SFCR Aegon Levens-verzekering N.V.

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Contents

Introduction

The structure of the Solvency and Financial Condition Report (SFCR) has been prepared as described in annex XX of the Solvency II Directive Delegated Regulation. The subjects addressed are based on article 51 to 56 of the Solvency II Directive and act 292 up to and including 298 and act 359 of the Delegated Regulation. Furthermore, the figures presented in this report are in line with the supervisor's reported Quantitative Reporting Templates (QRT).

All amounts in this report, including the amounts quoted in the tables, are presented in millions of euros (€ million), being the functional currency of Aegon Levensverzekering N.V., hereafter: Aegon life, unless otherwise stated.

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

Summary

The 2024 SFCR provides Aegon life stakeholders insight in:

A Business and performance

The Solvency II ratio stood at 194% as at 31 December 2024 (2023: 170%), based on the partial internal model as a result of € 4,479 million Eligible Own Funds (EOF) and € 2,310 million Solvency Capital Requirement (SCR). The increase od the ratio was mainly the result of impact of market developments and model changes.

At € 1,111 million, the gross written premiums decreased by 23% (€ -336 million). This decrease was mainly driven by higher indexations on existing pension contracts in 2023. GWP is also including premium from DB subscriptions renewals. The renewal rate is high (97%) due to delay of New Pension Reforms. GWP of Individual Life decreased with 8% mainly due to a declining portfolio. No new products are sold for indiviual life.

Operating expenses decreased by € 39 million to € 118 million. The decrease in operating expenses is mainly attributable to lower project expenses in 2024, the realisation of the expected synergies of the merger and insourcing of personnel.

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

B System of governance

This paragraph contains a description of the system of governance of a.s.r. Nederland N.V., which is applicable, mutatis mutandis, to the solo entity as well. Aegon life is not subject directly to the Dutch Corporate Governance Code.

General
ASR Nederland N.V. (hereafter referred to as a.s.r.) is a public limited company which is listed on Euronext Amsterdam and governed by Dutch corporate law. It has a two-tier board governance structure consisting of an Executive Board (EB) and a Supervisory Board (SB). In addition to the EB, a.s.r. Nederland N.V has a Management Board (MB). The MB was introduced to ensure effective management of the integration of a.s.r. and Aegon NL, as well as long-term management continuity.

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

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

The SB is responsible for advising the EB, supervising its policies and the general state of affairs relating to a.s.r. and its group entities. The EB and the MB share the responsibility for the day-to-day conduct of business at a.s.r. and for its strategy, structure and performance and shares responsibility for the implementation and realisation of the business strategy.

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

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

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

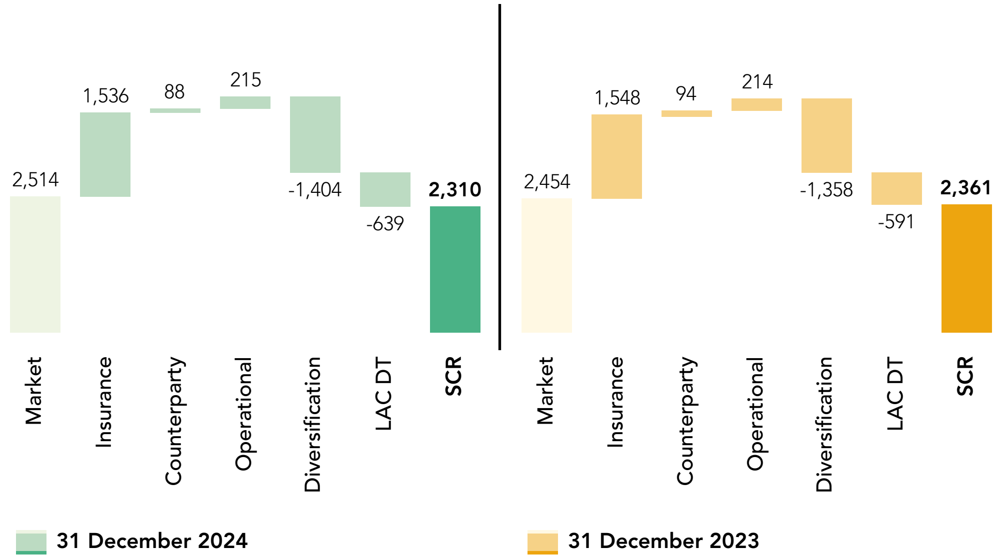
C Risk profile

Aegon life applies an integrated approach in managing risks, ensuring that our strategic goals (customer interests, financial solidity and efficiency of processes) are maintained. This integrated approach ensures that value will be created by identifying the right balance between risk and return, while ensuring that obligations towards our stakeholders are met. Risk management supports Aegon life in the identification, measurement and management of risks and monitors to ensure adequate and immediate actions are taken in the event of changes in Aegon life's risk profile.

Aegon life is exposed to the following types of risks: insurance risk, market risk, counterparty default risk, liquidity risk, operational risk and strategic risk. The risk appetite is formulated at both group and legal entity level and establishes a framework that supports an effective selection of risks.

The SCR is build up as follows:

SCR



Full details on the a.s.r.'s risk profile are described in chapter C Risk profile.

D Valuation for Solvency purposes

Aegon life values its Solvency II balance sheet items on a basis that reflects their economic value.

As per January 1, 2024 Aegon life's financial statements are prepared in accordance with the stipulations in Part 9 of Book 2 of the Dutch Civil Code ('DCC') and the pronouncements of the Guidelines for Annual Reporting, which is issued by the Dutch Accounting Standards Board ('Raad voor de Jaarverslaggeving'). Together this is referred to as 'Dutch GAAP'

Dutch GAAP is equal to Solvency II. Therefore there are no differences in the excess assets over liabilities between Solvency II and financial statements.

Full details on the valuation of Aegon spaarkas's economic balance sheet based on Solvency II and consolidated financial statements based on Dutch GAAP are described in chapter D Valuation for solvency purposes.

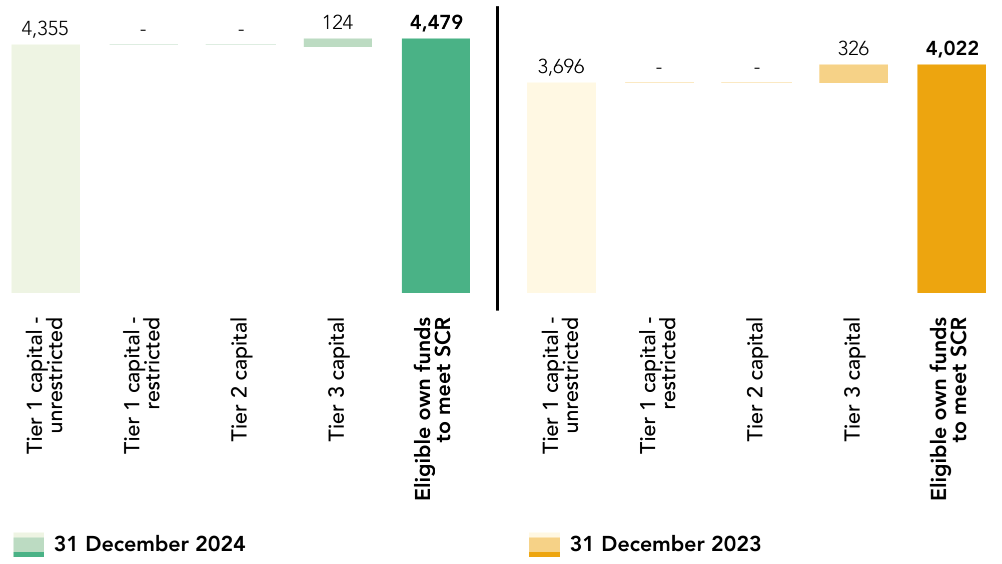
E Capital Management

Overall capital management is administered at group level. Capital generated by operating units and future capital releases will be allocated to profitable growth of new business or repatriated to shareholders, beyond the capital that is needed to achieve management's targets.

Aegon life has no internal model and follows the default method for the determination of the group solvency. Aegon life maintains an internal minimum and management target for the Solvency II ratio. The internal minimum Solvency II ratio for Aegon life as formulated in the risk appetite statement is 120%. The management threshold level for the Solvency II ratio is above 160%. a.s.r. only distributes cash dividends if the interest of the policyholders has been ensured (i.e. a Solvency II ratio above 140%). The Solvency II ratio was 194% at 31 December 2024.

The EOF is build up as follows:

Eligible Own Funds



The EOF increased to € 4,479 million at year-end 2024 (2023: € 4,022 million). The increase was mainly the result of positive impact of market developments and model changes.

Full details on the capital management of Aegon life can be found in chapter E Capital Management.

A Business and performance

A.1 Business

A.1.1 Profile

Object of the company

Aegon Levensverzekering N.V. (Aegon life or the Company) is a subsidiary of ASR Nederland N.V. (a.s.r., the Group or ASR Nederland). Aegon life intends to enable people to be insured against risks they are unable or unwilling to bear themselves. Aegon life is convinced that its main strategic principle is justified by thinking in terms of customer interests and perception. The products and services of Aegon life must be in line with this.

Understandability and simplicity combined with efficient business processes and a solid financial position are essential. Customers can count on their risk coverage being held by an insurer that works sustainably, listens to them, thinks along with them and is accessible through various channels.

Customers need transparent products, clear communication and personal service. Aegon life, as part of a.s.r., has made it its top priority to meet these needs. For example, activities and objectives of a.s.r. are tested against the interests of the customer and products are presented to customer panels. Customer journeys and the wishes expressed by customers are included in product development. Ultimately, this is reflected in the valuation of customers as measured by the Net Promoter Score (NPS). The NPS measures the extent to which customers would recommend a.s.r. to their surroundings.

Sustainability is integrated in a.s.r.'s day-to-day operations. As a large insurer, a.s.r. wants to contribute to solving societal issues. a.s.r. is committed to achieving a positive contribution to a more sustainable society by working to create solutions and playing a leading role in the financial sector. a.s.r. does so through its investments and by striving to develop sustainable products and services, to aid the transition to an inclusive sustainable society and to minimise negative impacts. a.s.r. develops products and services that help to resolve societal problems focusing on three areas in which it can make the biggest impact:

1. **Financial self-reliance and inclusion**
   Aegon life helps people take risks responsibly and make conscious financial choices in order to prevent or get out of debt. It pays attention to the inclusion of various target groups, including vulnerable groups.

2. **Vitality and sustainable employability**
   Aegon life is committed to avoiding illness, absenteeism and disability among employees, employers and its customers. This allows people to remain healthy for longer and continue to contribute to society. Aegon life creates opportunities for its employees so that they can continue to develop themselves and increase their opportunities in the labour market, both inside and outside Aegon life.

3. **Sustainable living and Climate**
   a.s.r. helps customers through its insurance products and advice on how to live more sustainably. As a major investor, it invests in activities that reduce climate impact, support the energy transition and restore biodiversity, hereby reducing climate risk. Aegon life also pays attention to the environmental impact of its offices, transport and procurement within its own operations.

Aegon life is increasingly subject to sustainability regulations such as the Sustainable Finance Disclosure Regulation (SFDR), designed to facilitate sustainable investing. The so-called SFDR-Annex IV report can be viewed on the website www.asr.nl/zakelijk/inkomen-en-pensioen/werknemerspensioen.

Core activities

Aegon life comprises Pensions and Individual life. The Company offers insurance policies that involve asset building, immediate (pension) annuities, asset protection and term life insurance for consumers and business owners in the Dutch market.The insurances are offered via the Aegon brand.

Legal structure of the company

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

Internal organisational structure and staffing

Aegon life consists of two product lines: i) Pensions and ii) Individual Life. The Individual Life and Pension activities are managed as service books in conjunction with the activities.

Various services are purchased internally from a.s.r. as a result of the integration (a.o. Payment Centre, HR, Group Finance and Group Performance Management, Asset Management and Digitaal en IT. The cost of these services are recharged to the underlying entities accordingly.

Headcount

Aegon life itself does not have labor contracts with employees, but is serviced by a.s.r. Related expenses are charged to Aegon life accordingly.

Key elements of policy pursued (Strategy and achievements)
Aegon life has split its Individual Life and Pensions activities. The Individual Life activities are considered financial assets and are managed for maximising its value.

Individual Life
Aegon life manages the existing Individual Life portfolio as efficiently as possible and optimizes its portfolio from both the customer and a.s.r. perspective. The declining portfolio requires strict control of costs to reflect the (downward) movements in the portfolio. To keep a grip on the costs of the declining portfolio, Aegon life has completed business process outsourcing (BPO) for the Individual Life portfolio as of 1 June 2020. However, due to the acquisition by a.s.r., this cooperation has been terminated as of April 1, 2024, in order to bring the policies onto a.s.r.'s platform. With the termination of this cooperation, the Aegon Individual Life's legacy platforms and staff required to operate these platforms returned to a.s.r. as of April 1, 2024. The conversions to the a.s.r. target platform are planned for 2025. Until completion of the conversions, the remaining Individual Life policies are administered on the legacy platforms.

Pensions
Aegon life focusses on managing the existing defined benefit (DB) and defined contribution (DC) portfolios as service books while offering risk insurances as rider to Aegon Cappital's DC schemes and immediate annuities to both internal and external clients as portfolios open for new business.

Distribution of pensions takes place via independent advisors. Aegon life maintains an important relationship with the advisory channel and aims to match requirements with outstanding products and services.

Products
Immediate pension liabilities is still an active insurance product of Aegon Leven, mainly bought by customers out of their DC-capital at retirement age. In a very competitive market, Aegon life aims for value over volume and has continued its pricing discipline, thus achieving a positive market consistent value of new business. In addition to the fixed annuity product, Aegon life also has a variable pension product. This offers customers a product for the pay-out phase of their pension, with an appropriate balance between risk and return.

Strategy and achievements

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

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

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

All existing contracts must be adapted to this Act before 1 January 2028. New contracts will be subject to the new rules immediately.This also means that all DB schemes will receive a renewal offer for a new DC scheme on renewal date.

In order to prepare for these changes, a.s.r. has developed a new system for all its DC products, with the aim of further digitisation of communications and guidance on choices, while reducing costs. Customers expect to be able to arrange their financial affairs themselves, online, and a.s.r. wishes to facilitate this. For the administration of DB schemes, Aegon life makes use of its pensions administrator TKP.

Individual life market
The Dutch market for Individual Life insurance has seen major consolidation in recent years. In GWP terms, a.s.r. holds a top 2 position with the combined Aegon life and a.s.r. Individual Life insurance portfolio.

2024 showed a further decrease in our life individual in-force portfolio as anticipated. No new business has been generated in this segment.

Internal control of processes and procedures
Risk management is an integral part of a.s.r.'s daily business operations. a.s.r. applies an integrated approach to managing risks ensuring that strategic objectives are met. The Risk Management Function (RMF) supports and advises a.s.r. in identifying, measuring and managing risks, and monitors that adequate and immediate action is taken in the event of developments in the risk profile. Aegon life is exposed to the following types of risk: insurance risk, market risk, counterparty default risk, liquidity risk, strategic risk and operational risk.

The quality of internal control within a.s.r. is assured by means of a Risk and Control Matrix (RCM) as part of a.s.r.'s Operational Risk Management (ORM) policy. This framework has been developed from an integral risk management perspective and, based on the framework and the a.s.r. ORM policy, the effectiveness of key controls in the core processes is periodically tested and management is informed of the results.

As a result of further integration of processes and underlying control activities, this benefits the overview and reduction of risks and controls and thus the quality of internal control overall.

The results are reported to the Business Risk Committee of Aegon life as well as to the Non-financial Risk Committee of a.s.r. on a quarterly basis. The report also focuses on the management of strategic and compliance risks. New products and services with the corresponding customer brochures are subjected to an internal 'Product Approval and Review Process (PARP)'. Submitting products and services to customer and intermediary panels is often part of this before the PARP board gives its approval. It is assessed to what extent the wishes and ideas of customers can be included in the product development.

Existing products and services are regularly tested against the changing customer needs based on PARP. In addition, work processes at customers are tested on the basis of a customer journey. In this context, a process from the first to the last step is presented to customers and their comments are taken into account in order to improve the process so that it better meets the needs and expectations of the customer. Ultimately this can be seen in the customer's valuation as measured by the NPS.

The risks due to outsourcing are mitigated by periodically monitoring Service Level Agreements and controls based on ISAE3402 reports.

Aegon life aims to create a solid risk culture in which ethical values, desired behaviour and understanding of risk in the entity are fully embedded. Integrity is of the utmost importance at a.s.r.: this is translated into a code of conduct and strict application policies for new and existing personnel, such as taking an oath or making a solemn affirmation when entering the Company, and the 'fit and proper' aspect of the Solvency II regulation, ensuring that Aegon life is overseen and managed in a professional manner.

Quality control

The quality management of Aegon life contains policies, procedures and principles about how to serve its customers. The quality management is aimed at achieving optimal customer satisfaction and is taken into account in all contacts with customers. Internal standards have been set and are used to actively comply with the Company's quality standards and in the continuous improvement of the Company's services.

For the operational departments, including the client contact offices (front office) and the back office, the objectives in terms of customer focus and the internal standards of Aegon life have been translated into operational KPIs. These contribute to the management of communication with customers in terms of being error-free, transparency and speed of processing. Handling complaints is also central in this context. The KPIs are managed on a daily basis by the relevant management and staff. The results of the KPIs are periodically shared and discussed at all levels within the Company. Collaboration in risk governance contributes to ensuring customer satisfaction and putting the client's interests first.

Training of employees

a.s.r. believes it is important to continuously educate its employees in knowledge and skills. Various training initiatives have been set up for this purpose. The initiatives receive continuous attention at both a general level and an individual level.

Continuous training takes place through:

- The compulsory Permanent Training sessions for all employees and knowledge & awareness sessions;
- At individual level, the training tool of a.s.r. is used and appropriate education is provided at job level. The aim is to ensure that every employee is and remains permanently trained and up-to-date;
- A training plan is drawn up for new employees and updated after each evaluation session based on experience;
- The Gamification tool is available to all employees, which helps them interactively to refresh and deepen their knowledge of, among other things, integrity issues on a daily basis;
- Awareness programme on various themes as for instance information (cyber) security risk and the General Data Protection Regulatory.

Finance

Overall capital management is administered at group level. a.s.r. currently intends to consider investing capital above the management target Solvency II ratio (calculated based on the standard formula) of 160% (management threshold level) with the objective of creating value for its shareholders. If and when a.s.r. operates at a level (which may change over time) that is considerably above the management threshold level and it believes that it cannot invest this capital in value-creating opportunities for a prolonged period of time, it may decide, but is not obliged, to return (part of this) capital to shareholders. If a.s.r. chooses to return capital, it plans to do so in a form that is efficient for shareholders at that time.

a.s.r. actively manages its in-force business, which is expected to result in free capital generation over time. Additionally, business improvement and balance sheet restructuring should optimise the capital generation capacity while advancing the risk profile of thecompany. Aegon life is capitalised separately, and excess capital over management's targets are intended to be up-streamed to the holding company to the extent local regulations allow and within the internal risk appetite statement. In 2024, Aegon life made a dividend distribution of € 229 million to the holding company (2023: € 166 million to a.s.r. and € 205 million to Aegon Nederland (previous holding company)).

A.1.1 General information

The SFCR has been prepared by and is the sole responsibility of the Company's management. Selected Own Funds and SCR information are also reported in a.s.r. financial statements. KPMG has examined the 2024 financial statements and issued an unqualified audit report thereon. The SFCR is not in scope of the KPMG audit.

Name and contact details of the supervisory authority	
Name:	De Nederlandsche Bank
Visiting address:	Frederiksplein 61, 1017 XL Amsterdam
Phone number (general):	+31 800 020 1068
Phone number (business purposes):	+31 20 524 9111
Email:	info@dnb.nl

Name and contact details of the external auditor

Name:	KPMG Accountants N.V.
Visiting address:	Laan van Langerhuize 1, 1186 DS Amstelveen
Phone number:	+31 20 656 7890

A.2 Key figures

- The profit before tax increased to € 919 million (2023: loss before tax of € 339 million)
- Gross written premiums decreased by 23% to € 1,111 million (2023: € 1,447 million)
- Operating expenses decreased to € 118 million (2023: € 157 million)

Key figures Aegon life

(in € millions)	2024	2023
Gross written premiums	1,111	1,447
Operating expenses	-118	-157
Result before tax from continuing operations	919	-339
Income tax on ordinary activities	-234	106
Result after tax	685	-233
New business (APE)	48	47

Gross written premiums (GWP)

At € 1,111 million, the gross written premiums decreased by 23% (€ -336 million). This decrease was mainly driven by higher indexations on existing pension contracts in 2023. GWP is also including premium from DB subscriptions renewals. The renewal rate is high (97%) due to delay of New Pension Reforms. GWP of Individual Life decreased with 8% mainly due to a declining portfolio. No new products are sold for indiviual life.

Operating expenses

Operating expenses decreased by € 39 million to € 118 million.

The decrease in operating expenses is mainly attributable to lower project expenses in 2024, the realisation of the expected synergies of the merger and insourcing of personnel.

Result before tax

Results for the years 2023 and 2024 were mainly impacted by market movements (interest rates) that are in scope of hedging measures (based on Economic Framework).

New business (APE)

New business in APE increased by € 1 million to € 48 million (2023: € 47 million). This is mainly due to a buy-out in 2024, a stable performance of immediate annuities slightly offset by a decrease of indexations on existing pension contracts.

Buy-outs

a.s.r. has confirmed the first buy-out, in which a pension fund transfers its assets and liabilities to a.s.r. a.s.r. recently announced the second buy-out of approximately € 1.6 billion which is subject to the approval of the DNB. The transfer of both pension funds will increase the assets and liabilities of a.s.r. by almost € 1.7 billion. Next to these realised transfers, a.s.r. is well positioned for further buy-outs.

A.3 Investment performance

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

A.3.1 Breakdown of investments

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

Financial investments

Movement schedule financial investments

	Balance per 1 January 2024	Additions	Disposals	Revaluation and other changes	Balance per 31 December 2024
Shares and other equity securities	265	389	-383	27	298
Bonds and other fixed-income securities	12,523	3,789	-2,994	-138	13,180
Receivables from mortgage loans	13,681	911	-1,073	495	14,014
Receivables from other loans	3,184	259	-182	4	3,265
Deposits with credit institutions	299	-	-78	7	228
Other financial investments	1,104	831	-588	54	1,401
Total	**31,056**	**6,179**	**-5,298**	**449**	**32,386**

Movement schedule financial investments

	Balance per 1 January 2023	Additions	Disposals	Revaluation and other changes	Balance per 31 December 2023
Shares and other equity securities	-	508	-257	14	265
Bonds and other fixed-income securities	12,882	1,808	-2,679	512	12,523
Receivables from mortgage loans	13,677	764	-1,008	248	13,681
Receivables from other loans	3,102	109	-128	101	3,184
Deposits with credit institutions	283	23	-	-7	299
Other financial investments	1,722	176	-800	6	1,104
Total	**31,666**	**3,388**	**-4,872**	**874**	**31,056**

Investments for account of policyholders

Investments for account of policyholders - breakdown

	2024	2023
Real estate	441	469
Shares	6,867	6,385
Debt securities	7,554	6,764
Mortgage loans	2,197	2,163
Other financial investments	1,009	1,424
Cash and cash equivalents	2,288	2,415
Total	**20,356**	**19,620**

Investments for account of policyholders comprises of financial assets held by investment funds to meet obligations to third parties.

Investment returns on these assets are passed on to the policyholder. The investments for account of policyholders are deemed non-current.

Almost all shares and debt securities for account of policyholders are publicly traded. The increase in 2024 of investments for account of policyholders was mainly driven by positive impacts from financial markets on asset prices.

A.3.2 Investment performance

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

Investment performance on technical account life insurance

1 (Loss) / income from investments

The investment income is further explained in the table below.

Breakdown of income from investments

	2024	2023
Shares, units and other variable-yield securities	55	52
Bonds and other fixed-income securities	413	326
Receivables from mortgage loans	443	445
Receivables from other loans	136	114
Other	505	103
Investments at the risk of policyholders	173	238
Total	**1,725**	**1,278**

Other increase mainly due to results participating interest and interest on derivatives.

2 Unrealised gains on investments

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

Unrealised gains on investments

	Unrealised
2024	
Shares, units and other variable-income securities	47
Other financial investments	776
Derivative financial instruments	15
Investments at the risk of policyholders	1,501
Total gains on investments	**2,339**
2023	
Shares, units and other variable-income securities	27
Other financial investments	892
Derivative financial instruments	278
Investments at the risk of policyholders	1,448
Total gains on investments	**2,645**

3 Unrealised loss on investments

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

Unrealised loss on investments

	Unrealised
2024	
Other financial investments	-201
Derivative financial instruments	-299
Total losses on investments	**-500**
2023	
Other financial investments	-192
Derivative financial instruments	-
Total losses on investments	**-192**

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

A.3.3 Investments in securitisation

On May 23, 2019, Aegon life closed a transaction under the Dutch SAECURE program to issue Class A mortgage backed securities (RMBS). 'SAECURE 17' consists of € 2,900 million of class A notes with an expected weighted average life of 4.99 years and a fixed coupon of 0.50%. These notes can be used as collateral for repurchase facilities Aegon life has entered into with third parties, or alternatively sold to third party investors. As all notes have been retained by Aegon life, the notes acquired by Aegon life are eliminated against the notes issued by the SPE.

In Q4 2023 Aegon Leven restructured 'SAECURE 17', by expanding 'SAECURE 17' with new mortgage loans and extend the FORD for the next 5 years. After the restructuring 'SAECURE 17' exists of € 4,350 million of class A notes with a first optional redemption date in January 2030.

At year-end 2024 € 332 million (market value € 358 million) has been posted as collateral with respect to the longevity reinsurance contract with Canada Life Reinsurance (2023: € 375 million collateral, market value € 334 million) and € 159 million (market value € 161 million) has been posted as collateral with respect to the longevity reinsurance contract with RGA (2023: € 200 million collateral, market value € 178 million).

A.4 Performance of other activities

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

A.5 Any other information

Unit-linked products
Unit-linked products In 2023, Aegon life reached a final settlement for unit-linked life insurance customers of Aegon life affiliated to the interest groups Consumentenclaim, Woekerpolis.nl, Woekerpolisproces, Wakkerpolis and Consumentenbond. Over the past years, the interest groups conducted collective proceedings regarding a number of unit-linked products. With the agreement that has now been reached, further collective legal proceedings will be terminated, the parties will put an end to uncertainty for customers and this file will be closed for Aegon life. On 19 February 2025 it was announced that the agreement that was reached in November 2023 with the five customer protection groups is final. More than 90% of the affiliated customers have accepted a personal offer. As a result the collective actions that these consumer protection organisations have initiated in the past, will be cancelled. Also, these consumer protection organisations will not initiate new claims against a.s.r. a.s.r. has made an additional provision for unaffiliated customers that have not previously received compensation. The settlement and the provision made for it have no impact on a.s.r.'s capital and dividend policy.

B System of governance

B.1 General information on the system of governance

This paragraph contains a description of the system of governance of a.s.r. Nederland N.V., which is applicable, mutatis mutandis, to Aegon life. Unlike a.s.r. Nederland N.V., Aegon life is not subject directly to the Dutch Corporate Governance Code.

B.1.1 Corporate governance

a.s.r. is the group's holding company. a.s.r. non-life is one of the supervised entities (OTSOs) within this group. a.s.r. is a public limited company which is listed on the Euronext Amsterdam Exchange and governed by Dutch corporate law. It has a two-tier board governance structure consisting of an Executive Board (EB) and a Supervisory Board (SB). The EB is responsible for the realisation of the company's corporate objectives, the strategy with its associated risks and the delivery of the results. The SB is responsible for advising the EB, supervising its policies and for the general state of affairs relating to a.s.r. and its group entities.The EB members and SB members of Aegon life are the same as those of a.s.r.

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

B.1.1.1 Executive Board

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

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

The EB currently consists of three members. The General Meeting of Shareholders appoints the members of the EB and may suspend or dismiss any member of the EB at any time. The SB may also suspend any member of the EB. A suspension by the SB may be raised by the General Meeting of Shareholders at any time.

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

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

Composition of the Executive Board

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

Permanent education and evaluation

In 2024, specific permanent education sessions were attended by the SB, EB, and the MB, for the purpose of further education. A session, organised by representatives of the Pensions business unit, Asset Management and TKP, focused on the Future Pensions Act (*Wet toekomst pensioenen* - WTP). During this session the SB, EB and MB were educated on the developments and opportunities due to the WTP and the status of implementation of this legislation. Another session focused on sustainability. This session was led by the Sustainability team and provided an update on (legislation regarding to) sustainable entrepreneurship, (governance regarding to) CSRD and on the a.s.r. Sustainable Insurance Policy. Furthermore a session was held to educate the SB, EB and MB on US GAAS. In this session, led by Group Finance and Legal, an introduction of Generally Accepted Auditing Standards (US GAAS), the legal aspects and the impact on a.s.r. were given. As a US listed entity, Aegon Ltd. is audited under US GAAS . Due to Aegon Ltd.'s shareholding in a.s.r. Nederland N.V., US GAAS regulatory requirements have become (partly) applicable to a.s.r. A session led by the Data Office provided an update on developments with respect to Generative AI and the application within a.s.r. The final session focused on two subjects, the Major Model Change for the MR1 Interest Rate model ('MMC MR1') and the Strategic Asset Allocation ('SAA') and investment plan 2025. In the first part of the session the SB, EB, and the MB were educated by Group Risk Management on the MMC MR1, it's background and implications. The second part of the session, organised by representatives of Asset Management, focused on an analysis of the current investment policy and optimisation opportunities.

In 2024, the EB and MB conducted a comprehensive self-evaluation to assess its composition, role, and functioning. The self-evaluation session was conducted on the basis of a questionnaire and interviews. The outcome of the questionnaire was discussed with the MB and the company secretary. The evaluation highlighted the strength of the MB in its diversity, complementarity of roles, and effective communication.

The MB operates as a cohesive team, demonstrating effective collaboration even in complex and large dossiers. The open and transparent communication within the MB allows for the discussion of sensitive issues and encourages members to challenge each other constructively. The collaboration with the SB has also been rated positively, with the SB effectively fulfilling its sparring partner role. The MB's decision-making processes are seen as effective and balanced, with a strong focus on the interests of key stakeholders, including customers, employees, shareholders, and society. The MB plans to continue fostering an open culture where diverse perspectives are valued and constructive challenges are encouraged. The MB's commitment to structured meetings, high participation, and productive discussions will remain a cornerstone of its operations, contributing to the overall success and growth of a.s.r.

The performance of the EB was also assessed by the SB as part of the scope of the annual assessment process; see section 5.3 of the annual report. In this context, interviews are held twice a year with the individual EB members (by two SB members on each occasion) in which the results of the aforementioned self-evaluation are included.

B.1.1.2 Supervisory Board

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

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

Composition of the Supervisory Board

In line with a.s.r.’s articles of association, the SB should consist of at least three members.

The SB currently consists of seven members: Joop Wijn (chair), Bob Elfring, Sonja Barendregt, Gerard van Olphen, Gisella van Vollenhoven, Daniëlle Jansen Heijtmajer and Lard Friese.

Diverse representation

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

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

Independence and conflicts of interest

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

All the SB members passed the fit and proper test required under the Dutch Financial Supervision Act, which includes an assessment of their independence.

In 2024, the SB was able to carry out its tasks independently pursuant to principles 2.1.7 to 2.1.9 of the Dutch Corporate Governance Code, in accordance with article 39 (1) Directive 2014/56/EU all SB members are independent as defined in the Corporate Governance Code, with the exception of Lard Friese (due to his position as CEO of Aegon Ltd.).

In order to prevent (potential) conflicts of interests, relevant SB members in respect of whom a potential conflict of interest could arise, have refrained from participation in and decision-taking with respect to Knab in the SB.

According to the Dutch Civil Code, a member of the SB of a listed company may not hold more than five supervisory board positions or equivalent roles within large Dutch companies and large Dutch foundations. This regulation ensures that supervisory board members can dedicate sufficient time and attention to their responsibilities. The members of the SB of a.s.r. comply with these requirements.

Furthermore no transactions were entered into in 2024 in which there were conflicts of interest with SB and/or EB members that are of material significance to a.s.r. and/or to the relevant board members.

Permanent education and evaluation

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

The self-assessment for 2023 was based on a questionnaire and a plenary SB evaluation session with external supervision. The following aspects were assessed:

- Role and composition of the SB;
- Effectiveness of processes (information-gathering and decision-making);
- Role as an employer;
- Advisory role and strategy.

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

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

B.1.1.3 Governance codes

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

Dutch Corporate Governance Code

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

Professional oath

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

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

Decision concerning disclosure of non-financial information and Decision concerning disclosure of diversity policy

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

B.1.2 Related-party transactions

A related party means any legal entity over which dominant control, joint control or significant influence may be exercised. Legal entities that can exercise dominant control are also considered to be related parties.The statutory board members, other key officials in the management of Aegon life, Aegon, a.s.r. and close relatives are also related parties.

Significant transactions with related parties are explained to the extent that they were not entered into under normal market conditions. This explains the nature and size of the transaction and other information that is necessary to provide insight.

In the normal course of business, Aegon life enters into various transactions with related parties. The principal ones are described in this section. Parties are considered to be related if one party has the ability to control or exercise significant influence over the other party in making financial or operating decisions. Transactions between related parties have taken place on an arm's length basis, and include rendering and receiving of services, leases, transfers under finance arrangements and provisions of guarantees or collateral. There are no significant provisions for doubtful debts or individually significant bad debt expenses recognised on outstanding balances with related parties.

Until the sale of its parent company Aegon Nederland to a.s.r. on July 4, 2023, Aegon N.V. (per September 30, 2023: Aegon Ltd.) and its subsidiaries Aegon Investment Management B.V., Aegon Custody B.V. and Aegon Treasury B.V. were related parties of Aegon life. Driven by the sale of Aegon Nederland to a.s.r., a.s.r. and its subsidiaries became related parties starting from July 4, 2023. As a.s.r. legally merged with Aegon Nederland on October 1, 2023 and Aegon Nederland ceased to exist after the merger, all related party transactions that were prior to the merger concluded with Aegon Nederland, are since the merger concluded with a.s.r.

Until the sale of its parent company Aegon Nederland to a.s.r. on July 4, 2023, Aegon life participated in the treasury and derivative valuation services of Aegon Limited. The interest rate swaps that Aegon life used to mitigate interest rate risk were concluded with Aegon Derivatives. Driven by the a.s.r. transaction, all derivatives positions were novated, with all derivatives directly concluded with non-related counterparties.

Aegon life, without the joint venture Amvest Vastgoed, was until July 4, 2023, a member of the Aegon Limited tax group and settled its current tax liabilities with the head of the tax grouping as if it were an autonomous taxpayer. As per July 4, 2023, Aegon life, without the joint venture Amvest, is a member of the a.s.r. tax group and settles its' current tax liabilities with the head of the tax grouping as if it were an autonomous taxpayer. Aegon life is jointly and severally liable for all tax liabilities of the entire a.s.r. tax group. It also uses the tax expertise of a.s.r.

Aegon life has group borrowings and group loans with group companies, see section 2.3.2 Investments in group companies and participating interests of the annual repoert of Aegon life for further information.

Except for the sales transactions of mortgages, the majority of the transactions with group companies pass through group and are accounted for in the current account with a.s.r. This current account relationship is uncollateralized and can be either a claim or a debt position. The current account position is subject to internally set limits which are monitored; regular realignments occur even if no limit is exceeded. At the end of the year, Aegon life had a current account receivable from a.s.r. of € 112 million (2023: € 249 million receivable)

Aegon life has a current account relationship with Aegon Hypotheken B.V. to facilitate the payment for the deliverance of mortgages by Aegon Hypotheken B.V.. These mortgage transactions are settled within several days. At the end of the year, Aegon life had no current account payable to Aegon Hypotheken B.V. (2023: no current account payable).

Aegon DL B.V., a subsidiary of Aegon life, has made capital commitments of USD 800 million, for which Aegon life acts as guarantor for the amount that is not yet invested of € 134 million at year-end 2024 (2023: € 76 million).

Aegon life received € 4 million from its parent a.s.r. for the rental of the Aegon offices in The Hague (2023: € 4 million).

Aegon life offers its products to employees of a.s.r. The conditions for these products are the same for key management personnel and other staff.

a.s.r. has a defined benefit pension plan for its employees which is administered by Aegon life. As of January 1, 2020 this 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 agreements for those accruals will remain in force. The premium paid to Aegon life for this scheme was € 14 million (2023: € 12 million).

In 2024 Aegon life paid € 229 million dividend to a.s.r. (2023: € 166 million dividend was paid to a.s.r. and € 205 million to Aegon Nederland).

a.s.r. employs the staff that carries out work for Aegon life and its subsidiaries; the related expenses are charged to Aegon life. Furthermore a.s.r. provides Aegon life with administrative support and facilities at cost. Overhead expenses of € 74 million (2023: € 135 million) were charged.

Certain investment activities are undertaken through Aegon Ltd and its group companies. Costs are recharged on normal commercial terms. The recharge was € 16 million (2023: € 20 million).

The premium income from the production of Aegon Cappital related to Aegon life was € 35.6 million (2023: € 36.3 million). As of January 2020, Aegon Cappital receives a fee from Aegon life for the administration of the risk insurance contracts. The fee paid in 2024 was € 0.7 million (2023: € 0.7 million). The mortgages held by Aegon life are managed and administered by Aegon Hypotheken B.V. The recharge for these services was € 25.3 million (2023: € 25.3 million). Aegon Hypotheken B.V. has originated mortgages for Aegon life for a total amount of € 766 million (2023: € 784 million).

Aegon life has uncommitted financing arrangements with Aegon Hypotheken B.V. Aegon Hypotheken B.V.'s funding arrangement with Aegon life consists of secured and unsecured borrowings of € 500 million (2023: € 500 million). As part of the funding structure, Aegon Hypotheken B.V. pledged mortgage loans and pools of mortgage loans underlying to sub (e.g. junior) notes and subordinated loans in the warehouses held for own account for secured borrowings and pledged all its mortgage loans that are not already pledged otherwise to unsecured borrowings. The secured and unsecured loans have a fixed rate.

Furthermore, in 2020 Aegon Hypotheken B.V. obtained a new loan facility with Aegon life. This loan facility is an uncommitted secured loan facility with a maximum of € 250 million. Aegon Hypotheken B.V. can request funding on a daily basis, but due to the uncommitted nature of the loan, Aegon life is not obligated to grant the request. Aegon Hypotheken B.V. pays a commitment fee on the undrawn amount and the coupon rate for the drawn amount is ESTR plus 80 bps. At year-end 2023 and 2024 there was no commitment requested.

Aegon life paid € 13.4 million fees to TKP Pensioen for the maintenance of the DC and DB portfolio (2023: € 10.3 million).

B.1.3 Remuneration of Supervisory Board and Executive Board

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

B.2 Fit and Proper requirements

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

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

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

B.3 Risk management system

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

B.3.1 Risk Management Framework

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

Risk management framework

Risk Management framework

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

Risk strategy (incl. risk appetite)

Risk strategy is defined to contain at least the following elements:

- Strategic, tactical and operational objectives that are pursued;
- The risk appetite in pursuit of those strategic, tactical and operational objectives.

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

Risk governance

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

Systems and data

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

Risk policies and procedures

Risk policies and procedures are part of the a.s.r. policy house. Policy documents are submitted for approval to the relevant (risk) committee in accordance with the applicable governance. Policies are evaluated annually, tested against internal and external market developments, and changes in laws and regulations, and updated as necessary in accordance with the governance defined in the policy.

Each risk policy must include at least:

- The scope within a.s.r. to which the policy applies.
- A demonstrable and consistent link with relevant laws and regulations and/or strategy.
- Key requirements to achieve the policy's objectives.
- The risk categories to which the policy line applies
- Description of the method for controlling the risk.
- Specific risk tolerances and limits within the relevant risk categories in accordance with the risk appetite statements.
- The frequency and content of regular stress tests and the circumstances that would justify ad-hoc stress tests.
- The processes and reporting procedures applied.
- Exceptions and Escalations.

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

Risk culture

An effective risk culture is one that enables and rewards individuals and groups for taking risks in an informed manner. It is a term describing the values, beliefs, knowledge, attitudes and understanding about risk. All the elements of the RM framework combined make an effective risk culture.

Within a.s.r. risk culture is an important element that emphasises the human side of Risk Management. The MB has a distinguished role in expressing the appropriate norms and values (tone at the top). a.s.r. employs several measures to increase the risk awareness and, in doing so, the risk culture (see chapter Risk culture).

Risk management process

The RM process contains all activities within the RM processes to structurally 1) identify risks; 2) measure risks; 3) manage risks; 4) monitor and report on risks; and 5) evaluate the risk profile and RM framework.

At a.s.r., the RM process is used to implement the risk strategy in the steps mentioned. These five steps are applicable to the risks within the company to be managed effectively (see chapter Risk Management process).

Based on the integration of Aegon NL, the beneficial elements from Aegon's Risk Management (RM) framework are incorporated into the a.s.r. RM framework. The main developments in 2024 include the integration and refinement of risk appetite, risk management policies and procedures, control frameworks and reports, as well as the redesign and standardisation of the Governance, Risk, and Compliance (GRC) tooling Cerrix.

B.3.1.1 Risk strategy and risk appetite

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

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

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

B.3.1.2 Risk governance

a.s.r.'s risk governance can be described by:
- risk ownership;
- the implemented three lines model and associated (clear delimitation of) tasks and responsibilities of key function holders; and
- the risk committee structure to ensure adequate decision making.

Risk ownership

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

Three lines model

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

Three lines model

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

Positioning of key functions

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

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

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

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

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

Methodology
Methodology is responsible for establishing methodologies for Partial Internal Model (hereafter: PIM). The Methodology department is responsible for setting up the internal model, including documentation and maintenance of the documentation. It also handles continuous education by: (1) updating training materials; (2) providing training sessions; (3) assessing the suitability of training levels. Additionally, it analyses the functioning of the internal model, periodically calibrates the internal model parameters, monitors the suitability of the internal model, and conducts annual comparisons of PIM and SF results.

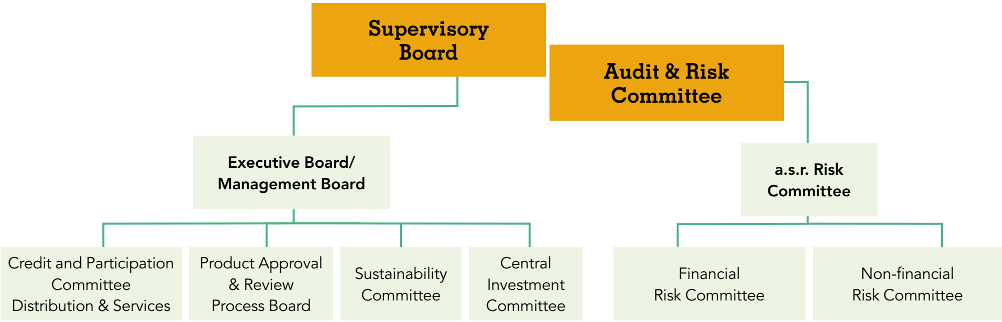
Compliance
The responsibilities of Compliance include the development of compliance policies and procedures, the annual review and update of the compliance risk strategy (risk appetite) and the monitoring of the non-financial risk profile concerning compliance risks. An important task of Compliance is to be the countervailing power to the EB and other management in managing compliance risks for a.s.r. and its subsidiaries. The mission of the compliance function is to enhance and ensure a controlled and sound business operation.

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

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

Risk committee structure
a.s.r. has established a structure of risk committees with the objective to monitor the risk profile for a.s.r. group, its legal entities and its business lines in order to ensure that it remains within the risk appetite and the underlying risk tolerances and risk limits. When triggers are hit or likely to be hit, risk committees make decisions regarding measures to be taken, being risk-mitigating measures or measures regarding governance, such as the frequency of their meetings. For each of the risk committees a statute is drawn up in which the tasks, composition and responsibilities of the committee are defined. In the first half of 2024 the committee structure was further rationalised, which led to the elimination of the separate committees for Aegon entities.

Risk committee structure



Audit & Risk Committee

The Audit & Risk Committee was established by the Supervisory Board to gain support, among other things, in the following matters:

- Assessment of the risk appetite proposal and quarterly monitoring of the risk profile;
- Assessment of the annual report, including the financial statements of a.s.r.;
- The relationship with the independent external auditor, including the assessment of the quality and independence of the independent external auditor and the proposal by the SB to the AGM to appoint the independent external auditor;
- The performance of the audit function, compliance function, the AF and the RMF;
- Compliance with rules and regulations; and
- The financial position.

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

a.s.r. risk committee

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

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

Non-Financial Risk Committee

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

Financial Risk Committee

The Financial Risk Committee (FRC) discusses, advises and decides upon financial risk policies. The most relevant financial risk policies are approved by the a.s.r. risk committee. The FRC monitors that financial risks of a.s.r. and the business entities are managed adequately and monitors that the risk profile stays within the agreed risk limits. If the risk profile exceeds the limits, the NFR takes mitigating actions. The FRC reports to the a.s.r. risk committee. The Chairman of the FRC is the CFO. In mid-2024, the committee structure was further rationalised. The FRC now oversees the financial risk for all entities, leading to the dissolution of the separate committees for Aegon entities.

Credit and Participation Committee Distribution & Services

In the Credit and Participation Committee Distribution & Services (hereafter: CPC D&S), acquisition, credit, and combined participation and credit proposals (D&S proposals) within the scope of the Distribution and Services segment of a.s.r. (D&S segment) are assessed. The CPC D&S is authorised to decide on proposals with a total investment between € 2 million and € 7.5 million. The management of D&S is independently authorised for decisions up to € 2 million. Decisions on proposals above € 7.5 million are reserved for the Board of Directors, with advice from the CPC D&S. The chair of the CPC D&S is the CFO of a.s.r.

Product Approval and Review Process Board

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

Sustainability Committee

The Sustainability Committee (hereafter: SC) aims to review and advise on central and decentralised draft policies related to sustainability before these policies are submitted for approval to the Board of Directors or the competent committee. Additionally, dilemmas, complications, and conflicting interests in the field of sustainability (including ESG and CDD/KYC) that arise at a.s.r. and/or one of the (sub)committees are discussed. The chair of the SC is the Director of Communications.

Central Investment Committee

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

B.3.1.3 Systems and data

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

a.s.r. has a Data Quality policy in place to support the availability of correct management information. This policy is evaluated on an annual basis and revised at least every three years to keep the standards in line with the latest developments on information management. The quality of the information is reviewed based on the following aspects, based on Solvency II:

- completeness (including documentation of accuracy of results)
- adequacy
- reliability
- timeliness

Adherence to this policy is ensured by the three lines model. With a Central Data Office, additional measures are taken to increase maturity in data management practices.

The data risk governance and committee structure in place ensures that ownership and decision making regarding assumptions and the plausibility of the results is effectively organised.

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

a.s.r.'s information security policy is based on relevant laws and market standards, like ISO 2700x, COBIT 2019, NIST Cybersecurity framework, SOC2 principles, PCI DSS, COSO, BS 25999, ISO 31000, ITIL. These standards describes best practices for the implementation of information security. For the Digital Operational Resilience Act (hereafter: DORA), important changes in 2024 per DORA pillar are:

- ICT Risk Management: a strengthened, centralised, and top-down approach has been adopted through an IT Risk Framework for ICT governance and risk management. Best practice controls are now mandatory and implemented via comply-or-explain principles.
- Incident Management: IT incident monitoring has been intensified with a new process to promptly notify and report major DORA incidents to regulators. There is now more focus on business continuity rather than solely IT continuity.
- Digital Resilience: focus on the critical and important business functions, with controls formalised or adjusted as necessary to comply with DORA.
- Management of Third-Party Risk: concentration risks and critical suppliers have been identified. Reporting has been improved, and a processing register along with mandatory reporting templates have been implemented. Where necessary, contracts with third-party suppliers have been revised.
- ICT Information Sharing: information exchange between a.s.r., other financial institutions, and regulators has been improved, with active contributions to collaborations.

From 2025, a.s.r. meets the DORA regulations, and DORA will be part of a.s.r.'s information security policy.

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

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

B.3.1.4 Risk policies and procedures

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

a.s.r. employees gain risk management knowledge and skills through the implementation of risk management policies, procedures and practices and the execution and testing of controls within business processes for sound and controlled business operations. Training courses that cover the main risk-related topics, presentations, workshops, gamification and the use of governance, risk & compliance tooling also contribute to this. Courses include, for example, sustainability risk specifically ESG factors to better understand and identify material risks. In addition, risk management employees keep their knowledge and skills up to date through training courses - including in the context of permanent education - that cover specific risk-related topics.

B.3.1.5 Risk culture

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

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

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

In doing so, a.s.r. aims to create a solid risk culture in which ethical values, desired behaviours and understanding of risk in the entity are fully embedded. Integrity is of the utmost importance at a.s.r.: this is translated into a code of conduct and strict application policies for new and existing personnel, such as taking an oath or solemn affirmation when entering the company, and the 'fit and proper' aspect of the Solvency II regulation, ensuring that a.s.r. is overseen and managed in a professional manner.

Furthermore, a.s.r. believes it is important that a culture is created in which risks can be discussed openly and where risks are not merely perceived to be negative and highlight that risks can also present a.s.r. with opportunities. Risk Management (both centralised and decentralised) and Compliance are positioned as such, that they can communicate and report on risks independently and transparently, which also contributes to creating a proper risk culture.

B.3.1.6 Risk management process

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

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

Measuring
After risks have been identified, quantitative or qualitative assessments of these risks take place to estimate the likelihood and impact associated with them. Methods applicable to the assessment of risks are:
- Sensitivity analysis
- Stress testing
- Scenario analysis
- Expert judgments (regarding likelihood and impact)
- Portfolio analysis

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

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

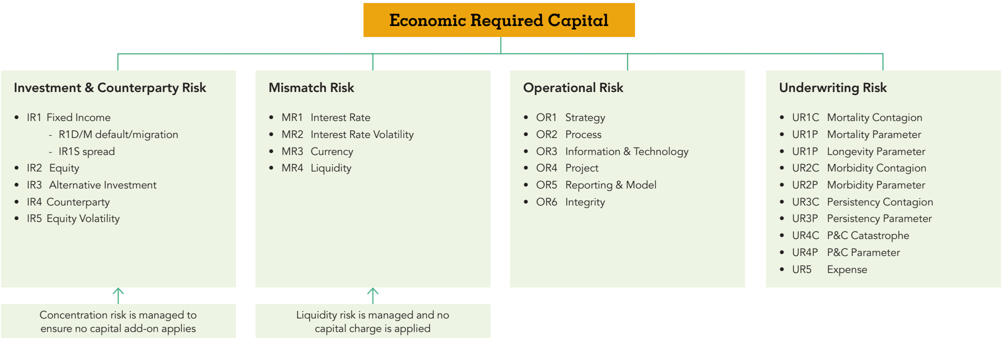
Monitoring and reporting
The risk identification process is not a continuous exercise. Therefore, risk monitoring and reporting are required to capture changes in environments and conditions. This also means that RM strategies could, or perhaps should, be adapted in accordance with risk appetite tolerance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

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

B.3.2 Risk categories

a.s.r. is exposed to a variety of risks. Aegon life uses a Partial Internal Model (PIM). The risk universe of Aegon life is therefore different and captures all material risks that the company is exposed to. The emerging risk process ensures that the risk universe will remain up to date. An overview of Aegon life's risk universe is provided below.

Risk universe



For the other insurance entities there are six main risk categories that a.s.r. recognises, as described below. In addition, a.s.r. recognises sustainability risks arising from environmental, social or governance (ESG) events or conditions. These risks can be financial and non-financial and can be both strategic and operational. This means that all six main risk categories that a.s.r. recognises can be affected by sustainability risks. In chapter 6 of the a.s.r. annual report and in the paragraph climate change, a.s.r. briefly describes how a.s.r. identifies, measures and manages climate risks and opportunities for its business.

a.s.r. is working on integrating the different risk categories into a single overarching risk taxonomy. This harmonised overarching taxonomy will consist of both the Solvency II Standard Formula (SF) risk categories and the risk categories from the PIM and is expected to be implemented in 2025. This also apply to Aegon life.

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

- Life insurance risk
- Health insurance risk
- Non-life insurance risk

Market risk
The risk of changes in values caused by market prices or volatility of market prices differing from their expected values. The following types of market risk are distinguished:

- Interest rate risk
- Equity risk
- Property risk
- Spread risk
- Currency risk
- Concentration risk / market concentration risk

Counterparty default risk
Counterparty default risk is the risk of losses due to the unexpected failure to pay or credit rating downgrade of counterparties and debtors. Counterparty default risk exists in respect of the following counterparties:

- Reinsurers
- Consumers
- Intermediaries
- Counterparties that offer cash facilities
- Counterparties with which derivatives contracts have been concluded
- Healthcare providers

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

Operational risk
Operational risk is the risk of losses caused by weak or failing internal procedures, weaknesses in the action taken by personnel, weaknesses in systems or because of external events. The following subcategories of operational risk are used:

- process
- Information technology
- Project risks
- Financial reporting & Model risk
- Integrity

Strategic risk
Strategic risk is the risk of a.s.r. or its business lines failing to achieve the objectives due to incorrect decision-making, incorrect implementation and / or an inadequate response to changes in the environment. Such changes may arise in the following areas:

- Macro-economic
- Geopolitical instability
- Climate change and energy transition
- Cyber and information security
- Regulation
- Biodiversity
- Social tensions
- Pandemics

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

B.4 Internal control system

Within a.s.r., internal control is defined as the processes, affected by the board of directors, senior management, and other personnel within the organisation, implemented to obtain a reasonable level of certainty with regard to achieving the following objectives:

- High-level goals, aligned with and supporting the organisation's mission;
- Effective and efficient use of resources
- Reliability of operational and financial reporting
- Compliance with applicable laws regulations and ethical standards
- Safeguarding of company assets

B.4.1 Strategic and operational risk management

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

B.4.1.1 Strategic Risk Management

Strategic risk management aims to identify and manage the most important risks that may impact a.s.r.'s strategic objectives. The process of strategic risk analysis (SRA) is designed to identify, measure, manage, monitor, report and evaluate those risks that are of strategic importance to a.s.r.:

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

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

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

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

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

Climate change
One of the areas within Strategic Risk Management concerns climate change. For a.s.r., climate change is a direct and indirect risk, both to its assets and liabilities. In section 5.4.3 Identified risks of the Annual report of a.s.r. and 6.2.1 Climate change of the Annual report of a.s.r., the relevant climate related risks for a.s.r. are discussed including how these risks are managed. Climate change related risks have had no direct impact on the valuation in the current accounting and disclosures of a.s.r.'s assets and liabilities.

B.4.1.2 Operational Risk Management

Operational Risk Management (ORM) involves the management of all possible risks that may influence the achievement of the business goals and that can cause financial or reputational damage. ORM includes the identification, analysis, prioritisation and management of these risks in line with the risk appetite. The policy on ORM is drafted and periodically evaluated under the coordination of ORM. The policy is implemented in the (decentralised) business entities under the responsibility of the management boards. A variety of risks is covered by ORM policies, such as the Process, IT, outsourcing, project, reporting etc.

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

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

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

Managing
For each risk, identified controls are implemented into the processes to keep the level of risk within the agreed risk appetite (level of concern 1 or 2). In general, risks can be accepted, mitigated, avoided or

transferred. A large range of options is available to mitigate operational risks, depending on the type. An estimation is made of the net risk, after implementing the control(s). A more effective and efficient approach to managing risks is required driven by increased complexity of processes, data processing and the need for a timely and accurate view on the risk profile. a.s.r. is therefore in the process of shifting towards a more automated approach to manage risks, for example automated controls, data analysis and the use of AI for reporting purposes.

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

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

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

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

Business Continuity Management
Operations and the execution of critical processes can be disrupted significantly by unforeseen circumstances or calamities. Preparation and practice enable a.s.r. to resume its most important business activities with limited interruptions and to react quickly and effectively during such situations.

Critical processes and the people, assets and technology needed to run them are identified during the Business Impact Analysis. The factors and calamities that can threaten the availability these processes are identified in the Threat Analysis. If the impact of certain events can be unacceptable large, mitigating actions are taken. In response to the large dependence of a.s.r of automated systems, cyber threats are always addressed during these analyses.

a.s.r. defines a crisis as: one or more business lines are (in danger of being) disrupted due to a calamity or potentially suffering reputational damage beyond the acceptable. In order to manage the crisis, and to be able to react timely, efficiently and effectively, a.s.r. has set up a crisis organisation.

There is a central crisis team led by a member of the board. Additionally each business line has its own team to deal with smaller crises. The measures to ensure continuity of critical processes are tested regularly and all crisis teams are trained annually to be able to act effectively during such situations. The plans to deal with the various scenarios, including cyber threats, are also practiced periodically.

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

As part of the legislation a.s.r. is obliged to have a Preparatory Crisis Plan ('Voorbereidend Crisisplan' in Dutch) in place that has been approved by DNB. In 2024, a.s.r.'s Preparatory Crisis Plan is updated and helps to be prepared and supports the organisation in various scenarios of extreme financial stress. The Preparatory Crisis Plan describes and quantifies the measures that can be applied to handle a crisis situation and to resume business. These measures are tested in the scenario analysis, in which the effects of each recovery measure on a.s.r.'s financial position (solvency and liquidity) are quantified. The required preparations for implementing the measures, their implementation time and effectiveness, potential obstacles, impact on clients and operational effects are also assessed. The main purpose of the Preparatory Crisis Plan is to increase the chances of early intervention in the event of a financial crisis situation and to further guarantee that the interest of clients and other stakeholders are protected.

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

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

B.4.2 Compliance function
The Compliance department is a centralised function within a.s.r., headed by the Compliance key function-holder. Being part of the second line, Compliance is considered a key function in line with the Solvency II regulation. The Compliance key function holder is hierarchically managed by and reports to the Chief Risk Officer (CRO), a Member of the Management Board (MB). The CRO ensures that the Compliance annual plan proposed by the Compliance key function holder is adopted by the MB.

The compliance key function holder also has an escalation line to the CEO, the Chair of the Audit & Risk Committe (AR&C) and/or the Chair of the Supervisory Board (SB) in order to safeguard the independent position of the compliance function and to allow it to operate autonomously.

To enhance and ensure sound and controlled business operations, Compliance is responsible for:

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

The Compliance key function holder reports quarterly on compliance matters and on the progress made with regard to recommended business measures and actions at a.s.r. group level and supervised entity (*Onder toezicht staande ondernemingen* - OTSO) level. The subsidiaries D&S, TKP and Robidus have their compliance officer who report to the Compliance department. The quarterly report at group and OTSO levels is presented to and discussed with members of the MB, the Non-Financial Risk Committee, the Risk Committee and with the A&RC of the SB. The report is shared and discussed with Dutch Central Bank (*De Nederlandsche Bank* - DNB), the Dutch Authority for the Financial Markets (*Autoriteit Financiële Markten* - AFM), and the internal and external auditors.

Related to the integration of Aegon NL, Compliance established several work flows to further integrate the compliance function. Key considerations included the standardisation of policies and processes, monitoring and reports, and included good practices of Aegon NL. These activities were largely completed in 2024.

Compliance risks

a.s.r. continuously tracks evolving laws, evaluates their impact on the organisation, and determines the necessary measures to address them. These actions, combined with managing identified compliance risks, form the foundation of the annual compliance plan and monitoring activities. a.s.r. monitors business operations, including the management of reputational risks. The framework for monitoring and reviewing is based on the rules, regulations and standards of a.s.r. itself, including the a.s.r. Code of Conduct.

In 2024, a.s.r. focused on several key areas:

- Customer due diligence (CDD), including anti-money laundering and anti-terrorist financing.
- Privacy laws and regulations, including the General Data Protection Regulation (GDPR). a.s.r. considers it important for personal data to be handled with care.
- EU sustainability regulations, such as the SFDR, the EU Taxonomy Regulation and the CSRD.
- The further development and safeguarding of the Product Approval and Review Process (PARP), in collaboration with the PARP Board and the relevant business units.
- Compliance participated in conversion processes of portfolios and systems from Aegon to those of a.s.r.

In addition, a.s.r. continued to work on further improving ongoing monitoring activities by reviewing the compliance risk and monitoring framework and its translation into the business units' risk control matrix (RCM). This effort also aims to integrate behaviour and culture as part of optimising the NFR. a.s.r. aspires to increasingly incorporate behaviour into its monitoring surveys. A thorough understanding of behaviour and culture, combined with the analysis of process design and monitoring, provides a comprehensive view of the control environment.

The CDD Office is continuously working on an improvement plan for CDD-related risks, using insights and good practices from Aegon NL.

B.5 Internal audit function

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

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

The persons carrying out the internal audit function do not assume any responsibility for any other (key) function. The Audit Department has periodic consultations with the supervisors (DNB and AFM) to discuss the risk assessment, findings and audit plan. The Audit Department's risk assessment is performed in close consultation with the independent external auditor. The department also takes the initiative to organise a 'tripartite consultation' with DNB and the independent external auditor at least once a year. In 2024 this tripartite consultation was held.

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

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

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

B.6 Actuarial function

The Actuarial Function (AF) is one of four key functions in a.s.r.'s system of governance.

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

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

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

There are two AF Holders. One is responsible for the legal entities in the Life segment (Individual Life & Funeral and Pensions business lines) as well as for the overall Life segment of a.s.r. The other for the entities in the Non-life segment (Property & Casualty, Disability and Health business lines) as well as for the overall Non-life segment of a.s.r.

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

Independence of the AF is secured through several measures:
- The AF holders are appointed and dismissed by the Board. Both the appointment and the dismissal of the holders is, together with an advice from the Audit and Risk Committee, submitted to the SB for approval;
- The AF holders have unrestricted access to all relevant information necessary for the exercise of their function;
- The AF holders have a direct reporting line to the a.s.r. Risk Committee or EB and the Audit and Risk Committee of a.s.r. The AF is free to report to one of the management or risk committees when considered necessary;
- The AF is free to report all relevant issues;
- In case of a conflict of interest with the CRO, the function holders may escalate directly to the CEO and to the Chairperson of the Audit & Risk Committee of a.s.r.;
- If the AF is asked to perform tasks that are outside the formal scope described in a charter, the function holder(s) assess if there is a conflict of interest. If so, the AF will not execute the task unless there are sufficient additional measures to mitigate conflicts of interest;
- The Internal Audit Department evaluates periodically the governance of a.s.r. including the (independent) operation of the AF;
- Target setting and assessment of the function holders is done by the CRO taking into account the opinion of the Executive Board and the Audit & Risk Committee.

B.7 Outsourcing

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

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

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

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

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

B.8 Any other information

Other material information about the system of governance does not apply.

C Risk profile

This paragraph contains a description of group policy, which is applicable for the solo entity. Risk management is an integral part of a.s.r.'s day-to-day business operations. a.s.r. applies an integrated approach to managing risks and ensuring that business targets are met. Value is created by striking the right balance between risk, return and capital whilst ensuring that obligations to stakeholders are met. Aegon life's approach to manage risks is described below.

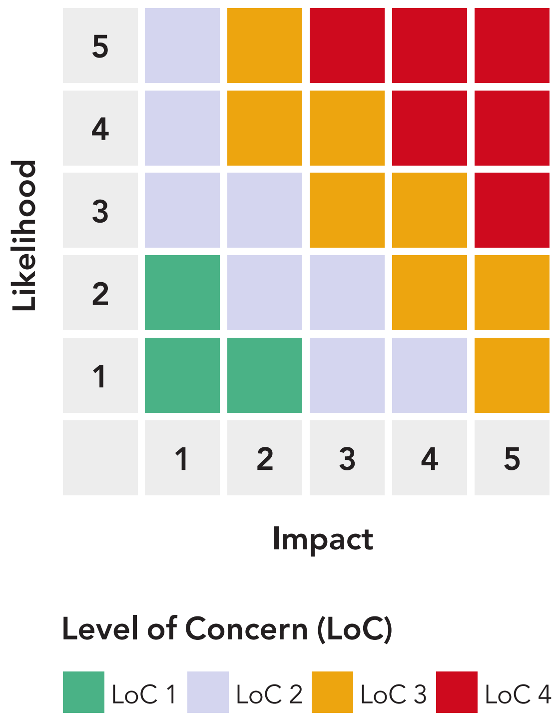
Risk governance
The risks identified are clustered into:

- Strategic risks;
- Emerging risks;
- Financial risks;
- Non-financial risks.

Management of strategic risks and emerging risks
Aegon life's risk priorities and emerging risks are defined as Aegon life's main strategic risks. Aegon life's risk priorities are existing risks with impact on the achievement of the strategic objectives. Aegon life's emerging risks are new or existing risks with a potentially major impact on the achievement of the strategic objectives, in which the level of risk is hard to define. Emerging risks often result from large-scale events that are outside Aegon life's direct sphere of influence. Aegon life's risk priorities and emerging risks are defined annually by the MB, based on strategic risk analyses. Group Risk Management (GRM) centrally monitors developments in risks and actions of the risk priorities and emerging risks. Significant developments are reported to the MB on a half-yearly basis.

To gauge the degree of risk, Aegon life uses a risk scale (see image) based on likelihood and impact. The degree of risk, based on the likelihood and impact of a risk, is expressed as the Level of Concern (LoC). For each risk priority, the LoC is determined for the gross and net risks. For each emerging risk, the LoC is determined for the gross risk. Gross risk is the degree of risk when no (control) measures are in place. Net risk is the degree of risk with mitigating (control) measures in place. If the degree of risk of a risk priority is not within Aegon life's risk appetite, then additional actions are taken in order to include the risk priority within the risk appetite.

Risk scale



Management of financial risks
Financial risk appetite statements (RAS) are in place to manage Aegon life's financial risk profile within the limit; see section B.3.1.1. Aegon life aims for an optimum trade-off between risk, return and capital. Steering on risk, return and capital takes place through decision-making on the entire product cycle, from the Product Approval & Review Process (PARP) to the payment of benefits and claims. At a more strategic

level, decision-making takes place through balance sheet management. A robust solvency position takes precedence over profit, premium income and direct investment income.

Risk tolerance levels and limits are disclosed in the financial RAS and are monitored by the Financial Risk Committee (FRC). The FRC evaluates financial risk (FR) positions against the RAS on a monthly basis. Where appropriate, Aegon life applies additional mitigating measures. In 2024, the Actuarial Function (AF) performed its regulatory tasks by assessing the adequacy of the Solvency II technical provisions, giving an opinion on reinsurance and underwriting, contributing to the Risk Management Framework and supporting the Risk Management Function (RMF). The AF report on these topics was discussed by the EB, FRC and A&RC. See section B.3 for further information.

Management of non-financial risks

Non-financial risk appetite statements (RAS) are in place to manage Aegon life's non- financial risk profile within the limits; see section B.3.1.1. Aegon life aims for an optimum trade-off between risk, return and capital. For non-financial risk, Aegon life has prepared statements relating to strategy, processes, information & technology, projects, reporting & model and integrity. Employees should use these statements as a framework for risk management decisions.

Risk tolerance levels and limits are disclosed in the non-financial RAS and are monitored by the Non-Financial Risk Committee (NFRC). The non-financial risk profile and internal control performance of each business line is discussed with senior management in the business risk committees each quarter. The Non- Financial Risk Committee (NFRC) monitors and discusses on a quarterly basis whether non-financial risks (NFR) are adequately managed. Where here appropriate, Aegon life applies additional mitigating measures.

For more detailed information on the identified risks for the several risk categories described above, reference is made to section 1.6 of the annual report 2024 of Aegon life.

Risk appetite

Risk appetite is defined as the level and type of risk Aegon life is willing to bear in order to meet its targets while maintaining the right balance between risk, return and capital. Aegon life's risk appetite contains a number of qualitative and quantitative RAS and gives direction to the management of both financial risks (FR) and non-financial risks (NFR). The statements highlight the organisation's risk preferences and limits and are viewed as key elements for the realisation of Aegon life's strategy.

According to the annual risk management cycle in 2024, to ensure alignment with Aegon life's risk strategy, the RAS and RAS limits were evaluated and updated by the MB and approved by the SB.

Quantitative description of Aegon life's risk priorities

Risk Assessment and Measurement: Solvency Capital Requirement

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

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

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

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

SCR Partieel Intern Model

	31 December 2024	31 December 2023
Life underwriting risk (SF)	496	534
Life underwriting risk (IM)	1,040	1,014
Market risk (SF)	698	654
Market risk (IM) (incl. DA)	1,816	1,800
Counterparty default risk (SF)	88	94
Operational risk (SF)	215	214
LAC DT	-639	-591
Total undiversified components	**3,714**	**3,719**
Diversification	-1,404	-1,358
Total SCR	**2,310**	**2,361**

The decrease in SCR is mainly driven by increased diversification.

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

Furthermore, with regards to the methodology to derive the SCR, it should be noted that:

- The SCRs for underwriting, market, credit and operational risk include the exposures to these risks in the Aegon Vastgoed subsidiaries, AMVEST joint ventures and Direct Lending B.V. The so-called 'look

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

Solvency II sensitivities

The sensitivities of the solvency ratio as at 31 December 2024, expressed as the impact on Aegon life's Solvency II ratio (in percentage points) are as presented in the following table. The total impact is split between the impact on the Solvency II ratio related to movement in the available capital and the required capital. The sensitivities are based on the situation per 31 December 2024. The Solvency II ratios presented are not final until filed with the regulators.

Solvency II sensitivities - market risks

Effect on:	Available capital		Required capital		Ratio	
Scenario (%-point)	31 December 2024	31 December 2023	31 December 2024	31 December 2023	31 December 2024	31 December 2023
UFR 3.2%	-2	-6	-	-1	-2	-6
Interest rate +0.5% (2024 incl. UFR=3.30% / 2023 incl. UFR=3.45%)	-3	-4	+6	+4	+3	-
Interest rate -0.5% (2024 incl. UFR=3.30% / 2023 incl. UFR=3.45%)	+3	+3	-5	-4	-2	-1
Interest steepening +10 bps	-2	-	-	-	-2	-
Volatility Adjustment -10 bps	-16	-21	+16	+16	-1	-7
Spread shock sovereigns +50bp en VA +8bp (2023: VA +10bp)	-9	-9	+14	+7	+4	-2
Mortgage spread +50 bps	-16	-20	+9	+9	-8	-13
Equity prices -20%	-7	-7	+5	+3	-3	-3
Property values -10%	-14	-16	-	+1	-14	-15
Spread widening +75bp en VA +19bp (2023: VA +17bp)	+21	+19	-18	-17	+1	+1
Inflation +30 bps	-	-1	-	-1	-	-1

Risk	Scenario
Interest rate risk - UFR 3.2%	Measured as the impact of a lower UFR. For the valuation of liabilities, the extrapolation to the UFR of 3.2% after the last liquid point of 20 years remained unchanged. The impact on available capital, required capital and ratio relates to a comparison with a solvency ratio measured at a UFR=3.30% for 2024 (UFR=3.45% for 2023).
Interest rate risk (incl. UFR=3.30% / 3.45%)	Measured as the impact of a parallel 0.5% upward and downward movement of the interest rates. For the liabilities, the extrapolation to the UFR (UFR=3.30% for 2024 and UFR=3.45% for 2023) after the last liquid point of 20 years remained unchanged.
Interest steepening	Measured as the impact of a linear steepening of the interest rate curve between 20Y and 30Y of 1 bps to 10 bps.
Volatility Adjustment	Measured as the impact of a 10 bps decrease in the Volatility Adjustment.
Government spread	Measured as the impact of an increase of spread on Government bonds of 50 bps. At the same it is assumed that the Volatility Adjustment will increase by +8bp (2023: +10bp).
Mortgage spread	Measured as the impact of a 50 bps increase of spreads on mortgages.
Equity risk	Measured as the impact of a 20% downward movement in equity prices.
Property risk	Measured as the impact of a 10% downward movement in the market value of real estate.
Spread risk (including impact of spread movement on VA)	Measured as the impact of an increase of spread on loans and corporate bonds of 75 bps. At the same time, it is assumed that the Volatility Adjustment will increase by +19bp (2023: +17bp) based on reference portfolio.
Inflation risk	Measured as the impact of a 30 bps parallel increase of the inflation rates (EUSWI-curve). The extrapolation of the UFI remains unchanged.

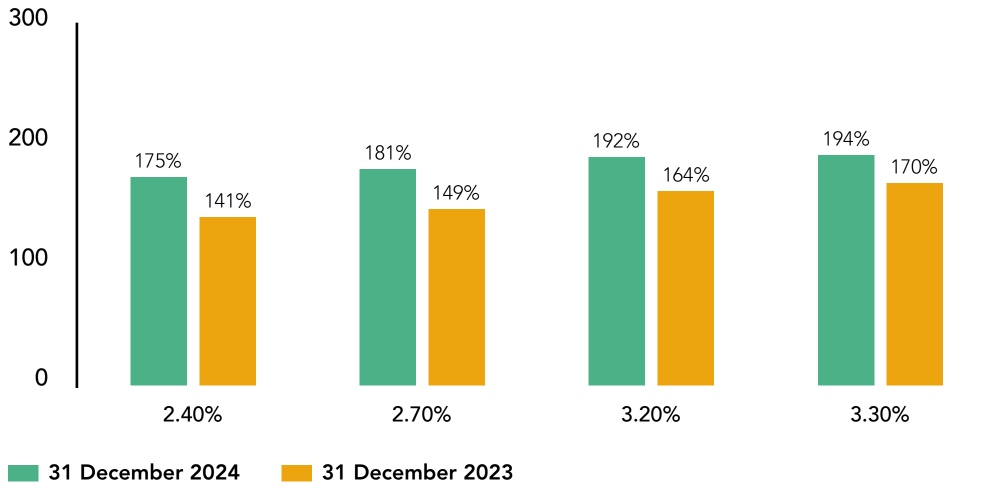
Expected development UFR

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

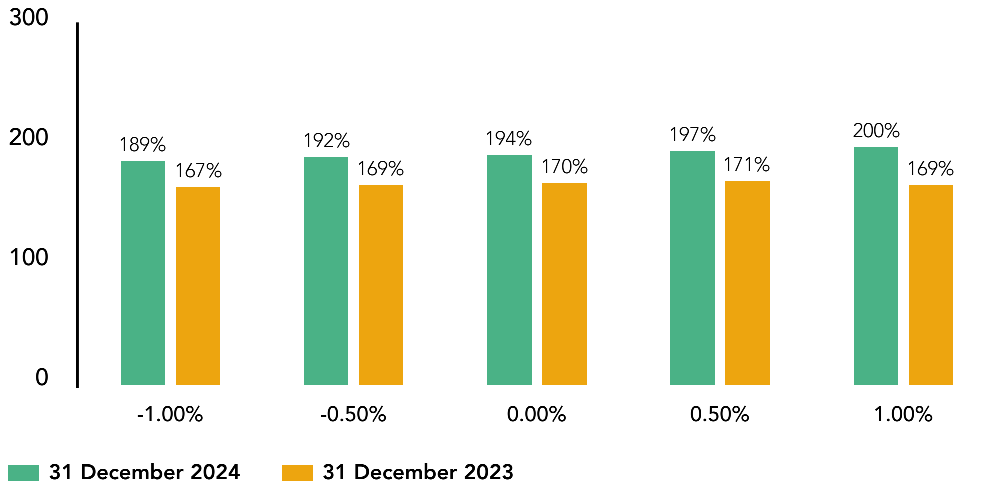
After remaining unchanged over 2023, the UFR again decreased by 15 bps to 3.30% (2023: 3.45%) in 2024. The solvency ratio is still above internal solvency objectives.

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

Sensitivities Solvency II ratio to UFR



Sensitivity Solvency II to interest rate



Interest rate sensitivity of Solvency II ratio[

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

Loss Absorbing Capacity of Deferred Tax

After a 1-in-200 shock Aegon life suffers an economic loss equal to the BSCR* which is defined as the basic SCR (BSCR) plus operational risk (OR) plus the adjustment for the Loss Absorbing Capacity of the Technical Provisions (LAC TP). This loss (corrected for any tax exempted losses) may be partly offset by the LAC DT. Conceptually, the loss under SII in any shock scenario results in loss of taxable income, which results in tax reductions if taxable profits are available to offset these taxable losses. This way, Aegon life can transfer a portion of the 1-in-200 shock loss to its tax authority, which reduces the loss of Own Funds compared to the original loss of the shock and therefore allows for a reduction of the SCR.

The LAC DT is calculated according to the requirements as stated in the Solvency II regulations, which provide a principle-based approach for the LAC DT substantiation. The methodology reflects a.s.r.'s current interpretation of both the Solvency II regulations combined with the guidance provided by De Nederlandsche Bank (DNB) on this topic:

- Solvency II regulation requires firms to comply with the recognition criteria set out in relevant articles of the International Accounting Standards (IAS 12). IAS 12 states that any net deferred tax assets (DTA) can only be recognized when it is concluded that their recoverability is probable (i.e. more likely than not). This applies to both DTA and LAC DT. By periodically performing a recoverability test, Aegon life demonstrates that any losses that lead to these deferred tax positions can – more likely than not – be offset with sufficient future taxable profits.
- Local guidance, in the form of the DNB Q&A and Good Practices, provides additional regulation around the substantiation of a net deferred tax asset (DTA). A net DTA should be substantiated within the Solvency II framework. Therefore, the LAC DT model is used to substantiate both a potential net DTA

position (pre-shock) as well as the LAC DT (post-shock). Additionally, the Q&A gives some guidance on how to deal with uncertainty in future profits.

As a result, Aegon life needs to demonstrate that for both the pre-shock as well as the post-shock situation, sufficient future taxable profits are available to offset future losses that lead to deferred tax positions on its balance sheet. For the post-shock situation the LAC DT model serves as recoverability test for this purpose, whereby the recoverability of the BSCR* shock loss is expressed through a LAC DT factor, which is a factor between 0% and 100%. For the pre-shock situation the LAC DT model serves as a projection model to provide evidence that the DTA position can be substantiated with the DTL position and/or future profit sources.

In 2024, different from previous year, the same (harmonized) projection model is used for all Solvency II entities within a.s.r., albeit with entity-specific input. Before 2024 a.s.r. and Aegon each had their own projection model to determine the amount of LAC DT, which has now been replaced by a "best-of-both-worlds" projection model. Below, an overview of the building blocks of the LAC DT model is presented:

LAC DT Building blocks

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

The following steps are used in determining the recoverability of the pre-/post-shock DTA:

- The unrounded LAC DT factor is determined based on fiscal profits from the previous year available for loss carry back and the unwind of the DTL position. To determine what part of the remaining DTA (both before and after shock) is recoverable, future profits are taken into account of which most importantly excess returns on GA assets (+), new business (+), release of risk margin (+) and drag impacts (-).
- Multiple scenarios of varying input (such that uncertainty increases over time and is larger post-shock than pre-shock) are used to substantiate that sufficient future taxable profits are available against which the DTA (pre-shock) and LAC DT (post-shock) can actually be utilised. These scenarios are combined into a weighted average LAC DT factor.
- The resulting weighted average LAC DT factor is adjusted to a final setting to be used in reporting. The main rationale is to have a relatively stable LAC DT setting during the year. For this, the weighted average LAC DT factor is rounded down to the nearest 5% and capped by an entity specific upper bound. The value of the upper bound is set at the lower end of the reasonable expected range of model outcomes, based on past/expected future performance and model/entity dynamics. The upper bound is reassessed on an annual basis.

Performing above steps for Aegon life results in an unrounded LAC DT factor close to 100% as of 31 December 2024. This factor is prudently rounded to 80% which gives a LAC DT of € 639 million.

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

C.1 Insurance risk

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

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

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

Aegon life measures its risks using a Partial Internal Model (PIM). The insurance risk arising from the insurance portfolios of Aegon life is as follows.

Underwriting risk - required capital

	31 December 2024	31 December 2023
Life insurance risk	1,300	1,329

The SCR Life insurance risk decreased € 29 million in 2024, mainly due to market developments and model changes.

Solvency II sensitivities
Aegon life has assessed the impact of various sensitivities on the Solvency II ratio. The sensitivities as at 31 December 2024 expressed as impact on the Aegon life solvency ratio (in percentage points) are as follows:

Solvency II sensitivities - underwriting risks

Effect on:	Available capital		Required capital		Ratio	
Type of risk (%-points)	31 December 2024	31 December 2023	31 December 2024	31 December 2023	31 December 2024	31 December 2023
Expenses +10%	-4	-6	-1	-1	-5	-7
Mortality rates, all products -5%	-9	-9	-	-	-9	-9
Lapse rates -10%	-	-	-	-	-	-

C.1.1 Underwriting risk

The life portfolio can be divided into Individual life and Pensions.

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

Underwriting risk arises from deviations of observed actuarial parameters from those used in product pricing assumptions. These are typically actuarial assumptions that cover policyholder behavior and claims.

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

Mortality

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

Longevity risk

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

Disability-morbidity risk

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

Policyholder behavior risk

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

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

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

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

The required capital for the policy behavior risk is calculated within the PIM.

Expense risk

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

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

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

The required capital for expense risk is calculated based on the Standard Formula.

Life catastrophe risk

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

The required capital for life catastrophe risk is calculated based on the Standard Formula.

Mortgage Loans

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

Other Information

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

Life insurance risk - required capital

	31 December 2024	31 December 2023
Mortality risk	10	10
Longevity risk	1,024	956
Disability-morbidity risk	2	2
Lapse risk	100	69
Expense risk	430	488
Revision risk	-	-
Catastrophe risk	26	26
Lapse persistency mortgages	294	441
Lapse contagion liabilities	-	-
Diversification	-585	-663
Life insurance risk	**1,300**	**1,329**

Required capital in 2024 decreased mainly due to lapse and expense risks.

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

Life portfolio - technical provision per segment

	31 December 2024	31 December 2023
Insurance with profit participation		
Best estimate	13,055	12,985
Risk margin	576	572
Technical provision	**13,631**	**13,557**
Other life insurance		
Best estimate	14,698	14,683
Risk margin	276	284
Technical provision	**14,974**	**14,967**
Index-linked and unit-linked insurance		
Best estimate	24,632	24,059
Risk margin	619	630
Technical provision	**25,251**	**24,689**
Total		
Best estimate	**52,385**	**51,727**
Risk margin	**1,471**	**1,485**
Technical provision	**53,855**	**53,213**

In 2024 the technical provisions increased with € 642 million, this was mainly caused model changes and decreased interst rates.

C.1.1.1 Managing underwriting risk

Underwriting risk is mitigated by pricing, underwriting policies and reinsurance.

Pricing is based on profit capacity calculations. This means the price required to cover the insurance liabilities, expenses and risks.

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

Reinsurance is used to mitigate its exposure to underwriting risk for Aegon life.

C.1.2 Risk Concentrations

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

C.1.3 Risk mitigation techniques used for underwriting risks

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

Longevity Risk

At the end of 2024 Aegon life has two longevity reinsurance swap agreements in place that provide protection against the longevity risk associated with certain Defined Benefit pension liabilities. A first reinsurance agreement is in place with Canada Life Re since year-end 2019, and a second similar agreement is in place with Reinsurance Group of America since year-end 2021.

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

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

Mortality Risk

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

C.2 Market risk

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

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

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

Market risk - required capital

	31 December 2024	31 December 2023
Interest Rate Risk	901	893
Interest Rate Volatility Risk	112	115
Equity Risk	774	723
Equity Volatility Risk	157	179
Property Risk	590	557
Spread Risk	1,301	1,202
Currency Risk	50	50
Concentration Risk	-	-
Diversication	-1,337	-1,463
Total	**2,547**	**2,256**

Market risk increased € 291 million in 2024 driven by interest rate risk, equity risk, property risk and spread risk. This is mainly the result of market developments, model changes and new investments (equity and spread risk).

C.2.1 Mismatch risk

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

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

Aegon life is exposed to mismatch risk, as both its assets and liabilities are sensitive to movements in long- and short-term interest rates. The majority of Aegon life's products are long-term in nature and consequently low interest rates, or high interest rate volatility may adversely affect Aegon life´s profitability and shareholders´ equity. It is also the case that a steepening of the interest rate curve could have negative consequences for Aegon life. For example, in such a scenario surrenders and withdrawals may increase.

This activity may result in cash payments by Aegon requiring the sale of invested assets at a time when the prices of those assets have fallen due to the increase in market interest rates.

Aegon life applies a look through approach for investment funds to assess the mismatch risk. In 2024 a major model change related to interest rate risk has been implemented for Aegon life, which was approved by DNB.

Solvency II sensitivities - mismatch risk

Effect on:	Available capital		Required capital		Ratio	
Scenario (%-point)	31 December 2024	31 December 2023	31 December 2024	31 December 2023	31 December 2024	31 December 2023
UFR 3.2%	-2	-6	-	-1	-2	-6
Interest rate +0.5% (2024 incl. UFR=3.30% / 2023 incl. UFR=3.45%)	-3	-4	+6	+4	+3	-
Interest rate -0.5% (2024 incl. UFR=3.30% / 2023 incl. UFR=3.45%)	+3	+3	-5	-4	-2	-1
Interest steepening +10 bp	-2	-	-	-	-2	-
Volatility Adjustment -10 bp	-16	-21	+16	+16	-1	-7

The impact on interest rate sensitivities on SCR changed due to adjustments in the calculation of the interest rate capital. Aegon life has an over-hedged Own funds position under Solvency II. This results in an exposure on interest rate sensitivities. During 2024 the over-hedged position has decreased resulting in a smaller impact on the Own funds.

The impact on the UFR 3.2% scenario decreased as the UFR has decreased with 15 bps in 2024.

C.2.2 Equity risk

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

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

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

Solvency II sensitivities - equity prices

Effect on:	Available capital		Required capital		Ratio	
Scenario (%-point)	31 December 2024	31 December 2023	31 December 2024	31 December 2023	31 December 2024	31 December 2023
Equity prices -20%	-7	-7	+5	+3	-3	-3

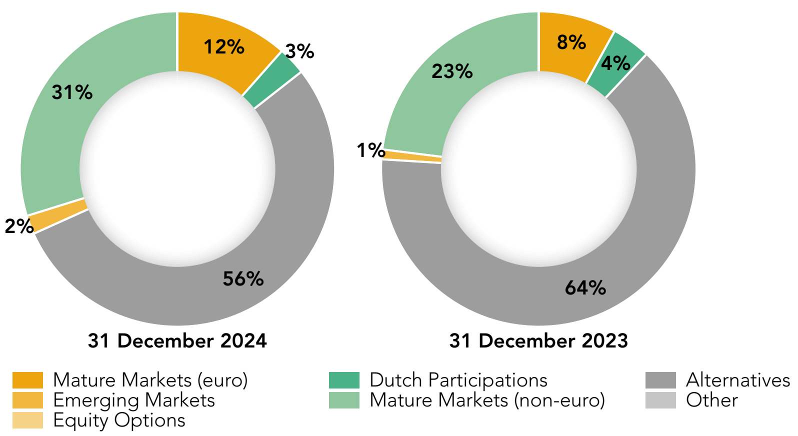
Composition of equity portfolio

The fair value of equities and similar investments at year-end 2024 was € 1,379 million (2023: € 954 million). The increase in 2024 was mainly due to positive returns on the equity markets and new investment.

The equities are diversified across the Netherlands (including participating interests), other European countries and the United States.

The next table shows the exposure of the equity portfolio to different categories. The total value is including the equities in externally managed funds. The category Alternatives mainly consists of private equity funds.

Composition of equity portfolio



C.2.3 Alternative investment risk

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

The sensitivity of SCR to changes in property prices is shown in the following table.

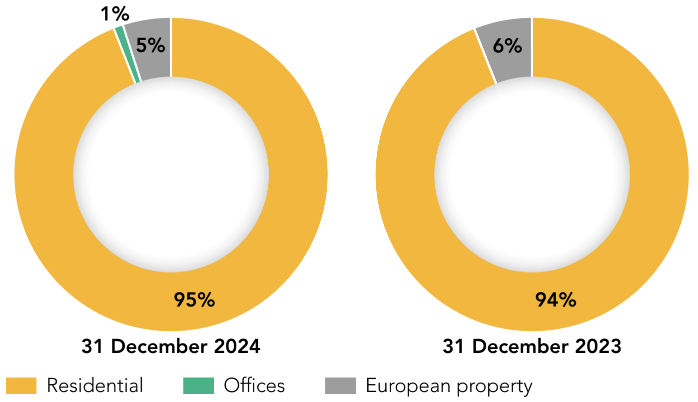
Solvency II sensitivities - property values

Effect on:	Available capital		Required capital		Ratio	
Scenario (%-point)	31 December 2024	31 December 2023	31 December 2024	31 December 2023	31 December 2024	31 December 2023
Property values -10%	-14	-16	-	+1	-14	-15

Composition of alternative investment portfolio
The property risk depends on the total exposure to property, which includes both property investments and property held for own use. The fair value of property was € 4,564 million at year-end 2024 (2023: € 4,272 million). The increase in 2024 (€ 292 million) was a result higher property prices.

The following table shows the exposure of the alternative investment portfolio to different categories.

Composition of alternative investment portfolio



C.2.4 Currency risk

Aegon life faces limited currency exchange risk on policies denominated in a currency other than the euro. Currency risk in the investment portfolios is managed using asset liability matching principles and hedged as much as possible.

C.2.5 Credit risk

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

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

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

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

Aegon life applies a Dynamic VA approach to offset part of the gross IR1 SCR from the Internal Model. The key rationale is that Aegon life is a long-term investor (given its long-dated liabilities) and that initial market value losses on assets, after a spread shock event, will be earned back over time if the issuer does not default and Aegon life is not a forced seller of the assets.

Introduction
Summary
Business and performance
System of governance
Risk profile
Insurance risk
Market risk
Counterparty default risk
Liquidity risk
Operational risk
Other material risks
Any other information
Valuation for Solvency purposes
Capital management

Solvency II sensitivities - credit risk

Effect on:	Available capital		Required capital		Ratio	
Scenario (%-point)	31 December 2024	31 December 2023	31 December 2024	31 December 2023	31 December 2024	31 December 2023
Spread +75 bp / VA +19bp (2023: VA +17bp)	+21	+19	-18	-17	+1	+1

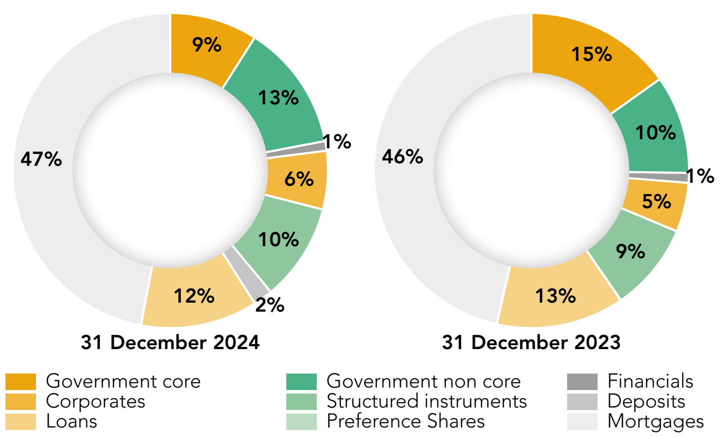
Composition of fixed income portfolio

Credit risk is managed on a portfolio basis within limits and risk budgets established by the relevant risk committees.

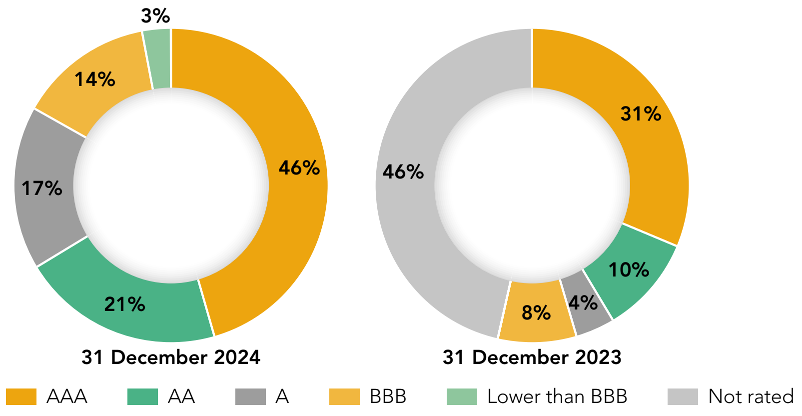
Where relevant, credit ratings provided by the external rating agencies are used to determine risk budgets and monitor limits. A limited number of fixed-income investments do not have an external rating. These investments are generally assigned an internal rating. Internal ratings are based on methodologies and rating classifications similar to those used by external agencies. The following tables provide a detailed breakdown of the fixed-income exposure by (i) rating class and (ii) sector. Assets in scope of credit risk are, by definition, not in scope of counterparty default risk.

The total exposure of assets in scope of spread risk is € 33,176 million per year-end 2024 (2023: € 33,072million). The portfolio composition is similar to 2023.

Fixed income portfolio by sector



Fixed income portfolio by rating



C.2.6 Market risk concentrations

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

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

According the spread risk module, bonds and loans guaranteed by a certain government or international organisation are not in scope of concentration risk. Bank deposits can be excluded from concentration risk if they fulfil certain conditions.

Concentration of market risks could occur in case relatively high amounts are invested in a single security, or where a collection of highly correlated investments is held. Aegon life specifically manages concentration risk within the investment portfolio to mitigate concentration risks. Where concentrations risks exist nonetheless, an additional amount of SCR is determined.

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

C.2.7 Deterministic adjustment

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

C.2.8 Risk mitigation techniques used for Market risks

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

Aegon life employs sophisticated interest rate measurement techniques. Fixed income assets, interest rate swaps and swaptions are used to manage the interest rate risk exposure. Aegon life sets several limits on interest rate risk. The hedge programs for the interest rate exposure of the guarantee provisions and the general account are combined into a single rate hedge program.

Aegon life is exposed to inflation because of certain indexed pension products and its own expenses. Inflation exposure is hedged on an own fund's basis using inflation linked swaps, inflation linked bonds and notes.

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

Aegon life sets a limit on equity risk. Hedging programs are in place that are designed to manage the risks within these defined limits. Equity hedge programs use equity options to provide protection against the impact of equity market declines.

Aegon life sets a limit on currency risk. Aegon life does not engage in direct currency speculation or program trading and any assets or liabilities not in the functional currency of the business are hedged back to that currency. In any case where this is not possible or practical, the remaining currency exposure is controlled by limits on total exposure.

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

Credit risk mitigation

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

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

C.3 Counterparty default risk

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

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

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

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

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

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

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

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

C.3.1 Mortgages

Mortgages are not included in Aegon life’s counterparty default risk. Mortgages are included in the Spread and Policyholder Behaviour PIM risk modules.

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

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

C.3.4 Reinsurance
Counterparty default risk is immaterial for Aegon life's reinsurance exposure.

C.3.5 Receivables
The receivables with a counterparty default risk amounted to € 1,074 million at year-end 2024. This mainly consits of Policyholder receivable (€ 49 million) and other receivables (€ 1,025 million).

C.3.6 Cash and Cash equivalents
The current accounts amounted € 1,314 million in 2024.

Composition cash accounts by rating

	31 December 2024	31 December 2023
AAA	40	773
AA	176	514
A	1,098	1,441
Lower than A	-	-
Total	**1,314**	**2,728**

C.3.7 Risk Concentrations
Concentration within counterparty default risk could occur in case relatively high amounts are outstanding with a single counterparty, or if default risks of many counterparties are highly correlated.

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

No risk concentrations within counterparty default risk have been identified as per 31 December 2024.

C.3.8 Risk mitigation techniques used for Counterparty default risks
Aegon life has defined limits on the maximum exposure per counterparty. Counterparty risk related to derivatives transactions is mitigated by daily exchange of collateral. Collateral management has been put in place for all centrally cleared and bilaterally traded derivatives of Aegon life. Central clearing for parts of the derivatives markets has increased the collateral requirements and reduced counterparty risk.

C.4 Liquidity risk

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

Events that may have a sudden, adverse impact on available liquidity include the following:

- Large change in interest rates;
- Large change in credit spreads;
- Insolvency of a counterparty, credit facility or bank where current accounts are held;
- Credit downgrade of Aegon life

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

Aegon life operates a liquidity risk policy that focuses on holding sufficient highly liquid assets so that liquidity requirements can be met both in normal market conditions and under extreme conditions resulting from unforeseen circumstances.

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

The liquidity position is tested at least in the following scenarios:

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

The liquidity position remained excellent during the year.

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

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

Expected Profit in Future Premiums (EPIFP)
Expected Profit in Future Premiums (EPIFP) reflects the current value of the net cash flow expected to arise from in-force contracts until the end date of each contract. Note that the EPIFP is determined only for contracts where such a value is positive. EPIFP forms part of the technical provisions of Aegon life, where a positive EPIFP value leads to a reduction of the total technical provisions. The total amount of the EPIFP amounts to € 191 million at year-end 2024. Note that this value does not reflect derivatives contracts that have been put in place in previous years to hedge against the risk of low interest rates. The increase is mainly driven by increased fund value for the Individual life portfolio.

EPIFP

	31 December 2024	31 December 2023
EPIFP	191	141

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

C.5 Operational risk

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

The required capital of operational risk is calulated within the Standard Formula.

Operational risk - required capital

	31 December 2024	31 December 2023
SCR operational risk - required capital	215	214

The SCR for operational risk amounts to € 215 million at year-end 2024 (2023: € 214 million) and is determined with the standard formula under Solvency II. The operational risk is based on the basic SCR, the volumes of premiums and technical provisions, and the amount of expenses. Operational risk remained stable over 2024.

C.6 Other material risks

As part of the regular ORSA process, the overall risk profile and associated solvency capital needs are assessed against a.s.r.'s actual solvency capital position. The most important risks to which a.s.r. is exposed, including risks that are not incorporated into the standard formula, are identified through a combined top-down (strategic risk assessment) and bottom-up (control risk self-assessments) approach. After assessment of the effectiveness of the mitigating measures, the risks with the highest 'Level of Concern' (LoC) are translated to the a.s.r. risk priorities and relevant risk scenarios for the ORSA. The following risks, outside the scope of the standard formula, are recognised by a.s.r. as being potentially material:

- Inflation risk;
- Reputation risk;
- Liquidity risk;
- Contagion risk;
- Legal environment risk;
- Model risk;
- Risks arising from non-insurance activities (non-OTSOs);
- Strategic risk;
- Climate risk and sustainability risk;
- Emerging risk;
- Environmental, Social & Governance (ESG) risk.

C.7 Any other information

C.7.1 Description of off -balance sheet positions
Aegon life has no off-balance sheet positions per year-end 2024

C.7.2 Reinsurance policy and risk budgeting

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

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

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

C.7.2.2 Risk budgeting

The FRC assesses the solvency position and the financial risk profile on a monthly basis. Action is taken where appropriate to ensure the predefined levels in the risk appetite statement will not be violated.

C.7.3 Monitoring of new and existing products

Group Risk Management, Compliance, and Legal Affairs participate in the Product Approval and Review Process Board. All these departments evaluate whether risks in newly developed products are sufficiently addressed. New products need to be developed in a way that they are cost efficient, reliable, useful and secure for the client. New products must also be strategically aligned with a.s.r.'s mission to be a solid and trustworthy insurer. In addition, the risks of existing or modified products are evaluated, as requested by the PARP, as a result of product reviews.

C.7.4 Prudent Person Principle

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

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

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

Governance of Investments

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

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

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

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

D Valuation for Solvency purposes

This chapter contains information regarding the valuation of the balance sheet items. For each material asset class, the bases, methods and main assumptions used for valuation for solvency purposes are described. Separately for each material class of assets a quantitative and qualitative explanation of any material difference between the valuation for solvency purposes and valuation in the financial statements.

When accounting principles are equal or when line items are not material, some line items are clustered together.

Valuation of assets is based on fair value measurement as described below. Each material asset class is described in paragraph D.1. Valuation of technical provisions is calculated as the sum of the best estimate and the risk margin. This is described in paragraph D.2. Other liabilities are described in paragraph D.3.

Information for each material line item is based on the balance sheet below. For each line item is described:

- Methods and assumptions for valuation
- Difference between solvency valuation and valuation in the financial statements.
- The numbering of the line items refers to the comments below.

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

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

The overall balance sheet on statutory reporting is therefore equal to the Solvency II balance sheet, which is shown in the following table.

Solvency II balance sheet

Balance sheet	31 December 2024 Solvency II
1. Deferred acquisition costs	-
2. Intangible assets	-
3. Deferred tax assets	124
4. Property, plant, and equipment held for own use	29
5. Investments - Property (other than for own use)	2,077
6. Investments - Equity	298
7. Investments - Bonds	13,180
8. Investments - Derivatives	6,650
9. Unit-linked investments	20,356
10. Loans and mortgages	17,875
11. Reinsurance	-451
12. Cash and cash equivalents	1,314
13. Any other assets, not elsewhere shown	5,163
Total assets	**66,614**
	-
14. Technical provisions (best estimates)	27,753
15. Technical provisions (risk margin)	851
16. Unit-linked best estimate	24,632
17. Unit-linked risk margin	619
18. Pension benefit obligations	-
19. Deferred tax liabilities	48
20. Subordinated liabilities	-
21. Other liabilities	8,232
Total liabilities	**62,135**
	-
Excess of assets over liabilities	**4,479**

D.1 Assets

D.1.1 Fair value measurement

In accordance with the Delegated Regulation, Solvency II figures are based on fair value. In line with the valuation methodology described in article 75 and further of the Solvency II directive and articles 9 and 10, the following three hierarchical levels are used to determine the fair value of financial instruments and non-financial instruments when accounting for assets and liabilities at fair value:

Level 1: Fair value based on quoted prices in an active market
Level 1 includes assets and liabilities whose value is determined by quoted (unadjusted) prices in the primary active market for identical assets or liabilities.

A financial instrument is quoted in an active market if:

- Quoted prices are readily and regularly available (from an exchange, dealer, broker, sector organisation, third party pricing service, or a regulatory body);
- These prices represent actual and regularly occurring transactions on an arm's length basis.

Level 2: Fair value based on observable market data
Determining fair value on the basis of Level 2 involves the use of valuation techniques that use inputs other than quoted prices included within Level 1 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). These observable inputs are obtained from a broker or third party pricing service and include:

- Quoted prices in active markets for similar (not identical) assets or liabilities;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Input variables other than quoted prices observable for the asset or liability. These include interest rates and yield curves observable at commonly quoted intervals, volatility, loss ratio, credit risks and default percentages.

Level 3: Fair value not based on observable market data
The fair value of the level 3 assets and liabilities are determined in whole or in part using a valuation technique based on assumptions that are not supported by prices from observable current market transactions in the same instrument and for which any significant inputs are not based on available observable market data. The financial assets and liabilities in this category are assessed individually.

Valuation techniques are used to the extent that observable inputs are not available. The basic principle of fair value measurement is still to determine a fair, arm's length price. Unobservable inputs therefore reflect management's own assumptions about the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk). These inputs are generally based on the available observable data (adjusted for factors that contribute towards the value of the asset) and own source information.

D.1.2 Valuation per asset class

The balance sheet reports specify different asset categories. In this section, we describe the valuation of each material asset category. The figures correspond to the extended balance sheet which has been reported as QRT S 02.01.

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

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

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

Deferred tax assets and liabilities are reviewed at the balance sheet date and are measured at tax rates that are expected to apply when the asset is realised, or the liability is settled. Since no absolute assurance can be granted that these assets will ultimately be realized, management reviews Aegon life's deferred tax positions periodically to determine whether it is probable that the assets will be realised. Periodic reviews include, among other things, the nature and amount of the taxable income and deductible expenses, the expected timing when certain assets will be used or liabilities will be required to be reported and the reliability of historical profitability of business expected to provide future earnings. Furthermore, management considers the tax-planning strategies it can utilize to increase the likelihood that the tax assets can be realized. These strategies are also considered in the periodic reviews. The carrying amount is not discounted and reflects the expectation of Aegon life concerning the manner of recovery or settlement.

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

The recoverable Net DTA is determined in two steps: in the first step the DTA and DTL are offset by applying the fiscal rules; in the second step it is determined what part of the resulting DTA is recoverable by taking future profits into account. The Tier-3 restriction is applied to the amount of recoverable Net DTA. The total Net DTA on the Solvency II balance sheet amounts to € 124 million. The total Net DTL is equal to € 48 million.

4. Property plant, and equipment held for own use
The property held for own use is valued at market value, equal to the Solvency II measurement.

Investments (other than assets held for index-linked and unit-linked funds)
The Solvency II balance sheet contains an investment position of € 22.2 billion. The different components will be explained in the next sections.

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

Financial assets, excluding derivatives
Financial assets, excluding derivatives, are recognised on the trade date when Aegon life becomes a party to the contractual provisions of the instrument. They are classified for accounting purposes depending on the characteristics of the instruments and the purpose for which they were purchased.

Classification
The following financial assets are measured at fair value through profit or loss: 1) financial assets held for trading; 2) financial assets managed on a fair value basis in accordance with the investment strategy of Aegon life; and 3) financial assets containing an embedded derivative that is not closely related and that cannot be reliably bifurcated. In addition, in certain instances Aegon life designates financial assets to this category when by doing so a potential accounting mismatch in the financial statements is eliminated or significantly reduced.

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

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

Measurement
Financial assets are initially recognized at fair value excluding interest accrued to date plus, in the case of a financial asset not at fair value through profit or loss, any directly attributable incremental transaction costs.

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

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

Amortised 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 amortisation of any difference between the initial amount and the maturity amount and minus any reduction for impairment.

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

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

Derecognition
A financial asset is derecognised when the contractual rights to the asset's cash flows expire and when Aegon life retains the right to receive cash flows from the asset or has an obligation to pay received cash flows in full without delay to a third party and either has transferred the asset and substantially all the risks and rewards of ownership, or has neither transferred nor retained all the risks and rewards but has transferred control of the asset.

Financial assets of which Aegon life has neither transferred nor retained significantly all the risk and rewards are recognized to the extent of the Aegon life continuing involvement. If significantly all risks are retained, the assets are not derecognised.

On derecognition, the difference between the proceeds from disposal and the carrying amount is recognised in the income statement as a realised gain or loss. Any cumulative unrealized gain or loss previously recognised in the revaluation reserve in shareholders' equity is also recognized in the income statement.

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

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

The Solvency II balance sheet contains a property position of € 2.1 billion.

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

7. Investments - Bonds
The Solvency II balance sheet measure bonds at fair value. The Solvency II balance sheet contains bond positions of € 13.2 billion.

8. Investments - Derivatives
The Solvency II balance sheet contains a derivatives position of € 6.7 billion, which is measured at fair value.

9. Assets held for index-linked and unit-linked contracts
Investments for account of policyholders are valued at fair value through profit or loss.

The Solvency II balance sheet contains a position of € 20.4 billion.

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

Mortgages
The valuation methodology for mortgage loans includes the following procedures:

1. Projection of future cash flows of mortgages loans;
2. Determination of the interest rate curve to use for discounting; and
3. Net present value (NPV) calculation.

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

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

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

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

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

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

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

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

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

Loans
Fair value measurement of loans on policies, IC loans and other loans on the Solvency II balance sheet is based on amortized cost measurement. The fair value of floating interest rate mortgage loans, policy loans and private placements used for disclosure purposes is assumed to be approximated by their carrying amount, adjusted for changes in credit risk. Credit risk adjustments are based on market observable credit spreads if available, or management's estimate if not market observable.

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

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

The Solvency II balance sheet equals € 17.9 billion for loans and mortgages.

11. Reinsurance
Reinsurance contracts are contracts entered into by Aegon life in order to receive compensation for losses on contracts written by Aegon life (outgoing reinsurance). For contracts transferring sufficient insurance risk, a reinsurance asset is recognized for the expected future benefits, less expected future reinsurance premiums. Reinsurance contracts with insufficient insurance risk transfer are accounted for as investment or service contracts, depending on the nature of the agreement. Reinsurance recoverables at the end of 2024 amounted to € -451 million on Solvency II balance sheet.

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

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

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

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

The Solvency II balance sheet contains a cash and cash equivalents position of € 1.3 billion.

13. Any other assets, not elsewhere shown
The position on the Solvency II balance sheet equals € 5.2 billion.

Collective investment undertakings: € 2.3 billion.
Investment funds managed by Aegon life, in which Aegon life holds an interest, are consolidated in the financial statements if Aegon life has power over that investment fund and is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. In assessing control, all interests held by Aegon life in the fund are considered, regardless of whether the financial risk related to the investment is borne by Aegon life or by the policyholders.

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

Participations: € 0.8 billion.
Participations in investment funds held for general account are recognized as equity investments. Some of these investments in venture capital entities, mutual funds and investment funds are managed on the basis of market value and accounted for as financial assets at fair value through profit or loss. Participations in investment funds that are measured using the equity method are regarded as part of the investment portfolio.

Deposits other than cash equivalents: € 0.6 billion.
This contains the fair value of the built-up part of the savings mortgages that are being held by external entities.

Other investments: € 0.4 billion.
This contains the fair value of the built-up part of the savings mortgages that relate to an SPV or other fund structure.

Receivables: € 1.2 billion.
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.

D.2 Technical provisions

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

In this paragraph line items 14-17 from the simplified balance-sheet above are described.

D.2.2 Technical provisions methods

The provisions are split in 'Technical provisions-Life' and 'Technical provisions - Index-linked and Unit Linked' and further in provisions with profit participation, with options or guarantees and without options and guarantees. These relate to line items 16 - 19 of the simplified balance sheet shown at the beginning of chapter D.

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

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

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

Aegon life determines homogeneous risk groups in such a way that the risk groups are stable over time. The following criteria are taken into account in determining the homogeneous risk groups:

- Branch (Pensions and Individual Life);
- Underwriting criteria (Medical examination or not);
- Claim pattern (Lump sum, annuities);
- Risk profile (Longevity or mortality risk);
- Specific product features (savings or term insurance, guarantees or participating/non-participating); and
- Administrative unit (Own account Aegon life or risk policyholder).

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

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

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

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

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

Aegon life does not offer products with profit participation where the policyholder participates in the profit of the firm. All profit sharing is in the form of index or unit-linked, or based on external benchmarks such as TL (interest rebate contracts) and U-yield (external yield to determine level of profit sharing).

Options & Guarantees

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

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

Aegon life has the following categories of products that can contain options and/or guarantees:

- Universal Life (UVL) and Unit-linked;
- Surplus Interest profit sharing; and
- Pension products.

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

UVL and Unit-linked

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

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

Surplus interest profit sharing

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

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

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

Group pension contracts
The following categories of pension products can contain guarantees:

- GB & FTK (Separate Account and 'Financieel Toetsingskader' contracts);
- Unit-linked;
- OA (Surplus interest profit sharing contracts); and
- TL (interest rate rebate contracts).

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

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

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

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

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

The risk margin captures the following risks:

- underwriting risk;
- credit risk with respect to reinsurance contracts, arrangements with special-purpose vehicles, intermediaries, policyholders and any other material exposures which are closely related to the insurance and reinsurance liabilities; and
- operational risk.

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

Best estimate assumptions
The valuation date is the end date of the reporting period and the starting point for projecting. Assumptions are calculated on the presumption that a.s.r.Aegon will pursue its business as a going concern reflecting the organisation's or industry's most realistic view.

Assumptions are considered to be best estimates when they represent the mean or probability-weighted average of possible outcomes of an uncertain event. The assumptions distinguish between economic assumptions and operating assumptions.

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

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

of past experience and assessments of future trends. The operating assumptions are updated once a year. Operating assumptions are set by the product lines.

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

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

Policyholder behavior can be reflected in several ways, depending on the product and policy agreements. The main items are:

- Full or partial surrender or termination;
- Premium termination (policy becomes paid up before end of premium payment term);
- Decrease or suspension of premiums;
- Policy conversion (fund switching, reduce or reverse paid up status);
- Utilisation of policyholder fund allocation privileges; and
- Decisions on when and how much to annuitise.

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

Expenses
Costs are allocated in line with Dutch GAAP financial statements. Costs are carefully allocated using cost drivers. This also applies to the cost allocations to the various products. Cost allocation is documented and reported.

The maintenance expenses allocated to the insurance contracts are transformed into expenses per policy, taking into account product/contract features like type of contract or status (active, retired or inactive).

The cash flow projections for expenses are based on budget 2023 expense levels and take into account inflation in future periods. Also fixed expense levels are assumed in the long run and it is taken into account that part of the administration activities associated with the portfolio will be outsourced.

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

Risk-free yield curve
The basis for the reference rate of the best estimate is the swap rate at the date of valuation (31 December 2024). The following adjustments have been made to the swap curve:

- Reduction by 10 bps to account for counterparty default risk (31 December 2023: 10 bps);
- Extrapolation from year 20 to the ultimate forward rate of 3.30% in year 60 using the Smith-Wilson extrapolation method;
- Inclusion of a volatility adjustment (VA) of 23 bps, as provided by EIOPA, to the zero rates for the first 20 years (31 December 2023: VA 20 bps).

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

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

The impact of the application of the VA on several Solvency II metrics is as follows as shown in following table.

Impact of applying VA = 0 bps

	VA = bps	VA = bps	VA = 0 bps		Impact	
	31 December 2024	31 December 2023	31 December 2024	31 December 2023	31 December 2024	31 December 2023
TP	53,855	53,213	54,995	54,147	1,139	934
SCR	2,310	2,362	3,551	3,180	1,241	818
MCR	999	994	1,019	1,011	21	17
Basic own funds (total)	4,479	4,022	3,633	3,323	-845	-699
Eligible own funds	4,479	4,022	3,633	3,231	-845	-791

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

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

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

D.2.3 Level of uncertainty
The main source of uncertainty associated with the technical provisions is in the setting of assumptions where a significant level of judgment may be required about how future experience may differ from past experience. The assessment of uncertainty in this case is addressed by sensitivity testing of key assumptions so that the governing body can understand how different choices would impact the technical provisions. Main uncertainties affecting the technical provisions of Aegon life relate to mortality rates, cancellation rates and expense levels.

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

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

D.2.4 Reinsurance and special purpose vehicles (SPVs)
Contracts that transfer a significant insurance risk from Aegon life to third parties are accounted for as reinsurance contracts, and are classified as outgoing reinsurance.

Aegon life has reinsured a substantial part of all underwriting risk of a certain pension contract on a proportional basis and does not make use of SPVs.

D.2.5 Technical Provisions
The table shows the Solvency II liabilities at year end 2024.

Technical provisions split

31 December 2024	Solvency II
Life	
Best estimate	27,753
Risk margin	851
Technical provision	**28,605**
Index-linked and unit-linked	
Best estimate	24,632
Risk margin	619
Technical provision	**25,251**

D.2.6 Reconciliation between Dutch GAAP and Solvency II
As mentioned at the start of chapter D, there is no difference between the statutory value and the Solvency II value in the technical provision.

D.3 Other liabilities

D.3.1 Valuation of other liabilities
In this section, the valuation under Solvency II is described per liability class excluding technical provisions, i.e. line items 20 - 23 of the simplified balance sheet. In accordance with Solvency II regulations, the amounts are based on fair value.

Fair value is defined as the amount that would be paid to transfer a liability in an orderly transaction between market participants at the measurement date under current market conditions (i.e. an exit price at the measurement date from the perspective of a market participant that holds the asset).

18. Pension benefit obligations
Not applicable for Aegon life.

19. Deferred tax liabilities
Reference is made to 3. Deferred tax assets.

20. Subordinated liabilities
There are currently no subordinated loans for Aegon life.

21. Other liabilities
Other Liabilities contains different line items:

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

The Solvency II balance sheet contains a Financial liability other than debts owed to credit institutions position of € 142 million at fair value.

Derivatives
The derivatives on the liability side have a value of € 4.6 billion.

Debts owed to credit institutions
The Solvency II balance sheet contains deb owed to credit insitutions of € 2.9 billion.

Provisions other than technical provisions
The Solvency II balance sheet position of € 159 million contains the unit-linked compensations settlement.

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

The Solvency II balance sheet position of € 232 million includes payables to individual and pension clients.

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

The Reinsurance payables position on the Solvency II balance sheet amounts to € 51 million.

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

The Payables (trade, not insurance) position on the Solvency II balance sheet predominantly consists of the current account payables and is € 224 million.

Any other liabilities, not elsewhere shown
The Solvency II balance sheet includes an Any other liabilities position of nil per 31 December 2024.

D.3.2 Reconciliation from Solvency II equity to EOF

The differences described in the above sections are the basis for the reconciliation of Dutch GAAP equity to Solvency II equity. To reconciliate from Solvency II equity to EOF, the following movements are taken into consideration:

Subordinated liabilities
Not applicable for Aegon life.

Foreseeable dividends and distributions
Not applicable for Aegon life.

Tier 3 Limitations
In accordance with the Delegated Regulation EOF is divided in tiering components. There are boundary conditions related to the size of these components. Excess of this limits results in capping of EOF. For Aegon life capping does not apply per year-end 2024.

D.4 Alternative methods for valuation

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

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

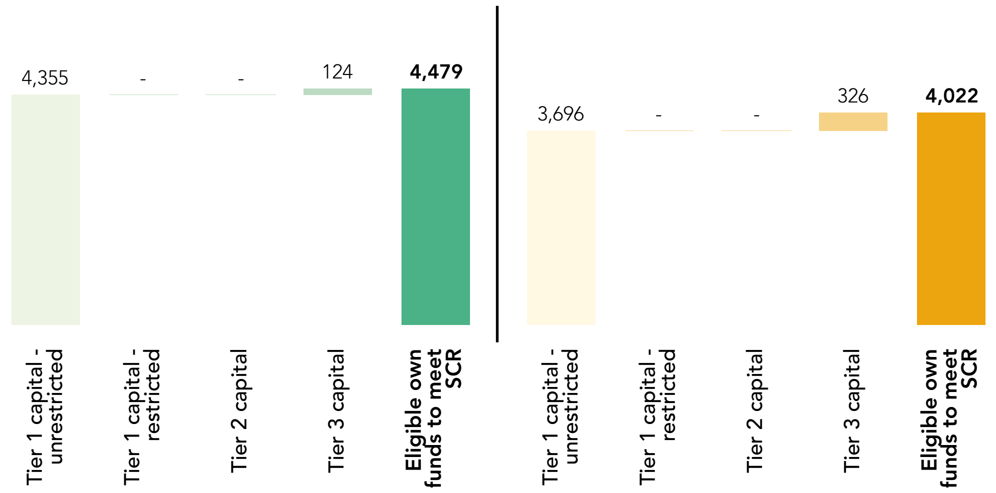
D.5 Any other information

Not applicable for Aegon life.

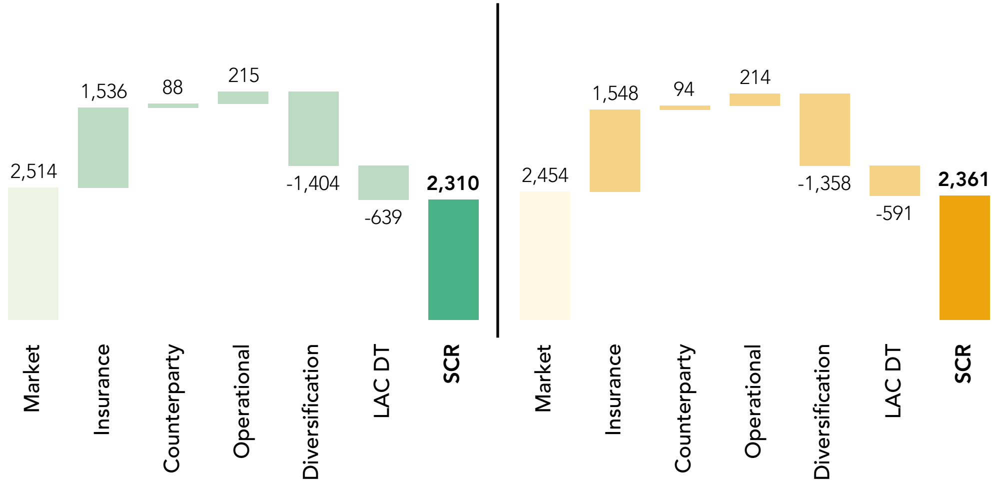
E Capital management

Key figures

EOF



SCR



The solvency ratio stood at 194% per 31 December 2024 (2023: 170%) as a result of € 4,479 million EOF and € 2,310 million SCR. The increase was mainly the result of increased Own funds and decreased required capital, both driven by market developments and model changes over the year.

Reconciliation total equity Dutch GAAP vs EOF Solvency II

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

E.1 Own funds

E.1.1 Capital Management objectives

Management

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

Objective and policies

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

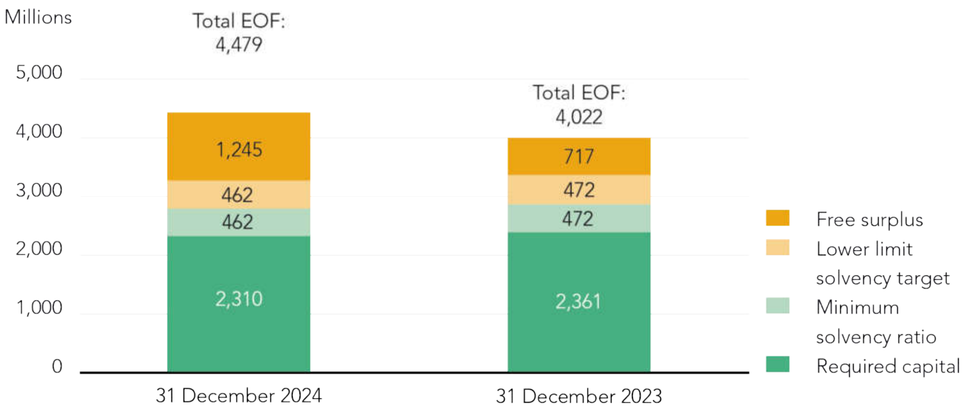
The SCR is reported on a quarterly basis and proxies are also made on a monthly basis. The internal minimum solvency ratio for Aegon life as formulated in the risk appetite statement is 120%. The lower limit solvency target is 140%. The management threshold level for the solvency ratio is above 160%. The solvency ratio stood at 194% per 31 December 2024, which was comfortably above the internal requirement of 120% and the management threshold level of 160%.

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

In accordance with a.s.r.'s dividend policy, the liquidity of the underlying entities is not taken into account for the liquidity position of the group. However, the capital is recognised in the capital position of the group, since a.s.r. has the ability to realise the capital of this OTSO, for example by selling the entity. If Aegon life elects to return capital, it intends to do so in the form that is efficient for shareholders at that time. In 2024, € 229.1 million dividend upstream took place.

The following table shows how the EOF of Aegon life relates to the different capital targets.

Market value own funds under SCR



E.1.2 Tiering Own Funds

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

- Tier 1 capital consists of Ordinary Share Capital and Reconciliation reserve.
- Tier 2 capital consists of ancillary own funds and basic Tier 2. Ancillary own funds consist of items other than basic own funds which can be called up to absorb losses. Ancillary own fund items require the prior approval of the supervisory authority. Aegon life has no ancillary own fund items.
- Tier 3 consists of Deferred tax assets. Aegon life has Tier 3 own fund items amounting to € 124 million at year-end 2024 (2023: € 326 million).

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

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

Eligible Own Funds to meet the SCR

	31 December 2024	31 December 2023
Tier 1 capital - unrestricted	4,355	3,696
Tier 1 capital - restricted	-	-
Tier 2 capital	-	-
Tier 3 capital	124	326
Eligible own funds to meet SCR	**4,479**	**4,022**

Compared to year-end 2023, EOF increased. The increase is mainly driven by market impacts and model changes.

The total eligible Own Funds to meet the SCR are equal to the available Own Funds. There is no capital loss or capital overflow after applying capital restrictions to all 3 Tiering buckets.

E.1.3 Own Funds versus MCR

The MCR calculation is based on the standard formula.

Eligible Own Funds to meet the MCR

	31 December 2024	31 December 2023
Tier 1 capital - unrestricted	4,355	3,696
Tier 1 capital - restricted	-	-
Tier 2 capital	-	-
Tier 3 capital	-	-
Eligible own funds to meet MCR	**4,355**	**3,696**

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

E.1.4 List of hybrid loans

Not applicable for Aegon life.

E.2 Solvency Capital Requirement and Minimum Capital Requirement

Capital requirement

The required capital stood at € 2,310 million per 31 December 2024. Aegon life's Solvency II ratio complied during 2024 with the applicable externally imposed capital requirement. The next table presents the solvency ratio as at the date indicated.

Solvency II ratio

	31 December 2024	31 December 2023
Eligible Own Funds Solvency II	4,479	4,022
Required capital	2,310	2,361
Solvency II ratio	**194%**	**170%**

The Solvency II ratio stood at 194% at 31 December 2024 (2023: 170%). The Solvency II ratios are not final until filed with the regulators.

On 8 January 2025, the amendments to the Solvency II Directive have been published in the Official Journal of the European Union. The changes contained in the amended Directive must be incorporated into national legislation by 29 January 2027, and become applicable to insurers as of 30 January 2027.

The amendments consist of various changes to the Solvency II framework, affecting most notably the liability discount curve, the risk margin and the volatility adjustment (VA), the Dynamic volatility Adjustment (DVA) and the long term impact of the climate change transition plan on the Solvency II requirements. The amendments to the Solvency II Directive will require amendments to the Solvency II Delegated Regulation and/or the introduction of additional delegated acts and guidelines, to be developed by EIOPA.

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

Standard & Poor's confirmed the single A rating of Aegon life on 12 November, 2024.

Ratings

Ratings Standard & Poor's	Type	Rating	Outlook	Rating & outlook since
Aegon Levensverzekering N.V.	IFSR	A	Positive	12 September 2024
Aegon Levensverzekering N.V.	ICR	A	Positive	12 September 2024

E.2.1 Solvency Capital Requirement

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

Structure of the internal model

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

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

Additional purposes for which Aegon life uses the Solvency II PIM include:

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

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

Within the Mismatch risk category:

- Interest rate risk and interest rate volatility risk.

Within the Investment and counterparty risk category:

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

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

Within the Underwriting risk category:

- Mortality and longevity risk; and
- Mortgage prepayment risk.

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

Diversification within the Solvency II PIM SCR

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

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

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

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

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

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

Other

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

Solvency II PIM SCR

The following table shows the breakdown of the Solvency II PIM SCR for Aegon life at year-end 2024:

Solvency II PIM SCR

	31 December 2024	31 December 2023
Life underwriting risk (SF)	496	534
Life underwriting risk (IM)	1,040	1,014
Market risk (SF)	698	654
Market risk (IM) (incl. DA)	1,816	1,800
Counterparty default risk (SF)	88	94
Operational risk (SF)	215	214
LAC DT	-639	-591
Total undiversified components	**3,714**	**3,719**
Diversification	-1,404	-1,358
Total SCR	**2,310**	**2,361**

Diversification of € 1,488 million includes the integration between the SF and IM parts of the PIM SCR and diversification between the risk categories, but does not include diversification within each risk component.

Within the risk categories there is diversification within each the risk category, mainly:

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

E.2.2 Minimum Capital Requirement

According to (Directive 2009/138 EU article 230 Sub 2a) the consolidated group SCR shall have as a minimum the sum of the following:

a. the MCR as referred to in Article 129 of the participating insurance or reinsurance undertaking;
b. the proportional share of the MCR of the related insurance and reinsurance undertakings. According to Delegated Regulation article 248 to 251 the MCR of the related insurance and reinsurance undertakings is calculated as a linear function of premiums, technical provisions and capital at risk.

Components MCR

	Charge	Capital at Risk 2024	MCR 2024	Capital at Risk 2023	MCR 2023
Obligations with profit participation - guaranteed benefits	3.70%	13,055	483	12,985	480
Obligations with profit participation - future discretionary benefits	-5.20%	-	-	-	-
Index-linked and unit-linked insurance obligations	0.70%	24,632	172	24,059	168
Other life (re)insurance and health (re)insurance obligations	2.10%	15,149	318	15,129	318
Total capital at risk for all life (re)insurance obligations	0.07%	35,702	25	39,486	28
Total			**999**		**994**

The MCR has been determined as the sum of the components, leading to a linear MCR of € 999 million. The MCR contains a minimum of 25% and a maximum of 45% of the SCR, as stipulated in article 292(2)(g) of the Delegated Regulation. The MCR for Aegon life is € 999 million.

Minimum Capital Required Ratio

	31 December 2024	31 December 2023
Eligible own funds to meet MCR	**4,355**	3,696
Minimum Capital Requirement	999	994
MCR ratio	**436%**	**372%**

Aegon life meets the minimum capital requirement.

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

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

E.4 Differences between internal model and standard formula

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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