ATHORA NETHERLANDS N.V.

Annual Report 2021

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1 OVERVIEW

2021 AT A GLANCE

The year 2021 was marked by great positive momentum for our company. We had a successful commercial year and made good progress in further simplifying the organisation. Athora Netherlands was voted the most sustainable insurance company in the Netherlands by VBDO. On top of that, Athora Group has strengthened our capital to support the further acceleration of our strategy. In December 2021, we stepped up our long-term ambitions for 2025 based upon three levers: increasing our growth, enhancing investment returns and implementing an operating model that is more suitable to our 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 pensions and to be able to offer our customers the best possible pension solutions.

Jan de Pooter, Chief Executive Officer of Athora Netherlands

ABOUT ATHORA NETHERLANDS

› 2 mn

Customers

1,412 employees (FTE)

Zwitserleven Reaal

Our brands

Offices

HIGHLIGHTS 2021

Athora Holding strengthened capital of Athora Netherlands to support the further acceleration of our strategy

Successful sale of ACTIAM to Cardano in combination with a long-term strategic partnership

Athora Netherlands signs Diversity Charter

Athora Netherlands and trade unions sign new collective labour agreement

OUR PERFORMANCE

Gross Premium Income
€ 2,167 mn
2020: € 1,764 mn

Total Operating Expenses
€ 208 mn
2020: € 248 mn

Solvency II
180%
2020: 161%

Net Result IFRS
- € 76 mn
2020: € 3 mn

Net Underlying Result
€ 302 mn
2020: € 283 mn

Total Assets
€ 64,288 mn
2020: € 66,008 mn

BUSINESS DEVELOPMENT

- Highest renewal rate ever of 91.3% in corporate pensions
- Record inflow of more than € 500 million in annuities premiums (DIL and DIP)
- Assets under Management in PPI grew 53% to € 1.6 billion
- Pension fund Atradius places its pensions with Zwitserleven

SUSTAINABILITY

- Association of Investors for Sustainable Development (VBDO): Athora Netherlands most sustainable insurer in the Netherlands
- Fair Finance Guide (Eerlijke verzekeringswijzer): Athora Netherlands the insurer with the largest 'climate commitment'
- Athora Netherlands signs Finance for Biodiversity Pledge

PASS
PICK A SMART SITE
PICK A SMART SPOT
PICK A SMART SOLUTION

Introducing a new way of working

Supported SDGs

1.1 KEY FIGURES

In € millions	2021	2020[1]	2019[2]	2018	2017
Ratios					
Regulatory Solvency II	180%[3]	161%	170%	192%	162%
Net Underlying Result					
SRLEV	301	302	309	249	215
Proteq Levensverzekeringen	3	3	4	2	2
Zwitserleven PPI	1	1	-	-	-
Holding	-3	-23	-29	-10	-46
Net Underlying Result from continued operations	**302**	**283**	**284**	**241**	**171**
VIVAT Schadeverzekeringen (as discontinued operation)	N/A	-2	45	8	-
ACTIAM (as discontinued operation)	-1	-3	-7	-7	1
Net Underlying Result from discontinued operations	**-1**	**-5**	**38**	**1**	**1**
Total Net Underlying Result	**301**	**278**	**322**	**242**	**172**
Net Result IFRS					
SRLEV	3	-28	330	-274	-55
Proteq Levensverzekeringen	-8	6	4	1	3
Zwitserleven PPI	1	1	-	-	-
Holding	-23	-26	6	-18	-67
Net Result IFRS from continued operations	**-27**	**-47**	**340**	**-291**	**-119**
VIVAT Schadeverzekeringen (as discontinued operation)	N/A	60	66	16	2
ACTIAM (as discontinued operation)	-49	-10	-7	-7	1
Net Result IFRS from discontinued operations	**-49**	**50**	**59**	**9**	**3**
Total Net Result IFRS	**-76**	**3**	**399**	**-282**	**-116**
Profit or loss					
Gross premium income	2,167	1,764	1,849	2,107	2,252
Investment income	1,272	1,189	1,285	1,503	1,434
Investment income/expense for account of policyholders	1,376	692	2,067	-387	429
Total income (including other income components)	4,974	5,370	6,880	3,187	4,196
Total expenses	4,955	5,528	6,480	3,454	4,374
Result before taxation	**19**	**-158**	**400**	**-267**	**-178**
Tax expense / benefit	46	-111	60	24	-59
Net Result IFRS from continued operations	**-27**	**-47**	**340**	**-291**	**-119**
Net Result IFRS from discontinued operations	**-49**	**50**	**59**	**9**	**3**
Net Result for the period	**-76**	**3**	**399**	**-282**	**-116**

1 On 21 October 2021, Athora Netherlands has reached an agreement to sell its asset manager ACTIAM N.V. to Cardano Risk Management B.V. Following this agreement, ACTIAM has been classified as 'Held for sale' and the 2021 year-to-date and sale result of ACTIAM have been classified under Net result from discontinued operation. The comparative figures (2017-2020) have been restated in line with IFRS 5 regarding discontinued operations.

2 Per 1 April 2020, VIVAT Schadeverzekeringen N.V. was sold. The comparative figures (2017-2019) have been restated in line with IFRS 5 regarding discontinued operations.

3 Regulatory Solvency II ratio 2021 is not final until filed with the regulator.

In € millions	2021	2020	2019	2018	2017
Statement of financial position					
Total assets	**64,288**	**66,008**	**61,685**	**55,674**	**56,742**
Investments	40,019	41,922	41,572	38,656	38,683
Investments for account of policyholders	14,423	13,788	13,520	11,989	13,138
Loans and advances due from banks	360	603	712	1,566	1,814
Total equity	**3,993**	**3,728**	**3,838**	**3,541**	**3,547**
Insurance liabilities	50,246	51,512	50,088	46,283	46,794
Subordinated debt	906	818	868	863	1,016
Amounts due to banks	2,638	4,684	2,803	1,358	1,643

Athora Netherlands and Athora Netherlands N.V.

In this annual report, we use the name ‘Athora Netherlands N.V.’ when referring to the company financial statements of Athora Netherlands N.V. 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: 2021 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 Corporate Governance (chapter 4), excluding Report of the Supervisory Board (chapter 4.5).

1.2 MESSAGE FROM THE EXECUTIVE BOARD OF ATHORA NETHERLANDS

Dear stakeholders,

The year 2021 was marked by great 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, Athora Group has strengthened the capital of Athora Netherlands to support the further acceleration of the strategy.

In December 2021, Athora Netherlands concluded its strategy update reconfirming the strategic choices already made in 2020 but also stepped up its 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 staff, the strong Zwitserleven brand and a leading market position supported by a financially strong parent with unique investment expertise, there are many opportunities in the changing pension market for a highly focused and specialised pension solutions provider that will benefit all 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 € 500 million in annuities premiums (DIL and DIP) and we recorded 53% growth in Assets under Management in PPI to € 1.6 billion. We were also proud that Atradius pension fund had 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 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 us to continue the repositioning of our 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.

The capital support is a clear testimony of the continued strong believe of Athora Group in the opportunities of the Dutch pension market.

It goes without saying that we will continue to adhere to our social role and, in the interest of our customers and society as a whole, continue to pay attention to sustainability, in our business operations and our investments. We would like to express our appreciation for the constructive cooperation with the Works Council and our business partners. In particular, we would like to thank our valued employees for their tireless efforts in making the past year possible.

On behalf of the Executive Board, I would also like to convey my sincere thanks to Maarten Dijkshoorn, our former Chairman of the Supervisory Board, for the good cooperation over the last few years, his ability to connect with stakeholders and his guidance in the transitions to new ownership. In his role as chairman, he made a significant contribution in challenging times to the development of Athora Netherlands as the life and pension insurer it is today. We wish him all the best for the future.

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.

Amstelveen, the Netherlands, 30 March 2022

On behalf of the Executive Board of Athora Netherlands N.V.,
Jan de Pooter, Chief Executive Officer

2 ORGANISATION

2.1 ABOUT ATHORA NETHERLANDS

Athora Netherlands N.V. is the holding company of two insurance companies with strong positions in the Dutch life markets. Through our main brand Zwitserleven, we provide pension and life insurance products. Under the brand Reaal, we sell and provides service for life insurance products.

Legal Entity

Athora Netherlands N.V. 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 N.V. 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 N.V. are the equity interests it holds in its operating subsidiaries.

The figure below shows the legal structure of Athora Netherlands N.V.

The structure of Athora Netherlands N.V.

2.1.1 Composition of the Executive Board

The Executive Board is responsible for the management, strategy and operations of the company. The Executive Board per 31 December 2021 consisted of the following members:

- J.A. (Jan) de Pooter – Chief Executive Officer
- A.P. (Annemarie) Mijer – Chief Risk Officer (vice-chair)
- E.P. (Etienne) Comon – Chief Capital & Investment Officer
- J. (Jim) van Hees – Chief Financial Officer (a.i.)
- A. (Angelo) Sacca – Chief Commercial Officer

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

2.1.2 Composition of the Supervisory Board

The Supervisory Board is responsible for advising the Executive Board and overseeing the Executive Board's management and the general business of the company and its associated business. It has an important role in the company's governance, by approving or dismissing significant business-related decisions. As of 31 December 2021 the Supervisory Board consisted of the following members:

- R.M.S.M. (Roderick) Munsters
- M.A.E. (Michele) Bareggi

- E. (Elisabeth) Bourqui
- F.G.H. (Floris) Deckers
- J.M.A. (Hanny) Kemna
- P.P.J.L.M.G. (Pierre) Lefèvre[1]

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 N.V. Athora Netherlands Holding Ltd. is a full subsidiary of Athora Holding Ltd.

2.2 OUR STORY

Our story is not actually about us. It's about you. It's about your life, about your money, about your future. About your carefree financial future.

Today, that financial future is less and less self-evident. Money in the bank no longer automatically becomes worth more. Times have changed. Everything is getting more expensive, the energy bill, groceries, the little things that make life so much fun.

The only certainty you have is that life will be even more expensive in ten or twenty years' time. You can count on that. So how do you make sure you can live carefree later?

That's where we come in.

We are there for you. With roughly 1,200 colleagues, we take care of your financial security, so that you can enjoy a carefree life when you retire in ten, twenty or forty years. We are a partner for life.

To make the money you pay in premiums grow, we have to invest. In companies, in stocks and bonds. And even there, it has been increasingly difficult in recent years to achieve good returns.

Fortunately we have specialists in house. People who understand retirement and wealth, and investing, who not only know where they can make a profit, but also know how to do it in a sustainable way. By investing in companies that make the earth more beautiful, instead of destroying it. By influencing the sectors in which we invest, to make them cleaner and more sustainable.

In this way we allow your assets to grow sustainably and work towards a better world, so that your future is truly carefree. We do this not only for you, but also for your children and grandchildren. Just as we did for your parents and grandparents. For 130 years. Because we already have a very bright future behind us.

2.3 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.

[1] Pierre Levèvre has stepped down as member of the Supervisory Board, effective on 14 February 2022.

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.

2.4 OUR PEOPLE

2021 was another year of major demands on the resilience and adaptability of our employees due to the COVID-19 pandemic, which is still ongoing. As a result, the majority of our employees have been working from home the entire year. Although we were unable to meet at the office to celebrate festive moments, many beautiful ways have been found to remain connected, such as online events and the workshop 'remote leadership'.

This year also made a strong appeal to everyone's flexibility, creativity, patience and resilience due to internal changes that are in full swing. A new Executive Board was formed and an ongoing reorganisation resulted in work processes being set up differently and employees leaving the company. We tried to support colleagues who were affected by this at the earliest possible stage. They were offered training opportunities and received an extra outplacement budget on top of their growth budget in order to get the best possible guidance in finding another job.

As an employer, we tried to optimally facilitate employees and encouraged them to remain connected, for example by offering training courses and workshops and by including our employees in our strategy and a new, hybrid way of working; called PASS, which is an abbreviation that has several meanings: Pick a Smart Site, Pick a Smart Spot, Pick a Smart Solution. In addition, Culture Talks has been launched, an online programme in which employees discus our culture and values. Thanks to these measures, we have largely maintained the motivation and vitality of our employees until the middle of the year, as shown in the Pulse Survey that was conducted in June 2021. However, the Employee Survey in November showed that improvement is needed on the themes of Engagement and Commitment. We will pay extra attention to this in the months to come.

Our Employees in Numbers

Year-end 2021, Athora Netherlands employed 1,428 employees (2020: 1,971). The reduction is partly due to the sale of the non-life business to NN, partly due to natural attrition and partly due to the implementation of a new target operating model that is underway. In total, this has led to a reduction of 519 FTE in 2021.

KEY FIGURES ATHORA NETHERLANDS HUMAN RESOURCES		
	2021	2020
Number of employees	1,428	1,971
- of which internal	1,218	1,674
- of which external[1]	210	297
Number of FTEs	1,412	1,931
- of which internal	1,209	1,653
- of which external	204	279
Ratio male-female	66%/34%	61%/39%
Female managers	20%	25%
Female members of senior management	22%	18%
Average length of service (years)	15.5	14.4
Average age (years)	47	46
Full-time/part-time ratio	77%/23%	74%/26%
Male/female ratio full-time	77%/23%	73%/27%
Male/female ratio part-time	27%/73%	25%/75%
Ratio permanent/temporary contract	96%/4%	96%/4%
Male/female ratio permanent	64%/36%	59%/41%
Male/female ratio temporary	64%/36%	55%/45%
Training costs (million)	€ 2.5	€ 3.9
Sickness absence	4.1%	3.4%
Percentage utilisation of personal development budget	53%	32%
Percentage of employees that have sworn the bankers oath	98%	98%

1 Number of external employees is based on contractual hours

More information regarding our staff can be found in section 3.3.2.3 Creating Value via Efficient and Sustainable Business.

3 STRATEGY AND DEVELOPMENTS

3.1 2021 DEVELOPMENTS AND TRENDS

Implementation of New Strategy Focused on Pensions

Following the acquisition by Athora in April 2020, we conducted a Strategy and Operating Model Review over the summer. This review concluded with a number of new strategic decisions, to be executed 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

We have made an expeditious start with implementation, including:

1. **Growth programme:** A comprehensive programme of work has been established around five key topics: customer excellence, accumulation (pension savings), decumulation (retirement solutions), digitisation, and business intelligence. In April 2021, fourteen new multidisciplinary teams were put in place to drive these efforts in an agile implementation approach.
2. **Transformation programme:** A transformation programme was set up to ensure transformation towards the new operating model and to realise benefits to ensure competitiveness while safeguarding customer service and experience.
3. **Optimisation of capital and investments:** A set of initiatives has been defined and well progressed to optimise our capital and investments. These efforts have been further reinforced with the introduction of the Chief Investment Officer role and the Investment Office team within Athora Netherlands.
4. **Sustainability strategy & operating model:** A working group with members from all areas of the company has come together to define a comprehensive sustainability strategy to ensure we are sustainable in our internal operations, our products and our investments. We have reviewed our ambition levels in each area and defined a roadmap of work to ensure we meet these ambition levels.
5. **Reorganisations:** A series of reorganisations were announced following the Strategy and Operating Model Review and the implementation of these are underway.

In October, we announced the sale of our asset manager ACTIAM to Cardano Group. As part of this transaction, we have entered into a long-term strategic partnership with Cardano, in which they will provide asset management services to our unit-linked business. The transaction follows the transfer of the own account investments from ACTIAM to our in-house Investment Office, mid-2021. This action complements the activities undertaken to optimise our capital and investments.

New Executive Board Composition and a Review of our Operating Model

In the second half of the year, we welcomed three new Executive Board members at Athora Netherlands. With the new Executive Board composition, we saw the need to take stock of our situation and evaluate progress since the Strategy and Operating Model Review. In the summer of 2021, we kicked off a project to:

- sense-check our strategy as defined in the Strategy and Operating Model Review, based on what we have learnt in the past year;
- further detail our strategy and articulate a strategic narrative to bring the broader organisation along the thinking;
- define (and raise) our ambition levels to enable long-term value creation objectives in terms of financial performance, growth performance and organisational & efficiency performance; and finally
- (re-)define a Target Operating Model (TOM), including organisational structure, to enable the above.

With the completion of the first three steps, we have confirmed that the strategy outlined in 2020 is the right one. We are now reviewing our operating model to ensure we are positioned to take advantage of the upcoming market opportunity introduced by the Pension Reform, achieve speed-to-market, create financial value and cultivate a high-performing culture within the organisation.

COVID-19 Impact

After a brief period of relief, the COVID-19 pandemic returned towards the end of the year, pushing the world into a new era of uncertainty. Luckily, Athora Netherlands' services have not been affected, therefore payments to our customers, suppliers and employees have continued as normal.

The impact for our stakeholders can be summarised as follows:

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. Efforts have also been made to reduce the problems for customers with payment problems. We have offered them tailored payment arrangements.

Financial strength: Despite a turbulent capital market during the year, our financial position remains strong. The 2021 impact of COVID-19 on our investment returns have again proved to be limited. Nevertheless, the pandemic is still having an impact on the world and we will continue to monitor the market.

Way of working: We have come to terms with the fact that the new normal will be different from what we were used to. At the same time, we recognise the opportunities presented with the accelerated digitisation and introduction of digital tools. We have therefore announced a new way of working at Athora Netherlands, in line with the smart working approach. This means:

- Employees are asked to pick a smart site / spot / solution for their work on any given day or part of day—nine to five in the office will no longer be the norm;
- Agreements will be made within each team as to what best suits the team, rather than an overarching company policy;
- The offices have been refurbished (sustainably, using recycled materials) to be conducive to this new way of working.
- Management will be extra alert with respect to the safety and well-being of our employees.

Challenges Ahead

Globally, the economy is suffering from the constraints introduced to manage the pandemic, 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.

3.2 CORPORATE STRATEGY

Our core strategy remains as defined through the Strategy and Operating Model Review in 2020, but we have further detailed and clarified this in 2021—including a clearly articulated purpose.

We have articulated our purpose statement: **“We are a sustainable partner for life, taking care of your tomorrow.”** This purpose statement is based on five underlying themes, which are key to our corporate strategy:

- **Well regarded pension specialist:** We take care of our customers (employees, employers and distribution partners) on what really matters for their tomorrow—pensions and savings (in accumulation and decumulation phase). We are a thoughtful and trusted advisor helping existing and new customers to navigate the complexities of pensions.
- **Sustainably profitable:** We are financially strong and deliver promised returns to our investors, promised stability to the regulator, and promised benefits to our policyholders.
- **Sustainable & impact for society:** We are amongst the most sustainable insurers in the Netherlands. We can be trusted to invest/underwrite in what matters for our planet and society.
- **Nimble and agile:** We operate efficiently to be competitive, and focus on the things that matter for our customers, employees and key stakeholders.
- **Entrepreneurial and empowered employees:** We attract result-oriented and dynamic talent and create a place where high performance and entrepreneurship is honoured. We celebrate our successes and key achievements, and we lead by integrity.

To achieve our purpose and strategy, we have defined three key value creators:

1. **Delivering strong investment returns:** Accelerating our investment deployment and achieving excellence in risk and capital management (“financial performance”).
2. **Sustainably fulfilling our customers’ needs:** We will maintain our strong service provision to our life insurance and pensions customers, while we focus on growing our pension book with an emphasis on decumulation through new business and the buy-out of pension funds that wish to transfer some or all of their liabilities to an insurer before the new pension system takes effect.
3. **Building a nimble and agile organisation:** Building an agile and future-proof organisation focusing on what we do best in the most competitive manner, including exploring further outsourcing and strategic partnerships (“organisational & efficiency performance”).

3.3 SUSTAINABILITY

In August 2021, research by the Association of Investors for Sustainable Development (VBDO) showed that Athora Netherlands was the most sustainable insurer in the Netherlands. In their annual benchmark 'Responsible Investment by Insurers in the Netherlands', Athora Netherlands was the best performing Dutch insurer with a score of 4.5 on a scale of 5.

A month later, the Fair Finance Guide called Athora Netherlands the insurer with the largest 'climate commitment'. Their research assessed the commitments, policies, strategies and action plans of financial institutions in the Netherlands with regard to their responsibility to combat climate change. Athora Netherlands scored an 8.4 and turned out to be the insurer with the best climate plans.

The results of these studies are no coincidence. Sustainability has been one of our top priorities as an embedded part of our strategy for years. Our main task is creating value in the long term for our customers and for the world around us. The global challenges we are currently facing, such as the climate crisis and the corona pandemic, demonstrate once again that the increased focus on sustainability in our company is imperative.

Apart from the obvious crises, 2021 reaffirmed how fragile our planet is. The Intergovernmental Panel on Climate Change (IPCC) released its Sixth Assessment Report on the current status of climate research in August. The IPCC report provides new calculations on global warming and finds that unless there are immediate, rapid and large-scale reductions in greenhouse gas emissions, warming will not be limited to 1.5°C. The climate is changing at an unprecedented rate, and the report indicates that humans are to blame.

For Athora Netherlands, this means that we are taking measures and exerting influence where we can. In our own business operations, in our investments and in influencing the companies and partners we work with or invest in. We will continue to provide fair and affordable insurance solutions, and ensure 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

In 2020, we defined four sustainability challenges and ambitions for the coming years. Below, we list the progress in 2021 for each of these themes:

1. **Implementation of Improved Sustainability Strategy:**
   We have reviewed our sustainability strategy across the components Socially Responsible Investment, Sustainable Products and Corporate Social Responsibility. We then explored how we can strengthen our approach by introducing more integration and structure, so that we can increase our positive impact and are able to communicate better and more transparent on these topics. We are aware that this work is never finished, but we are in the process of significantly refining our approach. For example, we have decided to bring thought leadership, ownership and coordination together in a dedicated sustainability team and to appoint a Director of Sustainability.
2. **Exclusion versus engagement in responsible investing:**
   Our exclusion policy is a fundamental instrument in our socially responsible investment toolbox and we continue to actively maintain a list of industries and companies that we consider incompatible with our philosophy. But before excluding investing altogether, we exert our influence as an investor or potential investor through active engagement on key ESG topics, as we believe that—if successful—this will have a more direct impact on the real world than exclusion, which is always available if our engagement attempts fail. A good example is the ‘satellite-based engagement to zero deforestation’ initiative that our asset manager ACTIAM launched. In collaboration with a group of investors, companies are urged to reduce and mitigate deforestation associated for example, with the supply of palm oil or the production of soy. As a result, many of the contacted companies have asked their suppliers to take appropriate action. ACTIAM will monitor the results with its satellite data provider in the near future.
3. **Responsible products (non-investment):**
   We are taking further steps to explicitly include ESG considerations in our product development and underwriting policies and processes. As part of our marketing and sales activities we have engaged in more dialogues with customers and prospects on ESG matters. We see that this is highly valued by them and it is often an important reason to buy.
4. **Internal engagement:**
   Sustainability has long been an important part of the company’s DNA. We see more and more clearly that our employees feel increasingly involved in this topic and are actively debating a number of dilemmas that our sustainability goals and ambitions raise. The management actively encourages this involvement and this debate.

These challenges and ambitions require our continued attention in the coming year. Regular discussions with key stakeholder groups confirm that these remain very valid.

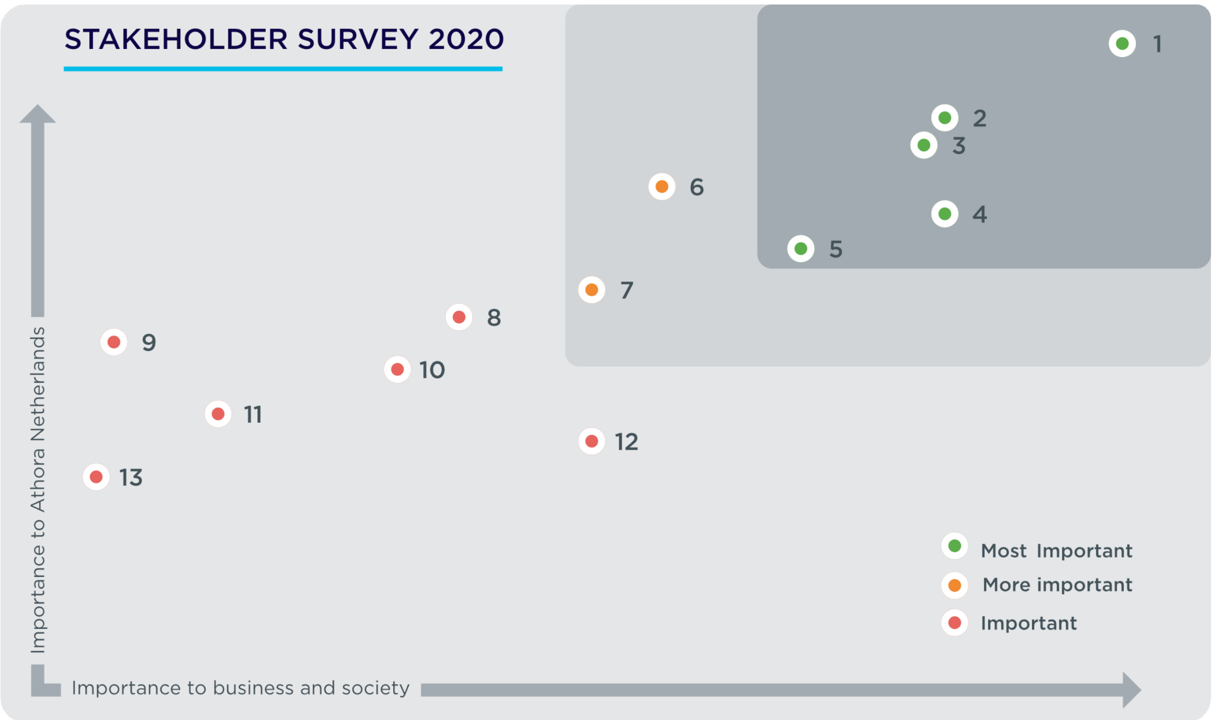
3.3.1 Stakeholder Engagement

On a bi-annual basis, we undertake surveys among a broad representative sample of our stakeholders including customers, partners, employees, government authorities and civil society. We use the results to update our strategy, along with our underlying targets and priorities. The last time we conducted this stakeholder survey was in 2020.

In December 2021, we recalibrated these results by interviewing key representatives from our stakeholder groups as well as key internal stakeholders including Executive Board members. These interviews helped us to bring focus to and refine our strategy, our priorities and our sustainability programme. Additionally, we will use the 2021 findings to update our disclosures and reporting in order to meet (information) requirements by these stakeholders. From the interviews with stakeholders and subsequent internal deliberations and discussion in the Executive Board we have identified the following areas as most important material topics of focus for the coming period:

1. Solvency
2. Responsible Investments
3. Appropriate and Simple Products
4. Products with added value for our customers
5. Biodiversity preservation

Apart from these, other topics will continue to receive our attention, not least our ongoing efforts to achieve net zero carbon emissions by 2050 and to be an employer of choice. The aim of this periodical survey is to follow trends and keep our focus aligned to trends and stakeholder requirements.



Key Topics

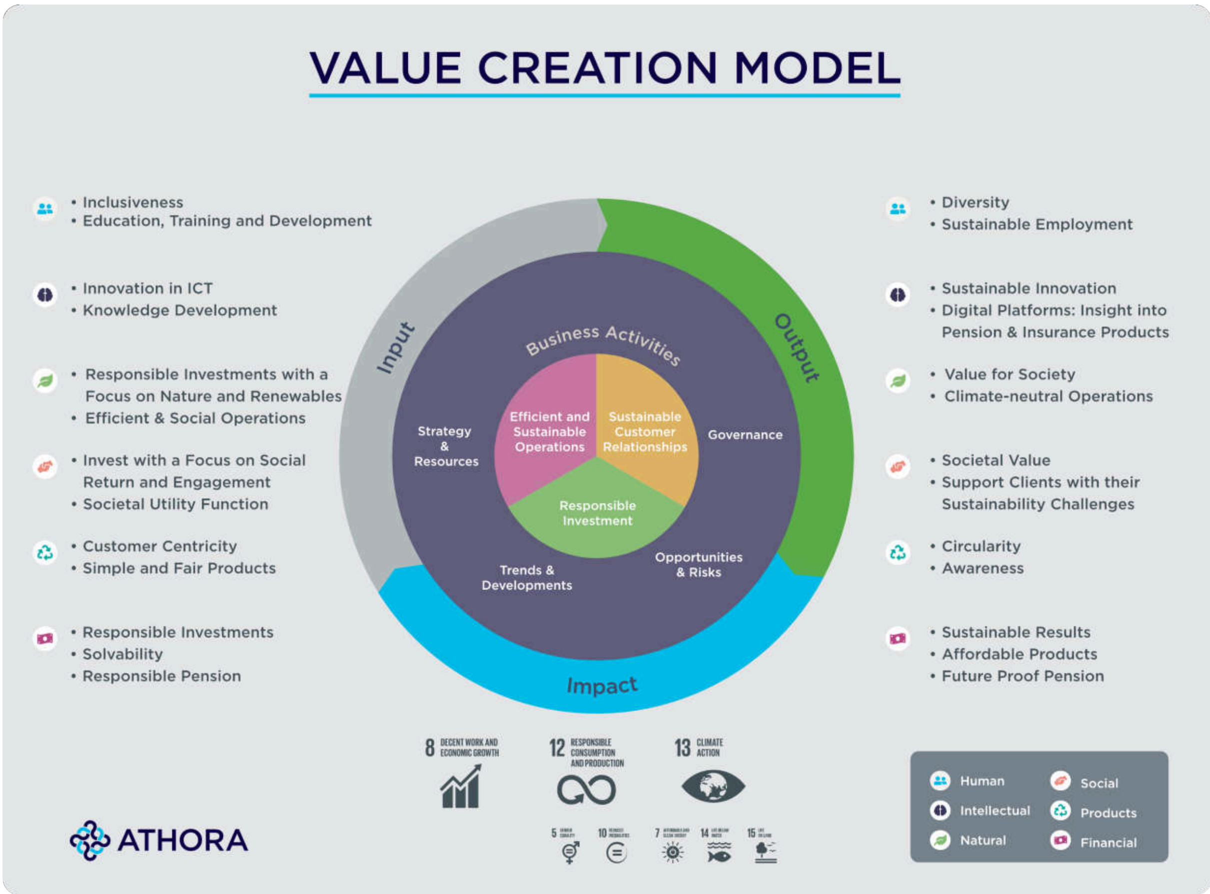
1. Solvency	8. Being a good employer
2. Responsible Investments	9. Diversity and Inclusion
3. Appropriate and simple products	10. Sustainable employability
4. Products with added value for our customers	11. Financial self-sufficiency of customers
5. Biodiversity preservation	12. Sustainable energy generation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

3.3.2 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/**

3.3.2.1 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 and by offering appropriate and simple products that add value to our customers. In doing so, we consistently apply the criteria of cost efficiency, usefulness, safety and understandability (CUSU) as prescribed by the regulator, the Dutch Authority for the Financial Markets (AFM) in our product design and approval processes for any new or adjusted propositions, as well as in our marketing, sales and customer service approach. This Product Approval and Review Process (PARP) is described in the Underwriting Risk Management Policy, the criteria are described in detail in the Product Oversight and Governance Policy Reference Model.

We measure our performance on development of appropriate, simple and value added products by a set of key risk indicators (KRIs). The KRIs include the number of product approvals that resulted in an orange and/or red PARP advisory code at an earlier stage of the development process. In 2021 there were none.

Another KRI is the number of changed and/or new applicable laws and regulations that have not been (fully) implemented on time or that are reported to be at risk of not being (fully) implemented on time. In 2021, we identified three relevant legislations for which timely implementation is at risk because legislation has not yet been finalised and approved by Parliament. We also measure the number of complaints about products and/or distribution by our customers and relations. In 2021 there were no such complaints.

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 2021, the Athora Netherlands NPS has slightly decreased to -21, driven by a higher NPS for the Pension Business and lower NPS for the Life Service Business.

NET PROMOTER SCORE		
	2021	2020
Athora Netherlands	-21	-20
Life Service Business	-31	-29
Pension Business	-11	-18

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 slight decrease in NPS performance, the Delighted Customers Score for Athora Netherlands has decreased to 52%, primarily driven by lower satisfaction scores within the Life Service Business and higher satisfaction scores within the Pension Business. Overall, more than half of the Athora Netherlands customer base values their relationship with an 8 or higher in 2021.

DELIGHTED CUSTOMER SCORE		
	2021	2020
Athora Netherlands	52%	53%
Life Service Business	44%	48%
Pension Business	60%	53%

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 us. 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 us with requests related to their data.

We also have 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 2021, 166 data breaches (2020: 331) were detected within our company (non-life not included) of which 9 (2020: 15) were reported to the Dutch Data Protection Authority. In 2021, we had key risk indicators in place regarding major data breaches and data breaches reported to authorities. Various management and process controls were also in place related to privacy.

3.3.2.2 Creating Value through Responsible Investing

Tightening our Sustainability Policy

In the second quarter of 2021, we tightened our policy for investments in tobacco and pornography. The already existing criteria for excluding producers and companies involved in the supply, retail and distribution of tobacco now includes companies involved in the production of electronic cigarettes. This policy change did not directly lead to further exclusions.

In the last quarter of 2021, government bond policies have been significantly expanded to include principles related to society, people and equality and the environment. This means, for example, that governments are expected to take into account the effects of climate change, resource scarcity and other environmental risks in their decision-making. This means that governments are expected to analyse risks and opportunities and incorporate the effects of climate change and resource scarcity into their policies.

EU Taxonomy Eligibility

On 1 January 2022, the first part of the European classification system for environmentally sustainable activities (EU Taxonomy) came into effect. The Taxonomy requires most public interest entities (PIEs) to report in their annual reports the portions of their revenues derived from activities that align with the first two environmental objectives of the EU Taxonomy: climate change mitigation and climate change adaptation.

The EU Taxonomy requires Athora Netherlands to disclose which part of its activities qualifies to potentially be in line with the EU taxonomy ('eligibility'). On the basis of the EU Taxonomy criteria the eligibility of mortgage loans and real estate is 100% and not based on estimates. This is considered the mandatory part of the EU Taxonomy disclosures at entity level and in 2021 consists of € 9,614 million of the total assets of exposure of € 61,071 million, this represents an eligibility of 16%.

The calculation of the EU Taxonomy eligibility of our assets in the table below is partly based on estimates (because actual information on eligibility of underlying activities is not available yet) which are reported on a voluntary basis conform the NACE method, which we used to calculate the EU taxonomy eligibility. The NACE system has been used, which is made available by the Platform on Sustainable Finance of the European Commission. This mapping links the eligible activities on the first two objectives to NACE codes. This is a code assigned by the European Union and its member states to a certain class of economic activities. The NACE codes were applied at entity level to underlying investments, which allowed the calculation of the percentage of eligible activities. After mapping of these codes on the activities referred to in the technical screening criteria of the EU Taxonomy.

EU TAXONOMY ELIGIBILITY

In € millions/percentage	2021	Taxonomy eligible economic activities
Investments in associates and joint ventures	211	64%
Investment property	615	100%
Investments	20,756	53%
Investments for account of policyholders	13,952	32%
Investments for account of third parties	3,354	36%
Total	**38,888**	**45%**
Exposures to central governments, central banks and supranational issuers	19,764	
Derivatives (netted)	2,419	
Total assets of exposures[1]	**61,071**	**28%**

1 Due to the unavailability of sufficient data to determine the exposures to undertakings not obliged to publish non-financial information conform NFRD, Athora Netherlands can not report such exposure.

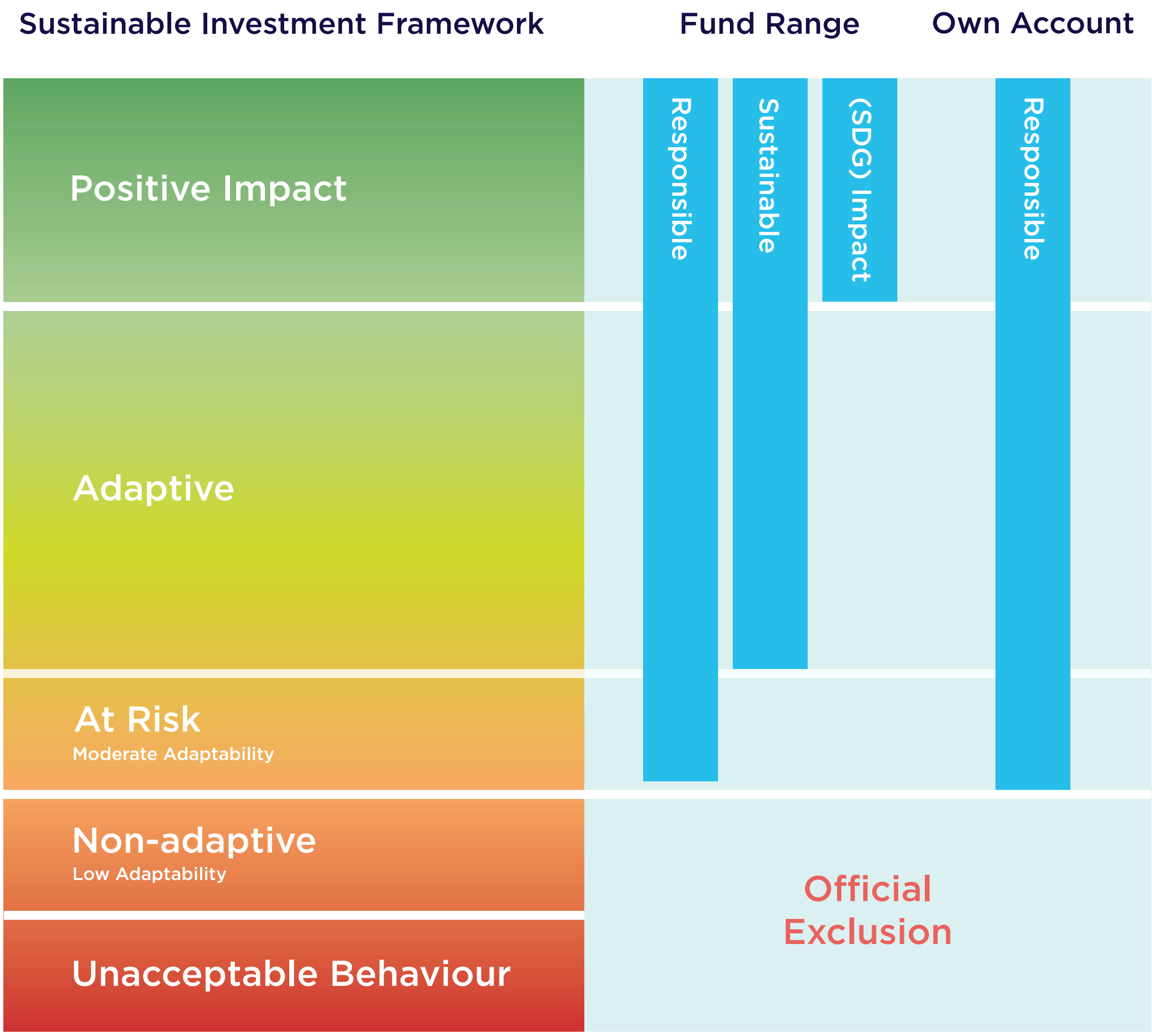
At present, our business strategy, product design processes and interaction with customers and counterparties are not explicitly aligned with the EU Taxonomy. However, this will be an important factor in making policy and business processes more sustainable.

Sustainability Goals and Framework

With our sustainable investment policy, we encourage companies, governments and institutions to operate sustainably. In the range of investment propositions we make a distinction between 'sustainable' and 'impact'-based investment propositions. In addition to the financial targets, strict sustainability targets have been formulated for both investment propositions. For impact-based investment propositions, the additional objective is that, either by the entity or the instrument in which the investment is made, demonstrable positive social added value is created, taking into account the sustainable development goals agreed by the UN.

Based on the above two steps from our Sustainable Investment Policy, we assess for every company, government or institution in which we can invest whether they treat the environment, people and society with respect and whether they contribute to our sustainability goals. In order to select entities that meet the requirements for sustainable and/or impact-based investment strategies, we divide all companies, governments and institutions in which investments can be made into the following five categories.

1. **Positive Impactful**: Companies, governments and institutions that seize the opportunity to consciously make a positive contribution to both the sustainable development goals agreed by the UN and the sustainability goals set in our Sustainable Investment Policy.
2. **Adaptive**: Companies, governments and institutions that are on or near the necessary path to make the transition to a sustainable way of operating within the set time. They demonstrate the willingness and adaptability to properly manage the risks to which they are exposed through the sustainability transitions in order to contribute to the sustainability goals set out in our Sustainable Investment Policy.
3. **At risk**: Companies, governments and institutions that are active outside the planetary boundaries, that are not on the required transition path and do not control all associated sustainability risks. They currently lack the adaptability to prepare for the transitions and are sensitive to operational and financial risks.
4. **Non-adaptive**: Companies, governments and institutions that operate outside the planetary boundaries, that are far from the required transition paths and that lack the ability to bring risk management to the required standard. These companies and countries face major operational and financial risks in the short and medium term.
5. **Unacceptable behaviour**: Companies, governments and institutions that do not meet ethical and sustainable minimum requirements as expressed in our Fundamental Investment Principles.



The investable universe for Athora Netherlands consists of companies, governments and institutions that fit into the categories 'At Risk', 'Adaptive' and 'Positive impactful'. By not investing in companies with 'unacceptable behaviour', we prevent investing in companies that do not act in accordance with the principles of good governance, as referred to in the Sustainable Finance Disclosure Regulation ('SFDR'). By not investing in 'non-adaptive' companies, we also ensure that any sustainability risks are limited. This policy ensures that, in line with the SFDR, we seeks to invest in entities that do not seriously impair the achievement of the sustainability goals (do no significant harm), follow good governance practices and contribute to achieving our sustainability goals and financial objectives.

Investing Governance

Various departments and committees within Athora Netherlands have the responsibility to adequately implement our Sustainable Investment Policy. We are supported in this by ACTIAM:

- ACTIAM's Sustainability & Strategy team is responsible for the design, implementation and monitoring of the Sustainable Investment Policy. The team also performs the periodic sustainability screening, provides the Investment Office with the necessary information for ESG integration, performs the Active Ownership activities and develops new policies to ensure that the policy remains in line with new regulations and integrates new sustainability risks and opportunities into the policy. The team is responsible for monitoring the sustainability and climate characteristics of our investments and, if necessary or desirable, adjusts these characteristics in consultation with the concerned departments.

ACTIAM's ESG Committee is responsible for policy changes, substantiation for the inclusion or exclusion of companies or governments, monitoring sustainability opportunities and risks and conducting an annual climate scenario analysis. The CIO of ACTIAM, the heads of the Sustainability & Strategy, Product Development and Risk departments and an external professor of ethics sit on this committee. After each committee meeting, the ACTIAM board has the opportunity to make comments and suggestions about the decisions taken. The meetings are organised at least four times a year.
Our Investment Office is responsible for the actual implementation of our sustainability policy. This means that the Investment Office implements the results of the sustainability screening, performed by ACTIAM's Sustainability & Strategy team, within the investments that the Investment Office takes on itself as well as on the investments that are outsourced to external asset managers. For example, part of these results is the exclusion list, based on our Fundamental Investment Principles, which are applied to all investments, where possible. In addition, the Investment Office takes an active role in assessing the sustainability level of external managers, both during the initial selection process and during the subsequent continuous monitoring. The assumed sustainability level is determined by assessing the external managers on sustainability within the organisation and the relevant investment product. In addition, the exclusion policy and the policy on voting and engagement will be reviewed. Finally, the most recent PRI assessment of the asset manager concerned is analysed. The assessment of sustainability of the external manager is taken into account in the final assessment of the external managers.

Investing Strategy

We have formulated a holistic investment policy that take into account the sustainability opportunities and risks of investments and the impact of investments on society. The long-term goal of all of our investments is that the entities in which we invest can be placed within the planetary boundaries and the social foundations of society. In order to achieve these goals and comply with current and new legislation, our Sustainable Investment Policy consists of three steps:

Step 1: Fundamental Investment Principles

The basis of our Sustainable Investment Policy is that companies, governments and institutions must comply with socio-ethical principles. These Fundamental Investment Principles are based on a range of international conventions and principles, including the United Nations' Principles for Responsible Investment (PRI), Global Compact (UNGC), the UN Guiding Principles on Business & Human Rights and the OECD Guidelines for Multinational Enterprises. In addition, we do not invest in countries and companies that are subject to EU or UN sanctions, are involved in the production or trade of controversial weapons, are systematically involved in fraud, corruption or tax avoidance, or are significantly involved in tobacco, pornography or gambling. Companies, governments and institutions that do not comply with these principles exhibit unacceptable behavior and are consequently excluded from the investment universe. All companies, governments and institutions that comply with the investment principles also meet the conditions of good governance as formulated in the SFDR.

Compliance with the Principles is assessed on the basis of two main criteria: (1) repeated or systematic involvement in activities covered by the Principles, as well as failure to adequately address such involvement; and (2) insufficient measures to prevent this involvement in the future. Athora Netherlands assesses whether companies or institutions should be excluded as soon as it becomes clear that they cannot be convinced to change their behaviour. When it is decided to exclude a company and an investment is already made in this company, this investment will be sold with due observance of a certain time limit. This may also apply to companies that are not directly involved in violations of the Fundamental Investment Principles, but whose conduct or activities raise serious ethical questions.

When we decide to exclude a company and an investment is already made in this company, this investment will be sold with due observance of a certain time limit. This may also apply to companies that are not directly involved in violations of the Principles, but whose behaviour or activities raise serious ethical questions.

Step 2: Sustainability Themes

On the basis of material sustainability themes, Athora Netherlands also assesses the extent to which companies, governments and institutions have the potential and intentions to contribute to a more sustainable society and to prepare for the social transitions that are ongoing.

The purpose of this is twofold. On the one hand, this shows to what extent investments in these companies, governments or institutions contribute to the stated long-term sustainability goals. On the other hand, this assessment reduces the sustainability risks of the investments by assessing which companies, governments and institutions are (inadequately) prepared for changes in regulations, markets and society as required by the sustainability transition.

The potential and intention of companies, governments and institutions to change is referred to as the 'adaptability'. Companies, governments and institutions with insufficient adaptability are excluded from investment. This adaptability is assessed on the basis of seven Material Sustainability Themes that indicate how companies, governments and institutions deal with various sustainability transitions, and take into account:

- Use of fossil fuels: Controlling the use of fossil fuels. This affects, among other things, climate change, air pollution, the availability of energy and health.
- Water use: Controlling the use of fresh water in areas where water is scarce. This affects, among other things, the availability of water, water quality, health and food production.
- Land use: The management of land use, especially for agricultural and mining purposes. This affects climate change, loss of biodiversity and water flows, but also local communities and social inequality.
- Chemical waste management: The management of toxic substances, long-life chemicals, hazardous waste and plastics. This affects the environment and public health.
- Social capital management: Activities to maintain the right to exist (the so-called license to operate). This affects, among other things, human rights, relationships within communities, social equality and the access to and affordability of, for example, health care and financing.
- Human capital management: Activities related to labour and trade union rights and Working Conditions. These affect educational opportunities and income and gender inequalities.
- Organisational behaviour and integrity: Actions to create an ethical business climate. These affect local communities, social justice and working conditions. For companies, this concerns their own organisational model, but also the way in which they deal with other companies in the chain.

We assess the degree of adaptability for every company or government, as well as the extent to which our sustainability goals (do no significant harm) are impaired. A wide range of quantitative and qualitative sustainability indicators are used for this purpose, which come from a number of specialised ESG data suppliers. These indicators provide retrospective insight into the current degree of sustainability of companies and governments, but also provide insight into the goals, plans and investments to further shape the transition in a forward-looking manner. In line with the SFDR, we publish the main adverse effects of its investments on our website. Companies or governments that through their activities or operations make a significant negative contribution to one of the other of our Sustainability Goals are not included in the investable universe. We therefore strive to only invest in companies or governments that make at least a small contribution to one of the sustainability goals. In this way, we promote ecological and social characteristics and works towards achieving our sustainability goals.

Step 3: Positive Impact

Athora Netherlands strives to create a positive impact through its investments, in addition to excluding unacceptable behavior and mitigating sustainability risks. For this, we select companies that make a conscious contribution to one of the UN Sustainable Development Goals. In this case, it may concern companies that develop services or products that enable others to make a positive contribution to society. It may also concern companies that manage to make a positive contribution to the Sustainable Development Goals with their production methods.

Risk Management

For entities that comply with the Fundamental Investment Principles, we assess whether they are able to control 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. We are convinced that the integration of sustainability aspects and risks in the investment policy leads to better risk-return profiles. When assessing individual companies and governments according to the above framework, we explicitly look at the possible sustainability risks associated with the various sustainability themes and how companies and governments mitigate these risks.

In addition to sustainability risks relating to individual companies or sectors, Athora Netherlands also takes into account sustainability risks that may arise in specific countries or regions, such as increasing exposure to natural disasters (including climate change) or social unrest. Taking sustainability risks and opportunities into account creates a broader view of the companies, governments and institutions in which we invest in and improves decision-making, which can ultimately lead to the selection of companies, governments and institutions with lower downside risks and better returns.

Companies, governments and institutions can also be at risk from involvement in controversial themes and practices. In general, reduced involvement in controversial topics and practices for entities leads to reduced market risk and lower cost of capital. Lower cost of capital is generally associated with a higher investment valuation and/or greater return potential. Specific sustainability risks are discussed below and the way in which we deal with them in order to mitigate these risks in its portfolios.

This approach is applied to all entities and to investments in all asset classes. To this end, we use the following instruments:

Engagement

Engagement involves actively entering into a dialogue with companies, institutions and governments in order to propose solutions for their sustainability challenges and to stimulate change in the field of the environment, social aspects and/or corporate governance. The objectives of engagement include: ensuring that improvement is shown in ESG policy and ESG performance; ensuring that improvements to ESG standards are achieved; and influencing laws and regulations related to ESG standards.

The way in which the dialogue with companies, governments or institutions is entered into depends, among other things, on the reason for engagement, the willingness to cooperate and to answer questions. Engagement can be initiated from different angles, for example from new and/or changing laws and regulations and/or by collaborating with other investors to achieve certain ESG objectives and reduce ESG risks.

When it becomes clear after assessment that improvement of the policy or behaviour in the field of the environment, social aspects and/or corporate governance is necessary to prevent exclusion in the long term, a proactive discussion is started. In the case of equity investments, for example, the interest in these companies can be made clear from the role of shareholder that improvement is necessary.

In 2021, we conducted individual engagements and collective engagements towards companies in out portfolio. In particular, the following topics were discussed:

Climate Risks
A key element of our engagement programme is partnering with other investors through the Climate Action 100+ (CA100+) initiative. Since its inception in 2017, this initiative has grown into one of the largest engagement programmes in the world targeting the 100 largest greenhouse gas emitters. The engagement focuses on improving governance and management of climate-related risks, measures to be taken to reduce greenhouse gas emissions and improving reporting. Companies are expected to be transparent about their strategy to ensure they achieve net-zero emissions in line with the Paris climate agreement and to demonstrate their short-term plans to achieve this. Within this initiative, ACTIAM leads the engagement dialogue on behalf of Athora Netherlands with Bunge, an American multinational active in the food industry. There have been several discussions with the company in recent years, most recently in November 2021. This was shortly after the company published its new climate strategy with ambitious commitments to reduce emissions. As one of the largest soybean importers in the world,

its reduction targets are inextricably linked to preventing deforestation. It is therefore important to improve how Bunge monitors the value chain in order to guarantee that no deforestation takes place. In addition, ACTIAM wants to better understand how Bunge uses lobbying activities at the local, regional and national level to prevent further deforestation.

Deforestation Risks
In 2021, ACTIAM launched the second phase of its initiative called 'Satellite-based engagement against zero deforestation', which started in 2020. The initiative aims to remove barriers to achieving zero deforestation for the investee entities. ACTIAM joined forces with other investors, including Athora Netherlands, worth €1.8 trillion in assets under management, and led the investor initiative with the two main goals of the engagement: (1) improving traceability and disclosure of deforestation in the supply chain; and (2) reducing deforestation in the supply chain. In the second phase, engagement is conducted with twenty companies, which are divided into two groups. Companies in Group A have been selected because of their high deforestation rates but where there is a lack of satellite data from our partner Satelligence on production locations in the supply chain. Here the focus of the dialogue will be on improving traceability and transparency in supply chains. Group B companies were selected based on the production or sourcing of palm oil from Indonesia or Malaysia, from different stages of the palm oil supply chain and available satellite imagery.

Exclusion

If entities are categorised as non-adaptive, we consider them to be a significant risk to society and to investors. After approval of ACTIAM's ESG Committee such entities will be excluded 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 2021, 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.

Metrics & Targets

In line with the SFDR and TCFD, we report on the sustainability impact of our financial products. In order to see whether these products show the right development towards achieving the various sustainability goals, we also monitor our carbon and water footprint. It also reports how great our climate risks are and what steps are being taken to mitigate these risks. Finally, it reports on investments in sustainable bonds in 2021 and on our contribution to the United Nations Sustainable Development Goals (SDGs)[2].

Carbon Emissions of the Investments

The carbon footprint of the investments is calculated in line with the method developed by the Partnership Carbon Accounting Financials (PCAF). The carbon footprint consists of the absolute total scope 1, scope 2 and scope 3 carbon emissions of the entities in which investments are made. The data is provided by external data providers MSCI ESG Research and Eurostat. The data is expressed in tons of CO2 equivalents, and therefore includes various greenhouse gases. Based on the share of the enterprise value of the company in which it is invested through investment in shares or the part of the debt in which it is invested through investment in bonds, a part of the total carbon emissions of the entities is allocated to our investments. The sum of the carbon footprint of all individual investments corresponds to the reported total carbon footprint of the investments.

[2] Appropriate indicators for all our sustainability goals are not yet available to measure progress in a consistent manner. That is why we participate in working groups on deforestation, biodiversity, plastic pollution, living wage and the SDGs to develop measurement methods for the remaining goals. In anticipation of these indicators, we assess the steps they are taking to further shape the transition for all companies on the basis of the current sustainability performance, but also the plans, goals and investments of companies. We have developed a method to assess whether a company is expected to make a minimal, average or high contribution to the objectives. It is monitored afterwards whether this expected contribution actually materialises.

CARBON EMISSIONS			
Investments	Capital per 31 December In € millions	CO2-emissions scope 1 and 2 Ton CO-2 per € million	CO2-emissions scope 3 Ton CO-2 per € million
2021			
Own account	30,494	11.8	72.0
Funds	26,065	50.4	257.4
2020			
Own account	37,861	27.2	15.9
Funds	24,075	56.9	134.2

The carbon footprint of the investments is calculated in line with the method developed by the Partnership Carbon Accounting Financials (PCAF). The carbon footprint consists of the absolute total scope 1, scope 2 and scope 3 CO2 emissions of the entities in which investments are made. The data is provided by external data providers MSCI ESG Research and Eurostat. The data is expressed in tons of CO2 equivalents, and therefore includes various greenhouse gases. Based on the share of the enterprise value of the company invested in through equity investment or the portion of debt invested through bond investment, a portion of the entities' total carbon emissions is allocated to Athora's investments. The sum of the carbon footprint of all individual investments corresponds to the reported total carbon footprint of the investments.

A distinction is made in the overview between the carbon footprint of the funds (managed by ACTIAM) and Athora's own account. In addition to the emissions, it is also shown which part of the emissions is based on reported values, estimated values and for which part of the portfolio no data is available. Compared to 2020, a lot has changed in Athora's own account portfolio. The largest change in CO2 emissions is therefore also determined by a change in the portfolio strategy, which has resulted in a significant drop in emissions per million euros invested (~-56%). The only comment that must be made here is that 10% of the portfolio cannot yet be measured properly, these are mainly the 'private' loans and investments where data availability is an obstacle. For the funds, a decrease has also been realised per million euros invested (~-11%). This is caused by the tools used by ACTIAM (engagement, exclusion, green bonds) and is in line with the stated objectives of reducing greenhouse gases in the portfolio by an average of 7% per year.

CARBON EMISSIONS PER PORTFOLIO SCOPE 1 & 2						
	Capital per 31 December	Reported	Estimated	Not available	Total	Intensity
Investments	In € millions	%	%	%	Ton CO-2	Ton CO-2 per € million
2021						
Own account	30,494	60.1%	29.6%	10.3%	360,735	11.8
Funds	26,065	79.4%	20.6%	0.0%	1,313,900	50.4

CARBON EMISSIONS PER PORTFOLIO SCOPE 3			
	Capital per 31 December	Total	Intensity
Investments	In € millions	Ton CO-2	Ton CO-2 per € million
2021			
Own account	30,494	2,196,233	72.0
Funds	26,065	6,708,600	257.4

Water

The method for calculating the water footprint is currently limited to companies. As a result, the current water footprint of portfolios containing government bonds will be lower than the actual footprint. The calculation of the water footprint follows the same method as that of the carbon footprint. In addition, the raw data underlying the water footprint is still relatively uncertain. We expect that with better data, the results may still change in the future.

Stressed water consists of the absolute water consumption of business activities in sectors and areas where there is high water scarcity. The water footprint cannot be calculated for real estate as here no data are available. The water footprint is only partially calculated for the investments in this asset class. In addition, the water footprint is not considered material for the real estate sector, because the real estate fund does not invest in water-scarce areas.

WATER USE				
Investments	Capital per 31 December In € millions	Of which relevant In € million	Total scarce water use In thousand liter	Intensity of scare water use Thousand liter per € million
2021				
Own account	30,494	688	45,693	1.5
Funds	26,065	4,183	355,044	13.6
2020				
Own account	37,861	880	495,752	13.1
Funds	24,075	4,054	902,330	37.5

Land & Biodiversity

Wrong land use due to deforestation can increase the amount of CO_2, affect biodiversity and lead to less income and food. It is our ambition to have no more deforestation in our portfolios by 2030. However, the availability of data on deforestation is still in its infancy. Therefore, via our brand Zwitserleven and together with ACTIAM, we have taken steps to use up-to-date information about global deforestation, trends and causes with external partners. This allows us to detect and quantify changes in vegetation due to plantation development or fire damage. The ultimate goal is to work towards a deforestation-free investment portfolio.

Climate Risks

We also assess the amount of climate risk at portfolio level. With a scenario analysis, we are even better able to identify the companies and sectors that are expected to be unable to make these sustainability transitions on time and therefore pose a sustainability risk for both equity and bond investments. It helps us to distinguish the frontrunners from the laggards within sectors, not only to identify which companies are most at risk, but also to be able to identify risks for different asset classes. Based on this, we assess whether these companies should be encouraged even more to adjust their policy or whether the screening should be tightened up.

Climate risks are therefore included in the considerations from different angles of the investment process. We calculate the 'risk value' (Value at Risk; VAR) for each company and then for the portfolio. This risk value is an estimate of the costs that a company will have to incur, i.e. the impact on the valuation, under the scenarios that global warming is limited to 1.5°C, 2°C or 3°C (the 1.5 degrees Celsius scenario is shown below per portfolio[3]. We try to distinguish between (i) the costs/benefits of stricter climate regulation, (ii) the costs/benefits of changing preferences or technological progress; and (iii) the costs of physical damage from climate change[4].

[3] The Value at Risk measures the value of a company that is under pressure under a certain climate scenario. MSCI uses the AIM CGE model to calculate, assuming that carbon prices are introduced that incentivize companies to meet a given rise in global temperature, to what extent a company is at risk from stricter legislation, has opportunities because it develops technologies that are needed for the energy transition, or is at risk from the physical effects of climate change.
[4] Note that the total climate risks are based on the companies for which risk estimates are available. For example, no estimates of climate risks are available for governments and supranationals because the models are not yet suitable for this.

CLIMATE RISKS				
Investments	Value at Risk	Related to regulation	Related to technology	Related to climate impact
2021				
Own account	-1.7%	-1.4%	0.1%	-0.4%
Funds	-12.9%	-9.8%	5.3%	-8.2%

The estimates of the climate risks for Athora Netherlands are based on Value-at-Risk estimates for equities and bond investments. On average, the climate risks for bonds are lower than for equity investments because of the chance that the bonds have a greater chance of getting back a part of the invested capital than shareholders in the event of bankruptcy. The figures show that for some of the companies in the portfolio, the climate transition does not result in risks, but offers the right opportunities of services that are necessary to generate renewable energy and realise energy savings. The risks from changing market conditions of stricter climate policies are expected to outweigh the opportunities for many companies. The markets are also ahead of investments, especially in common businesses.

It is not easy to compare the climate risks of our investments over time. On average, the climate risks in 2021 will be greater than in 2020. Legislation is becoming immersive and more measures must be taken in a shorter time as it takes longer at a global level to substantially reduce greenhouse gas emissions. Climate risks are also increasing. On the one hand, this is due to a global transition to a low-carbon society that is too slow. On the other hand, more information is also available for different climate scenarios to estimate the risks. The estimates are better calculated from the figures for 2020 and 2021 are partly caused by methodological start. That is why the development of climate risks is closely monitored. Companies that run high risks through engagement addressed on their risks and if this does not lead to sufficient activities, eventually terminated from investments. The companies in portfolio also document the transition to a low-carbon way of making things quickly enough and develop goals and policies for them to make the switch, for example to renewable energy.

Positive Impact

We strive to create a positive impact through its investments, in addition to excluding unacceptable behaviour and mitigating sustainability risks. We create this impact by, among other things, investing in sustainable bonds and investing in companies that contribute to the sustainable development goals selected for us.

Sustainable Bonds

Sustainable bonds are in line with our ambition to contribute as broadly as possible to the financing of sustainable activities. In 2021, we therefore invested again in loans from companies in both the financial and non-financial sector. Below are some examples of sustainable bonds in which we have invested in 2021:

- In the first quarter, the Swedish clothing company H&M introduced a sustainability-linked bond. For this loan, H&M has defined three objectives to which borrowed funds must contribute. One of these targets focuses on circularity: the proportion of recycled materials as part of total materials used in commercial goods. By recycling used textile fibers, the ecological footprint of sold clothing can be reduced. Recycled material reduces the consumption of new raw materials and reduces the use of chemicals, energy and water.
- In the second quarter, the World Bank launched a sustainable bond. Proceeds from the bond will be used to fund sustainable development projects, programs and activities in World Bank member countries. Each project is designed to achieve both positive social and environmental impacts; this is in line with the World Bank's dual objective. This could be, for example, improving food security and providing individuals and businesses with access to affordable financial products and services.

3.3.2.3 Creating Value via Efficient and Sustainable Business

People are the heart of our organisation and are crucial in fulfilling our mission. Therefore, 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.

Diversity and Inclusion

Respect for every individual and their unique contribution is defined in our Code of conduct and Diversity and Inclusion 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.

To this end, have formulated goals to improve diversity and inclusion within the company.

Inclusion Goals

- 85% of the employees indicate that they can be themselves within our company.
- 75% of the employees indicate that they feel that they fit in with our company.
- 85% say that there is room for everyone's opinion within the team.
- 80% indicate that people of all backgrounds (culture, ethnicity, gender, sexual orientation, age, religion etc.) can succeed at our organisation.

Diversity Goals

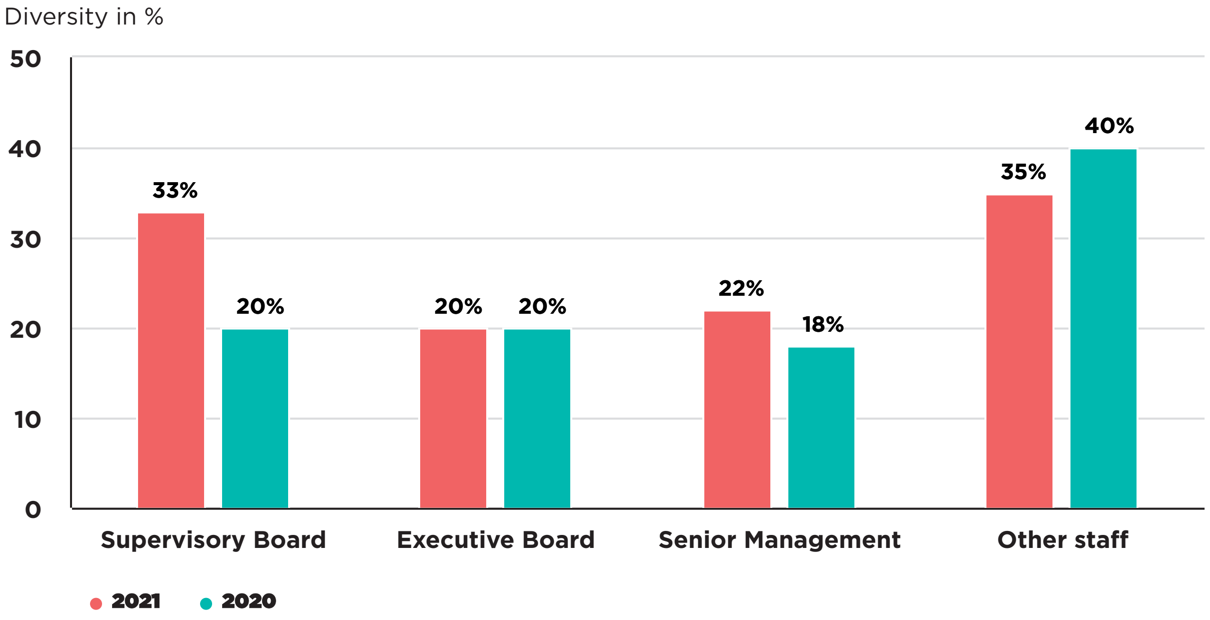
- Our long-term goals for gender equality remains: 40% male or female in SB, EB, Senior Management, Management and Others, as mentioned in the Equality-policy. To take it step by step, we first aim to have 30% Female in SB, EB, Senior management and Management in 2022.
- A balanced distribution of the age structure within the teams (after strategic review).
- At least three persons with a distance to the labour market employed by Athora Netherlands in 2022 (10 persons in 2025) or working via secondment.

After signing the Charter last year, we drew up an action plan, in collaboration with the Diversity Charter, on a number of sub-themes of diversity and inclusion, based on the goals formulated above. It has been agreed with the Executive Board which themes have been tackled in the past year in order to increase diversity and inclusivity within the company. Various activities and initiatives have taken place in this regard: for example, workshops have been given in management teams on Diversity Data and awareness, and the Talent Review process has been adapted so that it has become more gender neutral and so that women can progress better. Extra attention was paid to recognising and naming female talent and various publications on ID were published during the year to bring the theme to the attention of managers and employees in a positive way.

To further increase awareness within our company, we organised Diversity Day on 5 October. This solidarity day—a national initiative of Diversity in Business of the SER—illustrates the positive power that arises when you bring people together with differences in cultural origin, sexual orientation, age, gender or work capacity.

The employee survey we conducted in November showed that we have not yet achieved the Inclusion targets this year. The number of employees who indicate that they 'fit' with Athora has fallen from 73% to 64%. Most likely, the current reorganisation plays a major role.

Also in terms of diversity we are not yet where we would like to be. Currently 33% are female on the Supervisory Board, in line with the forthcoming law “More balanced male/female distribution in the top of the business community”. In the Executive Board this percentage is 20%. Especially when we look at women in management positions and the number of people with disabilities in employment, there is still considerable room for improvement. Therefore, in the coming year we are going to look at how we can further develop this theme. The fact that the organisation is going to continue to shrink presents us with an additional challenge to make this happen.



At Athora Netherlands, jobs are weighted regardless of gender. Women and men with comparable work experience, achievements and job level are given equal pay. The differences in wages between women and men are caused by the on average higher age of men and to level / grade differences. Within our company, women are on average 1.3 years younger than men and are underrepresented in the higher salary scales.

Sustainable Employability

To ensure the continuity of our business, we encourage employees to be healthy, motivated, competent and productive at work. The aim of our HRM Policy is to achieve sustainable employability for all employees. Sustainable employability is based on personal development, vitality and flexible employment conditions. In 2021, we participated in the certification process to become a Top Employer. Being certified means that as a company you put people first and allow employees to flourish because they are empowered by the best working conditions.

Personal Development
We believe it is important that our employees are able to adapt to a changing world. We therefore support them in their pursuit of sustainable employability, within or outside our organisation. In order to keep up with their profession or to develop new competences or knowledge, every employee has access to a personal growth budget. This year the growth budget has been increased from 750 to 1000 euros per employee per year. In addition to the growth budget, we offer many other development options, such as a Summer School, workplace learning, the deployment of speakers, etc. During the year, managers and employees make development and result agreements with each other and discuss progress.

Develop & Accelerate
In September we started the Develop & Accelerate Programme (D&A), a new initiative that focuses on both personal development and the transformation of our company. We went in search of so-called 'Changemakers'. In 2021 and 2022, approximately sixty talented employees will participate in this programme that will last approximately nine months, during which they will work on personal learning goals and strategic assignments. They are guided and challenged by their Business Challengers and executives. In addition to developing themselves and working on various assignments, the participants are also brushed up (partly by Athora's own professionals) on themes such as Change Management, Stakeholder Management and Leadership.

Leadership
Leaders and managers play an important role within our organisation. That is why we offer specific activities to support them. In the previous year, leadership dialogues have been held about the four essential roles of leadership. These roles are Inspire Trust, Create Vision, Execute Strategy and Coach Potential. The aim of these Leadership Dialogues was on the one hand stronger business performance

and on the other personal growth and development by reflecting together on practice and learning from each other in leadership.

Vitality
In various ways we support employees as much as possible in this Corona time when health and work/life balance are more important than ever. For example, we organise Inspiration sessions to teams, and give employees the oppertunity to participate in the Global challenge: a wellness solution that provides participants with knowledge and tools on a daily basis to build new healthy habits. In addition, employees can contact the company doctor for a preventive conversation if they have concerns about their (mental) health. And we offer workshops in the field of lifestyle, vitality and sleep. On the intranet we regularly gave tips about healthy working habits and other ways to remain vital.

Every employee who works from home receives a budget to set up his home workplace according to the applicable health and safety requirements. An instructional video is available to explain how to set up one's workplace correctly.

Health Safety and Well-being
In collaboration with our occupational health and safety service, we support our employees in the field of absenteeism and reintegration. This year the absenteeism rate has increased to 4.1% (2020: 3.4%), above our target of 4%. This increase in absenteeism is a trend that is visible nationally, which can be explained by delayed medical care. As a result, employees remain absent for longer. The fact that, in combination with the fact that we are currently undergoing rapid changes, an increase in the absenteeism figure was to be expected. In the coming year, the absenteeism rate is expected to fall below 4% again.

Our annual employee survey, held in November 2021, had a good response rate of 83%. It gave us insight into what is valued by our employees and where there are opportunities for improvement. The results show that improvement is needed in several areas. Employees indicate that they are currently less satisfied with the organisation and the working conditions and give a lower score on commitment and engagement. The Executive Board appreciates this feedback and will work hard in 2022 to make improvements. In January, the results were shared further in the organisation and improvement plans were drawn up at various levels.

Flexible Working Conditions
Working from the office will not be the same as before the Corona crisis. We opt for a hybrid form of working: alternating between working from home and working at the office. Smarter, more efficient, with an eye for sustainability and our well-being, and for achieving the desired result together. In this way we retain the benefits of working from home and the social cohesion of working at the office. Time at the office is important for transferring knowledge, inspiring and meeting each other. Our concept of hybrid working is called PASS, which is an abbreviation that has several meanings: Pick a Smart Site, Pick a Smart Spot, Pick a Smart Solution. It is currently being rolled out within our organisation. This new way of working also includes suitable employment conditions. That is why last year, in consultation with the Central Works Council, the working from home policy, the travel expenses scheme and the home working allowance were adjusted, among other things. In this way we can better match what is needed to work in a hybrid manner.

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 2021, we achieved a 63.3% drop in net carbon emissions for our own internal organisation to 700 tonnes. The main reason for this decline was the restrictions on working at the office, the reduction of staff and the minimisation of the travel movements caused by the COVID-19 pandemic.

When working from the office and business travel will resume, it is very likely that emissions will rise again. However, due to further reductions in staff and the even more stimulation of working from home, it is expected that it will not return to the level before the COVID-19 pandemic.

INTERNAL CARBON EMISSIONS		
Carbon emissions in tonnes	2021	2020
Scope 1 (biogas, lease cars)	515	509
Scope 2 (renewable electricity)	-	-
Scope 3 (business travel, commuting, waste, paper and water)	185	1,396
Net carbon emissions	**700**	**1,905**

To neutralise these emissions, 3,592 tons of CO2e Gold Standard, CDM, and 2,580 tons of CO2e Fairtrade Gold Standard, CDM for financial year 2021 were purchased. In total, this compensation is more than necessary for the actual emission basis, but it has also been decided to continue to support projects based on a social motive. An extra step was taken in 2021 to go for Fairtrade in addition to Gold Standard.

Nevertheless, our activities to work towards climate neutrality go beyond the offices in which we work. All our suppliers are requested to comply with our 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.

3.3.3 Managing Non-financial CSR-related Risks

Human Capital Risk

The reorganisation of Athora Netherlands was continued in 2021. The impact of the reorganisation and the sale of ACTIAM was closely monitored each quarter in the Quarterly Human capital report. This looked at the state of affairs with regard to the themes In and Outflow, Absenteeism, Vacancies and results of the Pulse survey and/or employee survey. If necessary, mitigating measures were taken to make adjustments. The Covid pulse in June showed that employees were satisfied with how we deal with the situation surrounding COVID-19 and that they were able to do their work effectively. The staff turnover, number of vacancies and in and outflow in 2021 went according to plan and, insofar as determined, were in line with the Operational Plan (OP).

In December 2021, the employee survey showed a lower score on employee satisfaction, engagement and commitment of our employees. The Employee satisfaction score dropped from 7.6 to 6.9. To prevent the risk of unwanted turnover and to improve employee satisfaction, improvement plans will be made from January in close collaboration with the board and management. A number of causes of these low scores, such as the lack of clarity of the strategy and lack of communication about this, have already been initiated by communication about this from the Executive Board in December.

The scores for Sustainable Employability and Psychological Safety have remained virtually stable. Within Athora Netherlands there is no room for unacceptable behaviour, 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 behaviour, with preventive measures for unacceptable behaviour, protection for those who report such behaviour and information on how to report incidents.

Our Diversity and Inclusion policy 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 us. 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 we deal 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. We consider 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
Periodically, at least four times per year, we screen our 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, we investigate 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 that we only exclude 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, we 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 take to corruption and bribery. The prevention, detection and reporting of corruption and bribery are the responsibility of all those working for us.

We endorse 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.

We have 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 we 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, we consider 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.

We have 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). We have however quantitative performance key risk indicators regarding employee conduct. The number of incidents related to dishonest, inappropriate and/or unprofessional behaviour were all within the corresponding key risk indicator norms. Furthermore, in 2021, we have not detected and reported any forms of corruption and bribery.

Financial Economic Crime

Financial Economic Crime refers to unlawful acts (including omissions) committed by an individual or a group of individuals resulting in a financial or economic advantage. Financial Economic Crime includes amongst other money laundering, circumventing sanction regulations and other fraud. Athora Netherlands performed an additional risk assessment with regard to fraud. Based on the low risk outcome of this fraud assessment no further mitigating actions are required.

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 respectively higher risks. As a financial institution, we have the responsibility to ensure detection and prevention of unusual transactions. In our efforts to ensure compliance with applicable laws and regulations, instances of non-compliance can potentially occur. We assess product specific risks with regard to sanctions, money laundering and terrorist financing on a regular basis.

During 2020 and 2021, we executed an improvement programme to remediate identified shortcomings in relation to compliance with sanction law and anti-money laundering/counter terrorism financing regulation. The programme, which made significant steps in organisational governance, risk assessments, (automated) processes and tooling, aims to reduce residual risks on a structural basis. DNB performed an investigation in the second half of 2021. It is noted that there are still outstanding remediation actions to be concluded in 2022 in the areas of customer/business partner due diligence and transaction monitoring.

We have key risk indicators in place with regard to the number of high risk classified clients and/or business partners, the percentage of clients and/or business partners for which either no reproducible client due diligence or sanction list check has been performed, the number of ineffective Management Controls, the number of ineffective Process Controls and the number of overdue actions all related to financial economic crime. All business units, with the exception of Life Service Business, are operating within acceptable key risk indicators norms. The aforementioned programme aims to mitigate financial economic crime risks to acceptable norms in 2022.

3.4 BUSINESS PERFORMANCE

It was supposed to be a year of celebration, 2021, the year in which our Zwitserleven brand existed 120 years. In 1901, the pension company started as a Dutch branch of the Swiss Rentenanstalt, later renamed Swiss Life. No one could have imagined then that, a century later, the Dutch branch would have grown into a strong, almost iconic brand that is now an integral part of the Dutch pension market.

That history is essentially a symbol for what we do as Athora Netherlands. The initiatives we develop today grow in value so that they will later have the desired effect, for our clients, for society and for our company and its employees.

However, we had to keep the celebration of this beautiful anniversary modest. The corona pandemic kept us all at home for a large part of the year, so a festive get-together was postponed indefinitely. Nevertheless, we did not want to miss the occasion entirely, especially for the clients and intermediaries we work with, who have put their trust in us. Therefore, we visited our clients with an environmentally friendly bus, to hand them a small gift and to let them know that, in spite of everything, we are working hard for a carefree future for all participants.

The past year has made it clear that this effort is sorely needed. The pension system is under pressure, as is the housing market, the global climate crisis is causing great concern and the corona crisis is far from over. The result is that financial security for later is anything but a given. Our clients therefore need a party that is future-proof. That is why Athora Netherlands is busy with a serious transition. In 2020, we have chosen to focus on pensions and on establishing a good service company for all existing policyholders. After the sale of our non-life insurance company, the last employees were transferred to NN Group in April 2021. This has given us the space to further shape our strategy and sharpen it where necessary.

Customers First

A large part of our efforts is aimed at serving customers and partners as well as possible. We have invested in further optimising communication to our participants and distribution partners. We have done this, among other things, by improving our portals (the websites where participants can find information).

Customers are able to find more information on our websites about their policies and can easily adjust their data online if they wish. We have also made information easier to comprehend so that they can better understand existing schemes and investment options.

All this has led to a decrease in the number of written and telephone enquiries. The improved (online) self-service options have reduced the inflow of written customer requests that had to be processed manually (straight through process).

Another important milestone was the launch of the Zwitserleven app in February. The app is a logical next step to the 'MijnZwitserleven' environment and was developed by common demand of our customers who increasingly prefer to manage their affairs via a mobile device. The app gives customers a single overview of all their pension details. In addition, they can easily view personal messages from Zwitserleven and find documents such as the Uniform Pension Overview.

Active Approach to Vulnerable Customers

Much attention was also paid to vulnerable customers in 2021. There are still customers with investment insurance whom we have not been able to reach at an earlier stage or who have a new non-accrual policy (NOP) and whom we would like to activate. Therefore, a tool has been developed that allows us to identify vulnerable customer groups with investment insurances.

Through an education and awareness campaign, we actively pointed out to customers with profit-sharing endowment insurance the risks of falling interest rates on capital markets for profit-sharing. In doing so, we have empowered them to take action if they feel it is necessary.

We also paid attention to customers with an interest-only mortgage. After activating all customers in the potentially highest risk categories in 2019, we activated new customers in the potentially highest and medium risk segments in 2021. We have also developed tools to monitor other (potential) risk segments.

A number of proxy agreements with life insurance portfolios, which are non-selling, were terminated by mutual agreement. By fully integrating these portfolios into the systems and our processes, we avoid future challenges in terms of compliance and profitability.

Partners

To best serve our customers, we also need to optimally support our distribution partners. After all, they are often the first point of contact for customers. Therefore we have developed and implemented new software (Zwitserleven Quote Tool), with which advisors can quickly make and immediately send quotations to their customers.

Buy-out

In 2020, we announced that pension buy-outs would be an important part of our new strategy. Appointing a Head of Buy-out and putting together a dedicated team bore fruit in 2021. In November, we were able to announce that Zwitserleven had taken over the pension entitlements and rights of Stichting Pensioenfonds Atradius Nederland. In total, this concerns over 1,400 participants and an invested pension capital of €455 million. We were also able to win the DC contract from Atradius (for 2022 and beyond). Both deals send an important signal to the market: pension funds looking for security, and employers wanting to place their pensions with a reliable party now know that our brand Zwitserleven can act as a one-stop shop for all existing and future pension solutions.

Investment Office

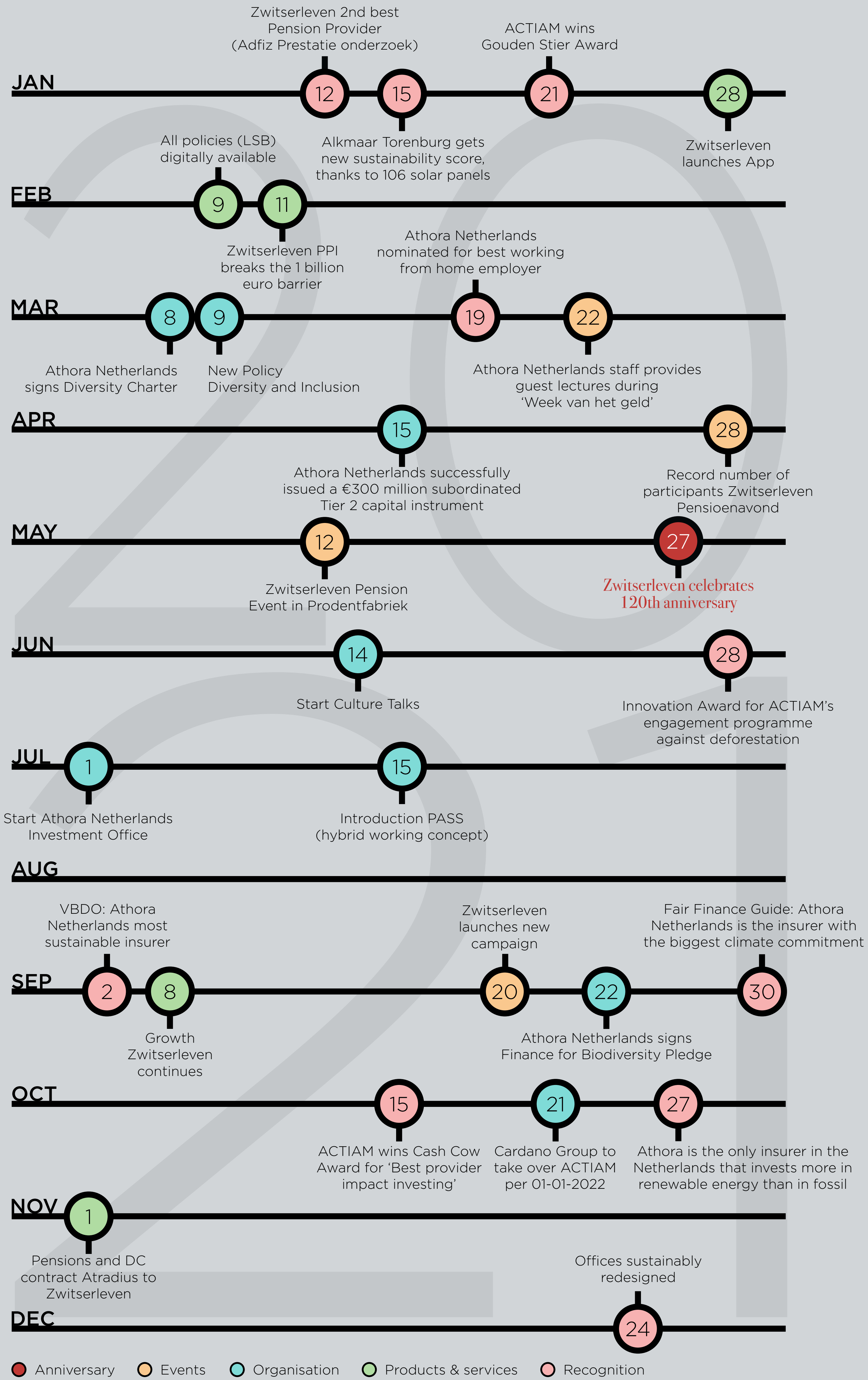
Part of our strategy is also that Athora Netherlands will manage the investments for its own account. In July 2021, the Investment Office within Athora Netherlands saw the light of day. Since that moment the Investment Office manages the total assets which are invested for our own account and risk. Subsequently, it was announced in October that our subsidiary, asset manager ACTIAM, would be sold to Cardano Group. This means that ACTIAM has found a good partner to continue building its ESG profile. At the same time, Cardano and Athora Netherlands announced that a long-term cooperation agreement had been concluded. As a result, Athora Netherlands can continue to build on ACTIAM's ESG track record for the unit-linked propositions for at least another ten years.

Investment deployment
The Investment Office has been dedicated to continue our investment management activities. Closely following market developments, Investment Office has made great progress in the further expansion of our market access to secure prudent and future proof investment and risk management capabilities. As part of our business strategy, the investment portfolio has been gradually rebalanced, achieving an increase in investment income within appropriate risk limits. Together with the continued diversification of investments, the investment management results—as a contribution to our overall performance—have shown significant improvement over the last twelve months.

Results

All our efforts have not gone unnoticed by the outside world. Customers continue to have faith in our brand, as evidenced by the highest retention rate ever. No less than 91.6 percent of clients renewed their contract last year. Customer satisfaction is also on the rise, among advisers, employers, participants and pensioners.

Not coincidentally, we also see an appreciation in the assessment of our policy in which sustainability is an important driver. Last year, the Vereniging van Beleggers voor Duurzame Ontwikkeling (VBDO) proclaimed Athora Netherlands the most sustainable insurer—for the sixth time. Not only did we achieve the highest ranking with the VBDO in 2021, research by the Eerlijke Verzekeringswijzer (Fair Insurance Guide) also showed that we have the greatest climate commitment of all financial institutions in the Netherlands. All these expressions of appreciation support us in our conviction that sustainability is the only choice.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Record number of participants Zwitserleven Pensioenavond
MAY
12
Zwitserleven Pension Event in Prodentfabriek
27
Zwitserleven celebrates 120th anniversary
JUN
14
Start Culture Talks
28
Innovation Award for ACTIAM's engagement programme against deforestation
JUL
1
Start Athora Netherlands Investment Office
15
Introduction PASS (hybrid working concept)
AUG
SEP
2
VBDO: Athora Netherlands most sustainable insurer
8
Growth Zwitserleven continues
20
Zwitserleven launches new campaign
22
Athora Netherlands signs Finance for Biodiversity Pledge
30
Fair Finance Guide: Athora Netherlands is the insurer with the biggest climate commitment
OCT
15
ACTIAM wins Cash Cow Award for 'Best provider impact investing'
21
Cardano Group to take over ACTIAM per 01-01-2022
27
Athora is the only insurer in the Netherlands that invests more in renewable energy than in fossil
NOV
1
Pensions and DC contract Atradius to Zwitserleven
DEC
24
Offices sustainably redesigned
Anniversary
Events
Organisation
Products & services
Recognition

3.5 FINANCIAL RESULTS

The Net Underlying Result increased in 2021 by € 19 million to € 302 million driven primarily by higher investment income, supported by the continued repositioning of the asset portfolio.

Net Result IFRS (continued operations) increased by € 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 reconciliation of the NUR to Net Result IFRS is presented in the table below:

RECONCILIATION NET UNDERLYING RESULT TO NET RESULT IFRS		
In € millions	**2021**	**2020**
Net Underlying Result Athora Netherlands	**302**	**283**
1) Change LAT-shortfall Life in P&L	-310	-165
2) Other (un)realised changes in fair value of assets and liabilities	76	-47
3) One-offs and Non operating expenses and profits	-95	-118
Net result continued operations IFRS Athora Netherlands	**-27**	**-47**

The negative impact of the LAT shortfall increased by € 145 million to € 310 million in 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.

Other (un)realised changes in fair value of assets and liabilities were favorably impacted by the positive result from the revaluation of investment property (€ 53 million) and the absence of € 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 € 69 million write down of deferred tax assets, partly offset by the impact from the change in the future tax tariff (€ 22 million). It also includes the costs for a new longevity deal of € 54 million.

In 2020 there was a negative of € 118 million from one-off items, including the costs for 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 position, following a tax legislation change, which had a positive impact on taxation of € 57 million.

FINANCIAL RESULTS		
In € millions	**2021**	**2020**
Result		
Premium Income	2,167	1,764
Net inflow PPI	260	199
Direct Investment Income	1,178	1,145
Operating expenses (excluding Restructuring costs)	213	194
Restructuring costs	-5	54
Total operating expenses	208	248
Net Underlying Result[1]	302	283
Net Result continued operations IFRS	**-27**	**-47**

1 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 increased by € 403 million to € 2.17 billion compared to the same period last year. This was fully driven by a € 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 € 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 € 44 million, as a result of wider market trends and lower interest rates.

Operating expenses excluding restructuring costs were € 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 € 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.

Financial Result per Segment

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, Zwitserleven PPI and Holding. The comparative figures were adjusted accordingly.

FINANCIAL RESULT PER SEGMENT 2021					
In € millions	**SRLEV**	**Proteq**	**Zwitserleven PPI**	**Holding**	**Total**
Net Result IFRS	3	-8	1	-23	**-27**
Net Underlying Result	301	3	1	-3	**302**

FINANCIAL RESULT PER SEGMENT 2020					
In € millions	**SRLEV**	**Proteq**	**Zwitserleven PPI**	**Holding**	**Total**
Net Result IFRS	-28	6	1	-26	**-47**
Net Underlying Result	302	3	1	-23	**283**

SRLEV

SRLEV		
In € millions	**2021**	**2020**
Result		
Gross Premium Income	2,166	1,762
Net fee and commission income	21	31
Operating expenses (excluding Restructuring costs)	198	170
Restructuring costs	-5	48
Total operating expenses	193	218
Net Result IFRS	3	-28
Net Underlying Result	**301**	**302**

Premium income increased by € 404 million to € 2.17 billion compared to the same period last year. This was fully driven by a € 460 million buy-out deal. Pension insurance, including PPI, also increased and Athora Netherlands achieved an all-time high retention rate of 91.3%. The PPI deposits reached € 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 € 44 million, as a result of wider market trends and lower interest rates.

Net Result IFRS increased by € 31 million compared to 2020 mainly driven by higher unrealised gains & losses on Investment property in 2021 (€ 52 million). Operating expenses excluding restructuring cost were € 28 million higher in 2021 mainly due to strategic initiatives and expenses related to the implementation of IFRS17.

Net fee and commission income is lower compared to 2020 as prior year included a non-recurring fee income of € 8 million.

The negative impact of the LAT-shortfall Life in 2021 was impacted 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.

Proteq

PROTEQ		
In € millions	**2021**	**2020**
Result		
Gross Premium Income	4	5
Operating expenses (excluding Restructuring costs)	3	3
Restructuring costs	-	-
Total operating expenses	3	3
Net Result IFRS	-8	6
Net Underlying Result	**3**	**3**

Net Result IFRS of Proteq is lower compared to 2020 mainly due to impact change deferred tax assets recoverability (€ -11 million).

Holding

HOLDING		
In € millions	**2021**	**2020**
Result		
Net fee and commission income	31	-9
Operating expenses (excluding Restructuring costs)	12	21
Restructuring costs	-	6
Total operating expenses	12	27
Other interest expenses	13	50
Net Result IFRS	-23	-26
Net Underlying Result	**-3**	**-23**

The elimination of intra group fee and commission income charged by ACTIAM to Athora Netherlands, SRLEV and Proteq in 2021 is part of result discontinued operations.

Operating expenses decrease by € 9 million to € 12 million as a result of continued cost savings.

Other interest expenses decrease by € 37 million to € 13 million, as a result of the absence of one-off expenses related to the 2020 tender of Senior Debt and related continuing lower interest expense.

The positive impact from lower operating expenses and lower other interest expenses is offset by the decrease in LAT surplus of Proteq N.V. This surplus is recorded in segment Holding.

Balance sheet

Assets
Investments for own account have decreased by € 1.9 billion in 2021. Main outflows originated from lower received cash collateral for derivatives and decreased prices of investments due to increased market interest rates.

Investments for account third parties increased € 0.9 billion mainly as result of additional inflow in the Zwitserleven PPI and higher equity prices.

Shareholders' Equity
Shareholders' equity increased from additional capital contribution by the shareholder in the form of a share premium agreement of € 275 million. Additionally, a restricted Tier 1 loan of € 50 million was provided.

Liabilities
Insurance liabilities decreased in 2021 mainly as a result of increased market interest rates, partly offset by an increase in market value movements in related assets for account of policyholders and an increase in LAT deficit.

Amounts due to banks decreased as a result of lower received cash collateral for derivatives.

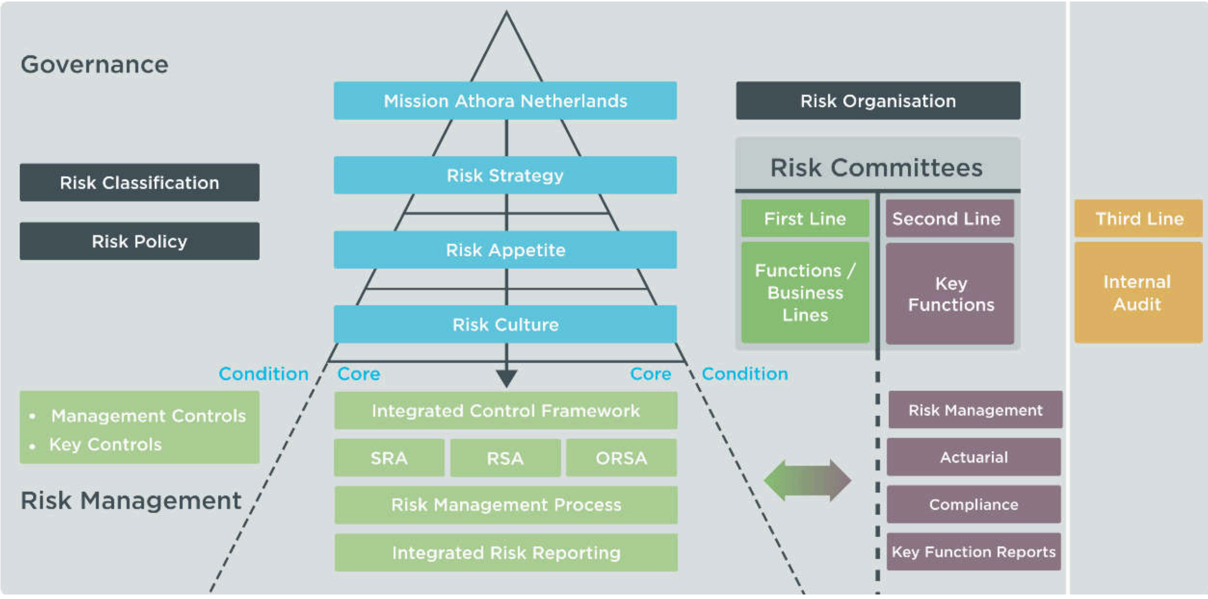
3.6 RISK AND CAPITAL MANAGEMENT

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

Risk Management System

We have 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 Taxonomy and Risk Organisation are necessary conditions to enable these strategic risk processes. To ensure an integrated approach the first line (Business lines and Functions) and the second line key functions use the same risk taxonomy, 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 and vision to achieve the strategic goals. As main principles Athora Netherlands has defined a robust capital position, a sustainable capital generation and sound and controlled business operations. The Risk Strategy contains the key guiding principles and statements used when setting the Risk Appetite for each risk category from the risk taxonomy. Athora Netherlands provides guarantees for future payments to its customers and therefore needs adequate reserving and 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 Appetite Statement (RAS) of Athora Netherlands is divided into the Risk Appetites per risk type and the underlying Risk Tolerances. The Risk Appetite Statements are set at least annually. The risk tolerances-part contains measures for the maximum risk that Athora Netherlands willing to accept. These measures are defined for various sub-risks for every individual legal entity or specific Business Lines or Functions and are split into risk triggers (comparable to hard limits) and risk indicators (comparable to soft limits). When implementing the strategy, the Executive Board gives guidelines to the Business Lines for establishing Operational plans, taking into account the set Risk Tolerance in the Risk Appetite and corresponding limits on entity level. This helps the Business Lines and Functions optimize risk and return when 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, the Remuneration Policy of Athora Netherlands discourages taking undesired and irresponsible risks focused on short-term profit and personal gain.

Risk Organisation

Athora Netherlands implemented the ‘Three Lines’ control model 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. In the previous years 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 program successfully continued in 2021, further strengthening the design of ICF processes and (key) controls.

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 part of the individual 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 selected 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 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 2021 the main developments in non-financial risks were 1) change risks associated with volume of change on transformation initiatives, strategy execution, license to operate and board stability 2) remediation program Sanctions AML 3) Business Process risk associated with strategic and organisational change and the ICF transformation 4) third party risk including new strategic outsourcing initiates 5) further attention and mitigation of cyber crime threats and ransomware developments and 6) all activities that are related with HR and culture aspects, impacted by both organisational change as a new working culture, created by the impact of COVID-19 on the organisation.

In 2021 DTC further improved the implemented Agile way of working, but also implemented new IT-frameworks. Process automation has increased the efficiency of IT processes. 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. In 2021 COVID-19 did not really impact the business continuity and productivity.

Cybercrime risk is growing over the years, and attackers are becoming more professionalised and aggressive. Especially ransomware is a real threat for companies. Also supply chain attacks and phishing attacks are becoming more frequent. As more services are outsourced, cyber crime does not only concern Athora Netherlands itself, but may also impact the outsourced services and data. For Athora Netherlands mitigating the cyber crime risk is a key priority. In 2021 no major incidents related to cyber crime occurred within Athora Netherlands. To manage the increasing risk effectively in 2021 additional mitigating measures were implemented, such as stricter monitoring of security measures implemented at suppliers. Fake phishing campaigns were held within Athora to further promote awareness among employees. A cyber crime plan for 2022 has been drafted and Athora Netherlands will keep on focusing on mitigating this risk, also for outsourced services.

In 2021, Athora Netherlands updated the compact model risk overviews 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 assessments on reporting, (asset) valuation and pricing models, following a risk based approach, further increased model insight and provides guidance towards lower model risk.

Athora Netherlands is exposed to potential institutional integrity risks relating to appropriate independency. Addressing these risks Athora Netherlands has a dedicated Institutional Conflict of Interest Policy including a concrete procedure. Furthermore, a governance framework with Athora Group is in place supporting collaboration and cooperation between Athora Netherlands and its shareholder Athora and its affiliates. The governance framework has been updated in 2021 to comply with the large company regime and other legal requirements, amongst others on the basis of written comments and feedback from the regulator. The effectiveness of the governance framework has also been monitored by Compliance and Internal Audit. The regulator is assessing these risks as part of its ongoing supervisory activities.

Athora Netherlands assesses product specific risks with regard to sanctions, money laundering and terrorist financing on a regular basis. During 2020 and 2021 Athora Netherlands executed an improvement programme to remediate identified shortcomings in relation to compliance with sanction law and anti-money laundering/counter terrorism financing regulation. 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 2022 in the areas of customer/business partner due diligence and transaction monitoring.

Capital Position

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

The main items driving the change in the Solvency II ratio were:

- A capital injection having a positive impact of 15%-point.
- Balance sheet interest hedge adjustments have been executed having a positive impact on the Solvency II ratio of 8%-point.
- Spreads on bonds and mortgages have tightened, leading to a positive impact on the Solvency II ratio of 11%-point.
- In July 2021, SRLEV signed an additional longevity reinsurance transaction which had a 8%-point positive impact on the Solvency II ratio of Athora Netherlands.
- A substantiation of a loss absorbing capacity of deferred taxes had a 17%-point positive impact on the Solvency II ratio of Athora Netherlands.

- Athora Netherlands further repositioned its asset portfolio towards higher returning investments. Considered throughout the year, the impact of the repositioning of the asset portfolio on the Solvency II ratio was -/- 12-point.
- The Volatility Adjustment (VA) of 7 bps at the end of 2020 decreased to 3 bps leading to a decrease of the Solvency II ratio of -/-7%-point.
- Update of investment management expenses leading to a decrease of the Solvency II ratio of -/-13%-point.
- Updated model for expense inflation risk leading to an increase of the Solvency II ratio of 10%-point.
- Updated parameters for expense inflation risk leading to a decrease of the Solvency II ratio of -/-12%-point.
- The decrease in the level of the UFR with 15 bps to 3.60% had a negative impact of -/-4%-point.

The Solvency II ratio of SRLEV increased from 163% to 180%. The drivers of the change in the Solvency II ratio of SRLEV are similar to that of Athora Netherlands.

SOLVENCY II POSITION				
	Athora Netherlands		SRLEV	
In € millions/percentage	2021[1]	2020	2021[2]	2020
Total eligible own funds	4,111	4,134	4,012	4,023
Consolidated group SCR	2,290	2,569	2,234	2,463
Solvency II ratio	180%	161%	180%	163%

1 Regulatory Solvency II ratio 2021 is not final until filed with the regulator.

2 Regulatory Solvency II ratio 2021 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 fulfil 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 38% for Athora Netherlands including a 20% haircut.

The classification of the hybrid capital of Athora Netherlands N.V. and SRLEV N.V. (outstanding on 31 December 2021) 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 3.60% 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 annually re-calculates the UFR in accordance with the methodology to derive the UFR. For the euro the calculated target UFR for 2021 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. Per 1 January 2022 the applicable UFR will decrease to 3.45%. 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 (including inflation) and surrender risk, since these insurance risks proved to have most impact on the calculation of the 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 N.V. Athora Netherlands Holding Ltd. is a full subsidiary of Athora Holding Ltd.

4.2 THE EXECUTIVE BOARD

The Executive Board is responsible for the management, strategy and operations of Athora Netherlands N.V. The Executive Board carefully weighs the interests of all stakeholders and acts in the interests of Athora Netherlands N.V. and its associated business.

Composition, Appointment and Role

Athora Netherlands N.V. is subject to the full large company regime under which the members of the Executive Board are appointed by the Supervisory Board. The Supervisory Board may suspend or remove a member of the Executive Board.

The Executive Board as of 31 December 2021 consists of the following members:

COMPOSITION, APPOINTMENT AND ROLE			
Name	**Nationality**	**Position**	**Date of appointment**
J.A. (Jan) de Pooter	Dutch	Chief Executive Officer	8 July 2021
A.P. (Annemarie) Mijer	Dutch	Chief Risk Officer (vice-chair)	1 July 2020
E.P. (Etienne) Comon	French	Chief Capital & Investment Officer	1 July 2021
J. (Jim) van Hees	Dutch	Chief Financial Officer (a.i.)	1 July 2021
A. (Angelo) Sacca	Italian	Chief Commercial Officer	1 April 2020

On 1 May 2021, Y. (Yinhua) Cao stepped down as Chief Financial Officer. On 1 June 2021, R.H. (Tom) Kliphuis stepped down as Chief Executive Officer. On 1 August 2021, S.A. (Stefan) Spohr stepped down as Chief Operating Officer.

J.A. (Jan) de Pooter - Chief Executive Officer

Jan de Pooter (1969) studied business administration at the Amsterdam Academy and the VU University Amsterdam. From 2015 to 2020 he served as Chief Executive Officer (CEO) at Portuguese insurer Seguradoras Unidas (Tranquilidade). From 2005 to 2015, Mr. De Pooter held various leadership positions at Millennium bcp Ageas including Chairman of the Board of Directors. He started his career as Operations Manager at Fortis Investments Nederland.

A.P. (Annemarie) Mijer - Chief Risk Officer & Vice Chair

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. Mrs. Mijer is a Certified Actuary of the Dutch Society of Actuaries and holds professional qualifications in Investment Analysis.

E.P. (Etienne) Comon - Chief Capital & Investment Officer

Etienne Comon (1973) holds a PhD in economics from Harvard University. He started his career at Goldman Sachs International as a member of the liability management team. Thereafter, Mr. Comon served as Head of ALM and Risk Advisory Team of both Nomura and Lehman Brothers. He joined Athora Netherlands from Goldman Sachs Asset Management International where he served as Head of Insurance Asset Management for the EMEA region. As Chief Capital & Investment Officer (CCIO) of Athora Netherlands N.V., his areas of responsibility are Balance Sheet Optimisation, Investment Office and Asset Management.

J. (Jim) van Hees - Chief Financial Officer a.i.

Jim van Hees (1974) has a Master of Science in Management from Nyenrode University. He started his career as a Treasury Management advisor for MeesPierson and later, served as manager for KPMG. He joined Athora Netherlands from PwC where he served in several senior finance positions with his most recent role senior director, focusing on servicing insurance, pension service providers and asset managers within the CFRO domain. As interim CFO of Athora Netherlands N.V., Mr. Van Hees is responsible for Accounting & Financial Control, Financial Planning & Analysis, External & Regulatory Reporting and Tax.

A. (Angelo) Sacca - Chief 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.

4.3 GOVERNING RULES

The gender balance in the Executive Board has not changed in 2021 and remains 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 N.V. 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 capital management, pensions, governance, market abuse regulation, sustainability and anti-money laundering.

4.4 THE SUPERVISORY BOARD

The Supervisory Board is responsible for supervising the management of the Executive Board and the general business of the company and its associated business, as well as providing advice to the Executive Board. Supervision includes monitoring the company's strategy including realisation of the objectives, strategy, risk policy, integrity of business operations and compliance with laws and regulations.

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 N.V. 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 cast. The Supervisory Board has drawn up internal regulations that elaborate and expand on a number of provisions from the company's 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 2021 consists of the following members:

COMPOSITION, APPOINTMENT AND ROLE

Name	Nationality	Position	Date of appointment
R.M.S.M. (Roderick) Munsters	Dutch	Chairman	8 September 2021 (chair per 1 October 2021)
M.A.E. (Michele) Bareggi	Italian	Member	1 April 2020
E. (Elisabeth) Bourqui	Swiss	Member	16 November 2021
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[1]	Belgian	Member	26 July 2015

1 On 14 February 2022, Pierre Lefèvre stepped down as a member of the Supervisory Board.

On 1 October 2021, Maarten Dijkshoorn stepped down as member and chair of the Supervisory Board.

R.M.S.M. (Roderick) Munsters

Roderick Munsters (1963) has gained extensive managerial experience at various financial institutions. From 2009 to 2015, he was Chief Executive Officer at Robeco Group. From 2005 to 2009, he was a member of the Executive Committee and Chief Investment Officer of ABP Pensioenfonds & APG All Pensions Group. From 1997 to 2005, Mr. Munsters was Managing Director and Chief Investment Officer at PGGM Pensioenfonds. In addition to his function at Athora Netherlands, Roderick Munsters is a member of the Monitoring Committee Corporate Governance and a member of the Supervisory Board of Unibail-Rodamco-Westfield and PGGM Investments. In addition, he is Independent non-executive director at Moody's – Europe and at BNY Mellon European Bank. Mr. Munsters has both Dutch and Canadian nationality and holds a Master's degree in Economics & Corporate Finance and in Financial Economics from Tilburg University.

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 N.V., 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.

E. (Elisabeth) Bourqui

Elisabeth Bourqui (1975) has held various board and senior management positions in the pension, asset management and consulting sector including CalPERS, ABB Group and Mercer. Mrs. Bourqui is currently CEO and co-founder at Berg Capital Management, an investment advisory firm. She is also a member of the Board of Directors at Bank Vontobel, Chair and member of the Board of Directors at Helsana HealthInvest AG and Board member at the Banque Cantonale Neuchâteloise, the Louis Jeantet Foundation, the Greenbrix Investment Foundation and the Swiss-Japan Chamber of Commerce. Mrs. Bourqui holds a master’s degree in mathematics, and a PhD in financial mathematics, from the Swiss Federal Institute of Technology in Zurich.

F.G.H. (Floris) Deckers

Floris Deckers (1950) is a member of the Audit Committee and Risk Committee. Previously, he worked 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 N.V. 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 N.V. 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 Mr. Munsters on 8 September 2021 and Mrs. Bourqui on 16 November 2021, the gender balance in the Supervisory Board is 66% men and 33% women. Next to this, there is a good diversity in terms of experience, age and professional and cultural 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.

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 customers, the shareholder and all employees.

Self-assessment

Facilitated by an external and independant assessor the Supervisory Board assessed its functioning in 2021 in order to evaluate the functioning of the Supervisory Board as a whole, the functioning of the individual committees, the individual supervisory directors, the relationship with the Executive Board and the effectiveness of continuous education. This evaluation found that the Supervisory Board has performed according to what can be expected, with sufficient expertise and involvement from the individual members. The Supervisory Board has played a constructive role in building the foundation for future progress at Athora Netherlands. Furthermore the Supervisory Board conducted an assessment on Independence of Mind in 2021, facilitated by an external assessor. The outcome of this assessment was in line with the expectations and actions have been taken where necessary.

Continuous Education

Members of the Supervisory Board are encouraged to maintain and develop their expertise at the required standard and enhance it where necessary. This year, the Supervisory Board participated in trainings on Anti-money Laundering, Outsourcing, LAC DT & DTA 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 updates, capital and funding initiatives, 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 2021, the Supervisory Board discussed and approved several items, such as topics related to the sale of ACTIAM, Operational Plan, Employee Survey and Strategy update. Building on the work done in 2020, the Supervisory Board had multiple discussions and in December 2021 agreed on the Athora Netherlands strategy, called 'Ambition 2025'. During the sales process of ACTIAM, the Supervisory Board safeguarded the corporate interest and properly weighed the interest of all stakeholders involved in this process such as policy holders, the shareholder employees and its bondholders. In addition, a strong focus of the Supervisory Board has been the governance framework under which Athora Netherlands operates.

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 controls 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 extensive 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. Furthermore the progress on the implementation IFRS 17 and 9 has been frequently discussed.

- 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. The Risk Committee noted and discussed Athora Netherlands' consultations with DNB and considered the results of the on site examinations conducted by DNB. 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 the remuneration policies, culture and incentives.
- The Conflicts of Interest Committee takes decisions with regard to institutional possible conflicts such as related party transactions. The meetings of the committee takes place in the presence of the Risk Management Key Function Holder and 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 Conflicts of Interest Policy. The topics of the Conflicts 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 2021. 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 prepared to take balanced decisions.

The Supervisory Board appreciates the efforts made by the Executive Board and all employees in 2021 and complements them with the results achieved. We look forward to continuing our cooperation in 2022.

On behalf of the Supervisory Board, I would also like to convey my sincere thanks to Maarten Dijkshoorn, our former Chairman of the Supervisory Board, for the good cooperation over the last few years, his ability to connect with stakeholders and his guidance in the transitions to new ownership. In his role as chairman, he made a significant contribution in challenging times to the development of Athora Netherlands as the life and pension insurer it is today. We wish him all the best for the future.

Amstelveen, the Netherlands, 30 March 2022
On behalf of the Supervisory Board,

Roderick Munsters, 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 2021 (4.6.2), as well as the actual remuneration of the (former) members of the Executive Board and Supervisory Board in 2021 (4.6.3).

4.6.1 Remuneration Policies Athora Netherlands

Athora Netherlands' Vision

The objective of our remuneration policies is to recruit and to retain highly qualified staff and to motivate employees of Athora Netherlands to achieve high performance, to provide appropriate remuneration to all employees that contributes to the sustainability of Athora Netherlands and its subsidiaries. Athora Netherlands ensures long-term value creation and has chosen to use four Sustainable Development Goals ("SDG") as a guideline for further development of the Corporate Social Responsibility policy in business operations. Pursuant to the SDGs, Athora Netherlands' HR principles for remuneration are aimed at ensuring high performance of the employees of Athora Netherlands and focusses on personal growth of its employees by development of their talents and focusses on collaboration, enabling the customers of Athora Netherlands to benefit of this growth.

Athora Netherlands operates a careful, controlled and sustainable Group Remuneration Policy which is in line with Athora Netherlands' business and risk management strategy, its risk profile, objectives, risk management practices and the long-term interests and its performance. The Group Remuneration Policy is in accordance with and contributes to solid and effective risk management and does not encourage risk-taking that is in breach of Athora Netherlands' policies and risk appetite. The Group Remuneration Policy has been drawn up in compliance with existing legislation and regulation and it takes account of the long-term interests of Athora Netherlands and its stakeholders. Athora Netherlands ensures that the Group Remuneration Policy is enforced within Athora Netherlands, its branches and subsidiaries.

Athora Netherlands is aware of its position within the broader society and the crucial role of the financial sector in the Netherlands and the importance of creating trust in this sector within society. As such, Athora Netherlands has a strong governance framework in place to ensure that employees are remunerated in a manner that is aligned with the interests of all stakeholders involved. Within this context, Athora Netherlands' key focus is on fixed remuneration rather than variable remuneration. In order to be able to recruit and retain sufficiently qualified staff for trading, investment, treasury, or asset management activities, the relevant corporate bodies within Athora Netherlands as well as the works council of Athora Netherlands ("Works Council") consider it important to offer variable remuneration to some limited categories of staff. To avoid excessive risk taking, and being aware of Athora Netherlands' position within the financial sector and society, it is a conscious choice not to award variable remuneration to these categories of staff at the highest possible levels resulting in an overall bonus cap of 50% for ACTIAM staff—even though 100% or more would be permissible under applicable legislation—and an overall bonus cap of 20% for other qualifying staff even though more than 20% may be permissible under certain circumstances in accordance with applicable legislation. When adopting the Group Remuneration Policy and underlying remuneration policies, the relevant corporate bodies involved and especially the Supervisory Board liaised with the Works Council, representatives of staff and the Athora Netherlands shareholder in order to establish a remuneration framework that is supported by all such stakeholders and society in general. Athora Netherlands will continue these dialogues.

Group Remuneration Policy

The Group Remuneration Policy Athora Netherlands applies to all employees working under the responsibility of Athora Netherlands and all of its subsidiaries and branch offices. The Group Remuneration Policy Athora Netherlands contains a number of annexes, which specify specific rules on remuneration in respect of the following (groups of) employees, summarised, (i) the Executive Board, (ii) “Above-CLA employees”—being employees of Athora Netherlands and its subsidiaries and branches who do not fall under the scope of our collective labour agreement (“CLA”), excluding the members of the Supervisory Board, the members of the Executive Board and persons working under the responsibility of ACTIAM— (“Above-CLA employees”), (iii) the statutory board of ACTIAM, (iv) Identified Staff within ACTIAM and non-Identified Staff employees within ACTIAM and (v) certain selected employees of the asset management team Investment Office, which was transferred mid 2021 from ACTIAM to Athora Netherlands) (“Remuneration Policies”). For information regarding the Remuneration Policies of ACTIAM we refer to the annual report of ACTIAM for the financial year 2021 which will be separately published.

The Group Remuneration Policy is published internally and on our website: www.athora.nl.

Our Group Remuneration Policy incorporates the requirements which apply to remuneration as included in the Dutch Civil Code, Dutch Financial Markets Supervision Act (Wet op het financieel toezicht or “FMSA”), the Commission Delegated Regulation (EU) 2015/35 (“Solvency II”) and the Guidelines on System of Governance of the European Insurance and Occupational Pensions Authority (“EIOPA Guidelines”), as applied to Athora Netherlands and all of its subsidiaries and branches. Additionally:

- with respect to staff working under the responsibility of ACTIAM N.V. (“ACTIAM”), the Alternative Investment Fund Managers Directive 2011/61/EU (“AIFMD”) and the Guidelines on sound remuneration polices under the AIFMD (“ESMA Guidelines”) apply; and
- with respect to staff working under the responsibility of Zwitserleven PPI N.V. (“Zwitserleven PPI”), Part C of the Annex to the Regulation on Sound Remuneration Policies 2021 (Regeling Beheerst Beloningsbeleid 2021 or “RBB 2021”) applies.

Principles

Athora Netherlands' remuneration policies are based on the following principles:

- It supports Athora Netherlands’ corporate strategy, and is aligned with the mission, vision 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 social 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 supports effective governance of remuneration and supervision thereof, and, where relevant, contains measures to prevent a conflict of interest;
- It encourages high team and company performance; and
- It is gender and age neutral. 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 above-mentioned principles apply equally to ACTIAM and Zwitserleven PPI.

Governance

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 Supervisory Board, being the internal supervisory body of Athora Netherlands, has the authority to approve our Group Remuneration Policy and shall supervise its implementation by the Executive Board. 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 remuneration and nomination committee of the Supervisory Board (the "ReNomCo") is responsible for supporting the Supervisory Board in overseeing the design of the Group Remuneration Policy and remuneration practices, their implementation and operation, and the preparation of decisions on remuneration, including decisions that may have consequences for the risks and risk control of Athora Netherlands which the Supervisory Board has to take.

The remuneration for Supervisory Board members is determined by the General Meeting. The remuneration for the current Supervisory Board members consists of an annual Supervisory Board fee and an additional fee for attending the meetings of Supervisory Board committees. The remuneration package consists of a fixed remuneration only.

Role of the Executive Board
The Executive Board implements and evaluates the Group Remuneration Policy as approved by the Supervisory Board in accordance with the provisions of the Group Remuneration Policy.

Role of the Working Group Remuneration
In addition, there is a working group remuneration ("WGR") in place comprising of the directors and/or specialists of the HR, legal, financial risk, non-financial risk, financial control and audit departments. The WGR participants may provide and will at request provide input on any decision of the Executive Board and/or the Supervisory Board on the following subjects: (i) the determination of the Identified Staff (as referred to below) list, (ii) the Group Remuneration Policy and the other Remuneration Policies, (iii) the setting of Key Performance Indicators ("KPIs"), (iv) the processes around variable remuneration and (v) any other material remuneration matters. Athora Netherlands reserves the right to prepare decisions of the Executive Board and Supervisory Board regarding the above-mentioned subjects in another way than through the WGR, provided that the input of the HR, legal & compliance, risk, financial control and audit department is taken into account.

Control Functions
Control functions are departments that are responsible for the control and supervision of operations as well as the risks arising from those operation, and in doing so operate independently from the organisation. Control functions play an active role in drafting, application and monitoring the Group Remuneration Policy. For this reason, officers in control functions are subject to additional rules aimed at safeguarding their independence, in case they are eligible to receive variable remuneration, as set out in the Remuneration Policies, as applicable. Both Athora Netherlands and ACTIAM have functions that are considered control functions.

Identified Staff

Every year, Athora Netherlands designates members of staff by using the Solvency II regulation. For staff of ACTIAM, we follow the AIFMD and the ESMA Guidelines and for the statutory board of Zwitserleven PPI, we follow RBB 2021.

Apart from certain specific requirements applicable to variable remuneration within ACTIAM and in our investment team of Athora Netherlands, the provisions of our Group Remuneration Policy, our CLA, if applicable, and any of the other Remuneration Policies apply equally to Identified Staff and staff not qualifying as Identified Staff.

Elements of the Remuneration Policies

Fixed Annual Salary
The regular fixed remuneration consists of a fixed annual gross salary, which includes a holiday allowance of 8% and a 13th month payment of 8.33%. 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. This periodic increase in salary is linked to the extent to which the employee is judged to have grown in his or her role (achievement on competences) and depends on the relative salary position. 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%.

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 ReNomCo in the Supervisory Board in line with the remuneration policy for the Executive Board.

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, except for the asset management activities), 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 the Remuneration Policies, 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. Job functions at Athora Netherlands are independently evaluated. The outcome of this evaluation results in a certain salary scale for such function which will be applied to the employees in scope.

Allowances
Employees of Athora Netherlands may be entitled to fixed cash allowances in line with applicable legislation and in accordance with the applicable governance framework as included in this Group Remuneration Policy.

Employees of Athora Netherlands that were previously entitled to variable remuneration based on performance, may, at the discretion of the Executive Board, in case of a cancellation or a deduction of such variable remuneration opportunity, be entitled to a fixed annual compensation. Reference is made to the paragraph on Variable Remuneration set out below.

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 for the loss of pension accrual is applied. The compensation consists of a permanent supplement payment for as long as a maximum pensionable salary applies. The annual compensation is 16.35% of the fixed annual gross pensionable salary as indicated in the collective labour agreement of VIVAT (previous name for Athora Netherlands) 2017 minus the maximum amount for pension accrual referred to in article 18ga of the Wage Tax Act 1964 (2015: € 100,000 gross; and 2021: € 112,189 gross). 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. Athora Netherlands does not award discretionary pension.

Performance Management
Performance management is a core business process, in which (i) KPIs are set to align individual KPIs with the long-term strategy of the business of Athora Netherlands and to ensure a sustainable and successful business for all its stakeholders and (ii) competences with respect to the individual behaviour of employees will be measured.

KPIs are used to monitor and track progress towards realisation of our strategic goals. As a result, the proposed KPIs are fully aligned to the strategy and operational plan. Athora Netherlands operates a performance management process linked to remuneration to prevent rewarding for failure and to address the long-term impact of the profitability of the organisation within the risk appetite framework approved by the Supervisory Board.

The performance management cycle starts every year with setting the KPIs in the first quarter of a financial year. These KPIs are in line with the company targets and the company's mission, its long-term strategy and the aim to ensure a sustainable and successful business for all stakeholders of Athora

Netherlands and shall not encourage risk taking that exceeds the risk tolerance limits. The KPIs do not result in incentifying and/or rewarding excessive risk taking as well as unwanted behaviours relating to market conduct, reputational risks, conflicts of interest, etc. More than 50% of the KPIs are related to non-financial targets. The KPIs are for example related to maintaining customer advocacy (delighted customer score), sound and controlled organisation, sustainability, employee satisfaction, financial KPIs and one or more individual KPIs. The KPIs are defined on the following levels: organisational, department and personal. For the Control Functions, insofar as the KPIs are used to determine any Variable Remuneration, the KPIs used shall be independent from the performance of the operational units and areas that are submitted to their control.

Besides KPIs, also competences will be set, covering behavioural aspects of employees: for example, their attitude towards change and collaboration (the "How").

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, Above-CLA Employees and for the statutory board of ACTIAM and Zwitserleven PPI.

Both Athora Netherlands and ACTIAM perform asset management and investment activities. The employees who are involved in these activities may still be entitled to variable remuneration based on their performance (with the exception for the statutory board of ACTIAM and for Above-CLA Employees). 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 variable remuneration is subject to a financial condition (knockout). The level of variable remuneration for the Investment Office team within Athora Netherlands is maximised at 20% of the annual fixed salary in the event of stretched performance. Awarding is subject to a financial condition (knock out).

The payment of variable remuneration to identified staff, either from ACTIAM as from Athora Netherlands will be in accordance with the applicable legislation. The variable remuneration for ACTIAM Identified Staff shall consist of 50% cash and 50% in share-based cash settled instruments. The variable remuneration for Athora Netherlands is in cash only. In both cases, at least 40% of the variable remuneration is paid deferred over a three-year period of time if the conditions for vesting are met.

A total of 87 CLA employees of ACTIAM and Investment Office are in scope of the variable remuneration policies.

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

Other Benefits
Depending on the position on the salary scale; our senior management, employees in the highest CLA salary scale and our field/sales employees may be eligible for a lease car or a lease car allowance in line with the car policy. 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 N.V., ACTIAM N.V. and/or Zwitserleven PPI N.V.

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 payment 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 2021

At the end of 2021, for 1.181 of 1.218 of the employees the Athora Netherlands CLA (Collective Labour Agreement) 2021-2023 is applicable.

Fixed Remuneration

According to the CLA, employees have received a periodic salary increase on 1 February 2021, insofar the maximum of the scale is not reached and a collective salary adjustment of 2,25% per January 2021. For Above-CLA Employees the previously mentioned was applied as well.

Performance Management

In the first quarter of 2021, KPIs were set on a company, department and individual level (e.g., capital generation, customer engagement, leadership (employee engagement, strategy alignment and attractiveness of the employer), risk & control, solvency ratio, compliance, license to operate and personal targets). More than 50% are non-financial KPIs. In addition to KPIs, also competences were set. These personal development skills (with a maximum of three) are chosen from the company's broad set of values with two general skills: excellence, focus and a personal one: development of your own talent.

Variable Remuneration

In 2021, a total amount of € 1.4 million was unconditionally awarded to 82 ACTIAM employees as variable remuneration over the year 2020—consisting of amounts between € 2 thousand and € 35 thousand per employee—and a total amount of € 0.2 million was unconditionally awarded to 21 employees as a deferred and final part of the variable remuneration over the year 2017. No other regular variable remuneration was paid to persons working under the responsibility of Athora Netherlands and the other Dutch financial institutions within the Athora Netherlands group.

The decision about awarding variable remuneration for the year 2021 for ACTIAM and for Investment Office Athora Netherlands will be made after the date of publication of this annual report.

In 2021, Athora Netherlands did not use the right to apply a holdback and clawback.

Retention & Sign-on Bonus

The retention schemes offered in 2018 and 2019 due to the strategic review which led to the change of ownership of Athora Netherlands, have been awarded end of 2020 as the conditions were met. The Identified Staff in this scheme are partly paid in 2020 (60%) and will be partly paid in three deferred payments up to 2023 (in total 40%). In 2021, deferred payments of the retention scheme and a sign-on bonus are paid (€ 0.4 million to 43 employees).

As of 2020, Athora Netherlands assessed the strategic options for ACTIAM. This assessment came in 2021 in a new phase whereby Athora Netherlands offered a retention scheme to some employees of ACTIAM. The award and vesting of this scheme are subject to certain conditions, including retention during the nine-month period following, summarised, completion of the intended sale of ACTIAM. For non-Identified Staff of ACTIAM, the retention bonus will fully vest on the award date and be fully paid out in cash. For Identified Staff of ACTIAM, the retention bonus will be unconditionally awarded in four tranches with 60% at the award date and the remaining 40% pro rata over the following three years where the retention bonus will be for 50% in cash and for 50% in share-based cash settled instruments.

Severance Payment

Our Athora Netherlands N.V. Social Plan 1 January 2021—31 December 2023 has been applied for employees who became redundant in 2021. They received severance payments in line with this Social Plan.

Number of Employees with a Remuneration Exceeding € 1 Million

In 2021, one employee received a total annual remuneration exceeding € 1 million (in 2020: three employees). This employee primarily works for Athora Netherlands, SRLEV N.V. and Proteq Levensverzekeringen N.V.

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 2021	31 December 2020
Assets			
Property and equipment	1	42	46
Investments in associates and joint ventures	2	211	38
Investment property	3	615	521
Investments	4	40,019	41,922
Investments for account of policyholders	5	14,423	13,788
Investments for account of third parties	6	3,354	2,414
Derivatives	7	3,834	5,390
Deferred tax	8	632	607
Reinsurance share	15	9	27
Loans and advances due from banks	9	360	603
Corporate income tax		-	13
Other assets	10	345	254
Cash and cash equivalents	11	403	385
Assets held for sale	38	41	-
Total assets		**64,288**	**66,008**
Equity and liabilities			
Share capital[2]		0	0
Reserves		3,643	3,428
Total shareholders' equity		**3,643**	**3,428**
Holders of other equity instruments		350	300
Total equity	12	**3,993**	**3,728**
Subordinated debt	13	906	818
Borrowings	14	61	61
Insurance liabilities	15	50,246	51,512
Liabilities investments for account of third parties	6	3,354	2,414
Provision for employee benefits	16	682	695
Other provisions	17	45	68
Derivatives	7	1,415	1,097
Amounts due to banks	18	2,638	4,684
Corporate income tax		22	-
Other liabilities	19	888	931
Liabilities directly associated with the assets held for sale	38	38	-
Total equity and liabilities		**64,288**	**66,008**

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 N.V. is € 238,500

5.2 CONSOLIDATED STATEMENT OF PROFIT OR LOSS

In € millions	Ref.[1]	2021	2020
Continuing operations			
Income			
Premium income		2,167	1,764
Less: Reinsurance premiums		432	249
Net premium income	24	**1,735**	**1,515**
Fee and commission income		55	27
Fee and commission expense		2	4
Net fee and commission income	25	**53**	**23**
Share in result of associates and joint ventures		4	1
Investment income	26	1,272	1,189
Investment income for account of policyholders	27	1,376	692
Result on investments for account of third parties	28	534	185
Result on derivatives	29	-	1,765
Total income		**4,974**	**5,370**
Expenses			
Result on derivatives	29	1,872	-
Technical claims and benefits	30	537	3,660
Charges for account of policyholders	31	1,737	1,307
Acquisition costs for insurance activities	32	13	15
Result on liabilities from investments for account of third parties	28	534	185
Staff costs	33	157	205
Depreciation and amortisation of non-current assets		4	6
Other operating expenses	34	47	37
Impairment losses	35	-	11
Other interest expenses	36	54	102
Total expenses		**4,955**	**5,528**
Result before tax from continued operations		**19**	**-158**
Tax (expense) / benefit	37	46	-111
Net result continued operations for the period		**-27**	**-47**
Discontinued operations			
Net result from discontinued operations (after tax)	38	-49	50
Net result for the period		**-76**	**3**
Attributable to:			
- Shareholders		-97	-18
- Holders of other equity instruments		21	21
Net result for the period		**-76**	**3**

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

5.3 CONSOLIDATED STATEMENT OF TOTAL COMPREHENSIVE INCOME

Consolidated Statement of Other Comprehensive Income

In € millions	Ref.[1]	2021	2020
OCI not to be reclassified subsequently to profit or loss			
Changes in valuation of defined benefit pension plan	16, 39	-3	-68
Income tax relating to items that never be reclassified		-	17
Tax rate adjustment relating to items that never be reclassified		-	3
Net OCI never reclassified to profit or loss		**-3**	**-48**
OCI to be reclassified subsequently to profit or loss			
Unrealised revaluations from cash flow hedges	39	-70	59
Amortisation from cash flow hedges	39	-10	29
Unrealised revaluations investments available for sale	39	-863	-155
Impairments and reversals fair value reserve	39	-	-2
Realised gains and losses fair value reserve transferred to profit or loss	39	42	393
Results on allocated investments and interest derivatives	39	955	-364
Income tax relating to items that may be reclassified		11	4
Tax rate adjustment relating to items that may be reclassified		-25	8
Net OCI to be reclassified to profit or loss subsequently		**40**	**-28**
Other comprehensive income (net of tax)		**37**	**-76**

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

Statement of Total Comprehensive Income

In € millions	2021	2020
Net result for the period	-76	3
Other comprehensive income (net of tax)	37	-76
Total comprehensive income (net of tax)	**-39**	**-73**
Attributable to:		
- Shareholders	-60	-94
- Holders of other equity instruments	21	21
Total comprehensive income	**-39**	**-73**

5.4 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Consolidated Statement of Changes in Total Equity 2021

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 2021	**0**	**4,293**	**21**	**-886**	**3,428**	**3,428**	**300**	**3,728**
Other comprehensive income	-	-	40	-3	**37**	**37**	-	**37**
Net result 2021	-	-	-	-76	**-76**	**-76**	-	**-76**
Total comprehensive income 2021	**-**	**-**	**40**	**-79**	**-39**	**-39**	**-**	**-39**
Capital injection	-	275	-	-	**275**	**275**	-	**275**
Capital Subordinated Loan - Principal	-	-	-	-	**-**	**-**	50	**50**
Interest on other equity instruments	-	-	-	-21	**-21**	**-21**	-	**-21**
Other movements 2021	**-**	**275**	**-**	**-21**	**254**	**254**	**50**	**304**
Total changes in equity 2021	**-**	**275**	**40**	**-100**	**215**	**215**	**50**	**265**
Balance as at 31 December 2021	**0**	**4,568**	**61**	**-986**	**3,643**	**3,643**	**350**	**3,993**

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.

The Executive Board proposes to the General Meeting of Shareholders to distribute no dividends on ordinary shares for 2021.

Consolidated Statement of Changes in Revaluation Reserves 2021

In € millions	Revaluation reserve property and equipment	Cash flow hedge reserve	Fair value reserve	Sum revaluation reserves
Balance as at 1 January 2021	**2**	**-**	**19**	**21**
Unrealised revaluations from cashflow hedges	-	-70	-	**-70**
Amortisation from cashflow hedges	-	-10	-	**-10**
Unrealised revaluations investments available for sale	-	-	-863	**-863**
Realised gains and losses through profit or loss	-	-	42	**42**
Results on allocated investments and interest derivatives	-	80	875	**955**
Income tax	-	-	11	**11**
Tax rate adjustment	-	-	-25	**-25**
Total changes in equity 2021	**-**	**-**	**40**	**40**
Balance as at 31 December 2021	**2**	**-**	**59**	**61**

Consolidated Statement of Changes in Total Equity 2020

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 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**

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 adjustment	-	-	8	**8**
Total changes in equity 2020	**-**	**-**	**-28**	**-28**
Balance as at 31 December 2020	**2**	**-**	**19**	**21**

5.5 CONSOLIDATED CASH FLOW STATEMENT

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

In € millions	2021	2020
Cash flow from operating activities		
Result before tax from continued operations	19	-158
Result before tax from discontinued operations	-55	49
Result before tax	**-36**	**-109**
Adjustments for non-cash items included in profit before tax:		
Depreciation and amortisation of non-current assets	4	5
Amortisation of investments	145	191
Change in provision for employee benefits	-15	24
Changes in other provisions	-23	52
Gain on sale of subsidiaries	-	-24
Impairment charges / (reversals)	-	11
Unrealised results on investments through profit or loss	1,745	-1,900
Taxes		
Taxes (paid) received	6	-13
Change in operating assets and liabilities:		
Change in amounts due from banks	243	108
Change in amounts due to banks	-2,046	1,948
Change in investment property	-2	-3
Change in investments	-1,618	-891
Change in derivatives	36	43
Change in other assets	-131	-95
Change in insurance liabilities for policyholders	704	266
Change in insurance liabilities	-997	1,977
Change in other liabilities	37	-136
Net cash flow from operating activities	**-1,948**	**1,454**
Cash flow from investment activities		
Sale of investment property	10	7
Sale of investments in associates	74	-
Sale and redemption of investments and derivatives	38,620	42,870
Purchase of property and equipment	-1	-1
Purchase of investments in associates	-247	-2
Purchase of investment property	-30	-46
Purchase of investments and derivatives	-36,810	-44,006
Sale of subsidiary	-	-34
Net cash flow from investment activities	**1,616**	**-1,212**
Cash flow from finance activities		
Capital injection	275	400
Issue of subordinated loans	297	-
Issue of equity instruments	50	-
Redemption of subordinated loans	-250	-
Interest payment of subordinated notes	-21	-21

In € millions	2021	2020
Cash flow from operating activities		
Redemption of borrowings	-	-584
Lease liability payments	-1	-3
Net cash flow from financing activities	**350**	**-208**
Net increase in cash and cash equivalents	**18**	**34**
Cash and cash equivalents 1 January	385	351
Cash and cash equivalents as at 31 December	**403**	**385**
Additional disclosure with regard to cash flows from operating activities:		
Interest income received	1,273	1,253
Dividends received	221	124
Interest paid	121	103

6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6.1 ACCOUNTING POLICIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

6.1.1 General Information

Athora Netherlands N.V., incorporated and established in the Netherlands, is a public limited liability company incorporated under the laws of the Netherlands. Athora Netherlands N.V. 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 N.V. 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.

In the consolidated financial statements within this annual report the name 'Athora Netherlands' is used.

The consolidated financial statement combines the financial statements of Athora Netherlands N.V. (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' consolidated financial 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 2021 were authorised for publication by the Executive Board following the approval by the Supervisory Board on 30 March 2022. 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 2021

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 2021 and that are relevant to Athora Netherlands are disclosed below.

Amendment to IFRS 16 Leases COVID-19 related rent concessions

The amendment became effective for annual reporting periods beginning on or after 1 April 2021 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 2021, there are no rent concessions for Athora Netherlands that qualify for the expedient.

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. Most LIBOR rates will cease to be available at the end of 2021, with an 18-month extended period of publication of USD LIBOR until the end of June 2023 to support the transitioning of legacy products.

As an insurance company predominantly transacting in Euro denominated investments and derivatives, Athora Netherlands is primarily affected by Euro area benchmark reforms, and less by IBOR reforms for foreign currencies. Athora Netherlands has previously identified LIBOR based loans and structured finance deals issued in foreign currencies (mainly USD, GBP and CHF) that required amendments to their documentation in order to include a fallback or successor rate. These investments have either been sold or matured in 2021, or had their documentation amended in order to incorporate a fallback or successor rate.

Athora Netherlands has transferred all euro denominated centrally cleared derivatives (the major part of its exposure) to ESTR discounting. 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. Athora Netherlands also has USD denominated derivatives outstanding. The discount rate of these instruments has already been changed from Fed Funds to the Secured Overnight Funding Rate (SOFR) in 2020. Over-the-Counter EUR/USD Cross Currency (Basis) Swaps have already transitioned to ESTR and SOFR reference rates as of 31 December 2021. Athora Netherlands is envisaging a switch/roll to SOFR reference rates in the first half of 2022 for cleared USD swaps.

In 2021 the internal focus of BM reforms shifted from cleared derivatives to OTC derivatives. The adherence to various ISDA protocols ensures that Athora Netherlands follows commonly used standards in the financial industry, and provides a straight forward and swift method of implementing BM reforms and other emerging regulatory developments for its Over-the-Counter (OTC) derivatives.

Nearly all OTC Collateral Support Annexes (CSAs) have been amended from Eonia to ESTR discounting, resulting in € 2 million paid to the counterparties for the valuation differences. The remaining 3 CSAs are expected to be amended in Q1 2022. Depending on the scale, nature and complexity of associated OTC derivatives exposures outstanding, the CSA discount rates have been amended to either ESTR without a spread or ESTR+8,5bp (with the latter being equal to Eonia). Compensation amounts have been exchanged with OTC counterparties when amending the discount rate to ESTR flat.

Athora Netherlands has also traded its first centrally cleared OIS swaps referencing the ESTR floating rate in 2021.

Although Euribor has been reformed and currently meets the Benchmarks Regulation of the European Union (BMR), the impact of the distinct possibility that Euribor rates may eventually cease to exist has also been assessed by Athora Netherlands. Athora Netherlands has identified all investments (mainly Floating Rate Notes and Asset Backed Securities) and derivatives that are referencing Euribor, but do not have any fallback rate defined. Athora Netherlands proactively engages these issuers to update their prospectuses and/or other relevant documentation. Athora Netherlands expects that both OTC and cleared derivatives can be amended to a successor rate fairly swiftly and efficiently if market regulators would announce that Euribor ceases to exist at some point.

Athora Netherlands continues to monitor 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 2021:

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. Since Athora Netherlands ceased to apply hedge accounting in 2021, the amendments with regard to hedge accounting do not have an impact on Athora Netherlands' consolidated financial statements.

Relevant New Standards, Amended Standards and Interpretations of Existing Standards Effective Date on or after January 2022

Relevant new standards, amendments to existing standards and interpretations, effective for reporting periods beginning on or after 1 January 2022, were not early adopted by Athora Netherlands. New or amended standards that become effective on or after 1 January 2022 and that are relevant to Athora Netherlands are disclosed below.

IFRS 9 Financial Instruments (including Amendments)

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 (including all the amendments) has been postponed until 1 January 2023, the effective date of IFRS 17.

IFRS 17 Insurance Contracts (including Amendments)

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 very significant impact not only on amounts recognised in Athora Netherlands' consolidated financial statements but also on governance, systems and data requirements.

In 2021 Athora Netherlands further strengthened the programme management and the supporting teams. Athora Netherlands remains on track for the implementation of IFRS 9 and IFRS 17 on 1 January 2023. Important milestones realised until now are the selection of the CSM engine, the preparation of the policy papers, and financial impact assessment. In 2021 two further key milestones were initiated and realised according to the planning: the technical completion of the chain test and the dry-run. The crucial steps to be completed in 2022 include analyzing the financial results, realising an initial CSM and opening balance sheet, implementing the Target Operating Model, conducting the parallel-runs and completing transition to the business (data, model and system acceptance).

Reference to the Conceptual Framework (Amendments to IFRS 3)

The purpose of this amendment is to address uncertainties with regard to the recognition assets and liabilities as a result of business combinations. In line with Conceptual Framework an amendment to IFRS 3 was made confirming that recognition of contingent assets at the acquisition date is not permitted. Also the uncertainties with regard to recognising contingent liabilities arising from levies were addressed.

The amendment is to be applied prospectively as of 1 January 2022, so it does not have an impact on current Athora Netherlands reporting but will be applied to the future business combinations undertaken by Athora Netherlands.

Onerous Contracts—Cost of Fulfilling a Contract (Amendments to IAS 37)

The amendment was made to address the uncertainty with regard to the costs needed to be taken into account when assessing if a contract is onerous (the incremental costs or all the attributable costs). The amendment was added to clarify that all the attributable costs need to be taken into account.

Those amendments apply for annual reporting periods beginning on or after 1 January 2022. Earlier application is permitted.

The amendment will probably have a very limited impact on Athora Netherlands as majority of contracts issued by Athora Netherlands are insurance contracts, which are not in scope of IAS37.

Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current

The purpose of this amendment is to address the inconsistency in IAS1 with regard to classifying the liabilities as current and non-current (whether the classification of a liability as non-current should be made based on existing rights or rather the expectations to exercise these rights).

The standard was amended to clarify that a distinction between current and non-current liabilities should be made based on existing rights at reporting date and that entities' expectations with regard to exercising these rights are not relevant. Also the definition of the settlement was added, according to which a roll over is not a settlement as it does not result in a transfer of economic resources.

The amendment applies for annual reporting periods beginning on or after 1 January 2023 retrospectively.
The amendment will have a very limited impact on Athora Netherlands consolidated financial statements as most of the liabilities recognised by Athora Netherlands clearly have a non-current character and the liabilities classified as current are very straightforward and most likely their classification will not change as a result of the amendment.

Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)

The purpose of this amendment is to clarify the uncertainty about what constituted a significant accounting policy. The amendment made clarifies that material accounting policy information needs to be disclosed, bearing in mind the concept of materiality. Also, additional guidance was added in order to help entities to determine whether accounting policy information is material to the financial statements (in the same way as other information: by considering qualitative and quantitative factors).

The amendment applies for annual reporting periods beginning on or after 1 January 2023 retrospectively.
The amendment is not expected to have any impact on amounts recognised Athora Netherlands consolidated financial statements, it may however lead to small adjustments in accounting policies disclosed.

Definition of Accounting Estimates (Amendments to IAS 8)

The amendment was made as a result of the difficulties entities faced in distinguishing changes in accounting policies from changes in accounting estimates. These difficulties arose because the previous definition of a change in accounting estimate in IAS 8 was not sufficiently clear.

In order to address the issue multiple adjustments were made in IAS8:
- The definition of an accounting estimate has been added (monetary amounts in financial statements that are subject to measurement uncertainty). An entity develops an accounting estimate to achieve the objective set out by the accounting policy, when items have to be measured at monetary amounts that cannot be observed directly and must instead be estimated.
- An amendment was made clarifying that the effects of a change in an input or a change in a measurement technique on an accounting estimate are changes in accounting estimates (not changes in accounting policies) unless they result from the correction of prior period errors.

The amendment applies for annual reporting periods beginning on or after 1 January 2023 prospectively.

The amendment is not expected to have significant impact on the amounts recognised in Athora Netherlands financial statements.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS12)

The amendments were made to reduce diversity in the way that entities account for deferred tax on transactions and events leading to the initial recognition of both an asset and a liability (for instance lease contracts). The amendments narrow the scope of the initial recognition exception under IAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

The amendment applies for annual reporting periods beginning on or after 1 January 2023. The amendments will be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period presented, recognise a deferred tax asset will be recognised (provided that sufficient taxable profit is available) and a deferred tax liability for all deductible and taxable temporary differences associated with leases and decommissioning obligations.

The amendment is not expected to have significant impact on the amounts recognised in Athora Netherlands consolidated financial statements.

Changes in Policies, Presentation and Estimates

Changes in Policies

In 2021 there were no significant changes in policies.

Changes in Presentation

Effects of the Sale of ACTIAM

On 21 October 2021, Athora Netherlands has reached an agreement to sell its asset manager ACTIAM N.V. to Cardano Risk Management B.V. The transaction has been closed on 1 January 2022. Following this agreement, ACTIAM has been classified as discontinued operation and the 2021 year-to-date and sale result of ACTIAM have been classified under Net result from discontinued operations. For more information with regard to the result from discontinued operations refer to Note 38 'Discontinued operations'. The 2020 comparative figures have been restated in line with IFRS 5 discontinued operations. The comparative figures have been adjusted as follows:

In € millions	Statement of profit or loss 2020	Adjustment Discontinued operations (ACTIAM)	Restated statement of profit or loss 2020
Continuing operations			
Income			
Premium income	1,764	-	1,764
Less: Reinsurance premiums	249	-	249
Net premium income	**1,515**	**-**	**1,515**
Fee and commission income	69	-42	27
Fee and commission expense	14	-10	4
Net fee and commission income	**55**	**-32**	**23**
Share in result of associates and joint ventures	1	-	1
Investment income	1,189	-	1,189
Investment income / expense for account of policyholders	692	-	692
Result on investments for account of third parties	185	-	185
Result on derivatives	1,765	-	1,765
Total income	**5,402**	**-32**	**5,370**
Expenses			
Technical claims and benefits	3,660	-	3,660
Charges for account of policyholders	1,307	-	1,307
Acquisition costs for insurance activities	15	-	15
Result on liabilities from investments for account of third parties	185	-	185
Staff costs	230	-25	205
Depreciation and amortisation of non-current assets	6	-	6
Other operating expenses	56	-19	37
Impairment losses (reversals)	11	-	11
Other interest expenses	102	-	102
Total expenses	**5,572**	**-44**	**5,528**
Result before tax	**-170**	**12**	**-158**
Tax expense	-113	2	-111
Net result continued operations for the period	**-57**	**10**	**-47**
Discontinued operations			
Net result from discontinued operations (after tax)	60	-10	50
Net result for the period	**3**	**-**	**3**

Adjustment of Reportable Segments

In 2021 the operating segments of Athora Netherlands were aligned with the actual financial monitoring activities within Athora Netherlands and updated corporate strategy. Since strategic decision making as well as monitoring of financial key performance indicators happens at the level of the legal entities, following the changes in the internal management reports, the operating segments identified within Athora Netherlands have been adjusted to the legal entities: SRLEV N.V., Proteq Levensverzekeringen N.V., Zwiterleven PPI N.V. and Athora Netherlands. They also constitute the reportable segments. In 2021, ACTIAM N.V. became a discontinued operation. The segment ACTIAM N.V. is no longer presented as a separate segment (refer to the section 6.4 Segmentation).

Legal entities constitute level at which financial performance is managed (IFRS result, capital generation, investments and Solvency II ratio). Commercial targets, pricing and service level are managed at the level of commercial lines. These commercial lines (Life Service Business and Pension Business) are assessed based on key performance indicators, most of which have commercial character (except for premium income and operational costs). In order to provide relevant financial insights in the commercial activities additional information per commercial line related to financial key performance indicators will be disclosed: premium income and operating costs (staff costs and other operating expenses).

The corresponding information for the prior year has been restated: the amounts of 2020 are presented based on the new segmentation. In the figure below the product lines, based on which the operating segments were identified previously, are translated into legal entities, the adjusted operating segments.

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:

- deferred tax (refer to Note 8 'Deferred taxes')
- insurance liabilities (refer to Note 15 'Insurance Liabilities and Reinsurance Share') and LAT assumptions (refer to the section 'Assumptions IFRS LAT' under 'Insurance Liabilities' in 6.1.5 Accounting Policies for the Statement of Financial Position);

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. Also qualifying new investments as subsidiaries, associates or joint arrangements requires making judgement and applying assumptions.

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 and Joint ventures

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

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The consolidated financial statements include Athora Netherlands' total share of profit of associates and joint ventures from the date that Athora Netherlands acquires significant influence or joint control 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 and joint ventures 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 and joint ventures is recognised in the statement of profit or loss within share of profit of associates and joint ventures. Other changes in equity of associates and joint ventures 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

In 2021 the operating segments of Athora Netherlands were aligned with the actual financial monitoring activities within Athora Netherlands and the updated corporate strategy. The composition and size of Athora Netherlands changed after the sale of the non-life insurance business and following these changes two commercial lines were defined within the life insurance business. Since strategic decision making as well as monitoring of key performance indicators happen at the level of the legal entities and not the commercial lines, the operating segments identified within Athora Netherlands have been adjusted to the legal entities: SRLEV N.V., Proteq Levensverzekeringen N.V., Zwitserleven PPI N.V. and Athora Netherlands.

In 2021, ACTIAM became a discontinued operation. The segment ACTIAM is no longer presented as a separate segment (refer to the section 6.4 Segmentation). The corresponding information for the prior year has been restated.

The operating segments of Athora Netherlands are clearly distinctive organisational components that carry out activities that generate income and expenses. The operating segments are:
- SRLEV carrying out collective life and individual life insurance services
- Proteq carrying out an existing portfolio of individual life insurances
- Zwitserleven PPI carrying out Defined Contribution pension plans for its clients
- Athora Netherlands, carrying out the holding activities along with the activities that are not directly attributable to any other segment

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 and Joint ventures

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

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 elected to discontinue hedge accounting as at 1 July 2021. Refer to Note 41 'Hedging and hedge accounting' for more details.
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 was only applied if a hedging relationship was considered to be effective. Hedge effectiveness was assessed by Athora Netherlands at inception and during the term. A hedge was effective if the changes in the fair value or cash flows of the hedged item were almost fully offset by changes in the fair value or cash flows of the hedging instrument, insofar as these changes were 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 were recognised as fair value hedges. Changes in the fair value of the derivatives that were 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 met the conditions for hedge accounting, an adjustment in the carrying amount of a hedged financial instrument was amortised and taken to the statement of profit or loss during the expected residual term of the previously hedged item.

If the hedged item was 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 were designated as a cash flow hedge and that met the conditions for cash flow hedge accounting were 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 was considered to be ineffective, was recognised in the statement of profit or loss. The measurement of the hedged item, which was designated as part of a cash flow hedge, was not changing.

If the forecast transaction led 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 expired or was sold or terminated, or no longer met the conditions for hedge accounting, all accumulated gains and losses that were included in the cash flow hedge reserve remained in the cash flow hedge reserve within other comprehensive income until the expected transaction occurs.

If the hedged transaction was no longer expected to occur, the accumulated gains and losses recognised in other comprehensive income were 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 N.V. 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 2020 and 2021, 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 2021 (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 2021 converges after the 20 years point (last liquid point) to 3.60% (2020: 3.75%) 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 (same as in 2020) 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 75% out of expected salary increases, taking into account the agreements in the Collective Labour Agreements (CLA) and for 25% the inflation of other costs and the price inflation curve with an instantaneous 2% UFR from last liquid point 20 years onwards.
- Cost of capital rate: 4% (2020: 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 N.V. 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 and Joint Ventures

This item represents Athora Netherlands' share of profit of its associates and joint ventures. If the carrying amount of an associate or a joint ventures 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 and joint ventures 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 and joint ventures, 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, associates and joint ventures 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

After a brief period of relief, the COVID-19 pandemic returned towards the end of the year, pushing the world into a new era of uncertainty. For Athora Netherlands, our customers, suppliers, employees and other stakeholders, the impact last year turned out to be minimal.

The impact for our stakeholders can be summarised as follows:

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. The 2021 impact of COVID-19 on our investment returns have again proved to be limited. Nevertheless, the pandemic is still having an impact on the world and we will continue to monitor the market.

Way of working: We have come to terms with the fact that the new normal will be different from what we were used to. At the same time, we recognise the opportunities presented with the accelerated digitisation and introduction of digital tools. We have therefore announced a new way of working at Athora Netherlands, in line with the smart working approach. This means:

- Employees are asked to pick a smart site / spot / solution for their work on any given day or part of day—nine to five in the office will no longer be the norm;
- Agreements will be made within each team as to what best suits the team, rather than an overarching company policy;
- The offices have been refurbished (sustainably, using recycled materials) to be conducive to this new way of working.
- Management will be extra alert with respect to the safety and wellbeing of our employees.

Challenges Ahead

Globally, the economy is suffering from the constraints introduced to manage the pandamic, 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 2021 is limited. There was no increase in impairments on investments or amounts in arrears. In 2021, no concessions were issued to third parties (2020: € 11 thousand). 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

Disposals

ACTIAM N.V. (2021)

On 21 October 2021, Athora Netherlands has reached an agreement to sell its asset manager ACTIAM N.V. (ACTIAM) to Cardano Risk Management B.V. The transaction has been closed on 1 January 2022. Following this agreement, ACTIAM has been classified as 'Held for sale' and the 2021 year-to-date and sale result of ACTIAM have been classified under Net result from discontinued operation. For more information refer to Note 38 Discontinued operations.

VIVAT Schadeverzekeringen N.V. (2020)

On 1 April 2020, 100% of the shares of VIVAT Schadeverzekeringen N.V. (VIVAT Schade) held by Athora Netherlands were sold to NN Schade, for a purchase price of € 416 million. The total gain recognised on the disposal of VIVAT Schade as discontinued operation is € 56 million. For more information refer to Note 38 Discontinued operations.

Acquisitions

In 2021, Athora Netherlands' subsidiary SRLEV has invested in Dutch Mortgage Investment Fund 2020 for an amount of € 604 million and in Athora Lux Invest for an amount of € 2,407 million. SRLEV has established Athora Lux Earth Holdings 1 SA together with Athora Belgium SA.

Dutch Mortgage Investment Fund 2020

Dutch Mortgage Investment Fund 2020 is a newly created investment fund controlled by SRLEV specialised in acquiring mortgages. SRLEV is the only investor in the fund and it is accounted for as a subsidiary.

Athora Lux Invest

Athora Lux Invest is an umbrella investment fund with sub-funds, in which SRLEV is the only investor. In 2020, SRLEV started to invest in two sub-funds and in 2021, SRLEV has invested in other sub-funds. In 2021 several sub-funds specialised in commercial real estate, middle market direct lending, large cap lending and leveraged loans were controlled by SRLEV. These sub-funds are accounted for as subsidiaries.

Athora Lux Earth Holdings 1 SA

SRLEV and Athora Belgium SA have established Athora Lux Earth Holdings 1 SA. SRLEV holds 65.7% of the shares and Athora Belgium SA 34.3% of the shares. Athora Lux Earth Holdings 1 SA invests directly or indirectly in commercial real estate (office buildings). SRLEV and Athora Belgium SA have joint control over the investment and are not able to obtain more than 50% control. Athora Lux Earth Holdings 1 SA is presented as a joint venture. For more information refer to Note 2 'Investments in Associates and Joint Ventures'.

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.

6.3 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 Property and Equipment

BREAKDOWN OF PROPERTY AND EQUIPMENT		
In € millions	**2021**	**2020**
Land and buildings for own use	36	38
IT equipment	1	2
Right-of-use assets (ROU)	1	2
Other assets	4	4
Total	**42**	**46**

BREAKDOWN OF RIGHT-OF-USE ASSETS		
In € millions	**2021**	**2020**
Property	0	0
Vehicles	1	2
Total	**1**	**2**

STATEMENT OF CHANGES IN PROPERTY AND EQUIPMENT 2021						
In € millions	**Land and buildings**	**IT equipment**	**ROU: Property**	**ROU: Vehicles**	**Other assets**	**Total**
Accumulated acquisition costs	85	8	-	4	16	**113**
Accumulated depreciation and impairments	-49	-7	-	-3	-12	**-71**
Balance as at 31 December	**36**	**1**	**0**	**1**	**4**	**42**
Balance as at 1 January	**38**	**2**	**0**	**2**	**4**	**46**
Depreciation	-2	-1	-	-1	-	**-4**
Balance as at 31 December	**36**	**1**	**0**	**1**	**4**	**42**

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	85	9	-	4	16	**114**
Accumulated depreciation and impairments	-47	-7	-	-2	-12	**-68**
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 2020 represents the reclassification of the property in Assen to Investment Property.

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 building is rented out to a third parties. The rental agreement has an expiration date in 2023.

The future lease payments (excluding service costs and VAT) for Property own use to be received for a period up to one year is € 0.4 million; for a period of one to two years is € 0.1 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
2021	36	36	100%
2020	37	37	100%

2 Investments in Associates and Joint Ventures

Associates

This item comprises Athora Netherlands' investment in CBRE Property Fund Central and Eastern Europe (CBRE PFCEE) and Apollo Strategic Origination Partners (ASOP).

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.

ASOP 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 is a limited partner with a 30% share in the fund.

Joint ventures

This item comprises Athora Netherlands' investment in Athora Lux Earth Holdings 1 S.A. The entity is established in Luxembourg and its purpose is to invest in French office real estate. Athora Lux Earth Holdings operates as a public limited company. Athora Netherlands owns 66% of shares, Athora Belgium owns the remaining 34%. Athora Netherlands accounts for its participation in Athora Lux Holdings 1 as a joint venture and measures it using the equity method. The joint control has been established in the shareholders' agreement. Each shareholder appoints two out of four members in the Board of Directors and the strategic decisions has to be taken unanimously by this Board.

OVERVIEW OF INVESTMENTS IN ASSOCIATES AND JOINT VENTURES 2021			
Name	Country of incorporation	% of ownership interest	Measurement method
CBRE Property Fund Central and Eastern Europe (CBRE PFCEE)	Netherlands	30%	Equity
Apollo Strategic Origination Partners (ASOP)	Bermuda	30%	Equity
Athora Lux Earth Holdings 1 SA (Earth)	Luxembourg	66%	Equity

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

STATEMENT OF CHANGES IN INVESTMENTS IN ASSOCIATES AND JOINT VENTURES		
In € millions	2021	2020
Balance as at 1 January	**38**	**37**
Capital invested	247	2
Repayment of capital invested	-74	-
Result of associates and joint ventures	3	1
Dividend received	-3	-2
Balance as at 31 December	**211**	**38**

The information below was derived from CBRE PFCEE's financial statements. CBRE PFCEE's financial year ends on 31 December 2021. The financial statements have been prepared in accordance with IFRS. It does not represent the share of SRLEV in its profits.

CONDENSED STATEMENT OF FINANCIAL POSITION OF CBRE PFCEE		
In € millions	2021	2020
Non-current assets	150	151
Current assets	13	13
Total assets	**163**	**164**
Current liabilities	2	2
Non-current liabilities	43	43
Total liabilities	**45**	**45**
Net assets	**118**	**119**

CONDENSED STATEMENT OF PROFIT OR LOSS OF CBRE PFCEE		
In € millions	2021	2020
Income	15	15
Expenses	9	15
Result continued operations	**6**	**-**
Tax expense	1	-
Net result continued operations	**5**	**-**

The information below was derived from ASOP's financial statements. ASOP's financial year ends on 31 December 2021. The financial statements have been prepared in accordance with IFRS. It does not represent the share of SRLEV in its profits.

CONDENSED STATEMENT OF FINANCIAL POSITION OF ASOP		
In € millions	**2021**	**2020**
Non-current assets	103	-
Current assets	157	-
Total assets	**260**	**-**
Current liabilities	1	-
Non-current liabilities	-	-
Total liabilities	**1**	**-**
Net assets	**259**	**-**

CONDENSED STATEMENT OF PROFIT OR LOSS OF ASOP		
In € millions	**2021**	**2020**
Income	8	-
Expenses	1	-
Result continued operations	**7**	**-**
Tax expense	-	-
Net result continued operations	**7**	**-**

The information below was derived from Athora Lux Earth's financial statements. Athora Lux Earth's financial year ends on 31 December 2021. The financial statements have been prepared in accordance with IFRS. It does not represent the share of SRLEV in its profits.

CONDENSED STATEMENT OF FINANCIAL POSITION OF EARTH		
In € millions	**2021**	
Non-current assets	151	
Current assets	9	
- Of which Cash and Cash equivalents		3
Total assets	**160**	
Current liabilities	6	
- Of which Current financial liabilities		3
Non-current liabilities	115	
- Of which Non-current financial liabilities		115
Total liabilities	**121**	
Net assets	**39**	

CONDENSED STATEMENT OF PROFIT OR LOSS OF EARTH	
In € millions	**2021**
Income	5
Expenses	2
Result continued operations	**3**
Tax expense	-
Net result continued operations	**3**

3 Investment Property

SPECIFICATION INVESTMENT PROPERTY		
In € millions	**2021**	**2020**
Investment property	615	521
Right-of-use assets (ROU): Investment property	-	-
Total	**615**	**521**

STATEMENT OF CHANGES IN INVESTMENT PROPERTY 2021			
In € millions	**Investment property**	**ROU: Investment property**	**Total**
Balance as at 1 January	**521**	**-**	**521**
Investments	30	-	**30**
Divestments	-10	-	**-10**
Revaluations	74	-	**74**
Balance as at 31 December	**615**	**-**	**615**

Investment property mainly consists of offices and retail properties. The majority of investment property is invested in The Netherlands. The portion invested abroad amounts to € 23 million (2020: € 19 million).

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**

The reclassification in 2020 represents the reclassification of the property in Assen from Property own use to investment property (€ 5 million).

The rental income from operating leases of the investment property is reported in Note 26 Investment Income. In 2021, no rental concessions in relation to COVID-19 were made (2020: € 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 € 24 million; for a period of one to two years is € 23 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 € 11 million; for a period of longer than five years is € 4 million.

4 Investments

BREAKDOWN OF INVESTMENTS		
In € millions	**2021**	**2020**
Fair value through profit or loss: Designated	161	174
Available for sale	28,089	31,801
Loans and receivables	11,769	9,947
Balance as at 31 December	**40,019**	**41,922**

Investments for own account decreased in 2021 by € 1.9 billion compared to 2020. This is mainly caused by the decrease in the available for sale portfolio (€ 3.7 billion) as the result of lower invested received cash collateral combined with the negative revaluations of the fixed income portfolio due to increased market interest rates. This was partly offset by the increase in Loans and receivables (€ 1.8 billion). This is due to a net inflow of € 1.2 billion in a new loan portfolio and growth of the mortgage portfolio, partly offset by redemptions of private loans linked to saving mortgages.

BREAKDOWN OF FAIR VALUE THROUGH PROFIT OR LOSS: LISTED AND UNLISTED		
	Fixed-income	
In € millions	**2021**	**2020**
Listed	161	174
Unlisted	-	-
Total	**161**	**174**

STATEMENT OF CHANGES IN FAIR VALUE THROUGH PROFIT OR LOSS		
	Fixed-income	
In € millions	**2021**	**2020**
Balance as at 1 January	**174**	**186**
Disposals and redemptions	-	-18
Revaluations	-13	6
Received Coupons	-5	-5
Accrued Interest	5	5
Balance as at 31 December	**161**	**174**

BREAKDOWN OF AVAILABLE FOR SALE: LISTED AND UNLISTED						
	Shares and similar investments		**Fixed-income investments**		**Total**	
In € millions	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**
Listed	-	-	22,956	27,837	**22,956**	**27,837**
Unlisted	3,067	2,605	2,066	1,359	**5,133**	**3,964**
Total	**3,067**	**2,605**	**25,022**	**29,196**	**28,089**	**31,801**

The increase of shares and similar investments in 2021 was caused by the higher investments in money market funds. Fixed-income investments in the available for sale portfolio decreased with € 4.2 billion due to lower investments of received cash collateral and negative revaluations as a result of increased market interest rates and an outflow to the loans and receivables portfolio.

STATEMENT OF CHANGES IN AVAILABLE FOR SALE						
	Shares and similar investments		Fixed-income investments		Total	
In € millions	2021	2020	2021	2020	2021	2020
Balance as at 1 January	**2,605**	**2,374**	**29,196**	**30,020**	**31,801**	**32,394**
Purchases and advances	18,653	17,771	9,076	20,430	**27,729**	**38,201**
Disposals and redemptions	-18,219	-17,444	-12,393	-20,086	**-30,612**	**-37,530**
Movements due to sale VIVAT Schade	-	-59	-	-1,492	**-**	**-1,551**
Revaluations	81	2	-825	710	**-744**	**712**
Impairments	-1	-4	-	-	**-1**	**-4**
Amortisation	-	-	-140	-179	**-140**	**-179**
FX Result	13	-11	135	-186	**148**	**-197**
Received Coupons	-	-	-485	-582	**-485**	**-582**
Accrued Interest	-	-	458	561	**458**	**561**
Dividend Received/ Negative Distribution	-36	-24	-	-	**-36**	**-24**
Asset held for sale	-29	-	-	-	**-29**	**-**
Balance as at 31 December	**3,067**	**2,605**	**25,022**	**29,196**	**28,089**	**31,801**

During the year, most of the disposals and redemptions stated above relate to Dutch, German and Japanese sovereigns bond. The proceeds have been reinvested in European short term bonds, Japanese sovereign bonds and US corporate bonds.

BREAKDOWN OF AVAILABLE FOR SALE: MEASUREMENT						
	Shares and similar investments		Fixed-income investments		Total	
In € millions	2021	2020	2021	2020	2021	2020
(Amortised) cost	2,985	2,577	21,981	25,252	**24,966**	**27,829**
Revaluation	82	28	2,778	3,642	**2,860**	**3,670**
Accrued interest	-	-	263	302	**263**	**302**
Balance as at 31 December	**3,067**	**2,605**	**25,022**	**29,196**	**28,089**	**31,801**

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 2021 amounts to € 2,155 million (2020: € 1,691 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 2021 was € 2,209 million (2020: € 1,751 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 2021 was € 1,972 million (2020: € 1,890 million). The collateral received for derivatives are reported in Note 40 Financial Instruments.

BREAKDOWN OF LOANS AND RECEIVABLES		
In € millions	**2021**	**2020**
Mortgages	4,834	3,974
Private loans linked to savings mortgages	3,614	3,967
Other private loans	3,322	2,006
Total	**11,769**	**9,947**
Provision for bad debts	-	-
Total	**11,769**	**9,947**

The increase in mortgages by € 860 million was driven by an investment of € 1,243 million to further expand the existing exposure to Dutch residential mortgage loans partly offset by the outflow on existing brands. Private loans linked to savings mortgages decreased due to redemptions, while the other private loans portfolio increased due to new corporate lendings in 2021.

STATEMENT OF CHANGES IN LOANS AND RECEIVABLES		
In € millions	**2021**	**2020**
Balance as at 1 January	**9,947**	**8,992**
Purchases and advances	4,649	2,913
Movements due to sale VIVAT Schade	-	-43
Disposals and redemptions	-3,063	-2,016
Amortisation	-6	-12
Realised Revaluation	5	2
Accrued interest	141	157
FX Result	96	-46
Balance as at 31 December	**11,769**	**9,947**
Balance provisions as at 1 January	-	-
Release	-	-
Release due to derecognition	-	-
Balance provisions as at 31 December	**-**	**-**
Total	**11,769**	**9,947**

Investment Portfolio

BREAKDOWN OF INVESTMENTS OF INSURANCE BUSINESS		
In € millions	**2021**	**2020**
Investments		
- Fair value through profit or loss: Designated	161	174
- Available for sale	25,022	29,196
- Other private loans	3,322	2,006
Interest-bearing investment portfolio	**28,505**	**31,376**
Mortgages	4,834	3,974
Private loans linked to savings mortgages	3,614	3,967
Total	**36,953**	**39,317**

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	**2021**		**2020**	
Sovereign	18,284	64%	21,249	68%
Corporate bonds - financial sector	4,008	14%	5,397	17%
Corporate bonds - non-financial sector	2,328	8%	2,250	7%
Mortgage backed securities	543	2%	451	2%
Loans	3,322	12%	2,006	6%
Other	20	0%	23	0%
Total	**28,505**	**100%**	**31,376**	**100%**

Compared to 2020 a shift can be noticed from sovereigns and financial sector corporate bonds in favor of loans.

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

BREAKDOWN OF INTEREST-BEARING INVESTMENT PROFILE (RATING)				
In € millions	**2021**		**2020**	
AAA	12,583	44%	15,460	49%
AA	5,404	19%	6,768	22%
A	5,290	19%	5,307	17%
BBB	2,566	9%	2,828	9%
< BBB	321	1%	27	0%
Not rated	2,341	8%	986	3%
Total	**28,505**	**100%**	**31,376**	**100%**

In 2021, Athora Netherlands continued its investment deployment strategy which is reflected in the increase of the <BBB and not rated investments in the interest-bearing investment portfolio (2021: 9%, 2020: 3%) at the expense of AA and AAA rated investments. These are higher risk investments.

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

BREAKDOWN OF INTEREST-BEARING INVESTMENT PROFILE (GEOGRAPHIC)				
In € millions	2021		2020	
Germany	8,517	29%	9,319	29%
Netherlands	4,121	13%	5,555	17%
United States Of America	3,590	13%	3,089	10%
France	2,439	9%	2,682	9%
United Kingdom	1,436	5%	1,200	4%
Japan	1,305	5%	901	3%
Austria	1,071	4%	1,406	4%
Belgium	902	3%	1,179	4%
Spain	672	2%	372	1%
Italy	544	2%	180	1%
Finland	349	1%	1,016	3%
Luxembourg	332	1%	387	1%
Switzerland	235	1%	278	1%
Denmark	223	1%	552	2%
Jersey	203	1%	213	1%
Other European countries	2,180	8%	2,556	8%
North-America	212	1%	214	1%
Oceania	171	1%	277	1%
Asia	3	0%	-	0%
Total	**28,505**	**100%**	**31,376**	**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 (2021: € 2,180 million / 2020: € 2,556 million).

BREAKDOWN OF MORTGAGES PER RISK CATEGORY		
In € millions	2021	2020
Mortgages < 75% of foreclosure value	3,868	2,061
Mortgages 75% < > 100% of foreclosure value	177	799
Mortgages > 100% of foreclosure value	18	144
Mortgages with National Mortgage Guarantee	771	970
Residential property in the Netherlands	**4,834**	**3,974**
Specific provision for bad debts	-	-
Total	**4,834**	**3,974**

5 Investments for Account of Policyholders

Investments for account of policyholders include investments under unit-linked policies for an amount of € 12,684 million (2020: € 11,520 million) and separate investment deposits for separate accounts amounting to € 1,739 million (2020: € 2,268 million).

BREAKDOWN OF INVESTMENTS FOR ACCOUNT OF POLICYHOLDERS: LISTED AND UNLISTED		
In € millions	**2021**	**2020**
Shares and similar investments:		
- Listed	13,334	12,701
- Unlisted	381	410
Fixed-income investments		
- Listed	472	426
- Unlisted	236	251
Total	**14,423**	**13,788**

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	**2021**	**2020**
Balance as at 1 January	**13,788**	**13,520**
Purchases and advances	4,422	2,839
Disposals and redemptions	-5,008	-3,157
Changes in fair value	1,377	701
Dividend Received/Negative Distribution	-186	-100
Received Coupons	-11	-14
Accrued Interest	21	23
FX Result	20	-22
Other movements	-	-2
Balance as at 31 December	**14,423**	**13,788**

The increase of investments for account of policyholders was mainly driven by positive fair value changes from a € 1,377 million positive revaluation result. This positive result is a result from positive stock indices in 2021. This was partially offset by € 586 million net divestment.

6 Investments/Liabilities for Account of Third Parties

The third party investments amount to € 3,354 million (2020: € 2,414 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 2021 is the consequence of € 535 million positive revaluation. These revaluations are mainly due to equity investments. Other reasons for the increase in third party investments are higher net inflow in Zwitserleven PPI that partly originate from investments under unit-linked policies.

BREAKDOWN PER TYPE OF INVESTMENTS		
In € millions	**2021**	**2020**
Shares and similar investments	3,320	2374
Investments in investments funds	**3,320**	**2374**
Other investments	29	29
Cash of participants to be invested	5	11
Other investments	**34**	**40**
Total	**3,354**	**2,414**

STATEMENT OF CHANGES IN INVESTMENTS FOR ACCOUNT OF THIRD PARTIES:		
In € millions	2021	2020
Balance as at 1 January	**2,414**	**1,045**
Purchases and advances	806	1,419
Disposals and redemptions	-369	-251
Changes in fair value	535	183
Dividend received	-25	-9
Other movements	-7	27
Balance as at 31 December	**3,354**	**2,414**

7 Derivatives

BREAKDOWN OF DERIVATIVES						
	Positive value		Negative value		Balance	
In € millions	2021	2020	2021	2020	2021	2020
Derivatives for which cash flow hedge accounting is applied	-	284	-	-	**-**	**284**
Derivatives held in the context of asset and liability management to which no hedge accounting is applied	3,834	5,106	1,415	1,097	**2,419**	**4,009**
Total	**3,834**	**5,390**	**1,415**	**1,097**	**2,419**	**4,293**

The derivatives position decreased with € 1,874 million in 2021. This is mainly due to changes in market value caused by the increase of long-term interest rates (€ 1,880 million) and the strengthening of foreign currency mainly the US dollar (€ 220 million). Long-term interest rates increased in 2021 and therefore the (receiver) swaps decrease in value. The increased US dollar to Euro rate has lead to a decrease of the derivatives in terms of Euro value. Furthermore, cash flow hedge accounting is terminated per July 2021, and the swaps were classified as regular interest rate swaps. Revaluation reserve of cash flow hedge accounting as of July 2021 is amortised until the final maturity date of each individual swap (refer to Note 41 'Hedging and Hedge Accounting').

STATEMENT OF CHANGES IN DERIVATIVES		
In € millions	2021	2020
Balance as at 1 January	**4,293**	**2,426**
Purchases	11	53
Disposals	59	1
Realised gains and losses	160	-156
Movements due to sale VIVAT Schade	-	-65
Revaluations	-1,880	1,797
Exchange rate differences and FX result	-220	232
Accrued interest	-4	5
Balance as at 31 December	**2,419**	**4,293**

The disposals mainly consist of bond forwards (€ -123 million) and FX Forward (€ 181 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 2021				
In € millions	1 January	Change through profit or loss	Change through equity	31 December
Capitalised acquisition costs Insurance activities	**18**	1	-	19
(Investment) property and equipment	**-67**	-20	-	-87
Investments	**-788**	28	182	-578
Derivatives	**-975**	392	18	-565
Insurance contracts	**2,376**	-290	-214	1,872
Provision for employee benefits	**73**	1	-	74
Received loans	**-2**	9	-	7
Other	**-28**	-82	-	-110
Total	**607**	**39**	**-14**	**632**

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**

The total amount of change in deferred tax through profit or loss is € 39 million (2020: € 117 million). This amount is due to temporary differences (2021: € 86 million; 2020: € 60 million), the impact of the change in corporate income tax rate (2021: € 22 million; 2020: € 57 million) and the impact of non-recoverable deferred tax assets (DTA) of € -69 million in 2021. See also Note 37 Income Tax.

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.

However, on 21 December 2021 The Senate approved the Tax Plan 2022 including the increase of the corporate income tax rate from 25% to 25.8% as of 1 January 2022. This means that this tax rate change is substantively enacted and that the 31 December 2021 deferred tax calculation is based on the updated rate. The total impact of the change 2021 in tax rate is € 22 million (gain) of which € 22 million via the profit or loss account as tax benefit.

In 2021 Athora Netherlands updated the model applied to the reassessment of the DTA recoverability. The most significant update relating to the tax loss carry-back and carry-forward rules stemmed from the new tax laws in respect of loss compensation adopted in 2021. Also the assumptions regarding the dividend payments and loans' redemption and coupon payments were updated following Athora Netherlands' new investment deployment policies. Other adjustment included the refinements in DTA and DTL run-off patterns, refinements in modelling for new business and fiscal equalization reserves.

These model adjustments combined with the update of the economic data (mostly relating to interest rates and spreads) resulted in DTA no longer being fully recoverable. Based on this updated net DTA recoverability reassessment, the carrying amount of deferred tax assets decreased with € 69 million of non-recoverable DTA. This decrease was recognised in profit or loss as tax expense (refer to Note 37 'Income Tax').

9 Loans and Advances due from Banks

BREAKDOWN OF LOANS AND ADVANCES DUE FROM BANKS		
In € millions	**2021**	**2020**
Loans relating to saving components of mortgages	-	257
Collateral	238	190
Deposits	4	32
Loans to banks	118	124
Balance as at 31 December	**360**	**603**

This item mainly relates to loans and advances due from banks other than interest-bearing securities. Of the total amount of € 360 million (2020: € 603 million), € 238 million has a remaining term to maturity of less than three months (2020: € 191 million). Loans relating to saving components of mortgages Volksbank has been discontinued during 2021.

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

10 Other Assets

BREAKDOWN OF OTHER ASSETS		
In € millions	**2021**	**2020**
Receivables from policyholders	29	46
Receivables from intermediaries	44	47
Receivables from direct insurance	**73**	**93**
Accrued interest	19	15
Other accrued assets	141	54
Accrued assets	**160**	**69**
Other receivables	111	92
Total	**345**	**254**

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	**2021**	**2020**
Short-term bank balances	403	385
Total	**403**	**385**

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 a loan facility agreement with its parent Athora Holding Ltd. for the amount of € 150 million. At year-end 2021, the complete facility is undrawn.

12 Equity

BREAKDOWN OF EQUITY		
In € millions	**2021**	**2020**
Equity attributable to Shareholders	3,643	3,428
Equity attributable to Holders of Other equity instruments	350	300
Total	**3,993**	**3,728**

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.

At the end of December 2021, Athora Netherlands Holding Ltd. strengthened the capital position of Athora Netherlands via € 275 million share premium contribution.

In December 2021, Athora Netherlands was provided a perpetual Tier 1 Capital Subordinated loan by its ultimate parent company Athora Holding Ltd. The € 50 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 Athora Netherlands, as issuer of the loan, to repay the principal or to pay interest.

The notes are first callable after five years and each interest payment date thereafter, subject to conditions to redemption. The coupon is fixed at 4.44% per annum until the first call date and payable annually in arrears on 23 December in each year, commencing on 23 December 2021. Interest on this loan is recognised directly via equity instead of via the statement of profit or loss.

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	**2021**	**2020**
Bonds	906	818
Total	**906**	**818**

STATEMENT OF CHANGES IN SUBORDINATED DEBT		
In € millions	2021	2020
Balance as at 1 January	**818**	**868**
Issue of subordinated debts	297	-
Disposals and redemptions	-250	-
Amortisation	2	1
Changes market value due to hedging	-4	-8
Currency gains and losses	43	-43
Balance as at 31 December	**906**	**818**

Subordinated Bonds

BREAKDOWN OF SUBORDINATED BONDS							
				Carrying amount		Nominal value	
In € millions	Coupon	Maturity	First call date	2021	2020	2021	2020
SRLEV N.V.	9.000%	April 2011 - April 2041	April - 2021	-	250	-	250
SRLEV N.V. (Swiss Franc)	mid-swap plus 5.625%	July 2011 - perpetual	December - 2022	102	97	102	97
Athora Netherlands N.V. (US Dollar)	6.250%	November 2017 - perpetual	November - 2022	506	467	508	469
Athora Netherlands N.V.	2.250%	April 2021 - April 2031	April - 2026	298	-	300	-
				906	**814**	**910**	**816**
Hedge accounting adjustment				-	4	-	-
Total				**906**	**818**	**910**	**816**

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

In April 2021, Athora Netherlands issued € 300 million 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 2.250% per annum until the first call date. The notes qualify as Tier 2 regulatory capital under Solvency II.

In November 2017, Athora Netherlands N.V. 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.

In July 2011, SRLEV N.V. 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, 2020 and 2021. 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.

14 Borrowings

STATEMENT OF CHANGES IN BORROWINGS		
In € millions	2021	2020
Balance as at 1 January	**61**	**645**
Disposals and redemptions	-	-613
Realised revaluation	-	29
Balance as at 31 December	**61**	**61**

On 17 May 2017 Athora Netherlands N.V. 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 two years.

15 Insurance Liabilities and Reinsurance Share

As per 31 December 2021, the total amount of insurance liabilities is € 50,246 million (2020: € 51,512 million). The reinsurers' share is € 9 million (2020: € 27 million).

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 insurance policies 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	2021	2020	2021	2020
Provision for Life insurance obligations (15.1)	26,134	25,855	9	27
Results on allocated investments and interest derivatives (15.1)	6,204	9,058	-	-
Cumulative LAT deficit (15.3)	2,509	2,024	-	-
Unamortised interest rate discounts (15.1)	463	331	-	-
Provision for profit-sharing, bonuses and discounts (15.1)	42	54	-	-
Life, for own risk	**35,352**	**37,322**	**9**	**27**
Life, for account of policyholders (15.2)	**14,894**	**14,190**	**-**	**-**
Total	**50,246**	**51,512**	**9**	**27**

15.1 Life, for Own Risk

STATEMENT OF CHANGES IN PROVISIONS FOR LIFE INSURANCE OBLIGATIONS FOR OWN RISK				
	Gross		Reinsurance	
In € millions	2021	2020	2021	2020
Balance as at 1 January	**25,855**	**26,368**	**27**	**46**
Portfolio transfers	329	14	-	-
Benefits paid	-2,138	-2,188	-431	-259
Premiums received	1,474	1,092	432	249
Interest added	820	783	1	1
Technical result	-80	-82	-20	-9
Release of expense loading	-123	-125	-	-1
Other movements	-3	-7	-	-
Balance as at 31 December	**26,134**	**25,855**	**9**	**27**

The Life portfolio contains individual and group insurance policies. In 2021, an amount of € 329 million was transferred from life insurance on behalf of policyholders to life insurance liabilities (2020: € 14 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 2020 is mainly due to new longevity reinsurance contracts in 2021 and at yearend 2020. For further details about longevity contracts, refer to Note 15.3 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	2021	2020
With profit-sharing (operational or surplus interest)	9,149	9,460
With interest rate discounts (or surcharges)	4,426	4,296
Without profit-sharing	8,925	8,109
Savings-based mortgages	3,634	3,990
Total traditional insurance policies	**26,134**	**25,855**

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 2021 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).

RESULTS ON ALLOCATED INVESTMENTS AND INTEREST DERIVATIVES		
In € millions	2021	2020
Revaluation reserve of fixed income investment portfolio	2,509	3,315
Results on fixed income financial assets backing insurance contracts with discretionary participation features and related derivatives	3,695	5,743
Total	**6,204**	**9,058**

The revaluation reserve of fixed income investment portfolio decreased by € 806 million. The increasing interest rates have lead to a negative impact on the market value of assets.

Shadow accounting decreased with € 2,049 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	2021	2020
Balance as at 1 January	**331**	**186**
Discounts and surcharges in the financial year	175	172
Amortisation	-43	-27
Balance as at 31 December	**463**	**331**

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	2021	2020
Balance as at 1 January	**54**	**71**
Profit-sharing, bonuses and discounts granted in the financial year	-12	-17
Balance as at 31 December	**42**	**54**

15.2 Life, for Account of Policyholders

STATEMENT OF CHANGES IN TECHNICAL PROVISIONS FOR INSURANCE ON ACCOUNT OF POLICYHOLDERS		
In € millions	2021	2020
Balance as at 1 January	**14,190**	**13,923**
Portfolio transfers	-329	-14
Premiums received	693	672
Benefits paid	-1,001	-1,049
Interest added	40	38
Changes in valuation and exchange rate	1,349	691
Technical result	3	-15
Release of expense loading	-50	-56
Other movements	-1	-
Balance as at 31 December	**14,894**	**14,190**

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 the Life Services Business the Insurance Policies in Investment Units only contain 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 2021 was mainly caused by market value movements in related assets.

BREAKDOWN OF INSURANCE POLICIES IN INVESTMENT UNITS		
In € millions	**2021**	**2020**
Without guarantee	11,813	10,583
With guarantee	3,081	3,607
Total	**14,894**	**14,190**

15.3 Liability Adequacy Test results

RECONCILIATION OF THE IFRS INSURANCE LIABILITIES AND THE LAT RESULTS		
	Life insurance LAT	
In € millions	**2021**	**2020**
Insurance liabilities before LAT[1]	45,218	46,146
IFRS LAT reserve	50,700	52,028
Deficit	**-5,482**	**-5,882**

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 (2021: € 2,509 million; 2020: € 3,315 million) and by the surplus value of the investments (mortgages and part of the loans and receivables) measured at amortised cost (2021: € 463 million; 2020 € 543 million). The remaining cumulative LAT deficit at 31 December 2021 amounts to € 2,510 million (2020: € 2,024 million) and is added to the insurance liabilities before LAT.

The increase of the cumulative LAT deficit amounts to € 486 million (2020: € 407 million increase) which is charged through the income statement. The development of the LAT deficit was a result of:

- Structural items that are expected recurring elements and are mainly driven by accrued coupon, expected cashflows and the UFR drag (€ 499 million increase of LAT deficit);
- The following non-structural market movements decreased the LAT deficit by € 299 million (profit):
  - Increasing swap interest rates led to a decrease of LAT deficit with € 99 million (profit);
  - The development of the swap spread (tightened in 2021) caused the LAT deficit to decrease by € 333 million (profit);
  - Increase of inflation in 2021 caused the LAT deficit to increase with € 206 million (loss);
  - Several other market movements had an impact of € 73 million decrease in LAT deficit (profit). This impact can largely be explained by effects from UL-Return, FX-effects and volatility.
- Due to portfolio & period experience variance and adding Value of New Business, the IFRS LAT deficit decreased by € 168 million (profit).
- Portfolio movement of assets caused the LAT deficit to increase with € 41 million (loss).

- Operating Assumption Changes have led to an increase of the LAT deficit of € 276 million (loss). This increase is mainly caused by updated investment management expenses (€ 228 million) and increase of the risk margin due to updated operating assumptions (€ 47 million);
- The following other changes increased the LAT deficit by € 137 million (loss);
  - A new longevity re-insurance contract (€ 72 million loss);
  - The adjustment of the Ultimate Forward Rate (UFR) from 3,75% to 3,60% (€ 111 million loss);
  - An adjustment in the methodology of the inflation assumption (€ 140 million profit);
  - The divestment of Actiam (€ 46 million loss);
  - And several data and model refinements related to LAT reserves (€ 48 million loss).

STATEMENT OF CHANGES IN IFRS LAT RESERVE (LIFE)		
In € millions	**2021**	**2020**
Balance as at 1 January	**52,028**	**49,449**
Portfolio Movements	-829	-994
Operating Assumption Changes:		
- Lapse	32	36
- Mortality	6	-188
- Expense	-8	-24
- Asset management costs	228	179
- Update Risk Margin Assumption Changes	47	-10
- Other	-23	-
Market Impacts	-875	3,278
Other	94	302
Balance as at 31 December	**50,700**	**52,028**

The market value of liabilities also decreased due to portfolio movements (€ -829 million). The decrease of the market value of liabilities is largely caused by market impacts (€ -875 million) that primarily consist of the change of the swap interest rates (€ -2,622 million), partially offset by the increase of fund value within the Unit Linked portfolio (€ 1,521 million) and increased inflation expectations (€ 226 million). Other items have led to an increase in market value by € 94 million and are driven by initial changes (a new longevity re-insurance contract, adjustment of the Ultimate Forward Rate (UFR) from 3,75% to 3,60%, adjustment in the methodology of the inflation assumption and the divestment of Actiam (see paragraph before table).

Longevity reinsurance

In 2021 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 2021 transaction has a one-off impact of € 72 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 2021 the longevity reinsurance contracts are included in the cumulative LAT deficit for € 658 million (2020: € 637 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	**2021**	**2020**
Pension commitments	670	680
Other employee benefit commitments	12	15
Total	**682**	**695**

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 N.V. pays a fixed amount to Stichting Pensioenfonds SNS REAAL.

In 2022, Athora Netherlands' contribution to the defined contribution scheme will be approximately € 17 million (2021: € 19 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 € 6.1 million in 2022 (2021: € 3.3 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 N.V., 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, € 207 million has been included in the provision for pensions for the former AXA and Winterthur pension schemes (2020: € 211 million). In 2022, Athora Netherlands' contribution to these defined benefit schemes is expected to amount to € 1.6 million (2021: € 0.8 million).

Pension Scheme Zwitserleven (Defined Benefit Scheme)
As of 1 January 2010, the accrual of new pension entitlements of the employees of former Zwitserleven N.V. 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 € 353 million (2020: € 364 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 € 3.4 million in 2022 (2021: € 2.0 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, € 109 million (2020: € 105 million) has been included in the provision for pensions for these other pension schemes. In 2022, Athora Netherlands' contribution to the other defined benefit schemes is expected to amount to € 1.0 million (2021: € 0.6 million).

Overview Pension Commitments

BREAKDOWN OF PENSION COMMITMENTS		
In € millions	**2021**	**2020**
Present value of defined benefit obligations	743	759
Less: Fair value of plan assets	-73	-79
Present value of the net liabilities	**670**	**680**

STATEMENT OF CHANGES IN PRESENT VALUE OF DEFINED BENEFIT OBLIGATIONS		
In € millions	2021	2020
Present value as at 1 January	**759**	**688**
Increase and interest accrual through profit or loss	4	6
Actuarial gains or losses due to changes in financial assumptions through Other Comprehensive Income	-2	79
Actuarial gains or losses due to changes in demographic assumptions through Other Comprehensive Income	-	-17
Actuarial gains or losses due to experience adjustments through Other Comprehensive Income	1	15
Benefits paid	-19	-19
Other movements through through profit or loss	-	7
Present value as at 31 December	**743**	**759**

STATEMENT OF CHANGES IN FAIR VALUE OF THE PLAN ASSETS		
In € millions	2021	2020
Fair value as at 1 January	**79**	**73**
Investment income through profit or loss	-	1
Return on plan assets	-3	8
Investment income	**-3**	**9**
Premiums	16	16
Benefits paid	-19	-19
Fair value as at 31 December	**73**	**79**

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	2021	2020
Cash and cash equivalents	15	14
Insurance contract	58	65
Balance as at 31 December	**73**	**79**

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

STATEMENT OF CHANGES IN OTHER COMPREHENSIVE INCOME		
In € millions	2021	2020
Balance as at 1 January	**-71**	**-20**
Actuarial gains or losses directly taken to Other Comprehensive Income pension commitments	-	-77
Investment income for the benefit or at the expense of Other Comprehensive Income	-	8
Deferred taxes	-	18
Other	-3	-
Balance as at 31 December	**-74**	**-71**

THE MAIN ACTUARIAL PARAMETERS AT YEAR-END		
In percentages	2021	2020
Discount rate	1.16%	0.72%
Expected salary increase	1.50%	1.50%
Increase accrued pension rights - Active	future wage inflation curve	future wage inflation curve
Increase accrued pension rights - Inactive	future price inflation curve	future price inflation curve

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 2021		
	31 December 2021	
In € millions	Change in € millions	Change in %
Discount rate 0.66% (-0.5%)	70	10%
Discount rate 1.66% (+0.5%)	-61	-9%

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%

Other Employee Benefit Commitments

STATEMENT OF CHANGES IN OTHER EMPLOYEE BENEFIT COMMITMENTS		
In € millions	2021	2020
Balance as at 1 January	**15**	**14**
Additions	-	2
Withdrawal	-3	-1
Balance as at 31 December	**12**	**15**

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	**2021**	**2020**
Restructuring provision	35	50
Other provisions	10	18
Total	**45**	**68**

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	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**
Balance as at 1 January	**50**	**-**	**18**	**15**	**68**	**15**
Reclassifications	-	-	-	4	**-**	**4**
Additions	7	50	1	1	**8**	**51**
Withdrawal	-8	-	-2	-3	**-10**	**-3**
Released to results	-14	-	-7	1	**-21**	**1**
Balance as at 31 December	**35**	**50**	**10**	**18**	**45**	**68**

In December 2021 the new Target Operating Model was presented by the Executive Board as an update of the Strategy & Operating Model that was presented in September 2020. This has led to an additional restructuring provision of € 7 million.

Implementing of this update would result in a reduction of FTE on top of the reduction of FTE presented in 2020. The costs associated with the reduction in FTE are to be provided for and added to the restructuring provision. The restructuring provision is formed for employees which qualify for redundancy status according to social plan agreements. It is expected that it will be used during 2021 until 2025. In 2021, there was a release of the restructuring provision formed in 2020 to results of € 14 million due to a higer natural outflow of staff than expected.

18 Amounts due to Banks

BREAKDOWN OF AMOUNTS DUE TO BANKS		
In € millions	**2021**	**2020**
Due on demand	2,638	4,427
Private loans	-	257
Total	**2,638**	**4,684**

The amount of € 2,638 million (2020: € 4,427 million) due on demand relates to cash collateral. The market value of the derivatives portfolio decreased mainly due to increased long-term interest rates and the strengthening of foreign currency resulting in a decrease in received cash collateral.

19 Other Liabilities

BREAKDOWN OF OTHER LIABILITIES		
In € millions	**2021**	**2020**
Debts to group companies	-	25
Debts in relation to direct insurance	240	267
Debts to reinsurers	26	48
Investment transactions to be settled	114	16
Other taxes	29	30
Other liabilities	212	264
Benefits to be paid	258	258
Accrued interest	8	21
Lease liabilities	1	2
Total	**888**	**931**

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 2021.

LEASE LIABILITIES - MATURITY ANALYSIS		
In € millions	**2021**	**2020**
< 1 month	-	-
1 - 3 months	-	-
3 - 12 months	1	1
1 - 2 years	-	1
2 - 5 years	-	-
> 5 years	-	-
Total	**1**	**2**
Current	1	1
Non-current	-	1

20 Guarantees and Commitments

Contingent Liabilities

At year-end 2021, SRLEV N.V. had contingent liabilities to invest € 1,212 million in investment funds (2020: € 611 million). These funds may in due course call these commitments (capital calls) when specific conditions are met. These capital calls have been taken into account in the company's liquidity management. The contingent liabilities had no immediate effect on the capital as of 31 December 2021.

At year-end 2021, Athora Netherlands also has a residual commitment of € 30 million (2020: € 100 million) to a ten year separate account mandate for RE Young Urban Housing B.V. (subsidiary of Athora Netherlands) in the Netherlands.

In 2019, SRLEV N.V. entered a loan commitment of € 32 million with its subsidiary Bellecom N.V. for the renovation of property. At year-end 2021, the residual loan commitment amounts to € 8 million (2020: € 19 million). Bellecom N.V. has entered into a commitment to invest a maximum of € 39.4 million into the renovation of property.

Guarantee Schemes

SRLEV N.V. has guaranteed obligations arising under an insurance contract between N.V. Pensioen ESC, a subsidiary of SRLEV N.V., and a third party related to the defined benefit plan of that party for the term of the contract. The financial position of N.V. Pensioen ESC, including the indexation reserves, which – as stipulated in the contract with the third party – will be guaranteed by Athora Netherlands N.V. if the SII ratio of SRLEV N.V. should fall below 100%. SRLEV N.V.'s solvency ratio was higher than 100% at year-end 2021. 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 N.V. 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 N.V. 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 N.V. bore part of the interest deficit. At year-end 2021, a liability of € 1 million exists relating to this separate accounts restructuring (2020: € 2 million). The customers' liability in respect of this restructuring was € 2 million at year-end 2021 (2020: € 3 million). SRLEV N.V. has received a guarantee from one of its clients of € 12.5 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 € 650 million at year-end 2021 (2020: € 883 million).

The market value of the collateral of the mortgages was € 11,430 million at year-end 2021 (2020: € 8,783 million). The amortised cost of the mortgages was € 5,096 million at year-end 2021 (2020: € 3,974 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 € 3,406 million (2020: € 3,713 million), deeds of assignment amounting to € 250 million (2020: € 273 million) or clearance amounting to € 176 million (2020: € 213 million). At year-end 2021 an amount of € 36 million was unsecured (2020: € 40 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 2021 was € 45 million (2020: € 49 million).

Additional commitments

In 2021 SRLEV entered into a long-term contract with regard to asset management activities. The future contractual payments amount to approximately € 210 million, of which € 27 million will be due within 1 year and €108 million in the period between 1 and 5 years. Early termination of the contract will result in the additional fees linked to the remaining duration of the contract.

Netherlands Reinsurance Company for Losses from Terrorism

In 2022, Athora Netherlands will take a 14.59% share in the Life cluster (2021: 15.38%) of the Netherlands Reinsurance company for Losses from Terrorism (Nederlandse Herverzekeringsmaatschappij voor Terrorismeschaden N.V.). In 2022, the guarantee will be € 10 million (one third of total guarantee of € 29 million) for the Life cluster (2021: € 10 million (one third of total guarantee of € 31 million)) and total premiums will amount to € 1 million (2021: € 1 million).

Legal Proceedings

General

In Athora Netherlands' efforts to ensure compliance with applicable laws and regulations, instances of non-compliance occur. This includes insufficient compliance with anti-money laundering regulations for the life insurance portfolio of Athora Netherlands subsidiary SRLEV N.V. ('SRLEV'), inducement norms, uniform pension overview (UPO) requirements, large company regime and requirements in relation thereto. Regulatory risk is present. Remediation actions are being initiated and closely monitored to address and resolve this.

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 has a portfolio of investment-linked 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 159,000 were still outstanding at 31 December 2021.

Since 2006, there has been widespread public attention for costs and risks related to investment-linked 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 agreement followed 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 N.V. that involve unit linked policies is, compared to the portfolio of active policies, relatively limited. On 31 December 2021, less than ten proceedings were pending against SRLEV before the civil courts or before the Klachteninstituut Financiële

Dienstverlening ('KiFiD'). These cases include a class action brought by Vereniging Woekerpolis.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-linked 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 currently on hold. It is unlikely that a final verdict by the District Court will be rendered in the year 2022.

To date, the number of cases in which SRLEV 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. On 11 February 2022 the Dutch Supreme Court issued a ruling in which it answered prejudicial questions raised by the Hague Court of Appeal in a collective action initiated by Vereniging Woekerpolis.nl against Nationale Nederlanden. We concur with Nationale Nederlanden's public statement that this ruling has no direct consequences for customers with an investment-linked insurance policy. In addition, we believe that the ruling does not have any direct consequences for the collective action brought by Vereniging Woekerpolis.nl against SRLEV.

Individual claims have operational impact. However, there are no material adverse changes in the overall risk profile, regarding the portfolio of investment-linked 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.

Athora Netherlands' related parties are its parent Athora, affiliates and Athora Netherlands' key management personnel and their close family members. Unless stated otherwise, transactions with related parties are conducted at arm's length.

Intra-group Balances and Transactions

INTRA-GROUP BALANCES AND TRANSACTIONS						
	Athora		Affiliates		Total	
In € millions	2021	2020	2021	2020	2021	2020
Positions						
Equity and liabilities						
Other liabilities (Debts to group companies)	51	25	-	1	**51**	**26**
Transactions						
Capital injection	275	400	-	-	**275**	**400**
Interim distribution	-	-416	-	-	**-**	**-416**
Obtain capital subordinated loan (holders of other equity instruments)	-25	-	-	-	-25	-
Income						
Share in result of associates and joint ventures	-	-	-	-1	**-**	**-1**
Expenses						
Fee and commission expenses	-	-	10	-	**10**	**-**

The main intra-group balances and transactions between Athora Netherlands N.V., Athora and affiliates in 2021 were:

- In 2021 Athora made a capital injection of € 275 million into Athora Netherlands.
- Athora granted a loan of € 50 million to Athora Netherlands.
- In 2021 Athora Netherlands invested additional €247 million in entities being associates and joint ventures and received a capital repayment of €74 million. For more details refer to note 2 “Investments in Associates and Joint Ventures”.
- For the year 2021 a total of € 10 million Management Fee has been charged by Apollo as Asset Manager for the Apollo funds.

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 N.V. and Proteq Levensverzekeringen N.V.

In 2021, the composition of the Executive Board and the Supervisory Board have changed. In 2021, three members of the Executive Board have resigned and three new members have been appointed to the Executive Board. One member of the Supervisory Board has resigned and two new members have been appointed to the Supervisory Board.

The Executive Board comprised five members as at 31 December 2021 (31 December 2020: 5). The Supervisory Board comprised six members as at 31 December 2021 (31 December 2020: 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	**2021**	**2020**
Short-term employee benefits	3,775	3,766
Post-employment benefits	103	108
Other long-term benefits	-	74
Termination benefits	1,443	4,531
Total	**5,321**	**8,479**

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 2021 (and 2020) and/or granted to members of the Executive Board during 2021.

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	**2021**	**2020**
Total fixed actual remuneration for Supervisory Board members	554	555
Total remuneration related to membership Supervisory Board Committees	21	21
Total	**575**	**576**

Loans, Advances and Guarantees

There are no loans, advances or guarantees outstanding on 31 December 2021 (and 2020) and/or granted to members of the Supervisory Board during 2021.

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 2021					
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 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**

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

Sale of ACTIAM

On 21 October 2021, Athora Netherlands has reached an agreement to sell its asset manager ACTIAM N.V. to Cardano Risk Management B.V. The transaction has been closed on 1 January 2022 and does not lead to a significantly different transaction result than the impairment loss recognised on the measurement to fair value less costs to sell as included in the financial statements 2021, refer to note 38 Discontinued operations.

Russia-Ukraine war

The Russian invasion of Ukraine and rapidly escalating events since late February 2022 are a real tragedy to the people and are causing disruption to business and economic activity in the region and worldwide. At the date of this report the scale and length of this invasion is unknown, and the situation is still changing from day to day. 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.

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.

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	2021	2020	2021	2020	2021	2020
Regular premiums Life Service Business	407	445	129	149	**536**	**594**
Regular premiums Pension Business	161	177	472	458	**633**	**635**
Gross regular premiums	**568**	**622**	**601**	**607**	**1,169**	**1,229**
Single premiums Life Service Business	90	72	4	8	**94**	**80**
Single premiums Pension Business	816	398	88	57	**904**	**455**
Gross single premiums	**906**	**470**	**92**	**65**	**998**	**535**
Total gross premium income	**1,474**	**1,092**	**693**	**672**	**2,167**	**1,764**
Total reinsurance premiums	432	249	-	-	**432**	**249**
Total net premium income	**1,042**	**843**	**693**	**672**	**1,735**	**1,515**

Compared to 2020 gross premium income is € 403 million higher, mainly driven by a € 460 million buy-out deal, which was partly offset by lower periodic premiums within Life Services Business and Pension Business. This is caused by a shrinking individual life portfolio and renewals from SRLEV to Zwitserleven PPI.

Reinsurance premium increased with € 183 million in 2021 compared to 2020 as result of the new reinsurance deal.

BREAKDOWN OF REGULAR PREMIUMS LIFE						
	General account		For account of policyholders		Total	
In € millions	2021	2020	2021	2020	2021	2020
Individual						
Without profit-sharing	364	399	129	149	**493**	**548**
With profit-sharing	55	59	-	-	**55**	**59**
Total individual	**419**	**458**	**129**	**149**	**548**	**607**
Group						
Without profit-sharing	119	125	472	458	**591**	**583**
With profit-sharing	30	39	-	-	**30**	**39**
Total group	**149**	**164**	**472**	**458**	**621**	**622**
Total gross regular premiums Life	**568**	**622**	**601**	**607**	**1,169**	**1,229**

BREAKDOWN OF SINGLE PREMIUMS LIFE						
	General account		For account of policyholders		Total	
In € millions	2021	2020	2021	2020	2021	2020
Individual						
Without profit-sharing	428	421	4	8	**432**	**429**
With profit-sharing	-	-	-	-	**-**	**-**
Total individual	**428**	**421**	**4**	**8**	**432**	**429**
Group						
Without profit-sharing	467	33	88	57	**555**	**90**
With profit-sharing	11	16	-	-	**11**	**16**
Total group	**478**	**49**	**88**	**57**	**566**	**106**
Total gross single premiums Life	**906**	**470**	**92**	**65**	**998**	**535**

25 Net Fee and Commission Income

BREAKDOWN OF NET FEE AND COMMISSION INCOME		
In € millions	2021	2020
Fee and commission income:		
- Management fees	15	12
- Other activities	40	15
Total fee and commission income	**55**	**27**
Fee and commission expense	2	4
Total	**53**	**23**

26 Investment Income

BREAKDOWN OF INVESTMENT INCOME		
In € millions	2021	2020
Fair value through profit or loss	216	216
Available for sale	543	622
Loans and receivables	422	317
Investment property	91	34
Total	**1,272**	**1,189**

BREAKDOWN OF INVESTMENT INCOME 2021					
In € millions	Fair value through profit or loss	Available for sale	Loans and receivables	Investment property	Total
Interest	230	316	355	-	**901**
Dividends	-	36	-	-	**36**
Rental income	-	-	-	27	**27**
Direct operating expenses	-	-	-	-9	**-9**
Total interest dividends and rental income	**230**	**352**	**355**	**18**	**955**
Realised revaluations	-1	99	31	2	**131**
Unrealised revaluations	-13	92	36	71	**186**
Total revaluations	**-14**	**191**	**67**	**73**	**317**
Total	**216**	**543**	**422**	**91**	**1,272**

The decrease in the available for sale portfolio is mainly caused by decreasing interest income, lower interest due to the shorter duration of the bond portfolio and the shift to loans and receivables (leading to an increase in the investment income on the loans and receivables). In addition the realised revaluations were significantly lower compared to 2020.

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**

Investment income includes a net gain on currency differences. This amount is economically hedged within the result on derivatives.

27 Investment Income for Account of Policyholders

BREAKDOWN OF INVESTMENT INCOME FOR ACCOUNT OF POLICYHOLDERS		
In € millions	2021	2020
Interest	21	23
Dividends	185	99
Total interest and dividends	**206**	**122**
Revaluations	1,170	570
Total	**1,376**	**692**

The increase of investments income for account of policyholders was mainly driven by a considerable higher revaluation result compared to 2020 mainly due to increasing stock markets.

28 Result on (Liabilities from) Investments for Account of Third Parties

The amount of € 534 million (2020: € 185 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	**2021**	**2020**
Revaluations transferred from OCI	-	7
Market value movements of derivatives maintained for ALM not classified for hedge accounting	-1,872	1,758
Total	**-1,872**	**1,765**

The negative result on derivatives of € 1,872 million largely corresponds to the market value movements of the derivatives. The market value movement was negatively influenced by changes in interest rates (€ 1,880 million) and by currency differences (€ 220 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	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**
General account benefits paid and surrenders	2,138	2,188	-431	-259	**1,707**	**1,929**
Change in general account insurance liabilities	264	-518	18	19	**282**	**-499**
Profit-sharing and discounts	-39	-31	-	-	**-39**	**-31**
Results on allocated investments and interest derivatives	-1,899	1,855	-	-	**-1,899**	**1,855**
LAT deficit	486	406	-	-	**486**	**406**
Total	**950**	**3,900**	**-413**	**-240**	**537**	**3,660**

Compared to 2020 expenses are € 3,123 million lower, mainly caused by a large decrease of LAT value in 2021 as result of increased market interest rates.

The increase in reinsurance benefits paid compared to 2020 is mainly due to new longevity reinsurance contracts in 2021 and at year-end 2020.

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	2021	2020
Benefits paid and surrenders for Life insurance contracts for account of policyholders	1,001	1,049
Change in technical provisions for Life insurance contracts for account of policyholders	736	258
Total	**1,737**	**1,307**

Change in technical provision is mainly attributable to an increase in the market value revaluations.

32 Acquisition Costs for Insurance Activities

Acquisition costs amount to € 13 million (2020: € 15 million) and comprise the direct and indirect costs associated with acquiring an insurance contract.

33 Staff Costs

BREAKDOWN OF STAFF COSTS		
In € millions	2021	2020
Salaries	81	81
Pension costs	16	25
Social security contributions	10	11
Other staff costs	50	88
Total	**157**	**205**

The staff costs decreased compared to 2020, mainly due to the decrease of other staff costs. The decrease of other staff costs can be ascribed to the absence of restructuring costs in 2021 (2020: € 50 million). In 2021, a release of the restructuring provision was recorded of € 7 million.

There was a collective salary adjustment of 2.25% per January 2021.

BREAKDOWN OF PENSION COSTS		
In € millions	2021	2020
Pension contributions based on defined contribution	16	17
Employee contributions	-3	-3
Total based on defined contributions	**13**	**14**
Increase of present value defined benefit plans	3	11
Total	**16**	**25**

Other Staff Costs

Other staff costs include the cost of temporary staff of € 50 million (2020: € 35 million), travelling expenses of € 2 million (2020: € 2 million), training costs of € 2 million (2020: € 3 million) and a release of the restructuring provision of € 7 million (2020: addition of € 50 million).

NUMBER OF INTERNAL FTE'S		
In numbers	2021	2020
Number of internal FTE's	1,209	1,653

34 Other Operating Expenses

BREAKDOWN OF OTHER OPERATING EXPENSES		
In € millions	**2021**	**2020**
IT systems	14	12
Housing	1	-
Marketing and public relations	3	1
External advisors	17	11
Other costs	12	13
Total	**47**	**37**

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	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**
Through profit or loss						
Property and equipment	1	6	1	-	**-**	**6**
Investments	1	5	2	-	**-1**	**5**
Other debts	1	1	-	1	**1**	**-**
Total through profit or loss	**3**	**12**	**3**	**1**	**-**	**11**

36 Other Interest Expenses

BREAKDOWN OF OTHER INTEREST EXPENSES		
In € millions	**2021**	**2020**
Bonds	47	87
Private loans	3	12
Interest on reinsurance deposits	-	1
Other interest and investment expenses	4	2
Total	**54**	**102**

Other interest expenses regarding bonds have decreased in 2021 compared to 2020. 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.

The decrease of interest on private loans is mainly caused by the redemption of private loans in 2021, 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 € 4 thousand (2020: € 11 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	2021	2020
In financial year	85	17
Other items	-	-11
Corporate income tax due	**85**	**6**
Due to temporary differences	-86	-60
Due to change in income tax rate with regard to deferred tax	-22	-57
Non-recoverable deferred tax assets	69	-
Deferred tax (including tax rate change)	**-39**	**-117**
Total tax expense / (benefit)	**46**	**-111**

The corporate income taxes are irrevocable for the years up to and including 2018.

RECONCILIATION BETWEEN THE STATUTORY AND EFFECTIVE TAX RATE

In € millions	2021	2020
Statutory income tax rate	25.0%	25.0%
Result before tax from continued operations	19	-158
Statutory corporate income tax amount	**5**	**-41**
Effect of participation exemption	-7	-
Due to change in income tax rate with regard to deferred tax	-22	-57
Non-recoverable deferred tax assets	69	-
Other items	1	-13
Total tax expense / (benefit)	**46**	**-111**
Effective tax rate	242.1%	70.3%

The effective tax rate of 242.1% differs compared to the nominal rate of 25%. This is mainly caused by the reassessment of the deferred tax assets recoverability as explained in Note 8 Deferred Tax.

38 Discontinued operations

On 21 October 2021, Athora Netherlands has reached an agreement to sell its asset manager ACTIAM N.V. to Cardano Risk Management B.V. The transaction have been closed at 1 January 2022. Following this agreement, ACTIAM became a discontinued operation. In 2020, VIVAT Schade became a discontinued operation.

The results relating to ACTIAM and VIVAT Schade as discontinued operations for the year are presented below.

NET RESULT FROM DISCONTINUED OPERATION		
In € millions	**2021**	**2020**
ACTIAM	-49	-10
VIVAT Schade	-	60
Net result for the period from discontinued operation	**-49**	**50**

STATEMENT OF PROFIT OR LOSS OF DISCONTINUED OPERATIONS		
In € millions	**2021**	**2020**
Income		
Premium income	-	207
Less: Reinsurance premiums	-	12
Net premium income	**-**	**195**
Fee and commission income	41	63
Fee and commission expense	8	24
Net fee and commission income	**33**	**39**
Investment income	-	3
Result on derivatives	-	13
Total income	**33**	**250**
Expenses		
Technical claims and benefits	-	136
Acquisition costs for insurance activities	-	44
Staff costs	19	44
Other operating expenses	16	26
Impairment losses (reversals)	-	-2
Other interest expenses	-	3
Total expenses	**35**	**251**
Result before tax from discontinued operation	**-2**	**-1**
Elimination of group transactions	-24	-6
Tax benefit / (expense)	6	1
Impairment loss recognised on the measurement to fair value less costs to sell	-29	-
Gain on disposal	-	56
Net result for the period from discontinued operation	**-49**	**50**

In 2021, ACTIAM became a discontinued operation and classified as held for sale. The assets of ACTIAM (€ 46 million) comprised available for sale financial assets (€ 29 million), cash and cash equivalents

(€ 7 million) and other assets (€ 10 million). The liabilities of ACTIAM amounted to € 12 million. The fair value less costs to sell was determined as €5 million and was therefore lower than net assets of ACTIAM (€ 34 million). Under IFRS 5 a discontinued operation is measured as lower of its carrying amount and its fair value less costs to sell, so an impairment loss of € 29 million has been recognised. Since none of ACTIAM's assets are in scope of the measurement requirements of IFRS 5, the impairment was recognised as a separate provision.

ACTIAM Elimination of group transactions concerns fee and commission income charged by ACTIAM to Athora Netherlands, SRLEV and Proteq and fee and commission expense charged by SRLEV to ACTIAM.

In 2020, 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 Schade.

The net cash flows incurred by ACTIAM and VIVAT Schade are as follows.

NET CASH FLOWS DISCONTINUED OPERATIONS		
In € millions	**2021**	**2020**
Net cash flow from operating activities	-8	13
Net cash flow from investment activities	13	-35
Net cash flow from financing activities	-	12
Net cash flow	**5**	**-10**

ASSETS HELD FOR SALE AND LIABILITIES DIRECTLY ASSOCIATED		
In € millions	**Assets held for sale**	**Liabilities directly associated with the assets held for sale**
ACTIAM	46	41
Elimination of group positions	-5	-3
Total	**41**	**38**

The values of the assets and liabilities of ACTIAM 2021 as held for sale and VIVAT Schade 2020 as at the date of disposal were:

VALUES OF ASSETS AND LIABILITIES		
In € millions	ACTIAM 2021	VIVAT Schade 2020
Assets		
Investments	29	1,595
Derivatives	-	65
Reinsurance share	-	62
Corporate income tax	2	-
Other assets	8	110
Cash and cash equivalents	7	34
Total assets	**46**	**1,866**
Liabilities		
Subordinated debt	-	150
Insurance liabilities	-	1,161
Provision for employee benefits	-	24
Provisions	29	-
Deferred tax	-	12
Amounts due to banks	-	67
Corporate income tax	-	3
Other liabilities	12	57
Total liabilities	**41**	**1,474**
Total net asset value	**5**	**392**
Gain on sale	-	24
Total consideration to be received	**5**	**416**

The cash portion of the consideration 2021 is equal to the amount of cash and cash equivalents of ACTIAM for an amount of € 7 million (2020: VIVAT Schade: € 34 million). The sale itself of VIVAT Schade did not led 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	2021	2020	2021	2020	2021	2020
Changes in valuation of defined benefit pension plan	-3	-68	-	20	**-3**	**-48**
Unrealised revaluations from cash flow hedges	-70	59	17	-32	**-53**	**27**
Amortisation from cash flow hedges	-10	29	2	-16	**-8**	**13**
Unrealised revaluations investments available for sale	-863	-155	191	113	**-672**	**-42**
Impairments and reversals fair value reserve	-	-2	-	2	**-**	**-**
Realised gains and losses transferred to profit or loss	42	393	-9	-280	**33**	**113**
Results on allocated investments and interest derivatives	955	-364	-215	225	**740**	**-139**
Total other comprehensive income	**51**	**-108**	**-14**	**32**	**37**	**-76**

The changes in valuation of defined benefit pension plan of € -3 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 € -70 million and consists mainly of fair value changes of cash flow hedge swaps during the year due to increased interest rates.

The unrealised revaluations investments available for sale of € -863 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 € 42 million 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 € 955 million consisting of the movement of Shadow accounting (€ 80 million before tax) and revaluation reserve of fixed income investment portfolio (€ 875 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	**2021**	**2021**	**2020**	**2020**
Property				
Land and buildings for own use	36	36	38	38
Investment property	615	615	521	521
Investments				
- Fair value through profit or loss: designated	161	161	174	174
- Available for sale	28,089	28,089	31,801	31,801
- Loans and receivables	7,212	6,936	6,341	5,973
- Mortgages	5,004	4,834	4,126	3,974
Investments for account of policyholders	14,423	14,423	13,788	13,788
Investments for account of third parties	3,354	3,354	2,414	2,414
Derivatives	3,834	3,834	5,390	5,390
Loans and advances due from banks	376	360	626	603
Other assets	344	344	254	254
Cash and cash equivalents	404	404	385	385
Assets held for sale	41	41	-	-
Total property and financial assets	**63,893**	**63,431**	**65,858**	**65,315**
Financial liabilities				
Subordinated debt	913	906	842	818
Borrowings	62	61	64	61
Derivatives	1,415	1,415	1,097	1,097
Amounts due to banks	2,638	2,638	4,684	4,684
Other liabilities	887	887	931	931
Liabilities directly associated with assets held for sale	38	38	-	-
Total financial liabilities	**5,953**	**5,945**	**7,618**	**7,591**

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.

Assets held for sale

The way, in which the fair value of assets held for sale is determined depends on the type of the asset.

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.

Liabilities associated with assets held for sale

The way, in which the fair value of the liabilities associated with assets held for sale is determined depends on the type of the liability.

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 2021					
		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	36	-	-	36	**36**
Investment property	615	-	-	615	**615**
Investments at fair value through profit or loss: designated	161	161	-	-	**161**
Investments available for sale	28,089	25,006	1,362	1,721	**28,089**
Investments for account of policyholders	14,423	14,158	8	257	**14,423**
Investments for account of third parties	3,354	3,354	-	-	**3,354**
Derivatives	3,834	1	3,814	19	**3,834**
Assets held for sale	41	-	41	-	**41**
Financial assets not measured at fair value					
Mortgages	4,834	-	-	5,004	**5,004**
Investments loans and receivables	6,936	-	912	6,300	**7,212**
Loans and advances due from banks	360	-	328	48	**376**
Other assets	344	-	-	-	**344**
Cash and cash equivalents	404	-	-	-	**404**
Financial liabilities measured at fair value					
Derivatives	1,415	-	1,292	123	**1,415**
Liabilities directly assoc. with assets held for sale	38	38	-	-	**38**
Financial liabilities not measured at fair value					
Subordinated debt	906	913	-	-	**913**
Borrowings	61	62	-	-	**62**
Amounts due to banks	2,638	-	-	-	**2,638**
Other liabilities	887	-	-	-	**887**

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**

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 2021						
In € millions	Land and buildings for own use	Investment property	Derivatives	Investments for account of policyholders	Available for sale	Total
Balance as at 1 January	**38**	**521**	**-95**	**288**	**1,514**	**2,266**
Transfer to level 3	-	-	2	-	-	**2**
Realised gains or losses recognised in profit or loss	-2	-	-56	5	27	**-26**
Unrealised gains or losses recognised in profit or loss	-	74	51	3	-	**128**
Unrealised gains or losses recognised in other comprehensive income	-	-	-	-	27	**27**
Purchase/acquisition	-	30	2	11	820	**863**
Sale/settlements	-	-10	-8	-60	-667	**-745**
Other	-	-	-	10	-	**10**
Balance as at 31 December	**36**	**615**	**-104**	**257**	**1,721**	**2,525**
Total gains and losses included in profit or loss	-2	74	-5	8	27	**102**

STATEMENT OF CHANGES IN LEVEL 3 PROPERTY AND FINANCIAL INSTRUMENTS IN 2020						
In € millions	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**

BREAKDOWN OF LEVEL 3 PROPERTY AND FINANCIAL INSTRUMENTS		
In € millions	2021	2020
Land and buildings for own use	36	38
Investment property	615	521
Bonds issued by financial institutions	1,062	936
Collateralised loan obligation	4	4
Equities	655	574
Derivatives	-104	-95
Investments for account of policyholders	257	288
Total	**2,525**	**2,266**

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	**2021**	**2020**
Fixed income securities		
Interest +50 bps	-12	-18
Interest -50 bps	13	19
Credit spreads Government Bonds +50 bps	-11	-16
Credit spreads Corporates/Mortgages +50 bps	-3	-4
All Credit spreads +50 bps	-14	-20

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	**2021**	**2020**
Equity securities		
Equities +10%	16	18
Equities -10%	-16	-18

IMPAIRMENTS OF FINANCIAL INSTRUMENTS BY CATEGORY								
	Level 1		Level 2		Level 3		Total	
In € millions	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**
Equities	-	-	-	-	-1	5	-1	5
Total	**-**	**-**	**-**	**-**	**-1**	**5**	**-1**	**5**

Reclassification Between Levels 1, 2 and 3

RECLASSIFICATIONS BETWEEN CATEGORIES				
In € millions	**to Level 1**	**to Level 2**	**to Level 3**	**Total**
From:				
Based on published stock prices in an active market (Level 1)	-	-	-	-
Based on observable market data (Level 2)	76	-	2	78
Not based on observable market data (Level 3)	-	-	-	-

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 2021							
				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	3,834	-	**3,834**	-	2,610	-	1,224
Total financial assets	**3,834**	**-**	**3,834**	**-**	**2,610**	**-**	**1,224**
Financial liabilities							
Derivatives	1,415	-	**1,415**	-	238	-	1,177
Total financial liabilities	**1,415**	**-**	**1,415**	**-**	**238**	**-**	**1,177**

At year-end 2021, Athora Netherlands received collateral from third parties by virtue of derivative exposures. Received cash collateral is mainly invested in short-term bonds and money-market funds.

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**	**-**	**-**

Management of Past Due and Impaired Assets

The table below sets out the financial instruments by arrears and/or impairment.

FINANCIAL INSTRUMENTS - IMPAIRMENTS 2021					
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	28,278	-	-28	-	**28,250**
Loans and receivables	11,770	-	-	-	**11,770**
Other financial assets	342	4	-	-2	**344**
Total	**40,390**	**4**	**-28**	**-2**	**40,364**

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**

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 2021						
In € millions	< 1 month	1 - 3 months	3 - 12 months	1 - 5 years	> 5 years	Total
Subordinated debt	-	-	-	-	906	**906**
Borrowings	-	-	-	61	-	**61**
Amounts due to banks	2,638	-	-	-	-	**2,638**
Amounts due to reinsurers	-	-	-	5	14	**19**
Lease liabilities	-	-	1	-	-	**1**
Total	**2,638**	**-**	**1**	**66**	**920**	**3,625**

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**

The table below shows the undiscounted cash flows from all derivative contracts by maturity date.

LIQUIDITY CALENDAR DERIVATIVES 2021						
In € millions	< 1 month	1 - 3 months	3 - 12 months	1 - 5 years	> 5 years	Total
Interest rate derivatives	-	1	19	155	1,151	**1,326**
Currency contracts	62	16	9	1	-	**88**
Total	**62**	**17**	**28**	**156**	**1,151**	**1,414**

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**

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 2021								
	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	**-**	**174**	**27,480**	**1,716**	**10,454**	**13**	**37,934**	**1,903**
Purchases and advances	-	-	8,300	776	2,903	1,746	**11,203**	**2,522**
Disposals and redemptions	-	-	-11,717	-677	-2,883	-180	**-14,600**	**-857**
Changes in fair value	-	-13	-676	-14	-127	55	**-803**	**28**
Other movements	-	-	-162	-4	234	3	**72**	**-1**
Balance as at 31 December	**-**	**161**	**23,225**	**1,797**	**10,581**	**1,637**	**33,806**	**3,595**

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 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.

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	2021	2020
Balance as at 1 January	**626**	**743**
Purchases and advances	2,988	1,872
Disposals and redemptions	-3,240	-1,970
Changes in fair value	-1	-22
Other movements	3	3
Balance as at 31 December	**376**	**626**

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 2021 (RATING)				
In € millions	Available for sale	Loans and receivables	Other financial instruments	Total
AAA	11,799	664	48	**12,511**
AA	4,855	-	-	**4,855**
A	4,388	352	69	**4,809**
BBB	2,133	-	-	**2,133**
< BBB	45	-	-	**45**
Not rated	5	10,754	243	**11,002**
Total	**23,225**	**11,770**	**360**	**35,355**

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**

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 was applying hedge accounting until 1 July 2021. On that date Athora Netherlands voluntarily decided to prospectively discontinue the application of the hedge accounting, as the management concluded that the application of hedge accounting would not provide a significant benefit from a financial risk volatility perspective.

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 was 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 was active in the relevant markets.

DERIVATIVES FOR HEDGING PURPOSES 2021						
	Nominal amounts				Fair value	
In € millions	< 1 year	1 - 5 years	> 5 years	Total	Positive	Negative
Interest rate contracts						
- Swaps and FRAs	5,572	21,247	55,867	**82,686**	3,647	-1,312
- Options	-	-	5,194	**5,194**	125	-14
Currency contracts						
- Swaps	653	440	488	**1,581**	23	-5
- Forwards	127	-	-	**127**	39	-84
Total	**6,352**	**21,687**	**61,549**	**89,588**	**3,834**	**-1,415**

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**

The nominals of the derivatives are not disclosed netted (positive and negative).

The nominal amounts are the units of account relating to the derivatives, specifying the relationship with the underlying values of the primary financial instruments. These nominal 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 was applying hedge accounting to its fair value hedges and cash flow hedges until 1 July 2021. On that date Athora Netherlands voluntarily decided to prospectively discontinue the application of the hedge accounting, as the management concluded that the application of hedge accounting would not provide a significant benefit from a financial risk volatility perspective.

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 € 306 million (2020: € 290 million). Since the hedge accounting was discontinued in 2021, the part of this reserve corresponding to the expired swaps (€ 287 million) 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 N.V.	The Netherlands, Alkmaar	Insurance	100	100
Proteq Levensverzekeringen N.V.	The Netherlands, Alkmaar	Insurance	100	100
Zwitserleven PPI N.V.	The Netherlands, Amstelveen	Pensions	100	100
ACTIAM N.V.	The Netherlands, Utrecht	Asset management	100	100
ACTIAM Index Funds	various	Investment management	range	range

6.4 SEGMENTATION

Segment Information

In 2021 the operating segments of Athora Netherlands were aligned with the actual financial monitoring activities within Athora Netherlands and the updated corporate strategy. The composition and size of Athora Netherlands changed after the sale of the non-life insurance business and following these changes two commercial lines were defined within the life insurance business. Since strategic decision making as well as monitoring of key performance indicators happen at the level of the legal entities and not the commercial lines, the operating segments identified within Athora Netherlands have been adjusted to the legal entities: SRLEV N.V., Proteq Levensverzekeringen N.V., Zwitserleven PPI N.V. and Athora Netherlands.

In 2021, ACTIAM became a discontinued operation. The segment ACTIAM is no longer presented as a separate segment. The corresponding information for the prior year has been restated.

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.

Legal entities constitute the level at which financial performance is managed (IFRS result, capital generation, investments and Solvency II ratio). Commercial targets, pricing and service level are managed at the level of commercial lines. These commercial lines (Life Service Business and Pension Business) are assessed based on key performance indicators, most of which have commercial character (except for premium income and operational costs). In order to provide relevant financial insights in the commercial activities additional information per commercial line related to financial key performance indicators will be disclosed: premium income and operating costs (staff costs and other operating expenses).

The corresponding information for the prior year has been restated: the amounts of 2020 are presented based on the new segmentation. For more details refer to the section 6.1.2 'Changes in presentation'.

The operating segments of Athora Netherlands are clearly distinctive organisational components that carry out activities that generate income and expenses. The operating segments are:

SRLEV

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.

Proteq

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.

Zwitserleven PPI

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.

Athora Netherlands

This segment comprises activities that are allocated to the holding or 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.

Additional information

For the disclosure of net premium income per product and per customer group refer to the Note 24 'Net premium income'. The disclosures of staff costs and other operating costs per commercial line are presented further in this section. The net premium of none of the policyholders exceeds 10% of the total net premium incurred by Athora Netherlands.

Athora Netherlands does not have material premium income incurred abroad. For disclosures with regard to non-current assets located abroad refer to:

- Note 2 'Investments in associates and joint ventures'
- Note 3 'Investment property'
- Note 4 'Investments'

Statement of Financial Position by Segment

STATEMENT OF FINANCIAL POSITION BY SEGMENT 31 DECEMBER 2021						
In € millions	SRLEV	Proteq	Zwitserleven PPI	Athora Netherlands	Eliminations	Total
Assets						
Property and equipment	36	-	-	22	-16	**42**
Investments in associates and joint ventures	211	-	-	4,176	-4,176	**211**
Investment property	615	-	-	-	-	**615**
Investments	39,304	621	-	788	-694	**40,019**
Investments for account of policyholders	14,423	-	1,593	-	-1,593	**14,423**
Investments for account of third parties	1,729	-	-	-	1,625	**3,354**
Derivatives	3,792	19	-	23	-	**3,834**
Deferred tax	630	-	-	21	-19	**632**
Reinsurance share	9	-	-	-	-	**9**
Loans and advances due from banks	360	-	-	-	-	**360**
Corporate income tax	-	-	5	29	-34	**-**
Other assets	350	-	6	350	-361	**345**
Cash and cash equivalents	358	4	26	37	-22	**403**
Assets held for sale	-	-	-	-	41	**41**
Total assets	**61,817**	**644**	**1,630**	**5,446**	**-5,249**	**64,288**
Equity and liabilities						
Share capital	-	3	-	-	-3	**0**
Reserves	3,627	94	5	3,643	-3,726	**3,643**
Shareholders' equity	**3,627**	**97**	**5**	**3,643**	**-3,729**	**3,643**
Holders of other equity instruments	400	-	-	350	-400	**350**
Total equity	**4,027**	**97**	**5**	**3,993**	**-4,129**	**3,993**
Subordinated debt	792	-	-	804	-690	**906**
Borrowings	-	-	-	61	-	**61**
Insurance liabilities	50,093	521	-	-	-368	**50,246**
Liabilities investments for account of third parties	1,729	-	-	-	1,625	**3,354**
Provision for employee benefits	216	-	-	466	-	**682**
Other provisions	22	-	-	35	-12	**45**
Derivatives	1,413	2	-	-	-	**1,415**
Deferred tax	-	2	-	-	-2	**-**
Amounts due to banks	2,598	17	-	23	-	**2,638**
Corporate income tax	47	4	-	-	-29	**22**
Other liabilities	880	1	1,625	64	-1,682	**888**
Liabilities directly associated with the assets held for sale	-	-	-	-	38	**38**
Total equity and liabilities	**61,817**	**644**	**1,630**	**5,446**	**-5,249**	**64,288**

STATEMENT OF FINANCIAL POSITION BY SEGMENT 31 DECEMBER 2020						
In € millions	SRLEV	Proteq	Zwitserleven PPI	Athora Netherlands	Eliminations	Total
Assets						
Property and equipment	38	-	-	34	-26	**46**
Investments in associates and joint ventures	38	-	-	3,874	-3874	**38**
Investment property	521	-	-	-	-	**521**
Investments	41,176	678	-	442	-374	**41,922**
Investments for account of policyholders	13,788	-	1,036	-	-1036	**13,788**
Investments for account of third parties	1,338	-	-	-	1076	**2,414**
Derivatives	5,352	39	-	-	-1	**5,390**
Deferred tax	587	6	-	18	-4	**607**
Reinsurance share	27	-	-	-	-	**27**
Loans and advances due from banks	589	-	-	14	-	**603**
Corporate income tax	-	-	1	20	-8	**13**
Other assets	246	-	10	428	-430	**254**
Cash and cash equivalents	321	3	32	55	-26	**385**
Total assets	**64,021**	**726**	**1,079**	**4,885**	**-4,703**	**66,008**
Equity and liabilities						
Share capital	-	3	-	-	-3	**0**
Reserves	3,334	111	3	3,428	-3,448	**3,428**
Shareholders' equity	**3,334**	**114**	**3**	**3,428**	**-3,451**	**3,428**
Holders of other equity instruments	350	-	-	300	-350	**300**
Total equity	**3,684**	**114**	**3**	**3,728**	**-3,801**	**3,728**
Subordinated debt	766	-	-	467	-415	**818**
Borrowings	-	-	-	61	-	**61**
Insurance liabilities	51,341	565	-	-	-394	**51,512**
Liabilities investments for account of third parties	1,338	-	-	-	1076	**2,414**
Provision for employee benefits	219	-	-	476	-	**695**
Other provisions	17	-	-	51	-	**68**
Derivatives	1,080	5	-	12	-	**1,097**
Amounts due to banks	4,651	33	-	-	-	**4,684**
Corporate income tax	5	3	-	-	-8	**-**
Other liabilities	920	6	1,076	90	-1,161	**931**
Total equity and liabilities	**64,021**	**726**	**1,079**	**4,885**	**-4,703**	**66,008**

Statement of Profit or Loss by Segment

STATEMENT OF PROFIT OR LOSS BY SEGMENT 2021						
In € millions	SRLEV	Proteq	Zwitserleven PPI	Athora Netherlands	Adjustments and Eliminations	Total
Continuing operations						
Income						
Premium income	2,166	4	-	-	-3	**2,167**
Less: Reinsurance premiums	432	-	-	-	-	**432**
Net premium income	**1,734**	**4**	**-**	**-**	**-3**	**1,735**
Fee and commission income	41	-	2	-	12	**55**
Less: Fee and commission expense	20	-	1	1	-20	**2**
Net fee and commission income	**21**	**-**	**1**	**-1**	**32**	**53**
Share in result of associates and joint ventures	4	-	-	-62	62	**4**
Investment income	1,289	11	-	-3	-25	**1,272**
Investment income for account of policyholders	1,376	-	-	-	-	**1,376**
Result on investments for account of third parties	353	-	-	-	181	**534**
Result on derivatives	-	-	-	32	-32	**-**
Total income	**4,777**	**15**	**1**	**-34**	**215**	**4,974**
Inter-segment revenues	4	-	-	25		**29**
Expenses						
Result on derivatives	1,888	16	-	-	-32	**1,872**
Technical claims and benefits	519	-7	-	-	25	**537**
Charges for account of policyholders	1,737	-	-	-	-	**1,737**
Acquisition costs for insurance activities	13	-	-	-	-	**13**
Result on liabilities from investments for account of third parties	353	-	-	-	181	**534**
Staff costs	145	2	-	10	-	**157**
Depreciation and amortisation of non-current assets	1	-	-	7	-4	**4**
Other operating expenses	47	1	-	-1	-	**47**
Other interest expenses	41	-	-	38	-25	**54**
Total expenses	**4,744**	**12**	**-**	**54**	**145**	**4,955**
Result before tax	**33**	**3**	**1**	**-88**	**70**	**19**
Tax expense	30	11	-	-12	17	**46**
Net result continued operations for the period	**3**	**-8**	**1**	**-76**	**53**	**-27**

STATEMENT OF PROFIT OR LOSS BY SEGMENT 2020						
In € millions	SRLEV	Proteq	Zwitserleven PPI	Athora Netherlands	Adjustments and Eliminations	Total
Continuing operations						
Income						
Premium income	1,762	5	-	-	**-3**	**1,764**
Less: Reinsurance premiums	248	-	-	-	**1**	**249**
Net premium income	**1,514**	**5**	**-**	**-**	**-4**	**1,515**
Fee and commission income	48	-	2	-	**-23**	**27**
Less: Fee and commission expense	17	-	1	3	**-17**	**4**
Net fee and commission income	**31**	**-**	**1**	**-3**	**-6**	**23**
Share in result of associates and joint ventures	1	-	-	52	**-52**	**1**
Investment income	1,096	27	-	75	**-9**	**1,189**
Investment income for account of policyholders	692	-	-	-	**-**	**692**
Result on investments for account of third parties	115	-	-	-	**70**	**185**
Result on derivatives	1,775	25	-	-	**-35**	**1,765**
Total income	**5,224**	**57**	**1**	**124**	**-36**	**5,370**
Inter-segment revenues	25	-	-	21		**46**
Expenses						
Result on derivatives	-	-	-	35	**-35**	**-**
Technical claims and benefits	3,642	47	-	-	**-29**	**3,660**
Charges for account of policyholders	1,306	-	-	-	**1**	**1,307**
Acquisition costs for insurance activities	15	-	-	-	**-**	**15**
Result on liabilities from investments for account of third parties	115	-	-	-	**70**	**185**
Staff costs	177	2	-	25	**1**	**205**
Depreciation and amortisation of non-current assets	2	-	-	8	**-4**	**6**
Other operating expenses	39	1	-	-2	**-1**	**37**
Impairment losses	11	-	-	-	**-**	**11**
Other interest expenses	52	-	-	68	**-18**	**102**
Total expenses	**5,359**	**50**	**-**	**134**	**-15**	**5,528**
Result before tax	**-135**	**7**	**1**	**-10**	**-21**	**-158**
Tax expense	-107	1	-	-13	8	**-111**
Net result continued operations for the period	**-28**	**6**	**1**	**3**	**-29**	**-47**

BREAKDOWN OF PREMIUM INCOME, STAFF COSTS AND OTHER OPERATING EXPENSES BY BUSINESS LINES 2021				
In € millions	Life Service Business	Pension Business	Other	Total
Gross premium income	630	1,537	-	2,167
Staff costs	58	89	10	157
Other operating expenses	20	29	2	51

BREAKDOWN OF PREMIUM INCOME, STAFF COSTS AND OTHER OPERATING EXPENSES BY BUSINESS LINES 2020				
In € millions	**Life Service Business**	**Pension Business**	**Other**	**Total**
Gross premium income	674	1,090	-	1,764
Staff costs	86	94	25	205
Other operating expenses	20	21	2	43

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, which is responsible for setting the Risk Management System, monitors 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 guidelines in the Risk Management System enable risk assessments to be performed properly and efficiently. These guidelines apply to the entire organisation. Athora Netherlands encourages an open corporate culture in which risks can be discussed, employees responsible to share knowledge 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 consisting of key controls (process, general IT and application) and management controls measuring risk maturity and performance within Athora Netherlands.

The management of Business Lines and Functions is responsible for day-to-day operations within the Risk Management System, schedules testing of operating effectiveness of key controls. The Management Controls, divided in different components, are assessed periodically by a management Self Assessment and are monitored risk based by second line Risk.

7.1.2 Overview

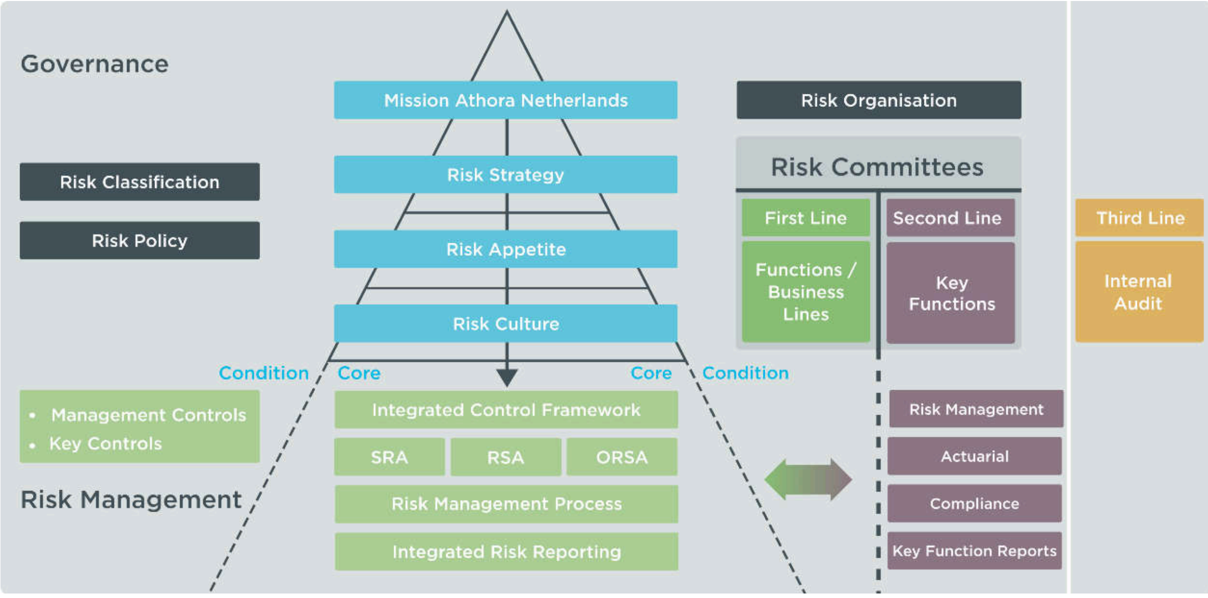
In the Risk Management System, specific Solvency II requirement such as the Key Functions and the Own Risk and Solvency Assessment (ORSA) are incorporated. The Athora Netherlands Risk Management System operates an integrated approach for risks that the organisation is or could be exposed to, with Risk 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 Taxonomy and Risk Organisation are necessary conditions to enable these strategic risk processes. To ensure an integrated approach the first line (Business Lines and Functions) and the second line key functions use the same risk taxonomy, 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 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 Business Lines and Functions. The ICF measures maturity and performance 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 appetite.

Athora Netherlands performs Risk Self Assessments (RSA) and Strategic Risk Assessments (SRA), enabled by the Risk Management Function (RMF). An ORSA is incorporated in the Athora Netherlands Risk Management System, enabled and coordinated by the RMF, and is performed at least annually, for which the EB is accountable.



Risk Management

7.2 RISK MANAGEMENT GOVERNANCE

7.2.1 Mission and Vision

Athora Netherlands has expressed the ambition to become the most valued Pension provider in the Netherlands offering the best value for money in a sustainable way and provide quality service to our customers. 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. Environmental, social and corporate governance (ESG) forms an integral part of the strategy and business operations. Athora Netherlands believes that responsible corporate behaviour with respect to ESG factors is key to deliver long term value for policyholders, employees, shareholders and the wider society. ESG trends and changes in regulation may also introduce considerable financial risks (on assets) and non-financial risks (e.g. reputational) and need careful management and consideration. Athora Netherlands aims to set the example and will actively but cautiously target sustainable investments.

Athora Netherlands wishes to offer competitively priced products in efficient business processes and 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 and vision to achieve the strategic goals. As main principles Athora Netherlands has defined a robust capital position, a sustainable capital generation and sound and controlled business operations. Athora Netherlands aims for a robust and strong capital position, which contributes to the trust of customers, employees, society and financial markets in the company.

The Risk Strategy contains the key guiding principles and statements used when setting the Risk Appetite for each risk category from the risk taxonomy. The risk appetite is the extent to which Athora Netherlands is prepared to accept/take risks in pursuit of realising its strategic objectives. As an Insurance company and Asset manager, Athora Netherlands deliberately takes Insurance (Underwriting) risks and Market risks aiming for returns. In doing so, taking Credit (investments) risk and Liquidity risk may contribute to those returns. Operational and Compliance risks are inherent risks that have to be controlled and managed, as they are part of Athora Netherlands' license to operate and support being able to successfully execute our strategy.

Athora Netherlands provides guarantees for future payments to its customer and therefore needs adequate reserving and a strong capital position. The Athora Netherlands board chooses 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 Appetite Statement (RAS) of Athora Netherlands is divided into the Risk Appetites per risk type and the underlying Risk Tolerances. The Risk Appetite Statements are set at least annually by the Executive Board and confirmed by the Risk Committee (RC) of the Supervisory Board.

Risk Appetite Framework

The risk tolerances-part contains measures for the maximum risk that Athora Netherlands is willing to accept. These measures are defined for various sub-risks for every individual legal entity or specific Business Lines or Functions and are split into risk triggers (comparable to hard limits) and risk indicators (comparable to soft limits).

When implementing the strategy, the Executive Board gives guidelines to the Business Lines for establishing Operational plans, taking into account the set Risk Tolerance in the Risk Appetite and corresponding limits on entity level. This helps the Business Lines and Functions optimise risk and return when developing the best possible products and services.

The evaluation of the Risk Tolerance in the Risk Appetite, consists of several steps, including risk identification, 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.

Key pillars that support the strategy of Athora Netherlands to be the most valued pension provider are Focus, Excellence and Talent. Focus allows employees to excel in retirement. By doing so, we retain and attract top talent. Focus, Excellence and Talent are used as the organisational competencies to support the desired collective development. With these competencies there is a clear link to Culture and defined behaviours.

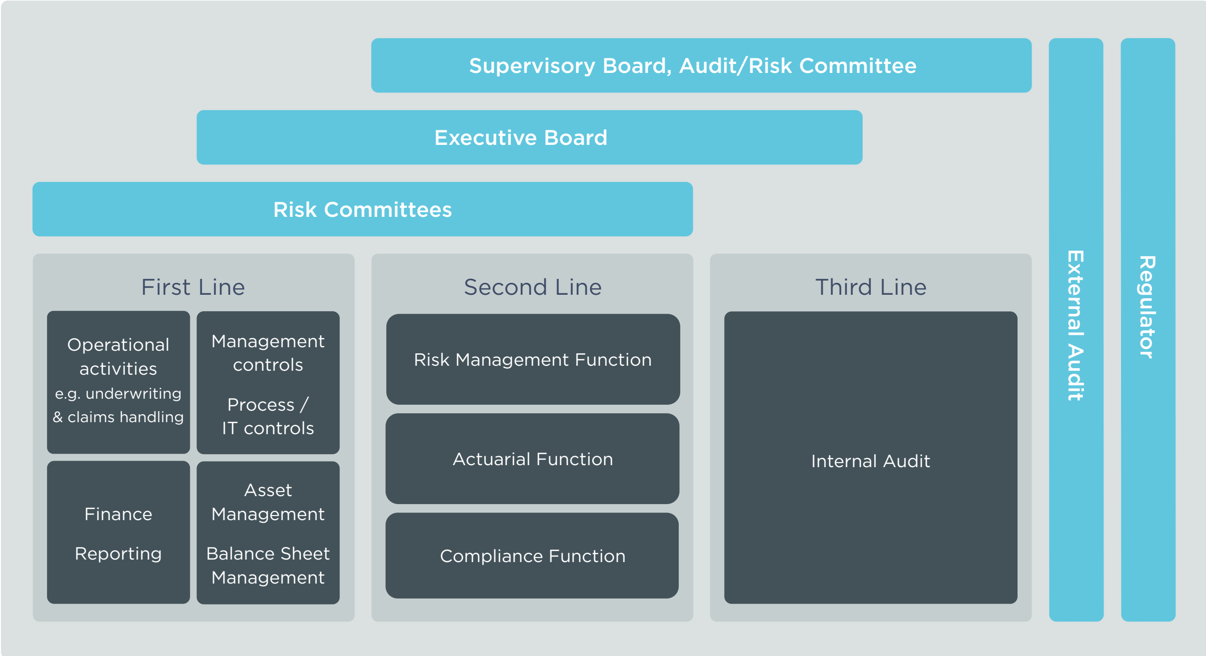
Athora Netherlands realises that the tone at the top is defining for Risk Culture, which makes communication and exemplary behaviour determinant. Athora Netherlands encourages an open corporate culture in which risks are to be discussed, employees feel responsible to share knowledge on risks and where (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, the Remuneration Policy of Athora Netherlands 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’ control model 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, 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). The CRO is member of the Executive Board.

Third Line: Internal Audit

Audit Athora Netherlands is the independently operating audit function: Audit Athora Netherlands 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.

Audit Athora Netherlands does not take part in determining, implementing or steering of Athora Netherlands' risk appetite, risk management processes and risk responses. Audit Athora Netherlands 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.

Audit Athora Netherlands 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, in line with regulatory expectations. Athora Netherlands has established the following Risk Committees: Finance and Risk Committee (FRC), Investment and Balance Sheet Committee (IBSC), Operational Risk and Compliance Committee (ORC Athora Netherlands) and Product Committee (PC). Decisions of the ORC Athora Netherlands are leading for the local Business Lines and Functions MT's in the area of sound and controlled business operations. In the MTs, the issues regarding Operational Risk and Compliance are discussed. Decisions of the PC are leading for the local Business Lines MT's in the area of Product, 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. All Key Functions are segregated from each other and are not structured hierarchically in relation to each other. The second line Key Functions report to the CRO. The Director Risk is the Risk ManagementFunction Holder, the Director Actuarial Risks is the Actuarial Function Holder and the Director Legal and Compliance is the Compliance Function Holder. The Director Audit Athora Netherlands 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 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, in the EB and in the Risk Committee of the Supervisory Board.

The RMF annually provides 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 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 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.

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 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 Taxonomy

Athora Netherlands provides insight into the risks for the business itself and for its stakeholders in order 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 taxonomy includes an extensive list of mutually exclusive risk types to which Athora Netherlands is or could be exposed.

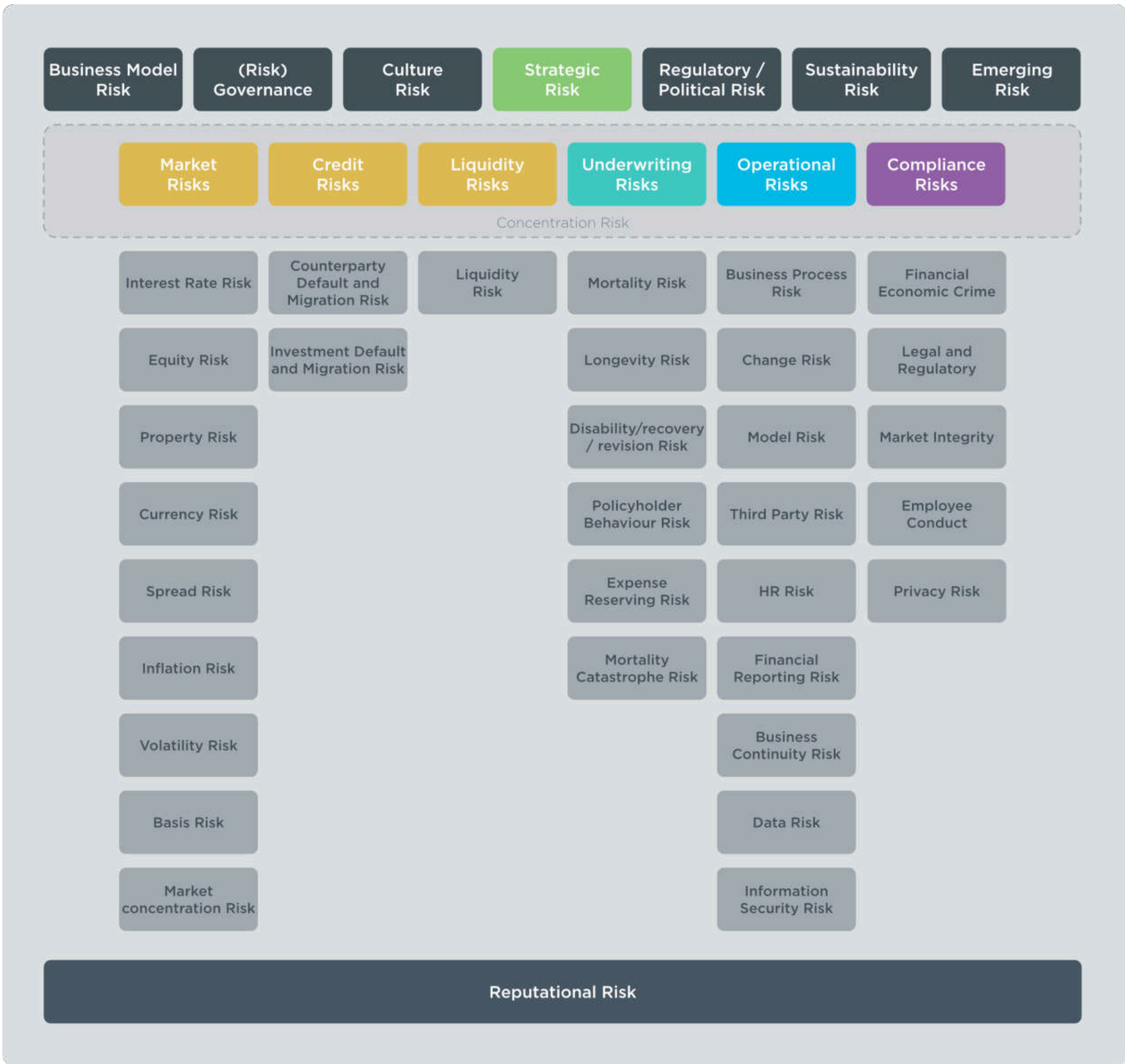
Athora Netherlands has defined and structured different risk types, partly based on applicable laws and regulations (such as SII Standard Formula), and on the international ORX Reference Taxonomy.

As part of its strategy, deliberately takes Underwriting risks and Market risks aiming for returns. As a consequence, taking Credit (investments) risk and Liquidity risk may contribute to those returns. Compliance risk and Operational risks are inherent risks that have to be controlled and managed.

Strategic Risks

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.

Athora Netherlands recognises several strategic risks, from which Business model risk, Governance risk and Sustainability risks are most notable. 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.



Risk Taxonomy

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.

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, measures the maturity of risk management and monitors Process Controls and Management Controls.

7.3.2 Process Controls and Management Controls

Optimisation of the Integrated Control Framework

The improvement and optimisation of the ICF is a continuous process. Athora Netherlands' organisation develops and changes over time and the ICF continuously adapts to the new situation. 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 successfully continued in 2021 with an ICF Transformation Steerco, representing all business and functions and second line. Accountability and responsibility was set in a new policy and RACI. Training and process RCSA sessions were held in order to further strengthen the responsibility and capability of first line to timely recognise changes leading to operation changes, performing process risk assessments and further strengthening the design of ICF processes and (key) controls.

A first line risk report was introduced in which each quarter the key Business Lines and Functions report on their Risk profile. The reports includes non-financial risk KRI results, changes with operational impact, incidents & risk events, Key control testing results and number of action points. For each category the results are presented including impact and follow up actions where necessary. The 1st line Risk Reports are reported by the Functions and Business Lines to the Local ORC's and the ORC Athora Netherlands.

Testing of Effectiveness

Process controls
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. Results are part of the first line risk report that is reported to the ORCs of the Business lines and Functions and also to the ORC Athora. The second line department performs an independent review which may contain a reperformance. The results of the review activities are discussed with, reported toand followed up by responsible first line management. As part of the ICF transition in 2021 the second line assessed and provided maturity scores to first line as of Q3 to score the quality of the testing files, to further assist 1st line in taking full responsibility and further decrease dependence on 2nd line reperformances.

Management controls
Management controls (or entity level controls) provide an understanding and insight in the maturity level of risk management and risk control in the individual Business Lines- and Functions. 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. As a result of the increased maturity level reached in 2020, the management controls were assessed with reduced scoping in 2021, focusing on data management. The

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.

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 selected 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 market risk end for mitigation, instruments are used such as interest rate swaps, inflation swaps, futures, forward contracts, interest rate swaptions and fixed income investments.

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 for Athora Netherlands and subsidiaries SRLEV and Proteq are generated and delivered to the Investment Office and Risk and included as part the Financial Risk Dashboard to the FRC for discussion. Appropriate measures are taken when limits are breached.

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 counterparties 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 Compliance Risks and Operational 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

Risks are identified to its strategic objectives and at all levels within the organisation. Several different approaches are used such as risk assessments, analysis of incidents, and leveraging the experience of its employees and its competitors, including the consideration of emerging risks. Risk identification is both considered from top-down and bottom-up bases. Athora Netherlands maintains a Risk Taxonomy to facilitate the risk identification process The Risk Taxonomy also serves as a major organizing principle for its risk control, risk oversight activities and risk reporting.

Risk Measurement

In order to understand the magnitude of the exposure of the identified risks, risks are measured. The measurement of risks supports the risk management process through quantitative controls and limits. Risk measurement involves either or both qualitative and quantitative approaches depending on the nature of the risk and taking account of expert judgement and considering both normal and stressed scenarios. The level of risk is measured before and after considering additional mitigating measures.

Risk Mitigation

The risk mitigation activities (avoid, transfer, mitigate and accept) are aimed at controlling risks within the boundaries set by the risk appetite.

Risk Monitoring

In order to ensure that risks stay within the risk appetite, they are monitored. Within the monitoring activities both the first line and second line take their role. Given the outcome of the monitoring activities Athora Netherlands can determine the most appropriate course of action. The goal of risk monitoring is to ensure that Athora Netherlands carefully controls its risk-taking decisions as well as its total risk profile.

Risk Reporting

The primary objective of risk reporting – defined as all regular and ad-hoc reports by first and second line – is to create internal risk transparency and meet external disclosure requirements. Objectives are to provide stakeholders with accurate and timely information about material risk issues by means of concise and understandable messages, to design reports so that they optimally meet recipients' needs and to facilitate informed decision making.

Developments

In 2021 the main developments in non-financial risks were 1) change risks associated with volume of change on transformation initiatives, strategy execution, license to operate and board stability 2) remediation program Sanctions AML 3) Business Process risk associated with strategic and organisational change and the ICF transformation 4) third party risk including new strategic outsourcing initiates 5) further attention and mitigation of cybercrime threats and ransomware developments and 6) all activities that are related with HR and culture aspects, impacted by both organisational change as a new working culture, created by the impact of COVID-19 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.

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

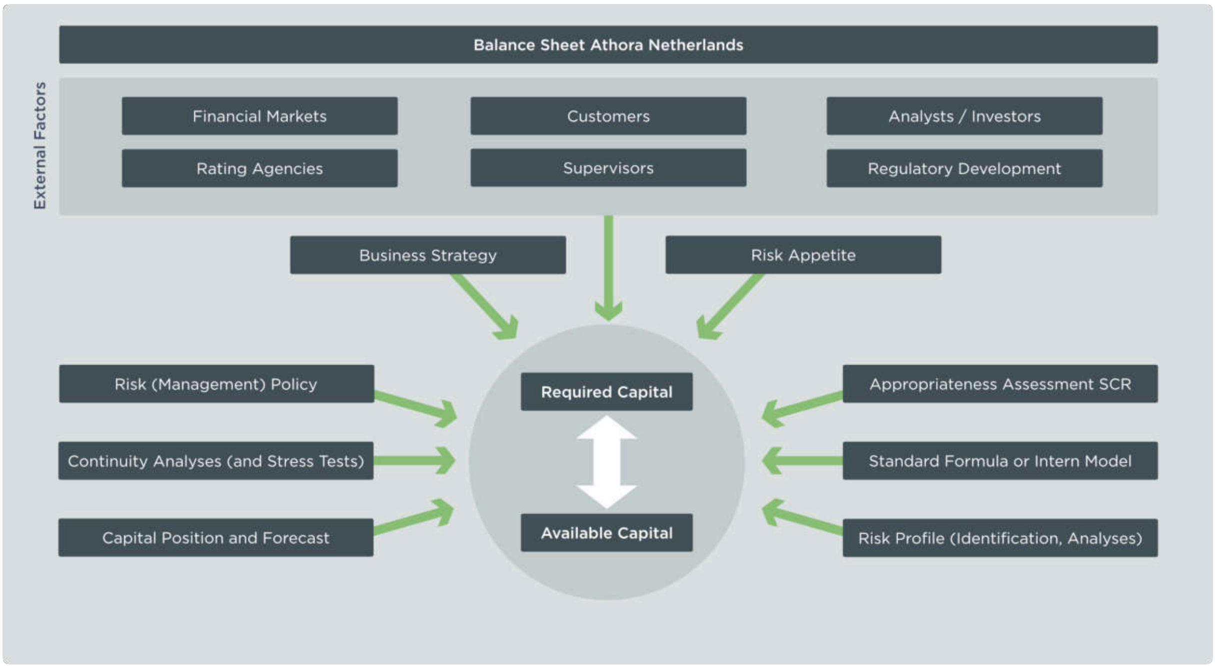
As part of its risk-management system Athora Netherlands conducts its own risk and solvency assessment (ORSA). That assessment includes:

- 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 withstand liquidity demands during 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 2021, as part of Athora Netherlands' strategy to achieve profitable growth for our company, Athora Netherlands remained focused on improving capital generation. For example, by asset deployment, gradually rebalancing, achieving an increase in investment income within the appropriate risk limits. 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 increased from 161% at the end of 2020 to 180% at the end of 2021. The increase was mainly driven by a capital injection by Athora Group and a substantation of a loss absorbing capacity of deferred taxes.

One-time items had a positive impact Solvency II ratio. In July 2021, SRLEV signed an additional longevity reinsurance transaction which had a positive impact on the solvency II ratio of Athora Netherlands. Balance sheet interest hedge adjustments had a positive impact on the Solvency II ratio. Other Balance sheet management actions, mainly asset deployments to private debt and mortgages, had negative impact on the Solvency II ratio.

For more details see the AOC of the Solvency II ratio.

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 annually 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 N.V. and SRLEV N.V. (outstanding on 31 December 2021) 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	2021	2020[1]
Shareholders' equity	3,642	3,428
Reconciliation IFRS-Solvency II	-420	-179
Subordinated liabilities	1,278	1,168
Total available own funds	**4,500**	**4,416**
Tiering restriction	-389	-282
Total eligible own funds	**4,111**	**4,134**

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 movement in the interest rate curves used 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 calculation method and 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 2 plus Tier 3 restriction became applicable and the tier 3 restriction remained applicable during 2021. The Tier 2 plus Tier 3 restriction consists of a maximum of 50% of the SCR while the Tier 3 restriction consists of the net DTA position restricted to maximum of 15% of the SCR. Ineligible own funds increased from € 260 million at year-end 2020 to € 389 million at the end of 2021 mainly due to a lower SCR.

BREAKDOWN TIERING					
	Tier 1		Tier 2	Tier 3	Total
In € millions	**Unrestricted**	**Restricted**			
Eligible own funds to meet the Group SCR 2021	2,518	460	818	315	**4,111**
Eligible own funds to meet the Group SCR 2020	2,585	411	757	381	**4,134**

The table below shows the eligible own funds, the Solvency Capital Requirement and the resulting Solvency II ratio.

SOLVENCY II RATIO		
In € millions/percentage	**2021[1]**	**2020[2]**
Total eligible own funds	4,111	4,134
Consolidated group SCR	2,290	2,569
Solvency II ratio	180%	161%

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 2021 of the solvency ratio is explained by the analysis of change as presented in the graphs below. The movement consists of the categories Capital Generation, Capital Effects, Market Impacts, One-time items, Tax and Tiering effects and Miscellaneous Movements.

Capital Generation is defined as the change of eligible own funds caused by (organic) capital generation due to expected asset return, Value New Business, release of Risk Margin, unwinding of the UFR and coupon payments on subordinated loans.

In Capital Effects the effects to capital are shown, (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.

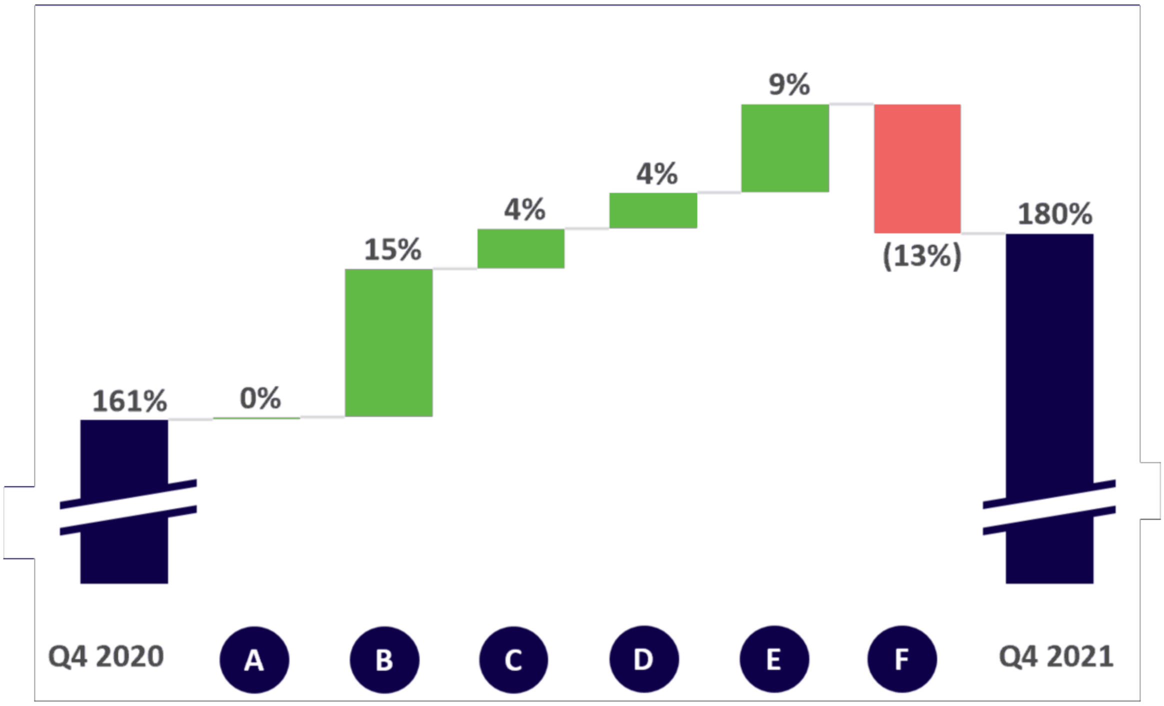
One-time items show the impact of events like changes in coverage of the longevity reinsurance contracts, the UFR decrease, Balance Sheet Management actions like investment deployments, interest rate hedge adjustments and changes in models.

Changes of Tax and Tiering constitute movement in the DTA/DTL due to movement in the fiscal position, changes in corporate income tax rate and the change in ineligible own funds. Furthermore, the movement in the Loss Absorbing Capacity of Deferred Taxes is taken into account.

Miscellaneous Movements consist mainly of changes in insurance parameters (including expense), insurance results, as well as other business developments. It also contains the regular development (run-off development and new business) of the SCR.

Athora Netherlands

AoC Solvency Ratio



The Solvency II ratio of Athora Netherlands N.V. increased from 161% to 180% in 2021. The main drivers of this movement are:

A) Capital Generation (+/+0%)

Athora Netherlands is actively steering to improve organic capital generation amongst others by optimising its risk profile together with the continued diversification of its investments. Diversification will also reduce spread volatility by better matching the Volatility Adjustment. The capital generation during 2021 was supported by release of risk margin and Solvency Capital Requirement (+11%-point), expected accrual of spread, CRA and VA (+7%-point), but it was offset by the UFR unwind impact due to the low interest rates (-/-12%-point) and the coupon payments to subordinated loans (-/-3%-point).

B) Capital Effects (+/+15%)

The increase of the Solvency II ratio is due to the additional issuance an external sub-loan by a slightly larger sub-loan and a capital Injection by Athora Group (+15%-point).

C) Market Impacts (+/+4%)

Market impacts had a positive impact of 4%-point on the Solvency II ratio. The movement in interest rates (+9%-point) and decrease of spreads (+11%-point) had a positive impact, which was partly offset by the impact of the VA decrease from 7 bps at the end of 2020 to 3 bps at the end of 2021 (-/-7%-point) and the increased inflation expectations (-/-10%-point).

D) One-time Items (+/+4%)

One-off items had a positive impact of 4%-point on the Solvency II ratio, mainly due to Balance Sheet Management initiatives slightly moving the hedge position from regulatory to economic hedging, decreasing the SCR interest rate down risk (+8%-point). A new longevity re-insurance contract (+8%-point) and the use of an improved inflation curve for the liabilities (+8%-point). Other Balance sheet management actions, mainly asset deployments to private debt and mortgages, had a negative impact on the Solvency II ratio (-/-12%-point), changing regulation for saving mortgages (-/-1%-point) and the UFR decrease from 3.75% to 3.60% (-/-4%-point).

E) Tax and Tiering Effects (+/+9%)

Applying a loss absorbing capacity of deferred taxes had a postive effect on the Solvency II ratio (+17%-point) this was partly offset by other movement in tiering restriction (-/-9%-point).

F) Miscellaneous Movements (-/-13%)

Operating assumptions changes had a negative impact on the Solvency II ratio (-/-11%-point).

7.4.7 Risk Profile

SOLVENCY CAPITAL REQUIREMENT		
In € millions	2021	2020
Life underwriting risk	1,283	1,399
Market risk	1,585	1,500
Counterparty default risk	159	164
Diversification	-697	-714
Basic Solvency Capital Requirement	**2,330**	**2,349**
Operational risk	186	195
Loss-absorbing capacity of technical provisions	-6	-5
Loss-absorbing capacity of deferred taxes	-244	-
Net Solvency Capital Requirement	**2,266**	**2,539**
Capital requirements of other financial sectors	24	30
SCR for undertakings included via D&A	-	-
Consolidated group SCR	**2,290**	**2,569**

The Investment Office has been dedicated to continue Athora Netherlands' investment management activities. Closely following market developments, Investment Office has made great progress in the further expansion of our market access to secure prudent and future proof investment and risk management capabilities. As part of the business strategy of Athora Netherlands, the investment portfolio has been gradually rebalanced, achieving an increase in investment income within appropriate risk limits. Together with the continued diversification of investments, the investment management results—as a contribution to the overall performance of Athora Netherlands—have shown significant improvement over the last twelve months.

The main risk profile changes in 2021 for Athora Netherlands relate to higher market risk, mainly due to an increase of spread risk, equity risk and property risk, partly offset by a decrease of interest rate risk and currency risk, lower life underwriting risk (lower longevity risk due to a new longevity reinsurance contract) and the introduction of a loss-absorbing capacity of deferred taxes.

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. The leading down scenario explains the non-zero LAC TP in 2021.

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 for

SRLEV and Proteq 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.

In 2021 Athora Netherlands updated the model applied to the reassessment of the DTA recoverability for IFRS and Solvency II. The most significant update relating to the tax loss carry-back and carry-forward rules stemmed from the new tax laws in respect of loss compensation adopted in 2021. Also the assumptions regarding the dividend payments and loans' redemption and coupon payments were updated following Athora Netherlands' new investment deployment policies. Other adjustment included the refinements in DTA and DTL run-off patterns, refinements in modelling for new business and fiscal equalization reserves.

For Solvency II and IFRS the recoverability of the DTA is tested using the same model and assumptions. However, the non-recoverable amount for IFRS is based on the base result of the recoverability calculation, where for Solvency II the non-recoverable amount is based on the weighted average of multiple scenarios, for spread assumptions, future new business and insurance portfolio movements. This leads to a different amount of non-recoverable DTA in Solvency II in comparison to IFRS.

These model adjustments combined with the update of the economic data (mostly relating to interest rates and spreads) resulted in DTA no longer being fully recoverable for IFRS and Solvency II. Based on this updated net DTA recoverability reassessment, the carrying amount of deferred tax assets decreased with € 69 million for IFRS and with € 124 million for Solvency II of non-recoverable DTA.

Due to the changes in the model and supported by the write-down of the DTA and a capital injection, the feasibility that, following a loss of the same size as the (pre-tax) SCR shock, future profits will be sufficient to partly recover the change in DTA caused by that loss, increased. Helped by capital support from Athora group after a SCR shock. Leading to a LAC DT in the SCR of 38% for SRLEV and 35% for Proteq including a 20% haircut. The LAC DT of the group entity Athora Netherlands is determined as the consolidated sum of its legal insurance entities.

Relevant regulation and current guidance (Delegated Regulation, Level 3 guidelines, Dutch Central Bank Q&A's and IAS12) is taken into account in the development of the LAC DT methodology.

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	Disabilit
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 and group insurance 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 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 group insurance 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	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**
Individual traditional insurance policies	497	517	59,784	63,379	9,116	9,781
Individual insurance policies in investment units	133	157	67,299	72,078	4,118	4,045
Traditional insurance policies	350	362	1,859	2,013	3,747	3,604
Group insurance policies	627	213	8,597	11,722	13,271	12,470
Group insurance policies in investment units	560	515	45,360	43,331	10,776	10,145
Total	**2,167**	**1,764**	**182,899**	**192,523**	**41,028**	**40,045**

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	2021	2020	2021	2020	2021	2020
Term insurance	149	158	55,024	60,051	606	603
Pure endowment	6	14	1,992	2,044	1,431	1,421
Endowment	273	337	11,242	13,001	6,828	7,506
Funeral insurance	22	24	1,967	2,005	1,164	1,159
Deferred annuities and survivor annuities	431	173	15	13	7,844	7,421
Annuity payments	571	363	-	-	8,134	7,626
Supplementary coverage	22	23	-	-	127	119
Traditional insurance policies	**1,474**	**1,092**	**70,240**	**77,114**	**26,134**	**25,855**
Individual insurance policies in investment units	133	157	67,299	72,078	4,117	4,045
Group pure endowments	490	442	7,213	6,200	7,341	6,294
Group endowments	5	8	2,254	2,247	1,685	1,596
Group deferred annuities and survivor annuities	14	13	-	-	1,114	1,605
Group annuity payments	0	2	-	-	513	537
Other group insurance policies	51	50	35,893	34,884	124	113
Insurance policies in investment units	**693**	**672**	**112,659**	**115,409**	**14,894**	**14,190**
Total	**2,167**	**1,764**	**182,899**	**192,523**	**41,028**	**40,045**

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 and disability portfolios. A Catastrophe reinsurance contract for mortality and disability was concluded as an umbrella cover for the different sub portfolios together, with a cover from € 15 million up to € 90 million. Terrorism is covered via a reinsurance pool (NHT).

As per the first of July 2021, an additional longevity risk transfer for individual insurances was concluded. This is the third longevity risk transfer after completing the Group Life reinsurance contracts in 2018 and 2020. These longevity risks are transferred through a full indemnity-based Quota Share reinsurance treaty. Remaining longevity exposure at risk of Athora Netherlands is in line with the internal risk appetite. The impact of these transfers of longevity risk have been reflected in the 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	**2021**	**2020**
Mortality risk	239	267
Longevity risk	533	792
Disability-morbidity risk	20	17
Lapse risk	226	258
Life expense risk	759	674
Life catastrophe risk	233	234
Diversification	-727	-843
SCR Life underwriting risk	**1,283**	**1,399**

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 mortality and lapse risk due to portfolio developments. These decreases are partly offset by increases of life expense risk due to the rise of inflation expectations.

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 2021, the risk of decrease in lapse rate is leading for Athora Netherlands. At year end 2020, the risk of decrease in lapse rate was also 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 refined and now applied to all Athora Netherlands' continuing operating expenses.

To reduce the economic risk of an increase in inflation rates, Athora Netherlands put in place an inflation hedging programme in 2021 using Euro HICPxT swaps, in line with the company's Risk Appetite. The programme executed in 2021 provided a significant reduction in the sensitivity of best estimate liabilities and own funds to changes in inflation expectations. Note that the capital charge for life -expense risk is calculated without taking the impact of these inflation linked swaps into account, given the difference that may exist between future realisation of expense inflation and future realisation of Euro HICPxT 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	2021	2020	2021	2020	2021	2020
10% increase in surrender rates (including non-contributory continuation)	17	22	17	22	1%	1%
10% lower mortality rates for all policies (longevity risk)	-57	-141	-57	-141	-3%	-7%
10% increase in expenses assumptions + 1% increase in inflation	-563	-505	-563	-505	-34%	-26%

For Athora Netherlands, the sensitivity for longevity risk on Solvency II ratio decreased due to the new longevity reinsurance contract. 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 nine sub-market risks have been defined: interest rate risk, equity risk, property risk, spread risk, inflation 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 three additional market risks, namely inflation risk (see section 7.5.2.4), volatility risk and basis risk.

The investment portfolio has been further optimised in 2021 by rebalancing the investment portfolio to higher yielding assets to ensure higher investment returns going forward resulting in a utilisation of capital and higher asset management expenses,

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	**2021**	**2020**
Interest rate risk	247	440
Equity risk	353	237
Property risk	198	151
Spread risk	969	854
Concentration risk	35	-
Currency risk	155	206
Diversification	-372	-388
SCR market risk	**1,585**	**1,500**

The SCR market risk increased mainly due to an increase of spread risk, equity risk and property risk. This was partly offset by a decrease of interest rate risk and currency risk.

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 2021							
In € millions	**< 1 year**	**1 - 5 years**	**5 - 10 years**	**10 - 15 years**	**15 - 20 years**	**> 20 years**	**Total**
Insurance liabilities - Life	1,411	5,205	5,974	5,338	4,477	13,474	**35,879**
Total	**1,411**	**5,205**	**5,974**	**5,338**	**4,477**	**13,474**	**35,879**

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**

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.

Solvency Capital Requirement

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 59 bps, both without re-applying the UFR. For Athora Netherlands, the down shock is leading.

SCR INTEREST RATE RISK		
In € millions	**2021**	**2020**
SCR interest up shock	-	-196
SCR interest down shock	-247	-440
SCR interest rate risk	**247**	**440**

The interest rate risk decreased mainly due to balance sheet management actions, slightly moving the hedge position from regulatory to economic hedging, decreasing the SCR interest rate down risk, further optimising our capital and investments.

Sensitivities

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 2021 prescribed UFR of 3.60% 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 annually re-calculates the UFR in accordance with the methodology to derive the UFR. For the euro the calculated target UFR for 2021 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. Per 1 January 2022 the applicable UFR will decrease to 3.45%. 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 3.60%), decreases in the UFR of 0.15% and 0.5% and the impact of the VA on the Solvency II ratio.

Under IFRS the impact of different UFR is slightly different than under Solvency II due to tiering and the VA (not applicable under IFRS).

SENSITIVITY						
	IFRS net result		**IFRS shareholders' equity**		**Solvency II ratio**	
In € millions	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**
Interest +50 bps	-137	-185	-137	-185	-1%	-2%
Interest -50 bps	197	205	197	205	4%	5%
UFR -15 bps	-73	-86	-73	-86	-5%	-5%
UFR -50 bps	-251	-291	-251	-291	-17%	-16%
Excluding VA	0	0	0	0	-7%	-15%

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 3.60% into account.

The Solvency II sensitivity for the volatility adjustment decreased due to the decrease of the volatility adjustment from 7bps to 3bps.

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	**2021**	**2020**
Type 1 equities	255	154
Type 2 equities	119	98
Diversification	-21	-15
Equity risk	**353**	**237**

The equity risk for Athora Netherlands increased mainly due to revaluations and the increase of the symmetric adjustment from -0.48% to 6.88%.

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	2021	2020	2021	2020	2021	2020
Equities +10%	31	27	55	44	1%	1%
Equities -10%	-40	-46	-55	-44	-1%	-1%

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	2021	2020
Property risk	198	151

Property risk increased mainly due to higher revaluations.

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	2021	2020	2021	2020	2021	2020
Property +10%	59	45	59	45	3%	2%
Property -10%	-59	-45	-59	-45	-3%	-2%

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	**2021**	**2020**
Bonds and loans	946	830
Securitisation positions	23	24
Spread risk	**969**	**854**

Spread risk increased mainly due to asset deployment to private debt.

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). 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	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**
Credit spreads Government Bonds +50 bps	-230	-282	-230	-282	9%	7%
Credit spreads Corporates/Mortgages +50 bps	-267	-225	-267	-225	15%	17%
All Credit spreads +50 bps	-497	-507	-497	-507	25%	24%

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

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.

The table below shows the SCR for concentration risk:

SCR CONCENTRATION RISK		
In € millions	**2021**	**2020**
Concentration risk	35	-

The SCR concentration risk arises from exposures to central governments and central banks of non-EEA members.

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	**2021**	**2020**	**2021**	**2020**
US Dollar	2,264	2,557	-2,101	-2,490
Japanese Yen	1,176	712	-1,176	-712
Danish Crown	135	404	-135	-405
Pound Sterling	-	109	-	-108
Swedish Crown	-	26	-	-26
Australian Dollar	3	-2	-	-
Total	**3,577**	**3,806**	**-3,412**	**-3,741**

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	**2021**	**2020**	**2021**	**2020**
US Dollar	1,063	-334	-1,085	335
Swiss Franc	-102	-97	107	97
Total	**961**	**-431**	**-978**	**432**

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	**2021**	**2020**
Currency risk	155	206

The currency risk of Athora Netherlands decreased mainly due to hedging the foreign exchange risk of the derivatives which are held for hedging the foreign exchange risk of subordinated loans denominated in foreign currency. This led to an exposure as subordinated loans are cancelled out in the standard formula, but the derivatives hedging the subordinated loans are taken into account.

The SCR for currency risk also partly originates from the decrease in projected overhead revenues for the unit linked portflio in case of a currency shock.

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 Basis Risk

Basis risk is the financial 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.

7.6.2.9 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.

Changes in the individual market risk types led to a smaller diversification effect.

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.

OVERVIEW MORTGAGES		
In € millions	2021	2020
Mortgages < 75% of foreclosure value	3,868	2,061
Mortgages 75% < > 100% of foreclosure value	177	799
Mortgages > 100% of foreclosure value	18	144
Mortgages with National Mortgage Guarantee	771	970
Residential property in the Netherlands	**4,834**	**3,974**
Specific provision for bad debts	-	-
Total (carrying amount)	**4,834**	**3,974**

The market value of the portfolio increased mainly by increasing the exposure to mortgages as part of the asset deployment 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, sub-participation agreements and pledged collateral.

In 2020, the Dutch Association for Insurers ('Verbond van Verzekeraars') including representatives of large insurance groups including Athora Netherlands, continued the discussions with DNB regarding the valuation of savings mortgages and treatment in the SCR. On 1 September 2021, DNB published a Q&A on the classification and determination of the SCR for saving mortgages plus a Good Practice for the valuation. On top of these documents, the Dutch Association for Insurers has written additional guidance with more detailed interpretations to create a level playing field.

The new valuations lead to an increased value of both the asset side and liability side of the balance sheet as the contract boundary will shift to the maturity date. Next to this change there is a change in the valuation of the asset side in case of cession/retrocession arrangements, sub-participation agreements and pledged collateral. A PD/LGD approach has been used where the observable spread in the market can be used to derive the "implicit" bankruptcy probabilities.

SCR Spread risk will be applicable in case of no additional collateral and pledged collateral (50% of the charge). SCR CDR Type 1 will be applicable for the term contracts (future parts).

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.

Securities lending and repo programmes in which Athora Netherlands participates are also treated as a type 1 exposure. 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	**2021**	**2020**
Type 1 exposures	108	87
Type 2 exposures	61	88
Diversification	-10	-11
SCR counterparty default risk	**159**	**164**

The increase in SCR counterparty default risk for type 1 exposures is among others due to an increase in security lending. Counterparty risk type 2 decreased mainly to lower loan to value ratios in the mortgage portfolio due to an increase of residential property values.

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 Athora Netherlands 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 COMPLIANCE RISK AND OPERATIONAL RISK

7.9.1 Risks - General

Management of the Business Line or Function is responsible for the overall risk management cycle in their Business Line or Function from identification to monitoring and management of action plans. They report about the status of both operational and compliance risk directly to the Executive Board members. Compliance and Operational Risk, as second line departments, monitor and provide advice to management on compliance risk and operational risk. They have frequently direct contact with the EB and SB and are represented in the Risk and Audit Committee of the Supervisory Board, 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, 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. Operational (and compliance) risks are inherent risks that do not provide more returns when taking more risk and have to be controlled and managed. The responsibility of Athora Netherlands also extends to managing risks for outsourced activities. Athora Netherlands recognises the following types of operational risk categories :Business Process risk, Change risk, Model risk, Third Party risk, HR risk, Financial Reporting risk, Business Continuity risk, Data risk and Information Security risk

7.9.2 Exposure to Non-financial Risks

During 2021, 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, SFDR, 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. Athora Netherlands has a framework in place to track the implementation of legislative requirements in order to be in control of this risk.

Athora Netherlands is exposed to potential institutional integrity risks relating to appropriate independency. Addressing these risks Athora Netherlands has a dedicated Institutional Conflict of Interest Policy including a concrete procedure. Furthermore, a governance framework with Athora Group is in place supporting collaboration and cooperation between Athora Netherlands and its shareholder Athora and its affiliates. The governance framework has been updated in 2021 to comply with the large company regime and other legal requirements, amongst others on the basis of written comments and feedback from the regulator. The effectiveness of the governance framework has also been monitored by Compliance and Internal Audit. The regulator is assessing these risks as part of its ongoing supervisory activities.

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 respectively higher risks. As a financial institution, Athora Netherlands has the responsibility to ensure detection and prevention of unusual transactions. 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. During 2020 and 2021 Athora Netherlands executed an improvement programme to remediate identified shortcomings in relation to compliance with sanction law and anti-money laundering/counter terrorism financing regulation. The programme, which made significant steps in organisational governance, risk assessments, (automated) processes and tooling, aims to reduce residual risks on a structural basis. DNB performed an investigation in the second half of 2021. It is noted that there are still outstanding remediation actions to be concluded in 2022 in the areas of customer/business partner due diligence and transaction monitoring.

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 inaction 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 attention has been paid to cleansing of data and to prevention of data breaches when personal data is transferred or available to third parties, particularly in the context of the migration programme of VIVAT Schadeverzekeringen to Nationale Nederlanden. The migration programme will be finalised in 2022. As part of the 2021 Compliance Monitoring Plan, a review of operational effectiveness of storage and disposal of personal data was carried out across Athora Netherlands, including the physical archive. Given the importance of protecting personal data, monitoring of privacy risks is also part of the 2022 Compliance Monitoring Plan. Local Privacy Champions, in cooperation with the appointed Data Protection Officer, safeguard full attention on Athora Netherlands' compliance with the privacy regulation.

Operational Risk

Business Process Risk

Athora Netherlands change projects, both initiated from strategic change, as well as license to operate projects were identified as the main source of business process risk as same resources were often needed for both change as daily operations. New strategic activities required embedding in the ICF and training and awareness for process risk management. The structural improvement of process- and control design received full attention in 2021 in the ICF transformation program with training programmes, Risk and Controls self-assessment sessions held and enhancement of 1st line responsibility. Further attention will be necessary to assure sound and controlled processes at all areas of Athora Netherlands, that is still subject to new strategic organisation changes that may impact capacity, knowledge and will require additional risk assessment activities.

Change Risk

Important strategic changes combined with a large volume of license to operation programs bear change risk and require stable Board level supervision and alignment on strategic steps forward. During 2021 improvements were made in the change portfolio management governance to further align strategy execution and improve business agility. The improvement of the process change process further facilitates sound and controlled change implementation.

Model Risk

In 2021, Athora Netherlands updated the compact model risk overviews 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 assessments on reporting, (asset) valuation and pricing models, following a risk based approach, further increased model insight and provides guidance towards lower model risk.

Third Party Risk
Monitoring and governance regarding outsourcing within Athora required further risk attention and a Centre of Excellence is being installed to further develop monitoring standards and make Athora Netherlands outsourcings partners further adhere to strict outsourcing requirements in order to mitigate Athora Netherlands third party risk and withstand future strategic challenges.

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 2021 the risk management framework for the risks related to outsourcing contracts, has been improved, for example checking ISAE3402 certifications for key suppliers. The level of maturity of control within the outsourcing process has been improved and actions for further improvement were established.

HR Risk
Effective resourcing is essential for the execution of strategy and to qualitatively maintain business as usual activities including a healthy balance on in- and external FTE 's. To accomplish a new and fit company culture, culture aspects will be embedded within the strategy program, removing possible silo's and stimulating involvement in the hybrid working concept. Staff turnover will be monitored closely during strategic changes to mitigate HR risk.

Financial reporting Risk
Effective and timely implementation of IFRS17 is identified as the main source for future financial reporting risk. The ICF transformation within Finance improved demonstrability and risk awareness of financial reporting processes but will require further attention and awareness to further align with ICF requirements and to demonstrably mitigate financial reporting risks.

Business Continuity Risk
Business continuity risk was regarded minimal in 2021 as working from home proved to be no obstacle for running efficient and effective processes. Fallback tests were held and proved to be successful. Further strategic outsourcing may impact business continuity and therefore require additional mitigating measures.

Data Risk
Data risk was regarded minimal throughout 2021 but attention for data expertise will increase to mitigate data risk related strategy initiatives for digitalisation and automation.

Information Technology Risk
For the Athora Netherlands Data, Technology and Change (DTC) organisation, 2021 has been a year of a lot of challenges. The P&C migration to NN is ahead of schedule and programmes like IFRS and more 'standard' projects were conducted and overall delivered on schedule and within financial boundaries. DTC also focussed on possibilities for outsourcing as an alignment with the Athora Netherlands business strategy and organisation. A plan for further development of the organisation including a large cost reduction, has been conducted and will be continued in 2022 and 2023.

In 2021 DTC further improved the implemented Agile way of working, but also the SAFe and IT4IT implementation have been improved. Process automation has increased the efficiency of IT processes. 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. In 2021 COVID-19 did not really impact the business continuity and productivity.

DTC is more and more a data driven organisation thus improving the quality of decision making and customer orientation. Data governance is in place to evaluate, direct and monitor data initiatives and the implementation of data policies and data related legislation. The integration of processes, systems and data based on a solid data infrastructure has been successful to improve quality, efficiency and cost reduction.

Cybercrime Risk
Cybercrime risk is growing over the years, and attackers are becoming more professionalised and aggressive. Especially ransomware is a real threat for companies. Ransomware attacks are becoming more frequent and the amount of money demanded is increasing. Also supply chain attacks and phishing attacks are becoming more frequent. As more services are outsourced, cybercrime does not only concern Athora Netherlands itself, but may also impact the outsourced services and data.

For Athora Netherlands mitigating the cybercrime risk is a key priority. In 2021 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 2021 additional mitigating measures were implemented, such as stricter monitoring of security measures implemented at suppliers. Fake phishing campaigns were held within Athora to further promote awareness among employees regarding our own behavioural aspects that can make us more vulnerable for cybercrime. Incident response training has been practiced to minimise damage done by an attack. A cybercrime plan for 2022 has been drafted and Athora Netherlands will keep on focusing on mitigating this risk, also for outsourced services.

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	**2021**	**2020**
Athora Netherlands	186	195

The SCR for operational risk decreased mainly due to the decrease of the technical provision.

8 COMPANY FINANCIAL STATEMENTS

8.1 COMPANY STATEMENT OF FINANCIAL POSITION

Before result appropriation and in € millions	Ref.[1]	31 December 2021	31 December 2020
Assets			
Property and equipment	1	22	34
Subsidiaries	2	4,176	3,874
Receivables from group companies	3	1,037	829
Investments	4	94	26
Derivatives	5	23	-
Deferred tax	6	21	18
Loans and advances due from banks	7	-	13
Corporate income tax		29	20
Other assets	8	7	15
Cash and cash equivalents	9	37	55
Total assets		**5,446**	**4,884**
Equity and liabilities			
Issued share capital[2]		0	0
Share premium reserve		4,568	4,293
Revaluation reserves		240	155
Retained earnings		-1,165	-1,020
Total shareholders' equity		**3,643**	**3,428**
Holders of other equity instruments		350	300
Total equity	10	**3,993**	**3,728**
Subordinated debt	11	804	467
Borrowings		61	61
Capital base		**4,858**	**4,256**
Provision for employee benefits	12	466	476
Other provisions		35	50
Derivatives	5	-	12
Amounts due to banks	13	23	-
Other liabilities	14	64	90
Total equity and liabilities		**5,446**	**4,884**

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 N.V. is € 238,500.

8.2 COMPANY STATEMENT OF PROFIT OR LOSS

In € millions	Ref.[1]	2021	2020
Income			
Fee and commission expense		1	3
Net fee and commission income		**-1**	**-3**
Share in result of subsidiaries	17	-62	52
Investment income	18	-3	75
Result on derivatives	19	32	-
Total income		**-34**	**124**
Expenses			
Result on derivatives	19	-	35
Staff costs	20	10	25
Depreciation and amortisation of non-current assets		7	8
Other operating expenses		-1	-2
Other interest expenses	21	38	68
Total expenses		**54**	**134**
Result before tax		**-88**	**-10**
Tax expense / benefit	22	-12	-13
Net result for the period		**-76**	**3**
Attributable to:			
- Shareholders		-97	-18
- Holders of other equity instruments		21	21
Net result for the period		**-76**	**3**

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 N.V. 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 N.V. in profit or loss. The distributable reserves of subsidiaries are recognised in retained earnings.

Athora Netherlands N.V. has provided a perpetual Tier 1 Capital loan to its subsidiary SRLEV N.V. 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 N.V., 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. The revaluation reserve is a statutory reserve in accordance with Section 2:374(4) of the Dutch Civil Code and is therefore not freely distributable.

9.2 NOTES TO THE COMPANY FINANCIAL STATEMENTS

1 PROPERTY AND EQUIPMENT

BREAKDOWN OF PROPERTY AND EQUIPMENT		
In € millions	**2021**	**2020**
IT equipment	1	2
Right-of-use assets (ROU)	18	28
Other assets	3	4
Total	**22**	**34**

STATEMENT OF CHANGES IN PROPERTY AND EQUIPMENT 2021					
In € millions	**IT equipment**	**ROU: Property**	**ROU: Vehicles**	**Other assets**	**Total**
Accumulated acquisitions costs	7	57	4	15	**83**
Accumulated depreciation and impairments	-6	-37	-2	-12	**-57**
Accumulated other	-	-3	-1	-	**-4**
Balance as at 31 December	**1**	**17**	**1**	**3**	**22**
Balance as at 1 January	**2**	**26**	**2**	**4**	**34**
Investments	-	-	-	-	**-**
Depreciation	-1	-4	-1	-1	**-7**
Other	-	-5	-	-	**-5**
Balance as at 31 December	**1**	**17**	**1**	**3**	**22**

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 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**	0	**1**
Balance as at 31 December	**2**	**26**	**2**	**4**	**34**
Adjusted 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**

BREAKDOWN OF RIGHT-OF-USE ASSETS		
In € millions	**2021**	**2020**
Property	17	26
Vehicles	1	2
Total	**18**	**28**

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 SUBSIDIARIES

STATEMENT OF CHANGES IN SUBSIDIARIES		
In € millions	2021	2020
Balance as at 1 January	**3,874**	**3,981**
Interest Solvency II Tier 1 Capital subordinated loan SRLEV N.V.	-26	-
Capital issue	276	212
Disposals and redemptions	-	-416
Solvency II Tier 1 Capital subordinated loan SRLEV N.V.	50	100
Other comprehensive income	64	-55
Result	-62	52
Balance as at 31 December	**4,176**	**3,874**

In 2021, the capital issue consists of a share premium payment to SRLEV N.V. of € 275 million (2020: € 200 million) and to Zwitserleven PPI N.V. of € 1 million (2020: Share premium payment to ACTIAM N.V. of € 12 million).

The disposal of € 416 million consists of the sale of VIVAT Schadeverzekeringen per 1 April 2020.

In December 2021, Athora Netherlands provided a perpetual Tier 1 Capital loan to SRLEV N.V. The € 50 million subordinated loan (2020: € 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.

3 RECEIVABLES FROM GROUP COMPANIES

BREAKDOWN OF RECEIVABLES FROM GROUP COMPANIES		
In € millions	2021	2020
Loans	690	415
Reimbursement right	323	353
Receivables	24	61
Total	**1,037**	**829**

LOANS				
In € millions	Coupon	Maturity	2021	2020
SRLEV N.V.	7.750%	2015 - 2025	140	140
SRLEV N.V.	3.780%	2017 - 2027	95	95
SRLEV N.V.	3.600%	2018 - 2028	180	180
SRLEV N.V.	2.250%	2021 - 2031	275	-
Total			**690**	**415**

In April 2021, Athora Netherlands N.V. granted a loan to SRLEV N.V. in the amount of € 275 million. The loan is a 10.25-year Solvency II Tier 2 subordinated loan, first callable after 5 years, with the possibility of interest deferral, early repayment and variation. The loan bears a fixed interest coupon of 2.25% per annum.

Reimbursement Right

All personnel currently employed by Athora Netherlands N.V. 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 N.V. As a result Athora Netherlands N.V., as employer, has a reimbursement right towards SRLEV N.V. for the amount that is insured at SRLEV N.V. This receivable covers the pension commitments to Athora Netherlands N.V.'s (former) employees. This commitment is presented as a provision for employee benefits in Athora Netherlands N.V.'s company statement of financial position.

4 INVESTMENTS

The investments comprise solely of available for sale investments (2021: € 94 million; 2020: € 26 million).

BREAKDOWN OF AVAILABLE FOR SALE: LISTED AND UNLISTED

	Shares and similar investments		Fixed-income investments		Total	
In € millions	2021	2020	2021	2020	2021	2020
Listed	-	-	37	-	**37**	**-**
Unlisted	57	26	-	-	**57**	**26**
Total	**57**	**26**	**37**	**-**	**94**	**26**

STATEMENT OF CHANGES IN AVAILABLE FOR SALE

	Shares and similar investments		Fixed-income investments		Total	
In € millions	2021	2020	2021	2020	2021	2020
Balance as at 1 January	**26**	**49**	**-**	**435**	**26**	**484**
Purchases and advances	266	901	85	171	**351**	**1,072**
Disposals and redemptions	-234	-924	-48	-604	**-282**	**-1,528**
Revaluations	-1	-	-	-	**-1**	**-**
Amortisation	-	-	-	-4	**-**	**-4**
Received Coupons	-	-	-	-1	**-**	**-1**
Accrued Interest	-	-	-	3	**-**	**3**
Balance as at 31 December	**57**	**26**	**37**	**-**	**94**	**26**

BREAKDOWN OF AVAILABLE FOR SALE: MEASUREMENT

	Shares and similar investments		Fixed-income investments		Total	
In € millions	2021	2020	2021	2020	2021	2020
(Amortised) cost	57	26	37	-	**94**	**26**
Accrued interest	-	-	-	-	**-**	**-**
Balance as at 31 December	**57**	**26**	**37**	**-**	**94**	**26**

5 DERIVATIVES

Derivatives are held in the context of ALM to which no hedge accounting is applied.

STATEMENT OF CHANGES IN DERIVATIVES		
In € millions	2021	2020
Balance as at 1 January	**-12**	**23**
Purchases	2	-
Revaluations	-11	14
Exchange rate differences and FX result	44	-49
Accrued Interest	-	-
Balance as at 31 December	**23**	**-12**

6 DEFERRED TAX

ORIGIN OF DEFERRED TAX 2021				
In € millions	1 January	Change through profit or loss	Change through equity	31 December
Derivatives	**3**	-8	-	**-5**
Provision for employee benefits	**22**	1	-	**23**
Other	**-7**	10	-	**3**
Total	**18**	**3**	**-**	**21**

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**

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%.

However, on 21 December 2021 The Senate approved the Tax Plan 2022 including the increase of the corporate income tax rate from 25% to 25.8% as of 1 January 2022. This means that this tax rate change is substantively enacted and that the 31 December 2021 deferred tax calculation is based on the updated rate.

7 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.

8 OTHER ASSETS

BREAKDOWN OF OTHER ASSETS		
In € millions	2021	2020
Other accrued assets	-	3
Accrued assets	**-**	**3**
Other receivables	7	12
Total	**7**	**15**

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

9 CASH AND CASH EQUIVALENTS

BREAKDOWN OF CASH AND CASH EQUIVALENTS		
In € millions	2021	2020
Short-term bank balances	37	55
Total	**37**	**55**

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

10 EQUITY

STATEMENT OF CHANGES IN EQUITY 2021							
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 2021	**0**	**4,293**	**155**	**-1,020**	**3,428**	**300**	**3,728**
Other comprehensive income	-	-	40	-3	**37**	-	**37**
Net result 2021	-	-	-	-76	**-76**	-	**-76**
Total comprehensive income 2021	**-**	**-**	**40**	**-79**	**-39**	**-**	**-39**
Capital injection	-	275	-	-	**275**	-	**275**
Capital Subordinated Loan - Principal	-	-	-	-	**-**	50	**50**
Interest on other equity instruments	-	-	-	-21	**-21**	-	**-21**
Unrealised revaluations	-	-	67	-67	**-**	-	**-**
Realised revaluations	-	-	-5	5	**-**	-	**-**
Tax relating to changes in revaluation reserve	-	-	-15	15	**-**	-	**-**
Tax rate adjustment	-	-	-2	2	**-**	-	**-**
Other movements	**-**	**275**	**45**	**-66**	**254**	**50**	**304**
Total changes in equity 2021	**-**	**275**	**85**	**-145**	**215**	**50**	**265**
Balance as at 31 December 2021	**0**	**4,568**	**240**	**-1,165**	**3,643**	**350**	**3,993**

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 2021				
In € millions	Revaluation reserve	Cash flow hedge reserve	Fair value reserve	Sum revaluation reserves
Balance as at 1 January 2021	**136**	**-**	**19**	**155**
Unrealised revaluations from cashflow hedges	-	-70	-	**-70**
Amortisation from cashflow hedges	-	-10	-	**-10**
Unrealised revaluations	67	-	-863	**-796**
Realised revaluations	-5	-	-	**-5**
Realised gains and losses through profit or loss	-	-	42	**42**
Change in profit-sharing reserve and shadow accounting movement	-	80	875	**955**
Income tax	-15	-	11	**-4**
Tax rate adjustment	-2	-	-25	**-27**
Total changes in equity 2021	**45**	**-**	**40**	**85**
Balance as at 31 December 2021	**181**	**-**	**59**	**240**

STATEMENT OF CHANGES IN EQUITY 2020							
In € millions	Issued share capital	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 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**

STATEMENT OF CHANGES IN REVALUATION RESERVES 2020				
In € millions	Revaluation reserves	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 adjustment	-6	-	8	**2**
Total changes in equity 2020	**13**	**-**	**-28**	**-15**
Balance as at 31 December 2020	**136**	**-**	**19**	**155**

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 2021 (2020: 477).

BREAKDOWN OF ISSUED SHARE CAPITAL				
	Number of ordinary shares		Amount of ordinary shares (in € thousands)	
	2021	2020	2021	2020
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**

11 SUBORDINATED DEBT

BREAKDOWN OF SUBORDINATED DEBT							
				Carrying amount		Nominal value	
In € millions	Coupon	Maturity	First call date	2021	2020	2021	2020
Athora Netherlands N.V. (US Dollar)	6.250%	November 2017 - perpetual	November - 2022	506	467	508	469
Athora Netherlands N.V.	2.250%	April 2021 - April 2031	April - 2026	298	-	300	-
Total				**804**	**467**	**808**	**469**

In November 2017, Athora Netherlands N.V. 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.

In April 2021, Athora Netherlands N.V. issued € 300 million 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 2.250% per annum until the first call date. The notes qualify as Tier 2 regulatory capital.

STATEMENT OF CHANGES IN SUBORDINATED DEBT		
In € millions	2021	2020
Balance as at 1 January	**467**	**509**
Issue of subordinated debts	297	-
Amortisation	1	1
Currency gains and losses	39	-43
Balance as at 31 December	**804**	**467**

12 PROVISION FOR EMPLOYEE BENEFITS

BREAKDOWN OF PROVISION FOR EMPLOYEE BENEFITS		
In € millions	2021	2020
Pension commitments	454	461
Other employee benefit commitments	12	15
Total	**466**	**476**

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 € 4.1 million in 2022 (2021: € 2.2 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, € 141 million has been included in the provision for pensions for the former AXA and Winterthur pension schemes (2020: € 142 million). In 2022, Athora Netherlands' contribution to these defined benefit schemes is expected to amount to € 1.1 million (2021: € 0.5 million).

The pension scheme of Zwitserleven is self-administered. For this pension scheme, the present value of the pension obligations of € 239 million (2020: € 247 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 € 2.3 million in 2022 (2021: € 1.3 million).

After offsetting the fair value of the investments, € 74 million (2020: € 72 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 2022, Athora Netherlands' contribution to the other defined benefit schemes is expected to amount to € 0.7 million (2021: € 0.4 million).

Overview Pension Commitments

BREAKDOWN OF PENSION COMMITMENTS		
In € millions	2021	2020
Present value of defined benefit obligations	504	515
Less: Fair value of plan assets	-50	-54
Present value of the net liabilities	**454**	**461**

STATEMENT OF CHANGES IN PRESENT VALUE OF DEFINED BENEFIT OBLIGATIONS		
In € millions	2021	2020
Present value as at 1 January	**515**	**435**
Increase and interest accrual through profit or loss	2	4
Actuarial gains or losses due to changes in financial assumptions through Other Comprehensive Income	-1	52
Actuarial gains or losses due to changes in demographic assumptions through Other Comprehensive Income	-	-11
Actuarial gains or losses due to experience adjustments through Other Comprehensive Income	1	10
Benefits paid	-13	-13
Other movements through profit or loss	-	7
Other movements	-	31
Present value as at 31 December	**504**	**515**

Other movements in 2020 relates to the VIVAT Schade part settled with NN Group.

STATEMENT OF CHANGES IN FAIR VALUE OF THE PLAN ASSETS		
In € millions	2021	2020
Fair value as at 1 January	**54**	**47**
Return on plan assets	-2	5
Other movements	-	3
Investment income	**-2**	**8**
Premiums	11	11
Benefits paid	-13	-12
Fair value as at 31 December	**50**	**54**

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	2021	2020
Cash and cash equivalents	10	9
Insurance contract	40	45
Balance as at 31 December	**50**	**54**

The plan assets Insurance contracts consist of the non-contributory value based on the actuarial principles.

STATEMENT OF CHANGES IN OTHER COMPREHENSIVE INCOME		
In € millions	2021	2020
Balance as at 1 January	**-32**	**-6**
Actuarial gains or losses directly taken to Other Comprehensive Income pension commitments	-	-47
Investment income for the benefit or at the expense of Other Comprehensive Income	-	6
Deferred taxes	-	15
Balance as at 31 December	**-32**	**-32**

THE MAIN ACTUARIAL PARAMETERS AT YEAR-END		
In percentages	2021	2020
Discount rate	1.16%	0.72%
Expected salary increase	1.50%	1.50%
Increase accrued pension rights - Active	future wage inflation curve	future wage inflation curve
Increase accrued pension rights - Inactive	future price inflation curve	future price inflation curve

SENSITIVITY PRESENT VALUE OF PENSION OBLIGATIONS 2021		
	31 December 2021	
In € millions	Change in € millions	Change in %
Discount rate 0.66% (-0.5%)	47	0%
Discount rate 1.66% (+0.5%)	-41	0%

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%

Other Employee Benefit Commitments

STATEMENT OF CHANGES IN OTHER EMPLOYEE BENEFIT COMMITMENTS		
In € millions	2021	2020
Balance as at 1 January	**15**	**14**
Additions	-	2
Withdrawal	-3	-1
Balance as at 31 December	**12**	**15**

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

13 AMOUNTS DUE TO BANKS

There is € 22 million in 2021 (2020: nil) regarding cash collateral due on demand, which is related to the market value of derivatives.

14 OTHER LIABILITIES

BREAKDOWN OF OTHER LIABILITIES		
In € millions	**2021**	**2020**
Debts to subsidiaries	1	26
Investment transactions to be settled	-	2
Other taxes	8	10
Other liabilities	28	20
Accrued interest	8	4
Lease liabilities	19	28
Total	**64**	**90**

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 2021 and 31 December 2020.

LEASE LIABILITIES - MATURITY ANALYSIS		
In € millions	**2021**	**2020**
< 1 month	1	1
1 - 3 months	-	-
3 - 12 months	3	4
1 - 2 years	3	4
2 - 5 years	10	12
> 5 years	2	7
Total	**19**	**28**
Current	4	5
Non-current	15	23

15 GUARANTEES AND COMMITMENTS

For the guarantees and commitments of Athora Netherlands N.V., we refer to section 6.3 Note 20 Guarantees and Commitments.

16 RELATED PARTIES

INTRA-GROUP BALANCES BETWEEN ATHORA NETHERLANDS N.V. AND SUBSIDIARIES		
In € millions	**2021**	**2020**
Positions		
Assets		
Loans (receivables from subsidiaries)	690	415
Reimbursement right	323	353
Receivables	20	60
Accrued interest (other assets)	4	1
Liabilities		
Other liabilities	1	1
Transactions		
Capital issue to subsidiaries	276	212
Changes in equity	50	100
Movements receivables	-40	30
Movements reimbursement right	-30	29
Obtain loans (receivables from subsidiaries)	275	-150
Redemption loans (receivables from subsidiaries)	-	-416
Movements corporate income tax (payable to subsidiaries)	-	10
Movements accrued interest (other assets)	3	1
Income		
Net fee and commission income	-1	-1
Interest income	25	21
Expenses		
Staff costs	-102	155
Other operating expenses	-40	44

For details on the intra-group balances and transactions between Athora Netherlands N.V., Athora and affiliates, see Note 21 Related parties of the consolidated financial statements.

17 SHARE IN RESULT OF SUBSIDIARIES

BREAKDOWN OF SHARE IN RESULT OF SUBSIDIARIES		
In € millions	**2021**	**2020**
SRLEV N.V.	3	-28
VIVAT Schadeverzekeringen N.V.	-	60
Proteq Levensverzekeringen N.V.	-8	6
ACTIAM N.V.	-30	-4
Zwitserleven PPI N.V.	1	1
Others	-28	17
Total	**-62**	**52**

As of 1 January 2022, ACTIAM N.V. is no longer a subsidiary of Athora Netherlands. Refer to Note 38 Discontinued operations in the consolidated financial statements for more details.

18 INVESTMENT INCOME

The investment income in 2021 amounts to € -3 million mainly consist of interest on loans and receivables (€ 25 million), interest on cross currency swaps (€ 12 million) and unrealised revaluations by currency differences on subordinated notes (€ -39 million).

19 RESULT ON DERIVATIVES

The result on derivatives in 2021 (€ 32 million) is caused by changes in interest rates and currency differences (2020: € -35 million).

20 STAFF COSTS

Staff costs include the costs for internal and external staff performing holding activities.

21 OTHER INTEREST EXPENSES

BREAKDOWN OF OTHER INTEREST EXPENSES		
In € millions	**2021**	**2020**
Bonds	38	67
Private loans	-	1
Total	**38**	**68**

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 € 262 thousand (2020: € 307 thousand) at year-end.

22 INCOME TAX

BREAKDOWN OF TAX EXPENSE / BENEFIT		
In € millions	**2021**	**2020**
In financial year	-9	-15
Other items	-	-1
Corporate income tax due	**-9**	**-16**
Due to temporary differences	-3	3
Deferred tax (including tax rate change)	**-3**	**3**
Total tax expense / (benefit)	**-12**	**-13**

The corporate income taxes are irrevocable for the years up to and including 2018.

RECONCILIATION BETWEEN THE STATUTORY AND EFFECTIVE TAX RATE		
In € millions	**2021**	**2020**
Statutory income tax rate	25.0%	25.0%
Result before tax	-88	-10
Statutory corporate income tax amount	**-22**	**-2**
Exemption participation	13	-52
Effect of participation exemption	3	-13
Other items	7	2
Total tax expense / (benefit)	**-12**	**-13**
Effective tax rate	13.6%	125.0%

The effective tax rate of 13.6% differs compared to the nominal rate of 25%, mainly caused by the effect of participation exemption. For further disclosures about deferred tax, see Note 6 of the company financial statements.

23 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 2021.

AUDIT FEES		
In € thousands	**2021**	**2020**
Audit of the financial statements, including the audit of the statutory financial statements and other statutory audits of subsidiaries and other consolidated companies	2,398	3,009
Other audit services	652	631
Total	**3,050**	**3,640**

24 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 deduct the negative result for 2021 of € 76 million from the retained earnings of Athora Netherlands N.V.

In accordance with the resolution of the General Meeting of Shareholders held on 28 April 2021, the positive result for 2020 of € 3 million has been added to the retained earnings of Athora Netherlands N.V.

Amstelveen, the Netherlands, 30 March 2022

The Supervisory Board

R.M.S.M. (Roderick) Munsters

M.A.E. (Michele) Bareggi

E. (Elisabeth) Bourqui

F.G.H. (Floris) Deckers

J.M.A. (Hanny) Kemna

The Executive Board

J.A. (Jan) de Pooter

A.P. (Annemarie) Mijer

E.P. (Etienne) Comon

J. (Jim) van Hees

A. (Angelo) Sacca

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 2021 included in the annual report

Our opinion

We have audited the financial statements 2021 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 2021, and of its result and its cash flows for 2021 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) 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 2021, and of its result for 2021 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 2021
- The following statements for 2021: the consolidated statements of profit or loss, total comprehensive income and changes in equity and the consolidated cash flow statement
- 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 2021
- The company statement of profit or loss for 2021
- The notes comprising a summary of the 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.

Information in support of our opinion

We designed our audit procedures in the context of our audit of the financial statements as a whole and in forming our opinion thereon. The following information in support of our opinion and any findings were addressed in this context, and we do not provide a separate opinion or conclusion on these matters.

Our understanding of the business

Athora Netherlands N.V. is the holding company of two life insurance companies SRLEV N.V. and Proteq Levensverzekeringen N.V. Athora Netherlands N.V. also offered asset management services via its asset manager ACTIAM, which was sold per 1 January 2022. 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 start by determining materiality and identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud 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.

Materiality

Materiality	EUR 50 million (2020: EUR 50 million)
Benchmark applied	1.5% of total shareholder's equity (2020: 1.5% of total shareholder's equity)
Explanation	We consider Athora Netherlands' total shareholder's equity and solvency, and the ability to meet policyholder liabilities, key indicators for the users of its financial statements. As such, we have based materiality on total shareholder's equity. We excluded the 2021 capital injection from our benchmark.

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.

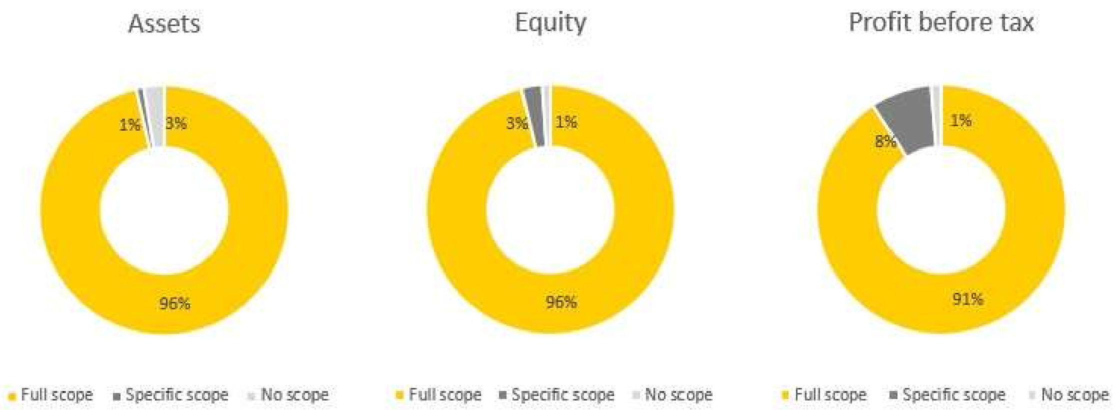
Scope of the group audit

Athora Netherlands is at the head of a group of entities. The financial information of this group is included in the consolidated financial statements.

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 based on size and risk. We have:
- Performed audit procedures ourselves at SRLEV N.V. and Athora Netherlands N.V.
- Performed specific audit procedures ourselves at Proteq Levensverzekeringen N.V.

In total these procedures represent 97% of total assets, 99% of shareholder's equity and 99% of profit before tax.



Assets	Shareholder's Equity	Profit before tax
Full scope	Specific scope	Statutory only/no scope

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 Group level, we have been able to obtain sufficient and appropriate audit evidence about the groups' financial information to provide an opinion about the consolidated financial statements.

Teaming and use of specialists

We ensured that the audit teams both at group and at component levels included the appropriate skills and competences which are needed for the audit of a client in the financial services industry. We included specialists in the areas of IT audit, forensics, sustainability, legal and income tax and have made use of our own actuaries and experts in the areas of valuation of technical provisions and valuation of unlisted investments.

Our focus on climate risks and the energy transition

Climate change and the energy transition are emerging topics and lead to significant change for many businesses and society. The executive board of Athora Netherlands has reported in the section 3.3 'Sustainability' of the annual report how the Company is addressing climate-related and environmental risk and taking into account related regulatory and supervisory guidance and recommendations.

As part of our audit of the financial statements, we evaluated the extent to which climate-related risks and the possible effects of the energy transition are taken into account in accounting estimates and significant assumptions as well as in the design of relevant internal control measures by Athora Netherlands, including those related to the estimation of liabilities related to insurance contracts. Furthermore, we read the Executive Board report and considered whether there is any material inconsistency with the financial statements.

Based on the audit procedures performed, we do not deem climate-related risks to have a material impact on the accounting estimates or significant assumptions used in the financial reporting per 31 December 2021.

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 we 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.

Our audit response related to fraud risks
We identify and assess the risks of material misstatements of the financial statements due to fraud. During our audit we obtained an understanding of the Company and its environment and the components of the system of internal control. This includes the risk assessment process and the executive board's process for responding to the risks of fraud and monitoring the system of internal control and how the Supervisory Board exercises oversight, as well as the outcomes.
We refer to section 3.3.3 of the Executive Board report for the Executive Board's (fraud) risk assessment.

We evaluated the design and relevant aspects of the system of internal control and in particular the fraud risk assessment, as well as the code of conduct, whistle blower procedures and incident registration. We evaluated the design and the implementation and, where considered appropriate, tested the operating effectiveness, of internal controls designed to mitigate fraud risks.

As part of our process of identifying fraud risks, we evaluated fraud risk factors with respect to financial reporting fraud, misappropriation of assets and bribery and corruption in close co-operation with our forensic specialists. In our risk assessment we considered the potential impact of amongst others organizational changes. We evaluated whether these factors indicate that a risk of material misstatement due to fraud is present.

We incorporated elements of unpredictability in our audit. We also considered the outcome of our other audit procedures and evaluated whether any findings were indicative of fraud or non-compliance.

As in all of our audits, we addressed the risks related to management override of controls, and used data analysis procedures to identify and address high-risk journal entries. We also performed procedures among others to evaluate key accounting estimates for management bias that may represent a risk of material misstatement due to fraud, 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), that include valuation of insurance contract liabilities including shadow accounting and liability adequacy test. We refer to the description of our audit approach in the key audit matter

‘Estimates used in calculation of insurance liabilities including shadow accounting and Liability Adequacy Test (LAT)’.

We considered available information and made enquiries of relevant executives, directors (including internal audit, legal, compliance, actuarial function and risk management) and the Supervisory Board.

The fraud risk we identified, enquiries and other available information did not lead to specific indications for fraud or suspected fraud potentially materially impacting the view of the financial statements.

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, inspecting the integrity risk analysis (SIRA), reading minutes, inspection of internal audit and compliance & risk management reports and performing substantive tests of details of classes of transactions, account balances or disclosures. We refer to note 7.9 to the financial statements for details of the Athora Netherlands compliance risk (management).

We also inspected lawyers’ letters, communicated with and read correspondence with regulatory and supervisory authorities and remained alert to any indication of (suspected) non-compliance throughout the audit. In case of potential non-compliance with laws and regulations that may have a material effect on the financial statements, we assessed whether Athora Netherlands has an adequate process in place to evaluate the impact of non-compliance for its activities and financial reporting and, where relevant, whether Athora Netherlands implemented remediation plans, amongst which compliance with the Dutch Act on the prevention of money laundering and financing of terrorism for which there are still outstanding remediation actions to be concluded. Furthermore, the company updated its governance framework in 2021 to comply with the large company regime and other legal requirements. We refer to section ‘Compliance Risk’ in note 7.9.2 ‘Exposure to Non-financial Risks – Compliance Risk’. Finally we obtained written representations that all known instances of non-compliance with laws and regulations have been disclosed to us.

Our audit response related to going concern
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 specific assessment with the executive board exercising professional judgment and maintaining professional skepticism.

We considered whether the executive board’s going concern assessment, based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, contains all events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern, also focusing on whether the Company will continue to meet the regulatory solvency requirements. To this end, we also inspected the Own Risk & Solvency Assessment (ORSA). 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.

Based on our procedures performed, we did not identify serious doubts on the Company’s ability to continue as a going concern for the next 12 months. 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.

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.

Last year, we included a key audit matter relating to the 'Sale of VIVAT Schadeverzekeringen N.V.' on 1 April 2020. In comparison with previous year, we did not make other changes to our key audit 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 2021. 79% 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, 22% is related to investments for which no published prices in active markets are available. Fair value measurement can be subjective, especially in 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 including shadow accounting 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. 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 with an extra focus on the organisational changes due to the sale of ACTIAM and the set-up of the own investment office within Athora Netherlands. We performed 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 EU-IFRS.

Estimates used in calculation of insurance liabilities including shadow accounting and Liability Adequacy Test (LAT)	
Risk	Athora Netherlands has insurance liabilities of EUR 51 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. 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. As at 31 December 2021, 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 and loans, require application of significant judgment and we considered the potential risk of management override of controls or other inappropriate influence over the financial reporting process. The company applies shadow accounting in its financial reporting as disclosed in note 6.1.5. Shadow accounting is complex, requires judgment regarding results that apply for shadow accounting and has a significant impact on the liabilities arising from insurance contracts. The company has comprehensive procedures and internal controls in place to determine the shadow accounting. 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. 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 (including inflation) 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". We audited the application of shadow accounting amongst others by inspecting the reconciliations of the fair value changes of the investments with the investment administration, assessing the calculation and the accounting of the related shadow accounting adjustment in the liabilities arising from insurance contracts. 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. 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 EU-IFRS.

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. 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'. We performed audit procedures in this area, which included: ▶ evaluation of Athora Netherlands' governance, processes and internal controls with respect to unit-linked exposures ▶ review of the documentation and discussing the unit-linked exposures with management and the Company's internal legal advisors ▶ obtaining a legal letter from Athora Netherlands' external legal advisor

Unit-Linked Exposure	
	▸ involving our own legal experts in the assessment of the documentation and developments regarding the unit-linked exposure 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	The executive board'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 2021 financial statements, is adequately substantiated. The related disclosure meets the requirements of EU-IFRS.

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. 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. 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.
Our audit approach	IT audit professionals are an integral part of the audit team and assessed the reliability and continuity of the IT environment to the extent necessary for the scope of our audit of the financial statements. Our audit was not primarily designed to express an opinion on the continuity and reliability of Athora Netherlands' automated data processing (or parts thereof) and we have not been instructed to do so by the executive board. 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 financial statements. 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. 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.

Reliability and continuity of the information technology and systems	
Key observations	Our testing of the IT (general) controls and IT substantive procedures performed, provided sufficient evidence to enable us to rely on the adequate and continued operation of the IT systems relevant for our audit of the financial statements.

Report on other information included in the annual report

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

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 for the management report and the other 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 management report in accordance with Part 9 of Book 2 of the Dutch Civil Code and other information 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 ever 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 regarding 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 'Information in support of our opinion' section above includes an informative summary of our responsibilities and the work performed as the basis for our opinion.
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
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the 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

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 of the Supervisory Board 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, 30 March 2022

Ernst & Young Accountants LLP

Signed by M. Koning

ADDITIONAL INFORMATION

1 GRI-TABLE

GRI Code	Disclosure	Cross reference / explanatory note 2021
GRI 102: GENERAL DISCLOSURES		
1. Organisational profile		
102-1	Name of the organisation	Athora Netherlands N.V. Annual Report: Cover Page
102-2	Activities, brands, products, and services	2.1. About Athora Netherlands p. 10 2.3. Our Brands p. 11 3.3.2. Value Creation p. 19-36
102-3	Location of the organisation'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. 52-64
102-6	Markets served	2.1. About Athora Netherlands p. 10 2.3. Our Brands p. 11
102-7	Scale of the reporting organisation	1.1. Key Figures p. 6-7 2.4. Our People p. 13-14 5.1. Consolidated Financial Statements. p. 66 5.2. Consolidated Statement of Profit or Loss p. 67
102-8	Information on employees and other workers	2.4. Our People p. 13-14
102-9	Supply chain	3.3.2. Value Creation p. 19-36 2.3. Our Brands p. 11
102-10	Significant changes to the organisation and its supply chain	No significant changes have occurered in the reporting period.
102-11	Precautionary Principle or approach	3.3.3. Managing Non-Financial CSR-related Risks p. 36-39 3.4. Business Performance: Investment office p. 41 7. Managing Risks p. 171-212
102-12	External initiatives	3.3.2.2. Creating value through Responsible Investing p. 22-32 (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) 3.3.3. Managing Non-financial CSR-related risk - Investment and environmental risks p. 36-39 3.3.3. Managing Non-financial CSR-related risk - Human Rights Risk p. 37 (The UN Guiding Principles on Business and Human Rights, the UN Global Compact) 3.3.3. Managing Non-financial CSR-related risk - Anti-Corruption and/or Bribery Risks p. 38 (UN Convention Against Corruption 2003, OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions 1997, OECD Guidelines for Multinational Enterprises, Principle 10 of the UN Global Compact.)
102-13	Memberships of associations	Here is a selection of the organisations of which we are members: Zwitserleven: PSI (UNEP Principles for Sustainable Insurance), VBDO (Association of Investors for Sustainable Investment),

GRI Code	Disclosure	Cross reference / explanatory note 2021
GRI 102: GENERAL DISCLOSURES		
1. Organisational profile		
		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 Amstelveen Reaal: Keurmerk Klantgericht Verzekeren, Verbond van Verzekeraars (Dutch Association of Insurers) ACTIAM: Dutch Fund and Asset Management Association (DUFAS), Extractive Industries Transparency Initiative (EITI), 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	1.2. Message from the Executive Board of Athora Netherlands N.V. p. 8
3. Ethics and integrity		
102-16	Values, principles, standards, and norms of behavior	3.3.2.3. Creating Value via Efficient and Sustainable Business p. 33-36 3.3.3. Managing Non-Financial CSR-related Risks p. 36-39 4. Corporate Governance p. 52-64
4. Governance		
102-18	Governance structure	4. Corporate Governance p. 52-64
5. Stakeholder Engagement		
102-40	List of stakeholder groups	3.3 Sustainability p. 17-39 3.3.1. Stakeholder Engagement p. 18-19 Additional Information - 4.2. Stakeholder Engagement p. 242-243
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. 242-243
102-43	Approach to stakeholder engagement	3.3.1. Stakeholder Engagement p. 18-19 Additional Information - 4.2. Stakeholder Engagement p. 242-243
102-44	Key topics and concerns raised	3.2 Corporate Strategy, p. 17 3.3.1. Stakeholder Engagement p. 18-19 3.3.2. Value Creation p. 19-36 Additional Information - 4.2. Stakeholder Engagement p. 242-243
6. Reporting practice		
102-45	Entities included in the consolidated financial statements	Additional Information - 4.4 About this Report p. 245
102-46	Defining report content and topic Boundaries	Additional Information - 4.4 About this Report p. 245
102-47	List of material topics	3.3.1. Stakeholder Engagement p. 18-19
102-48	Restatements of information	No significant restatement have been made with regard to the CR information and data in 2021 compared to the previous.
102-49	Changes in reporting	3.3.1. Stakeholder Engagement p. 18-19 3.3 Sustainability: Challenges and Ambitions p. 18

GRI Code	Disclosure	Cross reference / explanatory note 2021
GRI 102: GENERAL DISCLOSURES		
1. Organisational profile		
		Additional Information - 4.2. Stakeholder Engagement p. 242-243
102-50	Reporting period	January 1st - December 31st, 2021
102-51	Date of most recent report	March 2020
102-52	Reporting cycle	Yearly
102-53	Contact point for questions regarding the report	Additional Information - 4.4 About this Report p. 245
102-54	Claims of reporting in accordance with the GRI Standards	Additional Information - 4.4 About this Report p. 245
102-55	GRI content index	Additional Information - 1. GRI-table p. 234-238
102-56	External assurance	Other Information - 2. Independent Auditor's Report p. 233
GRI 103: MANAGEMENT APPROACH		
Topic Specific Standards		
Investing Responsibly		
DMA	Management approach disclosures	103-1: 3.2. Corporate Strategy, p. 17 3.3.1. Stakeholder Engagement, p. 18-19 Additional Information - 4.2. Stakeholder Engagement p. 242-243 103-2: 3.2. Corporate Strategy, p. 17 3.3.2. Value Creation p. 19-36 3.3.2.2. Creating Value through Responsible Investing, p. 22-32 3.4. Business Performance: Investment office p. 41 2.3. Our Brands, p. 11 Additional Information - 4.1. Organisation of Sustainability, p. 242 103-3: 3.3.2.2. Creating Value through Responsible Investing, p. 22-32 3.4. Business Performance: Investment office p. 41
Own indicator	Policy and results of responsible investment	1.1. Key Figures, p. 6 1.2 Message from the Executive Board of Athora Netherlands, p. 8 3.3.2. Value Creation, p. 19-36 3.3.2.2. Creating Value through Responsible Investing, p. 22-32 3.4. Business Performance: Investment office p. 41
Own indicator	Percentage of investment in line with ESG criteria	3.3.2.2. Creating Value through Responsible Investing, p. 22-32 Additional Information - 5. Glossary, p. 246
Solvency		
DMA	Management approach disclosures	103-1: 3.1. 2021 Developments and Trends, p. 15 3.2. Corporate Strategy, p. 17 3.3.1. Stakeholder Engagement, p. 18-19 Additional Information - 4.2. Stakeholder Engagement p. 242-243 103-2: 3.6. Risk and Capital Management, p. 47-51 7.4. Capital Management, p. 183-190 Additional Information - 4.1. Organisation of Sustainability, p. 242 3.2. Corporate Strategy, p. 17 3.4. Business Performance: Investment office p. 41

GRI Code	Disclosure	Cross reference / explanatory note 2021
GRI 102: GENERAL DISCLOSURES		
1. Organisational profile		
		103-3: 7.4. Capital Management, p. 175-182
Own indicator	Solvency II ratio	1.1. Key Figures, p. 6 3.6. Risk and Capital Management, p. 47-51
Being a Good Employer		
DMA	Management approach disclosures	103-1: 2.4. Our People, p. 13-14 3.2. Corporate Strategy, p. 17 3.3.1. Stakeholder Engagement, p. 18-19 Additional Information - 4.2. Stakeholder Engagement, p. 242-243 103-2: 3.3.2.3. Creating Value via Efficient and Sustainable Business, p. 33-36 Additional Information - 4.1. Organisation of Sustainability, p. 242 103-3: 3.3.2.3. Creating Value via Efficient and Sustainable Business, p. 33-36
Own indicator	Ratio male-female	2.4. Our People, p. 13-14 3.3.2.3. Creating Value via Efficient and Sustainable Business, p. 33-36
Own indicator	Female managers	2.4. Our People, p. 13-14 3.3.2.3. Creating Value via Efficient and Sustainable Business, p. 33-36
Own indicator	Female members of senior management	2.4. Our People, p. 13-14 3.3.2.3. Creating Value via Efficient and Sustainable Business, p. 33-36
Responsible pension		
DMA	Management approach disclosures	103-1: 3.3.1. Stakeholder Engagement, p. 18-19 Additional Information - 4.2. Stakeholder Engagement, p. 242-243 103-2: 2.2. Our Brands, p. 11 3.3.2. Value Creation, p. 19-36 Additional Information - 4.1 Organisation of Sustainability, p. 242 103-3: 2.2. Our Brands, p. 11 3.3.2. Value Creation, p. 19-36 Additional Information - 4.1 Organisation of Sustainability, p. 242
Indicator	Number of tools/expressions to help customers beyond ZL retirement	2.3. Our Business Lines p. 15' is no longer included in the annual report.
Permanent Employability		
DMA	Management approach disclosures	103-1: 2.4. Our People, p. 13-14 3.2. Corporate Strategy, p. 17 3.3.1. Stakeholder Engagement, p. 18-19 Additional Information - 4.2. Stakeholder Engagement, p. 242-243 103-2: 3.3.2.3. Creating Value via Efficient and Sustainable Business, p. 33-36 Additional Information - 4.1. Organisation of Sustainability, p. 242 103-3:

GRI Code	Disclosure	Cross reference / explanatory note 2021
GRI 102: GENERAL DISCLOSURES		
1. Organisational profile		
		3.3.2.3. Creating Value via Efficient and Sustainable Business, p. 33-36
Own indicator	Average length of service (years)	2.4. Our People, p. 13-14
Own indicator	Sickness absence	2.4. Our People, p.13-14 3.3.2.3. Creating Value via Efficient and Sustainable Business, p.33-36
Own indicator	% utilisation of personal development budget	2.4. Our People, p.13-14 3.3.2.3. Creating Value via Efficient and Sustainable Business, p.33-36
Own indicator	Training costs (million)	2.4. Our People, p. 13-14

2 CARBON AND WATER FOOTPRINT

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 31-12-2021	CO2-emissions scope 1 and 2				
		Total	Reported	Estimated	No estimation possible	Total intensity
Name	In € millions	ton CO2e	%	%	%	ton CO2e per € mln
Own account	**30,494**	**360,735**	**60.1%**	**29.6%**	**10.3%**	**11.8**
Listed shares	70	7,859	94.0%	6.0%	0.0%	112.6
Corporate bonds	10,399	294,002	44.7%	38.2%	17.1%	28.3
Investment property	500	80	5.7%	11.2%	83.1%	0.2
Sovereign bonds	19,196	58,644	70.8%	24.1%	5.1%	3.1
Private equity	868	150	1.4%	41.4%	57.2%	0.2
Mortgages	n/a	n/a	0.0%	0.0%	100.0%	-
Funds	**26,065**	**1,313,900**	**79.4%**	**20.6%**	**0.0%**	**50.4**
ACTIAM	6,058	292,700	76.8%	23.2%	0.0%	48.3
Zwitserleven	20,007	1,021,200	80.2%	19.8%	0.0%	51.0

CARBON EMISSIONS SCOPE 3			
Category	Capital per 31-12-2021	CO2-emissions scope 3	
		Total	Intensity
Name	In € millions	ton CO2e	ton CO2e per € mln
Own account	**30,494**	**2,196,233**	**72.0**
Listed shares	70	30,432	435.9
Corporate bonds	10,399	2,020,324	194.3
Investment property	500	2,408	4.8
Sovereign bonds	19,196	131,265	6.8
Private equity	868	11,804	13.6
Mortgages	n/a	n/a	n/a
Funds	**26,065**	**6,708,600**	**257.4**
ACTIAM	6,058	1,524,900	251.7
Zwitserleven	20,007	5,183,700	259.1

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 31-12-2021	Total scarce water use	Intensity of scare water use
Name	In € millions	thousand liter	thousand liter per € mln
Own account	**30,494**	**45,693**	**1.5**
Listed shares	70	1,321	18.9
Corporate bonds	10,399	44,373	4.3
Investment property	500	n/a	n/a
Sovereign bonds	19,196	n/a	n/a
Private equity	868	n/a	n/a
Mortgages	n/a	n/a	n/a
Funds	**26,065**	**355,044**	**13.6**
ACTIAM	6,058	115,310	19.0
Zwitserleven	20,007	239,734	12.0

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., 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.

4 PRINCIPLES OF NON-FINANCIAL REPORTING

4.1 Organisation of Sustainability

The Executive Board 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 2021, we continued to renew the sustainable policies of Athora Netherlands and refining ambition levels on a number of sustainability topics. For example, we fully embedded ESG risk in our investment policies and quantified (intermediate) targets on GHG emission, water use and land use for an important part of our investment portfolio. The Director Strategy & Growth 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 responsible departments for each of the fields covered by the sustainability policy 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 & Growth 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 2021.

STAKEHOLDER DIALOGUE			
Group	**Type of engagement**	**Main aspects discussed in 2021**	**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 • 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 • Concentrate on providing solutions for our customers based on their needs and pro-active relevant customer interaction • 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. • 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 • request for sustainable solutions at renewals en negotiations • awareness of the internal organisation 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 N.V. 2021
Company Model	
General description and core processes	2021 At a Glance, p. 4-5
Business model	3.3.2. Value Creation, p. 19-36
Description of Strategy	3.2. Corporate Strategy, p. 17 3.3. Sustainability, p. 17-18
Environment	
Description Implemented policies	3.2. Corporate Strategy, p. 17 3.3.2.2. Creating Value through Responsible Investing, p. 22-32

Requirements EU-Directive	Reference Annual Report Athora Netherlands N.V. 2021
Company Model	
Results of Implemented policies	3.3.2.2. Creating Value through Responsible Investing, p. 22-32 3.3.2.3. Creating Value via Efficient and Sustainable Business, Energy Measures, p. 35-36
Description of Risks	3.3.3. Managing Non-financial CSR-related Risks, p. 36-39
Description risk management	3.3.3. Managing Non-financial CSR-related Risks, p. 36-39
Quantitative performance-indicators	3.3.2.2. Creating Value through Responsible Investing, p. 22-32 3.3.2.3. Creating Value via Efficient and Sustainable Business, Energy Measures, p. 35-36
Social and Personnel	
Description Implemented policies	3.2. Corporate Strategy, p. 17 3.3.2.3. Creating Value via Efficient and Sustainable Business, Energy Measures, p. 35-36
Results of Implemented policies	2.4. Our People, p. 13-14 3.3.2.3. Creating Value via Efficient and Sustainable Business, Energy Measures, p. 35-36
Description of Risks	3.3.3. Managing Non-financial CSR-related Risks, p. 36-39 7.2.4. Risk Culture, p. 174
Description risk management	3.3.3. Managing Non-financial CSR-related Risks, p. 36-39 7.2.5. Risk Organisation, p. 174-177
Quantitative performance-indicators	2.4. Our People, p. 13-14 3.3.2.3. Creating Value via Efficient and Sustainable Business, Energy Measures, p. 35-36
Human rights	
Description Implemented policies	3.3.2.1 Creating Value through Sustainable: Customer Loyalty and Customer Satisfaction, p. 21-22 3.3.2.2. Creating Value through Responsible Investing, p. 22-32
Results of Implemented policies	3.3.2.1 Creating Value through Sustainable: Customer Loyalty and Customer Satisfaction, p. 21-22 3.3.2.2. Creating Value through Responsible Investing, p. 22-32
Description of Risks	3.3.2.1 Creating Value through Sustainable: Customer Loyalty and Customer Satisfaction, p. 21-22 3.3.3. Managing Non-financial CSR-related Risks, p. 36-39
Description risk management	3.3.2.1 Creating Value through Sustainable: Customer Loyalty and Customer Satisfaction, p. 21-22 3.3.3. Managing Non-financial CSR-related Risks, p. 36-39
Quantitative performance-indicators	3.3.2.2. Creating Value through Responsible Investing, p. 22-32
Corruption and Bribery	
Description Implemented policies	3.3.2.1 Creating Value through Sustainable: Customer Loyalty and Customer Satisfaction, p. 21-22 3.3.2.2. Creating Value through Responsible Investing, p. 22-32
Results of Implemented policies	3.3.2.1 Creating Value through Sustainable: Customer Loyalty and Customer Satisfaction, p. 21-22 3.3.2.2. Creating Value through Responsible Investing, p. 22-32
Description of Risks	3.3.3. Managing Non-financial CSR-related Risks, p. 36-39
Description risk management	7.9. Compliance Risk and Operational Risk, p. 209-212
Quantitative performance-indicators	3.3.2.2. Creating Value through Responsible Investing, p. 22-32
Diversity Policy	
Description Implemented policies	3.3.2.3. Creating Value via Efficient and Sustainable Business, Energy Measures, p. 35-36 4.3. Governing Rules, p. 53 4.5. Report of the Supervisory Board, p. 56-57
Objectives of implemented policies	3.3.2.3. Creating Value via Efficient and Sustainable Business, Energy Measures, p. 35-36
Method of implemented policies	3.3.2.3. Creating Value via Efficient and Sustainable Business, Energy Measures, p. 35-36 4.2. The Executive Board, p. 52-53 4.4. The Supervisory Board, p. 54-55

Requirements EU-Directive	Reference Annual Report Athora Netherlands N.V. 2021
Company Model	
Results of Implemented policies	3.3.2.3. Creating Value via Efficient and Sustainable Business, Energy Measures, p. 35-36 4.2. The Executive Board, p. 52-53 4.4. The Supervisory Board, p. 54-55 4.3. Governing Rules, p. 53

4.4 About this Report

The 2021 Annual Report of Athora Netherlands N.V. 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 N.V. and other interested parties.
The scope of this report comprises all entities for which Athora Netherlands N.V. has management responsibility. The report relates to the full 2021 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 3.3.1. 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 N.V. 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 N.V. 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 3.3.2.

Measuring Method

Data was provided by the various business 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 business 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 N.V. welcomes feedback from stakeholders and other interested readers. We would be glad to receive any comments at info@athora.nl.

5 GLOSSARY

Active ownership, engagements	We identify three different types of engagement: 1) Responsive engagement: in response to controversies or violations of our Fundamental Investment Principles. 2) Proactive engagement: raising possibilities for improvement and potential risks. 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: 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 – 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.

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