# ATHORA NETHERLANDS NV

Annual Report 2020

ATHORA

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# 1 OVERVIEW

# 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

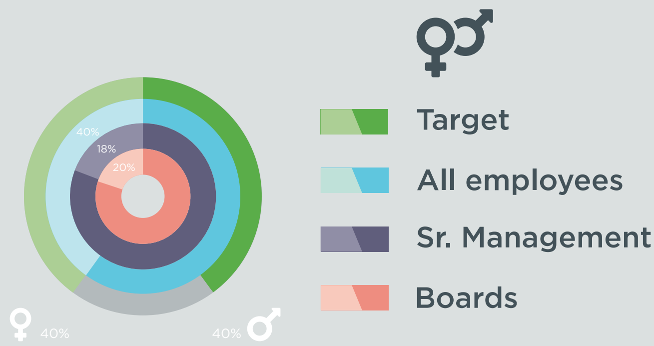
## ABOUT ATHORA NETHERLANDS

› 2,1 mn

Customers


Headquarters

1,931 employees (FTE)


## OUR BRANDS

Zwitserleven Reaal actiam

# OUR PERFORMANCE

| Gross Premium Income | Total Operating Costs | Solvency II |
|---|---|---|
| € 1,764 mn | € 236 mn | 161% |
| 2019: € 1,849 mn | 2019: € 254 mn | 2019: 170% |

| Net Result IFRS | Net Underlying Result | Total Assets |
|---|---|---|
| € 3 mn | € 278 mn | € 66,008 mn |
| 2019: € 399 mn | 2019: € 322 mn | 2019: € 61,685 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).

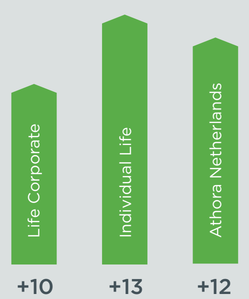
1,905 tonnes
2019: 3,476

Carbon Footprint

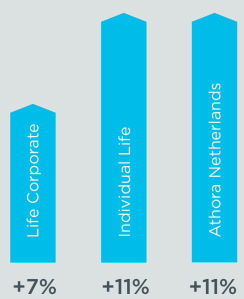
Carbon Neutral Buildings

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

## 1.2 KEY FIGURES

| In € millions | 2020 | 2019[1] | 2018 | 2017 | 2016 |
|---|---|---|---|---|---|
| **Ratios** | | | | | |
| Regulatory Solvency II | 161%[2] | 170% | 192% | 162% | 175% |
| **Net Underlying Result** | | | | | |
| Life Corporate | 163 | 177 | 113 | 60 | 35 |
| Individual Life | 124 | 116 | 140 | 133 | 156 |
| Asset Management | -3 | -7 | -7 | 1 | -2 |
| Holding | -4 | -9 | -12 | -22 | -2 |
| **Net Underlying Result from continued operations** | **280** | **277** | **234** | **172** | **187** |
| Property & Casualty (as discontinued operation) | -2 | 45 | 8 | - | -26 |
| **Net Underlying Result from discontinued operations** | **-2** | **45** | **8** | **-** | **-26** |
| **Total Net Underlying Result** | **278** | **322** | **242** | **172** | **161** |
| **Net Result IFRS** | | | | | |
| Life Corporate | -148 | 175 | -406 | -239 | 79 |
| Individual Life | 137 | 154 | 137 | 160 | 159 |
| Asset Management | -5 | -7 | -7 | 1 | -2 |
| Holding and other | -41 | 11 | -22 | -40 | -20 |
| **Net Result IFRS from continued operations** | **-57** | **333** | **-298** | **-118** | **216** |
| Property & Casualty (as discontinued operation) | 60 | 66 | 16 | 2 | -48 |
| **Net Result IFRS from discontinued operations** | **60** | **66** | **16** | **2** | **-48** |
| **Total Net Result IFRS** | **3** | **399** | **-282** | **-116** | **168** |
| **Profit or loss** | | | | | |
| Gross premium income | 1,764 | 1,849 | 2,107 | 2,252 | 1,842 |
| Investment income | 1,189 | 1,285 | 1,503 | 1,434 | 2,775 |
| Investment income/expense for account of policyholders | 692 | 2,067 | -387 | 429 | 902 |
| Total income (including other income components) | 5,402 | 6,920 | 3,223 | 4,240 | 5,361 |
| Total expenses | 5,572 | 6,529 | 3,499 | 4,417 | 5,068 |
| **Result before taxation** | **-170** | **391** | **-276** | **-177** | **293** |
| Tax expense / benefit | -113 | 58 | 22 | -59 | 77 |
| **Net Result IFRS from continued operations** | **-57** | **333** | **-298** | **-118** | **216** |
| **Statement of financial position** | | | | | |
| **Total assets** | **66,008** | **61,685** | **55,674** | **56,742** | **57,801** |
| Investments | 41,922 | 41,572 | 38,656 | 38,683 | 38,294 |
| Investments for account of policyholders | 13,788 | 13,520 | 11,989 | 13,138 | 14,251 |
| Loans and advances due from banks | 603 | 712 | 1,566 | 1,814 | 960 |
| **Total equity** | **3,728** | **3,838** | **3,541** | **3,547** | **3,699** |
| Insurance liabilities | 51,512 | 50,088 | 46,283 | 46,794 | 47,617 |
| Subordinated debt | 818 | 868 | 863 | 1,016 | 1,047 |
| Amounts due to banks | 4,684 | 2,803 | 1,358 | 1,643 | 1,353 |

1 Per 1 April 2020, VIVAT Schadeverzekeringen NV was sold. The comparative figures (2016-2019) have been restated in line with IFRS 5 regarding discontinued operations.

2 Regulatory Solvency II ratio 2020 is not final until filed with the regulator.

## Athora Netherlands and Athora Netherlands NV

In this annual report, we use the name 'Athora Netherlands NV' when referring to the company financial statements of Athora Netherlands NV. For the consolidated financial statements of the insurance business as a whole, we use the name 'Athora Netherlands'.

The Athora Netherlands Report of the Executive Board, as referred to in section 2:391 of the Dutch Civil Code includes the following chapters: 2020 at a Glance (chapter 1.1), Key Figures (chapter 1.2), Message from the Executive Board (chapter 1.3), Organisation (chapter 2), Strategy and Developments (chapter 3) and CorporateGovernance (chapter 4), excluding Report of the Supervisory Board (chapter 4.5).

## 1.3 MESSAGE FROM THE EXECUTIVE BOARD OF ATHORA NETHERLANDS

### Dear stakeholders,

2020 was an eventful year for our company. We welcomed our new shareholder Athora Ltd., executed the sale and started the disentanglement of the non-life business. We rebranded to Athora Netherlands and we have started implementing a new strategy. Amidst the change of ownership, turbulent economic and COVID-19 environment, we were able to provide an uninterrupted and high-quality service to our customers whilst delivering solid financial results coupled with a stable solvency position.

On the 2nd of April 2020 it was announced that Athora completed its acquisition of VIVAT by acquiring 100% of the shares in VIVAT from Anbang and has sold 100% of the shares of VIVAT Non-Life to NN Group. With the combined capabilities of VIVAT and Athora, we will be best placed to fulfil our customers' needs and to build further upon our strong market position in pensions. On the 10th of December 2020 VIVAT was rebranded into Athora Netherlands.

Athora Netherlands improved its Net Underlying Result by further reducing the operating costs and improving the technical result. The impact of COVID-19 on the results has been limited. The solvency position remained robust at 161%. Focus on capital and a strong balance sheet will remain a key priority for the company.

Commercially, it was another successful year for our pension business. Gross premiums remained high at € 1.1 billion, with an all-time high production of € 300 million of immediate annuities, and our PPI doubled its assets under management to above € 1 billion. The retention rate remained high at 84%. The declining individual life market led to lower gross premiums of € 674 million, but the sale of direct annuities —identified as a strategic focus product within our new strategy—increased in the final quarter of the year to € 60 million.

We are making strong progress in implementing the new strategy and are simplifying the operating model and organisational structure, within a single Pension Business, a dedicated Life Service Business and fewer smaller support functions. In addition, we are initiating and accelerating digitalisation initiatives and we will consider outsourcing a number of —non-strategic— activities in the coming years. This enables us to position Athora Netherlands as the only fully dedicated large pension provider in the Netherlands using the well-known Zwitserleven brand. Our new strategy will benefit all our existing and future customers.

Also at the core of our strategy is investment management. Because of this importance, the Supervisory Board has decided to search for a Chief Capital & Investment Officer to strengthen the Executive Board, subject to regulatory and works council approval. Combining our knowledge of the Dutch market and leveraging on certain investment capabilities of Athora, we expect to enhance capital generation in the future and be able to offer the best value for money propositions to our customers by long term sustainable investments. To effectively execute our new strategic asset allocation, the full management of the own account investments will be transferred to Athora Netherlands from ACTIAM. Currently, strategic options for ACTIAM are being explored which will allow ACTIAM to continue to build on its ESG track record and focus on the funds for Athora Netherlands' unit-linked propositions as well as its third-party funds and mandates.

Athora Netherlands will safeguard and further enhance its social responsible investing credentials, and continues to embed sustainable insurance and corporate social responsibility practices in the organisation. The change of ownership of the Non-Life business went smoothly and the transition to NN Group is on track. This would not have been achieved without the hard work of our employees, the joined process with the works council and the constructive cooperation with our business partners. Athora Netherlands has full confidence that it is well positioned for the future in becoming the number 1 pension provider in the Netherlands.

Amstelveen, the Netherlands, 24 March 2021

On behalf of the Executive Board of Athora Netherlands NV,
Tom Kliphuis, Chief Executive Officer

# 2 ORGANISATION

## 2.1 ABOUT 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.

### 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. Athora Netherlands NV is organised into three business lines: a Pension Business, a Life Service Business and an Asset Management Business.

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


### 2.1.1 Composition of the Executive Board

The Executive Board is responsible for the strategy and management of the company. The Executive Board per 31 December 2020 consisted of the following members:

- R.H. (Tom) Kliphuis – Chief Executive Officer
- Y. (Yinhua) Cao – Chief Financial Officer[1]
- A.P. (Annemarie) Mijer – Chief Risk Officer
- A. (Angelo) Sacca – Chief Strategy & Commercial Officer
- S.A. (Stefan) Spohr – Chief Operating Officer

More information on the Executive Board is stated in Chapter 4: Corporate Governance.

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

### 2.1.2 Composition of the Supervisory Board

The Supervisory Board is responsible for overseeing the Executive Board's conduct and general business management. It has an important role in the company's governance, by approving or dismissing significant business-related decisions. As of 31 December 2020 the Supervisory Board consisted of the following members:

- M.W. (Maarten) Dijkshoorn
- M.A.E. (Michele) Bareggi
- F.G.H. (Floris) Deckers
- J.M.A. (Hanny) Kemna
- P.P.J.L.M.G. (Pierre) Lefèvre

More information on the Supervisory Board is stated in Chapter 4: Corporate Governance.

### 2.1.3 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.

## 2.2 OUR 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.

## 2.3 OUR BUSINESS LINES

Athora Netherlands is organised in three business lines: Pension Business, Life Service Business and Asset Management.

### Pension Business

The new Pension Business 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

The Life Service Business 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

The product line Asset Management 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.

## 2.4 OUR PEOPLE

Our employees are key for putting our strategy into practice. As a business that serves the financial interests of others, we require a staff that is fully committed to this task. Athora Netherlands is aiming to be a responsible employer by promoting sustainable employability (e.g., vitality, personal development) and sustainable employment relations (e.g., flexibility and diversity). We will stay a responsible employer in order to continue our strategy and to retain the engagement and commitment of our employees.

In the context of the acquisition process by Athora and NN, Athora Netherlands has considered risks regarding our employees, such as leaving of staff and single points of knowledge, our ability to attract new staff and the commitment of our employees. Athora is monitoring these risks closely and will continue monitoring in 2021.

### Our Employees in Numbers

At the end of 2020, Athora Netherlands employed 1,971 employees (2019: 2,278).

| KEY FIGURES ATHORA NETHERLANDS HUMAN RESOURCES | | |
|---|---|---|
| | 2020 | 2019 |
| Number of employees | 1,971 | 2,278 |
| - of which internal | 1,674 | 1,904 |
| - of which external[1] | 297 | 374 |
| Number of FTEs | 1,931 | 2,233 |
| - of which internal | 1,653 | 1,885 |
| - of which external | 279 | 348 |
| Ratio male-female | 61%/39% | 60%/40% |
| Female managers | 25% | 25% |
| Female members of senior management | 18% | 20% |
| Average length of service (years) | 14.4 | 13.0 |
| Average age (years) | 46 | 44 |
| Full-time/part-time ratio | 74%/26% | 74%/26% |
| Male/female ratio full-time | 73%/27% | 72%/28% |
| Male/female ratio part-time | 25%/75% | 26%/74% |
| Ratio permanent/temporary contract | 96%/4% | 94%/6% |
| Male/female ratio permanent | 59%/41% | 60%/40% |
| Male/female ratio temporary | 55%/45% | 53%/47% |
| Training costs (million) | € 3.9 | € 3.9 |
| Sickness absence | 3.4% | 3.3% |
| Percentage of employees that have sworn the bankers oath | 98% | 97% |
| 1 Number of external employees is based on contractual hours | | |

More information regarding our staff can be found in section 3.4.2.3 Creating Value via Efficient and Sustainable Business.

# 3 STRATEGY AND DEVELOPMENTS

## 3.1 TRENDS AND DEVELOPMENTS

### New Shareholder and Sale of the Non-life Business

On 1 April 2020, Athora completed its acquisition of VIVAT NV (now Athora Netherlands NV) by acquiring 100% of the shares from previous shareholder Anbang. Subsequently, Athora sold 100% of the shares of the VIVAT Non-life business to NN Group, for a purchase price of € 416 million.

This ignited a number of major changes for the business.

1. The formation of a new Executive Board and Supervisory Board (see sections 2.1 and section 4 for details).
2. Rebranding from VIVAT NV to Athora Netherlands NV.
3. Migration of the Non-life business to NN Group (including people, processes, data and systems).

### COVID-19 Impact

The COVID-19 outbreak has caused significant impact across the world, including to Athora Netherlands, our customers, suppliers, employees and other stakeholders. The key impacts on Athora Netherlands include:

- **Customers:** we have actively informed our customers about the possibilities for potential deferral of premium payment on pension policies and amending the pension scheme for their employees in light of the COVID-19 pandemic. We have also helped customers navigate the support options provided by the government.
- **Financial strength:** Despite a turbulent capital market during the year, our financial position remains strong and the Solvency II ratio is stable. Although the 2020 impact of COVID-19 on our investment returns have proved to be limited, the end of the pandemic is not yet in sight and we will continue to monitor the market.
- **Way of working:** The need for social distancing during the pandemic has resulted in all our employees working remotely for most of 2020 (and likely beyond). This has introduced challenges across technology / tools, relationship building (in particular with a new shareholder and Executive Board) and employee mental health wellbeing which we have to a large extent mitigated through interactive digital meetings and broadcasts, set-up of a COVID-19 proof studio and ensured that management was extra alert with respect to the safety and wellbeing of our employees.

#### Challenges Ahead

The COVID-19 pandemic is not yet over and remote working will thus remain the norm for the time being. Globally, the economy is suffering from the constraints introduced to manage the spread, and markets remain vulnerable. Athora Netherlands will therefore continue to keep a close eye on how our investments develop and how we can keep our business operations and financial position healthy.

### Comprehensive Strategy & Operating Model Review

Following the acquisition by the new shareholder and the agreed sale of the Non-life business to NN Group, the new Executive Board set out to develop a new strategy for Athora Netherlands. A comprehensive review of the strategy and operational model was conducted to ensure long-term value creation and to redesign our operating model to ensure it is fit for purpose. The review resulted in a new corporate strategy which is detailed in section 3.2.

## 3.2 CORPORATE STRATEGY

The new strategy maximizes Athora Netherlands' full potential by combining Athora Netherlands' current strengths and Athora Group's resources and capabilities. The refined operating model including the new proposed organisational structure to execute the strategy is less complex and more efficient. Athora Netherlands' core assets, complemented by the (international) experience, capital backing and access to top-tier investment capabilities from Athora Group, form the foundation of the new strategy:

- A strong competitive position with leading brands, distribution and underwriting capabilities
- A mature organisation, an experienced workforce and sound operations at scale

The strategy review result is that Athora Netherlands operates three business lines as a fully focused pension provider (Pension Business), supported by a dedicated service organisation (Life Service Business) combined with strong investment capabilities (Asset Management). This focus makes us unique in the market and allows us to state with confidence that our ambition is to become the #1 pension provider in the Netherlands, offering the best value for money—where value is not only a financial, but also a social return.

The Executive Board of Athora Netherlands operates a dashboard of key indicators to assess the current portfolio of activities and future opportunities within a set risk appetite and ranges for Solvency II ratio level and stability:

- Customer Engagement
  - Customer satisfaction
  - Zwitserleven brand awareness
  - Sustainability
- Capital Generation
  - Profitable and sustainable growth
  - Operational cost management
  - Asset spread in our investment portfolio
- Leadership
  - Employee engagement
  - Strategic alignment
  - Attractiveness as employer

We execute on this strategy through:

1. A simple yet complete and coherent portfolio of excellent customer solutions
2. An effective and efficient operating model and organisational structure
3. Strong investment capabilities
4. Strong sustainability capabilities and governance

### A Simple Yet Complete and Coherent Portfolio of Excellent Customer Solutions

We have assessed our product portfolio through three lenses: market dynamics, financial potential and portfolio fit. Based on this assessment we decided to exit products where Athora Netherlands does not have an intrinsic competitive advantage. Going forward, we will focus on pension solutions for employers, employees and pension funds.

All our products will be sold under the strong Zwitserleven brand. The Reaal brand will be used for (existing) customers through our new Life Service Business.

With a highly focused product portfolio and refined distribution model we will be best positioned to serve our clients well, and thus realise growth in our chosen target market segments and achieve healthy levels of capital generation.

### An Effective and Efficient Operating Model and Organisational Structure

Our focused strategy requires and enables a simpler operating model and organisational structure, with a single Pension Business, a dedicated Life Service Business and fewer (and smaller) support functions. In addition, we are initiating or accelerating automation / digitalisation initiatives and consider outsourcing a number of (non-strategic) activities.

Finally, going forward Athora Netherlands will make use of the best practices within Athora Group and create synergies by integrating certain functions. Together, this enables us to significantly reduce costs as well as increase effectiveness and commercial strength.

#### Strong Investment Capabilities

Also at the core of our strategy is asset management. Combining our knowledge of the Dutch market and leveraging on certain investment capabilities of Athora, we expect to enhance capital generation in the future and be able to offer the best value for money propositions to our customers by long term sustainable investments. To effectively execute our new strategic asset allocation, the full management of the own account investments will be transferred to Athora Netherlands from ACTIAM. Currently, strategic options for ACTIAM are being explored which will allow ACTIAM to continue to build on its ESG track record and focus on the funds for Athora Netherlands' unit-linked propositions as well as its third-party funds and mandates.

#### Strong Sustainability Capabilities and Governance

An important part of our strategy is to further build on our widely recognised socially responsible investing (SRI) credentials and continue to embed sustainable insurance (SI) and corporate social responsibility (CSR) practices in the organisation.

It is evident that sustainability is a strong asset and value contributor for all our stakeholders: customers, employees, regulators, shareholders and business partners.

We also know that we need to step up to continue to deliver on our promises and to comply to new regulatory requirements and industry adopted best practices for SRI, SI and CSR more generally.

## 3.3 BUSINESS LINE STRATEGY

### 3.3.1 Pension Business

The new Pension Business 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)
3. Pension funds – by supporting pension buy-outs

To execute the new strategy, the Pension Business has established a programme of initiatives to support the goals of capital generation and customer engagement. These initiatives fall into one of the following categories:

- **Customer Excellence:** Tailored approach to servicing clients, including personalised communications with insightful information
- **Accumulation (pension savings):** New quotation platform and improved pension savings product offering and features, supported by efficient internal processes
- **Decumulation (retirement solutions):** Enhanced product offering with the addition of variable annuity for increased customer flexibility
- **Digitisation:** Uplifted portals for employers, employees and advisers with improved user experience (design, layout, speed), product range (available through portal) and product information and explanations
- **Business Intelligence:** Set-up of dedicated Business Intelligence department to deliver enhanced analytics and pricing (including accuracy and response time) as well as marketing intelligence
- **Buy-outs:** Set up of dedicated buy-out team to deliver our buy-out offering

The Pension Business delivers value to our stakeholders in a cost efficient and sustainable way through:

- Retention of existing business – renewal of defined benefit, defined contribution and PPI contracts as well as roll-over of pension savings into annuity products
- Organic and inorganic new business – new defined benefit, defined contribution and PPI contracts, transfer of external capital for purchase of our annuity products, and buy-out transactions

As one of very few providers, we continue to renew and offer new defined benefit contracts as long as there is client demand and the upcoming pension legislative framework allows it. Over time, we foresee a transition of both defined benefit schemes and traditional defined contribution schemes to PPI schemes.

### 3.3.2 Life Service Business

The Life Service Business manages the inactive Individual Life product portfolio of the Reaal brand. This will further drive and retain economies of scale as the Individual Life product portfolio gradually runs off. The objective of the Life Service Business is to become a service organisation performing at EU cost benchmark levels with a flexible change organisation that can meet ever-changing customer needs.

To achieve and maintain a sustainable competitive position in a shrinking market, the Life Service Business has defined a long-term transformation journey towards a highly efficient target operating model appropriate to the dynamics of a declining portfolio. Core to our approach is cost variabilisation, simplicity and whilst maintaining a good customer experience through the application cost-effective digital capabilities that enable self-servicing.

The Life Service Business continuously explores strategic options for future management of the inactive product portfolio to further accelerate the transformation journey.

### 3.3.3 Asset Management

Our captive asset manager ACTIAM provides investment services for the majority of Athora Netherlands' own investments and unit-linked propositions. In addition to optimising risk and return in line with our investment guidelines, ACTIAM is also ensuring that our investments have a sustainable focus and create social impact.

As one of the outcomes from the Strategy & Operating Model Review, the management of our Own Account will be transferred from ACTIAM to be managed in-house at Athora Netherlands' investment office. This will allow ACTIAM to focus on:

- Optimise ESG capabilities to solidify the position as a sustainable investment specialist
- Management of the funds for Athora Netherlands' unit-linked propositions
- Further develop third party fund management and mandates

ACTIAM will continue to work in close collaboration with Athora Netherlands' other business lines to ensure delivery of a strong proposition to our clients and long-term value to our stakeholders.

## 3.4 SUSTAINABILITY

At Athora Netherlands we see it as our task to create value in the long term. For our customers and for the world around us. That is why sustainability is an integral part of our business strategy.

2020 has shown that our planet and its people are more vulnerable than ever before. Concerns around climate change threatening our environment, have been surpassed by concerns about the global health pandemic: COVID-19 which has been at the forefront. This does however not mean extreme weather, scarcity of water, deforestation, the nitrogen discussion, monoculture and the suppression of biodiversity have vanished as global threats. These topics along with fair allocation of labour, segregation in society and access to affordable insurance for everyone are urgent issues that require our immediate attention.

At Athora Netherlands, we therefore stand by our continued commitment to investing responsibly, providing fair and affordable insurance solutions, and ensuring that our internal operations are gentle on our planet, our communities and our employees. We will continue to meet these challenges together with our stakeholders — including our clients, partners, government authorities and civil society.

## Challenges and Ambitions for 2020

In our 2019 annual report, we anticipated five sustainability challenges and ambitions for the coming years. Below, we provide a summary of the 2020 progress against each of these:

1. **Responsible investing – engagement versus exclusion:**
   We conduct engagement either as a response to violations of our ethical principles or to address solutions that would reduce the risk exposure. Exclusion is the last resort we use. In 2020, the number of companies excluded due to high sustainability risks increased, primarily based on high carbon intensity levels.
2. **Responsible pensions and application of engagement and exclusion policy for individuals:** So far we have taken the position that every individual is entitled to a pension. However, a number of sectors, companies or individuals are excluded by regulation, and we also consider exclusions on an individual company level. Work is underway to refine our customer acceptance policy to reflect our sustainability considerations.
3. **Sustainable investing and return on investment:**
   We recognise that entities performing well on material environmental, social and governance issues have better financial performance than entities performing less well on these issues. For this reason, we intend to optimise financial, environmental and social returns in the longer term. These solutions reduce material ESG risks of the investments and create attractive and enduring financial value to our clients and stakeholders as well as sustainable social value for society.
4. **Consideration of potential negative ESG impacts:**
   We aim to answer questions such as: How many entities were helped with access to financial resources?; Which basic needs were supported?; Which climate risks does the portfolio have for a range of possible climate scenarios?; and Which ecosystems have been restored through the investments? To provide full transparency, our primary asset manager ACTIAM has developed a dashboard in 2020 that gives us insight into environmental and social impact.
5. **Practice what you preach:**
   We adhere to the responsible level of investments as categorised by ACTIAM. Through our investments. We intend to invest in companies having the ability to meet the required transition pathways, for which we commit to reducing our carbon footprint and report on our progress in line with the Dutch Climate Agreement.

## Challenges and Ambitions for 2021 and 2022

Athora Netherlands sees challenges in many different areas. In 2019, we discussed these challenges with representatives from our most important stakeholder groups, which has resulted in new challenges for 2020 and beyond:

1. **Implementation of improved sustainability strategy:**
   We are currently reviewing our sustainability strategy across the components Socially Responsible Investment, Sustainable Products and Corporate Social Responsibility. We aim to further strengthen our approach through integration and structure, in order to increase our positive impact and further enable transparent communication on the topic. In 2021, we will finalise our new sustainability strategy and approach and make way in terms of implementation.
2. **Exclusion versus engagement in responsible investing:**
   While our exclusion policy is a critical part of our socially responsible investment practices, we will continue to increase our engagement on key ESG topics with the aim to generate value for society.
3. **Responsible products (non-investment):**
   As we formulate our underwriting policy, can we also increase our involvement on the non-investment side and engage with customers and potential customers on ESG matters to increase our positive impact?
4. **Internal engagement:**
   Sustainability is an important topic on Athora Netherlands' agenda and forms an important part of our company's DNA. How can we improve the awareness and involvement of all our employees in sustainability questions and activities to further increase our positive impact.

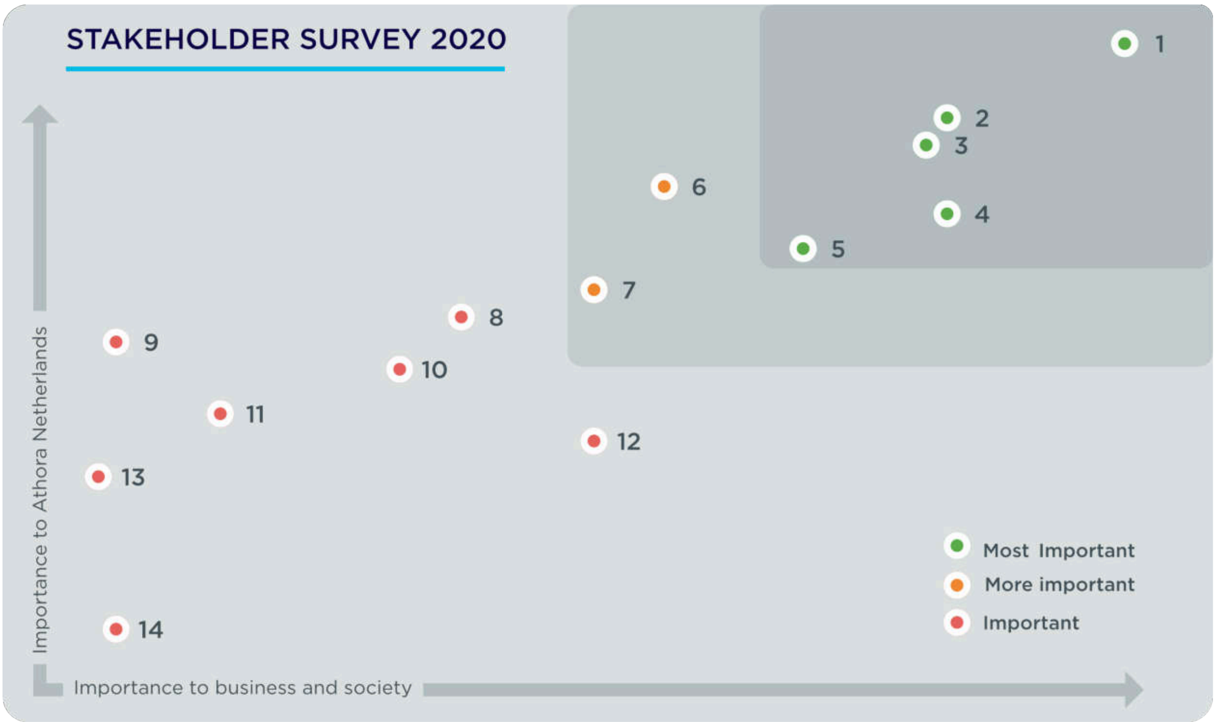
### 3.4.1 Stakeholder Engagement

In 2020, we undertook our bi-annual engagement survey among a broad representative sample of our stakeholders, including customers, partners, employees, government authorities and civil society. The findings are discussed with the Executive Board and are used to refine our sustainability strategy, along with our underlying targets and priorities. We will also use the findings to update our disclosures and reporting in order to meet (information) requirements by these stakeholders.

In November 2020, we recalibrated these outcomes with internal key representatives. The outcomes and implications for the sustainability strategy of the survey were discussed with the Executive Board. As a result, updates in targets and policies were executed. The survey helped us to bring further focus to our strategy, priorities and sustainability programme. From the list of material (and most relevant) topics, the following areas were identified as being the most relevant:

1. Solvency
2. Responsible Investments
3. Appropriate and Simple Products
4. Responsible Pension
5. Sustainable Use of Land and Preservation of Nature

Of course, this does not mean that other topics are not relevant for us to pay attention to. On the contrary, the aim of this periodical survey is to follow trends and keep our focus aligned to trends and stakeholder requirements.




#### Key Topics

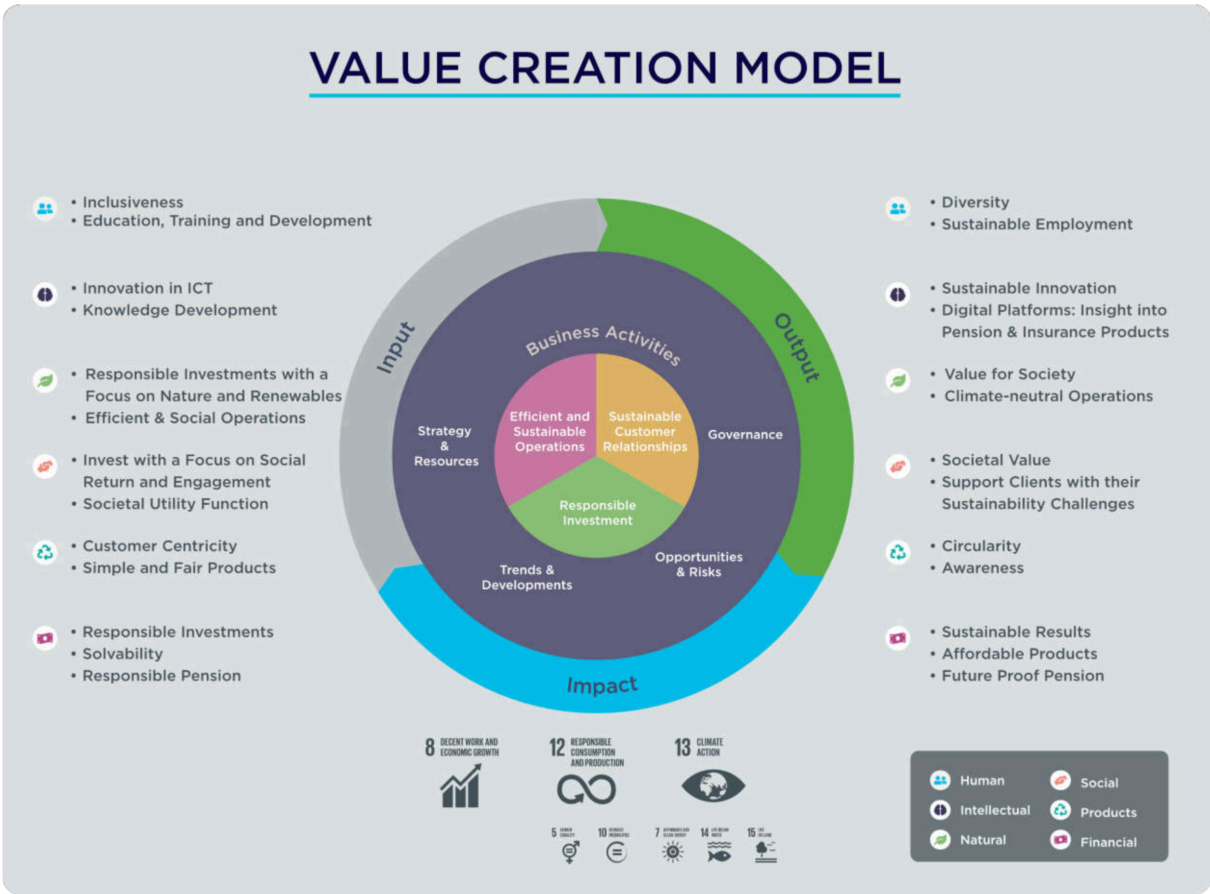
| | |
|---|---|
| 1. Solvency | 8. Sustainable employability |
| 2. Responsible Investments | 9. Diversity and Inclusion |
| 3. Appropriate and simple products | 10. Reduction of carbon emission by 50% in 2030 |
| 4. Responsible pension | 11. Financial self-sufficiency of customers |
| 5. Sustainable use of land and preservation of nature | 12. Sustainable energy generation |
| 6. Being a good employer | 13. Strict selection of customers on integrity and sustainability |
| 7. Products with added value for our customers | 14. Focus on biodiversity |

### 3.4.2 Value Creation

As an insurer, our role is to offer our customers simple and comprehensive products, with the choices we make today having an important impact on the protection of our customer' future income. Therefore, we recognise the importance of sustainability and focus on the long term value creation. As this is in essence what we do and stand for as an insurer.

## Value Creation Model

Our value creation model shows the various sources (financial, produced, intellectual, human, social & relationships and nature) that we use to achieve our strategic targets and the values that we add with our core activities. It also shows how these collaborate with broader societal objectives summarised under the UN Sustainable Development Goals (SDGs).




Athora Netherlands' Value Creation Model

## How We Translate Strategies into Actions and Objectives

We have adopted the UN Sustainable Development Goals (SDGs) as a guideline for our business practices. The most relevant SDGs are shown in the illustration below, and these are in turn linked to the underlying tactical themes and operational topics.

The MVO Matrix above shows a complete illustration of the operational topics

The full Connectivity Table is published on the Athora Netherlands website: **athora.nl/en/corporate-responsibility/connectivity/**

### 3.4.2.1 Creating Value through Sustainable Customer Relationships

## Fair and Transparent Service

Customer Centricity is essential for our success. We strive to earn and maintain the trust of our customers by being fair and transparent in our customer approach. In doing so, we apply the criteria of cost efficiency, usefulness, reliability and comprehensibility as prescribed by the regulator, the Dutch Authority for the Financial Markets (AFM).

In previous years, the AFM has tested whether insurance companies are succeeding in treating customers fairly. The regulator has published these scores for Treating Customers Fairly (TCF) on a yearly basis. The AFM has not reported any new scores on TCF to financial institutions regarding the year 2020.

## Customer Loyalty and Customer Satisfaction

We take customer loyalty and customer satisfaction very seriously. Therefore, we continuously monitor our performance in these areas. Our customer loyalty measure (Net Promoter Score) helps us understand the customers' willingness to recommend a brand to friends and family, providing a broad perspective on how customers value the overall relationship with the brand. Our Customer Satisfaction measure (Delighted Customer Score) helps us to understand how our service is perceived by our customers, identifying drivers for short term improvement in key customer service processes.

### NPS

The Net Promoter Score (NPS) is an important indicator for Customer Centricity within Athora Netherlands. Based on the NPS survey results, our customers can be categorised in to different groups: 'Promotors', 'Passives' or 'Detractors'. NPS is measured on a continuous basis among the various customer segments (e.g., both private and business customers, and per product line). As a result, an overall Athora Netherlands score is derived and reported quarterly, in order to monitor the progress and gain insights in the areas for improvement.

In 2020, the Athora Netherlands NPS has increased to -20, driven by a higher percentage of 'Promotors' (+4) and lower percentage of 'Detractors' (-8) across the product lines.

| NET PROMOTER SCORE | | |
|---|---|---|
| | 2020 | 2019 |
| Athora Netherlands | -20 | -32 |
| Individual Life | -29 | -42 |
| Life Corporate | -18 | -28 |

### Customer Satisfaction

In addition to NPS, the customer satisfaction is measured among the various customer segments. These scores reflect the level of customer satisfaction on a scale from 1 to 10 (1 = extremely dissatisfied, 10 = extremely satisfied) and is expressed as the percentage of customers that value our services with an 8 or higher (so called Delighted Customers).

In line with the stronger NPS performance, the Athora Netherlands Delighted Customers Score has increased to 53%, primarily driven by a shift in customer satisfaction from grade 6 and 7 to the 8+ category within both the Individual Life and Life Corporate customer segments (primarily among the employer customer group). As a result, in 2020 more than half of the Athora Netherlands customer base values their overall relationship with an 8 or higher.

| DELIGHTED CUSTOMER SCORE | | |
|---|---|---|
| | 2020 | 2019 |
| Athora Netherlands | 53% | 42% |
| Individual Life | 48% | 37% |
| Life Corporate | 53% | 46% |

## Customer Privacy and Data Protection

Through our business operations, we record and maintain a large amount of data for a very long time. We are bound to secure customer data and data about our interactions with our customers. Athora Netherlands not only needs to make sure that we serve our customers well and respect their privacy, but we also have to be able to provide evidence that over the span of our often long term relationship with our customers, we adequately perform our duty of care and fulfil all our legal requirement such as tax filings and regular Sanction List scans.

With that in mind, data protection and the privacy of customer data are critical to Athora Netherlands. Customers can trust that their personal data are safe with us. That is why we have implemented policies to protect customer data and customer privacy. The privacy statements as published on the websites of Athora Netherlands and our brands describe the categories of data we collect, the purposes of the collection of these data and how customers may access such data. Customers can contact Athora Netherlands with requests related to their data.

Athora Netherlands also has a policy to handle data breaches to minimise possible damage to customers. The appointed Data Protection Officer is responsible for monitoring compliance with the law (e.g., GDPR). In 2020, 331 data breaches (2019: 292) were detected within Athora Netherlands (P&C not included) of which 15 (2019: 11) were reported to the Dutch Data Protection Authority. In 2020, Athora Netherlands had key risk indicators in place concerning major data breaches and data breaches reported to authorities. In 2021, these key risk indicators will be updated.

### 3.4.2.2 Creating Value through Responsible Investing

**Athora Netherlands applies a three step approach when it comes to responsible investing. We first assesses whether a company or state meets our fundamental investment principles – the baseline of our investments. Second, for companies passing the first test, a company's adaptability to each of the material risks determines its integration into our investment decisions. Third, we aim to make a positive impact through our investments by financing sustainable activities.**

## Step 1: Ethical Principles

All entities in which we intend to invest are screened based on our Fundamental Investment Principles. These principles are foremost based on international treaties, conventions and best practices, including the UN Global Compact (see appendix for a comprehensive list of the international mechanisms we consult). Because these international mechanisms are considered universal, the standards underlying our Fundamental Investment Principles go beyond personal and cultural differences in our investment policy, taking into account social discussions and the nature and extent of social consensus.

Compliance with our principles is assessed based on two main criteria:

1. Repeated or systematic involvement in activities covered by our principles, as well as failure to sufficiently remedy such involvement.

2. Inadequate preparedness to prevent this involvement from occurring in the future. A company is considered to have taken insufficient measures to prevent ongoing or future involvement, when either of the following conditions is met:

a) The company lacks coherent management systems, which include the following components:
- Management principles;
- An operational policy through which these principles are implemented;
- Adequate procedures to assess, mitigate and address risks;
- Systems for monitoring and tracking risks and risk management steps, as well as implementation of the operational policy;
- Sufficient training and education to help staff, subcontractors and suppliers in the adequate implementation and execution of the policies;
- Mechanisms to encourage frequent feedback to management; and
- Regular (public) reporting.

b) The company demonstrates no credible implementation and/or enforcement of above-mentioned management systems.

As a responsible investor, Athora Netherlands will evaluate whether to exclude companies once it becomes clear that we will not be able to persuade them to change their behaviour. That is why, prior to exclusion, we assess whether engagement may be a helpful tool in remedying any real or potential violation. If engagement is not an option or not successful, the ultimate consequence may be exclusion from our investment universe.

When we do decide to exclude a company and investments have already been made, these assets will be sold at short notice. This may also apply to companies that are not directly involved in violations of the Fundamental Investment Principles, but whose behaviour or activities raise serious ethical questions.

In 2020, the total number of companies excluded by our asset manager ACTIAM due to not complying with the Fundamental Investment Principles increased. The majority of the new exclusions was based on products and businesses doing harm to human (mental) health or animal welfare, followed by basic human rights, fraud, corruption or tax evasion, and controversial weapons. The names of newly excluded entities and grounds for exclusion are published in quarterly reports published on our website throughout the year.

## Step 2: Material Risks

We recognise that entities performing well on material ESG issues have better financial performance than entities performing less well on these issues. That is why Athora Netherlands provides investment solutions that aim to optimise longer-term financial, environmental and social returns. These solutions reduce material ESG risks of the investments and create attractive and lasting financial value for Athora Netherlands and our customers as well as sustained social value to society.

Athora Netherlands' sustainability policy provides a pragmatic view on the role of investors in guiding the transition to a sustainable society in which companies can thrive while respecting social and environmental limits, now and in the future. An important part of this policy is the classification of the companies in the investable universe based on their capacity to prepare for the transition and physical risks they face.

### Governance

To ensure compliance with the sustainability policies, decisions are challenged and overseen by independent committees within ACTIAM:

1. ESG Committee: Changes to the sustainability policy and the categorisation of entities, based on adaptability to material ESG risks, are proposed by the ACTIAM's Sustainability & Strategy team but not implemented before formal approval from ACTIAM's ESG Committee. This committee consists of ACTIAM board members, the director of the Fund Management team, the director of the Sustainability & Strategy team as well as an independent ethics specialist that reviews and challenges the proposed decisions. In 2020, the selection committee held nine sessions.
2. Audit: Implementation and results of our Sustainability Policy are part of the Athora Netherlands Annual Report.

### Strategy

We base our strategic investment decisions on the concept of the safe zone, a reproduction of a sustainable society that combines the frameworks of the Planetary Boundaries and the Doughnut Economy. We belief that the transition towards this safe zone will accelerate and that those who do not follow these developments or those who do not have a clear view on the impact of this transition, will eventually lose, either due to market forces, government policies or technological disruption. Lagging entities create ESG-related financial risks to Athora Netherlands' investments.

Athora Netherlands assesses whether the entities in which they invest have the adaptability to manage their material risks and opportunities in such a way that they operate in or move towards the safe zone. The assessment determines whether the entity has already reached that point, is on the required path, or is still far from preparing for the upcoming transitions. It is measured by:

1. how their business model, industry of operation and behaviour exposes them to risks of not operating in the safe zone; and
2. how well their adaptability is developed to manage these risks and make the required transitions.

Based on the assessment, each entity is divided into one of the following categories:

1. **Adaptive:** Entities that (still) operate outside the boundaries but having concrete and verifiable strategies to end up in this zone within an acceptable time frame are considered adaptive. They demonstrate the adaptability to prepare for the material and operational long term risks associated with the transitions. These entities are expected to continue to evolve to achieve the required path to the safe zone;
2. **At risk**: Entities that operate outside the boundaries and that do not operate on the required transition path and have unmanaged risks, are considered at risk. They currently lack the adaptability to prepare to deal with the material risks associated with the transitions and are therefore vulnerable to long-term operational risks. Yet, they show some recognition of the risks that they face and with extra effort they can develop this capability and reduce their risks;
3. **Non adaptive:** Entities that operate outside the boundaries, far from the required transition paths, and are unable to bring risk management up to standards, are considered non-adaptive. These

entities lack sound management strategies for their material issues, are exposed to high risk and therefore face significant operational risks in the short to medium term.

## Risk Management

For entities that comply with the Fundamental Investment Principles, Athora Netherlands assesses whether they are able to controle their exposure to the material risks of not operating in the safe zone. Also part of this is their ability to capitalise on opportunities to operate within those zones. To mitigate high exposure to material risks, Athora Netherlands uses the following instruments:

### Exclusion

If entities are categorised as non-adaptive, Athora Netherlands considers them to be a significant risk to society and to investors. We will present them to the ESG Committee with the advice to exclude them from investments. Since there is generally little willingness among these entities to change to business conduct that fits the safe and fair zone category, engagement is unlikely to be successful.

In 2020, the total number of companies excluded due to being non-adaptive increased again. Most of the new exclusions, more than 75%, were based on high carbon intensity levels, either from own operations (scope 1 and 2) or products sold (scope 3). The high number of exclusions reflect the fact that the low carbon transition risks are materialising rapidly. The names of newly excluded entities and grounds for exclusion are published in quarterly reports published on our website throughout the year.

### Active ownership

Entering into an engagement means starting a dialogue with an entity to influence its behaviour in light of the sustainable transition. Engagements are longer-term trajectories with predetermined objectives. Athora Netherlands tracks the progress of these dialogues. In addition to these longer-term dialogues, we speak with companies about their sustainability on an ad hoc basis, e.g., in one-off meetings, at events or to clarify our position on certain issues. Engagement plays a key role in the process of achieving change in the real world. Entities have an incentive to listen to investors, as they are providers of capital or owners of their organisation. In particular, the following risk themes were addressed by ACTIAM on behalf of Athora Netherlands in 2020:

- **Climate risks:** ACTIAM has been conducting engagements on climate goals for a number of years. This is not only limited to the energy sector, but also concerns sectors with high emissions such as transport, cement and aviation. To this end, ACTIAM has joined the Climate Action 100+ initiative, an engagement initiative with the aim of stimulating companies to enable the transition to clean energy and thereby help achieve the goals of the Paris Agreement. The initiative has already persuaded a number of companies to fully commit to the requested objectives. For example, Maersk, the world's largest shipping company, has committed to zero net carbon emissions by 2050 and Duke Energy Corporation has announced plans to reduce carbon emissions by 50% by 2030. These are some examples of a much longer list of commitments made by the companies involved.
- **Deforestation risks (1):** Through the Investor Initiative for Sustainable Forests, coordinated by the PRI and Ceres, ACTIAM focuses on the risks of deforestation within the livestock and soybean supply chains. The initiative involves more than thirty companies in soy and / or animal husbandry in Latin America, a region with a high risk of deforestation. ACTIAM has an active role in four of the engagements, in which meat packers are associated with deforestation in biodiversity hotspots. In June 2020, ACTIAM evaluated the commitment to determine whether sufficient progress was made to meet the set objectives. This review found that one of the companies, JBS, has been unable to monitor suppliers delivering livestock from state-protected parks. The company was subsequently excluded by ACTIAM.
- **Deforestation risks (2):** Following the above initiative, ACTIAM has launched an engagement programme in 2020 calling on companies to stop deforestation in their supply chain and to be more transparent about the traceability of raw materials. ACTIAM coordinates this initiative, which is also supported by eight other financial institutions. The investor initiative focuses on eight companies that do not provide sufficient information about their suppliers. These cases have come to light through satellite images and artificial intelligence provided by Satelligence. When it appears that suppliers are associated with deforestation, they are asked through engagement to limit the effects of deforestation and prevent it in the future.

- **Water risks:** ACTIAM, together with VBDO and several other asset managers, has started a programme that aims to raise awareness to the theme of water risks within the mining sector. ACTIAM has published three different engagement guides in this forum, focusing on water, biodiversity and landscape restoration. These guides can be used by other investors in their discussions with mining companies. ACTIAM has also entered into talks with four mining companies via the initiative, with water management as the focus theme in the first instance. A diverse set of companies was selected for this. For example, discussions were held with a company that pursues a very strong environmental policy, but is involved in various controversies in practice. Other companies with which ACTIAM is in talks publish a less extensive policy, but are not involved in controversies.
- **Risk related to corporate taxation:** ACTIAM is actively participating in a tax engagement programme led by Sustainalytics that started in 2020. In recent months, the first round of engagement discussions took place with 21 companies from the pharmaceutical and IT sector. The purpose of this commitment is to work towards transparency and to introduce a robust policy to mitigate risks related to corporate tax avoidance.

## Metrics & Targets

It is Athora Netherlands' objective to show our customers how their investments are deployed and how we are progressing. For example, how many entities were helped with access to financial resources, which basic needs were supported, which climate risks does the portfolio have for a range of possible climate scenarios and which ecosystems have been restored through the investments? In order to provide full transparency to stakeholders, our asset manager ACTIAM has developed a dashboard that shows both financial returns, and environmental and social impact.

We manage our assets in the spirit of the Paris Climate Agreement and we use the carbon footprint of our investments as benchmarks. The long-term objective is to achieve climate neutrality. An intermediate step is to reduce the greenhouse gas intensity of our investments (total sum of own account and funds) by at least 30% in 2030 compared to the 2010 level. Low-carbon solutions that make a positive contribution to the energy transition also offer investment opportunities.

A water-neutral portfolio means that we aim for less water use in areas where water is scarce, and for better access to water and better water quality. Circular water solutions and improved infrastructure offer investment opportunities. ACTIAM invests, for example, in green bonds issued by banks. They fund municipalities that want to improve their water recycling and waste water management facilities. There are many challenges before these ambitions can be realised, but we will be achieving this ambition by contributing to better data quality and collaborations with other parties.

### Climate

In line with the specifications set out in the Climate Agreement (het Klimaatakkoord), Athora Netherlands calculates the carbon emissions associated with our investments. The carbon footprint of investments is calculated according to the method developed by the Partnership Carbon Accounting Financials (PCAF). The carbon footprint consists of the absolute and relative scope 1, scope 2 and scope 3 carbon emissions of the entities in which we invest. The data is provided by external providers MSCI ESG Research and Eurostat. The data is expressed in tons of $CO_2$ equivalents, so it includes different greenhouse gases.

For more detail information on the entities see Additional information 2: Carbon and Water Footprint

Based on the share of the company's enterprise value owned through equity investments or the portion of debt financed through loans provided to the entity, a portion of the entities' total carbon emissions are allocated to our investments. The sum of the carbon footprints of all individual entities in which we invest equals the reported total carbon footprint of the investments.

| CARBON EMISSIONS | | | |
|---|---|---|---|
| Carbon emissions | Capital per 31 December 2020<br>In € millions | CO2-emissions scope 1 and 2<br>Ton CO-2 per € million | CO2-emissions scope 3<br>Ton CO-2 per € million |
| Own account | 37,861 | 27.2 | 15.9 |
| Funds | 24,075 | 56.9 | 134.2 |

### Water

Stressed water consists of the absolute water consumption of business activities in sectors and areas where water scarcity is high. The water footprint is only calculated for investments in water-scarce areas.

| WATER USE | | | | |
|---|---|---|---|---|
| Water use | Capital per 31 December 2020<br>In € millions | Of which relevant<br>In € million | Total scarce water use<br>In thousand liter | Intensity of scare water use<br>Thousand liter per € million |
| Own account | 37,861 | 880 | 495,752 | 13.1 |
| Funds | 24,075 | 4,054 | 902,330 | 37.5 |

## Step 3: Positive Impact

Sustainable bonds are in line with our ambition to contribute as widely as possible to the financing of sustainable activities for its clients. In 2020, Athora Netherlands therefore invested again in loans from companies in both the financial and non-financial sector. For example, we have invested in sustainable bonds from E.ON, Caixabank, Prologis, Alliander, NRW Bank, Arkea, KBC, BASF, BBVA and Philips. Below are a number of examples of sustainable bonds in which ACTIAM has invested:

- The German chemical group BASF issued its first Green Bond to finance projects related to renewable energy and products, production technologies and processes that are eco-efficient and / or circularly adaptive. An example in the latter category are the innovative technologies that BASF is developing for recycling plastic.
- Another type of bond invested in is the BBVA pandemic bond. The Spanish bank came to the market with this social bond to stimulate and finance the aid delivery for the COVID-19 pandemic in Spain. The proceeds are intended for social projects that mitigate the social impact of the pandemic.
- Philips also issued bonds with sustainable objectives in 2020. Athora Netherlands invested in this bond, which is used to finance special projects such as Research & Development with regard to hazardous substances, circularity and lifelong reliability. Other examples of a project are renovation solutions for MRI systems, heart rate monitors and “Philips Community Life Centers”.

## 3.4.2.3 Creating Value via Efficient and Sustainable Business

Athora Netherlands wants to be a company that has an eye for the future. That is why we invest in the physical, mental and social health of our employees and offer individual development opportunities. In this way our employees have more control over their own career and their own health.

## Inclusion and Diversity

Respect for every individual and their unique contribution is defined in our Code of conduct and Equality-policy. We value differences and diversity, recognising that different perspectives make our organisation more colourful and better in serving our clients. We foster an inclusive culture in which everyone can be themselves.

Athora Netherlands has the ambition for a balanced target between male and female throughout the organisation and within all management layers (at least 40% male or at least 40% female).

In our annual Talent Review and Succession Planning process we continue to pay extra attention to identifying female talent and creating awareness regarding female talent. Our recruitment process is based on the Equality Policy.

In 2020, a new Diversity & Inclusion policy has been drawn up, in which we define Diversity and Inclusion within Athora Netherland. We have set goals in various sub-areas, for example on male/female ratio, but also on the percentage that feels they can be themselves within the organisation or that indicates that people of all backgrounds (e.g., culture, ethnicity, gender, sexual orientation, age religion) can succeed at Athora Netherlands.

Over fifty women took part in the Women in leadership course, which was organised with the Rotterdam school of Management. We set up a community for employees on diversity and inclusion to share information and good initiatives.

Jobs are weighted regardless of gender at Athora Netherlands. Men and women with comparable work experience, achievements and job level are given equal pay. The differences in wages between men and woman are caused by the on average higher age of men and to level / grade differences. Within our company, women are on average 2.1 years younger than men and are underrepresented in the higher salary scales.

| DIVERSITY IN % | | |
|---|---|---|
| **Female in %, by function group as at the end of the year** | **2020** | **2019** |
| Supervisory Board | 20.0% | 20.0% |
| Executive Board | 20.0% | 33.3% |
| Senior Management | 17.6% | 20.0% |
| Other staff | 39.9% | 40.4% |

The percentage of women across the organisation has decreased very slightly (0.5%), which we consider a normal shift within the margin. For Senior Management, the percentage of women has decreased by one person (2.4%), from 7 women for 35 managers (2019) to 6 women for 34 managers (2020). Although the absolute decrease is limited, the goal remains to appoint more women to management positions. The new Diversity and Inclusion Policy clearly describes goals, also in the field of gender. An action plan is currently being developed that should ultimately lead to Athora Netherlands becoming a more diverse and inclusive organisation with a balanced distribution of women and men in senior management and staff.

## Sustainable Employability

Athora Netherlands pursues to be an innovative and inspiring employer, that recruits, motivates and challenges high-performing, fit employees. To that end, we continued our 'FIT' philosophy, where FIT stands for Flexible, Innovative and Talented and being fit for the job that needs to be done.

The principles of FIT apply to the following three areas:

- **Job Fit:** employees fit in their roles, and make sure their employability is in good shape, now and in the future
- **Organisational Fit:** Athora Netherlands offers a good and pleasant working environment, with adherent tools and conditions to be able to do the best job
- **Personal Fit:** Within Athora Netherlands we value vitality and health, within a proper work-life balance

To support our employees in remaining or becoming FIT, we have implemented several initiatives, including.

**Personal Development**
We encourage training and education to ensure that employees are adequately equipped to fulfil their role. In accordance with our Collective Labor Agreement, all employees have a Growth Budget to spend on education or training of their choice. In 2020, 540 colleagues (32% of the employees) used our Learning Platform to book an education or training. We also provide Talent and career scans, coaching and various workshops on career development. In July and August, about 840 employees participated in one or more of the 32 online workshops of our annual Summer School. Participants rated the event with an average of 8.5, which was even higher than previous years. At the end of 2020, we offered employees free consults and an online market to help them choose a training.

**Vitality**
The way of working has changed rapidly in the past year. Our employees had to work from home for the most part, so that work and private life became increasingly intertwined. To contribute to the resilience and vitality of our employees, we have supported them to establish a healthy workplace at home. We have also encouraged them to participate in online sports lessons. We also enabled them to participate in the Virgin Global Challenge, a global programme that helps employees exercise more, eat healthier, sleep better and find a better work-life balance. In October we organised the annual Week of happiness at work ('Week van het werkplezier') for the 4$^{th}$ time. During this week employees can join online workshops and presentations related to work stress and remote working. Almost six hundred employees joined these activities.

**Health Safety and Well-being**
In collaboration with our Health services, we supported our employees with a spectrum of services during their absenteeism and reintegration. This year's absenteeism rate stayed almost the same at 3,4% (2019: 3.3%), despite the uncertainties that our employees faced. We also started the mandatory Risk Inventory and Evaluation (RI&E) for COVID-19 and an action plan was made. Our annual Employee engagement survey had a good response at 89.3%. In April 2020, we also conducted a short, so-called COVID Pulse Survey to get information on how employees experience the period of COVID-19 and working from home. The results gave us a good impression of how employees were doing and what their biggest challenges were. It also provided insight in what was being valued and were we could do better.

## Energy Measures

For Athora Netherlands it is important to minimise the negative impact of our own business operations on the environment. Being climate neutral is one of our main objectives. Our offices operate on one hundred percent green gas and electricity, as they have been doing for several years. In 2020, we achieved a 45.2% drop in net carbon emissions for our own internal organisation to 1,905 tonnes. The main reason for this decline was the restrictions on working at the office and the minimisation of the travel movements caused by the COVID-19 pandemic.

| INTERNAL CARBON EMISSIONS | | |
|---|---|---|
| **Carbon emissions in tonnes** | **2020** | **2019** |
| Scope 1 (biogas, lease cars) | 509 | 427 |
| Scope 2 (renewable electricity) | - | - |
| Scope 3 (business travel, commuting, waste, paper and water) | 1,396 | 3,049 |
| **Net carbon emissions** | **1,905** | **3,476** |

Nevertheless, our activities to work towards climate neutrality go beyond the offices in which we work. All our suppliers are requested to comply with Athora Netherlands' General Procurement Terms and Conditions. By agreeing with these terms and conditions, suppliers declare that they have taken steps or are in the process of taking steps to minimise their ecological footprint (including carbon emission, paper consumption, energy consumption and waste) and have implemented or are in the process of implementing similar sustainable procurement terms and conditions in their own organisation.

### 3.4.3 Managing Non-financial CSR-related Risks

#### Investment and Environmental Risks

All entities in which we intend to invest are being screened on the basis of Athora Netherlands' Fundamental Investment Principles. These principles are based on ethical and social norms and values, regardless of whether these are material to the entity or not. Entities that systematically do not comply with these Fundamental Investment Principles are excluded from investment.

For entities not violating our Fundamental Investment Principles, Athora Netherlands' Asset Manager (ACTIAM) measures the adaptability to manage their exposure to the risks of not operating in the safe zone. It also measures their capacity to take opportunities to operate within the safe or in the positive impact zone. As not all drivers are equally material to all companies, not all drivers are evaluated for each entity.

Based on the assessment per driver, each entity is subdivided into one of the following five categories:

**A) Positive Impact:** Entities that seize the opportunity to make a positive and intentional contribution to Sustainable Development Goals while operating within the planetary boundaries. Through their positive contribution, the entities extend the safe and just zone and create a positive impact;

**B) Safe and Just Zone:** Entities that properly manage the risks to which they are exposed through the ongoing transitions, operate within the boundaries of the safe zone or have the required path to the safe zone, but do not create positive impact;

**C) Transition – Adaptive:** Entities that (still) operate outside the boundaries but are already close to the required transition path are considered to be adaptive. They have the capacity to adapt to the material and operational risks that the transitions entail. It is expected that these companies will soon reach the required route to the safe zone;

**D) Transition Zone – At Risk:** Entities that operate outside the boundaries and do not operate on the required transition path and have unmanaged risks are considered at risk. They currently lack the adaptive capacity to prepare for the material risks associated with the transitions and are therefore vulnerable to operational risks. However, with some extra effort they can develop this capacity and reduce their risks;

**E) Transition Zone – Non-adaptive:** Entities that operate outside the boundaries, far away from the required transition paths, and that lack the capacity to bring risk management up to standards are considered non-adaptive. These entities lack good management strategies with regard to material topics, are exposed to high risks and therefore run serious operational risks in the short to medium term.

The allocation to one of the categories A to E depends on a) the entity's risk exposure of operating outside the safe and just zone and b) its adaptive capacity to make the transition towards operating within these limits. The risk exposure indicates to what extent an entity is vulnerable to the ESG risks of operating outside the safe zone. Examples of assessment criteria include the carbon intensity of the products and services a company provides, location of operations, the nature of those operations and the management of supply chain risks. The adaptive capacity is based on strategies, policies, targets, implementation and demonstrated performance of companies and sovereigns to manage the risks from operating outside the safe and just zone. Higher scores on adaptive capacity indicate greater capacity to manage exposure risk. Exposure and capacity are assessed for each driver if material to sector of a company.

Athora Netherlands' Asset Manager (ACTIAM) has implemented procedures and internal controls to ensure compliance to its policies. In this approach, different departments and committees have their own specific duties and responsibilities.

ACTIAM's Sustainability & Strategy team is responsible for policy development, drafting annual strategic action plans and for the proper execution of the available instruments. In the development and execution of its policies, the team is fully independent and reports directly to the Chief Executive Officer of Athora Netherlands.

To ensure compliance with the policies, decisions are challenged by independent committees within Athora Netherlands:

- Selection Committee: Changes to the sustainability policy and the categorisation of entities are proposed by the ACTIAM's Sustainability & Strategy team but not implemented before formal approval from Athora Netherlands' Selection Committee (SELCOM). This committee consists of ACTIAM board members, the director of the Fund Management team, the director of the Sustainability & Strategy team as well as an independent ethics specialist that reviews and challenges the proposed decisions. The SELCOM meets at least four times a year.
- ESG score Committee: The ESG score Committee (ESCOM) decides on the implementation of the sustainability policy through the ACTIAM ESG scores, worst offenders, positive selection and green bonds. The ESCOM monitors whether the right companies are selected as worst offender, for positive selection or for green bond and subsequently receive the right premium on the Athora Netherlands ESG score. In addition, the ESCOM monitors the methodology by which the ACTIAM ESG scores are determined.
- Audit: Implementation and results of the our Sustainability Policy are part of the Athora Netherlands Annual Report.

## Human Capital Risk

The year 2020 was marked by the sale of VIVAT to a new shareholder: Athora. A change of ownership can lead to insecurity among staff. In order to keep everyone on board, we informed employees as well as possible about the developments regarding the acquisition.

The impact of the change of ownership and employee split-off was closely monitored every month. For example, we continuously surveyed the state of the organisation and its employees to mitigate the loss of human capital in the process.

We can conclude that although the transfer of ownership and carve-out will have had an effect on employees, there is no indication that this has affected the parameters: Employee satisfaction, Absenteeism, Psychological safety and Willingness to change in 2020. Our staff turnover in 2020 progressed as planned and was in line with our Operational Plan and our employee satisfaction even increased to 7.6.

Furthermore, within Athora Netherlands there is no room for unacceptable behavior, such as discrimination, abuse of power, aggression or sexual harassment. This principle is stated in our code of conduct 'Common sense, clear conscience'. We stand for equal rights and opportunities for everyone in our organisation, that is why we signed the LGBTI manifesto in 2018.

Athora Netherlands also has a policy in place for unacceptable behavior, with preventive measures for unacceptable behavior, protection for those who report such behavior and information on how to report incidents.

Besides this, we have developed a new Diversity and inclusion policy that aims to create a culture of inclusion and equality, in which people are comfortable to voice their thoughts, come to shared understanding and develop innovative solutions, to ultimately create value for our customers, our shareholders and our employees.

Athora Netherlands collects and uses personal data of its Customers, suppliers, business partners, employees and other Individuals in the context of its business activities as an insurer and financial service provider. Lawfully, fairly, transparently and securely handling of personal data is of key importance for Athora Netherlands. Privacy is not only treated in our Code of Conduct, but it is also one of the integrity and compliance risk themes mentioned in the Compliance Charter. This Risk Policy Data Privacy ("Policy") describes how Athora Netherlands deals with personal data including the controls to identify, monitor and deal with the compliance and integrity risks involved with privacy and how this will be implemented.

## Human Rights Risk

The UN Guiding Principles on Business and Human Rights, endorsed unanimously by the UN Human Rights Council in June 2011, underline the corporate responsibility to respect human rights. This responsibility, also affirmed in Principles 1 and 2 of the UN Global Compact and the OECD Guidelines for Multinational Enterprises, requires companies to avoid causing or contributing to adverse human rights impacts through their own activities, and to prevent, mitigate or remedy human rights impacts directly linked to their operations, products or services. The responsibility of companies to respect human rights refers, as a minimum, to the core internationally recognised human rights, contained in the International Bill of Rights. Depending on the circumstances, companies may need to consider additional universal human rights standards, for instance relating to the protection of the human rights of specific groups, such as indigenous peoples, women, persons with disabilities, and migrant workers and their families. Athora Netherlands considers violations of the above mentioned international human rights mechanisms to be a violation of the Fundamental Investment Principles it adheres to. In addition, insufficiently protecting or even violating human rights, can directly lead to reputational damage and decreasing sales, creating a financial risk to investors.

### For Companies

Athora Netherlands periodically, at least four times per year, screens its investment universe on potential controversies of non-compliance with the above mentioned principles. Companies that do not comply with the Fundamental Investment Principles enter a three month investigative period during which the controversies are systematically assessed. As part of this assessment, Athora Netherlands investigates the severity, nature and number of controversies the companies are involved in as well as the actions they take to remedy the situation and prevent further violations from occurring. Based on this, the company is either:

- Excluded if systematic and large scale non-compliance to any of the criteria proves that companies are incapable of preventing non-compliance from occurring in the future. When the decision is made to exclude a company and investments have already been made, these assets will be sold within thirty days.
- Included if the violations are of incidental nature and if the company takes sufficient actions to prevent comparable incidents from happening in the future, or;
- Engaged if the company has not taken sufficient action to prevent future incidents and if engagement with the company is expected to result in the necessary behavioural improvements. During the engagement period, a dialogue is started with the company to discuss options to remedy any real or potential violations of the Principles. If after a two year engagement period the company has taken appropriate action and proven to prevent further structural violations of the Fundamental Investment Principles, the company will be included in the investment period. If there is not sufficient progress after this period and compliance with the Fundamental Investment Principles is not reached, the company will be excluded. This approach ensures Athora Netherlands only excludes companies once it becomes clear that there is no ability to persuade or encourage them to change their behaviour.

### For Sovereigns

As a starting point, Athora Netherlands will not invest in any sovereign that repeatedly or systematically fails to uphold and protect the most basic of human, civic and political rights, such as those enshrined in the 1948 Universal Declaration of Human Rights, the 1966 International Covenant on Civil and Political Rights, and the 1966 International Covenant on Economic, Social and Cultural Rights. To help determine which sovereigns are failing to meet these obligations, all sovereigns are evaluated based on the well reputed indicators from the Freedom House's Freedom in the World report, which is an annual comparative assessment of political rights and civil liberties worldwide. Sovereigns that are deemed 'Not Free' by Freedom House will be excluded from investments.

In addition, in case Freedom House indicates that a country is 'Partially Free' or if there is a conflict area in the country which is labelled as 'Not Free' or 'Partially Free', an individual country assessment is conducted. In the latter case, the following rules are applied: if a disputed territory – within the borders of one country – is invaded, threatened, occupied and/or militarised by another country, then the first country is not necessarily excluded. The affected country does not have effective control over these areas. Countries that are considered ‘Free’ or ‘Partially Free’ are excluded from investments if it is obvious that such countries have effective control over the conflicted areas.

## Anti-corruption and Bribery Risks

It is our policy to conduct all of our business in an honest and ethical manner. This is also expressed in the zero tolerance approach Athora Netherlands takes to corruption and bribery. The prevention, detection and reporting of corruption and bribery are the responsibility of all those working for Athora Netherlands.

Athora Netherlands endorses the following conventions and principles: UN Convention Against Corruption, 2003, OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions, 1997, OECD Guidelines for Multinational Enterprises and Principle 10 of the UN Global Compact.

Athora Netherlands has a corruption and bribery policy in place. Closely related to the corruption and bribery policy, we also have a code of conduct, pre-employment screening policy, client integrity policy (AML, CFT and Sanctions regime), procurement policy, institutional conflict of interests policy, incident management policy and whistleblowing policy in place. These policies describe, among others, principles to counter corruption and bribery on which Athora Netherlands must takes adequate measures.

The principles and measures as described in the policies are translated in business controls and management controls. Among others the controls are related to:

1. the due diligence of employees, third parties, closely related stake holders and clients;
2. accepting and providing of gifts, hospitality and donations;
3. financial record keeping;
4. training and awareness of employees;
5. whistleblowing and hotline incident reporting mechanisms;
6. yearly business risk analyses on corruption, bribery, conflicts of interests and client integrity.

Based on the yearly risk analysis, Athora Netherlands considers the risks of corruption and bribery of non-senior management, geographical factors, sector, product or transaction factors relatively low. Senior management (network and family related risks), procurement, account management, marketing & communication departments (third party risks) are considered the most vulnerable positions when it comes to corruption and bribery. If a case of bribery or corruption were to occur, it could lead to operational costs, reputation damage and damaged relations with stakeholders. The findings from the analysis performed are taken into account in the business control measures.

Athora Netherlands has no explicit quantitative performance key risk indicators with respect to corruption and bribery (besides of incident reporting, employee conduct, institutional conflict of interests key risk indicators). In 2020, Athora Netherlands has not detected and reported any forms of corruption and bribery.

## Anti-money Laundering and Sanction Regulations Risks

Athora Netherlands analyses the risks related to money laundering, terrorist financing and sanction regulations on the basis of a systematic integrated risk assessment annually.

In 2020, several gaps were (re)identified concerning the identification and verification of clients, (enhanced)CDD, mitigating actions corresponding to the risk classification of clients, transaction monitoring, sanctions list screening, senior management reporting and record keeping. These gaps were previously shared with the regulators. Product and Functional Lines are working in close cooperation towards a sustainable solution. The Compliance department monitors, risk based, the effectiveness and implementation of policies. Key risk indicators with regard to the number of high risk classified clients and/or business partners and the percentage of CDD reviews and sanctions lists screenings performed will be active from 2021.

## 3.5 BUSINESS PERFORMANCE

The Strategy Review that was conducted in 2020, has resulted in a new organisational structure that has been in effect since November 2020. For most of the year, however, work was carried out in the Product Line structure that applied before. Each product line developed products and services for specific target groups and served customers through various brands. The product lines worked closely together to jointly tackle overarching themes. In April 2020, the shares of VIVAT Non-life (Property & Casualty) were transferred to NN Group. Therefore, the product line Property & Casualty is not described in this report. The work of the remaining product lines is described below.

### 3.5.1 Life Corporate

For most of our customers, a carefree pension is a major goal in life. At Athora Netherlands, we believe that a good pension is inextricably linked to a sustainable world. That is why we use the concept of responsible pension. We want our clients to have sufficient income on their retirement date to live well, in a world worth living in. That is what the product line Life Corporate is committed to.

The interests of our customers are explicitly taken into account in every decision that is made about our propositions. We offer our customers insight, so that they have a good understanding of the product or service in relation to their own situation. We also provide customers with a degree of freedom by offering them different choices to tailor each proposition to their needs. And we ensure that every proposition is sustainable, namely future-proof and / or adaptable to changing future needs.

### Responsible Pension

All pension-related assets are invested responsibly. Most of our assets are managed by our asset manager ACTIAM. We adhere to their ESG philosophy and in 2020 we took further steps to improve the sustainability of the funds in which the Defined Contribution premiums are invested. The companies in which we invest through the Zwitserleven World Equity Fund are assessed to see whether they are able and willing to adapt and prepare for social changes such as the energy transition. If they are reluctant or refuse to do so, we will exclude them from future investments. In addition, the investment policy takes into account ESG scores, water footprints and carbon footprints of companies in which it invests. The tightening of the investment policy is expected to lead to a decrease of approximately 25% of the companies in which investments are currently being made.

The ESG scores, the carbon scores and the use of water of the investment funds are publicly available on the Zwitserleven website.
(https://www.zwitserleven.nl/over-zwitserleven/verantwoord-beleggen/esg-scores/).

### Objectives for 2020

In 2020, Life Corporate again set itself the primary goal of continuing to work on higher customer satisfaction. An important means of achieving this is by ensuring that our communication is easy to read, both in Dutch and in English. This also includes improving our portals and our daily communication. We also planned to make complete new proposals for our DC product. Because 2020 would be marked by a new strategy, due to the change in share ownership we prepared to shift to work with multidisciplinary teams. Several product and system improvements were also planned that should result in more automated customer-based pricing. The intention was also to develop a new quotation platform.

### Achievements in 2020

#### Business and Acquisition

Forced to work from home due to the COVID-19 crisis, sales pitches and creative sessions had to take place online. Nevertheless, we have had a successful year in terms of our commercial results and our service level. The ambitious new business targets were amply exceeded. The total recurring premium of new business pension contracts amounts to €43.4 million (including Zwitserleven PPI). The lumpsum income from annuities amounts to € 300 million. Our customer retention rate remained at the high level of 84% in 2020 (2019: 87%), and we maintained a high level of new business market share at 20%.

Once again, we managed to improve our service levels, leading to new contracts implementation within two weeks and backlog of work at an all-time low. The PPI, that is handled by SRLEV, has performed very well. In spite of fierce competition in the Defined Contribution market, the PPI has achieved considerable growth with the 'Zwitserleven Nu' pension plan. Assets under management have almost doubled from € 585 ultimo 2019 to € 1,042 million ultimo 2020. The volume of recurring premium (including risk premium) has grown from € 159 to € 219 milion respectively.

### Relationship Management Events

Due to the COVID-19 outbreak, we had to postpone our annual Pension Event. For other events we successfully made the switch to digital events.

Instead of three regional events, we organised one online event for participants in the age of forty to fifty-five years. Participants were informed about the choices in pension build-up and about current developments in the field of pensions and what these might mean for future income. This live session was attended by 825 participants.

During the Pensioen 3-daagse we organised a webinar for participants who are about to retire, to inform them about what to expect when they actually retire. More than 667 participants took part in this webinar.

We intend to organise more online events and small-scale expert sessions for specific target groups. The webinar for distribution partners about our new strategy is a good example of an expert-session.

### New and Enhanced Products

In 2020, Life Corporate enhanced its products and portals within the brand Zwitserleven:

1. To help employers to digitally activate their employees, Zwitserleven started a programme in 2019 to encourage additional savings ('bijsparen'). The programmatic approach of creation and testing resulted in a new easy to use tool that was tested in a successful trial. Further development and roll-out to all customers is planned for 2021.
2. Zwitserleven PPI has launched a white label tool for advisors. The tool enables advisers to offer a low-threshold basic pension scheme via their own website and under their own brand, mainly to young and small companies that are not currently building up pension.
3. We made several improvements to simplify things for our customers and also have a positive impact on the environment. Customers can now digitally sign the administration agreement of their pension scheme and can choose to receive their invoices digitally. And in our renewal process we started sending letters by registered email.

## Acknowledgements

Zwitserleven is proud to repeatedly get acknowledgement for its products and investment policy. In the 2020 survey of the Fair Insurers Guide ('Eerlijke verzekeringswijzer'), we have improved on no less than eight topics, with number one scores on climate-related themes such as climate change, forestry and nature. We are also proud of our asset manager ACTIAM, that has qualified as World Leader 2020 by the Principles for Responsible Investments (PRI).

## Challenges

The pension market remains highly competitive and margins remain thin. Uncertainty about the effects of the pension agreement ('pensioenakkoord') makes it more demanding to convince potential customers to choose our products. In 2021, a major reorganisation will take place as a result of the Strategy Review. Life Corporate will be transformed into Pensions and multidisciplinary working will be introduced. Zwitserleven's product portfolio lacks a variable annuity, which is challenging due to the legal complexity of this product. The roll-out is now focused on 2021. Also, the COVID-19 pandemic will bring some degree of uncertainty into our work, as it does across the company.

### 3.5.2 Individual Life

In daily life there are many situations for which consumers or entrepreneurs are not always prepared. However, many uncertainties can be eliminated with the right insurance. Within Individual Life, insurances are developed and offered that enable our customers to run their business with confidence or lead a carefree life. For annuity insurance, endowment insurance, term life insurance and funeral insurance, customers can turn to our Reaal brand.

## Objectives for 2020

In 2020, Individual Life continued to build on the strategic choices made in previous years. Such as structural and sustainable improvement of our processes, making our services more efficient and optimising our product range. We remained true to our goal of increasing sales by strengthening our product positioning and capturing growth opportunities, and transforming into a more digital and data-driven organisation.

## Achievements in 2020

#### Organisational Aspects

In 2020, we continued to work on our business automation project (Pega) to reduce manual work flows. The total handling time and lead time for all our processes has been reduced even further. The implementation of improved online self-service options has significantly reduced the influx of customer requests from distribution partners and customers.

We have also paid a lot of attention to legal and regulatory compliance (License to Operate), particularly anti-money laundering and sanctions regulations. We attach great importance to compliance and awareness within Athora Netherlands and the partners we work with. That is why we continuously check whether our working method is still sufficient and revise it where necessary. In addition, we have continued our efforts to keep the General Data Protection Regulation (GDPR) at the foreground. Precautions have been taken to introduce the EU Sustainable Finance Action Plan into our products.

#### Products

Our brands have a significant market share on life insurance products, especially in Term Life (ORV) and Immediate Annuities (DIL). Especially in the direct channel we see an increase in total market production. We have successfully conquered a large part of this market with online marketing campaigns for both selling products.

In the field of funeral insurance, we continued a campaign to inform existing customers about their possible under insurance and to encourage them to review if their situation still met their needs. Other than in 2019, when we mainly addressed customers without a distribution partner, we this year collaborated with distribution partners to inform their customers as well.

For unit-linked insurances, we continued to approach customers that we were unable to reach before and tried to activate customers with a new non-accruing policy (NOP). We also set up a system to identify vulnerable customer groups for our activities in 2021 and beyond. In addition, we launched an information and awareness campaign for profit-sharing endowment insurance. The aim is to make customers aware of the risks of falling capital market interest rates for profit sharing so that they can then take action when needed.

In 2020, the 'Lekker Wonen Hypotheek' was our selling mortgage product. Thanks to our up-to-date underwriting criteria, we have been able to help many customers fulfil their housing requirements with a mortgage for a home in the Netherlands for their own occupation — both with and without the NHG conditions. The mortgage market is still very competitive. Partly due to market developments, interest rates have fallen among all active mortgage providers. With our competitive interest rate positions and market conditions, we have been able to achieve our market share.

At the request of the AFM, we paid attention to customers with an interest-only mortgage. After activating all clients in the potential highest risk categories in 2019, we managed to activate new clients in 2020 who entered the potentially highest risk segment in 2020. We have also developed tools to monitor other (potential) risk segments; these are part of our reporting to the AFM. A plan of continuous aftercare for interest-only mortgages describes the approach per risk segment in 2021. Actions and recommendations of the AFM are taken into account.

The activities of Individual Life were of course also influenced by COVID-19 in 2020. Efforts have been made to address the problems experienced by customers as a result of COVID-19, e.g., customers with payment problems. We have mitigated this challenge by offering customers a personalised payment plan.

## Challenges

For years, Individual Life has faced the challenge that the market for individual life insurance is shrinking and is expected to continue shrinking. To keep costs competitive per policy, it remains important to reduce costs. Management is taking appropriate actions to ensure the departure of employees following the restructuring of our organisation has no negative impact on performance and ultimately, our customers.

### 3.5.3 Asset Management

Investors are not just focusing on financial returns, they want to have impact: on our planet, on the climate, on human rights. With the funds that customers entrust us with, Athora Netherlands wants to create a more sustainable, cleaner and fairer world, while achieving a solid financial result. At our product line Asset Management, and its brand ACTIAM, financial and social return go hand in hand.

## Objectives for 2020

ACTIAM plays a pivotal role in supporting Athora Netherlands' balance sheet management. ACTIAM's main objective is to deliver the necessary investment capabilities for adequately managing the balance sheet in terms of risk and return. Furthermore, ACTIAM acts as Athora Netherlands' trusted and seasoned business partner, supporting its brands by leveraging ACTIAM's leading position as a sustainable investment specialist and its ESG reporting capabilities.

## Achievements in 2020

#### Risk Return Optimisation

The book value of business, in terms of Assets under Management (AuM), was € 58.1 bn (year-end 2019: € 63.8 bn). The outflow is primarily the result of the sale of VIVAT Schade (non-life) (€ 1.6 billion) to Nationale Nederlanden (NN Group) and market movements. Furthermore, Athora Netherlands has seen an outflow of € 1.3 billion partly due to changes in the product range of a prominent distributor. This was partly offset by increasing inflows from other distributors/customers. Also market developments had a positive effect.

ACTIAM actively contributed to Athora Netherlands' Strategy Review by participating in several different workstreams aimed at organisational efficiency (investment management) and a future-proof investment strategy. This was achieved by a rationalisation of the portfolio structure and was captured in new investment mandates.

New instrument types have been developed by ACTIAM and implemented for Athora Netherlands: Forward Bond and Index CDS are being deployed next to cross-currency swaps in new foreign currency. Instrumental changes include —among other things— (new) external managers, internal reporting flows, asset class categorisations, and portfolio restructuring. Furthermore, ACTIAM optimised its cash management tools for better forecasting capabilities.

In addition, ACTIAM actively contributed to Athora Netherlands' market approach based on its new business strategy targeting the Dutch pension market and pension fund buy-outs.

Business as Usual activities for balance sheet management were executed under challenging circumstances due, amongst other things, to COVID 19-related market turbulence. ACTIAM acted as a true business partner by initiating and/or executing several investment proposals for the balance sheets of proprietary insurance companies like SRLEV NV, Athora Netherlands NV (VIVAT NV) and Proteq Levensverzekeringen NV.

Most important were the balance sheet initiatives related to the re-risking of the euro Investment Grade credit book, which led to doubling the exposure. Other activities focused on:

- rebalancing the sovereign investment book aligning it with the Solvency II volatility adjustments;
- de-risking of the emerging market debt exposure;
- ramping-up a significant book of mortgage forward flows and negotiating new platforms;
- several structured credit transactions and new investment facilities;
- sizeable balance sheet hedging programmes.

Furthermore, there were (and still are) multiple regulatory changes and implementations that are having an impact on asset management or investment-related activities for insurance companies, which ACTIAM addressed for Athora Netherlands. A number of these regulatory changes were centralised in a dedicated EMIR workgroup. ACTIAM implemented Securities Financing Transaction Regulation (SFTR) as per 11 October 2020 and processed the changes that the Central Clearing Parties executed for the benchmark reforms (switch from EONIA to €STER on 27 July and switch from USD Libor to SOFR on 16 October). Preparations are being made for Uncleared Initial Margin (UIM) implementation, the buy in obligation for Central Securities Depositories Regulations (CSDR) and changes to EMIR Margin regulatory technical standards. Finally, Brexit preparations have also been on the agenda all year.

### Leadership Position in Sustainability

ACTIAM's Sustainability Framework was used to assess Athora Netherlands' investment policy, partly due to upcoming regulatory ESG (Environment, Social, Governance) requirements. ACTIAM also provided insights into the extent of Athora Netherlands' sustainable investments, its carbon and water footprint, its 2-degree alignment, its green bond exposure as well as its contribution to the Sustainable Development Goals (SDGs) of the United Nations. Athora Netherlands' overall ESG score, based on 90% of its investment portfolio, was 63 out of 100 (labelled: responsible). This outcome is used as a starting point to pave the way towards a sustainable society whilst creating longer term financial returns. ACTIAM's proprietary ESG dashboard provides insights into progress made and supports Athora Netherlands with its disclosure and reporting obligations.

## Acknowledgement

In 2020, our ACTIAM brand won multiple prizes and received several recognitions.

Following last year's success, ACTIAM was once again awarded two prestigious Refinitiv Lipper Fund awards. ACTIAM was the Awards 2020 Winner for the Netherlands with the ACTIAM Duurzaam Mixfonds Offensief (best fund on a three-year basis) and Group Awards 2020 Winner for the Netherlands with the ACTIAM Mixed Assets funds (best group fund on a three-year basis). ACTIAM was also the proud winner of the 2020 Cashcow Award for best impact investor and received a nomination for best provider of sustainable investment funds.

Moreover, ACTIAM was classed as a member of the 2020 Leaders' Group on climate reporting by the Principles for Responsible Investments (PRI). ACTIAM ranks amongst the best global sustainable investors. This recognition came after ACTIAM had already received the highest achievable scores (A+) for sustainable investing in the PRI's annual assessment of the implementation of asset managers' investment policy to stimulate responsible investments. An A+ score in the 2020 PRI Inclusive Finance assessment report was achieved as well, which underlines ACTIAM's leading position in impact investing.

Finally, with support from ACTIAM, Athora Netherlands scored well in the annual Dutch Fair Insurance Guide. Under the brand name VIVAT it had a positive score in all twenty-one defined themes on investment policies.

## Challenges

Our target market (pension funds, insurance companies and distribution partners) is consolidating. Furthermore, the asset management industry is very competitive. This all, combined with the lack of a single taxonomy on responsible investing, makes it challenging to grow third party business.

## 3.6 FINANCIAL RESULTS

The Net Underlying Result increased in 2020 by € 3 million to € 280 million as a result of lower operating costs and an improvement in the technical result partly mitigated by a lower direct investment income.

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.

The reconciliation of the NUR to Net Result IFRS is presented in the table below:

| RECONCILIATION NET UNDERLYING RESULT TO NET RESULT IFRS | | |
|---|---|---|
| In € millions | 2020 | 2019[1] |
| **Net Underlying Result Athora Netherlands** | **280** | **277** |
| 1) Change LAT-shortfall Life in P&L | -165 | 64 |
| 2) Other (un)realised changes in fair value of assets and liabilities | -47 | 14 |
| 3) One-offs and Non operating expenses and profits | -125 | -22 |
| **Net result continued operations IFRS Athora Netherlands** | **-57** | **333** |

1 Per 1 April 2020, VIVAT Schadeverzekeringen was sold. The 2019 comparative figures have been restated in line with IFRS 5 regarding discontinued operations.

The downturn in the change of the LAT-shortfall Life in 2020 was driven by the annual decrease of the UFR of 15 basis points and the low interest rates as well as a change in (investment) expense assumptions due to strategy choices. The 2019 LAT-shortfall was also negatively impacted by the decrease of the UFR, however this was more than offset by a positive impact in insurance mortality parameter assumptions change.

Other (un)realised changes in fair value of assets and liabilities in 2020 were negatively impacted by the tender of the senior debt and negative realised results on equity investments. In 2019 other (un)realised changes in fair value of assets and liabilities were influenced by a positive result on hedges, mainly as a result of decreased market interest rates.

The result in 2020 was negatively influenced by € 125 million of one-off items related to an additional longevity reinsurance transaction of € 140 million and a restructuring provision of € 42 million. This was partly offset by an adjustment of the net Deferred Tax Assets (DTA)-position to 25%, following a tax legislation change, which had a positive impact on taxation of € 57 million.

The one-off items in 2019 relate to the expansion of the existing quota share longevity reinsurance transaction from 70% to 90%, causing a negative impact on the Net Result IFRS of € 43 million, which was partly offset by a positive change in the Net Result IFRS 2019 for € 21 million due to the recalculation of the DTA-position from a tax rate of 20.5% to 21.7%.

| FINANCIAL RESULTS | | |
|---|---|---|
| **In € millions** | **2020** | **2019[1]** |
| **Result** | | |
| Premium Income | 1,764 | 1,849 |
| Direct Investment Income | 1,145 | 1,272 |
| Operating expenses (excluding Restructuring costs) | 236 | 254 |
| Restructuring costs | 56 | - |
| Net Underlying Result[2] | 280 | 277 |
| **Net Result continued operations IFRS** | **-57** | **333** |

1 Per 1 April 2020, VIVAT Schadeverzekeringen was sold. The 2019 comparative figures have been restated in line with IFRS 5 regarding discontinued operations.
2 Net Underlying Result consists of Net Result IFRS excluding changes in fair value of assets and liabilities (incl. LAT-shortfall) and non-recurring expenses.

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.

## Financial Result per Segment

| LIFE CORPORATE | | |
|---|---|---|
| **In € millions** | **2020** | **2019** |
| **Result** | | |
| Gross Premium Income | 1,093 | 1,086 |
| Net inflow Zwitserleven PPI[1] | 199 | 144 |
| Direct Investment Income | 675 | 739 |
| Operating expenses (excluding Restructuring costs) | 93 | 99 |
| Restructuring costs | 22 | - |
| Net Result IFRS | -148 | 175 |
| **Net Underlying Result** | **163** | **177** |

1 Net inflow Zwitserleven PPI is not part of the P&L of Life Corporate.

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. The PPI inflow increased by 38% compared to previous year, in line with the strategic ambition to increase focus on the PPI. 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, costs were € 6 million lower compared to previous year, underpinning the focus on cost control.

Net Underlying Result decreased by 8% to € 163 million compared to 2019. Net Underlying Result is primarily driven by a lower investment income resulting from the rebalancing of the investment portfolio at the end of 2019, which was partly offset by an improvement of both technical and cost results.

The LAT impact on the Net Result IFRS was € 165 million negative, compared to € 64 million positive in 2019. Additionally, Net Result IFRS of Life Corporate in 2020 was negatively influenced by a € 140 million one-off item related to the additional longevity transaction. This negative effect was partly offset by € 57 million relating to the recalculation of the DTA-position.

| INDIVIDUAL LIFE | | |
|---|---|---|
| **In € millions** | **2020** | **2019** |
| **Result** | | |
| Gross Premium Income | 674 | 767 |
| Direct Investment Income | 448 | 495 |
| Operating expenses (excluding Restructuring costs) | 80 | 85 |
| Restructuring costs | 26 | - |
| Net Result IFRS | 137 | 154 |
| **Net Underlying Result** | **124** | **116** |

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 Athora Netherlands. From 2021 onwards, this product will be offered under the Zwitserleven-label benefiting from the strong brand recognition.

Direct investment income decreased further in 2020 compared to 2019, as a result of a shrinking portfolio in combination with the low interest rate environment.

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

Net Underlying Result increased by 7% to € 124 million, driven by an improvement in the technical result which was partly offset by a decrease in the cost result due to a decline in cost loadings.

Net Result IFRS 2020 of € 137 million was impacted by € 26 million of restructuring costs.

| ACTIAM | | |
|---|---|---|
| **In € millions** | **2020** | **2019** |
| **Result** | | |
| Fee and commission income | 62 | 68 |
| Fee and commission expenses | 24 | 28 |
| **Net fee and commission income** | **38** | **40** |
| Operating expenses (excluding Restructuring costs) | 42 | 49 |
| Restructuring costs | 2 | - |
| Net Result IFRS | -5 | -7 |
| **Net Underlying Result** | **-3** | **-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.

Both the Net Result IFRS and the Net Underlying Result improved compared to 2019, by € 2 million and € 4 million, respectively, 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 IFRS | -41 | 11 |
| **Net Underlying Result** | **-4** | **-9** |

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).

The improvement of the Net Underlying Result in 2020 by € 5 million was mainly driven by lower external funding costs.

## Balance sheet

Total assets of Athora Netherlands increased by € 4.3 billion to € 66 billion. The increase in 2020 mainly consists of an increase of investments for own account, investments for account of policyholders, investments for account of third parties and derivatives.

Investments for own account have increased by € 0.3 billion in 2020. Main inflows originated from higher received cash collateral for derivatives and increased prices of investments due to decreased market interest rates.

Investments for account third parties increased € 1.4 billion mainly as result of merging ACTIAM fund (€ 0.9 billion), additional inflow in the Zwitserleven PPI (€ 0.4 billion) and higher equity prices.

Shareholders' equity decreased due to changes in the revaluation of investments, employee benefits reserve and the payment of interest on the € 300 million Tier 1 instrument. A dividend upstream after the sale of the Non-Life business (€ 416 million) was offset by a capital injection from the shareholder of € 400 million.

Total liabilities of Athora Netherlands increased by € 4.4 billion to € 62.3 billion, mainly due to the increase of insurance liabilities and amounts due to banks.

Insurance liabilities increased in 2020 mainly as a result of decreased market interest rates.

Amounts due to banks increased mainly as a result of higher received cash collateral for derivatives.

Borrowings decreased as a result of the successful tender offer of € 589 million of subordinated notes.

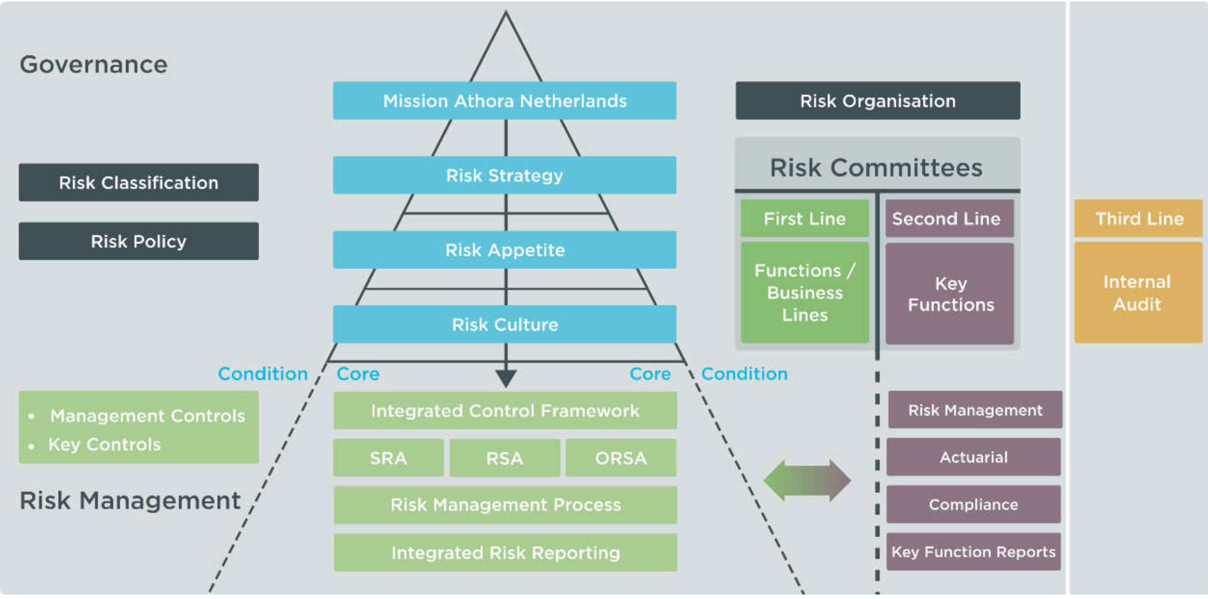
## 3.7 RISK AND CAPITAL MANAGEMENT

Risk and capital management is more extensively described in Chapter 7 'Managing Risks' in the consolidated financial statements.

### Risk Management System

Athora Netherlands implemented a consistent and efficient risk management system in which specific Solvency II requirement 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.

**Risk Management**




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 an integrated 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.

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

## Risk Appetite

The Risk Tolerance in the Risk Appetite is set at least annually and is subsequently translated into practical risk objectives. 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.

## 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. 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.

## 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.

## Integrated Control Framework

The Integrated Control Framework (ICF) is Athora Netherlands' internal control system and is part of its Risk Management System. The ICF forms the basis for sound and controlled operations within Athora Netherlands and monitors Process Controls and Management Controls. 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 programme has started where all the stakeholders are involved. The focus of this programme is to strengthen the fundament of the ICF, namely the quality of process risk assessments, process and key control design and change procedures. This programme continues in 2021 and will help Athora Netherlands to develop and change in a sound and controlled manner.

## Underwriting and Investment Management

Athora Netherlands assesses underwriting risks by following the Product Approval and Review Process (PARP) for new or adjusted products and management of the existing portfolio. Athora Netherlands mitigates underwriting risks primarily by means of diversification and reinsurance. The reinsurance programme is determined on the basis of risk assessments of the various portfolios, the size of the portfolios, the nature of the underwriting risks, the profit or loss, the risk appetite and the financial strength of the reinsurance company. As part of optimising the risk profile, Athora Netherlands has concluded an additional longevity risk transfer on a different part of the group life portfolio.

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, 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 taking into account the interests of the policyholders. The prudent person principle is part of the ALM policy. Investments are made exclusively in assets and instruments whose risks are properly identified, measured, monitored, managed, controlled and reported, but also comply with ESG principles.

## Developments Non-financial Risks

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.

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.

## 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 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 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 Non-Life.

| SOLVENCY II POSITION | | | | |
|---|---|---|---|---|
| | Athora Netherlands | | SRLEV | |
| In € millions/percentage | 2020[1] | 2019[2] | 2020[3] | 2019 |
| Total eligible own funds | 4,134 | 4,340 | 4,023 | 3,697 |
| Consolidated group SCR | 2,569 | 2,548 | 2,463 | 2,275 |
| Solvency II ratio | 161% | 170% | 163% | 163% |

1 Regulatory Solvency II ratio 2020 is not final until filed with the regulator.
2 2019 figures include Non-Life business.
3 Regulatory Solvency II ratio 2020 is not final until filed with the regulator.

## 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 capital is used as efficiently and flexibly as possible to facilitate the implementation of Athora Netherlands' strategy.

A preparatory crisis plan exist 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 COVID-19 Outbreak might lead to a contingency situation and Athora Netherlands is currently monitoring the potential impact of COVID-19 on its capital and Solvency II ratios, however at the moment based on the current solvency position no contingency situation is identified.

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.

## 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.

## 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 7 'Managing Risks' in the consolidated financial statements.

# 4 CORPORATE GOVERNANCE

## 4.1 SHAREHOLDER

Athora Netherlands Holding Ltd. is the sole shareholder of Athora Netherlands NV, since 1 April 2020. Athora Netherlands Holding Ltd. is a full subsidiary of Athora Holding Ltd.

## 4.2 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.

## 4.3 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.

## 4.4 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.

## Composition, Appointment and Role

The members of the Supervisory Board are appointed by the General Meeting upon nomination of the Supervisory Board. The General Meeting and the Works Council may recommend candidates for nomination to the Supervisory Board. The Supervisory Board is required to nominate one-third of the Supervisory Board members on the special right of recommendation ('versterkt recht van aanbeveling') of the Works Council, unless the Supervisory Board objects to the recommendation on certain grounds.

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

| 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. van Dongen, M. He and K. 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.

## 4.5 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 operates 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.

Amstelveen, the Netherlands, 24 March 2021
On behalf of the Supervisory Board,

Maarten Dijkshoorn, Chairman

## 4.6 REMUNERATION

### Introduction

This remuneration paragraph describes the principles, governance and elements of the remuneration policies within Athora Netherlands (4.6.1). It also gives an overview of the payment of (variable) remuneration in 2020 (4.6.2), as well as the actual remuneration of the (former) members of the Executive Board and Supervisory Board (4.6.3).

### 4.6.1 Remuneration Policies Athora Netherlands

### Athora Netherlands' ambition

The primary objective of Athora Netherlands' remuneration policy is to enable Athora Netherlands to recruit, retain and motivate employees and to stimulate high performance. The policy aligns with and strengthens Athora Netherlands' strategy and core values. It is prudent, moderate and sustainable and meets the requirements of Athora Netherlands' risk policy and applicable legislation and regulations. Athora Netherlands ensures long-term value creation and has chosen to use three Sustainable Development Goals (SDG) as a guideline for further development of the Corporate Social Responsibility policy in business operations. One of these SDGs is linked to our HR principles for remuneration.

The Group Remuneration Policy Athora Netherlands applies to all employees working under the responsibility of Athora Netherlands NV. Besides the Group Remuneration Policy, specific remuneration policies are applicable to Above-CLA employees, Executive Board Athora Netherlands, Statutory Board of ACTIAM and Identified Staff and non-Identified Staff employees within ACTIAM. For information regarding the remuneration policies of ACTIAM we refer to the annual report of ACTIAM NV.

At the end of 2020, for 1,635 of 1,674 of the employees the Athora Netherlands CLA (Collective Labour Agreement) 2018-2019 is applicable.

### Principles

Every remuneration policy is based on the following principles:
- It supports Athora Netherlands' corporate strategy, and is aligned with the mission and values of Athora Netherlands;
- It is compliant with the applicable legal rules and regulations;
- It may not threaten Athora Netherlands' ability to maintain an adequate capital base;
- It takes into account the interests of all stakeholders of Athora Netherlands: customers, employees, shareholders and society;
- It is transparent, easy to understand and simple to execute;
- It is aligned with Athora Netherlands' ambition to be a socially responsible and number one pension provider in the Netherlands;
- It fits the risk profile of Athora Netherlands and of the relevant employee;
- It supports the attraction and retention of qualified employees that fit the job;
- It encourages high team and company performance; and
- It is gender and age neutral.

## Governance

The Group Remuneration Policy was established by the Executive Board and approved by the Supervisory Board after, insofar as applicable, fulfilment of any rights of the Works Council. The Supervisory Board also supervises the implementation of the Group Remuneration Policy by the Executive Board.

Athora Netherlands' general meeting adopted the remuneration policy for the members of the Executive Board after consultation with the Supervisory Board. The Supervisory Board is also responsible for the implementation and evaluation of this policy.

The Remuneration Policy for Above-CLA employees was adopted by the Executive Board and approved by the Supervisory Board. The Supervisory Board also supervises the implementation of this policy by the Executive Board.

The Supervisory Board's Remuneration and Nomination Committee (ReNomCo) prepares all decisions on remuneration to be adopted by the Supervisory Board. The Group Remuneration Policy is published on our website: www.athora.nl.

The Remuneration Policies are based on and in line with the Financial Undertakings Remuneration Policy Act (Wet Beloningsbeleid Financiële Ondernemingen) which is incorporated in the Dutch Financial Markets Supervision Act (Wet op het financieel toezicht or **FMSA**), the Commission Delegated Regulation (EU) 2015/35 (**Solvency II**), the Guidelines on System of Governance of the European Insurance and Occupational Pensions Authority (**EIOPA Guidelines**) and the Regulation on Sound Remuneration Policies 2017 (Regeling Beheerst Beloningsbeleid 2017, **RBB 2017**) with respect to staff working under the responsibility of Zwitserleven PPI NV.

With respect to staff working under the responsibility of ACTIAM NV, the remuneration policies of ACTIAM NV are also based on the Alternative Investment Fund Managers Directive 2011/61/EU (**AIFMD**) and the ESMA Guidelines on sound remuneration polices under the AIFMD (**ESMA Guidelines**).

## Identified Staff

Every year, Athora Netherlands designates members of staff as 'Identified Staff' on the basis of applicable laws, rules and regulations. In order to establish the list of identified employees of Athora Netherlands, we use Solvency II regulation as of 2018. For staff of ACTIAM NV, we follow the ESMA Guidelines and for the statutory board of Zwitserleven PPI NV, we follow RBB 2017.

Athora Netherlands has established a Working Group Identified Staff comprising of the directors of HR, Legal, Financial Risk, Non-Financial Risk and Audit (**Working Group Identified Staff**). The Working Group Identified Staff may provide and will at request provide input on any decision of the Executive Board and the Supervisory Board on the list of any Identified Staff as well as any decisions on remuneration in relation to Identified Staff.

## Elements of the Remuneration Policies

**Fixed Annual Salary**
The fixed annual gross salary consists of a fixed annual gross salary, which includes a holiday allowance of 8% and a 13th month payment of 8.33% and, to the extent applicable, other fixed allowances. The annual gross salary is based on the applicable salary scales. According to the CLA, once a year an employee may receive a periodic increase in salary based on his or her performance in the previous year. The precise link between the competency assessment and the periodic increase, is as follows: Insufficient: 0.0%; Almost sufficient: 0.0%; Good: 2.6%; Very good: 3.3%; Excellent: 4.0%. Awarding this increase is also subject to financial criteria at the level of Athora Netherlands (knock-out).

The process regarding the annual salary increase for the Above-CLA employees follows the process as described above, applicable for the employees in the CLA. Increase of the salaries of the members of the Executive Board is only possible after adopting a proposal of the Supervisory Board in the general meeting of the shareholder, after adopting a proposal of the ReNomCo in the Supervisory Board.

Job functions at Athora Netherlands are independently evaluated. The outcome of this evaluation results in a certain salary scale for such function.

Total direct compensation is the total of fixed and variable remuneration (for Athora Netherlands only the total of fixed remuneration as we abolished variable remuneration within Athora Netherlands), excluding benefits such as pension and allowances. We aim to provide total direct compensation levels for expected business and individual performance which, on average, are at the median of the markets in which we operate, benchmarked against relevant peer groups. To ensure we adhere to this policy, we monitor and benchmark salary levels. Fixed remuneration represents a sufficiently high proportion of the total direct compensation, which is in line with the level of expertise, years of experience and required skills.

**Pension**
Nearly all employees participate in the same pension scheme of Athora Netherlands. The current scheme is a Collective Defined Contribution (CDC) pension scheme, which is based on a pension accrual including an employee contribution of 4.5%. The scheme qualifies as a defined contribution scheme for IAS 19 purposes. The contributions are paid by Athora Netherlands and employees respectively as employer and employee contributions. For employees who were employed by Athora Netherlands as per 31 December 2017 and with a salary exceeding the maximum pensionable salary for pension accrual, a compensation of 16.35% on an employee's pensionable salary in excess of € 110,111 is applied. The permanent supplement payment is not pensionable and is not taken into account for the calculation of severance payments, including the transition fee (transitievergoeding) or any other wage components or benefits.

**Variable Remuneration**
As of 2018 Athora Netherlands abolished the performance related bonus in the CLA and abolished the variable remuneration for the Executive Board of Athora Netherlands NV, Above-CLA employees (our Senior Management) and for the Statutory Boards of ACTIAM NV and Zwitserleven PPI NV.

For Athora Netherlands' asset management activities, employees are still entitled to variable remuneration based on their performance (with the exception for the Statutory Board of ACTIAM and for Above-CLA employees (our Senior Management)). The level of variable remuneration within ACTIAM is maximised at 50% of the annual fixed salary for senior portfolio management in the event of stretched performance (a lower maximum applies for other functions in the event of stretched performance). Awarding is subject to a financial condition (knockout).

**Retention & Sign-on Bonus**
Athora Netherlands exercises great restraint when agreeing such arrangements as sign-on bonus or retention bonus. Such arrangements may be agreed only if they are approved in accordance with legislation, regulations and Athora Netherlands' governance.

**Other Benefits**
Depending on the position on the salary scale, Above-CLA employees and some (senior) managers are eligible for a lease car or a lease car allowance. As part of Athora Netherlands' commitment to sustainable investment principles, certain types of cars and certain brands are no longer included in this policy, however exceptions are made for 100% electric models.

**Hold Back & Claw Back**
Athora Netherlands has the power to hold back or claw back all or part of any variable pay awarded (Section 135 (6 & 8), Book 2 of the Dutch Civil Code in connection with FMSA Section 1:127 Subsection 2 & 3). Whole or partial hold back or claw back will take place in any case if the employee has not met relevant competence standards and standards for appropriate conduct, or was responsible for conduct that led to a considerable deterioration of the financial position of Athora Netherlands NV, ACTIAM NV and/or Zwitserleven PPI NV.

**Severance Payment**
If and insofar a severance payment is due to an employee, such payment will be equal to the transitional fee within the meaning of article 7:673 of the Dutch Civil Code unless (i) the relevant employee can benefit from a different arrangement as explicitly agreed upon in an applicable social plan or (ii) otherwise determined at the discretion of the Executive Board or, where it relates to Above-CLA

employees, Athora Netherlands Identified Staff or ACTIAM Identified Staff, the Remuneration and Nomination Committee and approved by the Supervisory Board. No severance payment is due and payable when a contract is terminated at the employees own initiative, by serious culpable conduct or neglect by the employee or failure of Athora Netherlands if the employee is considered day-to-day policy maker.
A severance payments to day-to-day policy makers, which includes also the members of the Executive Board, may not be in excess of 100% of the fixed annual gross salary.

Athora Netherlands has agreed upon an extension of Athora Netherlands' Social Plan until 2023 with the trade unions which is applicable in case of reorganisation(s).

### 4.6.2 Overview Remuneration 2020

#### Fixed Remuneration

According to the CLA Athora Netherlands (in 2020 CLA VIVAT 2018-2019) employees have received a periodic salary increase on 1 February 2020. There was no collective salary adjustment in 2020. The trade unions and Athora Netherlands started their negotiations for a new collective labour agreement in the summer of 2020. At the end of 2020 a negotiation result was accomplished for a new CLA 2021-2023.

#### Target Setting

The performance management cycle started with setting the performance targets in the first quarter of 2020 for the Executive Board and Above-CLA employees.

KPI's are used to monitor and track progress towards realisation of our strategic goals. The KPI's are fully aligned with the strategy and operational plan (OP); Above-CLA employees were asked to cascade their KPI's to their respective (management) teams. No more than 50% of the KPI's are financial. For the CFO, CRO and functional lines there is only a single financial KPI related to the direct costs of their respective departments. The KPIs were related to maintaining customer advocacy, sound and controlled organisation, a financial KPI and one or more individual KPIs. Besides KPIs also competences were set: result driven, change attitude and collaboration. Following the target setting for Executive Board and Above-CLA employees, employees set their KPIs and competences. These personal development skills (with a maximum of three) are chosen from the company's broad set of values with two general skills: result driven and customer focus.

For Identified Staff, specific rules apply for setting performance targets and KPIs, for determining the extent to which performance targets have been achieved, and for setting and paying variable remuneration. The performance targets and KPIs are subject to an ex ante and ex post risk assessment.

#### Variable Remuneration

In 2020, a total amount of € 1.4 million was unconditionally awarded to 88 ACTIAM employees as a variable remuneration over the year 2019 (consisting of amounts between € 2 thousand and € 30 thousand per employee) and a total amount of € 0.2 million was unconditional awarded to 19 (former) employees as deferred and final part of the variable remuneration over the year 2016. Due to the financial results of 2019 of ACTIAM the total amount of variable remuneration is capped at the amount for performance realisation at-target.

The decision about awarding variable remuneration within ACTIAM for the year 2020 will be made after the date of publication of this annual report.

In 2020, Athora Netherlands did not use the right to apply a holdback and clawback.

#### Retention & Sign-on Bonus

Due to the announced strategic review by the shareholder, at the end of 2018 Athora Netherlands offered a retention scheme to a group of employees. In 2019, a second retention scheme was offered to another group of employees. The vesting and payment of these schemes are subject to certain conditions and law and regulations, which contains deferred payment for Identified Staff. Athora Netherlands received the approval of the regulatory authorities before offering these retention schemes.

In 2020, as the conditions were met, retention bonus and sign-on bonus were paid for a total amount of € 3.1 million to 105 employees. The retention bonus of the Identified Staff are partly paid in 2020 (60%) and will be partly paid in three deferred payments up to 2023 (40%).

### Severance Payment

Our Social Plan 2020 is applicable for employees who became redundant in 2020. They received severance payments in line with this social Plan. The former members of the Executive Board received their contractual agreed severance payment which is in line with the applicable remuneration policy Executive Board and applicable legislation.

### Number of Employees with a Remuneration Exceeding € 1 Million

In 2020, three employees received a total remuneration exceeding € 1 million (2019: one employee). The increase to three employees with a remuneration exceeding € 1 million is due to a combination of salary, retention bonus and severance payment.

## 4.6.3 Actual Remuneration (former) Members of the Executive Board and the Supervisory Board

Reference is made to Note 21 Related parties (Intragroup balances with key management personnel of Athora Netherlands) for the actual remuneration of (former) members of the Executive Board and the Supervisory Board.

# FINANCIAL STATEMENTS

# 5 CONSOLIDATED FINANCIAL STATEMENTS

## 5.1 CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| Before result appropriation and in € millions | Ref.[1] | 31 December 2020 | 31 December 2019 |
|---|---|---|---|
| Assets | | | |
| Property and equipment | 1 | 46 | 62 |
| Investments in associates | 2 | 38 | 37 |
| Investment property | 3 | 521 | 460 |
| Investments | 4 | 41,922 | 41,572 |
| Investments for account of policyholders | 5 | 13,788 | 13,520 |
| Investments for account of third parties | 6 | 2,414 | 1,045 |
| Derivatives | 7 | 5,390 | 3,102 |
| Deferred tax | 8 | 607 | 449 |
| Reinsurance share | 15 | 27 | 111 |
| Loans and advances due from banks | 9 | 603 | 712 |
| Corporate income tax | | 13 | 2 |
| Other assets | 10 | 254 | 262 |
| Cash and cash equivalents | 11 | 385 | 351 |
| **Total assets** | | **66,008** | **61,685** |
| | | | |
| Equity and liabilities | | | |
| Share capital[2] | | 0 | 0 |
| Reserves | | 3,428 | 3,538 |
| **Total shareholders' equity** | | **3,428** | **3,538** |
| Holders of other equity instruments | | 300 | 300 |
| **Total equity** | 12 | **3,728** | **3,838** |
| Subordinated debt | 13 | 818 | 868 |
| Borrowings | 14 | 61 | 645 |
| Insurance liabilities | 15 | 51,512 | 50,088 |
| Liabilities investments for account of third parties | 6 | 2,414 | 1,045 |
| Provision for employee benefits | 16 | 695 | 629 |
| Other provisions | 17 | 68 | 15 |
| Derivatives | 7 | 1,097 | 676 |
| Amounts due to banks | 18 | 4,684 | 2,803 |
| Other liabilities | 19 | 931 | 1,078 |
| **Total equity and liabilities** | | **66,008** | **61,685** |

1 The references relate to the notes to the consolidated financial statements in Section 6.3

2 The issued and paid up share capital of Athora Netherlands NV is € 238,500

## 5.2 CONSOLIDATED STATEMENT OF PROFIT OR LOSS

| In € millions | Ref.[1] | 2020 | 2019[2] |
|---|---|---|---|
| Continuing operations | | | |
| Income | | | |
| Premium income | | 1,764 | 1,849 |
| Less: Reinsurance premiums | | 249 | 195 |
| **Net premium income** | 24 | **1,515** | **1,654** |
| Fee and commission income | | 69 | 68 |
| Fee and commission expense | | 14 | 17 |
| **Net fee and commission income** | 25 | **55** | **51** |
| Share in result of associates | | 1 | 1 |
| Investment income | 26 | 1,189 | 1,285 |
| Investment income / expense for account of policyholders | 27 | 692 | 2,067 |
| Result on investments for account of third parties | 28 | 185 | 173 |
| Result on derivatives | 29 | 1,765 | 1,689 |
| **Total income** | | **5,402** | **6,920** |
| Expenses | | | |
| Technical claims and benefits | 30 | 3,660 | 3,504 |
| Charges for account of policyholders | 31 | 1,307 | 2,492 |
| Acquisition costs for insurance activities | 32 | 15 | 16 |
| Result on liabilities from investments for account of third parties | 28 | 185 | 173 |
| Staff costs | 33 | 230 | 185 |
| Depreciation and amortisation of non-current assets | 1 | 6 | 7 |
| Other operating expenses | 34 | 56 | 62 |
| Impairment losses (reversals) | 35 | 11 | -8 |
| Other interest expenses | 36 | 102 | 98 |
| **Total expenses** | | **5,572** | **6,529** |
| **Result before tax from continued operations** | | **-170** | **391** |
| Tax (expense) / benefit | 37 | -113 | 58 |
| **Net result continued operations for the period** | | **-57** | **333** |
| Discontinued operations | | | |
| Net result from discontinued operations (after tax) | 38 | 60 | 66 |
| **Net result for the period** | | **3** | **399** |
| | | | |
| Attributable to: | | | |
| - Shareholders | | -18 | 378 |
| - Holders of other equity instruments | | 21 | 21 |
| **Net result for the period** | | **3** | **399** |

1 The references relate to the notes to the consolidated financial statements in Section 6.3

2 Per 1 April 2020, VIVAT Schadeverzekeringen NV was sold. The comparative figures have been restated in line with IFRS 5 regarding discontinued operations.

## 5.3 CONSOLIDATED STATEMENT OF TOTAL COMPREHENSIVE INCOME

### Consolidated Statement of Other Comprehensive Income

| In € millions | Ref.[1] | 2020 | 2019 |
|---|---|---|---|
| **OCI not to be reclassified subsequently to profit or loss** | | | |
| Changes in valuation of defined benefit pension plan | 16, 39 | -68 | -86 |
| Income tax relating to items that never be reclassified | 8, 39 | 17 | 21 |
| Tax rate reduction adjustment relating to items that never be reclassified | 8, 39 | 3 | -8 |
| **Net OCI never reclassified to profit or loss** | | **-48** | **-73** |
| | | | |
| **OCI to be reclassified subsequently to profit or loss** | | | |
| Unrealised revaluations from cash flow hedges | 39 | 59 | 97 |
| Amortisation from cash flow hedges | 39 | 29 | -5 |
| Unrealised revaluations investments available for sale | 39 | -155 | 645 |
| Impairments and reversals fair value reserve | 39 | -2 | 3 |
| Realised gains and losses fair value reserve transferred to profit or loss[2] | 39 | 393 | 30 |
| Results on allocated investments and interest derivatives | 39 | -364 | -778 |
| Income tax relating to items that may be reclassified | 8, 39 | 4 | -1 |
| Tax rate reduction adjustment relating to items that may be reclassified | 8, 39 | 8 | 1 |
| **Net OCI to be reclassified to profit or loss subsequently** | | **-28** | **-8** |
| **Other comprehensive income (net of tax)** | | **-76** | **-81** |

1 The references relate to the notes to the consolidated financial statements in Section 6.3

2 The realised gains and losses fair value reserve transferred to profit or loss of € 393 million includes the gain of € 46 million (gross) on the derecognition of the available for sale investments of VIVAT Schadeverzekeringen NV as a result of the sale of VIVAT Schadeverzekeringen NV per 1 April 2020.

### Statement of Total Comprehensive Income

| In € millions | 2020 | 2019 |
|---|---|---|
| Net result for the period | 3 | 399 |
| Other comprehensive income (net of tax) | -76 | -81 |
| **Total comprehensive income (net of tax)** | **-73** | **318** |
| **Attributable to:** | | |
| - Shareholders | -94 | 297 |
| - Holders of other equity instruments | 21 | 21 |
| **Total comprehensive income** | **-73** | **318** |

## 5.4 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

### Consolidated Statement of Changes in Total Equity 2020

| In € millions | Issued share capital[1] | Share premium reserve | Sum revaluation reserves | Retained earnings | Sum reserves | Total shareholders' equity | Holders of other equity instruments | Total equity |
|---|---|---|---|---|---|---|---|---|
| **Balance as at 1 January 2020** | **0** | **4,309** | **49** | **-820** | **3,538** | **3,538** | **300** | **3,838** |
| Other comprehensive income | - | - | -28 | -48 | **-76** | **-76** | - | **-76** |
| Net result 2020 | - | - | - | 3 | **3** | **3** | - | **3** |
| **Total comprehensive income 2020** | **-** | **-** | **-28** | **-45** | **-73** | **-73** | **-** | **-73** |
| Capital injection | - | 400 | - | - | **400** | **400** | - | **400** |
| Interest on other equity instruments | - | - | - | -21 | **-21** | **-21** | - | **-21** |
| Interim distribution | - | -416 | - | - | **-416** | **-416** | - | **-416** |
| **Other movements 2020** | **-** | **-16** | **-** | **-21** | **-37** | **-37** | **-** | **-37** |
| **Total changes in equity 2020** | **-** | **-16** | **-28** | **-66** | **-110** | **-110** | **-** | **-110** |
| **Balance as at 31 December 2020** | **0** | **4,293** | **21** | **-886** | **3,428** | **3,428** | **300** | **3,728** |

1 The share capital issued is fully paid up and comprises of 477 ordinary shares with a nominal value of € 500.00 per share for a total value of € 238,500.

### Consolidated Statement of Changes in Revaluation Reserves 2020

| In € millions | Revaluation reserve property and equipment | Cash flow hedge reserve | Fair value reserve | Sum revaluation reserves |
|---|---|---|---|---|
| **Balance as at 1 January 2020** | **2** | **-** | **47** | **49** |
| Unrealised revaluations from cashflow hedges | - | 59 | - | **59** |
| Amortisation from cashflow hedges | - | 29 | - | **29** |
| Unrealised revaluations investments available for sale | - | - | -155 | **-155** |
| Impairments and reversals | - | - | -2 | **-2** |
| Realised gains and losses through profit or loss | - | - | 393 | **393** |
| Results on allocated investments and interest derivatives | - | -88 | -276 | **-364** |
| Income tax | - | - | 4 | **4** |
| Tax rate reduction adjustment | - | - | 8 | **8** |
| **Total changes in equity 2020** | **-** | **-** | **-28** | **-28** |
| **Balance as at 31 December 2020** | **2** | **-** | **19** | **21** |

## Consolidated Statement of Changes in Total Equity 2019

| In € millions | Issued share capital | Share premium reserve | Sum revaluation reserves | Retained earnings | Sum reserves | Total shareholders' equity | Holders of other equity instruments | Total equity |
|---|---|---|---|---|---|---|---|---|
| **Balance as at 1 January 2019** | **0** | **4,309** | **57** | **-1,125** | **3,241** | **3,241** | **300** | **3,541** |
| Other comprehensive income | - | - | -8 | -73 | **-81** | **-81** | - | **-81** |
| Net result 2019 | - | - | - | 399 | **399** | **399** | - | **399** |
| **Total comprehensive income 2019** | **-** | **-** | **-8** | **326** | **318** | **318** | **-** | **318** |
| Interest on other equity instruments | - | - | - | -21 | **-21** | **-21** | - | **-21** |
| **Other movements 2019** | **-** | **-** | **-** | **-21** | **-21** | **-21** | **-** | **-21** |
| **Total changes in equity 2019** | **-** | **-** | **-8** | **305** | **297** | **297** | **-** | **297** |
| **Balance as at 31 December 2019** | **0** | **4,309** | **49** | **-820** | **3,538** | **3,538** | **300** | **3,838** |

## Consolidated Statement of Changes in Revaluation Reserves 2019

| In € millions | Revaluation reserve property and equipment | Cash flow hedge reserve | Fair value reserve | Sum revaluation reserves |
|---|---|---|---|---|
| **Balance as at 1 January 2019** | **2** | **-** | **55** | **57** |
| Unrealised revaluations from cashflow hedges | - | 97 | - | **97** |
| Amortisation from cashflow hedges | - | -5 | - | **-5** |
| Unrealised revaluations investments available for sale | - | - | 645 | **645** |
| Impairments and reversals | - | - | 3 | **3** |
| Realised gains and losses through profit or loss | - | - | 30 | **30** |
| Results on allocated investments and interest derivatives | - | -92 | -686 | **-778** |
| Income tax | - | - | -1 | **-1** |
| Tax rate reduction adjustment | - | - | 1 | **1** |
| **Total changes in equity 2019** | **-** | **-** | **-8** | **-8** |
| **Balance as at 31 December 2019** | **2** | **-** | **47** | **49** |

## 5.5 CONSOLIDATED CASH FLOW STATEMENT

The table below represents the cash flows from continued and discontinued operations.

| In € millions | 2020 | 2019 |
|---|---|---|
| **Cash flow from operating activities** | | |
| Result before tax from continued operations | -169 | 391 |
| Result before tax from discontinued operations | 61 | 87 |
| **Result before tax** | **-109** | **478** |
| **Adjustments for non-cash items included in profit before tax:** | | |
| Depreciation and amortisation of non-current assets | 5 | 7 |
| Amortisation of investments | 191 | 212 |
| Change in provision for employee benefits | 24 | -6 |
| Changes in other provisions | 52 | -4 |
| Gain on sale of subsidiaries | -24 | - |
| Impairment charges / (reversals) | 11 | -5 |
| Unrealised results on investments through profit or loss | -1,900 | -2,074 |
| | | |
| **Taxes** | | |
| Taxes (paid) received | -13 | - |
| **Change in operating assets and liabilities:** | | |
| Change in amounts due from banks | 109 | 854 |
| Change in amounts due to banks | 1,948 | 1,445 |
| Change in investment property | -3 | -6 |
| Change in investments | -891 | -2,008 |
| Change in derivatives | 43 | 101 |
| Change in other assets | -95 | 31 |
| Change in insurance liabilities for policyholders | 266 | 1,540 |
| Change in insurance liabilities | 1,977 | 1,537 |
| Change in other liabilities | -136 | -57 |
| **Net cash flow from operating activities** | **1,454** | **2,045** |
| **Cash flow from investment activities** | | |
| Sale of investment property | 7 | 4 |
| Sale of investments in associates | - | 7 |
| Sale and redemption of investments and derivatives | 42,870 | 38,013 |
| Investment in subsidiary | - | -3 |
| Purchase of property and equipment | -1 | -4 |
| Purchase of investments in associates | -2 | -44 |
| Purchase of investment property | -46 | -15 |
| Purchase of investments and derivatives | -44,006 | -39,903 |
| Sale of subsidiary | -34 | - |
| **Net cash flow from investment activities** | **-1,212** | **-1,945** |
| **Cash flow from finance activities** | | |
| Capital injection | 400 | - |
| Interest payment of subordinated notes | -21 | -21 |
| Redemption of borrowings | -584 | - |
| Lease liability payments | -3 | -3 |

| In € millions | 2020 | 2019 |
|---|---|---|
| **Net cash flow from financing activities** | **-208** | **-24** |
| **Net increase in cash and cash equivalents** | **34** | **76** |
| Cash and cash equivalents 1 January | 351 | 275 |
| **Cash and cash equivalents as at 31 December** | **385** | **351** |
| **Additional disclosure with regard to cash flows from operating activities:** | | |
| Interest income received | 1,253 | 1,302 |
| Dividends received | 124 | 169 |
| Interest paid | 103 | 71 |

# 6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 6.1 ACCOUNTING POLICIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

### 6.1.1 General Information

As of 10 December 2020 VIVAT NV has changed its name to Athora Netherlands NV. In the consolidated financial statements within this annual report the name 'Athora Netherlands' is used.

Athora Netherlands NV, incorporated and established in the Netherlands, is a public limited liability companyincorporated 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 at Hong Kong, People's Republic of China, whose ultimate parent is China Insurance Security Fund Co., Ltd. with its headquarters in Beijing, People'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 NV has its registered office located in Amstelveen, the Netherlands and has its principal place of business located at Burgemeester Rijnderslaan 7, 1185 MD in Amstelveen, the Netherlands. The registration number at the Dutch Chamber of Commerce Trade is no. 30099450. The principal activities of Athora Netherlands and its subsidiaries, divided in operating segments, are described in Section 6.4.

The consolidated financial statement combines the financial statements of Athora Netherlands NV (the parent company) and its subsidiaries (see Section 6.3, note 42 List of principal subsidiaries).

The key accounting policies and the changes herein used in the preparation of Athora Netherlands' consolidatedfinancial statements are set out in this section.

### Adoption of the Financial Statements

The consolidated financial statements of Athora Netherlands for the year ended on 31 December 2020 were authorised for publication by the Executive Board following the approval by the Supervisory Board on 24 March 2021. The financial statements will be submitted to the General Meeting of Shareholders for adoption.

### 6.1.2 Basis of Preparation

### Statement of IFRS Compliance

Athora Netherlands prepares its consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union. Pursuant to the option offered in article 2:362(8) of the Dutch Civil Code, Athora Netherlands prepares its company financial statements in accordance with the same accounting policies as those used for the consolidated financial statements (refer to Section 9.1 Accounting policies to the company financial statements).

## Relevant New standards, Amended Standards and Interpretations of Existing Standards Effective as of 2020

New or amended standards become effective on the date specified in the relevant IFRS, but may allow early adoption. New or amended standards that become effective in 2020 and that are relevant to Athora Netherlands are disclosed below.

### Amendments to IAS 1 and IAS 8: Definition of Material

The amendmens were issued in October 2018 and became effective as at 1 January 2020. The amendments include the refinements to the definition of materiality aligning it with the IFRS Conceptual Framework and provide guidance to help entities make materiality judgements. The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments have no significant impact on Athora Netherlands' consolidated financial statements.

### Amendment to IFRS 3 Business Combinations

The amendment was issued in October 2018 and became effective as at 1 January 2020. It clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that, together, significantly contribute to the ability to create output. Furthermore, it explains that a business can exist without including all of the inputs and processes needed to create outputs. These amendments have no impact on Athora Netherlands' consolidated financial statements in 2020 but they will apply to the future business combinations.

### Interest Rate Benchmark Reform

Following the financial crises the benchmark InterBank Offered Rates (IBOR) are to be replaced by new alternative Risk Free Rates. As a part of this reform (also referred to as IBOR reform) the Euro Overnight interest Average (EONIA) is scheduled to be replaced by the Euro Short Term-Rate (ESTR) in January 2022. Also, after the end of 2021, LIBOR is expected to be ceased.

In 2020, Athora Netherlands has transferred all euro denominated centrally cleared derivatives (the major part of its exposure) to ESTR. As a result of the transfer the fair value of the derivatives increased with € 32 million, this amount was recognised in profit and loss as result on derivatives. The remaining derivatives will be transferred in 2021 and Athora Netherlands is monitoring the situation for other possible changes in benchmark rates.

To consider the financial reporting implications of the reform, IASB issued the following amendment to IFRS that became effective as at 1 January 2020:

**Interest Rate Benchmark Reform Phase 1: Amendments to IFRS 9, IAS 39 and IFRS 7**
These amendments were issued in September 2019. They are narrow-scope adjustments that only apply to the hedge relationships which are directly affected by interest rate benchmark reform. They clarify that for the hedge relationships, where the hedged risk is:

- either interest rate benchmark (contractually or non-contractually specified)
- or the timing or the amount of interest rate benchmark-based cash flows of the hedged item or of the hedging instrument,

it may be assumed that the interest rate benchmark, on which the hedged cash flows (contractually or non-contractually specified) are based, is not altered as a result of interest rate benchmark reform. As Athora Netherlands has not entered hedge relationships described above, the amendments have no impact on Athora Netherlands' consolidated financial statements.

### Amendment to IFRS 16 Leases COVID-19 related rent concessions

The amendment became effective in June 2020 and it provides the practical expedient that if there are rent concessions that occurred as a direct consequence of the COVID-19 pandemic and meet specified conditions, lessees do not need to assess whether rent are lease modifications. Instead, it is possible to account for those rent concessions directly in profit or loss as if they were not lease modifications once the specific conditions are met.

Until 31 December 2020, there are no rent concessions for Athora Netherlands that qualify for the expedient

## Relevant New Standards, Amended Standards and Interpretations of Existing Standards Effective Date on or after January 2021

Relevant new standards, amendments to existing standards and interpretations, effective for reporting periods beginning on or after 1 January 2021, were not early adopted by Athora Netherlands. New or amended standards that become effective on or after 1 January 2021 and that are relevant to Athora Netherlands are disclosed below.

### IFRS 9 Financial Instruments

IFRS 9, the new standard on financial instruments has an effective date of 1 January 2018. IFRS 9 replaces most of the current IAS 39 'Financial Instruments: Recognition and Measurement' and includes new requirements for the recognition and measurement of financial assets and liabilities, a new forward looking model for the recognition of impairment losses and a new regulation in order to better align hedge accounting with economic reality and risk management. However, since Athora Netherlands has decided to apply the temporary exemption from applying IFRS 9, the implementation of IFRS 9 by Athora Netherlands has been postponed until 1 January 2023, the effective date of IFRS 17.

### IFRS 17 Insurance contracts

On 18 May 2017, the IASB has issued IFRS 17, the new comprehensive standard on insurance contracts covering recognition and measurement, presentation and disclosure. IFRS 17 replaces IFRS 4 the current standard on insurance contracts. IFRS 4 allows insurers to continue their previous local accounting policies for the measurement of insurance contracts. IFRS 17 provides a comprehensive model (the general model) for the measurement of insurance contracts, supplemented by the variable fee approach for contracts with direct participation features and the premium allocation approach mainly for short duration (non-life) insurancecontracts.
The main features of the new accounting model for insurance contracts comprise:
- Measurement of insurance liabilities is based on the present value of probability weighted future cash flows to fulfil the contract, increased with a risk adjustment to reflect uncertainties in these cash flows.
- A Contractual Service Margin (CSM) that is equal and opposite to any day one gain in the fulfilment cash flows of a group of contracts. The CSM represents the unearned profitability of the insurance contracts and is recognised in profit or loss over the coverage period of the contract.
- The recognition of insurance revenue and insurance service expenses in profit or loss based on the concept of services provided during the period. Insurance services results (earned revenue less incurred claims) are presented separately from the insurance investment income and expenses.
- The effects of changes in discount rates will be reported in either profit or loss or other comprehensive income, determined by an accounting policy choice.
- Extensive disclosures to provide information on the recognised amounts and the nature and extent of risks arising from these contracts.

In March 2020 the IASB has decided that the effective date of IFRS 17 will be deferred to annual reporting periods beginning on or after 1 January 2023. Retrospective application of the standard is required. Early adoption is permitted. Athora Netherlands plans to adopt IFRS 17 per 1 January 2023.

### Impact of IFRS 9 and IFRS 17

Since Athora Netherlands is predominantly an insurance company, both financial instruments and liabilities arising from insurance contracts are significant items in its consolidated financial statements. Therefore the introduction of IFRS 9 and IFRS 17 will have a substantial impact not only on amounts recognised in Athora Netherlands' consolidated financial statements but also on governance, systems and data requirements.

In order to properly implement IFRS 9 and IFRS 17 on time, a program governance structure has been put in place. This new structure stipulated a new program manager, various teams and product were defined, identified and recruited for the project. The design and the build phases of IFRS 17 framework with designated team of experts was started. CSM vendor contracting was completed and the implementation process was initiated. The two key upcoming milestones defined for 2021 are the start of the chain test and the dry-run. Also the crucial decisions with regard to future accounting policies (e.g., reporting the volatilities, grouping of the contracts, analysis of change) will be finalised.

**Interest Rate Benchmark Reform Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16**
These amendments were issued in August 2020 and become effective as at 1 January 2021. They are mostly the narrow-scope amendments that only apply to the hedge relationships which are directly affected by interest rate benchmark reform, as defined in the previous amendments. Also, additional disclosures with regard to risks arising from financial instruments subject to interest rate benchmark reform are required. Furthermore IFRS 9 is amended with regard to the changes in the basis for determining the contractual cash flows as a result of interest rate benchmark reform. As for Athora Netherlands the derivatives are currently the only financial instruments impacted by IBOR reform and the reform does not have impact on Athora Netherlands' hedge accounting, the amendments are expected to have an insignificant impact on Athora Netherlands' consolidated financial statements.

## Changes in Policies, Presentation and Estimates

### Changes in Policies

In 2020 there were no significant changes in policies.

### Changes in Presentation

#### Effects of the sale of VIVAT Schade

After the completion of its acquisition of VIVAT (now Athora Netherlands), Athora has sold 100% of the shares of VIVAT Schadeverzekeringen NV (VIVAT Schade) held by Athora Netherlands to Nationale-Nederlanden Schadeverzekering Maatschappij NV (NN Schade) per 1 April 2020. Simultaneously, Athora Netherlands transferred the shares in VIVAT Schade to NN Schade. Following this sale of VIVAT Schade, the 2020 year-to-date and sale result of VIVAT Schade are classified under Net result from discontinued operation. For more information with regard to the result from discontinued operation refer to note 38 'Discontinued operations'. The 2019 comparative figures have been restated in line with IFRS 5 discontinued operations. The comparative figures have been adjusted as follows:

| EFFECTS OF THE SALE OF VIVAT SCHADE | | | |
|---|---|---|---|
| In € millions | Statement of profit or loss 2019 | Adjustment Discontinued operations | Restated statement of profit or loss 2019 |
| Income | | | |
| Premium income | 2,638 | -789 | 1,849 |
| Less: Reinsurance premiums | 241 | -46 | 195 |
| **Net premium income** | **2,397** | **-743** | **1,654** |
| Fee and commission income | 69 | -1 | 68 |
| Fee and commission expense | 17 | - | 17 |
| **Net fee and commission income** | **52** | **-1** | **51** |
| Share in result of associates | 1 | - | 1 |
| Investment income | 1,294 | -9 | 1,285 |
| Investment income / expense for account of policyholders | 2,067 | - | 2,067 |
| Result on investments for account of third parties | 173 | - | 173 |
| Result on derivatives | 1,721 | -32 | 1,689 |
| **Total income** | **7,705** | **-785** | **6,920** |
| Expenses | | | |
| Technical claims and benefits | 3,921 | -417 | 3,504 |
| Charges for account of policyholders | 2,492 | - | 2,492 |
| Acquisition costs for insurance activities | 181 | -165 | 16 |
| Result on liabilities from investments for account of third parties | 173 | - | 173 |
| Staff costs | 271 | -86 | 185 |
| Depreciation and amortisation of non-current assets | 7 | - | 7 |
| Other operating expenses | 88 | -26 | 62 |
| Impairment losses (reversals) | -5 | -3 | -8 |
| Other interest expenses | 99 | -1 | 98 |
| **Total expenses** | **7,227** | **-698** | **6,529** |
| **Result before tax** | **478** | **-87** | **391** |
| Tax expense | 79 | -21 | 58 |
| **Net result continued operations for the period** | **399** | **-66** | **333** |
| Net result from discontinued operations (after tax) | - | 66 | 66 |
| **Net result for the period** | **399** | **-** | **399** |

## Changes in Estimates

The effects of significant changes in estimates are disclosed in the notes to the consolidated financial statements relating to the items concerned. The most significant changes in estimates concern the following items:

- insurance liabilities (refer to note 15 'Insurance Liabilities and Reinsurance Share') and LAT methodology (refer to the section 'Assumptions IFRS LAT' under 'Insurance Liabilities' in 6.1.5 Accounting Policies for the Statement of Financial Position);
- provision for employee benefits (refer to note 16 'Provision for Employee Benefits').

## 6.1.3 General Accounting Policies

The accounting policies set out below have been applied consistently to all the periods presented in the consolidated financial statements.

## Functional Currency and Reporting Currency

The consolidated financial statements have 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.

## Foreign Currencies

Upon initial recognition, transactions in foreign currencies are converted into euros against the exchange rate at the transaction date.

Monetary items in the statement of financial position denominated in foreign currencies are translated into euros at the exchange rate applicable at the reporting date. Exchange rate differences arising from these transactions and from converting monetary items in the statement of financial position denominated in foreign currencies are recognised in the statement of profit or loss within investment income or gains and losses on financial instruments, depending on the item in the statement of financial position to which they relate.

The exchange rate differences of non-monetary items in the statement of financial position measured at fair value, with changes in the fair value recognised in the statement of profit or loss, are accounted for as part of these changes in the value of the related item in the statement of financial position. Exchange rate differences of non-monetary items in the statement of financial position measured at fair value, with changes in the fair value being recognised in other comprehensive income, are incorporated into shareholders' equity. Non-monetary items measured at historical cost are measured at the exchange rate applicable on the initial transaction 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 the statement of financial position if the following conditions are met:

- a legally enforceable right to set off the recognised amounts exists,
- Athora Netherlands intends to settle the items on a net basis, or to realise the asset and the liability simultaneously.

If either of these conditions are not met, amounts are not offset.

## Estimates and Assumptions

The preparation of the consolidated financial statements requires Athora Netherlands to make estimates and assumptions based on complex and subjective opinions and best estimates. In this process, management judges situations on the basis of available information and financial data that are likely to change in the future. Although estimates are made to the best of the management's knowledge, actual results will 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 liabilitiesarising from insurance contracts, the provision for employee benefits, restructuring and other provisions, the provisions for bad debts, the fair value of assets and liabilities, deferred tax and impairments.

For further details on estimates and assumptions, refer to the relevant policy in section 6.1.5. Accounting Policies for the Statement of Financial Position and the relevant note in section 6.3 Notes to the Consolidated Financial Statements.

## Fair Value of Assets and Liabilities

### Fair Value

The fair value is the price that Athora Netherlands would receive to sell an asset or to pay to transfer a liability in an orderly transaction between market participants in the principal market, or in the most advantageous market and assuming the highest and best use for non-financial assets.

### Fair Value Hierarchy

The fair value of financial assets and liabilities is determined using quoted prices where available. These quoted prices are primarily derived from transaction prices for listed instruments. If transaction prices are not available, market prices from independent market participants or other experts are used. Athora Netherlands applies a transfer price when determining fair value; as a result, financial assets are initially recognised at their bid prices and financial liabilities at their offer prices.

In markets where activity has decreased or in inactive markets, the range of prices from different sources can be significant for a certain investment. Selecting the most appropriate price requires judgement; available market information relating to the fair value of the instrument is taken into account.

When no market price is available for certain financial assets and liabilities, the fair value of these financial assets and liabilities is determined using valuation techniques, which may vary from net present value calculation to valuation models that use accepted economic methodologies. Input used in these models is based on observable market information to the extent possible. All valuation methods used are assessed and reviewed according to the Athora Netherlands governance procedures.

## 6.1.4 Basis for Consolidation

## Subsidiaries

Subsidiaries, i.e. all entities (including structured entities) that are controlled by Athora Netherlands, are consolidated. Control over companies and entities is assumed to exist if all of the following conditions are met:
- Athora Netherlands has power over a company or entity by means of existing rights that give Athora Netherlands the current ability to direct the relevant activities of the company or entity;
- Athora Netherlands has exposure or rights to variable returns from its involvement with the investee; and
- Athora Netherlands has the ability to use its power over the investee to affect the amount of the investor's returns.

Subsidiaries are fully consolidated from the date on which control is transferred to Athora Netherlands until the date this control ceases. The financial statements of these group companies are fully consolidated and aligned with the accounting policies applied by Athora Netherlands.

Non-controlling interests and their results are presented separately in the consolidated statement of financial position and the statement of profit or loss.

## Investments in Associates

Associates are entities in which Athora Netherlands can exercise significant influence on the operating and financial policies, but over which it has no control.

The consolidated financial statements include Athora Netherlands' total share of profit of associates from the date that Athora Netherlands acquires significant influence to the date that significant influence ceases to exist. The profit is accounted for using the equity method, after adjustments to comply with Athora Netherlands' accounting policies, where needed.

Upon recognition, associates are initially accounted for at their acquisition price (including transaction costs) and subsequently measured using the equity method. This measurement also includes goodwill paid upon acquisition less accumulated impairment losses, if applicable.

Under the equity method, Athora Netherlands' share of profit or loss of associates is recognised in the statement of profit or loss within share of profit of associates. Other changes in equity of associates are recognised directly in Athora Netherlands' other comprehensive income.

If the carrying amount of the associate is nil, no further losses are accounted for, unless Athora Netherlands has entered into commitments, made payments on its behalf or acts as a guarantor.

## Elimination of Group Transactions

Intra-group transactions, intra-group balances and unrealised gains and losses arising from intra-group transactions are eliminated in the preparation of the consolidated financial statements.

## Segment Information

The operating segments of Athora Netherlands are clearly distinctive organisational components that carry out activities that generate income and expenses. The operating segments are:
- Individual Life carrying out individual life insurance services
- Life Corporate carrying out collective life insurance services
- Asset Management carrying out asset management services
- Other, carrying out the holding activities along with the activities that are not directly attributable to any other segment

On 1 April 2020, the segment Property & Casualty became a discontinued operation with the sale of VIVAT Schade to NN Schade. The comparative figures have been restated in line with IFRS 5 regarding discontinued operations. The segment Property & Casualty is no longer presented as a separate segment, but is included in Adjustments and Eliminations.

The segment information is based on the accounting policies used in the consolidated financial statements. For one-off intra-group transactions directed by Athora Netherlands the required consolidation adjustments and eliminations are accounted for directly in the related segment.

## 6.1.5 Accounting Policies for the Statement of Financial Position

## 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.

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 and the reference method are used to determine this value. The capitalisation method uses an expected return at inception and the market rental value to determine the fair value of an asset. The reference method relies on other market transactions. 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.

Increases in the fair value exceeding cost are added to the revaluation reserve in shareholders' equity, less deferred taxes. Positive revaluations, insofar as they result in the reversal of earlier impairments on the same asset, are credited to the statement of profit or loss. Decreases in fair value, insofar as they result in the reversal of prior positive revaluations of the same asset, are charged to the revaluation reserve. The revaluation reserve cannot be negative. All other decreases in fair value are recognised in profit or loss.

Buildings are depreciated over their useful lives using a straight-line method, with a maximum of fifty years, taking into account any residual value. Land is not depreciated. Regular impairment tests are performed on land and buildings.

Repair and maintenance expenses are recognised within other operating expenses as incurred. Expenses incurred after the acquisition of an asset that increase or extend the future economic benefits of owner-occupied property in relation to their original use are capitalised and then depreciated.

Upon the sale of a property, the part of the revaluation reserve related to the property in question, which was recognised within shareholders' equity, is transferred to the retained earnings.

### IT Equipment and other Property and Equipment

All other property and equipment are measured at cost net of accumulated depreciation and, if applicable, accumulated impairment losses. Cost includes all expenses directly attributable to the acquisition of the assets. Assets are depreciated on a straight-line basis over their useful lives, taking into account any residual value. The estimated useful life varies between three and ten years.

Repair and maintenance expenses are recognised in other operating expenses as incurred. Expenses incurred after the acquisition of an asset that increase or extend the future economic benefits of other property and equipment in relation to their original use are capitalised and subsequently depreciated.

Gains and losses on the sale of property and equipment are defined as the balance of the recoverable amount less transaction costs and the carrying amount. These gains and losses are recognised within other operating income.

### Right-of-use Assets

A lease is a contract, in which the right to use an asset is granted for an agreed-upon period in return for compensation. Athora Netherlands applies the relief option allowed by IFRS 16 for short-term leases (12 months or less) and recognises the lease payments arising from these arrangements as expenses in the statement of profit or loss. For the leased assets (property and company cars) the right-of-use assets and lease liabilities are recognised.

The right-of-use asset is recognised if Athora Netherlands has both right to direct the use of the identified asset and the right to obtain substantially all of the potential economic benefits from directing the use of an asset. Initially the right-of-use asset is recognised at an amount comprising:

- the amount at which the corresponding lease liability has been measured (refer to the section 'Other liabilities');
- prepaid lease payments at or before the commencement date, if any;
- initial direct costs incurred by Athora Netherlands with regard to the lease, if any.

Subsequently the right-of-used assets are measured at amortised cost and depreciated over the lease term using a straight-line method, taking into account the options to cancel or to extend the lease. At each reporting date the right-of-use assets are reassessed for impairment.

## Investments in Associates

For details, see Section 6.1.4 (Basis of consolidation) under 'Investments in Associates'.

## Investment Property

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 i.e. its value in a (partially) let state, including transaction costs, upon initial recognition. 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.

Changes in the fair value of investment property are recognised in profit or loss within investment income.

## Financial Assets

Athora Netherlands classifies its financial assets in one of the following categories: (1) at fair value through profit or loss, (2) available for sale, or (3) loans and receivables. The classification depends on the purpose for which the financial assets are acquired. Management decides to which category the asset is allocated at initial recognition.

Upon initial recognition, financial assets are measured at fair value including transaction costs, with the exception of the category 'at fair value through profit or loss', in which transaction costs are recognised directly in the statement of profit or loss.

The categories of financial assets are explained in more detail in the following section.

Athora Netherlands measures its financial liabilities at amortised cost with the exception of derivatives and liabilities from investments for account of third parties. For more information see the corresponding sections.

## Investments

### Fair Value Through Profit or Loss

A financial asset is classified at fair value through profit or loss if it was designated as such upon initial recognition. Financial assets are only designated at fair value through profit or loss if:
- this eliminates or considerably limits an inconsistency in valuation or recognition between assets and liabilities that would otherwise arise; or
- Athora Netherlands manages and assesses them on a fair value basis.

Financial assets classified as fair value through profit or loss are recognised at fair value. Realised and unrealised gains and losses are recognised directly in the statement of profit or loss within investment income.

Interest income earned on securities is recognised within investment income. Dividends received on equity instruments are also recognised within investment income.

### Available for Sale (Fair Value Through Other Comprehensive Income)

Financial assets that do not meet the criteria defined by management for loans and receivables or are not designated as at fair value through profit or loss are classified as available for sale.

After initial recognition, available-for-sale financial assets are subsequently measured at fair value. Unrealised gains and losses arising from fair value adjustments of these investments are recognised within other comprehensive income (shareholders' equity), net of deferred taxes.

When financial assets are sold, any accumulated fair value adjustments are recognised in the statement of profit or loss as investment income. Athora Netherlands uses the average cost method to determine the related gains and losses.

### Loans and Receivables (Amortised Cost)

Loans and receivables comprise unlisted debt investments with a fixed term (including mortgages) and loans to banks arising from endowment mortgages issued by the insurance business. Loans and receivables are measured at amortised cost using the effective interest method, less an allowance for impairment if deemed necessary.

### Impairment of Financial Assets

At reporting date, Athora Netherlands assesses whether there is objective evidence of an impairment of investments classified as loans and receivables and as available for sale. Impairment losses are recognised directly in the statement of profit or loss as 'impairment losses'.

#### Investments in Fixed Income Instruments

Investments in debt securities measured at amortised cost or available for sale are tested for impairment if there is objective evidence of financial distress at the counterparty, declining markets for the counterparty's product or other relevantindicators. This test comprises both quantitative and qualitative considerations. Debt securities are assessed for aspects including expected credit losses and credit losses already incurred (e.g. due to default), market data on credit losses and other evidence of the issuer of the instrument's inability to meet its payment commitments.

Where mortgage loans are concerned, an allowance for impairment is recognised if objective evidence exists that Athora Netherlands is not able to collect all payments in accordance with the contractual agreements. For mortgages that are individually significant, this allowance corresponds to the difference between the carrying amount and the recoverable amount. The recoverable amount equals the expected future cash flows, including the amounts realised by virtue of guarantees and collateral, discounted at the initial effective interest rate of the loans.

The criteria relating to impairments are applied to the entire mortgage portfolio. Individual mortgage loans with less significant amounts (and corresponding credit risk) are tested collectively for impairment.

The allowance for impairment losses also covers losses where objective evidence of losses likely to be incurred in the loan portfolio exists (IBNR: incurred but not reported). Losses on mortgages are estimated on the basis of historic loss patterns and the creditworthiness of counterparties. Both estimates take into account the current economic climate in which the counterparties operate.

When a loan is uncollectable, it is written off against the relevant allowance for impairment.

#### Investments in Equity Instruments

An investment in equity instruments is considered to have been subject to impairment if its carrying amount exceeds the recoverable value for an extended period, which means that its fair value:

- has decreased 25% or more below cost; or
- has been at least 5% below cost for nine months or more.

Depending on the availability of data, the fair value of unlisted equities is determined based on:

- the price of the most recent transaction (as an indication);
- current fair values of other, similar investments (in entities); or
- valuation methods in accordance with accepted economic methods that use market data to the extent possible.

#### Reversal of Impairments

If the amount of an impairment loss decreases in a subsequent period, and the decrease can be related objectively to an event occurring after the impairment was recognised, the impairment allowance is (partially) reversed. That reversal is recognised in profit or loss. Impairments on equity securities are never reversed.

## Investments for Account of Policyholders (Fair Value Through Profit or Loss)

Investments for account of policyholders are classified as fair value through profit or loss. These investments are held to cover insurance contracts, according to which the investment risk is borne by the policyholders (see the section entitled 'Life insurance contracts for account of policyholders'). Amounts due from these policyholders are recognised in the statement of profit or loss as premium income. Dividends, coupons, adjustments in the fair value of investments and gains and losses on the sale of investments are recognised in the statement of profit or loss as investments for account of policyholders.

## Investments for Account of Third Parties and Liabilities from Investments for Account of Third Parties (Fair Value Through Profit or Loss)

These investments relate to the third parties' share in the investments of investment funds with opposite daily redeemable financial obligations to these third parties at the same amount and are measured at fair value through profit or loss. Any related gains and losses are recognised in the statement of profit or loss as gains and losses on financial instruments. These investment funds are consolidated since Athora Netherlands controls these funds and is exposed to these funds' gross variable results, which are mainly attributable to investments for account of policyholders. This item also comprises investments for account of participants of Zwitserleven PPI.

Athora Netherlands' exposure to risks arising from these financial instruments is limited since the beneficial ownership rests with these third parties and participants. The value of corresponding liabilities equals the fair value of the underlying investments.

## Derivatives

### General

Derivatives are recognised at fair value upon inception. The fair value of publicly traded derivatives is based on quoted bid prices for assets held or liabilities to be issued, and quoted offer prices for assets to be acquired or liabilities held.

The fair value of non-publicly traded derivatives depends on the type of instrument and is based on a present value model or an option valuation model. Athora Netherlands recognises derivatives with a positive market value as assets and derivatives with a negative market value as liabilities.

Changes in the fair value of derivatives, that do not qualify for cash flow hedge accounting, are accounted for in the statement of profit or loss as gains and losses on financial instruments.

For embedded derivatives refer to 'Embedded options and guarantees in insurance contracts' in the section 'Life insurance'.

### Hedge Accounting

Athora Netherlands uses derivatives as part of its asset and liability management and risk management. These instruments are used for hedging interest rate and currency risks, including the risks of future transactions. Athora Netherlands can designate a derivative as either:

- a hedge of the exposure to changes in the fair value of a recognised asset or liability or firm commitment (fair value hedge); or
- a hedge of the exposure to variability in future cash flows that can be attributed to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge).

Hedge accounting is only applied if a hedging relationship is considered to be effective. Hedge effectiveness is assessed by Athora Netherlands at inception and during the term. A hedge is effective if the changes in the fair value or cash flows of the hedged item are almost fully offset by changes in the fair value or cash flows of the hedging instrument, insofar as these changes are attributable to the hedged risk, and the actual results remain within a bandwidth of 80% to 125%.

### Fair Value Hedge Accounting

Derivatives designated as a hedge of fair value changes of recognised assets or of a firm commitment are recognised as fair value hedges. Changes in the fair value of the derivatives that are designated as a hedging instrument are recognised directly in the statement of profit or loss and reported together with corresponding fair value adjustments to the hedged item attributable to the hedged risk.

If the hedge no longer meets the conditions for hedge accounting, an adjustment in the carrying amount of a hedged financial instrument is amortised and taken to the statement of profit or loss during the expected residual term of the previously hedged item.

If the hedged item is no longer recognised, i.e. if it is sold or redeemed, the non-amortised fair value adjustment is directly recognised in the statement of profit or loss.

### Cash Flow Hedge Accounting

Derivatives can be designated to hedge the exposure to variability in future cash flows resulting from a recognised asset or liability or highly probable forecast transaction. Adjustments in the fair value of the effective portion of a derivative that has been designated as a cash flow hedge and that meets the conditions for cash flow hedge accounting are recognised in the cash flow hedge reserve as a separate component of shareholders' equity. The portion of the gain or loss on the hedging instrument that is considered to be ineffective, is recognised in the statement of profit or loss. The measurement of the hedged item, which is designated as part of a cash flow hedge, does not change.

If the forecast transaction leads to the recognition of an asset or a liability, the accumulated gains and losses on the derivative that were previously recognised in the cash flow hedge reserve are amortised to profit or loss until maturity of the acquired asset or liability.

If the hedging instrument expires or is sold or terminated, or no longer meets the conditions for hedge accounting, the accumulated all gains and losses that were included in the cash flow hedge reserve remain in the cash flow hedge reserve within other comprehensive income until the expected transaction occurs.

If the hedged transaction is no longer expected to occur, the accumulated gains and losses recognised in other comprehensive income are directly taken to profit or loss.

## Loans and Advances due from Banks

These assets concern receivables from banks with a remaining maturity of one month or more, not including interest- bearing securities. These receivables are measured at amortised cost using the effective interest method, less any impairment losses.

## Cash and Cash Equivalents

Cash and cash equivalents include bank balances and demand deposits with a remaining maturity of less than one month. These receivables are measured at amortised cost using the effective interest method, less any impairment losses.

## Taxes

## Income tax expense

Income tax relates to payable or recoverable tax on the taxable profit for the reporting period and taxes due from previous periods, if any. Current tax receivables and payables are measured using the tax rate applicable at the reporting date or the tax rate applicable to the previous period the taxes due relate to.

## 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 carrying amounts in the financialstatements. This is based on 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 utilised. 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. Deferred tax assets and liabilities are presented on a net basis to the extent that they relate to the same tax authority and that they are settled simultaneously.

## Tax group

Athora Netherlands NV and its subsidiaries form a tax group for corporate income tax and value added tax (VAT) and as a result are jointly and severally liable for the fiscal unity's corporate income tax and VAT liabilities.

## Reinsurance Share

### Inbound reinsurance contracts

Other insurers use these contracts to transfer the insurance risk associated with their own insurance contracts to Athora Netherlands. These contracts qualify as inbound reinsurance contracts; the obligations from the insured risk and the deposit component are recognised as liabilities within insurance contracts in accordance with IFRS 4. Currently Athora Netherlands is not a party to such contracts.

### Outbound reinsurance contracts

By virtue of these contracts, Athora Netherlands is compensated for losses incurred on its own insurancecontracts. Because of the transfer of significant insurance risks, the entire contract qualifies as an outbound (re)insurance contract. The liabilities from insurance risks and the deposit components are recognised as insurance liabilities in accordance with IFRS 4. The share of reinsurance companies in the insurance liabilities and the benefits to which Athora Netherlands is entitled by virtue of its reinsurance contracts are accounted for and presented as reinsurance assets. The receivables depend on the expected claims and benefits.

Because Athora Netherlands calculates its LAT on a net basis, the expected cashflow arising from the outbound reinsurance contracts are also included in the LAT calculation on insurance liabilities.

The amounts receivable from (claims), and payable to (premium) reinsurance companies are determined in accordance with the terms and conditions of each reinsurance contract and recognised in the period in which they incurred. Receivables from reinsurers are assessed for potentialimpairment due to credit risk, at the reporting date. The current outstanding amounts are presented under other assets or other liabilities.

## Assets held for sale & discontinued operations

Assets held for sale are presented separately in the consolidated statement of financial position and consist of non-current assets whose carrying amount will be recovered principally through a sale transaction and not through continuing use.

Assets held for sale are measured at the lower of their carrying amount and their fair value less costs to sell. Any surplus of the carrying amount over their fair value less costs is recognised as an impairment loss.

A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- represents a separate major line of business or geographical area of operations;
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to resale.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount 'Net result from discontinued operations'. The consolidated income statement includes the results of a subsidiary or disposal group, that meets the definition of a discontinued operation, up to the date of disposal. The prior year figures in the statement of profit or loss by are adjusted by disaggregating continued and discontinued operations. The net result derived from discontinued operations is recognised as net result from discontinued operations. This item contains a single amount which comprises the total of:

- The post-tax profit or loss of discontinued operations and
- The post-tax gain or loss recognised on the measurement to fair value less costs to sell or on the disposal of the assets or disposal group constituting the discontinued operation.

The date of disposal of a subsidiary or disposal group is the date on which control passes.

The net cash flows attributable to the operating, investing and financing activities of discontinued operations are disclosed separately in the corresponding note to the consolidated financial statement.

## Other Assets

Other assets consist of receivables from direct insurance policies, other taxes (including VAT, payroll tax), other receivables and accrued assets. Accrued assets also include the accrued interest on financial instruments measured at amortised cost, as well as other accruals, which include amounts receivable from the clearing counterparty with regard to derivative positions.

## Equity

### Issued share capital

The share capital comprises the issued and paid-in ordinary shares.

### Reserves

#### Share premium reserve

The share premium reserve concerns the paid-in surplus capital in addition to the nominal value of the issued ordinary shares.

#### Revaluation reserve

Revaluations of owner-occupied property (see the section entitled 'Owner-occupied property') are included in the revaluation reserve.

#### Cash flow hedge reserve

The cash flow hedge reserve consists of the effective part of cumulative changes in the fair value of derivatives qualifying for cash flow hedge accounting (net of taxes), provided that the hedged transaction has not yet occurred.

#### Fair value reserve

Gains and losses arising from changes in the fair value of assets that are classified as available for sale are recognised in the fair value reserve (net of taxes). If the particular assets are sold, settled or as a result of other events are no longer recognised; the corresponding cumulative gains and losses is then transferred from the fair value reserve to profit or loss (see the section entitled 'Financial assets').

Exchange rate differences on non-monetary financial assets that are classified as available for sale are also recognised in this reserve.

Shadow accounting is applied to the cash flow hedge reserve and fair value reserve for fixed-income securities that are held to cover insurance liabilities.

## Holders of other equity instruments

Other equity instruments comprise listed subordinated restricted Tier 1 notes. These instruments are measured at the amount of the issued notes at par minus directly attributable transaction costs. The interest payment on these instruments is recognised as a deduction on equity once the payment is declared.

## Subordinated Debt

Subordinated debt includes the subordinated bonds and private loans issued by Athora Netherlands. This debt is initially measured at fair value net of the transaction costs incurred. The debt is subsequently measured at amortised cost, using the effective interest method.

## Borrowings

On initial recognitions these borrowings are stated at fair value net of transaction costs incurred. These instruments are subsequently measured at amortised cost, using the effective interest method.

## Insurance Liabilities

Insurance liabilities arise from insurance contracts. Insurance contracts are contracts that concern the transfer of significant insurance risk. These contracts can also involve investment risks. Athora Netherlands issues life insurance contracts. Athora Netherlands recognises insurance liabilities from the earliest of the beginning of the coverage period or the date on which the first payment of the policyholder becomes due.

Athora Netherlands has continued applying the accounting policies in use at the time of transition to IFRS for the valuation of the insurance contract liabilities since the first adoption of IFRS (the historically applied accounting policies). The insurance liabilities reported at the reporting date are valued at the higher of :

- the historic value based on the assumptions used to calculate the (guaranteed) premium, and
- the minimum value according to the liability adequacy test.

The first method uses premium calculation principles for interest and mortality (life insurance contracts).

For insurance liabilities IFRS requires a liability adequacy test to be performed. The carrying amount of the insurance liability based on historical cost and reduced by related intangible assets like the Value of Business Acquired (VOBA) and deferred acquisition costs (if applicable) is compared to the current estimates of future cash flows corresponding to the insurance liability. When the latter is higher, there is a deficit. Under IFRS 4, the carrying amount of the insurance liability has to be supplemented by this deficit, thus increasing the value of the insurance liability based on the current estimates of future cash flows.

The details of the valuation principles for life insurance contracts and the corresponding liability adequacy test are described below.

## Life Insurance

Life insurance contracts can be divided into general account life insurance policies and life insurance contracts for account of policyholders. Both types of insurance policies include individual insurance contracts as well as group insurance contracts. These contracts provide mainly long-term insurance for events that lead to a payment in cash, or of the counter value of investment units, upon maturity of the contract or death of the insured.

## General Account Life Insurance Policies

### General

For these contracts, Athora Netherlands incurs insurance risk as well as investment risk. These insurance contracts are divided into individual and group contracts and include the following product groups: saving mortgage insurance, annuities, term insurancepolicies, corporate pensions, funeral expenses insurancepolicies and traditional endowment insurances.

Measurement of life insurance liabilities is in principle based on historical tariff rates set at the inception date of the underlying contracts. A periodic IFRS liability adequacy test is performed on these liabilities. Since there is a deficit in the liability adequacy test (LAT) at the end of 2019 and 2020, the insurance liabilities are currently measured at the probability weighted best estimate of future cash flows based on current assumptions discounted by the swap curve including Ultimate Forward Rate (UFR). Both measurement principles are explained below.

## Measurement at Tariff Rates

### Locked-in Interest Rate

Liabilities arising from life insurance contracts with a locked-in interest rate are determined on the basis of a prospective actuarial method taking into account all future benefit payments and premiums to be received, if applicable.

Actual payments and the timing of payments also depend on social, economic and demographic trends, inflation, investment returns, the behaviour of policyholders and other factors, as well as assumptions about developments in mortality and disability rates. Lapse, like early surrender or a waiver of premium, is also taken into account for some life insurance products. The assumptions used in the measurement of life insurance contracts at the reporting date are based on the calculation principles set at the contract's inception date.

Most policies have a fixed discount rate between 3% and 4%. The discount rate for recent insurancecontracts is generally lower than 3%. For savings mortgage insurance and other guaranteed products, the rate of return guaranteed in the insurance contract is used. The interest rate in these insurance contracts equals the investment return achieved on the corresponding investments.

### Embedded Options and Guarantees in Insurance Contracts

Athora Netherlands does not separately recognise embedded derivatives in insurance contracts, such as options to surrender insurance contracts at a fixed amount, or at a fixed amount and a guaranteed interest rate (i.e. closely linked to the basic insurance contract), but recognises them under the host contract from which they stem. The time value of the embedded options is not included in the measurement of the embedded derivative but it is taken into account when determining LAT.

### Provisions for Longevity Risk

Particularly with regard to the pension portfolio, liabilities arising from insurance contracts may become inadequate due to the extended life expectancy of the beneficiaries. This provision comprisesadditional contributions that have been made in the past to absorb this longevity risk. The actual longevity risk is the part of the total liabilities and subject to the liability adequacy test.

### Cost Surcharges

Premiums include loadings to cover expenses. When premiums are received or fall due, the surcharges are released; they are then available to cover actual expenses, including administration, renewal expenses and acquisition costs.

### Interest Rate Surcharge or Discount

With respect to individual single-premium insurance contracts, an interest rate can be guaranteed, which may be lower or higher than the contractual interest rate used to calculate the liability. The rates for annuity policies are based on a yield curve derived from market data. As the expected market interest rates are currently lower than the standard rate basis, the policyholder pays a surcharge based on the difference between the market rate at the contract's inception date and the contract date and the standard rate applied until maturity. The recognised surcharges and discounts are subsequently amortised on either an actuarial or straight-line basis.

With regard to group insurance contracts, similar surcharges or discounts are amortised on a straight-line basis. In the initial year of recognition, the full-year amortisation charge is recognised.

### Provisions for Disability Risk

Under liabilities arising from insurance contracts, a provision is maintained for the entitlement to a premium waiver in the event of disability. This provision is based on a factor multiplied by the annual premium that applies to the disability risk. The factor is based on IBNR techniques derived from empirical data for claim behaviour. The IBNR techniques involve historic data, based on which estimates are made at the reporting date for claims expected to have occurred but have not been reported at the reporting date. The valuation principles of disability coverage that are used, including the waiver of premiums, are the same as the principles for the main insurance policy.

### Profit-sharing and Bonuses

The present value of any profit share that has been awarded but has not yet been distributed is included in the provision for profit-sharing and bonuses which is included in the life insurance liabilities.

#### Profit-sharing

In addition to non-profit-sharing insurance contracts, the insurance portfolio also contains insurance contracts with discretionary or contractual profit-sharing rights.

Discretionary profit-sharing schemes concern the right of individual policyholders to receive additional benefit payments over and above any insured or guaranteed capital. The determination of the amount and timing of these additional benefits is at the discretion of Athora Netherlands' management. Profit shares already awarded are also included in liabilities arising from insurance contracts.

For insurance contracts with discretionary participation features, all realised and unrealised gains and losses, that are eligible for profit sharing, on fixed-income financial assets in the portfolio backing the participating insurance contracts are transferred to insurance liabilities, if they constitute a net gain on a cumulative basis. These additions are made regardless of the management's decision about the profit amounts paid out to the policyholders.

There are also individual and group contracts with contractual profit-sharing. These are based on a share of any surplus interest profits and profit-sharing based on a share of any insurance profits. Obligations as a result of contractual profit-sharing are included in liabilities arising from insurance contracts.

### Shadow Accounting

Realised gains and losses on assets backing insurance liabilities can affect the measurement of insurance liabilities. IFRS 4 contains an option generally referred to as 'Shadow Accounting' to reduce accounting mismatches which may occur when insurance liabilities and investments backing those liabilities:

- are measured on a different basis; or
- have changes in their measurements recorded in different line items of total comprehensive income (net income versus other comprehensive income).

Athora Netherlands applies this option which means that unrealised gains or losses on assets backing certain insurance liabilities are treated similarly to realised gains and losses for the purpose of measuring insurance liabilities. For Athora Netherlands this leads to the following changes in the way cumulative unrealised net gains are accounted for:

- Unrealised fair value changes of Available for Sale fixed income financial assets, which are initially recognised in other comprehensive income, are transferred to the insurance liabilities without affecting profit or loss.
- Fair value changes of interest rate derivatives used to hedge interest rate risks, which are initially recognised in the cash flow hedge reserve, are transferred to the insurance liabilitieswithout affecting profit or loss, as a result.
- Fair value changes of interest rate derivatives, to which no cash flow hedge accounting is applied, are initially recognised in profit or loss. Subsequently these changes are transferred to the insurance liabilities through profit or loss.

Shadow Accounting limits accounting mismatches only as far as those are caused by market interest rate changes. If, after the application of Shadow Accounting, any deficit under the Liability Adequacy Test remains, Athora Netherlands strengthens the insurance liabilities further through profit or loss.

## Measurement Based on Current IFRS LAT Assumptions.

### IFRS LAT Methodology

Under IFRS, the carrying amount of an insurance liability, net of VOBA and deferred acquisition costs (if applicable), is required to be at least equal to the discounted current estimates of future cash flows under its insurance contract plus a risk margin. The total carrying amount of the liabilities tested, consists of the carrying amount based at historical tariff rates, supplemented with any liabilities arising from interest rate guarantees on life insurance contracts, liabilities to cover for the longevity risk and the effects of shadow accounting.

It is tested, based on current assumptions, whether these carrying amounts will ultimately be adequate to cover the commitments to policyholders. When performing this test, best estimate future contractual cash flows are projected, taking into account current and future developments in mortality, disability, the behaviour of policyholders, claims handling and management costs. These cash flows are discounted using the (bid price) swap curve including the Ultimate Forward Rate as set for Solvency II reporting purposes for the financial year. The valuation of the future expected profit-sharing and the time value of embedded options and guarantees are included in the resulting best estimate provision. The best estimate is increased with a risk margin, which is calculated using the Cost of Capital method. The resulting liability is compared to the carrying amount, after shadow accounting, of the insurance liabilities adjusted for any differences between fair value and book value of other balance sheet items. If the discounted current estimates of future cash flows arising from the insurance contract increased with a risk margin is higher, a LAT deficit exists.

To the extent that this has been agreed in the contract, deficits in relation to the guaranteed interest rate will (partially) be borne by the policyholders. Any such contributions are deducted from the liabilityadequacy test deficit.

The IFRS LAT is calculated on a net basis; the effects of reinsurance contracts on the projected cash flows are comprised in the outcome.

### Recognition of a Deficit

If the outcome of the test, taking into account the shadow accounting adjustments, is a deficit, the carrying amount of insurance liabilities will be supplemented via technical claims and benefits in profit or loss. The increase of the carrying value of insurance liabilities and related assets is effected first by impairing any VOBA or any deferred acquisition costs, if available. Any remaining deficit will be added to insurance liabilities through profit or loss. If the deficit decreases in the next reporting period, the prior addition will be reversed to the extent it was recognised in profit or loss (technical claims and benefits).

### Test Level and Frequency

The IFRS liability adequacy test is performed at least quarterly for the entire portfolio of life insurance contracts. The test is performed both at legal entity level and at consolidated level. A deficit and a surplus in the liability adequacy test of the separate life insurance companies is offset in consolidation.

### Assumptions IFRS LAT

The following assumptions were used in performing the IFRS liability adequacy test as at 31 December 2020 (for the assumptions that were adjusted in the current year also the assumptions from the previous year are presented):

- Discount rate: derived from the (bid price) swap curve. The curve converges to the Ultimate Forward Rate (UFR) based on the Smith-Wilson method in accordance with Solvency II including an Ultimate Forward Rate as set for Solvency II reporting which for the financial year 2020 converges after the 20 years point (last liquid point) to 3.75% (2019: 3.90%) in 40 years.
- Profit allocation is in accordance with the applicable profit-sharing arrangements and the company's decisions regarding discretionary profit sharing.
- Cost allocation and distribution of efficiency gains based on internal assessment in line with assumptions used for Solvency II technical provisions.
- Projected mortality probability data for the entire population based on Prognose Model AG 2020 (Prognose Model AG 2018 in 2019) adjusted for experience on each portfolio based on both external and internal research.
- Lapse and early surrender data based on internal research.
- Inflation rate: derived from market data.
- Cost inflation consists for around 80% out of expected salary increases, taking into account the agreements in the Collective Labour Agreements (CLA) and for 20% the inflation of other costs.
- Cost of capital rate: 4% (2019: 4%).

## Life Insurance Contracts for Account of Policyholders

### General

This item concerns insurance contracts under which policyholders bear the investment risk. The liabilities arising from these contracts basically equal the value of the underlying investments, the value of interest rate guarantees and the value of the term insurance. Since unit-linked policyholders bear investment risk they determine how Athora Netherlands should invest the premiums paid net of costs and risk premiums.

### Unit-linked Life Insurance Contracts

#### Liabilities Linked to the Investments Related Component

The technical provisions for the underlying investments of these insurance contracts correspond to the carrying amount (fair value) of the related underlying investments. As a result, these liabilities are measured at the fair value of the underlyinginvestments. Transaction costs and commission are not included at initial recognition but charged to the statement of profit or loss as these transactions occur. The changes in these insurance liabilities are recognised directly in profit or loss in line with changes in the fair value of these investments.

#### Interest Rate Guarantees

Interest rate guarantees have been issued by Athora Netherlands for returns from a limited number of unit-linked insurance contracts. These guarantees mainly apply at the maturity dates of the insurance contracts. Prior to maturity, the liability arising from these contracts is at least equal to the accumulated amount of premiums paid plus guaranteed interest less any expense and mortality charge deductions and adjustments for future lapses.

#### Insurance Component

The insurance component in these insurance contracts is determined based on the tariff rate.

#### Separate Accounts

Group insurance contracts with segregated investments are recognised as life insurance contracts for account of policyholders. Interest rate guarantees on returns have been granted for a limited number of these contracts.

If group insurance contracts are renewed as general account after contract expiration dates, the existing provisions for interest rate guarantees are amortised on an actuarial basis to compensate for the deficits in future investment returns in comparison to the guaranteed interest rates stipulated in these contracts.

### Liabilities from Investments for Account of Third Parties

See the section on investments for account of third parties and liabilities from investments for account of third parties.

### Provision for Employee Benefits

### Short-term Employee Benefits

Short-term employee benefits include salaries, short paid leave, profit-sharing and bonus schemes. These are accounted for in the statement of profit or loss over the period in which the related services are rendered. In the event that employees have not made use of their entitlements at the end of the period, a liability is formed for the nominal amount.

### Pension Benefits

#### General

All currently employed personnel is hired by Athora Netherlands NV. 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 insurance companies in the past. The members of those schemes are referred to as members with deferred pension rights or retirees.

#### Defined Contribution Schemes

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 exists. These plans are no longer available for the new emplyees. 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.

A net asset due to a surplus is recognised only if Athora Netherlands has the ability to use the surplus to generate future economic benefits (asset ceiling). The excess amount above the asset ceiling will be deducted from the surplus through other comprehensive income.

**Gross pension Entitlements from Defined Benefit Schemes**
These are calculated annually by an external actuary according to the projected unit credit method and discounted using rates based on returns from investment-grade corporate bonds (AA rating) with a maturity corresponding to the time of benefit payments to the members. In principle, this method distributes the pension costs evenly over the period in which an employee renders services to Athora Netherlands.

#### Self-administered Defined Pension Schemes
Entitlements from these schemes are insured at SRLEV within Athora Netherlands. The investments under these schemes are held by SRLEV; if they do not qualify as plan assets, they are presented as investments (general account).

### Recognition of Costs in the Statement of Profit or Loss

#### Costs of Defined Contribution Schemes
The regular contributions in the defined contribution schemes qualify as net periodic costs in the year in which they are due and are recognised within the employee benefits expense. Employee contributions are deducted from this expense.

#### Income and Expense Associated with Defined Benefit Schemes
The following items are recognised in the statement of profit or loss for defined benefit schemes:
- periodic pension costs relating to the members of the scheme who are still employed by Athora Netherlands;
- costs of improvement (or costs relating to deducted value of entitlements returned) of these pension schemes, insofar as they relate to past employment;
- gains and losses on settlement of pension entitlements; and
- net interest on the net defined benefit liability (or asset).

#### Net Interest on Defined Benefit Schemes
Net interest is calculated based on the actuarial discount rate used to determine the present value of the gross pension entitlements. This net liability (or asset) is determined at the start of the annual reporting period, taking into account possible changes resulting from contributions from Athora Netherlands or employees and benefits paid out during the year.

Interest costs consist of actuarial interest costs corresponding to the gross defined benefit liability, the fixed return on qualifying investments (calculated as the present value of the gross defined benefit entitlements covered by the insurance contracts minus the net present value of future service costs, using the same assumptions as applied in the calculations of the defined benefit liability) and interest on the excess above the asset ceiling, which is determined if a defined benefit asset exists.

### Recognition in other Comprehensive Income

The following revaluations of the net pension liability (or asset) are recognised in other comprehensive income:
- actuarial gains and losses;
- gains on qualifying investments of defined benefit schemes actually realised during the year, net of the fixed gains and losses based on the actuarial discount rate that is included in the net interest from defined benefit schemes; and
- the effect of asset ceiling, if a defined benefit asset exists.

Revaluations are not reclassified to the statement of profit or loss in the next reporting period, but they can be reclassified to another component of equity, e.g., settlement of pension entitlements.

## Other Long Term Employee Benefits

These refer 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 obligations. 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.

### Retention Bonus

Retention bonusses are employee benefits. The vesting and payment of retention bonusses are subject to certain conditions and law and regulations, which contains deferred payment for Identified Staff. The employees receive a retention bonus only if they remain with the entity for the specified period. The expected cost of bonus payments is recognised in the statement of profit or loss during this specified period as employees render service. Retention bonusses are recognised under staff costs as short-term employee benefits with the exception of the deferred part, which is recognised as other long-term employee benefits.

### Termination Benefits

Termination benefits are employee benefits provided in exchange for the termination of an employee's employment as a result of either: (a) an entity's decision to terminate an employee's employment before the normal retirement date; or (b) an employee's decision to accept an offer of benefits in exchange for the termination of employment. Termination benefits are recognised as staff costs in the statement of profit or loss.

## Other Provisions

### General

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

Provisions are measured at the present value of the expected future cash flows. Additions and any subsequent releases are recognised in the statement of profit or loss.

### Restructuring Provision

The restructuring provision is a specific provision that consists of expected severance pay and other costs that are directly related to restructuring programmes. These costs are accounted for 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 severance pay 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

At the reporting date, Athora Netherlands recognises a provision for the estimated liability with respect to ongoing legal proceedings. The provision comprises an estimate of the 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. A provision is recognised if the obligation can be reliably estimated.

## Financial Liabilities

### Derivatives

See the previous section entitled 'Derivatives'.

## Amounts Due to Banks

Amounts due to banks comprise unsubordinated debts to credit institutions. Upon initial recognition, amounts due to banks are measured at fair value, including transaction costs incurred. These liabilities are subsequently measured at amortised cost.

Any difference between the measurement at initial recognition and the redemption value based on the effective interest method is recognised in the statement of profit or loss.

## Other Liabilities

Other liabilities include creditors, amounts payable to reinsurers, other taxes and accrued liabilities as well as interest accrued on financial instruments that are measured at amortised cost. This category also includes lease liabilities.

Initially the lease liabilities are measured as a total of present value of lease rentals during the lease term and the present value of expected payments at the end of lease:
- fixed and variable payments less any lease incentives receivable;
- amounts expected to be payable under residual value guarantees, if any;
- the exercise price of a purchase option if Athora Netherlands is reasonably certain to exercise that option, if any;
- payments of penalties for terminating the lease, if the lease term reflects the early termination, if any.

Lease liabilities are subsequently measured based on amortised cost using the effective interest method.

The discount rates are the incremental borrowing rates that have been determined for each asset based on the asset category (property and vehicles), lease tenor and amount, also taking Athora Netherlands' creditworthiness and other economic factors into account.

## 6.1.6 Accounting Policies for the Statement of Profit or Loss

Income and expenditure are allocated to the period to which they relate. Costs are recognised in the cost category to which they relate.

## Income

Income represents the fair value of the services, after elimination of intra-group transactions within Athora Netherlands. Income is recognised as described in the following sections.

## Premium Income

Premium income from insurance contracts, exclusive of taxes and other charges, comprises regular life premiums (including pensions) and single life premiums.

Regular life premiums, single-premium contracts and limited-premium life insurance policies from life insurance contracts are recognised as income when payment by the policyholder falls due. Interest rate discounts are included in gross premium income and charged to technical claims and benefits during the amortisation period.

## Reinsurance Premiums

This item represents premiums on ceded reinsurance contracts. They are charged to the statement of profit or loss in proportion to the contract period.

## Fee and Commission Income

Fee and commission income comprises primarily asset management fees and intermediary commissions, which are in scope of IFRS 15.

Asset management fee comprises fees received on contracts with external parties related to the asset management activities of the investment portfolio as well as the tactical asset allocation according the mandate agreed upon. It also includes fees relating to the valuation of the outstanding assets and the related (financial) administration of all assets. Given that these services are provided and consumed during the year the fees are recognised over time.

Fees related other activities mainly comprises commission received as reward from external parties for insurance contracts signed by Athora Netherlands' intermediaries and fees received for administrative services. Depending on the underlying contract, the fees are recognised at a point in time or over time.

## Fee and Commission Expense

Commission expenses and management fees are accounted for as fee and commission expense to the extent that they are related to the services received in the reporting period.

Commission costs related to transactions in general account financial instruments is included in the amortised cost of this instrument, unless the instrument is measured at fair value through profit or loss, in which case the commission is included in the result.

## Share in Result of Associates

This item represents Athora Netherlands' share of profit of its associates. If the carrying amount of an associate falls to zero, no further losses are recognised, unless Athora Netherlands has entered into commitments or made payments on its behalf.

To the extent necessary, the accounting policies applied by associates have been adjusted to ensure consistency with those applied by Athora Netherlands.

## Investment Income

Investment income consists of interest, dividends, rental income and revaluations.

### Interest

The item interest comprises interest income from investments. Interest on financial assets is accounted for using the effective interest method based on the actual purchase price. The effective interest method is based on estimated future cash flows, taking into account the risk of early redemption of the underlying financial instruments and direct costs and income, such as transaction costs charged, brokerage fees and discounts or premiums.

Commitment fees, together with related direct costs, are deferred and recognised as adjustments of the effective interest on a loan if it is likely that Athora Netherlands will conclude a particular loan agreement. If the commitment expires without Athora Netherlands having provided the loan, the fee is recognised at the moment the commitment term expires. If it is unlikely that a particular loan agreement will be concluded, the commitment fee is recognised pro rata as a gain during the commitment period.

Interest income on monetary financial assets that have been subject to impairment and have been written down to the estimated recoverable amount is calculated over the amortised cost of the financial asset net of any reduction for impairment or uncollectibility.

### Dividends

Dividends income is recognised in the statement of profit or loss as soon as the entity's right to payment is established. In the case of listed securities, this is the date on which these securities are quoted ex-dividends.

### Rental Income

Rental income consists of rentals from investment property. Rental income is recognised as income on a straight-line basis for the duration of the lease agreement.

### Revaluations

This item serves to recognise realised and unrealised increases and decreases in the fair value of financial assets qualifying as at fair value through profit or loss. Revaluations concern the difference between the fair value at the reporting date or net proceeds from the sale during the reporting period on the one hand, and the fair value at the beginning of the reporting period or the purchase price during the reporting period on the other.

Realised gains and losses, i.e. the difference between the selling price and amortised cost, of financial assets coming under the other categories are recognised in this item as well.

## Investment Income for Account of Policyholders

This item represents income from investments held for account of life insurance policyholders. These investments are measured at fair value. Increases and decreases in the value of investments are recognised in the statement of profit or loss as investment income for account of policyholders. The dividends and interest for account of policyholders are also accounted for in this item.

## Results on Investments for Account of Third Parties

This item represents gains and losses on investments for account of third parties. These gains and losses comprise increases and decreases in the fair value changes on the investments for account of third parties respectively the changes in fair value of the liabilities arising from these investments.

## Result on Derivatives

Gains and losses on derivative and other financial instruments are recognised under this item. Derivatives are measured at fair value. Gains and losses from revaluations to fair value are directly recognised in the statement of profit or loss within gains and losses on financial instruments. However, if derivatives are designated as hedging instruments, the recognition of a resulting gain or loss depends on the nature of the hedged item and the effectiveness of the hedging relationship. The ineffective portion of any gains or losses of a cash flow hedge is recognised directly as result on derivatives.

## Net result from discontinued operations

Refer to the section "Assets held for sale & discontinued operations" in 6.1.5 Accounting policies for the statement of financial position.

## Expenses

Expenses are recognised in the statement of profit or loss on the basis of a direct relationship between costs incurred and the corresponding economic benefits. If future economic benefits are expected to occur in different reporting periods, expenses are recognised in the statement of profit or loss based on a systematic allocation method. Expenses are directly recognised in the statement of profit or loss if they do not generate any future economic benefits.

## Technical Claims and Benefits

This item comprises benefits and claims paid, surrender, claim handling costs and the changes in the general account insurance liabilities which include the difference between actual and expected results on the general account insurance portfolio. The changes in insurance liabilities resulting from shadow accounting on interest rate derivatives and LAT-deficit are also presented as this item.

## Charges for Account of Policyholders

This item comprises changes in provisions for insurance contracts for account of policyholders (see the section entitled 'Life insurance contracts for account of policyholders').

## Acquisition Costs for Insurance Activities

Acquisition costs comprise the direct and indirect costs associated with acquiring an insurance contract, including brokerage fees, the costs of medical check-ups and service charges for recording new policies in the portfolio.

## Results on Liabilities from Investments for Account of Third Parties

This item represents changes in value of liabilities from investments for account of third parties, which mirror the changes in the fair value of the underlying investments.

## Staff Costs

This item concerns expenses related to staff, including salaries, social security contributions and pension costs.

## Depreciation and Amortisation of Non-current Assets

This item comprises all depreciation and amortisation of property and equipment and intangible assets. For details on depreciation and amortisation, see Section 6.1.5 entitled 'Accounting policies for the statement of financial position' (see the applicable items).

## Other Operating Expenses

This includes office expenses, accommodation expenses and other operating expenses.

## Impairment Losses

This item includes impairments of assets whose carrying amounts exceed their recoverable amounts. Intangible assets, property and equipment, associates, financial assets, receivables and other assets may be subject to impairment. As soon as an impairment loss is identified, it is recognised in the statement of profit or loss. The specific policies for impairment are explained in greater detail in Section 6.1.5 entitled 'Accounting policies for the statement of financial position' (see the applicable items).

## Other Interest Expenses

This item primarily comprises interest expenses related to reinsurance depots and lease liabilities as well as interest on subordinated bonds and private loans issued by Athora Netherlands. Interest expenses are recognised in the statement of profit or loss based on the effective interest method.

## Other Expenses

Other expenses comprise all expenses that cannot be accounted for within the items in the statement of profit or loss described above. These expenses have no direct relation with the primary and secondary business operations, occur occasionally, and are incurred in a single reporting period or arise in a single reporting period; they are amortised over multiple reporting periods, where applicable.

## 6.1.7 Contingent Liabilities and Commitments

Contingent liabilities are liabilities not recognised in the statement of financial position because the existence is contingent on one or more uncertain events that may or may not occur in the future not wholly within the control of Athora Netherlands. It is not possible to make a reliable estimate of such liabilities.

The maximum potential credit risk arising from pledges and guarantees is stated in the notes. In determining the maximum potential credit risk, it is assumed that all the counterparties will no longer live up to their contractual obligations and that all the existing collateral is without value.

### 6.1.8 Cash Flow Statement

The cash flow statement is prepared according to the indirect method, and distinguishes between cash flows from operational, investment and financing activities. Cash flows in foreign currency are converted at the exchange rate applicable on the transaction date. With regard to cash flow from operations, operating results before tax are adjusted for gains and losses that did not result in income and payments in the same financial year and for movements in provisions and accrued and deferred items.

Investments in subsidiaries and associates are stated under cash flow from investing activities. The cash and cash equivalents available at the acquisition date are deducted from the purchase price. In the context of the cash flow statement, cash and cash equivalents are equal to the balance sheet item cash and cash equivalents.

### 6.1.9 COVID-19 Impact

The COVID-19 outbreak has caused significant impact across the world, including to Athora Netherlands, our customers, suppliers, employees and other stakeholders. The key impacts on Athora Netherlands include:

- **Customers:** we have actively informed our customers about the possibilities for potential deferral of premium payment on pension policies and amending the pension scheme for their employees in light of the COVID-19 pandemic. We have also helped clients navigate the support options provided by the government.
- **Financial strength:** Despite a turbulent capital market during the year, our financial position remains strong and the Solvency II ratio is stable. Although the 2020 impact of COVID-19 on our investment returns have proved to be limited, the end of the pandemic is not yet in sight and we will continue to monitor the market.
- **Way of working:** The need for social distancing during the pandemic has resulted in all our employees working remotely for most of 2020 (and likely beyond). This has introduced challenges across technology / tools, relationship building (in particular with a new shareholder and Executive Board) and employee mental health wellbeing which we have to a large extent mitigated through interactive digital meetings and broadcasts, set-up of a COVID-19 proof studio and ensured that management was extra alert with respect to the safety and wellbeing of our employees.

#### Challenges Ahead

The COVID-19 pandemic is not yet over and remote working will thus remain the norm for the time being. Globally, the economy is suffering from the constraints introduced to manage the spread, and markets remain vulnerable. Athora Netherlands will therefore continue to keep a close eye on how our investments develop and how we can keep our business operations and financial position healthy.

#### Financial impacts

The impact of COVID-19 as per 31 December 2020 is limited. There was no increase in impairments on investments or amounts in arrears. Additionally, minimum concession (€ 11 thousand) were issued to third parties. The known impact on cashflows were nihil.

The updated mortality tables recently published by the Actuarial Society of the Netherlands did not show a significant increase in mortality risk because of COVID-19. The total amount of technical liabilities were not negatively affected.

The ultimate impact of COVID-19 on our results going forward is still impossible to accurately predict. We will continue to monitor the effects in the longer term.

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 COVID-19 Outbreak might lead to a contingency situation and Athora Netherlands is currently monitoring the potential impact of COVID-19 on its capital and Solvency II ratios, however at the moment based on the current solvency position no contingency situation is identified.

## 6.2 ACQUISITIONS AND DISPOSALS

### Disposal

#### VIVAT Schade

On 1 April 2020, Athora acquired 100% of shares of VIVAT (now Athora Netherlands) and subsequently sold 100% of the shares of VIVAT Schade held by Athora Netherlands to NN Schade, for a purchase price of € 416 million. Simultaneously, Athora Netherlands transferred the shares in VIVAT Schade to NN Schade. The total gain recognised on the disposal of VIVAT Schade as discontinued operation is € 56 million. This total gain consist of the gain on the sale of VIVAT Schade of € 24 million and the gain of € 32 million (nett) on the derecognition of the available-for-sale financial assets of VIVAT Schade by recycling its unrealised gains and losses recognised within other comprehensive income (shareholders' equity), net of deferred taxes from equity to profit or loss.

NN Schade has also acquired the intercompany Tier 2 loans granted by Athora Netherlands to VIVAT Schade for € 150 million and accrued interest at book value. VIVAT Schade provides property & casualty and disability insurances. Following the sale of the Non-life business, Athora Netherlands is to become a more focused and efficient life insurer. For more information refer to Note 38 Discontinued operations.

### Acquisitions

In 2020 Athora Netherlands' subsidiary SRLEV has invested in Rabo Dutch Mortgages Fund Yellow for an amount of € 1,244 million, in Athora Lux Invest for an amount of € 245 million and in Apollo Strategic Origination Partners for an amount of nil.

#### Rabo Dutch Mortgages Fund Yellow

Rabo Dutch Mortgages Fund Yellow is an investment fund controlled by SRLEV specialised in acquiring mortgages. SRLEV is the only investor in the fund.

#### Athora Lux Invest

Athora Lux Invest is an umbrella investment fund with sub-funds, in which SRLEV is the only investor. At the end of 2020 two sub-funds specialised in commercial real estate and middle market direct lending were controlled by SRLEV.

#### Apollo Strategic Origination Partners (ASOP)

Apollo Strategic Origination Partners, L.P. is an investment fund organised as a special limited partnership. The fund intends to generate investment income by investing indirectly in private loans to mainly North American and European borrowers. SRLEV will be a limited partner with a 30% share in the fund. At year-end 2020, a capital commitment of € 241 million is given and when capital is required to provide a loan, then the capital call will be made by the General Partner. Subsequently, SRLEV, as one of the limited partners will be entitled to the proceeds from the investments. For more information with regard to ASOP refer to note 2 'Investments in Associates'.

In 2019 Athora Netherlands has acquired Bellecom NV and CBRE PFCEE.

#### Bellecom NV

On 16 December 2019, Athora Netherlands acquired 100% of shares of Bellecom NV for an amount of € 3 million. Bellecom NV invests in commercial real estate (office buildings to be renovated) and its acquisition is part of Athora Netherlands' investment strategy to seek more attractive yields.

The fair value of the identifiable assets and liabilities of Bellecom as at the date of acquisition was € 3 million and comprised primarily the fair value of the investment property. As a result no goodwill was recognised.

**CBRE PFCEE**

On 19 March 2019, also as a part of its investment strategy, for an amount of € 41 million Athora Netherlands acquired 30% of shares of CBRE PFCEE, a joint fund under Dutch law. CBRE PFCEE invests in commercial real estate. For more information with regard to CBRE PFCEE refer to note 2 'Investments in Associates'.

## 6.3 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 1 Property and Equipment

| BREAKDOWN OF PROPERTY AND EQUIPMENT | | |
|---|---|---|
| **In € millions** | **2020** | **2019** |
| Land and buildings for own use | 38 | 50 |
| IT equipment | 2 | 4 |
| Right-of-use assets (ROU) | 2 | 3 |
| Other assets | 4 | 5 |
| **Total** | **46** | **62** |

| BREAKDOWN OF RIGHT-OF-USE ASSETS | | |
|---|---|---|
| **In € millions** | **2020** | **2019** |
| Property | 0 | 0 |
| Vehicles | 2 | 3 |
| **Total** | **2** | **3** |

| STATEMENT OF CHANGES IN PROPERTY AND EQUIPMENT 2020 | | | | | | |
|---|---|---|---|---|---|---|
| **In € millions** | **Land and buildings** | **IT equipment** | **ROU: Property** | **ROU: Vehicles** | **Other assets** | **Total** |
| Accumulated acquisition costs | 78 | 9 | - | 4 | 16 | **107** |
| Accumulated depreciation and impairments | -40 | -7 | - | -2 | -12 | **-61** |
| **Balance as at 31 December** | **38** | **2** | **0** | **2** | **4** | **46** |
| | | | | | | |
| **Balance as at 1 January** | **50** | **4** | **0** | **3** | **5** | **62** |
| Reclassifications | -5 | - | - | - | - | **-5** |
| Investments | - | - | - | 1 | - | **1** |
| Depreciation | -1 | -2 | - | -1 | -1 | **-5** |
| Impairments | -6 | - | - | - | - | **-6** |
| Other | - | - | - | -1 | - | **-1** |
| **Balance as at 31 December** | **38** | **2** | **0** | **2** | **4** | **46** |

The reclassification in Land and Buildings concerns the reclassification of the property in Assen to Investment Property.

| STATEMENT OF CHANGES IN PROPERTY AND EQUIPMENT 2019 | | | | | | |
|---|---|---|---|---|---|---|
| In € millions | Land and buildings | IT equipment | ROU: Property | ROU: Vehicles | Other assets | Total |
| Accumulated acquisition costs | 81 | 9 | - | **4** | **15** | **109** |
| Accumulated depreciation and impairments | -31 | -5 | - | **-1** | **-10** | **-47** |
| **Balance as at 31 December** | **50** | **4** | **0** | **3** | **5** | **62** |
| | | | | | | |
| **Balance as at 1 January** | **51** | **4** | **-** | **-** | **7** | **62** |
| Introduction IFRS 16 | **-** | **-** | 0 | **3** | **-** | **3** |
| **Adjusted balance as at 1 January** | **51** | **4** | **0** | **3** | **7** | **65** |
| Investments | - | 2 | - | 1 | - | **3** |
| Depreciation | -1 | -2 | - | -1 | -2 | **-6** |
| Impairments | 4 | - | - | - | - | **4** |
| Other | -4 | - | - | - | - | **-4** |
| **Balance as at 31 December** | **50** | **4** | **0** | **3** | **5** | **62** |

Right-of-use assets (ROU) include the leased office buildings and leased vehicles for use by Athora Netherlands employees. Athora Netherlands has chosen to exempt short-term leases and low value leases and therefore they are not included in the ROU. The relating costs will be reported as part of the operating expenses instead.

For interest expenses on lease liabilities refer to note 36 Other Interest Expenses. For expenses relating to short-term leases and for income from subleasing Right-of-use assets refer to note 34 Other Operating Expenses. For the cash outflows relating to leases refer to 5.5 Consolidated Cash Flow Statement.

## Rental Income

Athora Netherlands is engaged in rental agreements. Of the Property own use, one buildings is rented out to a third parties. The rental agreement has an expiration date in 2021.

The future lease payments (excluding service costs and VAT) for Property own use to be received for a period up to one year is € 0.01 million

## Appraisal of Land and Buildings for Own Use

All land and buildings for own use are appraised by an external surveyor at the end of the fourth quarter.

| VALUATION OF LAND AND BUILDINGS FOR OWN USE | | | |
|---|---|---|---|
| In € millions | Assessed | Carrying amount | Appraised value as % of total carrying amount |
| 2020 | 37 | 37 | 100% |
| 2019 | 50 | 50 | 100% |

## 2 Investments in Associates

This item comprises Athora Netherlands' investment in CBRE Property Fund Central and Eastern Europe (CBRE PFCEE). The statement below shows the principal associate (CBRE PFCEE) at year-end 2020. CBRE PFCEE's share capital consists entirely of ordinary shares and SRLEV holds an interest in those shares. CBRE PFCEE operates as a joint fund under Dutch law (in Dutch: fonds voor gemene rekening) and invests in commercial real estate in Central and Eastern Europe. The statutory objective of CBRE

PFCEE is to invest in real estate directly or indirectly with the main focus on maximising the rental income. The shares of the associate are not listed.

| OVERVIEW OF INVESTMENTS IN ASSOCIATES 2020 | | | |
|---|---|---|---|
| Name | Country of incorporation | % of ownership interest | Measurement method |
| CBRE Property Fund Central and Eastern Europe (CBRE PFCEE) | NL | 30% | Equity |
| Apollo Strategic Origination Partners (ASOP) | Bermuda | 30% | Equity |

| OVERVIEW OF INVESTMENTS IN ASSOCIATES 2019 | | | |
|---|---|---|---|
| Name | Country of incorporation | % of ownership interest | Measurement method |
| CBRE Property Fund Central and Eastern Europe (CBRE PFCEE) | NL | 30% | Equity |

| STATEMENT OF CHANGES IN INVESTMENTS IN ASSOCIATES | | |
|---|---|---|
| In € millions | 2020 | 2019 |
| **Balance as at 1 January** | 37 | **-** |
| Capital invested | 2 | 45 |
| Repayment of capital invested | - | -7 |
| Result of associate | 1 | 1 |
| Dividend received | -2 | -2 |
| **Balance as at 31 December** | **38** | **37** |

| CONDENSED STATEMENT OF FINANCIAL POSITION OF CBRE PFCEE | | |
|---|---|---|
| In € millions | 2020 | 2019 |
| Non-current assets | 151 | 157 |
| Current assets | 13 | 13 |
| **Total assets** | **164** | **170** |
| Current liabilities | 2 | 3 |
| Non-current liabilities | 43 | 43 |
| **Total liabilities** | **45** | **46** |
| **Net assets** | **119** | **124** |

| CONDENSED STATEMENT OF PROFIT OR LOSS OF CBRE PFCEE | | |
|---|---|---|
| In € millions | 2020 | 2019 |
| Income | 15 | 22 |
| Expenses | 15 | 8 |
| **Result continued operations** | **-** | **14** |
| Tax expense | - | 2 |
| **Net result continued operations** | **-** | **12** |

The information above was derived from CBRE PFCEE's financial statements. CBRE PFCEE's financial year ends on 31 December 2020. The financial statements have been prepared in accordance with IFRS. It does not represent the share of SRLEV in its profits.

The Apollo Strategic Origination Fund is still in its start-up phase. No capital was distributed per 31 December 2020. Equity value as per 31 December 2020 is therefore nil.

## 3 Investment Property

| SPECIFICATION INVESTMENT PROPERTY | | |
|---|---|---|
| **In € millions** | **2020** | **2019** |
| Investment property | 521 | 458 |
| Right-of-use assets (ROU): Investment property | - | 2 |
| **Total** | **521** | **460** |

| STATEMENT OF CHANGES IN INVESTMENT PROPERTY 2020 | | | |
|---|---|---|---|
| **In € millions** | **Investment property** | **ROU: Investment property** | **Total** |
| **Balance as at 1 January** | **458** | **2** | **460** |
| Reclassifications | 5 | - | **5** |
| Investments | 46 | - | **46** |
| Divestments | -7 | - | **-7** |
| Revaluations | 19 | -2 | **17** |
| **Balance as at 31 December** | **521** | **-** | **521** |

Investment property mainly consists of offices and retail properties. The reclassification in 2020 represents the reclassification of the property in Assen from Property own use to investment property (€ 5 million). Revaluations include the indexation of lease contracts reported under Right-of-use assets. Lease liabilities decrease accordingly. Therefore indexation does not impact the statement of Profit or Loss.

| STATEMENT OF CHANGES IN INVESTMENT PROPERTY 2019 | | | |
|---|---|---|---|
| **In € millions** | **Investment property** | **ROU: Investment property** | **Total** |
| **Balance as at 1 January** | **402** | **-** | **402** |
| Introduction IFRS 16 | - | 4 | **4** |
| **Adjusted balance as at 1 January** | **402** | **4** | **406** |
| Investments | 25 | - | **25** |
| Divestments | -4 | - | **-4** |
| Revaluations | 31 | -2 | **29** |
| Other movements | 4 | - | **4** |
| **Balance as at 31 December** | **458** | **2** | **460** |

The rental income from operating leases of the investment property is reported in Note 26 Investment Income. In 2020, rental concessions in relation to COVID-19 were made to the amount of € 11 thousand.

The future lease payment (excluding service costs and VAT) to be received for investment property (with a definite contract period) for a period of up to one year is € 23 million; for a period of one to two years is € 21 million; for a period of two to three years is € 21 million; for a period of three to four years is € 18 million; for a period of four to five years is € 15 million; for a period of longer than five years is € 12 million.

## 4 Investments

| BREAKDOWN OF INVESTMENTS | | |
|---|---|---|
| **In € millions** | **2020** | **2019** |
| Fair value through profit or loss: Designated | 174 | 186 |
| Available for sale | 31,801 | 32,394 |
| Loans and receivables | 9,947 | 8,992 |
| **Balance as at 31 December** | **41,922** | **41,572** |

Investments for own account increased in 2020 by € 350 million compared to 2019. The increase is driven by growth of the mortgage portfolio in loans and receivables which was partly offset by redemptions of private loans linked to saving mortgages. Despite increased prices of investments due to decreased market interest rates, the available for sale investments decreased due to the sale of VIVAT Schade.

| BREAKDOWN OF FAIR VALUE THROUGH PROFIT OR LOSS: LISTED AND UNLISTED | | |
|---|---|---|
| | Designated fixed-income | |
| **In € millions** | **2020** | **2019** |
| Listed | 174 | 186 |
| Unlisted | - | - |
| **Total** | **174** | **186** |

| STATEMENT OF CHANGES IN FAIR VALUE THROUGH PROFIT OR LOSS | | |
|---|---|---|
| | Designated fixed-income | |
| **In € millions** | **2020** | **2019** |
| **Balance as at 1 January** | **186** | **186** |
| Disposals and redemptions | -18 | -10 |
| Revaluations | 6 | 10 |
| Received Coupons | -5 | -5 |
| Accrued Interest | 5 | 5 |
| **Balance as at 31 December** | **174** | **186** |

| BREAKDOWN OF AVAILABLE FOR SALE: LISTED AND UNLISTED | | | | | | |
|---|---|---|---|---|---|---|
| | Shares and similar investments | | Fixed-income investments | | Total | |
| **In € millions** | **2020** | **2019** | **2020** | **2019** | **2020** | **2019** |
| Listed | - | - | 27,837 | 29,050 | **27,837** | **29,050** |
| Unlisted | 2,605 | 2,374 | 1,359 | 970 | **3,964** | **3,344** |
| **Total** | **2,605** | **2,374** | **29,196** | **30,020** | **31,801** | **32,394** |

The increase of shares and similar investments in 2020 was caused by the higher investments in money market funds. Fixed-income investments decreased by € 0.8 billion mainly due to the sale of VIVAT Schade which was partly offset by higher revaluations as result of the decreased market interest rates.

| STATEMENT OF CHANGES IN AVAILABLE FOR SALE | | | | | | |
|---|---|---|---|---|---|---|
| | Shares and similar investments | | Fixed-income investments | | Total | |
| In € millions | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| **Balance as at 1 January** | **2,374** | **4,176** | **30,020** | **26,013** | **32,394** | **30,189** |
| Purchases and advances | 17,771 | 20,151 | 20,430 | 16,299 | **38,201** | **36,450** |
| Disposals and redemptions | -17,444 | -21,950 | -20,086 | -12,854 | **-37,530** | **-34,804** |
| Movements due to sale VIVAT Schade | -59 | - | -1,492 | - | **-1,551** | **-** |
| Revaluations | 2 | 27 | 710 | 726 | **712** | **753** |
| Impairments | -4 | 3 | - | - | **-4** | **3** |
| Amortisation | - | - | -179 | -198 | **-179** | **-198** |
| FX Result | -11 | 11 | -186 | 70 | **-197** | **81** |
| Received Coupons | - | - | -582 | -686 | **-582** | **-686** |
| Accrued Interest | - | - | 561 | 650 | **561** | **650** |
| Dividend Received/ Negative Distribution | -24 | -44 | - | - | **-24** | **-44** |
| **Balance as at 31 December** | **2,605** | **2,374** | **29,196** | **30,020** | **31,801** | **32,394** |

During the year, most of the disposals and redemptions stated above relate to German and Dutch sovereigns bonds. The proceeds have been reinvested in German, Dutch, French, Finnish and Belgian short-term sovereign bonds.

| BREAKDOWN OF AVAILABLE FOR SALE: MEASUREMENT | | | | | | |
|---|---|---|---|---|---|---|
| | Shares and similar investments | | Fixed-income investments | | Total | |
| In € millions | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| (Amortised) cost | 2,577 | 2,345 | 25,252 | 26,226 | **27,829** | **28,571** |
| Revaluation | 28 | 29 | 3,642 | 3,415 | **3,670** | **3,444** |
| Accrued interest | - | - | 302 | 379 | **302** | **379** |
| **Balance as at 31 December** | **2,605** | **2,374** | **29,196** | **30,020** | **31,801** | **32,394** |

Athora Netherlands has lent some of its fixed-income investments for the purpose of additional income. The carrying amount of the investments lent in a securities lending program as at 31 December 2020 amounts to € 1,691 million (2019: € 2,468 million). The lending periods are open-ended and can be terminated on request. The fair value of investments received from the counterparty as collateral at 31 December 2020 was € 1,751 million (2019: € 2,124 million). Collateral is only accepted in the form of equity and fixed income securities, with restrictions on the quality. Although collateral is at the disposal of Athora Netherlands, it is Athora Netherlands' policy not to trade with collateral received given the open-ended character of the initial securities lending transaction.

Some investments have been posted as collateral for amounts due to derivatives. The carrying amount (market value) of investments posted as collateral at 31 December 2020 was € 1,890 million (2019: € 1,734 million). The collateral received for derivatives are reported in Note 40 Financial Instruments.

| BREAKDOWN OF LOANS AND RECEIVABLES | | |
|---|---|---|
| In € millions | 2020 | 2019 |
| Mortgages | 3,974 | 2,619 |
| Private loans linked to savings mortgages | 3,967 | 4,399 |
| Other private loans | 2,006 | 1,974 |
| **Total** | **9,947** | **8,992** |
| Provision for bad debts | - | - |
| **Total** | **9,947** | **8,992** |

The increase in mortgages by € 1.4 billion was driven by an investment of € 1.1 billion to further expand the exposure to Dutch residential mortgage loans and higher inflows from existing brands. Private loans linked to savings mortgages decreased due to redemptions, while the other private loans portfolio slightly increased due to new lendings in 2020.

| STATEMENT OF CHANGES IN LOANS AND RECEIVABLES | | |
|---|---|---|
| In € millions | 2020 | 2019 |
| **Balance as at 1 January** | **8,992** | **8,281** |
| Purchases and advances | 2,913 | 2,086 |
| Movements due to sale VIVAT Schade | -43 | - |
| Disposals and redemptions | -2,016 | -1,559 |
| Amortisation | -12 | -14 |
| Realised Revaluation | 2 | - |
| Accrued interest | 157 | 188 |
| FX Result | -46 | 10 |
| **Balance as at 31 December** | **9,947** | **8,992** |
| **Balance provisions as at 1 January** | - | - |
| Release | - | - |
| Release due to derecognition | - | - |
| **Balance provisions as at 31 December** | **-** | **-** |
| **Total** | **9,947** | **8,992** |

## Investment Portfolio

| BREAKDOWN OF INVESTMENTS OF INSURANCE BUSINESS | | |
|---|---|---|
| In € millions | 2020 | 2019 |
| Investments | | |
| - Fair value through profit or loss: Designated | 174 | 186 |
| - Available for sale | 29,196 | 30,020 |
| - Other private loans | 2,006 | 1,974 |
| **Interest-bearing investment portfolio** | **31,376** | **32,180** |
| Mortgages | 3,974 | 2,619 |
| Private loans linked to savings mortgages | 3,967 | 4,399 |
| **Total** | **39,317** | **39,198** |

The mortgages and private loans linked to savings mortgages are not rated and have the Netherlands as geographic area. For more information about the private loans linked to savings mortgages see note 20 Guarantees and Commitments.

The following table shows the breakdown of the interest-bearing investment portfolio by sector.

| BREAKDOWN OF INTEREST-BEARING INVESTMENT PORTFOLIO (SECTOR) | | | | |
|---|---|---|---|---|
| **In € millions** | **2020** | | **2019** | |
| Sovereign | 21,249 | 68% | 22,065 | 69% |
| Corporate bonds - financial sector | 5,397 | 17% | 3,880 | 12% |
| Corporate bonds - non-financial sector | 2,250 | 7% | 3,436 | 11% |
| Mortgage backed securities | 451 | 2% | 800 | 2% |
| Loans | 2,006 | 6% | 1,955 | 6% |
| Other | 23 | 0% | 44 | 0% |
| **Total** | **31,376** | **100%** | **32,180** | **100%** |

Compared to 2019 a shift can be noticed from non-financial sector corporate bonds in favor of financial sector corporate bonds. The decrease of the interest-bearing investment portfolio is due to the sale of VIVAT Schade in 2020.

The following overview includes the interest-bearing investments by rating category.

| BREAKDOWN OF INTEREST-BEARING INVESTMENT PROFILE (RATING) | | | | |
|---|---|---|---|---|
| **In € millions** | **2020** | | **2019** | |
| AAA | 15,460 | 49% | 16,675 | 52% |
| AA | 6,768 | 22% | 6,066 | 19% |
| A | 5,307 | 17% | 5,023 | 15% |
| BBB | 2,828 | 9% | 3,429 | 11% |
| < BBB | 27 | 0% | 141 | 0% |
| Not rated | 986 | 3% | 846 | 3% |
| **Total** | **31,376** | **100%** | **32,180** | **100%** |

In 2020, Athora Netherlands continued its re-risking strategy which is reflected in the increase of the AA rated investments in the interest-bearing investment portfolio (2020: 22%, 2019: 19%) at the expense of AAA rated investments.

The interest bearing investment portfolio by geographic area is included in the table below.

| BREAKDOWN OF INTEREST-BEARING INVESTMENT PROFILE (GEOGRAPHIC) | | | | |
|---|---|---|---|---|
| **In € millions** | **2020** | | **2019** | |
| Germany | 9,319 | 30% | 9,525 | 30% |
| Netherlands | 5,555 | 18% | 7,122 | 22% |
| United States Of America | 3,089 | 10% | 2,547 | 8% |
| France | 2,682 | 8% | 2,515 | 8% |
| Austria | 1,406 | 4% | 1,151 | 4% |
| United Kingdom | 1,200 | 4% | 815 | 2% |
| Belgium | 1,179 | 4% | 1,101 | 3% |
| Finland | 1,016 | 3% | - | 0% |
| Japan | 901 | 3% | 475 | 1% |
| Denmark | 552 | 2% | - | 0% |
| Luxembourg | 387 | 1% | 613 | 2% |
| Spain | 372 | 1% | 738 | 2% |
| Switzerland | 278 | 1% | 217 | 1% |
| Sweden | 244 | 1% | - | 0% |
| | | | | |
| Other European countries | 2,705 | 8% | 4,252 | 13% |
| Oceania | 277 | 1% | 185 | 1% |
| America | 214 | 1% | 536 | 2% |
| Asia | - | 0% | 359 | 1% |
| Africa | - | 0% | 29 | 0% |
| **Total** | **31,376** | **100%** | **32,180** | **100%** |

The interest-bearing investment portfolio of Athora Netherlands has predominantly European debtors. The German Government and Dutch Government represent, as single debtors, an interest of more than 5% each in the interest-bearing investment portfolio.

The category ‘Other European countries’ also includes investments in European and other international banking institutions that cannot be allocated to a single country (2020: € 1,662 million / 2019: € 1,023 million).

| BREAKDOWN OF MORTGAGES PER RISK CATEGORY | | |
|---|---|---|
| **In € millions** | **2020** | **2019** |
| Mortgages < 75% of foreclosure value | 2,061 | 1,256 |
| Mortgages 75% < > 100% of foreclosure value | 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** |
| Specific provision for bad debts | - | - |
| **Total** | **3,974** | **2,619** |

## 5 Investments for Account of Policyholders

Investments for account of policyholders include investments under unit-linked policies for an amount of € 11,520 million (2019: € 11,446 million) and separate investment deposits for separate accounts amounting to € 2,268 million (2019: € 2,074 million).

| BREAKDOWN OF INVESTMENTS FOR ACCOUNT OF POLICYHOLDERS: LISTED AND UNLISTED | | |
|---|---|---|
| **In € millions** | **2020** | **2019** |
| Shares and similar investments: | | |
| - Listed | 12,701 | 12,398 |
| - Unlisted | 410 | 364 |
| Fixed-income investments | | |
| - Listed | 426 | 488 |
| - Unlisted | 251 | 270 |
| **Total** | **13,788** | **13,520** |

As a consequence of the consolidation of investments funds, the investments for account of policyholders within these funds are represented by the underlying investments.

| STATEMENT OF CHANGES IN INVESTMENTS FOR ACCOUNT OF POLICYHOLDERS | | |
|---|---|---|
| **In € millions** | **2020** | **2019** |
| **Balance as at 1 January** | **13,520** | **11,989** |
| Purchases and advances | 2,839 | 1,367 |
| Disposals and redemptions | -3,157 | -1,777 |
| Changes in fair value | 701 | 2,045 |
| Dividend Received/Negative Distribution | -100 | -124 |
| Received Coupons | -14 | -17 |
| Accrued Interest | 23 | 28 |
| FX Result | -22 | 5 |
| Other movements | -2 | 4 |
| **Balance as at 31 December** | **13,788** | **13,520** |

The increase of investments for account of policyholders was mainly driven by positive fair value changes due to combination of decreasing market interest rates and increasing stock markets. The positive fair value changes are partially offset by the transition of investments under unit-linked policies to investments for account of third parties.

## 6 Investments/Liabilities for Account of Third Parties

The third party investments amount to € 2,414 million (2019: € 1,045 million) and largely consist of ACTIAM Responsible Index Funds and investments for the account of participants of Zwitserleven PPI. The increase of third party investments in 2020 is the consequence of higher recognition of external participators due to the merge of several ACTIAM funds. Other reasons for the increase in third party investments are higher net inflow in PPI that partly originate from investments under unit-linked policies and positive revaluations due to increasing stock markets.

| BREAKDOWN PER TYPE OF INVESTMENTS | | |
|---|---|---|
| **In € millions** | **2020** | **2019** |
| Shares and similar investments | 2,374 | 1032 |
| **Investments in investments funds** | **2,374** | **1032** |
| Other investments | 29 | 6 |
| Cash of participants to be invested | 11 | 7 |
| **Other investments** | **40** | **13** |
| **Total** | **2,414** | **1,045** |

| STATEMENT OF CHANGES IN INVESTMENTS FOR ACCOUNT OF THIRD PARTIES: | | |
|---|---|---|
| In € millions | 2020 | 2019 |
| **Balance as at 1 January** | **1,045** | **676** |
| Purchases and advances | 1,419 | 233 |
| Disposals and redemptions | -251 | -17 |
| Changes in fair value | 183 | 173 |
| Dividend received | -9 | -6 |
| Other movements | 27 | -14 |
| **Balance as at 31 December** | **2,414** | **1,045** |

## 7 Derivatives

| BREAKDOWN OF DERIVATIVES | | | | | | |
|---|---|---|---|---|---|---|
| | Positive value | | Negative value | | Balance | |
| In € millions | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| Derivatives for which cash flow hedge accounting is applied | 284 | 224 | - | - | **284** | **224** |
| Derivatives for which fair value hedge accounting is applied | - | - | - | 1 | **-** | **-1** |
| Derivatives held in the context of asset and liability management to which no hedge accounting is applied | 5,106 | 2,878 | 1,097 | 675 | **4,009** | **2,203** |
| **Total** | **5,390** | **3,102** | **1,097** | **676** | **4,293** | **2,426** |

The derivatives position increased with € 1,867 million in 2020. This is mainly due to changes in market value caused by the decrease of long-term interest rate (€ 1,641 million) and the weakening of foreign currency mainly the USD (€ 232 million). Long-term interest rates decreased in 2020 and therefore the (receiver) swaps increase in value. The investments in foreign currency decreased in value due to the currency movements. Consequently the derivative hedging portfolio increased in value.

| STATEMENT OF CHANGES IN DERIVATIVES | | |
|---|---|---|
| In € millions | 2020 | 2019 |
| **Balance as at 1 January** | **2,426** | **474** |
| Purchases | 53 | 2 |
| Disposals | 1 | 137 |
| Realised gains and losses | -156 | 110 |
| Movements due to sale VIVAT Schade | -65 | - |
| Revaluations | 1,797 | 1,886 |
| Exchange rate differences and FX result | 232 | -176 |
| Accrued interest | 5 | -7 |
| **Balance as at 31 December** | **4,293** | **2,426** |

The disposals mainly consist of bond forwards (€ 82 million) and bond futures (€ 83 million) due to daily settlement of market value movements, and the settlement of FX forwards (€ -174 million).

For more information about derivatives see Note 29 Results on derivatives and Note 41 Hedging and hedge accounting.

## 8 Deferred Tax

| ORIGIN OF DEFERRED TAX 2020 | | | | | |
|---|---|---|---|---|---|
| In € millions | 1 January | Change through profit or loss | Change through equity | Movements due to sale VIVAT Schade | 31 December |
| Capitalised acquisition costs Insurance activities | **17** | 1 | - | - | **18** |
| (Investment) property and equipment | **-53** | -14 | - | - | **-67** |
| Investments | **-615** | -5 | -168 | - | **-788** |
| Derivatives | **-440** | -517 | -31 | 13 | **-975** |
| Insurance contracts | **1,507** | 662 | 209 | -2 | **2,376** |
| Provision for employee benefits | **24** | 29 | 20 | - | **73** |
| Received loans | **11** | -13 | - | - | **-2** |
| Other | **-2** | -26 | - | - | **-28** |
| **Total** | **449** | **117** | **30** | **11** | **607** |

| ORIGIN OF DEFERRED TAX 2019 | | | | | |
|---|---|---|---|---|---|
| In € millions | 1 January | Change through profit or loss | Change through equity | Other movements | 31 December |
| Capitalised acquisition costs Insurance activities | **17** | - | - | - | **17** |
| (Investment) property and equipment | **-43** | -10 | - | - | **-53** |
| Investments | **-454** | 18 | -179 | - | **-615** |
| Derivatives | **-15** | -403 | -22 | - | **-440** |
| Insurance contracts | **904** | 402 | 201 | - | **1,507** |
| Provision for employee benefits | **14** | -4 | 14 | - | **24** |
| Carry forward losses | **33** | - | - | -33 | **-** |
| Received loans | **9** | 2 | - | - | **11** |
| Other | **-** | -2 | - | - | **-2** |
| **Total** | **465** | **3** | **14** | **-33** | **449** |

The total amount of change in deferred tax through profit or loss is € 117 million (2019: € 3 million). This amount is due to temporary differences (2020: € 60 million; 2019: € -30 million) and to the impact of the change in corporate income tax rate (2020: € 57 million; 2019: € 39 million). See also note 37 Income Tax.

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. The total impact of the change 2019 in tax rate is € 33 million (gain) of which € 39 million via profit or loss account as tax benefit and € 6 million as a loss via equity.

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%. As a result the deferred tax position per ultimo 2020 is recalculated at 25%. The total impact of the reversal of corporate income tax rate reduction is € 68 million (gain) of which € 57 million via profit or loss account as tax benefit and € 11 million via equity.

## 9 Loans and Advances due from Banks

| BREAKDOWN OF LOANS AND ADVANCES DUE FROM BANKS | | |
|---|---|---|
| In € millions | 2020 | 2019 |
| Loans relating to saving components of mortgages | 257 | 254 |
| Collateral | 190 | 154 |
| Deposits | 32 | 181 |
| Loans to banks | 124 | 123 |
| **Balance as at 31 December** | **603** | **712** |

This item mainly relates to loans and advances due from banks other than interest-bearing securities. Of the total amount of € 603 million (2019: € 712 million), € 191 million has a remaining term to maturity of less than three months (2019: € 207 million).

Cash collateral advanced to banks is related to the market value of derivatives. The decrease of the market value of the derivatives explains the increase of the paid collateral for the year.

## 10 Other Assets

| BREAKDOWN OF OTHER ASSETS | | |
|---|---|---|
| In € millions | 2020 | 2019 |
| Receivables from policyholders | 46 | 41 |
| Receivables from intermediaries | 47 | 85 |
| Receivables from reinsurers | - | 13 |
| **Receivables from direct insurance** | **93** | **139** |
| | | |
| Accrued interest | 15 | 18 |
| Other accrued assets | 54 | 30 |
| **Accrued assets** | **69** | **48** |
| | | |
| Other taxes | - | -1 |
| Other receivables | 92 | 76 |
| **Total** | **254** | **262** |

The receivables are expected to be recovered within twelve months after reporting date.

## 11 Cash and Cash Equivalents

| BREAKDOWN OF CASH AND CASH EQUIVALENTS | | |
|---|---|---|
| In € millions | 2020 | 2019 |
| Short-term bank balances | 385 | 351 |
| **Total** | **385** | **351** |

Short-term bank balances are at the company's free disposal.

Athora Netherlands and its subsidiaries have a joint credit facility of € 7.5 million in total with ABN AMRO. Additionally, Athora Netherlands entered into a € 200 million revolving credit facility with a group of leading European banks.

## 12 Equity

| BREAKDOWN OF EQUITY | | |
|---|---|---|
| In € millions | 2020 | 2019 |
| Equity attributable to Shareholders | 3,428 | 3,538 |
| Equity attributable to Holders of Other equity instruments | 300 | 300 |
| **Total** | **3,728** | **3,838** |

The share capital issued is fully paid up and comprises of 477 ordinary shares with a nominal value of € 500.00 per share for a total value of € 238,500.

The share premium reserve decreased with € 16 million as a result of the interim distribution of € 416 million to Athora Netherlands Holding Ltd. and the capital injection of € 400 million by Athora Netherlands Holding Ltd. in April 2020.

In June 2018 Athora Netherlands issued subordinated Restricted Tier 1 notes. The € 300 million subordinated notes bear discretionary interest and have no maturity date, but can be redeemed at the discretion of Athora Netherlands. Consequently these notes have been classified as equity instruments.

The notes are first callable after seven 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 arrears on 19 June and 19 December in each year. Interest on this loan is recognised directly via equity instead of via the statement of profit or loss.

## 13 Subordinated Debt

| BREAKDOWN OF SUBORDINATED DEBT | | |
|---|---|---|
| In € millions | 2020 | 2019 |
| Bonds | 818 | 868 |
| **Total** | **818** | **868** |

| STATEMENT OF CHANGES IN SUBORDINATED DEBT | | |
|---|---|---|
| In € millions | 2020 | 2019 |
| **Balance as at 1 January** | **868** | **863** |
| Amortisation | 1 | 1 |
| Changes market value due to hedging | -8 | -10 |
| Currency gains and losses | -43 | 14 |
| **Balance as at 31 December** | **818** | **868** |

## Subordinated Bonds

| BREAKDOWN OF SUBORDINATED BONDS | | | | | | | |
|---|---|---|---|---|---|---|---|
| | | | | Carrying amount | | Nominal value | |
| In € millions | Coupon | Maturity | First call date | 2020 | 2019 | 2020 | 2019 |
| SRLEV NV | 9.000% | April 2011 - April 2041 | April - 2021 | 250 | 250 | 250 | 250 |
| SRLEV NV (Swiss Franc) | mid-swap plus 5.625% | July 2011 - perpetual | December - 2021 | 97 | 97 | 97 | 97 |
| Athora Netherlands NV (US Dollar) | 6.250% | November 2017 - perpetual | November - 2022 | 467 | 509 | 469 | 512 |
| | | | | **814** | **856** | **816** | **859** |
| Hedge accounting adjustment | | | | 4 | 12 | - | - |
| **Total** | | | | **818** | **868** | **816** | **859** |

In April 2011, SRLEV NV issued € 400 million in subordinated bonds maturing in 2041. In June 2018, SRLEV partially repurchased these notes of a notional amount of € 150 million. The notes qualify as Tier 2 regulatory capital under Solvency II.

In July 2011, SRLEV NV issued CHF 105 million in perpetual subordinated bonds. The CHF bond had a first redemption date on 19 December 2016. SRLEV decided not to exercise its redemption option to redeem the CHF bond in December 2016, 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 not to exercise the redemption option to redeem the CHF Bond.

In November 2017, Athora Netherlands NV issued $ 575 million (€ 476 million) in subordinated notes. The notes are first callable after five 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 (November 2022). The notes qualify as Tier 2 regulatory capital under Solvency II.

## 14 Borrowings

| STATEMENT OF CHANGES IN BORROWINGS | | |
|---|---|---|
| In € millions | 2020 | 2019 |
| **Balance as at 1 January** | **645** | **644** |
| Disposals and redemptions | -613 | - |
| Amortisation | - | 1 |
| Realised revaluation | 29 | - |
| **Balance as at 31 December** | **61** | **645** |

On 17 May 2017 Athora Netherlands NV issued € 650 million of senior notes. An amount of € 584 million was redeemed in April 2020, at a loss of € 29 million, as a result of the succesfull tender offer on the notes. The remaining € 61 million senior notes have a fixed coupon at 2.375% per annum and a remaining maturity of three years.

## 15 Insurance Liabilities and Reinsurance Share

As per 31 December 2020, the total amount of insurance liabilities is € 51,512 million (2019: € 50,088 million). The reinsurers' share is € 27 million (2019: € 111 million).

| BREAKDOWN OF INSURANCE LIABILITIES AND ITS REINSURERS SHARE PER LINE OF BUSINESS | | | | |
|---|---|---|---|---|
| | Gross | | Reinsurance | |
| In € millions | 2020 | 2019 | 2020 | 2019 |
| Individual Life, for own risk | 10,846 | 11,366 | 27 | 46 |
| Life Corporate, for own risk | 26,476 | 23,716 | - | - |
| **Life, for own risk (15.1)** | **37,322** | **35,082** | **27** | **46** |
| Individual Life, for account of policyholders | 4,045 | 4,395 | - | - |
| Life Corporate, for account of policyholders | 10,145 | 9,528 | - | - |
| **Life, for account of policyholders (15.2)** | **14,190** | **13,923** | **-** | **-** |
| **Non-Life (15.3)** | **-** | **1,083** | **-** | **65** |
| **Total** | **51,512** | **50,088** | **27** | **111** |

Athora Netherlands sells Individual Life insurance policies in the retail and SME markets and Life Corporate insurance policies in the entire corporate market in the Netherlands. The Individual Life insurance portfolio mainly consists of unit-linked insurance policies, savings-based mortgage policies, term assurance policies (ORV) and life annuity insurancepolicies providing regular payments for the remainder of the holder's life. The Life Corporate insurance portfolio mainly consists of traditional contracts, group policies with separate accounts and of unit-linked policies.

| BREAKDOWN OF INSURANCE LIABILITIES AND ITS REINSURERS SHARE PER TYPE OF PROVISION | | | | |
|---|---|---|---|---|
| | Gross | | Reinsurance | |
| In € millions | 2020 | 2019 | 2020 | 2019 |
| Provision for Life insurance obligations (15.1) | 25,855 | 26,368 | 27 | 46 |
| Results on allocated investments and interest derivatives (15.1) | 9,058 | 6,840 | - | - |
| Cumulative LAT deficit (15.4) | 2,024 | 1,617 | - | - |
| Unamortised interest rate discounts (15.1) | 331 | 186 | - | - |
| Provision for profit-sharing, bonuses and discounts (15.1) | 54 | 71 | - | - |
| **Life, for own risk** | **37,322** | **35,082** | **27** | **46** |
| | | | | |
| **Life, for account of policyholders (15.2)** | **14,190** | **13,923** | **-** | **-** |
| | | | | |
| **Non-Life (15.3)** | **-** | **1,083** | **-** | **65** |
| **Total** | **51,512** | **50,088** | **27** | **111** |

### 15.1 Life, for Own Risk

| STATEMENT OF CHANGES IN PROVISIONS FOR LIFE INSURANCE OBLIGATIONS FOR OWN RISK | | | | |
|---|---|---|---|---|
| | Gross | | Reinsurance | |
| In € millions | 2020 | 2019 | 2020 | 2019 |
| **Balance as at 1 January** | **26,368** | **26,640** | **46** | **77** |
| Portfolio transfers | 14 | 268 | - | - |
| Benefits paid | -2,188 | -2,262 | -259 | -221 |
| Premiums received | 1,092 | 1,120 | 249 | 195 |
| Interest added | 783 | 820 | 1 | 4 |
| Technical result | -82 | -87 | -9 | -9 |
| Release of expense loading | -125 | -129 | -1 | - |
| Other movements | -7 | -2 | - | - |
| **Balance as at 31 December** | **25,855** | **26,368** | **27** | **46** |

The Life portfolio contains individual and group insurance policies. In 2020, an amount of € 14 million was transferred from life insurance on behalf of policyholders to life insurance liabilities (2019: € 268 million). This concerned group pension contracts. At the end of the contract terms, these contracts were converted into other contract forms for account of Athora Netherlands. This transfer took place in dialogue with the customers.

The increase in reinsurance benefits paid and premiums received compared to 2019 is mainly due to the increased quota share percentage for the longevity reinsurance contract at yearend 2019. For further details about the longevity contract, refer to Note 15.4 Liability Adequacy Test Results.

#### Traditional Insurance Policies

In principle, Athora Netherlands bears the investment risk related to traditional insurance policies. Special categories are formed by the saving mortgage insurance, in which the return on the savings portion is linked to the associated mortgage loan. A small portion of the private loans linked saving mortgages portfolio is exposed to counterparty default risk.

A form of profit-sharing exists, or an interest rate rebate has been granted, for a significant portion of the portfolio. This breakdown is included in the accompanying table.

| BREAKDOWN OF TRADITIONAL INSURANCE POLICIES | | |
|---|---|---|
| In € millions | 2020 | 2019 |
| With profit-sharing (operational or surplus interest) | 9,460 | 9,343 |
| With interest rate discounts (or surcharges) | 4,296 | 4,221 |
| Without profit-sharing | 8,109 | 8,417 |
| Savings-based mortgages | 3,990 | 4,387 |
| **Total traditional insurance policies** | **25,855** | **26,368** |

Measurement of life insurance liabilities is in principle based on historical tariff rates set at the inception date of the underlying contracts. A periodic IFRS liability adequacy test is performed on these liabilities. Since there is a deficit in the liability adequacy test (LAT) at the end of 2020 and 2019, the insurance liabilities are currently measured at the probability weighted best estimate of future cash flows based on current assumptions discounted by the swap curve including Ultimate Forward Rate (UFR).

| RESULTS ON ALLOCATED INVESTMENTS AND INTEREST DERIVATIVES | | |
|---|---|---|
| **In € millions** | **2020** | **2019** |
| Revaluation reserve of fixed income investment portfolio | 3,315 | 2,935 |
| Results on fixed income financial assets backing insurance contracts with discretionary participation features and related derivatives | 5,743 | 3,905 |
| **Total** | **9,058** | **6,840** |

The revaluation reserve of fixed income investment portfolio increased by € 380 million. The decreasing interest rates have lead to a positive impact on the market value of assets.

Shadow accounting increased with € 1,839 million mainly as a result of interest rate movements (shadow accounting mainly consists of returns and expected cashflows on derivatives, realised results on bonds sold and amortisation on Shadow Accounting).

| STATEMENT OF CHANGES IN UNAMORTISED INTEREST RATE DISCOUNTS | | |
|---|---|---|
| | **Life own risk** | |
| **In € millions** | **2020** | **2019** |
| **Balance as at 1 January** | **186** | **81** |
| Discounts and surcharges in the financial year | 172 | 116 |
| Amortisation | -27 | -11 |
| **Balance as at 31 December** | **331** | **186** |

The increase is caused by structural low interest rates.

| STATEMENT OF CHANGES IN PROVISION FOR PROFIT-SHARING, BONUSES AND DISCOUNTS | | |
|---|---|---|
| | **Life own risk** | |
| **In € millions** | **2020** | **2019** |
| **Balance as at 1 January** | **71** | **57** |
| Profit-sharing, bonuses and discounts granted in the financial year | -17 | 14 |
| **Balance as at 31 December** | **54** | **71** |

The decrease was mainly a result of technical results within a part of the product portfolio.

## 15.2 Life, for Account of Policyholders

| STATEMENT OF CHANGES IN TECHNICAL PROVISIONS FOR INSURANCE ON ACCOUNT OF POLICYHOLDERS | | |
|---|---|---|
| In € millions | 2020 | 2019 |
| **Balance as at 1 January** | **13,923** | **12,384** |
| Portfolio transfers | -14 | -268 |
| Premiums received | 672 | 729 |
| Benefits paid | -1,049 | -961 |
| Interest added | 38 | 41 |
| Changes in valuation and exchange rate | 691 | 2,046 |
| Technical result | -15 | 12 |
| Release of expense loading | -56 | -59 |
| Other movements | - | -1 |
| **Balance as at 31 December** | **14,190** | **13,923** |

### Insurance Policies in Investment Units

Policyholders usually bear the investment risk for insurance policies in investment units (unit-linked investment units). Athora Netherlands is in principle, not exposed to interest rate risk, price risk, exchange rate risk or counterparty default risk. For Individual Life the Insurance Policies in Investment Units only contains investment funds in units without additional provisions and company profit sharing which are already reported under Own Risk. For part of the portfolio however, Athora Netherlands has issued minimum guarantees, as a result of which the interest rate risk, price risk and exchange rate risk for these contracts are for the account and risk of Athora Netherlands. The value of the guarantees within the portfolio is measured periodically.

Athora Netherlands' portfolio includes also group policies with separate accounts and unit-linked policies. The separate accounts have an interest guarantee. At the current low interest rates this option has value for the customer.

The increase in 2020 was mainly caused by market value movements in related assets.

| BREAKDOWN OF INSURANCE POLICIES IN INVESTMENT UNITS | | |
|---|---|---|
| In € millions | 2020 | 2019 |
| Without guarantee | 10,583 | 10,488 |
| With guarantee | 3,607 | 3,435 |
| **Total** | **14,190** | **13,923** |

## 15.3 Non-Life

At the end of 2019 the total amount of gross provisions regarding Non-Life was € 1,083 million and net of the reinsurance share of € 65 million the net amount was € 1,018 million. The provisions regarding Non-Life have been transferred along with the sale of VIVAT Schade to NN Schade.

## 15.4 Liability Adequacy Test results

| RECONCILIATION OF THE IFRS INSURANCE LIABILITIES AND THE LAT RESULTS | Life insurance LAT | | Non-life insurance LAT | |
|---|---|---|---|---|
| In € millions | 2020 | 2019 | 2020 | 2019 |
| Insurance liabilities before LAT[1] | 46,146 | 44,407 | - | 1,018 |
| IFRS LAT reserve | 52,028 | 49,449 | - | 868 |
| **Deficit** | **-5,882** | **-5,042** | | |

1 Insurance liabilities before LAT includes both Life for own risk and Life for account of policyholder (net) and is excluding cumulative LAT deficit and revaluation reserve of fixed income investment portfolio.

The deficit is covered by the revaluation reserve of the fixed income investment portfolio (2020: € 3,315 million; 2019: € 2,935 million) and by the surplus value of the investments (mortgages and part of the loans and receivables) measured at amortised cost (2020: € 543 million; 2019: € 490 million). The remaining cumulative LAT deficit at 31 December 2020 amounts to € 2,024 million (2019: € 1,617 million) and is added to the insurance liabilities before LAT.

The increase in the cumulative LAT deficit amounts to € 407 million (2019: 28 million decrease) which is charged through the income statement. The development of the LAT deficit was mainly a result of:
- Portfolio developments and the related market impact (€ 73 million increase of LAT margin);
- Operating Assumption Changes have led to an increase of the LAT margin of € 21 million. This increase consists of two offsetting impacts: an update of underwriting parameters of € 159 million (including changed mortality assumptions of € 198 million) and updated expense parameters (€ -169 million);
- The Ultimate Forward Rate (UFR) change from 3,90% to 3,75% (€ 97 million decrease of LAT margin);
- New Longevity Reinsurance contract (€ 188 million decrease of LAT margin).

| STATEMENT OF CHANGES IN IFRS LAT RESERVE (LIFE) | | |
|---|---|---|
| In € millions | 2020 | 2019 |
| **Balance as at 1 January** | **49,449** | **45,434** |
| Portfolio Movements | -994 | -911 |
| Operating Assumption Changes: | | |
| - Lapse | 36 | - |
| - Mortality | -188 | -330 |
| - Disability | - | -1 |
| - Expense | -24 | 4 |
| - Asset management costs | 179 | 26 |
| - Update Risk Margin Assumption Changes | -10 | -19 |
| Market Impacts | 3,278 | 4,975 |
| Other | 302 | 271 |
| **Balance as at 31 December** | **52,028** | **49,449** |

The increase of the market value of liabilities is largely caused by market impacts (€ 3,287 million) that primarily consist of the change of the swap interest rates (€ 2,987 million) and the increase of fund value within the Unit Linked portfolio (€ 246 million). The increase of the market value of liabilities is partially offset by portfolio movements (€ -994 million). The parameter updates in 2020 caused the market value of liabilities to decrease with € -7 million in total.

Other items can be mainly ascribed to initial changes including a new longevity re-insurance contract (€ 188 million) and the UFR decrease from 3.90% to 3.75% (€ 97 million).

### Longevity reinsurance

In 2020 Athora Netherlands has entered in a new (additional) longevity reinsurance contract, further decreasing SRLEV's longevity risk and positively affecting the Solvency II ratio for SRLEV and Athora Netherlands. The longevity contracts are included in LAT calculation and as such, presented as part of the cumulative LAT deficit. The 2020 transaction has a one-off impact of € 188 million increase in IFRS LAT reserve, the result of the net present value of the future reinsurance premiums and benefits which is partly offset by a decrease in risk margin. Per ultimo 2020 the longevity reinsurance contracts are included in the cumulative LAT deficit for € 637 million (2019: € 255 million).

More elaboration on the significant developments with regards to risk disclosures are considered in chapter 7.

## 16 Provision for Employee Benefits

| BREAKDOWN OF PROVISION FOR EMPLOYEE BENEFITS | | |
|---|---|---|
| **In € millions** | **2020** | **2019** |
| Pension commitments | 680 | 615 |
| Other employee benefit commitments | 15 | 14 |
| **Total** | **695** | **629** |

## Pension Commitments

### Defined Contribution Scheme

The pension scheme to which Athora Netherlands employees are entitled is a defined contribution scheme. Under this scheme, Athora Netherlands NV pays a fixed amount to Stichting Pensioenfonds SNS REAAL.

In 2021, Athora Netherlands' contribution to the defined contribution scheme will be approximately € 19 million (2020: € 24 million).

### Defined Benefit Schemes

Athora Netherlands has several legacy pension schemes with pension entitlements of current and former employees of Athora Netherlands and the companies it acquired over the years. Most of these legacy pension schemes have been insured by SRLEV and few with other insurance companies.

The fair value of the plan assets of these plans is determined based on different methodologies. Investments relating to pension schemes that are included in a separate investment account are offset against the present value of defined benefit obligations. Non-separated investments are recognised within investments in the statement of financial position.

Athora Netherlands' total contribution to these defined benefit schemes is expected to be approximately € 3.3 million in 2021 (2020: € 5.2 million). Obligations for additional indexation rights are included in the provision and will be released after payment to the insurer.

Regarding the several defined benefit schemes, as explained below, there are no changes with respect to terms and conditions. These defined benefit schemes are closed schemes, so no new participants are added.

**Pension Scheme Former AXA and Winterthur (Defined Benefit Scheme)**
The accrual of new pension rights of former employees of Winterthur, UAP, Equity & Law (E&L) and Guardian have been transferred to the Stichting Pensioenfonds SNS REAAL as from 1 January 2009.

The schemes of Winterthur, UAP and Equity & Law (E&L) are insured with SRLEV NV, without the investments being separated; instead they are recognised within investments in the statement of financial position and included in the balance sheet item Investments.

The Guardian pension scheme is insured externally. No direct investment allocation is held in relation to the Guardian pension scheme. Therefore, the fair value of the pension plan assets can not be determined based on a certain investment allocation. The fair value of the plan assets is based on the accrued pension benefits and actuarial rates.

The indexation of the pension entitlements of inactive participants is equal to the indexation applied by the Stichting Pensioenfonds SNS REAAL. The pension entitlements of active participants are unconditionally indexed based on the salary index. Active participants are here defined as employees of Athora Netherlands that actively accrue pension benefits in the Stichting Pensioenfonds SNS REAAL.

In the event that the coverage ratio of the Winterthur scheme falls below the agreed limit of 105%, an additional contribution will be made by the employer.

After offsetting the fair value of the investments, € 211 million has been included in the provision for pensions for the former AXA and Winterthur pension schemes (2019: € 198 million). In 2021, Athora Netherlands' contribution to these defined benefit schemes is expected to amount to € 0.8 million (2020: € 1.7 million).

**Pension Scheme Zwitserleven (Defined Benefit Scheme)**
As of 1 January 2010, the accrual of new pension entitlements of the employees of former Zwitserleven NV was transferred to Stichting Pensioenfonds SNS REAAL. The rights of inactive participants built up in the past and active former participants remain part of the former pension scheme of Zwitserleven.

Until 2025 the conditional indexation of the pension rights of inactive participants is determined using the return on investment and potential technical results. If the return is insufficient, the indexation may be lower than the indexation of Stichting Pensioenfonds SNS REAAL. From 2025 onwards, the indexation will in principle be equal to the indexation of Stichting Pensioenfonds SNS REAAL. The pension rights of active former participants are unconditionally indexed based on the salary index.

The pension scheme of Zwitserleven is self-administered. For this pension scheme, the present value of the pension obligations of € 364 million (2019: € 323 million) has been included in the provision for employee benefits. There is no separate investment account. Athora Netherlands' contribution to the defined benefit scheme of Zwitserleven is expected to amount to € 2.0 million in 2021 (2020: € 2.7 million).

**Other Pension Schemes**
The accrual of new pension rights of former employees of Zürich, NHL, Helvetia and DBV has been transferred to Stichting Pensioenfonds SNS REAAL. The pension rights of former employees of Zürich and DBV built up in the past are insured internally by SRLEV, without the investments being separated; instead they are recognised within investments in the statement of financial position and included in the balance sheet item Investments.

The pension rights of former employees of NHL and Helvetia built up in the past are insured externally. No direct investment allocation is held in relation to these pension schemes. Therefore, the fair value of the pension plan assets can not be determined based on a certain investment allocation. The fair value of the plan assets of NHL is based on the accrued pension benefits and actuarial rates and the value of the indexation depot. As the value of the assets in the investment account is lower than the discounted value of the funded insured benefits under the insurance contract, the fair value of plan assets is set to the discounted value of the funded insured benefits, increased with the indexation depot and the current account. Regarding the NHL pension scheme the asset ceiling is applied. The fair value of the plan assets of Helvetia is based on the accrued pension benefits and actuarial rates. In all of these pension schemes no more pension rights, other than indexation, are accrued. As per 2019 the guarantee costs for the NHL pension plan are included in the fair value of the plan assets.

After offsetting the fair value of the investments, € 105 million (2019: € 93 million) has been included in the provision for pensions for these other pension schemes. In 2021, Athora Netherlands' contribution to the other defined benefit schemes is expected to amount to € 0.6 million (2020: € 0.8 million).

## Overview Pension Commitments

| BREAKDOWN OF PENSION COMMITMENTS | | |
|---|---|---|
| **In € millions** | **2020** | **2019** |
| Present value of defined benefit obligations | 759 | 688 |
| Less: Fair value of plan assets | -79 | -73 |
| **Present value of the net liabilities** | **680** | **615** |

| STATEMENT OF CHANGES IN PRESENT VALUE OF DEFINED BENEFIT OBLIGATIONS | | |
|---|---|---|
| **In € millions** | **2020** | **2019** |
| **Present value as at 1 January** | **688** | **603** |
| Increase and interest accrual through profit or loss | 6 | 11 |
| Actuarial gains or losses due to changes in financial assumptions through Other Comprehensive Income | 79 | 82 |
| Actuarial gains or losses due to changes in demographic assumptions through Other Comprehensive Income | -17 | -6 |
| Actuarial gains or losses due to experience adjustments through Other Comprehensive Income | 15 | -2 |
| Benefits paid | -19 | -18 |
| Other movements through through profit or loss | 7 | - |
| Other movements through Other Comprehensive Income | - | 18 |
| **Present value as at 31 December** | **759** | **688** |

Other movements through Other Comprehensive Income in 2019 relates to understated defined benefit obligation by € 18 million at the end of 2018.

| STATEMENT OF CHANGES IN FAIR VALUE OF THE PLAN ASSETS | | |
|---|---|---|
| **In € millions** | **2020** | **2019** |
| **Fair value as at 1 January** | **73** | **73** |
| Investment income through profit or loss | 1 | 1 |
| Return on plan assets | 8 | 5 |
| Guarantee cost adjustment through Other Comprehensive Income | - | -3 |
| **Investment income** | **9** | **3** |
| Premiums | 16 | 15 |
| Benefits paid | -19 | -18 |
| **Fair value as at 31 December** | **79** | **73** |

Based on general practice in the market, Athora Netherlands decided to include an additional provision for guarantees expenses in the pension obligation of € 3 million as per 31 December 2019. The provision was charged to Other Comprehensive Income.

The expected return on investments through profit or loss has been netted with the actuarial rate of interest (in accordance with IAS 19 Revised). The difference between the actual interest result and the actuarial rate of interest is recognised in Other Comprehensive Income.

| BREAKDOWN OF FAIR VALUE OF THE PLAN ASSETS | | |
|---|---|---|
| **In € millions** | **2020** | **2019** |
| Cash and cash equivalents | 14 | 12 |
| Insurance contract | 65 | 61 |
| **Balance as at 31 December** | **79** | **73** |

The plan assets Insurance contracts consist of the paid-up value based on the actuarial principles.

| RECONCILIATION OF THE EFFECT OF THE ASSET CEILING | | |
|---|---|---|
| **In € millions** | **2020** | **2019** |
| **Balance as at 1 January** | **-** | **4** |
| Remeasurements on the effect of asset ceiling through Other Comprehensive Income | - | -4 |
| **Balance as at 31 December** | **-** | **-** |

| STATEMENT OF CHANGES IN OTHER COMPREHENSIVE INCOME | | |
|---|---|---|
| **In € millions** | **2020** | **2019** |
| **Balance as at 1 January** | **-20** | **53** |
| Actuarial gains or losses directly taken to Other Comprehensive Income pension commitments | -77 | -82 |
| Investment income for the benefit or at the expense of Other Comprehensive Income | 8 | -5 |
| Deferred taxes | 18 | 14 |
| **Balance as at 31 December** | **-71** | **-20** |

| THE MAIN ACTUARIAL PARAMETERS AT YEAR-END | | |
|---|---|---|
| **In percentages** | **2020** | **2019** |
| Discount rate | 0.72% | 0.85% |
| Expected salary increase | 1.50% | 1.86% |
| Increase accrued pension rights - Active | future wage inflation curve | 1.86% |
| Increase accrued pension rights - Inactive | future price inflation curve | 50% of price inflation |

In 2020, the discount rate has been updated based on current market conditions. The expected rate of return on assets is equal to the discount rate.

The assumptions for pension increases during and after active period have been updated to better reflect expected future experience of the schemes. It has been assumed that accrued benefits of active participants will be increased annually based on a future wage inflation curve which is based on the development of the wage inflation as used for the annually increase of the benefits of current employees of Athora Netherlands.

The current and future pension payments will be increased annually based on a future price inflation curve which reflects future price inflation that is taking into account the most recent recovery plan of Stichting Pensioenfonds SNS REAAL with a two year delay.

| SENSITIVITY PRESENT VALUE OF PENSION OBLIGATIONS 2020 | | |
|---|---|---|
| | 31 December 2020 | |
| In € millions | Change in € millions | Change in % |
| Discount rate 0.22% (-0.5%) | 77 | 10% |
| Discount rate 1.22% (+0.5%) | -67 | -9% |

| SENSITIVITY PRESENT VALUE OF PENSION OBLIGATIONS 2019 | | |
|---|---|---|
| | 31 December 2019 | |
| In € millions | Change in € millions | Change in % |
| Discount rate 0.35% (-0.5%) | 68 | 10% |
| Discount rate 1.35% (+0.5%) | -59 | -9% |

## Other Employee Benefit Commitments

| STATEMENT OF CHANGES IN OTHER EMPLOYEE BENEFIT COMMITMENTS | | |
|---|---|---|
| In € millions | 2020 | 2019 |
| **Balance as at 1 January** | **14** | **14** |
| Additions | 2 | 2 |
| Withdrawal | -1 | -2 |
| **Balance as at 31 December** | **15** | **14** |

These refer to jubilee benefits, reimbursements of medical expenses, discounts granted for bank and insurance products to (former) employees after the date of their retirement.

## 17 Other Provisions

| BREAKDOWN OF OTHER PROVISIONS | | |
|---|---|---|
| In € millions | 2020 | 2019 |
| Restructuring provision | 50 | - |
| Other provisions | 18 | 15 |
| **Total** | **68** | **15** |

Other provisions are predominantly of a long-term nature; these have been formed mainly for the settlement of legal and other claims.

| STATEMENT OF CHANGES IN RESTRUCTURING AND OTHER PROVISIONS | | | | | | |
|---|---|---|---|---|---|---|
| | Restructuring provision | | Other provisions | | Total | |
| In € millions | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| **Balance as at 1 January** | **-** | **5** | **15** | **21** | **15** | **26** |
| Reclassifications | - | - | 4 | - | **4** | **-** |
| Additions | 50 | - | 1 | - | **51** | **-** |
| Withdrawal | - | -5 | -3 | -1 | **-3** | **-6** |
| Released to results | - | - | 1 | -5 | **1** | **-5** |
| **Balance as at 31 December** | **50** | **-** | **18** | **15** | **68** | **15** |

In September 2020 the new Strategy & Operating Model were presented by the Executive Board. Implementing the new Strategy & Operating Model would result in a reduction of 400 to 500 FTE. The umbrella request for advice was submitted to and approved by the works council and was communicated company-wide. The costs associated with the reduction in FTE are to be provided for. A restructuring provision is formed for 500 FTE for employees which qualify for redundancy status according to social plan agreements. It is expected that it will be used during 2021 until 2023.

## 18 Amounts due to Banks

| BREAKDOWN OF AMOUNTS DUE TO BANKS | | |
|---|---|---|
| In € millions | 2020 | 2019 |
| Due on demand | 4,427 | 2,549 |
| Private loans | 257 | 254 |
| **Total** | **4,684** | **2,803** |

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 mainly by net received collateral (€1,841million) including carve out relates to increase net derivative fair value which mainly increased by decreasing long-term interest rates. The private loans relates to the saving components of mortgages.

## 19 Other Liabilities

| BREAKDOWN OF OTHER LIABILITIES | | |
|---|---|---|
| In € millions | 2020 | 2019 |
| Debts to group companies | 25 | - |
| Debts in relation to direct insurance | 267 | 283 |
| Debts to reinsurers | 48 | 86 |
| Investment transactions to be settled | 16 | 14 |
| Other taxes | 30 | 39 |
| Other liabilities | 264 | 296 |
| Benefits to be paid | 258 | 326 |
| Accrued interest | 21 | 29 |
| Lease liabilities | 2 | 5 |
| **Total** | **931** | **1,078** |

Other liabilities include creditors, amounts payable to reinsurers, payables to clients, other taxes and accrued liabilities as well as interest accrued on financial instruments.

For depreciation charge of Right-of-use assets and for the additions to Right-of-use assets refer to note 1 Property and Equipment. For interest expenses on lease liabilities refer to note 36 Other Interest Expenses. For expenses relating to short-term leases and for income from subleasing Right-of-use assets refer to note 34 Other Operating Expenses. For the cash outflows relating to leases refer to 5.5 Consolidated Cash Flow Statement.

With exception of the lease liabilities, the other liabilities are expected to be settled within twelve months after reporting date. See below for the maturity analysis of the lease liabilities as per 31 December 2020.

| LEASE LIABILITIES - MATURITY ANALYSIS | | |
|---|---|---|
| **In € millions** | **2020** | **2019** |
| < 1 month | - | 1 |
| 1 - 3 months | - | - |
| 3 - 12 months | 1 | 2 |
| 1 - 2 years | 1 | 1 |
| 2 - 5 years | - | 1 |
| > 5 years | - | - |
| **Total** | **2** | **5** |
| Current | 1 | 3 |
| Non-current | 1 | 2 |

## 20 Guarantees and Commitments

## Contingent Liabilities

### Liabilities

At year-end 2020, SRLEV NV had assumed commitments to invest € 370 million in investment funds (2019: € 467 million). These funds may in due course call these commitments (capital calls). Ahead of these capital calls, securities have been identified that can be sold as soon as there is a capital call. This exposure had no immediate effect on the capital as of 31 December 2020. In 2020, SRLEV NV entered into a commitment to invest in Apollo Strategic Origination Partners (ASOP) funds. The undrawn investment commitment at year-end 2020 is € 241 million.

An Asset Management Agreement (AMA) is signed between Curlew Netherlands BV and RE Young Urban Housing BV (subsidiary of Athora Netherlands). At year-end 2020, Athora Netherlands has a residual commitment of € 100 million (2019: € 136 million) to a ten year separate account mandate for RE Young Urban Housing BV in the Netherlands, managed by Curlew Netherlands BV.

In 2019, SRLEV NV entered a loan commitment of € 32 million with its newly acquired subsidiary Bellecom NV for the renovation of property. At year-end 2020, SRLEV has a residual loan commitment of € 19 million to Bellecom NV (2019: € 24 million). Bellecom NV has entered into a commitment to invest a maximum of € 39.4 million into the renovation of property.

## Guarantee Schemes

SRLEV NV has guaranteed obligations arising under an insurance contract between NV Pensioen ESC, a subsidiary of SRLEV NV, and a third party related to the defined benefit plan of that party for the term of the contract. The financial position of NV Pensioen ESC, including the indexation reserves, which – as stipulated in the contract with the third party – will be guaranteed by Athora Netherlands NV if the SII ratio of SRLEV NV should fall below 100%. SRLEV NV's solvency ratio was higher than 100% at year-end 2020. Given that the fair value of the separated assets exceeds the technical claims and benefits, this contract does not give rise to any additional technical claims and benefits in the statement of financial position.

As per 1 January 2019, the Recovery and Resolution insurance companies Act (Wet herstel en afwikkeling van verzekeraars) came into force. This also affects Athora Netherlands NV. The Recovery and Resolution insurance companies Act will enable insurance companies and DNB to be better prepared for a crisis situation and gives DNB opportunities to intervene better in case of a bankruptcy of an insurance company. In those cases DNB is enforced to take care of the interests of policyholders.

In 2012, SRLEV NV revised separate account contracts before the end date of the contracts to make the deficits arising from issued guarantees more manageable. Agreement was reached with customers, in which process customers funded the increased charges of longevity risk while SRLEV NV bore part of the interest deficit. At year-end 2020, a liability of € 2 million exists relating to this separate accounts restructuring (2019: € 3 million). The customers' liability in respect of this restructuring was € 3 million at year-end 2020 (2019: € 4 million). SRLEV NV has received a guarantee from one of its clients of € 28.9 million to strengthen the clients position concerning determination of the investment portfolio.

## Guarantees Received and Given

The market value of guarantees received under the National Mortgage Guarantee Fund (in Dutch: NHG) amounted to € 883 million at year-end 2020 (2019: € 726 million).

The market value of the collateral of the mortgages was € 8,783 million at year-end 2020 (2019: € 5,640 million). The amortised cost of the mortgages was € 3,974 million at year-end 2020 (2019: € 2,619 million).

For saving mortgage arrangements were made between SRLEV and several credit institutions. The credit risk concerning saving premiums is covered by received cession warranties amounting to € 3,713 million (2019: € 4,080 million), deeds of assignment amounting to € 273 million (2019: € 268 million) or clearance amounting to € 213 million (2019: € 247 million). At year-end 2020 an amount of € 40 million was unsecured (2019: € 96 million).

Under the so-called 'Fortuinplan' arrangement mortgage receivables have been pledged to policyholders for the equivalent value of insurance contract liabilities. The value of these insurance contract liabilities at year-end 2020 was € 49 million (2019: € 53 million).

## Netherlands Reinsurance Company for Losses from Terrorism

In 2021, Athora Netherlands will take a 15.38% share in the Life cluster (2020: 17.27%) of the Netherlands Reinsurance company for Losses from Terrorism (Nederlandse Herverzekeringsmaatschappij voor Terrorismeschaden NV). In 2021, the guarantee will be € 10 million (one third of total guarantee of € 31 million) for the Life cluster (2020: € 12 million (one third of total guarantee of € 35 million)) and total premiums will amount to € 1 million (2020: € 1 million).

## Legal Proceedings

### General

In Athora Netherlands' efforts to ensure compliance with applicable laws and regulations, instances of non-compliance occur. At present, these instances include Sanction and Anti money laundering regulation compliancy which are shared with the regulators including a timely action plan to address and resolve current and future instances. Also, Athora Netherlands is currently further revising its governance framework to adhere to the large company regime and other regulatory requirements.

Athora Netherlands is involved in litigation and other binding proceedings involving, but not limited to, disputes concerning the products and services of Athora Netherlands and its position as principal, employer and taxpayer. Although it is impossible to predict the outcome of current or threatened legal proceedings, management believes on the basis of currently available information and after taking legal advice in general, the outcome of these proceedings is unlikely to have any material adverse effects on Athora Netherlands' financial position or operating results.

## Investment Insurance Policies

Athora Netherlands subsidiary SRLEV NV ('SRLEV') has a portfolio of investment insurance policies (including and also referred to as: unit-linked policies) which consists of a variety of products with distinct characteristics and different versions of contractual documentation. SRLEV and its predecessors have concluded approximately 1.2 million investment-linked insurance policies, of which about 177,500 were still outstanding at 31 December 2020.

Since 2006, there has been widespread public attention for costs and risks related to investment insurance policies and the question whether insurance companies provided adequate information to their current and prospective unit-linked policyholders. In response to this, insurers, Athora Netherlands being one of them, agreed on compensation schemes with consumer organisations. In 2009, Athora Netherlands reached an outline agreementfollowed by an Agreement ('Vaststellingsovereenkomst') in 2010 to offer compensation to policyholders whose individual unit-linked policies had a cost charge in excess of an agreed maximum. In 2014, Athora Netherlands has concluded its implementation of the compensation scheme. The costs of the compensation scheme and complementary policy are substantial and have been recognised in the financial statements.

Later on, much of the attention of the public, politicians and regulators has shifted from the costs of investment-linked insurances to the efforts undertaken by the insurers to mobilise customers with an active investment-linked insurance to review their position (Flankerend Beleid: 'complementary policy'). Athora Netherlands uses various tools to communicate with customers and encourages them to check whether their policies still meet the purposes for which they were originally entered into and to consider revising their products or switch to other forms or products for capital accumulation.

As from 2013 clients have been approached and activated to review their position and take adequate measures. The nature of the encouragement depended on the characteristics of the policies. First focus was on the so called 'non-accumulating policies' (Dutch: niet opbouwende polissen, 'NOPs'). In 2016 customers with a pension- or mortgage related policy have been approached. In 2017, the remaining group of customers (Activation Category 'Other') have been encouraged to review their position.

The number of proceedings against SRLEV NV that involve unit linked policies is, compared to the portfolio of active policies, relatively limited. On 31 December 2020, less than twenty proceedings were pending against SRLEV before the civil courts or before the Klachteninstituut Financiële Dienstverlening ('KiFiD'). These cases include one class action brought by VerenigingWoekerpolis.nl regarding the products Swiss Life Spaarbeleg and AXA Verzekerd Hypotheekfonds.

In this class action, the Vereniging Woekerpolis.nl asked for over 80 declaratory judgements from the court that SRLEV acted wrongfully. If such declarations are given, individual class members may use those declarations to file their own claims for damages. By judgement of 20 December 2017, the District Court Noord Holland denied almost all of the requested declaratory decisions, except for two. The District Court declared that SRLEV failed to adequately inform a part of the class about the effect of increasing life premiums as the accrued capital diminishes ('hefboom en inteereffect'). Also, the District Court nullified a contractual term allowing SRLEV to increase certain administrative costs in one of its products; according to the District Court any cost increase based on those terms should be refunded.

It should be noted the costs itself are not affected by this decision. The judgement itself does not have substantial influence on the assessment of the investment insurances risk profile. So far, none of the class members have commenced litigation for financial compensation based on the declaratory verdict in the class action.

Both Woekerpolis.nl and SRLEV filed appeal against the judgement of the District High Court. The appeals process is still in an early stage. It is unlikely that a final verdict by the District Court will be rendered in the year 2021. However, it is possible that one or more (interlocutory) verdicts will be rendered.

To date, the number of cases in which SRLEV NV has been required to pay damages following a decision by KiFiD or a civil court has been limited.

Relevant proceedings against peers as well as the Vereniging Woekerpolis.nl proceeding against SRLEV are, in general, still at an early stage. There are no relevant judgements of the Supreme Court so far. Given the wide variety of legal grounds, product characteristics, different applying regulations over time etc. the case law so far is to a large extent highly casuistic.

Individual claims have operational impact. However, there are no material adverse changes in the overall risk profile, regarding the portfolio of investment insurance policies compared to previous year. The political, regulatory and public focus on investment-linked insurances remains. Elements of investment-linked insurances are being challenged or may be challenged on multiple legal grounds in current and possible future legal proceedings against Athora Netherlands and peers. There is a risk that one or more of those legal challenges will succeed and may affect Athora Netherlands. The financial consequences of any of the aforementioned factors or a combination thereof and current and any future subsequent legal proceedings may affect Athora Netherlands, both financially and reputationally. However, it is not possible at this time to make reliable estimates of the expected number of proceedings, possible future precedents or the financial and/or reputational impact of current and possible future proceedings. The probability and financial impact of additional compensation and/or successful claims still cannot be determined in a meaningful way.

## 21 Related Parties

### 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

| 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 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).

## 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.

| 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 as recognised 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.

Reference is made to Section 6.1.5 for the accounting principles of employee benefits.

### 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.

## Actual Remuneration (former) Members of the Supervisory Board

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

| BREAKDOWN OF REMUNERATION (FORMER) 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.

## 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.

## 22 Interests in Non-consolidated Structured Entities

Athora Netherlands invests in non-consolidated structured entities, such as investment funds, in the form of investments, credit guarantees or liquidity obligations.

The table below breaks down the carrying amount of the assets and liabilities relating to Athora Netherlands with its involvement classified by type of transaction and the maximum exposure to losses of the non-consolidated structured entities and the relative size of those entities.

| NON-CONSOLIDATED STRUCTURED ENTITIES 2020 | | | | | |
|---|---|---|---|---|---|
| In € millions | Carrying amount assets | Carrying amount liabilities | Maximum exposure to losses | Total assets of entities | Total liabilities of entities |
| Investment Funds | - | - | **150** | 59 | 59 |
| **Total** | **-** | **-** | **150** | **59** | **59** |

| NON-CONSOLIDATED STRUCTURED ENTITIES 2019 | | | | | |
|---|---|---|---|---|---|
| In € millions | Carrying amount assets | Carrying amount liabilities | Maximum exposure to losses | Total assets of entities | Total liabilities of entities |
| Investment Funds | - | - | **150** | 44 | 44 |
| **Total** | **-** | **-** | **150** | **44** | **44** |

The maximum exposure to losses with respect to commitments and guarantees is the notional amount. The notional amount does not represent the expected losses or reflect unrealised losses (if applicable). These commitments and guarantees are conditional and present the maximum losses that Athora Netherlands could suffer on its involvement in non-consolidated structured entities, without considering the impact of any mitigating action or compensating influence of other financial instruments. Reference is made to Note 20 for more information about guarantees and commitments.

## 23 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.

## 24 Net Premium Income

Premium income consists of insurance premiums net of reinsurance premiums.

| BREAKDOWN OF NET PREMIUM INCOME | | | | | | |
|---|---|---|---|---|---|---|
| | General account | | For account of policyholders | | Total | |
| In € millions | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| Regular premiums Individual Life | 445 | 491 | 149 | 172 | **594** | **663** |
| Regular premiums Life Corporate | 177 | 191 | 458 | 463 | **635** | **654** |
| **Total gross regular premiums** | **622** | **682** | **607** | **635** | **1,229** | **1,317** |
| Single premiums Individual Life | 72 | 95 | 8 | 9 | **80** | **104** |
| Single premiums Life Corporate | 398 | 343 | 57 | 85 | **455** | **428** |
| **Total gross single premiums** | **470** | **438** | **65** | **94** | **535** | **532** |
| **Total gross premium income** | **1,092** | **1,120** | **672** | **729** | **1,764** | **1,849** |
| Total reinsurance premiums | 249 | 195 | - | - | **249** | **195** |
| **Total net premium income** | **843** | **925** | **672** | **729** | **1,515** | **1,654** |

Compared to 2019 gross premium income Life is € 85 million lower, mainly due to lower periodic premiums within Individual Life € 69 million (resulting from shrinking portfolio). This is partly offset by higher single premiums in Life Corporate.

Reinsurance premium Life increased with € 54 million in 2020 compared to 2019 as a result of the increase Quote share percentage Longevity from 70% to 90% at year end 2019 .

| BREAKDOWN OF REGULAR PREMIUMS LIFE | | | | | | |
|---|---|---|---|---|---|---|
| | General account | | For account of policyholders | | Total | |
| In € millions | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| Individual | | | | | | |
| Without profit-sharing | 399 | 440 | 149 | 172 | **548** | **612** |
| With profit-sharing | 59 | 65 | - | - | **59** | **65** |
| **Total individual** | **458** | **505** | **149** | **172** | **607** | **677** |
| | | | | | | |
| Group | | | | | | |
| Without profit-sharing | 125 | 110 | 458 | 463 | **583** | **573** |
| With profit-sharing | 39 | 67 | - | - | **39** | **67** |
| **Total group** | **164** | **177** | **458** | **463** | **622** | **640** |
| **Total gross regular premiums Life** | **622** | **682** | **607** | **635** | **1,229** | **1,317** |

| BREAKDOWN OF SINGLE PREMIUMS LIFE | | | | | | |
|---|---|---|---|---|---|---|
| | General account | | For account of policyholders | | Total | |
| In € millions | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| Individual | | | | | | |
| Without profit-sharing | 421 | 369 | 8 | 9 | **429** | **378** |
| **Total individual** | **421** | **369** | **8** | **9** | **429** | **378** |
| | | | | | | |
| Group | | | | | | |
| Without profit-sharing | 33 | 68 | 57 | 85 | **90** | **153** |
| With profit-sharing | 16 | 1 | - | - | **16** | **1** |
| **Total group** | **49** | **69** | **57** | **85** | **106** | **154** |
| **Total gross single premiums Life** | **470** | **438** | **65** | **94** | **535** | **532** |

## 25 Net Fee and Commission Income

| BREAKDOWN OF NET FEE AND COMMISSION INCOME | | |
|---|---|---|
| In € millions | 2020 | 2019 |
| Fee and commission income: | | |
| - Management fees | 54 | 53 |
| - Other activities | 15 | 15 |
| **Total fee and commission income** | **69** | **68** |
| Fee and commission expense | 14 | 17 |
| **Total** | **55** | **51** |

## 26 Investment Income

| BREAKDOWN OF INVESTMENT INCOME | | |
|---|---|---|
| In € millions | 2020 | 2019 |
| Fair value through profit or loss | 216 | 279 |
| Available for sale | 622 | 583 |
| Loans and receivables | 317 | 374 |
| Investment property | 34 | 49 |
| **Total** | **1,189** | **1,285** |

| BREAKDOWN OF INVESTMENT INCOME 2020 | | | | | |
|---|---|---|---|---|---|
| **In € millions** | **Fair value through profit or loss** | **Available for sale** | **Loans and receivables** | **Investment property** | **Total** |
| Interest | 215 | 381 | 334 | - | **930** |
| Dividends | - | 24 | - | - | **24** |
| Rental income | - | - | - | 25 | **25** |
| Direct operating expenses | - | - | - | -8 | **-8** |
| **Total interest dividends and rental income** | **215** | **405** | **334** | **17** | **971** |
| Realised revaluations | -3 | 405 | -2 | - | **400** |
| Unrealised revaluations | 4 | -188 | -15 | 17 | **-182** |
| **Total revaluations** | **1** | **217** | **-17** | **17** | **218** |
| **Total** | **216** | **622** | **317** | **34** | **1,189** |

The investment income in 2020 is lower compared to previous year. The decreases in the fair value through profit or loss and the loans and receivables portfolio are partly offset by the positive realised revaluations of the available for sale bond portfolio.

The decrease in the fair value through profit or loss portfolio is mainly caused by lower interest results on swaps. The decline in the investment income of loans and receivables is mainly the consequence of higher redemptions.

| BREAKDOWN OF INVESTMENT INCOME 2019 | | | | | |
|---|---|---|---|---|---|
| **In € millions** | **Fair value through profit or loss** | **Available for sale** | **Loans and receivables** | **Investment property** | **Total** |
| Interest | 257 | 445 | 377 | - | **1,079** |
| Dividends | - | 42 | - | - | **42** |
| Rental income | - | - | - | 26 | **26** |
| Direct operating expenses | - | - | - | -6 | **-6** |
| **Total interest dividends and rental income** | **257** | **487** | **377** | **20** | **1,141** |
| Realised revaluations | 12 | 72 | -1 | - | **83** |
| Unrealised revaluations | 10 | 24 | -2 | 29 | **61** |
| **Total revaluations** | **22** | **96** | **-3** | **29** | **144** |
| **Total** | **279** | **583** | **374** | **49** | **1,285** |

Investment income includes a net gain on currency differences. This amount is hedged within the result on derivatives.

## 27 Investment Income / expense for Account of Policyholders

| BREAKDOWN OF INVESTMENT INCOME /EXPENSE FOR ACCOUNT OF POLICYHOLDERS | | |
|---|---|---|
| **In € millions** | **2020** | **2019** |
| Interest | 23 | 28 |
| Dividends | 99 | 124 |
| **Total interest and dividends** | **122** | **152** |
| Revaluations | 570 | 1,915 |
| **Total** | **692** | **2,067** |

The increase of investments for account of policyholders was mainly driven by positive fair value changes due to combination of decreasing market interest rates and increasing stock markets.

## 28 Result on (Liabilities from) Investments for Account of Third Parties

The amount of € 185 million (2019: € 173 million) consists of results of the third party investments. We refer to Note 6 Investments for Account of Third Parties for information about the third party investments.

## 29 Result on Derivatives

| BREAKDOWN OF RESULT ON DERIVATIVES | | |
|---|---|---|
| **In € millions** | **2020** | **2019** |
| Result on derivatives held for cash flow hedge accounting | 7 | - |
| Market value movements of derivatives held for fair value hedge accounting | - | -1 |
| Market value movements of derivatives maintained for ALM not classified for hedge accounting | 1,758 | 1,690 |
| **Total** | **1,765** | **1,689** |

The positive result on derivatives of € 1,765 million largely corresponds to the market value movements of the derivatives. The market value movement was positively influenced by changes in interest rates (€ 1,641 million) and by currency differences (€ 232 million).

## 30 Technical Claims and Benefits

Technical claims and benefits include benefits paid, surrenders, claims paid and changes in insurance liabilities. This item also includes profit-sharing and discounts.

| BREAKDOWN OF TECHNICAL CLAIMS AND BENEFITS | | | | | | |
|---|---|---|---|---|---|---|
| | Gross | | Reinsurance | | Net | |
| In € millions | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| General account benefits paid and surrenders | 2,188 | 2,262 | -259 | -221 | **1,929** | **2,041** |
| Change in general account insurance liabilities | -518 | -284 | 19 | 31 | **-499** | **-253** |
| Profit-sharing and discounts | -31 | 23 | - | - | **-31** | **23** |
| Results on allocated investments and interest derivatives | 1,855 | 1,721 | - | - | **1,855** | **1,721** |
| LAT deficit | 406 | -28 | - | - | **406** | **-28** |
| **Total** | **3,900** | **3,694** | **-240** | **-190** | **3,660** | **3,504** |

Compared to 2019 expenses are € 156 million higher. Lower transfer of separate accounts (€ 254 million) are offset by a large increase of LAT value in 2020 as result of decreased market interest rates.

The increase in reinsurance benefits paid compared to 2019 is mainly due to the increased quota share percentage for the longevity reinsurance contract at yearend 2019.

For further details, see Note 15 Insurance liabilities and reinsurance share.

## 31 Charges for Account of Policyholders

Charges for account of policyholders include benefits paid, surrenders and changes in insurance contracts. This item also includes profit-sharing and discounts relating to these policyholders.

| BREAKDOWN OF CHARGES FOR ACCOUNT OF POLICYHOLDERS | | |
|---|---|---|
| In € millions | 2020 | 2019 |
| Benefits paid and surrenders for Life insurance contracts for account of policyholders | 1,049 | 961 |
| Change in technical provisions for Life insurance contracts for account of policyholders | 258 | 1,531 |
| **Total** | **1,307** | **2,492** |

Change in technical provision is mainly attributable to an increase in the market value revaluations.

## 32 Acquisition Costs for Insurance Activities

| BREAKDOWN OF ACQUISITION COSTS FOR INSURANCE ACTIVITIES | | |
|---|---|---|
| In € millions | 2020 | 2019 |
| Individual Life | 14 | 15 |
| Life Corporate | 1 | 2 |
| **Total Life** | **15** | **17** |
| Intercompany elimination | - | -1 |
| **Total** | **15** | **16** |

## 33 Staff Costs

| BREAKDOWN OF STAFF COSTS | | |
|---|---|---|
| In € millions | 2020 | 2019 |
| Salaries | 97 | 97 |
| Pension costs | 28 | 26 |
| Social security contributions | 12 | 11 |
| Other staff costs | 93 | 51 |
| **Total** | **230** | **185** |

The staff costs increased compared to 2019. The increase of other staff costs can be ascribed to the restructuring costs of € 56 million in 2020 (2019: € 0.7 million).

In 2020, there was no collective salary adjustment.

| BREAKDOWN OF PENSION COSTS | | |
|---|---|---|
| In € millions | 2020 | 2019 |
| Pension contributions based on defined contribution | 23 | 24 |
| Employee contributions | -3 | -3 |
| **Total based on defined contributions** | **20** | **21** |
| Increase of present value defined benefit plans | 8 | 5 |
| **Total** | **28** | **26** |

### Other Staff Costs

Other staff costs include the cost of temporary staff of € 40 million (2019: € 51 million), restructuring costs of € 56 million (2019: € 0.7 million), travelling expenses of € 3 million (2019: € 4 million), training costs of € 4 million (2019: € 3 million).

| NUMBER OF INTERNAL FTE'S | | |
|---|---|---|
| In numbers | 2020 | 2019 |
| Number of internal FTE's | 1,653 | 1,890 |

### Share-based Remuneration

Variable remuneration for Identified Staff of ACTIAM is split in two portions: an immediate/unconditional portion (60%) and a deferred/conditional portion (40%). 50% of the variable remuneration of Identified Staff of ACTIAM is paid in cash and 50% in share based instruments. The unconditional portion of variable remuneration in share based instruments has a retention period of one year, after which it will be paid in cash. The share-based component of the deferred portion of the variable remuneration vests four years after the year of award and will be paid in cash at that moment. For further details on remuneration see Section 4.6 Remuneration.

## 34 Other Operating Expenses

| BREAKDOWN OF OTHER OPERATING EXPENSES | | |
|---|---|---|
| In € millions | 2020 | 2019 |
| IT systems | 13 | 14 |
| Housing | - | 1 |
| Marketing and public relations | 2 | 4 |
| External advisors | 12 | 10 |
| Other costs | 29 | 33 |
| **Total** | **56** | **62** |

The other costs mainly relate to outsourced services and contributions.

Service costs for property are excluded from the valuation of Right-of-use assets and will continue to be reported under Housing. Other housing expenses include mainly costs for security, cleaning, energy and maintenance.

For depreciation charge of Right-of-use assets and for the additions to Right-of-use assets refer to note 1 Property and Equipment. For interest expenses on lease liabilities refer to note 36 Other Interest Expenses. For the cash outflows relating to leases refer to 5.5 Consolidated Cash Flow Statement.

## 35 Impairment Losses (Reversals)

| BREAKDOWN OF IMPAIRMENT LOSSES / REVERSALS BY CLASS OF ASSET | | | | | | |
|---|---|---|---|---|---|---|
| | Impairments | | Reversals | | Total | |
| In € millions | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| **Through profit or loss** | | | | | | |
| Property and equipment | 6 | - | - | 4 | **6** | **-4** |
| Investments | 5 | 1 | - | 4 | **5** | **-3** |
| Other debts | 1 | - | 1 | 1 | **-** | **-1** |
| **Total through profit or loss** | **12** | **1** | **1** | **9** | **11** | **-8** |

In 2020 the impairments were related to buildings for own use in Amstelveen and equity investments.

## 36 Other Interest Expenses

| BREAKDOWN OF OTHER INTEREST EXPENSES | | |
|---|---|---|
| In € millions | 2020 | 2019 |
| Bonds | 87 | 68 |
| Private loans | 12 | 25 |
| Interest on reinsurance deposits | 1 | 2 |
| Other interest and investment expenses | 2 | 3 |
| **Total** | **102** | **98** |

Other interest expenses regarding bonds have increased in 2020 compared to 2019. In April 2020, Athora Netherlands repurchased for an aggregate principal amount of € 589 million of the outstanding € 650 million on the senior notes, resulting in a loss on the transaction of € 29 million and a decrease in interest of € 10 million in 2020 compared to 2019.

The decrease of interest on private loans is mainly caused by the redemption of the saving part loan (WHH) in November 2019, refer to note 18 Amounts due to banks.

The other interest expenses includes interest expenses on lease liabilities, an item recognised for the first time in financial year 2019 due to the initial application of IFRS 16. The interest expenses on lease liabilities amounts to € 11 thousand (2019: € 22 thousand) at year-end.

For depreciation charge of Right-of-use assets and for the additions to Right-of-use assets refer to note 1 Property and Equipment. For expenses relating to short-term leases and for income from subleasing Right-of-use assets refer to note 34 Other Operating Expenses. For the cash outflows relating to leases refer to 5.5 Consolidated Cash Flow Statement.

## 37 Income Tax

| BREAKDOWN OF TAX EXPENSE / BENEFIT | | |
|---|---|---|
| **In € millions** | **2020** | **2019** |
| In financial year | 15 | 67 |
| Other items | -11 | - |
| **Corporate income tax due** | **4** | **67** |
| Due to temporary differences | -60 | 30 |
| Due to change in income tax rate with regard to deferred tax | -57 | -39 |
| **Deferred tax (including tax rate change)** | **-117** | **-9** |
| **Total tax expense / (benefit)** | **-113** | **58** |

The corporate income taxes are irrevocable for the years up to and including 2018.

| RECONCILIATION BETWEEN THE STATUTORY AND EFFECTIVE TAX RATE | | |
|---|---|---|
| **In € millions** | **2020** | **2019** |
| Statutory income tax rate | 25.0% | 25.0% |
| Result before tax from continued operations | -170 | 391 |
| **Statutory corporate income tax amount** | **-43** | **97** |
| Due to change in income tax rate with regard to deferred tax | -57 | -39 |
| Other items | -13 | - |
| **Total tax expense / (benefit)** | **-113** | **58** |
| Effective tax rate | 66.5% | 14.8% |

The effective tax rate of 66.5% differs compared to the nominal rate of 25%. This is mainly caused by the reversal of corporate income tax rate reduction with regard to deferred tax position as explained in note 8 Deferred Tax.

Other items consist of the corporate income tax return 2019 (€ -10 million), deductible interest Tier 1 loans (€ -5 million) and the release of current corporate income tax receivable concerning VIVAT Schade (€ 2 million).

## 38 Discontinued operations

On 1 April 2020, Athora acquired 100% of shares of VIVAT (now Athora Netherlands) and subsequently sold 100% of the shares of VIVAT Schade to NN Schade. VIVAT Schade became a discontinued operation. The results of VIVAT Schade as discontinued operation for the year are presented below.

| STATEMENT OF PROFIT OR LOSS OF DISCONTINUED OPERATIONS | | |
|---|---|---|
| **In € millions** | **2020** | **2019** |
| **Income** | | |
| Premium income | 207 | 789 |
| Less: Reinsurance premiums | 12 | 46 |
| **Net premium income** | **195** | **743** |
| | | |
| Fee and commission income | 1 | 2 |
| Fee and commission expense | - | - |
| **Net fee and commission income** | **1** | **2** |
| | | |
| Investment income | 3 | 18 |
| Result on derivatives | 13 | 32 |
| **Total income** | **212** | **795** |
| | | |
| **Expenses** | | |
| Technical claims and benefits | 136 | 417 |
| Acquisition costs for insurance activities | 44 | 165 |
| Staff costs | 19 | 86 |
| Other operating expenses | 7 | 26 |
| Impairment losses (reversals) | -2 | 3 |
| Other interest expenses | 3 | 11 |
| **Total expenses** | **207** | **708** |
| **Result before tax from discontinued operation** | **5** | **87** |
| Tax expense | 1 | 21 |
| Gain on disposal | 56 | - |
| **Net result for the period from discontinued operation** | **60** | **66** |

The total gain recognised on the disposal of VIVAT Schade as discontinued operation is € 56 million. This total gain consist of the gain on the sale of VIVAT Schade of € 24 million and the gain of € 32 million (nett) on the derecognition of the available-for-sale financial assets of VIVAT Schade by recycling its unrealised gains and losses recognised within other comprehensive income (shareholders' equity), net of deferred taxes from equity to profit or loss.

The participation exemption applies on the sale of VIVAT Schadeverzekeringen NV.

The net cash flows incurred by VIVAT Schade are as follows.

| NET CASH FLOWS DISCONTINUED OPERATIONS | | |
|---|---|---|
| **In € millions** | **2020** | **2019** |
| Net cash flow from operating activities | 11 | 56 |
| Net cash flow from investment activities | -23 | -59 |
| Net cash flow from financing activities | - | - |
| **Net cash flow** | **-12** | **-3** |

The values of the assets and liabilities of VIVAT Schade as at the date of disposal were:

| VALUES OF ASSETS AND LIABILITIES OF DISPOSAL | |
|---|---|
| In € millions | Value of disposal |
| **Assets** | |
| Investments | 1,595 |
| Derivatives | 65 |
| Reinsurance share | 62 |
| Other assets | 110 |
| Cash and cash equivalents | 34 |
| **Total assets** | **1,866** |
| | |
| **Liabilities** | |
| Subordinated debt | 150 |
| Insurance liabilities | 1,161 |
| Provision for employee benefits | 24 |
| Deferred tax | 12 |
| Amounts due to banks | 67 |
| Corporate income tax | 3 |
| Other liabilities | 57 |
| **Total liabilities** | **1,474** |
| | |
| **Total net asset value** | **392** |
| Gain on sale | 24 |
| **Total consideration received** | **416** |

The cash portion of the consideration is equal to the amount of cash and cash equivalents of VIVAT Schade for an amount of € 34 million. The sale itself of VIVAT Schadeverzekeringen NV does not lead to a cash movement.

## 39 Income tax effects relating to Other Comprehensive Income

| BREAKDOWN OF INCOME TAX EFFECTS RELATING TO OTHER COMPREHENSIVE INCOME | | | | | | |
|---|---|---|---|---|---|---|
| | Before tax amount | | Tax (expense) benefit | | Net of tax amount | |
| In € millions | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| Changes in valuation of defined benefit pension plan | -68 | -86 | 20 | 13 | **-48** | **-73** |
| Unrealised revaluations from cash flow hedges | 59 | 97 | -32 | -24 | **27** | **73** |
| Amortisation from cash flow hedges | 29 | -5 | -16 | 1 | **13** | **-4** |
| Unrealised revaluations investments available for sale | -155 | 645 | 113 | -170 | **-42** | **475** |
| Impairments and reversals fair value reserve | -2 | 3 | 2 | -1 | **-** | **2** |
| Realised gains and losses transferred to profit or loss | 393 | 30 | -280 | -8 | **113** | **22** |
| Results on allocated investments and interest derivatives | -364 | -778 | 225 | 202 | **-139** | **-576** |
| **Total other comprehensive income** | **-108** | **-94** | **32** | **13** | **-76** | **-81** |

The changes in valuation of defined benefit pension plan of € -68 million mainly consists of actuarial gains or losses due to changes in financial assumptions and due to experience adjustments.

The unrealised revaluations from cash flow hedges is € 59 million and consists mainly of fair value changes of cash flow hedge swaps during the year due to decreased interest rates.

The unrealised revaluations investments available for sale of € -155 million before tax consists mainly of unrealised revaluations of European and American sovereign and corporate bonds.

The realised gains and losses fair value reserve transferred to profit or loss of € 393 million includes the gain of € 46 million (gross) on the derecognition of the available for sale investments of VIVAT Schadeverzekeringen NV as a result of the sale of VIVAT Schadeverzekeringen NV per 1 April 2020. This line item mainly relates to realised gains on European sovereign bonds.

The movement of the results on allocated investments and interest derivatives is part of the total movement of results on allocated investments and interest derivatives as explained in note 15 Insurance Liabilities and Reinsurance Share. Before tax the amount is € -364 million consisting of the movement of Shadow accounting (€ -88 million before tax) and revaluation reserve of fixed income investment portfolio (€ -276 million before tax) and is mainly a result of interest rate movements.

## 40 Financial Instruments

### Fair Value of Assets and Liabilities

The table below shows the fair value of Athora Netherlands' assets and liabilities. It only shows the property, financial assets and liabilities and does not include items that do not meet the definition of a financial asset or liability. The total fair value shown below does not represent the value of the company as a whole.

| FAIR VALUE OF ASSETS AND LIABILITIES | | | | |
|---|---|---|---|---|
| | Fair value | Carrying amount | Fair value | Carrying amount |
| In € millions | 2020 | 2020 | 2019 | 2019 |
| Property | | | | |
| Land and buildings for own use | 38 | 38 | 50 | 50 |
| Investment property | 521 | 521 | 460 | 460 |
| Investments | | | | |
| - Fair value through profit or loss: designated | 174 | 174 | 186 | 186 |
| - Available for sale | 31,801 | 31,801 | 32,394 | 32,394 |
| - Loans and receivables | 6,341 | 5,973 | 6,676 | 6,373 |
| - Mortgages | 4,126 | 3,974 | 2,776 | 2,619 |
| Investments for account of policyholders | 13,788 | 13,788 | 13,520 | 13,520 |
| Investments for account of third parties | 2,414 | 2,414 | 1,045 | 1,045 |
| Derivatives | 5,390 | 5,390 | 3,102 | 3,102 |
| Loans and advances due from banks | 626 | 603 | 743 | 712 |
| Other assets | 254 | 254 | 262 | 262 |
| Cash and cash equivalents | 385 | 385 | 351 | 351 |
| **Total property and financial assets** | **65,858** | **65,315** | **61,565** | **61,074** |
| Financial liabilities | | | | |
| Subordinated debt | 842 | 818 | 897 | 868 |
| Borrowings | 64 | 61 | 683 | 645 |
| Derivatives | 1,097 | 1,097 | 676 | 676 |
| Amounts due to banks | 4,684 | 4,684 | 2,803 | 2,803 |
| Other liabilities | 931 | 931 | 1,078 | 1,078 |
| **Total financial liabilities** | **7,618** | **7,591** | **6,137** | **6,070** |

The fair values represent the amount that would be received to sell a property and financial asset or paid to transfer a financial liability in an orderly transaction between market participants at the reporting date. The fair value of property, financial assets and liabilities is based on quoted market prices, where observable. If prices in an active market are not available, various valuation techniques are used to measure the fair value of these instruments. Parameters used in such valuation techniques may be subjective and various assumptions are used, for instance for the discount rate and the timing and size of expected future cash flows. Where possible and if available, the valuation techniques make use of observable inputs in relevant markets. Changes in assumptions can significantly influence estimated fair values. The main assumptions for each item are explained in the section on fair value hierarchy below.

The carrying amount of property, financial assets and liabilities at amortised cost is shown excluding accrued interest. Accrued interest related to these instruments is recognised within other assets or other liabilities.

## Measurement of Assets and Liabilities

The following methods and assumptions are used to determine the fair value of property and financial instruments.

## Land and Buildings for Own Use

The fair value of land and buildings for own use is measured on the basis of annual appraisals. The main parameters for these appraisals are rentable market value and expected yield.

## Investment Property

The fair value of investment property is measured on the basis of annual appraisals. The main parameters for these appraisals are rentable market value and expected yield.

## Investments

The fair value of equities is based on quoted prices in an active market or other available market data. The fair value of interest-bearing securities, exclusive of mortgage loans, is also based on quoted market prices or if actively quoted market prices are not available, on the discounted value of expected future cash flows. These discounted values are based on the relevant market interest rate, taking into consideration the liquidity, creditworthiness and maturity of the investment.

## Mortgages

The market value of mortgages is determined using a discounted value method. The yield curve used to discount cash flows of mortgage loans is the swap rate plus a risk premium that can vary between sub-portfolios. Expected future early redemptions, losses and the corresponding consumer rates are taken into account in determining the expected cash flows.

## Derivatives

The fair value of nearly all derivatives is based on observable market inputs, such as market interest rates and foreign exchange rates. The fair value of a number of non-publicly traded derivatives depends on the type of instrument and is based on a discounted value model or an option valuation model.

## Loans and Advances due from Banks

The fair value of loans and advances due from banks has been estimated based on the discounted value of the future cash flows, using the prevailing interest rate plus a risk premium. The risk premium is based on the credit risk assumed by the market for holding such instruments issued by Athora Netherlands, differentiated by maturity and type of instrument. The carrying amount of any amount that is due within one month is considered to be a reasonable approximation of the fair value.

## Other Assets

Given the predominantly short-term nature of other assets, the carrying amount is considered to be a reasonable approximation of the fair value.

## Cash and Cash Equivalents

The carrying amount of the cash and cash equivalents is considered to be a reasonable approximation of the fair value.

## Subordinated Debts

The fair value of subordinated debt is based on quoted prices in an active market when available. When actively quoted market prices are not available the fair value of subordinated debts has been estimated based on the discounted value of future cash flows, using the prevailing interest rate plus a risk premium. The risk premium is based on the credit risk assumed by the market at years' end for holding subordinated debt issued by Athora Netherlands, differentiated by maturity and type of instrument.

### Borrowings

The fair value of borrowings is based on quoted prices in an active market when available. When actively quoted market prices are not available the fair value of borrowings has been estimated based on the discounted value of future cash flows, using the prevailing interest rate plus a risk premium. The risk premium is based on the credit risk assumed by the market at years' end for holding subordinated debt issued by Athora Netherlands, differentiated by maturity and type of instrument.

### Amounts Due to Banks

The fair value of amounts due to banks has been estimated based on the discounted value of the future cash flows, using the prevailing interest rate plus a risk premium. The risk premium is based on the credit risk assumed by the market for holding such instruments issued by Athora Netherlands, differentiated by maturity and type of instrument. The carrying amount of any amount that is due within one month is considered to be a reasonable approximation of the fair value.

### Other Liabilities

The carrying amount of the other liabilities is considered to be a reasonable approximation of the fair value.

### Hierarchy in Determining The Fair Value of Property and Financial Instruments

A significant part of the properties and financial instruments are recognised at fair value. The fair value of property and financial instruments measured at fair value in the statement of financial position or for which the fair value is disclosed is classified as a level. This level depends on the parameters used to determine fair value and provides further insight into the valuation. The levels are explained below:

### Level 1 – Fair Value Based on Quoted Prices in an Active Market

Quoted prices from exchanges, brokers or pricing institutions are observable for properties and 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 account of policyholders whose underlying investments are listed.

### Level 2 – Fair Value Based on Observable Inputs

This category includes property and financial instruments for which no quoted prices are available but whose fair value 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 there are inactive markets. 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.

### Level 3 – Fair Value not Based on Observable Market Data

The property and 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.

The table below shows the instruments in level 1, level 2 and level 3. Property and financial assets and liabilities not measured at fair value and whose carrying amount is a reasonable approximation of fair value are not classified by level.

| FAIR VALUE HIERARCHY 2020 | | | | | |
|---|---|---|---|---|---|
| | | Fair value | | | |
| In € millions | Carrying amount | Level 1 | Level 2 | Level 3 | Total |
| **Property and financial assets measured at fair value** | | | | | |
| Land and buildings for own use | 38 | - | - | 38 | **38** |
| Investment property | 521 | - | - | 521 | **521** |
| Investments at fair value through profit or loss: designated | 174 | 174 | - | - | **174** |
| Investments available for sale | 31,801 | 28,652 | 1,635 | 1,514 | **31,801** |
| Investments for account of policyholders | 13,788 | 13,460 | 40 | 288 | **13,788** |
| Investments for account of third parties | 2,414 | 2,414 | - | - | **2,414** |
| Derivatives | 5,390 | - | 5,383 | 7 | **5,390** |
| | | | | | |
| **Financial assets not measured at fair value** | | | | | |
| Mortgages | 3,974 | - | - | 4,126 | **4,126** |
| Investments loans and receivables | 5,973 | - | 1,024 | 5,317 | **6,341** |
| Loans and advances due from banks | 603 | - | 575 | 51 | **626** |
| Other assets | 254 | - | - | - | **254** |
| Cash and cash equivalents | 385 | - | - | - | **385** |
| | | | | | |
| **Financial liabilities measured at fair value** | | | | | |
| Derivatives | 1,097 | - | 995 | 102 | **1,097** |
| | | | | | |
| **Financial liabilities not measured at fair value** | | | | | |
| Subordinated debt | 818 | 842 | - | - | **842** |
| Borrowings | 61 | 64 | - | - | **64** |
| Amounts due to banks | 4,684 | - | - | - | **4,684** |
| Other liabilities | 931 | - | - | - | **931** |

| FAIR VALUE HIERARCHY 2019 | | | | | |
|---|---|---|---|---|---|
| | | Fair value | | | |
| In € millions | Carrying amount | Level 1 | Level 2 | Level 3 | Total |
| **Property and financial assets measured at fair value** | | | | | |
| Land and buildings for own use | 50 | - | - | 50 | **50** |
| Investment property | 460 | - | - | 460 | **460** |
| Investments at fair value through profit or loss: designated | 186 | 186 | - | - | **186** |
| Investments available for sale | 32,394 | 30,393 | 590 | 1,411 | **32,394** |
| Investments for account of policyholders | 13,520 | 13,187 | 40 | 293 | **13,520** |
| Investments for account of third parties | 1,045 | 1,045 | - | - | **1,045** |
| Derivatives | 3,102 | - | 3,101 | 1 | **3,102** |
| | | | | | |
| **Financial assets not measured at fair value** | | | | | |
| Mortgages | 2,619 | - | - | 2,776 | **2,776** |
| Investments loans and receivables | 6,373 | - | 967 | 5,709 | **6,676** |
| Loans and advances due from banks | 712 | - | 690 | 53 | **743** |
| Other assets | 262 | - | - | - | **262** |
| Cash and cash equivalents | 351 | - | - | - | **351** |
| | | | | | |
| **Financial liabilities measured at fair value** | | | | | |
| Derivatives | 676 | - | 590 | 86 | **676** |
| | | | | | |
| **Financial liabilities not measured at fair value** | | | | | |
| Subordinated debt | 868 | 897 | - | - | **897** |
| Borrowings | 645 | 683 | - | - | **683** |
| Amounts due to banks | 2,803 | - | - | - | **2,803** |
| Other liabilities | 1,078 | - | - | - | **1,078** |

The table below shows the movements in property and financial instruments measured at fair value and classified in level 3.

## STATEMENT OF CHANGES IN LEVEL 3 PROPERTY AND FINANCIAL INSTRUMENTS IN 2020

| | Land and buildings for own use | Investment property | Derivatives | Investments for account of policyholders | Available for sale | Total |
|---|---|---|---|---|---|---|
| **Balance as at 1 January** | **50** | **460** | **-85** | **293** | **1,411** | **2,129** |
| Realised gains or losses recognised in profit or loss | - | - | 16 | -3 | -27 | **-14** |
| Unrealised gains or losses recognised in profit or loss | -8 | 17 | -16 | 7 | - | **-** |
| Unrealised gains or losses recognised in other comprehensive income | - | - | - | - | 36 | **36** |
| Purchase/acquisition | - | 46 | 1 | 27 | 619 | **693** |
| Sale/settlements | - | -7 | -10 | -47 | -485 | **-549** |
| Other | -4 | 5 | -1 | 11 | -40 | **-29** |
| **Balance as at 31 December** | **38** | **521** | **-95** | **288** | **1,514** | **2,266** |
| Total gains and losses included in profit or loss | -8 | 17 | - | 4 | -27 | **-14** |

## STATEMENT OF CHANGES IN LEVEL 3 PROPERTY AND FINANCIAL INSTRUMENTS IN 2019

| | Land and buildings for own use | Investment property | Derivatives | Investments for account of policyholders | Available for sale | Total |
|---|---|---|---|---|---|---|
| **Balance as at 1 January** | **51** | **402** | **-73** | **300** | **1,311** | **1,991** |
| Realised gains or losses recognised in profit or loss | - | - | 3 | 10 | 2 | **15** |
| Unrealised gains or losses recognised in profit or loss | - | 29 | -18 | - | - | **11** |
| Unrealised gains or losses recognised in other comprehensive income | - | - | - | - | -14 | **-14** |
| Purchase/acquisition | - | 25 | - | 20 | 536 | **581** |
| Sale/settlements | - | -4 | 3 | -48 | -426 | **-475** |
| Other | -1 | 8 | - | 11 | 2 | **20** |
| **Balance as at 31 December** | **50** | **460** | **-85** | **293** | **1,411** | **2,129** |
| Total gains and losses included in profit or loss | 1 | 37 | -15 | 10 | 2 | **35** |

## BREAKDOWN OF LEVEL 3 PROPERTY AND FINANCIAL INSTRUMENTS

| In € millions | 2020 | 2019 |
|---|---|---|
| Land and buildings for own use | 38 | 50 |
| Investment property | 521 | 460 |
| Bonds issued by financial institutions | 936 | 852 |
| Collateralised loan obligation | 4 | 4 |
| Equities | 574 | 555 |
| Derivatives | -95 | -85 |
| Investments for account of policyholders | 288 | 293 |
| **Total** | **2,266** | **2,129** |

The fair value of property and financial instruments classified in level 3 is partly based on inputs that are not observable in the market. A sensitivity analyses is performed on the major holdings in Level 3 investments. The fair value of interest-bearing securities is calculated as the discounted value of expected future cash flows. The calculation method of sensitivities in this chapter is similar to the method used in calculating the sensitivities in chapter 7 however limited to fair value level 3 classified securities.

The expected future cash flows as well as the discount rate is also a significant unobservable input. These discounted values are based on the relevant market interest rate, taking into consideration the liquidity, creditworthiness and maturity of the investment. The fair value sensitivity on these securities is calculated based on the changes in one of the elements used to determine the discount rate.

| SENSITIVITY AS A RESULT OF CHANGES IN PARAMETERS | | |
|---|---|---|
| | Impact on shareholder's equity | |
| **In € millions** | **2020** | **2019** |
| Fixed income securities | | |
| Interest +50 bps | -18 | -12 |
| Interest -50 bps | 19 | 13 |
| Credit spreads Government Bonds +50 bps | -16 | -10 |
| Credit spreads Corporates/Mortgages +50 bps | -4 | -7 |
| All Credit spreads +50 bps | -20 | -17 |

The sensitivity of the fair value of equity securities is calculated as the movement in fair value of the equity securities in the event of a general shock in the market. In this calculation, the look through principal is taken into account.

| SENSITIVITY AS A RESULT OF A SHOCK APPLIED | | |
|---|---|---|
| | Impact on shareholder's equity | |
| **In € millions** | **2020** | **2019** |
| Equity securities | | |
| Equities +10% | 18 | 12 |
| Equities -10% | -18 | -12 |

| IMPAIRMENTS OF FINANCIAL INSTRUMENTS BY CATEGORY | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Level 1 | | Level 2 | | Level 3 | | Total | |
| **In € millions** | **2020** | **2019** | **2020** | **2019** | **2020** | **2019** | **2020** | **2019** |
| Equities | - | - | - | - | 5 | -2 | **5** | **-2** |
| **Total** | **-** | **-** | **-** | **-** | **5** | **-2** | **5** | **-2** |

## Reclassification Between Levels 1, 2 and 3

In 2020 there were no movements in the financial assets and liabilities measured at fair value between the levels.

## Offsetting Financial Assets and Liabilities

The table below shows the financial assets and liabilities that are subject to offsetting and the related amounts that are not set off but serve to mitigate credit risk.

| FINANCIAL ASSETS AND LIABILITIES 2020 | | | | | | | |
|---|---|---|---|---|---|---|---|
| | | | | Related amounts not netted in the carrying amount | | | |
| In € millions | Gross carrying amount | Offsetting carrying amount | Netted carrying amount | Financial instruments | Cash collateral | Other financial collateral | Netted value |
| Financial assets | | | | | | | |
| Derivatives | 5,390 | - | **5,390** | - | 5,334 | - | 56 |
| **Total financial assets** | **5,390** | **-** | **5,390** | **-** | **5,334** | **-** | **56** |
| | | | | | | | |
| Financial liabilities | | | | | | | |
| Derivatives | 1,097 | - | **1,097** | - | 1,097 | - | - |
| **Total financial liabilities** | **1,097** | **-** | **1,097** | **-** | **1,097** | **-** | **-** |

At year-end 2020, Athora Netherlands received collateral from third parties by virtue of derivative exposures and decreasing long-term interest rates. Received cash collateral is mainly invested in short-term bonds and money-market funds.

| FINANCIAL ASSETS AND LIABILITIES 2019 | | | | | | | |
|---|---|---|---|---|---|---|---|
| | | | | Related amounts not netted in the carrying amount | | | |
| In € millions | Gross carrying amount | Offsetting carrying amount | Netted carrying amount | Financial instruments | Cash collateral | Other financial collateral | Netted value |
| Financial assets | | | | | | | |
| Derivatives | 3,102 | - | **3,102** | - | 3,071 | - | 31 |
| **Total financial assets** | **3,102** | **-** | **3,102** | **-** | **3,071** | **-** | **31** |
| | | | | | | | |
| Financial liabilities | | | | | | | |
| Derivatives | 676 | - | **676** | - | 676 | - | - |
| **Total financial liabilities** | **676** | **-** | **676** | **-** | **676** | **-** | **-** |

## Management of Past Due and Impaired Assets

The table below sets out the financial instruments by arrears and/or impairment.

| FINANCIAL INSTRUMENTS - IMPAIRMENTS 2020 | | | | | |
|---|---|---|---|---|---|
| In € millions | Not in arrears nor impaired | Financial assets that are past due but not impaired | Financial assets that have been impaired | Provision for bad debt | Total |
| Investments | 32,005 | - | -30 | - | **31,975** |
| Loans and receivables | 9,947 | - | - | - | **9,947** |
| Other financial assets | 283 | 5 | - | -3 | **285** |
| **Total** | **42,235** | **5** | **-30** | **-3** | **42,207** |

| FINANCIAL INSTRUMENTS - IMPAIRMENTS 2019 | | | | | |
|---|---|---|---|---|---|
| In € millions | Not in arrears nor impaired | Financial assets that are past due but not impaired | Financial assets that have been impaired | Provision for bad debt | Total |
| Investments | 32,588 | - | 22 | -30 | **32,580** |
| Loans and receivables | 8,992 | - | - | - | **8,992** |
| Other financial assets | 317 | 17 | - | -10 | **324** |
| **Total** | **41,897** | **17** | **22** | **-40** | **41,896** |

Athora Netherlands recognises impairments on equities if the market value has fallen to 25% below cost price, or has been at least 5% below cost price uninterruptedly for at least nine months.

Athora Netherlands recognises impairments on fixed-income financial instruments if there is a loss event related to the financial instrument. To identify such events, the financial instruments are periodically assessed on the basis of a number of criteria set by Finance. Financial instruments meeting one or more of these criteria are analysed and assessed individually to determine whether there is a loss event.

## Maturity schedule for financial liabilities

The table below shows the undiscounted cash flows from the principal financial liabilities, other than derivatives, by contract maturity date.

| LIQUIDITY CALENDAR FINANCIAL LIABILITIES 2020 | | | | | | |
|---|---|---|---|---|---|---|
| In € millions | < 1 month | 1 - 3 months | 3 - 12 months | 1 - 5 years | > 5 years | Total |
| Subordinated debt | - | - | - | 4 | 814 | **818** |
| Borrowings | - | - | - | 61 | - | **61** |
| Amounts due to banks | 4,427 | - | - | - | 257 | **4,684** |
| Amounts due to reinsurers | - | - | - | 41 | - | **41** |
| Lease liabilities | - | - | 1 | 1 | - | **2** |
| **Total** | **4,427** | **-** | **1** | **107** | **1,071** | **5,606** |

| LIQUIDITY CALENDAR FINANCIAL LIABILITIES 2019 | | | | | | |
|---|---|---|---|---|---|---|
| In € millions | < 1 month | 1 - 3 months | 3 - 12 months | 1 - 5 years | > 5 years | Total |
| Subordinated debt | - | - | - | 12 | 856 | **868** |
| Borrowings | - | - | - | - | 645 | **645** |
| Amounts due to banks | 2,549 | - | - | - | 254 | **2,803** |
| Amounts due to reinsurers | - | - | - | 64 | 16 | **80** |
| Lease liabilities | 1 | - | 2 | 2 | - | **5** |
| **Total** | **2,550** | **-** | **2** | **78** | **1,771** | **4,401** |

The table below shows the undiscounted cash flows from all derivative contracts by maturity date.

| LIQUIDITY CALENDAR DERIVATIVES 2020 | | | | | | |
|---|---|---|---|---|---|---|
| In € millions | < 1 month | 1 - 3 months | 3 - 12 months | 1 - 5 years | > 5 years | Total |
| Interest rate derivatives | - | 23 | 52 | 176 | 829 | **1,080** |
| Currency contracts | - | 2 | - | 14 | 1 | **17** |
| **Total** | **-** | **25** | **52** | **190** | **830** | **1,097** |

| LIQUIDITY CALENDAR DERIVATIVES 2019 | | | | | | |
|---|---|---|---|---|---|---|
| In € millions | < 1 month | 1 - 3 months | 3 - 12 months | 1 - 5 years | > 5 years | Total |
| Interest rate derivatives | - | - | 4 | 93 | 571 | **668** |
| Currency contracts | - | 1 | - | 7 | - | **8** |
| **Total** | **-** | **1** | **4** | **100** | **571** | **676** |

The table regarding the cash flows from insurance business is included in chapter 7.6.2.1.

## IFRS 9 Disclosures

As mentioned in the section 'Relevant New Standards' Athora Netherlands qualifies for the temporary exemption and consequently is allowed to defer the implementation of IFRS 9. Due to the application of the temporary exemption, Athora Netherlands is required to provide additional disclosures in order to enable comparability with financial statements published by entities applying IFRS 9. These disclosures concern the changes in fair value of financial instruments and credit risk exposure.

## Changes in Fair Value

According to amended IFRS 4-requirements the disclosures concerning the fair value and the changes in fair value for all the interest bearing financial assets are disclosed divided on two groups:

- Financial assets that pass the SPPI-test excluding the financial assets held for trading or managed on a fair value basis;
- Other financial assets that fail the SPPI-test including financial assets held for trading and financial assets that are managed on a fair value basis.

Along with the Business Model Assessment, the Solely Payments of Principal and Interest (SPPI) test is one of the two criteria in IFRS 9 to determine whether an interest bearing financial asset should be classified as measured at amortised cost or fair value through other comprehensive income (FVOCI). It is tested whether the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest.

A financial asset that fails the SPPI-criterion is measured at fair value through profit or loss (FVTPL). Equity instruments and derivatives are excluded from the SPPI-test.

The disclosures are required for the following items:

### Investments

| CHANGE IN FAIR VALUE OF INVESTMENTS SPPI AND NON-SPPI 2020 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Fair value through profit or loss: Designated | | Available for sale | | Loans and receivables | | Total | |
| In € millions | SPPI[1] | non-SPPI | SPPI[2] | non-SPPI | SPPI | non-SPPI | SPPI | non-SPPI |
| **Balance as at 1 January** | **-** | **186** | **29,418** | **602** | **9,451** | **-** | **38,869** | **788** |
| Purchases and advances | - | - | 19,047 | 1,382 | 2,881 | 33 | **21,928** | **1,415** |
| Disposals and redemptions | - | -18 | -19,846 | -240 | -1,997 | -20 | **-21,843** | **-278** |
| Changes in fair value | - | 6 | 483 | 41 | 61 | - | **544** | **47** |
| Other movements | - | - | -1,622 | -69 | 58 | - | **-1,564** | **-69** |
| **Balance as at 31 December** | **-** | **174** | **27,480** | **1,716** | **10,454** | **13** | **37,934** | **1,903** |

1 According to IFRS 4.39 the amounts presented in the columns labelled SPPI correspond to the financial assets with contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding, excluding any financial asset that meets the definition of held for trading or that is managed and whose performance is evaluated on a fair value basis. The amounts related to the assets excluded from the SPPI group are presented in the column labelled non-SPPI (even if these assets meet the SPPI condition).

2 Available for sale is excluding equity instruments which do not pass SPPI test.

| CHANGE IN FAIR VALUE OF INVESTMENTS SPPI AND NON-SPPI 2019 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Fair value through profit or loss: Designated | | Available for sale | | Loans and receivables | | Total | |
| In € millions | SPPI[1] | non-SPPI | SPPI[2] | non-SPPI | SPPI | non-SPPI | SPPI | non-SPPI |
| **Balance as at 1 January** | **-** | **186** | **25,508** | **505** | **8,609** | **-** | **34,117** | **691** |
| Purchases and advances | - | - | 16,048 | 250 | 2,087 | - | **18,135** | **250** |
| Disposals and redemptions | - | -9 | -12,683 | -171 | -1,559 | - | **-14,242** | **-180** |
| Changes in fair value | - | 9 | 774 | 23 | 130 | - | **904** | **32** |
| Other movements | - | - | -229 | -5 | 184 | - | **-45** | **-5** |
| **Balance as at 31 December** | **-** | **186** | **29,418** | **602** | **9,451** | **-** | **38,869** | **788** |

1 According to IFRS 4.39 the amounts presented in the columns labelled SPPI correspond to the financial assets with contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding, excluding any financial asset that meets the definition of held for trading or that is managed and whose performance is evaluated on a fair value basis. The amounts related to the assets excluded from the SPPI group are presented in the column labelled non-SPPI (even if these assets meet the SPPI condition).

2 Available for sale is excluding equity instruments which do not pass SPPI test.

Other movements includes accrued interest and received coupons.

### Investments for Account of Policyholders

All the investments for account of policyholders are managed on a fair value basis, therefore they are not eligible for SPPI testing. For their fair value and the changes in fair value refer to section 6.3 Note 5 ‘Investments for Account of Policyholders’ in the consolidated financial statements.

### Investments for Account of Third Parties

All the investments for account of third parties are managed on a fair value basis, therefore they are not eligible for SPPI testing. For their fair value and the changes in fair value refer to section 6.3 Note 6 ‘Investments for Account of Third Parties’ in the consolidated financial statements.

### Derivatives

By nature none of the derivatives meets the SPPI-test, therefore they are measured at fair value through profit or loss. For their fair value and the changes in fair value refer to section 6.3 Note 7 'Derivatives' in the consolidated financial statements.

### Loans and Advances due from Banks

All the loans and advances due from banks meet the SPPI test. For their fair value and the changes in fair value refer to the table below.

| CHANGE IN FAIR VALUE OF LOANS AND ADVANCES DUE FROM BANKS | | |
|---|---|---|
| In € millions | 2020 | 2019 |
| **Balance as at 1 January** | **743** | **1,601** |
| Purchases and advances | 1,872 | 4,971 |
| Disposals and redemptions | -1,970 | -5,832 |
| Changes in fair value | -22 | -2 |
| Other movements | 3 | 5 |
| **Balance as at 31 December** | **626** | **743** |

### Other Assets

There are items recognised in Other assets, that qualify as financial instruments under IFRS 9. All financial assets recognised in Other assets meet the SPPI-test. As these assets constitute short-term receivables that are expected to be recovered within 12 months, their face value is deemed to be an approximation of their fair value. Bearing in mind their short term character, no statement of changes is being presented. For more details refer to section 6.3 Note 10 'Other assets' in the notes to the consolidated financial statements.

### Cash and Cash Equivalents

Cash and cash equivalents include bank balances and demand deposits with a remaining maturity of less than one month. These items meet SPPI-conditions. For the changes in value of these items refer to section 5.5 'Consolidated Cash Flow Statement'.

## Credit Risk Disclosures

For the financial assets that pass the SPPI-test (excluding the financial assets held for trading or managed on a fair value basis) the disclosure of their carrying amounts under IAS 39 separated into credit risk rating grades need to be made. Additionally for the assets that do not have low credit risk, the fair value needs to be disclosed.

| BREAKDOWN OF CARRYING AMOUNT OF FINANCIAL ASSETS 2020 (RATING) | | | | |
|---|---|---|---|---|
| In € millions | Available for sale | Loans and receivables | Other financial instruments | Total |
| AAA | 14,586 | 687 | 50 | **15,323** |
| AA | 6,305 | 69 | - | **6,374** |
| A | 4,329 | 332 | 97 | **4,758** |
| BBB | 2,199 | - | - | **2,199** |
| < BBB | 12 | - | - | **12** |
| Not rated | 49 | 8,859 | 456 | **9,364** |
| **Total** | **27,480** | **9,947** | **603** | **38,030** |

| BREAKDOWN OF CARRYING AMOUNT OF FINANCIAL ASSETS 2019 (RATING) | | | | |
|---|---|---|---|---|
| In € millions | Available for sale | Loans and receivables | Other financial instruments | Total |
| AAA | 15,760 | 731 | 220 | **16,711** |
| AA | 5,592 | 304 | 37 | **5,933** |
| A | 4,789 | 137 | 34 | **4,960** |
| BBB | 3,147 | - | - | **3,147** |
| < BBB | 111 | - | - | **111** |
| Not rated | 19 | 7,820 | 421 | **8,260** |
| **Total** | **29,418** | **8,992** | **712** | **39,122** |

Athora Netherlands considers the financial assets with the credit rating BBB or higher to be assets with low credit risk. The total not rated assets consists mainly (for more than 90%) of mortgages and private loans linked to savings mortgages.

- Mortgages. The total portfolios are assumed to have a low credit risk because good social security systems in the Netherlands reduce the risk of consumers not being able to repay the mortgages. In case of unemployment, social security payments allow the home owners time to find a new job and does not force them into selling their house. As a result it is unlikely that consumers do not meet their contractual cash flow obligations. The mortgages themselves are primarily standardised financial instruments without additional contractual provisions that could contribute to an increased credit risk. Therefore, the mortgages are assumed to have a low credit risk.
- Private loans linked to savings mortgages. As a result of cession/retrocession being applied to the vast majority of these instruments, the commercial banks with an investment grade became counterparties. No contractual provisions are present based on which the credit risk of the instruments could additionally be increased as compared to the regular counterparty credit risk. As a result, these instruments are assumed to have a low credit risk.
- Other private loans. These are primarily loans granted to municipality or comparable bonds. These municipality bonds are risks to Dutch (AAA rated) and French (AA rated) governments and considered investment grade. Apart from that, the loans do not have a subordinated character compared to other liabilities of these entities. As a result, these instruments are assumed to have a low credit risk.
- Loans and advances due from banks. The counterparties to these instruments are all banks with an investment credit rating, so it is our assumption that these banks have a strong capacity to meet their contractual cash flow obligations in the near term. Apart from that, no contractual provisions are present based on which the credit risk of the instruments could additionally be increased as compared to the regular counterparty credit risk. As a result, these instruments are assumed to have a low credit risk.

The assets rated lower than BBB are not considered to be the assets with low credit risk. As these assets are classified as available for sale, their fair value equals their carrying amount.

## 41 Hedging and Hedge Accounting

Athora Netherlands uses various strategies for its insurance business to hedge its interest rate, market and currency risks. Under IFRS, derivatives are recognised at fair value in the statement of financial position, while changes in their fair value are recognised through profit or loss. An accounting mismatch arises if changes in the fair value of hedged risks are not recognised through profit or loss, causing volatility in the results. In these cases, hedge accounting is applied in principle to mitigate the accounting mismatch and volatility.

The nominal amounts of the derivatives used for hedging purposes shown in the table below reflect the degree to which Athora Netherlands is active in the relevant markets.

| DERIVATIVES FOR HEDGING PURPOSES 2020 | | | | | | |
|---|---|---|---|---|---|---|
| | Nominal amounts | | | | Fair value | |
| In € millions | < 1 year | 1 - 5 years | > 5 years | Total | Positive | Negative |
| **Interest rate contracts** | | | | | | |
| - Swaps and FRAs | 7,544 | 13,288 | 41,331 | **62,163** | 5,193 | -1,063 |
| - Options | - | - | 5,304 | **5,304** | 126 | -17 |
| **Currency contracts** | | | | | | |
| - Swaps | 326 | 950 | 651 | **1,927** | 9 | -13 |
| - Forwards | 3,850 | - | - | **3,850** | 62 | -4 |
| **Total** | **11,720** | **14,238** | **47,286** | **73,244** | **5,390** | **-1,097** |

| DERIVATIVES FOR HEDGING PURPOSES 2019 | | | | | | |
|---|---|---|---|---|---|---|
| | Nominal amounts | | | | Fair value | |
| In € millions | < 1 year | 1 - 5 years | > 5 years | Total | Positive | Negative |
| **Interest rate contracts** | | | | | | |
| - Swaps and FRAs | 1,598 | 9,125 | 30,773 | **41,496** | 2,909 | -654 |
| - Options | - | - | 5,731 | **5,731** | 128 | -13 |
| **Currency contracts** | | | | | | |
| - Swaps | - | 1,085 | 751 | **1,836** | 29 | -7 |
| - Forwards | 3,935 | - | - | **3,935** | 36 | -2 |
| **Total** | **5,533** | **10,210** | **37,255** | **52,998** | **3,102** | **-676** |

The notionals of the derivatives are not disclosed netted (positive and negative).

The notional amounts are the units of account relating to the derivatives, specifying the relationship with the underlying values of the primary financial instruments. These notional amounts are not an indication of the size of the cash flows or market and credit risks relating to the transactions.

## Hedging

Athora Netherlands uses derivatives to protect the market value of own funds and regulatory solvency against undesired market developments. Examples include:

- hedging interest rate risks arising from return guarantees made to policyholders;
- hedging interest rate risks arising from obligations to share surplus interest with policyholders;
- hedging interest rate risks arising from the difference in maturities between investments and liabilities;
- hedging currency risks on investments and liabilities denominated in foreign currencies.

## Hedge Accounting

Athora Netherlands applies hedge accounting to its fair value hedges and cash flow hedges, to execute the hedging strategies described above.

## Fair Value Hedges

### Hedging Interest Rate Risk on Subordinated Debt

Athora Netherlands hedges the interest rate risk in the subordinated debt using interest rate swaps.

## Cashflow Hedges

### Hedging Interest Rate Risk in Future Reinvestments

Athora Netherlands has extended the effective maturity of the investment portfolio using interest rate swaps. As a result, the interest rate risk has been hedged by fixing the interest rates at the time of reinvestment, making the interest income constant over a longer period.

The cash flow hedge reserve in shareholders' equity, before application of shadow loss accounting, related to the aforementioned swaps is € 290 million (2019: € 233 million). This reserve is amortised based on the effective interest method and the maturity date of the longest leg of the swap.

## 42 List of Principal Subsidiaries

| OVERVIEW OF PRINCIPAL SUBSIDIARIES | | | | |
|---|---|---|---|---|
| Name | Country of incorporation and place of business | Nature of business or industry | Proportion of ordinary shares directly held by parent (%) | Proportion of ordinary shares directly held by the group (%) |
| SRLEV NV | The Netherlands, Alkmaar | Insurance | 100 | 100 |
| Proteq Levensverzekeringen NV | The Netherlands, Alkmaar | Insurance | 100 | 100 |
| ACTIAM NV | The Netherlands, Utrecht | Asset management | 100 | 100 |
| Zwitserleven PPI NV | The Netherlands, Amstelveen | Pensions | 100 | 100 |
| RZL Investment Funds | various | Investment management | range | range |
| ACTIAM Index Funds | various | Investment management | range | range |

## 6.4 SEGMENTATION

### Segment Information

Athora Netherlands is organised based on product lines. As a result the following segments have been identified: Life Corporate, Individual Life, Asset Management and Other.

On 1 April 2020, the segment Property & Casualty became a discontinued operation with the sale of VIVAT Schade to NN Schade. The comparative figures have been restated in line with IFRS 5 regarding discontinued operations. The segment Property & Casualty is no longer presented as a separate segment, but is included in Adjustments and Eliminations.

### Life Corporate

This segment 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.

### Individual Life

This segment 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.

### Asset Management

This segment offers a comprehensive range of investment funds and investment solutions that ranges from responsible index investing to impact investing. The main brand of this product line is ACTIAM.

### Other

This segment comprises activities that are managed separately from the other segments.

### Accounting basis between reportable segments

Costs are allocated within Athora Netherlands on an accrual basis. The prices of other transactions between group companies are in principal based on arms' length conditions.

## Statement of Financial Position by Segment

| STATEMENT OF FINANCIAL POSITION BY SEGMENT 31 DECEMBER 2020 | | | | | | |
|---|---|---|---|---|---|---|
| In € millions | Life Corporate | Individual Life | Asset Management | Other[1] | Adjustments and Eliminations | Total |
| **Assets** | | | | | | |
| Property and equipment | 25 | 13 | - | 8 | - | **46** |
| Investments in associates | 38 | - | - | 44 | -44 | **38** |
| Investment property | 85 | 436 | - | - | - | **521** |
| Investments | 27,778 | 14,076 | 42 | 442 | -416 | **41,922** |
| Investments for account of policyholders | 9,732 | 4,056 | - | - | - | **13,788** |
| Investments for account of third parties | 1,076 | 1,338 | - | - | - | **2,414** |
| Derivatives | 4,619 | 771 | - | - | - | **5,390** |
| Deferred tax | 821 | - | - | 28 | -242 | **607** |
| Reinsurance share | - | 27 | - | - | - | **27** |
| Loans and advances due from banks | 217 | 372 | - | 14 | - | **603** |
| Corporate income tax | 17 | - | 2 | 20 | -26 | **13** |
| Other assets | -425 | 333 | 6 | 370 | -30 | **254** |
| Cash and cash equivalents | 208 | 119 | 3 | 55 | - | **385** |
| **Total assets** | **44,191** | **21,541** | **53** | **981** | **-758** | **66,008** |
| | | | | | | |
| **Equity and liabilities** | | | | | | |
| Share capital | - | - | - | - | - | **0** |
| Reserves | 975 | 2,516 | 36 | -99 | - | **3,428** |
| **Shareholders' equity** | **975** | **2,516** | **36** | **-99** | **-** | **3,428** |
| Holders of other equity instruments | 100 | 250 | - | -50 | - | **300** |
| **Total equity** | **1,075** | **2,766** | **36** | **-149** | **-** | **3,728** |
| Subordinated debt | 394 | 372 | - | 467 | -415 | **818** |
| Borrowings | - | - | - | 61 | - | **61** |
| Insurance liabilities | 36,621 | 14,891 | - | - | - | **51,512** |
| Liabilities investments for account of third parties | 1,076 | 1,338 | - | - | - | **2,414** |
| Provision for employee benefits | 219 | - | - | 476 | - | **695** |
| Other provisions | 9 | 9 | - | 50 | - | **68** |
| Derivatives | 995 | 90 | - | 12 | - | **1,097** |
| Deferred tax | - | 242 | - | - | -242 | **-** |
| Amounts due to banks | 3,436 | 1,248 | - | - | - | **4,684** |
| Corporate income tax | - | 26 | - | - | -26 | **-** |
| Other liabilities | 366 | 559 | 17 | 64 | -75 | **931** |
| **Total equity and liabilities** | **44,191** | **21,541** | **53** | **981** | **-758** | **66,008** |

1 In the segment Other, eliminations have been included between Life Corporate, Individual Life and Other.

| STATEMENT OF FINANCIAL POSITION BY SEGMENT 31 DECEMBER 2019 | | | | | | |
|---|---|---|---|---|---|---|
| In € millions | Life Corporate | Individual Life | Asset Management | Other | Adjustments and Eliminations[1] | Total |
| Assets | | | | | | |
| Property and equipment | 31 | 19 | - | 12 | - | **62** |
| Investments in associates | 37 | - | - | 49 | -49 | **37** |
| Investment property | 74 | 384 | - | 2 | - | **460** |
| Investments | 25,227 | 14,235 | 31 | 1,050 | 1,029 | **41,572** |
| Investments for account of policyholders | 9,134 | 4,386 | - | - | - | **13,520** |
| Investments for account of third parties | 597 | 448 | - | - | - | **1,045** |
| Derivatives | 2,438 | 590 | - | 23 | 51 | **3,102** |
| Deferred tax | 618 | - | - | 23 | -192 | **449** |
| Reinsurance share | - | 46 | - | - | 65 | **111** |
| Loans and advances due from banks | 322 | 391 | - | -1 | - | **712** |
| Corporate income tax | - | 7 | 5 | 11 | -21 | **2** |
| Other assets | -323 | 289 | 9 | 304 | -17 | **262** |
| Cash and cash equivalents | 153 | 118 | 1 | 33 | 46 | **351** |
| **Total assets** | **38,308** | **20,913** | **46** | **1,506** | **912** | **61,685** |
| | | | | | | |
| Equity and liabilities | | | | | | |
| Share capital | - | - | - | - | - | **0** |
| Reserves | 1,070 | 2,229 | 28 | -188 | 399 | **3,538** |
| **Shareholders' equity** | **1,070** | **2,229** | **28** | **-188** | **399** | **3,538** |
| Holders of other equity instruments | - | 250 | - | 50 | - | **300** |
| **Total equity** | **1,070** | **2,479** | **28** | **-138** | **399** | **3,838** |
| Subordinated debt | 397 | 377 | - | 509 | -415 | **868** |
| Borrowings | - | - | - | 645 | - | **645** |
| Insurance liabilities | 33,244 | 15,761 | - | - | 1,083 | **50,088** |
| Liabilities investments for account of third parties | 597 | 448 | - | - | - | **1,045** |
| Provision for employee benefits | 198 | - | - | 403 | 28 | **629** |
| Other provisions | 4 | 11 | - | - | - | **15** |
| Derivatives | 631 | 45 | - | - | - | **676** |
| Deferred tax | - | 180 | - | - | -180 | **-** |
| Amounts due to banks | 1,716 | 1,010 | - | 25 | 52 | **2,803** |
| Corporate income tax | 10 | - | - | - | -10 | **-** |
| Other liabilities | 441 | 602 | 18 | 62 | -45 | **1,078** |
| **Total equity and liabilities** | **38,308** | **20,913** | **46** | **1,506** | **912** | **61,685** |

1 Adjustments and Eliminations is including Property & Casualty

## Statement of Profit or Loss by Segment

| STATEMENT OF PROFIT OR LOSS BY SEGMENT 2020 | | | | | | |
|---|---|---|---|---|---|---|
| In € millions | Life Corporate | Individual Life | Asset Management | Other | Adjustments and Eliminations | Total |
| Continuing operations | | | | | | |
| Income | | | | | | |
| Premium income | 1,093 | 674 | - | -3 | - | **1,764** |
| Less: Reinsurance premiums | 246 | 3 | - | - | - | **249** |
| **Net premium income** | **847** | **671** | **-** | **-3** | **-** | **1,515** |
| Fee and commission income | 28 | 21 | 62 | - | -42 | **69** |
| Less: Fee and commission expense | 11 | 6 | 24 | 3 | -30 | **14** |
| **Net fee and commission income** | **17** | **15** | **38** | **-3** | **-12** | **55** |
| Share in result of associates | 1 | - | - | - | - | **1** |
| Investment income | 575 | 546 | - | 78 | -10 | **1,189** |
| Investment expense for account of policyholders | 625 | 67 | - | - | - | **692** |
| Result on investments for account of third parties | 70 | 115 | - | - | - | **185** |
| Result on derivatives | 1,706 | 94 | - | -35 | - | **1,765** |
| **Total income** | **3,841** | **1,508** | **38** | **37** | **-22** | **5,402** |
| Inter-segment revenues | 13 | 12 | 20 | 21 | - | **66** |
| Expenses | | | | | | |
| Technical claims and benefits | 2,782 | 887 | - | -9 | - | **3,660** |
| Charges for account of policyholders | 1,111 | 196 | - | - | - | **1,307** |
| Acquisition costs for insurance activities | 1 | 14 | - | - | - | **15** |
| Result on liabilities from investments for account of third parties | 70 | 115 | - | - | - | **185** |
| Staff costs | 94 | 86 | 25 | 25 | - | **230** |
| Depreciation and amortisation of non-current assets | 2 | - | - | 4 | - | **6** |
| Other operating expenses | 19 | 20 | 19 | 2 | -4 | **56** |
| Impairment losses | 5 | 6 | - | - | - | **11** |
| Other interest expenses | 23 | 29 | - | 68 | -18 | **102** |
| **Total expenses** | **4,107** | **1,353** | **44** | **90** | **-22** | **5,572** |
| **Result before tax from continued operations** | **-266** | **155** | **-6** | **-53** | **-** | **-170** |
| Tax (expense) / benefit | -118 | 18 | -1 | -12 | - | **-113** |
| **Net result continued operations for the period** | **-148** | **137** | **-5** | **-41** | **-** | **-57** |
| Discontinued operations | | | | | | |
| Net result from discontinued operations (after tax) | **-** | **-** | **-** | **-** | **60** | **60** |
| **Net result for the period** | **-148** | **137** | **-5** | **-41** | **60** | **3** |

| STATEMENT OF PROFIT OR LOSS BY SEGMENT 2019 | | | | | | |
|---|---|---|---|---|---|---|
| In € millions | Life Corporate | Individual Life | Asset Management | Other | Adjustments and Eliminations | Total[1] |
| Continuing operations | | | | | | |
| Income | | | | | | |
| Premium income | 1,086 | 767 | - | -4 | - | **1,849** |
| Less: Reinsurance premiums | 192 | 3 | - | - | - | **195** |
| **Net premium income** | **894** | **764** | **-** | **-4** | **-** | **1,654** |
| Fee and commission income | 20 | 24 | 68 | - | -44 | **68** |
| Less: Fee and commission expense | 11 | 6 | 28 | 1 | -29 | **17** |
| **Net fee and commission income** | **9** | **18** | **40** | **-1** | **-15** | **51** |
| Share in result of associates | 1 | - | - | - | - | **1** |
| Investment income | 745 | 502 | - | 49 | -11 | **1,285** |
| Investment expense for account of policyholders | 1,428 | 639 | - | - | - | **2,067** |
| Result on investments for account of third parties | 87 | 86 | - | - | - | **173** |
| Result on derivatives | 1,477 | 190 | - | 22 | - | **1,689** |
| **Total income** | **4,641** | **2,199** | **40** | **66** | **-26** | **6,920** |
| Inter-segment revenues | 13 | 13 | 21 | 31 | - | **78** |
| Expenses | | | | | | |
| Technical claims and benefits | 2,555 | 959 | - | -10 | - | **3,504** |
| Charges for account of policyholders | 1,688 | 804 | - | - | - | **2,492** |
| Acquisition costs for insurance activities | 2 | 15 | - | - | -1 | **16** |
| Result on liabilities from investments for account of third parties | 87 | 86 | - | - | - | **173** |
| Staff costs | 78 | 65 | 27 | 15 | - | **185** |
| Depreciation and amortisation of non-current assets | 1 | 1 | - | 5 | - | **7** |
| Other operating expenses | 20 | 19 | 22 | 5 | -4 | **62** |
| Impairment losses (reversals) | -8 | - | - | - | - | **-8** |
| Other interest expenses | 22 | 47 | - | 50 | -21 | **98** |
| **Total expenses** | **4,445** | **1,996** | **49** | **65** | **-26** | **6,529** |
| **Result before tax from continued operations** | **196** | **203** | **-9** | **1** | **-** | **391** |
| Tax expense | 21 | 49 | -2 | -10 | - | **58** |
| **Net result continued operations for the period** | **175** | **154** | **-7** | **11** | **-** | **333** |
| Discontinued operations | | | | | | |
| Net result from discontinued operations (after tax) | **-** | **-** | **-** | **-** | **66** | **66** |
| **Net result for the period** | **175** | **154** | **-7** | **11** | **66** | **399** |

1 Per 1 April 2020, VIVAT Schadeverzekeringen NV was sold. The comparative figures have been restated in line with IFRS 5 regarding discontinued operations.

# 7 MANAGING RISKS

## 7.1 RISK MANAGEMENT SYSTEM

### 7.1.1 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 Netherlandsrecognises 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.

### 7.1.2 Overview

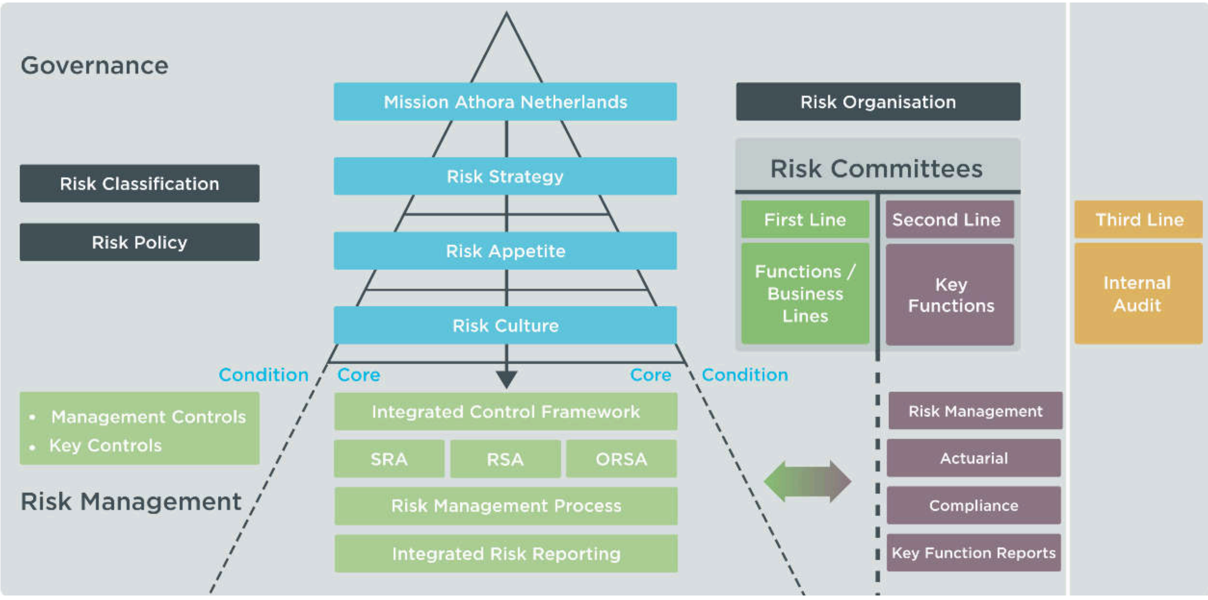
In the Risk Management System, specific Solvency II requirement such as the Key Functions and the Own Risk and Solvency Assessment (ORSA) are incorporated. The Athora Netherlands Risk Management System operates an integrated approach for risks that the organisation is or could be exposed to, with Risk 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 an integrated 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

## 7.2 RISK MANAGEMENT GOVERNANCE

### 7.2.1 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.

### 7.2.2 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.

### 7.2.3 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.

### 7.2.4 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.

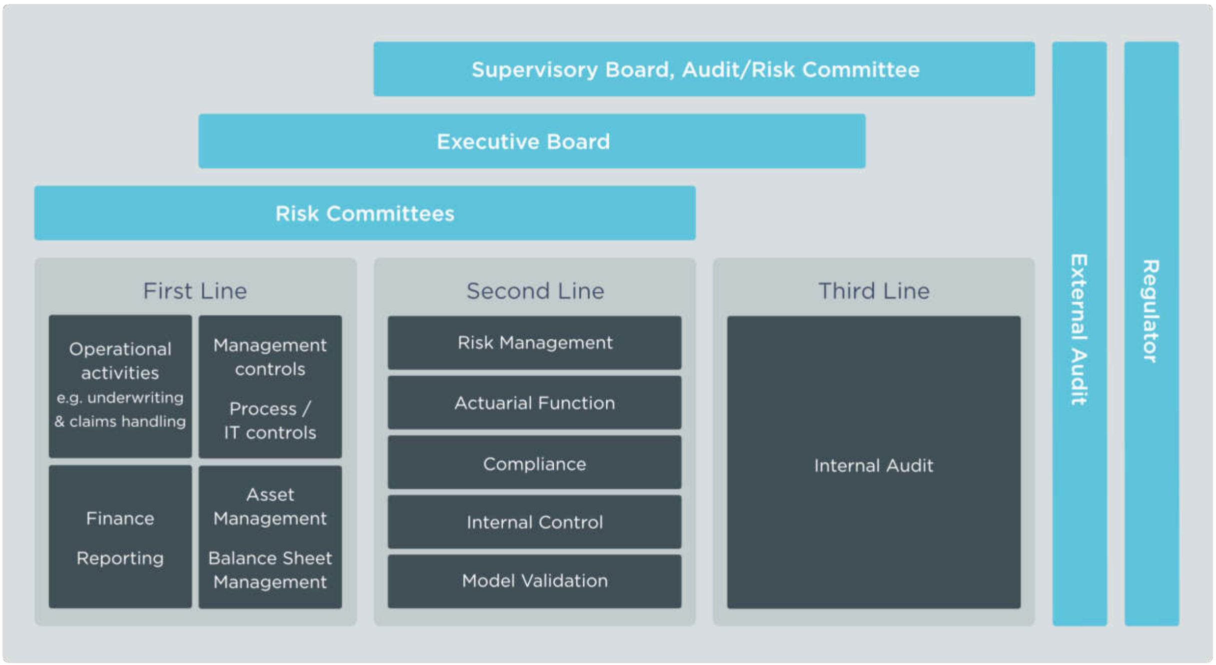
Athora Netherlands realises that the tone at the top is defining for Risk Culture, which makes communication and exemplary behaviour determinant. Athora Netherlands encourages an open corporate culture in which risks are to be discussed, employees feel responsible to share knowledge on risks and where (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.

### 7.2.5 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 ManagementFunction 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.

### 7.2.6 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.

### 7.2.7 Risk Classification

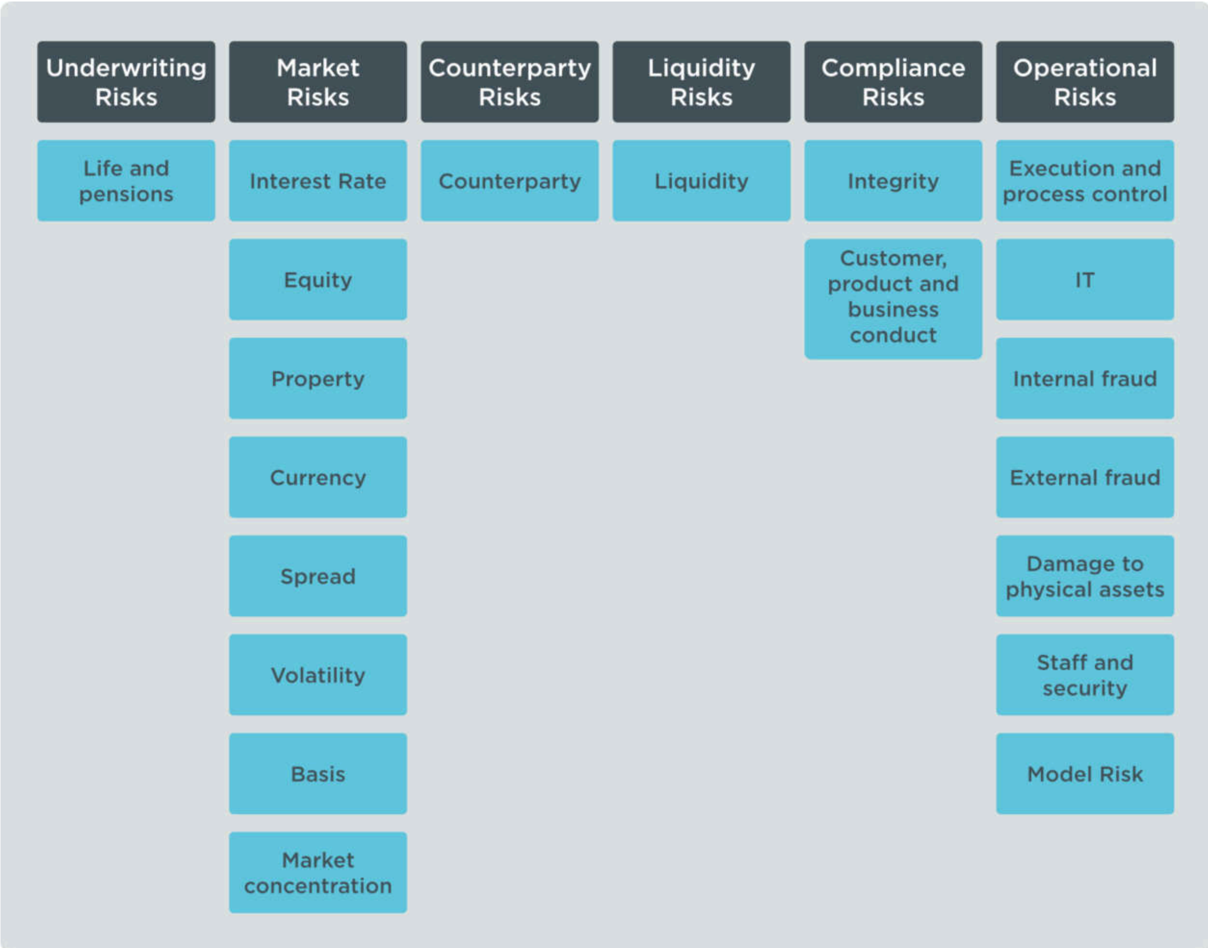
Athora Netherlands provides insight into the risks for the business itself and for its stakeholders to manage these risks within the indicated tolerance levels. This includes both behaviour related and financial aspects of Risk Management. Clarity is crucial to ensure adequate risk management. In order 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 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 paragraph 7.5 and further. 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.

## 7.3 RISK CONTROL

Risk control within the risk management process is a continuous process of identifying and assessing risks and establishing controls. Risk control is an inextricable part of the strategy, policy, processes, procedures, operational embedding, allocation of capacity and responsibilities, and independent testing of control effectiveness. The first and second line departments have been assigned a responsibility in this process, which is supported by the Integrated Control Framework (ICF).

### 7.3.1 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.

### 7.3.2 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.

## 7.3.3 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 7.8 and 7.9.

## 7.3.3.1 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.

### 7.3.3.2 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.

### 7.3.3.3 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.

### 7.3.3.4 Non-financial Risk

Non-financial risks (Compliance risks and Operational risks, see section 7.9) 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.

## 7.4 CAPITAL MANAGEMENT

### 7.4.1 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.

### 7.4.2 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.

### 7.4.3 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.

### 7.4.4 ORSA

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

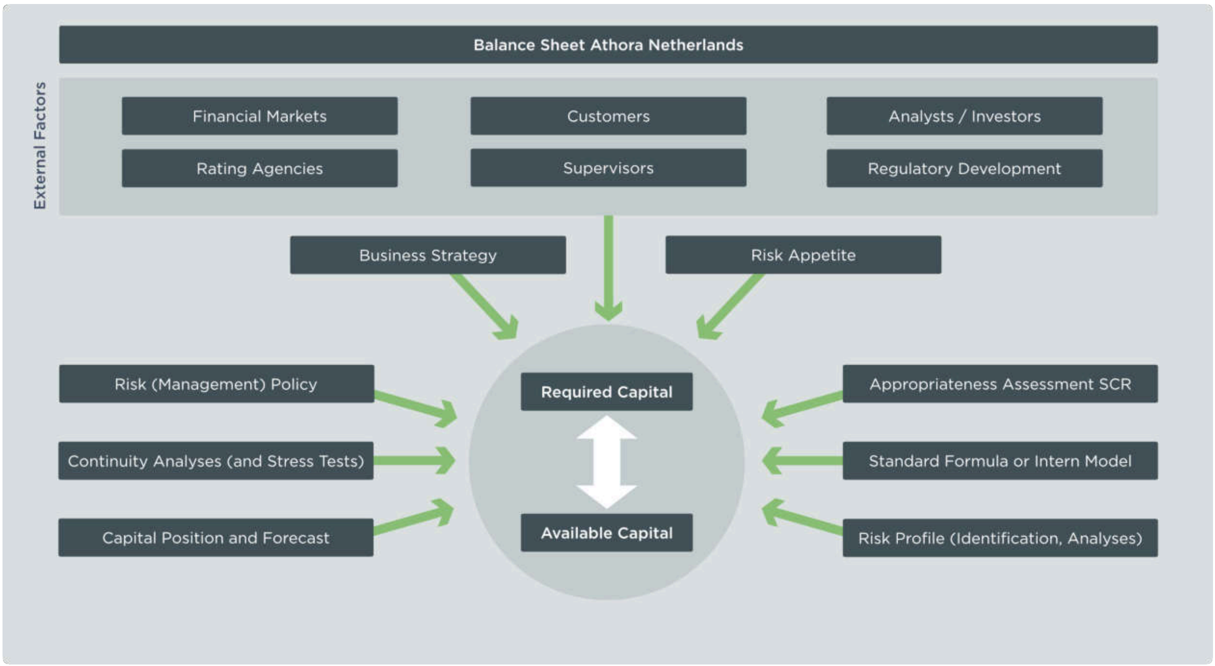
- the overall assessment of solvency taking into account the specific risk profile, approved risk tolerance limits and the business strategy of Athora Netherlands;

- 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.

### 7.4.4.1 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.

### 7.4.4.2 Scenario Tests and Mitigating 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.

### 7.4.4.3 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.

### 7.4.5 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.

### 7.4.6 Capital Position

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.

### Solvency II ratio

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 weekly this position in the intervening weeks. 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. The yield curve used, 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 2021. That UFR will be for the first time applicable for the calculation of the risk-free interest rates of 1 January 2021.

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 (which can be further split in restricted and unrestricted Tier 1 capital) and Tier 3 the lowest. Athora Netherlands does not have 'ancillary own funds' (such as letters of credit and guarantees) which require supervisory approval.

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.

Contingent liabilities – 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.

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

| BREAKDOWN OWN FUNDS | | |
|---|---|---|
| In € millions | 2020 | 2019[1] |
| Shareholders' equity | 3,428 | 3,538 |
| Reconciliation IFRS-Solvency II | -179 | -253 |
| Subordinated liabilities | 1,168 | 1,203 |
| **Total available own funds** | **4,416** | **4,487** |
| Tiering restriction | -282 | -147 |
| **Total eligible own funds** | **4,134** | **4,340** |

1 Figures as filed with the regulator.

The following items result in differences between IFRS shareholders' equity and Solvency II own funds.

### 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 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.

### 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).

### 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 € 151 million at year-end 2019 to € 260 million at year-end 2020 mainly due to higher net DTA position.

| BREAKDOWN TIERING | | | | | |
|---|---|---|---|---|---|
| | 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[1] | 2,759 | 408 | 795 | 378 | **4,340** |

1 Figures as filed with the regulator.

The table below shows the eligible own funds, the Solvency Capital Requirement and the resulting Solvency II ratio.

| SOLVENCY II RATIO | | |
|---|---|---|
| In € millions/percentage | 2020[1] | 2019[2] |
| Total eligible own funds | 4,134 | 4,340 |
| Consolidated group SCR | 2,569 | 2,548 |
| Solvency II ratio | 161% | 170% |

1 Regulatory Solvency II ratio 2020 is not final until filed with the regulator

2 Figures as filed with the regulator

## 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 excess 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.

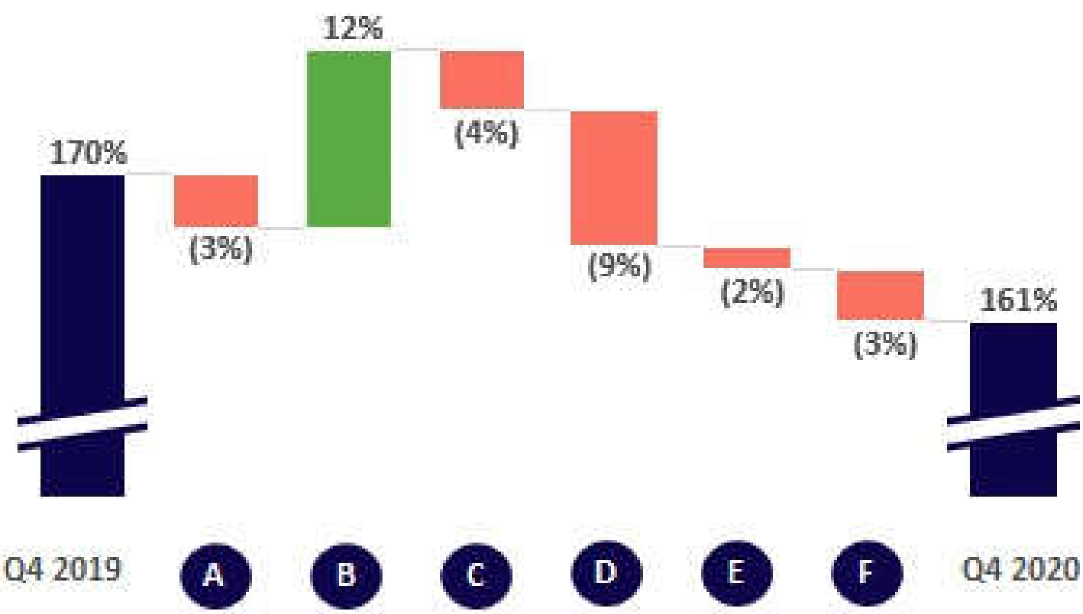
One-time items show the impact of events like changes in coverage of the longevity reinsurance contracts, the UFR decrease, Balance Sheet Management actions like re-risking impact and interest rate hedge adjustments.

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.

## 7.4.7 Risk Profile

| SOLVENCY CAPITAL REQUIREMENT | | |
|---|---|---|
| **In € millions** | **2020** | **2019** |
| Life underwriting risk | 1,399 | 1,489 |
| Underwriting risk Non-Life | - | 220 |
| Underwriting risk Health | - | 295 |
| Market risk | 1,500 | 1,165 |
| Counterparty default risk | 164 | 216 |
| Diversification | -714 | -1,038 |
| **Basic Solvency Capital Requirement** | **2,349** | **2,347** |
| Operational risk | 195 | 207 |
| Loss-absorbing capacity of technical provisions | -5 | - |
| Loss-absorbing capacity of deferred taxes | - | -32 |
| **Net Solvency Capital Requirement** | **2,539** | **2,522** |
| Capital requirements of other financial sectors | 30 | 26 |
| SCR for undertakings included via D&A | - | - |
| **Consolidated group SCR** | **2,569** | **2,548** |

The main risk profile changes in 2020 for Athora Netherlands 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). 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.

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.

## 7.5 LIFE UNDERWRITING RISK

### 7.5.1 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.

### 7.5.2 SCR Life Underwriting Risk

Life includes SRLEV and Proteq.

#### 7.5.2.1 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

### 7.5.2.2 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.

The next table provides an overview of the product portfolio.

SCOPE OF VARIOUS INSURANCE CATEGORIES

| | Gross premium income | | Sum insured | | Technical provision for insurance contracts[1] | |
|---|---|---|---|---|---|---|
| In € millions | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| Traditional insurance policies | 517 | 585 | 63,379 | 65,536 | 9,781 | 10,496 |
| Individual insurance policies in investment units | 157 | 182 | 72,078 | 75,660 | 4,045 | 4,395 |
| **Total Individual Life** | **674** | **767** | **135,457** | **141,196** | **13,826** | **14,891** |
| Traditional insurance policies | 362 | 288 | 2,013 | 2,170 | 3,604 | 3,478 |
| Group insurance policies | 213 | 247 | 11,722 | 17,906 | 12,470 | 12,394 |
| Group insurance policies in investment units | 515 | 547 | 43,331 | 45,700 | 10,145 | 9,528 |
| **Total Life Corporate** | **1,090** | **1,082** | **57,066** | **65,776** | **26,219** | **25,400** |
| **Total** | **1,764** | **1,849** | **192,523** | **206,972** | **40,045** | **40,291** |

1 The technical provision for insurance contracts excludes Results on allocated investments and interest derivatives and LAT deficit.

BREAKDOWN OF VARIOUS INSURANCE POLICIES

| | Gross premium income | | Sum insured | | Technical provision for insurance contracts[1] | |
|---|---|---|---|---|---|---|
| In € millions | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| Term insurance | 158 | 181 | 60,051 | 66,445 | 603 | 600 |
| Pure endowment | 14 | 26 | 2,044 | 2,134 | 1,421 | 1,441 |
| Endowment | 337 | 379 | 13,001 | 14,985 | 7,506 | 8,176 |
| Funeral insurance | 24 | 25 | 2,005 | 2,035 | 1,159 | 1,151 |
| Deferred annuities and survivor annuities | 173 | 177 | 13 | 13 | 7,421 | 7,464 |
| Annuity payments | 363 | 310 | - | - | 7,626 | 7,417 |
| Supplementary coverage | 23 | 22 | - | - | 119 | 119 |
| **Traditional insurance policies** | **1,092** | **1,120** | **77,114** | **85,612** | **25,855** | **26,368** |
| | | | | | | |
| Individual insurance policies in investment units | 157 | 181 | 72,078 | 75,659 | 4,045 | 4,395 |
| Group pure endowments | 442 | 468 | 6,200 | 6,947 | 6,294 | 7,060 |
| Group endowments | 8 | 2 | 2,247 | 1,174 | 1,596 | 439 |
| Group deferred annuities and survivor annuities | 13 | 18 | - | - | 1,605 | 1,396 |
| Group annuity payments | 2 | 6 | - | - | 537 | 553 |
| Other group insurance policies | 50 | 54 | 34,884 | 37,580 | 113 | 80 |
| **Insurance policies in investment units** | **672** | **729** | **115,409** | **121,360** | **14,190** | **13,923** |
| **Total** | **1,764** | **1,849** | **192,523** | **206,972** | **40,045** | **40,291** |

1 The technical provision for insurance contracts excludes Results on allocated investments and interest derivatives and LAT deficit.

### 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.

## 7.5.2.3 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.

## 7.5.2.4 SCR Life and sensitivities

The table below shows 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 | | |
|---|---|---|
| **In € millions** | **2020** | **2019** |
| Mortality risk | 267 | 238 |
| Longevity risk | 792 | 941 |
| Disability-morbidity risk | 17 | 18 |
| Lapse risk | 258 | 327 |
| Life expense risk | 674 | 613 |
| Life catastrophe risk | 234 | 214 |
| Diversification | -843 | -862 |
| **SCR Life underwriting risk** | **1,399** | **1,489** |

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.

## 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 and 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 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.

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% |

For Athora Netherlands, the sensitivity for longevity risk on Solvency II ratio decreased due to the new longevity reinsurance contract partly offset by lower interest rates. The expense sensitivity increased due to rise of inflation expectations.

## 7.6 MARKET RISK

### 7.6.1 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.

### 7.6.2 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 | | |
|---|---|---|
| **In € millions** | **2020** | **2019** |
| Interest rate risk | 440 | 337 |
| Equity risk | 237 | 290 |
| Property risk | 151 | 138 |
| Spread risk | 854 | 674 |
| Currency risk | 206 | 248 |
| Diversification | -388 | -522 |
| **SCR market risk** | **1,500** | **1,165** |

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.

### 7.6.2.1 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.

#### Nominal Insurance Liabilities by Buckets

The table below presents nominal cash flows arising from insurance liabilities, net of reinsurance (liabilities) by maturity segment.

| CASH FLOWS FROM INSURANCE BUSINESS 2020 | | | | | | | |
|---|---|---|---|---|---|---|---|
| **In € millions** | **< 1 year** | **1 - 5 years** | **5 - 10 years** | **10 - 15 years** | **15 - 20 years** | **> 20 years** | **Total** |
| Insurance liabilities - Life | 1,367 | 4,967 | 5,905 | 5,254 | 4,453 | 13,574 | **35,520** |
| **Total** | **1,367** | **4,967** | **5,905** | **5,254** | **4,453** | **13,574** | **35,520** |

| CASH FLOWS FROM INSURANCE BUSINESS 2019 | | | | | | | |
|---|---|---|---|---|---|---|---|
| **In € millions** | **< 1 year** | **1 - 5 years** | **5 - 10 years** | **10 - 15 years** | **15 - 20 years** | **> 20 years** | **Total** |
| Insurance liabilities - Life | 1,273 | 4,670 | 5,734 | 5,179 | 4,484 | 13,951 | **35,291** |
| Insurance liabilities - Non-life | 113 | 361 | 137 | 86 | 63 | 88 | **848** |
| **Total** | **1,386** | **5,031** | **5,871** | **5,265** | **4,547** | **14,039** | **36,139** |

The table excludes the portfolio on account of policyholders. The portfolio on account of policyholders is not relevant in this context, since the value accumulated in the investment funds is paid to policyholders on the policy's maturity date. The accrued balances of savings policies and savings-based mortgages are neither taken into account as these are offset. The cash flows from the underwriting provisions concern cash flows with a nominal guarantee. This does not include cash flows driven by options and guarantees and the risk margin. The cash flows arising from the underwriting provisions are estimated on a best estimate basis. Assumptions are made of mortality, disability, surrender and costs. A change in assumptions can alter the view of the cash flows in the table. The cash flow projections do not include future profit-sharing.

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.

The interest rate scenario used for the up and down Solvency II shocks are prescribed; being in effect a parallel up shock of 100 bps and a non-parallel down shock increasing from 0 bps to minus 62 bps, both without re-applying the UFR. For Athora Netherlands, the down shock is leading.

| SCR INTEREST RATE RISK | | |
|---|---|---|
| In € millions | 2020 | 2019 |
| SCR interest up shock | -196 | -337 |
| SCR interest down shock | -440 | -203 |
| **SCR interest rate risk** | **440** | **337** |

The interest rate risk increased mainly due to decreases in interest rates and UFR .

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).

| SENSITIVITY | | | | | | |
|---|---|---|---|---|---|---|
| | 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% |

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.

### 7.6.2.2 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 | | |
|---|---|---|
| In € millions | 2020 | 2019 |
| Type 1 equities | 154 | 186 |
| Type 2 equities | 98 | 123 |
| Diversification | -15 | -19 |
| **Equity risk** | **237** | **290** |

The equity risk for Athora Netherlands 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).

| SENSITIVITY | | | | | | |
|---|---|---|---|---|---|---|
| | 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% |

### 7.6.2.3 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 | 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.

| SENSITIVITY | | | | | | |
|---|---|---|---|---|---|---|
| | 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% |

### 7.6.2.4 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 | | |
|---|---|---|
| In € millions | 2020 | 2019 |
| Bonds and loans | 830 | 627 |
| Securitisation positions | 24 | 47 |
| **Spread risk** | **854** | **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.

| SENSITIVITY | | | | | | |
|---|---|---|---|---|---|---|
| | 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 sovereigns into credits.

### 7.6.2.5 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.

### 7.6.2.6 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 table below provides an indication of Athora Netherlands' foreign exchange exposure excluding loans.

| CURRENCY EXPOSURE EXCLUDING LOANS (NET EXPOSURE) | | | | |
|---|---|---|---|---|
| | Net balance exposure | | Hedge derivatives | |
| **In € millions** | **2020** | **2019** | **2020** | **2019** |
| US Dollar | 2,557 | 3,144 | -2,490 | -3,029 |
| Japanese Yen | 712 | 408 | -712 | -409 |
| Danish Crown | 404 | - | -405 | - |
| Pound Sterling | 109 | 140 | -108 | -154 |
| Swedish Crown | 26 | - | -26 | - |
| Swiss Franc | - | 102 | - | -102 |
| Australian Dollar | -2 | -3 | - | - |
| **Total** | **3,806** | **3,791** | **-3,741** | **-3,694** |

The table below provides an indication of Athora Netherlands' foreign exposure on subordinated loans (nominal value).

| CURRENCY EXPOSURE LOANS (NET EXPOSURE) | | | | |
|---|---|---|---|---|
| | Nominal balance | | Hedge derivatives | |
| **In € millions** | **2020** | **2019** | **2020** | **2019** |
| US Dollar | -334 | -376 | 335 | 378 |
| Swiss Franc | -97 | -97 | 97 | 97 |
| **Total** | **-431** | **-473** | **432** | **475** |

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 | 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.

### 7.6.2.7 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.

### 7.6.2.8 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.

## 7.7 COUNTERPARTY DEFAULT RISK

### 7.7.1 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.

| OVERVIEW MORTGAGES | | |
|---|---|---|
| In € millions | 2020 | 2019 |
| Mortgages < 75% of foreclosure value | 2,061 | 1,256 |
| Mortgages 75% < > 100% of foreclosure value | 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** |
| Specific provision for bad debts | - | - |
| **Total (carrying amount)** | **3,974** | **2,619** |

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.

## 7.7.2 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 | | |
|---|---|---|
| **In € millions** | **2020** | **2019** |
| Type 1 exposures | 87 | 168 |
| Type 2 exposures | 88 | 59 |
| Diversification | -11 | -11 |
| **SCR counterparty default risk** | **164** | **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.

## 7.8 LIQUIDITY RISK

### 7.8.1 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.

### 7.8.2 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.

### 7.8.3 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.

## 7.9 NON-FINANCIAL RISK

### 7.9.1 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 7.2.5 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.

## 7.9.2 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 Netherlands 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.

### 7.9.3 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** |
| Athora Netherlands | 195 | 207 |

The SCR for operational risk decreased mainly due to the carve out of VIVAT Schade.

# 8 COMPANY FINANCIAL STATEMENTS

## 8.1 COMPANY STATEMENT OF FINANCIAL POSITION

| Before result appropriation and in € millions | Ref.[1] | 31 December 2020 | 31 December 2019 |
|---|---|---|---|
| **Assets** | | | |
| Property and equipment | 1 | 34 | 41 |
| Investment property | 2 | - | 2 |
| Subsidiaries | 3 | 3,874 | 3,981 |
| Receivables from group companies | 4 | 829 | 920 |
| Investments | 5 | 26 | 484 |
| Derivatives | 6 | - | 23 |
| Deferred tax | 7 | 18 | 10 |
| Loans and advances due from banks | 8 | 13 | - |
| Corporate income tax | | 20 | 11 |
| Other assets | 9 | 15 | 7 |
| Cash and cash equivalents | 10 | 55 | 33 |
| **Total assets** | | **4,884** | **5,512** |
| | | | |
| **Equity and liabilities** | | | |
| Issued share capital[2] | | 0 | 0 |
| Share premium reserve | | 4,293 | 4,309 |
| Revaluation reserves and other legal reserves | | 155 | 170 |
| Retained earnings | | -1,020 | -941 |
| **Total shareholders' equity** | | **3,428** | **3,538** |
| Holders of other equity instruments | | 300 | 300 |
| **Total equity** | 11 | **3,728** | **3,838** |
| Subordinated debt | 12 | 467 | 509 |
| Borrowings | | 61 | 645 |
| **Capital base** | | **4,256** | **4,992** |
| Provision for employee benefits | 13 | 476 | 402 |
| Other provisions | | 50 | - |
| Derivatives | 6 | 12 | - |
| Amounts due to banks | 14 | - | 25 |
| Other liabilities | 15 | 90 | 93 |
| **Total equity and liabilities** | | **4,884** | **5,512** |

1 The references next to the balance sheet items relate to the notes to the company statement of financial position in Section 9.2.
2 The issued and paid up share capital of Athora Netherlands NV is € 238,500.

## 8.2 COMPANY STATEMENT OF PROFIT OR LOSS

| In € millions | Ref.[1] | 2020 | 2019 |
|---|---|---|---|
| Income | | | |
| Fee and commission expense | | 3 | 1 |
| **Net fee and commission income** | | **-3** | **-1** |
| Share in result of subsidiaries | 18 | 52 | 413 |
| Investment income | 19 | 75 | 29 |
| Result on derivatives | 20 | - | 23 |
| **Total income** | | **124** | **464** |
| Expenses | | | |
| Result on derivatives | 20 | 35 | - |
| Staff costs | 21 | 25 | 15 |
| Depreciation and amortisation of non-current assets | 1 | 8 | 9 |
| Other operating expenses | | -2 | 1 |
| Other interest expenses | 22 | 68 | 50 |
| **Total expenses** | | **134** | **75** |
| **Result before tax** | | **-10** | **389** |
| Tax expense / benefit | 23 | -13 | -10 |
| **Net result for the period** | | **3** | **399** |
| | | | |
| **Attributable to:** | | | |
| - Shareholders | | -18 | 378 |
| - Holders of other equity instruments | | 21 | 21 |
| **Net result for the period** | | **3** | **399** |

1 The references next to the income statement items relate to the notes to the company statement of profit or loss in Section 9.2.

# 9 NOTES TO THE COMPANY FINANCIAL STATEMENTS

## 9.1 ACCOUNTING POLICIES TO THE COMPANY FINANCIAL STATEMENTS

### General

Where applicable, for items not described in this section, the accounting policies applied for the company financial statements are the same as those described in the section 6.1 Accounting policies for the consolidated financial statements. For the items not separately disclosed in the notes to the company financial statements, reference is made to the notes in the section 6.3 Notes to the consolidated financial statements.

### Subsidiaries

Subsidiaries are companies and other entities in which Athora Netherlands NV has existing rights to direct the relevant activities of the entity (see Section 6.3, note 42 List of principal subsidiaries). Subsidiaries are measured using the equity method of accounting.

Movements in the carrying amounts of subsidiaries due to changes in their revaluation, cash flow, fair value and profit-sharing reserves are recognised in shareholders' equity.

Movements in the carrying amounts arising from the share of result of subsidiaries are recognised in accordance with the accounting policies of Athora Netherlands NV in profit or loss. The distributable reserves of subsidiaries are recognised in retained earnings.

Athora Netherlands NV has provided a perpetual Tier 1 Capital loan to its subsidiary SRLEV NV. Redemption of the loan is scheduled at specific dates, for the first time five years after it was issued. The agreed terms meet the requirements in the EU's Solvency II regulations for Tier 1 Capital loans. These regulatory requirements imply that the borrower has a unilateral right not to pay interest or repay the principal to the investors. Based on these terms, the loan does not qualify as a liability at SRLEV and consequently it is recognised as an equity investment at Athora Netherlands NV, increasing the carrying amount of the investments in subsidiaries. Interest payments are deducted from the net equity value of the investment.

### Receivables from and Debts to Group Companies

Loans (including subordinated loans) to and from group companies are measured at amortised cost.

### Revaluation Reserve

The revaluation reserve comprises the cumulative revaluations on investment property and revaluations of owner-occupied property of Athora Netherlands' subsidiaries net of income tax. A cumulative loss on an investment property and owner-occupied property ((acquisition) costs exceed their fair value) is not recognised as part of the revaluation reserve.

## 9.2 NOTES TO THE COMPANY FINANCIAL STATEMENTS

## 1 PROPERTY AND EQUIPMENT

| BREAKDOWN OF PROPERTY AND EQUIPMENT | | |
|---|---|---|
| In € millions | 2020 | 2019 |
| IT equipment | 2 | 4 |
| Right-of-use assets (ROU) | 28 | 32 |
| Other assets | 4 | 5 |
| **Total** | **34** | **41** |

| STATEMENT OF CHANGES IN PROPERTY AND EQUIPMENT 2020 | | | | | |
|---|---|---|---|---|---|
| In € millions | IT equipment | ROU: Property | ROU: Vehicles | Other assets | Total |
| Accumulated acquisitions costs | 9 | 57 | 4 | 15 | **85** |
| Accumulated depreciation and impairments | -7 | -33 | -1 | -11 | **-52** |
| Accumulated other | - | 2 | -1 | - | **1** |
| **Balance as at 31 December** | **2** | **26** | **2** | **4** | **34** |
| | | | | | |
| **Balance as at 1 January** | **4** | **29** | **3** | **5** | **41** |
| Investments | - | 1 | 1 | - | **2** |
| Depreciation | -2 | -4 | -1 | -1 | **-8** |
| Other | - | - | -1 | - | **-1** |
| **Balance as at 31 December** | **2** | **26** | **2** | **4** | **34** |

Other movements of Right-of-use assets Property concerns the indexation of lease contracts. Lease liabilities increase accordingly. Therefore indexation does not impact the statement of profit or loss.

| STATEMENT OF CHANGES IN PROPERTY AND EQUIPMENT 2019 | | | | | |
|---|---|---|---|---|---|
| In € millions | IT equipment | ROU: Property | ROU: Vehicles | Other assets | Total |
| Accumulated acquisitions costs | 9 | 58 | 4 | 15 | **86** |
| Accumulated depreciation and impairments | -5 | -30 | -1 | -9 | **-45** |
| Accumulated other | - | 1 | - | -1 | **-** |
| **Balance as at 31 December** | **4** | **29** | **3** | **5** | **41** |
| | | | | | |
| **Balance as at 1 January** | **3** | **-** | **-** | **7** | **10** |
| Introduction IFRS 16 | - | 32 | 3 | - | **35** |
| **Adjusted balance as at 1 January** | **3** | **32** | **3** | **7** | **45** |
| Investments | 2 | - | 1 | - | **3** |
| Depreciation | -2 | -4 | -1 | -2 | **-9** |
| Other | 1 | 1 | - | - | **2** |
| **Balance as at 31 December** | **4** | **29** | **3** | **5** | **41** |

| BREAKDOWN OF RIGHT-OF-USE ASSETS | | |
|---|---|---|
| **In € millions** | **2020** | **2019** |
| Property | 26 | 29 |
| Vehicles | 2 | 3 |
| **Total** | **28** | **32** |

Athora Netherlands has chosen to exempt short-term leases and low value leases and therefore they are not included in the ROU. The relating costs will be reported as part of the operating expenses (refer to note 34 of Notes to the Consolidated Financial Statements). For interest expenses on lease liabilities refer to note 36 Other Interest Expenses.

## 2 INVESTMENT PROPERTY

| SPECIFICATION INVESTMENT PROPERTY | | |
|---|---|---|
| **In € millions** | **2020** | **2019** |
| Right-of-use assets (ROU): Investment property | - | 2 |
| **Total** | **-** | **2** |

| STATEMENT OF CHANGES IN INVESTMENT PROPERTY | | |
|---|---|---|
| **In € millions** | **2020** | **2019** |
| **Balance as at 1 January** | **2** | **-** |
| Introduction IFRS 16 | - | 4 |
| **Adjusted balance as at 1 January** | **2** | **4** |
| Revaluations | -2 | -2 |
| **Balance as at 31 December** | **-** | **2** |

Revaluations include the indexation of lease contracts reported under Right-of-use assets. Lease liabilities increase accordingly. Therefore indexation does not impact the statement of Profit or Loss.

## 3 SUBSIDIARIES

| STATEMENT OF CHANGES IN SUBSIDIARIES | | |
|---|---|---|
| **In € millions** | **2020** | **2019** |
| **Balance as at 1 January** | **3,981** | **3,654** |
| Interest Solvency II Tier 1 Capital subordinated loan SRLEV NV | - | -19 |
| Capital issue | 212 | 9 |
| Disposals and redemptions | -416 | - |
| Solvency II Tier 1 Capital subordinated loan SRLEV NV | 100 | - |
| Other comprehensive income | -55 | -76 |
| Result | 52 | 413 |
| **Balance as at 31 December** | **3,874** | **3,981** |

In 2020, the capital issue consists of a share premium payment to SRLEV NV of € 200 million and to ACTIAM NV of € 12 million (2019: Share premium payment to ACTIAM NV of € 9 million).

The disposal of € 416 million consists of the sale of VIVAT Schadeverzekeringen per 1 April 2020.

In June 2020, Athora Netherlands provided a perpetual Tier 1 Capital loan to SRLEV NV. The € 100 million subordinated loan is perpetual and is classified as equity instrument and consequently recognised as part of equity as there is no contractual obligation for SRLEV, as issuer of the loan, to repay the principal or to pay interest.

Other comprehensive income consist of revaluations and of changes in valuation of defined benefit pension plan.

## 4 RECEIVABLES FROM GROUP COMPANIES

| BREAKDOWN OF RECEIVABLES FROM GROUP COMPANIES | | |
|---|---|---|
| **In € millions** | **2020** | **2019** |
| Loans | 415 | 565 |
| Reimbursement right | 353 | 324 |
| Receivables | 61 | 31 |
| **Total** | **829** | **920** |

| LOANS | | | | |
|---|---|---|---|---|
| **In € millions** | **Coupon** | **Maturity** | **2020** | **2019** |
| SRLEV NV | 7.750% | 2015 - 2025 | 140 | 140 |
| SRLEV NV | 3.780% | 2017 - 2027 | 95 | 95 |
| SRLEV NV | 3.600% | 2018 - 2028 | 180 | 180 |
| VIVAT Schadeverzekeringen NV | 7.750% | 2015 - 2025 | - | 80 |
| VIVAT Schadeverzekeringen NV | 5.545% | 2016 - 2026 | - | 70 |
| **Total** | | | **415** | **565** |

On 1 April 2020, Athora acquired 100% of the shares of VIVAT (now Athora Netherlands) and subsequently sold 100% of the shares of VIVAT Schade to NN Schade. NN Schade has also acquired the intercompany Tier 2 loans granted by Athora Netherlands to VIVAT Schade for € 150 million and accrued interest.

### Reimbursement Right

All personnel currently employed by Athora Netherlands NV have a collective defined contribution pension scheme at Stichting Pensioenfonds SNS REAAL. A number of defined benefit schemes for (former) employees still exists. The majority of these schemes is insured at SRLEV NV. As a result Athora Netherlands NV, as employer, has a reimbursement right towards SRLEV NV for the amount that is insured at SRLEV NV. This receivable covers the pension commitments to Athora Netherlands NV's (former) employees. This commitment is presented as a provision for employee benefits in Athora Netherlands NV's company statement of financial position.

## 5 INVESTMENTS

The investments comprise solely of available for sale investments (2020: € 26 million; 2019: € 484 million). After the sale of listed fixed-income investments in 2020, the available for sale portfolio consist of investments in unlisted shares and similar investments.

| BREAKDOWN OF AVAILABLE FOR SALE: LISTED AND UNLISTED | | | | | | |
|---|---|---|---|---|---|---|
| | Shares and similar investments | | Fixed-income investments | | Total | |
| In € millions | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| Listed | - | - | - | 435 | **-** | **435** |
| Unlisted | 26 | 49 | - | - | **26** | **49** |
| **Total** | **26** | **49** | **-** | **435** | **26** | **484** |

| STATEMENT OF CHANGES IN AVAILABLE FOR SALE | | | | | | |
|---|---|---|---|---|---|---|
| | Shares and similar investments | | Fixed-income investments | | Total | |
| In € millions | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| **Balance as at 1 January** | **49** | **72** | **435** | **409** | **484** | **481** |
| Purchases and advances | 901 | 258 | 171 | 573 | **1,072** | **831** |
| Disposals and redemptions | -924 | -281 | -604 | -534 | **-1,528** | **-815** |
| Amortisation | - | - | -4 | -11 | **-4** | **-11** |
| Received Coupons | - | - | -1 | -10 | **-1** | **-10** |
| Accrued Interest | - | - | 3 | 8 | **3** | **8** |
| **Balance as at 31 December** | **26** | **49** | **-** | **435** | **26** | **484** |

| BREAKDOWN OF AVAILABLE FOR SALE: MEASUREMENT | | | | | | |
|---|---|---|---|---|---|---|
| | Shares and similar investments | | Fixed-income investments | | Total | |
| In € millions | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| (Amortised) cost | 26 | 49 | - | 432 | **26** | **481** |
| Accrued interest | - | - | - | 3 | **-** | **3** |
| **Balance as at 31 December** | **26** | **49** | **-** | **435** | **26** | **484** |

## 6 DERIVATIVES

Derivatives are held in the context of ALM to which no hedge accounting is applied.

| STATEMENT OF CHANGES IN DERIVATIVES | | |
|---|---|---|
| In € millions | 2020 | 2019 |
| **Balance as at 1 January** | **23** | **-** |
| Revaluations | 14 | 12 |
| Exchange rate differences and FX result | -49 | 11 |
| **Balance as at 31 December** | **-12** | **23** |

## 7 DEFERRED TAX

| ORIGIN OF DEFERRED TAX 2020 | | | | |
|---|---|---|---|---|
| In € millions | 1 January | Change through profit or loss | Change through equity | 31 December |
| Investments | **2** | -2 | - | **-** |
| Derivatives | **-5** | 8 | - | **3** |
| Provision for employee benefits | **10** | - | 12 | **22** |
| Other | **3** | -10 | - | **-7** |
| **Total** | **10** | **-4** | **12** | **18** |

| ORIGIN OF DEFERRED TAX 2019 | | | | |
|---|---|---|---|---|
| In € millions | 1 January | Change through profit or loss | Change through equity | 31 December |
| Investments | **2** | - | - | **2** |
| Derivatives | **-** | -5 | - | **-5** |
| Provision for employee benefits | **6** | 10 | -6 | **10** |
| Other | **-** | 3 | - | **3** |
| **Total** | **8** | **8** | **-6** | **10** |

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%. As a result the deferred tax position per ultimo 2020 is recalculated at 25%.

## 8 LOANS AND ADVANCES DUE FROM BANKS

This item relates to cash collateral advanced to banks and has a remaining term to maturity of less than three months.

## 9 OTHER ASSETS

| BREAKDOWN OF OTHER ASSETS | | |
|---|---|---|
| In € millions | 2020 | 2019 |
| Other accrued assets | 3 | 7 |
| **Accrued assets** | **3** | **7** |
| | | |
| Other taxes | - | -1 |
| Other receivables | 12 | 1 |
| **Total** | **15** | **7** |

The receivables are expected to be recovered within twelve months after reporting date.

## 10 CASH AND CASH EQUIVALENTS

| BREAKDOWN OF CASH AND CASH EQUIVALENTS | | |
|---|---|---|
| In € millions | 2020 | 2019 |
| Short-term bank balances | 55 | 33 |
| **Total** | **55** | **33** |

Short-term bank balances are at the company's free disposal.

## 11 EQUITY

STATEMENT OF CHANGES IN EQUITY 2020

| In € millions | Issued share capital[1] | Share premium reserve | Sum revaluation reserves | Retained earnings | Total shareholders' equity | Holders of other equity instruments | Total equity |
|---|---|---|---|---|---|---|---|
| **Balance as at 1 January 2020** | **0** | **4,309** | **170** | **-941** | **3,538** | **300** | **3,838** |
| Other comprehensive income | - | - | -28 | -48 | **-76** | - | **-76** |
| Net result 2020 | - | - | - | 3 | **3** | - | **3** |
| **Total comprehensive income 2020** | **-** | **-** | **-28** | **-45** | **-73** | **-** | **-73** |
| Capital injection | - | 400 | - | - | **400** | - | **400** |
| Interest on other equity instruments | - | - | - | -21 | **-21** | - | **-21** |
| Interim distribution | - | -416 | - | - | **-416** | - | **-416** |
| Unrealised revaluations | - | - | 25 | -25 | **-** | - | **-** |
| Realised revaluations | - | - | -1 | 1 | **-** | - | **-** |
| Tax relating to changes in revaluation reserve | - | - | -5 | 5 | **-** | - | **-** |
| Tax rate reduction adjustment | - | - | -6 | 6 | **-** | - | **-** |
| **Other movements** | **-** | **-16** | **13** | **-34** | **-37** | **-** | **-37** |
| **Total changes in equity 2020** | **-** | **-16** | **-15** | **-79** | **-110** | **-** | **-110** |
| **Balance as at 31 December 2020** | **0** | **4,293** | **155** | **-1,020** | **3,428** | **300** | **3,728** |

1 The share capital issued is fully paid up and comprises of 477 ordinary shares with a nominal value of € 500.00 per share for a total value of € 238,500.

| STATEMENT OF CHANGES IN REVALUATION RESERVES 2020 | | | | |
|---|---|---|---|---|
| In € millions | Revaluation reserve | Cash flow hedge reserve | Fair value reserve | Sum revaluation reserves |
| **Balance as at 1 January 2020** | **123** | **-** | **47** | **170** |
| Unrealised revaluations from cashflow hedges | - | 59 | - | **59** |
| Amortisation from cashflow hedges | - | 29 | - | **29** |
| Unrealised revaluations | 25 | - | -155 | **-130** |
| Realised revaluations | -1 | - | - | **-1** |
| Impairments and reversals | - | - | -2 | **-2** |
| Realised gains and losses through profit or loss | - | - | 393 | **393** |
| Change in profit-sharing reserve and shadow accounting movement | - | -88 | -276 | **-364** |
| Income tax | -5 | - | 4 | **-1** |
| Tax rate reduction adjustment | -6 | - | 8 | **2** |
| **Total changes in equity 2020** | **13** | **-** | **-28** | **-15** |
| **Balance as at 31 December 2020** | **136** | **-** | **19** | **155** |

| STATEMENT OF CHANGES IN EQUITY 2019 | | | | | | | |
|---|---|---|---|---|---|---|---|
| In € millions | Issued share capital[1] | Share premium reserve | Sum revaluation reserves | Retained earnings | Total shareholders' equity | Holders of other equity instruments | Total equity |
| **Balance as at 1 January 2019** | **0** | **4,309** | **154** | **-1,222** | **3,241** | **300** | **3,541** |
| Other comprehensive income | - | - | -8 | -73 | **-81** | - | **-81** |
| Net result 2019 | - | - | - | 399 | **399** | - | **399** |
| **Total comprehensive income 2019** | **-** | **-** | **-8** | **326** | **318** | **-** | **318** |
| Interest on other equity instruments | - | - | - | -21 | **-21** | - | **-21** |
| Unrealised revaluations | - | - | 32 | -32 | **-** | - | **-** |
| Tax relating to changes in revaluation reserve | - | - | -6 | 6 | **-** | - | **-** |
| Tax rate reduction adjustment | - | - | -2 | 2 | **-** | - | **-** |
| **Other movements** | **-** | **-** | **24** | **-45** | **-21** | **-** | **-21** |
| **Total changes in equity 2019** | **-** | **-** | **16** | **281** | **297** | **-** | **297** |
| **Balance as at 31 December 2019** | **0** | **4,309** | **170** | **-941** | **3,538** | **300** | **3,838** |

1 The share capital issued is fully paid up and comprises of 477 ordinary shares with a nominal value of € 500.00 per share for a total value of € 238,500.

| STATEMENT OF CHANGES IN REVALUATION RESERVES 2019 | | | | |
|---|---|---|---|---|
| In € millions | Revaluation reserves | Cash flow hedge reserve | Fair value reserve | Sum revaluation reserves |
| **Balance as at 1 January 2019** | **99** | **-** | **55** | **154** |
| Unrealised revaluations from cashflow hedges | - | 97 | - | **97** |
| Amortisation from cashflow hedges | - | -5 | - | **-5** |
| Unrealised revaluations | 32 | - | 645 | **677** |
| Impairments and reversals | - | - | 3 | **3** |
| Realised gains and losses through profit or loss | - | - | 30 | **30** |
| Change in profit-sharing reserve and shadow accounting movement | - | -92 | -686 | **-778** |
| Income tax | -6 | - | -1 | **-7** |
| Tax rate reduction adjustment | -2 | - | 1 | **-1** |
| **Total changes in equity 2019** | **24** | **-** | **-8** | **16** |
| **Balance as at 31 December 2019** | **123** | **-** | **47** | **170** |

## Issued Share Capital

The issued share capital has been fully paid up and consists of ordinary shares with a nominal value of € 500.00 per share. 477 ordinary shares had been issued at 31 December 2020 (2019: 477).

| BREAKDOWN OF ISSUED SHARE CAPITAL | | | | |
|---|---|---|---|---|
| | Number of ordinary shares | | Amount of ordinary shares (in € thousands) | |
| | 2020 | 2019 | 2020 | 2019 |
| Authorised share capital | 2,385 | 2,385 | 1,193 | 1,193 |
| Share capital in portfolio | 1,908 | 1,908 | 954 | 954 |
| **Issued share capital as at 31 December** | **477** | **477** | **239** | **239** |

# 12 SUBORDINATED DEBT

| BREAKDOWN OF SUBORDINATED DEBT | | | | | | | |
|---|---|---|---|---|---|---|---|
| | | | | Carrying amount | | Nominal value | |
| In € millions | Coupon | Maturity | First call date | 2020 | 2019 | 2020 | 2019 |
| Athora Netherlands NV (US Dollar) | 6.250% | November 2017 - perpetual | November - 2022 | 467 | 509 | 469 | 512 |
| | | | | | | | |

In November 2017, Athora Netherlands NV issued $ 575 million (€ 476 million) in subordinated notes. The notes are first callable after five 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 Tier 2 regulatory capital.

| STATEMENT OF CHANGES IN SUBORDINATED DEBT | | |
|---|---|---|
| In € millions | 2020 | 2019 |
| **Balance as at 1 January** | **509** | **499** |
| Amortisation | 1 | 1 |
| Currency gains and losses | -43 | 9 |
| **Balance as at 31 December** | **467** | **509** |

## 13 PROVISION FOR EMPLOYEE BENEFITS

| BREAKDOWN OF PROVISION FOR EMPLOYEE BENEFITS | | |
|---|---|---|
| In € millions | 2020 | 2019 |
| Pension commitments | 461 | 388 |
| Other employee benefit commitments | 15 | 14 |
| **Total** | **476** | **402** |

### Pension Commitments

For the general disclosure of the Pension commitments reference is made to note 16, Section 6.3 Notes to the consolidated financial statements.

Athora Netherlands' total contribution to these defined benefit schemes is expected to be approximately € 2.2 million in 2021 (2020: € 3.3 million). Obligations for additional indexation rights are included in the provision and will be released after payment to the insurer.

After offsetting the fair value of the investments, € 143 million has been included in the provision for pensions for the former AXA and Winterthur pension schemes (2019: € 125 million). In 2021, Athora Netherlands' contribution to these defined benefit schemes is expected to amount to € 0.5 million (2020: € 1.0 million).

The pension scheme of Zwitserleven is self-administered. For this pension scheme, the present value of the pension obligations of € 247 million (2019: € 204 million) has been included in the provision for employee benefits. There is no separate investment account. Athora Netherlands' contribution to the defined benefit scheme of Zwitserleven is expected to amount to € 1.3 million in 2021 (2020: € 1.7 million).

After offsetting the fair value of the investments, € 71 million (2019: € 59 million) has been included in the provision for pensions for the pension schemes of former employees of Zürich, NHL, Helvetia and DBV built up in the past. In 2021, Athora Netherlands' contribution to the other defined benefit schemes is expected to amount to € 0.4 million (2020: € 0.5 million).

### Overview Pension Commitments

| BREAKDOWN OF PENSION COMMITMENTS | | |
|---|---|---|
| In € millions | 2020 | 2019 |
| Present value of defined benefit obligations | 515 | 435 |
| Less: Fair value of plan assets | -54 | -47 |
| **Present value of the net liabilities** | **461** | **388** |

| STATEMENT OF CHANGES IN PRESENT VALUE OF DEFINED BENEFIT OBLIGATIONS | | |
|---|---|---|
| In € millions | 2020 | 2019 |
| **Present value as at 1 January** | **435** | **381** |
| Increase and interest accrual through profit or loss | - | 7 |
| Actuarial gains or losses due to changes in financial assumptions through Other Comprehensive Income | 11 | 52 |
| Actuarial gains or losses due to changes in demographic assumptions through Other Comprehensive Income | -13 | -4 |
| Actuarial gains or losses due to experience adjustments through Other Comprehensive Income | 54 | -1 |
| Benefits paid | - | -11 |
| Other movements through through profit or loss | 7 | - |
| Other movements | -7 | 11 |
| **Present value as at 31 December** | **487** | **435** |

Other movements in 2020 relates to the VIVAT Schade part settled with NN Group. In 2019, the amount relates to understated defined benefit obligation at the end of 2018.

| STATEMENT OF CHANGES IN FAIR VALUE OF THE PLAN ASSETS | | |
|---|---|---|
| In € millions | 2020 | 2019 |
| **Fair value as at 1 January** | **47** | **46** |
| Investment income through profit or loss | - | 1 |
| Return on plan assets | 5 | 2 |
| Other movements | 3 | - |
| **Investment income** | **8** | **3** |
| Premiums | 11 | 9 |
| Benefits paid | -12 | -11 |
| **Fair value as at 31 December** | **54** | **47** |

Based on general practice in the market, Athora Netherlands decided to include an additional provision for guarantees expenses in the pension obligation of € 2 million as per 31 December 2019. The provision was charged to Other Comprehensive Income.

The expected return on investments through profit or loss has been netted with the actuarial rate of interest (in accordance with IAS 19 Revised). The difference between the actual interest result and the actuarial rate of interest is recognised in Other Comprehensive Income.

As per 2019 the guarantee costs for the NHL pension plan are included in the fair value of the plan assets and are shown as an adjustment.

| BREAKDOWN OF FAIR VALUE OF THE PLAN ASSETS | | |
|---|---|---|
| In € millions | 2020 | 2019 |
| Cash and cash equivalents | 9 | 8 |
| Insurance contract | 45 | 39 |
| **Balance as at 31 December** | **54** | **47** |

The plan assets Insurance contracts consist of the non-contributory value based on the actuarial principles.

| RECONCILIATION OF THE EFFECT OF THE ASSET CEILING | | |
|---|---|---|
| In € millions | 2020 | 2019 |
| **Balance as at 1 January** | **-** | **2** |
| Remeasurements on the effect of asset ceiling through Other Comprehensive Income | - | -2 |
| **Balance as at 31 December** | **-** | **-** |

| STATEMENT OF CHANGES IN OTHER COMPREHENSIVE INCOME | | |
|---|---|---|
| In € millions | 2020 | 2019 |
| **Balance as at 1 January** | **-6** | **40** |
| Actuarial gains or losses directly taken to Other Comprehensive Income pension commitments | -47 | -52 |
| Investment income for the benefit or at the expense of Other Comprehensive Income | 6 | -3 |
| Deferred taxes | 15 | 9 |
| **Balance as at 31 December** | **-32** | **-6** |

| THE MAIN ACTUARIAL PARAMETERS AT YEAR-END | | |
|---|---|---|
| In percentages | 2020 | 2019 |
| Discount rate | 0.72% | 0.85% |
| Expected salary increase | 1.50% | 1.86% |
| Increase accrued pension rights - Active | future wage inflation curve | 1.86% |
| Increase accrued pension rights - Inactive | future price inflation curve | 50% of price inflation |

| SENSITIVITY PRESENT VALUE OF PENSION OBLIGATIONS 2020 | | |
|---|---|---|
| | 31 December 2020 | |
| In € millions | Change in € millions | Change in % |
| Discount rate 0.22% (-0.5%) | 52 | 0% |
| Discount rate 1.22% (+0.5%) | -46 | 0% |

| SENSITIVITY PRESENT VALUE OF PENSION OBLIGATIONS 2019 | | |
|---|---|---|
| | 31 December 2019 | |
| In € millions | Change in € millions | Change in % |
| Discount rate 0.35% (-0.5%) | 43 | 10% |
| Discount rate 1.35% (+0.5%) | -37 | -9% |

### Other Employee Benefit Commitments

| STATEMENT OF CHANGES IN OTHER EMPLOYEE BENEFIT COMMITMENTS | | |
|---|---|---|
| In € millions | 2020 | 2019 |
| **Balance as at 1 January** | **14** | **14** |
| Additions | 2 | 2 |
| Withdrawal | -1 | -2 |
| **Balance as at 31 December** | **15** | **14** |

These refer to jubilee benefits and to discounts granted for bank and insurance products to (former) employees after the date of their retirement.

## 14 AMOUNTS DUE TO BANKS

There is no amount in 2020 (2019: € 25 million) regarding cash collateral due on demand, which is related to the market value of derivatives. This is caused by the switch of net received collateral (€ 25 million) to paid collateral (€ 14 million) related to a decrease of the fair value Tier swap.

## 15 OTHER LIABILITIES

| BREAKDOWN OF OTHER LIABILITIES | | |
|---|---|---|
| In € millions | 2020 | 2019 |
| Debts to subsidiaries | 26 | 1 |
| Investment transactions to be settled | 2 | 2 |
| Other taxes | 10 | 15 |
| Other liabilities | 20 | 27 |
| Accrued interest | 4 | 13 |
| Lease liabilities | 28 | 35 |
| **Total** | **90** | **93** |

With exception of the lease liabilities, the other liabilities are expected to be settled within twelve months after reporting date. See below for the maturity analysis of the lease liabilities as per 31 December 2020 and 31 December 2019.

| LEASE LIABILITIES - MATURITY ANALYSIS | | |
|---|---|---|
| In € millions | 2020 | 2019 |
| < 1 month | 1 | 2 |
| 1 - 3 months | - | - |
| 3 - 12 months | 4 | 5 |
| 1 - 2 years | 4 | 5 |
| 2 - 5 years | 12 | 13 |
| > 5 years | 7 | 10 |
| **Total** | **28** | **35** |
| Current | 5 | 7 |
| Non-current | 23 | 28 |

## 16 GUARANTEES AND COMMITMENTS

### 403-statements

Until 1 April 2020, Athora Netherlands NV provided a statement in accordance with section 2:403 of the Dutch Civil Code (Burgerlijk Wetboek) in relation to its (indirect) subsidiaries Bemiddelingskantoor Nederland BV and Volmachtkantoor Nederland BV, pursuant to which Athora Netherlands NV declared itself to be jointly and severally liable for the legal acts performed by aforementioned entities. Bemiddelingskantoor Nederland BV and Volmachtkantoor Nederland BV are wholly owned subsidiaries of VIVAT Schadeverzekeringen NV.

On 1 April 2020, at moment of the sale of VIVAT Schadeverzekeringen NV, Athora Netherlands NV has withdrawn above mentioned 403-statements. At the same time Athora Netherlands NV has also withdrawn the residual liabilities pursuant to these 403-statements and those pursuant to the 403-statements of VIVAT Schadeverzekeringen NV and its subsidiaries W. Haagman & Co BV and Nieuw Rotterdam Knight Schippers BV, which have already been withdrawn in 2017.

The 403-statements provided in relation to Proteq Levensverzekeringen NV and SRLEV NV has been revoked in respectively 2017 and 2015.

## 17 RELATED PARTIES

| INTRA-GROUP BALANCES BETWEEN ATHORA NETHERLANDS NV AND SUBSIDIARIES | | |
|---|---|---|
| **In € millions** | **2020** | **2019** |
| **Positions** | | |
| Assets | | |
| Loans (receivables from subsidiaries) | 415 | 565 |
| Reimbursement right | 353 | 324 |
| Receivables | 60 | 30 |
| Accrued interest (other assets) | 1 | - |
| | | |
| Liabilities | | |
| Other liabilities | 1 | 1 |
| Corporate income tax (payable to subsidiaries) | - | 10 |
| | | |
| **Transactions** | | |
| Capital issue to subsidiaries | 212 | 9 |
| Changes in equity | 100 | |
| Movements receivables | 30 | 8 |
| Movements reimbursement right | 29 | 53 |
| Obtain loans (receivables from subsidiaries) | -150 | - |
| Redemption loans (receivables from subsidiaries) | -416 | - |
| Movements corporate income tax (payable to subsidiaries) | 10 | -43 |
| Movements accrued interest (other assets) | 1 | -1 |
| Movements other liabilities | -0 | -1 |
| | | |
| Income | | |
| Net fee and commission income | -1 | - |
| Interest income | 21 | 31 |
| | | |
| Expenses | | |
| Staff costs | 155 | 148 |
| Other operating expenses | 44 | 60 |

For details on the intra-group balances and transactions between Athora Netherlands NV, Anbang, Athora and affiliates, see Note 21 Related parties of the consolidated financial statements.

## 18 SHARE IN RESULT OF SUBSIDIARIES

| BREAKDOWN OF SHARE IN RESULT OF SUBSIDIARIES | | |
|---|---|---|
| In € millions | 2020 | 2019 |
| SRLEV NV | -28 | 330 |
| VIVAT Schadeverzekeringen NV | 60 | 66 |
| Proteq Levensverzekeringen NV | 6 | 4 |
| ACTIAM NV | -4 | -7 |
| Zwitserleven PPI NV | 1 | - |
| Others | 17 | 20 |
| **Total** | **52** | **413** |

As of 1 April 2020, VIVAT Schadeverzekeringen NV is no longer a subsidiary of Athora Netherlands. Refer to note 38 Discontinued operations in the consolidated financial statements for more details.

## 19 INVESTMENT INCOME

The investment income in 2020 amounts to € 75 million mainly consist of interest on loans and receivables (€ 24 million), interest on cross currency swaps (€ 13 million) and unrealised revaluations by currency differences on subordinated notes (€ 43 million).

## 20 RESULT ON DERIVATIVES

The result on derivatives in 2020 (€ -35 million) is caused by changes in interest rates and currency differences (2019: € 23 million).

## 21 STAFF COSTS

Staff costs include the costs for internal and external staff performing holding activities.

## 22 OTHER INTEREST EXPENSES

| BREAKDOWN OF OTHER INTEREST EXPENSES | | |
|---|---|---|
| In € millions | 2020 | 2019 |
| Bonds | 67 | 50 |
| Private loans | 1 | - |
| **Total** | **68** | **50** |

For depreciation charge of Right-of-use assets and for the additions to Right-of-use assets refer to note 1 Property and Equipment.

The other interest expenses includes interest expenses on lease liabilities, an item recognised for the first time in financial year 2019 due to the initial application of IFRS 16. The interest expenses on lease liabilities amounts to € 307 thousand (2019: € 346 thousand) at year-end.

## 23 INCOME TAX

| BREAKDOWN OF TAX EXPENSE / BENEFIT | | |
|---|---|---|
| **In € millions** | **2020** | **2019** |
| In financial year | -15 | -3 |
| Other items | -1 | - |
| **Corporate income tax due** | **-16** | **-3** |
| Due to temporary differences | 3 | -3 |
| Due to change in income tax rate with regard to deferred tax | - | -4 |
| **Deferred tax (including tax rate change)** | **3** | **-7** |
| **Total tax expense / (benefit)** | **-13** | **-10** |

The corporate income taxes are irrevocable for the years up to and including 2018.

| RECONCILIATION BETWEEN THE STATUTORY AND EFFECTIVE TAX RATE | | |
|---|---|---|
| **In € millions** | **2020** | **2019** |
| Statutory income tax rate | 25.0% | 25.0% |
| Result before tax | -10 | 389 |
| **Statutory corporate income tax amount** | **-2** | **97** |
| Exemption participation | -52 | -413 |
| Effect of participation exemption | -13 | -103 |
| Due to change in income tax rate with regard to deferred tax | - | -4 |
| Other items | 2 | - |
| **Total tax expense / (benefit)** | **-13** | **-10** |
| Effective tax rate | 125.0% | -2.5% |

The effective tax rate of 125.0% differs compared to the nominal rate of 25%, caused by the effect of the participation exemption. For further disclosures about deferred tax, see note 8 of the company financial statements.

## 24 AUDIT FEES

Ernst & Young Accountants LLP and other Ernst & Young lines of services charged the following fees pursuant to Section 382a(3) of Book 2 of the Dutch Civil Code to Athora Netherlands, its subsidiaries and other consolidated entities in 2020.

| AUDIT FEES | | |
|---|---|---|
| **In € thousands** | **2020** | **2019** |
| Audit of the financial statements, including the audit of the statutory financial statements and other statutory audits of subsidiaries and other consolidated companies | 3,009 | 2,982 |
| Other audit services | 631 | 1,156 |
| **Total** | **3,640** | **4,138** |

## 25 RESULT APPROPRIATION

For the provisions of the articles of association governing the appropriation of profit or loss reference is made to Section Other information.

The Executive Board proposes to the General Meeting of Shareholders to add the positive result for 2020 of € 3 million to the retained earnings of Athora Netherlands NV.

In accordance with the resolution of the General Meeting of Shareholders held on 31 March 2020, the positive result for 2019 of € 399 million has been added to the retained earnings of Athora Netherlands NV.

Amstelveen, the Netherlands, 24 March 2021

## The Supervisory Board

M.W. (Maarten) Dijkshoorn

M.A.E. (Michele) Bareggi

F.G.H. (Floris) Deckers

J.M.A. (Hanny) Kemna

P.P.J.L.M.G. (Pierre) Lefèvre

## The Executive Board

R.H. (Tom) Kliphuis

Y. (Yinhua) Cao[2]

A.P. (Annemarie) Mijer

A. (Angelo) Sacca

S.A. (Stefan) Spohr

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

# OTHER INFORMATION

## 1 PROVISIONS IN ARTICLES OF ASSOCIATION GOVERNING THE APPROPRIATION OF PROFIT OR LOSS

### Article 41 Profit and Loss; general

1. The profits shall be at the free disposal of the general meeting.

2. The company may only make distributions to shareholders and other persons entitled to distributable profits to the extent its equity exceeds the total amount of its issued share capital and the reserves which to be maintained pursuant to the law.

3. Distribution of profits shall take place following the adoption of the annual accounts from which it appears that such distribution is allowed.

### Article 42 Profit and Loss; Distributions

1. Dividends shall be due and payable fourteen days after having been declared, unless upon the proposal of the management board the general meeting determines another date thereof.

2. Dividends that have not been collected within five years after they became due and payable shall revert to the company.

3. If the general meeting so determines on the proposal of the management board, an interim dividend will be distributed, including an interim dividend from reserves, but only with due observance of what is provided in Section 2:105, paragraph 4, of the Dutch Civil Code.

4. A loss may only be applied against reserves maintained pursuant to the law to the extent permitted by the law.

# Independent auditor's report

To: the shareholder and supervisory board of Athora Netherlands N.V.

## Report on the audit of the financial statements 2020 included in the annual report

### Our opinion

We have audited the financial statements of Athora Netherlands N.V. ('Athora Netherlands' or 'the Company'), based in Amstelveen, the Netherlands. The financial statements comprise the consolidated and company financial statements.

In our opinion:
- The accompanying consolidated financial statements give a true and fair view of the financial position of Athora Netherlands N.V. as at 31 December 2020, and of its result and its cash flows for 2020 in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS-EU) and with Part 9 of Book 2 of the Dutch Civil Code
- The accompanying company financial statements give a true and fair view of the financial position of Athora Netherlands N.V. as at 31 December 2020, and of its result for 2020 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The consolidated financial statements comprise:
- The consolidated statement of financial position as at 31 December 2020
- The following statements for 2020: the consolidated statements of profit or loss, total comprehensive income, changes in equity and cash flows
- The notes comprising a summary of the significant accounting policies and other explanatory information.

The company financial statements comprise:
- The company statement of financial position as at 31 December 2020
- The company statement of profit or loss for 2020
- The notes comprising a summary of the significant accounting policies and other explanatory information.

### Basis for our opinion

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

We are independent of Athora Netherlands N.V. in accordance with the EU Regulation on specific requirements regarding statutory audit of public-interest entities, the Wet toezicht accountantsorganisaties (Wta, Audit firms supervision act), the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

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

## Our audit approach

### Our understanding of the business

Athora Netherlands N.V. is the holding company of two life insurance companies. On 1 April 2020 Athora Netherlands Holding Limited completed its acquisition of VIVAT N.V. (now Athora Netherlands N.V.) and subsequently sold VIVAT Schadeverzekeringen N.V. ('VIVAT Schade'). Athora Netherlands N.V. also offers asset management services via its asset manager ACTIAM. The group is structured in components and we tailored our group audit approach accordingly. We paid specific attention in our audit to a number of areas driven by the operations of the group and our risk assessment. We refer to the key audit matter 'Sale of VIVAT Schadeverzekeringen N.V.'.

We start by determining materiality and identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud, non-compliance with laws and regulations or error in order to design audit procedures responsive to those risks and to obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

We were forced to perform our procedures relating to the audit of the 2020 financial statements to a greater extent remotely due to the COVID-19 measures. This limits our observation and increases the risk of missing certain signals. In order to compensate for the limitations related to physical presence and direct observation, we more extensively used communication technologies and written information exchange to obtain the audit evidence that is sufficient and appropriate to provide a basis for our opinion.

### Materiality

| | |
|---|---|
| Materiality | EUR 50 million (2019: EUR 53 million) |
| Benchmark applied | 1.5% of total shareholder's equity (2019: 1.5% of total shareholder's equity) |
| Explanation | Athora Netherlands' total shareholder's equity and solvency, and the ability to meet policyholder liabilities, are key indicators for the users of its financial statements. As such, we have based materiality on total shareholder's equity. |

We have also taken into account misstatements and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.

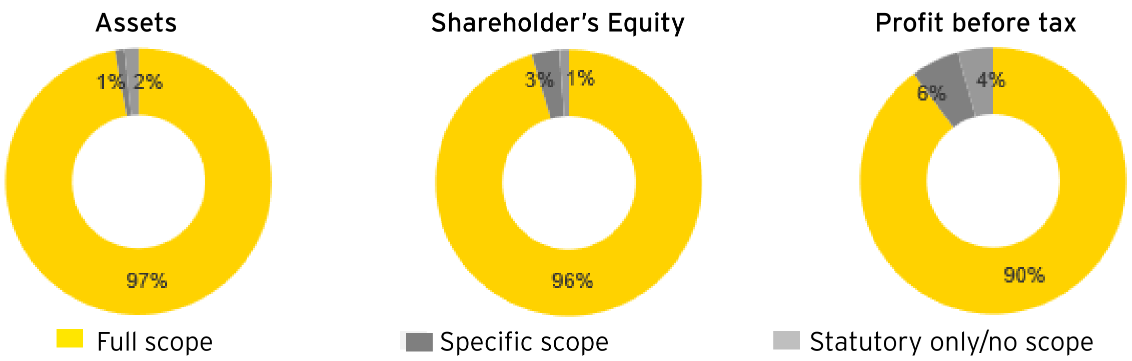
We agreed with the supervisory board that misstatements in excess of EUR 2.5 million, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

### Scope of the group audit

Athora Netherlands is at the head of a group of entities. The financial information of this group is included in the financial statements of Athora Netherlands.

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities. Decisive were the size and/or the risk profile of the group entities or operations. On this basis, we selected group entities for which an audit or review had to be carried out on the complete set of financial information or specific items.

Our group audit mainly focused on significant group entities SRLEV N.V. ('SRLEV') and Proteq Levensverzekeringen N.V. ('Proteq'), resulting in a full and specific scope coverage of 98% of total assets, 99% of shareholder's equity and 96% of profit before tax.




We have:
- Performed audit procedures ourselves at SRLEV
- Performed specific audit procedures ourselves at Proteq

Further, we performed, amongst others, analytical procedures to corroborate our assessment that there are no significant risks of material misstatement for the remaining entities.

By performing the procedures mentioned above at group entities, together with additional procedures at Athora Netherlands level, we have been able to obtain sufficient and appropriate audit evidence about Athora Netherlands' financial information to provide an opinion on the financial statements.

### Our focus on fraud and non-compliance with laws and regulations

#### Our responsibility
Although we are not responsible for preventing fraud or non-compliance and cannot be expected to detect non-compliance with all laws and regulations, it is our responsibility to obtain reasonable assurance that the financial statements, taken as a whole, are free from material misstatement, whether caused by fraud or error.
Non-compliance with laws and regulations may result in fines, litigation or other consequences for the company that may have a material effect on the financial statements.

#### Our audit response related to fraud risks
In order to identify and assess the risks of material misstatements of the financial statements due to fraud, we obtained an understanding of the entity and its environment, including the entity's internal control relevant to the audit and in order to design audit procedures that are appropriate in the circumstances. As in all of our audits, we addressed the risk of management override of internal control. We do not audit internal control per se for the purpose of expressing an opinion on the effectiveness of the company's internal control.

We considered available information and made enquiries of relevant executives, directors (including internal audit, legal, compliance and human resources directors) and the supervisory board. As part of our process of identifying fraud risks, we evaluated fraud risk factors with respect to financial reporting fraud in close co-operation with our forensic specialists. In our process of identifying fraud risks, we considered whether the Covid-19 pandemic gives rise to specific fraud risk factors.

We evaluated the design and the implementation and, where considered appropriate, tested the operating effectiveness, of internal controls that mitigate fraud risks. In addition, we performed procedures to evaluate key accounting estimates for management bias in particular relating to important judgment areas and significant accounting estimates as disclosed in 'Estimates and Assumptions' (Note 6.1.3 to the financial statements). We have also used data analysis to identify and address high-risk journal entries.
Our audit procedures to address the assessed fraud risks did not result in a key audit matter. However, we describe the audit procedures responsive to the assessed fraud risk related to the risk of management override of controls in the description of our audit approach for the key audit matter Estimates used in calculation of insurance liabilities and Liability Adequacy Test (LAT).

We incorporated elements of unpredictability in our audit. We considered the outcome of our other audit procedures and evaluated whether any findings were indicative of fraud or non-compliance. If so, we reevaluate our assessment of fraud risk and its resulting impact on our audit procedures.

**Our audit response related to risks of non-compliance with laws and regulations**
We assessed factors related to the risks of non-compliance with laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general industry experience, through discussions with the executive board, reading minutes, inspection of internal audit, nonfinancial risk management and compliance reports and performing substantive tests of details of classes of transactions, account balances or disclosures.

We also inspected lawyers' letters and correspondence with regulatory authorities and remained alert to any indication of (suspected) non-compliance throughout the audit. Finally we obtained written representations that all known instances of non-compliance with laws and regulations have been disclosed to us. In cases of instances of non-compliance with laws and regulations (with the potential of having a material effect) we assessed whether the Company has a process in place to evaluate the impact of non-compliance for its operations and financial reporting and, where relevant, the Company implemented remediation plans amongst which the Sanction Law & Anti Money Laundering improvement plan and the plan to improve the governance model. We make a reference to section 7.9 Non-financial Risk and note 20 Guarantees and Commitments in which legal and compliance risk are disclosed.

### Going concern
We performed the following procedures in order to identify and assess the risks of going concern and to conclude on the appropriateness of management's use of the going concern basis of accounting. The executive board made a specific assessment of the Company's ability to continue as a going concern and to continue its operations for at least the next 12 months. We discussed and evaluated the assessment with management exercising professional judgment and maintaining professional skepticism, and specifically focusing on the process followed by management to make the assessment, management bias that could represent a risk, the impact of current events and conditions have on the Company's operations and forecasted cash flows, with a focus on whether the Company will have sufficient liquidity

to continue to meet its obligations as they fall due and will continue to comply with prudential requirements.

We consider based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion.

Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company to cease to continue as a going concern.

### General audit procedures

Our audit further included among others:

- Performing audit procedures responsive to the risks identified, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the executive board
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

### Our key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements. We have communicated the key audit matters to the supervisory board. The key audit matters are not a comprehensive reflection of all matters discussed.

Following the sale of VIVAT Schadeverzekeringen N.V. ('VIVAT Schade') in 2020, we have defined a new key audit matter in this respect.

These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

| Fair value measurement of investments and related disclosures | |
| --- | --- |
| Risk | Athora Netherlands invests in various asset types and continued the re-risking of the investment portfolio in 2020. 82% of assets are carried at fair value in the statement of financial position. Of the total assets measured at fair value and other measurement bases, 18% is related to investments for which no published prices in active markets are available. Fair value measurement can be subjective, and more so for areas of the market reliant on model based valuation. Valuation techniques for mortgages, loans, investment property and for non-listed equities and bonds, equities and derivatives involve setting various assumptions regarding pricing factors. The use of different valuation techniques and assumptions could produce significantly different estimates of fair value. Associated disclosures are complex and dependent on high quality data. Furthermore, the excess of fair value over the carrying value of mortgages and loans at amortized cost is relevant for liability adequacy test (refer to "Estimates used in calculation of insurance liabilities and Liability Adequacy Test (LAT)"). We therefore consider the fair value measurement of investments and related disclosures a key |

| | |
|---|---|
| | audit matter. Specific areas of audit focus include the valuation of Level 3 assets where valuation techniques are applied in which significant unobservable inputs are used.<br><br>We refer to the General Accounting Policies (6.1.3) on 'Estimates and Assumptions' and 'Fair Value of Assets and Liabilities' and Note 40 'Financial instruments' of the financial statements. |
| Our audit approach | Our audit procedures included, amongst others, assessing the appropriateness of the Company's accounting policies related to the fair value measurement of investments according to IFRS13 "Fair Value Measurement". We evaluated the design and tested operating effectiveness of the controls over valuation, independent price verification and model validation and approval. We performed additional substantive procedures, supported by our valuation specialists where necessary. This included, where relevant, comparison of judgments made to current and emerging market practice (including consideration of COVID-19 pandemic impact) and re-performance of valuations on a sample basis. We also assessed the impact of other sources of fair value information including gains or losses on disposal and fair value information based on the Company's own purchase transactions. Finally, we evaluated the related disclosures in accordance with IFRS 7 "Financial instruments: disclosures" and IFRS13 "Fair Value Measurement". |
| Key observations | Based on our procedures performed, we consider the fair value of financial instruments to be within a reasonable range. The fair value disclosures of investments meet the requirements of IFRS-EU. |

| Estimates used in calculation of insurance liabilities and Liability Adequacy Test (LAT) | |
|---|---|
| Risk | Athora Netherlands has insurance liabilities of EUR 52 billion representing 83% of the Company's total liabilities. The measurement of insurance liabilities involves judgment over uncertain future outcomes, mainly the ultimate total settlement value of long-term liabilities, including any guarantees provided to policyholders.<br><br>The Company's IFRS liability adequacy test (LAT) is performed in order to confirm that insurance liabilities are adequate in the context of expected future cash outflows. In the LAT, the excess of fair value over the carrying value of mortgages and loans at amortized cost is taken into account.<br><br>As at 31 December 2020, the LAT shows a significant deficit. As a consequence, insurance liabilities are primarily measured on the basis of the LAT to cover for this deficit. Changes in estimates and assumptions used in the LAT therefore directly impact Athora Netherlands' profit or loss. The setting of mortality, longevity, expense and lapse assumptions in the LAT, as well as discount curves and the assumptions to determine the fair value of mortgages, require application of significant judgment.<br><br>Furthermore, in 2020 Athora Netherlands has entered in a new (additional) longevity reinsurance contract, providing partial cover for the financial impact of longevity risk for a selected portfolio of group pension insurance contracts. The impact of this contract is included in LAT calculation and as such affected the cumulative LAT deficit per 31 December 2020. The |

| Estimates used in calculation of insurance liabilities and Liability Adequacy Test (LAT) | |
|---|---|
| | new longevity reinsurance contract resulted in an one-off increase of the LAT-deficit by EUR 188 million per 31 December 2020.<br><br>We refer to the General Accounting Policies (6.1.3) on 'Insurance Liabilities' and Note 15 'Insurance Liabilities and Reinsurance Share' of the financial statements. |
| Our audit approach | Our audit procedures included, amongst others, assessing the appropriateness of the Company's accounting policies related to the measurement of insurance liabilities and the IFRS LAT according to IFRS 4 'Insurance contracts'. We involved our actuarial specialists to assist us in performing audit procedures in this area. This included among others consideration of the appropriateness of the mortality, longevity, expense and lapse assumptions used in the valuation of life insurance liabilities. As part of these procedures, we evaluated Company and industry data, and expectations of developments in this respect.<br><br>In addition, we considered the validity of the Company's IFRS LAT results which is a key test performed in order to ensure that insurance liabilities are adequate in the context of expected future cash flows based on best estimate assumptions plus a risk margin. Our work on the LAT includes evaluating the reasonableness of the projected cash flows and challenging the assumptions adopted, including mortality, longevity, expenses and lapses, discount curves and the determination of fair value of the mortgage and loan portfolio valued at amortised cost basis, based on Company's and industry experience data, expected market developments and trends. Regarding the fair value of the mortgage and loan portfolio, this included re-performance of valuations on a sample basis as mentioned in "Fair value measurement of investments and related disclosures".<br><br>Other key audit procedures included evaluating the Company's methodology for calculating the insurance liabilities and an evaluation of the design of internal controls in this respect. We considered the analysis of the movements in insurance liabilities during the year. We assessed whether the movements are in line with the changes in assumptions adopted by the Company, our understanding of developments in the business and our expectations derived from market experience.<br><br>Furthermore, we inspected the full indemnity longevity reinsurance contracts and compliance of its treatment with IFRS-EU. We have assessed the reasonableness of the expected cash flows and related impact on the risk margin included in the LAT in respect of this contract by reference to the projected cash flows on the underlying insurance contracts and the longevity reinsurance contracts.<br><br>We evaluated Athora Netherlands' disclosures in relation to insurance liabilities and LAT results in accordance with IFRS 4 'Insurance contracts'. |
| Key observations | We consider the estimates used in the calculation of insurance liabilities and in the IFRS LAT to be within a reasonable range. The disclosures of insurance liabilities and LAT results meet the requirements of IFRS-EU. |

| Unit-Linked Exposure | |
|---|---|
| Risk | Holders of unit-linked products (where the customer bears all or part of the investment risk), or consumer protection organizations on their behalf, have filed claims or initiated proceedings against the Company and may continue to do so. The outcome of such claims and proceedings in respect of unit-linked products, settlements or any other actions for the benefit of customers by other insurers and sector-wide measures could have a significant impact for Athora Netherlands relating to compensation. The financial consequences of these legal proceedings cannot be reliably estimated at this point. Refer to note 20 under 'Legal Proceedings' to the financial statements.<br><br>Due to the high level of judgment and the significance of potential impact, we consider this a key audit matter. |
| Our audit approach | Our audit procedures included, amongst others, assessing the appropriateness of the Company's accounting policies related to the Unit-Linked exposure in accordance with IAS 37 'Provisions, contingent liabilities and contingent assets'.<br><br>We performed audit procedures in this area, which included:<br>▶ evaluation of Athora Netherlands' governance, processes and internal controls with respect to unit-linked exposures<br>▶ review of the documentation and discussing the unit-linked exposures with management and the Company's internal legal advisors<br>▶ obtaining a legal letter from Athora Netherlands' external legal advisor<br>▶ involving our own legal experts in the assessment of the documentation and developments regarding the unit-linked exposure<br><br>We also considered whether the Company's disclosures in respect of this legal exposure is compliant with the relevant accounting requirements. We focused on the adequacy of disclosure of the related risks and assumptions in the financial statements. |
| Key observations | Management's assessment that the financial consequences of the unit-linked exposure cannot be reliably estimated at this time and therefore no provision is recognized in the 2020 financial statements, is adequately substantiated. The related disclosure meets the requirements of IFRS-EU. |

| Sale of VIVAT Schadeverzekeringen N.V. | |
|---|---|
| Risk | On 1 April 2020, Athora Netherlands Holding Limited acquired 100% of shares of VIVAT N.V. (now Athora Netherlands N.V.) and subsequently sold 100% of the shares of VIVAT Schade held by Athora Netherlands N.V. to Nationale-Nederlanden Schadeverzekering Maatschappij N.V., for a purchase price of € 416 million. The total gain recognised on the disposal of VIVAT Schade as discontinued operation is € 56 million. This total gain consists of the gain on the sale of VIVAT Schade of € 24 million and the gain of € 32 million (net) on the derecognition of the available-for-sale financial assets of VIVAT Schade by recycling its unrealised gains and losses recognised within other comprehensive income (shareholder's equity), net of deferred taxes from equity to profit or loss. |

| Sale of VIVAT Schadeverzekeringen N.V. | |
|---|---|
| | Following this sale of VIVAT Schade, VIVAT Schade was assessed to represent a discontinued operation in Athora Netherlands' financial statements. Therefore, the 2020 year-to-date and sale result of VIVAT Schade are classified under Net result from discontinued operation. The 2019 comparative figures have been restated accordingly.<br>The effect of this significant event and transaction required significant attention in our audit of the 2020 financial statements and is considered a key audit matter.<br><br>Refer to note 6.2 'Acquisitions and disposals' and note 38 'Discontinued operations' to the financial statements. |
| Our audit approach | We performed audit procedures in this area, which included:<br>▸ audit procedures on the closing financial position of VIVAT Schade and the results for the period until disposal<br>▸ inspection of the legal documentation on disposal of VIVAT Schade<br>▸ evaluation of classification of disposal of VIVAT Schade as discontinued operations in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations<br>▸ consideration whether the results of disposal and the results from discontinued operations are in line with the requirements of IFRS-EU.<br><br>We also evaluated whether the Company's disclosures in respect of the disposal of VIVAT Schade and classification as discontinued operations are compliant with the relevant accounting requirements. We focused on the adequacy of disclosures in the financial statements. |
| Key observations | We concur with the results of disposal of VIVAT Schade recognized in 2020. The disclosures of disposal of VIVAT Schade meet the requirements of IFRS-EU. |

| Reliability and continuity of the information technology and systems | |
|---|---|
| Risk | Athora Netherlands is highly dependent on its IT systems and IT infrastructure for the continuity of the operations and preparation of its annual accounts. Athora Netherlands continues to invest in its IT systems and IT infrastructure and processes to meet clients' needs and business requirements.<br><br>Athora Netherlands is continuously improving the efficiency and effectiveness of its IT systems and IT infrastructure and the reliability and continuity of the electronic data processing, including its defense against cyber-attacks. As part of the Covid-19 pandemic there is a larger (inherent) risk on cyber incidents.<br><br>Taking into account the significance of the IT systems and IT infrastructure for Athora Netherlands' process of preparation of annual accounts, we considered this a key audit matter with respect to potential impact it can have on the financial statements and continuity of processes and effectiveness of internal controls in processes relevant to reporting. |

| Reliability and continuity of the information technology and systems | |
|---|---|
| Our audit approach | As part of our audit procedures we have assessed the changes in the IT systems and IT infrastructure and have tested the reliability and continuity of electronic data processing within the scope of the audit of the annual accounts. For that purpose we have included IT auditors in our team. Our procedures included evaluating the design and testing operating effectiveness of controls with regards to IT systems and processes relevant for financial reporting as well as additional (substantive) procedures if deemed necessary.<br><br>In response to the (inherent) increased frequency and severity of cyber incidents and heightened concerns from regulators and other stakeholders about cybersecurity attacks and breaches, we have evaluated cybersecurity risks as part of our annual audit procedures. Our main focus during this audit was to gain an understanding of the cybersecurity risks at Athora Netherlands and the actions taken by the Company to address these risks. |
| Key observations | Based on the combination of the tests of controls and IT substantive procedures, we obtained sufficient appropriate audit evidence for the purposes of our audit.<br><br>While our audit was not aimed at making a statement about the cybersecurity of Athora Netherlands, based on our procedures performed with regards to cybersecurity, no significant risks have been identified impacting our financial statement audit. |

## Report on other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

- Board report including 2020 at a Glance, Key Figures, Message from the Executive Board, Organization, Strategy and Developments and Corporate Governance, excluding the report of the supervisory board
- Report of the supervisory board
- Other information as required by Part 9 of Book 2 of the Dutch Civil Code
- Additional information

Based on the following procedures performed, we conclude that the other information:

- Is consistent with the financial statements and does not contain material misstatements
- Contains the information as required by Part 9 of Book 2 of the Dutch Civil Code

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements. By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements.

The executive board is responsible for the preparation of the other information, including the Board report in accordance with Part 9 of Book 2 of the Dutch Civil Code and other information as required by Part 9 of Book 2 of the Dutch Civil Code.

## Report on other legal and regulatory requirements

### Engagement

We were engaged by the supervisory board as auditor of Athora Netherlands N.V. on 29 October 2015, as of the audit for the year 2016 and have operated as statutory auditor since that date.

### No prohibited non-audit services

We have not provided prohibited non-audit services as referred to in Article 5(1) of the EU Regulation on specific requirements regarding statutory audit of public-interest entities.

## Description of responsibilities for the financial statements

### Responsibilities of the executive board and the supervisory board for the financial statements

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

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

The supervisory board is responsible for overseeing the Company's financial reporting process.

### Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgment and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. The 'Our audit approach' section above includes an informative summary of our responsibilities and the work performed as the basis for our opinion.

### Communication

We communicate with the supervisory board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit. In this respect we also submit an additional report to the audit committee in accordance with Article 11 of the EU Regulation on specific requirements regarding statutory audit of public-interest entities. The information included in this additional report is consistent with our audit opinion in this auditor's report.

We provide the supervisory board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the supervisory board, we determine the key audit matters: those matters that were of most significance in the audit of the financial statements. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

Amsterdam, 24 March 2021

Ernst & Young Accountants LLP

Signed by A. Snaak

# ADDITIONAL INFORMATION

## 1 GRI-TABLE

| GRI Code | Disclosure | Cross reference / explanatory note 2020 |
|---|---|---|
| GRI 102: GENERAL DISCLOSURES | | |
| 1. Organizational profile | | |
| **102-1** | Name of the organization | Athora Netherlands NV<br>Annual Report: Cover Page |
| **102-2** | Activities, brands, products, and services | 2.1. About Athora Netherlands, p. 9<br>2.2. Our Brands, p. 10<br>2.3. Our Business Lines, p. 12<br>3.4.2. Value Creation, p. 20-29 |
| **102-3** | Location of the organization's headquarters | Amstelveen, The Netherlands |
| **102-4** | Number of countries operating | Athora Netherlands only operates in the Netherlands. Taxes are therefore paid only in the Netherlands. |
| **102-5** | Nature of ownership and legal form | 4. Corporate Governance, p. 48-57 |
| **102-6** | Markets served | 2.1. About Athora Netherlands, p. 9<br>2.2. Our Brands, p. 10<br>2.3. Our Business Lines, p. 12 |
| **102-7** | Scale of the reporting organization | 1.2. Key Figures, p. 6<br>2.4. Our People, p. 13<br>5.1. Consolidated Statement of Financial Position, p. 59<br>5.2. Consolidated Statement of Profit or Loss, p. 60 |
| **102-8** | Information on employees and other workers | 2.4. Our People, p. 13 |
| **102-9** | Supply chain | 3.4.2. Value Creation, p. 20-29<br>2.2. Our Brands, p. 10 |
| **102-10** | Significant changes to the organization and its supply chain | No significant changes have occurered in the reporting period. |
| **102-11** | Precautionary Principle or approach | 3.4.3. Managing Non-financial CSR-related Risks, p. 30-33<br>3.3.3. Asset Management p. 17<br>7. Managing Risks p. 160 |
| **102-12** | External initiatives | 3.4.2.2. Creating Value through Responsible Investing p. 23-27 (UN PRI, UN Global Compact, Rio Declaration on Environment and Development 1992, The Earth Charter 2000, IFC Performance Standards on Social and Environmental Responsibility, The Paris Agreement under the UNFCCC 2015, The Dutch Climate Agreement, OECD Guidelines, Montreal Agreement)<br><br>3.4.3. Managing Non-financial CSR-related Risks - Human Rights Risks, p. 32-33 (The UN Guiding Principles on Business and Human Rights, the UN Global Compact)<br><br>3.4.3. Managing Non-financial CSR-related Risks - Anti-Corruption and/or Bribery Risks, p. 33 (UN Convention Against Corruption 2003, OECD Convention on Combating Bribery of Foreign Public Officials in International Business<br>Transactions 1997, OECD Guidelines for Multinational Enterprises, Principle 10 of the UN Global Compact.) |

| GRI Code | Disclosure | Cross reference / explanatory note 2020 |
|---|---|---|
| **GRI 102: GENERAL DISCLOSURES** | | |
| **1. Organizational profile** | | |
| **102-13** | Memberships of associations | Here is a selection of the organisations of which we are members:Zwitserleven: VBDO (Association of Investors for Sustainable Investment), Verbond van Verzekeraars (Dutch Association of Insurers), MVO Netherland (CSR Netherlands), Swiss Life Network (International network of insurers who service multinational customers across borders), Ondernemersvereniging AmstelveenReaal: Keurmerk Klantgericht Verzekeren, Verbond van Verzekeraars (Dutch Association of Insurers)ACTIAM: Dutch Fund and Asset Management Association (DUFAS), Global Impact Investing Network (GIIN), VBDO (Association of Investors for Sustainable Investment), Eumedion, CDP, GRESB (Global Real Estate Sustainability Benchmark), Green Bond Principles (incl. participation in Executive Committee), Natural Capital Finance Alliance PRI (Principles for Responsible Investment), FSC Nederland, Facility Management: VGP (Association of Volume Users of Postal Services) |
| **2. Strategy** | | |
| **102-14** | Statement from senior decision-maker | 1.3. Message from the Executive Board of Athora Netherlands, p. 8 |
| **3. Ethics and integrity** | | |
| **102-16** | Values, principles, standards, and norms of behavior | 3.4.2.3. Creating Value via Efficient and Sustainable Business, p. 27-29<br>3.4.3. Managing Non-financial CSR-related Risks, p. 30-33<br>4. Corporate Governance, p. 48-57 |
| **4. Governance** | | |
| **102-18** | Governance structure | 4. Corporate Governance, p. 48-57 |
| **5. Stakeholder Engagement** | | |
| **102-40** | List of stakeholder groups | 3.4. Sustainability, p. 17-18<br>3.4.1. Stakeholder Engagement, p. 19<br>Additional Information - 4.2. Stakeholder Engagement, p. 230-231 |
| **102-41** | Collective bargaining agreements | 100% of the employees are covered by collective bargaining agreements |
| **102-42** | Identifying and selecting stakeholders | Additional Information - 4.2. Stakeholder Engagement, p. 230-231 |
| **102-43** | Approach to stakeholder engagement | 3.4.1. Stakeholder Engagement, p. 19<br>Additional Information - 4.2. Stakeholder Engagement, p. 230-231 |
| **102-44** | Key topics and concerns raised | 3.4.1. Stakeholder Engagement, p. 19<br>3.2. Corporate Strategy, p. 15-16<br>3.4.2. Value Creation, p. 20-29<br>Additional Information - 4.2 Stakeholder Engagement, p. 230-231 |
| **6. Reporting practice** | | |
| **102-45** | Entities included in the consolidated financial statements | Additional Information - 4.4. About this Report, p. 233 |
| **102-46** | Defining report content and topic Boundaries | Additional Information - 4.4. About this Report, p. 233 |
| **102-47** | List of material topics | 3.4.1. Stakeholder Engagement, p. 19 |
| **102-48** | Restatements of information | No significant restatement have been made with regard to the CR information and data in 2020 compared to the previous. |

| GRI Code | Disclosure | Cross reference / explanatory note 2020 |
|---|---|---|
| GRI 102: GENERAL DISCLOSURES | | |
| 1. Organizational profile | | |
| **102-49** | Changes in reporting | 3.4.1. Stakeholder Engagement, p. 19<br>3.4. Sustainability, Challenges and Ambitions for 2020, p. 18<br>Additional Information - 4.2. Stakeholder Engagement, p. 230-231 |
| **102-50** | Reporting period | January 1st - December 31st, 2020 |
| **102-51** | Date of most recent report | Mar-20 |
| **102-52** | Reporting cycle | Yearly |
| **102-53** | Contact point for questions regarding the report | Additional Information - 4.4. About this Report, p. 233 |
| **102-54** | Claims of reporting in accordance with the GRI Standards | Additional Information - 4.4. About this Report, p. 233 |
| **102-55** | GRI content index | Additional Information - 1. GRI-table, p. 222-226 |
| **102-56** | External assurance | Other Information - 2. Independent Auditor's Report, p. 221 |
| GRI 103: MANAGEMENT APPROACH | | |
| **Topic Specific Standards** | | |
| Investing Responsibly | | |
| **DMA** | Management approach disclosures | 103-1:<br>3.4.1. Stakeholder Engagement, p. 19<br>3.2. Corporate Strategy, p. 15-16<br>Additional Information - 4.2. Stakeholder Engagement, p. 230-231<br><br>103-2:<br>3.2. Corporate Strategy, p. 15-16<br>3.4.2. Value Creation, p. 20-29<br>3.4.2.2. Creating Value through Responsible Investing, p. 23-27<br>2.2. Our Brands, p. 10<br>3.3.3. Asset Management, p. 17<br>Additional Information - 4.1. Organisation of Sustainability, p. 230<br><br>103-3:<br>3.4.2.2. Creating Value through Responsible Investing, p. 23-27<br>3.3.3. Asset Management, p. 17 |
| **Own indicator** | Policy and results of responsible investment | 1.2. Key Figures, p. 6<br>1.3 Message from the Executive Board of Athora Netherlands, p. 8<br>3.4.2. Value Creation, p. 20-29<br>3.4.2.2. Creating Value through Responsible Investing, p. 23-27<br>3.3.3. Asset Management, p. 17 |
| **Own indicator** | Percentage of investment in line with ESG criteria | 3.4.2.2. Creating Value through Responsible Investing, p. 23-27<br>Additional Information - 5. Glossary, p. 234 |
| Solvency | | |
| **DMA** | Management approach disclosures | 103-1:<br>3.1. Trends and Developments, p. 14<br>3.2. Corporate Strategy, p. 15-16<br>3.4.1. Stakeholder Engagement, p. 19<br>Additional Information - 4.2. Stakeholder Engagement, p. 230-231<br><br>103-2:<br>3.3.3. Asset Management, p. 17<br>3.7. Risk and Capital Management, p. 43-47<br>7.4. Capital Management, p. 171-178<br>Additional Information - 4.1. Organisation of Sustainability, p. 230<br>3.2. Corporate Strategy, p. 15-16 |

| GRI Code | Disclosure | Cross reference / explanatory note 2020 |
|---|---|---|
| **GRI 102: GENERAL DISCLOSURES** | | |
| **1. Organizational profile** | | |
| | | 103-3:<br>7.4. Capital Management, p. 171-178 |
| **Own indicator** | Solvency II ratio | 1.2. Key Figures, p. 6<br>3.7. Risk and Capital Management, p. 43-47 |
| **Being a Good Employer** | | |
| **DMA** | Management approach disclosures | 103-1:<br>2.4. Our People, p. 13<br>3.2. Corporate Strategy, p. 15-16<br>3.4.1. Stakeholder Engagement, p. 19<br>Additional Information - 4.2. Stakeholder Engagement, p. 230-231<br><br>103-2:<br>3.4.2.3. Creating Value via Efficient and Sustainable Business, p. 27-29<br>Additional Information - 4.1. Organisation of Sustainability, p. 230<br><br>103-3:<br>3.4.2.3. Creating Value via Efficient and Sustainable Business, p. 27-29 |
| **Own indicator** | Ratio male-female | 2.4. Our People, p. 13<br>3.4.2.3. Creating Value via Efficient and Sustainable Business, p. 27-29 |
| **Own indicator** | Female managers | 2.4. Our People, p. 13<br>3.4.2.3. Creating Value via Efficient and Sustainable Business, p. 27-29 |
| **Own indicator** | Female members of senior management | 2.4. Our People, p. 13<br>3.4.2.3. Creating Value via Efficient and Sustainable Business, p. 27-29 |
| **Responsible pension** | | |
| **DMA** | Management approach disclosures | 103-1:<br>3.4.1. Stakeholder Engagement, p. 19<br>Additional Information - 4.2. Stakeholder Engagement, p. 230-231<br><br>103-2:<br>2.2. Our Brands, p. 10<br>2.3. Our Business Lines, p. 12<br>3.4.2. Value Creation, p. 20-29<br>Additional Information - 4.1 Organisation of Sustainability, p. 230<br><br>103-3: |
| **Indicator** | Number of tools/expressions to help customers beyond ZL retirement | 2.3. Our Business Lines, p. 12 |
| **Permanent Employability** | | |
| **DMA** | Management approach disclosures | 103-1:<br>2.4. Our People, p. 13<br>3.2. Corporate Strategy, p. 15-16<br>3.4.1. Stakeholder Engagement, p. 19<br>Additional Information - 4.2. Stakeholder Engagement, p. 230-231<br><br>103-2:<br>3.4.2.3. Creating Value via Efficient and Sustainable Business, p. 27-29<br>Additional Information - 4.1. Organisation of Sustainability, p. 230<br><br>103-3:<br>3.4.2.3. Creating Value via Efficient and Sustainable Business, p. 27-29 |
| **Own indicator** | Average length of service (years) | 2.4. Our People, p. 13 |

| GRI Code | Disclosure | Cross reference / explanatory note 2020 |
|---|---|---|
| **GRI 102: GENERAL DISCLOSURES** | | |
| **1. Organizational profile** | | |
| **Own indicator** | Sickness absence | 2.4. Our People, p. 13<br>3.4.2.3. Creating Value via Efficient and Sustainable Business, p. 27-29 |
| **Own indicator** | % utillisation of personal development budget | 3.4.2.3. Creating Value via Efficient and Sustainable Business, p. 27-29 |
| **Own indicator** | Training costs (million) | 2.4. Our People, p. 13 |

## 2 CARBON AND WATER FOOTPTINT

### Climate

In this deep dive Athora Netherlands shows the carbon emissions associated with our investments based on the specifications set out in the Climate Agreement (het Klimaatakkoord),. The carbon footprint of investments is calculated according to the method developed by the Partnership Carbon Accounting Financials (PCAF). The carbon footprint consists of the absolute and relative scope 1, scope 2 and scope 3 carbon emissions of the entities in which we invest.

| CARBON EMISSIONS SCOPE 1 AND 2 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Category | Capital per 31-12-2020 | CO2-emissions scope 1 and 2 | | | | | | | |
| | | Total | Reported | Estimated | No estimation possible | Total intensity | Intensity scope 1 | Intensity scope 2 | Compared to 2019 |
| Name | EUR x 1.000 | ton CO2e | % | % | % | ton CO2e per € mln | ton CO2e per € mln | ton CO2e per € mln | % |
| **Own account** | **37,860,729** | **1,029,400** | **66%** | **25%** | **8%** | **27** | **24** | **4** | **-29%** |
| Reaal (life) | 7,172,764 | 140,785 | 86% | 14% | 0% | 20 | 17 | 3 | 74% |
| Proteq (life) | 638,158 | 14,260 | 84% | 15% | 1% | 22 | 19 | 3 | 71% |
| Zwitserleven (pension) | 25,626,151 | 874,225 | 59% | 29% | 12% | 34 | 30 | 5 | -35% |
| Athora Netherlands | 25,642 | 113 | - | - | - | 4 | 4 | 0 | 128% |
| ACTIAM | 41,992 | 66 | 20% | 65% | 14% | 2 | 1 | 0 | -15% |
| | | | | | | | | | |
| **Funds** | **24,075,000** | **1,370,600** | **78%** | **22%** | **0%** | **57** | **0** | **13** | **-19%** |
| ACTIAM | 7,241,000 | 456,100 | | | | 63 | 0 | 15 | |
| RZL | 2,998,000 | 164,900 | | | | 55 | 0 | 10 | |
| Zwitserleven | 13,836,000 | 749,600 | | | | 54 | 0 | 13 | |

| CARBON EMISSIONS SCOPE 3 | | | |
|---|---|---|---|
| Category | Capital per 31-12-2020 | CO2-emissions scope 3 | |
| | | Total | Intensity |
| Name | EUR x 1.000 | ton CO2e | ton CO2e per € mln |
| **Own account** | **37,860,729** | **601,800** | **16** |
| Reaal (life) | 7,172,764 | 101,356 | 14 |
| Proteq (life) | 638,158 | 10,806 | 17 |
| Zwitserleven (pension) | 25,626,151 | 489,254 | 19 |
| VIVAT | 25,642 | 8 | 0 |
| ACTIAM | 41,992 | 329 | 8 |
| | | | |
| **Funds** | **24,075,000** | **3,230,600** | **134** |
| ACTIAM | 7,241,000 | 804,700 | 111 |
| RZL | 2,998,000 | 284,500 | 95 |
| Zwitserleven | 13,836,000 | 2,141,400 | 155 |

## Water

Stressed water consists of the absolute water consumption of business activities in sectors and areas where water scarcity is high. This deep dive for the water footprint is only calculated for investments in water-scarce areas.

| WATER USE | | | | |
|---|---|---|---|---|
| Category | Capital per 31-12-2020 | Of which relevant | Total scarce water use | Intensity of scare water use |
| Name | EUR x 1.000 | EUR x 1.000 | thousand liter | thousand liter per € mln |
| **Own account** | **37,860,729** | **900** | **495,752** | **13** |
| Reaal (life) | 7,172,764 | 104 | 45,561,930 | 6,352 |
| Proteq (life) | 638,158 | 12 | 5,230,509 | 8,196 |
| Zwitserleven (pension) | 25,626,151 | 764 | 444,915,582 | 17,362 |
| Athora Netherlands | 25,642 | 18 | 2,791 | 109 |
| ACTIAM | 41,992 | 0 | 41,487 | 988 |
| | | | | |
| **Funds** | **24,075,000** | **4,053,900** | **902,330** | **37** |
| ACTIAM | 7,241,000 | 1,359,300 | 389,600 | 54 |
| RZL | 2,998,000 | 495,300 | 41,810 | 14 |
| Zwitserleven | 13,836,000 | 2,199,300 | 470,920 | 34 |

## 3 PRINCIPLES UNDERLYING/NON-UNDERLYING RESULT

### Definition and usefulness of Net Underlying Result (NUR)

Net result IFRS of Athora Netherlands has a high volatility as result of the valuation of all assets and liabilities on a fair value basis. In the NUR major fair value movements as result of market developments and parameter changes have been eliminated from IFRS-result. Athora Netherlands believes that the NUR provides useful information to stakeholders and investors which results in greater comparability of results with peers and that it enhances their understanding on the financial impact of management decisions (e.g., re-risking of investments, additional cost-savings). The NUR should be viewed as complementary to, and not as a substitute for net result IFRS.

### Limitations of the usefulness Net Underlying Result

The large difference between net result IFRS and NUR is driven by a number of items.

Besides the result of new business the NUR also includes realisation of interest and technical results on the existing (old) business portfolio. As Athora Netherlands values virtually all of its assets and liabilities on a fair value basis, these specific results are already included within Equity. Reported results on existing (old) portfolio in NUR are reversed in net result IFRS by means of a change in the LAT shortfall. The NUR is therefore not a full reflection of economic value added.

The increase in NUR is partly driven by the interest income on derivatives that will balance out when these instruments mature. This impact is offset by the fair value of technical provisions (LAT shortfall) in the net result IFRS, whilst any changes in LAT shortfall have been excluded from the net underlying result. This therefore increases the difference between NUR and net result IFRS.

Given the complexity in valuation of derivatives it is not possible to fully eliminate all fair value movements from NUR. This could lead to distortion in comparability of figures between different periods. In addition to the impact of additional investment income from derivatives the increase of the NUR was also supported by ongoing re-risking activities, lower costs and lower interest expenses.

Further differences between NUR and net result IFRS relate to the above mentioned one-off items (longevity reinsurance and DTA adjustment) that had a negative impact on the net result IFRS but were excluded from the NUR.

# 4 PRINCIPLES OF NON-FINANCIAL REPORTING

## 4.1 Organisation of Sustainability

The management of Athora Netherlands has delegated the task of implementing Sustainability to the Director Strategy & Growth and the Sustainability manager. The Sustainability manager is responsible for coordinating, developing and implementing an overarching sustainable policy for Athora Netherlands and its brands. In 2020, a workgroup has started to renew the sustainable policies of Athora Netherlands and determined with levels we are aiming. The Director Strategy & Change is direct the linking pin between the workgroup and the Executive Board. The Executive Board has final responsibility with regard to the activities described above. The Chief Strategy & Commercial Officer of Athora Netherlands is sponsor of Sustainability within the Executive Board. The Supervisory Board has an advisory and supervisory role.

The business lines responsible for each of the fields covered by the Sustainability department are, first of all, our brands and, second, our corporate staff departments such as Risk, Finance, Facilities, Procurement and Human Resources. Within the product lines, Athora Netherlands and the brands have established a network of experts. Together, they decide on how the key sustainable objectives are to be approached.

These experts support and monitor the process and achievement of the objectives. The responsibilities of the Director Strategy & Change and the Sustainability manager include the following:

- developing a framework for Athora Netherlands overarching sustainable policy and key objectives
- developing strategies for the key objectives
- coordinating the annual reporting process within Sustainability department by the Sustainability manager
- maintaining contacts with several stakeholders
- answering questions about sustainability

## 4.2 Stakeholder Engagement

Stakeholders are essential for Athora Netherlands, for the continued existence of the business and for the course we are following. Our stakeholders include customers, suppliers, civil society organisations, financial authorities, government bodies and our employees. Stakeholders are identified on the basis of an assessment of the reciprocal interest which the stakeholder and Athora Netherlands have in each other. Athora Netherlands is in regular contact with its main stakeholders. This enables us to keep abreast of their expectations and relevant developments. In the dialogue with our stakeholders, we seek to create a basis of trust and to develop an understanding of the aspects that are important to the different parties.

This helps us to set priorities and take the right decisions. In addition, stakeholder dialogues enable us to adjust our strategy where needed. For this reason, our Executive Board is involved in these dialogues. We keep in contact with our main stakeholders, albeit more intensively with some than with others. The following table summarises the main aspects discussed in 2020.

| STAKEHOLDER DIALOGUE | | | |
|---|---|---|---|
| **Group** | **Type of engagement** | **Main aspects discussed in 2020** | **Actions and reactions of Athora Netherlands** |
| **Business partners** | Events with intermediaries | Innovation, digitalisation | • Athora Netherlands organised several digital events with and for intermediaries to discuss innovation and digitalisation |
| **Civil society organisations** | Yearly ratings Verbond van Verzekeraars Discussions with serveral NGO's | (Sustainable) investment policy | • Almost all investments are socially responsible and in line with our Fundamental Investment Principles<br>• Focus on three key themes: climate, water and land |
| **Customers** | Continuous and structural customer feedback loops Customer interviews for customer journey and proposition development Customer group specific events, including our annual pension day | Continuous identification of improvement areas of our service delivery and customer interaction Thorough understanding of customer (group) needs in certain life events to add more value for our customers by a.o. developing innovative digital solutions | • Customer feedback is translated into actions in order to continuously improve our services<br>• Concentrate on providing solutions for our customers based on their needs and pro-active relevant customer interaction<br>• Organising digital client events to offer them tailored information |
| **Employees** | Senior management debriefs and meetings Offsites (senior management) Innovation masterclasses Strategy webinar Work Council | Sustainable employability of our employees, personal development, customer centricity, innovation and digitalisation | • Employees have access to a learning portal that includes a range of training courses as well as development tools.<br>• Athora Netherlands organised digital activities to involve employees with Athora Netherlands's strategy. |
| **Regulators** | Regular contact through formal meetings, emails and telephone contact with for example DNB and AFM | Risk Management, Treating customers Fairly, new initiatives, legislation, strategy and business updates, innovation | • Athora Netherlands filled out surveys of regulators and participated in sector broad research |
| **Suppliers** | Contract negotiations and renewals, (daily) email and telephone contact and meetings | Sustainable purchasing and general purchasing conditions | • Due diligence check suppliers on sustainability<br>• request for sustainable solutions at renewals en negotiations<br>• awareness of the internal organization about sustainable solutions |

## 4.3 Reference Table EU Directive Non-financial and Diversity Information

The table below is in line with the new EU Directive (2014/95/EU) that has come into effect. This Direction was enshrined in Dutch legislation in the form of two separate regulations: disclosure of non-financial information and disclosure of diversity policy. In order to be fully compliant with the directive, we included the following reference table to disclose where in our integrated report we have provided the information required.

| Requirements EU-Directive | Reference Annual Report Athora Netherlands NV 2020 |
|---|---|
| **Company Model** | |
| **General description and core processes** | 1.1. 2020 At a Glance, p. 4-5 |
| **Business model** | 3.4.2. Value Creation, p. 20-29 |
| **Description of Strategy** | 3.2. Corporate Strategy, p. 15-16<br>3.3. Business Line Strategy, p. 16-17<br>3.4. Sustainability, p. 17-18 |
| **Environment** | |
| **Description Implemented policies** | 3.2. Corporate Strategy, p. 15-16<br>3.4.2.2. Creating Value through Responsible Investing, p. 23-27 |

| Requirements EU-Directive | Reference Annual Report Athora Netherlands NV 2020 |
|---|---|
| Company Model | |
| **Results of Implemented policies** | 3.4.2.2. Creating Value through Responsible Investing, p. 23-27<br>3.4.2.3. Creating Value via Efficient and Sustainable Business, Energy Measures, p. 29 |
| **Description of Risks** | 3.4.3. Managing Non-financial CSR-related Risks, p. 30-33 |
| **Description risk management** | 3.4.3. Managing Non-financial CSR-related Risks, p. 30-33 |
| **Quantitative performance-indicators** | 3.4.2.2. Creating Value through Responsible Investing, p. 23-27<br>3.4.2.3. Creating Value via Efficient and Sustainable Business, Energy Measures, p. 29 |
| Social and Personnel | |
| **Description Implemented policies** | 3.2. Corporate Strategy, p. 15-16<br>3.4.2.3. Creating Value via Efficient and Sustainable Business, p. 27-29 |
| **Results of Implemented policies** | 2.4. Our People, p. 13<br>3.4.2.3. Creating Value via Efficient and Sustainable Business, p. 27-29 |
| **Description of Risks** | 3.4.3. Managing Non-financial CSR-related Risks, p. 30-33<br>7.2.4. Risk Culture, p. 163 |
| **Description risk management** | 3.4.3. Managing Non-financial CSR-related Risks, p. 30-33<br>7.2.5. Risk organisation, p. 163-164 |
| **Quantitative performance-indicators** | 2.4. Our People, p. 13<br>3.4.2.3. Creating Value via Efficient and Sustainable Business, p. 27-29 |
| Human rights | |
| **Description Implemented policies** | 3.4.2.1 Creating Value through Sustainable Customer Relationships, p. 21-22<br>3.4.2.2. Creating Value through Responsible Investing, p. 23-27 |
| **Results of Implemented policies** | 3.4.2.1 Creating Value through Sustainable Customer Relationships, p. 21-22<br>3.4.2.2. Creating Value through Responsible Investing, p. 23-27 |
| **Description of Risks** | 3.4.2.1 Creating Value through Sustainable Customer Relationships, p. 21-22<br>3.4.3. Managing Non-financial CSR-related Risks, p. 30-33 |
| **Description risk management** | 3.4.2.1 Creating Value through Sustainable Customer Relationships, p. 21-22<br>3.4.3. Managing Non-financial CSR-related Risks, p. 30-33 |
| **Quantitative performance-indicators** | 3.4.2.2. Creating Value through Responsible Investing, p. 23-27 |
| Corruption and Bribery | |
| **Description Implemented policies** | 3.4.2.1 Creating Value through Sustainable Customer Relationships, p. 21-22<br>3.4.2.2. Creating Value through Responsible Investing, p. 23-27 |
| **Results of Implemented policies** | 3.4.2.1 Creating Value through Sustainable Customer Relationships, p. 21-22<br>3.4.2.2. Creating Value through Responsible Investing, p. 23-27 |
| **Description of Risks** | 3.4.3. Managing Non-financial CSR-related Risks, p. 30-33 |
| **Description risk management** | 7.9. Non-financial Risk, p. 196-199 |
| **Quantitative performance-indicators** | 3.4.2.2. Creating Value through Responsible Investing, p. 23-27 |
| Diversity Policy | |
| **Description Implemented policies** | 3.4.2.3. Creating Value via Efficient and Sustainable Business, p. 27-29<br>4.3. Governing Rules, p. 49<br>4.5. Report of the Supervisory Board, p. 51-53 |
| **Objectives of implemented policies** | 3.4.2.3. Creating Value via Efficient and Sustainable Business, p. 27-29 |
| **Method of implemented policies** | 3.4.2.3. Creating Value via Efficient and Sustainable Business, p. 27-29<br>4.2. The Executive Board, p. 48-49<br>4.4. The Supervisory Board, p. 49-51 |
| **Results of Implemented policies** | 3.4.2.3. Creating Value via Efficient and Sustainable Business, p. 27-29<br>4.2. The Executive Board, p. 48-49<br>4.4. The Supervisory Board, p. 49-51<br>4.3. Governing Rules, p. 49 |

## 4.4 About this Report

The 2020 Annual Report of Athora Netherlands NV provides a combined account of our performance in the financial and CSR fields. We regard CSR not as a secondary activity performed alongside our core task but as a subject that forms an integral part of our entire business operations. This report reflects this approach. Drafts of this report were extensively reviewed by internal reading groups and subject matter experts. Our aim is to further integrate our financial & non-financial reporting.

### Scope & Boundary

This report is targeted at stakeholders of Athora Netherlands NV and other interested parties. The scope of this report comprises all entities for which Athora Netherlands NV has management responsibility. The report relates to the full 2020 calendar year. New acquisitions are included in our CSR reporting as of the first full year of ownership. Any disposals during the reporting year are excluded for the full year. In order to report the information and data most relevant to our stakeholders, reporting aspects have been selected by means of a materiality analysis. We have compared the importance attached to various aspects by Athora Netherlands and by our external stakeholders. Our analysis and its results are explained under Section 3.4.1. Stakeholder Engagement. The selection of disclosures in this report is based on the outcomes of the materiality analysis and on the availability of quantitative data.

### Reporting Guidelines

The criteria for reporting CSR information on Athora Netherlands NV are based on the guidelines of the Global Reporting Initiative (GRI) Standards. The GRI guidelines are the most generally accepted guidelines for preparing annual (social) reports and can be found on www.globalreporing.org. The connectivity between GRI Standard and the criteria used by Athora Netherlands NV is included in this report under Additional Information Section 1. In addition, we have developed a value creation model, including the main forms of capital input in line with the Integrated Reporting framework. This model and an explanation on how we create value is included in Section 3.4.2.

### Measuring Method

Data was provided by the various product lines and staff departments. Data concerning the workforce and financial results set out in this report was collected using our financial data management system. The remaining non-financial data set out in this report was collected using a standardised yearly questionnaire that was completed by the responsible entities. The product lines, HR, Finance, Risk and facility management each provided relevant data relating to their business. The collected data was consolidated and validated at HQ level by the CSR reporting team. The CSR reporting team and the CSR sounding board group are responsible for collecting and validating the reported data. Data is validated by means of methods such as trend analyses. All data has been measured, unless stated otherwise. If no data was available, it was estimated by extrapolation of historical data. No uncertainties and inherent limitations have been found in the data as a consequence of their measurement, estimation and calculation.

### Feedback

Athora Netherlands NV welcomes feedback from stakeholders and other interested readers. We would be glad to receive any comments at info@athora.nl.

# 5 GLOSSARY

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| **Active ownership, engagements** | We identify three different types of engagement:<br>1) Responsive engagement: in response to controversies or violations of our Fundamental Investment Principles.<br>2) Proactive engagement: raising possibilities for improvement and potential risks.<br>3) Collective engagement: talking to companies along with other investors in order to have a greater impact. |
| **$CO_2$ footprint** | is a calculation that makes it clear how much $CO_2$ emissions a company creates and which business activities created which quantities. This makes it easier to see where $CO_2$ emissions can be reduced. |
| **Customer satisfaction** | is a measure of how our products and services meet or surpass customer (solely private clients) expectation following a survey in April and September. Customer satisfaction score (relation based) reflects our customers' satisfaction on a scale from 1 to 10 (1 = extremely dissatisfied, 10 = extremely satisfied). |
| **ESG Criteria** | Environmental, social and governance (ESG) criteria are a set of standards for a company's operations that socially conscious investors use to screen potential investments. |
| **Global Reporting Initiative** | is a leading organisation in the sustainability field. GRI promotes the use of sustainability reporting as a way for organisations to become more sustainable and contribute to sustainable development. |
| **Insurance contract** | a contract under which one party (the insurer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder in exchange of a premium. |
| **Net Promotor Score** | outcome of Net Promoter Score ('NPS', relation based) survey with customers (solely private clients) in April and September of the reporting years. Stakeholders view this as a material indicator. The NPS methodology is a widely used methodology in which scores from 0 to 6 are classified as 'detractor', scores. 7 or 8 are classified as 'passive' and only those scores that are 9 or 10 are classified as 'promotors'. The result is calculated by the percentage of promoters minus the percentage of detractors, giving the NPS. The NPS can therefore range from -100% to +100%. |
| **Responsible investment** | is an approach to investment that explicitly acknowledges the relevance to the investor of environmental, social and governance (ESG) factors, and the long-term health and stability of the market as a whole. |
| **Responsible investment, exclusions** | Compliance with our Fundamental Investment Principles will be assessed based on two main criteria:<br>1) Repeated or systematic involvement in activities covered by our principles, as well as failure to sufficiently remedy such involvement.<br>2) Inadequate preparedness to prevent this involvement from occurring in the future – companies only |
| **Scope 1** | all direct GHG emissions. |
| **Scope 2** | indirect GHG emissions from consumption of purchased electricity, heat or steam. |
| **Scope 3** | other indirect emissions, such as the extraction and production of purchased materials and fuels, transport-related activities in vehicles not owned or controlled by the reporting entity, electricity-related activities (e.g. T&D losses) not covered in Scope 2, outsourced activities, waste disposal, etc. |
| **Solvency** | is the ability to meet our long-term financial obligations. |
| **Solvency II** | is an EU Directive that collects and harmonises the EU insurance regulation. Its primary concern is the amount of capital that insurance companies must hold to reduce the risk of insolvency |
| **Simplicity score** | is a measure to which extent our customers (solely private clients) find our products are clear and understandable following a survey in April and September. Simplicity score(relation based) reflects our customers' perception on simplicity on a scale from 0% to 100% (1 = unclear and fully not understandable, 100% = clear and fully understandable). |
| **TCF** | Treating Customers Fairly is a principle that intents to raise the standards in the way company's carry on their business. The aim is to induce changes that will benefit consumers and increase their confidence in the financial services industry. |
| **Transparency benchmark** | annual recurring research on the content and quality of sustainability reporting by Dutch companies. This is an initiative of the Ministry of Economic Affairs. |