Aegon Bank N.V.

Pillar 3
Disclosures 2022

Contents

1. Introduction

This report should be read in conjunction with the financial statements of Aegon Bank N.V. (AEB or the bank), as included in AEB's Annual Report 2022[1]. Through this Pillar 3 Disclosures document, AEB complies with applicable disclosure requirements, to the extent that certain disclosures are not included in the financial statements. There are no significant differences between the scope of consolidation for prudential purposes and the basis of consolidation used in the Annual Report. The information in this document has not been audited by AEB's external auditors.

1.1 Regulations

Since the introduction of the Basel II Capital Framework, codified in the Dutch Financial Supervision Act (Wet financieel toezicht; or Wft), requirements have been set to promote the transparency of financial institutions. Those requirements are set out in Pillar 3 'Disclosures and Market Discipline' of the Basel III Capital Framework as adopted in 2010 and converted by the European Union (EU) into the Capital Requirements Regulation (575/2013) (CRR) and Capital Requirements Directive (2013/36/EU) (CRD IV), as amended[2]. Specifically, Part Eight of CRR (Disclosure by Institutions) relates to disclosure requirements. Institutions have been required to apply these rules since 1 January 2014.

1.1.1 Pillar 1: Regulatory Capital (minimum capital requirement)

Pillar 1 refers to the minimum capital to be held by banks to cover credit, operational, and market risks.

- Credit risk: AEB uses the Standardized Approach (SA) for credit risk. This approach prescribes a standardized credit risk weighting, depending on the exposure class and rating category, to be applied to the exposures concerned in order to determine their contribution to the Total Risk Exposure Amount (TREA)[3].
- Operational risk: In order to determine the capital requirement for operational risk, AEB uses the Basic Indicator Approach (BIA). Accordingly, the capital requirement for operational risk is defined as 15% of the average 'relevant indicator' for the last three of twelve-monthly observations at the end of AEB's fiscal year. The elements of the relevant indicator are based on the Finrep template F02.00 and the indicator equals net operating income excluding the elements set out in Article 316-1 (b)[4] CRR[5].
- Market risk: AEB defines market risk as the risk of incurring losses on on-balance sheet and off-balance sheet items arising from adverse movements in market prices. Market risk is subdivided into the following risks: position risk (for assets in the trading book, currently not applicable), foreign currency conversion (FX) risk, and commodities risk. AEB currently holds FX positions in Great British Pounds (GBP), meaning that it is exposed to FX risk. When its net GBP position remains below the 2% 'de minimis' threshold, AEB does not calculate own funds requirements for FX risk. When its net GBP position exceeds the 2% threshold, AEB is required to hold capital for market risk under Pillar 1.

1. The 2022 Annual Report is available on our website at: https://www.aegon.nl/overaegon/jaarverslagen
2. CRD IV comprises (i) Capital Requirements Directive (2013/36/EU) (CRD), which has been transposed into national law, and (ii) Capital Requirements Regulation (575/2013) (CRR), which is directly applicable to firms across the EU.
3. The sum of the products of the credit-risk weight multiplied by the exposure value results in the risk-weighted assets (RWA) associated with credit risk.
4. Article 316(b): Institutions shall not use the following elements in calculating the relevant indicator: (i) realised profits/losses from the sale of non-trading book items, (ii) income from extraordinary or irregular items, (iii) income derived from insurance.
5. The capital requirement multiplied by 12.5 produces the amount of risk-weighted assets for operational risk.

1.1.2 Pillar 2: Supervisory Review

Under Pillar 2, the bank's Management Board and process owners annually perform an integrated analysis of the bank's business model, balance sheet and associated risks under base and adverse scenarios. The risks identified, including Pillar 1 risks, are measured and aggregated, after which AEB estimates the appropriate capital requirements for each risk factor identified. The Management Board (MB) continuously monitors and, where necessary, takes action if certain risks materialize in excess of AEB's risk appetite limits.

1.1.3 Pillar 3: Disclosures and Market Discipline

Finally, the CRR lays down requirements for the disclosure of information to the public. These requirements are set out in Pillar 3 'Disclosures and Market Discipline'. AEB meets the Pillar 3 requirements by publishing this document as a specific schedule to its financial statements. AEB has prepared its Pillar 3 report in accordance with the CRR and CRD IV, as required by the supervisory authority. In addition to the Pillar 3 requirements as described in Part Eight of the CRR, applicable to AEB in accordance with art. 433c (2) CRR, the following guidelines have been used:

- Commission Implementing Regulation (EU) 2021/637 of 15 March 2021 laying down implementing technical standards with regard to public disclosures by institutions of the information referred to in Titles II and III of the CRR;
- EBA Guidelines on Liquidity Coverage Ratio (LCR) disclosure to complement the disclosure of liquidity risk management under Article 435 of Regulation (EU) No 575/2013 (EBA-GL-2017-01);
- EBA Guidelines on disclosure requirements under Part Eight of Regulation (EU) No 575/2013;
- EBA Guidelines on sound remuneration policies under Articles 74(3) and 75(2) of Directive 2013/36/EU and disclosures under Article 450 of Regulation (EU) No 575/2013 (EBA/GL/2015/22);
- EBA Guidelines on disclosure of non-performing and forborne exposures (EBA/GL/2018/10) as amended (EBA/GL/2022/13); and
- EBA Guidelines on reporting and disclosure of exposures subject to measures applied in response to the COVID-19 crisis (EBA/GL/2020/07), as introduced in 2020[7].

7. These Guidelines are repealed from 1 January 2023 onwards

2. General Information

Aegon Bank N.V. (AEB or the bank), also trading as Knab and Aegon Bank, is a public limited liability company incorporated under Dutch law, registered with the Chamber of Commerce in Amsterdam under number 30100799, with its address at Thomas R. Malthusstraat 1-3, NL-1066 JR Amsterdam, The Netherlands. Through early July Aegon Nederland was a subsidiary of Aegon Europe Holding B.V. and its ultimate parent company was Aegon N.V. (together with its subsidiaries, Aegon Group). The acquisition of Aegon Nederland by ASR Nederland N.V. does not impact any of the information in this report, of which the reporting date is 31 December 2022.

AEB operates under two distinct labels: Aegon and Knab. As the Knab organization matured and to further optimize customer service and cost efficiency, it was decided in 2019 to integrate the two operations and concentrate all the bank's activities in one office in Amsterdam. Knab has since been AEB's main brand in the market. In this Pillar 3 Report, 'AEB' or 'the bank' refers to Aegon Bank N.V.

Please also refer to AEB's Annual Report 2022 for more information on the topics described below.

2.1 The bank at a glance

Knab was the first fully online bank in the Netherlands. In 2019, the strengths of the Aegon Bank and Knab brands were rolled into one digital bank.

By 2022, Knab only sold products and services with the Knab label. However, we still have a small number of customers with products with the Aegon Bank label. They will continue to be serviced and some of these products will be converted to the same product, but with the Knab label.

Purpose

The bank's purpose is to make entrepreneurs feel at ease when it comes to their finances. Every day, Knab focuses on digital innovation, excellent customer service and user-friendliness.

Ambition and propositions

AEB's ambition is to be the number one bank for entrepreneurs. The bank pursues this ambition by offering them an integrated experience, for both their business activities and their personal situation. As an online bank, AEB offers meaningful and understandable products and services within three propositions: convenience today, solutions for tomorrow, and financial freedom in the future.

Customer growth

Despite global turbulence, AEB continued to grow in 2022. The number of fee-paying customers increased to a total of 346,000 (+44,000 customers). The total savings deposits increased by EUR 423 million in 2022. This further supported the bank's growth strategy. AEB had 108,000 retail customers and 238,000 business customers at the end of 2022. The growth is mainly driven by the increase in the number of new business account holders (+36,000), while the number of retail customers also grew solidly (+8,000). The Aegon Bank label had a total of 104,000 customers at the end of 2022.

Net Promotor Score

The Net Promotor Score (NPS) for the Knab label remained at a high level. For 2022, the Knab label achieved an average NPS of 39 for its business customers and 30 for its retail customers. The bank will continue to listen to its customers. In this way, the bank can offer them an excellent digital and engaging experience with financial insights that enable them to make smarter financial decisions.

We offer convenience for today by providing easy-to-use products that give financial insights and reduce the administrative burden. In addition to 2021's Apple Pay release, the bank successfully launched Google Pay in May 2022, enabling business and retail customers to make payments with an Apple or Android smartphone – a long-cherished wish of our customers. AEB also introduced OVpay. Many more new features and services are in the pipeline, such as Knab's own bookkeeping solution.

We offer solutions for tomorrow in the form of relevant types of insurance and by funding businesses through lending. In 2022, AEB extended its existing value proposition by launching business travel insurance, and also prepared for an important milestone to go to market: the bank's first business lending solution went live in early 2023.

AEB helps customers plan and achieve financial freedom in the future through savings, investment and pension products. In 2022, the bank launched a new Box 1 savings product and AEB-managed investments for the self-employed.

Looking ahead

Engagement is the bank's core capability: digital with a human touch. Although we are an online bank, it is in the bank's DNA to offer customers a personal and friendly experience, regardless of the means of communication. This is illustrated by how we serve our customers: in a human, open, positive and entrepreneurial way. To ensure and further strengthen our human touch going forward, the bank will continue to develop data and digital enabling competencies. That is to say, doing the right things in the best possible way in the interests of our customers.

Since 2022, AEB has been evolving its business model by diversifying its asset origination by third parties and building its own asset origination. Originating assets ourselves addresses a clear need from our customers and allows to better select, price and manage the assets on our balance sheet. As from 2023, the bank will offer loans, and a strategy will be formulated to offer mortgages to entrepreneurs. In addition to its own asset origination capabilities, AEB will differentiate between asset classes. These initiatives will support the bank's strategic growth by further optimizing and diversifying risk and return on the balance sheet.

The three drivers that will enable AEB to have a future-proof business model are to be the best place to work, to have the IT platform of the future, and to consciously steer risk. Being the best place to work is a crucial asset which will help the bank to strengthen its capabilities in terms of talent, leadership, and organizational development and maintain its customer-centric culture. AEB has successfully built and modernized several future-proof components and microservices as part of its IT platform. Going forward, the platform will evolve into a modern, flexible and cloud-based IT stack, with improved stability and cost efficiency. Conscious risk steering will enable Knab to establish integrated, data-driven risk decision-making, enhance its risk capabilities, and optimize capital allocation.

Our strategy identifies five medium-term KPIs, by 2025, which are measured annually:

- NPS: target of 40+ | The bank achieved an average business NPS of 39 and ended the last quarter of 2022 with a business NPS of 42
- Customer growth: annual target of 40,000 | In 2022, the bank welcomed 44,000 fee-paying customers, growing our base to a total of 346,000
- Cost-to-income ratio of 60% | At 69% in 2022, our cost-to-income ratio was on track with our ambition
- Return on capital of 9% | At 6.8% in 2022, return on capital was on track with our ambition
- Minimum employee engagement score of 75% | Our employee engagement score was up 4% on the previous year to 68%. For 2023, we have set this KPI at an ambitious level of 75%

2.2 Underlying assumptions

2.2.1 Scope and reference date

AEB's Pillar 3 document covers the bank's full consolidated balance sheet at 31 December 2022, including the 'Aegon Bank' and 'Knab' labels that are part of its business. All amounts in this Pillar 3 report are stated in millions of euros (EUR), unless stated otherwise. Amounts are rounded to the nearest million, which means that some tables may not seem to add up at first glance.

2.2.2 Basis of consolidation

The consolidated financial statements include the financial statements of AEB and its subsidiaries. Subsidiaries (including structured entities) are entities controlled by AEB. AEB controls an entity when AEB is exposed to or has rights to variable returns from its involvement with the entity and has the ability to influence those returns through its control over the entity. Please refer to AEB's Annual Report 2022 for more information.
While no differences exist between the scope of consolidation used in prudential reporting and that applied in the Annual Report, minor differences in presentation exist.

2.2.3 Accounting and risk principles

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs), as adopted by the EU, and Part 9 of Book 2 of the Dutch Civil Code. Please refer to AEB's Annual Report 2022 for more information.

2.2.4 Transitional arrangements

AEB does not apply any of the IFRS 9 transitional arrangements. The Pillar 3 report is published annually and the 2022 Pillar 3 Disclosures document should be read in conjunction with the 2022 Annual Report.

3. Key Metrics

Movements in the key metrics relating to prudential reporting are shown in the table below. Movements between periods are explained in the different chapters of this Pillar 3 report.

		31/12/2022	30/09/2022	06/30/2022	31/03/2022	31/12/2021
		a	b	c	d	e
		T	T-1	T-2	T-3	T-4
Available own funds (amounts)						
1	Common Equity Tier 1 (CET1) capital	695	678	682	704	724
2	Tier 1 capital	705	687	691	714	733
3	Total capital	705	687	691	714	733
Risk-weighted exposure amounts						
4	Total risk exposure amount	3,159	3,340	3,493	3,343	3,480
Capital ratios (as a percentage of risk-weighted exposure amount)						
5	Common Equity Tier 1 ratio (%)	22.01%	20.29%	19.52%	21.07%	20.80%
6	Tier 1 ratio (%)	22.31%	20.57%	19.79%	21.35%	21.07%
7	Total capital ratio (%)	22.31%	20.57%	19.79%	21.35%	21.07%
Additional own funds requirements to address risks other than the risk of excessive leverage (as a percentage of risk-weighted exposure amount)						
EU 7a	Additional Own Funds requirements to address risks other than the risk of excessive leverage (%)					
EU 7b	of which: to be made up of CET1 capital (percentage points)					
EU 7c	of which: to be made up of Tier 1 capital (percentage points)					
EU 7d	Total SREP own funds requirements (%)	12.20%	12.20%	12.00%	12.00%	12.00%
Combined buffer and overall capital requirement (as a percentage of risk-weighted exposure amount)						
8	Capital conservation buffer (%)	2.50%	2.50%	2.50%	2.50%	2.50%
EU 8a	Conservation buffer due to macro-prudential or stemix risk identified at the level of a Member State (%)					
9	Institution specific countercyclical capital buffer (%)	0.07%	0.00%	0.00%	0.00%	0.00%
EU 9a	Systemic risk buffer (%)					
10	Global Systemically Important Institution buffer (%)					
EU 10 a	Other Systemically Important Institution buffer (%)					
11	Combined buffer requirement (%)	2.50%	2.50%	2.50%	2.50%	2.50%
EU 11a	Overall capital requirements (%)	14.77%	14.70%	14.50%	14.50%	14.50%
12	CET1 available after meeting the total SREP own funds requirements (%)	611	595	600	620	637

		31/12/2022	30/09/2022	06/30/2022	31/03/2022	31/12/2021
		a	b	c	d	e
		T	T-1	T-2	T-3	T-4
Leverage ratio						
13	Total exposure measure	16,978	17,060	16,818	16,123	16,368
14	Leverage ratio (%)	4.15%	4.03%	4.115%	4.43%	4.48%
Additional own funds requirements to address the risk of excessive leverage (as a percentage of total exposure measure)						
EU 14a	Additional own funds requirement to address the risk of excessive leverage (%)					
EU 14b	Of which: to be made up of CET1 capital (percentage points)					
EU 14c	Total SREP leverage ratio requirements (%)	3.00%	3.00%	3.00%	3.00%	3.00%
Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure measure)						
EU 14d	Additional Own Funds requirements to address risks other than the risk of excessive leverage (%)					
EU 14c	of which: to be made up of CET1 capital (percentage points)					
Liquidity Coverage Ratio						
15	Total high-quality liquid assets (HQLA) (Weighted value -average)	2,469	2,221	2,090	2,094	2,198
EU 16a	Cash outflows - Total weighted value	1,310	1,220	1,197	1,244	1,317
EU 16b	Cash inflows - Total weighted value	173	185	186	181	140
16	Total net cash outflows (adjusted value)	1,137	1,035	1,011	1,063	1,177
17	Liquidity coverage ratio (%)	217%	215%	207%	197%	187%
Net Stable Funding Ratio						
18	Total available stable funding	14,494	14,675	14,552	14,616	14,631
19	Total required stable funding	9,484	9,756	9,738	9,739	10,288
20	NSFR ratio (%)	152,82%	150,42%	149,43%	150,08%	142,21%

4. Overview of Risk Management

4.1 Introduction

Taking measured risks is at the core of a bank's business. As a financial institution offering banking services, AEB is exposed to a variety of risks. From a financial perspective, AEB is primarily exposed to credit risk, interest rate risk, liquidity risk, and market risk. AEB is also exposed to non-financial risks, such as operational, strategic/business model and compliance risks.

AEB's Enterprise Risk Management Framework (ERM Framework) provides the core structure for assessing, controlling and managing all the risks to which AEB is exposed, including strategic risks that could have an impact on the achievement of its strategy and objectives. The ERM Framework is therefore essential to safeguard AEB's financial strength.

The ERM Framework is a comprehensive framework. Not only does it define the principles for integrating risk management into the bank's daily business activities, but it also lays down guiding principles in terms of how risk management is a part of the bank's strategic planning process. The framework ensures the identification, measurement and control of risks at all levels across the organization. It also provides the framework for identifying emerging risks and has therefore been designed as a dynamic system. The framework is about measuring and reporting risks, and addresses the importance of general risk awareness, attitude and behavior on the part of our employees, management, and leadership.

The ERM Framework is only effective when a sound and consistent risk culture is present throughout the organization. AEB therefore has guiding principles in place that ensure an outstanding risk culture as part of its organizational culture, which is purpose-led and value-driven. This is the basis for the ERM Framework.

A strong risk management function, integrated into the daily management of business and strategic planning, gives the bank a strategic competitive advantage. It helps the bank protect its reputation, lower the cost of capital, reduce costs and minimize the risk of investigation, prosecution and penalties, because the bank does the right things in the right way. The bank enhances its competitive position by effectively managing its risks and building trust.

The risk and compliance function is responsible for:

- Implementing the ERM framework;
- Identifying, monitoring, analyzing, measuring, managing and reporting on risks;
- Forming a holistic view of risks on an individual and consolidated basis;
- Challenging and assisting in the implementation measures taken by the business to ensure that the processes and controls in place are properly designed and operating effectively;
- Monitoring compliance with legal requirements and internal policies;
- Providing advice on compliance and risk to the Management Board and Supervisory Board, and other relevant staff; and
- Establishing policies and processes to manage risks and to ensure compliance.

AEB's risk strategy ensures that the bank's solvency and liquidity position is sufficient to meet its obligations to its customers even when highly adverse scenarios unfold, or material risk events occur. It is AEB's strategy to be competitive in target markets, have reliable access to affordable funding, and provide stability to bondholders and shareholders. Risk management supports this strategy by ensuring a common framework and comparable measures for AEB's management body (Supervisory Board and Management Board) and senior management to communicate, understand, and assess the types and levels of risk that they are willing to accept. AEB's risk appetite limits should fit within its risk-taking capacity. This process is iterative and ensures that the strategy does not lead to excessive risk-taking and is aligned with AEB's risk appetite.

4.2 Risk governance

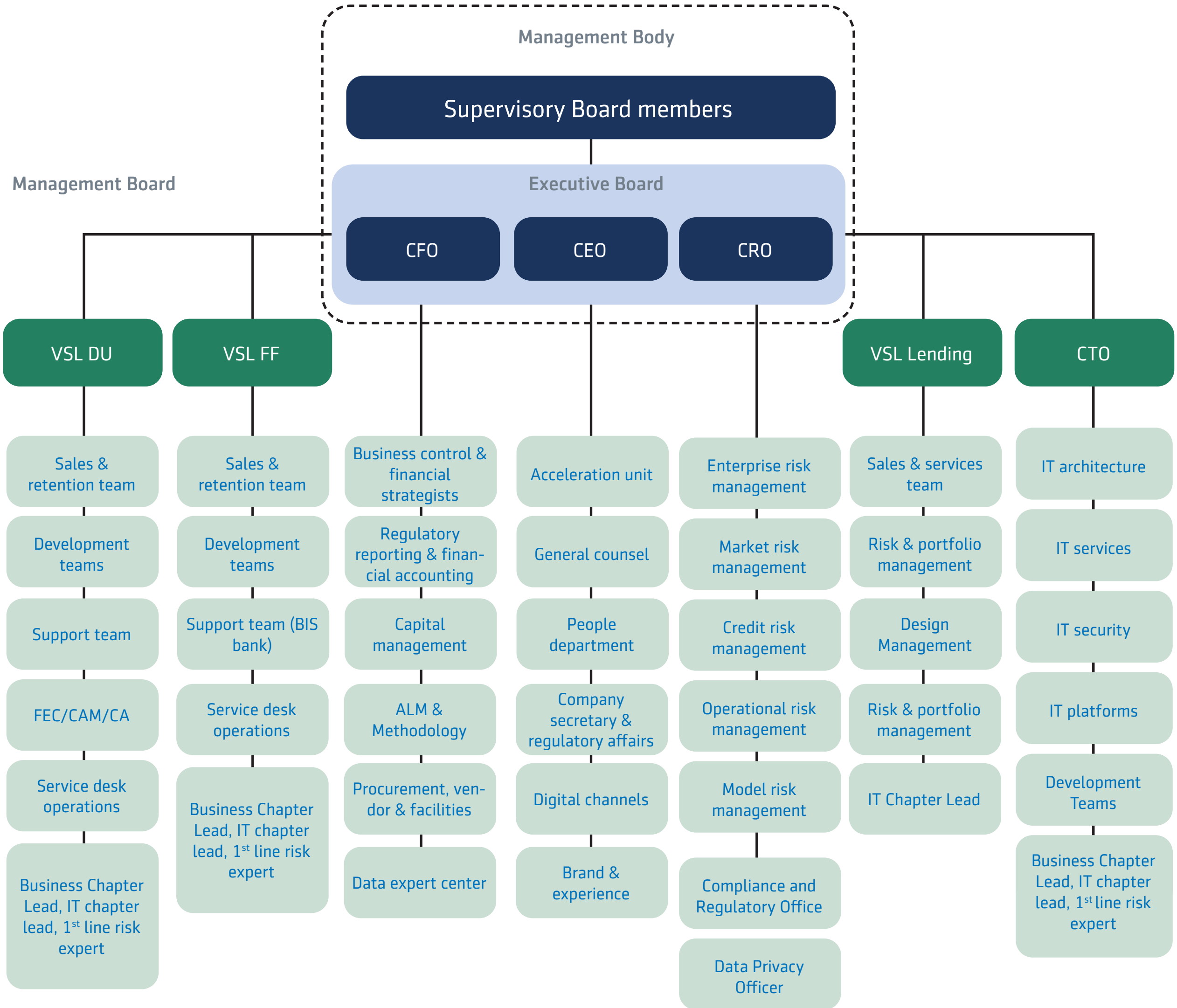
The Statutory Board comprises the CEO (Nadine Klokke), CFO (Mike de Boer*), and interim CRO (Arnoud Kuiper). Ebbe Negenman stepped down as CRO on 1 September 2022 and was succeeded by Tom van Zalen as of 15 March 2023.

The Management Board is responsible for day-to-day management at the bank. The MB has seven members: the CEO, CFO, CRO, CTO, Value Stream Lead Daily Use, Value Stream Lead Lending, and Value Stream Lead Financial Freedom.

The chart below shows the Bank's organizational structure as at 31 December 2022.

* In August 2023, CFO Mike de Boer announced that, after a tenure of almost 13 years, he will pursue opportunities outside of Knab starting early 2024. Mike has been responsible for the financial area from the very beginning and has contributed to the strong position the bank currently has.

Figure 1: *AEB's organizational chart as at 31 December 2022*



The Dutch financial services sector is subject to supervision under the Financial Supervision Act (Wet op het financieel toezicht or Wft). The aim of the Wft is to embed a cross-sector functional approach within the Dutch supervisory system. Supervision of financial institutions pursuant to the Wft rests with the Dutch Central Bank (DNB) and the Financial Markets Authority (AFM).

The DNB is responsible for prudential supervision, while the AFM supervises the conduct of business by financial institutions and the conduct of business on the financial markets. The aim of the DNB's prudential supervision is to ensure the solidity of financial institutions and so to contribute to the stability of the financial sector. With regard to banks, DNB performs its supervisory role, in particular with respect to prudential supervision, together with the European Central Bank (ECB).

In 2019, DNB carried out an on-site inspection of the risk management practices related to AEB's investments in loans originated via third-party lending platforms. The inspection led to an instruction ("aanwijzing") by DNB for AEB to improve its credit risk framework, including policies and procedures for those loans. To deliver the required improvements, AEB developed a 1.5-year roadmap including a set of defined milestones. The improvements to the bank's credit risk framework include policies and procedures for loans originated via third-party lending platforms. DNB published its instruction on its website on 7 March 2022. Following completion of the road map, AEB will continue to assess – and where possible improve – its risk management practices, and discuss these regularly with its supervisor in the ordinary course of business. During 2022, DNB conducted an on-site inspection to review the improvements which AEB had made to its credit risk framework for loans originated via third-party lending platforms. AEB accepts the inspection findings and has taken the decision to cease investing and to place its current unsecured loans through third-party lending into run off. During 2022, AEB divested its CACF and Auxmoney consumer loan portfolios. At 31 December 2022, the exposure to third-party lending amounted to EUR 385 million (2021: EUR 878 million).

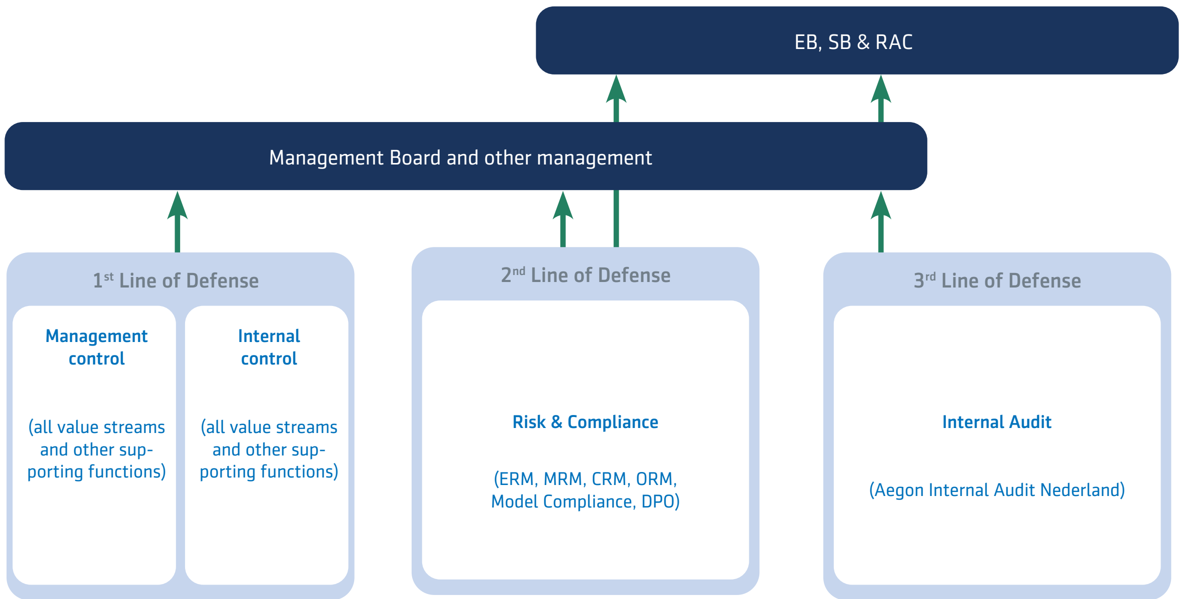
The AFM's conduct of business supervision focuses on ensuring orderly and transparent financial market processes, integrity in the relationships between market parties, and due care in the provision of services to customers.

The Dutch Data Protection Authority (Dutch DPA) supervises the processing of personal data in order to ensure compliance with data protection laws. Its tasks and powers are described in the European Union's General Data Protection Regulation (GDPR), supplemented by the Dutch GDPR Implementation Act.

Three lines of defense

AEB's risk governance is based on the Three Lines of Defense model and has been brought in line with regulatory requirements and market practices. The risk governance framework ensures that risk is managed in line with the risk appetite as approved by AEB's Management Body and is cascaded throughout AEB. AEB's Management Body consists of a two-tier board structure consisting of the Statutory Board and the Supervisory Board. The following sections describe each line of defense.

Figure 2: *Three lines of defense at AEB*



4.2.1 First line of defense: the Business Lines

The first line of defense has primary responsibility for performance, operations, compliance and effective control of risks affecting the business. The business includes the origination of deposits and other products, such as buying portfolios of mortgages or other loans from other financial parties, within applicable frameworks and limits set by the Statutory Board. The first line knows the bank's customers well and are well-positioned to act in their best interests without losing sight of the bank's own interests.

The first line of defense consists of the business departments and value streams. The managers are responsible for managing the risks arising from the activities in their departments. They own the business processes in their departments and are responsible for identifying the key risks to their departments and processes by performing Risk Control Self Assessments (RCSAs). They are responsible for drawing up process descriptions and work instructions, designing and executing controls, and monitoring procedures to ensure that any residual risk (after implementation of the controls) remains within the risk appetite. They are also responsible for ensuring that the design and implementation of controls are in compliance with the policies of AEB, and to the extent applicable, Aegon Nederland and Aegon NV.

4.2.2 Second line of defense: Risk Management and Compliance

The second line of defense consists of oversight functions, with a major role assigned to the risk management organization under the responsibility of the CRO.

The purpose of AEB's risk management function is to support AEB's ambition to help our customers achieve a lifetime of financial security. A strong risk management function, integrated into the daily management of the business and strategic planning, gives the bank a strategic competitive advantage. It helps the bank protect its reputation, lower the cost of capital, reduce costs, and minimize the risk of investigation, prosecution and penalties, because the bank does the right things in the right way. By effectively managing its risks, the bank enhances its competitive position by building trust.

Risk Management at AEB is responsible for:
- Developing overall risk policies and guidance;
- Objectively challenging the execution, management and performance of processes and internal controls; and
- Independent reporting on risks and controls.

The risk management function also has an escalation/veto power in relation to business activities that are deemed to present unacceptable risks to AEB.

The key risks resulting from the bank's business model are managed by dedicated and specific risk management teams under the responsibility of Lead Risk Managers, who report directly to the CRO and each have their own area of expertise. The following 2nd line risk teams are in place:
- Enterprise Risk Management;
- Market Risk Management;
- Credit Risk Management;
- Operational Risk Management;
- Model Risk Management;
- Compliance; and
- Privacy (Data Protection Officer).

The Risk & Compliance team operates independently of the business lines and is responsible for oversight and monitoring of the strategic, financial and non-financial risks and controls.

4.2.3 Third line of defense: Internal Audit

The internal audit function is performed by Internal Audit Nederland (IAN), based on an outsourcing agreement and service level agreement. The objective is to assist management in protecting AEB's assets, reputation and sustainability by independently and objectively evaluating the design, implementation and effectiveness of AEB's internal controls, risk management and governance processes. IAN draws up an annual risk-based audit plan, and identifies and makes recommendations to ensure that any omissions are effectively addressed.

IAN performs its duties independently and objectively in accordance with the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics and the Internal Auditors' International Standards (International Professional Practices Framework), the Definition of Internal Auditing formulated by the Institute of Internal Auditors, and Aegon's policies and (global) audit procedures.

AEB's Internal Audit charter and annual audit program provide that IAN is responsible for performing systematic audits. IAN reports directly to AEB's Statutory Board and Aegon Nederland. IAN's findings are always discussed with AEB's management.

4.2.4 Risk Committees

AEB has set up several risk committees composed of members of the Management Board and senior management. The risk committees are responsible for advising the MB on AEB's overall current and future risk appetite and strategy, and assisting the MB in overseeing the implementation of that strategy by senior management.

The Enterprise Risk Management Committee (ERMC) meets quarterly to monitor, discuss and support progress, and to decide on all subjects and issues relevant to managing AEB's financial and non-financial risks, taking the bank's risk appetite into account.

The Non-Financial Risk Committee (NFRC) meets monthly to monitor development in the non-financial risk profile against the defined risk strategy and risk appetite, and to decide on any mitigating action as and when required. In addition, the NFRC discusses, promotes awareness of, and supports the organization on all subjects and issues relevant to managing AEB's non-financial risks. The NFRC also advises and supports the MB in its supervisory role and oversees the implementation of the non-financial risk strategy so as to assess its adequacy against the approved risk appetite and strategy.

The Credit Risk Committee (CRC) reports to the MB and discusses and reviews the policies, methodologies and procedures related to credit risk and counterparty risk within the bank prior to AEB's Statutory Board's final approval. The CRC also discusses and approves transactions involving credit risk. The committee meets monthly and is chaired by the Head of Credit Risk.
The Asset Liability Committee's (ALCO's) remit is to optimize the bank's earnings in relation to its capital by managing the bank's assets and liabilities within the risk strategy and risk appetite as defined by AEB's Statutory Board. The ALCO oversees management of the bank's capital, funding, interest rate, foreign exchange and liquidity risks by establishing policies, limits and guidelines. The committee is chaired by the CFO.

The Model Risk Committee (MRC) meets every month and is chaired by the CRO. The committee oversees and makes decisions on model risk management and is responsible for model risk control activities, including model risk assessment, model validation and model self-assessments, model (change) approval, model performance monitoring, validation gap closure monitoring, and model inventory maintenance.

AEB produces a comprehensive set of risk reports to measure, monitor and manage the risks inherent to its business, including monthly NFRC, CRC and ALCO reports and quarterly ERMC reports for the Statutory Board.

4.3 Risk Appetite Framework

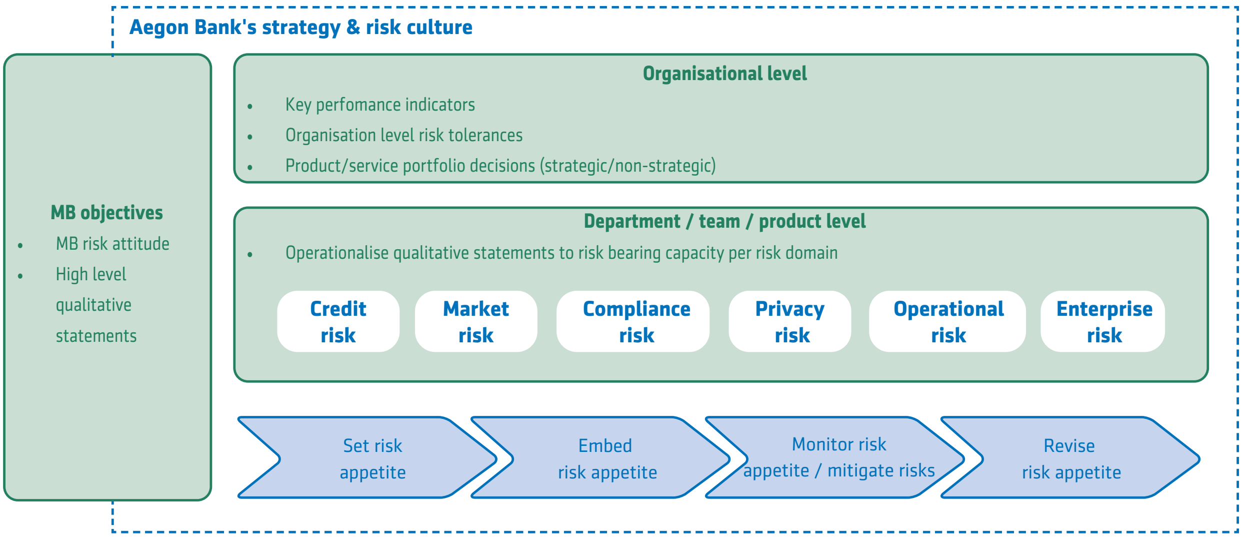
The Risk Appetite Framework (RAF) is defined as the overall approach and process through which AEB's risk appetite is established, communicated, and monitored. It includes risk appetite statements (RAS), risk limits and an outline of the roles and responsibilities for implementing and monitoring the risk appetite, both qualitatively and quantitatively.

AEB's Risk Appetite Framework sets AEB's risk profile and forms part of the process of development and implementation of AEB's strategy and determination of the risks undertaken in relation to the bank's risk capacity. The RAF is aligned with AEB's business plan, strategy development and capital planning, and provides a common framework and comparable measures for AEB's management body and senior management to communicate, understand, and assess the types and level of risks that they are willing to accept. Material risks for AEB, as well as for AEB's shareholders, depositors and customers, are considered.

AEB adopts an integrated risk management approach for its business activities. To articulate the level of risk the bank is willing or prepared to take, a RAS is in place defining the bank's appetite for risk. The RAS also sets boundaries for tactical decisions. For example, no material investment decisions can be taken if they lead to risk appetite limits being breached. Accordingly, the RAS is used to monitor and manage the actual risk profile.

Risk appetite is an essential part of the ERM Framework so as to ensure that the corporate strategy and risk appetite are aligned. Furthermore, during the process of defining the RAS, the necessary risk identification and assessments are performed to determine the desired risk attitude for each risk theme and risk appetite for each relevant risk, given the overall risk strategy and the capacity to bear risk.

Figure 3: *AEB's risk appetite framework and process: 1 through 3 top-down and 4 bottom-up*



4.4 Risk Embedding

AEB's ERM Framework is thoroughly embedded in the bank's key functional areas. This section describes how risks are considered in decision-making in terms of business planning, capital planning, liquidity planning, recovery planning, product development, and recruitment/human resources.

4.4.1 Capital Planning

AEB evaluates its Internal Capital Adequacy Assessment Process (ICAAP) for current capital adequacy and expected capital adequacy for the medium term (three years ahead). This analysis projects new activities alongside its current activities. For each new investment proposal, the impact on AEB's capital and liquidity ratios is analyzed before planned decisions are executed. The impact of threats and initiatives is quantified and included in updated projections. ICAAP is also an important deliverable for the DNB as part of the Supervisory Review and Evaluation Process (SREP).

The assessment of capital adequacy within AEB is updated by means of a quarterly Capital Plan and ICAAP update presented to the ALCO. The update compares actual movements in the balance sheet, earnings and capital metrics with the planning, so that AEB's management can take action if necessary.

4.4.2 Liquidity Planning

The Internal Liquidity Adequacy Assessment Process (ILAAP) document describes AEB's liquidity risk management and funding plan. The purpose of ILAAP is to ensure liquidity adequacy and to manage liquidity risk in relation to all other risks identified. As part of ILAAP, senior management identifies, assesses and, where possible, quantifies elements of liquidity risk. AEB assesses and identifies potential shortcomings and takes management action when needed. Stress-testing and projections of future liquidity needs are key control components of ILAAP. Similar to ICAAP, ILAAP is also an important part of the SREP process.
The ALCO approves the assumptions, the results of the Funding Plan, the Liquidity Stress Tests (LST), and the ILAAP process as a whole.

4.4.3 Product Development

Risk considerations form an integral part of AEB's product development and pricing policy. Product development and pricing decisions must take into account economic value creation requirements for shareholders, the fair treatment of customers, the impact on statutory requirements, the speed at which capital investments are recouped, the impact on financials, and the impact on risk appetite statements and risk policies.

A new product is defined as a new activity, service, instrument, currency, type of business or product. The Proposition Approval & Review Committee (PARC) reviews all new and existing propositions to determine compliance with the Proposition Approval and Review Process (PARP), which has been put in place to ensure that customer interests are sufficiently taken into account. For every proposition, the product owner is required to complete a risk assessment before submitting the proposition to the PARC.

4.4.4 Recruitment/Human Resources

To ensure effective risk management, the bank also operates requirements for its employees, its organizational culture, and risk awareness. The knowledge and skills that employees need to have are detailed in their job descriptions. The core values clearly reflect the importance of risk awareness.

The core values contribute to a culture where employees are involved in the organization and so there is a natural form of social control.
The bank's core values:

- We are human and passionate about what we do
- We are entrepreneurial and take intelligent risks
- We are open and always honest
- We are positive and go above and beyond

4.4.5 Business Continuity Plan and Recovery Plan

The Business Continuity Plan describes the steps that need to be taken in the case of a business interruption due to a disaster, and the advance planning and preparations necessary to minimize losses and ensure continuity of key and time-sensitive business functions during a major business interruption. AEB has defined the resources, actions, tasks and data required to prepare for and recover from such an emergency.

AEB's Recovery Plan is intended to reduce the likelihood of transitioning into a gone-concern scenario and subsequent resolution, and provides detailed actions that may be taken upon the occurrence of different stress scenarios so as to restore confidence and AEB's liquidity or capital position, or a combination of the above.

4.5 Stress Testing

AEB's stress-testing framework aims to adequately assess the bank's vulnerability to severe but plausible events, and to determine the adequacy of the bank's own funds, liquidity position and earnings to withstand financial losses or liquidity outflows.

The stress tests are forward-looking and address the main risks to which the bank may be exposed. A schematic overview of the stress test process is shown in the figure below.

Figure 4: *Stress Testing process*

As part of ICAAP and ILAAP, AEB tests its capital and liquidity adequacy periodically. The impact of extreme scenarios on the bank's earnings due to changes in interest rates is regularly assessed as part of the Interest Rate Risk in the Banking Book (IRRBB) report. The impact of credit risk exposures on the bank's solvency is assessed regularly by means of point-in-time scenarios and sensitivity analyses. The economic and regulatory capital needs to be sufficient to absorb the loss of available capital in the stress scenarios, and the available liquidity needs to exceed the required liquidity under those stress scenarios.

The stress test scenarios are determined on a quarterly basis. The specific parameters used for stress testing are updated annually. The validity of the assumptions is reviewed in the case of significant market events, substantial changes to AEB organization or strategy, or significant regulatory changes.

The stress test results are presented to the ALCO. Additional stress tests may be performed on an ad-hoc basis.

AEB may also use stress tests as an internal communication tool across management levels to raise awareness and encourage discussions about existing and potential risks and possible management actions. Stress tests therefore support a variety of business decisions and processes as well as strategic planning.

4.6 Climate Risk

AEB is exposed to potential financial and non-financial risks directly or indirectly arising from climate change. These risks can be divided into physical and transition risks:

- Physical risks: arise from the physical effects of climate change on a company's operations, workforce, markets, infrastructure, raw materials and assets. Physical risks emanating from climate change can be event-driven (acute) such as extreme weather conditions (e.g., cyclones, droughts, floods, and fires). They can also relate to longer-term (i.e., chronic) shifts in precipitation and temperature and increased variability in weather patterns (e.g., rising sea levels).
- Transition risks: arise from changes in policy, laws and regulations and technology and shifts in market preferences during the transition to a lower-carbon global economy. Transition risk also incorporates 'stranded asset risk' – write-downs of carbon-intensive assets that could quickly become unusable or reduce in value. Transition risks include policy constraints on emissions, the imposition of a carbon tax, water restrictions, land-use restrictions or incentives, market demand and supply shifts, and reputational considerations.

Both physical and transition risks are considered in identifying threats for stress testing. Risk events identified during risk assessments and the materiality assessment for climate change & environmental risks as well as scenario design for sensitivity analysis and strategic scenario analysis have all been translated into parameters for the stress test scenarios. The following climate and environment-related stress scenarios have been developed:

- The physical risk of climate change could lead to extreme weather events. In the Netherlands, the risk of flooding is likely to be the most prevalent, as confirmed by the floods across Belgium, Germany and the Netherlands in July 2021. Going forward, flooding may occur due to the dunes not being able to provide protection from the sea or extreme water volumes coming down the rivers, flooding the surrounding areas. Based on the altitude and location of the collateral securing the bank's mortgage book, it is assumed that certain collateral is at risk of flooding and so could decrease in value. In this assessment, we distinguish between a moderate and a severe flood scenario. The moderate flooding scenario involves at least 0cm of water[7]. The severe scenario includes the probability of severe flooding of at least 200cm of water. Shocks are applied to housing prices accordingly.
- The physical risk of climate change could lead to vulnerabilities in the bank's mortgage book due to decaying timber piles. Houses built on wooden piles will start to rot as periods of drought become more frequent and the special governmental agency ('Waterschap') that controls the water levels is no longer able to keep ground water levels stable. This will cause the wooden poles to become exposed to air and therefore oxygen. When this happens, the wood may start to rot, which in turn will reduce the collateral value of the mortgage.

7. In this scenario the damage will be primarily through flooding of basements etc.

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- The transitional risk of climate change is related to policy measures and the energy transition. The scenario is based on a transition towards a carbon-neutral economy that is taking place faster than anticipated. In order to meet the targets of the Paris Agreement, we need to transition to a carbon-neutral economy. This will cause a change in market sentiment, with high-carbon emission assets having a lower market value. In addition, national and supranational governments are introducing regulations. For example, the EU has introduced a climate fund to which all EU governments will have to contribute. The Dutch government has decided to place 50% of its contribution on the banking sector based on balance-sheet size. In addition, the Dutch government has introduced a carbon tax, which has directly impacted credit spreads of securities issued by carbon-intensive industries. Because of the pressure on the economy to transition (due to market sentiment and policy measures/regulations), macro-economic conditions will deteriorate, causing a fall in house prices and an increase in unemployment. If AEB is slow to transition to net zero operations, this is likely to result in a bad press and customers leaving the bank.

5. Capital Management

As part of its capital management policy, AEB identifies, assesses and, where possible, quantifies material risks, in accordance with internal requirements.

The capital planning process is at the heart of AEB's capital management, linking the company's mission statement, strategy and risk profile to its capital plan. The assumptions underpinning the capital plan are reviewed and adjusted periodically throughout the year. The capital plan projections are also updated on a monthly basis, reflecting realized positions and progressing insights. These are reported to the MB and ALCO to allow for frequent monitoring. Adjustments may be made on the basis of expected developments relative to actual outcomes, where necessary in accordance with existing contingency plans.
In 2022, the bank's capital position in terms of both its own funds and Common Equity Tier 1 (CET1) capital decreased by EUR 28 million, driven mainly by EUR 32 million in earnings being more than offset by the revaluation reserve impact of debt securities of EUR -/-55 million. The decrease in the revaluation reserve is expected to reverse the upcoming year(s) due to the pull-to-par effect when securities redeem. The weighted average duration of the fixed rate debt securities portfolio is 2.1 years. For more details on net income, please refer to Aegon Bank's Annual Report 2022.

The CET1 ratio, Tier 1 ratio and Total Capital Ratio (TCR) increased despite the decrease in CET1 capital. This increase was driven by a reduction in the Total Risk Exposure Amount (TREA), resulting from the divestment and run-off of the unsecured retail loan portfolios.

The bank's leverage ratio decreased due to a significant increase in leverage exposure. This was driven by a large inflow of retail savings and by the inflow of cash collateral for AEB due to higher interest rates resulting in higher interest rate derivative valuations.

Table 1: *Overview of key capital adequacy metrics at year-end 2021 and 2022*

Metrics	2021	2022
CET1 capital	724	695
Tier 1 capital	733	705
Own funds	**733**	**705**
TREA	3,480	3,159
CET1 ratio	20.8%	22.0%
Tier 1 ratio	21.1%	22.3%
TCR	21.1%	22.3%
Leverage exposure	16,368	16,978
Leverage ratio	4.5%	4.2%

5.1 Own Funds

This section describes the definitions of the underlying elements of AEB's own funds in accordance with the Capital Requirements Regulation (CRR).

Common Equity Tier 1 Capital

The CET1 Capital deployed at AEB is wholly-owned by Aegon Nederland in accordance with Article 50 of the CRR.

Additional Tier 1 Capital

AEB's Additional Tier 1 (AT1) Capital solely consists of 'Knab participations'. Until November 2017, AEB provided customers with the opportunity to buy 'participations' in AEB through the Knab label. The participations had a fixed notional of EUR 5,000, no fixed maturity date and a variable coupon with a floor of 5% (subject to AEB's Maximum Distributable Amount; or MDA). Since November 2017, no new participations have been issued and participation holders can sell their participations to Aegon Nederland. Knab participations are considered AT1 Capital in accordance with Article 61 of the CRR.

Tier 2 Capital

AEB had no Tier 2 Capital instruments as at 31 December 2022.

5.2 Capital ratios

Total capital ratio

In 2022, the total capital ratio increased by 1.3%. The decrease in Own funds of EUR 29 million was more than offset by a decrease in TREA of EUR 321 million.

The consumer loan portfolios originated through Auxmoney and CACF were sold in 2022 and the remaining unsecured retail loan portfolios were placed into run-off. This divestment was executed without realizing a loss under IFRS. It resulted in a decrease in net exposure of EUR 451 million and a EUR 427 million decrease in TREA. The TREA of the debt securities portfolio also decreased due to run-off and sales. The increase in interest rates led to the reversal of posted cash collateral, i.e., counterparties having to post collateral to AEB instead of vice versa. The TREA associated with cash collateral has therefore decreased to zero.

TREA in the mortgage portfolio increased due to the redemption of NHG (National Mortgage Guarantee) mortgages, which was primarily reinvested in non-NHG mortgages that carry a higher risk weight.

TREA for operational risk under Pillar 1, calculated according to the Basic Indicator Approach, decreased due to the addition of 2022 gross earnings, which were lower in 2019.

***Template EU OV1** – Overview of total risk exposure amounts*

		Total risk exposure amounts (TREA)		Total own funds requirements
		a	b	c
		2022	2021	2022
1	Credit risk (excluding CCR)	2,663	2,955	214.7
2	Of which the standardised approach	2,651	2,928	213.7
6	Counterparty credit risk - CCR	20.2	18.8	1.6
7	Of which the standardised approach	20.2	18.8	1.6
EU 8a	Of which exposures to a CCP	17.1	14.4	1.4
16	Securitisation exposures in the non-trading book (after the cap)	12.5	26.9	1.0
18	Of which SEC-ERBA (including IAA)	0	5.7	0.0
19	Of which SEC-SA approach	12.5	21.2	1.0
EU 22a	Large exposures			
23	Operational risk	475.4	506.0	38.0
EU 23a	Of which basic indicator approach	475.4	506.0	38.0
29	**Total**	**3,159**	**3,480**	**252.7**

The total capital ratio remained in or above the target operating zone in 2022, allowing for the execution of the bank's strategy.

Leverage ratio

In accordance with Article 429 of the CRR, AEB is required to have a (non-risk weighted) leverage ratio above 3%. In accordance with Article 87 of the Capital Requirements Directive (CRD) IV, AEB is required to identify, monitor and manage the risk of excessive leverage. Internally, AEB aims to have a leverage ratio above 4.0% to allow for the execution of the bank's strategy. At 31 December 2022, AEB's leverage ratio was 4.2%, i.e., within its target zone and above the internal and external requirements.

Monitoring

The total capital ratio, CET1 ratio and leverage ratio are reported to the ALCO on a monthly basis. In addition, three-year forward forecasts and comparisons with AEB's capital plan are reported to and discussed by the ALCO periodically. Internal buffers have been identified, including the actions to be undertaken if certain thresholds are breached.

Supervisory Review and Evaluation Process ratio

The Dutch Central Bank (DNB) annually reviews AEB's internal capital adequacy assessment process (ICAAP) as part of the supervisory review and evaluation process (SREP) so as to assess whether AEB holds enough capital relative to its risk profile, peer companies, and/or market conditions. Based on this assessment, AEB receives a SREP decision letter, in which the DNB stipulates and substantiates AEB's specific SREP capital requirements. AEB's internal monitoring system includes various buffers to ensure that it meets SREP capital requirements.

5.3 Minimum Required Eligible Liabilities

In June 2019, AEB issued EUR 500 million Senior Non-Preferred (SNP) Notes in anticipation of the finalization of the Minimum Required Eligible Liabilities (MREL) requirement as defined by the National Resolution Authority (NRA). In preparation of the SNP Notes issuance, AEB applied the Single Resolution Board default formula as an indication of the forthcoming MREL requirement.

The MREL requirement was finalized and communicated to AEB in 2022, amounting to 8.85% MREL TREA and 2.18% MREL TEM (total exposure measure, i.e. leverage exposure), effective as of 1 January 2024. AEB meets this requirement with the EUR 500 million SNP Notes.

6. Credit Risk

6.1 Credit risk management

Risk management committee

During 2022, credit risk was monitored by the Credit Risk Committee (CRC), which reports to the MB. The CRC is responsible for monitoring the performance of the loan book and investment portfolio, focusing in particular on compliance with internal targets and limits as set out in the RAS. Chaired by the Head of Credit Risk, the committee includes management and senior representatives of the business and risk departments. The CRC meets on a monthly basis.

Risk measurement methodology

The capital required under Pillar 1 is calculated in accordance with the Standardized Approach (SA) as prescribed by the CRR. As part of the SA, the CRR prescribes a standard classification of the exposures per asset class in order to determine the risk weight. Subsequently, the SREP capital requirement is calculated as 12.2% of the total risk-weighted assets (RWA).

In addition to monitoring credit risk regulatory requirements, AEB also monitors credit risk developments in its portfolio through internal models, reports and dashboards. Expected losses under IFRS 9, unexpected losses via AEB's economic capital framework, and Return on Risk Adjusted Capital (RORAC) assessments are monitored so as to manage portfolio credit risk. Additionally, compliance with the Credit Risk Policy is monitored monthly.

6.2 Credit portfolio

This section discusses AEB's exposure to credit risk in its:

- Retail portfolio, consisting of loans and advances to
  - Retail customers, secured by mortgages on residential property (Mortgages);
  - Retail customers, unsecured (Consumer loans); and
  - Small and Medium-sized Enterprises, unsecured (SME loans).
- Non-retail portfolio, consisting of
  - Loans and advances to banks;
  - Loans and advances to the public sector; and
  - Interest-bearing securities.

The table below shows the movements in AEB's exposure to the various asset classes and related risk weights.

Table 2: Credit risk exposures by asset class[8]

		2021			2022		
Asset category	Asset class	Leverage Exposure	RWA	RW%	Leverage Exposure	RWA	RW%
Retail	Mortgages	11,863	1,731	15%	12,649	2,127	17%
	Consumer loans	388	434	112%	55	44	80%
	SME loans	405	107	26%	287	70	24%
	Subtotal retail	**12,656**	**2,272**	**18%**	**12,990**	**2,240**	**17%**
Non-retail	Bank	1,577	151	10%	263	60	23%
	Sovereign	304	4	1%	2,792	9	0%
	Public Sector Entities	299	38	13%	278	31	11%
	Securitization	135	27	20%	83	12	14%
	Corporate	693	402	63%	479	291	61%
	International Organizations	209	-	0%	0	-	0%
	Multilateral development banks	85	-	0%	3	-	0%
	Subtotal non-retail	3,218	622	19%	3,904	404	10%
Other	**Other**	**493**	**95**	**19%**	**83**	**38**	**46%**
Total credit risk exposure		**16,368**	**2,989**	**18%**	**16,978**	**2,682**	**16%**

8. The numbers shown in this table include off-balance sheet exposures. The numbers shown in subsequent tables in this chapter exclude off-balance sheet exposures.

Leverage exposure increased from EUR 16,368 million in 2021 to EUR 16,978 million in 2022 (up 4%). This was driven mainly by a larger cash position as a result of the inflow of cash collateral from derivatives and savings. The RWA decreased from EUR 2,928 million in 2021 to EUR 2,682 million in 2022 (down 11%) due to de-risking of the SME and consumer loans portfolio, with business volumes falling and CACF and Auxmoney being divested and not being set-off by higher RWA for the increase in the mortgage portfolio. The high-risk exposure class classification methodology for the consumer and SME loans RWA remained unchanged.

More information on AEB's exposure as at 31 December 2022 is provided in AEB's Annual Report 2022.

Retail portfolio

The Retail portfolio mainly consists of loans secured by mortgages on residential property and unsecured loans to consumers and small and medium-sized enterprises (SMEs). AEB has agreements in place with a number of lending platforms to be able to invest in consumer loans and SME loans. In order to ensure the availability of eligible loans, for some of the platforms, AEB guarantees the purchase of loans for a limited number of months.

In 2022, the loan loss (impairment) provisions for the retail portfolio decreased by EUR 38 million, driven mainly by portfolio de-risking, which led to a significant reduction in unsecured loans exposure. In addition, the coverage ratio for the consumer loan portfolio increased to 16%, up from 7%, due to seasoning of the ZOPA portfolio. The coverage ratio for SME loans decreased to 11%, down from 12% due to further run-off of the portfolio and the new investments in Core2.0 and RLS loans until mid-2022.

***Table 3:** Impairments in the retail loans portfolios*

	2021				2022			
Asset class	Exposure (gross of impair.)	Impair-ments	Exposure (net of impair.)	% im-paired	Exposure (gross of impair.)	Impair-ments	Exposure (net of impair.)	% impaired
Mortgages	11,671	1	11,670	0%	12,330	3	12,327	0%
Consumer loans	418	30	388	7%	65	11	55	16%
SME loans	460	55	405	12%	321	34	287	11%

Secured by mortgages on residential property

AEB's mortgages are originated and serviced by Aegon Hypotheken B.V., a subsidiary of Aegon Nederland, and by Robuust, a mortgage label set up by Aegon Hypotheken B.V. and Dutch Mortgage Portfolio Management, a Blauwtrust Group Company. Aegon Hypotheken B.V. and Robuust have strict acceptance processes, which are aligned with AEB's credit risk appetite regarding its mortgage portfolio. The table below shows that a large portion of the mortgage portfolio is backed by a National Mortgage Guarantee (NHG), i.e., 43% of the total exposure. The vast majority of non-NHG-backed mortgages are in the less than 80% Loan-to-Value (LTV) bucket. The significant NHG coverage and relatively low LTV led to low credit risk in the mortgage portfolio. At 17%, the overall mortgage RW% is slightly higher than the previous year (15%), due to the lower portion of NHG-backed mortgages compared to the previous year.

***Table 4:** Exposure to mortgages by LTV bucket as at 31 December 2021 and 31 December 2022*

	2021		2022	
Mortgages	Exposure (net of impairments)	% of Total	Exposure (net of impairments)	% of Total
NHG-backed amount	5,739	49%	5,389	44%
LTV less than 80%	5,767	49%	6,736	55%
LTV more than 80%	163	1%	202	2%
Total	**11,670**	**100%**	**12,327**	**100%**

Unsecured consumer loans and SME loans

AEB invests in consumer loans and SME loans through several third-party lending platforms. The lending platforms provide a variety of services with regard to origination, client management, and collection and recovery processes. AEB has specific mandate agreements (SLAs) in place with each service provider detailing AEB's credit risk appetite.

In Q1 2022, the DNB conducted an onsite investigation (OSI-2022-AEB-01) following the closure of the Credit Risk Roadmap in 2021. During the post-OSI phase, AEB further accelerated the transformation of its business model strategy from platform lending to self-originated lending. This resulted in the decision to stop all new platform lending for its existing third-party platforms as of Q2 2022. The existing platform lending portfolios were placed into "run-off" state, and the possibilities were explored for divesting parts of this portfolio. The outcome was that the lending portfolios of Collin Crowdfund, CACF and Auxmoney were sold in the second half of 2022. During 2022, AEB continued to develop its strategic initiative to launch a product line for self-originated business loans. Early February 2023, AEB launched its new business proposition.

Table 5 below shows the geographical distribution of consumer loans by country.

In 2022, the bank continued to de-risk its consumer loans and SME loans portfolios by terminating the origination of new business as of Q2 2022 and divesting the Collin, CACF and Auxmoney portfolios

.

Table 5: Geographical distribution of consumer loans leverage exposure by country

	2021			2022		
Asset class	Leverage Exposure	RWA	RW%	Leverage Exposure	RWA	RW%
Netherlands	60	45	75%	0	0	0%
Germany	179	268	150%	0	0	0%
UK	149	121	84%	55	44	80%
Total Consumer Loans	**388**	**434**	**112%**	**55**	**44**	**80%**

AEB's SME loan portfolio decreased in 2022. The Funding Circle portfolio decreased from EUR 404 million in 2021 to EUR 287 million in 2022 (down 29%), driven by the run-off status of the portfolio. The RW% of the SME portfolio remained relatively flat at 24%. The full Collin Crowdfund portfolio was sold in 2022.

Table 6: Geographical distribution of SME loans leverage exposure by country

	2021			2022		
Asset class	Leverage Exposure	RWA	RW%	Leverage Exposure	RWA	RW%
UK	404	106	26%	287	70	24%
Netherlands	1	1	80%	-	-	0%
Total SME loans	**405**	**107**	**26%**	**287**	**70**	**24%**

Non-retail portfolio

The non-retail portfolio currently consists of an investment portfolio and a treasury portfolio (cash management). The portfolios are managed by Aegon Asset Management (AAM) and Aegon Group Treasury (Aegon NV's treasury department), respectively, under terms and agreements mandated by AEB.

AEB receives portfolio monitoring reports from Aegon Asset Management on at least a weekly basis and more frequently in case of transactions or breaches of the mandate agreement. Aegon Group Treasury provides updates on at least a daily basis, and more frequently in case of material transactions or breaches of the mandate agreement. These monitoring reports from AAM and Aegon Group Treasury are subsequently used by AEB to determine the capital estimates. Additionally, these reports are used for internal and external reporting and monitoring. For more details and context regarding cash management, reference is made to the ILAAP document.

AEB decided to use a Moody's Expected Credit Loss (ECL) model appropriate to its debt securities portfolio, owned and maintained by Aegon Group Financial Risk Management, and developed by a reputable third party. The Moody's model replaced the previous Aegon NL model as at year-end 2021.

Securitization exposures

As at 31 December 2022, AEB was not involved in any securitization activity. Until October 2022, the bank's securitization activity had been limited to its outstanding 2013 Kigoi B.V. transaction (carrying the CACF retail loans), which was fully divested in November 2022. As at 31 December 2022, AEB had no specific assets earmarked for securitization. Nor did AEB initiate any new securitization activities during 2022.

Table 7: Outstanding exposures securitized at 31 December 2021 and 31 December 2022

	2021		2022	
Consumer loans	Notional	RWA	Notional	RWA
The aggregate amount of on-balance sheet securitization positions retained	60	45	0	0
The aggregate amount of off-balance sheet securitization exposures retained	0	0	0	0

Past due, forborne, and non-performing (defaulted) loans
A financial asset is:

- Past due when the counterparty fails to make payment due under the contract.
- Forborne when a concession has been granted to a borrower facing or about to face financial difficulties, irrespective of whether the borrower is in arrears.
- Non-performing/Defaulted/IFRS9 stage 3/Credit-impaired
  - when 90 days past due, based on AEB's calculation of days past due; or
  - when AEB considers that the borrower is unlikely to pay its credit obligations without recourse by the bank.

Management of past due, forborne and non-performing (defaulted) loans has been outsourced operationally to AEB's lending partners in accordance with AEB's risk appetite as outlined in the SLA. Their collection departments will contact borrowers who are in financial difficulty in order to:

- Understand the cause of the financial difficulties.
- Agree on forbearance measures appropriate to the borrower's situation that will optimize the expected return and recovery for AEB. If a solution cannot be found, the loan will be formally cancelled so as to enable further legal action to be taken against the borrower.
- The cancelled loan will be managed by the lending partner's recovery department, possibly using a specialized debt collection agency. However, the recovery team may still be able to reach agreement on an adjusted repayment schedule instead of taking the matter to court.

The bank closely monitors collection and recovery processes and credit movements in its various retail portfolios using daily and monthly data deliveries and monthly and quarterly reports. The data and reports are analyzed by the bank's dedicated credit risk team and used to:

- Inform the CRC about relevant movements in the portfolios; and
- Calculate expected losses, economic capital, RORAC, and other relevant credit risk measurement metrics.

Collateral obtained by taking possession

As at 31 December 2022, AEB carried no foreclosed assets on its balance sheet.

Required capital

Table 8 shows the corresponding credit risk capital estimates for 2021 and 2022. At 31 December 2021, the total capital estimate for credit risk amounted to EUR 239 million, whereas in 2022 it slightly decreased to EUR 215 million. The change is mainly due to the origination stop as of mid-2022 for third-party unsecured retail loans (URLs) and the divestment of the CACF and Auxmoney portfolios in Q4 2022.

Table 8: Capital required for credit risk

Asset category	Asset class	2021	2022
Retail	Mortgages	136	170
	Consumer loans	35	3
	SME loans	9	6
	Subtotal retail	**180**	**179**
Non-retail	Institutions	12	5
	Sovereign	-	1
	Public Sector Entities	3	2
	Securitization	2	1
	Corporate	32	23
	International Organizations	-	-
	Multilateral development banks	-	
	Subtotal non-retail	**49**	**32**
Other	**Other**	**10**	**3**
Total credit risk capital estimate		**239**	**215**

6.3 Counterparty credit risk

Part of the non-retail bank portfolio is exposed to counterparty credit risk (CCR). AEB adopts the Standardized Approach to calculate the TREA for CCR. The TREA for CRR at year-end 2022 was EUR 20.2 million with a capital requirement of EUR 1.7 million. Given these amounts, AEB deems counterparty credit risk to be minimal.

6.4 Credit valuation adjustment (CVA)

The bank enters into derivative contracts for hedging purposes only. Derivatives are used to hedge interest rate risk and FX risk. By entering into these derivatives, AEB becomes exposed to credit value risk on the derivative contract. Credit value risk is defined as the risk that the value of derivative positions taken by the bank will fluctuate driven by changes in the financial position of the counterparty to the derivative contract.

Table 9 shows AEB's internal capital estimate for CVA risk at year-end 2021 and 2022. Since May 2016, AEB has used central clearing for all new Interest Rate Swaps (IRSs), which has reduced the bank's credit valuation adjustment risk.

Table 9: CVA risk capital estimate

Risk type	2021	2022
CVA risk capital estimate	0	0

7. Operational Risk

AEB defines operational risk as follows: "Operational risk is the risk of losses resulting from inadequate or failed internal processes, controls, people and systems or from external events".

AEB manages operational risk in accordance with its Enterprise Risk Management framework. The bank's Risk Appetite Statement sets boundaries and is used to monitor and manage its risk profile within acceptable limits.

AEB distinguishes different types of operational risk as defined in the risk taxonomy and laid down in AEB's ERM framework and RAS. The Operational Risk Management Policy outlines requirements mandated by the Statutory Board for the identification, evaluation, measurement, monitoring and reporting of all operational risks (Operational Risk Management framework) associated with the activities conducted by AEB.

The current Operational Risk Management framework and the way in which risk management is organized within AEB are based on common market practices. The framework's implementation and maturity are continuously improved, monitored and reported on by the 2nd and 3rd lines. Regulators monitor and challenge the maturity of risk management on a regular basis. This provides insight into how AEB performs against industry benchmarks. Continuous evaluation and improvement of the risk framework, operational controls, and the effectiveness of these controls are a fundamental part of any sound system of risk management.

Within AEB, each value stream or domain has appointed a risk expert who, working together with domain management, ensures that the first line identifies and assesses ("avoid, transfer, mitigate or accept") their activities for potential operational risks, monitors mitigating measures and controls, and coordinates ways of resolving incidents. The Operational Risk Management (ORM) function identifies, monitors, controls and reports on operational risk, develops policies and standards, and provides methodologies and tools. Using these tools, ORM assesses whether the bank's operational risk profile matches its operational risk appetite. ORM provides a cohesive view of operational risks and issues within AEB, as identified, among other things, through RCSAs. Furthermore, ORM reports on action and loss events and oversees timely follow-up. Lastly, ORM coordinates periodic forward-looking scenario analyses.

AEB uses its Economic Required Capital (ERC) to determine the capital required for operational risk. The bank ensures that it always meets the Pillar 1 capital requirement and the ERC for operational risk according to the following approach:

- **Pillar 1** capital estimate based on Basic Indicator Approach (BIA); and
- **Pillar 2** capital for the amount by which ERC exceeds the Pillar 1 outcome.

The ERC for operational risk is based on the highest of outcomes from scenario analyses, RCSAs and historical losses. This approach and the process are described in the ORC Standard.

Table 10: Operational Risk Capital

Operational Risk Capital	2021	2022
BIA (Pillar 1)	40.5	38.0
ERC add on (Pillar 2)	2.0	4.5
Operational Risk capital estimate	**42.5**	**42.5**

The total amount of capital was the same as in 2021, but distributed differently over Pillars I and II. The decrease in Pillar 1 was caused by the impact of the fall in income for AEB in 2022, and by applying the BIA method based on average income. The Hit & Run scenario is still considered the most impactful scenario for calculating the capital required under Pillar II.

8. Strategic Risk

Knab's strategic risks relate to the possibility that events will occur and affect the achievement of strategy and business objectives. Knab manages strategic risk following the Bank's Enterprise Risk Management Framework. Per Knab's risk taxonomy strategic risk is divided into five sub-categories: customer, business model, organization, sustainability and reputation. The bank's Risk Appetite Statement sets boundaries and is used to monitor and manage its risk profile within acceptable limits.

Internal Capital estimate

Knab uses its Economic Required Capital (ERC) to set the required capital for strategic risk (Pillar 2). The ERC for strategic risk is based on the estimated impact and probability of strategic risk scenarios. The estimation of capital for each strategic scenario is determined using a standard loss calculation analysis, using a normal distribution, over a one-year period not taking into account any diversification between the different scenarios in the strategic scenario set.

The total required capital has increased compared to 2021 as a result of separate capital allocation for strategic and operational risk. In previous years, the strategic risk, including business model risk, was part of the scenario set for ERC calculation of the Operational Risk Capital (ORC). Therefore, only capital was allocated for strategic risk indirectly. In 2021 a DNB add-on for business model risk of EUR 10 million was in place. The separate capital allocation for strategic risk amounts to EUR 21 million, an increase of EUR 11 million compared to the add-on applied in 2022, as strategic ERC (Pillar 2) is not off-set against any Pillar 1 requirement. The strategic risk scenarios are threefold, considering risks from new market participants, integration risk in the new combination with a.s.r. and climate transition.

***Table 11:** Strategic Risk Capital*

Capital strategic risk	2021	2022
Strategic risk capital estimate (ERC)	10	21

9. Market Risk (FX Risk)

AEB is exposed to FX risk arising from two loan portfolios in the UK: a consumer loans portfolio serviced by Zopa and an SME loans portfolio serviced by Funding Circle. These loan portfolios and the future cash flows arising from them are reported in GBP, whereas all of AEB's funding is in EUR. In addition to the GBP loan portfolios, AEB holds foreign currency bank accounts with ABN AMRO, with cash balances in AUD, CAD, CHF, DKK, GBP, NZD, SEK, USD and ZAR. These accounts are used to enable foreign currency payments by AEB customers. The total open position on these accounts was less than EUR 1 million and so is considered immaterial and not hedged.

At 31 December 2022, the total outstanding principal of the GBP portfolios amounted to EUR 356 million, down EUR 161 million on 2021, driven by high redemption rates on the ZOPA and Funding Circle portfolios combined with significantly reduced commitments in 2022. A hedging program is in place to hedge the proceeds from the GBP portfolios, taking into account expected prepayments and expected losses.

Capitalization

Because realized prepayments and losses on the GBP loans may deviate from expectations, a mismatch may occur between the proceeds from the hedge and the portfolio, and so the GBP loan portfolios are exposed to FX risk. AEB holds capital for FX risk under Pillar 1 based on the Standardized Approach, and additional capital in the event that AEB's internal FX risk assessment should exceed the Pillar 1 capital requirement. At 31 December 2022, there was no capital requirement under Pillar 1, since the open FX position was below the own funds threshold as stipulated in the CRR. However the internal capital estimate for FX risk was EUR 4.8 million. Because this estimate exceeds the amount required under Pillar 1, AEB holds capital in excess of the Pillar 1 requirement. The FX risk capital estimate decreased by EUR 2.8 million compared to 31 December 2021.

AEB's internal capital estimate for FX risk is based on a Value-at-Risk methodology with a 99.5% confidence level for a daily time series of EUR/GBP exchange rates over a one-year horizon. It includes the FX hedge, the exposure to changes in spreads between EUR and GBP, and a possible mismatch in case of default shocks.

10. Interest Rate Risk in the Banking Book

10.1 Risk description

Interest rate risk in the banking book (IRRBB) is an important risk type inherent to AEB's banking activities. IRRBB impacts both the net present value and net interest earnings if and when interest rates fluctuate. The bank has put an identification process in place to detect interest rate risk in its balance sheet. In line with EBA guidelines (EBA/GL/2018/02), three main categories of IRRBB are identified:

- **Gap risk.** This is the risk resulting from the term structure of interest rate-sensitive instruments that arises from differences in the timing of their rate changes, covering changes to the term structure of interest rates occurring consistently across the yield curve (parallel risk) or differentially by period (non-parallel risk);
- **Option risk.** This is the risk arising from options (embedded and explicit), where the institution or its customer can alter the level and timing of their cash flows, namely the risk arising from interest rate-sensitive instruments where the holder will almost certainly exercise the option if it is in their financial interest to do so (embedded or explicit automatic options) and the risk arising from flexibility embedded implicitly or within the terms of interest rate-sensitive instruments, such that changes in interest rates may affect a change in the customer's behavior (embedded behavioral option risk); and
- **Basis risk.** This is the risk arising from the impact of relative changes in interest rates on interest rate-sensitive instruments that have similar tenors but are priced using different interest rate indices. It arises from the imperfect correlation in the adjustment of the rates earned and paid on different interest rate-sensitive instruments with otherwise similar rate change characteristics.

The EBA also requires banks to identify credit spread risk in the banking book (CSRBB):

- **CSRBB.** This is the risk driven by changes in the market perception about the price of credit risk, liquidity premium and potentially other components of credit-risky instruments inducing fluctuations in the price of credit risk, liquidity premium and other potential components, which is not explained by IRRBB or by expected credit/(jump-to-)default risk.

Additionally, AEB has identified model risk related to IRRBB activities in line with EBA guidelines (EBA/GL/2014/13):

- **Model risk.** The risk relating to the underestimation of own funds requirements by regulatory approved internal models and the risk of losses relating to the development, implementation or improper use of any other models by the institution for decision-making.

AEB has cascaded the main types of risk further into sub-types based on an internal assessment. A risk assessment for the different balance sheet items and products has been performed, as reflected in the bank's risk appetite statement and IRRBB strategy.

The bank has a framework in place to properly manage IRRBB under both 'going concern' and 'stress' circumstances. The framework sets out how interest rate risk must be managed such that it is in accordance with the appetite and limits as set out in the RAS drawn up by the Statutory Board and Supervisory Board. For instance, AEB targets a specific duration of equity and enters into hedge transactions based on its hedging strategy in order to move the interest rate risk position towards its target and within the set limits on a monthly basis.

Even though AEB seeks to hedge its IRRBB exposures, it remains exposed to IRRBB. Not all IRRBB exposures can be fully hedged by market tradeable instruments and AEB therefore holds capital for these unhedged risks. Two key sources of remaining risks are prepayment risk in the mortgage book and savings withdrawal risk. The bank hedges its exposure to prepayment risk based on a best estimate calculation. Because AEB assumes that prepayment incentives move in line with interest rates, the bank holds capital for potential changes in prepayment incentives up until the dates when mortgages are reset. Regarding savings withdrawal risk, AEB assumes that the pricing of customer deposits is done in such a way as to stabilize volumes. Because the pricing of customer deposits is at the bank's discretion and often exhibits a non-linear relation to actual changes in interest rates, AEB holds capital for the expected adverse changes in prices of customer deposits on the basis of changes in interest rates.

Finally, the bank does not actively manage CSRBB, but instead holds an internal capital buffer for CSRBB over and above the minimum regulatory requirements.

10.2 Capitalization

IRRBB capitalization is calculated as the maximum of Earnings-at-Risk (EaR) and Economic Value of Equity (EVE) at Risk under a set of pre-defined interest rate scenarios. EVE at Risk (EVEaR) is calculated using a discounted cash flow method and a run-off portfolio, whereas EaR is calculated based on a constant balance sheet assumption. AEB includes all material interest rate-sensitive instruments in the calculation in line with the EBA's IRRBB guidelines. The following table shows the bank's exposure to the six standardized interest-rate shock scenarios for measuring EVE under the standard EVE outlier test, as described by the EBA guidelines (EBA/GL/2018/02):

1. Parallel shock up, which is defined as a 200 basis point increase in the yield curve for all maturities;
2. Parallel shock down, which is defined as a 200 basis point decrease in the yield curve for all maturities;
3. Steepener shock, where short-term interest rates decrease while longer-term interest rates increase;
4. Flattener shock, where short-term interest rates increase while longer-term interest rates decrease;
5. Short rates shock up, where short-term interest rates increase sharply, while longer-term interest rate increase moderately; and
6. Short rates shock down, where short-term interest rates decrease sharply, while longer-term interest rates decrease moderately.

The scenarios include a floor of -1% for the overnight rate, which gradually increases to 0% for interest rates for 20 years and beyond. The IRRBB exposure is defined as the scenario-specific impact on gap risk, option risk, and pipeline risk

***Table 12:** Change in economic value of AEB's equity and earnings-at-risk under EBA's standardized interest rate scenarios*

EBA scenario	EVEaR	EaR
Parallel shock up	-211.8	8.6
Parallel shock down	117.0	-53.9
Steepener shock	-167.1	-53.1
Flattener shock	112.4	39.2
Short rates shock up	68.2	43.5
Short rates shock down	-60.2	-82.9

AEB capitalized a total of EUR 272 million for IRRBB[10]. The Pillar 2 capital for IRRBB was updated using December figures. The capitalization is based on an internally defined scenario, which for December showed a larger impact than the 6 prescribed scenarios by EBA.

The capitalization mainly related to gap risk, option risk and model risk, all of which increased during 2022 as a result of the increased interest rate environment. AEB has no appetite for gap risk, but as a result of spread movements, the DV01 position in equity at December 2022 was relatively large. The total capitalization for IRRBB increased from EUR 99.6 million to EUR 272 million.

AEB held EUR 22.2 million as an internal capital buffer for CSRBB, representing a decrease of EUR 19.8 million compared to 31 December 2021, driven by a decrease in the size of the debt securities portfolio as well as the duration of the portfolio.

10. Economic circumstances and the interest rate environment changed significantly during 2022. Based on these changes the client behavior models for IRRBB (e.g. prepayment, and product mix) were being redeveloped during 2023. If these redeveloped models would have been applied for 2022 reporting, the exposure for IRRBB and subsequent capital requirement would significantly decrease.

11. Liquidity Management

11.1 Liquidity Risk Management Framework

Liquidity risk management is one of the core activities within the risk management process and, as such, is vital for a bank's short-term and long-term financial health.

The primary goal of AEB's liquidity risk management is to ensure that the bank has sufficient liquidity available to support its strategy in normal and stressed conditions. AEB's liquidity needs are based on its risk appetite, business plans, and the requirements of external stakeholders, such as its customers, regulators and investors. AEB evaluates its risk appetite at least annually to ensure that risk limits and targets are still adequate. At AEB, liquidity risk management duties have been delegated by the Management Board to the Asset & Liability Committee (ALCO). The ALCO oversees the liquidity risk framework, developments and processes, and meets on a monthly basis. The main departments involved in liquidity risk and funding risk are Asset and Liability Management & Methodology (ALM&M) and Market Risk Management (MRM).

The three lines of defense model guides the management of the various risk types to which AEB is exposed, including liquidity risk. The first line of defense is performed by the ALM&M department, which carries out the daily business activities. The second line of defense comprises the Risk department, which monitors the risks associated with ALM&M activities. The third line of defense is Audit, which provides assurance regarding the design and effectiveness of the governance structure, systems and processes of the first and second-line departments involved.

11.2 Funding Strategy

AEB's funding strategy consists of a mix of savings deposits and wholesale funding, currently in the form of covered bonds and senior non-preferred notes. Additionally, the bank has issued a retained Residential Mortgage Backed Security (RMBS) SAECURE 19 (S19). Because S19 is ECB-eligible, it provides a source of contingent liquidity through ECB open-market operations.

11.3 Liquidity Reporting

Liquidity Coverage Ratio (LCR)

AEB uses the Liquidity Coverage Ratio (LCR) to monitor the short-term resilience of its liquidity risk profile. The aim is to ensure that the bank has an adequate stock of unencumbered high-quality liquid assets (HQLA) that can be easily and readily converted into cash in private markets to meet the bank's liquidity needs under a 30-calendar day liquidity stress scenario.

At 31 December 2022, the HQLA buffer amounted to EUR 2,912 million (adjusted for haircuts). A substantial part of the buffer consists of cash held in the DNB account (EUR 2,612 million). The underlying assets making up the liquidity buffer are all EUR-denominated.

The LCR ratio at 31 December 2022 was 223%, which is above internal limits and external requirements. AEB's current strong short-term liquidity position reflects the high amount in cash deposits held at the DNB and the high quality of AEB's investment portfolio, a large part of which consists of Level 1 HQLA assets.

Net Stable Funding Ratio (NSFR)

The Net Stable Funding Ratio (NSFR) requires AEB to maintain a stable funding profile in relation to the composition of its assets and off-balance sheet activities. A sustainable funding structure is intended to reduce the likelihood that disruptions to AEB's regular sources of funding will erode its liquidity position in a way that would increase the risk of failure and potentially lead to broader systemic stress. The NSFR penalizes high reliance on short-term wholesale funding, encourages improved assessment of funding risk across all on- and off-balance sheet items, and promotes funding stability.

At 31 December 2022, the NSFR ratio amounted to 152.8%, which is above internal limits and external requirements.

Encumbered Assets Ratio (AER)

The Asset Encumbrance Ratio (AER) is related to liquidity risk. Elevated encumbrance implies that there are fewer assets available for liquidation or capable of being pledged when needed.

Monitoring the AER has become more important with the introduction of a covered bond program in 2015 and the retained RMBS as contingent funding in 2020. As at 31 December 2022, AEB had a total of five outstanding covered bonds with a total notional of EUR 2.5 billion. Four of these bonds with a total notional of EUR 2 billion were issued under the Conditional Pass Through Program, and one with a notional of EUR 500 million under the new Soft Bullet Program.

At 31 December 2022, the AER was 16.9%, which is below internal limits and external requirements. An AER ratio below the requirement is preferred.

11.4 Liquidity Stress Testing (LST)

AEB's strength in terms of its liquidity buffer and liquidity survival period is also measured by means of liquidity stress testing (LST). AEB uses several internally developed scenarios for LST purposes. The most severe scenario combines a large outflow of deposits, significant adverse changes in interest rates, higher defaults on assets and other factors that negatively affect liquidity.
At 31 December 2022, the survival period under stress scenarios was above internal limits and external requirements.

11.5 Liquidity Stress Management and AEB's Recovery Plan

AEB's Recovery Plan ensures, among other things, that in case of liquidity stress the bank has a wide range of measures available to address liquidity shortfalls. The Plan describes each of these measures and their potential impact and implementation process. The Recovery Plan defines liquidity triggers that activate the Crisis Management Team, which in turn will decide on the measures to be taken.

Please also refer to Chapter 4 of this Report.

12 Remuneration

12.1 Remuneration policy

AEB's remuneration policy has been designed in line with applicable national and international regulations, including the Aegon Group Global Remuneration Framework (AGGRF), Aegon Group Governance for Risk Alignment of Remuneration Policies and Practices drawn up by Aegon N.V., and the Act on Remuneration Policies for Financial Institutions ('Wet beloningsbeleid financiële ondernemingen' or 'Wbfo') as included in the Dutch Financial Supervision Act. AEB's remuneration policy is also in line with the Dutch Central Bank's Regulation on Sound Remuneration Policies ('Regeling beheerst beloningsbeleid'), and remuneration requirements under the Capital Requirements Directive IV (CRD IV). In addition, the policy is in line with various remuneration guidelines, technical requirements and standards issued by the European Banking Authority and applicable to banks within the European Economic Area (EEA), as endorsed by the European Commission (EC). For the purposes of applicable national and international regulations, AEB is regarded as a local or so-called 'less significant financial institution'.

Remuneration and scope

Remuneration may include both financial and non-financial compensation provided by AEB either directly or indirectly. Financial compensation consists of, among other things, cash, shares, employer-paid contributions, and pension schemes. Non-financial compensation covers, among other things, the use of a company car and the private use of a mobile phone and computer. Other non-financial employee benefits may involve the work environment, HR performance management cycle, training opportunities, and career development.

Variable compensation

On 1 January 2020, the bank abolished performance-related variable pay entirely. No performance-related variable compensation has been granted to members of the Management Board or other AEB employees since 2020. Former members of AEB's Management Board who had been granted variable compensation in the past received deferred shares that vested in 2022. Because of the rule that variable compensation in the form of shares should be deferred evenly over three years following the year of upfront payment, the annual vesting of shares will last until 2023. An ex-post risk assessment may identify reasons for lowering these amounts or not paying any variable remuneration. The vested shares of Identified Staff (granted before variable compensation was abolished) are subject to a 1-year holding period, except for shares withheld to cover payment of any taxes due in connection with the vesting of the shares.

Implementation of remuneration policy

AEB's Supervisory Board discussed and approved the remuneration policy as part of its regular meetings. It also approved the selection of Identified Staff (IS), a number of AEB employees who qualify as Identified Staff according to criteria laid down in the European Banking Authority's Regulatory Technical Standards. Identified Staff are subject to specific rules on the payment of variable remuneration.

The Supervisory Board's remit is to monitor the existence of a sound remuneration policy and to ensure that the remuneration policy is generally consistent with the sound and prudent management of AEB in the long-term interests of its shareholder.

The Supervisory Board acts in accordance with the principles laid down in the Regulation on Sound Remuneration Policies under the Financial Supervision Act 2011, the Banking Code, and Aegon N.V.'s Global Remuneration Framework Governance for Risk Alignment of Remuneration Policies and Practices. In 2022, none of the employees received a remuneration in excess of EUR 1 million. This amount is the threshold for reporting under the Dutch Act on Remuneration Policies for Financial Institutions.

For further information on the remuneration of the Statutory Board, please refer to the note Remuneration of the Statutory Board and Supervisory Board in the 2022 Annual Report.

Governance

In accordance with AEB's remuneration policy, the Supervisory Board has the following duties and responsibilities:

I. adopt and maintain the remuneration policy;
II. oversee its implementation to ensure it is fully operating as intended;
III. approve material exceptions;
IV. propose and oversee the remuneration of the members of the Management Board taking into account the statutory rights of the Shareholder;
V. oversee the remuneration of the heads of internal control; and
VI. ensure that execution of the remuneration policy and procedures is duly and regularly assessed by an independent function.

12.2 Disclosure of remuneration paid to Identified Staff

***Template EU REM1:** Template EU REM1 - Remuneration awarded for the financial year*

	in EUR millions		a	b	c	d
			MB Supervisory function	MB Management function	Other senior mgmt.	Other identified staff
1	Fixed remuneration	Number of identified staff	3.00	3.00	17.80	1.95
2		Total fixed remuneration	0	1.0	3.8	0
3		Of which: cash-based	0	1.0	3.8	0

***Template EU REM5:** Information on remuneration of staff whose professional activities have a material impact on institutions' risk profile (identified staff)*

		a	b	c	h	i	j
		Management body remuneration		Business areas			
		MB Supervisory function	MB Manage-ment function	Total MB	Independent internal control functions	All other	Total
1	Total number of identified staff						26
2	Of which: members of the MB	3	3	6			
3	Of which: other senior management				6.8	11	
4	Of which: other identified staff				0	4.95	
5	Total remuneration of identified staff	0	1	1	1	3	
6	Of which: variable remuneration	0	0	0	0	0	
7	Of which: fixed remuneration	0	1	1	1	3	

List of abbreviations used in this Report

1. AEB Aegon Bank NV
2. AER Asset Encumbrance Ratio
3. AFM Dutch Financial Markets Authority (Autoriteit Financiële Markten)
4. AGGRF Aegon Group Global Remuneration Framework
5. ALCO Asset and Liability Committee
6. ALM&M Asset Liability Management and Methodology
7. AT1 Additional Tier 1
8. BIA Basic Indicator Approach
9. CCF Credit Conversion Factor
10. CCyB Countercyclical Buffer
11. CCR Counterparty Credit Risk
12. CEO Chief Executive Officer
13. CET1 Common Equity Tier 1
14. C&E Climate-change & Environmental risks
15. CFO Chief Financial Officer
16. COREP Common Reporting
17. CRC Credit Risk Committee
18. CRD Capital Requirements Directive
19. CRO Chief Risk Officer
20. CRR Capital Requirements Regulation
21. CTO Chief Technology Officer
22. CSRBB Credit Spread Risk in the Banking Book
23. CVA Credit Valuation Adjustment
24. DNB Dutch Central Bank (De Nederlandsche Bank NV)
25. DPA Dutch Data Protection Authority
26. DV01 Dollar Value of one basis point
27. EAR Earnings at Risk
28. EBA European Banking Authority
29. EC European Commission
30. ECB European Central Bank
31. ECL Expected Credit Loss
32. EEA European Economic Area
33. ERC Economic Required Capital
34. ERM Enterprise Risk Management
35. ERMC Enterprise Risk Management Committee
36. EU European Union
37. EUR Euro
38. EVE Economic Value of Equity
39. EVEaR Economic Value of Equity at Risk
40. Finrep Financial Reporting
41. FRM Financial Risk Management
42. FX Foreign Exchange
43. GBP Great British Pound
44. GDPR General Data Protection Regulation
45. GL Guidelines
46. HQLA High Quality Liquid Assets
47. IAN Internal Audit Nederland
48. CAAP Internal Capital Adequacy Assessment Process
49. IFRS International Financial Reporting Standards
50. ILAAP Internal Liquidity Adequacy Assessment Process
51. IRRBB Interest Rate Risk in the Banking Book
52. IRS Interest Rate Swap
53. IS Identified Staff
54. IT Information Technology
55. ITS Implementing Technical Standard
56. KPI Key Performance Indicator
57. LCR Liquidity Coverage Ratio
58. LST Liquidity Stress Testing
59. LTV Loan-to-Value
60. MB Management Board
61. MDA Maximum Distributable Amount
62. MRC Model Risk Committee
63. MREL Minimum Required Eligible Liabilities
64. MRM Market Risk Management
65. NFRC Non-Financial Risk Committee
66. NHG National Mortgage Guarantee (Nationale Hypotheek Garantie)
67. NPS Net Promotor Score
68. NRA National Resolution Authority
69. NSFR Net Stable Funding Ratio
70. ORM Operational Risk Management
71. OTC Over The Counter
72. PARC Product Approval Review Committee
73. PARP Product Approval & Review Process
74. RAF Risk Appetite Framework
75. RAS Risk Appetite Statement
76. RCSA Risk Control Self-Assessment
77. RMBS Retail Mortgage Backed Security
78. RORAC Return On Risk-Adjusted Capital
79. RTS Regulatory Technical Standard

80. SA Standardized Approach
81. SB Supervisory Board
82. SLA Service Level Agreement
83. SME Small and Medium-sized Enterprise
84. SNP Senior Non-Preferred
85. SREP Supervisory Review & Evaluation Process
86. S19 Residential Mortgages Backed Security SAECURE 19
87. TEM Total Exposure Measure
88. TCR Total Capital Ratio
89. TREA Total Risk Exposure Amount
90. URL Unsecured Retail Loans
91. VaR Value at Risk
92. Wbfo Dutch Act on Remuneration Policies for Financial Institutions (Wet beloningsbeleid financiële ondernemingen)
93. Wft Dutch Financial Supervision Act (Wet financieel toezicht)

13 Appendix

13.1 Disclosure of Own Funds

***Template EU CC1** - Composition of regulatory Own Funds*

		a	b
		Amounts	Source based on reference numbers/ letters of the balance sheet under the regulatory scope of consolidation
Common Equity Tier 1 (CET1) capital: instruments and reserves			
1	Capital instruments and the related share premium accounts	514	(a)
	of which: Ordinary shares	514	(a)
	of which: Instrument type 2		
	of which: Instrument type 3		
2	Retained earnings	210	(b)
3	Accumulated other comprehensive income (and other reserves)	(53)	(c)
EU-3a	Funds for general banking risk		
4	Amount of qualifying items referred to in Article 484 (3) CRR and the related share premium accounts subject to phase out from CET1		
5	Minority interests (amount allowed in consolidated CET1)		
EU-5a	Independently reviewed interim profits net of any foreseeable charge or dividend	32	(d)
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	**703**	
Common Equity Tier 1 (CET1) capital: regulatory adjustments			
7	Additional value adjustments (negative amount)		
8	Intangible assets (net of related tax liability) (negative amount)	-4	(e)
27	Qualifying AT1 deductions that exceed the AT1 items of the institution (negative amount)		
27a	Other regulatory adjustments	-4	
28	**Total regulatory adjustments to Common Equity Tier 1 (CET1)**	**-7**	
29	**Common Equity Tier 1 (CET1) capital**	**695**	
Additional Tier 1 (AT1) capital: instruments			
30	Capital instruments and the related share premium accounts	10	(f)
31	of which: classified as equity under applicable accounting standards	10	(f)
36	**Additional Tier 1 (AT1) capital before regulatory adjustments**	**10**	

		a	b
		Amounts	Source based on reference numbers/ letters of the balance sheet under the regulatory scope of consolidation
Additional Tier 1 (AT1) capital: regulatory adjustments			
43	**Total regulatory adjustments to Additional Tier 1 (AT1) capital**		
44	**Additional Tier 1 (AT1) capital**	**10**	
45	**Tier 1 capital (T1 = CET1 + AT1)**	**705**	
Tier 2 (T2) capital: regulatory adjustments			
55	Direct, indirect and synthetic holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)		
56	Not applicable		
EU-56a	Qualifying eligible liabilities deductions that exceed the eligible liabilities items of the institution (negative amount)		
EU-56b	Other regulatory adjustments to T2 capital		
57	**Total regulatory adjustments to Tier 2 (T2) capital**		
58	**Tier 2 (T2) capital**		
59	**Total capital (TC = T1 + T2)**	**705**	
60	**Total Risk exposure amount**	**3,159**	
Capital ratios and requirements including buffers			
61	Common Equity Tier 1 capital	22.01%	
62	Tier 1 capital	22.31%	
63	Total capital	22.31%	
64	Institution CET1 overall capital requirements	14.77%	
65	of which: capital conservation buffer requirement	2.50%	
66	of which: countercyclical capital buffer requirement	0.07%	
67	of which: systemic risk buffer requirement		
EU-67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer requirement		
EU-67b	of which: additional own funds requirements to address the risks other than the risk of excessive leverage		
68	**Common Equity Tier 1 capital (as a percentage of risk exposure amount) available after meeting the minimum capital requirements**	**17.51%**	
National minima (if different from Basel III)			
69	Not applicable		
70	Not applicable		
71	Not applicable		

		a	b
		Amounts	Source based on reference numbers/ letters of the balance sheet under the regulatory scope of consolidation
Amounts below the thresholds for deduction (before risk weighting)			
72	Direct and indirect holdings of own funds and eligible liabilities of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)		
73	Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 17.65% thresholds and net of eligible short positions)		
74	Not applicable		
75	Deferred tax assets arising from temporary differences (amount below 17,65% threshold, net of related tax liability where the conditions in Article 38 (3) CRR are met)		
Applicable caps on the inclusion of provisions in Tier 2			
76	Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap)		
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach		
78	Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)		
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach		
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2014 and 1 Jan 2022)			
80	Current cap on CET1 instruments subject to phase out arrangements		
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)		g
82	Current cap on AT1 instruments subject to phase out arrangements		
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)		
84	Current cap on T2 instruments subject to phase out arrangements		
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)		

Template EU CC2 - reconciliation of regulatory own funds to balance sheet in the audited financial statements

		a	b	c
		Balance sheet as in published financial statements	Under regulatory scope of consolidation	Reference
		As at period end	As at period end	
Assets - Breakdown by asset clases according to the balance sheet in the published financial statements				
1	Intangible Assets	4	-4	e
Shareholders' Equity				
1	Share capital	37	37	a
2	Share Premium	477	477	a
3	Retained Earnings	210	210	b
4	Other Comprehensive Income	-53	-53	c
5	Net income / (loss) recognized in the income statement	32	32	d
6	Knab participations	10	10	f
7	Dividends paid on participations			
xxx	**Total shareholders' equity**	**712**	**712**	

***Template EU CCA** - Main features of regulatory own funds instruments and eligible liabilities instruments*

		a
1	Issuer	Aegon Bank N.V.
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	N.a.
2a	Public or private placement	Private
3	Governing law(s) of the instrument	CRR
3a	Contractual recognition of write down and conversion powers of resolution authorities	Yes
	Regulatory treatment	Additional Tier 1
4	Current treatment taking into account, where applicable, transitional CRR rules	Additional Tier 1
5	Post-transitional CRR rules	Additional Tier 1
6	Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated	Solo and Consolidated level
7	Instrument type (types to be specified by each jurisdiction)	Additional Tier 1
8	Amount recognised in regulatory capital or eligible liabilities (Currency in million, as of most recent reporting date)	9,500,000
9	Nominal amount of instrument	9,500,000
EU-9a	Issue price	9,500,000
EU-9b	Redemption price	9,500,000
10	Accounting classification	Non-controlling interest in consolidated subsidiary
11	Original date of issuance	October 2012 - October 2017
12	Perpetual or dated	Perputal
13	Original maturity date	no maturity
14	Issuer call subject to prior supervisory approval	yes
15	Optional call date, contingent call dates and redemption amount	1-Nov-22
16	Subsequent call dates, if applicable	Any 1st day of the month after 01/11/2022
	Coupons / dividends	
17	Fixed or floating dividend/coupon	Floating
18	Coupon rate and any related index	Maximum (5% , ICE 10y EUR swap rate + 3.23%)
19	Existence of a dividend stopper	Yes
EU-20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Full discretion
EU-20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Full discretion

		a
21	Existence of step up or other incentive to redeem	No
22	Noncumulative or cumulative	Non-cumulative
23	Convertible or non-convertible	No
24	If convertible, conversion trigger(s)	N.a.
25	If convertible, fully or partially	N.a.
26	If convertible, conversion rate	N.a.
27	If convertible, mandatory or optional conversion	N.a.
28	If convertible, specify instrument type convertible into	N.a.
29	If convertible, specify issuer of instrument it converts into	N.a.
30	Write-down features	Yes
31	If write-down, write-down trigger(s)	Write down at CET1 level of 5.125%
32	If write-down, full or partial	Fully or partially
33	If write-down, permanent or temporary	Permanent
34	If temporary write-down, description of write-up mechanism	N.a.
34a	Type of subordination (only for eligible liabilities)	N.a.
EU-34b	Ranking of the instrument in normal insolvency proceedings	N.a.
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Senior Non Preferred
36	Non-compliant transitioned features	N.a.
37	If yes, specify non-compliant features	N.a.
37a	Link to the full term and conditions of the instrument (signposting)	

(1) Insert 'N/A' if the question is not applicable

13.2 Disclosure of countercyclical capital buffers

Template EU CCyB1 - *Geographical distribution of credit exposures relevant for the calculation of the countercyclical buffer*

		a	b	c	d	e	f	g	h	i	j	k	l	m
		General credit exposures		Relevant credit exposures – Market risk				Own fund requirements						
		Exposure value under the standardised approach	Exposure value under the IRB approach	Sum of long and short positions of trading book exposures for SA	Value of trading book exposures for internal models	Securitisation exposures Exposure value for non-trading book	Total exposure value	Relevant credit risk exposures - Credit risk	Relevant credit exposures - Market Risk	Relevant credit exposures - Securitisation positions in the non-trading book	Total	Risk weighted exposure amounts	Own fund requirements weights (%)	Countercyclical buffer rate (%)
010	**Breakdown by country:**													
011	Netherlands	13,113				-	13,113	175		-	175	2,574	85%	0.00%
012	Germany	105				-	105	5		-	5	336	3%	0.00%
013	France	36				1	36	1		0	1	22	1%	0.00%
014	United Kingdom	418				6	418	13		0	13	269	6%	1.00%
015	Spain	17				7	17	0		0	0	7	0%	0.00%
016	Ireland	76				65	76	1		1	1	9	1%	0.00%
017	New Zealand	7				-	7	0		-	0	1	0%	0.00%
018	Sweden	19				-	19	1		-	1	17	0%	1.00%
019	Belgium	3				-	3	0		-	0	3	0%	0.00%
020	Italy	4				4	4	-		0	0		0%	0.00%
021	Norway	3				-	3	0		-	0	6	0%	2.00%
022	Switzerland	30				-	30	1		-	1	16	1%	0.00%
023	Portugal	-				-	0	-		-	-	4	0%	0.00%
024	United States	137				-	137	6		-	6	111	3%	0.00%
025	Australia	-				-	0	-		-	-	2	0%	0.00%
026	Japan	13				-	13	1		-	1	15	1%	0.00%
027	Korea, Republic of	10				-	10	0		-	0		0%	0.00%
028	Finland	0				-	0	0		-	0		0%	0.00%
029	Other Countries	5				-	5	0		-	0	9	0%	0.00%
030	**Total**	**13,995**				**83**	**13,995**	**206**		**1**	**207**	**2,757**	**100%**	4.00%

Template EU CCyB2 - Amount of institution-specific countercyclical capital buffer

		a
1	Total risk exposure amount	3,159
2	Institution specific countercyclical capital buffer rate	0.0676%
3	Institution specific countercyclical capital buffer requirement	2

13.3 Disclosure of the leverage ratio

Template EU LR1 - LRSum: Summary reconciliation of accounting assets and leverage ratio exposures

		a
		Applicable amount
1	Total assets as per published financial statements	18,205
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of prudential consolidation	-
3	(Adjustment for securitised exposures that meet the operational requirements for the recognition of risk transference)	-
4	(Adjustment for temporary exemption of exposures to central banks (if applicable))	-
5	(Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the total exposure measure in accordance with point (i) of Article 429a(1) CRR)	-
6	Adjustment for regular-way purchases and sales of financial assets subject to trade date accounting	-
7	Adjustment for eligible cash pooling transactions	-
8	Adjustment for derivative financial instruments	-1,545
9	Adjustment for securities financing transactions (SFTs)	-
10	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	158
11	(Adjustment for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital)	-
EU-11a	(Adjustment for exposures excluded from the total exposure measure in accordance with point (c) of Article 429a(1) CRR)	-
EU-11b	(Adjustment for exposures excluded from the total exposure measure in accordance with point (j) of Article 429a(1) CRR)	-
12	Other adjustments	159
13	**Total exposure measure**	**16,978**

Template EU LR2 - LRCom - Leverage ratio common disclosure

		CRR leverage ratio exposures	
		a	b
		31/12/2022	31/12/2021
On-balance sheet exposures (excluding derivatives and SFTs)			
1	On-balance sheet items (excluding derivatives, SFTs, but including collateral)	16,727	16,151
2	Gross-up for derivatives collateral provided, where deducted from the balance sheet assets pursuant to the applicable accounting framework		
3	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)		
4	(Adjustment for securities received under securities financing transactions that are recognised as an asset)		
5	(General credit risk adjustments to on-balance sheet items)		
6	(Asset amounts deducted in determining Tier 1 capital)		
7	**Total on-balance sheet exposures (excluding derivatives and SFTs)**	**16,727**	**16,151**
Derivative exposures			
8	Replacement cost associated with SA-CCR derivatives transactions (ie net of eligible cash variation margin)		
EU-8a	Derogation for derivatives: replacement costs contribution under the simplified standardised approach		
9	Add-on amounts for potential future exposure associated with SA-CCR derivatives transactions	92	0
EU-9a	Derogation for derivatives: Potential future exposure contribution under the simplified standardised approach		
EU-9b	Exposure determined under Original Exposure Method		
10	(Exempted CCP leg of client-cleared trade exposures) (SA-CCR)		
EU-10a	(Exempted CCP leg of client-cleared trade exposures) (simplified standardised approach)		
EU-10b	(Exempted CCP leg of client-cleared trade exposures) (Original Exposure Method)		
11	Adjusted effective notional amount of written credit derivatives		
12	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)		
13	**Total derivatives exposures**	**92**	**0**

		CRR leverage ratio exposures	
		a	b
		31/12/2022	31/12/2021
Securities financing transaction (SFT) exposures			
14	Gross SFT assets (with no recognition of netting), after adjustment for sales accounting transactions		
15	(Netted amounts of cash payables and cash receivables of gross SFT assets)		
16	Counterparty credit risk exposure for SFT assets		
EU-16a	Derogation for SFTs: Counterparty credit risk exposure in accordance with Articles 429e(5) and 222 CRR		
17	Agent transaction exposures		
EU-17a	(Exempted CCP leg of client-cleared SFT exposure)		
18	**Total securities financing transaction exposures**		
Other off-balance sheet exposures			
19	Off-balance sheet exposures at gross notional amount	791	764
20	(Adjustments for conversion to credit equivalent amounts)	-633	-548
21	(General provisions deducted in determining Tier 1 capital and specific provisions associated associated with off-balance sheet exposures)		
22	**Off-balance sheet exposures**	**158**	**216**
Excluded exposures			
EU-22a	(Exposures excluded from the total exposure measure in accordance with point (c) of Article 429a(1) CRR)		
EU-22b	(Exposures exempted in accordance with point (j) of Article 429a(1) CRR (on and off balance sheet))		
EU-22c	(Excluded exposures of public development banks (or units) - Public sector investments)		
EU-22d	(Excluded exposures of public development banks (or units) - Promotional loans)		
EU-22e	(Excluded passing-through promotional loan exposures by non-public development banks (or units))		
EU-22f	(Excluded guaranteed parts of exposures arising from export credits)		
EU-22g	(Excluded excess collateral deposited at triparty agents)		
EU-22h	(Excluded CSD related services of CSD/institutions in accordance with point (o) of Article 429a(1) CRR)		
EU-22i	(Excluded CSD related services of designated institutions in accordance with point (p) of Article 429a(1) CRR)		
EU-22j	(Reduction of the exposure value of pre-financing or intermediate loans)		
EU-22k	**(Total exempted exposures)**		

		CRR leverage ratio exposures	
		a	b
		31/12/2022	31/12/2021
Capital and total exposure measure			
23	Tier 1 capital	705	733
24	**Total exposure measure**	**16,978**	**16,368**
Leverage ratio			
25	Leverage ratio (%)	4.15%	4.48%
EU-25	Leverage ratio (excluding the impact of the exemption of public sector investments and promotional loans) (%)	4.15%	4.48%
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) (%)	4.15%	4.48%
26	Regulatory minimum leverage ratio requirement (%)	3.00%	3.00%
EU-26a	Additional own funds requirements to address the risk of excessive leverage (%)	0.00%	0.00%
EU-26b	of which: to be made up of CET1 capital	0.00%	0.00%
27	Leverage ratio buffer requirement (%)	0.00%	0.00%
EU-27a	Overall leverage ratio requirement (%)	3.00%	3.00%
Choice on transitional arrangements and relevant exposures			
EU-27b	Choice on transitional arrangements for the definition of the capital measure		
Disclosure of mean values			
28	Mean of daily values of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivable		
29	Quarter-end value of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables		
30	Total exposure measure (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)		
30a	Total exposure measure (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)		
31	Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)		

		CRR leverage ratio exposures	
		a	b
		31/12/2022	31/12/2021
31a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)		

***Template EU LR3 - LRSpl -** Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures)*

		a
		CRR leverage ratio exposures
EU-1	**Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:**	**16,727**
EU-2	Trading book exposures	-
EU-3	Banking book exposures, of which:	16,727
EU-4	Covered bonds	53
EU-5	Exposures treated as sovereigns	2,852
EU-6	Exposures to regional governments, MDB, international organisations and PSE, not treated as sovereigns	146
EU-7	Institutions	226
EU-8	Secured by mortgages of immovable properties	12,266
EU-9	Retail exposures	534
EU-10	Corporates	453
EU-11	Exposures in default	33
EU-12	Other exposures (eg equity, securitisations, and other non-credit obligation assets)	166

13.4 Disclosure of Liquidity Requirements

***Table EU LIQA - Liquidity risk management -** in accordance with Article 451a(4) CRR*

Row number	Qualitative information
(a)	Strategies and processes in the management of the liquidity risk, including policies on diversification in the sources and tenor of planned funding,
	Aegon Bank N.V. ("AEB")'s liquidity risk originates mostly from retail savings on the liability side of the balance sheet. Although AEB's objective is to fully hedge its interest rate and foreign currency risk exposures, the risk of a potential collateral requirement on its derivatives positions can also have a material impact on AEB's liquidity position. AEB has a liquidity risk management framework that supports the risk profile and safeguards the bank's reputation from a liquidity perspective. While AEB accepts a certain amount of liquidity risk, this framework must ensure that the bank is able to meet its payment obligations at a reasonable cost, even under severely adverse conditions. The bank maintains a set of liquidity risk indicators to manage its liquidity position within the requirements set internally and by regulation. In addition, regular stress testing is performed. In order to support the business model, AEB maintains a solid capital buffer in addition to a satisfactory level of High-Quality Liquid Assets (HQLA) and cash, to ensure that all funding needs will be fulfilled at all times. In order to ensure a certain level of funding diversification, AEB's present funding framework consists of three main sources. The first source is retail funding through fiscal (Box 1) savings products via the Aegon Bank label, SME savings products through the Knab label and non-fiscal (Box 3) savings products through the Knab label . The client deposit base is further supplemented by wholesale funding through e.g. the Aegon Bank Covered Bond programs, securitization program (SAECURE) and unsecured funding. The last primary source of funding consists of equity (CET1 and AT1)
(b)	Structure and organisation of the liquidity risk management function (authority, statute, other arrangements).
	Within AEB, liquidity risk management duties have been delegated by the Management Board to the Asset & Liability Committee (ALCO). The ALCO oversees the liquidity risk framework, developments and processes and meets at least on a monthly basis. The main departments involved in liquidity and funding risk are Asset and Liability Management & Methodology (ALM&M) and Market Risk Management (MRM). Within AEB, the three lines of defence model guides the management of the various risk types the bank is exposed to, including liquidity risk. The first line of defence is performed by the ALM&M department, where the daily business activities are executed. The second line of defence comprises the Risk department, which monitors the risks associated with ALM&M activities. The third line of defence is Audit, which provides assurance regarding the design and effectiveness of the governance structure, systems and processes of the first and second line departments involved.
(c)	A description of the degree of centralisation of liquidity management and interaction between the group's units
	Liquidity risk is managed at a central level within AEB (i.e. no liquidity risk is managed within value streams due to the setup and size of the bank).
(d)	Scope and nature of liquidity risk reporting and measurement systems.

Row number	Qualitative information
	Different risk measures for liquidity risk are calculated with different frequencies. Steering of liquidity metrics is done in such a way that compliance with the limits defined in the Risk Appetite Statement (RAS) is maintained. AEB uses a comprehensive set of liquidity indicators to monitor and measure liquidity risk, both in regular and stressed conditions. The main indicators of liquidity risk are captured in the RAS. Within AEB, reports on liquidity and liquidity risk are generated at various frequencies and with different scopes. The ALM&M department is responsible for liquidity monitoring and management. The Regulatory Reporting & Financial Accounting (RR&FA) department is responsible for the timely and accurate external supervisory reporting on liquidity. Internal reports are generated for various bodies, including the Management Board and ALCO.
(e)	Policies for hedging and mitigating the liquidity risk and strategies and processes for monitoring the continuing effectiveness of hedges and mitigants.
	As a retail bank, AEB's liquidity risk originates mostly from retail savings on the liability side of the balance sheet. Although core deposits are considered to be relatively price-insensitive and stable over time, outflow risk remains due to the on demand nature of non-maturing client deposits. Holding sufficient liquid assets, both under normal and stress conditions, is considered to be the main safeguard to offset the liquidity risk due to deposit outflows. To assess the impact of liquidity stress, Internal liquidity stress testing (LST) is conducted on a monthly basis to ensure that the bank's liquidity buffer is sufficient to cover the liquidity risks faced. The outcome of stress tests is incorporated into day-to-day liquidity management. In addition to preserving this comfortable liquidity buffer, an adequate and up-to-date liquidity contingency plan is a key element of AEB's liquidity risk mitigation strategy.
(f)	An outline of the bank`s contingency funding plans.
	The Contingency Funding Plan (CFP) of AEB is incorporated in the Recovery Plan. AEB makes use of various leading and supportive indicators in the recovery plan. These act as warning signals to alert about a deterioration of the financial position of the Bank, reflecting the emergence of varying levels of stress. The leading and supportive indicators are monitored in the Liquidity Risk dashboard, Risk Compliance report and the Pricing & Funding dashboard and are discussed in the ALCO on a monthly basis. The contingency plan provides guidelines for managing a range of stress environments and describes the responsibilities, escalation procedures and mitigating actions.
(g)	An explanation of how stress testing is used.
	The risk appetite statements (RAS) are complemented by a stress testing framework that is used to identify potential vulnerabilities in the bank's liquidity position (i.e. possible events or future changes in economic conditions that could have an adverse impact on AEB's liquidity position). Internal liquidity stress testing is conducted on at least a monthly basis to ensure that the bank's liquidity buffer is sufficient to cover the liquidity risks faced. Parameters and assumptions on liquidity stress tests are thoroughly reviewed by MRM on an annual basis, to ensure consistency. ALM&M coordinates this process. ALM&M reports the stress test impact results to the ALCO in the Liquidity Dashboard and these results are discussed in the monthly ALCO meetings.

Row number	Qualitative information
	AEB uses four standard scenarios for internal liquidity stress testing purposes: • The base scenario; • The Group scenario; • The Entity specific scenario; • The reverse scenario. As of 2023, Knab also calculates the impact of, less severe, alternative scenario's on the relevant liquidity risk metrics from the risk appetite and liquidity risk dashboard. By doing so, Knab tests the resilience of its business model against adverse scenario's. Stress testing model ownership and annual review responsibility is with ALM&M, while MRM is responsible for risk monitoring, and reporting. Model Risk Management is responsible for the model validation process.
(h)	A declaration approved by the management body on the adequacy of liquidity risk management arrangements of the institution providing assurance that the liquidity risk management systems put in place are adequate with regard to the institution's profile and strategy.
	The ALCO acts as a delegated authority from the Management Board on liquidity risk related activities. The ALCO is responsible for the approval of the liquidity risk policy of the bank. The bank is required to have a liquidity risk policy in place that enables it to identify, measure, steer and monitor its liquidity risk. The policy describes the bank's liquidity risk management framework. In addition to a diversified funding mix, this framework includes maintaining a strong liquidity buffer during regular, as well as stress conditions. The policy also requires the bank to actively manage its liquidity risk exposures and funding needs. AEB is of the opinion that its risk management systems and framework are sufficient to mitigate the risk.
(i)	A concise liquidity risk statement approved by the management body succinctly describing the institution's overall liquidity risk profile associated with the business strategy. This statement shall include key ratios and figures (other than those already covered in the EU LIQ1 template under this ITS) providing external stakeholders with a comprehensive view of the institution's management of liquidity risk, including how the liquidity risk profile of the institution interacts with the risk tolerance set by the management body. As materialising liquidity risk could impact AEB's continuity, tolerance for liquidity risk is classified as low. The main aim of our liquidity risk management is therefore to ensure that AEB will be able to maintain or generate sufficient cash resources to meet payment obligations in full, on acceptable terms. These ratios may include:
	• Concentration limits on collateral pools and sources of funding (both products and counterparties)
	Concentration limits on collateral pools or funding sources are currently not applicable. In line with the current business model, AEB's funding is mainly consists of client deposits.
	• Customised measurement tools or metrics that assess the structure of the bank's balance sheet or that project cash flows and future liquidity positions, taking into account off-balance sheet risks which are specific to that bank.
	AEB makes use of both vendor based reporting solutions for monthly and quarterly (regulatory) reporting purposes as internally developed tooling for liquidity forecasting and projections.
	• Liquidity exposures and funding needs at the level of individual legal entities, foreign branches and subsidiaries, taking into account legal, regulatory and operational limitations on the transferability of liquidity.
	Liquidity and funding are managed centrally by the ALM&M department. No liquidity management occurs within business lines/value streams.

Template EU LIQ1 - *Quantitative information of LCR*

		a	b	c	d	e	f	g	h	
EU 1a	**Quarter ending on (DD Month YYY)**	**T**	**T-1**	**T-2**	**T-3**	**T**	**T-1**	**T-2**	**T-3**	**T-4**
EU 1b	Number of data points used in the calculation of averages	12	12	12	12	12	12	12	12	
High-quality liquid assets										
1	Total high-quality liquid assets (HQLA)					2.469	2.221	2.090	2.094	2,198
Cash - outflows										
2	**Retail deposits and deposits from small business customers, of which:**	**11,503**	**11,397**	**11,449**	**11,689**	**668**	**665**	**672**	**696**	
3	Stable deposits	8,416	8,136	7,967	7,869	303	286	276	271	
4	Less stable deposits	3,087	3,262	3,482	3,821	365	378	395	425	
5	**Unsecured wholesale funding**	**256**	**229**	**211**	**215**	**108**	**93**	**83**	**85**	
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks									
7	Non-operational deposits (all counterparties)	256	229	211	215	108	93	83	85	
8	Unsecured debt									
9	Secured wholesale funding									
10	**Additional requirements**	**573**	**355**	**260**	**258**	**383**	**291**	**260**	**258**	
11	Outflows related to derivative exposures and other collateral requirements	301	277	260	258	301	277	260	258	
12	Outflows related to loss of funding on debt products									
13	Credit and liquidity facilities	272	78	0	0	82	14	0	0	
14	Other contractual funding obligations	15	16	16	27	5	6	6	17	
15	Other contingent funding obligations	442	538	519	518	145	165	175	188	
16	**Total cash outflows**					**1,310**	**1,220**	**1,197**	**1,244**	**1,317**
17	Secured lending (e.g. reverse repos)									
18	Inflows from fully performing exposures	134	143	149	151	114	123	128	130	
19	Other cash inflows	59	63	57	51	59	62	57	51	
EU-19a	(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)									

		a	b	c	d	e	f	g	h	
20	**Total cash inflows**	**193**	**206**	**206**	**201**	**173**	**185**	**186**	**181**	**140**
EU-20a	*Fully exempt inflows*									
EU-20b	*Inflows subject to 90% cap*									
EU-20c	*Inflows subject to 75% cap*	193	206	206	201	173	185	186	181	
Total adjusted value										
EU-21	Liquidity buffer					2,469	2,221	2,090	2,094	2,198
22	Total net cash outflows					1,137	1,035	1,011	1,063	1,177
23	Liquidity coverage ratio					217.22%	214.52%	206.71%	196.87%	186.78%

Table EU LIQB on qualitative information on LCR, which complements template EU LIQ1 - *in accordance with Article 451a(2) CRR*

Row number		
(a)	Explanations on the main drivers of LCR results and the evolution of the contribution of inputs to the LCR's calculation over time	AEB's net liquidity outflow has been relatively stable. As a result, LCR volatility mainly stems from volatility in the HQLA buffer. The key drivers for the LCR volatility are in- and outflows from retail funds, issuances of long term wholesale funding as well as mutations in the variation margin pledged/received for the interest rate derivatives that are used by AEB to hedge its interest rate risk.
(b)	Explanations on the changes in the LCR over time	Over the course of 2022, the LCR remained comfortably at or above 190%. In March 2022, the LCR spiked at 289%, predominantly on the back of higher inflows from retail funds entrusted and collateral.
(c)	Explanations on the actual concentration of funding sources	As a retail bank, AEB primarily funds itself with entrusted retail funds. Within the retail domain, the largest source of funding are on demand deposits, supplemented by tax preferential savings products. To diversify its funding sources, AEB issues long-term wholesale funding. As per December 31st 2022, outstanding are five covered bonds and a senior non-preferred bond, all with a notional of EUR 500 mln.
(d)	High-level description of the composition of the institution`s liquidity buffer	As per December 31st 2022, the HQLA buffer comprised mainly of cash deposited at the central bank and sovereign(-backed) securities. In addition, for liquidity purposes, Knab also invests in sub-sovereign bonds as well as investment grade corporate credits.
(e)	Derivative exposures and potential collateral calls	AEB hedges its interest rate risk through entering into centrally cleared interest rate derivatives. As such, AEB is exposed to margin requirements. In setting its internal limits on LCR AEB takes this sensitivity into account.
(f)	Currency mismatch in the LCR	There is no significant currency mismatch in the LCR.
(g)	Other items in the LCR calculation that are not captured in the LCR disclosure template but that the institution considers relevant for its liquidity profile	Besides securities classified as HQLA, AEB also holds a portfolio of ECB-eligible securities, including an own issued, retained RMBS, which can be pledged as collateral for ECB's open market transactions.

***Template EU LIQ2** - Net Stable Funding Ratio*

In accordance with Article 451a(3) CRR

	(in EUR millions)	a	b	c	d	e
		Unweighted value by residual maturity				Weighted
		No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
	Available stable funding (ASF) Items					
1	**Capital items and instruments**	**705**	**0**	**0**	**0**	**705**
2	Own funds	705				705
3	Other capital instruments					
4	**Retail deposits**		**9,057**	**94**	**2,575**	**11,141**
5	Stable deposits		6,535	64	2,494	8,763
6	Less stable deposits		2,522	30	81	2,378
7	**Wholesale funding:**		**853**	**5**	**2,511**	**2,649**
8	Operational deposits					
9	Other wholesale funding		853	5	2,511	2,649
10	**Interdependent liabilities**					
11	**Other liabilities:**	**1**	**787**	**0**	**0**	**0**
12	NSFR derivative liabilities	1				
13	All other liabilities and capital instruments not included in the above categories		787	0	0	0
14	**Total available stable funding (ASF)**					**14,494**
	Required stable funding (RSF) Items					
15	**Total high-quality liquid assets (HQLA)**					**111**
EU-15a	**Assets encumbered for a residual maturity of one year or more in a cover pool**		**34**	**35**	**2,106**	**1,849**
16	**Deposits held at other financial institutions for operational purposes**					
17	**Performing loans and securities:**		**322**	**241**	**10,246**	**7,032**
18	Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut					
19	Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions		63	0	0	6
20	Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:		81	82	332	363

		a	b	c	d	e
		Unweighted value by residual maturity				Weighted
		No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
21	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk					
22	Performing residential mortgages, of which:		140	159	9,666	6,432
23	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		140	159	9,666	6,432
24	Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products		38	0	248	230
25	**Interdependent assets**					
26	**Other assets:**		**30**	**19**	**208**	**445**
27	Physical traded commodities					
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs			357		304
29	NSFR derivative assets			20		20
30	NSFR derivative liabilities before deduction of variation margin posted			0		0
31	All other assets not included in the above categories		6	4	112	122
32	Off-balance sheet items		430	0	525	48
33	**Total RSF**					**9,484**
34	**Net Stable Funding Ratio (%)**					**152.82%**

13.5 Disclosure of Credit Risk Quality

Template EU CR1 - *Performing and non-performing exposures and related provisions.*

		a	b	c	d	e	f	g	h	i	j	k	l
		Gross carrying amount/nominal amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions					
		Performing exposures			Non-performing exposures								
			Not past due or past due ≤ 30 days	Past due > 30 days ≤ 90 days		Unlikely to pay that are not past due or are past due ≤ 90 days	"Past due > 90 days ≤ 180 days "	"Past due > 180 days ≤ 1 year "	"Past due > 1 year ≤ 2 years "	"Past due > 2 years ≤ 5 years "	"Past due > 5 years ≤ 7 years "	Past due > 7 years	Of which defaulted
005	**Cash balances at central banks and other demand deposits**	**2,737**											
010	**Loans and advances**	**12,648**	**12,614**	**34**	**68**	**21**	**8**	**9**	**12**	**19**	**0**	**0**	**68**
020	Central banks	0	0										0
030	General governments	0	0										0
040	Credit institutions	0	0										0
050	Other financial corporations	0	0										0
060	Non-financial corporations	283	281	103	53		53	-21	-2	-19	-34		38
070	Of which SMEs	283	281	103	53		53	-21	-2	-19	-34		38
080	Households	12,365	12,334	235	52	9	43	-14	-7	-6	-18		31
090	**Debt securities**	**1,077**	**1,077**	**0**	**0**	**0**	**0**	**-1**	**-1**	**0**	**0**		**0**
100	Central banks	0	0										
110	General governments	161	161										
120	Credit institutions	215	215										
130	Other financial corporations	364	364										
140	Non-financial corporations	337	337										
150	**Off-balance-sheet exposures**	**955**	**801**	**5**	**0**	**0**	**0**	**0**	**0**	**0**	**0**		**0**
160	Central banks	0											0
170	General governments	0											0
180	Credit institutions	0											0
190	Other financial corporations	0	24										0
200	Non-financial corporations	0											0
210	Households	955	777	5									0
220	**Total**	**17,416**	**17,382**	**34**	**69**	**21**	**8**	**9**	**12**	**19**	**0**	**0**	**68**

Template EU CR1-A - Maturity of exposures

		a	b	c	d	e	f
		Net exposure value					
		On demand	<= 1 year	> 1 year <= 5 years	> 5 years	No stated maturity	Total
1	Loans and advances		84	754	11,487		**12,326**
2	Debt securities		63	1,435	282		**1,780**
3	**Total**		**147**	**2,189**	**11,769**		**14,105**

Template EU CR2 - Changes in the stock of non-performing loans and advances

		a
		Gross carrying amount
010	**Initial stock of non-performing loans and advances**	**105**
020	Inflows to non-performing portfolios	29
030	Outflows from non-performing portfolios	(25)
040	Outflows due to write-offs	
050	Outflow due to other situations	
060	**Final stock of non-performing loans and advances**	**68**

Template EU CR1 - Credit quality of forborne exposures.

		a	b	c	d	e	f	g	h
in EUR millions		Gross carrying amount/nominal amount of exposures with forbearance measures				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		Collateral received and financial guarantees received on forborne exposures	
		Performing forborne	Non-performing forborne			On performing forborne exposures	On non-performing forborne exposures		Of which collateral and financial guarantees received on non-performing exposures with forbearance measures
				Of which defaulted	Of which impaired				
005	**Cash balances at central banks and other demand deposits**								
010	**Loans and advances**	15	12	12	6	-1	-2	17	7
020	Central banks								
030	General governments								
060	Non-financial corporations	4	5	5	5	-1	-2	0	0
070	Households	11	7	7	1	-0	-0	17	7
080	**Debt Securities**								
090	**Loan commitments given**	**0**	**0**	**0**	**0**				
100	**Total**	**15**	**12**	**12**	**6**	**-1**	**-2**	**17**	**7**

Template EU CQ3 ***-*** *Credit quality of performing and non-performing exposures by past due days*

in EUR millions		a	b	c	d	e	f	g	h	i	j	k	l
		Gross carrying amount/nominal amount											
		Performing exposures			Non-performing exposures								
			Not past due or past due ≤ 30 days	Past due > 30 days ≤ 90 days		Unlikely to pay that are not past due or are past due ≤ 90 days	Past due > 90 days ≤ 180 days	Past due > 180 days ≤ 1 year	Past due > 1 year ≤ 2 years	Past due > 2 years ≤ 5 years	Past due > 5 years ≤ 7 years	Past due > 7 years	Of which defaulted
005	**Cash balances at central banks and other demand deposits**	**2,737**	**2,737**	**0**									
010	**Loans and advances**	**12,648**	**12,614**	**34**	**68**	**21**	**8**	**9**	**12**	**19**	**0**	**0**	**68**
020	Central banks	0	0	0	0	0	0	0	0	0	0	0	0
030	General governments	0	0	0	0	0	0	0	0	0	0	0	0
040	Credit institutions	0	0	0	0	0	0	0	0	0	0	0	0
050	Other financial corporations	0	0	0	0	0	0	0	0	0	0	0	0
060	Non-financial corporations	283	281	2	38	4	4	7	8	15	0	0	38
070	Of which SMEs	283	281	2	38	4	4	7	8	15	0	0	38
080	Households	12,365	12,334	31	31	17	4	2	4	4	0	0	31
090	**Debt securities**	**1,077**	**1,077**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
100	Central banks	0	0	0	0								
110	General governments	161	161	0	0								
120	Credit institutions	215	215	0	0								
130	Other financial corporations	364	364	0	0								
140	Non-financial corporations	337	337	0	0								
150	**Off-balance-sheet exposures**	**955**											
160	Central banks	0											
170	General governments	0											
180	Credit institutions	0											
190	Other financial corporations	0											
200	Non-financial corporations	0											
210	Households	955											
220	**Total**	**17,416**	**17,382**	**34**	**69**	**21**	**8**	**9**	**12**	**19**	**0**	**0**	**68**

Template EU CQ5 - *Credit quality of loans and advances to non-financial corporations by industry*

		a	b	c	d	e	f
in EUR millions		Gross carrying amount				Accumulated impairment	Accumulated negative changes in fair value due to credit risk on non-performing exposures
			Of which non-performing		Of which loans and advances subject to impairment		
				Of which defaulted			
010	Agriculture, forestry and fishing	4	1	1	4	(0)	0
020	Mining and quarrying	1	0	0	1	-0	0
030	Manufacturing	41	4	4	41	-4	0
040	Electricity, gas, steam and air conditioning supply	0	0	0	0	-0	0
050	Water supply	4	0	0	4	-0	0
060	Construction	57	8	8	57	-7	0
070	Wholesale and retail trade	65	8	8	65	-7	0
080	Transport and storage	13	1	1	13	-1	0
090	Accommodation and food service activities	10	2	2	10	-2	0
100	Information and communication	18	2	2	18	-2	0
110	Financial and insurance actvities	5	1	1	5	-0	0
120	Real estate activities	6	0	0	6	-0	0
130	Professional, scientific and technical activities	28	3	3	28	-3	0
140	Administrative and support service activities	36	4	4	36	-3	0
150	Public administration and defense, compulsory social security	0	0	0	0	-0	0
160	Education	4	0	0	4	-0	0
170	Human health services and social work activities	14	1	1	14	-1	0
180	Arts, entertainment and recreation	5	2	2	5	-2	0
190	Other services	9	1	1	9	-1	0
200	**Total**	**321**	**38**	**38**	**321**	**-34**	**0**

12.6 Disclosure of the use of credit risk mitigation techniques

***Template EU CR3 -** CRM techniques overview: Disclosure of the use of credit risk mitigation techniques*

		Unsecured carrying amount	Secured carrying amount		
				Of which secured by collateral	Of which secured by financial guarantees
		a	b	c	d
1	**Loans and advances**	**3,038**	12,368	12,182	185
2	Debt securities	1,075			
3	Total	4,113	12,368	12,182	185
4	Of which non-performing exposures	10	25	20	5
EU-5	Of which defaulted	10	25		

12.7 Disclosure of the use of standardized approach

***Template EU CR4 -** standardised approach – Credit risk exposure and CRM effects*

		Exposures before CCF and before CRM		Exposures post CCF and post CRM		RWAs and RWAs density	
		On-balance-sheet exposures	Off-balance-sheet exposures	On-balance-sheet exposures	Off-balance-sheet exposures	RWAs	RWAs density (%)
		a	b	c	d	e	f
1	Central governments or central banks	2,739	-	10,071		4	0%
2	Regional government or local authorities	70	-	68		-	0%
3	Public sector entities	189	-	151		32	20.93%
4	Multilateral development banks	3	-	3		-	0%
5	International organisations	-	-	-		-	0%
6	Institutions	318	-	258		61	23.61%
7	Corporates	456	-	449	-	286	63.73%
8	Retail	531	47	262	2	181	68.48%
9	Secured by mortgages on immovable property	12,268	744	5,741	72	2,034	35%
10	Exposures in default	59	-	13		13	100%
11	Exposures associated with particularly high risk	21	-	9		14	150%
12	Covered bonds	53	-	53		9	16.74%
13	Institutions and corporates with a short-term credit assessment						
14	Collective investment undertakings						
15	Equity						
16	Other items	83	-	83		38	45.73%
17	**Total**	**16,789**	**791**	**17,160**	**74**	**2,671**	**15.50%**

Template EU CR5 - standardised approach

	Exposure classes	Risk weight															Total	Of which unrated
		0%	2%	4%	10%	20%	35%	50%	70%	75%	100%	150%	250%	370%	1250%	Others		
		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p	q
1	Central governments or central banks	10,051				20											10,071	
2	Regional government or local authorities	68				-											68	
3	Public sector entities	5				138		8			-						151	
4	Multilateral development banks	3															3	
5	International organisations	-															-	
6	Institutions					227		31									258	
7	Corporates					45		254			150						449	
8	Retail exposures									264							264	
9	Exposures secured by mortgages on immovable property						5,812										5,812	
10	Exposures in default										13	-					13	
11	Exposures associated with particularly high risk											9					9	
12	Covered bonds				17	35											53	
13	Exposures to institutions and corporates with a short-term credit assessment																-	
14	Units or shares in collective investment undertakings																-	
15	Equity exposures																-	
16	Other items	-				56					27						83	
17	**Total**																	**17,233**

12.8 Disclosure of exposures to counterparty credit risk

Template EU CCR1 - Analysis of CCR exposure by approach

		Replacement cost (RC)	Potential future exposure (PFE)	EEPE	Alpha used for computing regulatory exposure value	Exposure value pre-CRM	Exposure value post-CRM	Exposure value	RWEA
		a	b	c	d	e			
EU-1	EU - Original Exposure Method (for derivatives)				1.4				
EU-2	EU - Simplified SA-CCR (for derivatives)				1.4				
1	SA-CCR (for derivatives)	0	4		1.4	6	6	6	3
2	IMM (for derivatives and SFTs)								
2a	Of which securities financing transactions netting sets								
2b	Of which derivatives and long settlement transactions netting sets								
2c	Of which from contractual cross-product netting sets								
3	Financial collateral simple method (for SFTs)								
4	Financial collateral comprehensive method (for SFTs)								
5	VaR for SFTs								
6	**Total**					**6**	**6**	**6**	**3**

Template EU CCR3 - Standardised approach – CCR exposures by regulatory exposure class and risk weights

	Exposure classes	Risk weight							
		a	b	c	d	e	f	g	h
		0%	2%	4%	10%	20%	50%	70%	75%
1	Central governments or central banks					-			
2	Regional government or local authorities					-			
3	Public sector entities					-			
4	Multilateral development banks					-			
5	International organisations					-			
6	Institutions					86			
7	Corporates					6			
8	Retail					-			
9	Institutions and corporates with a short-term credit assessment								
10	Other items								
11	**Total exposure value**					**92**			

Template EU CCR5 - Composition of collateral for CCR exposures

		Risk weight							
		a	b	c	d	e	f	g	h
		Collateral used in derivative transactions				Collateral used in SFTs			
		Fair value of collateral received		Fair value of posted collateral		Fair value of collateral received		Fair value of posted collateral	
		Segregated	Un-segregated	Segregated	Un-segregated	Segregated	Un-segregated	Segregated	Un-segregated
1	Cash – domestic currency			815					
2	Cash – other currencies								
3	Domestic sovereign debt								
4	Other sovereign debt			357					
5	Government agency debt								
6	Corporate bonds								
7	Equity securities								
8	Other collateral								
9	**Total**								

Template EU CCR8 - Exposures to CCPs

		Exposure value	RWEA
		a	b
1	**Exposures to QCCPs (total)**	**86**	**17**
2	Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which	86	17
3	(i) OTC derivatives		
4	(ii) Exchange-traded derivatives	86	17
5	(iii) SFTs		
6	(iv) Netting sets where cross-product netting has been approved		
7	Segregated initial margin		
8	Non-segregated initial margin		
9	Prefunded default fund contributions		
10	Unfunded default fund contributions		
11	**Exposures to non-QCCPs (total)**		
12	Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions); of which		
13	(i) OTC derivatives		
14	(ii) Exchange-traded derivatives		
15	(iii) SFTs		
16	(iv) Netting sets where cross-product netting has been approved		
17	Segregated initial margin		
18	Non-segregated initial margin		
19	Prefunded default fund contributions		
20	Unfunded default fund contributions		

12.9 Disclosure of operational risk

Template EU OR1 *- Operational risk own funds requirements and risk-weighted exposure amounts*

	Banking activities	a	b	c	d
		Relevant indicator			Own funds requirements
		Year-3	Year-2	Last year	
1	Banking activities subject to basic indicator approach (BIA)	292,197,160	255,497,409	212,965,740	38,033,015
2	Banking activities subject to standardised (TSA) / alternative standardised (ASA) approaches				
3	*Subject to TSA:*				
4	*Subject to ASA:*				
5	Banking activities subject to advanced measurement approaches AMA				

12.10 Disclosure of encumbered and unencumbered assets

Template EU AE1 *- Encumbered and unencumbered assets*

		Carrying amount of encumbered assets		Fair value of encumbered assets		Carrying amount of unencumbered assets		Fair value of unencumbered assets	
			of which notionally eligible EHQLA and HQLA		of which notionally eligible EHQLA and HQLA		of which EHQLA and HQLA		of which EHQLA and HQLA
		010	035	040	055	060	085	090	105
010	**Assets of the disclosing institution**	**3.082**	**241**			**15,122**	**431**		
030	Equity instruments	0	0	0	0	0	0	0	0
040	Debt securities	357	241	357	241	718	431	718	431
050	of which: covered bonds	0	0	0	0	53	53	53	53
060	of which: securitisations	0	0	0	0	83	0	83	0
070	of which: issued by general governments	71	71	71	71	90	62	90	62
080	of which: issued by financial corporations	121	84	121	84	457	201	457	201
090	of which: issued by non-financial corporations	165	87	165	87	172	169	172	169
120	Other assets	0	0			1,724	0		

Template EU AE2 - Collateral received and own debt securities issued

		Fair value of encumbered collateral received or own debt securities issued		Unencumbered	
				Fair value of collateral received or own debt securities issued available for encumbrance	
			of which notionally eligible EHQLA and HQLA		of which EHQLA and HQLA
		010	030	040	060
130	Collateral received by the disclosing institution				
140	Loans on demand				
150	Equity instruments				
160	Debt securities				
170	of which: covered bonds				
180	of which: securitisations				
190	of which: issued by general governments				
200	of which: issued by financial corporations				
210	of which: issued by non-financial corporations				
220	Loans and advances other than loans on demand				
230	Other collateral received				
240	Own debt securities issued other than own covered bonds or securi-tisations				
241	Own covered bonds and securitisations issued and not yet pledged			1.136	1.055
250	**Total collateral received and own debt securities issued**	**3,082**	**241**		

Template EU AE3 - Sources of encumbrance

		Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and securitisations encumbered
		010	030
010	Carrying amount of selected financial liabilities	3,005	3,022

12.11 Information on loans and advances subject to legislative and non-legislative moratoria

		a	b	c	d	e	f	g	h
		Gross carrying amount							Accumulated impairment, accumulated negative changes in fair value due to credit risk
			Performing			Non performing			
				Of which: exposures with forbearance measures	Of which: Instruments with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)		Of which: exposures with forbearance measures	Of which: Unlikely to pay that are not past-due or past-due <= 90 days	
1	Loans and advances subject to moratorium								
2	of which: Households								
3	of which: Collateralised by residential immovable property								
4	of which: Non-financial corporations								
5	of which: Small and Medium-sized Enterprises								
6	of which: Collateralised by commercial immovable property								

12.12 Breakdown of loans and advances subject to legislative and non-legislative moratoria by residual maturity of moratoria

	In eur millions	Number of obligors	Gross carrying amount							
						Residual maturity of moratoria				
				Of which: legislative moratoria	Of which: expired	<= 3 months	> 3 months <= 6 months	> 6 months <= 9 months	> 9 months <= 12 months	> 1 year
1	Loans and advances for which moratorium was offered	6,677	30							
2	Loans and advances subject to moratorium (granted)	6,677	30	12	30					
3	of which: Households		30	12	30					
4	of which: Collateralised by residential immovable property									
5	of which: Non-financial corporations									
6	of which: Small and Medium-sized Enterprises									
7	of which: Collateralised by commercial immovable property									

12.13 Information on newly originated loans and advances provided under newly applicable public guarantee schemes introduced in response to Covid-19 crisis

in eur millions		a	b	c	d
		Gross carrying amount		Maximum amount of the guarantee that can be considered	Gross carrying amount
			of which: forborne	Public guarantees received	Inflows to non-performing exposures
1	Newly originated loans and advances subject to public guarantee schemes	307		242	2
2	of which: Households				
3	*of which: Collateralised by residential immovable property*				
4	*of which: Non-financial corporations*	307		242	2
5	of which: Small and Medium-sized Enterprises	307			2
6	of which: Collateralised by commercial immovable property				