

Amstelveen, 8 September 2022

## **Athora Netherlands Interim Results 2022**

### **Strategic delivery underpinned by strong Solvency II ratio of 202% Significant progress with the execution of our Ambition 2025 strategy**

#### **Financial Results**

- Net Underlying Result of EUR 215 million (HY21: EUR 152 million) driven primarily by higher investment income, supported by the ongoing repositioning of the asset portfolio.
- Increase in pension premiums of 5%, consistent with our strategy to grow in this market.
- Gross premiums of EUR 864 million (HY21: EUR 888 million) were slightly lower due to the planned runoff of the Dutch individual life book.
- Zwitserleven PPI continued to grow with deposits increasing by 24% from EUR 123 million to EUR 153 million.
- Total operating costs of EUR 103 million are marginally higher. Underlying costs, excluding scope changes and strategic & transformation initiatives, came down by 6%.
- The Net Result IFRS for continuing operations of -/- EUR 828 million (HY21: -/- EUR 98 million) was negatively impacted by the impact on the market value of investments from higher interest rates, spread widening and expense provisions.

#### **Solvency**

- Athora Netherlands' Solvency II ratio increased to 202% (YE21: 180%), primarily driven by the impact of market movements and the associated effect of the volatility adjustment, and supported by operating capital generation. The increase in solvency was partially offset by the impact of the continued repositioning of the asset portfolio and the decrease of the UFR from 3.60 % to 3.45%.
- Solvency II ratio of SRLEV of 211% (YE21: 180%) improved for the same reasons as Athora Netherlands.
- In May, Fitch upgraded the Insurer Financial Strength rating for SRLEV N.V. from A- to A. The Issuer Default rating of Athora Netherlands N.V. has also been upgraded, from BBB+ to A-.
- Athora Netherlands issued EUR 500 million of subordinated notes during the second quarter. The vast majority of the proceeds of these new Tier 2 notes were used to fund the repurchasing of subordinated notes that were issued by VIVAT N.V. in 2017.

#### **Strategic Progress**

- Athora Netherlands continues to make progress towards its Ambition 2025 strategy which is based upon three key levers: (1) growth in pensions, (2) enhanced investment returns and capital efficiency measures and (3) a simplified operating model while further building on our strong sustainability credentials. Solid inflows to our pensions supported by a successful buy-out of a pension fund, a lower underlying cost base, higher investment income and a capital position which supports further growth of our business in addition to the continued repositioning of our asset portfolio are evidence of the progress made in the first half of 2022.
- Appointment of Jan-Hendrik Erasmus as new CFO in the Executive Board.

In € millions	HY22	HY21
Net Underlying Result Athora Netherlands <sup>1</sup>	215	152
Net Result IFRS <sup>2</sup>	-828	-98

  

In € millions/percentage	HY22	FY21
Solvency-II ratio Athora Netherlands	202%	180%
IFRS Equity	3,326	3,993

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

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

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

“The first half of 2022 has been a very volatile and uncertain period for the world. The war in Ukraine is not only a humanitarian tragedy with far reaching geo-political consequences but also has a very substantial impact on the global economy, food and energy prices and financial markets.

In this uncertain and volatile environment, Athora Netherlands was able to continue to provide security to its customers. Starting from a relatively low risk position, the impact of higher rates and increased spreads in the bond markets resulted in a solid increase in the solvency of our company. Moreover, we were not affected directly by materially higher inflation expectations thanks to various inflation hedges which were put in place last year. Our Solvency II ratio of 202% at the end of June should provide further comfort to our customers for being their true ‘partner for life’ and allows us to continue the expeditious execution of our Ambition 2025 strategy.

One of the levers of our strategy is to increase our investment income through the repositioning of some of our investments towards higher yielding private assets. This shift was the prime reason for the improvement of our Net Underlying Result and is expected to further contribute to our capital generation which was already positive in the first half of 2022 and is expected to improve further going forward, creating a strong and sustainable platform for the development of our business. Our capital efficiency was further enhanced by an increased allowance for LAC DT and other measures. The strengthening of our financial position was also recognized by Fitch rating agency who upgraded the ratings of Athora Netherlands and Athora Group for the second time within a year.

We also made good progress in the implementation of our operating model. As of March 2022, we started with a new functional organizational structure facilitating our ambition to become a more simplified and efficient company that is better suited to our pension-focused strategy after the completion of the sale of our non-life and asset management activities.

Our business developed favorably in the first half of the year. Zwitserleven, as a leading provider of solutions for pension needs, was able to deliver solid growth in pension premiums. The increased volume in our accumulation business was partly offset by a small decrease in decumulation as customers delayed their decision to buy annuities in anticipation of higher interest rates. We were again able to support a pension fund with the transfer of its assets and liabilities ahead of the upcoming pension reform. And we launched our new annuity product to address the growing need

of certain customers to only guarantee part of their pension income with the rest of the pension income remaining more reliant on the evolution of financial markets.

We continue to strive to be the most sustainable insurer in the Netherlands. We launched a new dedicated Sustainability department coordinating and consolidating all our efforts in this important domain. Under the Zwitterleven brand we recently started a campaign to further highlight our commitment to a better world. The upcoming renovation of the Holbeinhuis, our former office in Rotterdam, into an office building with the highest energy label is a good example of the tangible impact we can make in creating a more sustainable environment.

I am very pleased with our performance during the first half of 2022 and would like to thank our customers for their continued trust and our valued employees for their support in making this possible. I look forward to the remainder of 2022 with confidence as we continue to build for the long term in becoming the leading pension solutions provider in the Netherlands that will address the needs of the life and pensions market in the Netherlands.”

## Financial Result Continued Operations

In € millions	HY22	HY21
<b>Result</b>		
Premium Income	864	888
Net inflow PPI	153	123
Direct Investment Income	655	583
Operating expenses	103	100
<b>Net underlying result Athora Netherlands</b>	<b>215</b>	<b>152</b>
<b>Net Result IFRS</b>	<b>-828</b>	<b>-98</b>

Net Underlying Result increased by EUR 63 million in the first half of 2022, mainly driven by higher investment income increasing to EUR 655 million as a result of successful repositioning of the investment portfolio to higher yielding assets and improved mortality results.

Net Result IFRS for continued operations for the first half year of 2022 amounted to -/- EUR 828 million driven by significant market movements of investments due to increased interest rates and widening of credit spreads. Furthermore, Net Result IFRS was negatively impacted by an addition to the technical provisions for expenses and the UFR decrease by 15 bps to 3.45%. The impact of a similar UFR decrease was also included in the result of 2021.

Premium income decreased by EUR 24 million to EUR 864 million compared to the same period last year. Total pension premiums increased by EUR 29 million. Growth in accumulation business was partially offset by lower volumes in retirement solutions as customers delayed purchases due to high volatility of returns and in anticipation of higher yields going forward. The PPI deposits reached EUR 153 million, a 24% increase compared to the same period previous year, in line with Athora Netherlands' strategic growth ambition in pension and retirement solutions. On the other hand, individual life insurance premiums declined by EUR 53 million, in line with the shrinking of the Dutch individual life market.

Direct investment income is significantly higher compared to last year. The positive effect of the repositioning of the investment portfolio towards assets offering a more attractive risk-return profile more than offset the decline in income from saving mortgages and the impact of the shrinking individual life investment portfolio.

Operating expenses increased marginally. Nonetheless there was continued progress in reducing the overall operating cost base. Excluding strategic & transformation initiatives cost came down by 6%. Resulted in mainly lowering fixed and variable staff costs which is also reflected in the decrease in FTE's for the ongoing operations from 1,252 end of June 2021 to 1,124 end of June 2022.

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

In € millions	HY22	HY21
<b>Net Underlying Result Athora Netherlands</b>	<b>215</b>	<b>152</b>
1) Change LAT shortfall Life in P&L	-570	-230
2) Other (un)realised changes in fair value of A/L	-536	-26
3) One-offs and Non operating expenses and profits	63	6
<b>Net Result IFRS Athora Netherlands</b>	<b>-828</b>	<b>-98</b>

The LAT-shortfall Life in 2022 was negatively impacted by market developments resulting in spread widening and higher interest rates as well as an additional reservation for expenses. The negative impact from the decrease of the UFR by 15 basis points was also included in the half year result of 2021.

Other (un)realised changes in fair value of assets and liabilities in the first half year of 2022 mainly relate to a decline in the fair value of derivatives as a result of a sharp increase in market interest rates. This decline is largely offset by an opposite movement due to interest increase in the change LAT shortfall. Other fair value changes in the first half year of 2021 mainly relate to a result on hedges.

The one-off items in 2022 largely consist of a EUR 69 million positive impact from the recalculation of the DTA recoverability.

## Financial Result per Segment

€ millions					
HY22	SRLEV	Proteq	Zwitserven PPI	Holding	Total
<b>Net result IFRS</b>	<b>-764</b>	<b>2</b>	<b>1</b>	<b>-67</b>	<b>-828</b>
<i>Net Underlying Result</i>	219	2	1	-7	215

€ millions					
HY21	SRLEV	Proteq	Zwitserven PPI	Holding	Total
<b>Net result IFRS</b>	<b>-80</b>	<b>1</b>	<b>-</b>	<b>-19</b>	<b>-98</b>
<i>Net Underlying Result</i>	156	1	-	-5	152

The majority of all life insurance activities of Athora Netherlands are performed within the legal entity of SRLEV. Developments in Net Result IFRS and Net Underlying Result of Athora Netherlands are therefore also applicable for SRLEV.

Net Result IFRS for the segment Holding in H122 was negatively influenced by a decrease in LAT-surplus of Proteq which is reflected in the segment Holding.

## Capital Management

In € millions/percentage	HY22	FY21
Eligible own funds Athora Netherlands NV	3,500	4,111
Consolidated Group SCR	1,736	2,290
Solvency II ratio Athora Netherlands NV	202%	180%
Eligible own funds SRLEV NV	3,642	4,012
Consolidated SRLEV SCR	1,726	2,234
Solvency II ratio SRLEV NV	211%	180%

The Solvency II ratio of Athora Netherlands increased from 180% at the end of 2021 to 202% at the end of June 2022.

The increase in interest rates had limited effect but the flattening of the yield at the long end of the curve had a positive impact on solvency. The negative impact of spread widening on the assets was more than offset by the impact of the increase of the Volatility Adjustment (VA) from 3 bps at the end of 2021 to 25 bps at the end of June 2022. Other market movements which include inflation and the lower impact of equity shocks on SCR also had a positive impact on the Solvency II ratio. The gross impact of the combined market movements and associated hedging programs on the Solvency II ratio was a positive 45%-points. Tiering effects reduced the net impact.

The investment portfolio has been further repositioned towards private assets to improve investment income. The combined impact of the increase in SCR due to the change in the asset mix during the first half year in combination with the additions to provisions for investment management expenses associated with the new Strategic Asset Allocation was -/- 30%-points. The strong capital position end of June 2022 will allow Athora Netherlands to continue the asset repositioning efforts in order to further increase capital generation.

Capital generation, including organic development of the capital requirement, was positive in the first half of 2022 and contributed 2%-points to the Solvency II ratio.

After the successful issuance of EUR 500 million subordinated Tier 2 bond by Athora Netherlands in May, EUR 479 million was used to fund the repurchasing of dollar-denominated subordinated notes issued by VIVAT N.V. in 2017. The net increase in subordinated debt increased the Solvency II ratio by 1%-point although this effect was neutralized due to tiering restrictions.

The positive impact on solvency from the reduction in currency risk (3%) due to the tender offer of the subordinated US dollar notes and the SCR reduction related to sale of ACTIAM (2%) was almost fully offset by the solvency impact due to the decrease in UFR with 15bps in the beginning of 2022 (-/-4%). EIOPA has confirmed that no further step down of UFR will take place in 2023.

Athora Netherlands implemented an improved deferred tax assets recoverability and LAC DT (Loss Absorbing Capacity of Deferred Taxes) model in 2021. Based on this new model and the improved financial strength and profitability, Athora Netherlands was able to underpin a non-zero LAC DT. The additional positive impact of LAC DT in the first half of 2022 was fully offset by the increase in tax and tiering restrictions.

Several model and parameter adjustments had an additional positive impact on the Solvency II ratio of 3%-points.

The Solvency II ratio of SRLEV increased from 180% at the end of 2021 to 211% at the end of June 2022. The drivers of the change in the Solvency II ratio of SRLEV are similar to those of Athora Netherlands. The main difference in evolution is explained by the higher tiering restriction at Athora Netherlands due to the higher DTA position and the presence of more Tier 2 capital.



## Consolidated Statement of Financial Position Athora Netherlands NV

In € millions	HY22	FY21
<b>Assets</b>		
Property and equipment	40	42
Investments in associates and joint ventures	139	211
Investment property	890	615
Investments	33,674	40,019
Investments for account of policyholders	12,071	14,423
Investments for account of third parties	3,648	3,354
Derivatives	7,651	3,834
Deferred tax assets	1,092	632
Reinsurance share	4	9
Loans and advances due from banks	3,528	360
Other assets	349	345
Cash and cash equivalents	577	403
Assets held for sale	-	41
<b>Total assets</b>	<b>63,663</b>	<b>64,288</b>
<b>Equity and liabilities</b>		
Share capital <sup>1</sup>	-	-
Reserves	2,976	3,643
<b>Shareholders equity</b>	<b>2,976</b>	<b>3,643</b>
Holder of other equity instruments	350	350
<b>Total equity</b>	<b>3,326</b>	<b>3,993</b>
Subordinated debt	968	906
Borrowings	61	61
Insurance liabilities	42,759	50,246
Liabilities investments for account of third parties	3,648	3,354
Provision for employee benefits	485	682
Other provisions	36	45
Derivatives	9,259	1,415
Amounts due to banks	1,970	2,638
Corporate income tax	95	22
Other liabilities	1,056	888
Liabilities directly associated with the assets held for sale	-	38
<b>Total equity and liabilities</b>	<b>63,663</b>	<b>64,288</b>

<sup>1</sup> The issued and paid up share capital of Athora Netherlands NV is € 238.500

### Assets

Investments for own account decreased in 2022 (compared to YE-21) with EUR 6.3 billion. The decrease is mainly driven by unrealized revaluation on bonds due to increased market interest rates combined with widening credit spreads (EUR 2.5 billion) and an outflow of cash collateral from derivatives (EUR 4.6 billion).

Investments for account of policyholders decreased with EUR 2.4 billion mainly as result of lower values of UL investments (EUR 2.2 billion) and run-off UL-portfolio (paid claims -/- premiums).

The net position of derivatives (assets & liabilities) decreased with EUR 4.0 billion, mainly caused by unrealized changes in fair value of IRS due to increased interest rates. This is partially offset by an increase in the fair value of Inflation Linked Swaps (EUR 0.2 billion). The lower value of derivatives is largely offset in the change in technical provisions.

**Liabilities**

Insurance liabilities decreased in 2022 mainly as a result of increased market interest rates.

**Shareholders' Equity**

Shareholders' equity decreased in 2022 by EUR 0.7 billion mainly as a result of the negative Net Result IFRS of EUR 0.8 billion. This is partly offset by a positive impact in OCI due to a decrease of the IAS 19 provision by 0.1 billion.

## Consolidated Statement of Profit or Loss Athora Netherlands NV

In € millions	HY22	HY21
<b>Continuing operations</b>		
<b>Income</b>		
Premium income	864	888
Less: Reinsurance premiums	273	162
<b>Net premium income</b>	<b>591</b>	<b>726</b>
Fee and commission income	24	25
Fee and commission expense	11	1
<b>Net fee and commission income</b>	<b>13</b>	<b>24</b>
Share in result of associates and joint ventures	11	1
Investment result	986	517
Investment result for account of policyholders	-	680
Result on investments for account of third parties	-	267
Result on liabilities from investments for account of third parties	594	-
<b>Total income</b>	<b>2,195</b>	<b>2,215</b>
<b>Net benefits, claims and expenses</b>		
Technical claims and benefits	-1,924	-359
Charges for account of policyholders	-1,850	749
<b>Net benefits and claims</b>	<b>-3,774</b>	<b>390</b>
Investment result for account of policyholders	2,213	-
Result on investments for account of third parties	594	-
Result on liabilities from investments for account of third parties	-	267
Result on derivatives	4,236	1,553
Acquisition costs for insurance activities	6	7
Staff costs	78	75
Depreciation and amortisation of non-current assets	2	2
Other operating expenses	23	23
Impairment losses (reversals)	6	-
Other interest expenses	28	30
<b>Total expenses</b>	<b>7,186</b>	<b>1,957</b>
<b>Total net benefits, claims and expenses</b>	<b>3,412</b>	<b>2,347</b>
<b>Result before tax from continued operations</b>	<b>-1,217</b>	<b>-132</b>
Tax (expense) / benefit	-389	-34
<b>Net result continued operations for the period</b>	<b>-828</b>	<b>-98</b>
<b>Discontinued operations</b>		
Net result from discontinued operations (after tax) <sup>2</sup>	-	-12
<b>Net result for the period</b>	<b>-828</b>	<b>-110</b>
<b>Net Underlying Result</b>	<b>215</b>	<b>152</b>

The comparative figures HY21 have been restated in line with IFRS 5 regarding discontinued operations

<sup>2</sup> On 21 October 2021, ACTIAM N.V. was sold 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.

## Alternative Performance Measures

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

### ***Definition and usefulness of Net Underlying Result (NUR):***

Net Result IFRS of Athora Netherlands has a high volatility as result of the valuation of all assets and liabilities on a fair value basis. In the NUR, major fair value movements as result of market developments and parameter changes have been eliminated from IFRS-result. Athora Netherlands believes that the NUR provides useful information to stakeholders and investors which results in greater comparability of results with peers and that it enhances their understanding on the financial impact of management decisions (e.g., repositioning of investments, additional cost-savings). The NUR should be viewed as complementary to, and not as a substitute for Net Result IFRS.

### ***Limitations of the usefulness Net Underlying Result:***

The large difference between Net Result IFRS and NUR is driven by a number of items.

Besides the result of new business the NUR also includes realisation of interest and technical results on the existing (old) business portfolio. As Athora Netherlands values virtually all of its assets and liabilities on a fair value basis, these specific results are already included within Equity. Reported results on existing (old) portfolio in NUR are reversed in Net Result IFRS by means of a change in the LAT shortfall. The NUR is therefore not a full reflection of economic value added.

The increase in NUR is partly driven by the interest income on derivatives that will balance out when these instruments mature. This impact is offset by the fair value of technical provisions (LAT shortfall) in the Net Result IFRS, whilst any changes in LAT shortfall have been excluded from the net underlying result. This therefore increases the difference between NUR and Net Result IFRS.

Given the complexity in valuation of derivatives it is not possible to fully eliminate all fair value movements from NUR. This could lead to distortion in comparability of figures between different periods.

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## About Athora Netherlands

Athora Netherlands N.V. is the holding company for, among others, SRLEV N.V., Proteq Levensverzekeringen N.V. and Zwitserleven PPI N.V. Athora Netherlands' subsidiaries are active on the Dutch market with the Zwitserleven and Reaal brands. A balance sheet total of EUR 64 billion (end of June 2022) makes Athora Netherlands one of the largest insurers in the Netherlands. Athora Netherlands Holding Limited is the sole shareholder of Athora Netherlands N.V. For more information, please visit [www.athora.nl](http://www.athora.nl).

## Disclaimer

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

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This press release contains summary information only and does not purport to be comprehensive and is not intended to be (and should not be used as) the sole basis of any analysis or other evaluation and should be read in combination with the annual report 2021 of Athora Netherlands N.V.

As per June 30 2022 the same key accounting principles have been applied as per December 31 2021 for the annual report 2021 of Athora Netherlands N.V.

All figures in this document are unaudited.