SOLVENCY FINANCIAL CONDITION REPORT 2020

Athora Netherlands NV

CONTENTS

SUMMARY

INTRODUCTION

As of 10 December 2020 VIVAT NV has changed its name into Athora Netherlands NV. The structure of the Solvency and Financial Condition Report (SFCR) has been prepared in accordance with annex XX of the Delegated Acts. The subjects addressed are based on articles 51 to 56 of the Solvency II directive and articles 292 up to 298 of the Delegated Acts. Furthermore, the figures presented in this report are in line with the Quantitative Reporting Templates as reported to the supervisor. In this SFCR report of Athora Netherlands NV we will use the name 'Athora Netherlands' for the consolidated insurance business as a whole. The SFCR of Athora Netherlands is a combined report which also includes the solo insurance entities SRLEV NV and Proteq Levensverzekeringen NV. Per 1 April 2020, VIVAT Schadeverzekeringen NV was sold and therefore no longer part of Athora Netherlands' consolidated insurance business.

In the following chapters, the various topics are covered, as required by the Delegated Acts. Chapter A describes the business and performance of Athora Netherlands and of its solo entities. Chapter B discusses the system of governance. Chapter C contains the risk profile. Chapter D starts with a description of the method of valuation of the Solvency II balance sheet, followed by the various balance sheet items which are explained in relation to the IFRS financial statements. Chapter E provides a more detailed explanation of the own funds and Solvency Capital Requirements (SCR) under Solvency II.

In this report the shown figures of SRLEV NV (hereafter: SRLEV) and Proteq Levensverzekeringen NV (hereafter: Proteq) are unconsolidated figures, whereas the figures of Athora Netherlands are consolidated figures. Per 1 April 2020, VIVAT Schadeverzekeringen NV was sold. The comparative figures in paragraph A.2.1. Athora Netherlands have been restated in line with IFRS 5 regarding discontinued operations.

All amounts in this report are prepared in millions of euros being the functional currency of Athora Netherlands and all its underlying entities.

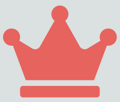
The Quantitative Reporting Templates that are to be disclosed per legal entity are added in annex II. The figures presented in this report are in line with these templates.

2020 AT A GLANCE

We can look back on an eventful year for our company. We welcomed our new shareholder Athora and started the disentanglement of the non-life business. A new strategy has been developed that we have started implementing. And, not in the least, we rebranded to Athora Netherlands. Commercially, it was a successful year for our pension business. Gross premiums remained high, and our PPI doubled its assets under management. The retention rate also remained high at 84%. This would not have been achieved without the hard work of our employees, the joined process with the workers council and the constructive cooperation with our business partners. I have full confidence that Athora Netherlands is well positioned for the future in becoming the number 1 pension provider in the Netherlands.

Tom Kliphuis, Chief Executive Officer of Athora Netherlands

ABOUT ATHORA NETHERLANDS

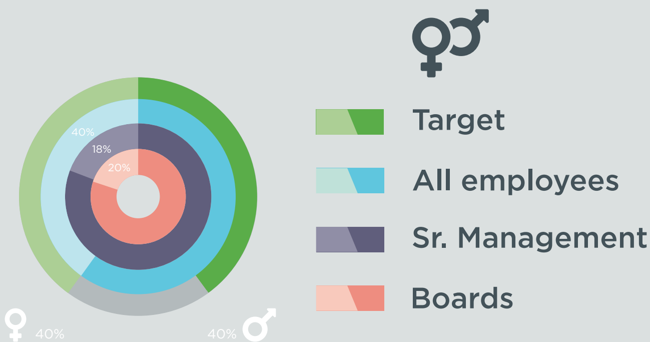


› 2,1 mn

Customers

Headquarters

1,931 employees (FTE)



OUR BRANDS

Zwitserleven Reaal actiam

OUR PERFORMANCE

Gross Premium Income	Solvency II Own Funds	Solvency II Ratio
€ 1,764 mn	€ 4,134 mn	161%
2019: € 1,849 mn	2019: € 4,340 mn	2019: 170%

Net Result IFRS	IFRS Equity	Solvency II Total Assets
€ 3 mn	€ 3,728 mn	€ 63,853 mn
2019: € 399 mn	2019: € 3,838 mn	2019: € 61,564 mn

NEW STRATEGY

Focus on Pensions

- Simple yet complete and coherent portfolio of excellent customer solutions
- Effective and efficient operating model and organisational structure
- Strong investment capabilities
- Strong sustainability capabilities and governance

AWARDS

- Zwitserleven PPI awarded with the highest commendation for its terms: 5 stars by MoneyView.
- ACTIAM was once again awarded with two prestigious Refinitiv Lipper Fund awards.
- ACTIAM was qualified as a member of the 2020 Leaders' Group on climate reporting by the Principles for Responsible Investments (PRI).

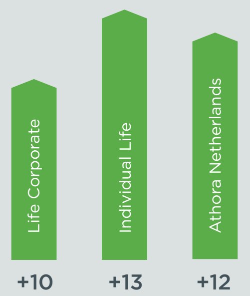
1,905 tonnes
2019: 3,476

Carbon Footprint

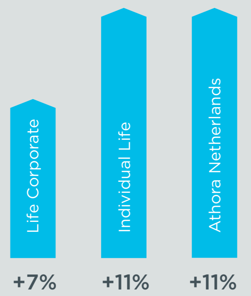
Carbon Neutral Buildings

Solar Powered Offices

Customer Loyalty



Customer Satisfaction



Supported SDGs

8 DECENT WORK AND ECONOMIC GROWTH

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

13 CLIMATE ACTION

5 GENDER EQUALITY

10 REDUCED INEQUALITIES

7 AFFORDABLE AND CLEAN ENERGY

14 LIFE BELOW WATER

15 LIFE ON LAND

SUMMARY

The Solvency Financial Condition Report Athora Netherlands provides insight in:

Business and Performance

Athora Netherlands' Net Result IFRS (continued operations) decreased by € 390 million compared to 2019 mainly driven by an increase in the LAT shortfall in 2020 of € 165 million versus a release of the LAT shortfall of € 64 million in 2019. Net Result IFRS 2020 was further negatively impacted by € 140 million (after taxes) from an additional longevity re-insurance transaction, € 42 million (after taxes) restructuring costs and € 22 million one-off expenses for the tender of senior bonds.

Premium income decreased by € 85 million from € 1,849 million to € 1,764 million. Premium income of Individual Life declined by € 93 million as a result of the shrinking market in Dutch individual life insurance, while premium income of Life Corporate remained in line with 2019. The PPI inflow increased by 38% compared to previous year, coming in at € 199 million in line with the strategic ambition to increase focus on the PPI.

Direct investment income declined in 2020 by € 127 million mainly due to lower received interest on investments in foreign currencies, lower dividends and as a result of the declining portfolio Individual Life.

An additional provision for restructuring expenses and other reorganisation related costs of € 56 million was recognised in 2020. Excluding this impact, operating expenses decreased by 7% underpinned by continuous cost savings efforts.

Further information about Business and Performance has been included in chapter A 'Business and Performance'.

System of Governance

Athora Netherlands implemented a consistent and efficient risk management system in which specific Solvency II requirements such as the key functions and the Own Risk and Solvency Assessment (ORSA) are incorporated. It operates an integrated approach, with risk management integral part of the decision making process.

In 2020 the management of the non-financial risks focused on five main developments, 1) the change of ownership of Athora Netherlands, 2) the Migration of P&C to NN, 3) remediation programme Sanctions AML, 4) ICF improvement programme and 5) the activities that are related to that, and the impact of COVID-19 crisis on the organisation. In order to maintain a sound and controlled organisation, the associated risks were addressed, managed and monitored within the Athora Netherlands risk management procedures.

When the COVID-19 crisis forced our employees to work from home, Athora Netherlands turned out to be well prepared. Working from home was already common, and DTC was able to scale up in a short term for the whole organisation. Business continuity and productivity were not significantly impacted, extra management attention was given and there was little impact on sick leave or absenteeism.

In 2020 DTC has been successful in increasing the efficiency of the IT processes by further improving the implemented Agile way of working. The implementation of new IT-frameworks will help DTC to further improve efficiency and effectiveness. Digitalization and process automation are still key focus areas. Athora Netherlands is aware that these developments require high standards of change management and service delivery management within the IT department in order to maintain an IT landscape that is in control and is managing IT risks. Compliance with regulations and legislation is key and IT Risk Management is at the right level to monitor and mitigate risks. A very low number of incidents and very high availability of the business application show the success of these high standards.

Cybercrime risk increases over time and is becoming more widespread and professionalised, for example cyber-attacks using ransomware or in supply chains. In 2020 no major incidents related to cybercrime occurred within Athora Netherlands. Cybercrime will remain high on the agenda of the

Athora Netherlands Board and Risk Boards. To manage the increasing risk effectively in 2020 extra measures related to prevention, monitoring and incident response have been implemented. Several phishing campaigns were executed to promote awareness for the behavioral aspects of cybercrime. Also additional measures for threat and patch management were taken. A cybercrime plan for 2021 has been drafted and Athora Netherlands will keep on focusing on mitigating this risk.

Further information about System of Governance has been included in chapter B 'System of Governance'.

Risk profile

Managing Sensitivities of Regulatory Solvency
In addition to underwriting risks, important market risks are interest rate risk and spread risk (credit spreads). Sensitivity to interest rates is measured by means of among others parallel movements in the yield curve.

The Ultimate Forward Rate (UFR) of 3.75% prescribed by the European Insurance and Occupational Pensions Authority (EIOPA) also introduces a risk. Over the course of time, the positive valuation effect of the UFR reduces, which puts downward pressure on the trend in solvency in the future. EIOPA decided to yearly decrease the UFR starting in 2018 with 0.15% per year. This will have a negative impact on solvency and IFRS results.

The solvency of the Life Insurance portfolio is sensitive to changes in the parameters used for calculating the value of insurance liabilities. These relate to mortality risk, longevity risk, expense risk and surrender risk, since these insurance risks proved to have most impact on the calculation of SCR.

Quantitative information about risks and related sensitivities for both Solvency II and IFRS have been described in chapter C 'Risk profile'.

Valuation for Solvency purposes

The assets and liabilities in the Solvency II balance sheet are recognised and measured at fair value in accordance with the Solvency II regulation.

The following significant differences in measurement under Solvency II and under IFRS exist:

- Technical provisions – Under Solvency II the technical provisions (including provisions for saving mortgages) are measured using Solvency II parameters, taking into account current market estimates. Under IFRS a liability adequacy test on the technical provision is performed, if the carrying amount of the technical provision is inadequate, the provision is increased. With respect to economic parameters used, there are differences regarding the interest rate curve and the cost of capital. The difference in the interest rate curves increased and is a main driver for the development of the reconciliation of IFRS and Solvency II. The difference also stems from the difference in cost of capital.
- Deferred Tax Assets – Due to differences in the valuation of assets and liabilities the resulting DTA position is different.
- Reinsurance Recoverable / Technical Provision – In Solvency II the re-insurance recoverable of the longevity reinsurance contract is presented separately on the balance sheet. Under IFRS the reinsurance recoverable is presented under the Technical provision. Mainly due to differences in the effects to the risk margin the impact for IFRS is more negative than Solvency II Eligible Own Funds.

To determine the capital requirements at consolidated level, Athora Netherlands applies the 'Accounting consolidation based method', according to which the capital requirements are calculated based on the Solvency II consolidated balance sheet.

Further information about valuation and an explanation of various balance sheet items has been included in chapter D 'Valuation for Solvency purposes'.

Capital Management

Capitalisation refers to the extent to which Athora Netherlands and its underlying legal entities have buffer capital available to cover unforeseen losses and to achieve the strategic objectives of the company. Athora Netherlands manages its capitalisation within limits set in the Risk Appetite Statements. Annually target setting happens in the Operational Plan culminating in a Capital & Funding Plan. Monthly and quarterly forward looking monitoring enables Athora Netherlands taking timely action if capitalisation would deteriorate. Athora Netherlands assesses its capitalisation regularly with respect to level and quality in the ORSA and with respect to risk / return in the Balance Sheet Assessment.

Athora Netherlands aims for a robust capital position, which contributes to both the confidence that clients have in the institution and access to financial markets. Athora Netherlands deems a solvency ratio between 140% and 200% as a normal going concern level. The objective of the Capital Policy is to ensure that there is sufficient capital to fulfill obligations towards policyholders and meet requirements. The second objective of the Capital Policy is to ensure that capital is used as efficiently and flexibly as possible to facilitate the implementation of Athora Netherlands' strategy.

A preparatory crisis plan exists which describes the procedure that applies in a contingency situation. A contingency situation is a situation in which a capital deficit arises, or threatens to arise, that poses a direct threat to the going concern of Athora Netherlands. In its Risk Appetite, Athora Netherlands has defined specific triggers that determine whether a contingency situation exists.

The ORSA is an integral part of Athora Netherlands' management control cycle. It is input for the operational plan and capital management and is used in determining the risk appetite. The ORSA 2020 concludes that Athora Netherlands' risk profile is well reflected in the SCR standard formula and Solvency is adequate.

Capital Position

The Solvency II ratio of Athora Netherlands decreased from 170% at the end of 2019 to 161% at the end of 2020.

The main items driving the change in the Solvency II ratio were:
- Following the ownership transfer, Athora Netherlands received a € 400 million share premium contribution from Athora Holding following the acquisition which had a positive impact of 14%-point.
- The transfer of VIVAT Schade to NN Group following the sale of VIVAT to Athora Holding had a negative impact of 6%-point on the Solvency II ratio, as the decrease in required capital did not offset the decrease in own funds.
- Coupon payments on subordinated debt had an additional negative impact of 3%-point.
- The capital injection enabled Athora Netherlands to further reposition its asset portfolio towards higher returning investments. Athora Netherlands used the market conditions in the first half of the year to invest in € 5 billion of targeted high-quality investment grade and predominantly senior credits with the aim to increase investment income. As spreads tightened significantly in the second half of the year Athora Netherlands reduced the exposure on certain expensive high-quality investment grade credits. Considered throughout the year, the impact of the repositioning of the asset portfolio on the Solvency II ratio was -/- 6%-point.
- Capital generation was -/- 3%-point, due to the decrease in interest rates and the negative impact of the UFR drag increased.
- Market impacts had a negative impact of 4%-point on the Solvency II ratio. The decrease in interest rates had a positive impact, however, this was more than offset by the impact of spread and other movements. The Volatility Adjustment (VA) of 7 bps at the end of 2020 was equal to year-end 2019.
- In December 2020, SRLEV signed an additional longevity reinsurance transaction which had a 6%-point positive impact on the Solvency II ratio of Athora Netherlands.
- The interest rate shock used to calculate the SCR interest rate risk switched from the interest up to the interest down scenario. This resulted in a decrease in diversification benefits when calculating the SCR with a negative impact of 8%-point. This impact is partly offset by the yearly update in insurance parameters (+/+ 5%-point), which was driven by lower population mortality improvement rates as published by the Actuarial Society of the Netherlands (Actuarieel Genootschap).

- The decrease in the level of the UFR with 15 bps to 3.75% had a negative impact of 3%-point.

The Solvency II ratio of SRLEV remained stable at 163%. The drivers of the change in the Solvency II ratio of SRLEV are similar to that of Athora Netherlands, except of the sale of VIVAT Schade.

The Solvency II ratio of Proteq Levensverzekeringen NV increased from 241% to 245% in 2020. This is mainly caused by an update of the assumptions for Operational Expenses for the OP2021-2023 (+/+42%) partly offset by market movements (-/-20%) and lower population mortality improvement rate (AG 2020 publication, -/-13%).

SOLVENCY II POSITION						
	SRLEV		Proteq		Athora Netherlands	
In € millions/percentage	2020	2019	2020	2019	2020	2019
Total eligible own funds	4,023	3,697	114	101	4,134	4,340
SCR	2,463	2,275	46	42	2,569	2,548
Solvency II ratio	163%	163%	245%	241%	161%	170%

Solvency II

Under Solvency II, the supervision of the risks to which an insurer is exposed and the management of those risks play a central role. The financial requirements reflect the risks to which insurers are exposed. Moreover, Solvency II aims to be in line with market developments and the internal risk management systems used by insurers.

Athora Netherlands discloses its solvency position and financial condition on a Solvency II basis by means of public reports as required by law. Solvency II applies to the supervised insurance entities and also to the consolidated activities of Athora Netherlands.

Athora Netherlands calculates its position under Solvency II using the standard formula, applying the Volatility Adjustment (VA) and thus making use of the possibility of applying long-term guarantee measures. Athora Netherlands does not apply the Matching Adjustment.

The internal risk limit for the Solvency II capital ratio on Athora Netherlands level amounts to 140%. When determining the Solvency II capital ratio, the loss absorbing capacity of deferred tax assets may be set off against the Solvency Capital Requirement. Tax offsetting (Loss Absorbing Capacity of Deferred Taxes) in the SCR is applied at 0% for Athora Netherlands and its legal entities, except for legal entities with a net Deferred Tax Liability (net DTL). In these cases tax offsetting equals the net DTL-position.

The classification of the hybrid capital of Athora Netherlands NV and SRLEV NV (outstanding on 31 December 2020) into Tier 1 and Tier 2 capital is based on the transitional measures contained in the level 1 regulations, and aligned with DNB.

Further information about Capital Management has been included in chapter E 'Capital Management'.

We also refer to the Annual Report 2020 of Athora Netherlands NV, in which more information has been included.

Amstelveen, 1 April 2021

A BUSINESS AND PERFORMANCE

A.1 BUSINESS

A.1.1 About Athora Netherlands

Athora Netherlands

Athora Netherlands NV is the holding company of two insurance companies with strong positions in the Dutch Life markets. Through its main brand Zwitserleven, Athora Netherlands provides pension and life insurance products. Under the brand Reaal we sell and provide service for Life insurance products. Athora Netherlands also offers asset management services via its asset manager ACTIAM.

Structure

Athora Netherlands is organised into three business lines:
- Pension Business: this business line serves three segments of clients: 1) Employers – with a winning pension savings offering (defined benefit, defined contribution and PPI products), 2) Employees – through highly competitive retirement solutions (direct and individual annuities) and 3) Pension funds – by supporting pension buy-outs.
- Life Service Business: this business line manages the inactive Individual Life product portfolio of the Reaal brand. Over time, the scope of the Life Service Business can be expanded with Zwitserleven branded non-selling products, in-active Zwitserleven clients and potential future buy outs.
- Asset Management: this business line offers a comprehensive range of investment funds and investment solutions that varies from responsible index investing to impact investing. The brand of the asset management product range is ACTIAM.

In the figure below the business line structure is translated into the legal structure of Athora Netherlands.

Legal structure of Athora Netherlands, business lines and brands

Within these business lines Athora Netherlands recognises the following material lines of business:

Life insurance (SRLEV and Proteq):
- Insurance with profit participation;
- Index-linked and unit-linked insurance;
- Other life insurance.

Legal Entity

Athora Netherlands NV is a public limited company with a two-tier board structure consisting of an Executive Board (EB) and a Supervisory Board (SB).

As a holding company, Athora Netherlands NV has no material, direct business operations, but employs all personnel and services the business with staff and IT support. The principal assets of Athora Netherlands NV are the equity interests it holds in its operating subsidiaries.

Shareholder

Athora Netherlands Holding Ltd. is the sole shareholder of Athora Netherlands NV. Athora Netherlands Holding Ltd. is a full subsidiary of Athora Holding Ltd.

A.1.2 Name and contact details

BUSINESS INFORMATION	
Reporting reference date:	**31 December 2020**
Group undertaking name:	Athora Netherlands NV
Solo undertaking name:	SRLEV NV Proteq Levensverzekeringen NV
Address:	Burg. Rijnderslaan 7, Amstelveen
Contact:	Victor Zijlema +31(0) 205436053
Shareholder:	Athora Netherlands Holding Limited 2nd Floor, IFSC House Custom House Quay Dublin, D01 R2P9, Ireland
Supervisor:	De Nederlandsche Bank Spaklerweg 4, 1096 BA Amsterdam +31(0) 205249111
External auditor:	Ernst & Young Accountants LLP Cross Towers, Antonio Vivaldistraat 150, 1083 HP Amsterdam +31(0) 884071000

External auditor

The external auditor of Athora Netherlands is Ernst & Young Accountants LLP (EY). EY has been appointed for the years 2016-2020 to audit the group financial statements of Athora Netherlands NV as well as among others, the financial statements of the solo undertakings SRLEV NV and Proteq Levensverzekeringen NV and the prescribed subset of the Quantitative Reporting Templates. The SFCR has not been audited by EY.

A.1.3 Main brands

Zwitserleven

Zwitserleven has become one of the leading pension insurers in the Netherlands. Zwitserleven offers wealth accumulation products ‘for later’. Zwitserleven has been awarded repeatedly for having the most sustainable investment policy in the Netherlands.

Reaal

Reaal is known for Life insurance products. Reaal improves the financial resilience of customers by helping them make well-considered choices about their financial situation.

Since 1 April 2020, the property & casualty business of Reaal has been acquired by NN.

ACTIAM

ACTIAM is an investment funds manager in accordance with the Dutch Financial Supervision Act. ACTIAM manages the assets of Athora Netherlands' insurance entities and of listed and non-listed investment funds, pension funds, insurance companies and corporate clients in Europe.

A.1.4 Legal structure

Athora Netherlands NV owns 100% of the shares of the following main companies:
- SRLEV NV
- Proteq Levensverzekeringen NV
- Zwitserleven PPI NV
- ACTIAM NV

See Annex I for a list of material related undertakings.

A.1.5 Developments

In 2020 the management of the non-financial risks focused on five main developments, 1) the change of ownership of Athora Netherlands, 2) the Migration of P&C to NN, 3) remediation programme Sanctions AML, 4) ICF improvement programme and 5) the activities that are related to that, and the impact of COVID-19 crisis on the organisation. In order to maintain a sound and controlled organisation, the associated risks were addressed, managed and monitored within the Athora Netherlands risk management procedures.

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Cybercrime risk increases over time and is becoming more widespread and professionalised, for example cyber-attacks using ransomware or in supply chains. In 2020 no major incidents related to cybercrime occurred within Athora Netherlands. Cybercrime will remain high on the agenda of the Athora Netherlands Board and Risk Boards. To manage the increasing risk effectively in 2020 extra measures related to prevention, monitoring and incident response have been implemented. Several phishing campaigns were executed to promote awareness for the behavioral aspects of cybercrime. Also additional measures for threat and patch management were taken. A cybercrime plan for 2021 has been drafted and Athora Netherlands will keep on focusing on mitigating this risk.

In 2020, Athora Netherlands updated the compact model risk overviews for several departments to maintain good insight in its model risk. Model risk was further reduced by follow-up of second line findings via improving models. Within the model landscape important steps towards lower model risk have been taken by improving models and systems. Ongoing model validations on reporting, (asset) valuation and pricing models, following a risk based approach, further increased model insight and provides guidance towards lower model risk.

A.2 UNDERWRITING PERFORMANCE

A.2.1 Athora Netherlands

In the table below the statement of profit or loss account by entity is presented:

STATEMENT OF PROFIT OR LOSS ACCOUNT BY ENTITY 2020				
In € millions	SRLEV	Proteq	Other[1]	Athora Netherlands
Continuing operations				
Income				
Premium income	1,759	5	-	1,764
Less: Reinsurance premiums	248	-	1	249
Net premium income	**1,511**	**5**	**-1**	**1,515**
Fee and commission income	48	-	21	69
Fee and commission expense	17	-	-3	14
Net fee and commission income	**31**	**-**	**24**	**55**
Share in result of associates	13	-	-12	1
Investment income	1,077	27	85	1,189
Investment income for account of policyholders	692	-	-	692
Result on investments for account of third parties	-	-	185	185
Result on derivatives	1,774	25	-34	1,765
Total income	**5,098**	**57**	**247**	**5,402**
Expenses				
Technical claims and benefits	3,642	47	-29	3,660
Charges for account of policyholders	1,304	-	3	1,307
Acquisition costs for insurance activities	15	-	-	15
Result on liabilities from investments for account of third parties	-	-	185	185
Staff costs	177	2	51	230
Depreciation and amortisation of non-current assets	2	-	4	6
Other operating expenses	38	1	17	56
Impairment losses	11	-	-	11
Other interest expenses	52	-	50	102
Total expenses	**5,241**	**50**	**281**	**5,572**
Result before tax from continued operations	**-143**	**7**	**-34**	**-170**
Tax expense / benefit	-115	1	1	-113
Net result continued operations for the period	**-28**	**6**	**-35**	**-57**
Discontinued operations				
Net result from discontinued operations (after tax)	**-**	**-**	**60**	**60**
Net result for the period	**-28**	**6**	**25**	**3**

1 This column contains eliminations due to consolidation as well as the balances of Athora Netherlands NV, ACTIAM NV, Zwitserleven PPI NV and of the subsidiairies of SRLEV NV (e.g. NV Pensioen ESC). For more details we refer to Annex I.

STATEMENT OF PROFIT OR LOSS ACCOUNT BY ENTITY 2019				
In € millions	SRLEV	Proteq	Other[1]	Athora Netherlands
Continuing operations				
Income				
Premium income	1,843	5	1	1,849
Less: Reinsurance premiums	195	-	-	195
Net premium income	**1,648**	**5**	**1**	**1,654**
Fee and commission income	42	-	26	68
Fee and commission expense	16	-	1	17
Net fee and commission income	**26**	**-**	**25**	**51**
Share in result of associates	11	-	-10	1
Investment income	1,225	28	32	1,285
Investment income for account of policyholders	2,043	-	24	2,067
Result on investments for account of third parties	-	-	173	173
Result on derivatives	1,655	12	22	1,689
Total income	**6,608**	**45**	**267**	**6,920**
Expenses				
Technical claims and benefits	3,497	36	-29	3,504
Charges for account of policyholders	2,463	-	29	2,492
Acquisition costs for insurance activities	17	-	-1	16
Result on liabilities from investments for account of third parties	-	-	173	173
Staff costs	140	2	43	185
Depreciation and amortisation of non-current assets	2	-	5	7
Other operating expenses	37	1	24	62
Impairment losses	-7	-	-1	-8
Other interest expenses	69	-	29	98
Total expenses	**6,218**	**39**	**272**	**6,529**
Result before tax from continued operations	**390**	**6**	**-5**	**391**
Tax expense / benefit	60	2	-4	58
Net result continued operations for the period	**330**	**4**	**-1**	**333**
Discontinued operations				
Net result from discontinued operations (after tax)	**-**	**-**	**66**	**66**
Net result for the period	**330**	**4**	**65**	**399**

1 This column contains eliminations due to consolidation as well as the balances of Athora Netherlands NV, ACTIAM NV, Zwitserleven PPI NV and of the subsidiairies of SRLEV NV (e.g. NV Pensioen ESC). For more details we refer to Annex I.

Net Result IFRS (continued operations) decreased by € 390 million compared to 2019 mainly driven by an increase in the LAT shortfall in 2020 of € 165 million versus a release of the LAT shortfall of € 64 million in 2019. Net Result IFRS 2020 was further negatively impacted by € 140 million (after taxes) from an additional longevity re-insurance transaction, € 42 million (after taxes) restructuring costs and € 22 million one-off expenses for the tender of senior bonds. For a more detailed explanation of the development in the IFRS LAT, we refer to Note 15 in the Notes to the Consolidated Financial Statements of Athora Netherlands NV 2020.

Premium income decreased by € 85 million from € 1,849 million to € 1,764 million. Premium income of Individual Life declined by € 93 million as a result of the shrinking market in Dutch individual life insurance, while premium income of Life Corporate remained in line with 2019. The PPI inflow increased by 38% compared to previous year, coming in at € 199 million in line with the strategic ambition to increase focus on the PPI.

Direct investment income declined in 2020 by € 127 million mainly due to lower received interest on investments in foreign currencies, lower dividends and as a result of the declining portfolio Individual Life.

An additional provision for restructuring expenses and other reorganisation related costs of € 56 million was recognised in 2020. Excluding this impact, operating expenses decreased by 7% underpinned by continuous cost savings efforts.

In the table below the premiums, technical claims and benefits are broken down by entity as presented in the Disclosure QRT:

PREMIUMS, TECHNICAL CLAIMS AND BENEFITS BY ENTITY								
	SRLEV		Proteq		Other		Total	
In € millions	2020	2019	2020	2019	2020	2019	2020[1]	2019
Premiums earned (gross)	1,744	1,843	5	5	-	1	1,749	1,849
Reinsurers' share	248	195	-	-	1	-	249	195
Premiums earned	**1,496**	**1,648**	**5**	**5**	**-1**	**1**	**1,500**	**1,654**
Claims incurred (gross)	3,212	3,196	13	11	12	16	3,237	3,223
Reinsurers' share	259	221	-	-	-	-	259	221
Claims incurred	**2,953**	**2,975**	**13**	**11**	**12**	**16**	**2,978**	**3,002**
Changes in other technical provisions (gross)	1,944	2,954	34	25	-37	-15	1,941	2,964
Reinsurers' share	-19	-31	-	-	-	1	-19	-30
Changes in other technical provisions	**1,963**	**2,985**	**34**	**25**	**-37**	**-16**	**1,960**	**2,994**
Total technical claims and benefits	**4,916**	**5,960**	**47**	**36**	**-25**	**-**	**4,938**	**5,996**

1 Within Premium earned (gross) and Changes in other technical provisions (gross) a number of other items processed in the IFRS figures have not been included in the Disclosure QRT as these were considered as not material for Solvency II.

The following paragraphs show the results per legal entity.

A.2.2 SRLEV

The figures shown in the table below are unconsolidated figures.

STATEMENT OF PROFIT AND LOSS ACCOUNT SRLEV						
	Life Corporate		Individual Life		Total	
In € millions	2020	2019	2020	2019	2020	2019
Income						
Premium income	1,090	1,081	669	762	1,759	1,843
Less: Reinsurance premiums	245	192	3	3	248	195
Net premium income	**845**	**889**	**666**	**759**	**1,511**	**1,648**
Fee and commission income	26	18	22	24	48	42
Fee and commission expense	11	10	6	6	17	16
Net fee and commission income	**15**	**8**	**16**	**18**	**31**	**26**
Share in result of associates	5	1	8	10	13	11
Investment income	571	756	506	469	1,077	1,225
Investment income for account of policyholders	626	1,404	66	639	692	2,043
Result on derivatives	1,705	1,477	69	178	1,774	1,655
Other operating income	-	-	-	-	-	-
Total income	**3,767**	**4,535**	**1,331**	**2,073**	**5,098**	**6,608**
Expenses						
Technical claims and benefits	2,802	2,574	840	923	3,642	3,497
Charges for account of policyholders	1,108	1,660	196	803	1,304	2,463
Acquisition costs for insurance activities	1	2	14	15	15	17
Staff costs	93	77	84	63	177	140
Depreciation and amortisation of non-current assets	2	1	-	1	2	2
Other operating expenses	19	19	19	18	38	37
Impairment losses (reversals)	5	-7	6	-	11	-7
Other interest expenses	23	22	29	47	52	69
Total expenses	**4,053**	**4,348**	**1,188**	**1,870**	**5,241**	**6,218**
Result before tax from continued operations	**-286**	**187**	**143**	**203**	**-143**	**390**
Tax expense / benefit	-126	16	11	44	-115	60
Net result continued operations for the period	**-160**	**171**	**132**	**159**	**-28**	**330**

Life Corporate

Athora Netherlands' Life Corporate product line offers pension solutions for business customers. A range of products provide the employees of our customers freedom in making the right decisions to secure their financial future. The main brand of this product line is Zwitserleven.

Life Corporate had another strong commercial year resulting in a gross premium income of € 1.09 billion which was in line with 2019. The production of immediate annuities reached an all-time high of € 300 million. Despite the challenging market environment, the retention rate remained high at 84% as well as the new business market share being maintained at 20%.

Excluding the impact of restructuring costs of € 22 million, operating expenses were € 5 million lower compared to previous year, underpinning the focus on cost control.

Net Result IFRS of Life Corporate in 2020 was negatively influenced by a € 140 million one-off item related to the additional longevity transaction. Additionally, the net LAT impact on the Net Result IFRS was € 154 million negative, compared to € 64 million positive in 2019. This negative effect was partly offset by € 57 million relating to the recalculation of the DTA-position.

Individual Life

The portfolio of the Individual Life product line mainly consists of life annuity insurances, mortgage-related endowment, term-life insurances, funeral insurances and unit-linked insurances. These products are targeted at the retail and SME markets.

Gross premium income decreased by 12%, or € 93 million caused by the shrinking Dutch individual life market and lower sales of immediate annuities compared to previous year. Nevertheless, in the last quarter of 2020 the production of immediate annuities increased and reached a level of € 60 million at year-end. The strategy review affirmed that immediate annuities will remain an important product for SRLEV. From 2021 onwards, this product will be offered under the Zwitserleven-label and will benefiting from the strong brand recognition.

Excluding restructuring costs, operating expenses were €5 million lower due to continuous cost saving measures, including digitalisation efforts.

Net Result IFRS 2020 of € 132 million was impacted by € 26 million of restructuring costs.

In the table below the premiums, technical claims and benefits are broken down to Solvency II Line of Business as presented in the Disclosure QRT:

PREMIUMS, TECHNICAL CLAIMS AND BENEFITS PER LINE OF BUSINESS SRLEV								
	Insurance with profit participation		Index-linked and unit-linked insurance		Other life insurance		Total	
In € millions	2020	2019	2020	2019	2020	2019	2020[1]	2019
Premiums earned (gross)	124	224	668	723	952	896	1,744	1,843
Reinsurers' share	1	2	-	-	247	193	248	195
Premiums written	**123**	**222**	**668**	**723**	**705**	**703**	**1,496**	**1,648**
Claims incurred (gross)	737	876	1,034	1,197	1,441	1,123	3,212	3,196
Reinsurers' share	-	-	-	-	259	221	259	221
Claims incurred	**737**	**876**	**1,034**	**1,197**	**1,182**	**902**	**2,953**	**2,975**
Changes in other technical provisions (gross)	-253	23	287	1,528	1,910	1,403	1,944	2,954
Reinsurers' share	-	-	-	-	-19	-31	-19	-31
Changes in other technical provisions	**-253**	**23**	**287**	**1,528**	**1,929**	**1,434**	**1,963**	**2,985**
Total technical claims and benefits	**484**	**899**	**1,321**	**2,725**	**3,111**	**2,336**	**4,916**	**5,960**

1 Within Premiums earned (gross) and Changes in other technical provisions (gross) a number of other items processed in the IFRS figures have not been included in the Disclosure QRT as these were considered as not material for Solvency II.

A.2.3 Proteq

The figures shown in the table below are unconsolidated figures.

STATEMENT OF PROFIT OR LOSS ACCOUNT PROTEQ		
In € millions	2020	2019
Income		
Premium income	5	5
Less: Reinsurance premiums	-	-
Net premium income	**5**	**5**
Investment income	27	28
Result on derivatives	25	12
Total income	**57**	**45**
Expenses		
Technical claims and benefits	47	36
Staff costs	2	2
Other operating expenses	1	1
Total expenses	**50**	**39**
Result before tax from continued operations	**7**	**6**
Tax expense	1	2
Net result continued operations for the period	**6**	**4**

The net result continued operations for the period increased to € 6 million in 2020.

In the table below the premiums, technical claims and benefits are broken down to Solvency II Line of Business as presented in the Disclosure QRT:

PREMIUMS, TECHNICAL CLAIMS AND BENEFITS PER LINE OF BUSINESS								
	Insurance with profit participation		Index-linked and unit-linked insurance		Other life insurance		Total	
In € millions	2020	2019	2020	2019	2020	2019	2020	2019
Premiums earned (gross)	5	5	-	-	-	-	5	5
Reinsurers' share	-	-	-	-	-	-	-	-
Premiums written	**5**	**5**	**-**	**-**	**-**	**-**	**5**	**5**
Claims incurred (gross)	9	8	-	-	4	3	13	11
Reinsurers' share	-	-	-	-	-	-	-	-
Claims incurred	**9**	**8**	**-**	**-**	**4**	**3**	**13**	**11**
Changes in other technical provisions (gross)	4	8	-	-	30	17	34	25
Reinsurers' share	-	-	-	-	-	-	-	-
Changes in other technical provisions	**4**	**8**	**-**	**-**	**30**	**17**	**34**	**25**
Total technical claims and benefits	**13**	**16**	**-**	**-**	**34**	**20**	**47**	**36**

A.3 INVESTMENT PERFORMANCE

In the next section in the tables IFRS figures are shown, allowing for a comparison from 2020 with 2019.

A.3.1 Athora Netherlands

The following tables show a breakdown of the investment income in the profit and loss of Athora Netherlands:

BREAKDOWN INVESTMENT INCOME IN PROFIT AND LOSS ACCOUNT 2020				
In € millions	**SRLEV**	**Proteq**	**Other**	**Athora Netherlands**
Investment income	1,077	27	85	**1,189**
Result on derivatives	1,773	25	-33	**1,765**
Total	**2,850**	**52**	**52**	**2,954**

BREAKDOWN INVESTMENT INCOME IN PROFIT AND LOSS ACCOUNT 2019				
In € millions	**SRLEV**	**Proteq**	**Other**	**Athora Netherlands**
Investment income	1,225	28	32	**1,285**
Result on derivatives	1,655	12	22	**1,689**
Total	**2,880**	**40**	**54**	**2,974**

Result on investment income

The following tables show a further breakdown of the investment income:

BREAKDOWN OF INVESTMENT INCOME 2020				
In € millions	**SRLEV**	**Proteq**	**Other**	**Athora Netherlands**
Interest	884	10	36	**930**
Dividends	24	-	-	**24**
Rental income	21	-	4	**25**
Direct operating expenses	-6	-	-2	**-8**
Total interest dividends and rental income	**923**	**10**	**38**	**971**
Realised gains and losses	383	17	-	**400**
Unrealised revaluations	-229	-	47	**-182**
Total revaluations	**154**	**17**	**47**	**218**
Total	**1,077**	**27**	**85**	**1,189**

BREAKDOWN OF INVESTMENT INCOME 2019				
In € millions	**SRLEV**	**Proteq**	**Other**	**Athora Netherlands**
Interest	1,034	14	31	**1,079**
Dividends	39	-	3	**42**
Rental income	21	-	5	**26**
Direct operating expenses	-4	-	-2	**-6**
Total interest dividends and rental income	**1,090**	**14**	**37**	**1,141**
Realised gains and losses	70	14	-1	**83**
Unrealised revaluations	65	-	-4	**61**
Total revaluations	**135**	**14**	**-5**	**144**
Total	**1,225**	**28**	**32**	**1,285**

The investment income of Athora Netherlands primarily consist of interest income and (un)realised gains, losses and revaluations. The decrease in investment income in 2020 is mainly caused by the decrease of interest income in 2020 compared to 2019. The sales of bonds and realisation of profits in 2020 was higher than in 2019 which decreased the interest income. The sale was done in preparation for liquidity for re-risking. The re-risking activities in 2020 generated more interest income compared to 2019.

The investment income in the segment "Other" includes mainly interest income from interest derivatives for hedging a subordinated Tier 2 loan. The interest expenses for this loan are taken into account in other interest expenses. The unrealized revaluation was due to foreign exchange changes of a subordinated loan in USD. The foreign exchange risk was hedged by derivatives.

The interest income decreased with € 150 million compared to 2019. The decrease is the sum of an increase in re-risking activities and a decrease in interest results on the derivatives portfolio, lower interest on saving mortgages and a decrease due to the sale of sovereign bonds. The decrease due to lower saving mortgages interest and the decrease due to the sale of sovereign bonds is for a large part offset by a decrease in technical provision. The offset due to the sale of sovereign bonds is due to amortisation of realised results because of the application of shadow and discretionary profit sharing accounting.

Result on derivatives

BREAKDOWN OF RESULT ON DERIVATIVES 2020				
In € millions	**SRLEV**	**Proteq**	**Other**	**Athora Netherlands**
Result on derivatives held for cash flow hedge accounting	7	-	-	**7**
Market value movements of derivatives held for fair value hedge accounting	-	-	-	**-**
Market value movements of derivatives maintained for ALM not classified for hedge accounting	1,766	25	-33	**1,758**
Total	**1,773**	**25**	**-33**	**1,765**

BREAKDOWN OF RESULT ON DERIVATIVES 2019				
In € millions	SRLEV	Proteq	Other	Athora Netherlands
Result on derivatives held for cash flow hedge accounting	-	-	-	**-**
Market value movements of derivatives held for fair value hedge accounting	-1	-	-	**-1**
Market value movements of derivatives maintained for ALM not classified for hedge accounting	1,656	12	22	**1,690**
Total	**1,655**	**12**	**22**	**1,689**

The result on derivatives is due to market value movements of derivatives for hedging interest rate sensitivities.

A.3.2 SRLEV

Investment income

BREAKDOWN OF INVESTMENT INCOME 2020					
In € millions	Fair value through profit or loss	Available for sale	Loans and receivables	Investment property	Total
Interest	200	362	322	-	**884**
Dividends	-	24	-	-	**24**
Rental income	-	-	-	21	**21**
Direct operating expenses	-	-	-	-6	**-6**
Total interest dividends and rental income	**200**	**386**	**322**	**15**	**923**
Realised gains and losses	-4	389	-2	-	**383**
Unrealised revaluations	6	-188	-58	11	**-229**
Total revaluations	**2**	**201**	**-60**	**11**	**154**
Total	**202**	**587**	**262**	**26**	**1,077**

BREAKDOWN OF INVESTMENT INCOME 2019					
In € millions	Fair value through profit or loss	Available for sale	Loans and receivables	Investment property	Total
Interest	242	424	368	-	**1,034**
Dividends	-	39	-	-	**39**
Rental income	-	-	-	21	**21**
Direct operating expenses	-	-	-	-4	**-4**
Total interest dividends and rental income	**242**	**463**	**368**	**17**	**1,090**
Realised gains and losses	12	59	-1	-	**70**
Unrealised revaluations	10	24	8	23	**65**
Total revaluations	**22**	**83**	**7**	**23**	**135**
Total	**264**	**546**	**375**	**40**	**1,225**

Fair value through profit or loss

Fair value through profit or loss investments consist primarily of interest income from bonds and interest income from derivatives for hedging interest rate sensitivities.

Available for sale

SRLEV holds fixed-income assets to generate interest income. These fixed income assets are generally classified as Available For Sale and consist mainly of Dutch and German Government bonds.

The interest income decreased with € 62 million compared to 2019. This is mainly due to the sale of sovereign bonds. The decrease in interest income due to the sale of sovereign bonds is for a large part offset by an increase in technical provision. The offset due to the sale of sovereign bonds is due to amortisation of realised results because of the application of shadow and discretionary profit sharing accounting.

Loans and receivables

The investment income of Loans and receivables relates to loans, saving mortgages and mortgages. Investment income of saving mortgages was € 157 million in 2020 compared to € 188 million in 2019.

A.3.3 Proteq

Investment income

BREAKDOWN OF INVESTMENT INCOME 2020			
In € millions	Fair value through profit or loss	Available for sale	Total
Total Interest and dividend	1	9	**10**
Realised gains and losses	-	17	**17**
Total	**1**	**26**	**27**

BREAKDOWN OF INVESTMENT INCOME 2019			
In € millions	Fair value through profit or loss	Available for sale	Total
Total Interest and dividend	1	13	**14**
Realised gains and losses	-	14	**14**
Total	**1**	**27**	**28**

Proteq holds fixed income assets to generate interest income. These fixed-income assets are classified as Available For Sale and mainly consist of Dutch and German Government bonds.

A.4 PERFORMANCE OF OTHER ACTIVITIES

The performance of other activities relate to Athora Netherlands NV, ACTIAM NV, Zwitserleven PPI NV and of the subsidiaries of SRLEV NV (e.g. N.V. Pension ESC). For more details we refer to Annex I.

ZWITSERLEVEN PPI		
In € thousands	**2020[1]**	**2019**
Result		
Total income	5,409	3,738
Total expenses	4,734	3,526
Net result continued operations for the period	**506**	**159**

1 2020 figures are unaudited preliminary figures

The total income of Zwitserleven PPI relates mainly to management and adminstration fees. In 2020 the number of company pension contracts further increased. As a result, the total income and corresponding expenses increased. The total expenses increased mainly due to higher administration costs.

ACTIAM		
In € millions	**2020**	**2019**
Result		
Fee and commission income	62	68
Fee and commission expense	24	28
Net fee and commission income	**38**	**40**
Operating expenses (excluding Restructuring costs)	42	49
Restructuring costs	2	-
Net result continued operations for the period	**-5**	**-7**
Assets under management (€ billions)	58.1	63.8

Net fee and commission income decreased slightly to € 38 million as a result of the sale of the Non-Life business, the transition of a large customer and the reallocation of funds by a distribution partner.

Operating expenses were € 7 million lower, primarily as a result of lower staff costs, overhead costs and lower external advisory costs.

The Net Result IFRS improved compared to 2019 by € 2 million, mainly as a result of lower operating expenses.

Assets under management decreased to € 58.1 billion mainly as a result of the aforementioned changes in client demand and the sale of the Non-Life business, partially offset by favorable market movements.

HOLDING		
In € millions	**2020**	**2019**
Result		
Net fee and commission income	-3	-1
Direct Investment income	36	58
Operating expenses (excluding Restructuring costs)	25	25
Restructuring costs	6	-
Other interest expenses	68	50
Net result continued operations for the period	**-41**	**11**

Direct investment income was € 22 million lower mainly due to the decision of SRLEV not to pay the coupon payment on the internal restricted Tier 1 loan provided by Athora Netherlands NV right before Athora Netherlands NV down streamed € 300 million of the € 400 million capital injection of Athora Group into SRLEV to enable the substantial asset repositioning.

Excluding one-off expenses of € 29 million (gross) related to the tender of Senior Debt, other interest expenses decreased by € 4 million compared to 2019.

The Net Result IFRS decreased by € 52 million compared to 2019. The result in 2020 was negatively impacted by the result recorded on the tender of Senior Debt (€ 22 million), lower coupon receipts (€ 15 million) and restructuring costs (€ 6 million).

A.5 ANY OTHER INFORMATION

No other disclosures are applicable.

B SYSTEM OF GOVERNANCE

B.1 GENERAL INFORMATION ON THE SYSTEM OF GOVERNANCE

General governance arrangements

Athora Netherlands NV is a public limited company. Athora Netherlands Holding Ltd. is the sole shareholder of Athora Netherlands NV. Athora Netherlands has a two-tier board structure consisting of an Executive Board (EB) and a Supervisory Board (SB).

As a holding company, Athora Netherlands NV has no material, direct business operations, but employs all personnel and services the business with staff and IT support. The principal assets of Athora Netherlands NV are the equity interests it holds in its operating subsidiaries. Athora Netherlands NV is organised into three business lines: a Pension Business, a Life Service Business and an Asset Management Business.

B.1.1 The Executive Board

The Executive Board is responsible for the strategy and operations of Athora Netherlands. The Executive Board carefully weighs the interests of all stakeholders and acts in the interests of Athora Netherlands.

Composition, Appointment and Role

Athora Netherlands applies the full large company regime under which the members of the Executive Board are appointed by the Supervisory Board. Only the Supervisory Board may suspend or remove a member of the Executive Board.

The Executive Board as of 31 December 2020 consists of the following members:

COMPOSITION, APPOINTMENT AND ROLE			
Name	Nationality	Position	Date of appointment
R.H. (Tom) Kliphuis	Dutch	Chief Executive Officer	1 April 2020
Y. (Yinhua) Cao[1]	Chinese	Chief Financial Officer	23 October 2015
A.P. (Annemarie) Mijer	Dutch	Chief Risk Officer	1 July 2020
A. (Angelo) Sacca	Italian	Chief Strategy & Commercial Officer	1 April 2020
S.A. (Stefan) Spohr	Swiss	Chief Operating Officer	1 April 2020

1 Yinhua Cao will step down as Chief Financial Officer and member of the Executive Board of Athora Netherlands N.V., effective on 1 May 2021..

On 31 January 2020, J.J.T. (Ron) van Oijen stepped down as Chief Executive Officer. On 1 April 2020, X.W. (Xiao Wei) Wu stepped down as Chief Transformation Officer, L. (Lan) Tang stepped down as Chief Risk Officer, W.M.A. (Wendy) de Ruiter-Lörx stepped down as Chief Commercial Officer, and J.C.A. (Jeroen) Potjes stepped down as Chief Operating Officer.

R.H. (Tom) Kliphuis

Chief Executive Officer

Tom Kliphuis (1964) was the chair of the Board of Directors for the Coöperatie VGZ since 2014 until his appointment as CEO of Athora Netherlands. Mr. Kliphuis started his career at ING / Nationale Nederlanden and worked in various management positions. From 2000 to 2011, he was responsible for the insurance and pension activities of ING Insurance in Mexico, Chile and Central and Southern Europe respectively. Mr. Kliphuis was also CEO of Insurance at ING Benelux from 2011 to 2013.

Y. (Yinhua) Cao

Chief Financial Officer

Yinhua Cao (1975) holds a bachelor's degree in international finance from the Shanghai University of Economics and Finance. Mr. Cao started his career in the financial service sector at PricewaterhouseCoopers in 1998. He was the lead audit partner for large insurance companies and asset management companies, and as the lead partner, he was also involved in various finance and solvency consulting programmes for insurers. His last position with PricewaterhouseCoopers was the partner of the financial service group. At Anbang, he commenced as managing director of Anbang Asset Management Hong Kong and finance director of the Anbang Insurance Group. Mr. Cao is also a member of the financial and economic committee of the Dutch Association of Insurers.

A.P. (Annemarie) Mijer

Chief Risk Officer

Annemarie Mijer (1970) holds a Master's Degree in Actuarial Mathematics. Mrs. Mijer joined from ABN AMRO where she served as Head of Central Risk Management. In 2015, she was appointed Chief Risk Officer and member of the Executive Board of Delta Lloyd Group. Prior to this, Mrs. Mijer held various senior leadership positions in ING Group and Nationale-Nederlanden. In April 2019, she was appointed as member of the Supervisory Board and Chair of the Audit Committee at Klaverblad Verzekeringen. Annemarie is a Certified Actuary of the Dutch Society of Actuaries and holds professional qualifications in Investment Analysis.

A. (Angelo) Sacca

Chief Strategy & Commercial Officer

Angelo Sacca (1977) holds a Master's Degree in Corporate Communications with Economics from Università degli Studi in Siena and is a certified Chartered Financial Analyst. Formerly a Managing Director in the Athora M&A team, he has led the management of the VIVAT transaction for Athora. He previously worked in the Financial Institutions Group at the M&A division of UBS and Greenhill & Co and as a Credit Analyst in the European insurance team of Standard & Poor's credit ratings. In the early part of his career, Mr Sacca worked as management consultant with a focus on the financial services industry.

S.A. (Stefan) Spohr

Chief Operating Officer

Stefan Spohr (1964) holds a Bachelor's degree in Economics & Political Science from Indiana University, Bloomington and a Master's Degree from Columbia University, New York. Previously, he was CEO Insurance Operations at Athora Germany. Mr. Spohr has significant operational and financial services experience garnered over many years as the Global Head of Industries at Willis Towers Watson, CEO UK & Ireland at BearingPoint and Partner at A.T. Kearney.

Governing Rules

With the appointment of new members of the Executive Board on 1 April 2020, the gender balance in the Executive Board has changed from 60% men and 40% women to 80% men and 20% women. From a diversity perspective, in terms of age, background and nationality, but also experience in different settings a good balance has been maintained.

For future appointments of Executive Board members, Athora Netherlands will take into account all laws and regulations and its diversity in terms of gender, age, experience, nationality and background. The principle of having at least 30% men or 30% women is applied in succession planning for the Executive Board, Supervisory Board and senior leadership.

As part of the continuing education programme of Athora Netherlands, the Executive Board members participate in various education sessions. These sessions are sometimes attended together with the

Supervisory Board members or with senior management of Athora Netherlands and are provided by internal and external speakers. The topics this year were limited due to the change in ownership of Athora Netherlands and its strategy review. Nevertheless, the Executive Board has attended deepdives and masterclasses on engagement, capital management and risk appetite.

B.1.2 The Supervisory Board

The Supervisory Board is responsible for supervising the management of the Executive Board, the general business of Athora Netherlands, and providing advice to the Executive Board. Supervision includes monitoring the realisation of objectives, strategy, risk policies, integrity of business operations and compliance with laws.

The Supervisory Board may on its own initiative provide the Executive Board with advice and may request any information from the Executive Board that it deems appropriate. In performing its duties, the Supervisory Board weighs the interests of all stakeholders and acts in accordance with the interests of Athora Netherlands and the business connected with it.

Meetings of the Supervisory Board

The Supervisory Board meets on a regular basis in accordance with an annual schedule, which in practice implies two-day meetings every six weeks on average. Decisions of the Supervisory Board are taken by a majority of votes. The Supervisory Board has drawn up internal regulations that elaborate and expand on a number of provisions from the articles of association. These regulations set out additional powers. All members of the Supervisory Board have declared their acceptance of these regulations and have undertaken to abide by the rules contained therein.

The Supervisory Board as of 31 December 2020 consists of the following:

COMPOSITION, APPOINTMENT AND ROLE			
Name	**Nationality**	**Position**	**Date of appointment**
M.W. (Maarten) Dijkshoorn	Dutch	Chairman	23 December 2016
M.A.E. (Michele) Bareggi	Italian	Member	1 April 2020
F.G.H. (Floris) Deckers	Dutch	Member	1 April 2020
J.M.A. (Hanny) Kemna	Dutch	Member	1 April 2020
P.P.J.L.M.G. (Pierre) Lefèvre	Belgian	Member	26 July 2015

On 1 April 2020, M.R. (Miriam) van Dongen, M. (Ming) He and K. (Kevin) Shum stepped down as members of the Supervisory Board. M. Dijkshoorn and P. Lefèvre were reappointed.

M.W. (Maarten) Dijkshoorn

Maarten Dijkshoorn (1950) is chair of the Supervisory Board and Conflict of Interest Committee and a member of the Remuneration and Nomination Committee, the Risk Committee and the Audit Committee. Mr. Dijkshoorn has worked in the financial services industry for more than forty years. From 2002 to 2009, Mr. Dijkshoorn was chief executive officer and chief operational officer of Eureko BV (Achmea). Prior to that, Mr. Dijkshoorn held various management functions within Nationale-Nederlanden for twenty-five years. He was supervisory board member of PGGM, Monuta and MediRisk, and he was chair of the supervisory board of de Goudse Verzekeringen NV.

M.A.E. (Michele) Bareggi

Michele Bareggi (1973) is the chair of the Renumeration and Nomination Committee and member of the Risk Committee. He is Chief Executive Officer of Athora Group and member of the Executive Boards of Athora Belgium NV, Athora lebensversicherung AG and Athora Life Re Ltd. Mr. Bareggi worked in the past as Managing Director at Morgan Stanley. He also held senior roles at Nomura Holdings, Lehman Brothers, JPMorgan and Credit Suisse First Boston.

F.G.H. (Floris) Deckers

Floris Deckers (1950) is a member of the Audit Committee and Risk Committee. Mr. Deckers worked in the past as CEO of Van Lanschot Bankiers and Senior Executive at ABN AMRO. In addition, Mr. Deckers has been chair of the Supervisory Board of Deloitte Netherlands as well as chair of the Supervisory Board of SBM Offshore. Mr. Deckers is currently a member of the Supervisory Board of Arklow Shipping Group Ireland, as well as for its Dutch subsidiary, and he is a board member of the Vlerick Business School in Gent and Leuven (Belgium).

J.M.A. (Hanny) Kemna

Hanny Kemna (1960) is chair of the Audit Committee, member of the Remuneration and NominationCommittee, Risk Committee and Conflict of Interest Committee. In addition to her function at Athora Netherlands, Mrs. Kemna is chair for the Supervisory Board of MN Services NV and vice chair of the Supervisory Board as well as Audit Committee Chair for Menzis. In addition, she is a non-executive director for ASA International, member of the Audit and Risk Advisory Committee to the Board of Géant and Extraordinary member to the board of the Dutch Court of Audit.

P.P.J.L.M.G. (Pierre) Lefèvre

Pierre Lefèvre (1956) is chair of the Risk Committee, member of the Audit Committee and Conflict of Interest Committee. After studying mechanical engineering and industrial administration, Mr. Lefèvre became internal auditor at Unilever before joining AXA Belgium NV in Belgium as a financial controller. He continued his career with AXA Belgium as general manager for Individual Life and later on as general manager for P&C Personal Lines. In 1994, he moved to AXA Insurance (United Kingdom) as chief executive officer of the P&C insurance business and was subsequently appointed chair of the board. In 1998 he was appointed as chair of the executive board of AXA Netherlands. Between 2002 and 2013 Mr. Lefèvre fulfilled various chief executive officer roles in subsidiaries of Groupama SA. Since 2013, Mr. Lefèvre has acted as independent non-executive director and chair of the risk committee of Hasting Group Holdings PLC. He also serves as an independent non-executive director and chair of the risk committee of Advantage InsuranceCompany Limited. Mr. Lefèvre is also a non-executive director of QBE Europe and chair of its Risk and Capital committee.

Report of the Supervisory Board

Functioning of the Supervisory Board

The Supervisory Board aims to have a strong representation of diversity in terms of experience, gender, age, professional and cultural background. In accordance with the regulations of the Supervisory Board, the Supervisory Board considers complementarity, collegial collaboration, independence and diversity to be conditions for a proper performance of duties by the Supervisory Board.

With the appointment of new members of the Supervisory Board on 1 April 2020, the gender balance in the Supervisory Board has remained unchanged at 80% men and 20% women. The principle of having at least 30% men or 30% women is applied in succession planning for the Executive Board, Supervisory Board and senior leadership.

All members have confirmed the moral and ethical conduct declaration, which includes the need to make a balanced assessment of the interests of customers, shareholder, bondholders, employees and the society in which the company operates. The regulations of the Supervisory Board explicitly provide that the Supervisory Board shall strike a careful balance between the interests of the company's stakeholders, such as the clients of the company, shareholder and employees.

Self-assessment

The Supervisory Board carries out a self-assessment once every three years facilitated by an external consultant. In 2020, the Chairman of the Supervisory Board conducted individual interviews with the members of the Supervisory Board based on the outcome of a questionnaire that each individual board member filled out. The questionnaire was used as a supporting tool to evaluate the functioning of the Supervisory Board as a whole, the individual supervisory directors and their relationship with the

Executive Board during 2020. The results of the questionnaire were discussed within the Supervisory Board and facilitated by an external consultant. The outcome of this self-assessment was in line with the expectations and actions have been taken where necessary.

Continuing Education

Members of the Supervisory Board are encouraged to maintain their expertise at the required standard and enhance it where necessary. This year, the Supervisory Board focused on risk management, financial reporting, Strategic Asset Allocation and Solvency II.

Important Topics and Key Discussions

The formal meetings of the Supervisory Board took place every six weeks (on average). Many additional meetings and conference calls were held. The attendance rate at meetings and committees is high, demonstrating the strength of the Supervisory Board's commitment. None of the Supervisory Board members were frequently absent at these meetings, meaning that there was always a valid quorum. During the formal meetings, the Supervisory Board was kept abreast of the strategy review, ALM, risk appetite and commercial developments. Furthermore, the Supervisory Board was informed about the discussions and the resulting recommendations from committee meetings of the Supervisory Board.

In 2020, the Supervisory Board discussed and approved several items, such as topics related to the sale of VIVAT (process, integration, Migration and Human Capital), Operational Plan, Employee Survey and and Strategy Review. During the sale process of VIVAT, the Supervisory Board safeguarded the corporate interest and properly weighed the interest of all stakeholders involved in this process such as policy holders, shareholder, employees and its bondholders. In addition, a strong focus of the Supervisory Board has been the governance framework under which Athora Netherlands operate and which is currently being further revised.

The Supervisory Board and the Chairman of the Supervisory Board have been in regular contact with other stakeholders such as the Dutch Central Bank (DNB) and Dutch Authority for Financial Markets (AFM) on these topics.

Cooperation with Committees

The Supervisory Board has three committees: the Audit Committee, the Risk Committee and the Remuneration and Nomination Committee. Each member of the Supervisory Board has sufficient knowledge and experience to assess the main aspects of Athora Netherlands' policy and to form an independent opinion of the basic risks. Decisions regarding risk management and internal control are prepared and recommended by the Risk Committee (RC) and the Audit Committee (AC), respectively. These committees have been carefully composed with at least two members of these committees having knowledge of risk management / risk control and internal control / reporting, respectively.

- The Audit Committee discussed the audit scope, key audit matters, the external auditor's reports and the management letter of the external auditor. The independence of the external auditor and fees were also reviewed by the Audit Committee. The Audit Committee maintains regular contact with the external auditor through meetings between the chair of the Audit Committee and the external auditor. The Audit Committee discussed the annual plan and quarterly reports of the internal audit function and evaluated the functioning of Internal Audit. The Audit Committee noted and discussed Athora Netherlands' consultations with DNB and considered the results of the on-site examinations conducted by the DNB.

- The Risk Committee discussed the profile of the financial and non-financial risks related to the approved risk appetite. This included capital developments, capital generation and investment policy. The structure and operation of the risk control system was discussed, including compliance with relevant legislation and regulations such as Sanctions law and Wwft. Furthermore, the Risk Committee discussed amongst others the impact of COVID-19 and Brexit.

- The Supervisory Board's Remuneration and Nomination Committee (ReNomCo) prepares decisions on remuneration regarding Identified Staff and employees in control functions. The ReNomCo members have sufficient expertise with regard to remuneration policies, culture and incentives. The

Conflict of Interests Committee takes decisions with regard to institutional conflicts such as related party transactions. The meetings of the committee takes place in the presence of the Head of Legal, Compliance Key Function Holder and an external legal advisor to the committee. The committee is not a Supervisory Board committee but a separate committee whose regulations are governed by the conflict of interest policy. The topics of the conflict of interest committee include secondments and various investments.

The committees met in the presence of members of the Executive Board. The external auditors were represented by mutual agreement at all meetings of the Audit Committee and Risk Committee in 2020. Both the internal auditor and external auditor reported on the quality and effectiveness of governance, internal control and risk management. Cooperation between the Supervisory Board and the committees has been positive. The meetings of the committees elaborate on various subjects, so that the decisions of the Supervisory Board can be carefully prepared. The content of the meetings of the committees is fed back to the meeting of the Supervisory Board to ensure that the Supervisory Board members are kept fully informed and are well positioned to take wise decisions.

The Supervisory Board appreciates all the efforts made by the Executive Board and all employees in 2020 and looks forward to continuing this cooperation in 2021.

B.1.3 Remuneration

B.1.3.1 Remuneration policy Athora Netherlands NV

For the 'Remuneration policy Athora Netherlands NV' we refer to paragraph 4.6. of the Annual Report Athora Netherlands NV 2020.

B.1.3.2 Actual Remuneration (former) Members of the Executive Board

The following table provides a breakdown of the total remuneration of the Executive Board, including former and existing key management. More information about the remuneration of the boards and comparative information has been included in Note 21 of the Annual report Athora Netherlands NV 2020.

BREAKDOWN OF REMUNERATION (FORMER) MEMBERS OF THE EXECUTIVE BOARD		
In € thousands	**2020**	**2019**
Short-term employee benefits	3,766	4,677
Post-employment benefits	108	124
Other long-term benefits	74	308
Termination benefits	4,531	-
Total	**8,479**	**5,109**

The other long-term benefits and a part of the short-term employee benefits relate to a retention scheme asrecognised in the statement of profit or loss; the vesting of this scheme is subject to certain conditions and any payment will be made in instalments based on current remuneration regulations.

The termination benifits consist of contractual agreed severance payments to former members of the Executive Board and their salary until the end of their notice period without the obligation to perform work. This is in line with the applicable remuneration policy Executive Board and applicable legislation.

Loans, advances and guarantees

There are no loans, advances or guarantees outstanding on 31 December 2020 (and 2019) and/or granted to members of the Executive Board during 2020.

B.1.3.3 Actual Remuneration (former) Members of the Supervisory Board

The following table provides an overview of the total remuneration of the Supervisory Board members (excluding 21% VAT).

BREAKDOWN OF REMUNERATION MEMBERS OF THE SUPERVISORY BOARD		
In € thousands	**2020**	**2019**
Total fixed actual remuneration for Supervisory Board members	555	610
Total remuneration for the members of the Supervisory Board's Committees	21	25
Total	**576**	**635**

Loans, advances and guarantees

There are no loans, advances or guarantees outstanding on 31 December 2020 (and 2019) and/or granted to members of the Supervisory Board during 2020.

B.1.3.4 Balances and Transactions with Shareholders and Key Management Personnel of Athora Netherlands

Identity of related parties

Parties qualify as a related party if one of the parties has the power to exercise control or significant influence on the other in terms of deciding on financial or operational issues.

Until 1 April 2020, VIVAT (now Athora Netherlands) related parties were its parent Anbang, affiliates and VIVAT' key management personnel and their close family members. On 1 April 2020, Athora acquired 100% of the shares of VIVAT from Anbang. Subsequently, Athora has sold 100% of the shares of VIVAT Schade to NN Schade. From that date, Athora and its affiliates became part of Athora Netherlands' related parties. Anbang and its affiliates and VIVAT Schade were no longer related parties. Unless stated otherwise, transactions with related parties are conducted at arm's length.

Intra-group Balances and Transactions between Athora Netherlands NV, Anbang and Affiliates

INTRA-GROUP BALANCES AND TRANSACTIONS						
	Athora / Anbang		Affiliates		Total	
In € millions	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Positions						
Equity and liabilities						
Other liabilities (Debts to group companies)	25	-	1	-	**26**	**-**
Transactions						
Capital injection	400	-	-	-	**400**	**-**
Interim distribution	-416	-	-	-	**-416**	**-**
Income						
Fee and commission income	-	-	-	1	**-**	**1**
Share in result of associates	-	-	-1	-	**-1**	**-**

The main intra-group balances and transactions between Athora Netherlands NV, Athora and affiliates in 2020 were:

- In 2020 Athora made a capital injection of € 400 million into Athora Netherlands and received an interim distribution of € 416 million of Athora Netherlands.
- Athora granted a loan of € 25 million to Athora Netherlands.
- In 2020 Athora Netherlands charged staff costs to its affiliate Athora Netherlands Services BV.
- New acquisitions made in 2020 in Athora Lux Invest and Apollo Strategic Origination Partners (refer to Annual Report Athora Netherlands NV 2020 section 6.2 Acquisitions and Disposals).

Intra-group Balances and Transactions with Key Management Personnel of Athora Netherlands

The key management personnel consists exclusively of the members of the Executive Board and the Supervisory Board. This applies to Athora Netherlands and also to SRLEV NV and Proteq Levensverzekeringen NV.

The transfer of shares of Athora Netherlands from Anbang to Athora at 1 April 2020 led to a change in the composition of the Executive Board. In 2020 five members have resigned and four new members have been appointed to the Executive Board.

The Executive Board comprised five members as at 31 December 2020 (31 December 2019: 6). The Supervisory Board comprised five members as at 31 December 2020 (31 December 2019: 5).

Other intra-group balances and transactions

Athora Group maintains a number of active share plans and schemes, which includes a Management Equity Plan, a Long-Term Incentive Plan and a Employee Co-invest Plan.

Some members within the Executive and Supervisory Board were already part of management within Athora Group and continue participating in one or more of these plans. These plans and its requirements did not have an impact on Athora Netherlands financial statements.

B.2 FIT AND PROPER REQUIREMENTS

The requirements on suitability for employees who effectively run Athora Netherlands or have other key functions have been extensively described in their specific job profiles. The job profiles reflect the required experience and expertise of the (key)functions. The job profiles are frequently reviewed. All employees (including directors and senior management) are obliged to take the oath financial sector within three months of their appointment. The oath also reflects the required suitability and integrity of the (key)functions.

As part of its legal duties, the Dutch Central Bank (DNB) assesses the suitability and integrity of prospective directors. The suitability and integrity of prospective second tier senior managers are assessed within Athora Netherlands. This internal assessment is subject of approval by the DNB. Employees with intended key functions are also assessed on suitability and integrity within Athora Netherlands. Athora Netherlands has a pre-employment screening policy and second tier screening policy in place which covers both the screening on integrity and suitability of the key functions and second tier senior managers.

Within Athora Netherlands are several instruments in place to assess and direct employees (including employees with key functions) on suitability and integrity during their employment. The regular screening on suitability and integrity is performed in accordance with the key functions fit and proper policy. Athora Netherlands and senior management in particular, also have the responsibility to detect and report signals of unreliable behaviour of employees. Employees whose integrity is not beyond any doubt can be sanctioned in accordance with the sanctions regulations of Athora Netherlands.

B.3 RISK MANAGEMENT SYSTEM INCLUDING THE OWN RISK AND SOLVENCY ASSESSMENT

B.3.1 Risk Management System general

B.3.1.1 General

Athora Netherlands has established a Risk Management System (see figure Risk Management) that is aimed at a controlled and effective achievement of the strategic objectives. It relates risks to the strategic, financial and operational objectives as well as to the objectives in the areas of sustainability and reputation. The framework consists of organisational, control and culture components. The management of Athora Netherlands recognises that transparency is a vital element in effective risk management. The Executive Board and its Risk Committee (RC-EB), which is responsible for setting the Risk Management System, monitor that the desired culture and level of risk awareness are translated into identifiable aspects, such as desirable behaviour, details of the risk appetite or criteria for evaluation of employees.

The Executive Board of Athora Netherlands has set guidelines in the risk governance areas of strategy, risk appetite and culture in order to enable risk assessments to be performed properly and efficiently. These guidelines apply to the entire organisation. Athora Netherlands seeks to have an open culture in which risks can be discussed, employees feel a responsibility to share information on risks and (pro)active risk management is appreciated.

The established Integrated Control Framework (ICF), part of the Risk Management System, provides the basis for the internal control system on risk maturity of process key controls and management controls within Athora Netherlands. The management of Product or Functional Lines is responsible for day-to-day operations within the Risk Management System, schedules testing of operating effectiveness of key controls and prepares operational plans on a yearly basis. These plans are subject to the approval of the Executive Board of Athora Netherlands.

For all components within the ICF, standards include applicable minimum requirements. All components of Athora Netherlands are scored for all Business Lines and Functions by an annual assessment of all Management Controls, in which both first line and second line of defence are involved.

B.3.1.2 Overview

In the Risk Management System, specific Solvency II requirement such as the Key Functions and the Own Risk and Solvency Assessment (ORSA) are incorporated. The Athora Netherlands Risk Management System operates an integrated approach for risks that the organisation is or could be exposed to, with Risk Management being an integral part of the decision making process. Major decisions of the Executive Board have to be accompanied by a Key Function opinion.

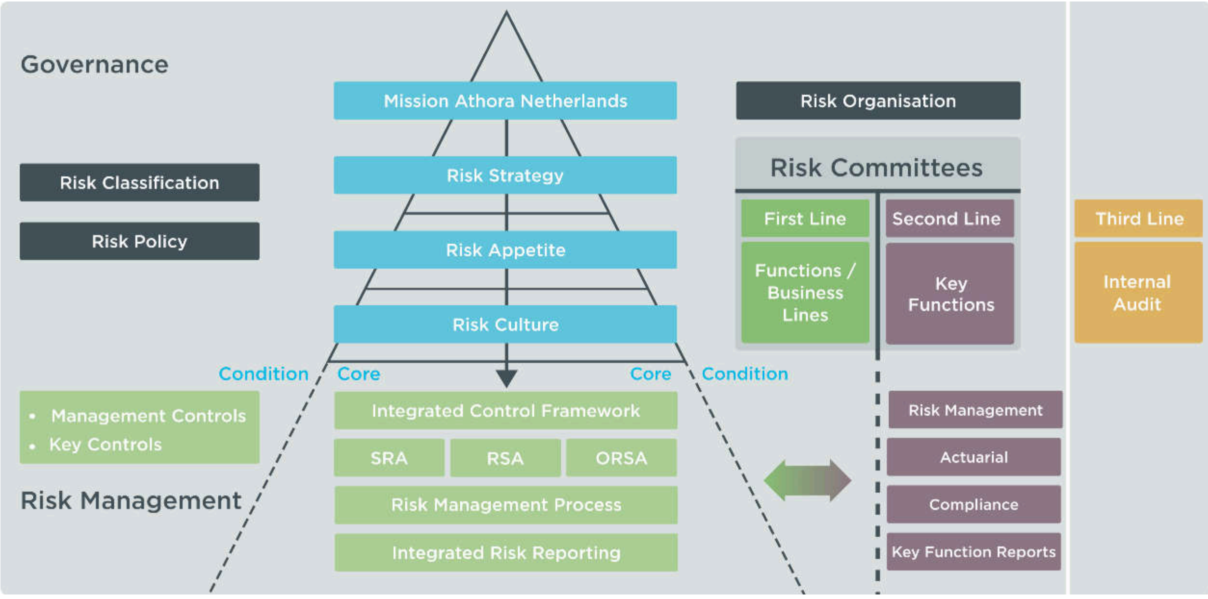
The core of the Athora Netherlands Risk Management System consists of a Governance part and a Risk management part. In the governance part, starting from the Athora Netherlands Mission and business strategy, the Risk Strategy and Risk Appetite are derived. The components Risk Policy, Risk Classification and Risk Organisation are necessary conditions to enable these strategic risk processes. To ensure anintegrated approach the first line product and functional lines and the second line key functions use the same risk classification, operations are covered by the Risk Appetite and are aligned by a policy structure.

Governance including an adequate Risk Culture, is conditional for performing risk management on tactical and operational level, with as the core a control cycle of risk identification-measurement-mitigation and continuous monitoring and reporting. The Risk Management Process is supported by the ICF, built up from several components that together form the basis for sound and controlled business operations and hence for visibly being in control of Athora Netherlands and its Product and Functional lines. The ICF measures maturity of risk management and ensures steering on correct and complete risk reports.

The internal reports are a part of (the operation of) the Risk Management Process. The reports on recognised types of risks are input for the integrated risk reports, enabling Key Risk Indicator (KRI) monitoring and drawing management attention to deviations of the risk tolerance limits.

Athora Netherlands performs Risk Self Assessments (RSA) and Strategic Risk Assessments (SRA). An ORSA is incorporated in the Athora Netherlands Risk Management System and is performed at least annually.

Risk Management



B.3.2 Risk Management Governance

B.3.2.1 Mission

Athora Netherlands has expressed the ambition to become the number 1 Pension provider in the Netherlands, offering the best value for money. With this focus as starting point a Risk Strategy is set out that contributes to a sustainable growth of Athora Netherlands, for the benefit of all its stakeholders.

In order to achieve the mission, Athora Netherlands takes its role in society seriously. Corporate Social Responsibility (CSR) forms an integral part of the strategy and business operations. Athora Netherlands wishes to offer competitively priced products in efficient business processes. Athora Netherlands pursues a customer-centric strategy, with Zwitserleven positioned clearly in the pension market. The focus on Pensions allows for a more agile and lean operation bringing costs to a lower required level.

B.3.2.2 Risk Strategy

Athora Netherlands has derived a Risk Strategy, a supporting set of objectives following from the Athora Netherlands mission to achieve the strategic goals. Athora Netherlands aims for a robust capital position, which contributes to the trust of customers, employees, society and financial markets in the company. Athora Netherlands offers competitively priced products by utilising economies of scale in its organisation. The Risk Strategy is expressed in the Risk Appetite.

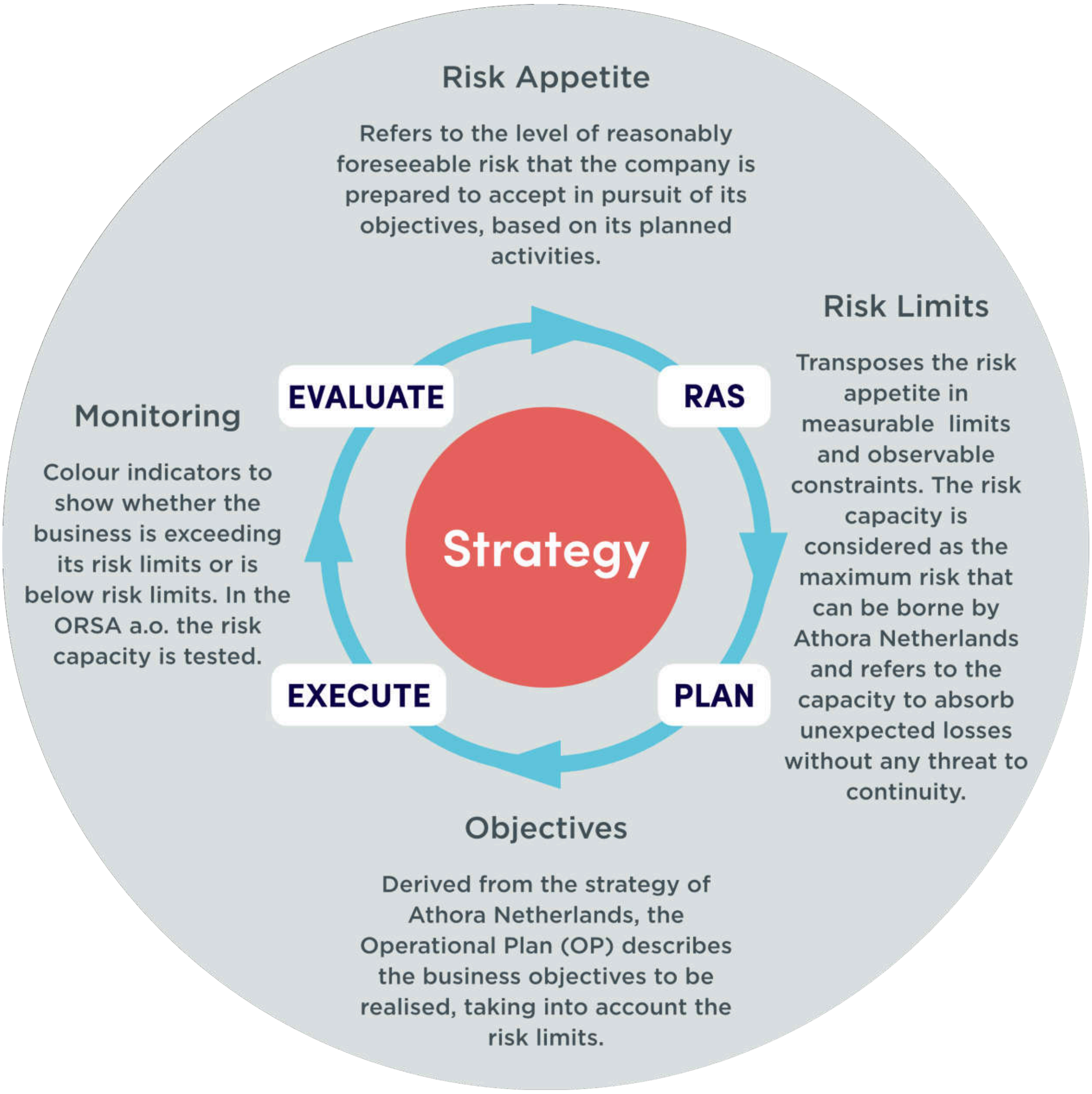
As main principles Athora Netherlands has defined a robust capital position, a sustainable capital generation and sound and controlled business operations.

Athora Netherlands provides guarantees for future payments to its customer and therefore Athora Netherlands needs a strong capital position. The Executive Board would like to hold a buffer above regulatory requirement to absorb temporary volatility and provide more certainty to its customers.

B.3.2.3 Risk Appetite

The Risk Tolerance in the Risk Appetite is set at least annually by the Executive Board and confirmed by the Risk Committee (RC) of the Supervisory Board. The Risk Tolerance is limited by the risk capacity, which indicates the maximum amount of risk Athora Netherlands can accept at consolidated level, in view of its capital and liquidity position and any restrictions due to funding agreements or requirements imposed by regulators. The risk tolerance is subsequently translated into practical risk objectives.

Risk Appetite framework



Risk Appetite is defined at Athora Netherlands level. Subsequently it is elaborated for risks on the individual legal entity level or specific Business Lines or Functions in the form of individual quantitative risk limits and qualitative constraints. The limits are measurable; the qualitative constraints are observable. When implementing the strategy, the Executive Board gives guidelines to the Business Lines for establishing Operational plans, taking into account the set Risk Appetite and corresponding limits on entity level. With those objectives and constraints as starting point, the Business Lines optimise risk and return by developing the best possible products and services.

The evaluation of the Risk Tolerance in the Risk Appetite, which is carried out at least once a year, consists of a number of steps, including risk identification, the determination of risk capacity, the selection of measures, risk mitigation, risk criteria, reporting and monitoring.

B.3.2.4 Risk Culture

Culture and conduct in general play a vital role in steering a company, and specifically in adequate risk management. Both are considered standard elements in performance evaluation meetings and in annual performance objectives. Athora Netherlands has awareness programmes in place that focus on how employees hold each other accountable for their conduct and how they can escalate matters if necessary. Athora Netherlands has five core behaviours: Client Focus, Result Driven, Immediate Execution, Take Responsibility and Change Attitude.

Athora Netherlands realises that the tone at the top is defining for Risk Culture, which makes communication and exemplary behaviour determinant. Athora Netherlands encourages an open corporate culture in which risks are to be discussed, employees feel responsible to share knowledge on risks and where (pro) active risk management is appreciated. Exemplary behaviour, the openness for discussion of dilemmas, practicability of policy and transparency are inseparably linked to an open corporate culture.

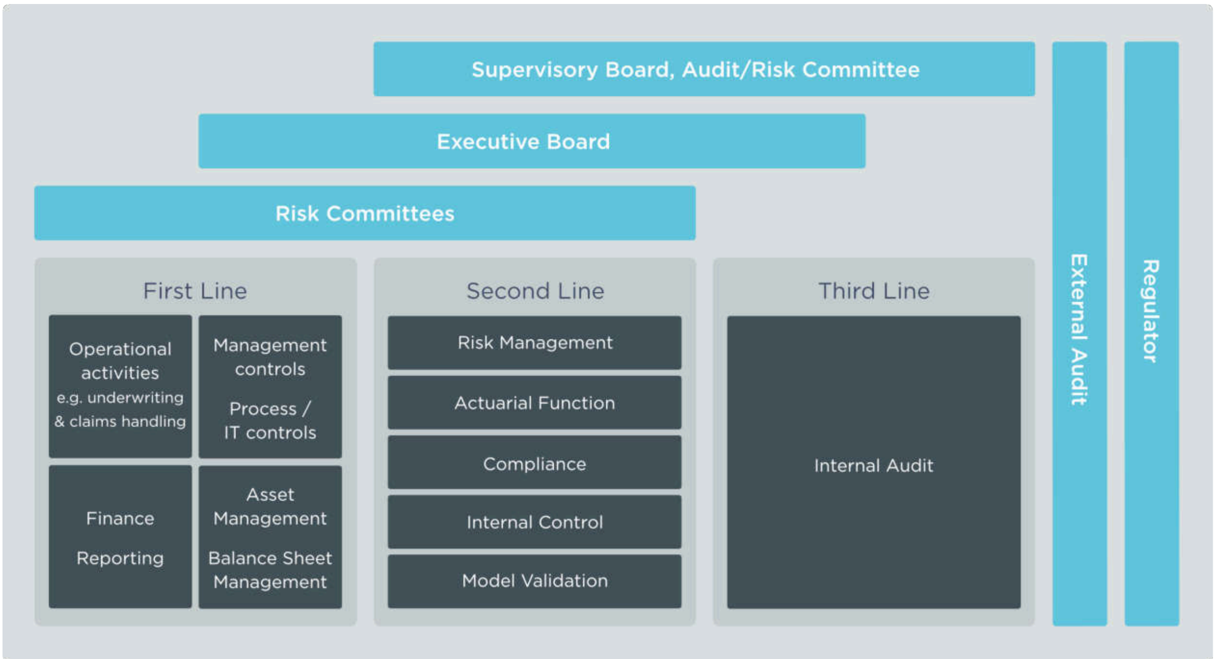
Risk Culture is also embedded in the organisation by risk management being an integral part of the organisational processes and decision making of Athora Netherlands. Decision making is clear, explicit, and in line with the Risk Policy and Risk Appetite of Athora Netherlands. The management teams of the Business Lines and Functions promote awareness of risks and are supported by the second line departments of the Risk organisation. The management teams are responsible for ensuring that risk decisions are made in accordance with the delegated authorisations, in consultation with all second line Solvency II key functions.

Furthermore, Athora Netherlands ensures that senior management and employees on key functions at all times are fit and proper to fulfil their job. Finally, Athora Netherlands' Remuneration Policy discourages taking undesired and irresponsible risks focused on short-term profit and personal gain.

B.3.2.5 Risk Organisation

Athora Netherlands implemented the 'Three Lines of Defence' control model (3LoD) including the Solvency II Key Functions and a risk committee governance structure. It contributes to the strengthening of the Risk Culture, taking responsibility for managing risks and internal control, and eventually to the further optimisation and integration of the risk management.

Three Lines of Defence



First Line: Risk Taker

Business plans are prepared in the first line. With this preparation, the first line operationalises the (risk) strategy, focusing on the primary process (i.e. underwriting, claims handling, preparing financial accounts) of the business and on investment activities.

Within the policy framework and subject to internal procedures and risk limits, it is the objective of the risk taker to achieve an optimum risk/return. Consequently risks are managed by identifying, measuring, mitigating and monitoring them and report whether the risks remain within the risk appetite of Athora Netherlands and its underlying entities.

Risk Self Assessments are carried out and in combination with the ORSA, these assessments could lead to changes in the (risk) strategy. For all these activities the first line has an active role in various risk committees including the ability to demonstrate management and process key controls according to the standards as set by the ICF.

Second Line: Risk Management

The second line has a monitoring role in respect of the risk management actions and activities carried out by the first line. The second line assesses actions in the first line as well as the effectiveness of procedures by means of testing key controls, and is responsible for monitoring the overall risk profile to be in line with the risk appetite.

The second line is also responsible for formulating the Risk Management System and setting Risk Policies. The first line is responsible for the execution of these policies. The second line assesses policy compliance on a regular basis, using risk reports, reports on management and process key controls and own observations. Furthermore, the second line sets the mandates in line with the risk appetite. It also defines basic principles and preconditions for risk models and the control framework and supports central decision-making bodies. The data used, including models, assumptions and techniques, are validated periodically.

The second line risk management organisation of Athora Netherlands is part of the Risk department, resorting under the Chief Risk Officer (CRO). This department includes the second line Financial and Non-Financial Risk departments. The CRO is member of the Executive Board.

Third Line: Internal Audit

Athora Netherlands Internal Audit is the independently operating audit function: Athora Netherlands Internal Audit provides assurance and consulting services, helping Athora Netherlands to accomplish its objectives by evaluating and improving the effectiveness of governance, risk management and control processes.

Athora Netherlands Internal Audit does not take part in determining, implementing or steering of Athora Netherlands' risk appetite, risk management processes and risk responses. Athora Netherlands Internal Audit reports to the chairman of the Executive Board of Athora Netherlands and has direct access to the Chairman of the Audit Committee of the Supervisory Board of Athora Netherlands.

Athora Netherlands Internal Audit performs risk based audits on Athora Netherlands' risk management processes, including their design and how well they are working, on the management of key risks, including the effectiveness of the controls and other activities, and on the reliability and appropriateness of risks and reporting of risk and control status. This means formulating an opinion on whether the organisation’s risk management methodology is understood by key groups or individuals involved, including the Executive Board and the Audit Committee. Further, Audit assesses whether risk management processes are sufficient to protect the assets, reputation, and ongoing operations of the organisation.

Risk Committees

In addition to the risk management organisation, Athora Netherlands has established Risk Committees to manage risks effectively. Athora Netherlands has established at Group level the following Risk

Committees: Risk Committee Executive Board (RC-EB), Finance and Risk Committee (FRC), Investment and Balance Sheet Committee (IBC), Operational Risk and Compliance Committee (ORC Athora Netherlands) and Product Committee (PC). The ORC Athora Netherlands is leading for the underlying MT's, where the issues regarding Operational Risk and Compliance are discussed. The PC is leading for the underlying extended MT's for Products, Marketing and Pricing.

Key Functions

In accordance with Solvency II Athora Netherlands recognises four Key Functions. The Functions carry out activities on behalf of all insurance entities of Athora Netherlands. The CRO is the Risk Management Function Holder, the Managing Director Risk is the Actuarial Function Holder and the Director Non-financial Risk is the Compliance Function Holder. The Director Athora Netherlands Internal Audit is the Audit Function Holder.

The Risk Management Function (RMF) coordinates the Enterprise Risk Management Report (ERM Report), an integrated report with Key Takeaways from the three second line Key Functions (Risk Management Function, Actuarial Function and Compliance Function). Besides the major financial, and non-financial risks within Athora Netherlands it shows strategic developments and emerging risks. The ERM Report presents issues compiled on the basis of the information obtained from monitoring reports, risk dashboards, RAS, Internal Control Statements, reports by internal and external regulators, incidents and issues reported, and own assessments & perceptions. The Risk opinion is discussed in the risk committees and in EB, RC-EB and the Risk Committee of the Supervisory Board.

The RMF provides annually the Risk Management Function Review Report, aimed at providing a sufficient level of assurance that the Solvency II-figures, and Solvency II and IFRS sensitivities, are determined adequate and reliable. This RMF report is submitted to the RC-EB and the Audit Committee of the Supervisory Board.

The Actuarial Function (AF) opines on the adequacy of the Technical Provision used for IFRS-LAT and Solvency II purposes. It furthermore assesses the reliability and adequacy of Underwriting and Reinsurance programmes. The Actuarial Function Report (AFR) is submitted to the RC-EB and the Audit Committee of the Supervisory Board.

Regularly the RMF and the AF submit an update based on the follow-up of findings in the AFR and RMF report, supplemented with recent findings and advices. This update is part of the ERM report.

The main purpose of the Compliance Function is to support management in conducting its business operations in a controlled, honest and sound manner, and with regard to the risks which in this context are a threat to achieving the strategic objectives, obligations arising from laws and regulations, insights from social discussions and guidelines imposed by regulators. The Compliance Function provides regularly, as part of the ERM Report, a report on the most important Compliance Risks of Athora Netherlands to the RC-EB and the Risk Committee of the Supervisory Board.

B.3.2.6 Risk Policy

Athora Netherlands has an integrated risk management policy structure. The entire policy structure is accessible to employees through the internal policy site. The policy structure ensures the timely identification and assessment of risks and adequate monitoring and reporting of the material risks, both on board and workplace level. The Risk Policy is structured in levels, the aim is to give insight in the cascading from (Solvency II) legislation, (second line) risk policy, corresponding processes and (first line) implementation. At least once a year the Risk Policies are assessed, adjusted if necessary and approved following regular governance.

B.3.2.7 Risk Management Process

In this section for Underwriting Risk, Market Risk, Counterparty Default Risk and Non-financial risk the Risk Management Process is elaborated. For Liquidity Risk and Model Risk this is included in sections C.4and C.5.

B.3.2.7.1 Underwriting Risk

Athora Netherlands assesses new underwriting risks continuously and manages existing underwriting risks, for both new business and for the existing portfolio.

Operational Plan

Derived from the Athora Netherlands strategy, the Operational Plan (OP) sets targets with respect to volume and value of new business and the existing portfolio. The OP describes the planned development of the insurance portfolio together with the related capital requirement for the next three years taking into account an assigned risk budget or available capital. The OP sets out in broad terms whether Athora Netherlands wants to enter new markets, which forms of distribution will be used, whether new (forms of) insurance products will be developed, and which products will be adjusted or terminated. It also lays down possible measures relating to acceptance and the mitigation of claims.

Product Development, Pricing and Acceptance

In accordance with the OP, new or adjusted products are developed which follow the Product Approval and Review Process (PARP). Starting from the customer's interests the target group, coverage and terms and conditions are determined. This is the basis for the best estimate risk premium, taking into account options and guarantees, capital requirements and the internal pricing curve. Furthermore, criteria related to profitability and risk control measures (acceptance criteria, clauses, any reinsurance) must be met.

The Product Committee (PC), in which the Solvency II second line Key Functions are represented, is responsible for approval of new products, including the pricing. A selling product review is performed regularly, existing products follow a risk based product review calendar.

Technical Provisions

The provision is calculated monthly. The IFRS Liability Adequacy Test on the premium and claims reserves is performed once a quarter, or more frequently if this is deemed necessary. Any reserves that are inadequate are increased. The most recent insights as to parameters are involved. The Actuarial Function assesses the Solvency II Technical Provision and expresses an opinion on its reliability and adequacy at least once a year.

Parameter Study

The evaluation for long-term policies (Life, Disability) of the underwriting parameters (e.g. mortality, lapses, disability, recovery) takes place by a parameter study. The aim of this study is to value the existing insurance portfolio and set the cost price of new Life insurance policies. Thereby relevant information on portfolio developments is taken into account.

Portfolio Analysis

Portfolio analysis is aimed at optimising risks and returns within the risk policy structure. This can lead to new strategic insights in areas such as entering new markets or terminating products. The analysis is based on the impact of underwriting risks following from various measures: SII own funds, long-term profitability, SCR and the VNB. Based on the risk appetite, Athora Netherlands mitigates underwriting risks primarily by means of diversification and reinsurance.

B.3.2.7.2 Market Risk

The ALM-policy covers the management of market risk, counterparty default risk and liquidity risk.

The starting point for the ALM policy is the Balance Sheet Assessment (BSA), which is drawn up annually. The BSA seeks to find an optimum between risk and return within the preconditions that apply with regards to solvency, laws and regulations. This BSA is used as a basis for defining a Strategic Asset Allocation (SAA), which is in turn used to translate specific investment activities into an investment plan and investment mandates for ACTIAM and selected other asset managers, taking into account the risk tolerances in the Risk Appetite Statements (RAS), solvency ratio, the tax position and the long-term risk exposure. When finalising the SAA, specific attention is paid to the availability of sufficient expertise in the segments in which investments are held. All investments are monitored by means of reports on performance and capital.

Investments are made in accordance with the prudent person principle and in the interest of the policyholders. The prudent person principle forms part of the ALM policy. Investments are made exclusively in assets and instruments for which the risks are properly identified, measured, monitored, managed, controlled and reported, but also comply with ESG principles.

The way Athora Netherlands has organised its investment governance and oversight for both Own Account and Unit Linked ensures that the investment process operates in the context of (and ensures consistency with) the nature and duration of the insurance and re-insurance liabilities, the strategic and financial plans, the Risk Strategy and ensures that the overall risk position remains within the Risk Appetite Statement and other risk limits.

Athora Netherlands monitors and mitigates market risk in close cooperation with ACTIAM. For mitigation, instruments such as interest rate swaps, futures, FX forwards, interest rate swaptions and fixed income investments are used.

Sensitivity Analyses and Stress Tests

Stress tests provide information on how sensitive investments and liabilities are to interest rate risk and other market risk. These risks are quantified (and monitored) on a regular basis.

For interest rate risk several parallel and non-parallel shocks are defined. For market risk a number of combined scenarios is determined with (different) simultaneous shocks to the various sub-market risks.

These market risk scenarios are monitored and reported on a regular basis, and if deemed necessary adjustments are made to existing market risk exposures (e.g. interest rate risk). The aim is to reduce the sensitivity of the Solvency II ratio within pre-defined risk appetite levels. This evaluation is supported by metrics for yield curve risk including non-linear interest rate risk (convexity). In this way Athora Netherlands manages interest rate risk of the Solvency II ratio.

This approach reflects the sensitivity of the entire statement of financial position (of fixed cash flows, options, risk margin and required capital) drawn up.

B.3.2.7.3 Counterparty Default Risk

In addition to the calculation of SCR Counterparty Default Risk, Athora Netherlands has developed a complementaryCounterparty Risk Policy for internal use. This risk is measured in terms of Stress Loss (SL) and Loss At Default (LAD) derived thereof and encompasses all instruments/exposures with credit exposures that are in scope for SCR Credit Spread, SCR Concentration Risk and SCR Counterparty Default Risk. Appropriate internal SL and LAD limits have been incorporated in the ALM policy and must be adhered to.

Athora Netherlands uses the methodology set out in the internal Counterparty Risk Policy to aggregate and monitor all counterparty exposures to various types of counterparties, such as (sub)sovereigns, financials and corporates on the individual counterparty basis. Monthly Counterparty Risk reports are generated and discussed by the Investment Committee for Athora Netherlands and subsidiaries SRLEV and Proteq, and appropriate measures are taken when limits are exceeded.

Athora Netherlands manages counterparty default risk within the set frameworks. Investments may have to be sold when deemed necessary. Risk mitigating contracts or clauses are drawn up in cooperation with ACTIAM and Legal Affairs. The counterparty default risk at Athora Netherlands is measured by the exposure to individual parties and, as the case may be, aggregating exposures with similar characteristics.

For each type of credit risk, the roles, powers and responsibilities of officers and committees, including tiered decision-making powers, are recorded in the policy documents for the relevant type of credit risk.

B.3.2.7.4 Non-financial Risk (including Operational Risk)

Non-financial risks (Compliance risks and Operational risks, see section C.5) are managed following the risk management cycle: risk identification, risk measurement, risk mitigation, risk monitoring and risk reporting.

Risk Identification

Athora Netherlands systematically analyses Compliance and Operational Risks in order to make the risks transparent. This will enable Athora Netherlands to control and manage its exposure within the risk tolerance limits in an efficient way. Risk identification is performed through risk assessments and, top-down and bottom-up risk analysis.

Risk Measurement

Athora Netherlands uses a methodology to measure its operational risks based upon the combination of the likelihood of occurrence and the impact upon occurrence of the risk. This methodology is referred to as the risk rating procedure. The risk rating procedure is an assessment of the risk exposure Athora Netherlands is facing at a certain moment in time, and an approach to assess the needs for controls, corrective actions and/or additional controls.

Risk Mitigation

NFR supports and challenges the first line in the recognition and mitigation of Non-Financial Risks. For this, it carries out research, monitors control measures and informs management. This includes an integrated incident overview, the Non-Financial Risk Appetite KRI scores, and the effectiveness of management and process controls to draw attention to relevant issues in the field of internal control. NFR facilitates the business in training and awareness on Compliance and Operational Risks.

Risk Monitoring

The objective of risk monitoring is to ensure that the internal control over the business processes remain effective and within the risk tolerance. Controls are designed to detect shortcomings in the control over processes. This is assessed through regular testing by the first line. Internal Control assesses through its monitoring activities whether the test results provide a reliable basis for the assessment of the level of control. NFR also monitors the progress of the implementation of laws and regulations and also on design, existence and operational effectiveness of the first line responsibility to implement laws and regulations.

Risk Reporting

In line with the RC-EB frequency NFR reports developments in non-financial risks and own observations in a Non-Financial Risk report, which provides a comprehensive overview of the major non-financial risks and incidents within Athora Netherlands. The Non-Financial Risk report is combined with the Financial Risk, Model Risk and Actuarial Function reports into the Enterprise Risk Management Key Take Aways.

Developments

In 2020 the management of the non-financial risks focused on five main developments, 1) the change of ownership of Athora Netherlands, 2) the Migration of P&C to NN, 3) remediation program Sanctions AML, 4) ICF improvement program and 5) the activities that are related to that, and the impact of COVID-19 crisis on the organisation. In order to maintain a sound and controlled organisation, the associated risks were addressed, managed and monitored within the Athora Netherlands risk management procedures.

B.3.3 ORSA

As part of its risk-management system Athora Netherlands conducts its own risk and solvency assessment (ORSA). That assessment includes:

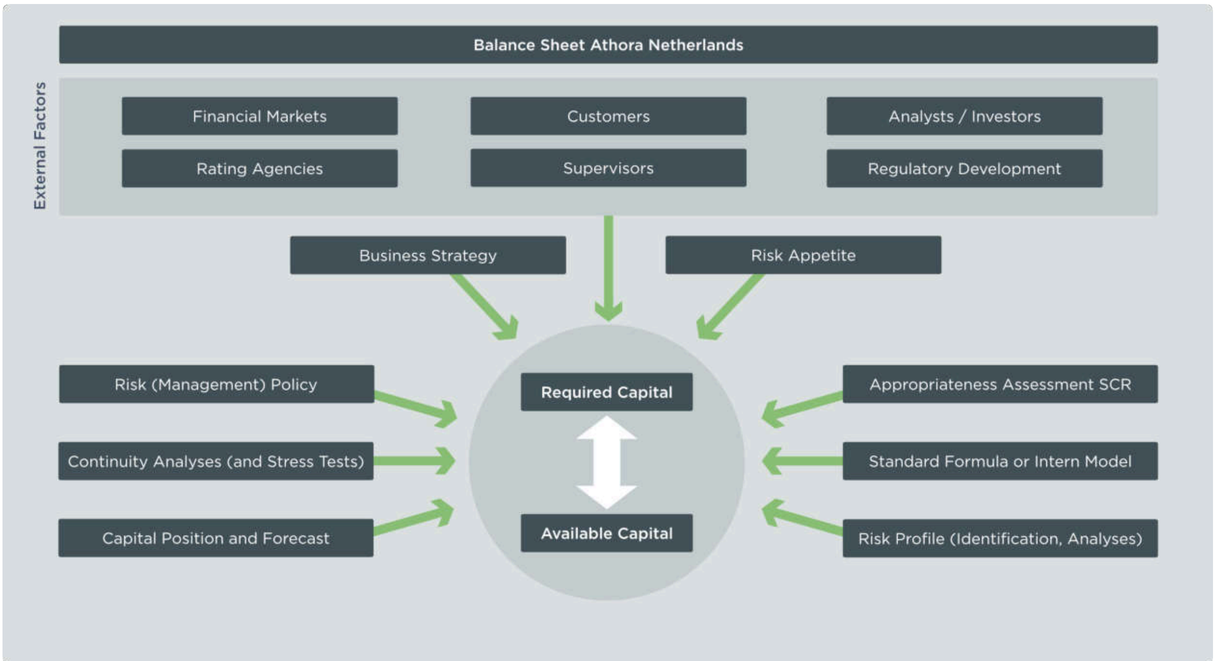
- the overall assessment of solvency taking into account the specific risk profile, approved risk tolerance limits and the business strategy of Athora Netherlands;
- the significance in which the risk profile of Athora Netherlands deviates from the assumptions underlying the SCR calculated with the standard formula.

The ORSA is an integral part of Athora Netherlands' management control cycle and is filed with the regulator.

B.3.3.1 ORSA Process

The ORSA considers external factors, the business strategy, future developments, the risk profile and risk appetite to assess the amount and quality of capital. An overview is shown in the figure below.

ORSA Process



Athora Netherlands performs the ORSA annually and if any significant change in its risk profile occurs. The Executive Board is accountable and actively involved. The appropriateness of the risk measurement is assessed and adequacy of capital is tested against a range of stressed scenarios thereby considering the possible effect of management actions.

B.3.3.2 Scenario Tests and Mitigation Action

An extensive risk identification process takes place. The identified risks are subject to a range of stress scenarios, which are severe but plausible, to test the financial position of Athora Netherlands. This is in contrast to the Preparatory Crisis Plan, in which the scenarios should be severe enough to create a direct threat to the going concern of Athora Netherlands.

For all scenarios in the ORSA mitigating management actions have been assessed.

B.3.3.3 Main Conclusions

Athora Netherlands concludes that the standard formula is an appropriate risk management for Athora Netherlands' risk profile and Athora Netherlands' solvency is adequate for protecting its policy holders. Risks that are out-of-scope of the standard formula have been identified in risk assessments, examined in stress scenarios and mitigated by managerial actions. The quality of Athora Netherlands' capital is sufficient, refinancing of a limited part of Athora Netherlands loans is only due in 2024. Athora Netherlands complies with capital requirements and substantial liquidity and a Revolving Credit Facility is available to recover from stress. Athora Netherlands believes that capital generation should improve substantially by moving towards the new strategic asset allocation and making the organisation more efficient and simultaneously growing the pension business, as planned in the new strategy.

B.4 INTERNAL CONTROL SYSTEM

B.4.1 Integrated Control Framework

The Integrated Control Framework (ICF) is Athora Netherlands' internal control system and is part of its Risk Management System. The objective of the ICF is to provide reasonable assurance regarding the design, effectiveness and efficiency of Athora Netherlands' management activity, operations and processes, the reliability of Athora Netherlands' financial, operational and other internal and external reporting, and compliance with regulatory requirements.

Internal control is a dynamic and iterative process. The ICF contains four core components within this process that form the basis to ensure and provide assurance for a sound and controlled execution of the operations within Athora Netherlands. These components are Risk assessment, Control activities, Testing and assurance and Monitoring activities. For all these components standards and key requirements are defined.

The ICF forms the basis for sound and controlled operations within Athora Netherlands and monitors Process Controls and Management Controls.

B.4.2 Process Controls and Management Controls

Optimisation of Integrated Control Framework

The improvement and optimization of the Integrated Control Framework (ICF) is a continuous process. On the one hand Athora Netherlands' organisation develops and changes over time and the ICF needs to adapt to the new situation. On the other hand there is also a continuous process to improve the effectivity of the ICF itself. The basis of the ICF and the GRC tooling was implemented in the period 2015-2017. Like in the previous years also in 2020 new initiatives were taken for further improvements. Based on an analysis of all the individual areas within the ICF a comprehensive program has started where all the stakeholders are involved. The focus of this program is to strengthen the fundament of the ICF, namely the quality of process risk assessments, process- and key control design and change procedures. This program continues in 2021 and will help Athora Netherlands to develop and change in a sound and controlled manner.

Testing of Effectiveness

Periodically the effectiveness of process key controls is tested according to a predefined schedule. Within a quarterly cycle the first line performs the testing activities for those process key controls that are subject to testing requirements. The second line department performs an independent review which may contain a reperformance. The results of the review activities are discussed with and followed up by responsible first line management. Management controls (or entity level controls) provide an understanding and insight in the maturity level of risk management and risk control in the individual Product- and Functional Lines. Management controls are designed on the basis of relevant legislation (e.g. WFT, Solvency II) and internal risk management and compliance policies. The individual management controls are tested annually by the first line in a self-assessment process. The Operational Risk Management and Compliance departments perform an independent second line review on the results. All second line review results are reported to Business Lines and Functions, and on an aggregated level to the EB.

The professional standards and scoping used for testing by Athora Netherlands' first and second line are assessed by the external auditor in order to, as much as possible, make use of these testing procedures for audit purposes.

Management Controls – Maturity level increased in 2020

In 2020, the maturity level of risk management and risk control increased further as compared to 2019. Amongst others an increase was measured in maturity on Data Management (including governance and data quality in Solvency II reporting) and Process Management.

B.4.3 Compliance function

The main purpose of the Compliance Function is to support management in conducting its business operations in a controlled, honest and sound manner, and with regard to the risks which in this context are a threat to achieving the strategic objectives, obligations arising from laws and regulations, insights from social discussions and guidelines imposed by regulators, through:

- Systematic identification analysis of Integrity Risks;
- Drafting and communicating understandable and clear policies and guidelines with regard to Compliance Risks;
- (Pro) actively promoting within Athora Netherlands, a culture of integrity and openness;
- Stimulating and substantively monitoring the Product Lines and Functional Lines in adhering to relevant laws and regulations, codes of conduct, policies and (internal) standards, and also monitoring the implementation of laws and regulations within Athora Netherlands on progress and monitoring the design, existence and operation of the first line responsibility to implement laws and regulations. Monitoring by the Compliance Function focuses on laws and regulations related to integrity and behaviour;
- Challenging both solicited and unsolicited proposals, advises, steering information and management in relation to integrity and Compliance Risks;
- Reporting to EB and SB on adherence to laws and regulations and with regard to identified shortcomings, which remedial measure were taken or are required to be taken.

The Compliance Function is a second line function and is assigned to the Non-Financial Risk department. It carries out its activities on behalf of all entities of Athora Netherlands and performs its tasks independently and takes into account the interests of all its relevant stakeholders. The Director Non-Financial Risk is the Compliance Function Holder (CFH). In order to ensure the independent role of the CFH, several safeguards have been implemented, amongst others that the CFH (a) is represented in the RC-EB and the Operational Risk & Compliance Committee and Product Marketing Pricing MT's; (b) has periodic bilateral meetings with the CEO and an escalation line to the CEO and if deemed necessary by the CFH, to the Chairman of the SB; and (c) the Annual Compliance Plan and budget of the Compliance Function is subject to approval by the EB and the Risk Committee of the SB.

B.5 INTERNAL AUDIT FUNCTION

Athora Netherlands Internal Audit is the independently operating audit function: Athora Netherlands Internal Audit provides assurance and consulting services, helping Athora Netherlands to accomplish its objectives by evaluating and improving the effectiveness of governance, risk management and control processes.

Athora Netherlands Internal Audit does not take part in determining, implementing or steering of Athora Netherlands' risk appetite, risk management processes and risk responses. Athora Netherlands Internal Audit reports to the chairman of the Executive Board of Athora Netherlands and has direct access to the Chairman of the Audit Committee of the Supervisory Board of Athora Netherlands.

Athora Netherlands Internal Audit performs risk based audits on Athora Netherlands' risk management processes, including their design and how well they are working, on the management of key risks, including the effectiveness of the controls and other activities, and on the reliability and appropriateness of risks and reporting of risk and control status. This means formulating an opinion on whether the organisation's risk management methodology is understood by key groups or individuals involved, including the Executive Board and the Audit Committee. Further, Audit assesses whether risk management processes are sufficient to protect the assets, reputation, and ongoing operations of the organisation.

B.6 ACTUARIAL FUNCTION

The Managing Director Risk is accountable for the Actuarial Function (AF). The main responsibilities of the AF are to coordinate the calculation of the technical provision, to express an opinion on the overall underwriting policy, to express an opinion on the adequacy of reinsurance arrangements and to contribute to the effective implementation of the risk-management system, in particular with respect to the risk modelling underlying the calculation of the capital requirements and to the own risk and solvency assessment.

In order to ensure an independent opinion of the AF, safeguards have been implemented. The AF is represented in various risk committees. That is, in particular, the RC-EB, FRC, PC and the PMPs of the Product Lines. The representation and escalation procedure are registered in the mandates of the committees. The AF co-operates closely with the Risk Management Function. The Managing Director Risk reports to the CRO, however the AF holder has a direct escalation line to both Executive Board and the Chairman of the SB. Position, rights and authorities of the AF are defined and approved on by the RC-EB.

B.7 OUTSOURCING

Athora Netherlands has outsourced several business activities to improve its operational efficiency. The full responsibility and accountability for the results of the activities performed by the service suppliers remains with Athora Netherlands. To manage the outsourcing risk Athora Netherlands has a written Outsourcing policy in place to safeguard controlled and sound business operations. The policy contains requirements and guidelines under which activities can be performed by an external service provider. The policy is applicable for all legal entities operating within Athora Netherlands.

The performance of the outsourcing of activities is regulated by a written contract. The contract contains the conditions under which the service provider must operate. This includes quality standards, continuity guarantees and reporting requirements. The exit clauses are also taken up to guarantee a smooth hand over in case the activities have to be taken back by Athora Netherlands. Compliance by the service provider to the treaty is monitored through regularly discussions with the service provider on several levels and includes the option of conducting an audit by Athora Netherlands Internal Audit.

Athora Netherlands distinguishes between the following main outsourcing categories:

- Outsourcing of business processes to external service providers (Business Process Outsourcing). This relates to primary processes and ancillary processes.
- Outsourcing to other legal entities within Athora Netherlands. Control principles are applied in proportionality to the intra-group relation. This applies for example for key functions.
- Outsourcing of IT processes and/or assets to external service providers and/or suppliers. This concerns software development (customisation), management of IT components, housing of IT, or external hosting and management.
- Outsourcing of insurance activities to authorised agents.
- Outsourcing of asset management services. The Athora Netherlands outsourcing policy applies to outsourcing to ACTIAM by insurance entities within Athora Netherlands and/or subsequent sub-outsourcing by ACTIAM to a party outside Athora Netherlands Group. With respect to outsourcing of asset management, ACTIAM has its own outsourcing policy.

B.8 ANY OTHER INFORMATION

No other disclosures are applicable.

C RISK PROFILE

RISK CLASSIFICATION

Athora Netherlands provides insight into the risks for the business itself and for its stakeholders to manage these risks within the indicated tolerance levels. This includes both behaviour related and financial aspects of Risk Management. Clarity is crucial to ensure adequate risk management. In order to clarify the communication and management of risks, the risk classification includes an extensive list of mutually exclusive risk types to which Athora Netherlands is or could be exposed.

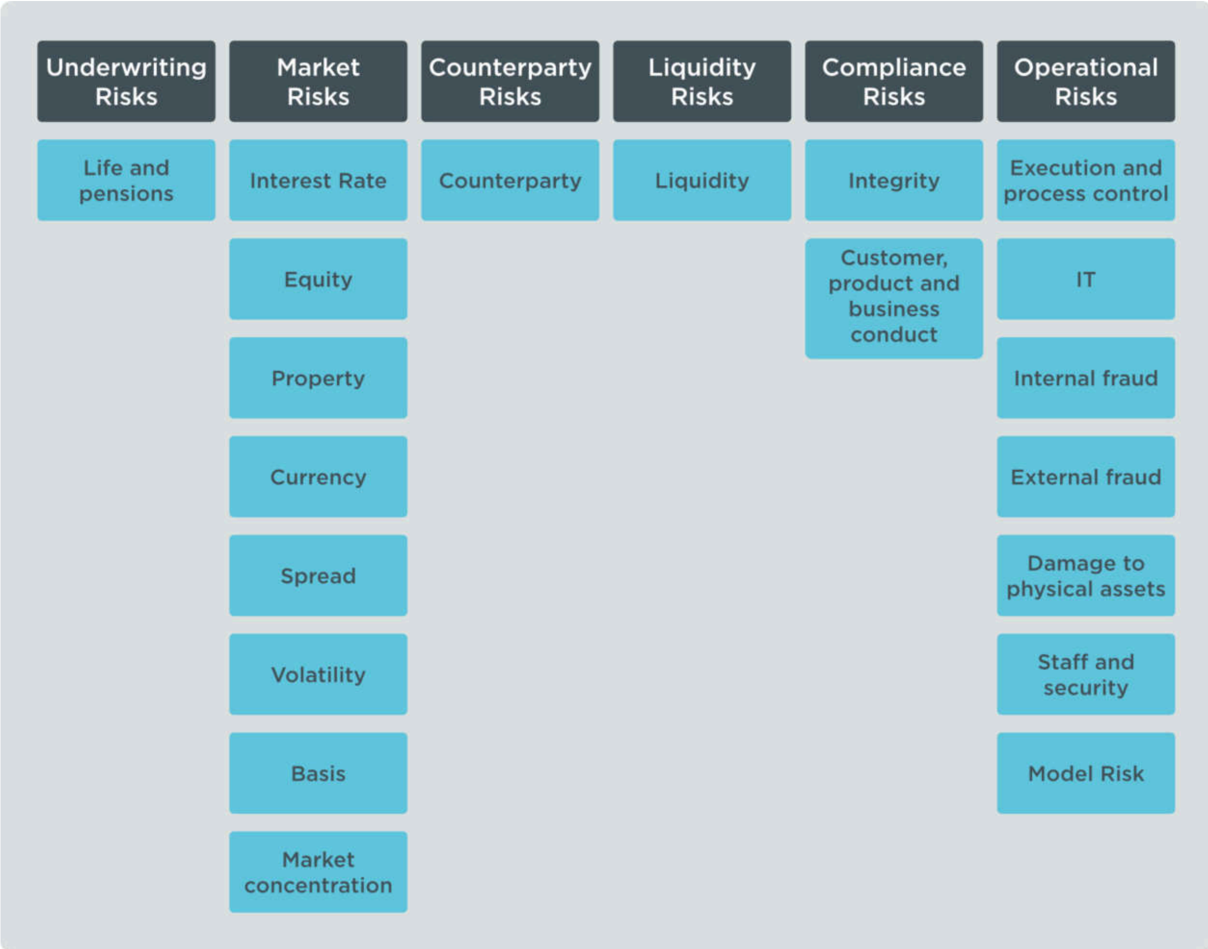
Athora Netherlands has defined and structured different risk types, partly based on applicable laws and regulations (such as SII Standard Formula), and on the international ORX Reference Taxonomy. As part of its strategy, Athora Netherlands deliberately takes Underwriting risks and Market risks aiming for returns. As a consequence, taking Counterparty risk and Liquidity risk may contribute to those returns. Compliance risk and Operational risks are inherent risks that do not provide more returns when taking more risk and have to be controlled and managed at a minimal level.

Strategic risks relate to future business developments and may eventually materialise as one of the main or sub risk types. Strategic risks are monitored in the Enterprise Risk Management Report. In the risk assessment on the Operational Plans several internal and external strategic development scenarios are taken into account.

Emerging risk is a newly developing or changing risk that may evolve to one of the main or sub risk types, and which is perceived to have a potential significant impact on Athora Netherlands financial strength, competitive position or reputation. Identifying and assessing emerging risks are incorporated in the risk management system.

Athora Netherlands applies the Solvency II Standard Formula. Not all of the risk categories are part of the Solvency Capital Requirement (SCR) calculation. The SCR calculation does not contain Liquidity, Model and Compliance Risk.

Risk classification



The tables below show a breakdown of the SCR of Athora Netherlands and of its solo entities:

SOLVENCY CAPITAL REQUIREMENT AT 31 DECEMBER 2020			
In € millions	**SRLEV**	**Proteq**	**Athora Netherlands**
Life underwriting risk	1,378	24	1,399
Underwriting risk Non-Life	-	-	-
Underwriting risk Health	-	-	-
Market risk	1,428	29	1,500
Counterparty default risk	157	6	164
Diversification	-690	-15	-714
Basic Solvency Capital Requirement	**2,273**	**44**	**2,349**
Operational risk	195	2	195
Loss-absorbing capacity of technical provisions	-5	-	-5
Loss-absorbing capacity of deferred taxes	-	-	-
Net Solvency Capital Requirement	**2,463**	**46**	**2,539**
Capital requirements of other financial sectors			30
Consolidated Group SCR			**2,569**

SOLVENCY CAPITAL REQUIREMENT AT 31 DECEMBER 2019				
In € millions	SRLEV	VIVAT Schade	Proteq	Athora Netherlands
Life underwriting risk	1,468	-	26	1,489
Underwriting risk Non-Life	-	220	-	220
Underwriting risk Health	-	295	-	295
Market risk	1,060	38	23	1,165
Counterparty default risk	206	12	2	216
Diversification	-646	-176	-11	-1,038
Basic Solvency Capital Requirement	**2,088**	**389**	**40**	**2,347**
Operational risk	187	24	2	207
Loss-absorbing capacity of technical provisions	-	-	-	-
Loss-absorbing capacity of deferred taxes	-	-32	-	-32
Net Solvency Capital Requirement	**2,275**	**381**	**42**	**2,522**
Capital requirements of other financial sectors				26
Consolidated Group SCR				**2,548**

The main risk profile changes in 2020 for Athora Netherlands and SRLEV relate to higher market risk (higher spread risk due to re-risking, higher interest rate risk due to lower interest rates and lower diversification benefit between equity, property and spread risk due to change of leading interest scenario from up to down) and lower life underwriting risk (lower longevity risk due to a new longevity reinsurance contract with Canada Life). Due to the carve out of VIVAT Schade, Athora Netherlands is not exposed to health and non-life underwriting risk anymore. This also results in a lower diversification benefit.

In 2020, the SCR for Proteq increased mainly due to higher market and counterparty default risk, because of market development (lower interest rates).

Changes in the item "Diversification" is the result of changes in the underlying risk modules. Not all risks will materialise at the same time and at their full magnitude resulting in diversification between different risk types.

Interest rate shocks can also have an impact on the loss-absorbing capacity of technical provisions (LAC TP). Article 83 of the Delegated Regulations requires to report this impact separately from the SCR Interest rate scenario. As the LAC TP is not applicable in a leading up scenario, the change from a leading up scenario towards a leading down scenario explains the non-zero LAC TP in 2020.

When determining the Net Solvency Capital Requirement, the loss-absorbing capacity of deferred taxes may be set off against the Basic Solvency Capital Requirement. Athora Netherlands has examined whether, following a loss of the same size as the (pre-tax) SCR shock, future profits will be sufficient to be able to recover, partially or fully, the change in deferred tax assets caused by that loss. The Loss-Absorbing Capacity Deferred Taxes (LAC DT) in the SCR is set at 0% for its legal entities, except for legal entities with a net Deferred Tax Liability (DTL). In these cases the Loss-Absorbing Capacity of Deferred Taxes equals the net DTL-position. LAC DT of the group entity Athora Netherlands has been determined as the consolidated sum of its legal insurance entities. As VIVAT Schade was the only entity with a DTL position and therefore LAC DT, the resulting LAC DT is now after the carve-out for all entities prudently set at zero.

Capital Requirements of other financials sectors refer to holdings which are subject to a different regime than Solvency II.

The risk categories will be explained in more detail in the next paragraphs. To give more insight in the risks the company is exposed to, sensitivities are determined on best effort basis for different underwriting and market risks in the next sections. For underwriting risks and spread risks the sensitivities shown are the estimated impact on own funds without recalculating the SCR after shock. For the other market risks the sensitivities shown are the estimated impact on own funds including the estimated impact on the SCR market and life underwriting risk after shock. The impact of interest rate sensitivity on SCR counterparty default risk has been taken into account.

C.1 UNDERWRITING RISK

C.1.1 Risks - general

The underwriting risk is the risk that the own funds, earnings or solvency will be threatened as a result of the inability to make payments (either now or in the future) from premium and/or investment income owing to incorrect and/or incomplete assumptions (mortality, longevity, disability-morbidity, policyholders' behaviour, catastrophes, interest and expenses) used in the development of the product and the determination of its premium. The interest rate risk related to insurance products forms part of the market risk.

C.1.2 Life

Life includes SRLEV and Proteq

C.1.2.1 Risk categories

The underwriting risk in the Life business includes the significant sub-risk categories of mortality risk, longevity risk, lapse risk, catastrophe risk and expense risk. It may include disability and recovery risk to a limited degree. Athora Netherlands is also exposed to interest rate risk in the context of guarantees for both IFRS and Solvency II.

Mortality Risk and Longevity Risk

The risk most typically associated with Life insurance policies is mortality and longevity risk. These risks mainly affect the duration and timing of the payment of the insured cash flows. Mortality risk indicates the risk for the company of the policyholder dying earlier than expected. In the case of a life benefit, the longevity risk for Athora Netherlands is that the policyholder might live longer than expected (longevity risk). The financial impact of the difference between the date the policyholder is expected to die and the actual date of death can be substantial, particularly in the case of longevity risk.

To forecast the survival probabilities of the entire population, Athora Netherlands uses the model published by the Netherlands Actuarial Association (Projection table AG2020) which combines mortality rates of several European countries with those of the Netherlands. The probabilities are reviewed at least once a year and updated if necessary to include the most recent observations. Once a year Athora Netherlands also reviews and if required updates the empirical figures for portfolio mortality on the basis of research into observed mortality within the Life portfolio.

Disability-morbidity Risk

Other underwriting risks that affect the Life insurance portfolio is the risk of being (partly) incapacitated for work for a period or on a permanent basis. The financial impact is mostly dependent on the age, the sum insured and the disability percentage of the policyholder.

Lapse Risk

Other underwriting risks that affect the Life insurance portfolio are risks associated with policyholders' behaviour, such as early surrender (the policyholder terminates the policy before the maturity date) or conversion to a paid-up status (the policyholder terminates the regular premium payment before the maturity date).

Life Expense Risk

Athora Netherlands runs expense risk if actual costs turn out to be higher than the amounts received from the cost loadings included in the pricing calculation. This relates to changes in the level, trend or volatility of the costs related to the fulfilment of insurance or reinsurance contracts.

Athora Netherlands uses a ‘moderate going concern’ assumption in its models. This means that it takes into account portfolios that decline in size owing to growth from new policies failing to keep pace with the expiry of existing policies. As a result, it will be harder to spread fixed costs over a declining total number of policies. This assumption is reflected in the projection parameters for the technical provision.

Life Catastrophe Risk

With respect to Life insurance, in the event of a catastrophe the risks will be concentrated primarily in the group insurance portfolio. Participants in a group contract often work at the same location or undertake joint activities, which brings about a concentration of risk. Such concentrations of risks have been partly offset through the use of reinsurance.

Interest Rate Guarantee Risk

In the case of traditional insurance policies, Athora Netherlands bears the interest rate risk on the investments that are held to cover the obligations to policyholders. When a benefit or annuity payment is due, Athora Netherlands pays the policy holder a predetermined nominal amount. In contrast, Athora Netherlands does not run any interest rate risk on pure unit-linked contracts. However, Athora Netherlands has issued interest rate guarantees for some unit-linked insurance policies, as a result of which it is exposed to an interest rate risk in respect of products of this type. A guaranteed minimum return on maturity or a guaranteed yearly return applies in the case of unit-linked investment policies with an interest rate guarantee.

In the case of Group insurance policies with separate accounts, it is the policyholder that, in principle, bears the market risk. The policyholder is the institution that concluded the contract to insure the pension commitments for its employees with Athora Netherlands. Athora Netherlands guarantees the payment of the insured pension rights. The value of the investments has to be at least sufficient to cover the provision for accrued pension rights that are guaranteed. Additional measures may also have been agreed contractually to compensate for investment losses up to a certain amount (e.g. the creation of an additional provision/buffer in the investment account). Athora Netherlands is entitled to reduce the market risk if the additional provisions/buffers are insufficient. If the value of the investments (including any contractually agreed additional measures) turns out to be insufficient, the remaining deficit is for the risk of Athora Netherlands.

The following table indicates which risks are associated with specific products for the Life insurance portfolio of Athora Netherlands.

PRODUCTS IN THE LIFE INSURANCE PORTFOLIO (SOLVENCY II)								
	Product features		Risks per product					
Product	Guarantee	Profit-Sharing	Mortality	Longevity	Cata-strophe	Lapse	Expense	Disability
Savings-based mortgage	Mortgage interest		√		√	√	√	
Life annuity	Regular payment			√			√	
Term insurance	Insured capital	[1]	√		√	√	√	
Traditional savings	Insured capital	√	√	√	√	√	√	
Funeral insurance	Insured capital	√	√	√	√	√	√	
Individual insurance policies in investment units	[2]		√	√	√	√	√	
Group insurance policies in cash	Regular payment / Insured capital	√	√	√	√	√	√	√
Group insurance policies in investment units			√	√	√	√	√	√
Group insurance policies with separate accounts	Regular payment / Insured capital[3]	√		√	√	√	√	√

1 Partly company profit-sharing

2 In some insurance guaranteed minimum yield applies at maturity

3 End of contract date contract contributory is not mandatory

C.1.2.2 Life insurance portfolio

The Life insurance portfolio contains individual (Individual Life) and Group insurance (Life Corporate) policies.

Individual policies are sold as policies with a fixed sum insured and policies with a benefit in units (unit-linked and universal life insurance). The traditional products were sold without or with profit sharing. The unit linked policies are without or with guarantees.

The Individual Life insurance portfolio mainly consists of unit-linked insurance policies, savings mortgage policies, endowments and other savings policies, term life policies, funeral policies and Life annuity insurance policies providing regular payments for a fixed period or for the remainder of the holder's life.

The Life Corporate portfolio consists of both traditional contracts where the investment risk is borne by the insurer, investment insurance (unit linked and universal life) and separate accounts, where the investment risk is borne by the customer. The separate accounts have an interest guarantee whereby at the current low interest rates this option has value for the customer.

The total portfolio is spread over policies with mortality risk and policies with longevity risk.

Co-insurance Life

Athora Netherlands has concluded a number of co-insurance contracts with one or more other insurers. In general, risk assessments are based on the information provided by the administrating company. In the case of co-insurance, each co-insurer is liable for its own part of the insurance. Every year, the leader of the contract draws up a report that Athora Netherlands uses to monitor the development of the portfolio and determine the provisions.

C.1.2.3 Life reinsurance

The insurance business has a largely integrated reinsurance programme for the life portfolio. For 2020 the catastrophe reinsurance cover was split into two separate reinsurance covers for the life and non-life legal entities to anticipate the upcoming acquisition. The catastrophe reinsurance contract for life was concluded as an umbrella cover for the different sub portfolios together, with a cover from € 15 million up to € 90 million.

As per year end 2018 Athora Netherlands (then: VIVAT) transferred part of the longevity risk through a full indemnity-based Quota Share reinsurance treaty. To further mitigate the longevity risk, Athora Netherlands has concluded an additional longevity risk transfer on a different part of the group life portfolio. These risks are also transferred through a full indemnity-based quota share reinsurance treaty. The impact has been reflected in the 2020 SCR calculations.

C.1.2.4 SCR Life and sensitivities

The tables below show the SCR of the underwriting risk Life, In these calculations only the policies which are negatively affected by these sensitivities are taken into account.

SCR LIFE UNDERWRITING RISK AT 31 DECEMBER 2020			
In € millions	**SRLEV**	**Proteq**	**Athora Netherlands**
Mortality risk	261	6	267
Longevity risk	789	3	792
Disability-morbidity risk	17	-	17
Lapse risk	255	3	258
Life expense risk	654	20	674
Life catastrophe risk	234	-	234
Diversification	-832	-8	-843
SCR Life underwriting risk	**1,378**	**24**	**1,399**

SCR LIFE UNDERWRITING RISK AT 31 DECEMBER 2019			
In € millions	**SRLEV**	**Proteq**	**Athora Netherlands**
Mortality risk	232	6	238
Longevity risk	939	2	941
Disability-morbidity risk	18	-	18
Lapse risk	325	3	327
Life expense risk	591	22	613
Life catastrophe risk	214	-	214
Diversification	-851	-7	-862
SCR Life underwriting risk	**1,468**	**26**	**1,489**

Athora Netherlands

The SCR for life underwriting risk decreased mainly due to a decrease of the longevity risk due to a new longevity reinsurance contract and a decrease of lapse risk due to the application of an interest rate curve more in line with the interest rate curve to be used for surrender values as included in the contracts. These decreases are partly offset by increases of life expense risk due to the rise of inflation expectations and of mortality risk and life catastrophe risk due to lower interest rates.

SRLEV

The SCR for life underwriting risk decreased mainly due to a decrease of the longevity risk due to a new longevity reinsurance contract and a decrease of lapse risk due to the application of an interest rate curve more in line with the interest rate curve to be used for surrender values as included in the contracts. These decreases are partly offset by increases of life expense risk due to the rise of inflation expectations and of mortality risk and life catastrophe risk due to lower interest rates.

Proteq

The life underwriting risk remained fairly stable. Life expense risk decreased mainly due to to an update of assumptions for Operational Expenses for the OP2021-2023.

Mortality risk

The capital requirement for life mortality risk is equal to the loss in basic own funds resulting from an instantaneous permanent increase of 15% in the mortality rates used for the calculation of the technical provisions. The increase in mortality rates will apply only to insurance policies for which the increase in mortality rates leads to an increase in technical provisions, without risk margin, being the best estimate provision.

Longevity Risk

The capital requirement for life longevity risk is equal to the loss in basic own funds resulting from an instantaneous permanent decrease of 20% in the mortality rates used for the calculation of the technical provisions. The conditions for the calculation are exactly the same as those specified in relation to life mortality risk, although in this case it concerns an increase in the best estimate provision in the event of a falling mortality rate. The groups whom this concerns will generally be those that are not affected by the life mortality risk.

Disability-morbidity risk

The capital requirement for disability-morbidity risk is equal to the loss in basic own funds resulting from the following combination of instantaneous permanent changes:

- an increase of 35% in the disability rates which are used in the calculation of the technical provision in the following 12 months;
- an increase of 25% in the disability rates which are used in the calculation of the technical provision in all months thereafter;
- a decrease of 20% in the recovery rates which are used in the calculation of the technical provision for all years

Lapse risk

The capital requirement for life lapse risk is equal to the largest of the following capital requirements:

- The capital requirement for the risk of a permanent increase in lapse rates. This is equal to the loss in basic own funds of insurance and reinsurance undertakings that would result from an instantaneous permanent increase of 50%.
- The capital requirement for the risk of a permanent decrease in lapse rates. This is equal to the loss in basic own funds of insurers and re-insurers that would result from an instantaneous permanent decrease of 50%.
- The capital requirement for mass lapse risk. This is equal to the loss in basic own funds that would result from a discontinuance of 40% of the policies.

At year end 2020, the risk of decrease in lapse rate is leading for Athora Netherlands. At year end 2019, the mass lapse risk was leading.

Life expense risk

The capital requirement for life-expense risk is equal to the loss in basic own funds that would result from the following combination of instantaneous changes:

- an increase of 10% in the amount of expenses taken into account in the calculation of the technical provisions;
- an increase of 1 percentage point in the cost-push inflation rate (expressed as a percentage) used for the calculation of the technical provision.

The above shock is applied to all Athora Netherlands' continuing operating expenses. Only the 10% increase is applied on the management fee of the investment portfolio, because these expenses are not sensitive to inflation.

Revision risk

This risk is not present in the portfolio, the effect of the shock is set to 0.

Life catastrophe risk

The capital requirement for life catastrophe risk is equal to the loss in basic own funds resulting from an instantaneous permanent increase of 0.15 percentage points to the mortality rates in the following twelve months.

The increase in mortality rates will apply only to insurance policies for which the increase in mortality rates leads to an increase in technical provisions, without risk margin, being the best estimate provision.

Diversification

Not all risks will materialise at the same time and at their full magnitude resulting in diversification between different risk types.

Sensitivities

The value of the Life insurance portfolio is sensitive to changes in the underwriting parameters used for calculating the market value of liabilities. In order to obtain information on these sensitivities, the effects of changes in mortality rates, surrender rates (including conversions to non-contributory policies) and expense assumptions, including inflation, are calculated separately. The most material items have been disclosed.

The key sensitivities of IFRS equity, or the Solvency II ratio, to changes in the underwriting parameters are the sensitivities to longevity risk and expenses. Due to the long term nature of the Life insurance portfolio these sensitivities are very sensitive for interest rate movements.

The Solvency II ratio sensitivities for underwriting parameters are based on the estimated impact on own funds without recalculating the SCR after shock.

Athora Netherlands

SENSITIVITY AS A RESULT OF CHANGES IN UNDERWRITING PARAMETERS						
	IFRS net result		IFRS shareholders' equity		Solvency II ratio	
In € millions	2020	2019	2020	2019	2020	2019
10% increase in surrender rates (including non-contributory continuation)	22	18	22	18	1%	2%
10% lower mortality rates for all policies (longevity risk)	-141	-221	-141	-221	-7%	-11%
10% increase in expenses assumptions + 1% increase in inflation	-505	-480	-505	-480	-26%	-24%

SRLEV

SENSITIVITY AS A RESULT OF CHANGES IN UNDERWRITING PARAMETERS						
	IFRS net result		IFRS shareholders' equity		Solvency II ratio	
In € millions	2020	2019	2020	2019	2020	2019
10% increase in surrender rates (including non-contributory continuation)	21	17	21	17	1%	2%
10% lower mortality rates for all policies (longevity risk)	-144	-223	-144	-223	-7%	-12%
10% increase in expenses assumptions + 1% increase in inflation	-491	-462	-491	-462	-27%	-26%

Proteq

SENSITIVITY AS A RESULT OF CHANGES IN UNDERWRITING PARAMETERS						
	IFRS net result		IFRS shareholders' equity		Solvency II ratio	
In € millions	2020	2019	2020	2019	2020	2019
10% increase in surrender rates (including non-contributory continuation)	1	0	1	0	0%	1%
10% lower mortality rates for all policies (longevity risk)	2	2	2	2	5%	6%
10% increase in expenses assumptions + 1% increase in inflation	-15	-17	-15	-17	-40%	-51%

C.2 MARKET RISK

C.2.1 Risks - general

Market risks can potentially have a substantial financial impact on the value of the assets and liabilities of the insurance business. Unfavourable changes in market conditions have an impact on Athora Netherlands' earnings and/or own funds. To manage the mismatch between the assets and liabilities an ALM (Asset and Liability Management)-framework is in place. This framework is designed to bring about an investment strategy that optimises the relationship between risks and returns. The framework also ensures that Athora Netherlands' operations remain within the boundaries of its risk appetite.

The market risk is the risk arising from changes in the level or volatility of market prices of financial instruments which have an impact on the value of the assets and liabilities of Athora Netherlands. The ALM-framework aims to properly reflect the structural mismatch between assets and liabilities, with respect to the duration thereof.

The following eight sub-market risks have been defined: interest rate risk, equity risk, property risk, spread risk, basis risk, market risk concentrations, currency risk and volatility risk. Athora Netherlands can achieve its financial objectives by managing these risks adequately. It does this by reducing losses due to movements in the level and/or volatility of market prices of financial assets, liabilities and financial instruments.

Compared to Solvency II (standard model) market risk classification, Athora Netherlands recognises two additional market risks, namely volatility risk and basis risk.

C.2.2 SCR Market risk

Exposure to market risk is measured under the Solvency II regime using adverse movements in financial variables. The main driver of market risk is the Solvency Capital Requirement for spread risk and to lesser extent the Solvency Capital Requirements for Equity and interest rate risk.

The relevant types of market risk in Solvency II are displayed in the table below:

SCR MARKET RISK AT 31 DECEMBER 2020			
In € millions	**SRLEV**	**Proteq**	**Athora Netherlands**
Interest rate risk	419	22	440
Equity risk	237	-	237
Property risk	151	-	151
Spread risk	843	11	854
Currency risk	86	-	206
Diversification	-308	-4	-388
SCR market risk	**1,428**	**29**	**1,500**

SCR MARKET RISK AT 31 DECEMBER 2019				
In € millions	**SRLEV**	**VIVAT Schade**	**Proteq**	**Athora Netherlands**
Interest rate risk	323	30	15	337
Equity risk	292	4	-	290
Property risk	126	-	-	138
Spread risk	645	20	12	674
Currency risk	103	-	-	248
Diversification	-429	-16	-4	-522
SCR market risk	**1,060**	**38**	**23**	**1,165**

Athora Netherlands

The SCR market risk increased due to higher spread risk due to re-risking, higher interest rate risk due to lower interest rates and lower diversification benefit between equity, property and spread risk due to change of leading interest scenario from up to down.

SRLEV

The SCR market risk increased due to higher spread risk due to re-risking, higher interest rate risk due to lower interest rates and lower diversification benefit between equity, property and spread risk due to change of leading interest scenario from up to down.

Proteq

The main drivers for the SCR market risk increase are the increase in interest rate risk mainly due to lower interest rates.

C.2.2.1 Interest rate risk

Interest rate risk is a key component of Athora Netherlands' market risk profile. Interest rate risk arises when the interest rate sensitivities of the assets and liabilities are not equal and it is expressed as movements in the capital position if market rates change.

The capital requirement for interest rate risk in the standard formula of Solvency II is determined on the basis of two scenarios in which the risk free yield curve is exposed to shocks affecting both assets and liabilities. The first scenario is 'interest rate up' and the second 'interest rate down'. The capital requirement for interest rate risk is defined by the scenario which has the most negative impact on basic own funds. The sign of the SCR interest rate shock (up or down) has to be determined based on the net

SCR interest rate risk in accordance with Solvency II legislation. However, the gross SCR interest rate risk determines the size of SCR interest rate risk.

SCR INTEREST RATE RISK AT 31 DECEMBER 2020			
In € millions	SRLEV	Proteq	Athora Netherlands
SCR interest up shock	-195	-5	-196
SCR interest down shock	-419	-22	-440
SCR interest rate risk	**419**	**22**	**440**

SCR INTEREST RATE RISK AT 31 DECEMBER 2019				
In € millions	SRLEV	VIVAT Schade[1]	Proteq	Athora Netherlands
SCR interest up shock	-323	-30	-10	-337
SCR interest down shock	-202	-	-15	-203
SCR interest rate risk	**323**	**30**	**15**	**337**

1 Positive own funds impacts are set to zero

The interest rate risk of Athora Netherlands and SRLEV increased mainly due to decreases in interest rates and UFR.

Although Proteq hedges the Solvency II ratio for interest rates movements, it is slightly exposed to interest rate risk, leading to a negative impact due to the decrease in interest rates.

Athora Netherlands uses a scenario based approach to control the sensitivity of solvency to market conditions, such as interest rates and spreads. The key solvency metric to express the risk is based on the regulatory solvency reported to the Dutch Central Bank (DNB). This method is chosen because Athora Netherlands has decided to use regulatory solvency as the principle factor in managing market risks.

From this perspective also the, over 2020 prescribed UFR of 3.75% by EIOPA introduces a risk. Over the course of time, the positive valuation effect of the UFR reduces, which puts downward pressure on the trend in solvency in the future. EIOPA decided to yearly decrease the UFR starting in 2018 with 0.15% per year with a starting point of 4.20%, per 1 January 2021 the applicable UFR will decrease to 3.60%. This will have a negative impact on solvency.

The tables below show the sensitivity of the IFRS result, IFRS equity and Solvency II ratio to changes in interest rates as a result of a decrease or an increase by 0.50% of the interest rates (maintaining the UFR at 3.75%), decreases in the UFR of 0.15% and 0.5% and the impact of the VA on the Solvency II ratio.

Upward effects on fixed income are processed in the revaluation reserve and do not impact earnings. A downward effect on fixed income does impact the net result in case of an impairment (for the accounting policies on impairments see Section 6.1.5 in the Annual Report for Accounting policies regarding the statement of financial position).

Athora Netherlands

SENSITIVITY ATHORA NETHERLANDS						
	IFRS net result		IFRS shareholders' equity		Solvency II ratio	
In € millions	2020	2019	2020	2019	2020	2019
Interest +50 bps	-185	-222	-185	-238	-2%	-2%
Interest -50 bps	205	273	205	289	5%	3%
UFR -15 bps	-86	-77	-86	-77	-5%	-4%
UFR -50 bps	-291	-263	-291	-263	-16%	-14%
Excluding VA	-	-	-	-	-15%	-13%

SRLEV

SENSITIVITY SRLEV						
	IFRS net result		IFRS shareholders' equity		Solvency II ratio	
In € millions	2020	2019	2020	2019	2020	2019
Interest +50 bps	-180	-237	-180	-237	-2%	-3%
Interest -50 bps	198	288	198	288	5%	4%
UFR -15 bps	-83	-74	-83	-74	-5%	-4%
UFR -50 bps	-280	-251	-280	-251	-16%	-16%
Excluding VA	-	-	-	-	-16%	-14%

Proteq

SENSITIVITY PROTEQ						
	IFRS net result		IFRS shareholders' equity		Solvency II ratio	
In € millions	2020	2019	2020	2019	2020	2019
Interest +50 bps	-8	-9	-8	-9	5%	0%
Interest -50 bps	9	10	9	10	7%	-9%
UFR -15 bps	-3	-3	-3	-3	-8%	-10%
UFR -50 bps	-11	-10	-11	-10	-32%	-37%
Excluding VA	-	-	-	-	-14%	-16%

Due to the long term nature of the Life and Pension insurance portfolio the Solvency II-ratio is very sensitive to interest rate movements. This sensitivity is mitigated by the use of long term assets and, additionally, interest rate derivatives to hedge the insurance cash flows including those for guarantees and profit-sharing in the life insurance portfolio, so that the exposure is within pre-defined risk appetite levels. Moreover, the expected fixed cash flows from technical provisions are matched with fixed-income investments as much as possible.

Athora Netherlands' interest rate hedging policy aims to ensure that obligations towards policyholders are fulfilled in both the short term and the long term. In addition, it aims to enable its providers of capital to receive a reasonable return (in terms of market value) that is in line with Athora Netherlands' risk exposure and to stabilise the solvency capital. Athora Netherlands manages its interest rate risk by stabilising the Solvency II ratio after an interest rate shock, taking the UFR of 3.75% into account.

The SII sensitivities increased due to lower interest rates. The sensitivities for UFR increased due to the decrease of UFR.

C.2.2.2 Equity risk

The SCR for equity risk is equal to the loss in market value of the basic own funds in the event of a sudden shock to equities including a so-called symmetric adjustment. This adjustment corrects the equity shock for the difference between the current level of global equity prices and a long-term average and can vary between a minus 10% adjustment and a plus 10% adjustment.

SCR for equity risk consists of type 1 and type 2 equities. Type 1 equities are equities listed in regulated markets which are members of the EEA or OECD. Type 2 equities are equities listed in countries other than members of the EEA and/or OECD, non-listed equities, private equities, hedge funds, commodities and other alternative investments.

The SCR for equity risk is defined as the aggregation of the capital requirement for type 1 equities and the capital requirement for type 2 equities, allowing a correlation of 0.75 between types 1 and 2.

A transitional arrangement can be applied to type 1 equities in order to reduce the standard capital charge. Athora Netherlands does not apply this transitional arrangement.

The table below shows the SCR for equity risk:

SCR EQUITY RISK AT 31 DECEMBER 2020		
In € millions	SRLEV	Athora Netherlands
Type 1 equities	154	154
Type 2 equities	98	98
Diversification	-15	-15
Equity risk	**237**	**237**

SCR EQUITY RISK AT 31 DECEMBER 2019			
In € millions	SRLEV	VIVAT Schade	Athora Netherlands
Type 1 equities	186	-	186
Type 2 equities	125	4	123
Diversification	-19	-	-19
Equity risk	**292**	**4**	**290**

The equity risk for Athora Netherlands and SRLEV decreased mainly due to the reallocation to other risks and to the decrease of the symmetric adjustment from -0.08% to -0.48%.

The IFRS-based equities classification includes participations in funds that invest in other types of securities like money market funds and other (non-investment grade) fixed income funds. The ALM policy and the market sensitivities are adjusted to reflect the underlying risk under Solvency II and IFRS for a more economic approach (‘look through’), including the impact of the shock on the liabilities. Athora Netherlands periodically examines the impact of changes in the equity markets on the result and on own funds. Scenario analysis is used for this purpose.

The tables below show the results of this analysis at the reporting date net of taxation. Upward effects on equity are processed in the revaluation reserve and do not impact earnings. A downward effect on equity does impact the net result in case of an impairment (for the accounting policies on impairments see Section 6.1.5 in the Annual Report for Accounting policies regarding the statement of financial position).

Athora Netherlands

SENSITIVITY ATHORA NETHERLANDS						
	IFRS net result		IFRS shareholders' equity		Solvency II ratio	
In € millions	2020	2019	2020	2019	2020	2019
Equities +10%	27	39	44	58	0.9%	1.6%
Equities -10%	-46	-48	-44	-58	-1.0%	-1.6%

SRLEV

SENSITIVITY SRLEV						
	IFRS net result		IFRS shareholders' equity		Solvency II ratio	
In € millions	2020	2019	2020	2019	2020	2019
Equities +10%	27	39	44	56	1.2%	1.8%
Equities -10%	-46	-47	-44	-56	-1.4%	-1.8%

C.2.2.3 Property risk

Property risk is defined as the sensitivity of the value of assets and liabilities to changes in the level or volatility of the market prices of real estate.

The SCR for property risk is equal to the loss in the basic own funds that would result from an instantaneous decrease of 25% in the value of property. Property consists of direct property (e.g. buildings and investments in owner-occupied properties) and indirect interests in property (through investment funds). Athora Netherlands applies the look-through approach in determining the SCR for property risk also taking the effect of any leverage on the Net Asset Value of property funds into account.

The table below shows the SCR for property risk:

SCR PROPERTY RISK		
In € millions	2020	2019
Property risk SRLEV	151	126
Property risk Athora Netherlands	**151**	**138**

Property risk remained stable.

The IFRS-based equities classification includes participations in funds that invest in other types of securities. The ALM policy and the market sensitivities are adjusted to reflect the underlying risk under Solvency II and IFRS based on an economic approach ('look through'). Athora Netherlands periodically examines the potential impact of changes in the property markets on the net result and on shareholders' equity based on scenario analysis in line with the situation applying in the case of interest rate risk. The table below shows the indicative results of this analysis at the reporting date net of taxation.

Athora Netherlands

SENSITIVITY ATHORA NETHERLANDS						
	IFRS net result		IFRS shareholders' equity		Solvency II ratio	
In € millions	2020	2019	2020	2019	2020	2019
Property +10%	45	40	45	43	1.9%	1.8%
Property -10%	-45	-43	-45	-43	-1.9%	-1.8%

SRLEV

SENSITIVITY SRLEV						
	IFRS net result		IFRS shareholders' equity		Solvency II ratio	
In € millions	2020	2019	2020	2019	2020	2019
Property +10%	44	36	44	39	1.9%	1.9%
Property -10%	-44	-39	-44	-39	-1.8%	-2.0%

C.2.2.4 Spread risk

Spread risk is defined as the sensitivity of the value of assets and liabilities to changes in the level or volatility of the credit spread above the risk- free interest rate term structure. The spread risk for the insurance business arises in the fixed-income investment portfolio, which includes securitisations, loans, corporate and government bonds that are sensitive to changes in credit risk surcharges. Increasing credit risk surcharges have a negative effect on the market value of underlying bonds.

The SCR for spread risk is determined by calculating the impact on the eligible own funds due to the volatility of credit spreads over the term structure of the risk-free rate. The required capital for spread risk is equal to the sum of the capital requirements for bonds, loans and structured products. The capital requirement takes into account the market value, the modified duration and the credit quality category.

SCR SPREAD RISK AT 31 DECEMBER 2020			
In € millions	SRLEV	Proteq	Athora Netherlands
Bonds and loans	819	11	830
Securitisation positions	24	-	24
Spread risk	**843**	**11**	**854**

SCR SPREAD RISK AT 31 DECEMBER 2019				
In € millions	SRLEV	VIVAT Schade	Proteq	Athora Netherlands
Bonds and loans	599	20	12	627
Securitisation positions	46	-	-	47
Spread risk	**645**	**20**	**12**	**674**

Spread risk increased due to re-risking. Athora Netherlands has captured the opportunity of enhanced investment returns at a good risk-return trade-off given the market conditions in the first months of 2020, by investing further into targeted high-quality investment grade and predominantly senior credits in selected sectors (e.g. telecoms, utilities). As spreads tightened during the year, Athora Netherlands has reduced some of the exposure to credits in the second half of 2020. These balance sheet optimisation initiatives optimise the investment portfolio further.

Athora Netherlands defines basis risk as the risk that offsetting investments in a hedging strategy will not experience price changes in entirely opposite directions from each other. This imperfect correlation between the two investments creates the potential for excess gains or losses in a hedging strategy, thus adding risk to the position.

Credit risk surcharges are also a source of basis risk in the valuation of insurance liabilities. The basis risk relates to the risk of a mismatch between the interest rate used in the valuation of the liabilities and the interest rate used for the asset portfolio. This basis risk mainly emanates from the risk that movements in the interest rate on the EU government bonds held in portfolio will not be in line with movements in the swap rate.

The swap curve (including UFR) is currently used when discounting insurance liabilities under IFRS. A change in the swap curve has a direct impact on the value of the insurance liabilities. This leads to volatility in the available capital, as the interest rate used for the valuation of the investment portfolio differs from the relevant swap curve for the insurance liabilities.

Under the Solvency II regime the swap curve with a prescribed Ultimate Forward Rate (UFR) is used when discounting insurance liabilities, adjusted for credit risk (CRA) and a Volatility Adjustment (VA). The VA moves along with the credit spreads, but still substantial basis risk exists because the VA is based on a reference portfolio instead of Athora Netherlands' own asset portfolio, and also a 65% scaling factor is applied to determine the VA. For managing market risks a number of combined scenarios is determined with (different) simultaneous shocks to risk categories. In this scenario based approach among others credit spreads, volatility (interest rate volatility and equity volatility) and best estimates for the VA are taken into account.

While interest rate risk regarding the Solvency II ratio is well matched, there remains volatility as the credit risk profile of Athora Netherlands differs from the profile implied by the Volatility Adjustment (VA). In 2020, as part of re-risking programme, Athora Netherlands invested further in high-quality investment grade and predominantly senior credits in selected sectors (e.g. telecoms, utilities). The basis risk is still material, in case of lower spreads for high quality bonds (e.g. German and Dutch) and higher spreads for riskier bonds, the Solvency II Ratio in general increases.

Under Solvency II an increase of credit spreads also leads to an increase of the Volatility Adjustment impacting the value of the liabilities. Athora Netherlands determined that an increase of all credit spreads of 50 bps leads to an increase of the VA of 23 bps, an increase of 50 bps on corporates to an increase of the VA of 13 bps and an increase of 50 bps on government bonds to an increase of the VA of 10 bps. The change of the VA has no impact on the value of the liabilities under IFRS.

Athora Netherlands

SENSITIVITY ATHORA NETHERLANDS						
	IFRS net result		IFRS shareholders' equity		Solvency II ratio[1]	
In € millions	2020	2019	2020	2019	2020	2019
Credit spreads Government Bonds +50 bps	-282	-526	-282	-539	7%	-8%
Credit spreads Corporates/Mortgages +50 bps	-225	-143	-225	-147	17%	17%
All Credit spreads +50 bps	-507	-669	-507	-685	24%	9%

1 An increase of credit spreads also leads to an increase of VA, impacting the value of the liabilities.

The sensitivity of government bonds increased mainly due to the reduction of the sovereign exposure. The sensitivity of corporates bond and mortgage portfolio increased mainly due to re-risking from sovereings into credits.

SRLEV

SENSITIVITY SRLEV						
	IFRS net result		IFRS shareholders' equity		Solvency II ratio[1]	
In € millions	2020	2019	2020	2019	2020	2019
Credit spreads Government Bonds +50 bps	-257	-499	-257	-499	8%	-7%
Credit spreads Corporates/Mortgages +50 bps	-223	-140	-223	-140	17%	18%
All Credit spreads +50 bps	-480	-640	-480	-640	24%	10%

1 An increase of credit spreads also leads to an increase of VA, impacting the value of the liabilities.

Proteq

SENSITIVITY PROTEQ						
	IFRS net result		IFRS shareholders' equity		Solvency II ratio[1]	
In € millions	2020	2019	2020	2019	2020	2019
Credit spreads Government Bonds +50 bps	-24	-26	-24	-26	-45%	-57%
Credit spreads Corporates +50 bps	-2	-2	-2	-2	22%	26%
All Credit spreads +50 bps	-26	-28	-26	-28	-19%	-31%

1 An increase of credit spreads also leads to an increase of VA, impacting the value of the liabilities.

C.2.2.5 Concentration risk

Concentration risk is defined as all risk exposures associated with a potential loss that is significant to endanger the solvency or financial position of insurance and reinsurance undertakings.

A concentration risk charge is prescribed under Solvency II when the issuer exposure exceeds a certain percentage threshold of the asset base depending on the credit rating of the issuer and the type of investment. The SCR for concentration risk is calculated on the basis of single name exposure. This means that undertakings which belong to the same corporate Group are treated as a single name exposure.

Athora Netherlands and its insurance entities still hold substantial investments in German and Dutch government bonds and supranational issuers which are excluded from (the Solvency II scope of) concentration risk. As of year end 2020, the applicable Solvency II thresholds have not been exceeded and as a result no concentration risk charge was applicable to Athora Netherlands or its insurance entities.

C.2.2.6 Currency risk

Currency risk is defined as the sensitivity of the value of assets, liabilities and financial instruments to changes in the level or volatility of exchange rates. The currency risk of Athora Netherlands is caused by a combination of investments and liabilities in foreign currencies that are not perfectly matched.

With respect to fixed-income investments, Athora Netherlands' policy is to permit only very limited currency risk. Given this, the currency risk on fixed-income investments denominated in foreign currency is, in principle, hedged with currency swaps.

Currency risk also arises in relation to the equity investments of Athora Netherlands. This currency risk, after netting the currency risk in other non-fixed-income investments and liabilities, is structurally hedged using forward currency contracts or currency swaps if the net exposure without applying look through principle exceeds € 10 million. A currency hedge bandwidth of 98-102% has been agreed for external mandates, within which operations may be carried out.

The effects of changes in foreign exchange markets on the net result, own funds and solvency are measured periodically using scenario analysis. The Solvency II currency exposure is determined using the look through principle regarding investment funds. This results in slightly higher currency exposure.

The SCR for currency risk is equal to the loss in the basic own funds that would result from an instantaneous change in the value of the foreign currency against the local currency. For each foreign currency this involves taking the maximum of the impact on the basic own funds of a 25% increase or 25% decrease in the value of the currency. The total SCR for currency risk is then obtained by the sum of the 'individual' currencies.

SCR CURRENCY RISK		
In € millions	**2020**	**2019**
Currency risk SRLEV	86	103
Currency risk Athora Netherlands	**206**	**248**

The currency risk of Athora Netherlands mainly originates from two subordinated loans denominated in foreign currency which are hedged on Excess Assets over Liabilities basis. This leads to an exposure as subordinated loans are cancelled out in the standard formula, but the assets hedging the subordinated loans are taken into account.

C.2.2.7 Volatility risk

The volatility risk is the risk of losses due to changes in (implied) volatilities (interest rate and equity) and is measured and presented separately. It is addressed in the market sub risks as described before. Athora Netherlands is sensitive to volatility on both sides of the balance sheet. Embedded options on the liability side and swaptions as hedges on the asset side. Because of the hedges, the residual volatility risk is not material.

C.2.2.8 Diversification

Not all risks will materialise at the same time and at their full magnitude, resulting in diversification between different risk types. Solvency II prescribes a correlation matrix for the diversification effect in the SCR Market Risk module in order to aggregate the results of the types of market risks. This leads to a lower amount of total Market Risk compared to the sum of the individual market risk types. Solvency II furthermore prescribes that a downward SCR interest rate shock will be more correlated with an equity, spread and property shock compared to an upward interest rate shock.

Athora Netherlands hedges the Solvency II ratio, as a result (currently) the differences between a leading up or down interest rate risk scenario is very limited. In 2020, the bitting interest rate scenario switched from a bitting up scenario to a bitting down scenario, leading to less diversification benefits.

C.3 COUNTERPARTY DEFAULT RISK (CREDIT RISK)

C.3.1 Risks - general

Athora Netherlands defines counterparty default risk as the risk of potential losses due to unexpected payment defaults of the counterparties and debtors of Athora Netherlands within the next twelve months.

The SCR Counterparty Default Risk covers risk-mitigating contracts such as reinsurance arrangements, derivatives, security lending and repos, and cash at bank, retail mortgages and receivables from intermediaries, as well as any other credit exposures not covered by the SCR Spread Risk.

For each counterparty, the overall credit default risk exposure of Athora Netherlands to that counterparty is measured, irrespective of the legal form of its contractual obligations. Its calculation also takes into account collateral or other security held by or for the account of Athora Netherlands and the risks associated therewith.

Fixed-income Investment Portfolio

The counterparty default risk within the fixed-income investment portfolios of Athora Netherlands is the risk that an issuer of a bond or a debtor of a private loan does no longer meet its obligations. The strategic allocation to the various investment grade categories within the fixed-income portfolio is determined in the context of ALM and laid down in mandates with the asset managers.

Derivatives Exposure

The counterparty default risk related to the market value of the derivatives held by Athora Netherlands with a counterparty is managed by means of a Credit Support Annex (CSA) agreement in accordance with standard industry practice. These agreements stipulate that the underlying value of the derivatives must be posted as collateral in liquid instruments, such as cash and government bonds, to cover the counterparty default risk.

Reinsurance

Athora Netherlands pursues an active policy with respect to the placement of reinsurance contracts, using a panel consisting of reinsurers with solid ratings. Our panel of reinsurers consists of partners who are involved for many years and are distinguished companies. Long term relationships with the reinsurers are important in order to maintain stability, continuity and understanding of the underlying underwriting portfolio. All reinsurers have a minimum credit rating of A.

Mortgage Portfolio

Athora Netherlands is exposed to counterparty default risk on its mortgage portfolio by possible default of mortgagors. The counterparty default risk is, however, mitigated by properties held as collateral. Part of this portfolio is guaranteed by the National Mortgage Guarantee Fund (NHG). The average Loan to Value ratio has improved due to amortisation of the outstanding mortgage balance and an increase in Dutch housing prices in 2014-2020.

MORTGAGES BY SECURITY TYPE

In € millions[1]	2020	2019
Mortgages < 75% of foreclosure value	2,061	1,256
Mortgages > 75% of foreclosure value <100%	799	479
Mortgages > 100% of foreclosure value	144	40
Mortgages with National Mortgage Guarantee	970	844
Residential property in the Netherlands	**3,974**	**2,619**
Fair value adjustment	152	157
Total residential property in the Netherlands	**4,126**	**2,776**

1 Mortgages are recognised in the statement of financial position under investments in loans and receivables.

The market value of the portfolio increased mainly by adding € 0.9 billion exposure to mortgages as part of the re-risking strategy.

Saving Mortgages

Athora Netherlands holds various saving mortgages insurance policies, financed both internally and externally. The majority of the portfolio represents savings mortgages with cession/retrocession arrangements and pledged collateral for which no spread is included in the market valuation and no SCR counterparty default risk (CDR) is calculated. The risk for savings mortgages with cession/retrocession arrangements and pledged collateral is nihil due to the netting of the received collateral included in the arrangements with the third parties with the liabilities.

In 2020, the Dutch Association for Insurers ('Verbond van Verzekeraars') including representatives of large insurance groups including Athora NL, continued the discussions with DNB regarding the valuation of savings mortgages and treatment in the SCR. On 19 October 2020, DNB published a draft consultation document and Q&A on this subject and requested interested parties to respond by 1 December 2020. The interpretation of DNB included in this document seems to differ from the current methodology applied by Athora Netherlands for valuation of these mortgages and treatment in SCR, but is far from clear.

The Dutch Association for Insurers has submitted a response to DNB on 1 December 2020 in which multiple unclarities, concerns and remarks are included. Furthermore, the Dutch Association for Insurers, together with a legal advisor, has submitted a legal opinion on this topic to DNB in December 2020.

The Dutch Association of Insures informed us that DNB still expects to publish the final Q&A and/or Good Practice in Q2 2021, after the deadline of submission of the 2020 QRT's. As the current consultation document and Q&A contains too many unclarities, no conclusions can be reached at the moment and potential impact cannot be reliably estimated.

C.3.2 SCR Counterparty default risk

The counterparty default risk module reflects the possible loss as a consequence of defaults and deterioration in the credit standing of counterparties over a 12-month period. The SCR for the counterparty default risk is determined by aggregating the capital requirements of type 1 and type 2 exposures.

Type 1 exposures are exposures that have low diversification effects and for which the counterparty is likely to have an external rating. Solvency II treats the following as type 1 exposures:

- risk-mitigation contracts, including reinsurance arrangements, special purpose vehicles (SPVs), insurance securitisations and derivatives;
- cash at bank;
- deposits with ceding undertakings;
- commitments received by an insurance or reinsurance undertaking which have been called up but are unpaid;
- legally binding commitments which the insurer has provided or arranged and which may create payment obligations depending on the credit standing of a counterparty.

The capital requirement for counterparty default risk on type 1 exposures depends on the loss-given-default (LGD) and the probability of default (PD) of every single name exposure. The PD depends on the creditworthiness of the single name exposure.

Type 2 exposures consist of all exposures to which the capital requirement for spread risk is not applicable and which are not of type 1. In general, these are diversified exposures which do not have an external rating. Solvency II explicitly mentions the following exposures in the context of type 2:

- receivables from intermediaries;
- policyholder debtors;
- mortgage loans which meet a set of requirements.

The capital requirement for counterparty default risk on type 2 exposures as defined by EIOPA is equal to the sum of 90% of the LGD of receivables from intermediaries due for more than three months and 15% of the LGD of other type 2 exposures.

The SCR for counterparty default risk is determined by aggregating the capital requirements for type 1 and type 2 exposures with a correlation of 0.75 between types 1 and 2. This gives rise to diversification between type 1 and type 2 capital requirements because not all risks will materialise at the same time and at their full magnitude.

COUNTERPARTY DEFAULT RISK AT 31 DECEMBER 2020			
In € millions	SRLEV	Proteq	Athora Netherlands
Type 1 exposures	80	6	87
Type 2 exposures	88	-	88
Diversification	-11	-	-11
SCR counterparty default risk	**157**	**6**	**164**

COUNTERPARTY DEFAULT RISK AT 31 DECEMBER 2019				
In € millions	SRLEV	VIVAT Schade	Proteq	Athora Netherlands
Type 1 exposures	160	9	2	168
Type 2 exposures	56	4	-	59
Diversification	-10	-1	-	-11
SCR counterparty default risk	**206**	**12**	**2**	**216**

The decrease in SCR counterparty default risk for type 1 exposures is among others caused by change in treatment of derivatives via clearing agencies, following legal assessment (in line with SII rules and regulations). Counterparty risk type 2 increased as a result of re-risking initiatives such as extra allocation to mortgages.

The increase in SCR counterparty default risk for Proteq is due to the increase for type 1 exposures mainly due to taking into account the initial margin and the decrease of interest rates, increasing the value of derivates used for hedging the interest rate risk.

C.4 LIQUIDITY RISK

C.4.1 Risks - general

Liquidity risk is defined as the risk that Athora Netherlands would have insufficient liquid assets to meet its financial obligations in the short term, in a going concern situation or in times of a stress situation, or if obtaining the necessary liquidity would mean incurring unacceptable costs or losses.

The liquidity risk is monitored and managed both at VIVAT group level and at legal entity level separately as no risk capital is charged according to the standard formula of Solvency II.

C.4.2 Policy

The policy of Athora Netherlands is to have more liquidity available than it is required to hold based on internal risk management minimum levels. The objective of the internal risk management minimum levels is to ensure that Athora Netherlands is able to fulfill its obligations towards policyholders and all legal obligations.

The liquidity risk policy uses three sources of liquidity:

1. the cash position
2. the liquidity buffer
3. the liquidity contingency policy

Cash Position

The first source of liquidity concerns the cash position. This position is built up from the cash management process from investments (managed by ACTIAM) and cash management process from underwriting and operating activities. In the investments cash management process all cash flows from investments are managed by our asset manager (ACTIAM).

Athora Netherlands has taken into account that all obligations to policyholders must be respected and that these obligations will be paid throughout the underwriting and other operating cash management process. If at any time these obligations exceed the premium income additional cash will be transferred from the investment cash management process. Otherwise, when premiums exceed the payments in the operational cash management process, cash will be transferred to the investments cash management process, for the purpose of the investing excess cash (temporarily).

Liquidity Buffer

The second source is the liquidity buffer. Together with the cash position, the liquidity buffer forms the overall liquidity position of the entity. The liquidity buffer is a good indicator for the overall liquidity position of Athora Netherlands and takes into account all available assets and the impact of prescribed shocks in a stress situation. Monitoring of this buffer accounts for an important part of the daily activities of Athora Netherlands.

Liquidity Contingency Policy

The last source of liquidity relates to a situation in which the normal liquidity and buffers turn out to be insufficient. In case of such a contingency, Athora Netherlands has implemented a Crisis Management Team (CMT) structure and a predefined set of potential management actions. The CMT must take timely action in rapidly deteriorating liquidity circumstances in order to avoid a bankruptcy that could occur in the worst case and/or to settle all of the obligations under the insurance portfolio in an orderly manner.

C.4.3 Exposure

The required liquidity is determined based on absorbing shocks in a stress situation. The shocks are applied on prescribed risk categories. These risk categories are mass lapse and interest rate movements. In total, the liquidity buffer is sufficient to cover a severe liquidity stress scenario.

Expected Profit Included in Future Premiums

The Expected Profit Included in Future Premiums (EPIFP) is defined as the profit that is included in the future premiums. In summary, the legislation indicates that the determination of the EPIFP should be based on the assumption that future premiums are no longer received as from the reporting date, regardless of any contractual obligations of the policyholder. Based on this, the EPIFP represents the difference between the best estimate provision without profitable future premiums (but including non-profitable future premiums) and the normal best estimate.

EXPECTED PROFIT INCLUDED IN FUTURE PREMIUMS		
In € millions	**2020**	**2019**
SRLEV	811	1,061
VIVAT Schade[1]	-	242
Proteq	6	10
Athora Netherlands	**817**	**1,313**

1 Of which € 21 million relates to the Non-Life business in 2019.

C.5 NON-FINANCIAL RISK (INCLUDING OPERATIONAL RISK)

C.5.1 Risks - general

The Non-Financial Risk department (NFR), as a second line Risk department, monitors and provides advice to management on compliance risk and operational risk. NFR has frequently direct contact with the EB and SB and is represented in the Risk and Audit Committee of the Supervisory Board, RC-EB, PC, ORC Athora Netherlands and in the ORC's and PMP's of the MTs (see Section B.3.2.5. Risk Organisation) of Athora Netherlands. Within the PMP MTs, NFR Compliance advices on the development, evaluation and approval of products in accordance with laws, regulations, the AFM criteria and criteria related to treating customers fairly.

Compliance Risk

Compliance risk is the risk that an organisation is potentially able to suffer legal or regulatory sanctions, material financial loss, or loss of reputation as a result of non-compliance with applicable laws, regulations, rules, self-regulatory standards, codes and unwritten rules.

Non-compliance with integrity- and/or conduct related rules can potentially lead to regulatory action, financial loss and/or damage to the reputation of Athora Netherlands, for example fines, compensation, disciplinary action, imprisonment or exclusion proceedings.

Laws and regulations within scope pertain amongst others to those laws and regulations as supervised by the Authority for the Financial Markets (AFM), the Dutch Central bank (DNB), the Authority for Consumers and Markets (ACM) and the Data Protection Authority (AP) for aspects related to nonfinancial risks. This includes the Dutch Financial Supervision Act (Wft), the Dutch Money Laundering and Terrorist Financing (Prevention) Act (Wwft), the Dutch Sanctions Act, as well as relevant European laws such as Solvency II, AIFMD and guidance from the Dutch Association of Insurers and other relevant bodies.

Operational Risk

Operational risk represents the risk of an economic loss, a negative reputational or supervisory impact resulting from inadequate or failed internal processes, people and systems, or from external events. Operational risks include the risk of a material misstatement in Athora Netherlands' financial reporting and legal risks, but excludes strategic and business risks. Operational risk events can lead to adverse consequences beyond a pure financial loss. The assessment of possible reputational impacts following an operational event is an explicit part of the operational risk management process.

Operational risks are inherent in all of Athora Netherlands' insurance products, activities, processes and systems and the management of operational risk is a fundamental element of Athora Netherlands' risk management framework. Athora Netherlands recognises the following types of operational risk: Execution & Process Control Risk, IT risk, Cyber Risk, Internal Fraud risk, External Fraud risk, Damage to physical assets risk and Staff & Security risk. Model risk is considered to be a separate risk.

C.5.2 Exposure to non-financial risks

During 2020, as an important part of Athora Netherlands' risk management system, Athora Netherlands further improved the Integrated Control Framework where process and management controls are an important part. Continuous attention on the quality of process and control design, testing of effectiveness of controls, monitoring compliancy, reporting and analysis tooling and process ownership enables the organisation to manage and monitor compliance and operational risks in an efficient and effective manner. Based on the monitoring of all risk types, in this paragraph the main developments and risk events are described. Athora Netherlands' management is of the opinion that action plans and programmes are in place to sufficiently address and mitigate these risks.

Compliance Risk

Due to the great complexity of the legislation with regard to Solvency II, IFRS, GDPR, Wwft, ILM, IDD, PRIIPS and Supply Chain Responsibility and changes to the pension legislation, legislation may not be unequivocally be implemented on time, resulting in Athora Netherlands not being compliant and potentially suffering reputational damage.

Following the acquisition by Athora, Athora Netherlands is exposed to potential institutional integrity risks relating to appropriate independency, conflict of interest and governance. Addressing these risks Athora Netherlands introduced a dedicated Institutional Conflict of Interest Policy and procedures. The acquisition by Athora also triggered construction of a new governance framework (Engagement Model) supporting collaboration and cooperation between Athora NL and its new shareholder Athora. The governance framework is currently being revised to comply with the large company regime and other legal requirements, amongst others on the basis of written comments and feedback from the regulator.

As a Pension- and Life insurer, Sanctions- and Money laundering risks are assessed low, but not non-existent. The mortgage and real estate investment activities are being perceived and assessed as medium or higher risks. As a financial institution, Athora Netherlands has responsibilities to ensure detection and prevention. In Athora Netherlands' efforts to ensure compliance with applicable laws and regulations, instances of non-compliance can potentially occur. Athora Netherlands assesses product specific risks with regard to sanctions, money laundering and terrorist financing on a regular basis. Based on the investigation in 2018 performed by DNB, during 2019 VIVAT Schade executed and successfully concluded a remediationprogramme to address DNB findings on compliance with Sanction law 1977. During 2020 Athora Netherlands initiated an improvement programme to remediate identified shortcomings in relation to compliance with Sanction Law and anti-money laundering/ counter terrorism financing regulation (Wwft) in Individual Life and Pension business. The programme, relating to Product- and supporting Functional Lines, builds on prior executed improvement actions in 2019. The programme, which made significant steps in organisational governance, risk assessments, (automated) processes and tooling, aims to reduce residual risks on a structural basis. There are still outstanding remediation actions to be concluded in 2021 in the areas of customer/business partner due diligence, transaction monitoring and sanction screening. The programme progress is shared with the regulators.

Risks (including reputational risk) are not fully excluded in the non-accruing investment-linked policy file, due to the combined effects of intermittent media exposure, political opinion, court judgements and in-action on the part of customers. The client base is continuously addressed through Athora Netherlands' aftercare programme.

Due to the General Data Protection Regulation's challenging consequences on systems and processes, privacy risks should be taken into account. Special precautions have been taken in order to avoid data breaches when personal data is transferred or available to third parties and cleansing of data. Hereby particularly taking into account the additional risks arising from the migration programme of VIVAT Schade to Nationale Nederlanden. The final remaining actions on GDPR compliance have been finalised in 2020, reducing the residual privacy risks. Local Privacy Champions, in cooperation with the appointed Data Protection Officer, safeguard full attention on Athora Netherlands' compliance with the privacy regulation.

Operational Risk

Execution and Process Control Risk

At the start of 2020 the risk arising from the COVID-19 predominated non-financial risk management with Athora Netherlands. Risks were analyzed weekly by all Product lines and Functional Lines within Athora Netherlands and reported to the Crisis Management team that was founded at the start of the crisis. The effects of both the first and second wave and the economic downturn were however not apparent nor materializing in the year 2020 and no overall increase of the risk level was reported. The Athora Netherlands organisation is prepared for a prolonged period of working from home, although possible signs of possible decrease in work pleasure and social cohesion are closely monitored by management.

Athora Netherlands change projects, systems conversions and change of ownership of the organisation were identified as the other main source of execution and process control risk. These changes within the organisation always bear a risk of aiming to realise (short term) results, often making use of the same resources available within the organisation. There has been more attention for increasing awareness for this during the execution of changes, also taking into account lessons learned from closed change projects and systems conversions.

Improvement of the quality of process design was addressed in 2020 in certain areas of the organisation, amongst others the Actuarial reporting domain, and Life corporate business. Nevertheless, the structural improvement of process- and control design needs further attention, which is the main focus of the ICF improvement programme.

The committee structure within Athora Netherlands is comprehensive and effective and assures that new legislation, risk reports and findings, incidents, follow up on actions are addressed in Operational Risk and Compliance committees in the first line and at Athora Netherlands board level. Incident procedures and policy prescribe direct remediations actions and reporting to second line Operational Risk and Compliance. Incidents are assessed with root cause analysis and possible structural improvements to be implemented.

Information Technology Risk
For the Athora Netherlands Data, Technology and Change (DTC) organisation, 2020 has been a year of major changes in a challenging environment. Besides the impact of COVID-19 on our own organisation, DTC successfully took care of the continuity of the company by availability and qualitative sound and secure services which made it possible for the company to work from home or other locations than the office. During the year the takeover by Athora took place, the P&C migration to NN started and even so other programmes like IFRS and more 'standard' projects were (partly) conducted and overall delivered on schedule and within financial boundaries. As an outcome of the conducted Strategic Review the IT organisation set the first steps in the change to be aligned with the new Athora Netherlands business organisation and strategy. A plan for further development of the organisation including a large cost reduction, to be realised in 2021, 2022 and 2023, has been drafted and the execution of this plan has started.

In addition, in 2020 DTC has been successful in increasing the efficiency of the IT processes by further improving the implemented Agile way of working. The implementation of the IT-frameworks SAFe and IT4IT will help DTC to further improve efficiency and effectiveness. Digitalization and process automation are still key focus areas. Athora Netherlands is aware that these developments require high standards of change management and service delivery management within the IT department in order to maintain an IT landscape that is in control and is managing IT risks. Compliance with regulations and legislation is key and IT Risk Management is at the right level to monitor and mitigate risks. A very low number of incidents and very high availability of the business application show the success of these high standards.

When the COVID-19 crisis forced our employees to work from home, Athora Netherlands turned out to be well prepared. Working from home was already common, and DTC was able to scale up in a short term for the whole organisation. Business continuity and productivity were not significantly impacted, extra management attention was given and there was little impact on sick leave or absenteeism.

More and more DTC is becoming a data driven organisation thus improving the quality of decision making. Data governance is in place to evaluate, direct and monitor data initiatives and the implementation of data policies and data related legislation. The Athora Netherlands Data Strategy in 2020 has shown to be important in further supporting the organisation in becoming a customer oriented service organisation. The integration of processes, systems and data based on a solid data infrastructure has been successful to improve quality, efficiency and cost reduction. A new data-strategy for the next years has been drafted.

Outsourcing / Cloud Computing
The approach of Athora Netherlands is to outsource activities in those areas in the customer value chain where an external service provider can provide added value. When specific activities for outsourcing have been identified a risk analysis is part of the preparation phase. In case of cloud services an additional risk analysis is performed to manage the risks particularly related to cloud. The results of the risks analysis are reflected in the contracts with the service providers. In 2020 the risk management framework for the risks related to outsourcing contracts, has been improved. The level of maturity of the different stages within the outsourcing process has been assessed and actions for further improvement were established.

Cybercrime Risk
For Athora Netherlands mitigating the cybercrime risk is a key priority. Cybercrime risk increases over time and is becoming more widespread and professionalised, for example cyber-attacks using ransomware or in supply chains. In 2020 no major incidents related to cybercrime occurred within Athora Netherlands. Cybercrime will remain high on the agenda of the Athora Netherlands Board and Risk Boards. To manage the increasing risk effectively in 2020 extra measures related to prevention, monitoring and incident response have been implemented. Several phishing campaigns were executed

to promote awareness for the behavioral aspects of cybercrime. Also additional measures for threat and patch management were taken. A cybercrime plan for 2021 has been drafted and Athora Netherlands will keep on focusing on mitigating this risk.

Staff and Security Risk
In 2020 the sale of VIVAT to Athora Group was finalised including the transfer of the shares in VIVAT Schadeverzekeringen N.V. to NN Schade. In addition the COVID-19 crisis put more pressure on the employees. The risks associated to staff and security have been closely monitored including through additional employee surveys. Regular updates of staff risk assessments as part of the risk reporting on both events ensured that the risk was closely monitored by the EB. Although outflow of employees, (senior) management and some key staff in certain areas was experienced, overall the risk remained within acceptable levels.

Model Risk

In 2020, Athora Netherlands updated the compact model risk overviews for several departments to maintain good insight in its model risk. Model risk was further reduced by follow-up of second line findings via improving models. Within the model landscape important steps towards lower model risk have been taken by improving models and systems. Ongoing model validations on reporting, (asset) valuation and pricing models, following a risk based approach, further increased model insight and provides guidance towards lower model risk.

C.5.3 SCR Operational Risk

Operational risk is the risk of losses caused by weak or failing internal procedures, weaknesses in the action taken by personnel, weaknesses in systems or because of external events. This takes into account legal risks, but risks that are a consequence of strategic decisions or reputational risks are disregarded. The technical provision for own risk is part of the calculation of the SCR operational risk.

The basic capital requirement for operational risk is calculated by taking the maximum of (a) the capital requirement for operational risks on the basis of earned premiums and (b) the capital requirement for operational risks on the basis of technical provisions and adding 25% of the expenses incurred in respect of unit linked business.

SCR OPERATIONAL RISK		
In € millions	**2020**	**2019**
SRLEV	195	187
VIVAT Schade[1]	-	24
Proteq	2	2
Athora Netherlands	**195**	**207**
1 Of which € 21 million relates to the Non-Life business in 2019.		

The SCR for operational risk of Athora Netherlands decreased mainly due to the carve out of VIVAT Schade. The SCR for operational risk of SRLEV increased due to increase of the technical provision mainly due to lower interest rates.

C.6 OTHER MATERIAL RISKS

There are no other material risks to be disclosed.

C.7 ANY OTHER INFORMATION

No other disclosures are applicable.

D VALUATION FOR SOLVENCY PURPOSES

GENERAL

The IFRS balance items have been mapped in accordance with the Solvency II classifications and therefore can differ in classification from the published IFRS consolidated financial statements 2020 of Athora Netherlands.

FROM IFRS TO SOLVENCY II ASSETS AT 31 DECEMBER 2020							
In € millions	IFRS	Policy differences	Sectorial Rules and D&A	Other items	Statutory accounts valuation	Solvency II valuation	Delta
Assets							
Deferred tax assets	607	-	-	-2	605	662	57
Property, plant & equipment held for own use	46	-	-	-	46	46	-
Investments	38,130	-	-4	-25	38,102	38,105	3
Assets held for index-linked and unit-linked contracts	13,788	-	-230	-	13,558	13,658	100
Loans and mortgages	10,358	-	-	-	10,358	11,957	1,599
Reinsurance recoverables	27	-1,230	-	-	-1,202	-1,204	-2
Receivables	247	-	10	-11	246	246	-
Cash and cash equivalents	385	-	-5	-	379	379	-
Any other assets, not elsewhere shown	2,419	-1,338	-1,077	-	4	4	-
Total assets	**66,008**	-2,568	-1,307	-37	**62,096**	**63,853**	**1,757**

FROM IFRS TO SOLVENCY II LIABILITIES AT 31 DECEMBER 2020							
In € millions	IFRS	Policy differences	Sectorial Rules and D&A	Other items	Statutory accounts valuation	Solvency II valuation	Delta
Liabilities							
- Non-Life	-	-	-	-	-	-	-
- Life	37,322	-1,230	-	-29	36,064	36,802	738
- Index-linked and unit-linked	14,190	-	-165	-	14,024	15,084	1,060
Technical provisions	**51,512**	-1,230	-165	-29	**50,088**	**51,886**	**1,798**
Provisions other than technical provisions	67	-	-	-	67	67	-
Pension benefit obligations	694	-	-	-	694	694	-
Deposits from reinsurers	18	-	-	-	18	17	-1
Derivatives	1,097	-	-	-	1,097	1,097	-
Debts owed to credit institutions	4,745	-	-	-	4,745	4,848	103
Payables	893	-	-65	-	828	828	-
Subordinated liabilities	1,138	-	-	-	1,138	1,168	29
Any other liabilities, not elsewhere shown	2,415	-1,338	-1,076	-	1	1	-
Total liabilities	**62,580**	-2,568	-1,307	-29	**58,677**	**60,605**	**1,929**
Excess of assets over liabilities	**3,428**	-	-	-8	**3,419**	**3,248**	**-171**

In case the Solvency II measurement is equal to the IFRS measurement we refer to paragraph 6.1 of the Annual Report of Athora Netherlands NV 2020. In respect of the IFRS measurement, there were no significant changes in policies processed in the Annual Report of Athora Netherlands NV 2020.

The IFRS balance sheet total in the Annual Report 2020 of Athora Netherlands of € 66,008 million differs by € 3,912 from the total statutory accounts value in the SII balance sheet of € 62,096 million.

The difference of the IFRS balance sheet versus the statutory accounts value in the Solvency II balance sheet is explained by policy differences, applying sectorial rules and D&A and other items.

Policy differences

The difference of € 2,568 million between the IFRS balance sheet and the Statutory accounts value stems from consolidation and presentation differences between Solvency II and IFRS.

The difference under Any other assets and Any other liabilities is caused by the investments and liabilities for account of third parties regarding the Actiam responsible index funds (€ 1,338 million). Given that Athora Netherlands is the largest investor in these funds, it has 'control' over the relevant activities of these funds. Through the application of IFRS 10, Athora Netherlands has to fully consolidate these funds, as a result of which the minority share of third parties (other investors in these funds) is also included in the balance sheet as an investment. The counterpart on the liabilities side are the liabilities towards third parties arising from these investments. Under Solvency II, where IFRS 10 is not applied for consolidation, these investments are recognised in the balance sheet of Athora Netherlands in proportion to the participation in the funds.

The reclassification of € 1,230 million between Technical provisions life and Reinsurance recoverables is due to the Longevity reinsurance contract. Under Solvency II the negative reinsurance recoverable regarding the longevity contract is netted with the other reinsurance recoverables and presented on the balance sheet. Under IFRS the reinsurance recoverable regarding the longevity contract is presented under the Technical provisions life and therefore netted with the corresponding technical provision.

Sectorial Rules and D&A

The differences of € 1,307 million between the IFRS balance sheet and the Statutory accounts value stems from the deconsolidation of subsidiaries Actiam NV (Actiam) and Zwitserleven PPI NV (PPI) and the treatment of N.V. Pensioen ESC (ESC) under D&A (Deduction and Aggregation).

Other items

A number of other items processed in the IFRS figures have not been included in the Statutory accounts valuation as these were considered as not material for Solvency II.

D.1 ASSETS

In case the Solvency II measurement is equal to the IFRS measurement we refer to paragraph 6.1 of the Annual Report of Athora Netherlands NV 2020.

D.1.1 Deferred tax assets and liabilities

In the Solvency II balance sheet, all items are measured at their market value, which can be estimated either through mark-to-market or mark-to-model techniques. As in the Solvency II balance sheet unrealised gains and losses are recognised, the corresponding deferred tax liability or asset is recognised simultaneously. For calculating the amount of deferred taxes, local income tax regulations apply.

On 17 December 2019 The Senate approved the Tax Plan 2020 including the changes to the corporate income tax rate of 25% (2020) and 21.7% (2021). This means that these tax rate changes are substantively enacted and that the 31 December 2019 deferred tax calculation is based on these updated rates.

However, on 15 September 2020, the Dutch government published the 2021 budget proposals, which include a proposal of the corporate income tax rate in 2021. These tax rate changes replaced the tax rate changes as announced and substantively enacted at the end of 2019. This proposed change was substantively enacted per year end 2020. In 2021 and further years the corporate income tax rate remains 25%. The 31 December 2020 deferred tax calculation is based on this update rate.

A deferred tax asset (DTA) is the amount of income taxes recoverable in the future arising from deductible temporary differences between the carrying amount of an asset or liability and its tax base. Athora Netherlands has recognised no deferred tax assets arising from the carryforward of unused tax losses.

A deferred tax liability (DTL) is the amount of income tax payable arising from taxable differences between the carrying amount of an asset or liability and its tax base.

Athora Netherlands is with its subsidiaries, SRLEV, Proteq, Zwitserleven PPI and ACTIAM a so called fiscal unity (fiscale eenheid).

The adjustment in the deferred tax is calculated using the determined rate of 25% on all market value adjustments in the Solvency II balance sheet.

FROM IFRS TO SOLVENCY II TAX POSITION AT 31 DECEMBER 2020				
In € millions	**SRLEV**	**Proteq**	**Other**	**Athora Netherlands**
IFRS tax position	607	6	-8	605
Tax adjustments for:				
Difference in the valuation of assets	-424	-	-2	-426
Difference in the valuation of technical provisions	497	-	-47	450
Difference in the valuation of other liabilities	-17	-	50	33
SII tax position	**663**	**6**	**-7**	**662**

FROM IFRS TO SOLVENCY II TAX POSITION AT 31 DECEMBER 2019					
In € millions	**SRLEV**	**VIVAT Schade**	**Proteq**	**Other**	**Athora Netherlands**
IFRS tax position	461	-12	5	-5	449
Tax adjustments for:					
Difference in the valuation of assets	-364	-	-	3	-361
Difference in the valuation of technical provisions	470	-21	1	-38	412
Difference in the valuation of other liabilities	-17	1	-	42	26
SII tax position	**550**	**-32**	**6**	**2**	**526**

For a further explanation of the IFRS tax position we refer to section 6.3 Note 8 Deferred Tax in the Annual Report of Athora Netherlands NV 2020.

The underlying method of calculating the deferred tax assets and liabilities is the same for IFRS and for Solvency II; the tax value of assets and liabilities is compared with the amounts recognised in the balance sheet. Under IFRS the tax value of assets and liabilities is compared to the amounts recognised and measured based on IFRS. Respectively, under Solvency II, the tax values of assets and liabilities are compared to the amounts recognised and measured based on Solvency II.

D.1.2 Investments

The table below shows the value of the investments broken down by Solvency II and IFRS valuation. For more information on the measurement and valuation of investments see section D.4.1.1.

BREAKDOWN OF INVESTMENTS AT 31 DECEMBER 2020								
	SRLEV		**Proteq**		**Other**		**Athora Netherlands**	
In € millions	**SII**	**IFRS**	**SII**	**IFRS**	**SII**	**IFRS**	**SII**	**IFRS**
Property (other than for own use)	303	303	-	-	218	218	**521**	**521**
Holdings in related undertakings, including participations	1,733	1,729	-	-	-1,657	-1,653	**76**	**76**
Equities	-	-	-	-	1	1	**1**	**1**
Bonds	30,095	30,032	655	655	-1,403	-1,340	**29,347**	**29,347**
Collective Investments Undertakings	2,437	2,437	23	23	78	78	**2,538**	**2,538**
Derivatives	5,350	5,350	39	39	1	1	**5,390**	**5,390**
Deposits other than cash equivalents	218	215	-	-	14	14	**232**	**229**
Investments	**40,136**	**40,066**	**717**	**717**	**-2,748**	**-2,681**	**38,105**	**38,102**

BREAKDOWN OF INVESTMENTS AT 31 DECEMBER 2019										
	SRLEV		VIVAT Schade		Proteq		Other		Athora Netherlands	
In € millions	SII	IFRS	SII	IFRS	SII	IFRS	SII	IFRS	SII	IFRS
Property (other than for own use)	287	287	-	-	-	-	173	173	**460**	**460**
Holdings in related undertakings, including participations	190	201	5	5	-	-	-128	-139	**67**	**67**
Equities	-	-	19	19	-	-	1	1	**20**	**20**
Bonds	29,222	29,143	1,485	1,485	576	576	-1,118	-1,040	**30,165**	**30,165**
Collective Investments Undertakings	2,195	2,195	47	47	49	49	49	49	**2,340**	**2,340**
Derivatives	3,017	3,017	51	51	11	11	23	23	**3,102**	**3,102**
Deposits other than cash equivalents	353	345	1	1	-	-	-	-	**354**	**346**
Investments	**35,264**	**35,188**	**1,608**	**1,608**	**636**	**636**	**-1,000**	**-933**	**36,508**	**36,499**

The property (other than for own use) in the category Other consists of property held by subsidiaries of SRLEV. Holdings in related undertakings, including participations in the category Other relate to the elimination of investments in subsidiaries on consolidated level. The bonds in the category Other are due to the consolidation of SRLEV. SRLEV presents funding to subsidiaries as collateralised securities, on the consolidated level the underlying mortgages are presented. The amount of collective investments undertakings in Other relate to investments in liquidity funds by Athora Netherlands and subsidiaries of SRLEV.

Valuation

All investments are measured at market value under IFRS and Solvency II, except deposits other than cash equivalents. These are valued at amortised costs under IFRS instead of market value under the SII-regime.

VALUATION AT 31 DECEMBER 2020				
In € millions	Quoted market price	Quoted market price for similar assets	Alternative valuation method	Total
Property (other than for own use)	-	-	521	**521**
Holdings in related undertakings, including participations	-	-	76	**76**
Equities	-	-	1	**1**
Bonds	26,795	1,613	939	**29,347**
Collective Investments Undertakings	1,989	-	549	**2,538**
Derivatives	-	-	5,390	**5,390**
Deposits other than cash equivalents	-	-	232	**232**
Investments	**28,784**	**1,613**	**7,708**	**38,105**

VALUATION AT 31 DECEMBER 2019				
In € millions	Quoted market price	Quoted market price for similar assets	Alternative valuation method	Total
Property (other than for own use)	-	-	460	**460**
Holdings in related undertakings, including participations	-	-	67	**67**
Equities	-	-	20	**20**
Bonds	28,743	566	856	**30,165**
Collective Investments Undertakings	1,805	-	535	**2,340**
Derivatives	-	-	3,102	**3,102**
Deposits other than cash equivalents	-	-	354	**354**
Investments	**30,548**	**566**	**5,394**	**36,508**

Property (other than for own use)

Property other than for own use, comprising properties and offices, residential properties and land, is held to generate long-term rental income or capital appreciation or both. For more on the valuation of property other than for own use, see section D.4.1.1.

Holdings in related undertakings, including participations

The holdings in related undertakings of Athora Netherlands consist of the subsidiaries Actiam NV, Zwitserleven PPI NV and N.V. Pensioen ESC and the associate CBRE Property Fund Central and Eastern Europe (CBRE PFCEE).

To recognise the subsidiaries Actiam and PPI in accordance with Solvency II method 1: sectoral rules, the assets and liabilities are eliminated from the balance sheet and the participations of Athora Netherlands in these subsidiaries are recognised. This differs from the IFRS consolidated balance sheet of Athora Netherlands. Please refer to colomn "Sectorial Rules and D&A" in section D. Valuation for Solvency purposes for the impact of the deconsolidation.

To recognise ESC accordance the Solvency II method D&A (Deduction and Aggregation) the assets and liabilities are eliminated from the balance sheet and the participation of Athora Netherlands in the subsidiary ESC is recognised. This differs from the IFRS consolidated balance sheet of Athora Netherlands.

The holdings in related undertaking, including participations are attributable to SRLEV € 1,733 million (2019: € 190 million) and Other € -1,657 million (2019: € -128 million).

For a detailed overview of the related subsidiaries of Athora Netherlands, SRLEV and Proteq see Annex I.

Equities

Equities relate mainly to unlisted participations which are considered strategic by Athora Netherlands. For a more detailed description of the market risk related to equities and the distinction between type 1 and type 2 equities, see section C.2.2. The equities are attributable to the category Other € 1 million (2019: € 1 million).

Bonds

The table below provides a breakdown of the bonds:

BREAKDOWN OF BONDS AT 31 DECEMBER 2020				
In € millions	**SRLEV**	**Proteq**	**Other**	**Total**
Government Bonds	20,746	503	-	**21,249**
Corporate Bonds	7,471	152	-	**7,623**
Structured notes	24	-	-	**24**
Collateralised securities	1,854	-	-1,403	**451**
Bonds	**30,095**	**655**	**-1,403**	**29,347**

BREAKDOWN OF BONDS AT 31 DECEMBER 2019					
In € millions	**SRLEV**	**VIVAT Schade**	**Proteq**	**Other**	**Total**
Government Bonds	19,903	1,244	466	435	**22,048**
Corporate Bonds	6,950	233	108	-	**7,291**
Structured notes	25	1	-	-	**26**
Collateralised securities	2,344	7	2	-1,553	**800**
Bonds	**29,222**	**1,485**	**576**	**-1,118**	**30,165**

The category Other concerns the elimination of collateralised securities € -1,403 million (2019: € -1,553 million). These collateralised securities constitute the intra-group notes issued by the Share Debt Programme 1 BV which are purchased by SRLEV.

The table below provides a breakdown of the bonds by sector:

BREAKDOWN OF BONDS BY SECTOR AT 31 DECEMBER 2020					
In € millions	**SRLEV**	**Proteq**	**Other**	**Athora Netherlands**	**Percentage**
Sovereign	20,746	503	-	21,249	73%
Financial sector	5,631	-	-	5,631	19%
Non financial sector	2,315	152	-	2,467	8%
Mortgage backed securities	1,403	-	-1,403	-	0%
Total	**30,095**	**655**	**-1,403**	**29,347**	**100%**

BREAKDOWN OF BONDS BY SECTOR AT 31 DECEMBER 2019						
In € millions	**SRLEV**	**VIVAT Schade**	**Proteq**	**Other**	**Athora Netherlands**	**Percentage**
Sovereign	19,903	1,244	466	435	22,048	73%
Financial sector	4,287	152	-	-	4,439	15%
Non financial sector	3,479	87	110	-	3,676	12%
Mortgage backed securities	1,553	2	-	-1,553	2	0%
Total	**29,222**	**1,485**	**576**	**-1,118**	**30,165**	**100%**

The table below provides a breakdown of the bonds by rating:

BREAKDOWN OF BONDS BY RATING AT 31 DECEMBER 2020					
In € millions	SRLEV	Proteq	Other	Athora Netherlands	Percentage
AAA	14,327	446	-	14,773	50%
AA	6,621	78	-	6,699	23%
A	4,900	76	-	4,976	17%
BBB	2,772	55	-	2,827	10%
< BBB	27	-	-	27	0%
Not rated	1,448	-	-1,403	45	0%
Total	**30,095**	**655**	**-1,403**	**29,347**	**100%**

BREAKDOWN OF BONDS BY RATING AT 31 DECEMBER 2019						
In € millions	SRLEV	VIVAT Schade	Proteq	Other	Athora Netherlands	Percentage
AAA	14,215	991	432	290	15,928	53%
AA	5,403	189	26	144	5,762	19%
A	4,727	112	47	-	4,886	16%
BBB	3,194	169	66	1	3,429	11%
< BBB	124	12	5	-	141	1%
Not rated	1,559	12	-	-1,553	19	0%
Total	**29,222**	**1,485**	**576**	**-1,118**	**30,165**	**100%**

Government Bonds
Government bonds consists mainly of bonds issued by European governments and international institutions. The majority of the governments bond are German and Dutch. Other consist of bonds issued by 12 different countries (2019: 23 different countries). The table below shows the breakdown of government bonds by geographic area.

BREAKDOWN OF GOVERNMENT BONDS BY GEOGRAPHIC AREA				
In € millions	2020		2019	
Germany	8,955	42%	9,203	41%
Netherlands	3,834	18%	4,822	22%
International institutions	1,533	7%	879	4%
France	1,489	7%	1,521	7%
Austria	1,350	6%	1,094	5%
Finland	1,066	5%	843	4%
Belgium	948	5%	850	4%
Luxembourg	167	1%	240	1%
Japan	712	3%	408	2%
Denmark	404	2%	-	0%
United States	251	1%	155	1%
Other	540	3%	2,033	9%
Total	**21,249**	**100%**	**22,048**	**100%**

Corporate Bonds
Corporate bonds consists of bonds issued by European and American companies which are active in different sectors.

Collective Investments Undertakings

The collective investments undertakings amount to € 2,538 million (2019: € 2,340 million) and are largely consisting of different investment funds among others money market funds € 1,927 million (2019: € 1,297 million) and debt funds € 463 million (2019: € 899 million). The collective investments undertakings are attributable to SRLEV € 2,437 million (2019: € 2,195 million), Proteq € 23 million (2019: € 49 million) and Other € 78 million (2019: € 49 million).

Derivatives

The table below provides a breakdown of derivatives:

BREAKDOWN OF DERIVATIVES AT 31 DECEMBER 2020				
In € millions	**SRLEV**	**Proteq**	**Other**	**Total**
Call Options	26	-	-	**26**
Put Options	100	-	-	**100**
Swaps	5,161	39	-	**5,200**
Forwards	63	-	1	**64**
Derivatives	**5,350**	**39**	**1**	**5,390**

BREAKDOWN OF DERIVATIVES AT 31 DECEMBER 2019					
In € millions	**SRLEV**	**VIVAT Schade**	**Proteq**	**Other**	**Total**
Call Options	50	-	-	-	**50**
Put Options	78	-	-	-	**78**
Swaps	2,853	51	11	23	**2,938**
Forwards	36	-	-	-	**36**
Derivatives	**3,017**	**51**	**11**	**23**	**3,102**

Derivatives are held as part of asset and liability management and risk management. For more information on the measurement and valuation of derivatives see section D.4.1.1.

Deposits other than cash equivalents

The deposits other than cash equivalents amounts to € 232 million (2019: € 354 million). The difference of € 3 million (2019: € 8 million) between the Solvency II value and the IFRS value is due to difference in valuation. The deposits other than cash equivalents under IFRS are measured at amortised costs and under the SII-regime at market value.

D.1.3 Assets held for index-linked and unit-linked contracts

The assets held for index-linked and unit-linked contracts amount to € 13,658 million (2019: € 13,373 million) and include investments under unit-linked policies and separate investment deposits for corporate pension contracts.

The main differences of € 100 million (2019: € 108 million) between the IFRS valuation and the Solvency II valuation is caused by the revaluation of the assets related to the saving mortgages for the part that is reported as unit-linked. The value of the assets is calculated as the present value of the cash flows of the assets during this fixed interest period using the swap curve increased with a spread related to the remaining risk (dependent on the counterparty and underlying collateral) in the asset for discounting.

D.1.4 Loans and mortgages

The loans and mortgages amount to € 11,957 million (2019: € 10,948 million). The difference of € 1,599 million (2019: € 1,547 million) between the Solvency II value and the IFRS value is due to difference in valuation. Valuation is at amortised cost or nominal value under IFRS and at market value under Solvency II.

The Mortgages Valuation Model consists of two parts: the projection of the expected future cash flows, where prepayment is also taken into account, and the determination of the spread on top of the risk-free interest rate curve (Swap mid-price) for the purpose of discounting the cash flows. This spread will be obtained based on the consumer tariffs for the available fixed interest rate terms. Then the consumer tariffs are adjusted for expected prepayment. There is a discount for the origination costs and price offer risk and an add-on for mortgages which are non-linear or non-annuity.

LOANS AND MORTGAGES AT 31 DECEMBER 2020

	SRLEV		Other		Athora Netherlands	
In € millions	**SII**	**IFRS**	**SII**	**IFRS**	**SII**	**IFRS**
Mortgages to individuals	1,606	1,496	2,565	2,481	4,171	3,977
Private loans linked to savings mortgages	4,877	3,968	-	-	4,877	3,968
Other loans and mortgages	2,786	2,275	121	136	2,907	2,411
Loans on policies	2	2	-	-	2	2
Total	**9,271**	**7,741**	**2,686**	**2,617**	**11,957**	**10,358**

LOANS AND MORTGAGES AT 31 DECEMBER 2019

	SRLEV		Other		Athora Netherlands	
In € millions	**SII**	**IFRS**	**SII**	**IFRS**	**SII**	**IFRS**
Mortgages to individuals	1,265	1,146	1,553	1,475	2,818	2,621
Private loans linked to savings mortgages	5,332	4,399	-	-	5,332	4,399
Other loans and mortgages	2,814	2,384	-61	-48	2,795	2,378
Loans on policies	3	3	-	-	3	3
Total	**9,414**	**7,932**	**1,492**	**1,427**	**10,948**	**9,401**

The column 'Other' € 121 million (2019: € -61 million) concerns loans held by subsidiaries of SRLEV and intercompany loans of SRLEV with subsidiaries.

D.1.5 Reinsurance recoverables

The reinsurance recoverables amounts to € -1,204 million (2019: € -439 million). The difference in valuation of € 2 million (2019: € 2 million) is caused by different measurement methods applied under IFRS and under Solvency II. See also section D.2. for an explanation of the technical provisions.

D.1.6 Any other assets, not elsewhere shown

This item comprises the assets that are not recognised in the Solvency II balance sheet items described above. Any other assets includes the accrued interest on financial instruments, as well as other accruals.

D.2 TECHNICAL PROVISION

The effects of significant changes in estimates in respect of the IFRS measurement are disclosed in the notes to the consolidated financial statements relating to the items concerned as presented in the Annual Report of Athora Netherlands NV 2020. The most significant changes in estimates concern the insurance liabilities (refer to note 6.3.15 'Insurance Liabilities').

BREAKDOWN OF TECHNICAL PROVISIONS AT 31 DECEMBER 2020				
In € millions	SRLEV	Proteq	Other	Total
Best estimate (Gross)	50,488	536	-569	50,455
Risk Margin	1,412	29	-10	1,431
Total technical provisions (Gross)	**51,900**	**565**	**-579**	**51,886**

BREAKDOWN OF TECHNICAL PROVISIONS AT 31 DECEMBER 2019					
In € millions	SRLEV	VIVAT Schade	Proteq	Other	Total
Best estimate (Gross)	48,646	821	493	-560	49,400
Risk Margin	1,627	155	32	-	1,814
Total technical provisions (Gross)	**50,273**	**976**	**525**	**-560**	**51,214**

The gross technical provisions of Athora Netherlands in the balance sheet increased in 2020 with € 672 million to an amount of € 51,886 million. Excluding the risk margin and the recoverables from reinsurance the gross best estimate increased in 2020 with € 1,055 million to an amount of € 50,455 million.

D.2.1 Technical provisions SRLEV

The gross technical provisions of SRLEV in the balance sheet increased in 2020 with € 1,627 million to an amount of € 51,900 million. Excluding the risk margin and the recoverables from reinsurance the gross best estimate increased in 2020 with € 1,842 million to an amount of € 50,488 million.

The table below provides an overview of the technical provisions of SRLEV.

BREAKDOWN TECHNICAL PROVISIONS LIFE SRLEV (NET) AT 31 DECEMBER 2020				
In € millions	Insurance with profit participation	Index-linked and unit-linked	Other life insurance	Total
Best estimate (Gross)	15,416	14,750	20,322	**50,488**
Best estimate (Recoverable from reinsurance)	614	-	590	**1,204**
Best estimate (Net)	**16,030**	**14,750**	**20,912**	**51,692**
Risk Margin	322	333	757	**1,412**
Technical provisions Solvency II	**16,352**	**15,083**	**21,669**	**53,104**
Technical provisions IFRS (Net)[1]	16,281	14,877	20,509	**51,667**
Differences	**71**	**206**	**1,160**	**1,437**

1 The IFRS technical provisions in the balance sheet amount to € 49,917 million (excluding ESC). The difference with the technical provisions IFRS net in this specification is due to the recoverables from reinsurance (€ -1,202 million) and surplus investments (€ -547 million).

BREAKDOWN TECHNICAL PROVISIONS LIFE SRLEV (NET) AT 31 DECEMBER 2019				
In € millions	Insurance with profit participation	Index-linked and unit-linked	Other life insurance	Total
Best estimate (Gross)	14,642	14,233	19,771	**48,646**
Best estimate (Recoverable from reinsurance)	287	-	208	**495**
Best estimate (Net)	**14,929**	**14,233**	**19,979**	**49,141**
Risk Margin	402	326	899	**1,627**
Technical provisions Solvency II	**15,331**	**14,559**	**20,878**	**50,768**
Technical provisions IFRS (Net)[1]	15,179	14,343	19,595	**49,117**
Differences	**152**	**216**	**1,283**	**1,651**

1 The IFRS technical provisions in the balance sheet amount to € 48,125 million (excluding ESC). The difference with the technical provisions IFRS net in this specification is due to the recoverables from reinsurance (€ -502 million) and surplus investments (€ -490 million).

During 2020 part of the paid-up group insurance policies in investment units were transferred from the index and unit linked portfolio to the other life insurance portfolio.

The table below shows a breakdown of the technical provisions of SRLEV per Line of Business.

BREAKDOWN TECHNICAL PROVISIONS LIFE SRLEV PER LINE OF BUSINESS (NET) AT 31 DECEMBER 2020					
	Best estimate		Risk Margin	SII	IFRS
In € millions	Gross	Net	Net	Net	Net[1]
Savings-based mortgages	4,799	4,781	52	4,833	3,881
Life annuity	4,627	4,627	287	4,914	4,823
Term insurance	152	152	217	369	297
Traditional savings	5,158	5,147	94	5,240	5,174
Funeral insurance	1,311	1,311	51	1,362	1,370
Individual insurance policies in cash	**16,047**	**16,018**	**701**	**16,718**	**15,545**
Individual insurance policies in investment units	4,277	4,277	118	4,395	4,245
Group insurance policies in cash	19,690	20,923	377	21,301	21,245
Group insurance policies in investment units	10,474	10,474	216	10,690	10,632
Total	**50,488**	**51,692**	**1,412**	**53,104**	**51,667**

1 The IFRS technical provisions in the balance sheet amount to € 49,917 million (excluding ESC). The difference with the technical provisions IFRS net in this specification is due to the recoverables from reinsurance (€ -1,202 million) and surplus investments (€ -547 million).

BREAKDOWN TECHNICAL PROVISIONS LIFE SRLEV PER LINE OF BUSINESS (NET) AT 31 DECEMBER 2019					
	Best estimate		Risk Margin	SII	IFRS
In € millions	Gross	Net	Net	Net	Net[1]
Savings-based mortgages	5,212	5,176	70	5,246	4,271
Life annuity	4,408	4,408	284	4,692	4,596
Term insurance	-49	-49	221	172	98
Traditional savings	5,370	5,359	88	5,447	5,371
Funeral insurance	1,166	1,166	55	1,221	1,219
Individual insurance policies in cash	**16,107**	**16,060**	**718**	**16,778**	**15,555**
Individual insurance policies in investment units	4,597	4,597	143	4,740	4,572
Group insurance policies in cash	18,305	18,847	583	19,430	19,219
Group insurance policies in investment units	9,637	9,637	183	9,820	9,771
Total	**48,646**	**49,141**	**1,627**	**50,768**	**49,117**

1 The IFRS technical provisions in the balance sheet amount to € 48,125 million (excluding ESC). The difference with the technical provisions IFRS net in this specification is due to the recoverables from reinsurance (€ -502 million) and surplus investments (€ -490 million).

Methods and assumptions
The main components of calculating the technical provisions are the used methods and assumptions. Athora Netherlands uses a general actuarial market approach taking into account the contract boundaries of the insurance contract. The material methods and assumptions that are used in the calculation of the technical provisions of Life are described in section D.4.1.1.

Differences valuation Solvency II and IFRS

As per year-end 2020, the liability adequacy test results in a deficit making market consistent valuation of the technical provisions mandatory under IFRS 4. Under Solvency II the technical provisions are also market consistent measured. The differences between Solvency II and IFRS valuation are than confined to:

Standard modelsegmentation	IFRS Technical provision (gross)	SII Technical provision (gross)
SRLEV	1. Market consistent valuated technical provision, except for saving mortgages which is at nominal value	1. Market consistent valuated technical provision
	2. Swap curve with UFR for discounting	2. By EIOPA prescribed curve: swap curve adjusted for credit risk (Volatility Adjustment) and with UFR for discounting
	3. As a result of internal research the Cost of Capital (CoC) is 4%	3. According to SII-requirements the CoC is 6%

As shown in the table 'Breakdown technical provisions Life SRLEV per Line of Business (Net)' the difference between the Solvency II and IFRS value is € 1.4 billion. This difference is mainly caused by the valuation of savings mortgages from nominal value to Solvency II market value (€ 1.0 billion) and differences in Cost of Capital (€ 0.5 billion). The impact of diffent curves was limited (€ -0.1 billion).

Level of Uncertainty

Uncertainty arises from risks SRLEV is exposed to. SRLEV has defined and structured different risk types, partly on the basis of current legislation and regulations (SII Standard Formula), and partly on the basis of own assessment of risks. With regards to the valuation of technical provisions Athora Netherlands recognises model risk, covering uncertainty in the models, the parameters and in the data.

The risks related to these uncertainties are mitigated by complying to Risk Policy (RP) procedures and processes for the development of models, the estimation of parameters and the use of data. According to this policy, model validations and second line reviews or assessments are performed. Next to that, at least once a year model risk is also assessed at Group and legal entity levels, during the regular Own Risk Solvency Assessment (ORSA) process, when the appropriateness test is executed.

Impact Volatility Adjustment

SRLEV applies the Volatility Adjustment for discounting cash flows to determine the best estimate and in determining the capital requirement under the SCR. The following table shows the impact of this Volatility Adjustment on the financial position and own funds of SRLEV:

IMPACT OF APPLYING VOLATILITY ADJUSTMENT AT 31 DECEMBER 2020			
In € millions	**VA =7 bp**	**VA = 0 bp**	**Impact**
Technical provisions (Gross)	51,900	52,243	343
Basic own funds	4,316	4,059	-257
Eligible own funds to meet SCR	4,023	3,684	-339
SCR	2,463	2,486	23
MCR	1,108	1,119	11
Solvency II ratio	163%	148%	-15%

IMPACT OF APPLYING VOLATILITY ADJUSTMENT AT 31 DECEMBER 2019			
In € millions	**VA = 7 bp**	**VA = 0 bp**	**Impact**
Technical provisions (Gross)	50,273	50,591	318
Basic own funds	3,906	3,652	-254
Eligible own funds to meet SCR	3,697	3,372	-325
SCR	2,275	2,275	-
MCR	1,024	1,024	-
Solvency II ratio	163%	148%	-14%

Matching Adjustment
SRLEV does not apply a Matching Adjustment as referred to in Article 77 of Directive 2009/138/EC.

Risk-free yield curve
SRLEV does not apply a risk-free yield curve and transition deductions as referred to in Article 308 of Directive 2009/138/EC.

Transition deductions
SRLEV does not apply a transition deductions as referred to in Article 308 of Directive 2009/138/EC.

Material changes in assumptions
There have been no material changes in the relevant assumptions underlying the calculation of technical provisions.

Significant simplified methods
No significant simplified methods were used to calculate the technical provisions.

Reinsurance
For a further explanation of Life reinsurance see section C.1.2.3.

D.2.2 Technical provisions Proteq

The table below provides us an overview of the technical provisions of Proteq.

BREAKDOWN TECHNICAL PROVISIONS LIFE PROTEQ (NET) AT 31 DECEMBER 2020			
In € millions	**Insurance with profit sharing**	**Other life insurance**	**Total**
Best estimate (Gross)	389	147	**536**
Best estimate (Recoverable from reinsurance)	-	-	**-**
Best estimate (Net)	**389**	**147**	**536**
Risk Margin	16	13	**29**
Technical provisions Solvency II	**405**	**160**	**565**
Technical provisions IFRS (Net)	408	157	**565**
Differences	**-3**	**3**	**-**

BREAKDOWN TECHNICAL PROVISIONS LIFE PROTEQ (NET) AT 31 DECEMBER 2019			
In € millions	**Insurance with profit sharing**	**Other life insurance**	**Total**
Best estimate (Gross)	348	145	**493**
Best estimate (Recoverable from reinsurance)	-	-	**-**
Best estimate (Net)	**348**	**145**	**493**
Risk Margin	16	16	**32**
Technical provisions Solvency II	**364**	**161**	**525**
Technical provisions IFRS (Net)	365	156	**521**
Differences	**-1**	**5**	**4**

Proteq mainly has Funeral insurance.

Level of Uncertainty

Uncertainty arises from risks Proteq is exposed to. Proteq has defined and structured different risk types, partly on the basis of current legislation and regulations (SII Standard Formula), and partly on the basis of own assessment of risks, With regards to the valuation of technical provisions Athora Netherlands recognises model risk, covering uncertainty in the models, the parameters and in the data. The risks related to these uncertainties is mitigated by complying to Risk Policy (RP) procedures and processes for the development of models, the estimation of parameters and the use of data. According to this policy, model validations and second line reviews or assessments are performed. Next to that, at least once a year model risk is also assessed at Group and legal entity levels, during the regular Own Risk Solvency Assessment (ORSA) process, when the appropriateness test is executed.

Differences valuation Solvency II and IFRS

Per ultimo 2016 the liability adequacy test results in a deficit making market consistent valuation of the technical provisions mandatory under IFRS 4. Under Solvency II the technical provisions are also market consistent valuated. The differences between Solvency II and IFRS valuation are than confined to:

Standard modelsegmentation	IFRS Technical provision (gross)	SII Technical provision (gross)
Proteq	1. Market consistent valuated technical provision	1. Market consistent valuated technical provision
	2. Swap curve with UFR for discounting	2. By EIOPA prescribed curve for discounting
	3. As a result of internal research the CoC is 4%	3. According to SII-requirements the CoC is 6%

The difference between the Solvency II and IFRS value is caused by the difference in the Cost of Capital percentage to an amount of € 10 million and the difference in curve to an amount of € -10 million.

Impact Volatility Adjustment

Proteq applies the Volatility Adjustment for discounting cash flows to determine the best estimate and in determining the capital requirement under the SCR. The following table shows the impact of this Volatility Adjustment on the financial position and own funds of Proteq:

IMPACT OF APPLYING VOLATILITY ADJUSTMENT AT 31 DECEMBER 2020			
In € millions	VA = 7 bp	VA = 0 bp	Impact
Technical provisions (Gross)	565	571	6
Basic own funds	114	109	-5
Eligible own funds to meet SCR	114	109	-5
SCR	46	47	1
MCR	17	17	-
Solvency II ratio	245%	230%	-14%

IMPACT OF APPLYING VOLATILITY ADJUSTMENT AT 31 DECEMBER 2019			
In € millions	VA = 7 bp	VA = 0 bp	Impact
Technical provisions (Gross)	525	531	6
Basic own funds	101	96	-5
Eligible own funds to meet SCR	101	96	-5
SCR	42	43	1
MCR	16	16	-
Solvency II ratio	240%	223%	-17%

Matching Adjustment
Proteq does not apply a Matching Adjustment as referred to in Article 77 of Directive 2009/138/EC.

Risk-free yield curve
Proteq does not apply a risk-free yield curve and transition deductions as referred to in Article 308 of Directive 2009/138/EC.

Transition deductions
Proteq does not apply a transition deductions as referred to in Article 308 of Directive 2009/138/EC.

Material changes in assumptions
There have been no material changes in the relevant assumptions underlying the calculation of technical provisions.

Significant simplified methods
No significant simplified methods were used to calculate the technical provisions.

D.3 LIABILITIES

In case the Solvency II measurement is equal to the IFRS measurement we refer to the Annual Report of Athora Netherlands NV.

D.3.1 Contingent liabilities

For the definition of contingent liabilities Solvency II refers to IFRS. Under Solvency II it is required to recognise contingent liabilities on the balance sheet if they are material. On the basis of the analysis of Athora Netherlands, there are no contingent liabilities included in the Solvency II balance sheet at the end of 2020.

Under Solvency II, Athora Netherlands has not measured the contingent liability relating to unit-linked policies in calculating the own funds as no reliable estimate can be made of the outcome. This is consistent with the measurement under IFRS.

For further information about off-balance sheet items, see section D.5.2.

D.3.2 Pension benefit obligations

BREAKDOWN OF PENSION BENEFIT OBLIGATIONS 2020			
In € millions	**SRLEV**	**Other**	**Athora Netherlands**
Present value of defined benefit obligations	244	514	758
Fair value of plan assets	-25	-54	-79
Present value of the net liabilities	**219**	**460**	**679**
Reclassification pension commitments under Technical Provisions	-187	187	-
IAS 19 surplus after reclassification	**32**	**647**	**679**
Other employee benefit commitments	-	15	15
Total	**32**	**662**	**694**

BREAKDOWN OF PENSION BENEFIT OBLIGATIONS 2019				
In € millions	**SRLEV**	**VIVAT Schade**	**Other**	**Athora Netherlands**
Present value of defined benefit obligations	222	31	435	688
Fair value of plan assets	-24	-3	-46	-73
Present value of the net liabilities	**198**	**28**	**389**	**615**
Reclassification pension commitments under Technical Provisions	-180	-	180	**-**
IAS 19 surplus after reclassification	**18**	**28**	**569**	**615**
Other employee benefit commitments	-	-	14	**14**
Total	**18**	**28**	**583**	**629**

The net present value of the defined benefit obligations € 759 million (2019: € 688 million) is calculated on basis of the prescribed IFRS discount rate. The insured rights are taken into account for the SCR calculation, using the SCR results of the pension commitments under technical provisions, based on Solvency II assumptions.

The column 'Other' € 663 million (2019: € 583 million) includes the pensioen benefit obligations of Athora Netherlands NV € 461 million (2019: € 389 million) and the reclassification of the pension commitments from the technical provisions of SRLEV € 187 million (2019: € 180 million).

Pension benefit obligations other than mentioned in the financial statements do not exist. We refer to section 6.3 Note 16 Provision for Employee Benefits in the Annual Report Athora Netherlands NV 2020. In this section the main actuarial parameters and sensitivity of the present value of pension obligations are explained also.

D.3.3 Debts owed to credit institutions

The table below provides an overview of the debts owed to credit institutions:

DEBTS OWED TO CREDIT INSTITUTIONS AT 31 DECEMBER 2020								
	SRLEV		Proteq		Other		Athora Netherlands	
In € millions	SII	IFRS	SII	IFRS	SII	IFRS	SII	IFRS
Borrowings	-	-	-	-	63	61	63	61
Due on demand	4,393	4,393	33	33	1	1	4,427	4,427
Private loans	358	257	-	-	-	-	358	257
Total	**4,751**	**4,650**	**33**	**33**	**64**	**62**	**4,848**	**4,745**

DEBTS OWED TO CREDIT INSTITUTIONS AT 31 DECEMBER 2019										
	SRLEV		VIVAT Schade		Proteq		Other		Athora Netherlands	
In € millions	SII	IFRS	SII	IFRS	SII	IFRS	SII	IFRS	SII	IFRS
Borrowings	-	-	-	-	-	-	664	645	664	645
Due on demand	2,461	2,461	52	52	11	11	25	25	2,549	2,549
Private loans	344	254	-	-	-	-	-	-	344	254
Total	**2,805**	**2,715**	**52**	**52**	**11**	**11**	**689**	**670**	**3,557**	**3,448**

Borrowings

On 17 May 2017 Athora Netherlands NV issued € 650 million of senior notes. An amount of € 584 million was redeemed in April 2020 as a result of the succesfull tender offer on the notes. The remaining senior notes of €63 million have a fixed coupon at 2.375% per annum and a remaining maturity of three years. The difference of € 2 million between the IFRS figures and the Solvency II figures is due to different measurement methods (at amortised cost under IFRS and at market value under Solvency II).

Due on demand
The amount of € 4,427 million (2019: € 2,549 million) due on demand relates to cash collateral. The market value of the derivatives portfolio increased in 2020 due to lower long-term interest rates. This resulted in an increase in received cash collateral .

Private loans
The private loans of € 358 million (2019: € 344 million) relates to the saving components of mortgages. The difference of € 101 million (2019: € 90 million) between the IFRS figures and the Solvency II figures is due to different measurement methods (at nominal value under IFRS and at market value under Solvency II).

D.3.4 Other liabilities

No differences between SII and IFRS.

D.4 ALTERNATIVE METHODS FOR VALUATION

D.4.1 Solvency II reporting framework

D.4.1.1 Solvency II accounting principles

As of 10 December 2020 VIVAT NV has changed its name to Athora Netherlands NV.

Athora Netherlands NV, incorporated and established in the Netherlands, is a public limited liability company incorporated under the laws of the Netherlands. Until 1 April 2020, Athora Netherlands NV was a wholly owned subsidiary of Anbang Group Holdings Co. Limited with a registered office in Hong Kong, People's Republic of China, whose ultimate parent is China Insurance Security Fund Co., Ltd. with its headquarters in Beijing, Peoples's Republic of China.

On 1 April 2020, Athora acquired 100% of the shares of VIVAT NV (now: Athora Netherlands NV) from Anbang. As per 1 April 2020, Athora Netherlands NV is a wholly owned subsidiary of Athora Netherlands Holding Ltd. with a registered office in Dublin, Ireland, whose ultimate parent company is Athora Holding Ltd. domiciled in Bermuda. Athora Netherlands holds 100% of the shares in SRLEV NV and Proteq Levensverzekeringen NV.

In the consolidated Solvency II (SII) balance sheet the name 'Athora Netherlands' is used when discussing the consolidated activities of Athora Netherlands, its insurance entities and other entities.

The main accounting policies used in the preparation of the consolidated SII balance sheet are set out in this section.

General accounting policies

The following policies have been applied in the course of preparing SII consolidated balance sheet:
- Going concern basis: Athora Netherlands' business will be continued for the foreseeable future;
- Accrual basis: the effects of transactions and other events and circumstances on a reporting entity's economic resources and claims in the periods in which those effects occur, even if the resulting cash receipts and payments occur in a different period;
- Materiality concept: information is viewed as material if omitting it or misstating it could influence decisions that users make on the basis of SII consolidated balance sheet. Materiality of an item depends on its amount, nature or combination of both.

Functional currency and reporting currency

The SII consolidated balance sheet has been prepared in millions of euros (€). The euro is the functional and reporting currency of Athora Netherlands. All financial data presented in euros is rounded to the nearest million, unless stated otherwise.

Further details on the accounting policies applied to the conversion of transactions and translation of items in the statement of financial position denominated in foreign currencies are provided in the section below entitled 'Foreign currencies'.

Foreign currencies

Upon initial recognition, transactions in foreign currencies are converted into euros against the exchange rate at the transaction date. Items in the SII consolidated balance sheet denominated in foreign currencies are translated into euros at the exchange rate applicable at the reporting date.

Accounting based on transaction date and settlement date

All purchases and sales of financial instruments that have been settled in accordance with standard market practices are recognised at the transaction date, i.e. the date on which Athora Netherlands commits itself to buying or selling the asset or liability. All other purchases or sales are recognised as forward transactions until they are settled.

Offsetting financial instruments

Financial assets and liabilities are offset and their net amounts are reported in SII consolidated balance sheet, if a legally enforceable right to set off the recognised amounts exists, as well as an intention to settle the items on a net basis, or to settle the asset and the liability simultaneously. If these conditions are not met, amounts are not offset.

Estimates and assumptions

The preparation of SII consolidated balance sheet requires Athora Netherlands to make estimates based on complex and partially subjective assumptions. These estimates have a significant impact on the reported amounts of assets and liabilities and the contingent assets and liabilities at the reporting date. In this process, management judges situations on the basis of available information and financial data that could potentially change in the future. Although estimates are made to the best of the management's knowledge, actual results may differ from these estimates and the use of other assumptions or data can lead to materially different results.

Estimates and underlying assumptions are reviewed on a regular basis. The resulting impact on accounting estimates is recognised in the period in which the estimate is revised or in the period of revision and future periods if the revision impacts both the reporting period and future periods. The main accounting policies involving the use of estimates concern the methods for determining liabilities arising from insurance contracts, the provisions for bad debts, the fair value of assets and liabilities, and impairments.

Fair value of assets and liabilities

Assets and liabilities are recognised and measured in accordance with the Solvency II regulations.

Assets are measured at the amount for which they could be exchanged between knowledgeable, willing parties in an arm's length transaction. Liabilities are measured at the amount for which they could be settled between knowledgeable, willing parties in an arm's length transaction. In determining the fair value, Solvency II applies the principles of IFRS 13 (with the exception of own credit rate adjustment for financial liabilities).

The fair value of non-financial assets is determined based on the "highest and best use" concept. This concept takes into account the economic benefits, that would be generated either by best use of the asset by Athora Netherlands or by selling the asset to another party. Furthermore, the "highest and best use" concept is based on the use of the asset that is physically, legally and financially viable. The fair value of a non-financial asset based on the "highest and best use" concept is determined regardless of the actual Athora Netherlands' intention to utilise the asset.

The fair value of financial instruments is based on a hierarchy that categorises the inputs to the valuation techniques used to measure fair value.

The fair value hierarchy gives the highest priority to quoted, unadjusted prices in active markets for identical assets or liabilities and the lowest priority to alternative valuation models:

- Quoted market price in active markets for the same assets (QMP)
  Quoted prices from exchanges, brokers or pricing institutions are observable for all financial instruments in this valuation category. In addition, these financial instruments are traded on an active market, which allows the price to accurately reflect current and regular market transactions between independent parties. The investments in this category mainly concern listed equities and bonds, including investment funds on behalf of policyholders, underlying investments of which are listed.
- Quoted market price in active markets for similar assets (QMPS)
  This category includes financial instruments for which no quoted prices are available but fair value of which is determined using models where the parameters include available market inputs. These instruments are mostly privately negotiated derivatives and private loans. This category also includes investments whose prices have been supplied by brokers but for which the markets are inactive. In these cases, available prices are largely supported and validated using market inputs, including market rates and actual risk premiums related to credit rating and sector classification.

- Alternative valuation methods (AVM)
  The financial instruments in this category have been assessed individually. The valuation is based on management's best estimate, taking into account most recently known prices. In many cases analyses prepared by external valuation agencies are used. These analyses are based on data unobservable in the market, such as assumed default rates associated with certain ratings.

Solvency II presentation of assets and liabilities

SII requires the balance sheet template to be used. Athora Netherlands presents its assets and liabilities according to these standards.

Assets

Deferred tax assets (and liabilities)

Deferred tax assets and liabilities are recognised for tax losses carried forward and for temporary differences between the tax bases of assets and liabilities and their amounts recognised in Solvency II balance sheet. This is based on the tax rates applicable at the reporting date and the tax rates that will apply in the period in which the deferred tax assets or tax liabilities are settled.

Deferred tax assets and liabilities are measured at the undiscounted amount expected to be received or paid. Deferred tax assets are only recognised if sufficient taxable profits are expected to be available in the near future against which these temporary differences can be settled. Deferred taxes are recognised for temporary differences between the carrying amount and the value for tax purposes.

Deferred tax assets are assessed at the reporting date; if it is no longer likely that the related taxable profit will be achieved, the asset is reduced to its recoverable value.

The deferred tax assets and deferred tax liabilities are presented on a net basis.

Property, plant and equipment held for own use

This balance sheet item comprises owner-occupied property, IT equipment and other property and equipment.

Owner-occupied property

Owner-occupied property mainly comprises offices (land and buildings) and is measured at fair value (revaluation model) based on annual valuations performed by external, independent appraisers with adequate professional expertise and experience in the specific location and categories of properties.

According to the revaluation model the asset is measured at its fair value less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Owner-occupied property is measured at fair value on an unlet or (partially) let basis, depending on the situation. The purpose of a valuation is to determine the value for which the asset would be sold in an orderly transaction between market participants at the measurement date. The capitalisation method is used to determine this value. This method uses an expected return at inception and the market rental value to determine the fair value of an asset. Gains and losses on owner-occupied property include lease incentives, discount rates and expected vacancy, making allowance for the location, quality, age and liquidity of the property in question.

IT equipment and other property and equipment

IT equipment and other property and equipment is measured at fair value determined based on the highest and best use by Athora Netherlands (amount of economic benefits generated by Athora Netherlands utilising the asset).

Repair and maintenance expenses incurred after the acquisition of an asset that increase or extend the future economic benefits of assets in relation to their original use are capitalised.

Assets are depreciated on a straight-line basis over their useful lives, taking into account any residual value.

Investments

This balance sheet item comprises the following items:
- Property (other than for own use);
- Participations;
- Equities;
- Bonds;
- Collective investments undertakings;
- Derivatives;
- Deposits other than cash equivalents.

Property (other than for own use)

Investment property, comprising retail properties and offices, residential properties and land, is held to generate long- term rental income or capital appreciation or both. If a property qualifies as part investment property and part owner- occupied property, it is recognised within property and equipment if the owner-occupied part makes up no less than 20% of the total number of square metres. However, if the owner-occupied part makes up less than 20% of the total number of square metres, it is recognised within investment property.

Investment property is measured at fair value, including transaction costs, upon initial recognition. Investment property qualifies as a long-term investment and is measured at fair value, i.e. its value in a (partially) let state. The fair value is based on valuations performed every year by independent external appraisers with adequate expertise and specific experience in property locations and categories.

The purpose of a valuation is to determine the value for which the asset would be sold in an orderly transaction between market participants at the measurement date. The capitalisation method is used to determine this value. This method uses an expected return since inception and the market rental value to determine the fair value of an asset. Gains and losses on investment property include lease incentives, discount rates and expected vacancy, but allowance is made for location, quality, age and liquidity of the property as well.

Participations

This item comprises the subsidiaries and associates of Athora Netherlands, that are not consolidated in the Solvency II consolidated balance sheet. These participations are recognised and measured according to the (adjusted) equity method.

Equities

The listed equities are measured at fair value based on quoted prices in an active market for the same assets The unlisted equities are measured at fair value based on available market information (quoted market prices in active markets for similar assets). If these data are not available, the fair value is determined based on alternative valuation methods.

Bonds

On the Solvency II balance sheet bonds are divided into following categories:
- government bonds;
- corporate bonds;
- structured notes;
- collateralised securities.

The fair value of government bonds and corporate bonds is based on quoted prices in an active market for the same assets. If there is no active market, the fair value is derived from quoted market prices in active markets for similar assets.

As there are generally no active markets for structured notes and collateralised securities, their fair value is determined based on from quoted market prices in active markets for similar assets. If the data is not available, the fair value is determined based on alternative valuation methods.

The fair value of the bonds includes the accrued interest.

Collective investment undertakings

This item comprises investments in investment fund units, the fair value of these funds is determined based on alternative valuation methods.

Derivatives

Derivatives are recognised at fair value upon inception. The fair value of the derivatives is based on a present value model or an option valuation model (alternative valuation methods). Athora Netherlands recognises derivatives with a positive market value as assets and derivatives with a negative market value as liabilities.

Deposits other than cash equivalents

These assets concern receivables from banks with a remaining maturity of one month or more and the saving components of mortgages. The fair value of the amounts receivable with the maturity of less than 12 months is assumed to equal their nominal value. The fair value of saving components of mortgages is determined with alternative valuation models.

Assets held for index-linked and unit-linked funds

This item corresponds to the investments for account of policyholders, that are measured at fair value, which is determined based on quoted prices in an active market for the same assets. If there is no active market, the fair value is derived from quoted market prices in active markets for similar assets. If the data is not available, the fair value is determined based on alternative valuation models.

Loans and mortgages

On the Solvency II balance sheet loans and mortgages are divided into following categories:
- loans on policies;
- loans & mortgages to individuals;
- other loans & mortgages.

The fair value of the loans & mortgages includes the accrued interest.

Loans on policies

This item corresponds to the loans issued with life insurance policies as collateral. Since there is no active market for these loans, the fair value is either derived from quoted market prices in active markets for similar assets. If the data is not available, the fair value is determined based on alternative valuation methods.

Loans and mortgages to individuals

The mortgages are measured at fair value, determination of which is based on alternative valuation models. These models rely primarily on the customer interest rates on the primary market. These interest rates are corrected for miscellaneous surcharges such as surcharges for price rate risks and origination costs. The adjustments for prepayments are taken into account in the cash flow projection and an add-on for interest-only mortgages also taken into account. This method is referred to as the top-down approach.

Other loans & mortgages

Since this item comprises loans and mortgages, for which there is no active market, the fair value is either derived from quoted market prices in active markets for similar assets. If the data is not available, the fair value is determined based on alternative valuation methods.

Reinsurance recoverables

For the valuation of the best estimate provision reinsurance the cash flows are measured separately and are not offset against the best estimate provision of the insurance obligations. The credit default risk is based on the expected loss of reinsurance cover in case of bankruptcy of the reinsurer. When determining the risk margin, the credit default risk relating to reinsurance is also taken into account.

The insurance risks corporate life contracts are primarily mitigated on the basis of surplus reinsurance with a retention limit. The duration of the reinsurance contract is one year. The reinsurer participates in premium and claim in the same proportion as the retention to the reinsured amount. For the best estimate of this surplus reinsurance contract the future cash flows of this contract are estimated by using realised premium and claims in the last five years.

The individual life contracts are primarily reinsured on a proportional basis. For these contracts the best estimate reinsurance is determined as a percentage of the best estimate for the underlying insurance technical provision.

For the disability coverage within SRLEV there is a catastrophe excess of loss reinsurance contract. The best estimate for excess-of-loss reinsurance takes into account that Athora Netherlands does not expect to benefit from or loose to the reinsurer.

Insurance & intermediaries receivables

This item comprises current receivables corresponding to insurance activities of Athora Netherlands as well as receivables from intermediaries. As these assets have a short-term character, these are measured at their nominal value, since it is assumed to be equal to their fair value.

Reinsurance receivables

This item comprises current past due receivables corresponding to reinsurance companies. Depending on the short- or longer term character of these assets, they are measured at their nominal value or calculated using the expected future cashflows, the interest rate curve and relevant spread. Amounts receivable or owed but not past due have been included in cash inflows that form the basis for measurement of the gross technical provisions and the share of reinsurers in technical provisions.

Receivables (trade, not insurance)

This item comprises miscellaneous amounts receivable. Bearing in mind short-term the character of these assets, they are measured at their nominal value, since it is assumed to equal their fair value.

Cash and cash equivalents

This item comprises cash and cash equivalents including bank balances and demand deposits with a remaining maturity of less than one month. Bearing in mind the short-term character of these assets, they are measured at their nominal value, since it is assumed to equal their fair value.

Any other assets, not elsewhere shown

This item comprises the assets that are not recognised as the items in the Solvency II balance sheet described above. These assets comprise mainly the accrued interest on amounts receivable that are not recognised as investments and the investments of Zwitserleven PPI. The accrued interest is measured at its nominal value, which is assumed to equal its fair value. The fair value of the investments of Zwitserleven PPI is determined in the same way as the fair value of other investments (refer to the section "Investments" for more information).

Liabilities

Technical provisions

Under Solvency II the item technical provision comprises the best estimate and the risk margin.

Best estimate (BE)

Under Solvency II, the BE is determined by the present value of the expected value of all future cash flows, including options and guarantees and expenses arising from the insurance contract.

BE includes all the options and guarantees embedded in the products, including discretionary profit sharing (based on Athora Netherlands' discretion), non-discretionary profit sharing (based on objective standards that have to be met), indexation on disability insurance, unit linked guarantees and the paid-up option for separate accounts. The value of the options embedded in the insurance contracts may be split into net asset value (IVOG) and time value (TVOG).

Future cash flows are based on realistic and appropriate underwriting parameters such as mortality, disability, policyholders' behavior, claims handling and all expenses (including investment costs) arising from the settlement of the insurance contracts, taking into account expected future developments with a material impact on existing policies.

The cash flows are discounted with the specific yield curve set by EIOPA with a Volatility Adjustment and the ultimate forward rate. Athora Netherlands only uses the curve for the euro, since there are no material insurance liabilities in foreign currencies. The risk-free interest rate under Solvency II is based on interest rate swap rates for the euro, adjusted for credit risk. For the periods for which swap rates are no longer available in liquid and transparent market, the yield curve is extrapolated using the so-called ultimate forward rate; a long-term forecast of the real interest rate, taking into account the expected inflation.

The BE concerning Life is the present value of all cash flows arising from existing contracts in the Life portfolio. The cash flow projections are made for the individual and for group contracts. The Individual Life contracts include savings mortgage insurance, annuities, saving insurance policies, term insurance policies and funeral expenses insurance policies. The Group insurance comprises primarily the collective pension contracts (including traditional, unit-linked and separate accounts).
The expected future cash flows include future expected benefits, expected premiums, recurring expenses as well as cash flows corresponding to contractual profit-sharing (where applicable). For parameters such as mortality, longevity, costs or lapse, the best estimate assumptions are made and applied to the cash flow projections.

Risk margin

Under Solvency II a risk margin is an addition to the BE provision. The risk margin can be seen as a compensation for the capital required to carry non-hedgeable risks arising from an insurance contract. The risk margin is such as to ensure that the value of the Technical Provision is equivalent to the amount that another insurer would be expected to require in order to take over the insurance liabilities until their maturity.

The risk margins are determined using the Cost of Capital method (CoC). Each year the projection of the SCR takes place by applying the shocks according to the standard model. The risk margins per year are determined by multiplying the SCR with a CoC rate of 6% and discounted using the interest rate structure set by EIOPA.

Parameters

The value of the insurance liabilities is determined with miscellaneous parameters which can be subdivided into non-economic and economic parameters. Under the non-economic parameters there are insurance underwriting and expense parameters. The chance an insured event takes place is estimated with use of underwriting parameters. To meet the obligation towards the policyholders, costs are incurred. These are contained in expense parameters for cash flow projections. The cash flows are discounted with use of economic parameters. In addition, the economic parameters also determine the funds returns and profit-sharing returns, such as the u-yield. Inflation, which mainly applies to the development of costs, also falls under the economic parameters. The rules for setting and changing these parameters are in accordance with Athora Netherlands parameter governance.

Non-economic parameters
Life underwriting parameters are population mortality, insured mortality, lapse and disability.

Population mortality
Athora Netherlands uses the population mortality forecast of Het Koninklijk Actuarieel Genootschap (AG). In the years in which the AG table is not published, on the basis of new observations Athora Netherlands itself investigates a suitable prognosis table. Athora Netherlands has reconstructed the AG method. In the intervening years, both European data and Dutch data are added. From this research follows a proposal for a new prognosis table which must be approved before it can be used. It is also possible that it is concluded that the last known AG prognosis table is still appropriate. This generic prognosis table is adjusted at a maximum of once a year after the availability of new figures with regard to mortality and possible adjustments of population mortality models.

Insured mortality
In addition to the generic prognosis table, the mortality assumption also consists of a component per sub-portfolio within the Life insurance business. With this component, for each age the (percentage) distance is determined between insured mortality (in the specific sub-portfolio) and population mortality. It is assumed that this distance does not change during the entire projection. A distinction is made according to the following factors:
- Internal homogeneous risk group;
- Age;
- Sex;
- Smoking / no smoking;
- Expired duration from the start date.

For most Individual Life products, the insured mortality is determined on the basis of own perception. Exception are the annuities where the insured mortality can be equated with the nationally determined insured mortality of the CVS. For Corporate Life products market figures (CVS) are available and used. It is checked annually whether the observed perception fits within the confidence interval for the market figures. If this is not the case, it is still possible to opt for the use of own observations.

Lapse
The most important forms of lapse are:
- Surrender (including partial surrender);
- Paid-up (including premium reduction, therefore partial paid-up).

The surrender and paid-up parameters are annually derived from experience figures. The entire policy history is taken into account. The figures resulting from the established methodology are assessed in consideration of possible trend breaks or incidents. If necessary, the figures to be used are adjusted on the basis of expert judgement. For the lapse parameters a distinction is made according to the following factors:
- Internal homogeneous risk group;
- Age;
- Premium payment / no premium payment;
- Expired duration from the start date;
- Well / no profit sharing;
- Subgroup / label.

On the basis of research it is assessed whether a specific cohort has sufficient exposure to give it separate lapse parameters and which of the above-mentioned variables are significant. In the analysis of lapse influences of economic and other special circumstances on the behavior of policyholders should be taken into account. If there is a link between the lapse rates and the elements mentioned then this mechanism must be included in the models. If there is no connection between the lapse rates and the elements mentioned, this must be demonstrated.

Partner frequencies
The partner frequencies were revised in 2017 after a long period of time. The partner frequencies currently applied in the projections are based on Het Centraal Bureau voor de Statistiek (CBS) figures. It is not possible to base the partner frequencies on own insurance experience because insufficient data is available.

Disability
The disability parameters of SRLEV are based on own insurance experience data. Due to the unavailability of detailed data the recovery rates are based on market data which is corrected with an overall percentage derived from own data. The disability and recovery parameters are assessed annually.

The costs included in the Best Estimate provision are divided into operating costs and investment costs. The operating costs include all costs, including internal invoicing, that are made within the entity. The investment costs include all fees that are paid to the asset manager.

Operating costs
Based on an Activity Based Costing (ABC) model, the operating costs, excluding the one-off costs, are split into:
- Acquisition costs and continuous costs;
- Fixed and variable costs;
- Product groups and / or products;
- Costs for premium-paying and paid-up policies.

In the projection of these costs, inflation, synergy and costs of shrinking markets are taken into account.

Investment management expenses
The Solvency II legislation prescribes that the technical provision should include all expenses that will be incurred in servicing insurance obligations. Among these costs are the investment management expenses which are incurred by asset managers for managing the assets of Athora Netherlands' legal entities. Solvency II also prescribes that these investment management expenses should be at arm's length.

Investment management expenses are taken into account in the technical provisions when they relate to assets backing the technical provision. Assets which can be assigned to own funds are excluded from the technical provision calculation. Direct investment management expenses in the form of management and administration costs are included in accordance with the contract conditions between Athora Netherlands' legal entities and ACTIAM and between Athora Netherlands' legal entities and external managers. In case of indirect investment management expenses these costs are deducted from the external funds and not taken into account since these fees are taken into account in the net asset value calculation of the fund itself.

Athora Netherlands extensively analysed all investment management expenses per asset category and per legal entity (SRLEV and Proteq). For each individual asset class Athora Netherlands' legal entities addressed that all investment management expenses are at arm's length. Also a thorough assignment exercise was done by assigning assets to either the technical provision or own funds. In general the assets which were assigned to the own funds have on average an higher return and higher investment management expenses.

The investment costs are measured in basis points which are projected in Athora Netherlands' legal entities technical provision calculation.

Economic parameters
The yield curve for valuing technical provisions is determined in accordance with the Solvency II regulations. The administration costs are adjusted for inflation.

Uncertainty in cash flows

The models used by Athora Netherlands for estimating the best estimate cash flows meet the requirements of the Solvency II Level 2 directives and follow a model validation process. The uncertainty concerns in particular the parameters applied. The cash flow projection, which is used for the calculation of the Best Estimate, explicitly or implicitly takes into account all the uncertainties in the cash flows, including the following, if relevant:

- uncertainty in the timing, frequency and severity of insured events;
- uncertainty in the size of the eligible costs;
- uncertainty in the expected future developments, as set put above, to the extent that this is practicable;
- uncertainty in the policyholder behavior;
- dependence between two or more causes of uncertainty;
- dependence on cash flows of the conditions prior to the date of the cash flow.

Contingent liabilities

Contingent liabilities are defined as:

- a possible obligation arising from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events; or
- a present obligation, payment of which is not probable.

Athora Netherlands recognises contingent liabilities on the balance sheet, if they are material. Valuation of contingent liabilities is based on the probability weighted cash-flow method using the basic risk-free interest rate term structure.

The contingent liabilities are presented on the Solvency II consolidated balance sheet if they can be measured reliably, meaning that timing, amount and probability of the outflow of economic benefits can be estimated reliably. If the liability cannot be measured reliably, it is not recognised, instead it is reported in the section 5.2 Off-balance sheet items. Contingent liabilities are subject to continuous assessment.

Provisions other than technical provisions

General

Provisions are recognised if there is a legally enforceable or constructive obligation arising from events in the past, the settlement of the obligation is likely to result in an outflow of economic benefits, and a reliable estimate of the obligation can be made.

Provisions are measured at the present value of the expected future cash flows.

Restructuring provision

The restructuring provision consists of expected severance pay and other costs that are directly related to restructuring programs. These costs are recognised as an addition to the provision in the period in which a legally enforceable or constructive obligation to make payments arises. No provision is recognised for costs or future operating losses from continuing operations.

Athora Netherlands recognises restructuring provision if it has demonstrably committed itself, either through a constructive or legally enforceable obligation, to:

- terminating the employment contracts of current employees in accordance with a detailed formal plan without the option of the plan being withdrawn; or
- paying termination benefits as a result of an offer to encourage voluntary redundancy. Benefits that fall due after more than twelve months after the reporting date are discounted.

Legal provisions

Athora Netherlands recognises a provision for the estimated liability with respect to ongoing legal proceedings. The provision comprises an estimate of the legal fees and payments due in the course of the legal proceedings, to the extent that it is more likely than not that an obligation exists at the reporting date. The provision is recognised if the obligation can be reliably estimated.

Pension benefit obligation

This item comprises the provision for employees' pension benefits as well as other long term employee benefits.

Pension benefits

Athora Netherlands' main pension scheme is a defined contribution scheme administrated by Stichting Pensioenfonds SNS REAAL. New staff is included in this scheme. In addition, a number of defined benefit plans were acquired from of insurance companies in the past. The members of those schemes are referred to as deferred members or retirees.

Defined contribution scheme
According to this pension scheme, defined contributions are paid to separate entities, primarily to Stichting Pensioenfonds SNS REAAL, an independent pension fund. Besides the defined contributions, Athora Netherlands has no obligation to make additional payments to the scheme to make up for deficits resulting from actuarial or investment risk.

Defined benefit schemes
A number of defined benefit schemes for (former) employees still exist. The net liability related to these schemes is represented by the difference between the present value of the future liabilities to pay the participants' pensions (gross pension entitlements) and the value of the qualifying assets of these schemes. Qualifying assets are investments relating to pension funds or insurance contracts with insurance companies other than Athora Netherlands.

Other long-term employee benefits

This item refers to jubilee benefits and to discounts granted for bank and insurance products to (former) employees after the date of their retirement. The amount of the obligation is based on the present value of the discounts offered after the retirement date, taking into account actuarial assumptions about mortality and interest. Furthermore, an obligation for reimbursement of medical expenses is recognised. A liability for the expected expenses of these reimbursements during the period of employment is recognised according to the methods used to determine the defined pension schemes. To qualify for these benefits, an employee's contract is required to run until his or her retirement age and it is to span a specified minimum period.

Deposits from reinsurers

Athora Netherlands enters reinsurance programmes to provides protection against underwriting risks arising in the miscellaneous insurance portfolios. The share of reinsurance companies in the technical provisions is accounted for as reinsurance recoverables and mirrored by deposits from reinsurers. These deposits represent the amount payable to reinsurers arising from reinsurance contract and may become payable on demand. The fair value of this deposits is determined based on the value of reinsurance recoverables.

Deferred tax liabilities

Refer to the section "Deferred tax assets (and liabilities)" under "Assets".

Derivatives

Refer to the section "Financial instruments - derivatives" under Assets.

Debts owed to credit institutions

This item comprises unsubordinated debts to credit institutions, including the amounts payable arising from sale and repurchase agreements and cash collaterals.

The debts owed to credit institutions are measured at their nominal value, since it is assumed to equal their fair value.

Insurance and intermediaries payables

This item comprises current payables corresponding to insurance activities of Athora Netherlands as well as payables to intermediaries. Bearing in mind short-term character of these assets, these are measured at their nominal value, since it is assumed to be equal to their fair value.

Reinsurance payables

This item comprises current payables to reinsurance companies. Depending on the short- or longer term character of these payables, they are measured at their nominal value or calculated using the expected future cashflows and interest rate curve.

Payables (trade, not insurance)

This item comprises miscellaneous amounts payable. Short-term employee benefits including salaries, short paid leave, profit-sharing and bonus schemes are also presented as this item. Bearing in mind short-term character of these assets, these are measured at their nominal value, since it is assumed to equal their fair value.

Subordinated liabilities

Subordinated debt includes the subordinated bonds and private loans issued by Athora Netherlands.

The fair value of subordinated debt is determined by discounting the cash flows at the interest rate based on the swap rate observable in the market and a risk premium. The risk premium is determined based on the difference between the coupon interest rate of the subordinated loan and the swap rate at issue date. This premium remains constant over time.

In accordance with Solvency II Athora Netherlands does not adjust the fair value of the subordinated loans with the changes in own credit risk, as subordinated debt are considered to be funding (core capital) and not an investment. The own credit risk is mainly used by investors interested in the market price of a financial instrument.

Value of the loans includes accrued interest.

Any other liabilities, not elsewhere shown

This item comprises the liabilities that cannot be recognised in the items in the Solvency II balance sheet described above. These liabilities comprise mainly the accrued interest on short-term amounts payable and the liabilities to participants of Zwitserleven PPI. The accrued interest is measured at its nominal value, which is assumed to equal its fair value. The fair value of the liabilities of Zwitserleven PPI is determined as the fair value Zwitserleven PPI's investments (refer to the section "Investments" for more information).

D.4.1.2 Subsidiaries and scope of consolidation

To determine the capital requirements at consolidated level, Athora Netherlands applies the 'Accounting consolidation based method', according to which the capital requirements are calculated based on the Solvency II consolidated balance sheet.

Group companies

According to Solvency II the Group is defined as a parent company and its participations: subsidiaries and the entities in which the parent or its subsidiaries hold a participation, as well as undertakings linked to each other by:

- management on a unified basis pursuant to a contract or provisions in the memorandum or articles of association
- participation in the administrative, management or supervisory bodies.

The Group is based on the establishment of a strong and sustainable financial and operational relationship among those undertakings. This establishment may have legal as well as constructive character. The method according to which the Group companies are accounted for in the consolidated Solvency II balance is determined by the influence exercised by the parent company as well as the activities of the Group company.

Since SRLEV and Proteq are wholly owned subsidiaries of Athora Netherlands, Athora Netherlands can indirectly exercise the influence on all participations of SRLEV. As a result, all these participations are included in the consolidation scope, as if they were direct participations of Athora Netherlands.

Full consolidation

Under Solvency II full consolidation has to be applied to the subsidiaries of the parent company that are:
- insurance or reinsurance companies
- insurance holding companies
- ancillary services undertakings

Subsidiaries are the participations, on which Athora Netherlands might directly or indirectly exercise the dominant influence:
- participations in which Athora Netherlands directly or indirectly holds more than one half of the voting rights;
- entities, in which Athora Netherlands does not hold majority voting rights, but that are managed by Athora Netherlands on a unified basis pursuant to a contract or provisions in the memorandum or articles of association;
- entities, in which Athora Netherlands does not hold majority voting rights, but the administrative, management or supervisory bodies of which comprise the same people as Athora Netherlands;
- entities on which Athora Netherlands might exercise dominant influence in a different way.

The consolidation also encompasses the proportional share of the other undertakings according to the relevant sectoral rules in relation to holdings in related undertakings which are investment fund managers or institutions for occupational retirement provisions. The consolidation is applied from the date on which Athora Netherlands gains dominant influence until the date this influence ceases. The other types of subsidiaries are not consolidated under Solvency II – they are accounted for based on equity method (refer to the section below).

Adjusted equity method

Participations at the adjusted equity method are initially measured at their acquisition price (including transaction costs) and subsequently increased with Athora Netherlands' share of equity of these participations. Equity of the related participations is determined according to Solvency II principles.

The adjusted equity method is applied to the subsidiaries of Athora Netherlands that do not qualify to be fully consolidated (refer to the section above) as well as entities in which Athora Netherlands has significant influence, but in which no dominant influence can be exercised. The existence of the significant influence is assumed as:
- representation on the board of directors or equivalent governing body of the investee
- participation in the policy-making process
- material transactions between the investor and the investee
- interchange of managerial personnel
- provision of essential technical information

The participations are recognised in the Solvency II consolidated balance sheet from the date on which Athora Netherlands gains dominant or significant influence until the date this influence ceases. The application of the adjusted equity method depends on the activities of the entity:
- participations in associated insurance companies and associated companies providing ancillary services are accounted for with adjusted equity method based on Solvency II principles;
- if the application of adjusted equity method is impracticable for the companies not operating in finance industry, the IFRS equity method may be used after eliminating the goodwill and the intangible assets that cannot be sold.

Elimination of Group transactions

The Solvency II consolidated balance sheet is prepared net of any intra-group transactions.

Consolidation process

The consolidation process constitutes the part of the larger control framework within Athora Netherlands' accounting and as such is a subject to detailed testing to ensure the correctness of the work performed. The intra-group transactions, due to the presence of specific national and international legislation along with exposure to certain risks, are also strictly controlled and monitored by a number of internal and external stakeholders.

With regard to Actiam, ZL PPI and ESC, in order to recognise these subsidiaries with Solvency II "Method 1: sectoral rules" the assets and liabilities are eliminated from the balance sheet and the participations of Athora Netherlands in these subsidiaries are recognised.

D.4.1.3 Events after the Reporting Date

SRLEV Tier 2 refinancing

On 11 March 2021, SRLEV announces the redemption of the outstanding € 250 million of originally issued € 400 million subordinated bonds due 2041 on 15 April 2021. The bonds will be redeemed in full at their principal amount outstanding together with accrued and unpaid interest and any arrears of interest on 15 April 2021.

D.5 ANY OTHER INFORMATION

D.5.1 Balance sheet

BALANCE SHEET AT 31 DECEMBER 2020								
Assets	**SRLEV**		**Proteq**		**Other[1]**		**Athora Netherlands**	
In € millions	**SII**	**IFRS**	**SII**	**IFRS**	**SII**	**IFRS**	**SII**	**IFRS**
Deferred tax assets	663	607	6	6	-7	-8	**662**	**605**
Property, plant & equipment held for own use	38	38	-	-	8	8	**46**	**46**
Investments	40,136	40,066	717	717	-2,748	-2,681	**38,105**	**38,102**
Assets held for index-linked and unit-linked contracts	13,658	13,558	-	-	-	-	**13,658**	**13,558**
Loans and mortgages	9,271	7,741	-	-	2,686	2,617	**11,957**	**10,358**
Reinsurance recoverables	-1,204	-1,202	-	-	-	-	**-1,204**	**-1,202**
Receivables	201	201	-	-	45	45	**246**	**246**
Cash and cash equivalents	213	213	3	3	163	163	**379**	**379**
Any other assets, not elsewhere shown	1	1	-	-	3	3	**4**	**4**
Total assets	**62,977**	**61,223**	**726**	**726**	**150**	**147**	**63,853**	**62,096**
Liabilities	**SRLEV**		**Proteq**		**Other**		**Athora Netherlands**	
In € millions	**SII**	**IFRS**	**SII**	**IFRS**	**SII**	**IFRS**	**SII**	**IFRS**
Technical provisions	51,900	49,917	565	565	-579	-394	**51,886**	**50,088**
Provisions other than technical provisions	17	17	-	-	50	50	**67**	**67**
Pension benefit obligations	32	219	-	-	662	475	**694**	**694**
Deposits from reinsurers	17	18	-	-	-	-	**17**	**18**
Derivatives	1,080	1,080	5	5	12	12	**1,097**	**1,097**
Debts owed to credit institutions	4,751	4,650	33	33	64	62	**4,848**	**4,745**
Liabilities	863	863	9	9	-44	-44	**828**	**828**
Subordinated liabilities[2]	1,170	1,151	-	-	-2	-13	**1,168**	**1,138**
Any other liabilities, not elsewhere shown	-	-	-	-	1	1	**1**	**1**
Total liabilities	**59,830**	**57,915**	**612**	**612**	**164**	**149**	**60,605**	**58,677**
Excess of assets over liabilities[3]	**3,147**	**3,308**	**114**	**114**	**-14**	**-2**	**3,248**	**3,419**

1 This column contains eliminations due to consolidation as well as the balance sheets of Athora Netherlands NV, ACTIAM NV, Zwitserleven PPI NV and of the subsidiairies of SRLEV NV. For more details we refer to Annex I.

2 The subordinated liabilities in the Solvency II and IFRS balance sheet also include the Capital Subordinated Loans. The subordinated liabilities are further specified in section E.1.3.

3 The own funds are further specified in section E.1.

BALANCE SHEET AT 31 DECEMBER 2019										
Assets	**SRLEV**		**VIVAT Schade**		**Proteq**		**Other[1]**		**Athora Netherlands**	
In € millions	**SII**	**IFRS**	**SII**	**IFRS**	**SII**	**IFRS**	**SII**	**IFRS**	**SII**	**IFRS**
Deferred tax assets	550	461	-	-	6	5	-30	-17	**526**	**449**
Property, plant & equipment held for own use	50	50	-	-	-	-	12	12	**62**	**62**
Investments	35,264	35,188	1,608	1,608	636	636	-1,000	-933	**36,508**	**36,499**
Assets held for index-linked and unit-linked contracts	13,373	13,265	-	-	-	-	-	-	**13,373**	**13,265**
Loans and mortgages	9,414	7,932	42	42	-	-	1,492	1,427	**10,948**	**9,401**
Reinsurance recoverables	-495	-502	56	65	-	-	-	-	**-439**	**-437**
Receivables	213	213	62	62	-	-	-45	-45	**229**	**229**
Cash and cash equivalents	239	239	41	41	3	3	65	65	**348**	**348**
Any other assets, not elsewhere shown	1	1	-	-	-	-	8	8	**9**	**9**
Total assets	**58,609**	**56,846**	**1,810**	**1,819**	**645**	**644**	**502**	**517**	**61,564**	**59,825**
Liabilities	**SRLEV**		**VIVAT Schade**		**Proteq**		**Other**		**Athora Netherlands**	
In € millions	**SII**	**IFRS**	**SII**	**IFRS**	**SII**	**IFRS**	**SII**	**IFRS**	**SII**	**IFRS**
Technical provisions	50,273	48,125	976	1,082	525	521	-560	-382	**51,214**	**49,346**
Provisions other than technical provisions	15	15	-	-	-	-	-	-	**15**	**15**
Pension benefit obligations	18	198	28	28	-	-	583	403	**629**	**629**
Deposits from reinsurers	36	37	16	16	-	-	-	-1	**52**	**52**
Deferred tax liabilities	-	-	32	12	-	-	-32	-12	**-**	**-**
Derivatives	674	674	-	-	2	2	-	-	**676**	**676**
Debts owed to credit institutions	2,805	2,715	52	52	11	11	689	670	**3,557**	**3,448**
Liabilities	882	882	79	79	8	8	-43	-45	**924**	**924**
Subordinated liabilities[2]	1,071	1,056	157	150	-	-	-25	-17	**1,203**	**1,189**
Any other liabilities, not elsewhere shown	-	-	-	-	-	-	9	9	**9**	**9**
Total liabilities	**55,774**	**53,701**	**1,340**	**1,420**	**545**	**540**	**621**	**625**	**58,279**	**56,288**
Excess of assets over liabilities[3]	**2,835**	**3,145**	**470**	**399**	**101**	**104**	**-119**	**-108**	**3,285**	**3,537**

1 This column contains eliminations due to consolidation as well as the balance sheets of Athora Netherlands NV, ACTIAM NV, Zwitserleven PPI NV and of the subsidiairies of SRLEV NV. For more details we refer to Annex I.

2 The subordinated liabilities are further specified in section E.1.3.

3 The own funds are further specified in section E.1.

D.5.2 Off-balance sheet items

Off balance sheet positions different from the financial statements do not exist. We refer to section 6.3 Note 20 Guarantees and Commitments in the Annual Report Athora Netherlands NV 2020.

D.5.3 Any other disclosures

No other disclosures are applicable.

E CAPITAL MANAGEMENT

General

In 2020 as part of Athora Netherlands' strategy to achieve profitable growth for our company, Athora Netherlands remained focused on improving capital generation. For example, by increasing the exposure to market risks (re-risking), by improving the business contribution (improving the Value New Business for SRLEV and Proteq) and by further optimising the risk profile (by Balance Sheet Management initiatives) taking into account the Risk Appetite.

The Solvency II ratio of Athora Netherlands decreased from 170% at the end of 2019 to 161% at the end of 2020.

Following the ownership transfer, Athora Netherlands received a € 400 million share premium contribution from Athora Holding following the acquisition which had a positive impact of 14%-point. The transfer of VIVAT Non-Life to NN Group following the sale of VIVAT to Athora Holding had a negative impact of 6%- point on the Solvency II ratio, as the decrease in required capital did not offset the decrease in own funds. Coupon payments on subordinated debt had an additional negative impact of 3%-point.

The capital injection enabled Athora Netherlands to further reposition its asset portfolio towards higher returning investments. Athora Netherlands used the market conditions in the first half of the year to invest in € 5 billion of targeted high-quality investment grade and predominantly senior credits with the aim to increase investment income. As spreads tightened significantly in the second half of the year Athora Netherlands reduced the exposure on certain expensive high-quality investment grade credits. Considered throughout the year, the impact of the repositioning of the asset portfolio on the Solvency II ratio was -/- 6%-point.

Capital generation was -/- 3%-point, due to the decrease in interest rates, the negative impact of the UFR drag increased.

Market impacts had a limited negative impact of 4%-point on the Solvency II ratio. The decrease in interest rates had a positive impact, however, this was offset by the impact of spread and other movements. The VA of 7 bps at the end of 2020 remained stable compared to year-end 2019. In December 2020, SRLEV signed an additional longevity reinsurance transaction which had a 6%-point positive impact on the Solvency II ratio of Athora Netherlands.

The interest rate shock used to calculate the SCR interest rate risk switched from the interest up to the interest down scenario. This resulted in a decrease in diversification benefits when calculating the SCR with a negative impact of 8%-point. This impact is partly offset by the yearly update in insurance parameters (+/+ 5%-point), which was driven by lower population mortality improvement rates as published by the Actuarial Society of the Netherlands (Actuarieel Genootschap).

The decrease in the level of the UFR with 15 bps to 3.75% had a negative impact of 3%-point.

E.1 OWN FUNDS

Under Solvency II, capital is called 'eligible own funds' and is divided into three tiers. These tiers reflect the ability to absorb capital losses, with Tier 1 being the highest capital quality and Tier 3 the lowest. Athora Netherlands does not have 'ancillary own funds' (such as letters of credit and guarantees) which require supervisory approval.

Two subordinated bonds issued by SRLEV NV in 2011 (CHF 105 million and € 250 million (original amount € 400 million)) classify as Tier 1 and Tier 2 capital of Athora Netherlands NV and SRLEV NV based on the transitional measures contained in the level 1 regulations, and is aligned with DNB.

The following table shows the breakdown of the eligible own funds, starting from shareholders' equity:

BREAKDOWN OF ELIGIBLE OWN FUNDS AT 31 DECEMBER 2020				
In € millions	**SRLEV**	**Proteq**	**Other**	**Total**
Issued share capital	-	3	-3	**-**
Share premium reserve	2,464	45	1,784	**4,293**
Retained earnings 2020	-17	6	29	**18**
Other reserves	861	60	-1,812	**-891**
Capital Subordinated Loan	368	-	-68	**300**
Total equity	**3,676**	**114**	**-70**	**3,720**
Reconciliation IFRS-Solvency II	-161	-	-10	**-171**
Capital Subordinated Loan	-368	-	67	**-301**
Subordinated liabilities	1,170	-	-2	**1,168**
Deductions other financial undertakings	-	-	-38	**-38**
Total basic own funds after Deductions other financial undertakings	**4,317**	**114**	**-53**	**4,378**
Own funds of other financial sectors	-	-	37	**37**
Own funds aggregated when using the D&A	-	-	-	**-**
Tiering restriction	-294	-	13	**-281**
Total eligible own funds	**4,023**	**114**	**-3**	**4,134**

BREAKDOWN OF ELIGIBLE OWN FUNDS AT 31 DECEMBER 2019					
In € millions	**SRLEV**	**VIVAT Schade**	**Proteq**	**Other**	**Total**
Issued share capital	-	11	3	-14	**-**
Share premium reserve	2,264	464	45	1,536	**4,309**
Retained earnings 2019	330	66	4	-1	**399**
Other reserves	552	-142	51	-1,631	**-1,170**
Capital Subordinated Loan	265	-	-	35	**300**
Total equity	**3,410**	**399**	**104**	**-75**	**3,838**
Reconciliation IFRS-Solvency II	-310	71	-3	-11	**-253**
Capital Subordinated Loan	-265	-	-	-36	**-301**
Subordinated liabilities	1,071	157	-	-25	**1,203**
Deductions other financial undertakings	-	-	-	-30	**-30**
Total basic own funds after Deductions other financial undertakings	**3,906**	**627**	**101**	**-177**	**4,457**
Own funds of other financial sectors	-	-	-	30	**30**
Own funds aggregated when using the D&A	-	-	-	-	**-**
Tiering restriction	-209	-	-	63	**-146**
Total eligible own funds	**3,697**	**627**	**101**	**-84**	**4,340**

The following table shows the Movements in the reporting period of basic own funds:

MOVEMENTS IN THE REPORTING PERIOD OF BASIC OWN FUNDS					
In € millions	SRLEV	VIVAT Schade	Proteq	Other	Total
Balance as at 1 January 2020	3,697	627	101	-84	**4,340**
Movements due to sale VIVAT Schade		-627		627	**-**
Share premium account related to ordinary share capital	200	-	-	-216	**-16**
Reconciliation reserve	-1	-	13	-169	**-157**
An amount equal to the value of net deferred tax assets	113	-	-	23	**136**
Deductions other financial undertakings	-	**-**	**-**	-8	**-8**
Total basic own funds	**4,009**	**-**	**114**	**173**	**4,295**
Subordinated liabilities - movements in the reporting period					
- Issued	100	-	-	-100	**-**
- Movements in valuation	-1	-	-	-34	**-35**
Total movements subordinated liabilities	**99**	**-**	**-**	**-134**	**-35**
Own funds of other financial sectors	-	-	-	8	**8**
Tiering restriction	-85	-	-	-50	**-135**
Balance as at 31 December 2020	**4,023**	**-**	**114**	**-3**	**4,134**

Basic Own Funds are own-fund items that are on the balance sheet of Athora Netherlands and are permanently available to absorb losses (e.g. paid-in ordinary share capital). Such items may be used to cover a part of the SCR.

In Other the difference between the group and the sum of its subsidiaries is shown.

For Athora Netherlands, the following two undertakings do not need to comply with Solvency II and therefore the capital requirements for both undertakings should be based on sectorial regulation and need to be taken into account within the consolidated (Athora Netherlands) balance sheet under own funds of other financial sectors:

- ACTIAM N.V. is an investment undertaking and holds a license as asset manager with supervision of the Autoriteit Financiële Markten (AFM). The capital requirement of ACTIAM N.V. should be based on the capital requirements as determined in the Financial Supervision Act ('Wet op het financieel toezicht', 'Wft'), with possibly an additional required capital due to the requirements of the Alternative Investment Fund Managers Directive (AIMFD) with respect to professional liability of asset fund managers.
- Zwitserleven PPI N.V. holds a license as a 'payment institution' with supervision of the Dutch Central Bank (DNB). Zwitserleven PPI N.V. recognises the investments held on behalf of participants and the related liabilities in its balance sheet. Zwitserleven PPI N.V. is not the risk owner and the financial statements are based on Dutch GAAP.

E.1.1 Ordinary share capital

The ordinary share capital of Athora Netherlands is € 238,500. The share capital has been fully paid-up and consists of ordinary shares with a nominal value of € 500 each. 477 ordinary shares had been issued at 31 December 2020.

BREAKDOWN OF ISSUED SHARES			
In numbers	**SRLEV**	**Proteq**	**Athora Netherlands**
Authorised share capital	450	35,000	2,385
Share capital in portfolio	360	28,000	1,908
Issued share capital as at 31 December 2020	**90**	**7,000**	**477**

BREAKDOWN OF SHARE CAPITAL			
In € thousands	**SRLEV**	**Proteq**	**Athora Netherlands**
Authorised share capital	225	15,890	1,193
Share capital in portfolio	180	12,712	954
Issued share capital as at 31 December 2020	**45**	**3,178**	**239**

E.1.2 Reconciliation reserve

The following table shows the reconciliation reserve:

BREAKDOWN OF RECONCILIATION RESERVE AT 31 DECEMBER 2020				
In € millions	**SRLEV**	**Proteq**	**Other**	**Athora Netherlands**
Other IFRS reserves	861	60	-1,812	-891
Retained earnings 2020	-17	6	29	18
Reconciliation IFRS-Solvency II	-161	-	-10	-171
Tranfer of net deferred tax assets from tier 1 to tier 3	-663	-6	7	-662
Total reconciliation reserve	**20**	**60**	**-1,786**	**-1,706**

BREAKDOWN OF RECONCILIATION RESERVE AT 31 DECEMBER 2019					
In € millions	**SRLEV**	**VIVAT Schade**	**Proteq**	**Other**	**Athora Netherlands**
Other IFRS reserves	552	-142	51	-1,631	-1,170
Retained earnings 2019	330	66	4	-1	399
Reconciliation IFRS-Solvency II	-310	71	-3	-11	-253
Tranfer of net deferred tax assets from tier 1 to tier 3	-550	-	-6	30	-526
Total reconciliation reserve	**22**	**-5**	**46**	**-1,613**	**-1,550**

The main changes in 2020 in respect to reconciliation relate to changes in the VA.

In Solvency II the balance between the deferred tax assets and liabilities (DTA and DTL) is classified as tier 3 capital within the own funds. The eligible amount of Tier 3 items is maximised at 15% of the SCR. This restriction applies to Athora Netherlands and SRLEV due to its relative large net DTA positions. The restriction is not applicable for Proteq.

Reconciliation IFRS-Solvency II

The reconciliation encompasses the following significant differences in measurement under Solvency II and under IFRS:

- Technical provisions – Under Solvency II the technical provisions (including provisions for saving mortgages) are measured using Solvency II parameters, taking into account current market estimates. Under IFRS a liability adequacy test on the technical provision is performed, if the carrying amount of the technical provision is inadequate, the provision is increased. With respect to economic parameters used, there are differences regarding the interest rate curve and the cost of capital. The difference in the interest rate curves increased and is a main driver for the development of the reconciliation of IFRS and Solvency II. The diffence now mainly stems from the difference in cost of capital.
- Deferred Tax Assets – Due to differences in the valuation of assets and liabilities the resulting DTA position is different.
- Reinsurance Recoverable / Technical Provision – In Solvency II the re-insurance recoverable of the longevity reinsurance contract is presented separately on the balance sheet. Under IFRS the reinsurance recoverable is presented under the Technical provision. Mainly due to differences in the effects to the risk margin the impact for IFRS is more negative than Solvency II Eligible Own Funds.

E.1.3 Subordinated liabilities

Under Solvency II the available own funds include subordinated debt including accrued interest with regard to this debt. The subordinated liabilities are determined based on own credit standing (credit spread determined at pricing date).

BREAKDOWN OF SUBORDINATED LIABILITIES AT 31 DECEMBER 2020							
In € millions	Currency	Interest	SII Value	Nominal amount	Issue date	First call date	Expiration date
Athora Netherlands							
Tier 1							
Athora Netherlands	EUR	7.000%	314	300	2018-jun	2025-jun	perpetual
Total			**314**	**300**			
Tier 2							
Athora Netherlands (US Dollar)	USD	6.250%	488	469	2017-nov	2022-nov	perpetual
Total			**488**	**469**			
SRLEV							
Tier 1							
SRLEV (Swiss Franc)	CHF	mid-swap plus 5.625%	98	97	2011-jul	2020-dec	perpetual
Athora Netherlands NV	EUR	6.500%	104	100	2020-jun	2025-jun	perpetual
Athora Netherlands NV	EUR	7.750%	267	250	2017-jun	2022-jun	perpetual
			469	**447**			
Tier 2							
SRLEV NV	EUR	9.000%	268	250	2011-apr	2021-apr	2041-apr
Athora Netherlands NV	EUR	7.750%	152	140	2015-dec	2025-dec	2025-dec
Athora Netherlands NV	EUR	3.780%	97	95	2017-nov	2022-nov	2027-nov
Athora Netherlands NV	EUR	3.600%	184	180	2018-jun	2023-jun	2028-jun
			701	**665**			
Total			**1,170**	**1,112**			
Other (elimination)			-804	-765			
Total			**1,168**	**1,116**			

Tier 1

In July 2011, SRLEV NV issued CHF 105 million in perpetual subordinated bonds. The CHF bond had a first optional redemption date on 19 December 2016, which was not excercised. SRLEV NV also decided not to exercise its redemption option to redeem the CHF bond in December 2017, 2018, 2019 and 2020. Under the Solvency II transitional measures the CHF bond qualifies in full as Restricted Tier 1 own funds in the calculation of Solvency II own funds for ten years after 1 January 2016. At this specific time, it has been determined that it is currently in the interests of SRLEV NV not to exercise the redemption option to redeem the CHF Bond. The interest rate on the CHF bond has been reset to 5-year CHF mid-swap plus 5.625% in 2016.

In June 2017 SRLEV NV entered into a Capital Subordinated Loan for an amount of € 250 million. The Capital Subordinated Loan is a tier 1 perpetual loan provided by Athora Netherlands NV with a fixed interest rate of 7.75%.

In June 2018 Athora Netherlands issued subordinated Restricted Tier 1 notes. The € 300 million subordinated notes are perpetual. The notes are first callable after 7 years and each interest payment date thereafter, subject to conditions to redemption. The coupon is fixed at 7% per annum until the first call date and payable semi-annually in arrear on 19 June and 19 December in each year.

In June 2020 SRLEV NV entered into a Capital Subordinated Loan for an amount of € 100 million. The Capital Subordinated Loan is a tier 1 perpetual loan provided by Athora Netherlands NV with a fixed interest rate of 6.50%.

Tier 2

In April 2011, SRLEV NV issued € 400 million in subordinated bonds maturing in 2041. In June 2018, SRLEV repurchased a part of the € 400 million subordinated notes. SRLEV NV repurchased notes of a notional amount of € 150 million. The market value of the notes was € 180 million, resulting in a loss on the transaction of € 30 million.

In November 2017, Athora Netherlands NV issued $ 575 million (€ 476 million) in subordinated notes. The notes are first callable after 5 years and each fifth anniversary thereafter, subject to conditions to redemption. The coupon is fixed at 6.25% per annum until the first call date. The notes qualify as available own funds under Solvency II. The proceeds of the issuance were used to redeem the subordinated loans issued by Anbang Group Holdings Co. Limited. A new subordinated private loans of € 95 million is issued by Athora Netherlands NV.

In June 2018, Athora Netherlands NV granted a loan to SRLEV NV in the amount of € 180 million. The loan is a 10-years Solvency II Tier 2 subordinated loan with a maturity date at 19 June 2028. The loan is first callable after 5 years with a first call date at 19 June 2023. The loan bears a fixed interest coupon of 3.6% per annum.

BREAKDOWN OF SUBORDINATED LIABILITIES AT 31 DECEMBER 2019							
In € millions	Currency	Interest	SII Value	Nominal amount	Issue date	First call date	Expiration date
Athora Netherlands							
Tier 1							
Athora Netherlands	EUR	7.000%	310	300	2018-jun	2025-jun	perpetual
Total			**310**	**300**			
Tier 2							
Athora Netherlands (US Dollar)	USD	6.250%	521	512	2017-nov	2022-nov	perpetual
Total			**521**	**512**			
SRLEV							
Tier 1							
SRLEV (Swiss Franc)	CHF	mid-swap plus 5.625%	97	97	2011-jul	2020-dec	perpetual
Athora Netherlands NV	EUR	7.750%	267	250	2017-jun	2022-jun	perpetual
			364	**347**			
Tier 2							
SRLEV NV	EUR	9.000%	275	250	2011-apr	2021-apr	2041-apr
Athora Netherlands NV	EUR	7.750%	152	140	2015-dec	2025-dec	2025-dec
Athora Netherlands NV	EUR	3.780%	97	95	2017-nov	2022-nov	2027-nov
Athora Netherlands NV	EUR	3.600%	183	180	2018-jun	2023-jun	2028-jun
			707	**665**			
Total			**1,071**	**1,012**			
VIVAT Schade							
Tier 2							
Athora Netherlands NV	EUR	7.750%	87	80	2015-dec	2025-dec	2025-dec
Athora Netherlands NV	EUR	6 months EURIBOR plus 5.545%	70	70	2016-dec	2021-dec	2026-dec
Total			**157**	**150**			
Other (elimination)			-856	-815			
Total			**1,203**	**1,159**			

E.2 SOLVENCY CAPITAL REQUIREMENT AND MINIMUM CAPITAL REQUIREMENT

The final amount of the Solvency Capital Requirement is still subject to the opinion of the supervisory authority

The SCR is a risk-based measure and reflects Athora Netherlands' risk profile. The measure is based on a 1-in-200 year stress scenario over a one-year period.
Comparison of the SCR with the Eligible Own Funds shows to what extent Athora Netherlands is able to absorb the aforementioned 1-in-200 year losses. Athora Netherlands calculates the SCR with the Solvency II standard model, which is based on the following criteria:

- It is calculated on a going-concern basis.
- It aims to capture the material quantifiable risks that most undertakings are exposed to. The standard formula might however not cover all material risks a specific undertaking is exposed to.

If an insurer still has material additional quantifiable risks, then these risks must be assessed in the Own risk and Solvency Assessment (ORSA).
- Both existing business and new business in the next 12 months are covered (in the case of existing activities, it covers only unexpected losses).
- It is calibrated with a 99.5% confidence level over a 12-month period.
- The effects of risk-mitigation techniques are considered, but allowance should then be made for any newly introduced risk (e.g. counterparty default risk of the derivative).
- The SCR must be consistent with the SCR on the baseline date used for calculating the risk margin.
- Where the SCR is determined using scenarios, the risk margin can be kept constant. This also applies to the value of discretionary bonuses and deferred taxes. If the scenario allows the own funds to increase, the SCR is set at zero.
- Diversification is assumed to exist between the modules and sub-modules.

The SCR is equal to the sum of the Basic SCR (BSCR), the capital requirement for operational risk (Op) and an adjustment for the loss-absorbing capacity of the technical provisions and any deferred taxes (Adj) and the Capital Requirements of other financials sectors for the group SCR.

These sections briefly describe the method used by Athora Netherlands in calculating the Solvency Capital Requirement (SCR). Athora Netherlands calculates the SCR by making use of the standard formula.

The MCR represents the minimum level of security below which the Eligible Own Funds may not fall. The MCR is calibrated on the basis of a confidence level of 85% over a one-year period. The MCR is calculated using a relatively simple linear formula, which includes both a floor and a cap (as a percentage of the SCR).

The MCR is determined using the prescribed calculation methods. Besides the percentage criterion, which is a percentage of the most recently calculated SCR including any capital add-on, the MCR should not fall below a certain minimum. This requirement is regarded as the absolute minimum capital requirement (also known as Absolute Minimum Capital Requirement, hereinafter AMCR). The AMCR is € 3,7 million per solo entity.

E.2.1 Athora Netherlands

The table below shows a breakdown of the ratio of Athora Netherlands.

RATIO ATHORA NETHERLANDS		
In € millions	**2020**	**2019**
Total eligible own funds to meet the SCR	4,134	4,340
Total eligible own funds to meet the MCR	3,184	3,369
SCR	2,569	2,548
MCR	1,126	1,163
Ratio of Eligible own funds to Group SCR	161%	170%
Ratio of Eligible own funds to Group MCR	283%	290%

A detailed movement analysis is included in the general section of the Risk Profile.

E.2.2 SRLEV

The table below shows a breakdown of the ratio of SRLEV.

RATIO SRLEV		
In € millions	**2020**	**2019**
Total eligible own funds to meet the SCR	4,023	3,697
Total eligible own funds to meet the MCR	3,174	2,855
SCR	2,463	2,275
MCR	1,108	1,024
Ratio of Eligible own funds to SCR	163%	163%
Ratio of Eligible own funds to MCR	286%	279%

A detailed movement analysis is included in the general section of the Risk Profile.

E.2.3 Proteq

The table below shows a breakdown of the ratio of Proteq.

RATIO PROTEQ		
In € millions	**2020**	**2019**
Total eligible own funds to meet the SCR	114	101
Total eligible own funds to meet the MCR	108	95
SCR	46	42
MCR	17	16
Ratio of Eligible own funds to SCR	245%	241%
Ratio of Eligible own funds to MCR	626%	604%

A detailed movement analysis is included in the general section of the Risk Profile.

E.3 USE OF THE DURATION-BASED EQUITY RISK SUB-MODULE IN THE CALCULATION OF THE SOLVENCY CAPITAL REQUIREMENT

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

E.4 DIFFERENCES BETWEEN STANDARD FORMULA AND INTERNAL MODEL

Athora Netherlands solvency is governed by a standard formula, rather than a self-developed model.

E.5 NON-COMPLIANCE WITH THE MINIMUM CAPITAL REQUIREMENT AND NON-COMPLIANCE WITH THE SOLVENCY CAPITAL REQUIREMENT

Athora Netherlands has not faced any form of non-compliance with the Minimum Capital Requirement or significant non-compliance with the SCR during the reporting period or at the reporting date. Therefore no further information is included here.

E.6 ANY OTHER INFORMATION

E.6.1 General

E.6.1.1 Definition

Capitalisation refers to the extent to which Athora Netherlands and its underlying legal entities have buffer capital available to cover unforeseen losses and to achieve the strategic objectives of the company. Athora Netherlands manages its capitalisation within limits set in the Risk Appetite Statements. Annually target setting happens in the Operational Plan culminating in a Capital & Funding Plan. Monthly and quarterly forward looking monitoring enables Athora Netherlands taking timely action if capitalisation would deteriorate. Athora Netherlands assesses its capitalisation regularly with respect to level and quality in the ORSA and with respect to risk / return in the Balance Sheet Assessment.

E.6.1.2 Capital policy

Athora Netherlands aims for a robust capital position, which contributes to both the confidence that clients have in the institution and access to financial markets. Athora Netherlands deems a solvency ratio between 140% and 200% as a normal going concern level. The objective of the Capital Policy is to ensure that there is sufficient capital to fulfill obligations towards policyholders and meet requirements. The available capital of Athora Netherlands has to meet internal risk appetite standards as well as external requirements of regulators, rating agencies and also includes commercial considerations. Capitalisation generally refers to the relationship between risk-bearing activities and available regulatory capital (own funds). The second objective of the Capital Policy is to ensure that capital is used as efficiently and flexibly as possible to facilitate the implementation of Athora Netherlands' strategy.

A preparatory crisis plan exists which describes the procedure that applies in a contingency situation. A contingency situation is a situation in which a capital deficit arises, or threatens to arise, that poses a direct threat to the going concern of Athora Netherlands. In its Risk Appetite, Athora Netherlands has defined specific triggers that determine whether a contingency situation exists. The emphasis of these triggers is on capital metrics and these are linked to governance and management measures. Athora Netherlands' Capital Policy forms the basis for lower level policies, process descriptions and procedures.

Management uses the Operational Plan, Capital and Funding Plan, Balance Sheet Assessment, Risk Dashboards, ORSA, Preparatory Crisis Plan and Financial Risk Reporting for managing the capital position. The Capital and Funding Plan describes the medium-term activities relating to capital and funding, including a five-year solvency forecast. The Capital and Funding Plan is based on the Operational Plan as supplied by the underlying Business Lines.

E.6.1.3 Regulatory framework

Solvency II is a risk-based regime consisting of three pillars. Pillar 1 regulates the capital requirements. Insurers should be capitalised adequate to their risks. Therefore, this pillar introduces two risk weighted measures: the Minimum Capital Ratio (MCR), and the Solvency Capital Ratio (SCR). Pillar 2 demands an adequate level of risk management and governance. Pillar 3 establishes standards of transparency.

E.6.1.4 Preparatory crisis plan

On 1 January 2019 the new law on Recovery and Resolution of insurers (Wet herstel en afwikkeling van verzekeraars) came into force in The Netherlands. As a result of this law Athora Netherlands has established a Preparatory Crisis Plan. In a Preparatory Crisis Plan an insurance group identifies its core businesses and sets out the possible key recovery measures to be taken in a situation of financial distress. The Preparatory Crisis Plan includes early warning indicators for emerging crises, a crisis management governance framework and the management actions Athora Netherlands has at its disposal in a crisis situation to maintain its core businesses viable for the future. The effectiveness of the management actions is evaluated using different stress scenarios.

E.6.2 Capital position

Athora Netherlands produces all regulatory reports that are mandatory under the Solvency II legislation. These comply to guidance notes on the interpretation of Solvency II as published by the supervisory authorities EIOPA and DNB.

For internal purposes, Athora Netherlands calculates the Solvency II position on a quarterly basis and updates monthly this position in the intervening months. Athora Netherlands calculates its position under Solvency II using the standard formula, applying the Volatility Adjustment (VA) and thus making use of the possibility of applying long-term guarantee measures. Athora Netherlands does not apply the

Matching Adjustment. The required and available capital (own funds) under Solvency II are determined on the basis of information at year-end 2020. The yield curve used as at 31 December 2020, including the Ultimate Forward Rate (UFR), Credit Risk Adjustment (CRA) and VA, is published by EIOPA.

EIOPA yearly re-calculates the UFR in accordance with the methodology to derive the UFR. For the euro the calculated target UFR for 2020 is 3.50%. As the UFR for the euro was 3.75% in 2020 and the annual change of the UFR is according to the methodology limited to 15 basis points , the applicable UFR is 3.60% in 2020. That UFR is for the first time applicable for the calculation of the risk-free interest rates of 1 January 2021.

Development Solvency Ratio
The development in 2020 of the solvency ratio is explained by the analysis of change as presented in the graphs below. The movement consists of the categories Capital Generation, Capital Effects, Market Impacts, One-time items, Tax and Tiering effects and Miscellaneous Movements.

Capital Generation is defined as the change of eligible own funds caused by (organic) capital generation due to expected asset return, Value New Business, release of Risk Margin and unwinding of the UFR.

In Capital Effects the effects to capital are shown (i.e. coupon payments to subordinated loans, (Restricted) Tier 1 and Tier 2 capital issuances, Tier 1 capital injection).

In Market Impacts the impact of economic variance to the asset and liability return is taken into account (e.g. spread and interest rate movement). Next to these movements, also the change caused by the Volatility Adjustment is taken into account.

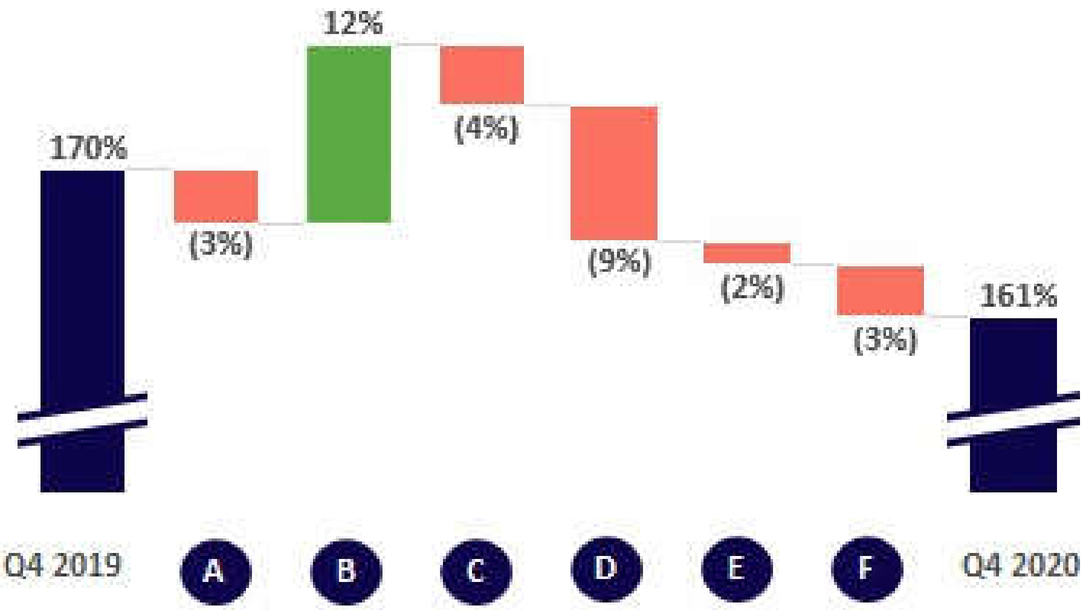
One-time items show the impact of events like changes in coverage of the longevity reinsurance contract, the UFR decrease, Balance Sheet Management actions like re-risking impact and changes in models.

Changes of Tax and Tiering constitute movement in the DTA/DTL due to movement in the fiscal position, changes in corporate income tax rate and the change in ineligible own funds. Furthermore, the movement in the Loss Absorbing Capacity of Deferred Taxes is taken into account.

Miscellaneous Movements consist mainly of changes in insurance parameters (including expense), insurance results, as well as other business developments. It also contains the regular development (run-off development and new business) of the SCR.

Athora Netherlands

AoC Solvency Ratio



The Solvency II ratio of Athora Netherlands NV decreased from 170% to 161% in 2020. The main drivers of this movement are:

A) Capital Generation (-/-3%)

Athora Netherlands is actively steering to improve organic capital generation amongst others by optimising its risk profile and re-risking. Re-risking will also decreasing spread volatility by better matching the VolatilityAdjustment. The capital generation of -/-3% during 2020 was supported by new business, release of risk margin, and expected accrual of spread, CRA and VA, but it was hampered mainly by the increased UFR unwind impact due to the decrease in interest rates.

B) Capital Effects (+/+12%)

The increase of the Solvency II ratio is due the received capital injection of € 400 million from Athora per 8 April 2020, partly offset by coupon payments on subordinated loans.

C) Market Impacts (-/-4%)

The decrease in Solvency II ratio is mainly explained by the rise in inflation expectations (-/-5%) and the impact of spread movements (-/-2%), partly offset by the decrease in interest rate.

D) One-time Items (-/-9%)

One-off items had a negative impact of 9%-point on the Solvency II ratio, mainly due to Balance Sheet Management initiatives including re-risking (-/-6%). The carve out of VIVAT Schade (-/-6%) and the UFR decrease (-/-3%) from 3.90% to 3.75% decreased the SII ratio further. A new longevity re-insurance contract for Group Life business has an impact of +/+6% on the Solvency II ratio.

Athora Netherlands captured the opportunity of enhanced investment returns at a good risk-return trade-off given the market conditions in the first months of 2020 by investing further into targeted high-quality investment grade and predominantly senior credits in selected sectors (e.g. telecoms, utilities). As spreads tightened later during the year, Athora Netherlands has unwind some of these positions again to lock the returns and to be able to move towards the target SAA. These balance sheet optimization initiatives, further optimizing the investment portfolio, led to an impact on the SII ratio of -/-6%.

E) Tax and Tiering Effects (-/-2%)

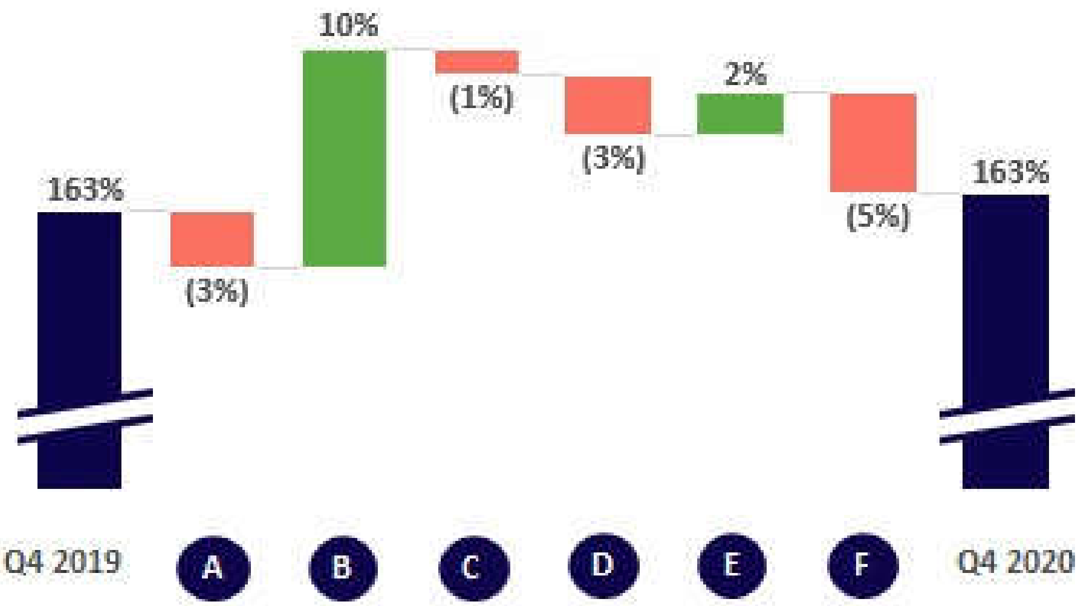
Tax and Tiering effects had a negative impact due to movement in tiering restriction partly offset by DTA movement explained by movements in the fiscal position and the Corporate Income Tax-rate (CIT) increase.

F) Miscellaneous Movements (-/-3%)

Athora Netherlands hedges the Solvency II ratio, as a result (currently) the differences between a leading up or down interest rate risk scenario is very limited. In the Solvency II framework the diversification benefits in a up scenario are more beneficial. In 2020 the leading interest rate scenario switched from a up to down. The effect of this movement (-/-8%) is partly offset by the yearly update in insurance parameters (+/+5%). The latter positive effect was driven by lower population mortality improvement rates as published by the Actuarial Society of the Netherlands (Actuarieel Genootschap) and negatively impacted by expense assumptions update.

SRLEV

Analysis of Change Solvency Ratio



The Solvency II ratio of SRLEV remained stable at 163% in 2020. The main drivers of this movement are:

A) Capital Generation (-/-3%)

SRLEV is actively steering to improve organic capital generation amongst others by optimising its risk profile and re-risking. Re-risking will also decrease spread volatility by better matching the Volatility Adjustment. The capital generation of -/-3% during 2020 was supported by new business, release of risk margin, and expected accrual of spread, CRA and VA, but it was hampered mainly by the increased UFR unwind impact due to the decrease in interest rates.

B) Capital Effects (+/+10%)

The increase of the Solvency II ratio is due the received € 300 million capital from Athora Netherlands in the form of a € 200 million share premium contribution and a € 100 million Tier 1 loan partly offset by coupon payments on subordinated loans..

C) Market Impacts (-/-1%)

The decrease in Solvency II ratio is mainly explained by the rise in inflation expectations (-/-4%) and the impact of spread movements (-/-4%), partly offset by the decrease in interest rate.

D) One-time Items (-/-3%)

One-off items had a negative impact of 3%-point on the Solvency II ratio, mainly due to Balance Sheet Management initiatives including re-risking (-/-8%). The UFR decrease (-/-3%) from 3.90% to 3.75% decreased the SII ratio further. A new longevity re-insurance contract had an impact of +/+6% on the Solvency II ratio.

SRLEV captured the opportunity of enhanced investment returns at a good risk-return trade-off given the market conditions in the first months of 2020 by investing further into targeted high-quality investment grade and predominantly senior credits in selected sectors (e.g. telecoms, utilities). As spreads tightened later during the year, SRLEV has unwind some of these positions again to lock the returns and to be able to move towards the target SAA. These balance sheet optimization initiatives, further optimizing the investment portfolio, led to an impact on the SII ratio of -/-8%.

E) Tax and Tiering Effects (+/+2%)

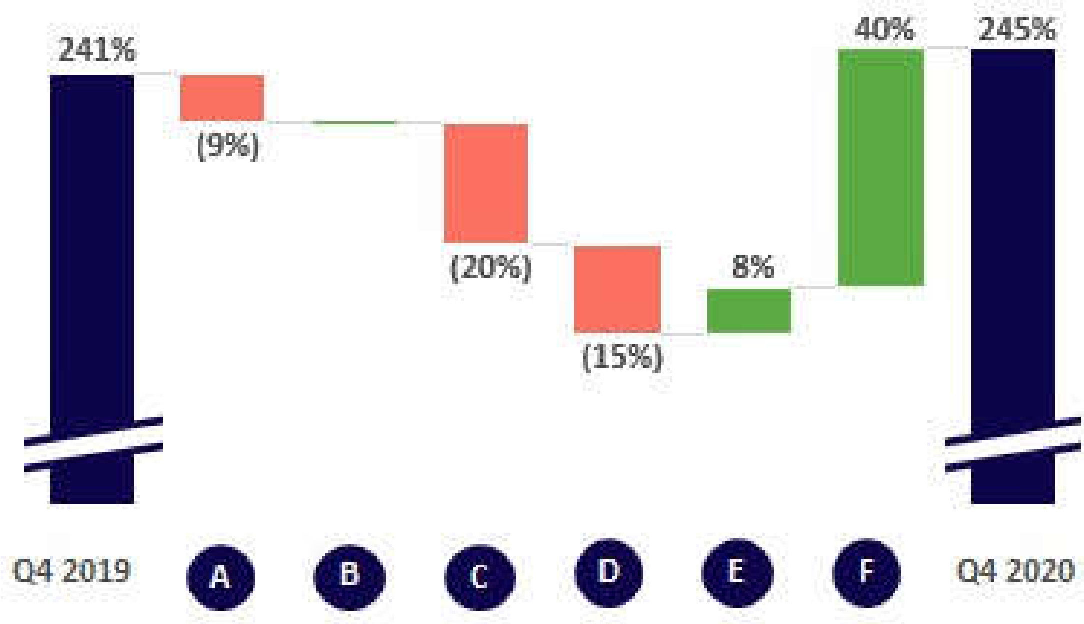
Tax and Tiering effects had a postive impact on the Solvency II ratio due to the DTA movement explained by movements in the fiscal position and the Corporate Income Tax-rate (CIT) increase, partly offset by movement in the tiering restriction.

F) Miscellaneous Movements (-/-5%)

SRLEV hedges the Solvency II ratio, as a result (currently) the differences between a leading up or down interest rate risk scenario is very limited. In the Solvency II framework the diversification benefits in a up scenario are more beneficial. In 2020 the leading interest rate scenario switched from up to down. The effect of this movement (-/-8%) is partly offset by the yearly update in insurance parameters (+/+5%). The latter positive effect was driven by lower population mortality improvement rates as published by the Actuarial Society of the Netherlands (Actuarieel Genootschap) and negatively impacted by expense assumptions update.

Proteq

Analysis of Change Solvency Ratio Proteq



The Solvency II ratio of Proteq levensverzekeringen NV decreased from 241% to 245% in 2020. The main drivers of this movement are:

A) Capital Generation (-/-9%)
The organic capital generation of Proteq is hampered by the UFR-drag and low due to low expected asset returns caused by a low exposure to market risks.

B) Capital Effects (+/+0%)
There have been no capital effects for Proteq.

C) Market Impacts (-/-20%)
The decrease in Solvency II ratio is mainly explained by the rise in inflation expectations (-/-13%) and by the decrease in interest rates (-/-7%).

Proteq has a more conservative asset portfolio compared to the VA reference portfolio. Furthermore, the spread duration of the asset portfolio excluding interest rate derivatives is shorter than the liabilities. As a result, the impact of the development of VA during the year on the liabilities valuation was offset (-/-5%) by an increase in spread asset value.

D) One-time Items (-/-15%)
One-off items had a negative impact on the Solvency II ratio, mainly due to the UFR decrease from 3.90% to 3.75%, the optimizations project of the SCR counterparty default risk by taking into account the initial margin, the extending the maturity in SCR spread calculations for callable and re-risking initiatives (increase of spread risk). This was partly offset by an update for the lapse risk driver of the risk margin and changes in the modelling of asset management costs.

E) Tax and Tiering Effects (+/+8%)
The positive impact is mainly explained by combined effect of an increase in the DTA explained by the Corporate Income Tax-rate (CIT) increase per Q4 2020 from 21.7% to 25% and DTA movement explained by movements in the fiscal position. Furthermore, movements in the Loss Absorbing Capacity of Deferred Taxes that originates from the DTL position of Proteq had a positive effect.

F) Miscellaneous Movements (+/+40%)
The increase in Solvency II ratio is mainly due to an update of assumptions for Operational Expenses for the OP2021-2023 partly offset by mortality and lapse insurance parameter updates. The 2020 insurance parameter update for mortality and lapse is driven by al lower population mortality improvement rate (AG 2020 publication).

E.6.2.1 Tiering

Tiering

The Own Funds are classified in three tiering categories (Tier 1, Tier 2, and Tier 3 with Tier 1 being the highest quality of Own Funds). This tiering concept is based on the extent to which own-fund items are considered to hold the characteristics of permanent availability and subordination.

The tiering classification is prescribed, as not all own-fund items are considered to be able to fully absorb losses in the event of winding-up proceedings. Tier 1 own-fund items are the highest grade capital (e.g. paid-in ordinary share capital) and Tier 3 items are the lowest grade capital.

BREAKDOWN OF TIERING ATHORA NETHERLANDS					
	Tier 1		Tier 2	Tier 3	Total
In € millions	Unrestricted	Restricted			
Eligible own funds to meet the Group SCR 2020	2,585	411	757	381	4,134
Eligible own funds to meet the Group SCR 2019	2,759	408	795	378	4,340

BREAKDOWN OF TIERING SRLEV					
	Tier 1		Tier 2	Tier 3	Total
In € millions	Unrestricted	Restricted			
Eligible own funds to meet the SCR 2020	2,484	469	701	369	4,023
Eligible own funds to meet the SCR 2019	2,285	365	706	341	3,697

BREAKDOWN OF TIERING PROTEQ					
	Tier 1		Tier 2	Tier 3	Total
In € millions	Unrestricted	Restricted			
Eligible own funds to meet the SCR 2020	108	-	-	6	114
Eligible own funds to meet the SCR 2019	95	-	-	6	101

Tiering restriction

The use of own funds of different tiers is subject to certain limits under Solvency II. These limits are related to the required capital or Tier 1 capital, and is applied to define the Eligible Own Funds. These limits cause a difference between the Available Own Funds and the Eligible Own Funds.

For Athora Netherlands the tier 3 restriction remained applicable during 2020. Tier 3 consists of the net DTA position restricted to maximum of 15% of the SCR. Ineligible own funds increased from € 47 million at year-end 2019 to € 151 million at year-end 2020 due to higher net DTA position, mainly driven by a decrease of the Volatility Adjustment and the announced increase in the Dutch corporate income tax rate.

ELIGIBLE OWN FUNDS AT 31 DECEMBER 2020				
In € millions	**SRLEV**	**Proteq**	**Other**	**Athora Netherlands**
Available own funds to meet the Group SCR	**4,316**	**114**	**-52**	**4,378**
Own funds of other financial sectors	-	-	38	38
Own funds aggregated when using the D&A	-	-	-	-
Tiering restriction SCR	-293	-	11	-282
Eligible own funds to meet the Group SCR	**4,023**	**114**	**-3**	**4,134**
Own funds of other financial sectors	-	-	-38	-38
Own funds aggregated when using the D&A	-	-	-	-
Tier 3 capital	-369	-6	-6	-381
Tiering restriction MCR	-480	-	-51	-531
Total eligible own funds to meet the Group MCR	**3,174**	**108**	**-98**	**3,184**

ELIGIBLE OWN FUNDS AT 31 DECEMBER 2019					
In € millions	**SRLEV**	**VIVAT Schade**	**Proteq**	**Other**	**Athora Netherlands**
Available own funds to meet the Group SCR	**3,906**	**627**	**101**	**-176**	**4,458**
Own funds of other financial sectors	-	-	-	30	30
Own funds aggregated when using the D&A	-	-	-	-	-
Tiering restriction SCR	-209	-	-	61	-148
Eligible own funds to meet the Group SCR	**3,697**	**627**	**101**	**-85**	**4,340**
Own funds of other financial sectors	-	-	-	-30	-30
Own funds aggregated when using the D&A	-	-	-	-	-
Tier 3 capital	-341	-	-6	-31	-378
Tiering restriction MCR	-500	-132	-	70	-562
Total eligible own funds to meet the Group MCR	**2,856**	**495**	**95**	**-76**	**3,370**

The following limits are applicable so far as compliance with the SCR is concerned:
- The eligible amount of Tier 1 items should be at least 50% of the SCR;
- No more than 20% of those Tier 1 items may be restricted instruments (i.e. preference shares, subordinated liabilities or subordinated mutual member accounts) or items included under the transitional arrangements as discussed in section 6.2.1;
- Where an instrument meeting the restricted Tier 1 requirements is excluded from Tier 1 as a result of the mentioned limits, it may be included within Tier 2 Basic Own Funds;
- The sum of the eligible amounts of Tier 2 and 3 items should not exceed 50% of the SCR;
- The eligible amount of Tier 3 items should be less than 15% of the SCR. This restriction applies to Athora Netherlands due to its net DTA position as Tier 3 capital.

The following limits are applicable so far as compliance with the MCR is concerned:
- Only Tier 1 and Tier 2 basic own-fund items can be used to cover the MCR. Ancillary Own Funds and Tier 3 Basic Own Funds are therefore not eligible to cover the MCR;
- At least 80% of the MCR should be met by eligible Tier 1 own funds. No more than 20% of those Tier 1 Own Funds may be restricted Tier 1 instruments (i.e. preference shares, subordinated liabilities and subordinated mutual member accounts) or items included under the transitional arrangements. The effect of this is that Tier 2 Basic Own Funds are eligible as long as they are less than 20% of the MCR;
- Where an instrument meeting the restricted Tier 1 requirements is excluded from Tier 1 as a result of the mentioned limits, it may be included within Tier 2 Basic Own Funds.

E.6.2.2 Other assumptions

Loss Absorbing Capacity of Defered Taxes (LACDT)
Under Solvency II, the SCR may be determined taking into account the extent to which the tax losses which occur under the described shock can be settled with the tax authorities.

The LACDT has to be calculated taking into account the following:

- The adjustment for the loss-absorbing capacity of deferred taxes shall be equal to the change in the value of deferred taxes of insurance and reinsurance undertakings that would result from an instantaneous loss of an amount that is equal to the sum of the following:
  - The Basic Solvency Capital Requirement referred to in Article 103(a) of Directive 2009/138/EC;
  - The adjustment for the loss-absorbing capacity of technical provisions referred to in Article 206 of this Regulation;
  - The capital requirement for operational risk referred to in Article 103(b) of Directive 2009/138/EC .
- A decrease in the value of deferred tax liabilities or an increase in the value of deferred tax assets will result in a negative adjustment to the SCR;
- If the calculation results in a positive change in deferred tax assets, this should only be considered if it can be shown that future taxable profits will be available.

The Loss Absorbing Capacity of Deferred Taxes in the SCR is set at 0%, except for legal entities with a net Deferred Tax Liability (DTL). In these cases the Loss Absorbing Capacity of Deferred Taxes equals the net DTL-position.

E.6.3 Any other disclosures

Regarding the SCR calculation we have used simplification methods for calculating the risk mitigating effect for reinsurance arrangements or securitisation and the calculation of the risk mitigating effect.

ANNEX I

RELATED SUBSIDIARIES ATHORA NETHERLANDS NV

Athora Netherlands NV owns the following material related undertakings:

RELATED SUBSIDIARIES					
In € millions	**Country**	**Legal form**	**% capital share**	**Treatment of the undertaking**	**Excess of assets over liabilities**
SRLEV NV	NL	NV	100%	Full consolidation	3,147
Proteq Levensverzekeringen NV	NL	NV	100%	Full consolidation	114
Zwitserleven PPI NV	NL	NV	100%	Sectoral rules	3
ACTIAM NV	NL	NV	100%	Sectoral rules	35
Holding and elimination					-51
					3,248

RELATED SUBSIDIARIES SRLEV NV

SRLEV NV owns the following material related undertakings:

RELATED SUBSIDIARIES					
In € millions	Country	Legal form	% capital share	Treatment of the undertaking	Excess of assets over liabilities
REAAL Wognumsebuurt BV	NL	BV	100%	Adjusted equity method	7
REAAL De Ruyterkade BV	NL	BV	100%	Adjusted equity method	26
REAAL Kantoren I BV	NL	BV	100%	Adjusted equity method	3
REAAL Winkels I BV	NL	BV	100%	Adjusted equity method	10
REAAL Winkels II BV	NL	BV	100%	Adjusted equity method	9
GVR 500 Building BV	NL	BV	100%	Adjusted equity method	52
Young Urban Housing BV	NL	BV	100%	Adjusted equity method	59
REAAL Woningen I BV	NL	BV	100%	Adjusted equity method	8
RE Griftlaan Zeist BV	NL	BV	100%	Adjusted equity method	3
REAAL Landbouw I BV	NL	BV	100%	Adjusted equity method	9
REAAL Landbouw II BV[1]	NL	BV	100%	Adjusted equity method	9
REAAL Landbouw III BV[2]	NL	BV	100%	Adjusted equity method	9
N.V. Pensioen ESC[3]	CW	NV	100%	Adjusted equity method	-
Bellecom NV	BE	NV	100%	Adjusted equity method	-
CBRE Property Fund Central and Eastern Europe	SK	FGR	30%	Adjusted equity method	38
Share Debt Programme 1 BV	NL	BV	100%	Adjusted equity method	-
Stichting Titleholder Rabo Dutch Mortgages Fund Yellow	NL	Stichting	100%	Adjusted equity method	1,264
Apollo CRE direct lending fund	LU	SLP	100%	Adjusted equity method	35
Apollo CRE loan administration Sarl	LU	SARL	100%	Adjusted equity method	-
Apollo Middle Loan Administration Sarl	LU	SARL	100%	Adjusted equity method	-
Apollo Middle Market Direct Lending Fund	LU	SLP	100%	Adjusted equity method	210
Apollo Strategic Origination Partners LP	US	LP	30%	Adjusted equity method	-
					1,733

1 REAAL Landbouw II BV is a wholly owned subsidiary of REAAL Landbouw I BV

2 REAAL Landbouw III BV is a wholly owned subsidiary of REAAL Landbouw II BV

3 NV Pensioen ESC is treated under D&A (Deduction and Aggregation) at Athora Netherlands level

ANNEX II

The tables below present the QRT's which are part of the Solvency and Financial Condition Report per legal entity.

DISCLOSURE QRT REPORT ATHORA NETHERLANDS NV

TABLE OF CONTENT DISCLOSURE QRT REPORT ATHORA NETHERLANDS NV	
1	S.02.01 - Balance Sheet
2	S.05.01 - Premiums, claims and expenses by line of business
3	S.22.01 - Impact of long term guarantees measures and transitionals
4	S.23.01 - Own Funds
5	S.25.01 - Solvency Capital Requirement - for groups on Standard Formula
6	S.32.01 - Undertakings in the scope of the group

The Disclosure QRT Report Athora Netherlands NV is publiced separately on https://www.athora.nl/en/investors/annual-reports/

DISCLOSURE QRT REPORT SRLEV NV

TABLE OF CONTENT DISCLOSURE QRT REPORT SRLEV NV	
1	S.02.01 - Balance Sheet
2	S.05.01 - Premiums, claims and expenses by line of business
3	S.12.01 - Life and Health SLT Technical Provisions - Best Estimate by country
4	S.22.01 - Impact of long term guarantees measures and transitionals
5	S.23.01 - Own Funds
6	S.25.01 - Solvency Capital Requirement - for undertakings on Standard Formula
7	S.28.01 - Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity

The Disclosure QRT Report SRLEV NV is publiced separately on https://www.athora.nl/en/investors/annual-reports/

DISCLOSURE QRT REPORT PROTEQ LEVENSVERZEKERINGEN NV

TABLE OF CONTENT DISCLOSURE QRT REPORT PROTEQ LEVENSVERZEKERINGEN NV	
1	S.02.01 - Balance Sheet
2	S.05.01 - Premiums, claims and expenses by line of business
3	S.12.01 - Life and Health SLT Technical Provisions - Best Estimate by country
4	S.22.01 - Impact of long term guarantees measures and transitionals
5	S.23.01 - Own Funds
6	S.25.01 - Solvency Capital Requirement - for undertakings on Standard Formula
7	S.28.01 - Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity

The Disclosure QRT Report Proteq Levensverzekeringen NV is publiced separately on https://www.athora.nl/en/investors/annual-reports/