ATHORA NETHERLANDS

IFRS 17

11 May 2023

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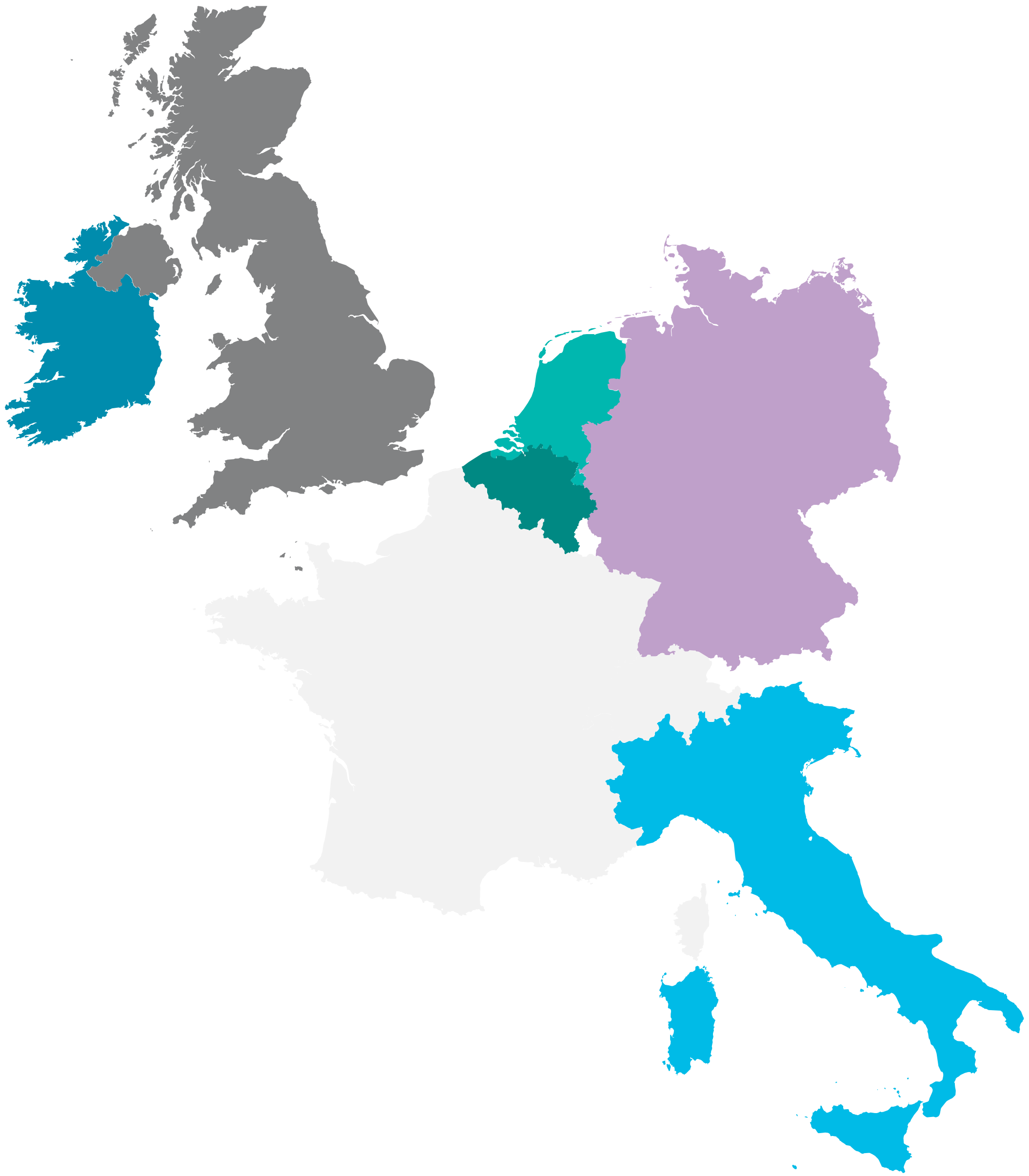
CONTEXT | ATHORA NETHERLANDS IS PART OF ATHORA GROUP

We are part of Athora

- **Financially robust European insurance group**
- **Owned by a leading group** of institutional investors with a long-term perspective (e.g., pension and sovereign wealth funds)
- **Invested** >€4bn into European life insurance and expanding
- **Providing Athora Netherlands with capital support** at the time of acquisition and end of 2021 and committed to continued support



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ATHORA'S SOLVENCY POSITION INCREASED SIGNIFICANTLY AND IS IN LINE WITH THE DUTCH TOP-5

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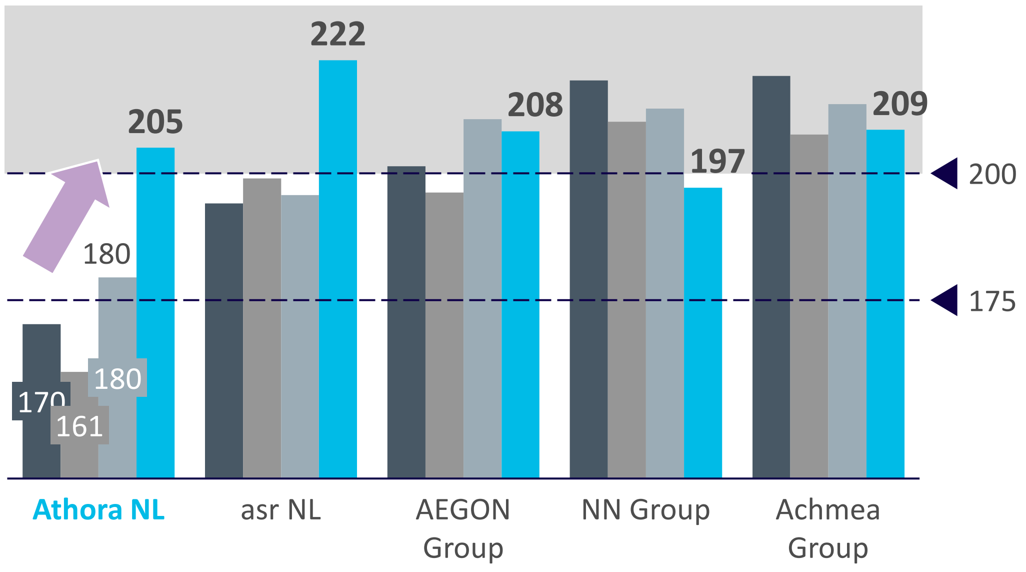
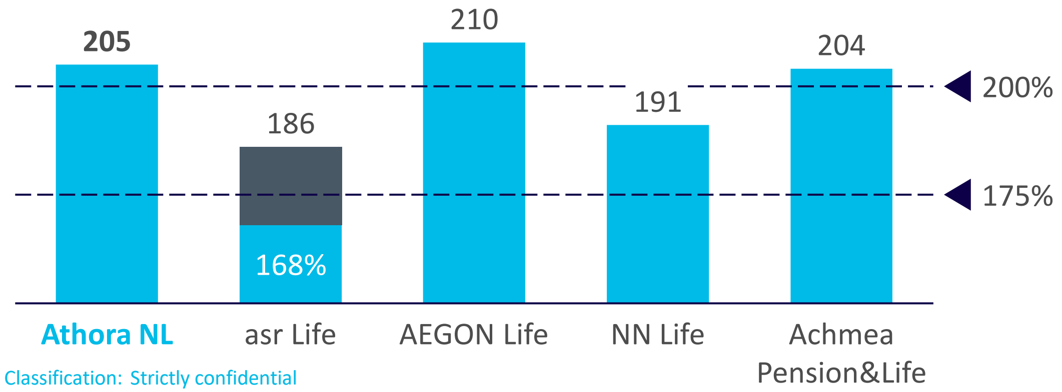
Insurance groups – solvency position 2019-2022



Life entities – solvency position FY22



Athora NL at par with top-5 Dutch insurance groups

With the strong year-end 2022 solvency position, Athora NL is at par with the top-5 insurance groups that all have solvency ratios around or above 200%

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OUR AMBITION 2025 STRATEGY| WHAT IT TAKES FROM US TO BE THE LEADING PENSION PROVIDER IN THE NETHERLANDS

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Growth

A business for the future

- Addressing our target market successfully through **attractive offerings** in
  - accumulation,
  - decumulation, and
  - buy-outs
- We aim to provide **attractive and stable benefits and guarantees** in every phase of the pension & retirement journey

Operating model

Our focus is our advantage

- As a mono-liner in life & pension, **we are a specialised company** and strive for customer centricity & simplicity
- We strive to **continuously improve our customer servicing**
- We **engage in strategic partnerships** and digitalisation
- On top, **we promote a culture & organisation for top talent**

Investments & capital

Deliver on the promise

- Leverage our **strong asset management capabilities** and have access to diversified investments
- Create and maintain **stable financial resources** and safety buffers to deliver our promise to all stakeholders
- Have full **control over our risk profile** and elaborate risk management

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ATHORA NETHERLANDS – DAY-ONE EQUITY IMPACT

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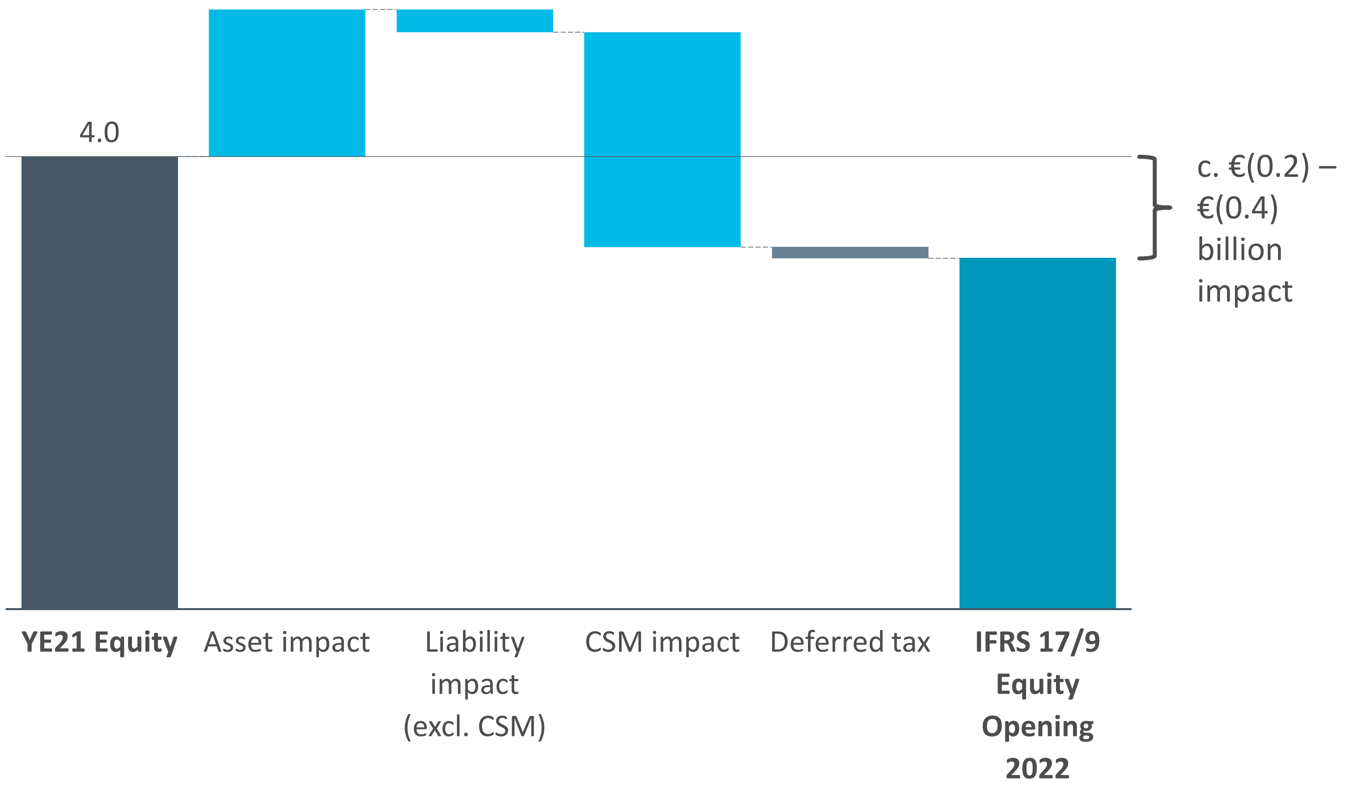
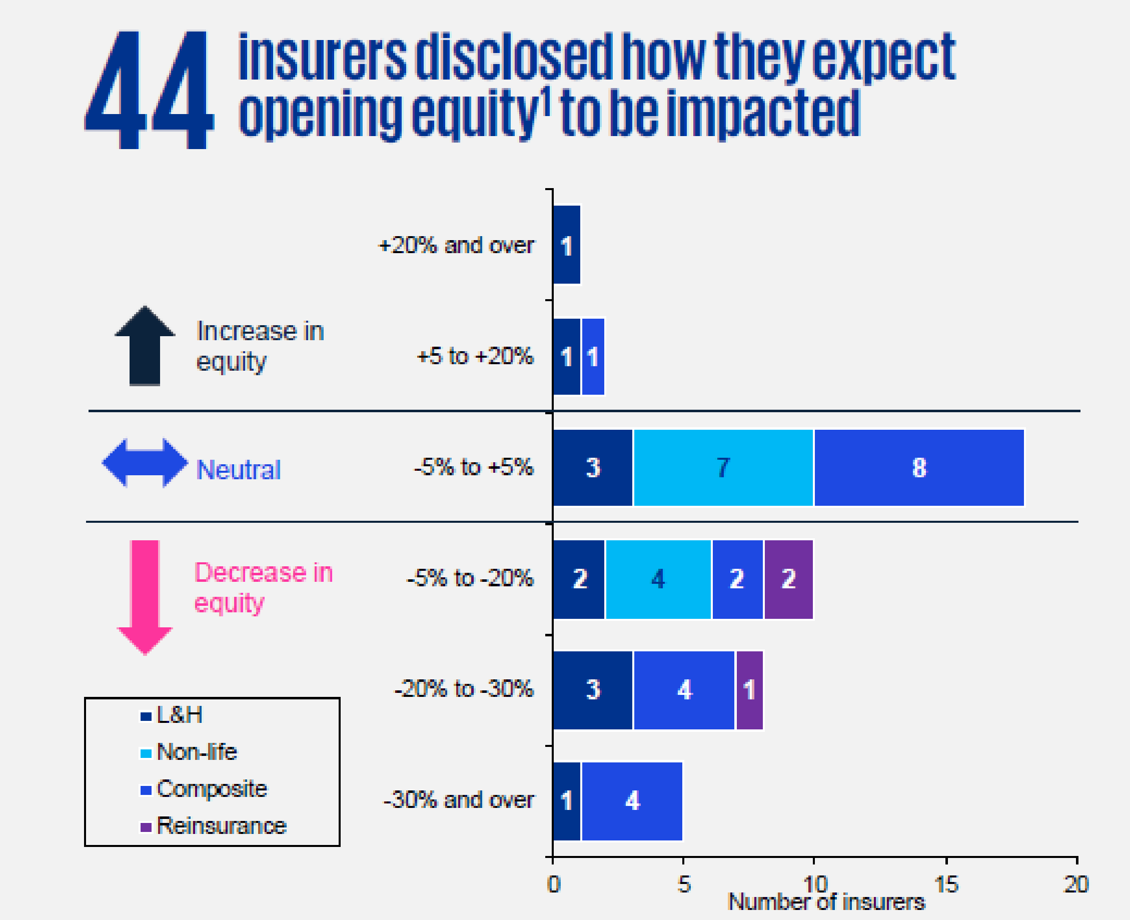
Opening balance sheet impact of IFRS 17/9 (in € billion)

(figures/ graphs not to scale)



- Athora Netherlands has assessed the estimated impact that the initial application of IFRS 17 and IFRS 9 will have on its consolidated financial statements
- The total estimated net impact* is a reduction in shareholders' equity between € (0.2) billion to € (0.4) billion at 1 January 2022 (or ca. 8-10 % lower)
- *: The assessment of the impact on the shareholders' equity on 1 January 2022 is preliminary because not all of the transition work has been finalised.

A MARKET PERSPECTIVE ON THE IMPACT ON OPENING EQUITY



- **Life & Health (re)insurers expect opening equity to be significantly impacted by IFRS 17 and IFRS 9**
- Impacted due to:
  - Profit recognition patterns – deferred profits for in-force contracts will be captured in the CSM
  - Removal of accounting mismatches between insurance liabilities and backing assets – under IAS 39 changes in financial assets may have been recognized in OCI or in profit & loss
  - Differences in prudences in IFRS 4 reserves vs size of risk adjustment under IFRS 17
- Source: KPMG public research

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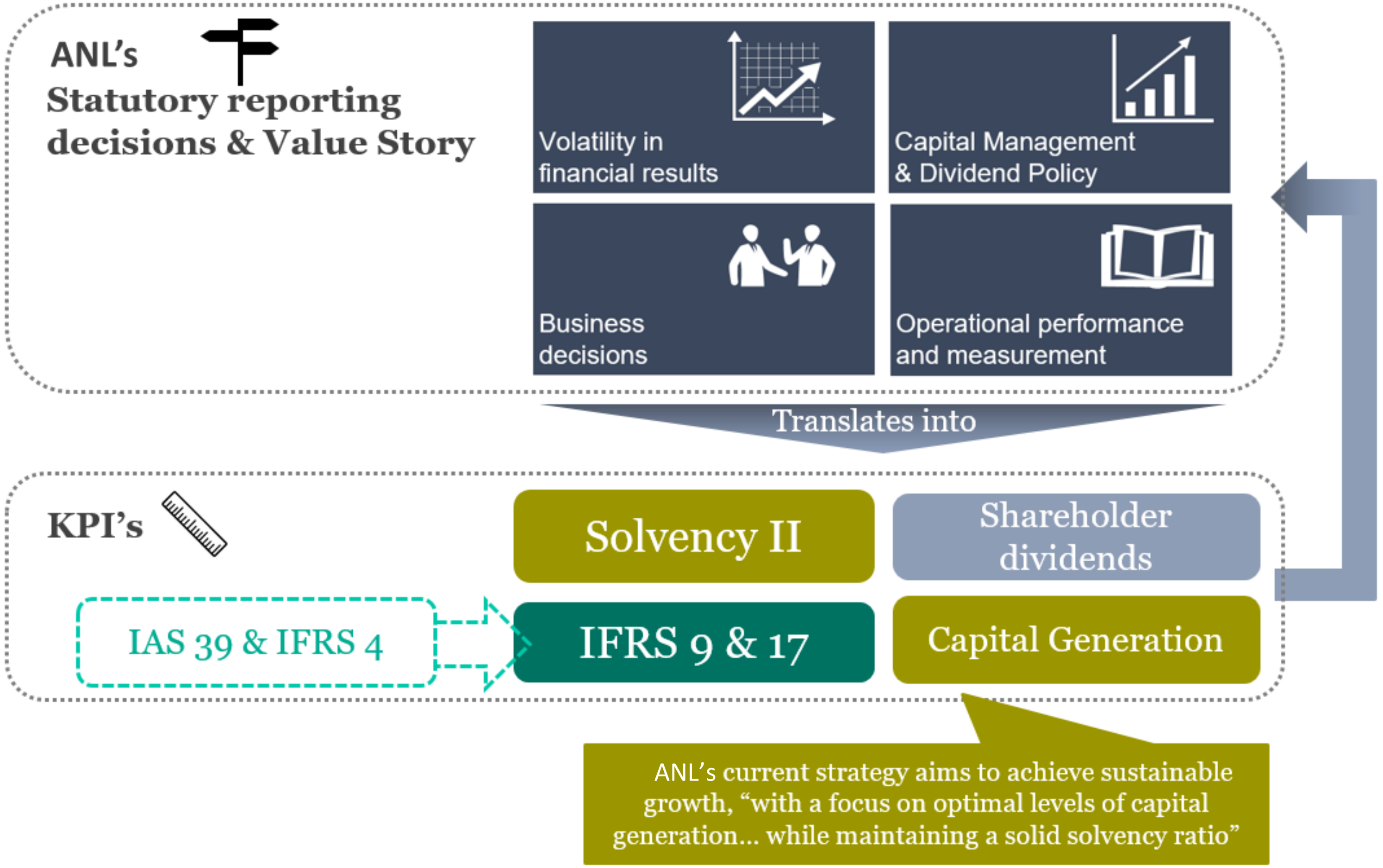
VALUE STORY

Value story

IFRS 17/9 is an accounting regime change and does not impact Athora's strategy, capital or shareholder value

KEY PERFORMANCE INDICATORS (KPIs)



DRIVERS OF FUTURE RESULTS & VOLATILITY

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Drivers of future results

Insurance service result	
CSM	Release of CSM based on coverage units
Risk Adjustment	Expected release of risk in period
Experience variance	Actual -/- expected claims & expenses
Loss component	Recognition of a loss component

Investment result	
Liabilities Insurance finance & income expense (IFIE)	Required interest on liabilities
	Interest rate changes
	Spread movements (ILP)
	Inflation movements
Assets Investment income	Investment income
	Interest rate changes (assets)
	Spread movements (Assets)

Volatility indicators in and between regimes

IFRS 9/17

Asset & liability mismatches:

- Interest rate changes in RA through CSM vs market interest in investment income
- Asset spreads versus ILP movements
- IAS 19 interest changes through OCI and assets FVPL

Other volatility

- Interest rate hedge based on Solvency II (OF+SCR)

Assets:
- Similar in Solvency II and IFRS

Liabilities:
- Illiquidity premium vs VA movement

Solvency II

- VA movement

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INTERACTION BETWEEN VALUE STORY AND IFRS ACCOUNTING OPTIONS

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Value story

Considerations		Equity story (volatile IFRS result)	P/L Story (stable IFRS result)
Financial	Primary KPI's	Capital generation & Solid SII ratio	(IFRS) Results
	IFRS result	Relative volatile results, accounting and economic mismatches in IFRS result	Relative stable results, economic mismatches inevitably remain
	Investor story focus	Explain economic risk position and effect of capital hedging; in line with SII	Explain effect of accounting policies; contrary to SII
	Comparison current reporting	Consistent with current volatility reporting	Changing volatility story: results focused
Operational	IFRS accounting options *	Simpler: no IFRS option application	More complex: optimizing IFRS options available to reduce mismatches
	Hedging strategy	Capital hedging	Capital hedging + IFRS hedging(?)
	Operational cost	Lower	Higher
	Bridging IFRS - SII	Simpler	More complex

* Accounting options: options to account for financial risk changes. The IFRS Result volatility can also be managed by means of other IFRS 17 accounting methodology decisions, such as discount rate and coverage unit setting. This will be assessed separately.

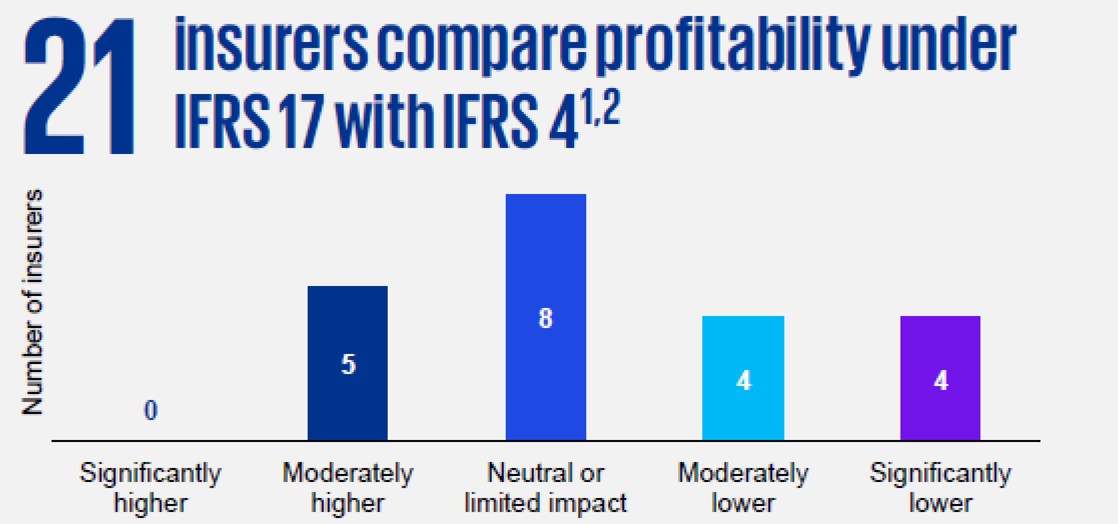
IFRS 9 & 17 KEY POLICY CHOICES AND THEIR IMPACT 1/2

	Policy Choice	Impact
Classification of Financial Assets	Athora has selected to classify all Financial assets as "fair value through P&L". Financial liabilities are calculated at amortised costs.	✓ Financial impact on transition is low as Athora fair values most of the financial assets x Volatility in the income statement as impacts will flow through P&L ✓ Alignment to Solvency II ✓ Operationally straight forward
OCI	Athora will not apply the OCI accounting option for insurance liabilities.	✓ Consistency in accounting between Liabilities and Assets ✓ Impacts attributable to financial assumptions largely offset in P&L (and balance sheet) x May result in volatility in income statement
Discount rate	Top down approach – Discount rate is based on a reference portfolio, linking the spreads to Athora asset portfolio.	✓ Reduces P&L volatility (i.e. aligning investment returns and liability unwind) ✓ Balanced arbitration between the Technical and the Finance results x Operationally more complex x Different from market: top down approach mostly only applied by UK annuity providers

IFRS 9 & 17 KEY POLICY CHOICES AND THEIR IMPACT 2/2

	Policy Choice	Impact
Risk adjustment	Risk adjustment based on Cost of Capital (CoC) approach No disagggregation in P&L: all financial changes go into CSM	✓ Alignment with SII, with a lower CoC rate than under SII: 4% vs.6% ✓ Avoids aditional P&L volatility
Transition	Fair Value approach on transition	✓ Operationally easier and cost effective x More judgements required ✓ Consistency across all entities, no dual CSM x Likely slightly lowerr CSM
Measurement Model	ATHORA will use General Measurement Model (GMM) for all insurance and reinsurance business and Variable Fee Approach (VFA) for direcht participating products	**GMM:** all changes in financial assumptions go through P&L, locked in discount rate **VFA**: discount rate implicitly at current yield rate, with all changes in financial assumptions flowing through CSM, therefore mitigating P&L volatility

A MARKET PERSPECTIVE ON THE IMPACT ON P&L



- Insurance revenue reported under IFRS4 is expected to significantly decrease under IFRS 17
- For Life & Health insurance:
  - Profitability may be more predictable due to introduction of CSM
  - Many insurers expect less volatility in earnings if a large part of the insurance contracts is measured under the VFA
  - Insurers that recognise all or most of their profits on contracts immediately in profit or loss under eye for S4 indicate that initially profitability under IFRS 17 will be significantly lower
- Source: KPMG public research

INVESTOR & MARKET VIEWS

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- IFRS17 adds **another dimension in terms of balance sheet management**, as certain assets also form the basis for the discount curve on the liabilities side.
- Although IFRS 17 was designed to increase the comparability, there is a wide variety in policy choices made which makes numbers from different insurers difficult to compare. This **may lead to 'convergence pressure'**
- Key message of IR professionals in a recent seminar was that they **did not expect major changes about the way the market will view insurers** and that they are expected to remain focused on Solvency 2, Capital generation and remittances
  - Various insurers are considering to adapt their KPI's and target setting to reflect the changes related to IFRS 17/9.
- **Fatigue in the investment community over the many teach-in seminars organized** by the insurers. For example, a recent seminar on IFRS 17/9 only attracted 5 sell side analysts with hardly any question.
- Note: On Friday, the **first major insurer (Allianz) will publish their results under IFRS 17/9**
  - Following the acquisition of AEGON Netherlands, none of the Dutch insurers present quarterly results anymore so the first IFRS 17/9 disclosures will only be in August.

LESSONS LEARNT

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I. THE QUALITY OF HISTORIC DATA AND THE REPORTING PROCESS BECOMES (EVEN) MORE IMPORTANT

For IFRS 17, the history has an impact on the P&L via the CSM. Making updates or refinements because of new insights is therefore not as straightforward as under Solvency II.

II. MEETING THE DESIRED REPORTING TIMELINES WILL INITIALLY BE CHALLENGING BECAUSE OF THE COMPLEXITY OF THE IFRS 9/17 PROCESS

Many insurers are expected to need more time for their 2023 IFRS17 disclosures. This emphasizes the need to simplify the reporting process and to phase out old legacy systems and manual steps in the reporting process.

III. BEING A FIRST MOVER IN A LARGE IMPLEMENTATION IS NOT ALWAYS AN ADVANTAGE

The IFRS17 standard is principle based, which allows for diverging interpretations.

MOVING TO BAU - ROADMAP GOING FORWARD

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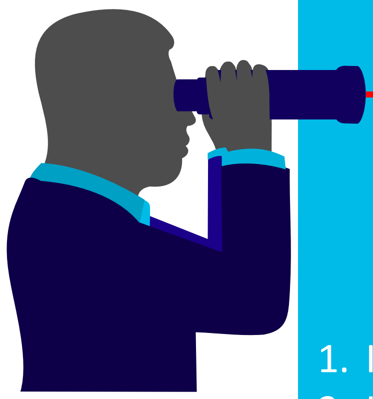

2022

Opening balance 2022 & roll-forward

1. IFRS 17/9 figures validated
2. IFRS 17/9 data, models and systems accepted by the line
3. Audited transition balance sheet 2022
4. Investor value story, capital generation and dividend policy determined

2023

Moving to BaU

1. Successfully complete the IFRS17 programme
2. IFRS 9/17 numbers and the movement therein are new to everyone. It is important to spend sufficient time to discuss the quarterly figures
3. Auditors need to get familiar with the updated reporting processes
4. Accelerate the reporting process

2024

Audited Financial Statement

1. Auditors opinion on the financial statements 2023

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