Investments for account of policyholders in scope:					
- Shares	2,155	15,604	14%	No	Yes
- Debt securities	581	6,098	10%	No	Yes
- Unconsolidated investment funds	89	208,976	0%	No	Yes
- Real estate	563	563	100%	Yes	No
- Other ¹⁾	-	6,344	0%	No	Yes
Total eligible investments for account of policyholders (numerator)	3,388	237,586	1%		
Total eligible Real estate assets for own use (numerator)	185	185	100%	Yes	No

1 Mainly includes deposits with financial institutions and money market funds which do not qualify for eligibility.

Frameworks and initiatives

Aegon uses various general and sector-specific global sustainability frameworks and initiatives, both to align with and to report its sustainability strategy, policies, and performance against.

Reporting standards

As mentioned above, the Integrated Reporting <IR> Framework of the International Integrated Reporting Council (IIRC)¹ provides the basis of preparation of this IAR.

The Integrated Reporting <IR> Framework

The table below shows Aegon's compliance with the 'Guiding Principles' and the 'Content Elements' of the <IR> Framework.

Disclosure	Topic	Page reference ²⁾ (or details of omissions if applicable)
Guiding principles	Strategic focus and future orientation	Our business environment (pages 8-13) Our purpose (pages 14-15) Our strategy and value creation (pages 16-34) Sustainability (pages 20-23)
	Connectivity of information	The topics mentioned in Our business environment (pages 8-13) and Business Environment Scan (page 12) are linked to risks and opportunities, which are considered for Our strategy and value creation (page 18)
	Stakeholder relationships	Sharing value with our stakeholders (pages 26-32)
	Materiality	Basis of preparation (pages 350-351)
	Conciseness	Pages 1-34 are structured around our material topics, risks, opportunities and strategy, as well as the performance and value associated with these. We have also applied the materiality principle to define the content of this IAR (pages 350-351)
	Reliability and completeness	Basis of preparation (pages 350-351)
	Consistency and comparability	This Integrated Annual Report (IAR) is prepared in accordance with the International Financial Reporting Standards (IFRS), as adopted by the European Union, as well as the Integrated Reporting Framework (<IR> Framework) of the International Integrated Reporting Council (IIRC). Aegon has used the <IR> Framework since 2014. We are making the shift to integrating more material frameworks; like that of the Task Force on Climate-related Financial Disclosures (pages 372-378).
	Content elements	Organizational overview and external environment
Governance		Corporate governance (pages 38-41)
Business model		Value creation (pages 24-25)
Risk and opportunities		Our business environment (pages 8-13) Business Environment Scan (page 10)
Strategy and resource allocation		Our strategy and value creation (pages 16-34) Sharing value with our stakeholders (pages 26-32)
Performance		Performance in 2021 (pages 33-34) Value created (pages 24-25)
Outlook		Our business environment (page 8-13) Performance in 2021 (pages 33-34)
Basis of preparation and presentation		Basis of preparation (pages 350-351)

1 In June 2021, the IIRC merged with the Sustainability Accounting Standards Board (SASB) to form the Value Reporting Foundation (VRF).

2 All page numbers in this table refer to Aegon's Integrated Annual Report 2021, unless otherwise stated. Where there are several examples, we have included principal references only.

Global initiatives

Aegon has signed up and committed to several non-sector specific international initiatives, including the United Nations Global Compact (UNGC), the UN Sustainable Development Goals (SDGs), and the Task Force on Climate-related Financial Disclosures (TCFD). These initiatives guide our internal practices and policies, and help shape our overall approach to sustainability.

United Nations Global Compact

In 2021, Aegon N.V. became a signatory of the UNGC, thereby committing to implement universal sustainability principles in the fields of human rights, labor, environment, and anti-corruption, as well as taking steps to support the UN goals; currently the SDGs. As a signatory, Aegon is committed to disclosing its progress annually. In addition to integrating the measurement of the outcomes under the UNGC Principles into our annual reporting cycle, we have detailed Aegon's policies and procedures to support each Principle and of how we align and implement them. For measured outcomes against the SDGs, please see 'United Nations Sustainable Development Goals' on pages 367-371. The Aegon website includes a dedicated library for our [ESG policies](#). See also pages 353-356 'Non-financial policies, procedures and outcomes' for an overview of our performance against the indicators of these policies.

UNGC Principles	Policy and implementation
Human Rights	
1. Businesses should support and respect the protection of internationally proclaimed human rights; and	<p>Aegon's Statement on Human Rights commits the company to upholding international human rights standards at all businesses where Aegon has sufficient management control and, where possible, to ensure partners live up to the same standards. Consideration for human rights is also built into Aegon's Code of Conduct, Aegon's Responsible Investment Policy, Vendor Code of Conduct, and Aegon's Statement on Inclusion and Diversity.</p> <p>We have committed to several global initiatives to support the development of human rights, including the UN Declaration of Human Rights, the core labor and human rights standards of the International Labor Organization (ILO) and UNEP-FI's Principles for Sustainable Insurance (PSI).</p>
2. make sure that they are not complicit in human rights abuses.	<p>Aegon's Statement on Human Rights commits the company to upholding international human rights standards. Consideration for human rights is also built into Aegon's Code of Conduct, Aegon's Responsible Investment Policy, Vendor Code of Conduct and Aegon's Statement on Inclusion and Diversity.</p> <p>We carry out a biennial Human Rights Risk Assessment, through which we aim to identify, prevent, and mitigate adverse human rights impacts that may be linked to our operations, products, and services.</p>
Labor	
3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;	<p>Aegon adheres to local laws regarding the freedom of association and the right to collective bargaining. For example, freedom of association and effective recognition of the right to collective bargaining are covered under the Aegon N.V. Responsible Investment Policy and the Aegon N.V. Vendor Code of Conduct.</p>
4. the elimination of all forms of forced and compulsory labour;	<p>Aegon's Statement on Human Rights commits the company to upholding international human rights. Consideration for human rights, and more specifically those related to forced and compulsory labor, is also built into Aegon's Responsible Investment Policy and Vendor Code of Conduct.</p> <p>In line with our Responsible Investment Policy and Framework, we engage with our portfolio companies on issues related to human rights, including those related to forced and compulsory labor.</p> <p>In line with our Vendor Code of Conduct, we score our suppliers for sustainability performance through the EcoVadis rating platform, which covers forced and compulsory labor.</p>

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UNGC Principles	Policy and implementation
<p>5. the effective abolition of child labour; and</p>	<p>Aegon's Statement on Human Rights commits us to upholding international human rights. Consideration for human rights, and more specifically those related to effective abolition of child labor, is also built into Aegon's Responsible Investment Policy and Vendor Code of Conduct.</p> <p>In line with our Responsible Investment Policy and Framework, we engage with our portfolio companies on issues related to human rights, including those related to forced and compulsory labor.</p> <p>In line with our Vendor Code of Conduct, we score our suppliers for sustainability performance through the EcoVadis rating platform, which covers effective abolition of child labor.</p>
<p>6. the elimination of discrimination in respect of employment and occupation.</p>	<p>Aegon's Statement on Human Rights commits us to upholding international human rights standards. Consideration for human rights, and more specifically those related to elimination of discrimination in respect of employment and occupation, is also built into Aegon's Code of Conduct, Aegon's Responsible Investment Policy, Vendor Code of Conduct, and Aegon's Statement on Inclusion and Diversity.</p> <p>Aegon considers certain human rights fundamental and universal for its workforce. All Aegon employees are educated on the company's Code of Conduct and acknowledge that they will abide by these standards.</p> <p>In line with our Responsible Investment Policy and Framework, we engage with our portfolio companies on issues related to human rights, including those related to discrimination.</p> <p>Our Vendor Code of Conduct sets clear expectations for our vendors, which are subject to due diligence and monitoring procedures as per the Third Party Risk Management Policy.</p>
<p>Environment</p>	
<p>7. Businesses should support a precautionary approach to environmental challenges;</p>	<p>As an insurance company, Aegon can support the transition to a climate-resilient economy and a net-zero world using both sides of our balance sheet. We finance the upside through our investment activities, while helping to mitigate the downside by managing our operational carbon footprint and risk management processes, and the savings and protection solutions we provide. The influence, both positive and negative, that we can have as an investor is particularly significant, and Aegon has committed to transitioning our General Account investment portfolio to net-zero GHG emissions by 2050.</p> <p>As an office-based company serving the financial sector, Aegon does not operate energy and resource-intensive processes as part of its business operations, for example those typical of manufacturing industries, and is not aware of any incidents relating to these activities impacting the natural environment. Energy consumption at our office buildings makes up by far the largest portion of our energy use, followed by our data centers. Our business operations have been carbon-neutral since 2019, which has been achieved by substituting our energy consumption with renewable sources and offsetting our remaining carbon emissions. In line with the net-zero commitment announced in November 2021, Aegon has set a supporting operational greenhouse gas emission reduction target to reduce the carbon footprint of its operational activities by 25% by 2025 from a 2019 baseline. Energy consumption at our office buildings makes up by far the largest portion of our energy use, followed by our data centers. and while our own operational footprint as a business is relatively small, it is important that we set a good example.</p>

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UNGC Principles	Policy and implementation
8. undertake initiatives to promote greater environmental responsibility; and	In line with our Responsible Investment Policy, through our investments, we encourage the development and diffusion of technologies that offer solutions to environmental issues, including those which reduce GHG emissions. With our net-zero commitment, we will engage with carbon-intensive investee companies to drive real-world reductions in emissions.
9. encourage the development and diffusion of environmentally friendly technologies.	In line with our Responsible Investment Policy, through our (impact) investments, we encourage the development and diffusion of technologies that offer solutions to environmental issues, including those which reduce GHG emissions.
Anti-corruption	
10. Businesses should work against corruption in all its forms, including extortion and bribery.	<p>Aegon's Code of Conduct sets out rules and guidelines that shape and govern the actions of all our employees. It also commits us to complying with all legal and regulatory requirements and to prevent insider dealing, corruption, and bribery.</p> <p>In addition, in line with our Responsible Investment Policy and Framework, we engage with our portfolio companies on issues related to governance, including anti-corruption.</p> <p>In line with our Vendor Code of Conduct, we score our suppliers for sustainability performance through the EcoVadis rating platform, which covers anti-corruption.</p> <p>Aegon also has several relevant internal policies: Conflict of Interest Policy, Anti-Bribery and Corruption Policy, Financial Crime and Corruption Risk Policy, Insider Dealing Policy.</p>

United Nations Sustainable Development Goals (SDGs)




In 2015, the United Nations adopted 17 Sustainable Development Goals (SDGs). These goals cover poverty reduction, education, gender equality, climate change and health. Accompanying each of these goals is a series of targets and indicators.

At Aegon, we are committed to supporting the UN SDGs, both as a financial services provider and as an investor. We recognize






that sustainable development is in the long-term interest of business and the global economy, but that a sustainable future for people and the planet will not be attainable without cooperation between the public and private sectors. Climate change and inclusion & diversity have been selected as priority themes in our sustainability vision, and as such our contributions to the SDGs relating to these themes have been detailed most comprehensively.

Sustainable Development Goal		Aegon's contribution to relevant SDG targets in 2021 (examples)	
 <p>1. No poverty End poverty in all its forms everywhere</p>	1.4	<p>By 2030, ensure that all men and women, in particular the poor and the vulnerable, have equal rights to economic resources, as well as access to basic services, ownership and control over land and other forms of property, inheritance, natural resources, appropriate new technology and financial services, including microfinance.</p> <ul style="list-style-type: none"> Aegon UK has partnered with the Initiative for Financial Wellbeing and Edinburgh University to launch the Financial Wellbeing Index, which helps advisors and employee benefits consultants provide personalized, needs-based advice to end-customers. (Strengthening engagement and trust, page 27) As was the case in 2020, we prioritized helping our most vulnerable communities navigate the COVID-19 pandemic and its economic consequences, with a specific focus on people who needed help handling their finances. (Investing in our communities, page 32) 	
	1.5	<p>By 2030, build the resilience of the poor and those in vulnerable situations and reduce their exposure and vulnerability to climate-related extreme events and other economic, social and environmental shocks and disasters.</p> <ul style="list-style-type: none"> Together with the Aegon Transamerica Foundation in the United States, Aegon donated EUR 300,000 to support COVID-19 relief efforts in India. (Society, Supporting COVID-19 relief efforts in India, page 31) 	
 <p>2. Zero hunger To end hunger, achieve food security and improved nutrition and promote sustainable agriculture</p>	2.1	<p>By 2030, end hunger and ensure access by all people, in particular the poor and people in vulnerable situations, including infants, to safe, nutritious and sufficient food all year round.</p> <ul style="list-style-type: none"> Aegon UK supports five schools in Edinburgh with breakfast clubs, which provide children meals in the morning before school starts. (Aegon Integrated Annual Report 2020, A foundation for change, page 5) 	
 <p>3. Good health and well-being Ensure healthy lives and promote well-being for all at all ages</p>	3.4	<p>By 2030, reduce by one third premature mortality from non-communicable diseases through prevention and treatment and promote mental health and well-being.</p> <ul style="list-style-type: none"> Aegon has developed a Future Ways of Working plan, covering most of Aegon's global business units to help our people achieve a healthy and productive balance between office-based and remote working. The approach is based on globally agreed principles – hybrid working, office utilization and location, and employee benefits – that are translated locally. (Employees, page 27, Introducing our hybrid working model, page 28) 	
	3.a	<p>Strengthen the implementation of the World Health Organization Framework Convention on Tobacco Control in all countries, as appropriate.</p> <ul style="list-style-type: none"> Aegon N.V. has excluded tobacco from its investments to help address health concerns over smoking. (Policies and procedures, Aegon N.V. Responsible Investment Policy, page 355) 	
 <p>4. Quality education Ensure inclusive and quality education for all and promote lifelong learning</p>	4.6	<p>By 2030, ensure that all youth and a substantial proportion of adults, both men and women, achieve literacy and numeracy.</p> <ul style="list-style-type: none"> In 2021 Aegon contributed EUR 1.6 million towards financial education and literacy projects in the communities of our customers and employees. (Value created - Society - Corporate citizenship, page 355) 	
 <p>5. Gender equality Achieve gender equality and empower all women and girls</p>	5.1	<p>End all forms of discrimination against all women and girls everywhere.</p> <ul style="list-style-type: none"> Aegon N.V. has explicitly incorporated the theme of 'Gender development' into its biennial Human Rights Risk Assessment process. Consideration for gender equality is incorporated into numerous Aegon policies including the Code of Conduct and Aegon N.V. Responsible Investment Policy as a fundamental element of human rights. (Policies and procedures, Aegon N.V. Statement on Human Rights, Aegon N.V. Responsible Investment Policy, page 355) 	




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Sustainable Development Goal	Aegon's contribution to relevant SDG targets in 2021 (examples)	
5. Gender equality (continued)	5.5	<p>Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic and public life.</p> <ul style="list-style-type: none"> In June 2021, Aegon N.V. CEO Lard Friese pledged to the G20 EMPOWER (Alliance for Empowerment and Progression of Women's Economic Representation) Initiative. (Inclusion and diversity, page 21) Following Aegon surpassing its target for female representation in senior management in 2020 (32% representation against a 30% target), a higher target of 34% was set for 2021. Aegon reached this target by the end of the year, with 34% female representation. A renewed target of 36% has been set for 2022. Sustainability, Inclusion and diversity, page 22)
	5.c	<p>Adopt and strengthen sound policies and enforceable legislation for the promotion of gender equality and the empowerment of all women and girls at all levels.</p> <ul style="list-style-type: none"> Aegon UK publishes its annual gender pay gap report as required by the UK Equality Act 2010 (Gender Pay Gap Information) Regulations 2017.
 6. Clean water and sanitation Ensure availability and sustainable management of water and sanitation for all	6.6	<p>By 2020, protect and restore water-related ecosystems, including mountains, forests, wetlands, rivers, aquifers and lakes.</p> <ul style="list-style-type: none"> The Aegon N.V. Responsible Investment Policy incorporates the company position on biodiversity, which specifically covers management for availability of water resources and their pollution. Furthermore, the Aegon N.V. Vendor Code of Conduct sets the standards for the business relationship between Aegon and its vendors in order to enable Aegon manage the most material ESG risks associated with our procurement of goods and services, specifically including biodiversity. (Policies and procedures, pages 355 and 356)
 7. Affordable and clean energy Ensure access to affordable, reliable, sustainable and modern energy for all	7.3	<p>By 2030, ensure universal access to affordable, reliable and modern energy services.</p> <ul style="list-style-type: none"> Aegon the Netherlands has introduced a new 'green' mortgage to help people finance energy-efficient home improvements. (2021 milestones, page 4, Enhancing our propositions, page 26)
 8. Decent work and economic growth Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all	8.3	<p>Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services.</p> <ul style="list-style-type: none"> Knab, Aegon the Netherlands' digital banking platform provides entrepreneurs with an extensive online library for topics related to finance and entrepreneurship through their Knab Bieb. (Strengthening engagement and trust, page 27)
	8.5	<p>By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value.</p> <ul style="list-style-type: none"> Aegon UK publishes its annual gender pay gap report as required by the UK Equality Act 2010 (Gender Pay Gap Information) Regulations 2017. In the Netherlands, Aegon runs 'Silver Starters', a learning program for entrepreneurs aged 50 and over. (Society - Adapting to the modern retirement landscape, page 32)
	8.7	<p>Take immediate and effective measures to eradicate forced labour, end modern slavery and human trafficking and secure the prohibition and elimination of the worst forms of child labour, including recruitment and use of child soldiers, and by 2025 end child labour in all its forms.</p> <ul style="list-style-type: none"> Aegon N.V. has explicitly incorporated the themes of forced and child labor into its Statement on Human Rights and biennial Human Rights Risk Assessment process. Consideration for these specific themes (and wider human rights concerns) are also incorporated into numerous Aegon policies including the Code of Conduct, Aegon N.V. Responsible Investment Policy and the Vendor Code of Conduct. (Policies and procedures, Aegon N.V. Statement on Human Rights, Aegon N.V. Responsible Investment Policy, Aegon N.V. Vendor Code of Conduct pages 353-356)

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Sustainable Development Goal	Aegon's contribution to relevant SDG targets in 2021 (examples)	
 8. Decent work and economic growth (continued)	8.8	<p>Protect labour rights and promote safe and secure working environments for all workers, including migrant workers, in particular women migrants, and those in precarious employment.</p> <ul style="list-style-type: none"> Each year Aegon UK issues a modern slavery statement (in line with the UK government's 2015 Modern Slavery Act). (Policies and procedures, Aegon N.V. Statement on Human Rights, page 355) Aegon employees in the Netherlands are covered by a collective bargaining / labor agreement, which in 2021 equated to 17.3% of employees across Aegon N.V. (Value created - Employees - Representation, page 385)
	8.10	<p>Strengthen the capacity of domestic financial institutions to encourage and expand access to banking, insurance and financial services for all.</p> <ul style="list-style-type: none"> Aegon UK acquired Pension Geeks in April 2021, a business specializing in connecting people with their finances through innovative engagement techniques, communication, and events. Pension Geeks will continue to help employers to encourage their people to engage with workplace benefits programs through the customer-centric approach of the wider Aegon family. (Improving customer service, page 27)
 9. Industry, innovation and infrastructure Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation	9.4	<p>By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities.</p> <ul style="list-style-type: none"> Aegon Asset Management engaged a leading multinational steelmaker, who has introduced its first 'green steel' solutions for customers, which include steel produced via carbon-neutral processes as well as through the use of 'green' hydrogen generated from renewables (Aegon Integrated Annual Report 2020, Active ownership in action, page 33)
 10. Reduced inequalities Reduce inequality within and among countries	10.2	<p>By 2030, empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status.</p> <ul style="list-style-type: none"> Aegon Asset Management (AAM) in the UK partnered with Black Professionals Scotland (BPS) in early 2021 to further expand recruitment and engagement to untapped talent. Members of BPS are provided with skills and information to support their chosen careers. BPS supports organizations in realizing their inclusion and diversity ambitions, and AAM UK now advertises all vacancies with BPS. Furthermore, AAM and BPS members jointly participated in events to celebrate Black History Month in the United Kingdom. (People at the heart of our transformation journey, page 28) In 2021, Transamerica earned a score of 100% from the Human Rights Campaign Foundation on its annual Corporate Equality Index (CEI). (2021 milestones, page 4)
	10.3	<p>Ensure equal opportunity and reduce inequalities of outcome, including by eliminating discriminatory laws, policies and practices and promoting appropriate legislation, policies and action in this regard.</p> <ul style="list-style-type: none"> Aegon UK publishes its annual gender pay gap report as required by the UK Equality Act 2010 (Gender Pay Gap Information) Regulations 2017.
	10.4	<p>Adopt policies, especially fiscal, wage and social protection policies, and progressively achieve greater equality.</p> <ul style="list-style-type: none"> In 2021 Aegon UK became a Living Wage Foundation accredited employer. (2021 milestones, page 5)
 11. Sustainable cities and communities Make cities and human settlements inclusive, safe, resilient and sustainable	11.1	<p>By 2030, ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums.</p> <ul style="list-style-type: none"> Aegon the Netherlands has invested in long-term residential property leases in the affordable housing segment. (Investments in real estates, page 201) In the United States we have investments that provide affordable housing to individuals and families that meet median household income requirements. (Income tax, page 194)
 12. Responsible consumption and production Ensure sustainable consumption and production patterns	12.2	<p>By 2030, achieve the sustainable management and efficient use of natural resources.</p> <ul style="list-style-type: none"> We aim to capitalize on the Future Ways of Working plan to further reduce the footprint of our direct business operations. (Employees, page 27, Introducing our hybrid working model, page 28) Year to year, the proportion of renewable electricity as part of our wider electricity mix is consistently greater than 95%. (Value created - Society: Operational footprint, page 392)

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Sustainable Development Goal	Aegon's contribution to relevant SDG targets in 2021 (examples)	
 <p>13. Climate action Take urgent action to combat climate change and its impacts</p>	<p>13.2</p>	<p>Integrate climate change measures into national policies, strategies and planning.</p> <ul style="list-style-type: none"> • Aegon N.V. announced during the November 2021 'COP26' UN Climate Change conference that it had joined the Net-Zero Asset Owner Alliance (NZAOA), a UN-convened group of institutional investors committed to decarbonization. (Sustainability - Aegon commits to a net-zero portfolio, page 20) • In joining the NZAOA, Aegon N.V. announced its company-wide commitment to transitioning its General Account investment portfolio to net-zero GHG emissions by 2050, supported by an interim 25% reduction target by 2025. (Sustainability - Aegon commits to a net-zero portfolio, page 20, Value created - Society: Investment footprint, page 389) • Aegon AM has joined the Net-Zero Asset Managers initiative, a group of international asset managers committed to supporting investing aligned with net-zero emissions by 2050. (2021 milestones, page 5) • The latest Aegon N.V. Responsible Investment Policy excludes from its investment universe companies that; <ul style="list-style-type: none"> - derive 25% or more of their revenue from the exploration, mining or refining of thermal coal (declining to 10% in 2027 and 5% in 2029); - produce more than 20 million tons of thermal coal annually and are actively expanding exploration, mining or refining operations; - derive 50% or more of their revenue from thermal coal-fired electricity generation; - own coal-fired electricity generation capacity greater than 10 gigawatts and are actively expanding coal-fired electricity production capacity; - derive 5% or more of their total oil equivalent production from oil sands; - are building or operating pipelines that significantly facilitate export of oil extracted from oil sands; and - derive 5% or more of their revenue from oil and gas exploration and production in the Arctic. (Policies and procedures, page 355) • Aegon N.V set a new target in 2021 to reduce the carbon footprint of its operational activities by 25% by 2025 from a 2019 baseline. (Value created - Society: Operational footprint, page 392) • Aegon's direct business operations have been carbon-neutral since 2019 (on a market-based measurement) through substitution of the company's energy consumption with renewable sources and offsetting its remaining carbon emissions. We have selected carbon offset projects with our customers and in alignment with the socio-economic benefits they bring to our purpose of <i>Helping people live their best lives.</i> (Climate change, page 21)
 <p>14. Life below water Conserve and sustainably use the oceans, seas and marine resources for sustainable development</p>	<p>14.4</p>	<p>By 2020, effectively regulate harvesting and end overfishing, illegal, unreported and unregulated fishing and destructive fishing practices and implement science-based management plans, in order to restore fish stocks in the shortest time feasible, at least to levels that can produce maximum sustainable yield as determined by their biological characteristics.</p> <ul style="list-style-type: none"> • The Aegon N.V. Responsible Investment Policy incorporates the company position on biodiversity, which specifically covers ocean use and over exploitation (i.e. overfishing). Furthermore, the Aegon N.V. Vendor Code of Conduct sets the standards for the business relationship between Aegon and its vendors in order to enable Aegon to manage the most material ESG risks associated with our procurement of goods and services, specifically including biodiversity. (Policies and procedures, pages 355 and 356)
 <p>15. Life on land Protect, restore and promote sustainable use of terrestrial eco-systems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss</p>	<p>15.5</p>	<p>Take urgent and significant action to reduce the degradation of natural habitats, halt the loss of biodiversity and, by 2020, protect and prevent the extinction of threatened species.</p> <ul style="list-style-type: none"> • The Aegon N.V. Responsible Investment Policy incorporates the company position on biodiversity. Furthermore, the Aegon N.V. Vendor Code of Conduct sets the standards for the business relationship between Aegon and its vendors in order to enable Aegon to manage the most material ESG risks associated with our procurement of goods and services, specifically including biodiversity. (Policies and procedures, pages 355 and 356)

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Sustainable Development Goal	Aegon's contribution to relevant SDG targets in 2021 (examples)	
 <p>16. Peace, justice and strong institutions Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels</p>	16.1	<p>Significantly reduce all forms of violence and related death rates everywhere.</p> <ul style="list-style-type: none"> Under the Aegon N.V. Responsible Investment Policy, we exclude investment in controversial weapons. (Policies and procedures - Aegon N.V. Responsible Investment Policy, page 355)
	16.5	<p>Substantially reduce corruption and bribery in all their forms.</p> <ul style="list-style-type: none"> Aegon's Code of Conduct embodies the company's values and helps ensure that all employees act ethically and responsibly. The Code prescribes a mandatory set of standards for how Aegon employees should conduct business, comply with all applicable laws and regulations, and exercise sound judgment in reaching ethical business decisions in the long-term interests of Aegon's stakeholders. (Code of Conduct, page 88)
 <p>17. Partnerships for the goals Strengthen the means of implementation and revitalize the Global Partnership for Sustainable Development</p>	17.16	<p>Enhance the Global Partnership for Sustainable Development, complemented by multi-stakeholder partnerships that mobilize and share knowledge, expertise, technology and financial resources, to support the achievement of the Sustainable Development Goals in all countries, in particular developing countries.</p> <ul style="list-style-type: none"> Aegon N.V. is a signatory of the United Nations Global Compact. (Global initiatives - United Nations Global Compact, page 364) Aegon AM is a signatory to the Principles for Responsible Investment (PRI). (Task Force on Climate-related Financial Disclosures - Active Ownership, page 375) Aegon N.V. is a signatory to the UN Principles for Sustainable Insurance (PSI). (Sector specific initiatives, pages 379-380)
	17.17	<p>Encourage and promote effective public, public-private and civil society partnerships, building on the experience and resourcing strategies of partnerships.</p> <ul style="list-style-type: none"> Aegon is dedicated to developing understanding around trends, issues, and opportunities related to saving and planning for retirement, and to the achievement of financial security in later life. This includes participating in relevant international projects, such as an Organisation for Economic Co-operation and Development (OECD) working group on the future of work, and the Living, Learning, and Earning Longer initiative led by the World Economic Forum (WEF), to examine the benefits of an age-inclusive workforce. (Adapting to the modern retirement landscape, page 32) Aegon maintains a visible presence in the communities that benefit from its services, through initiatives such as the 'Silver Starters' learning program for entrepreneurs aged 50 and over. (Adapting to the modern retirement landscape, page 32)

Task Force on Climate-related Financial Disclosures (TCFD)

Introduction

Climate change represents one of the biggest risks to society, the economy, and financial institutions. Mitigating climate change, including the reduction of greenhouse gas (GHG) emissions, is a major global challenge. Aegon believes that governments, companies, and investors have a responsibility to mitigate climate change and its impacts, and facilitate a transition to a climate-resilient economy.

The present disclosure builds on earlier disclosures made since 2017. It is made on behalf of Aegon N.V., an integrated diversified international financial services group, as both an asset owner and an asset manager.

Similar to previous years, it follows the Task Force on Climate-related Financial Disclosures (TCFD)'s four-pillar framework to facilitate disclosure. Aegon strives to continuously enhance its reporting and business practices and welcomes feedback from stakeholders on the appropriateness and relevance of this disclosure.

Governance

Set up by the Corporate Sustainability team, Aegon's sustainability approach is overseen by the Global Sustainability Board (GSB). The GSB is a senior management committee established in December 2021, replacing the former Responsible Business & Investment Committee (RBIC), to enhance overall governance and oversight of our company-wide approach to sustainability. The GSB meets quarterly and advises the Management and Executive Boards on Aegon's strategic sustainability agenda, including two priority themes: climate change and inclusion & diversity. It is chaired by the CEO of Transamerica (who is also a member of Aegon's Management Board) and consists of senior-level representatives from across the company.

The GSB is supported in its mission by local sustainability boards that translate the global sustainability agenda into actions within local business units and provide market-relevant feedback.

With respect to climate change, the GSB is also supported by the Net-Zero Working Group (NZWG). The NZWG is tasked with undertaking the required analysis and coordination of actions on Aegon's General Account investments in support of our 2050 net-zero commitment and obligations under the Net-Zero Asset Owner Alliance. It draws on staff-level representation from across the company to generate insight and recommendations for the GSB on potential management actions.

Additional climate oversight is provided by the Group Risk & Capital Committee (GRCC), which oversees the Financial Risk function's climate scenarios that analyze the potential climate impacts on our accounts. There is also the Non-Financial

Risk Committee (NFRC) which oversees the Operational Risk function's annual climate risk assessment that identifies possible physical and transition risks that could impact Aegon.

Case study: Transamerica Climate Risk Working Group

Transamerica has established a local cross-functional Climate Risk Working Group (CRWG) to assist in climate change risk oversight, determining activities necessary to comply with related regulatory requirements, and achieving organizational goals. The CRWG supports the Americas' Operational Risk Committee (AORC) and is responsible for reporting climate risk-related activities to not only the AORC but also the Transamerica Board Risk Committee, which has oversight of the implementation of the Enterprise Risk Management Framework including climate risk. As Transamerica's oversight of the risks and opportunities related to climate change matures the CRWG will continue to integrate its work into the relevant committees.

Strategy

At Aegon we have embedded sustainability as a central pillar within our company strategy. Aegon is committed to a responsible way of doing business and seeks to meet the increasing expectations of multiple stakeholders – investors, but also customers, employees, business partners, and the wider community. Through these engagements, Aegon has established two thematic sustainability priorities for our strategy: inclusion and diversity, and climate change. Both themes support our corporate purpose. As the effects of climate change become increasingly palpable, the need for action has never been more urgent, or more universal. Only then can people live their best lives.

As an insurance company, Aegon can support the transition to a climate-resilient economy and a net-zero world using both sides of its balance sheet. We finance the upside through our responsible investment activities, while mitigating the downside through integrating ESG into our risk management processes and the savings and protection solutions we provide. The influence, both positive and negative, we can have as an investor is particularly significant.

We have committed to transitioning our General Account investment portfolio to net-zero GHG emissions by 2050. To-date we have set a reduction target in the weighted average carbon intensity of our corporate fixed income and listed equity investments; by 25% for 2025 against a 2019 baseline. We will look to further substantiate this commitment over the coming years with additional science-based targets. Albeit at a smaller scale, Aegon is also committed to reducing GHG emissions from our direct operations. Finally, we aspire to further integrate climate considerations in our day-to-day processes, such as procurement.

Risks

Aegon undertakes a Business Environment Scan (BES) to identify macro-economic opportunities and challenges that are expected to have a high likelihood of occurring and a high impact on our business. The most recent BES included consideration of climate change and the loss of biodiversity. While the exposure of direct physical risks from environmental catastrophes and loss of biodiversity is expected to be limited for Aegon, we expect to be exposed to regulatory risks associated with new and emerging market requirements. As a result, we seek to further embed climate and environmental considerations in our business and investment decisions – both to avoid damaging the planet and to safeguard our reputation. See discussion of the Business Environment Scan for further detail (page 10).

For our life insurance business, most of our liabilities are exposed to mortality and morbidity rates, both the current levels and the uncertainty around how these will develop relative to our assumptions over the coming decades. An important driver when assessing the value of our liabilities is how past trends in longevity are extrapolated into the future. Climate change plays a role in the development of future mortality and morbidity rates, just like other factors – including the continuing COVID-19 pandemic, medical advancements, limits to human biology, and changes in lifestyle. The relationship between mortality and morbidity and climate change is complex, and the nature of the impact can also vary geographically. Furthermore, it is expected that climate change will have a relatively lower impact on longevity and health of the insured population compared with the general population, as this group is more affluent and is more likely to be able to better adapt to changing conditions. Taking all this into consideration, Aegon follows widely adopted industry methods where the extrapolation of future longevity is performed based on past experiences of mortality and morbidity rates, without separately modelling each of the underlying drivers such as climate change. With this approach the changing circumstances are gradually introduced into our assumptions.

In contrast, our investments are exposed to both physical and transition risks. While we expect the transition risks associated with policy and market actions intended to mitigate climate change to be most salient in the near term, the value of our holdings can reasonably be expected to be influenced by both these risks in the longer term. However, previous scenario analysis has shown that our relatively high allocation to fixed income, including government bonds, should limit our overall exposure.

For our property and casualty (P&C) business, we expect a more direct impact from climate change through, for example, higher claim frequencies arising from an increase in extreme weather events. However, prices for P&C insurance can be adjusted periodically. Prices are determined by closely monitoring past claim frequencies and adjusting the premiums over time while maintaining an adequate level of expected profitability.

Opportunities

As an investor, Aegon has an important role to play in supporting the climate transition. By making climate-smart investment choices, we can contribute to a cleaner, healthier environment and provide our clients with opportunities to minimize their own climate impacts. Climate change continues to be a focus of our investment strategy and is guided by our Responsible Investment Policy.

Case study: Net-Zero Asset Owner Alliance

In November 2021, Aegon N.V. joined the Net-Zero Asset Owner Alliance, an UN-convened group of institutional investors committed to transitioning their portfolios to net-zero GHG emissions by 2050. Through the analysis conducted by its business units, Aegon N.V. defined a specific, actionable target for 2025 and will continue to set targets in five-year intervals in line with the Alliance's principles.

Case study: Net Zero Asset Managers Initiative

In November 2021, Aegon Asset Management joined the Net Zero Asset Managers Initiative, a group of international asset managers committed to supporting investing aligned with net-zero GHG emissions by 2050. This commitment requires Aegon Asset Management to work in partnership with asset owner clients on decarbonization goals consistent with an ambition to reach net-zero emissions by 2050 across all assets under management, and set interim targets at five-year intervals for the share of assets managed in-line with net-zero principles.

**Risk management
Identification and management**

Climate change is a long-term risk associated with high uncertainty regarding timing, scope, and severity of potential impacts. 2021 saw no material changes to the overall climate risk identification, assessment, and evaluation processes described in previous years' disclosures.

Case study: Global General Account scenario analysis

Aegon worked with Ortec Finance to perform an extensive and systematic climate risk assessment for the General and Separate Account assets of all business units within Aegon. The analysis investigated three plausible climate pathways (orderly, disorderly and failed transitions) to explore potential future climate policies, interventions, and consequences of the world failing to mitigate climate change. These pathways are in line with the industry standard IPCC and Network of Central Banks and Supervisors for Greening the Financial System (NGFS) emission and climate scenarios.

The employed climate model translates transition (i.e. policy & technological changes) and physical risks (i.e. gradual impact & extreme weather events) associated with climate change to produce a climate change adjusted economic and financial outlook. The model outcomes enable Aegon to identify portfolio weak spots - in terms of asset type, geography and sector - to aid decision making in responding to climate risk.

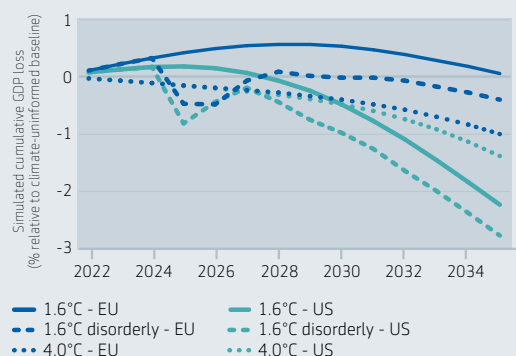
Modelling results indicate resilience of the Aegon General Account portfolio allocation to key systemic climate risk drivers across all modelled climate scenarios. High allocation of fixed income assets is the key driver that limits the cumulative climate-related impact on returns over a 40-year horizon. Continuing to monitor developments in climate science, policy, technology and consumer sentiment will remain critical for understanding and adapting to the future.

The results provide an initial directional signal; however, climate-related risks are dynamic in nature. Transition risks are expected to dominate in the near to medium term (certainly to 2030) if society is to achieve the objectives of the Paris Agreement while physical risks will materialize at any time as global temperatures continue to rise. As a result, continuing to monitor developments in climate science, policy, technology and consumer sentiment is critical for understanding and adapting to the future.

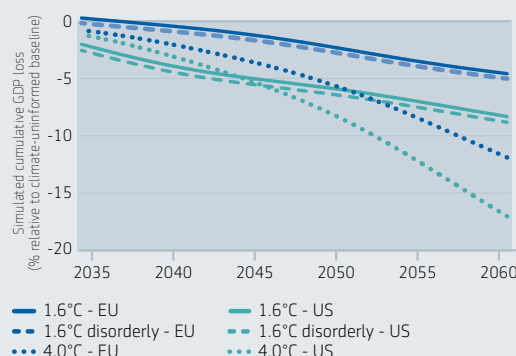
Overview of Climate Scenarios Considered

Paris Orderly Transition	Paris Disorderly Transition	Failed Transition
Orderly transition pathway Net Zero by 2070	Disorderly transition pathway Net Zero by 2070	Business-as-usual (only currently committed transition efforts)
CO ₂ emissions ~ RCP2.6 Locked-in physical impacts of 1.6°C by 2100	CO ₂ emissions ~ RCP2.6 Locked-in physical impacts of 1.6°C by 2100	CO ₂ emissions ~ RCP8.5 Dramatic physical impacts of 4°C by 2100

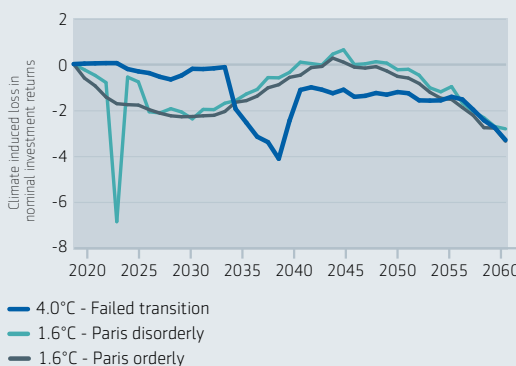
Short-term climate-induced GDP losses for EU & US (in %)



Long-term climate-induced GDP losses for EU & US (in %)



Climate impact on nominal investment return (relative to baseline, in % cumulative)



Case study: Operational climate risk assessment

Aegon performs a regular operational assessment of its exposure to climate risk. The assessment uses research and position papers from renowned institutions as input and is executed in cooperation with subject matter experts from Aegon's risk, asset management and sustainability functions. In 2021, Aegon updated and enriched its assessment by incorporating findings from local climate risk assessments executed by Aegon's country units and developments captured in the United Nations' Intergovernmental Panel on Climate Change (IPCC) Sixth Assessment Report. The risk assessment identifies the relevant risks for the company and assesses severity per risk in terms of likelihood and impact and its manageability in terms of the speed of materialization and the possibilities for mitigation. The assessment concludes with recommendations and considerations to be taken forward and is included as part of our Own Risk Solvency Assessment (ORSA).

Active ownership

Engagement with corporates

As an institutional investor, Aegon expects investee companies to work toward reducing their environmental impact. We engage with the companies we invest in both individually and collectively through networks to encourage better climate-related risk practices, including emissions measurement, disclosure, target setting and reporting in line with TCFD recommendations.

Aegon and its business units are active members or participants in several collaborative initiatives targeting climate action, including but not limited to: Net-Zero Asset Owner Alliance, Net Zero Asset Managers Initiative, Principles for Responsible Investment (PRI), the Institutional Investors Group on Climate Change (IIGCC), and Climate Action 100+ (CA100+).

For further details on Aegon's active ownership activities, see the Responsible Investment and Active Ownership reports published by Aegon Asset Management.

Engagement with policymakers

Aegon acknowledges the importance and necessity of government action in addressing climate change. Engagement with policymakers is critical to shaping our investment environment, and we work independently and in collaboration with industry groups to engage on key climate issues.

At the European level, Aegon supports the goals of the EU strategy for financing the transition to a sustainable economy and recognizes the important role financial actors play in the

transition. Aegon has engaged with officials and contributed to consultations on the corresponding sustainable taxonomy and ESG disclosure regulations, the incorporation of sustainability risks into the Solvency II regulatory regime, and the development of standards for the reporting of non-financial information. Aegon has also continued to advocate for action to complete the Capital Markets Union to unlock capital from institutional and cross-border investors to fund sustainable transition projects in Europe.

In the United States, Aegon has engaged with policymakers at both the federal and state levels to ensure appropriate climate-related regulation. Aegon has supported regulatory measures that appropriately differentiate between the climate exposures of life insurers and property-casualty insurers. At both the federal and state levels, Aegon has supported TCFD-based disclosure standards that would provide uniform and consistent information to stakeholders, while minimizing the potential for duplication and redundancy. Aegon expects that these efforts will support the transition to a more sustainable economy.

Metrics and targets

Own operations

Aegon measures and reports annually on its operational carbon footprint. Our main operations (the United States, the Netherlands, the United Kingdom, and AAM) have been carbon neutral since 2016 by reducing their facility-level emissions and supporting offset projects. In 2019, we extended the scope of our offsetting to cover all of our wholly-owned operations. An overview of our total operational emissions can be found on page 392, Value Created (Society/Operational Footprint).

In line with our net-zero commitment announced in November 2021, Aegon has set a supporting target to reduce the carbon footprint of its operational activities by 25% by 2025, compared to the 2019 baseline. The target includes the consumption of natural gas and electricity. In 2021, the carbon footprint of Aegon's operational activities was 54% lower than 2019. While some of these reductions can be traced to our initiatives to stimulate hybrid working - which for instance led to the closing of several offices in Iowa in 2021 - there has also been a temporary benefit from fewer employees in the office due to the COVID-19 pandemic, which we expect to reverse over time. Through implementing our hybrid working policy and other initiatives, we will work towards achieving our target. Aegon will also look towards expanding the scope of measurement of our greenhouse gas emissions and explore setting further targets against these in the future.

Investments and holdings

Targets

In late 2021, as part of its commitment to the Net-Zero Asset Owner Alliance, Aegon set initial targets for its investments. Following the guidance in the *Inaugural 2025 Target Setting Protocol*, for 2025 Aegon intends to reduce the weighted average carbon intensity of corporate fixed income and listed equity General Account assets by 25% against a 2019 baseline.

In 2021, the weighted average carbon intensity of our corporate fixed income and equity investments stayed flat, compared to 2019. At the end of 2021, our business units ensured our new commitment was captured in their investment mandates, as a first step towards our net-zero ambition.

Weighted Average Carbon Intensity of Corporate Fixed Income and Listed Equity

		2019	2021	Change
Weighted average carbon intensity	tCO ₂ e/EURm revenue	490	490	0%

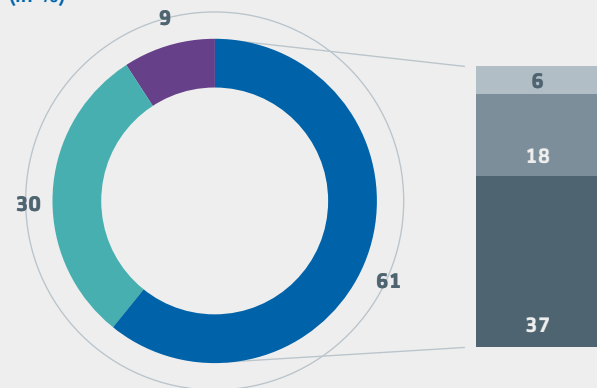
Source: Aegon calculation. Values as of December 31, 2021. Climate metrics calculated per Methodology section below. Climate change data availability may change over time and characteristics will vary. Certain information ©2022 Sustainalytics, MSCI ESG Research L.L.C. Reproduced with permission. Not for further distribution.

Disclosure

Since 2020 we have extended the scope of measurement and reporting of the carbon footprint of our investments to our global General Account holdings. In 2021, we have updated the figures to better align with the scope of our reduction target.

Global general account by asset class

(in %)



- Fixed income and equity
- Corporate fixed income and listed equity
- Sovereign fixed income
- Other fixed income (ABS, etc.)
- Mortgages & loans
- Other (investment funds, cash, etc.)

Source: Aegon calculation. Values are as of December 31, 2021 and may not add up to 100% due to rounding.

Global General Account – Corporate Fixed Income and Listed Equity

		Corporate FI	Coverage
Absolute footprint	tCO ₂ e	4,886,000	72%
Relative intensity	tCO ₂ e/EURm invested	110	72%
Weighted average carbon intensity	tCO ₂ e/EURm GDP	490	97%
Climate change resiliency	ND-GAIN rating	9.9	73%

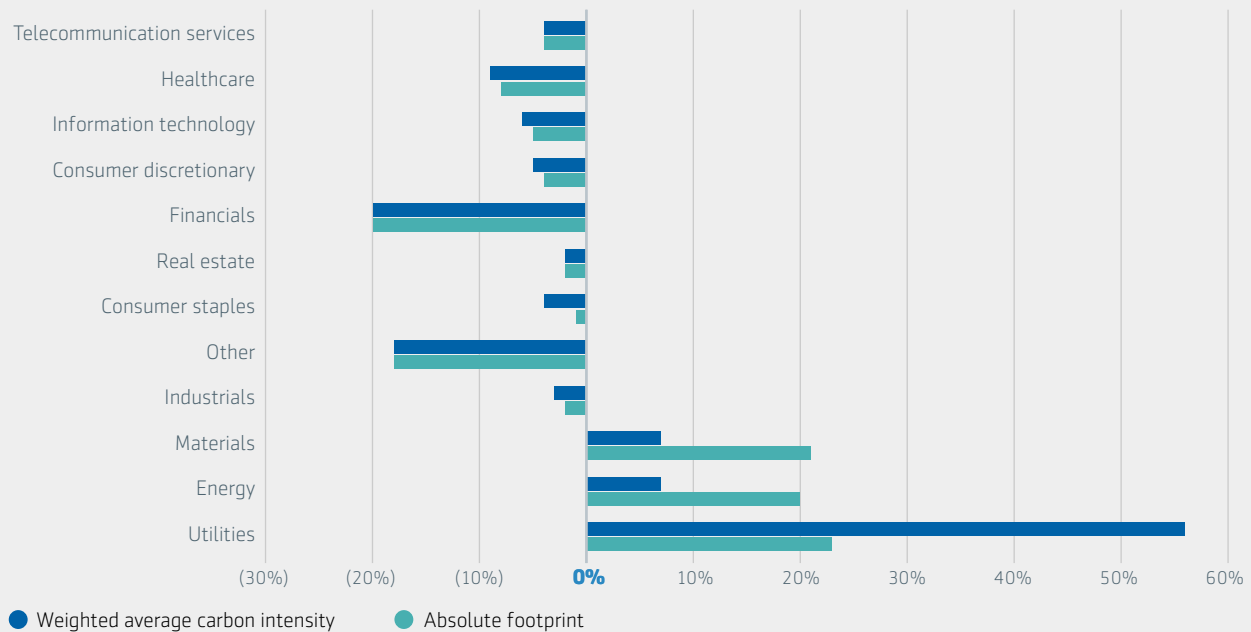
Source: Aegon calculation. Values as of December 31, 2021. Climate metrics calculated per Methodology section below. Relative intensity, weighted average carbon intensity, and carbon risk values have been adjusted to account for variance in coverage. Climate change data availability may change over time and characteristics will vary. Certain information ©2022 Sustainalytics, MSCI ESG Research L.L.C. Reproduced with permission. Not for further distribution.

Corporate fixed income and listed equity results are dominated by holdings in the utilities, energy, and materials sectors where their contribution to the footprint and intensity of the account

greatly outweighs their financial position. The chart below provides an indication of active weight by sector against both the absolute footprint and weighted average carbon intensity (WACI).

Active contribution by sector

(in %)



Global General Account – Sovereign Fixed Income

		Sovereign FI	Coverage
Absolute footprint	tCO ₂ e	15,088,000	100%
Relative intensity	tCO ₂ e/EURm invested	620	100%
Weighted average carbon intensity	tCO ₂ e/EURm GDP	310	100%
Climate change resiliency	ND-GAIN rating	67	100%

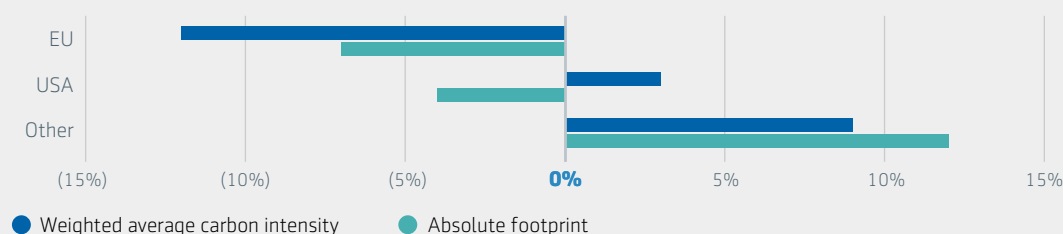
Source: Aegon calculation. Values as of December 31, 2021. Climate metrics calculated per Methodology section below. Relative intensity, weighted average carbon intensity and carbon vulnerability values have been adjusted to account for variance in coverage. Climate change data availability may change over time and characteristics will vary.

While our largest sovereign holdings are in US and EU member state-issued bonds, the results are dominated by holdings from other countries, including emerging markets, where their contribution to the footprint and intensity of the account greatly

outweighs their financial position. The chart below provides an indication of active weight by region against both the absolute footprint and weighted average carbon intensity (WACI).

Active contribution by region

(in %)



Methodology

Corporate fixed income and listed equity metrics were calculated following the Partnership for Carbon Accounting Financials (PCAF) guidelines and include scope 1 and 2 emissions. For sovereign assets, Aegon follows a “whole economy” approach based on country-level emissions and GDP. Weighted Average Carbon Intensity (WACI) was calculated in line with the TCFD’s recommendations. Carbon risk for corporate issuers is measured using the Sustainalytics Carbon Risk Rating, while climate vulnerability for sovereign issues is measured using the Notre Dame Global Adaptation Initiative (ND-GAIN) Country Index. Target figures are set in line with Net-Zero Asset Owner Alliance guidance.

Next Steps

Aegon will seek to continue to improve its climate change strategy, governance, and approach to risk and opportunity measurement and implementation in the coming years. For example, in 2022 we expect to further enhance our 2025 targets to meet Net-Zero Asset Owner Alliance membership requirements. As the company’s experience with climate issues grows, Aegon will look to increase the breadth of disclosures and further incorporate climate considerations across the business as appropriate.

Sector-specific initiatives

Aegon has signed up and committed to several-sector specific initiatives, including the UN Principles for Sustainable Insurance (PSI), and the Dutch International Responsible Business Conduct (IRBC) Agreement.

UN Principles for Sustainable Insurance (PSI)

Aegon is one of the founding signatories of the UNEP FI's Principles for Sustainable Insurance. The aim of the PSI is to make sure sustainability becomes 'business as usual'. The PSI comprises four basic principles. As a signatory, Aegon reports annually on the actions taken to implement the PSI's four principles, as shown in the following table.

Principles	Actions taken (2021)
<p>1. We will embed in our decision-making environmental, social and governance (ESG) issues relevant to the insurance business.</p>	<p>As of December 2021, Aegon replaced its Responsible Business and Investment Committee (RBIC) with a Global Sustainability Board (GSB) that interfaces with Local Sustainability Boards in the business units. This step was taken to further integrate ESG topics across our organization. The GSB consists of relevant Management Board members, Local Sustainability Board Chairs and senior management. They discuss ESG matters related to the business and investing on a quarterly basis, and provide advice to Aegon's Executive Board. Additionally, as per our Executive Board's Remuneration Policy, at least 50% of a member's variable compensation must be determined by non-financial performance indicators, where at least one must be ESG-related. Moreover, a significant risk or compliance incident related to ESG may result in a malus adjustment or claw-back of a member's variable compensation.</p> <p>In November 2021, Aegon signed up to the UN Global Compact and the Net-Zero Asset Owner Alliance. In support of this, Aegon's Responsible Investment Policy was updated in January 2022. All of our public ESG policies and frameworks are available at www.aegon.com.</p> <p>ESG risks are covered by Aegon's risk universe. Risk management regularly interacts and cooperates on ESG risks, including climate risk. This is covered in more detail in the Sustainability section and the TCFD section of this report. Of note for 2021, were the climate scenarios run on our accounts to refine our understanding of our exposure to climate risk.</p> <p>We are working on expanding our offering of products and services that factor in ESG criteria. In 2021, we enhanced our customer propositions in the Netherlands by introducing a new 'green' mortgage to help people pay for sustainable home improvements. Aegon Asset Management (AAM) and Aegon UK partnered with the Global Ethical Finance Initiative (GEFI) to introduce the new Aegon Global Sustainable Sovereign Bond Fund. Aegon UK also acquired Pension Geeks, a business specializing in connecting people with their finances through innovative engagement techniques, communication, and events.</p> <p>From a general investment perspective, ESG integration and active ownership are principles we follow across all decisions and portfolios. AAM is a signatory to the Principles for Responsible Investment.</p> <p>For more information, please see: Business Environment Scan – page 10; Sustainability – pages 20-23; Sharing value with our stakeholders – pages 26-32; Policies and Procedures – pages 353-356; Enterprise Risk Management (ERM) framework – pages 73-77; Task Force on Climate-related Financial Disclosures – pages 372-378.</p>

CONTINUED >

Principles	Actions taken (2021)
<p>2. We will work together with our clients and business partners to raise awareness of ESG issues, manage risk and develop solutions.</p>	<p>For clients, guided by our overarching Responsible Investment Policy, Aegon Asset Management (Aegon AM) has established a Responsible Investment Framework that reflects these key elements including similar policies put forward by Aegon AM's clients. Our Responsible Investment Framework is structured as follows:</p> <ol style="list-style-type: none"> 1. ESG integration – Material ESG factors are fundamental to our investment decision-making across all Aegon AM portfolios. By integrating ESG considerations into traditional financial analysis, the Aegon AM research team arrives at an independent view of an issuer's fundamentals. 2. Active ownership – We actively engage with investee companies across a wide range of industries to improve their ESG profile and address sustainability issues, often in cooperation with other investors to maximize our influence. We also exercise any shareholder voting rights we have to support our engagement efforts and enhance long-term value creation for all stakeholders. 3. Solutions – Aegon AM provides a range of responsible investment solutions to pursue ESG objectives alongside financial returns. These solutions are categorized into four types: exclusion-based strategies, best-in-class strategies, sustainability-themed strategies, and impact investments. <p>For our business partners, in specific our suppliers, we are steadily integrating best-practice ESG criteria and requirements into our supplier selection, development, and ordering processes. 2021 was our second year working with sustainability rating company EcoVadis to evaluate the ESG risks of our top 250 vendors by spend (representing 85.5% of Aegon's total procurement spend). We now have valid EcoVadis scorecards for 81 of our top vendor accounts, covering 59% of the spend of these relationships.</p> <p>For more information, please see: Sustainability; Sharing value with our stakeholders – pages 29-30.</p>
<p>3. We will work together with governments, regulators and other key stakeholders to promote widespread action across society on ESG issues.</p>	<p>Aegon has a dedicated Global Government & Public Affairs department, whose aim is to support regulators and lawmakers. We advocate worldwide for people to have access to insurance and financial services, for people to be aware of opportunities for flexible employment in old age and for governments to plan and provide for their citizens in an age of increasing longevity. Aegon also encourages financial literacy around the world and engages with individuals and policymakers in service of helping people to achieve wealth and health wherever we can. Aegon is active in many international projects that aim to fulfill this goal; for example, an Organization for Economic Cooperation and Development (OECD) working group on the future of work, and the Living, Learning, and Earning Longer initiative led by the World Economic Forum (WEF). Within Aegon, our Silver Starters program (developed jointly with the Leyden Academy on Vitality and Ageing) provides online coaching to entrepreneurs aged 50 and over to promote lifelong learning and healthy attitudes to aging.</p> <p>For more information, please see: Sharing value with our stakeholders – pages 31-32.</p>
<p>4. We will demonstrate accountability and transparency in regularly disclosing publicly our progress in implementing the Principles.</p>	<p>Each year, we publish progress against the PSI principles. Our progress report is included as part of our IAR, and is available at www.aegon.com.</p>

International Responsible Business Conduct (IRBC) Agreement in the insurance sector

In 2018, Aegon stated its intent to support the spirit and objectives of the Dutch International Responsible Business Conduct Agreement in the insurance sector (also known as 'the covenant'). By doing so, Aegon will attempt to act, where possible, in accordance with the objectives and undertakings agreed in the covenant and will be receptive to commitment, cooperation, and knowledge-sharing during the implementation of the covenant. The covenant is a collaborative initiative of the Dutch government, non-governmental organizations, and Dutch insurers.

The objective of the covenant is to prevent, mitigate, and/or remediate adverse impacts on stakeholders and the environment that are caused or contributed to by Aegon's investee companies. The covenant asks insurance companies to apply investment policies and practices in accordance with the processes and principles of the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights.

Aegon N.V.'s Responsible Investment Policy draws heavily on the aforementioned Principles and Guidelines. To stipulate the relevance hereof, Aegon became a signatory to the UN Global Compact (UNGC) in November 2021. The Policy is instrumental to Aegon's investment practices as executed by Aegon Asset Management (Aegon AM), the company's global asset manager responsible for managing most of Aegon's investments.

At the beginning of 2021, Aegon AM conducted a global investment screening to identify investee companies that allegedly breach the Principles and Guidelines, as well as the wider UNGC Principles (or are at risk of doing so). In addition, our screening exercise looked specifically at companies' supply chain oversight, biodiversity controversies, access-to-medicine programs, and labor rights controversies. Applying these findings, we set the prioritization for our engagement activity, which in 2021 saw Aegon AM initiate or continue engagements with over 60 companies.

In most cases, Aegon AM continues the process of engagement until we believe that the portfolio company is aligned with our policies, although exclusion ultimately remains an option. More information on the active ownership approach and practices on behalf of Aegon and other clients, see the Responsible Investment and Active Ownership reports published by Aegon AM.

With biodiversity being the IRBC's annual theme for 2021, Aegon AM actively participated in a series of dedicated collaborative engagements and in drafting a thematic framework. The framework brings together relevant information, international legislation and regulations, tips, and other support that insurers can use in relation to biodiversity. The engagements were geared toward reducing deforestation risks and providing relevant input and learnings. Together with signatories of the covenant including NGOs, Aegon AM supported engagement efforts with three major listed food companies processing, amongst others, meat and dairy products. With soy often being used as feed for cattle and with tropical forests in parts of Brazil being cleared for both soy production and use as pasture for grazing cattle, the selected companies were considered to be at risk of contributing to deforestation via their supply chain. Engagement focused on supply chain oversight regarding deforestation, sustainable use of soy, alternative sourcing, and the use of viable alternative protein sources. This included locally-sourced animal feed, nature-inclusive farming, and considerations on a different protein product selection, such as plant-based products.

As in previous years, good health and wellbeing (SDG 3) continues to be one of our focal topics. The continued ill-effects of the COVID-19 outbreak confirmed our decision to address access to adequate health services and improve access to medicine. To avoid situations in which health emergencies push people into bankruptcy or poverty, we believe it is crucial to strive for universal health coverage and sustainable financing for health. It is also the case that, in the second year of the COVID-19 pandemic, a significant part of the global population still lacks sufficient and equitable access to vaccines. Based on the IRBC's 2020 annual theme, Aegon AM continued to emphasize access-to-medicine programs in its collaborative engagement and voting efforts, where considered to be effective.

Mitigating climate change (SDG 13) remains another focus area for Aegon. Please refer to the TCFD section for discussion of our actions and progress through 2021.

Value created

Aegon strives to create long-term value for a broad range of stakeholders, including its customers, employees, business partners, and investors, as well as society at large. Our Value Creation Model (pages 24-25) provides a high-level overview of the value we create for each stakeholder group. The Value Creation Model also depicts Aegon's inputs and outputs based on the six capitals as introduced by the Integrated Reporting <IR> Framework of the International Integrated Reporting Council (IIRC).

This chapter builds on Aegon's Value Creation Model and provides detailed data related to Aegon's inputs, outputs and outcomes with a specific focus on the company's sustainability performance. The data included in this chapter is grouped based

on Aegon's five stakeholder groups. Each indicator disclosed in the tables is linked to the relevant (IIRC) capital to illustrate their alignment.

Many figures in the tables have been rounded, and as such some totals may not sum. Year-on-year changes have been calculated using unrounded numbers.

Customers

Delivering long-term value to customers is central to Aegon's purpose of *Helping people live their best lives* and provides the foundation for the company's strategy. While we aim at increasing our customer base and delivering customer value in terms of claims, benefits and plan withdrawals, our main focus stays on customer satisfaction.

Capital	Indicator	2021	2020	Change 2020 to 2021	2019
Customer: Number					
Customer	Total customers	31.7 million	30.4 million	4.4%	29.9 million
	<i>Americas</i>	17.5 million	16.2 million	8.3%	16.1 million
	<i>The Netherlands</i>	2.7 million	2.5 million	7.1%	2.6 million
	<i>United Kingdom</i>	3.9 million	3.8 million	1.1%	3.7 million
	<i>International</i>	7.7 million	7.9 million	(3.1%)	7.5 million
	New customers	3.8 million	4.6 million	(17.5%)	4.3 million
Customer: Satisfaction					
Customer	Benchmarked Net Promoter Score (NPS)¹				
	Market Position				
	<i>United States</i>	= Market Average	NM	NA	NM
	<i>The Netherlands</i>	≤ Market Average	NM	NA	NM
	<i>United Kingdom</i>	> Market Average	NM	NA	NM
	Complaints				
	Total customer complaints ²	86,075	80,510	6.9%	91,348
Customer: Value					
Manufactured	Claims, benefits and plan withdrawals				
	Total claims, benefits and retirement plan withdrawals	EUR 61.9 billion	EUR 57.4 billion	7.9%	EUR 59.4 billion

NA – not applicable
 NM – not measured
 pp – percentage points

1 Customer satisfaction is measured in benchmarked Net Promoter Score^(SM) (NPS®), and is based on the question: 'How likely are you to recommend Aegon/Transamerica to a friend or colleague?' It is a single, easy-to-understand metric that predicts overall company growth and customer lifetime value. Customers answer based on a 0-10 scale, where those answering 9 or 10 are deemed 'promoters', those answering 7 or 8 are 'passive', and 6 to 0 are 'detractors'. NPS is calculated by subtracting the percentage of detractors from the percentage of promoters. On an annual basis, we measure the NPS of our core markets (the Netherlands, the United Kingdom, and the United States) and compare findings against peers in each local market. Our target is to ensure that customer satisfaction in each of our core markets, measured in benchmarked Net Promoter Score^(SM) (NPS®), remains at or above the average of our peers. In the UK, the competitive set used for the survey consisted of 10 brands (pension providing peers). In the Netherlands, the competitive set used per line of business for the survey consisted of 25 brands (life), 37 brands (pension schemes), 22 brands (savings), 30 brands (P&C), 27 brands (mortgages). In the United States the competitive set per line of business used for the survey consisted of 25 brands (life) and 19 brands (retirement).

2 Includes all written and verbal complaints.

Employees

Employees are a key part of our success, and, at Aegon, we want them to share in that success. As our business progresses and grows, we are better able to provide fulfilling careers,

advancement opportunities, and development. Our value creation efforts for our employees focus on topics including inclusion and diversity, employee engagement, and employee training and development.

Capital	Indicator	2021	2020	Change 2020 to 2021	2019
Employees: Workforce					
Location					
	Workforce ¹⁾	22,271	22,322	(0.2%)	23,757
Human and Intellectual	United States	7,675	7,960	(3.6%)	8,570
	The Netherlands	3,855	3,930	(1.9%)	3,998
	United Kingdom	2,476	2,307	7.3%	2,261
	International	6,590	6,598	(0.1%)	7,393
	Asset Management	1,675	1,527	9.7%	1,535
	Direct employees	17,936	17,989	(0.3%)	18,905
Employees: Inclusion and diversity					
Gender					
	Proportion of women employees	50%	50%	1pp	49%
	Proportion of women in senior management	34% (at target)	32% (at target)	2pp	29%
Human	Proportion of women in senior management (target) ²⁾	34%	32%	2pp	NA
	Proportion of women in Supervisory Board	38%	38%	0pp	29%
	Proportion of women in Executive Board	0%	0%	0pp	0%
	Proportion of women in Management Board ³⁾	20%	17%	3pp	18%

NA – not applicable
 NM – not measured
 pp – percentage points

1 Direct employees and tied agents

2 In this context, senior management includes our Management Board and extends up to two levels below the Management Board (depending on the number of employees in each business or country unit). The 2021 target and performance data do not include employees in our Central and Eastern Europe businesses that are in the process of being divested.

3 Includes the members of the Management Board and the Executive Board.

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Capital	Indicator	2021	2020	Change 2020 to 2021	2019
Employees: Recruitment and retention					
	Recruitment				
	Number of new hires	2,540	2,217	15%	2,974
	Leavers				
	Number of leavers	1,727	2,831	(39%)	3,935
	Proportion voluntary leavers	78%	69%	8pp	59%
	<i>Resignation</i>	69%	NM	NM	NM
	<i>Retirement</i>	6%	NM	NM	NM
	<i>Other voluntary¹⁾</i>	3%	NM	NM	NM
Human and Intellectual	Proportion involuntary leavers	22%	31%	(8pp)	41%
	<i>Redundancy</i>	13%	20%	(7pp)	36%
	<i>Termination</i>	7%	NM	NM	NM
	<i>Transfer</i>	0%	NM	NM	NM
	<i>Other involuntary</i>	1%	NM	NM	NM
	Turnover				
	Turnover rate	12%	15%	(3pp)	22%
	<i>Voluntary</i>	10%	10%	0pp	13%
	<i>Involuntary²⁾</i>	3%	5%	(2pp)	9%

NA – not applicable
 NM – not measured
 pp – percentage points

- 1 Includes leavers due to natural causes or personal reasons.
- 2 Involuntary turnover does not include strategic transfers where employees continue paid employment outside Aegon.

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Capital	Indicator	2021	2020	Change 2020 to 2021	2019
Employees: Health and safety					
Human	Absence¹⁾				
	Number of days lost to employee absence	96,479	93,464	3.2%	107,313
	<i>Employee absence rate</i>	1.7%	1.7%	0pp	1.8%
Employees: Training and development					
Intellectual	Investment in training and career development	EUR 9.5 million	EUR 10.8 million	(12.1%)	EUR 16.9 million
	<i>Average investment in training and career development per employee (EUR)</i>	428	486	(11.9%)	711
Employees: Engagement					
Social and Relationship	Global Employee Survey ²⁾				
	<i>Engagement</i>	68	72	(4pp)	67
	<i>Leadership</i>	57	63	(6pp)	55
	<i>Inclusion</i>	74	79	(5pp)	76
	<i>Diversity</i>	72	73	(1pp)	69
	<i>Participation rate</i>	77%	82%	(5pp)	86%
	Proportion of employees covered by collective bargaining / labor agreements ³⁾	17.3%	17.6%	(0.3pp)	16.8%
Employees: Remuneration					
Human	Total employment costs	EUR 1.9 billion	EUR 2.0 billion	(4.9%)	EUR 2.1 billion
	Salary costs	EUR 1.3 billion	EUR 1.3 billion	(0.5%)	EUR 1.3 billion
	Ratio of median to CEO salary ⁴⁾	28:1	32:1	NM	33:1
	Policy compliance (Global Remuneration Framework)	95%	95%	0.0pp	94%

NA – not applicable
 NM – not measured
 pp – percentage points

- 1 Employee absence refers to time off from work as a result of illness or injury. It excludes permitted leave of absence such as holiday, study/training, maternity or paternity leave and compassionate leave.
- 2 Global Employee Survey is provided through Culture Amp. In 2021, three engagement surveys were conducted throughout the year (Q1, Q2 and Q3). The results and participation rate disclosed are regarding the most recent survey, which was conducted in the third quarter of 2021.
- 3 All of Aegon's employees in the Netherlands, other than senior management, are covered by the collective labor agreement of Aegon NL. Aegon, the unions and the Dutch Central Works Council are working closely together in a co-creation steering group which prepares new agreements and tracks the implementation thereof. The current collective labor agreement has a duration of two years, from July 1, 2020 up to and including June 30, 2022. Aegon has experienced no significant strike, work stoppage or labor dispute in recent years.
- 4 Figures cover all employment costs relating to both staff and CEO. Please refer to the Remuneration Report 2021 (pages 55-72) for more details.

Business partners

Our global network of partners and suppliers helps us operate a successful business that creates value for all stakeholders. We design our procurement processes to deliver excellent value

for money for our business functions while also contributing to a sustainable global supply chain through integrating best-practice ESG criteria and requirements into our supplier selection, development, and ordering processes.

Capital	Indicator	2021	2020	Change 2020 to 2021	2019
Business partners: Brokers and intermediaries					
Financial	Commissions paid to brokers and other intermediaries	EUR 2.6 billion	EUR 2.3 billion	12.2%	EUR 2.4 billion
Business partners: Reinsurers					
Financial	Premiums paid to reinsurers	EUR 3.5 billion	EUR 2.7 billion	30.1%	EUR 2.4 billion
Business partners: Goods and services					
	Total spend on goods and services	EUR 1.7 billion	EUR 1.6 billion	4.8%	EUR 1.6 billion
	Spend on goods and services with top 250 ('in-scope') suppliers ¹⁾	EUR 1.4 billion	EUR 1.3 billion	5.1%	NM
	<i>Proportion total spend on goods and services with top 250 ('in-scope') suppliers</i>	85.5%	85.3%	0.3pp	NM
Social and Relationship	Number of 'in-scope' suppliers assessed for ESG performance ²⁾	81	67	20.9%	NM
	Spend on goods and services with suppliers assessed for ESG performance ²⁾	EUR 0.8 billion	EUR 0.8 billion	10.4%	NM
	<i>Proportion spend on goods and services with top 250 ('in-scope') suppliers assessed for ESG performance</i>	59.2%	56.4%	2.8pp	NM

NA – not applicable
 NM – not measured
 pp – percentage points

1 Our top 250 suppliers consistently represent at least 80% of our total supplier spend.

2 Scored for environment, social and governance (ESG) performance through the EcoVadis rating platform.

Investors

Aegon seeks to provide a consistent and attractive return on investment to its investors around the world, based on a resilient and sustainable business model.

Capital	Indicator	2021	2020	Change 2020 to 2021	2019
Investors: Corporate Governance¹⁾					
	Supervisory Board				
	Membership	8	8	NA	6
	Average tenure (years)	4	NM	NA	NM
	Average age	63	NM	NA	NM
	Executive Board				
Human and Intellectual	Membership	2	2	NA	2
	Average tenure (years)	3	NM	NA	NM
	Average age	58	NM	NA	NM
	Management Board				
	Membership	8	10	NA	9
	Average tenure (years)	4	NM	NA	NM
	Average age	52	NM	NA	NM
Investors: Financial Returns					
	Returns to investors paid in the year	EUR 509 million	EUR 370 million	37%	EUR 899 million
	<i>Dividend payments²⁾</i>	EUR 289 million	EUR 123 million	135%	EUR 611 million
	<i>Interest (payments to bondholders)³⁾</i>	EUR 220 million	EUR 248 million	(11%)	EUR 288 million
Financial	Dividend over the fiscal year per common share ⁴⁾	EUR 0.17	EUR 0.12	42%	EUR 0.31
	Share price (change)	35.8%	(20.0%)	NM	0.3%
	Total shareholder return (TSR)	40.6%	(18.4%)	NM	8.0%

NA – not applicable
 NM – not measured
 pp – percentage points

1 Aegon has a two-tier system of corporate governance, with an independent Supervisory Board and a separate Executive Board. The Executive Board (consisting of the CEO and CFO) is supported by a Management Board.

2 Does not include impact of share buy-backs. Calculation reflects IFRS accounting of inventory effects of share repurchases relating to dividends paid in stock.

3 This was referred to as 'Coupon payments' in our previous IAR.

4 Aegon's final dividend for 2021 is subject to approval by the company's Annual General Meeting of Shareholders, due to take place in May 2022.

Society

We strive to add value to the communities where we operate through tax payments, charitable donations, and volunteer work.

Where possible, we seek to ensure a positive environmental impact, whether through our direct operations or our investment activities.

Capital	Indicator	2021	2020	Change 2020 to 2021	2019
Society: Responsible investment					
Responsible investment solutions (RIS)					
Manufactured	Assets under management in RIS ¹⁾	EUR 177.7 billion	EUR 167.0 billion	6.4%	NM
	<i>Exclusions</i> ²⁾	EUR 160.5 billion	EUR 157.6 billion	1.9%	NM
	<i>Best-in-class</i> ³⁾	EUR 10.2 billion	EUR 3.3 billion	207.9%	NM
	<i>Sustainability-themed</i> ⁴⁾	EUR 2.9 billion	EUR 2.4 billion	23.5%	NM
	<i>Impact investments</i> ⁵⁾	EUR 4.1 billion	EUR 3.7 billion	8.2%	NM
Intellectual	Engagement and voting⁶⁾				
	Number of engagements with investee companies ⁷⁾	596	575	3.7%	564
	<i>Proportion engagements addressing environment themes</i>	31%	25%	6pp	NM
	<i>Proportion engagements addressing social themes</i>	19%	21%	(2pp)	NM
	<i>Proportion engagements addressing governance themes</i>	38%	53%	(15pp)	NM
	<i>Proportion engagements addressing general disclosure themes</i>	11%	8%	3pp	NM
	Number of shareholder meetings of invested companies where votes cast	2,963	2,511	18.0%	2,321

NA – not applicable

NM – not measured

pp – percentage points

1 Assets under management/advisement by Aegon Asset Management, comprises both proprietary and non-proprietary assets of third party clients. Joint ventures are excluded. Responsible investment products and services may vary regionally. We have evaluated our approach to measuring assets under management (AuM) that follow exclusionary strategies, and have decided to narrow the definition thereof to make it more relevant. Although the Aegon N.V. Responsible Investment Policy and its mandated exclusions apply to all General Account assets of Aegon N.V. entities, we added a relevancy standard to our process to determine whether certain General Account asset classes should be counted in AuM subject to exclusions, given the applicability of the Aegon N.V. exclusion list to that asset class. The removal of asset classes such as commercial mortgage loans and US structured securities drove the decrease. Based on this evaluation, we re-stated 2020 figures.

2 Utilize negative screening to avoid certain sectors, companies or practices based on specific criteria. Covers proprietary investments of Aegon Asset Management and funds of third party clients which are also aligned to those same criteria.

3 Seek to outperform by emphasizing positive screening of issuers with better or improving ESG profiles relative to sector peers.

4 Focus on issuers whose activities or practices are aligned with sustainability themes in an effort to generate competitive returns over the long term.

5 Pursue financial returns alongside measurable positive social and/or environmental impact.

6 With regards to engagement, through our investment exposure, and where appropriate, we look to build a constructive dialogue with the companies and bodies either bilaterally or as part of an investor consortium, as we promote responsible business practices. With regards to voting, for Aegon AM's relevant investment strategies that incorporate equities, we seek to execute votes in alignment with our engagement objectives and clients' best interests, often in favor of shareholder resolutions.

7 Source Aegon AM as of December 31, 2021. Percentages may not sum to 100 due to rounding. Themes are divided according to the main issue. At times, there is more than one theme for an engagement. A small number of engagements were outsourced and therefore not included in this dataset.

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Capital	Indicator	2021	2020	Change 2020 to 2021	2019
Society: Investment footprint					
	Corporate Fixed Income + Listed Equity (CFI)¹				
	<i>Proportion CFI holding assessed for carbon emissions</i>	72%	77%	(5pp)	NM
	<i>CFI absolute footprint (metric tons CO₂e)</i>	4,886,000	4,878,000	0.2%	NM
	<i>CFI relative intensity (metric tons CO₂e/EURm invested)</i>	110	110	0.0% ²	NM
	<i>Weighted average carbon intensity (metric tons CO₂e/EURm revenue)</i>	490	470	0.0% ²	490
	<i>Weighted average carbon intensity (coverage)</i>	97%	97%	(0pp)	95%
	<i>Carbon Risk Rating (Sustainalytics)</i>	9.9	9.4	0.5	NM
	<i>Carbon Risk Rating (Sustainalytics) (coverage)</i>	73%	63%	10pp	NM
Natural	Sovereign Fixed Income (SFI)³				
	<i>Proportion SFI holding assessed for carbon emissions</i>	100%	98%	2pp	NM
	<i>Absolute footprint (metric tons CO₂e)</i>	15,088,000	13,863,000	8.8%	NM
	<i>Relative intensity (metric tons CO₂e/EURm invested)</i>	620	500	24.0%	NM
	<i>Weighted average carbon intensity (metric tons CO₂e/EURm GDP)</i>	310	330	(6.1%)	NM
	<i>Weighted average carbon intensity (coverage)</i>	100%	98%	2pp	NM
	<i>Climate change resiliency (ND-GAIN rating)</i>	67	67	0	NM
	<i>Climate change resiliency (coverage)</i>	100%	98%	2pp	NM

NA – not applicable
 NM – not measured
 pp – percentage points

1 Global General Account assets only. Aegon calculation. Values as of December 31, 2021. Climate metrics calculated per Methodology section. Relative intensity, weighted average carbon intensity and carbon risk values have been adjusted to account for variance in coverage. Climate change data availability may change over time and characteristics will vary. Certain information ©2022 Sustainalytics, MSCI ESG Research L.L.C. Reproduced with permission. Not for further distribution.

2 The change expressed here concerns 2019 to 2021.

3 Global General Account assets only. Aegon calculation. Values as of December 31, 2021. Climate metrics calculated per Methodology section. Relative intensity, weighted average carbon intensity and carbon vulnerability values have been adjusted to account for variance in coverage. Climate change data availability may change over time and characteristics will vary.

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Capital	Indicator	2021	2020	Change 2020 to 2021	2019
Society: Tax transparency					
Social and Relationship	Tax transparency				
	Total taxes borne by Aegon	EUR 381 million	EUR 319 million	NA	EUR 615 million
	Corporate income tax ¹⁾	(EUR 18 million)	EUR 10 million	NA	EUR 42 million
	<i>Americas</i>	EUR 55 million	(EUR 43 million)	NA	(EUR 12 million)
	<i>The Netherlands</i>	(EUR 75 million)	EUR 33 million	NA	EUR 32 million
	<i>United Kingdom</i>	(EUR 2 million)	EUR 14 million	NA	(EUR 9 million)
	<i>Others</i>	(EUR 3 million)	EUR 6 million	NA	EUR 31 million
	Taxes collected on behalf of others	EUR 2.41 billion	EUR 2.51 billion	NA	EUR 2.45 billion
Society: Community investment					
Social and Relationship	Community investment				
	Cash donations ²⁾	EUR 9.4 million	EUR 9.5 million	(1.3%)	EUR 8.2 million
	Financial security and education	EUR 2.0 million	EUR 3.0 million	(35.7%)	NM
	<i>Financial Education and Literacy</i>	EUR 1.6 million	EUR 2.7 million	(40.9%)	NM
	<i>Employability Later in Life</i>	EUR 0.3 million	EUR 0.3 million	8.9%	NM
	Well-Being and Longevity	EUR 5.6 million	EUR 5.7 million	(1.1%)	NM
	<i>Physical Fitness</i>	EUR 0.2 million	EUR 0.2 million	(16.0%)	NM
	<i>Mental Vitality</i>	EUR 0.5 million	EUR 0.9 million	(38.7%)	NM
	<i>Prevention of Diseases</i>	EUR 1.3 million	EUR 1.7 million	(23.2%)	NM
	<i>Livable Communities</i>	EUR 3.6 million	EUR 2.9 million	25.2%	NM
	Other	EUR 1.8 million	EUR 0.8 million	131.5%	NM
	Proportion of cash donations to key themes	81%	92%	(11pp)	NM
	<i>Financial security and education</i>	21%	32%	(11pp)	NM
	<i>Well-Being and Longevity</i>	60%	60%	0pp	NM
	Number of organizations receiving donations	469	481	NA	541
	Volunteering				
	<i>Volunteering hours</i>	6,806	4,399	54.7%	19,448
<i>Volunteering value³⁾</i>	EUR 0.3 million	EUR 0.2 million	46.5%	EUR 0.9 million	
Total investment					
Total value community investment	EUR 9.7 million	EUR 9.7 million	(0.3%)	EUR 9.0 million	
Total value community investment as proportion of net result	0.6%	17.6%	(17pp)	0.6%	

NA – not applicable
 NM – not measured
 pp – percentage points

- Please note, there is often no direct correlation between tax reported on earnings for any given year and amounts paid or received in tax. Part of the explanation for this is that certain tax-deductible items are not recognized in the Company's profit & loss statement but directly in equity. Additionally payments and refunds for prior years can impact the amounts paid or received in the current year. Furthermore, the 2021 US tax liability will be satisfied entirely by losses carryforwards and tax credits, including low income housing tax credits.
- Cash donations refer to charitable donations to charities and other non-profit organizations, done in accordance with the Aegon N.V. Charitable Donations Standards.
- Volunteering value is calculated using an average hourly employee expenses rate based total employment costs.

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Capital	Indicator	2021	2020	Change 2020 to 2021	2019
Society: Compliance					
	Policy compliance¹⁾				
	Proportion employees completing training on Code of Conduct	98%	97%	2pp	95%
	Anti-bribery and corruption	87%	89%	(2pp)	89%
	Conflict of interest	98%	92%	6pp	85%
	Pricing and product development	97%	93%	4pp	94%
	Systematic Integrity Risk Assessment (SIRA)²⁾				
Social and Relationship	Actions completed	77%	76%	1pp	69%
	Actions completed and progressing within deadline	81%	80%	1pp	77%
	Incidents				
	Incidents/attempts of fraud	889	4,014	(77.9%)	4,541
	<i>Proportion through employees</i>	0.1%	NM	NM	NM
	<i>Proportion through intermediaries</i>	21.4%	NM	NM	NM
	<i>Proportion through third parties</i>	78.5%	NM	NM	NM
	Fines and settlements³⁾				
	Significant fines to address cases of mis-selling	EUR 0.0 million	EUR 8.2 million	NM	EUR 0.3 million

NA – not applicable
 NM – not measured
 pp – percentage points

- 1 Policy compliance reflects business units' compliance with specific requirements of those policies. Where there is not full compliance, this does not indicate a breach of the policy, but areas where units have requested time to further strengthen internal governance. Prior to 2021, compliance with Aegon anti-bribery and corruption policies was expressed as combined metric of the separate Aegon Conflict of Interest and Aegon Gift & Entertainment policies. The latter has since been incorporated into a new unified Aegon Anti-bribery and Corruption policy. As such, there is not a complete like-for-like comparison of 2021 performance with previous years. Compliance with the Aegon Conflict of Interest is now reported separately as a distinct item, backdated to 2019 on a like-for-like basis.
- 2 Aegon undertakes an annual systematic integrity risk assessment (SIRA), as part of which all regions provide insight into their local anti-fraud programs and indicate that controls with regard to internal, external, and intermediary fraud are properly designed and operating effectively. Aegon takes actions to address any gaps in performance.
- 3 Includes any fines in excess of EUR 100,000.

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Capital	Indicator	2021	2020	Change 2019 to 2021 ³⁾	2019
Society: Operational footprint					
	Greenhouse gas (GHG) emissions (metric tons CO₂e)¹⁾				
	Scope 1 (gas)	5,557	NM	(9.5%)	6,138
	Scope 2 (electricity gross/location)	16,366	NM	(54.1%)	35,659
	Scope 2 (electricity net/market)	203	NM	(60.7%)	516
	Scope 3 (air travel)	2,101	NM	(80.4%)	10,739
	Total GHG emissions (gross/location)	24,024	NM	(54.3%)	52,536
	Total GHG emissions / EUR million revenue (gross/location)	1.0	NM	(48.8%)	1.9
	Total GHG emissions / employee (gross/location)	1.3	NM	(52.4%)	2.8
	Total GHG emissions (net/market)	7,861	NM	(54.8%)	17,392
	Total GHG emissions / EUR million revenue (net/market)	0.3	NM	(49.4%)	0.6
	Total GHG emissions / employee (net/market)	0.4	NM	(53.0%)	0.9
	Operational reduction target²⁾				
	Absolute reduction against baseline	(28,512)	NM	(54.3%)	NA
	Energy (MWh)				
	Fuel (gas)	27,288	NM	(9.0%)	30,002
	Electricity (renewable)	49,283	NM	(39.4%)	81,282
	Green tariff / Renewable Energy Certificate (REC)	49,259	NM	(39.4%)	81,254
	Self-generated	24	NM	(11.5%)	28
	Electricity (non-renewable)	580	NM	(70.5%)	1,968
	Electricity (total)	49,863	NM	(40.1%)	83,249
	Energy (total of fuel and electricity)	77,151	NM	(31.9%)	113,252
	Renewable electricity (% of total electricity)	99%	NM	1pp	98%
	Renewable energy (% of total energy)	64%	NM	(8pp)	72%
	Air travel (million km)				
	Total distance	16.3	NM	(84.2%)	103.4
	Travel class as proportion of total distance				
	Economy	87%	NM	NA	NM
	Premium	13%	NM	NA	NM
	Route type as proportion of total distance				
	<500km	3%	NM	NA	NM
	>500km	97%	NM	NA	NM

NA – not applicable
 NM – not measured
 pp – percentage points

- Operational GHG emissions are based on the energy consumption and air travel activity of our four largest business units (Transamerica, Aegon the Netherlands, Aegon UK and Aegon Asset Management), which in 2021 comprised 81% of our global (direct employee) headcount. GHG emissions are calculated according to the 'market' and 'location' based methodologies of the GHG Protocol, on a country-level basis and using locally applicable emission conversion factors. For the market-based measurement we source conversion factors for electricity consumption from individual suppliers, 99% of which is zero carbon through our purchase of renewable electricity in the form of 'green tariff' supply contracts and renewable energy certificates (RECs). For the location-based approach, we source conversion factors for electricity consumption from the Environmental Protection Agency (eGRID) for the US, from the European Environment Agency for the Netherlands and from the Department for Environment, Food & Rural Affairs (Defra) for the UK. Under both approaches, we source conversion factors for gas consumption from Defra (100% mineral for the US, and 5% biofuel blend for the Netherlands and the UK). Conversion factors for air travel are sourced solely from Defra due to applicability for all countries. As part of the calculation of GHG emissions, the underlying activity data is extrapolated to cover for unmeasured headcount.
- Aegon has set a target to reduce the carbon footprint of its operational activities by 25% by 2025 against a 2019 baseline (using the location-based measurement). In 2021, the carbon footprint of Aegon's operational activities reduced by 54.3% compared with 2019. While some of these reductions can be traced to our initiatives to stimulate hybrid working for instance reductions in leased space across the US in 2021 there has also been a temporary benefit from fewer employees in the office due to the COVID-19 pandemic, which we expect to reverse over time. Through implementing our hybrid working policy and other initiatives, we will work towards achieving our target. Aegon will also look towards expanding the scope of measurement of our GHG emissions and explore setting further targets against these in the future.
- Supporting data and calculation methodology for measurement of GHG emissions has been re-evaluated for the 2019 baseline year, and applied to the 2021 reporting year. Operational GHG emissions for 2020 have not been recalculated, and to avoid inconsistency have been omitted from reporting. The change expressed here concerns 2019 to 2021.

External recognition

At Aegon, we actively participate in high-profile sustainability performance benchmarks to provide transparency for our stakeholders and wider society in the integration of sustainability considerations into our business operations. We also proactively engage with business information platforms incorporating sustainability performance data, including Bloomberg and Refinitiv.

Performance ratings

We have received independent recognition from sustainability ratings, demonstrating that our baseline practices are in good shape. Improvement during the course of 2021 shows, in part, the positive impact of our current sustainability focus and related commitments. As these assessments are conducted throughout the year, we regularly update our latest scoring and peer positioning via the dedicated 'External recognition' page included under 'Sustainability' on the Aegon website. The overview provided below details our scores at February 2022.

MSCI: As of 23 December 2021, Aegon N.V. received a rating of AA (on a scale of AAA-CCC) in the MSCI ESG Ratings assessment¹.

Sustainalytics: As of November 2021, Aegon N.V. received an ESG Risk Rating of 14.6 and was assessed by Sustainalytics to be at low risk of experiencing material financial impacts from ESG factors. Aegon NV's ESG Risk Rating places it in the 5th percentile in the Insurance industry assessed by Sustainalytics².

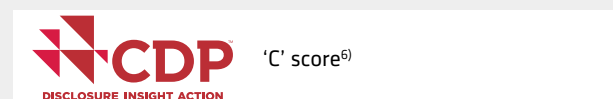
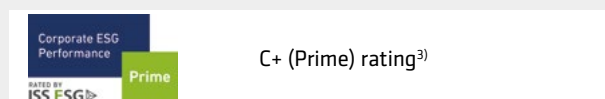
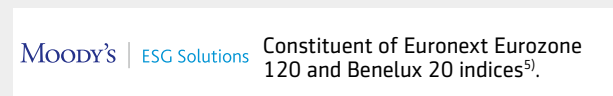
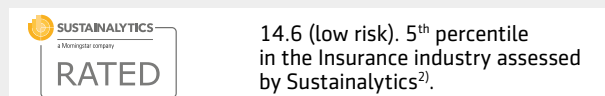
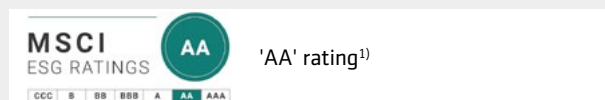
ISS: As of 12 February 2022, Aegon N.V. has received an ESG Corporate Rating of C+ (Prime) from ISS, a provider of end-to-end responsible investment and governance solutions to the global financial community³.

FTSE4Good: As of June 2021, Aegon N.V. is a constituent company in the FTSE4Good Index Series, designed to identify companies that demonstrate strong environmental, social and governance practices measured against globally recognized standards⁴.

Moody's ESG Solutions: As of January 2022, Aegon N.V. has an 'ESG overall score' rating of "robust". We are a constituent in two [Euronext indices](#) using Moody's ESG Solutions data⁵:

- [Eurozone 120](#) (the 120 most advanced companies in the Eurozone region)
- [Benelux 20](#) (the 20 most advanced companies in the Benelux region)

CDP: We participate in the annual CDP Climate Change disclosure, where we publish performance data, policies and practices related to the impacts and opportunities related to climate change in the context of our business activities. We maintained a rating of 'C' for our 2021 reporting year disclosure⁶.



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Cautionary note regarding non-EU-IFRS measures

This document includes the following non-EU-IFRS financial measures: operating result before tax, income tax and result before tax. These non-EU-IFRS measures are calculated by consolidating on a proportionate basis Aegon's joint ventures and associated companies. The reconciliation of these measures to the most comparable EU-IFRS measure is provided in note 5 Segment information of this report. Aegon believes that these non-EU-IFRS measures, together with the EU-IFRS information, provide meaningful supplemental information about the underlying operating results of Aegon's business including insight into the financial measures that senior management uses in managing the business.

Currency exchange rates

This document contains certain information about Aegon's results, financial condition and revenue generating investments presented in USD for the Americas and Asia, and in GBP for the United Kingdom, because those businesses operate and are managed primarily in those currencies. None of this information is a substitute for or superior to financial information about Aegon presented in EUR, which is the currency of Aegon's primary financial statements.

Forward-looking statements

The statements contained in this document that are not historical facts are forward-looking statements as defined in the US Private Securities Litigation Reform Act of 1995. The following are words that identify such forward-looking statements: aim, believe, estimate, target, intend, may, expect, anticipate, predict, project, counting on, plan, continue, want, forecast, goal, should, would, could, is confident, will, and similar expressions as they relate to Aegon. These statements may contain information about financial prospects, economic conditions and trends and involve risks and uncertainties. In addition, any statements that refer to our sustainability, environmental and social targets, commitments, goals, efforts and expectations and other events or circumstances that are partially dependent on future events are forward-looking statements. These statements are not guarantees of future performance and involve risks, uncertainties and assumptions that are difficult to predict. Aegon undertakes no obligation, and expressly disclaims any duty, to publicly update or revise any forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which merely reflect company expectations at the time of writing. Actual results may differ materially and adversely from expectations conveyed in forward-looking statements due to changes caused by various risks and uncertainties. Such risks and uncertainties include but are not limited to the following:

- Unexpected delays, difficulties, and expenses in executing against our environmental, climate, diversity and inclusion or other "ESG" targets, goals and commitments outlined in this document, and changes in laws or regulations affecting us, such as changes in data privacy, environmental, safety and health laws;
- Changes in general economic and/or governmental conditions, particularly in the United States, the Netherlands and the United Kingdom;
- Civil unrest, (geo-) political tensions, military action or other instability in a country or geographic region;
- Changes in the performance of financial markets, including emerging markets, such as with regard to:
 - The frequency and severity of defaults by issuers in Aegon's fixed income investment portfolios;
 - The effects of corporate bankruptcies and/or accounting restatements on the financial markets and the resulting decline in the value of equity and debt securities Aegon holds;
 - The effects of declining creditworthiness of certain public sector securities and the resulting decline in the value of government exposure that Aegon holds; and
 - The impact from volatility in credit, equity, and interest rates;
- Changes in the performance of Aegon's investment portfolio and decline in ratings of Aegon's counterparties;
- Lowering of one or more of Aegon's debt ratings issued by recognized rating organizations and the adverse impact such action may have on Aegon's ability to raise capital and on its liquidity and financial condition;
- Lowering of one or more of insurer financial strength ratings of Aegon's insurance subsidiaries and the adverse impact such action may have on the written premium, policy retention, profitability and liquidity of its insurance subsidiaries;
- The effect of the European Union's Solvency II requirements and other regulations in other jurisdictions affecting the capital Aegon is required to maintain;
- Changes affecting interest rate levels and continuing low or rapidly changing interest rate levels;
- Changes affecting currency exchange rates, in particular the EUR/USD and EUR/GBP exchange rates;
- Changes in the availability of, and costs associated with, liquidity sources such as bank and capital markets funding, as well as conditions in the credit markets in general such as changes in borrower and counterparty creditworthiness;
- Increasing levels of competition in the United States, the Netherlands, the United Kingdom and emerging markets;
- Catastrophic events, either manmade or by nature, including by way of example acts of God, acts of terrorism, acts of war and pandemics, could result in material losses and significantly interrupt Aegon's business;
- The frequency and severity of insured loss events;
- Changes affecting longevity, mortality, morbidity, persistence and other factors that may impact the profitability of Aegon's insurance products;



- Aegon's projected results are highly sensitive to complex mathematical models of financial markets, mortality, longevity, and other dynamic systems subject to shocks and unpredictable volatility. Should assumptions to these models later prove incorrect, or should errors in those models escape the controls in place to detect them, future performance will vary from projected results;
 - Reinsurers to whom Aegon has ceded significant underwriting risks may fail to meet their obligations;
 - Changes in customer behavior and public opinion in general related to, among other things, the type of products Aegon sells, including legal, regulatory or commercial necessity to meet changing customer expectations;
 - Customer responsiveness to both new products and distribution channels;
 - As Aegon's operations support complex transactions and are highly dependent on the proper functioning of information technology, operational risks such as system disruptions or failures, security or data privacy breaches, cyberattacks, human error, failure to safeguard personally identifiable information, changes in operational practices or inadequate controls including with respect to third parties with which we do business may disrupt Aegon's business, damage its reputation and adversely affect its results of operations, financial condition and cash flows;
 - The impact of acquisitions and divestitures, restructurings, product withdrawals and other unusual items, including Aegon's ability to integrate acquisitions and to obtain the anticipated results and synergies from acquisitions;
 - Aegon's failure to achieve anticipated levels of earnings or operational efficiencies, as well as other management initiatives related to cost savings, Cash Capital at Holding, gross financial leverage and free cash flow;
 - Changes in the policies of central banks and/or governments;
 - Litigation or regulatory action that could require Aegon to pay significant damages or change the way Aegon does business;
 - Competitive, legal, regulatory, or tax changes that affect profitability, the distribution cost of or demand for Aegon's products;
- Consequences of an actual or potential break-up of the European monetary union in whole or in part, or the exit of the United Kingdom from the European Union and potential consequences if other European Union countries leave the European Union;
 - Changes in laws and regulations, particularly those affecting Aegon's operations' ability to hire and retain key personnel, taxation of Aegon companies, the products Aegon sells, and the attractiveness of certain products to its consumers;
 - Regulatory changes relating to the pensions, investment, and insurance industries in the jurisdictions in which Aegon operates;
 - Standard setting initiatives of supranational standard setting bodies such as the Financial Stability Board and the International Association of Insurance Supervisors or changes to such standards that may have an impact on regional (such as EU), national or US federal or state level financial regulation or the application thereof to Aegon, including the designation of Aegon by the Financial Stability Board as a Global Systemically Important Insurer (G-SII); and
 - Changes in accounting regulations and policies or a change by Aegon in applying such regulations and policies, voluntarily or otherwise, which may affect Aegon's reported results, shareholders' equity or regulatory capital adequacy levels.
- This document contains information that qualifies, or may qualify, as inside information within the meaning of Article 7(1) of the EU Market Abuse Regulation (596/2014). Further details of potential risks and uncertainties affecting Aegon are described in its filings with the Netherlands Authority for the Financial Markets and the US Securities and Exchange Commission, including the Annual Report. These forward-looking statements speak only as of the date of this document. Except as required by any applicable law or regulation, Aegon expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained herein to reflect any change in Aegon's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.



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Colophon

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