

Amstelveen, 31 March 2022

## **Athora Netherlands Annual Results 2021**

### **Significant Improvement of Solvency II Ratio to 180%**

### **Strategic Progress to Become a Fully Focused Pension Provider**

#### **Financial Results**

- Net Underlying Result of EUR 302 million (2020: EUR 283 million) driven primarily by higher investment income, supported by the continued repositioning of the asset portfolio
- Gross premiums of EUR 2,167 million (2020: EUR 1,764 million) driven by pension buy-out contract and a high retention rate in the pension business
- Zwitserleven PPI continued to grow its assets under management, increasing by EUR 548 million to reach EUR 1.6 billion
- Total operating costs were significantly lower, supported by lower restructuring expenses partly offset by strategic initiatives and expenses related to implementation of IFRS 17
- The Net Result IFRS for continuing operations of -/- EUR 27 million (2020: -/- EUR 47 million) improved as a result of a higher investment income and lower operating costs

#### **Solvency**

- 2021 Solvency II ratio increased to 180% (YE20: 161%) at Athora Netherlands N.V., driven by a longevity reinsurance transaction, a EUR 325 million capital injection from Athora Group, capital efficiencies and the application of LAC DT, partially offset by the impact of the continued repositioning of the asset portfolio and certain market movements.
- To support a further acceleration of Athora Netherlands' strategic objectives, Athora Group provided EUR 325 million of additional capital during 2021, comprising an equity injection of EUR 275 million and a EUR 50 million Tier 1 loan
- Operating Capital generation, including organic development of the capital requirement, was limited over 2021. Capital generation turned positive in the fourth quarter supported by asset repositioning.
- 2021 Solvency II ratio of 180% (YE20: 163%) at SRLEV

#### **Strategic Progress**

- Athora Netherlands stepped up its long-term ambitions for 2025 based upon three levers: increased growth, enhanced investment returns and a simplified operating model
- Sale of asset manager ACTIAM completed to fully focus on pensions
- Successful pension buy-out involving an invested pension capital amounting to EUR 460 million
- Athora Netherlands was voted the most sustainable insurance company in the Netherlands

In € millions	FY21	FY20
Net Underlying Result Athora Netherlands <sup>1</sup>	302	283
Net Result IFRS <sup>2</sup>	-27	-47

In € millions/percentage	FY21	FY20
Solvency-II ratio Athora Netherlands	180%	161%
IFRS Equity	3,993	3,728

<sup>1</sup> Net Underlying Result consists of Net Result IFRS excluding changes in fair value of assets and liabilities (incl. LAT-shortfall) and non-recurring expenses, excluding discontinued operations.

<sup>2</sup> Net Result IFRS is for continuing operations for the period. Discontinued operations are excluded.

### **Jan de Pooter, Chairman of Athora Netherlands' Executive Board:**

“2021 was marked by strong positive momentum for our company. Athora Netherlands was voted the most sustainable insurance company in the Netherlands by VBDO, had another successful commercial year and made good progress in further simplifying the organisation. On top of that, we ended the year with a strong capital position, aided by the additional capital provided by Athora Group, which will facilitate a further acceleration of our strategic objectives.

In December 2021, Athora Netherlands concluded its strategy update reconfirming the strategic choices already made in 2020 but also stepping up our long-term ambitions for 2025 based upon three levers: increased growth of our business, enhanced investment returns supported by an operating model that is more suitable to the narrower business focus.

In that respect, the successful sale of ACTIAM to Cardano in combination with a long-term strategic partnership formed an important milestone in the strategy – to focus on pension solutions and to further simplify our organisation.

Athora Netherlands will embark on this journey from a position of strength. With our dedicated employees, the strong Zwitserleven brand and a leading market position supported by a financially strong Group with unique investment expertise we are very well positioned. There are many opportunities in the changing pension market for a highly focused and specialised solutions provider that will benefit our customers.

The business of Athora Netherlands developed very favorably in 2021. We achieved the highest renewal rate ever of 91.3% in corporate pensions, we posted a record inflow of more than EUR 500 million in annuities premiums (DIL and DIP) and we recorded 53% growth in assets under management in PPI to EUR 1.6 billion. We were also very proud that the Atradius pension fund has chosen the buy-out solution of Zwitserleven to transfer its pension entitlements and rights to. We expect more pension funds to consider an insured solution in the future and strongly believe that Athora Netherlands is well positioned to play an important role in this market.

Thanks to the capital strengthening, Athora Netherlands' solvency ratio increased to 180% at the end of 2021. The capital support is a clear testimony of the continued strong commitment of Athora Group to the Dutch pension markets. The increase was also driven by the application of LAC DT,

capital efficiencies and a reinsurance transaction, partly offset by the impact of the continued repositioning of investments.

The capital support will also allow Athora to continue the repositioning of its investment portfolio towards higher yielding assets with a better balance between risk and reward contributing to a further improvement of our capital generation. The repositioning of investments already led to positive capital generation at the end of 2021 and we expect the upward trend in capital generation to continue.

I am proud of our performance in 2021 and would like to thank our customers for their continued trust and our valued employees for their tireless efforts in making the past year possible. In 2022 we will continue to build on the positive momentum for our company.

Finally, when looking into 2022, it is inevitable to also mention the crisis in Ukraine. We are deeply concerned about the situation in Ukraine and our thoughts go out to the people of Ukraine and all those directly affected by the conflict. To support the humanitarian relief efforts for the war in Ukraine, Athora Netherlands and its employees have donated to Giro555 of the Cooperating Aid Organisations of the Netherlands. Athora Netherlands has no business activities in Ukraine, Russia or Belarus and there is no direct exposure through our own account investments portfolio and only very limited exposure through our unit linked portfolio. We will continue to monitor the developments closely.”

#### **Publication Annual Reports & Solvency and Financial Condition Report**

Today, Athora Netherlands also published its Annual Report Athora Netherlands N.V. 2021, the Annual Reports 2021 of SRLEV N.V., Proteq Levensverzekeringen N.V. and the Solvency and Financial Condition Report (SFCR) 2021 of Athora Netherlands N.V. All these documents can be downloaded at [www.athora.nl/investors](http://www.athora.nl/investors)

## Financial Result Continued Operations

In € millions	FY21	FY20
<b>Result</b>		
Premium Income	2,167	1,764
Net inflow PPI	260	199
Direct Investment Income	1,178	1,145
Operating expenses <sup>1</sup>	213	194
Restructuring costs	-5	54
<b>Total operating expenses</b>	<b>208</b>	<b>248</b>
Net underlying result Athora Netherlands	302	283
<b>Net Result IFRS</b>	<b>-27</b>	<b>-47</b>

<sup>1</sup> Operating expenses net of recharged income of EUR 24.1 million (2020: EUR 64.8 million) to NN Group for servicing Non-Life.

Net Result IFRS increased by EUR 20 million compared to 2020 mainly driven by a higher direct investment income supported by the continued repositioning of the asset portfolio and lower total operating expenses, partly offset by a higher LAT shortfall in 2021.

The negative impact of the LAT shortfall increased by EUR 145 million to EUR 310 million 2021. This increase in LAT shortfall is mainly driven by the decrease of the UFR by 15 basis points and UFR drag, as well as a change in (investment) expense assumptions resulting from strategic choices.

Premium income increased by EUR 403 million to EUR 2.17 billion compared to the same period last year. This was fully driven by a EUR 460 million buy-out deal. Total pension premiums, including PPI, also increased and Athora Netherlands achieved an all-time high retention rate of 91.3%. The PPI deposits reached EUR 260 million, a 30% increase compared to the same period previous year, in line with Athora's strategic ambition in pensions. Individual life premiums declined by EUR 44 million, as a result of wider market trends and lower interest rates.

Operating expenses excluding restructuring costs were EUR 19 million higher in 2021, mainly due to strategic initiatives and expenses related to the implementation of IFRS17. Excluding these projects, operating expenses were 5% lower.

Net Underlying Result increased by EUR 20 million in 2021, mainly driven by higher investment income resulting from the repositioning of the investment portfolio to higher yielding assets and lower funding costs, partly offset by higher expenses.

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

In € millions	FY21	FY20
<b>Net Underlying Result Athora Netherlands</b>	<b>302</b>	<b>283</b>
1) Change LAT shortfall Life in P&L	-310	-165
2) Other (un)realised changes in fair value of A/L	76	-47
3) One-offs and Non operating expenses and profits	-95	-118
<b>Net Result IFRS Athora Netherlands</b>	<b>-27</b>	<b>-47</b>

The negative impact of the LAT-shortfall Life in 2021 was due to the decrease of the UFR of 15 basis points, which was also included in 2020, as well as a change in (investment) expense assumptions due to the rebalancing of the investment portfolio to higher yielding assets.

Other (un)realised changes in fair value of assets and liabilities were favorably impacted by the positive result from the revaluation of investment property (EUR 53 million) and the absence of EUR 22 million expenses for the senior debt tender offer that was executed in the first half of 2020.

The one-off items in 2021 include an EUR 69 million write down of deferred tax assets, partly offset by the impact from the change in the future tax tariff (EUR 22 million). It also includes the costs for a new longevity deal of EUR 54 million.

In 2020 there was a negative of EUR 118 million from one-off items, including the costs for an additional longevity reinsurance transaction of EUR 140 million and a restructuring provision of EUR 42 million. This was partly offset by an adjustment of the net deferred tax assets position, following a tax legislation change, which had a positive impact on taxation of EUR 57 million.

## Financial Result per Segment

€ millions					
	SRLEV	Proteq	Zwitzerleven PPI	Holding	Total
FY21					
<b>Net result IFRS</b>	<b>3</b>	<b>-8</b>	<b>1</b>	<b>-23</b>	<b>-27</b>
<i>Net Underlying Result</i>	<i>301</i>	<i>3</i>	<i>1</i>	<i>-3</i>	<i>302</i>

€ millions					
	SRLEV	Proteq	Zwitzerleven PPI	Holding	Total
FY20					
<b>Net result IFRS</b>	<b>-28</b>	<b>6</b>	<b>1</b>	<b>-26</b>	<b>-47</b>
<i>Net Underlying Result</i>	<i>302</i>	<i>3</i>	<i>1</i>	<i>-23</i>	<i>283</i>

In 2021 the operating segments of Athora Netherlands were updated following the strategy review. The adjustment in the performance assessment of the business activities resulted in changes in management reporting. The operating segments identified within Athora Netherlands currently comprise of the underlying legal entities: SRLEV, Proteq, Zwitzerleven PPI, and Holding. The comparative figures were adjusted accordingly.

## Capital Management

In € millions/percentage	FY21	FY20
Eligible own funds Athora Netherlands NV	4,111	4,134
Consolidated Group SCR	2,290	2,569
Solvency II ratio Athora Netherlands NV	180%	161%
Eligible own funds SRLEV NV	4,012	4,023
Consolidated SRLEV SCR	2,234	2,463
Solvency II ratio SRLEV NV	180%	163%

The Solvency II ratio of Athora Netherlands increased significantly from 161% at the end of 2020 to 180% at the end of 2021.

The capital position of Athora Netherlands has been strengthened further in December by an equity contribution of EUR 275 million and a Restricted Tier 1 loan of EUR 50 million provided by Athora Group. This resulted in an increase of 13%-points. The proceeds of the capital strengthening have been down streamed to SRLEV.

Athora Netherlands has established an improved deferred tax assets recoverability and LAC DT model in 2021. Based on this new model and the improved financial strength and profitability, Athora Netherlands was able to underpin a non-zero LAC DT, which had a 18%-points positive impact in the Solvency II ratio of Athora Netherlands.

As disclosed during the 2021 interim results, as per the 1st of July, SRLEV signed an additional longevity reinsurance transaction on its individual life portfolio which had an 8%-points positive impact on the Solvency II ratio of Athora Netherlands.

Market movements had a positive impact of 4%-points on the Solvency II ratio. Although the Volatility Adjustment (VA) has decreased with 4bps to 3bps at the end of 2021, the resulting negative impact was more than offset by increases in interest rates and the positive impact of spread tightening on the investments. In addition, the increase of interest rates during 2021 improved the Solvency II ratio, although this was largely offset by increased inflation expectations.

Further rebalancing the interest rate position has resulted in an increase of the Solvency II ratio, however this was offset by a negative impact as a combined result of several model refinements, miscellaneous movements including portfolio developments, resulting in an overall limited impact.

Capital generation, including organic development of the capital requirement, was limited over 2021. Capital generation was positive in the fourth quarter. The investment portfolio has been further optimised to ensure higher investment returns going forward resulting in a utilisation of capital and higher asset management expenses, equivalent to -/- 23%-points. The stronger year-end capital position will allow Athora Netherlands to accelerate the asset repositioning efforts in order to further increase spread generation.

The decrease in UFR with 15bps in the beginning of 2021 to 3.60% had a negative impact of 4%-points.

After the successful issuance of EUR 300 million subordinated Tier 2 bond by Athora Netherlands, EUR 275 million was down-streamed to SRLEV for the redemption of the EUR 250 million Tier 2 notes by SRLEV in April.

The Solvency II ratio of SRLEV increased from 163% at the end of 2020 to 180% at the end 2021. The drivers of the change in the Solvency II ratio of SRLEV are similar to those of Athora Netherlands.

## Alternative Performance Measures

This press release contains alternative performance measures (APM's) in addition to the figures which have been prepared in accordance with the International Financial Reporting Standards (IFRS).

### ***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., repositioning 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 repositioning, lower costs and lower interest expenses.

## For information

Corporate Communication  
Hidde Kuik  
+31 (0)6 12647962  
hidde.kuik@athora.nl

Investor Relations  
Robert ter Weijden  
+31 (0)6 83713889  
robert.terweijden@athora.nl

## About Athora Netherlands

Athora Netherlands N.V. is the holding company for, among others, SRLEV N.V., Proteq Levensverzekeringen N.V., ACTIAM N.V. and Zwitserleven PPI N.V. Athora Netherlands' subsidiaries are also active on the Dutch market with, among others, the Zwitserleven, Reaal and ACTIAM brands. A balance sheet total of EUR 64 billion (end 2021) makes Athora Netherlands one of the largest insurers in the Netherlands. Athora Netherlands Holding Ltd. is the sole shareholder of Athora Netherlands N.V. For more information, please visit [www.athora.nl](http://www.athora.nl).

## Disclaimer

This press release is released by Athora Netherlands N.V. and contains information that qualified or may have qualified as inside information for the purposes of Article 7 of the Market Abuse Regulation (EU) 596/2014 (MAR), encompassing information relating to the annual results 2021 of Athora Netherlands N.V. as described above.

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As per December 31, 2021 the same key accounting principles have been applied as per December 31 2020 for the annual report 2021 of Athora Netherlands N.V.