Aegon SB Covered Bond Company B.V.

Annual Report 2022

Amsterdam, the Netherlands

Aegon SB Covered Bond Company B.V.
Basisweg 10
1043 AP Amsterdam
The Netherlands
Chamber of Commerce Amsterdam 82140421

Table of contents **Page**

1. Director's report

1.1 Activities and results

The Director of the Company herewith presents to the shareholder the Annual Report of Aegon SB Bond Company B.V. (the “Company") for the year 2022.

General
The Company is a private company with limited liability incorporated under the laws of the Netherlands on March 9, 2021. The statutory address of the Company is Basisweg 10, 1043 AP Amsterdam, the Netherlands. The Company’s Dutch Chamber of Commerce registration number is 82140421. All shares issued by the Company are held by Stichting Holding Aegon SB Covered Bond Company, which also is established in Amsterdam, the Netherlands.

The Company guarantees, under the Trust Deed, the payment of interest and principal payable under the Covered Bonds (”the Bonds”) issued by AEGON Bank N.V. (“AEGON” or “the Issuer”) which is located at Thomas R. Malthusstraat 1-3, 1066 JR Amsterdam. As consideration for the Company to meet its obligation under the issued guarantee, AEGON will assign eligible assets to the Company. AEGON assigned eligible mortgage loans to the Company through a silent assignment (in Dutch "stille cessie"). Meaning that until the occurrence of an Assignment Notification Event (reference is made to the Base Prospectus), the asset cover test has been breached or a Notice to pay / CBC Acceleration Notice have been served, AEGON is entitled to all proceeds in relation to the transferred eligible assets. If one or more of the previously mentioned events occurs or notice(s) have been issued, the Company will be entitled to receive all proceeds in relation to the transferred assets, in order to fulfil its obligation under the issued guarantee; payment of interest and principal on the Bonds.

AEGON may issue, under the Covered Bond Programme, various series of Covered Bonds with a total notional amount of EUR 5,000 million. On June 9, 2021 AEGON issued under this programme a first series of Bonds in a total value of EUR 500 million. All Bonds of this first series were still outstanding as per December 31, 2022.

As per December 31, 2022 the net outstanding nominal amount of the transferred mortgage loans was EUR 577.9 million.

The Bonds were rated by both Standard & Poor's and Fitch at issuance. Both rating agencies rated the Bonds issued at AAA. The ratings assigned by Standard & Poor's to all outstanding series of Bonds have not been amended since their issuance. The ratings assigned by Fitch to all outstanding series of Bonds have been withdrawn upon request of AEGON at December 1, 2020.

Since the issuance of the first series of Bonds neither an Assignment Notification Event, nor a breach of the asset cover test has occurred nor has a Notice to pay or a CBC Acceleration Notice been served.

The Trust Deed entered into by the Company, AEGON and Stichting Security Trustee Aegon SB Covered Bond Company states that all cost and expenses of the Company and all cash flows from financial instruments of the Company will be received and paid on behalf of the Company by AEGON for its own account. As a result, all amounts remaining in the Company will flow back periodically to AEGON. Cash transactions to the Company are limited to bank interest received and bank interest charged through to AEGON and the Company will not have the right to any of the proceeds.

In our opinion, the financial statements give a true and fair view of the assets, liabilities, financial position and statement of income of the Company and the director’s report includes a fair view of the development and performance of the business and the position of the Company, together with a description of the principal risks that the Company faces.

Personnel
As all operational activities are performed by external parties, the Company does not have any personnel.

Financial reporting
The Director is responsible for establishing and maintaining adequate internal control over financial reporting. The Director is also responsible for the preparation and fair presentation of the financial statements. The Company's internal control over financial reporting is included in the ISAE 3402 framework of the Director.

The financial statements have been prepared in accordance with Title 9, Book 2 of the Dutch Civil Code and in accordance with Dutch Accounting Standards.

Comparison with prior year
The principles of valuation and determination of result remain unchanged compared to the prior year.

RISK MANAGEMENT
In the event that the Company will take over the servicing of the Bonds, the Company will run interest rate and credit risk on the Bonds and the mortgage portfolio. In order to limit these potential risks the Company mitigated these risks via other financial instruments.

The risk appetite of the Company is low and matches the risk-profile of the Company. As said, various measurements have been taken to mitigate the risks for the Company. The main risks are various financial risks dealt with below.

Financial risk management
The Company has, under the Trust Deed, guaranteed the payment of interest and principal payable under the Bonds issued by AEGON. As a consequence, the Company will then, amongst others, run interest rate risks on both the Bonds and the mortgage portfolio.

Credit and concentration risk
Credit risk is mainly related to the economic conditions, as well as environmental conditions (including climate risk), and the risk that individual borrowers might be unable to fulfil their payment obligations. The Company has no exposure to credit risk, unless the guarantee is invoked. When the guarantee is invoked all risks associated with the mortgage loans are transferred to the Company, with a maximum credit risk of EUR 577.9 million. Until that moment all risks and rewards associated with the assets are retained by AEGON and the transferred mortgage loans are not recognised on the balance sheet of the Company. However, given the minimum required over collateralisation of at least 5% a buffer is available to cover losses arising.

Interest rate risk
In order to limit the potential interest rate risks the Company may, if deemed necessary, enter into a swap agreement. In relation to the series issued and the mortgage portfolio transferred to the Company no swap agreement has been entered into by the Company. This given the fact that the average fixed interest rate on the Bonds, of 0.375%, is less than the average interest rate of 2.89% on all transferred mortgage loans and the obligation of AEGON to offer, for a succeeding interest period of the transferred mortgage loans, a minimum mortgage interest rate of 1.0%.

Furthermore, the notional amount outstanding of all transferred eligible mortgage loans should at least be 105% of the notional amount outstanding of all Bonds. At the balance sheet date the notional amount outstanding of the transferred eligible mortgage loans was 114.59%.

Please note that the Interbank Offered Rates ("IBORs") are phased out with most likely some of tenors of USD Libor to be extended until the end of June 2023. The IBORs will be replaced by Risk Free Rates ("RFRs"), which prove to be more liquid and anchored in active markets rates. Based on the aforementioned timeline, we conclude that there is no material impact on the Company as far as the financial statements of 2022 are concerned. In the meantime the process in place with regards to the transition from the current benchmark rates to the reformed benchmarks will be monitored going forward and and adjustments in the figures will be made where where deemed necessary.

Liquidity risk
Liquidity risk is the risk that the Company will be unable to meet its payment obligations towards the holders of the Bonds and other creditors, as they become due. In order to mitigate the liquidity risk, a temporary shortfall in cash, a reserve account is established. Cash is deposited by AEGON on a separate bank account held by the Company with BNG Bank N.V. ("BNG").

Limited Recourse
Although interest rate risk, credit risk and liquidity risk are recognized, the exposure to the Company is limited. The Bonds are issued with limited recourse. If an event of default occurs and the security is enforced, the proceeds may not be sufficient to meet the claims of all the "Secured Creditors" (the Covered Bondholders, directors, administrator, back-up administrator, servicers, custodian, paying agent, calculation agent, registrar, each swap counterparty (if any), asset monitor, CBC account bank, participants, transferor and such other party designated by the security trustee to become a Secured Creditor). If, following enforcement of the security, the Secured Creditors have not received the full amount due to them pursuant to the terms of the transaction documents, the Secured Creditors will no longer have a claim against the Company after enforcement of the security. The Secured Creditors may still have an unsecured claim against the Issuer for the shortfall.

Risk appetite
Based on the above, the Company is of the opinion that all significant risks are adequately addressed and that no ongoing risk assessment is deemed necessary. The credit enhancements granted are all part of the risk control measures. As a result, the Company's risk appetite is low.

Results
Apart from a minimum profit amount which is equal to the lowest of 10% of the management fee and EUR 2.500, in accordance with the Prospectus, representing taxable income for corporate income tax purposes in the Netherlands, in accordance with common practice for securitizations, all income and expenses are allocated to the parties concerned in the funding arrangement. Reference is made to the general notes to the financial statements for further details.

The result for the year 2022 amounts to EUR 2.125 (previous year: EUR 2.125)

Based on the set-up and structure of the Company, a special purpose vehicle with a fixed/predetermined amount of profit each year, no information or analyses are presented on the solvency, liquidity or any other performance ratios.

Research and development
Based on the set-up and structure of the Company, a special purpose vehicle, no information or analyses is presented on the subject matter of research and development.

Environmental, Social & Governance (ESG)
The Company is setup as a Special Purpose Vehicle and due to that reason has set no ESG goals. The Director is of the opinion that the Company itself has no direct influence into the ESG related aspects, as the Company has no activities that directly impact the environment or social aspects. For ESG reporting in which the Company has an indirect role, we refer to the ESG reporting of foremost the Orignator and secondly to the ESG reporting provided by the other involved parties as disclosed in the list of List of counterparties.

Fraud
In view of fraud, bribery and anti-corruption, the Director implemented manual and automated internal controls such as segregation of duties and provides training to help employees to identify fraudulent behaviour. In addition, the Director implemented, amongst others, a code of conduct, whistle-blower policies and internal policies around reporting non-compliance. The Director applies a zero-tolerance policy in relation to fraud, bribery and anti-corruption. No instances of (internal or external) fraud or any other matters are identified in this respect that had a material effect on the financial statements.

Diversity policy in the board of directors
The Company is set up as a Special Purpose Vehicle and management is performed by Intertrust Management B.V, which is a legal person. The Director is of the opinion that the requirement based on the DCC is not of added value for a Special Purpose Vehicle as there are no natural persons in the board of directors.

Audit committee
The Company is an entity for securitization purposes according to Article 1 ministerial decree prudence rules Financial Supervision Act (Article 1, Decree on Prudential Rules for Financial Undertakings). As such the Company makes use of the exemption for securitization vehicles, concerning the obligation to establish an audit committee as defined in article 3d of the implementing regulation enforcing Article 41 of the European Directive no. 2006/43/EG. The implementing regulation came into effect in the Netherlands on August 8, 2008. The duties of the audit committee rest with the Director.

Conflict in the Ukraine
As the Company’s assets are located in the Netherlands, its direct exposure to the current conflict in the Ukraine is very limited. However, the Company’s operations and future prospects could be indirectly impacted by the effects that the conflict may have on the economy as a whole. The limited recourse principle embedded in the transaction means that any such negative consequences are transferred from the Company to the Originator and/or Noteholders and/or Subordinated Loan holder.

1.2 Future developments

This macro-economic analysis in this section is largely based on data and expectations presented by De Nederlandse Bank ("DNB") and the Central Bureau of Statistics ("CBS"). The analysis that focusses particularly on the housing market also includes information derived from reports from the NVM. The NVM is involved in the vast majority, but not all, of the transactions on the Dutch housing market and, as such, the information needs to be seen as merely indicative of the housing market as a whole.

The prediction of future trends and the quantification of developments is inherently a difficult task, full of uncertainties. The calculation of economic indicators and predictions will inevitably lag behind events and some of the information available may not be completely up-to-date with developments.

DNB has concluded that the Dutch economy has been subjected to distinct phases during 2022. The first two quarters showed strong growth in GDP as compared to the previous year as COVID-19 restrictions were relaxed, but during the third quarter of the year this transformed to a modest decrease largely as a result of the conflict in the Ukraine. However, in the fourth quarter it recovered again and more than made up for the decline of the third quarter. Nevertheless, by the end of 2022, the effects of the increased inflation rates (caused primarily by high fuel and raw material prices and war in Ukraine) and a decline in the growth rates in the worldwide economy were being felt though the Dutch economy appears to be more resilient than most economies surrounding it. Whilst those effects are expected to continue into 2023, the DNB predicts a year of stabilization as a result of public sector support to reduce the effects of high fuel prices on households and businesses, along with a general downward trend on fuel and raw material prices as the worldwide economy slows down.

Alongside its most likely scenario, the DNB has also sketched an alternative scenario for the coming years which is largely based on continued high fuel prices without imposed price ceilings and increasing raw material prices and, consequently, higher inflation levels. These adverse developments would very likely impact the global economy, as well as the Dutch economy.

Despite the modest decrease during the third quarter of the year, GDP in the Netherlands increased by around 4.5% in 2022, slightly less than the increase of 4.9% in 2021. The current expectations are that GDP will stabilize at an increase of around 0.8% in 2023 before improving somewhat to a level of 1.6% in 2024. In a 'worst case scenario' of continued high energy prices and increased political tension, a flat level GDP for 2023 and a very modest increase for 2024 are predicted.

All scenarios are significantly impacted by government spending, particularly in the form of supporting price ceilings for energy prices. This will all significantly impact inflation and interest rate levels. The level of government spending deficit decreased from 2.4% in 2021 to a more healthy level of around 1.0% in 2022. However, the effects of the various measures introduced to support households and businesses in the impact of higher energy prices is predicted to lead to a deficit in government spending of around 3.0% in 2023 and a deficit of 1.4% in 2024. Much of these projections will depend on the level and duration of this government support for the economy.

In determining the projections for 2023 and beyond, DNB has pointed to a number of strengths and weaknesses of the commercial sector within the Dutch economy underlying the projected developments. Businesses have generally responded well to the high energy prices and inflationary pressure. Cost and energy reduction programmes have absorbed a large part of the adverse effects. Many businesses continue to suffer under acute shortages of staff and raw materials, however. Levels of investments rose sharply during 2022 but will likely be curtailed again in 2023 to a modest decline before recovering in 2024. The restricted availability of credit from the banking sector plays a negative role in the 2023 projections. The export sector continues to perform well, outperforming the Dutch economy as a whole but at the same time unable to match growth levels in the worldwide economy, indicating a loss of global market share.

Unemployment levels continued to decrease during most of 2022 from a level of just above 4% to a level just below it. The continued shortages in the labour markets will ensure that the rise in unemployment in 2023 and 2024 will be restricted to around the 4.2% and 4.0% levels, respectively. A continued modest rise in the number of vacancies will be countered by the relatively high level of new entrants onto the labour markets. New entrants are encouraged by the rising number of vacancies but some entrants arrive out of economic necessity as household finances are hit by the effects of rising inflation.

Headline inflation increased from an average of 2.7% in 2021 to some 10% in 2022. Inflationary pressures came initially from higher energy costs, especially electricity, oil, gas and automotive fuel but spread later in the year to raw material prices, wage inflation and, ultimately, consumer prices in most areas. The effects of rising energy prices are expected to continue to contribute a relatively large element to overall inflation levels in the coming years. The tight labour market and consumer inflation are also expected to result in continued inflationary pressures on wage settlements, expected to average around 5% in 2023. These will, in turn, put pressure on production unit costs.

The domestic housing market also appears to be impacted by the macro-economic developments, especially rising interest rates and a general loss of confidence. The spectacular growth in domestic house prices slowed somewhat during the first half of 2022 and the last two quarters of 2022 showed decreases in the average price of existing shelters. According to NVM, the average price of shelters decreased by 6.4% during 2022. This should be seen against a background of a number of years of spectacular increases in prices. The number of houses on the market at the end of 2022 more than doubled as compared to the end of 2021. Transactions for the last quarter of 2022 were down 8% as compared to the same period in the previous year, which all resulted in downward pressure on price levels. Clearly, the effects of higher mortgage interest rates is being felt as well as the adverse developments in the economy as a whole. This downward pressure on prices is expected to continue in the coming years with DNB expecting price decreases in the region of 3% for both 2023 and 2024. As always, regional variations and differences in the various price sectors and types of dwelling continue to exist but the overall picture can be applied to the housing market as a whole. The downward pressure on prices is tempered somewhat by the levels of new housing being built which seems unable to keep up with new entrants onto the housing market.

Risk levels for existing homeowners and lenders alike have increased somewhat as compared to the previous year. Adverse economic conditions are likely to increase the levels of defaults though the indications are that this will be restricted in light of the expected limited rises in unemployment levels, as outlined above. New homeowners have for years been subjected to stricter lending conditions and these will continue into the coming years. Existing homeowners have seen debt ratios decrease, notwithstanding the relatively modest price decreases of 2022 and those expected for the coming years, as a result of a persistent period of major price rises. Competitive pressures are likely to continue in the mortgage provider market due to new entrants to the market. Whilst these factors generally increase risks, lenders still have relatively favourable debt ratios on existing portfolios as a result of the rising prices in recent years.

It is important to reiterate that the Company was incorporated specifically for its role in a structured finance transaction and is governed by the terms and conditions of the Prospectus and other Transaction Documents. These are drawn up, inter alia, to foresee all possible future economic conditions, including those caused by, for instance, political conflicts and pandemics. At this stage, it is quite possible that the consequences of adverse economic conditions will result in an increased level of losses of both interest and principal on the Company’s assets. The limited recourse principle embedded in the Prospectus and Transaction Documents dictates that any such losses from the Company’s assets are to be borne by the Company’s creditors, in accordance with a pre-determined priority of payments waterfall.

Consequently, any such losses are unlikely to be borne by the Company itself but rather by the Company’s creditors, including the beneficiary of the Deferred Purchase Price, the Noteholders, and only ultimately the Company’s shareholder. The Company intends to continue to act within the terms and conditions set out for it by the Transaction Documents, and to otherwise comply with all its other obligations. The Company has no employees and is dependent on third-party service providers. However, the level and quality of the service provided has remained unaffected.

In conclusion, the Company expects to remain a going concern. The Director believes that the Company’s risks are adequately mitigated by the various measures such as financial instruments and credit enhancements entered into, as described in the Financial statements and the Prospectus. Also, as the Company's obligations to the Noteholders are of limited recourse, no significant changes in the current position of the Company are expected for the next 12 months.

Post-balance sheet events

During 2022 Aegon reached an agreement with a.s.r. to combine its Dutch pension. Life and non-life insurance, banking, and mortgage origination activities with a.s.r. As a result of this merger, the rating of the Issuer changed from A/Stable to A/Watch Neg.

Amsterdam, May 9, 2023

Director
Intertrust Management B.V.

2. Financial statements

2.1 Balance sheet as at December 31, 2022
(before result appropriation)

	Note	December 31, 2022		December 31, 2021	
ASSETS		€	€	€	€
Current assets					
Other receivables	[1]	30.909		30.989	
			30.909		30.989
Cash and cash equivalents	[2]		1.160		1.762
Total assets			32.069		32.751
SHAREHOLDERS' EQUITY AND LIABILITIES					
Shareholders' equity	[3]				
Issued share capital		1		1	
Other reserves		2.125		-	
Result for the period		2.125		2.125	
			4.251		2.126
Current liabilities	[4]				
Taxes		375		375	
Accrued expenses and other liabilities		27.443		30.250	
			27.818		30.625
Total Shareholders' equity and liabilities			32.069		32.751

The accompanying notes form an integral part of these financial statements.

PricewaterhouseCoopers
Accountants N.V.
For identification
purposes only

2.2 Statement of income for the year ended December 31, 2022

	Note	2022		2021	
		€		€	
Income	[5]	1.236.507		769.081	
			1.236.507		769.081
General and administrative expenses	[6]	-1.234.007		-766.581	
			-1.234.007		-766.581
Result before tax			2.500		2.500
Corporate income tax	[7]	-375		-375	
			-375		-375
Result after tax			2.125		2.125

PricewaterhouseCoopers Accountants N.V.
For identification purposes only

2.3 Statement of cash flows for the year ended December 31, 2022

The Statement of cash flows has been prepared according to the indirect method.

	Note	2022		2021	
		€	€	€	€
Result after tax			2.125		2.125
Adjustments on the Statement of income:					
Corporate income tax	[7]	(375)		(375)	
			-375		-375
Movements in working capital					
Net change in other receivables	[1]	81		-30.988	
Net change in current liabilities	[4]	-2.807		30.250	
Corporate income taxes paid	[7]	375		-	
Cash flow used in operating activities			-2.351		-738
Movements in cash			-601		1.761
Opening balance			1.761		-
Movements in cash			-601		1.761
Closing balance			1.160		1.761

* The net result for the financial year includes the Pool Servicing fee amounting to EUR 1.074.841 charged by the Servicer, which is AEGON Hypotheken B.V. to the Company. The Pool Servicing fee is fully charged by the Company to AEGON. These amounts are settled through the current account and have been treated as non-cash items.

The accompanying notes form an integral part of these financial statements.

2.4 General notes to the Financial statements

The Director of the Company herewith presents to the shareholder the Annual Report of Aegon SB Bond Company B.V. (the “Company") for the year 2022.

General

The Company is a private company with limited liability incorporated under the laws of the Netherlands on March 9, 2021. The statutory address of the Company is Basisweg 10, 1043 AP Amsterdam, the Netherlands. The Company’s Dutch Chamber of Commerce registration number is 82140421. All shares issued by the Company are held by Stichting Holding Aegon SB Covered Bond Company, which also is established in Amsterdam, the Netherlands.

The Company guarantees, under the Trust Deed, the payment of interest and principal payable under the Covered Bonds (”the Bonds”) issued by AEGON Bank N.V. (“AEGON” or “the Issuer”) which is located at Thomas R. Malthusstraat 1-3, 1066 JR Amsterdam. As consideration for the Company to meet its obligation under the issued guarantee, AEGON will assign eligible assets to the Company. AEGON assigned eligible mortgage loans to the Company through a silent assignment (in Dutch "stille cessie"). Meaning that until the occurrence of an Assignment Notification Event (reference is made to the Base Prospectus), the asset cover test has been breached or a Notice to pay / CBC Acceleration Notice have been served, AEGON is entitled to all proceeds in relation to the transferred eligible assets. If one or more of the previously mentioned events occurs or notice(s) have been issued, the Company will be entitled to receive all proceeds in relation to the transferred assets, in order to fulfil its obligation under the issued guarantee; payment of interest and principal on the Bonds.

TRANSACTION STRUCTURE, MANAGEMENT AND RELATED PARTIES

AEGON may issue, under the Covered Bond Programme, various series of Covered Bonds with a total notional amount of EUR 5,000 million. On June 9, 2021 AEGON issued under this programme a first series of Bonds in a total value of EUR 500 million. All Bonds of this first series were still outstanding as per December 31, 2022.

As per December 31, 2022 the net outstanding nominal amount of the transferred mortgage loans was EUR 577.9 million.

The Stichting Holding Aegon SB Covered Bond Company (‘the Foundation’) holds all shares of the Company. The Foundation was incorporated under the laws of the Netherlands on March 8, 2021. The registered office of the Foundation is in Amsterdam, the Netherlands. The objectives of the Foundation are to incorporate, acquire and to hold shares in the share capital of the Company and to exercise all rights attached to such shares and to dispose and encumber such shares. The sole director of the Foundation is Intertrust Management B.V.

The Stichting Security Trustee Aegon SB Covered Bond Company ("the Trustee") was incorporated under the laws of the Netherlands on March 8, 2021. The registered address of the Trustee is in Amsterdam, the Netherlands. The main objective of the Trustee is to act as security trustee for the benefit of the creditors of the Company, including the holders of the Bonds issued by AEGON and guaranteed by the Company. The sole director of the Trustee is IQ EQ Structured Finance B.V.

All legal entities that can be controlled, jointly controlled or significantly influenced are considered to be a related party. Also entities which can control the Company are considered to be a related party. In addition, statutory directors, other key management of the Company or the ultimate parent company and close relatives are regarded as related parties.

Transactions with related parties are disclosed in the notes insofar as they are not transacted under normal market conditions. The nature, extent and other information is disclosed if this is necessary in order to provide the required insight.

Personnel
As all operational activities are performed by external parties, the Company does not have any personnel.

Financial reporting
The Director is responsible for establishing and maintaining adequate internal control over financial reporting. The Director is also responsible for the preparation and fair presentation of the financial statements. The Company's internal control over financial reporting is included in the ISAE 3402 framework of the Director.

The financial statements have been prepared in accordance with Title 9, Book 2 of the Dutch Civil Code and in accordance with Dutch Accounting Standards.

Comparison with prior year
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RISK MANAGEMENT
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The risk appetite of the Company is low and matches the risk-profile of the Company. As said, various measurements have been taken to mitigate the risks for the Company. The main risks are various financial risks dealt with below.

Financial risk management
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Credit and concentration risk
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Interest rate risk
In order to limit the potential interest rate risks the Company may, if deemed necessary, enter into a swap agreement in order to mitigate the interest rate risk. In relation to the series issued and the portfolio transferred to the Company no swap agreement has been entered into by the Company. This given the fact that the average fixed interest rate on the Bonds, of 0.3490% (previous year: 0.3490%), is less than the average interest rate of 2,89% on all transferred mortgage loans (previous year: 2,94%) and the obligation of AEGON to offer for a succeeding interest period, of the transferred mortgage loans a minimum mortgage interest rate of 0.88% (previous period: 1.0%).

Furthermore, the notional amount outstanding of all transferred eligible mortgage loans should at least be 105% of the notional amount outstanding of all Bonds. At the balance sheet date the notional amount outstanding of the transferred eligible mortgage loans was 118.37% (previous year: 107.19%).

Please note that the Interbank Offered Rates ("IBORs") are phased out with most likely of some of tenors of USD Libor to be extended until the end of June 2023. The IBORs will be replaced by Risk Free Rates ("RFRs"), which prove to be more liquid and anchored in active markets rates. Based on the aforementioned timelines, we conclude that there is no material impact on the Company as far as the financial statements of 2022 are concerned. In the meantime the process in place with regards to the transition from the current benchmark rates to the reformed benchmarks will be monitored going forward and make adjustments in the figures where deemed necessary.

Liquidity risk
Liquidity risk is the risk that the Company will be unable to meet its payment obligations towards the holders of the Bonds and other creditors, as they become due. In order to mitigate the liquidity risk, a temporary shortfall in cash, a reserve account is established. Cash is deposited by AEGON on a separate bank account held by the Company with BNG Bank N.V. ("BNG").

Limited Recourse
Although interest rate risk, credit risk and liquidity risk are recognized, the exposure to the Company is limited. The Bonds are issued with limited recourse. If an event of default occurs and the security is enforced, the proceeds may not be sufficient to meet the claims of all the "Secured Creditors" (the Covered Bondholders, directors, administrator, back-up administrator, servicers, custodian, paying agent, calculation agent, registrar, each swap counterparty (if any), asset monitor, CBC account bank, participants, transferor and such other party designated by the security trustee to become a Secured Creditor). If, following enforcement of the security, the Secured Creditors have not received the full amount due to them pursuant to the terms of the transaction documents, the Secured Creditors will no longer have a claim against the Company after enforcement of the security. The Secured Creditors may still have an unsecured claim against the Issuer for the shortfall.

PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these Financial statements are set out below:

Basis of presentation

The financial statements have been prepared in accordance with Title 9, Book 2 of the Dutch Civil Code and in accordance with Dutch Accounting Standards (“RJ”). This is normal course of business for this kind of special purpose vehicles due to the uniqueness of the structure and accompanying financial statement line items. The applied accounting policies for all assets and liabilities are based on the historic cost convention, which effectively comprises the cost of the transaction. The Balance Sheet, Statement of Income and the Statement of cash flows statement include references to the notes.

An asset is recognised in the Balance Sheet when it is probable that the expected future economic benefits that are attributable to the asset will flow to the Company and the asset has a cost price or value of which the amount can be measured reliably. Assets that are not recognised in the Balance Sheet are considered as off-Balance Sheet assets. A liability is recognised in the Balance Sheet when it is expected that the settlement of an existing obligation will result in an outflow of resources embodying economic benefits and the amount necessary to settle this obligation can be measured reliably. Allowances are included in the liabilities of the Company. Liabilities that are not recognised in the Balance Sheet are considered as off-Balance Sheet liabilities.

An asset or liability that is recognised in the Balance Sheet, remains recognised on the Balance Sheet if a transaction (with respect to the asset or liability) does not lead to a major change in the economic reality with respect to the asset or liability. Such transactions will not result in the recognition of results. When assessing whether there is a significant change in the economic circumstances, the economic benefits and risks that are likely to occur in practice are considered. The benefits and risks that are not reasonably expected to occur, are not taken in to account in this assessment.

An asset or liability is no longer recognised in the Balance Sheet, and thus derecognised, when a transaction results in all or substantially all rights to economic benefits and all or substantially all of the risks related to the asset or liability are transferred to a a third party. In such cases, the results of the transaction are directly recognised in the Statement of Income.

If assets are recognised of which the Company does not have the legal ownership, this fact is being disclosed taking into account any allowances related to the transaction.

These financial statements are presented in EUR. All amounts are in EUR, unless stated otherwise.

Significant accounting judgments and estimates
The preparation of the financial statements requires the Director to form opinions and to make estimates and assumptions that influence the application of principles and the reported values of assets and liabilities and of income and expenditure. It also requires the Director to exercise its judgement in the process of applying the Company's accounting policies.

The actual results may differ from these estimates. The estimates and the underlying assumptions are constantly assessed. Revisions of estimates are recognised in the period in which the estimate is revised and in future periods for which the revision has consequences.

If necessary, for the purposes of providing the view required under article 2.362.1 Dutch Civil Code (DCC), the nature of these estimates and judgments, including the related assumptions, is disclosed in the notes to the applicable financial statement items.

Going Concern
The Director has assessed the Company’s ability to continue as a going concern and is satisfied that the Company has the resources and activities to continue in business for the foreseeable future. Furthermore, the Director is not aware of any material uncertainties that may cast significant doubt upon the Company’s ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

Impairment losses on mortgage loans
The Company reviews the underlying mortgage loans individually to determine whether provision should be made due to incurred loss events for which there is objective evidence, but of which effects are not yet evident. The assessment takes into account the data from the loan portfolio (such as credit quality, levels of arrears, loan to collateral ratios, historical loss patterns, etc.).

Ultimately, the Company's obligations towards the Issuer and holders of the Bonds in issue have limited recourse to the payments received on the mortgage loans and other income of the Company. If the incurred credit losses on the mortgage loans impair the Company's ability to repay either of those parties in full then the liabilities will be deemed to have been discharged in full once the available funds are paid out. This limited recourse arrangement acts as a hedge against the credit

Financial instruments
These financial statements contain the following financial instruments: other receivables, cash and cash equivalents, long-term liabilities and current liabilities.

Financial instruments are initially stated at fair value, including discount or premium and directly attributable transaction costs. After initial recognition, financial instruments are valued at amortised cost. For any specific applicable accounting policy see the specific descriptions of the financial instruments in this section.

Other receivables
Receivables are recognised initially at fair value and subsequently measured at amortised cost. All receivables included under current assets are due in less than one year. The fair value of the current assets approximates the book value due to its short-term character. If a receivable is uncollectable, it is written off against the Statement of income.

Cash and cash equivalents
Cash and cash equivalents are valued at nominal value and, insofar as not stated otherwise, are at the free disposal of the Company. Cash and cash equivalents relate to immediately due and payable withdrawal claims against credit institutions and cash resources. The fair value of the cash and cash equivalents approximates the book value due to its short-term character.

Current liabilities
After initial measurement at fair value, current liabilities are carried at amortised cost. All liabilities included under current liabilities are due in less than one year. Gains or losses are recognised in the Statement of income when the liabilities are derecognised, as well as through the amortisation process when applicable. The fair value of the current liabilities approximates the book value due to its short-term character.

Result
The result is the difference between the income and the general and administrative expenses during the year. The results on transactions are recognised in the year in which they are realised.

Revenue recognition
Income is recognised in the Statement of income when an increase in future economic potential related to an increase in an asset or a decrease of a liability arises, of which the size can be measured reliably. Expenses are recognised when a decrease in the economic potential related to a decrease in an asset or an increase of a liability arises, of which the size can be measured with sufficient reliability.

Income and expenses, including taxation, are allocated to the period to which they relate.

General and administrative expenses
General and administrative expenses are accounted for in the period in which these are incurred.

FAIR VALUE FINANCIAL INSTRUMENTS
Due to the short-term nature of the cash and cash equivalents, the Balance with the Seller and other liabilities included in these Financial statements, the estimated fair value for these financial instruments approximates the book value.

CORPORATE INCOME TAX
The Company is liable to Dutch corporate income tax under a tax ruling. This stipulates that the Company should report annual income on the basis of a 10% mark-up on the Director’s fee, with a minimum of EUR 2,500.

STATEMENT OF CASH FLOW
The statement of cash flows has been prepared using the indirect method. The cash items disclosed in the statement of cash flows are comprised of cash and cash equivalents. Income taxes are included in cash from operating activities. Dividends, when applicable, are recognised as cash used in financing activities. Transactions not resulting in inflow or outflow of cash are not recognised in the statement of cash flows.

2.5 Notes to the Balance sheet

CURRENT ASSETS

	December 31, 2022	December 31, 2021
Other Receivables [1]	€	€
Receivable AEGON	30.909	30.989
	30.909	30.989

The other receivables consists of costs reimbursed to the Company by AEGON, but still need to be received by the Company. All receivables fall due within one year.

	December 31, 2022	December 31, 2021
Cash and cash equivalents [2]	€	€
Custody Account	280	771
CBC Account	880	991
	1.160	1.762

Custody Account
The Custody Cash Account relates to a floating rate current account with ABN AMRO Bank N.V. The rate of interest on the custody cash account is determined by Euro Short-Term Rate (€STR) minus a spread amounting to 16.5 basis points.

CBC Account
The CBC account relates to a floating rate current account with BNG. The rate of interest on the collection account is determined by the Euro Short-Term Rate (€STR) minus a spread amounting to 17.5 basis points.

Reserve account
The CBC shall maintain a Reserve Account with the CBC Account Bank, where the Reserve Account required amount will be credited in the event of an Issuer default. Typically, the Reserve Account balance will be zero due to limited recourse. A margin of 17.5 basis points per annum may be applied to the CBC Account balance.

2.5 Notes to the Balance sheet

SHAREHOLDERS' EQUITY [3]

The authorised capital which are issued and paid-in amounts to € 1, consisting of 1 ordinary share of € 1.

Share Capital	2022 €	2021 €
Balance as per beginning of period	1	-
Issue share	-	1
Balance as per end of period	1	1

Result for the period	2022 €	2021 €
Opening balance	2.125	-
Undistributed profit transferred to Other reserves	-2.125	-
Result for the period	2.125	2.125
Closing balance	2.125	2.125

The net result for the year amounts to EUR 2,125.

Proposed appropriation
The net result for the year under review is EUR 2,125. The Director proposes to add the net result to the other reserves.

CURRENT LIABILITIES [4]

Taxes	December 31, 2022 €	December 31, 2021 €
Corporate income tax	375	375

Accrued expenses and other liabilities

	December 31, 2022 EUR	December 31, 2021 EUR
Audit fee	27.443	30.250
	27.443	30.250

Accrued expenses and other liabilities are due within a year. As part of the Trust Deed all income and expenses are settled with AEGON. All current liabilities have a maturity of less than one year.

2.6 Notes to the Statement of income

	2022	2021
Income [5]	€	€
Charged to AEGON	1.236.507	769.081
	1.236.507	769.081

As part of the Trust Deed all expenses are charged and settled with AEGON. The expenses recharged to AEGON is the recharge of the expenses towards AEGON.

	2022	2021
General and administrative expenses [6]	€	€
Pool servicing fee	1.074.841	627.851
Administration fee	91.336	65.930
Management fee	39.676	42.130
Audit fees	27.443	30.250
Negative interest on bank accounts	5	5
Other expenses	706	415
	1.234.007	766.581

The Administration fee and Management fee were payable to a related party.

The costs are determined on a historical basis and are attributed to the reporting year to which they relate.

With reference to Section 2:382a of the DCC, the following fees for the financial year have been charged by PricewaterhouseCoopers Accountants N.V. to the Company (previous year: PricewaterhouseCoopers Accountants N.V.), see below for more details.

Current year	PricewaterhouseCoopers Accountants N.V.	Other PricewaterhouseCoopers Accountants N.V. firms / affiliates	Totals
	EUR	EUR	EUR
Audit of the financial statements	27.443	-	27.443
Other audit engagements	-	-	-
Tax advisory services	-	-	-
Other non-audit services	-	-	-
	27.443	-	27.443

Previous year	PricewaterhouseCoopers Accountants N.V.	Other PricewaterhouseCoopers Accountants N.V. firms / affiliates	Totals
	EUR	EUR	EUR
Audit of the financial statements	30.250	-	30.250
Other audit engagements	-	-	-
Tax advisory services	-	-	-
Other non-audit services	-	-	-
	30.250	-	30.250

The fees listed above relate to the procedures applied to the Company by accounting firms and external independent auditors as referred to in Section 1, subsection 1 of the Audit Firms Supervision Act ("Wet toezicht accountantsorganisaties- Wta") as well as by Dutch and foreign-based accounting firms, including their tax services and advisory groups. These fees relate to the audit of the financial statements, regardless of whether the work was performed during the financial year.

	2022	2021
Corporate income tax [7]	€	€
Corporate income tax	375	375

Based on the set-up of the transaction, the Company agreed to distribute the operating result, after the general and administrative expenses and taking the predetermined result after tax into account, to the Originator. On the other hand, possible remaining losses are deducted from certain classes of creditors and/or Noteholders. The Company realizes a (fixed) minimum profit, which is in line with the best practice. As a result, the Financial statements of the Company include a tax charge.

Taxation is calculated on the reported pre-tax result, at the prevailing tax rates.

Employees
During the period under review the Company did not employ any personnel in and outside the Netherlands (previous period: nil).

Remuneration of the of Director
The remuneration of the Director amounts to EUR 16,053.

The Company does not have a board of supervisory directors.

Proposed appropriation of result
The net result for the year under review is EUR 2,125 (previous period EUR 2,125). The Director proposes to add the net result to the Other reserves.

Post-balance sheet events
During 2022 Aegon reached an agreement with a.s.r. to combine its Dutch pension. Life and non-life insurance, banking, and mortgage origination activities with a.s.r. As a result of this merger, the rating of the Issuer changed from A/Stable to A/Watch Neg.

Amsterdam, May 9, 2023

Director
Intertrust Management B.V.

3. Other information

3.1 Statutory provisions

In accordance with article 19 of the Company's articles of association and applicable law, the Director is authorised to retain the profits or a part thereof, as appears from the most recently adopted financial statements. The general meeting is subsequently authorised to resolve to distribute or to reserve what then remains of the profits or a part thereof. The general meeting is also authorised to resolve to make interim distributions, which includes

The Company may make distributions to the shareholder only to the extent that the Company's shareholder's equity exceeds the sum of the reserves which it is legally required to maintain.

The Company may only follow a resolution of the General Meeting to distribute after the management board has given its approval to do this. The Director withholds approval only if it knows or reasonably should be able to foresee that the Company cannot continue to pay its due debts after the distribution.

3.2 Independent auditor's report

See next page.

Independent auditor's report

To: the general meeting of Aegon SB Covered Bond Company B.V.

Report on the financial statements 2022

Our opinion

In our opinion, the financial statements of Aegon SB Covered Bond Company B.V. ('the Company') give a true and fair view of the financial position of the Company as at 31 December 2022, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

What we have audited

We have audited the accompanying financial statements 2022 of Aegon SB Covered Bond Company B.V., Amsterdam.

The financial statements comprise:

- the balance sheet as at 31 December 2022;
- the statement of income for the year then ended 31 December 2022;
- Statement of cash flows for the year ended 31 December 2022 and;
- the notes, comprising a summary of the accounting policies applied and other explanatory information.

The financial reporting framework applied in the preparation of the financial statements is Part 9 of Book 2 of the Dutch Civil Code.

The basis for our opinion

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

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

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

Independence

We are independent of Aegon SB Covered Bond Company B.V. in accordance with the 'Verordening inzake de onafhankelijkheid van accountants bij assuranceopdrachten' (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA, Dutch Code of Ethics).

Report on the other information included in the annual report

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

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

- is consistent with the financial statements and does not contain material misstatements; and
- contains all the information regarding the director's report and the other information that is required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and the understanding obtained in our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing our procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of such procedures was substantially less than the scope of those procedures performed in our audit of the financial statements.

The director is responsible for the preparation of the other information, including the director's report and the other information in accordance with Part 9 of Book 2 of the Dutch Civil Code.

Responsibilities for the financial statements and the audit

Responsibilities of the director

The director is responsible for:

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

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

Our responsibilities for the audit of the financial statements

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

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

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

Amsterdam, 9 May 2023
PricewaterhouseCoopers Accountants N.V.

Original has been signed by C.C.J. Segers RA

Appendix to our auditor's report on the financial statements 2022 of Aegon SB Covered Bond Company B.V.

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

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

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

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

We communicate with the director regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.