Annual Report 2020

Lifetri Groep B.V.

Contents

1. Composition of the Management Board and Supervisory Board

The composition of the Management Board (MB) and the Supervisory Board (SB) of Lifetri Groep B.V. in 2020 is shown below:

Management Board

P.D.A. Wits, CEO

I.A.T. van den Bosch, CFRO (till 1 Dec 2020)

M.R.E. Harkema, CFRO (since 1 Dec 2020)

J.P.M. Rijken, CIO (since 10 Dec 2020)

Supervisory Board

J.H.D. van Hemsbergen, Chairman

P.K. Medendorp (till 31 Jul 2020)

N. Albert

H. Eggens (since 21 Dec 2020)

R. Singhal

Mr R. Zomer joined the MB as COO at 10 May 2021. In performing their duties, the MB and SB are supported by a company secretary, Eke Bijzitter.

Lifetri Groep B.V.

Bisonspoor 3002, 3605 LT Maarssen
P.O. Box 542, 3800 AM Amersfoort

Lifetrigroep.com

2. Introduction

2.1 Lifetri Groep

Lifetri Groep B.V. (Lifetri Groep) is the holding company of three operating companies, that acquire and service individual life insurance policies and collective pension insurance policies: Klaverblad Levensverzekening N.V. (Klaverblad), Lifetri Uitvaartverzekeringen N.V. (Lifetri Uitvaartverzekeringen and Lifetri Verzekeringen N.V. (Lifetri Verzekeringen).

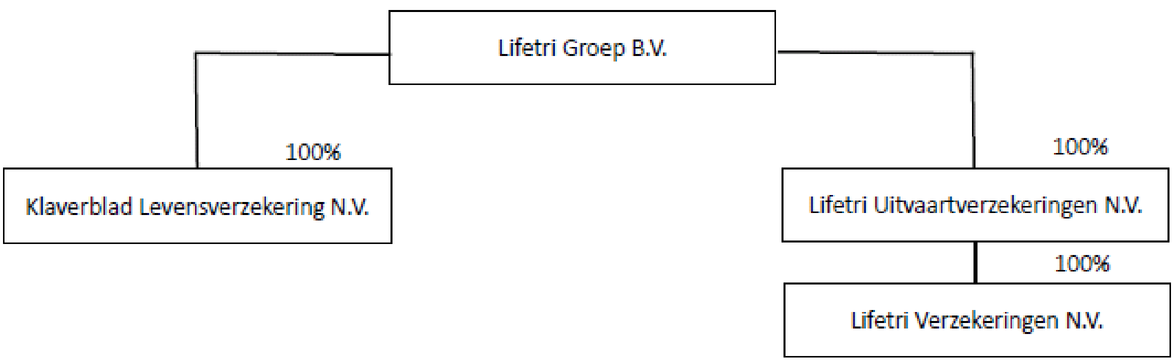
2.2 Key figures

in thousands of euros	2020	2019
Shareholder's funds	120.100	48.264
SII ratio	307%	179%
Total assets	2.528.885	272.688
Net premiums earned	896.178	19.043
Claims and benefits paid	22.028	5.161
Total operating expenses	21.332	11.183
Net result	-38.564	-7.698
Employees	80	54

2.3 Group structure and ownership

Lifetri Groep is a fully owned subsidiary of European Life Group (ELG) Holding Ltd.

The legal structure of control is as follows:



The ownership structure of the group changed in 2020 due to two events, being the acquisition of Klaverblad (dated 31 March 2020) and the upwards merger (dated 1 October 2020) of Lifetri Groep B.V. into Baarn Midco B.V., its 100% shareholder. After the merger, Baarn Midco has been renamed into Lifetri Groep B.V. instantly.

The ultimate shareholders are Sixth Street Partners (Sixth Street) managed investment funds, financed by institutional investors with a long-term investment outlook. Sixth Street is focused primarily on the fundamental, long-term returns of its investments. Sixth Street does not guarantee a minimum return to its investors, rather Sixth Street considers many possible scenarios in assessing the business case of an investment, including the possibility of outperformance and underperformance relative to the base case. As a long-term investment manager, Sixth Street is mainly concerned with the sensible management of its investments and long-term capital creation and performance.

3. Report of the Supervisory Board

3.1 General

The report of the Supervisory Board (SB) describes the main activities performed by the SB and its committees during the year.

3.2 Composition of the SB

The SB consists of the following four members, as per the date of singing this report:

J.H.D. (Herman) van Hemsbergen (Chairman)

Date of birth	1958
Nationality	Dutch
Independence	Independent
Principal	None
Other Positions	Chair Supervisory Board, SRK Rechtsbijstand B.V. Chair Supervisory Board Veterfina Verzekeringsmaatschappij N.V. Board member, Stichting Beheer LTP & Stichting Toegepaste Psychologie Member Advisory Board, Future of Finance
Term of Office	2020–2022, subsequent to the merger between Lifetri Groep and Baarn Midco on 1 October 2020 (1st term, which commenced in 2018)

N. (Nils) Albert

Date of birth	1967
Nationality	German
Independence	Non-independent
Principal	Managing Director Sixth Street
Other Positions	Board member, Northview Group Non-executive director, Kensington Holdco Ltd
Term of Office	2020–2021, subsequent to the merger between Lifetri Groep and Baarn Midco on 1 October 2020 (1st term, which commenced in 2018)

H. (Henk) Eggens

Date of birth	1957
Nationality	Dutch
Independence	Independent
Principal	None
Other Positions	Member of the Supervisory board of AEGON Asset Management Hungary Chairman of the Supervisory board of NV GEMS Member of the investment advisory committee of CFK
Term of Office	2020-2024 (1st term)

R. (Rohan) Singhal

Date of birth	1987
Nationality	British
Independence	Non-independent
Principal	Managing Director Sixth Street
Other Positions	Board member, Northview Group
Term of Office	2020–2021, subsequent to the merger between Lifetri Groep and Baarn Midco on 1 October 2020 (1st term, which commenced in 2018)

Appointments and resignations in the SB in 2020

- H. Eggens was appointed as member of the SB until 2024
- P.K. Medendorp resigned as member of the SB
- J.H.D. van Hemsbergen was appointed interim chair of the Audit and Risk committee
- H. Eggens was appointed as member of the Audit and Risk committee, and of the Nomination and Remuneration committee

3.3 Meetings of the Supervisory Board and its committees

In 2020, the SB held thirteen meetings: four regular meetings and nine ad-hoc meetings, which were used to discuss matters that required the attention of the SB in between regular meetings. The members of the MB are usually invited to attend the meetings, as well as such managers for presenting topics to the SB.

Due to COVID-19, most of the meetings were held by video conference. The overall attendance rate of SB members at SB meetings during 2020 was almost 100%. Furthermore, the SB holds informal monthly phone and video calls to discuss informally among members of the SB, to which the CEO may be invited to join. The Chairman of the SB has regular contact with the CEO outside meetings, the same applies to the Chairman of the ARC with the CFRO and the CIO.

Main topics discussed during the meetings were the governance of the company, the strategy and funding of the company, the budget and business plan, the financial performance, the main risks to which the company is exposed, the design and effectiveness of risk management and internal control systems, the development of business activities, investments and M&A opportunities, as well as the competitive environment, the relationship with the external regulators, including DNB and the AFM, the performance and functioning of the SB and of the MB, and specifically for 2020, the COVID-19 crisis, the changes in the composition of the MB and the SB, and the IT migration of the Klaverblad portfolio.

During 2020, the SB spent several meetings together with the MB discussing extensively the company’s strategy of becoming the best provider of long-term guarantees, focusing on external growth by acquiring life insurance liabilities and the additional focus to tap into the pension buy-in and buy-out market and the capabilities needed to succeed in that area.

Furthermore, the SB spent considerable time discussing proposed changes in the composition of the SB and the MB and the developments and considerations leading to those changes. After a diligent recruitment process and careful consideration, the new member of the SB, and the two new members of the MB, being the CFRO and CIO, upon binding nomination of the SB, were appointed by the shareholder before year-end, following approval from the Dutch Central Bank (DNB) on their respective appointments. Furthermore, a process was started to recruit a fourth member of the MB, in the position of COO, who was appointed in May 2021, following approval from DNB on his appointment.

SB and MB members receive regular training on a variety of topics that are relevant for Lifetri Groep and the environment in which Lifetri Groep operates. Due to COVID-19, some training was postponed to 2021.

Performance of the SB and the MB

Each year, the SB evaluates the performance of the SB and of the MB, as well as the performance of its individual members. In 2020, the SB engaged the services of an external expert for the assessment of the SB and the MB to be performed in the first quarter of 2021, to strengthen where needed the effectiveness of board dynamics, corporate governance and checks & balances within Lifetri.

Audit and Risk committee and Nomination and Remuneration committee

The SB has established two committees: The Audit and Risk committee ("ARC") and the Nomination and Remuneration committee ("RemCo"). All members of the SB are also members of the ARC and of the RemCo. J.H.D. van Hemsbergen acts as interim chairman of the ARC and N. Albert acts as chairman of the RemCo.

The ARC met six times. The MB, the internal auditor and the external auditor are usually invited to the meetings, as well as such managers for presenting topics to the ARC. The Risk, Compliance and Actuarial function are regularly invited to attend and present to the ARC. The second and third line also meet in private sessions with the ARC during the year to discuss any topics they wish to raise.

Main topics discussed in the ARC during 2020 were the annual financial statements 2019 and the related report from the external auditor, the external auditor's plan for the year 2020, the quarterly performance reports, the Own Risk Solvency Assessment (ORSA) 2019, the Systematic Integrity Risk Analysis (SIRA), the investment plan, reports from the second line functions (i.e. risk, compliance and actuarial risk), IT security risks, reports from internal audit, including audit findings and the internal audit plan for 2021, as well as the relationship with the internal and external auditor.

The RemCo met once. Main topics discussed were the implementation of the remuneration policy for the MB and for the company for 2019 and the remuneration and performance objectives for 2020. The changes in the composition of the MB and the SB were discussed in the SB.

Paul Medendorp resigned as member of the SB and Ilse van den Bosch resigned as member of the MB and CFRO.

The SB would like to thank Paul Medendorp for his significant contribution as member of the SB and Chairman of the ARC to the company's performance during the first years of its existence and during the preparation period in setting up Lifetri. These were times of intensive work and cooperation within the SB and with the MB.

We would also like to thank Ilse van den Bosch for her big and appreciated efforts as CFRO in the MB in developing the finance & risk function of Lifetri from scratch.

Maarssen, 19 May 2021

Herman van Hemsbergen, Chairman
Nils Albert
Henk Eggens
Rohan Singhal

4. Report of the Management Board

4.1 Business Developments

General

Lifetri Groep, Klaverblad and Lifetri Uitvaartverzekeringen and Lifetri Verzekeringen have unity of management, meaning that these entities each have an MB and an SB with the same composition of board members. With due respect to and compliance with the articles of association, charters and characteristics of each legal entity, Lifetri Groep is organisationally managed as a whole, sharing strategy and resources and executing the strategy. After the acquisition of Klaverblad, Lifetri Groep is subject to group supervision by the Dutch Central Bank (DNB).

Financial Developments

In 2020, the financial net result of Lifetri Groep was € -38,6 million (2019: € -7,7 million). Gross premiums earned were € 902,3 million (2019: € 19,0 million). Total operating expenses up to 31 December 2020 amounted to € 21,3 million (2019: € 11,2 million). The shareholder's funds were € 120,1 million (2019: € 48,3 million). This increase is a combination of the negative current result and a share premium contribution of € 110,4 million by the shareholder.

Business strategy

Lifetri Groep's ambition is to become the best provider of long-term guarantees in the Netherlands. Through a combination of a long-term and stable capital base with solid investment returns and a focus on giving excellent and relevant service to existing customers. We intend to grow this business further by acquiring portfolios of life insurance liabilities and matching portfolios of assets through M&A activities and pension buy-ins and buy-outs.

The pension buy-out business is a promising market where a combination of a low interest environment, legacy IT-systems, increasing demands from regulators and a lack of scale force, pension funds to rethink their future. The buy-out market always had some volume. Lifetri expects that with the new pension agreement this will accelerate with funds having to choose an option for their participants.

Lifetri believes it can provide those participants with various innovative options, providing a tailor-made solution to the funds. One of that options is to provide a long-term guarantee with a possible option of indexation.

Lifetri believes that customer needs are not currently met by the industry, through lack of sufficient capital and stable investment returns on the one hand and the lack of putting customers' needs at the centre of the propositions. Lifetri's specific offering is not just to insure people but rather find the fit to their needs. This means not creating fear but rather focusing on what is important to them.

Lifetri formulated its mission as follows:

We do not want to insure people; we want to make people self-assured.

Lifetri does this by providing knowledge and having sincere interest in the customer. We make insurance products transparent and easy to understand and show that not all worries and fears are realistic.

During 2020 the main focus for Lifetri Groep was fourfold:

1. Stabilizing and professionalizing the organisation, at the same time providing the best service possible to our clients;
2. Closing the Klaverblad acquisition and start servicing the acquired insurance policies and customers, after having received the declaration of no-objection of DNB;
3. Entering the market of pension insurance, bidding for pension buy out business and closing single premium pension insurance deals;
4. Step-by-step realising of a new futureproof IT foundation with a layer consisting of modular and loosely coupled back office and front office functionalities and processes to ultimately deliver valued digital client centric services.

However, having said that, 2020 will be remembered as the year in which it has been all people's challenge to sanely and healthy weather the storm of all direct, indirect, explicit and implicit effects of COVID-19. Lifetri has accelerated its digital way of working by enabling all employees for working from home. This was made possible through our earlier efforts to enable all through the cloud, as well as digitising all the physical mail and printing.

Most importantly we wanted people to stay connected among each other and with Lifetri. Constant communication was key, regular check-ins, informal talks and making an effort to dismiss the work-related content and talking about what matters most.

One of the initiatives to achieve people stay connected with the mission of Lifetri Groep was the personal letters, boxes with content under the brand "Lifetri Thuis".

Executing the strategy

Lifetri positions itself both in the business-to-business as well as in the business-to-consumer life insurance markets.

Closing of the announced acquisition of Klaverblad Levensverzekering N.V.

After having received the declaration of no-objection from DNB, the acquisition of Klaverblad, announced in May 2019, closed on 31 March 2020, involving 421.272 term life, pension and funeral insurance policies representing € 819,7 million liabilities. Klaverblad policy administration staff transferred to Lifetri Groep.

Entry in the pension buy out market

Late 2019, having identified a window of opportunity for the acquisition of pension fund liabilities, Lifetri prepared for the entry into this business-to-business market. The window of opportunity has emerged due to three parallel developments:

- Insurers in general have a risk averse attitude towards the asset classes they want to invest in due to capital restraints;

- The returns on a low risk asset portfolio are insufficient to cover liabilities and generate an excess return;
- Anticipating the 'new pension contract' pension fund boards have to decide how to safeguard the pension liabilities. A choice needs to be made what to do with the new build up and what to do with the existing pension build up.

Lifetri is well positioned to help these funds to make that choice and provide them with the solutions they seek for. One of these is to provide a guarantee to those participants. By providing multiple options such as a buy in first and a possibility of an opt out for those who chose DC later on or a more straightforward buy out.

Since we have a flexible and no legacy IT platform we can provide an excellent service to customers without having to worry about (future) legacy and rising costs.

Our expert financial teams will look at different innovative solutions such as inflation hedges, flexible pricing formula during different phases of the bid and a step to offer to take over assets in kind. As well we are proud to have partnered with Hannover Re, who provided us with cover for longevity risk.

Lifetri Groep, supported by its shareholder, has access to capital required to invest in a well-balanced asset portfolio of primarily debt instruments driven by the illiquidity of its liabilities. This in turn ensures the guarantees we can provide to participants for the longer term.

Whatever the solution provided, this all is a result of Lifetri putting the participants needs at the core of the solutions.

Evidence of these opportunities and our credibility as a solid partner is the successful acquisition of the pension liabilities and assets of the Stichting Pensioenfonds Allianz Nederland Groep (SPANG) as per 1 July 2020.

Scale up
Due to above mentioned commercial successes Lifetri experienced 900% growth in liabilities from approximately € 272 million to € 2,5 billion and a growth in the number of insurance policies.

This huge growth has been accommodated by the highly motivated Lifetri team, consisting of own staff, associates, network partners, staff from the transferring companies; indirectly and directly involved in the abovementioned transactions.

In the meantime, the MB developed the design and implementation of future-proof organisational, IT and process basics, as a fundament to build upon capabilities to absorb additional volume.

Preparing our organisational basics to be able to absorb additional volume of liabilities, assets, life insurance policies, different asset classes, external partners, B-t-B deals
The Managing Board has been expanded from two board positions to four positions: next to a Chief Executive Officer and a Chief Financial and Risk Officer a new position of Chief Investment Officer and a new position of Chief Operating Officer.

Anticipating the acquisition of Klaverblad, as of 1 January 2020 all staff transferred from Lifetri Uitvaartverzekeringen to Lifetri Groep and were seconded to its operating subsidiaries. As of 1 October

2020, Lifetri Groep merged with Baarn Midco B.V. – its parent company –, reducing the complexity in its legal chain of control.

Lifetri moved offices and has a new and modern office at its disposal in Maarssen, supporting our vision to have people be able to work when and where they want.

In the operational department continuous improvement has been implemented, creating better capacity management, more accurate forecasts improving customer service, higher productivity, increased time for staff to implement improvement ideas, higher autonomy and increased engagement.

In 2020 permanent staff replaced temporary staff in risk management and asset management, the in-house desks for client services and intermediaries have been staffed. The recruitment for a limited number of digital marketing vacancies was successful – limited as we approach the build-up of our digital capabilities in an agile manner.

A very experienced pension buy-out team was attracted from the market, enabling us in the first quarter of 2020 to negotiate the SPANG transaction and to prepare for future transactions. Efforts have been put into the relationships with pension fund board advisors and future prospects.

An impactful multi-year transformation program has been started to fuse the on-going activities and change activities, directing all focus towards shared and common goals. In addition, the governance and resourcing of the program, to design and implement a new individual life insurance platform and to transition the acquired Klaverblad policies to a new policy administration system, has been strengthened.

Preparing our IT basics to be able to absorb additional volume
The ambition to become a client centric digital insurer has been the driver to gradually upgrade our core IT-infrastructure. We adhere to four IT-principles to ensure a scalable, future proof IT architecture that will enable world class performance:

- Modular IT-landscape
- Connected IT-landscape
- Core and supporting (non-core) systems
- Strict data management

A secure Citrix environment for all our applications has been installed. A cloud-based infrastructure has been readied for all our current and future applications. The technical architecture of the interaction between our new policy administration system and other parts of our infrastructure is based on the IT-principles (APIs, integration layer, service bus, etcetera). Preparations have been finalised to move to the cloud with our financial software package and to a SAAS based solution for our salary administration. In short this ensures us that we can have fast and rapid deployment in the front-end without having to change the back-end. As well enable us to swap out (IT) components with much greater ease and less effort.

Upgrading our process basics to be able to absorb additional volume

Together with our advisors and investors the governance and deal making processes and procedures have been designed and implemented to be able to professionally deal with requests for quotes, information, proposals.

Missing policies (for instance policies with respect to outsourcing, economic reality) have been identified and designed, discussed in appropriate committee and approved by the Management Board.

Due to rationalization of the Klaverblad portfolio of over 240 products were converted to four products, greatly reducing the complexity and possible future legacy.

4.2 Risk Management

Please refer to paragraph 5.2 for a description of Lifetri's risk management processes and organisation.

In 2020, the MB updated its risk appetite in a statement that serves as a foundation for all risk monitoring activities. The annual ORSA gives further detailed input and insights for managing all significant risks. The 2020 ORSA results confirm the current solvency target levels. Risk management was further strengthened in 2020 by improving the control framework (including IT security controls), adopting several risk policies including an improved outsourcing policy and reinsurance policy.

Finally, second line risk management became fully operational in 2020 by the hiring of a manager of the department who focuses on financial risks, and a non-financial risk manager.

4.3 Capital Management

Capital management aims to protect policyholder's rights and being able to capture financial setbacks without endangering the continuity of the business. Therefore, Lifetri wishes to hold an extra buffer apart from the technical reserves and the regulatory solvency capital required (SCR). The target solvency level is set at 160%, while the norm solvency level is set at 135%. On 31 December 2020, the solvency level was 307%, reflecting that Lifetri Groep is a well-capitalised company.

4.4 Subsequent events

On 31 March 2021, Lifetri Group acquired Lifetri Verzekeringen from Lifetri Uitvaartverzekeringen and merged Klaverblad Levensverzekering with Lifetri Verzekeringen on 1 April 2021. Klaverblad Levensverzekering will be renamed to Lifetri Verzekeringen at a later stage.

As of 10 May 2021, Rutger Zomer has been appointed as Chief Operating Officer and MB member of Lifetri Groep B.V. and its operating companies.

Maarssen, 19 May 2021

Philippe Wits

Han Rijken

Rutger Zomer

Menno Harkema

5. Risk Governance and Capital Management

5.1 Risk Management

Scope

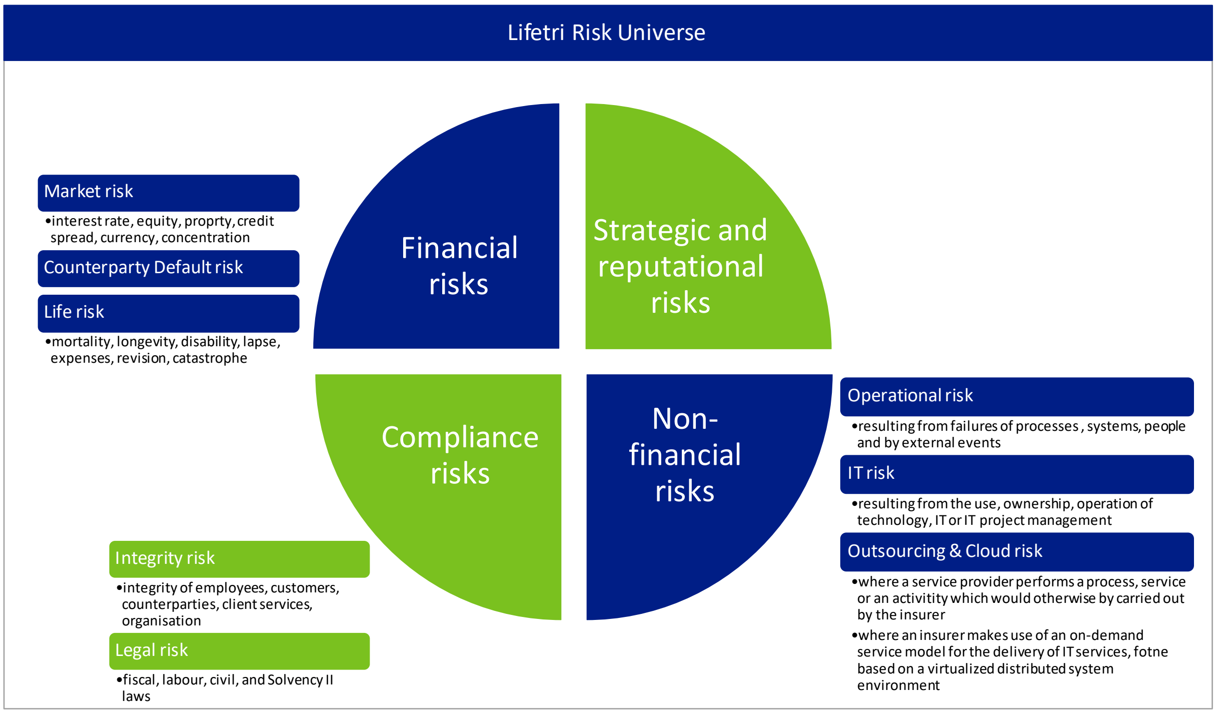
Risks are inherent in daily business. Lifetri group applies risk management processes to keep the risk within acceptable levels. These levels are defined in Lifetri group's risk appetite statements and limits (see paragraph further below).

Lifetri group management, with the independent opinion of 2nd line Risk Management and Compliance, determines the different risk types to which Lifetri Groep is, or could be, exposed (hereafter risk universe).

This risk universe is based, among other things, on relevant laws and regulations (e.g. Solvency II) and on Lifetri group's risk profile.

Lifetri group's risk universe is divided in four major risk categories: strategic and reputational risks, financial risks, non-financial risks and compliance risks.

The risk categories are divided in main risk types with detailed sub risks; see the figure below.



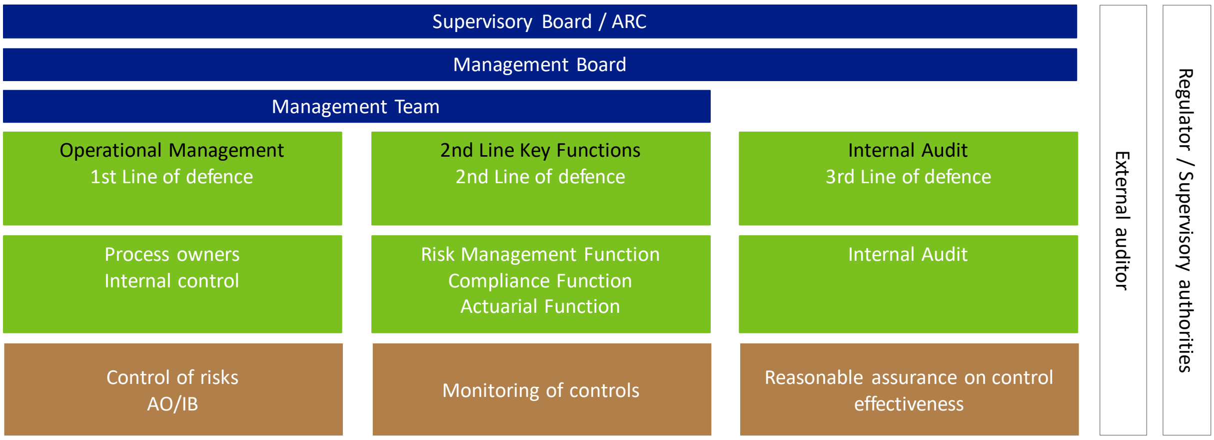
The financial risk types which Lifetri group uses are in line with the Solvency II regulation, and also recognize that different types of investment instruments can result in more than one risk category. The financial risks follow the Solvency II categorisation of market risks (interest rate, credit spread, currency, concentration, property, liquidity and equity), counterparty default risk and actuarial life risks (mortality, longevity, disability, lapse, expenses, revision and catastrophe).

The other risk types are generally more qualitative in nature.

The non-financial risk categories include: operational risk (caused by failures of processes, systems, people or external events), IT risk (including information security, continuity, integrity and availability of information systems and processes), outsourcing and cloud computing risk. Compliance risk categories include legal risk and integrity risk.

Organisation

The responsibilities for managing risks follow the governance structure of Lifetri group, which is based on three Lines of Defence (3LoD).



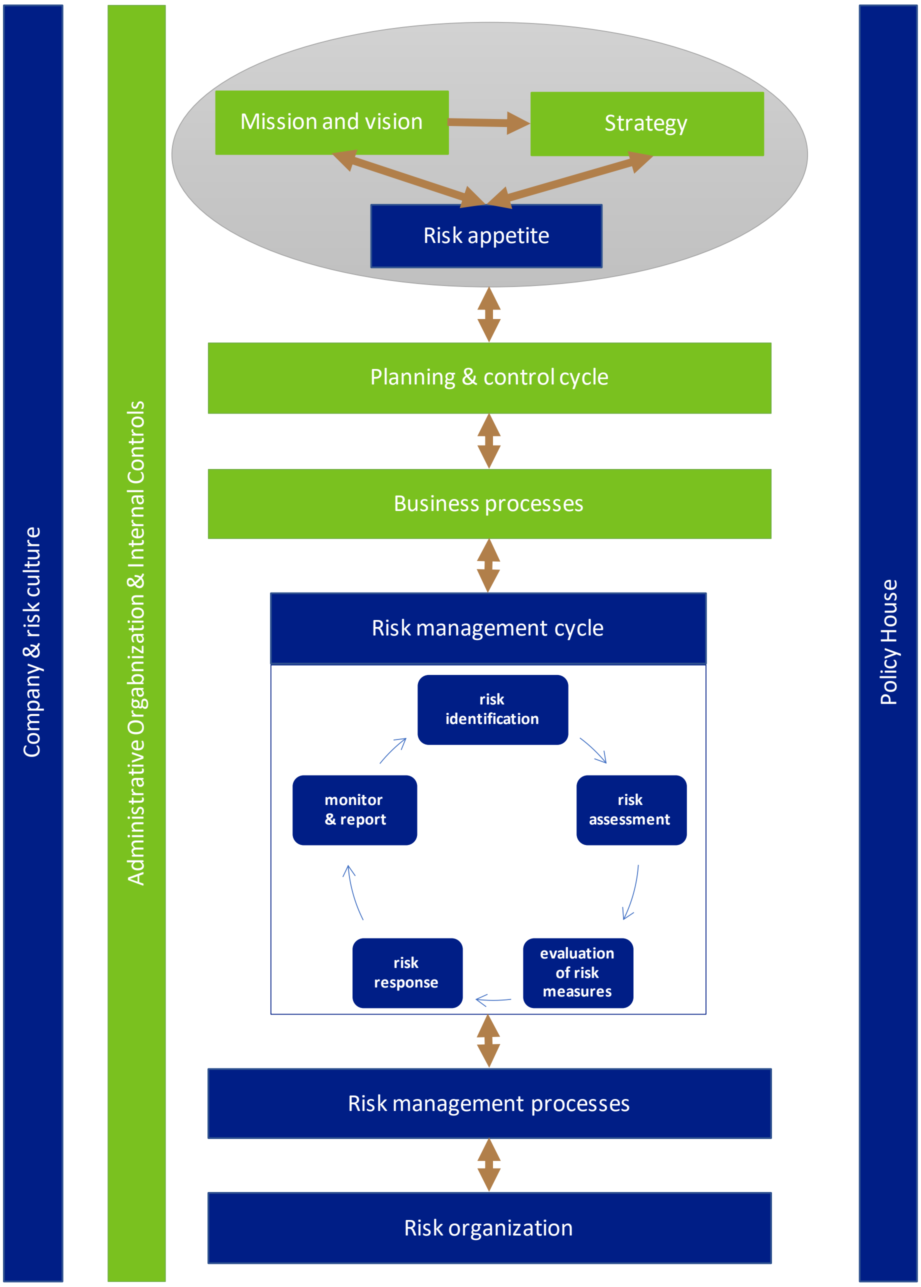
The first line of defence is the business itself, which is responsible for adherence with applicable laws and regulations, and for its own internal control of all activities and underlying processes.

The business is responsible for:

- Identifying and managing risks and handling incidents which impact the risk profile;
- Applying the risk management framework;
- Executing and monitoring an effective administrative organization & internal controls (AO/IC);
- Complying to all applicable laws and regulations.

The measures of internal control are amongst others: guidelines, committee structures, monitoring and segregation of duties, adequate AO/IC and countervailing checks and balances.

The second line risk management has as its primary responsibility supporting the business with and providing advice for the completeness and accuracy of risk identification. Second line provides countervailing power by challenging, evaluating, monitoring and reporting independently about the risks. The second line key governance functions have a special focus at whether the internal control measures are adequate to mitigate risks. Second line compliance advises the organization with the objective to meet requirements of laws and regulations and monitors if the business activities actually comply with these requirements. The risk management cycle below depicts the risk management process.



The third line of defence is the Internal Audit function, which gives reasonable assurance on the design, existence and operating effectiveness of the internal control system of the first and second lines of defence.

The Supervisory Board's duties, powers and working methods are regulated in the 'Supervisory Board charter'. The SB supervises the MB and its key functions and is informed at least annually or earlier if needed on the topics of risk management, laws and regulations and adherence thereof.

The Solvency II key functions are independent, report directly to the MB and have direct access to the ARC/SB for escalations.

Risk appetite statements and limits

The risk appetite of Lifetri Groep is described in the risk appetite statements (RAS) which include qualitative statements as well as quantitative measures expressed relative to earnings, capital, risk measures, liquidity and other relevant measures related to operational and IT risks, reputation and integrity risks, as well as business ethics and conduct. The RAS has been updated in 2020.

The risk appetite articulates at a high level, for each major risk type, Lifetri group's relative preference for that risk. Setting the risk appetite is inextricably part of strategy setting. Various factors may affect Lifetri's views of that risk, such as:

- The solvency position;
- The return that is expected to be earned;
- The importance of that risk in executing the business strategy;
- How well the risk diversifies with other risks; and
- The current operating and economic environment.

Risk appetite defined

The risk appetite is further specified by quantitative risk limits for different risk categories in the investment policy. The policy also contains the investment beliefs. The main risk being interest rate risk is managed by limiting the economic hedge ratio and the Solvency II hedge ratio (including the ultimate forward rate – UFR) within separate, pre-set boundaries. The interest rate risk is also limited by a maximum tolerated impact on solvency of changes in interest rates. A higher impact is tolerated at higher solvency levels. Others risk are being limited and monitored – amongst others - through solvency capital required (SCR) limits, cash limits, rating-based and issuer limits.

Risk appetite setting

The risk appetite statements are reviewed periodically to ensure their continuing relevance in providing guidance to the business. The risk appetite statements are established by the Management Board and approved by the Supervisory Board and completed alongside the business and financial planning process.

Breaching a risk tolerance level serves as a red alert for management: the risk position must be reduced. For day-to-day operational monitoring purposes, the risk tolerances are translated into risk limits. Breaching a risk limit (if defined for the risk type), however, acts more like an early-warning signal. Action is required, unless there are good reasons to maintain the current risk level and the risk is accepted by the Management Board.

Reporting

Periodic reports are prepared for the various risk categories, which are discussed in the relevant governance bodies. The reporting calendar managed by Finance contains an overview of these reports and other key management information.

In general, each of the 3LoD have their own report(s) as follows:

- 1st line reporting: the managers of the departments issue various management reports which analyse and explain the performance of financial and non-financial indicators for their responsibility areas. Depending on the nature of the report the frequency is monthly or quarterly. The monthly and quarterly ALCCO Report combines input from Actuarial Department/Balance Sheet Management and Asset Management;

- 2nd line reporting: reports by the 2nd lines of defence, i.e. Risk management, Compliance and the Actuarial Function, and contain an independent 2nd line review on the 1st line. Risk Management and Compliance prepare the Risk Management & Compliance report on a quarterly basis. The Actuarial Function issues an annual Actuarial Function report;
- 3rd line reporting: internal audit has its own reports which are discussed with the SB / ARC.

Depending on the nature of the report they are discussed in the Management Board, Management Board-Risk & Compliance Committee, ALCCO or SB/ARC. The Financial Risk Management report is specifically discussed in the Asset Liability Capital Committee (ALCCO) and Management Board. The outcomes and possible improved risk responses resulting from these discussions are recorded in the meeting minutes and action list of the respective governance bodies.

Strategic asset allocation

As described in the investment policy and investment plan, Lifetri Groep has developed a strategic asset allocation (SAA) target portfolio that is regularly updated. The SAA target consists of liquid government bonds, private debt and mortgages. The main considerations are a robust solvency ratio, reduction of interest rate risk and a positive spread. The spread is mainly driven by illiquidity premiums to meet outstanding guarantees in the liabilities extending over seventy years.

The government bonds are noted in euro, predominantly Austrian, French and Belgian bonds, partly for the available longer maturities, partly for earning a spread over German government bonds. In 2020, Lifetri Groep continued the process of gradually building the residential mortgages portfolio, consisting of an owner-occupied mortgages fund, and a bespoke structure for buy-to-let mortgages and prepared for expanding in private debt.

Solvency position (31 December 2020)

Lifetri Groep wishes to hold an extra buffer apart from the technical reserves and the regulatory solvency capital required (SCR). The target solvency level is set at 160%, while the norm solvency level is set at 135%. At 31 December 2020 the solvency level was 307%, making Lifetri Groep a well-capitalised and solvent company.

Own Risk and Solvency Assessment (ORSA)

In 2020, Lifetri for the first time produced the ORSA at the group level. The ORSA 2020 has as its starting point 30 September 2020 and is looking forward five years.

The main goal of the ORSA is to show the continuous compliance with the prescribed capital requirements. In particular, it should show the validity of the target solvency level of 160%. The outcomes of the Best Estimate scenario show the target solvency level is adequate and Lifetri group is able to transfer its obligations at a relevant market rate. A wide set of scenarios has been tested. Relevant scenarios are a permanent low interest rate scenario and a scenario of a severe credit crisis. The former scenario underlines the importance of the compensating effect of the investment income for the future loss on the UFR in the valuation of the liabilities. The latter scenario is important for the SAA, also comprising residential mortgages and real estate. An additional analysis has been performed on the total level of the expenses.

Operational set-up and risks

The organisation from which financial and non-financial risks emanate is relatively operational in nature.

Lifetri group has company policies to support the effective governance and risk management of Lifetri group. Lifetri group has organized this in a Policy House that documents which company policy documents are required.

In addition, Lifetri group has a number of regulations (‘regelingen’) which describe in detail how certain policies are performed, such as the Incident regulation. Finally, Lifetri group has several elaborate documents (‘uitwerkingen’) which record the outcomes or results of applying policy processes e.g. risk appetite statements (RAS), the Systematic Integrity Risk Analysis (SIRA), the Own Risk and Solvency Assessment (ORSA) and the Code of Conduct.

The Policy House is reviewed each year for completeness or possible necessary changes and is formally endorsed in the Risk & Compliance Committee.

To continuously comply with laws and regulations is an important focus at an insurer. Where appropriate non-compliance issues are analysed and being solved.

The General Data Protection Regulation (GDPR) does not stipulate retention periods for personal data, but minimum and maximum periods follow from other legislation (e.g. on taxes). Information should not be retained longer than needed for the purpose for which it was collected or used. Lifetri group has a Data Protection Officer (DPO) to independently monitor the privacy of data.

5.2 Capital Management

Solvency and Risk Appetite

The management of capital is governed by the Capital Management & Dividend Policy. The measure for adequacy of the capital position is the regulatory Solvency II ratio, defined as the ratio of eligible Own Funds (OF) over the Solvency Capital Requirement (SCR). The Capital Management & Dividend Policy is aimed at being able to capture financial setbacks without endangering the continuity of the business. Therefore, Lifetri Groep wishes its subsidiaries to hold an extra buffer apart from the technical reserves and the regulatory solvency capital. The target solvency level is set at 160%, while the norm solvency level is set at 135%. The underpinning of the target and lower limits is provided in the Capital Management & Dividend Policy and assessed yearly in the ORSA. The target ratio could be increased if the economic valuation of the liabilities shows that a higher amount of assets is required to transfer the liabilities to a third party. Lifetri group applies the standard formula.

Both solvency levels are part of a more detailed capital intervention ladder in the Capital Management & Dividend Policy. Above the target solvency level, no measures are needed; below the lower limit measures will be taken, and in between these levels’ actions are being considered and prepared. A short-term measure to increase available capital is a capital injection; a short-term measure to decrease the SCR is a de-risking of market risks from the investment portfolio. Other medium- and long-term measures such as retaining profits, cost reduction, pricing, outsourcing, reinsurance and strategic measures are listed in the Capital Management & Dividend Policy. In practice, management intervention actions may further prevent risks.

Eligible Own funds

Solvency II distinguishes between three Tiers of Own funds (Tier 1, 2 and 3) and restricts the use (eligibility) of Tier 2 and Tier 3 capital in the determination of the solvency level. The positive difference between assets and liabilities, when valued on a Solvency II basis, constitutes core capital. For Lifetri Groep this capital is Tier 1 capital, implicating no difference between available and eligible own funds in the determination of the solvency level. Lifetri Groep and its subsidiaries have not issued any subordinated loans which would constitute any Tier 2 capital. The available Deferred Tax Liability does not influence the eligible own funds. The difference between shareholder funds and Eligible Own Funds is the difference between the fair value provision and Solvency II provision after tax.

6. Consolidated Financial Statements

These consolidated financial statements comprise the financial statements of Lifetri Groep B.V. and its subsidiaries. The financial statements concern the period 1 January 2020 – 31 December 2020 and have been compiled in accordance with the statutory provisions of Title 9, Book 2 of the Dutch Civil Code and the Annual Reporting Guidelines of the Dutch Accounting Standards Board. The notes on page 37 to 42 form an integral part of these financial statements.

6.1 Consolidated Balance Sheet

(Before appropriation of result)

Assets

in thousands of euros		31 December 2020		31 December 2019	
Intangible assets					
Goodwill	1.	-		-	
Intangible assets					
Investments					
Cash and cash equivalents	2.	252.667		54.826	
Financial investments					
Bonds	3.	1.951.370		199.499	
Mortgages	4.	174.782		16.811	
Investment funds	5.	72.515		-	
Derivatives	6.	-		-	
Total financial investments		2.198.666		216.310	
Total investments			**2.451.333**		**271.137**
Deferred tax	7.		**56.741**		**-**
Reinsurance recoverable	8.		**-**		**1.159**
Short term receivables					
Policyholders	9.	157		74	
Other receivables	10.	20.144		307	
Total short term receivables			**20.301**		**381**
Other assets					
Equipment	11.	510		10	
Accrued interest bonds		-		-	
Total other assets			**510**		**10**
Total assets			**2.528.886**		**272.688**

Liabilities

in thousands of euros		31 December 2020		31 December 2019	
Group equity	12.		**120.100**		**48.264**
Insurance liabilities					
For own risk		2.313.508		201.053	
Reinsurers' share		70.411		-	
Net insurance liabilities	13.		**2.383.919**		**201.053**
Provisions					
Provisions other than technical provisions		251		201	
Pension obligation	14.	560		659	
Total provisions			**810**		**860**
Long-term liabilities					
Other long-term liabilities	15.	10.009		11.310	
Total long-term liabilities			**10.009**		**11.310**
Deferred tax			**-**		**6.863**
Short term liabilities					
Reinsurers		-		-	
Policyholders	16.	6.887		1.706	
Other short term liabilities	17.	7.161		2.631	
Total short term liabilities			**14.049**		**4.337**
Total liabilities			**2.528.886**		**272.688**

6.2 Consolidated Income Statement

in thousands of euros		2020		2019	
Insurance premiums					
Gross premiums		902.284		19.087	
Outgoing reinsurance premiums		-6.106		-44	
Net premiums	1.		**896.178**		**19.043**
Investment income					
Interest from bonds		10.555		3.025	
Interest from mortgages		864			
Interest on bank accounts		-513		-270	
Dividends		528			
Realised gains and losses on sales of investments		16.795		9.280	
Total investment income			**28.228**		**12.035**
Unrealised gains and losses on investments	2.		**220.666**		**36.309**
Claims and benefits paid	3.				
Gross claims and benefits paid		-28.045		-5.187	
Reinsurers' share claims		6.017		27	
Net claims and benefits paid			**-22.028**		**-5.161**
Change in technical provisions					
Gross change in technical provisions		-1.043.325		-59.341	
Reinsurers' share		-2.917		-234	
Net change in technical provisions			**-1.046.241**		**-59.575**
Change in other provisions			**-1.300**		**-1.150**
Interest on funeral deposits			**13**		**67**
Impairment of goodwill			**-88.500**		
Operating expenses	4.				
Staff, overhead and depreciation costs		-21.332		-11.183	
Total operating expenses			**-21.332**		**-11.183**
Investment management expenses			**-4.360**		**-369**
Investment income attributable to non-technical account			**-37.194**		**-9.632**
Result technical account life insurance			**-75.872**		**-19.615**
Investment income attributable from technical account			**37.194**		**9.632**
Result before tax			**-38.677**		**-9.983**
Income tax	5.		**113**		**2.285**
Net result			**-38.564**		**-7.698**

Part of the income from investments is allocated to the technical result; its realized return percentage on the investments is calculated on the average balance of the technical provision. When determining the allocated return on investments, the interest income from cash and cash equivalents are included.

6.3 Consolidated overview total result

in thousands of euros	2020	2019
Consolidated result after tax	**-38.564**	**-7.698**
Change revaluation reserve investments	67.331	4.491
Change in other reserve	-67.331	-4.496
Total amount recognised directly in equity	-	-5
Total net result	**-38.564**	**-7.703**

6.4 Cash Flow Statement

in thousands of euros		2020	2019
Cash flow from operational activities			
Result for the year		**-38.564**	**-7.698**
Adjusted for:			
Change in Goodwill	1	88.500	
Change in technical provisions	2	170.270	59.341
Change in technical provisions / acquired business	3	783.985	-
Change in technical provisions / reinsurance	4	70.411	-
Change in pension obligation	5	-99	-1.081
Change in other provisions	6	1.350	1.351
Depreciation assets	7	61	14
Fair value changes through profit or loss	8	-222.954	-35.751
Changes in:			
Receivables	9	7.983	499
Liabilities	9	11.349	-2.583
Other long term liabilities	9	-1.301	-900
Net cash flow from operational activities		**870.992**	**13.192**
Cash flow from investing activities			
Investments and purchases			
Investments of group companies	9	-9.894	-
Bonds	9	-1.188.401	-62.031
Mortgages	9	-167.707	-15.775
Investment funds	9	-69.708	-
Derivatives	9	-67.108	-
Equipment	9	-561	-1
	9		
Disposals and redemptions			
Bonds	9	751.771	81.905
Mortgages	9	12.336	-
Derivatives	9	66.122	-
Equipment		-	-
Net cash from investing activities		**-673.150**	**4.098**
Net increase/decrease in cash		**197.841**	**17.290**
Cash and cash equivalents beginning of period		**54.826**	**37.536**
Cash and cash equivalents end of period		**252.668**	**54.826**

6.5 Accounting Principles

Lifetri Groep B.V. (Lifetri Groep) with a statutory seat in Amsterdam, is a private limited liability company under Dutch law, Chamber of Commerce registration number 70148821. 100% of the shares of Lifetri Groep are held by ELG Holding Ltd (Cayman Islands).

Lifetri Groep is a holding company and the owner of its subsidiaries Lifetri Uitvaartverzekeringen N.V. and Klaverblad Levensverzekering N.V. The activities of Lifetri Groep consist of holding the shares and providing its subsidiaries with enough capital to be able to operate as envisaged. Lifetri Groep also functions as employer to staff for its underlying entities.

The main activities within the group consist of servicing individual life insurance policies in the Dutch market including pensions, term life and funeral.

General

The consolidated financial statements have been prepared in accordance with the statutory provisions of Title 9, Book 2 of the Dutch Civil Code and the Annual Reporting Guidelines of the Dutch Accounting Standards Board and in particular, Guideline 605.

An asset is recognised in the balance sheet when it is probable that the expected future economic benefits that are attributable to the asset will flow to Lifetri Groep and the asset has a cost price or value of which the amount can be measured reliably. Assets that are not recognised in the balance sheet are considered as off-balance sheet assets. A liability is recognised in the balance sheet when it is expected that the settlement of an existing obligation will result in an outflow of resources embodying economic benefits and the amount necessary to settle this obligation can be measured reliably. Provisions are included in the liabilities of Lifetri Groep. Liabilities that are not recognised in the balance sheet are considered as off-balance sheet liabilities. Unless stated otherwise, assets and liabilities are recognised at their fair value. Income and expenses are allocated to the relevant year. The financial statements have been drawn up on the basis of the going concern principle.

The financial statements are presented in euros, which is Lifetri Groep's functional and presentation currency. All amounts have been rounded to the nearest thousand.

Changes in accounting principles

Accrued interest on bonds

In this annual report the classification of accrued interest on bonds has been changed. Until 2019 the accrued interest on bonds was reported as part of the short-term receivables. As of 1 January 2020, the accrued interest on bonds is included in the investments (sub financial investments: bonds). The reason is that the fair value of bonds is assessed by using quoted market prices which include accrued interest. To recognise investments in the balance sheet at their fair value including the bonds' accrued interest, improves the fair view of invested amounts and better aligns accounting principles disclosed hereafter.

The 2019 comparative figures mentioned in this annual report have been adjusted accordingly. The impact on the consolidated balance sheet, concerning the asset classification, is mentioned in the next schedule:

in thousands of euros	31 December 2019 before adjustment	Adjustment	31 December 2019 adjusted
Investments			
Cash and cash equivalents	54.826	-	54.826
Financial investments			
Bonds	198.514	985	199.499
Mortgages	16.811	-	16.811
Total financial investments	215.325	985	216.310
Total investments	**270.151**	**985**	**271.136**
Reinsurance recoverable	**1.159**	**-**	**1.159**
Short term receivables	**381**	**-**	**381**
Other assets			
Equipment	10	-	10
Accrued interest bonds	985	-985	-
Total other assets	**995**	**-985**	**10**
Total assets	**271.357**	**-**	**271.357**

Fair value changes of financial assets

As of 1 January 2020, fair value changes of financial assets are recognised directly in the income statement. The accounting principles in-place until 1 January 2020 required to recognise unrealised gains in fair value in the revaluation reserve, which is part of the shareholder’s funds. Transfer to the income statement only took place upon realisation, which in practice is the sale of the financial asset.

During 2020 Lifetri as a group acquired new insurance activities. The group's exposures in inflation risk have been hedged by investing in a structured note. The interest rate risk of insurance liabilities is managed by a balanced bond portfolio. Consequences of exposures in insurance liabilities are recognised in the income statement, which should reflect the impact of hedging with financial assets. The use of a revaluation reserve to the full extent of unrealised value changes, does not provide a fair view of the net result.

These adjustments to the accounting principles have been made to provide a better view of the performance. To better understand the cohesion between company financial statements and the group's consolidated financial statements, changes in accounting principles mentioned above have been applied group wide.

For financial assets without frequent market quotations a revaluation reserve is recognised for the cumulative unrealised fair value changes reported in the income statement, after deduction of deferred tax. The revaluation reserve is established for such assets with a corresponding charge against other reserves.

The 2019 comparative figures mentioned in this annual report have been adjusted for the change in accounting principles. The impact on group equity and Lifetri Groep's equity at 31 December 2019 is equal and is mentioned in the next schedule:

in thousands of euros	31 December 2019 before adjustment	Adjustment	31 December 2019 adjusted
Shareholder's funds			
Share capital	-	-	-
Share premium	58.497	-	58.497
Revaluation reserve	29.611	-23.537	6.074
Other reserves	-4.112	-4.497	-8.609
Result before appropriation	-35.732	28.034	-7.698
Total shareholder's funds	**48.264**	**0**	**48.264**

The impact on the group's net result for the year 2019 is mentioned in the next schedule:

in thousands of euros	31 December 2019 before adjustment	Adjustment	31 December 2019 adjusted
Unrealised gains and losses on investments	467	35.842	36.309
Investment income attributable to non-technical account	-2.306	-7.326	-9.632
Result technical account life insurance	-48.131	28.516	-19.615
Investment income attributable from technical account	2.306	7.326	9.632
Result before tax	-45.825	35.842	-9.983
Income tax	10.093	-7.808	2.285
Net result	**-35.732**	**28.034**	**-7.698**

The impact on Lifetri Groep's net result for the year 2019 is:

in thousands of euros	31 December 2019 before adjustment	Adjustment	31 December 2019 adjusted
Result before tax	**-2.355**	**-**	**-2.355**
Income tax	434	-	434
Result from subsidiary	-33.811	28.034	-5.777
Net Result	**-35.732**	**28.034**	**-7.698**

Business combinations

A business combination is a transaction whereby Lifetri Groep obtains control over the assets and liabilities and the activities of the acquired party.

Business combinations are accounted for using the 'carry-over accounting' method on the date that control is transferred to Lifetri Groep (the acquisition date). The transaction price is the cash consideration or equivalent agreed as part of the acquisition, or the fair value of the consideration transferred at the acquisition date. Transaction costs that are directly attributable to the business combination are allocated to the transaction price. In case of deferred payment of the consideration, the transaction price is the discounted value of the consideration.

The group recognises the identifiable assets and liabilities of the acquire at the acquisition-date. These assets and liabilities are recognised individually at their fair values, provided that it is probable that future economic benefits will flow to the group (assets) or settlement will result in an outflow of resources embodying economic benefits (liabilities), and the cost or fair value of it can be measured with reliability.

An agreed possible adjustment to the purchase price that is contingent on future events is included in the purchase price if the adjustment is probable and the amount can be measured reliably. It is also possible that a previous estimate of the adjustment to the purchase price must be revised. Such adjustments to the purchase price, that are recorded as changes in estimates, will also result in an adjustment to (positive or negative) goodwill. The adjusted goodwill is amortised prospectively from the date of the adjustment of the purchase price.

Financial reporting period

The financial statements cover the period from 1 January 2020 and ended at the balance sheet date of 31 December 2020.

Consolidation scope

The consolidated financial statements include the financial information of Lifetri Groep, its subsidiaries in the group, other group companies and other companies over which Lifetri Groep can exercise control or of which it conducts the central management. Subsidiaries are participating interests in which Lifetri Groep, or one or more of its subsidiaries, can exercise more than half of the voting rights in the general meeting, or can appoint or dismiss more than half of the managing directors or supervisory directors.

Group companies are participating interests in which Lifetri Groep has a majority interest, or in which it can exercise decisive influence (control) by other means. In assessing whether Lifetri Groep has control, potential voting rights are considered that can be exercised in such a way that they will provide Lifetri Groep with more or less influence.

Newly acquired participating interests are consolidated as from the date that decisive influence (control) can be exercised. Participating interests disposed of remain included in the consolidation until the date of loss of this influence.

Consolidation method
The consolidated financial statements are prepared by using uniform accounting policies for measurement and determination of result of the group.

In the consolidated financial statements, intragroup shareholdings, liabilities, receivables and transactions are eliminated. Also, the results on transactions between group companies are eliminated to the extent that the results are not realised through transactions with third parties outside the group and no impairment loss is applicable. For a transaction whereby, Lifetri Groep has a less than a 100% interest in the selling group company, the elimination from the group result is allocated pro rata to the minority interest based on the interest of the minority in the selling group company.

Subsidiaries are consolidated in full, whereby minority interest is presented separately within group equity. If losses to be allocated to the minority interest exceed the minority interest within equity of the consolidated entity, the difference, including any further losses, is fully charged to the majority shareholder, except to the extent that the minority shareholder has the obligation to, and is able to, compensate for the losses. The minority interest in the result is deducted from group result on a separate line item in the consolidated profit and loss account.

Subsequent events
Events that provide further information on the actual situation at the balance sheet date and that appear before the financial statements are being prepared, are recognized in the financial statements. Events that provide no information on the actual situation at the balance sheet date are not recognized in the financial statements. When those events are relevant for the economic decisions of users of financial statements, the nature and estimated effects of the events are disclosed in the financial statements.

Use of estimates
The preparation of the financial statements requires the Management Board and management to make estimates and assumptions that can influence the application of accounting principles and the reported value of assets and liabilities. The actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

Fair value hierarchy
Financial assets and liabilities are categorized into the following fair value hierarchy.

Published prices in active markets (Level 1)

Fair value measured at Level 1 only uses quoted prices (unadjusted) in active markets for identical assets and liabilities. An active market is one in which transactions take place with sufficient frequency and volume so that prices are regularly available. Examples are equity securities, bonds and investment funds listed on active markets.

Measurement method based on significant observable market inputs (Level 2)
Fair value measured at Level 2 uses inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. If an asset or liability has a given contractual term, a Level 2 input variable must be observable for practically the full term of that asset or liability. Level 2 involves the following input variables:

- Quoted prices for similar (i.e. not identical) assets/liabilities in active markets;
- Input variables other than quoted prices observable for the asset (for example, interest rates and yield curves observable at customary intervals, volatility, early redemption spreads, loss ratio, credit risks and default percentages);
- Input variables arising mainly from, or confirmed by, observable market data by correlation or other means (market-confirmed inputs).

Examples of assets or liabilities at Level 2 are financial instruments measured using discounted cash flow models. These are based on observable market swap yields, on investment property measured using observable market data and quoted debt instruments or equity securities in a non-active market.

Measurement method not based on significant observable market inputs (Level 3)
Fair value measured at Level 3 uses inputs for the asset or liability that are not based on significant observable market data. Unobservable inputs can be used if observable inputs are not available, so fair value can still be measured at the reporting date in situations where there is no or almost no active market for the asset or liability.

Equipment
Depreciation is recognised in the profit and loss account on a straight-line basis over the estimated useful lives of each item of the tangible fixed assets, considering any estimated residual value of the individual assets. Depreciation is recognised in the profit and loss account on a straight-line basis over the estimated useful lives of each item of the tangible fixed assets, considering any estimated residual value of the individual assets.

Bonds
Bonds are measured at fair value. The fair value of bonds is measured using the fair value hierarchy as described above. Listed bonds in active markets are measured at fair value level 1, non-listed bonds as well as bond strips are measured at fair value level 2. Changes in the fair value of investments are recorded in the income statement. In addition, for level 2 bonds a revaluation reserve is recognised within the shareholder’s funds. The revaluation reserve is recognised at an amount of the accumulated fair value changes less any provision for deferred tax.

Mortgages

Mortgages are measured at fair value. The fair value of mortgages is measured using the fair value hierarchy as described above and conform article 75 of the Solvency II Directive (2009/138/EC), applying to the valuation of mortgage loans. This article provides that mortgage loans of insurance undertakings are valued at the amount for which they could be exchanged between knowledgeable and willing independent parties in an arm's length transaction. If no observable prices for the mortgage loans are available, it is required to make as much use as possible of relevant information from the market when determining the fair value of the mortgage loans. It stipulates that if the fair value cannot be determined on the basis of quoted prices in an active market (Level 1), it should be determined on the basis of observable market data of comparable market instruments (Level 2).

The Level 3 valuation method should only be applied when insufficient observable and relevant market data are available to perform a full valuation based on observable inputs. In that case the value of each loan part is calculated using the following steps:

1. Determining the contractual cash flows per mortgage loan part based on the mortgage loan (part) characteristics, adjusted for expected prepayments by applying a constant prepayment rate (CPR);
2. Determining the discount factor using mortgage loan rates in the primary market as of the valuation date for mortgage loans with similar characteristics as the mortgage loan (part) to be valued;
3. Discounting the cash flows with the relevant discount rate;
4. Determining mortgage loan part value.

For loans in arrears and default, an adjustment is made to the cash flows to reflect the higher probability of default and loss-given-default. There is currently no indication that a (constant) default rate must be applied for mortgages that are current.

Changes in the fair value of mortgages are recorded in the income statement. For mortgages without frequent market quotations, a revaluation reserve is recognised within the shareholder’s funds. The revaluation reserve is recognised at an amount of the accumulated fair value changes, less any provision for deferred tax.

Investment funds

Participations in investment funds without significant influence are measured at fair value. The fair value of these participations is measured using the fair value hierarchy as described above. Listed investment funds in active markets are measured at fair value level 1, non-listed investment funds are measured at fair value level 2.

Changes in the fair value of investments are recorded in the income statement. In addition, for level 2 investment funds a revaluation reserve is recognised within the shareholder’s funds. The revaluation reserve is recognised at an amount of the accumulated fair value changes less any provision for deferred tax.

Receivables and other financial assets

Receivables and other financial assets are initially recognised at fair value and subsequently measured at amortised costs, using the effective interest rate method, less impairment. A provision is created in case debtors have financial difficulties, on an individual basis. Receivables related to reinsurance contracts are short-term receivables from reinsurance companies. The carrying values of the receivables approximate their respective fair values, given the short maturities of the positions and the fact that allowances for doubtful debts have been recognised, if necessary.

Cash

Cash is directly available funds held in bank accounts. Cash and cash equivalents are measured at nominal value. If cash and cash equivalents are not readily available, this fact is considered in the measurement.

Shareholder's equity

Financial instruments that are designated as equity instruments by virtue of the economic reality are presented under shareholder's equity. Payments to holders of these instruments are deducted from the shareholder's equity as part of profit distribution.

Financial instruments that are designated as financial liability by virtue of economic reality are presented under liabilities. Interest, dividends, income and expenditure with respect to these financial instruments are recognised in the profit and loss as financial income or expense.

The purchase of own shares is deducted from the other reserves.

Share premium

Amounts contributed by the shareholder of Lifetri Groep in excess of the nominal share capital, are accounted for as share premium. This also includes additional capital contributions by existing shareholders without the issue of shares or issue of rights to acquire shares of Lifetri Groep.

Revaluation reserve

Fair value changes of financial assets are recognised in the income statement. For financial assets without frequent market quotations a revaluation reserve is recognised for the cumulative unrealised fair value changes reported in the income statement, after deduction of deferred tax.

The revaluation reserve is established for such assets with a corresponding charge against other reserves. The revaluation reserve is established per individual asset. If an asset is sold, any revaluation reserve pertaining to that asset is released and credited to other reserves.

Provisions

A provision is recognised if the following applies: Lifetri Groep has a legal or constructive obligation, arising from a past event; and the amount can be estimated reliable; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

If the time value of money is material and the period over which the cash outflows are discounted is more than one year, provisions are measured at the present value of the best estimate of the cash outflows that are expected to be required to settle the liabilities and losses. The provisions are measured at nominal value if the time value of money is not material or If the period over which the cash outflows are discounted is no longer than one year.

Insurance liabilities

The initial recognition of the provision for insurance liabilities is calculated on basis of the fair value equal to the discounted value of the best estimate cash flows on basis of a market consistent discount rate excluding the ultimate forward rate (UFR).

The Solvency II provision for insurance liabilities is calculated based on the interest rate structure published by the regulatory authority, including volatility adjustment.

The Solvency II provision is the sum of:

- The expected value equal to the present value of the future annual payments plus the future costs of the insurances minus the gross premiums on the basis of best estimate assumptions;
- The required risk margin, given the calculated solvency capital requirement on the basis of the risks quantified for Lifetri Groep.

The provision for insurance liabilities is calculated on the basis of the Solvency II principles, plus the not amortized part of the difference between the fair value provision at acquisition date and SII provision. This difference will be amortized in the coming years in line with the main driver of aforementioned difference, being the impact on the provision with regard to the development of the UFR.

Insurance risk

Insurance risk of Lifetri Groep includes all the Solvency II sub risks for mortality, longevity, lapse, expenses, and catastrophe. Lifetri uses the following definitions for these risks:

- Mortality: Risk of loss resulting from higher-than-expected mortality rates, which results in earlier death claims;
- Longevity: The risk of loss as a result of lower-than-expected mortality rates. Longevity risk exists due to the increasing life expectancy trends and can result in pay-out levels that are higher than what the insurer originally accounts for;
- Lapse: The risk of a loss as a result from unanticipated (higher or lower) rate of policy lapses, terminations, changes to paid-up status (cessation of premium payment), surrenders or mass lapse event;
- Expenses: The risk of a loss as a result of higher than expected expenses or inflation.
- Catastrophe: The risk of loss resulting from extreme or irregular events resulting in higher mortality rates which results in earlier death claims.

Lapse risk and expense risk are the highest risks within the life risks. The longevity risk is reduced due to the longevity reinsurance with Hannover Re.

Pensions and funeral deposits

Pension obligation is calculated as the discounted value of the expected yearly indexation budget for the former employees of Nuvema. The yearly indexation budget is equal to 3,2% of the salaries of the former employees of Nuvema. The calculation of the budget does take salary development and lapse rates into account. The discounted value is calculated with the risk-free rate (swap-curve).

Funeral deposits are reported at nominal value. No further increase of the deposits is considered.

Provisions for deferred taxes

Deferred tax assets and liabilities are measured at nominal value. Provisions for deferred taxes concern the tax claim that rests on all qualifying differences between commercial valuations and valuations for tax purposes of assets and liabilities, as well as the amount for which the reserves permitted for tax purposes have been created. A deferred tax asset is only recognised in so far as it is probable that the temporary difference will reverse in the foreseeable future and that taxable profit will be available to offset the temporary difference can be utilised. The provisions are created in relation to a lower valuation for tax purposes of equities, bonds, loans and immovable property.

The provision is calculated on the difference between the tax and commercial value of the asset or liabilities, multiplied by the current company tax rate of 25,0%.

Deferred tax assets and deferred tax liabilities are offset in the balance sheet if Lifetri Groep has a legally enforceable right to offset current tax assets against current tax liabilities, insofar as they relate to the same financial year and deferred tax assets relate to income taxes levied by the same tax authority on the same taxable Company, or the same fiscal unity.

Short-term liabilities

The short-term liabilities have an expected term of a maximum of one year. The carrying values of the current liabilities approximate their respective fair values, given the short maturities of the positions.

Premiums earned for own account

Premiums earned for our own account consist of regular gross premiums and single premiums minus outgoing reinsurance premiums.

Yields from investments

This includes the proceeds realised on investments such as bonds.

Unrealised gain or loss on investments

All changes in the fair value of financial investments are recognised directly in the income statement. For gains on investments without frequent market quotations, the shareholder’s funds recognise a revaluation reserve.

Claims and benefits paid

The benefit payments own account consists of the total liabilities arising from the payment of life insurance policies minus the amounts to be received from the reinsurers.

Change in technical provisions for life insurance
The change in technical provisions is equal to the difference between the opening balance and the final balance of the technical provision. This item therefore includes all the effects of financial transactions, adjustments to economic actuarial principles and deviations between actual and the previously applied assumptions.

Operating expenses
Operating expenses are determined on a historical basis and are allocated to the financial year to which they relate.

Income tax
Corporate income tax comprises the current and deferred corporate income tax payable and deductible for the reporting period. Corporate income tax is calculated on the result in accordance with the profit and loss account at a tax rate of 25.0%, with due consideration to the tax facilities.

Leases
If Lifetri Groep acts as lessee in an operational lease, the leased property is not capitalised. Benefits received as an incentive to enter into an agreement are recognised as a reduction of rental expense over the lease term. Lease payments and benefits regarding operating leases are recognised to the profit and loss account on a straight-line basis over the lease term, unless another systematic basis is more representative of the time pattern of the benefits from the use of the leased asset.

Cashflow statement accounting principles
The statement of cash flows, prepared according to the indirect method, shows the structure of and changes in cash and cash equivalents of Lifetri Groep during the financial year from cash flows arising from operating activities, investing activities and financing activities. Cash and cash equivalents include cash and investments that are readily convertible to a known amount of cash without significant risk of changes in value. The cash flows from investing activities primarily comprise changes in investment securities. Financing activities include all cash flows from transactions involving the issuing of own shares and paid share premium. Cash flows from operating activities include all other activities, which belong to the principal revenue-generating activities.

Related parties
All legal entities, natural persons and other related companies that can be controlled, jointly controlled or significantly influenced are considered to be a related party. Also, entities, natural persons and other related companies that can control Lifetri Groep are considered to be a related party. In addition, statutory directors, other key management of Lifetri Groep or the ultimate parent company and close relatives are regarded as related parties.

Transactions with related parties are disclosed in the notes as far as they are not transacted under normal market conditions. The nature, extent and other information are disclosed if this is necessary in order to provide a true and fair view. Related party transactions not on an arm's length basis have not occurred.

Investments in subsidiaries
Participating interests where significant influence can be exercised over the business and financial policies are valued according to the equity method on the basis of net asset value. If measurement at net asset value is not possible because the information required for this cannot be obtained, the participating interest is measured according to the visible equity. In assessing whether Lifetri Groep has significant influence over the business and financial policies of a participating interest, all facts and circumstances and contractual relationships, including potential voting rights, are considered.

The net asset value is calculated on the basis of Lifetri Groep's accounting policies.

If Lifetri Groep transfers an asset or a liability to a participating interest that is measured according to the equity method, the gain or loss resulting from this transfer is recognised to the extent of the relative interests of third parties in the participating interest (proportionate determination of result). Any loss that results from the transfer of current assets or an impairment of fixed assets is fully recognised. Results on transactions involving transfer of assets and liabilities between Lifetri Groep and its participating interests and mutually between participating interests are eliminated to the extent that these cannot be regarded as having been realised.

Unrealised profits on transactions with participating interests that are accounted for at net asset value are eliminated to the extent of Lifetri Groep's share in the participating interest. This elimination is allocated to the share of result from participating interests and the net asset value of the participating interest.

Lifetri Groep realises the eliminated result as a result of a sale to third parties, depreciation or impairment of the transferred assets recognised by the participating interest.

Participating interests with a negative net asset value are valued at nil. This measurement also covers any receivables provided to the participating interests that are, in substance, an extension of the net investment. In particular, this relates to loans for which settlement is neither planned nor likely to occur in the foreseeable future. A share in the profits of the participating interest in subsequent years will only be recognised if and to the extent that the cumulative unrecognised share of loss has been absorbed.

Impairments of fixed assets
Tangible and intangible fixed assets are assessed at each reporting date whether there is any indication of an impairment. If any such indication exists, the recoverable amount of the asset is estimated. The recoverable amount is the higher of value in use and net realisable value. If it is not possible to assess the recoverable amount for an individual asset, the recoverable amount is assessed for the cash-generating unit to which the asset belongs.

When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, an impairment loss is recognised for the difference between the carrying amount and the recoverable amount. If there is an impairment loss for a cash-generating unit, the loss is first allocated to goodwill allocated to the cash-generating unit. Any residual loss is allocated to the other assets of the unit pro rata to their book values.

Subsequently, at each reporting date, the entity assesses whether there is any indication that an impairment loss that was recorded in previous years has been decreased. If any such indication exists, then the recoverable amount of the asset or cash-generating unit is estimated.

Reversal of a previously recognised impairment loss only takes place when there is a change in the assessment used to determine the recoverable amount since the recognition of the last impairment loss. In such case, the carrying amount of the asset (or cash- generating unit) is increased to its recoverable amount, but not higher than the carrying amount that would have applied (net of depreciation) if no impairment loss had been recognised in previous years for the asset (or cash-generating unit).

An impairment loss of goodwill is not reversed in a subsequent period.

Contrary to what is stated before, at each reporting date the recoverable amount is assessed for the following assets (irrespective of whether there is any indicator of an impairment):

- intangible assets that have not been put into use yet;
- intangible assets that are amortised over a useful life of more than twenty years (counting from the moment of initial operation/use).

6.6 Notes to the consolidated Balance Sheet

Specification fair value hierarchy

in thousands of euros	Level 1	Level 2	Level 3	Total
Bonds	1.315.711	635.659	-	1.951.370
Mortgage loans	31.721	143.061	-	174.782
Investment funds	72.515	-	-	72.515
At 31 December 2020	**1.419.947**	**778.720**	**-**	**2.198.666**

in thousands of euros	Level 1	Level 2	Level 3	Total
Bonds	199.499	-	-	199.499
Mortgage loans	16.030	781	-	16.811
Investment funds	-	-	-	-
At 31 December 2019	**215.529**	**781**	**-**	**216.310**

Intangible fixed assets (1.)

in thousands of euros	2020	2019
At 1 January	-	-
Acquisition	88.500	-
Impairments	-88.500	-
At 31 December	-	-

The goodwill of € 88,5 million represents the difference between the fair value of € 22,4 million and the purchase price € 110,9 million of the assets and liabilities included in the acquisition of Klaverblad Levensverzekering N.V. The intangible assets included in the acquisition were deemed to have a value of nil. The goodwill was subsequently impaired. This impairment is a result of the negative changes in the market environment after the acquisition date. The calculation on the future cash flows is based on the opinion of an external expert.

Investments:

Cash and cash equivalents (2.)

For an amount of € 160,3 million (2019: € 9,0 million) cash and cash equivalents are not freely available. This amount is used as collateral for open mortgage proposals in our investments portfolio.

Bonds (3.)

in thousands of euros	2020	2019
At 1 January	**199.499**	**182.755**
Changes in the composition of the group	1.097.209	-
Purchases	1.188.401	62.031
Redemption	-20.134	-
Disposals	-731.638	-81.905
Fair value changes through profit or loss	218.033	36.618
At 31 December	**1.951.370**	**199.499**

Cost of bonds amounts to € 1.688,8 million (2019: € 162,6 million).

Bonds by credit rating

in thousands of euros	2020	2019
AAA	515.609	7.391
AA	1.258.737	192.108
A	30.074	-
BBB	27.310	-
None	119.640	-
At 31 December	**1.951.370**	**199.499**

Mortgages (4.)

in thousands of euros	2020		2019	
At 1 January		**16.811**		**-**
Purchases	167.707		15.775	
Redemption	-11.743		-	
Disposals	-593		-	
Fair value changes through profit or loss	2.600		1.036	
At 31 December		**174.782**		**16.811**

Cost of mortgages in 2020 amounts to € 179,3 million (2019: € 15,8 million).

Investment funds (5.)

in thousands of euros	2020		2019	
At 1 January		**-**		**-**
Purchases	69.708		-	
Redemption	-		-	
Disposals	-		-	
Fair value changes through profit or loss	2.807		-	
At 31 December		**72.515**		**-**

Cost of investment funds in 2020 amounts to € 69,7 million (2019: nil). The investment relates to a quoted corporate bonds fund. The fund's bond portfolio exists of Euro corporate bonds at investment-grade with a wide sector-spread.

Derivatives (6.)

in thousands of euros	2020		2019	
At 1 January		**-**		**-**
Acquisition	67.108		-	
Disposals	-66.122		-	
Fair value changes through profit or loss	-986		-	
At 31 December		**-**		**-**

Acquired derivatives were included in the received payment to insure pension benefits for participants in a single premium transaction. These derivatives have been unwound as soon as the financial markets offered liquidity.

Deferred tax (7.)

in thousands of euros	2020		2019	
At 1 January		**-6.863**		**9.403**
Changes in the composition of the group	67.297		-	
Revaluation of technical provision at fair value	99.276		-10.222	
Revaluation of investments	-102.969		7.682	
At 31 December		**56.741**		**6.863**

in thousands of euros	2020	2019
Deferred tax assets	176.440	-572
Current tax liability	119.699	6.291
Total deferred tax	**56.741**	**6.863**

Reinsurance recoverable (8.)

in thousands of euros	2020	2019
At 1 January	**1.159**	**2.544**
Addition through P&L	141	-235
Provision doubtful debtors	-1.300	-1.150
At 31 December	**-**	**1.159**

All receivables have an estimated maturity shorter than one year.

Policyholders (9.)

The short-term receivables on policyholders relate to insurance premiums due. All receivables have an estimated maturity shorter than one year.

Other receivables (10.)

in thousands of euros	2020	2019
Non-insurance receivables	18.864	207
Prepaid operating expenses	1.437	90
Other	1	10
Total Short term receivables	**20.301**	307

All receivables have an estimated maturity shorter than one year. The non-insurance receivables relate to the custodian of mortgages.

Equipment (11.)

Property and equipment

in thousands of euros	Hardware	Office equipment	Property	Total 2020	Total 2019
At 1 January	**9**	**1**	**-**	**10**	**23**
Purchases	-	-	561	561	1
Depreciation	-4	-1	-56	-61	-14
At 31 December	**5**	**-**	**505**	**510**	**10**

A 20% depreciation rate on the purchase value is applied for the calculation of the annual depreciation expenses. The purchase of property is the improvement of the rented office. The fair value of equipment is not materially different from the carrying value. The carrying value is determined by historical cost less accumulated depreciation and impairment.

Group equity (12.)

in thousands of euros	Share capital	Share premium	Revaluation reserve	Other reserves	Result before appropriation	Total
At 1 January 2020	**-**	**58.497**	**6.074**	**-8.609**	**-7.698**	**48.264**
Result current year	-	-	-	-	-38.564	-38.564
Result previous year	-	-	-	-7.698	7.698	-
Share premium contribution	-	110.400	-	-	-	110.400
Change reserves required by law	-	-	67.330	-67.330	-	-
At 31 December 2020	**-**	**168.897**	**73.404**	**-83.638**	**-38.564**	**120.100**

The increase of the share premium contribution is caused by the acquisition of 100% of Klaverblad Levensverzekering N.V. The purchase price for Klaverblad Levensverzekering N.V. was paid by the parent of Lifetri Groep B.V. and the amount is contributed in kind. The contribution is accounted for as an increase in the share premium.

Insurance liabilities (13.)

in thousands of euros	2020		2019	
Insurance liabilities (for own risk)	2.313.508		201.053	
Reinsurers' share	70.411		-	
At 31 December		**2.383.919**		**201.053**

Insurance liabilities: For own risk

in thousands of euros	2020		2019	
Best estimate	2.183.534		172.972	
Risk margin	129.974		28.081	
At 31 December		**2.313.508**		**201.053**

Insurance liabilities: For own risk

in thousands of euros	2020		2019	
At 1 January		**201.053**		**141.712**
Changes in the composition of the group	1.158.200		-	
Acquired business	783.985		-	
Change in technical provisions	170.270		59.341	
At 31 December		**2.313.508**		**201.053**

In the insurance contracts no other profit sharing, guarantees or other options are included other than the options stemming from the in-kind policies. The technical provision primarily has a long duration.

Pension obligations (14.)

in thousands of euros	2020		2019	
At 1 January		**659**		**1.740**
Change in technical provisions	-99		659	
Release provision	-		-1.740	
At 31 December		**560**		**659**

The pension obligation is calculated as the discounted value of the expected yearly indexation budget for the former employees of Nuvema. The yearly indexation budget is equal to 3.2% of the salaries of the former employees of Nuvema.

Other long-term liabilities (15.)

in thousands of euros	2020		2019	
At 1 January		**11.310**		**12.210**
Deposits received	50		436	
Interest increase through P&L	-107		-67	
Deposit payments	-1.244		-1.269	
At 31 December		**10.009**		**11.310**

Funeral deposits are annually increased with interest and have primarily a long duration.

Policyholders (16.)

Premiums are collected several working days in advance of the period they are earned.

Other short-term liabilities (17.)

in thousands of euros	2020	2019
Creditors	1.130	1.372
Accruals for operational expenses	3.003	943
Short term employee benefits	225	-
Tax and social security contributions	1.656	247
Interest bank accrual	31	69
Due to customer	1.116	-
At 31 December	**7.161**	**2.631**

All short-term liabilities have a duration of less than one year.

6.7 Notes to the Income statement

Insurance premiums (1.)

in thousands of euros	2020	2019
Periodic premiums	65.415	18.921
Single premiums	836.869	166
Reinsurers' share	-6.106	-44
Total net premiums earned	**896.178**	**19.043**

Unrealised gains and losses on investments (2.)

in thousands of euros	2020	2019
Unrealised result on bonds	214.382	35.272
Unrealised result on mortgages	3.478	1.037
Unrealised result on investment funds	2.806	-
Total unrealised gains and losses on investments	**220.666**	**36.309**

Claims and benefits paid (3.)

in thousands of euros	2020	2019
Mortality claims	25.036	5.164
Surrenders	2.781	24
Reinsurers' share	-6.017	-27
Total claims and benefits paid	**21.800**	**5.161**

Operating expenses (4.)

in thouands of euros	2020		2019	
Salaries	4.721		2.710	
Severance expenses	-		436	
Social security contributions	598		425	
Pension expenses	589		-415	
Travel expenses	233		163	
External hires	7.487		3.560	
Other staff expenses	640		635	
Recharges group companies	-		-	
Staff expenses		**14.268**		**7.514**
Office expenses	1.978		429	
Housing expenses	295		500	
Marketing expenses	55		366	
General and administrative expenses	3.696		2.360	
Impairment of goodwill	88.500		-	
Overhead expenses		**94.524**		**3.655**
Depreciation		**62**		**14**
Staff-, overhead- and depreciation costs		**108.854**		**11.183**
Acquisition costs		**977**		**-**
Total operating expenses		**109.832**		**11.183**

Income tax (5.)

in thousands of euros	2020	2019
Deferred tax	-11.211	2.285
Change in tax rate for deferred tax	12.071	
Current tax	-747	-
Total income tax	**113**	**2.285**

During 2020 the income tax for current tax changed from 21,7% to 25,0%. Also, for the upcoming years the tax rate of 25,0% is expected and used to calculate the deferred tax.

Analysis of the result, including sources of income

in thousands of euros	2020
Own funds 1 Januari	**369.995**
Change UFR	-3.438
Model change	25.703
Unwind	2.795
Portfolio development	4.824
Operational assumption	-4.630
Economic assumptions	9.773
Other	-44.027
Own funds 31 December	**360.995**

6.8 Contingent liabilities and commitments

Capital commitments

At 31 December 2020 the subsidiaries of Lifetri Groep are committed to provide funding for investments:

- For the private debt portfolio, the commitment for a capital contribution is € 70,0 million;
- For the mortgage loans portfolio, the capital contribution amounts up to € 5,0 million.

Lease commitments

in thousands of euros	2020
No later than 1 year	32
Later than 1 year and no later than 5 years	228
At 31 December	**261**

The lease commitments concern office rental and office equipment.

7. Company financial statements

7.1 Balance sheet (before appropriation of result)

Assets

in thousands of euros		31 December 2020		31 December 2019	
Financial fixed Assets					
Investments in subsidiaires	1.	123.112		50.662	
Deferred tax assets		-		511	
Total financial fixed Assets			**123.113**		**51.173**
Short term receivables					
Group companies		3.678		-	
Other receivables	2.	488		25	
Total short term receivables			**4.166**		**25**
Other assets		506	**506**	-	**-**
Cash and cash equivalents		446	**446**	-	**-**
Total Assets			**128.231**		**51.197**

Liabilities

in thousands of euros		31 December 2020		31 December 2019	
Shareholder's funds					
Share capital		-		-	
Share premium		168.897		58.497	
Revaluation reserve subsidiairies		73.404		6.074	
Other reserves		-83.638		-8.609	
Result before appropriation		-38.564		-7.698	
Total shareholder's funds	3.		**120.100**		**48.264**
Provisions					
Restructuring provisions		251		-	
Pension obligation		560		659	
Total provisions			**812**		**659**
Other short-term liabilities	4.		**7.319**		**2.274**
Total Liabilities			**128.231**		**51.197**

7.2 Income Statement

in thousands of euros	2020	2019
Operating expenses	-	-2.137
Impairment of goodwill	-88.500	
Result from subsidiary	50.049	-5.782
Investment management expenses	4	-213
Result before tax	**-38.447**	**-8.132**
Income tax	**-118**	**434**
Net Result	**-38.565**	**-7.698**

7.3 Notes to the company financial statements

General

The separate financial statements are part of the 2020 statutory financial statements of Lifetri Groep. The financial information of Lifetri Groep is included in Lifetri Groep's consolidated financial statements. In so far as no further explanation is provided of items in the separate balance sheet and the separate profit and loss account, please refer to the notes to the consolidated balance sheet and profit and loss account.

Accounting policies
The principles for the valuation of assets and liabilities and the determination of the result are the same as those applied to the consolidated profit and loss account, with the exception of the following principles:

Financial instruments
In the separate financial statements, financial instruments are presented on the basis of their legal form.

Investments in subsidiaries
Investments in subsidiaries are accounted for in the separate financial statements according to the equity accounting method on the basis of net asset value. For details we refer to the accounting policy for financial fixed assets in the consolidated financial statements.

Share of result from subsidiaries
This item concerns Lifetri Groep's share of the profit or loss of these subsidiaries. Results on transactions involving the transfer of assets and liabilities between Lifetri Groep and its subsidiaries and mutually between subsidiaries themselves, are eliminated to the extent that they can be considered as not realised.

Corporate income tax
Lifetri Groep recognises the portion of corporate income tax that it would owe as an independent taxpayer.

7.4 Notes to balance sheet

Investments in subsidiaries (1.)

in thousands of euros	2020		2019	
At 1 January		50.662		**56.444**
Acquisitions	22.400		-	
Result from subsidiary	35.203		-5.782	
At 31 December		**108.265**		**50.662**

Lifetri Groep is at the head of the group and has the following consolidated participating interests:

Name	Legal address	Share of issued capital
Lifetri Uitvaartverzekeringen N.V.	Maarssen	100%
Lifetri Verzekeringen N.V.	Maarssen	100%
Klaverblad Levensverzekering N.V.	Maarssen	100%

Other receivables (2.)

in thousands of euros	2020		2019	
Non-insurance receivables	10		10	
Prepaid operating expenses	179		15	
Other	1		-	
Total Short term receivables		**190**		**25**

Shareholder's funds (3.)

in thousands of euros	Share capital	Share premium	Revaluation reserve	Other reserves	Result before appropriation	Total
At 1 January 2019	**-**	**58.497**	**1.583**	**-**	**-4.113**	**55.967**
Changes in accounting policies	-	-	-1.462		1.462	-
At 1 January 2019	**-**	**58.497**	**121**	**-**	**-2.651**	**55.967**
Result current year	-	-	-		-7.698	-7.698
Result last year	-	-	-	-2.651	2.651	-
Correction	-	-		-5		-5
Change reserves required by law	-	-	5.953	-5.953		-
At 31 December 2019	**-**	**58.497**	**6.074**	**-8.609**	**-7.698**	**48.264**

in thousands of euros	Share capital	Share premium	Revaluation reserve	Other reserves	Result before appropriation	Total
At 1 January 2020	**-**	**58.497**	**6.074**	**-8.609**	**-7.698**	**48.264**
Result current year	-	-	-		-38.565	-38.565
Result last year	-	-	-	-7.698	7.698	-
Changes in the composition of the group	-	-	3	-3	-	-
Contribution	-	110.400	-		-	110.400
Change reserves required by law	-	-	67.327	-67.327	-	-
At 31 December 2020	**-**	**168.897**	**73.404**	**-83.637**	**-38.565**	**120.100**

Lifetri Groep B.V. issued one share with a nominal value € 0,01.

The revaluation reserve pertains to consolidated participating interests that are measured at net asset value. The reserve is equal to the share in the results and direct changes in equity (both calculated on the basis of Lifetri Groep's accounting policies) of the participating interests since the first measurement at net asset value, less the distributions that Lifetri Groep has been entitled to since the first measurement at net asset value, and less distributions that Lifetri Groep may affect without restrictions. As to the latter share, this considers any profits that may not be distributable by participating interests that are Dutch limited companies based on the distribution tests to be performed by the management of those companies. The legal reserve is determined on an individual basis.

The Management Board proposes to charge the loss of € 28,6 million to the other reserves within the shareholder's funds. The Supervisory Board has approved this proposal. The Shareholder's General Meeting has to decide on this proposal.

The increase of the share premium contribution is caused by the acquisition of 100% of Klaverblad Levensverzekering N.V. The purchase price for Klaverblad Levensverzekering N.V. was paid by the parent of Lifetri Groep B.V. and the amount is contributed in kind. The contribution is accounted for as an increase in the share premium.

Other short-term liabilities (4.)

Other short-term liabilities

in thousands of euros	2020	2019
Short term employee benefit	224	-
Subsidiary	-	715
Group companies	2.368	23
Tax and social contributions	1.933	30
Creditors	1.130	426
Accrued operational expenses	2.459	240
Banks	-	837
Interest banks	-	4
At 31 December	**8.114**	**2.274**

7.5 Notes to the Income statement

The MB remuneration amount to € 0,8 million (2019: € 0,8 million) including both the ad interim board members and the permanent board members. The MB remuneration is charged to Lifetri Uitvaartverzekeringen N.V. and Klaverblad Levensverzekering N.V.

The SB remuneration is € 0,1 million (2019: € 0,1 million).

Audit fees

in thousands of euros	KPMG	Other auditor
Audit of the financial statements	409	
Other audit engagements	68	
Tax-related advisory services		71
Other non-audit services		290
Total	**409**	**290**

The fees for the audit of the financial statements 2020 relate to the total fees for the audit of the financial statements 2020, irrespective of whether the activities have been performed during the financial year 2020.

Employee information

Average number of employees (FTE) during the year	2020	2019
Permanent staff	51	43
Temporary staff	29	12
Total	**80**	**54**

7.6 Contingent liabilities and commitments

Fiscal unity

For income tax purposes Lifetri Groep is at the head of a fiscal unity which also includes Lifetri Uitvaartverzekeringen, Lifetri Verzekeringen and Klaverblad Levensverzekering. As a result, Lifetri Groep is liable for the tax of the fiscal unity. Lifetri Groep has a current account relationship with entities part of the fiscal unity. Amounts for income tax recognised at balance sheet date have been settled in this current account and are included in Lifetri Groep's balance sheet.

Subsequent events

For the disclosure on subsequent events that are relevant to Lifetri Groep, reference is made to the disclosure on subsequent events in the notes to the consolidated financial statements.

The board have evaluated all events and transactions subsequent to 31 December 2020 through the date these financial statements were issued. No events or transactions were identified that require recognition or disclosure in these financial statements.

Lease commitments

in thousands of euros	2020
No later than 1 year	32
Later than 1 year and no later than 5 years	228
At 31 December	**261**

The lease commitments concern office rental and office equipment.

Rental property

in thousands of euros	2020
No later than 1 year	212
Later than 1 year and no later than 5 years	673
At 31 December	**885**

Maarssen, 19 May 2021

Sgd.

Management Board

P.D.A. Wits, CEO

M.R.E. Harkema, CFRO

J.P.M. Rijken, CIO

R. Zomer, COO

Supervisory Board

J.H.D. van Hemsbergen, Chairman

N. Albert

H. Eggens

R. Singhal

signed version is available at the head office

8. Other Information

8.1 Appropriation result according to the Articles of Association

According to Lifetri Groep’s articles of association, the results are at the disposal of the Shareholder’s General Meeting.

8.2 Independent auditor’s report

We refer for the independent auditor’s report to the next page.

Independent auditor's report

To: the General Meeting of Shareholders and the Supervisory Board of Lifetri Groep B.V.

Report on the audit of the financial statements 2020 included in the annual report

Our opinion

In our opinion the accompanying consolidated and company financial statements give a true and fair view of the financial position of Lifetri Groep B.V. as at 31 December 2020 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

What we have audited

We have audited the consolidated and company financial statements 2020 of Lifetri Groep B.V. (the Company) based in Amsterdam.

The financial statements comprise:

1 the consolidated and company balance sheet as at 31 December 2020;

2 the following statements for 2020: the consolidated and company profit and loss account, the consolidated and company statement of comprehensive income and consolidated statement of cash flows; and

3 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 consolidated and company financial statements' section of our report.

We are independent of Lifetri Groep B.V. in accordance with 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.

Audit approach

Summary

Materiality
— Materiality of EUR 6.5 million — 0.3% of total assets

Key audit matter
— Acquisition of Klaverblad Levensverzekering N.V

Opinion
Unqualified

Materiality

Based on our professional judgement we determined the materiality for the consolidated financial statements as a whole at EUR 6.5 million. The materiality is determined with reference to total assets (0.3%). We consider shareholders' equity as the most appropriate benchmark based on our assessment of the general needs of users of the consolidated financial statements of a life insurance company. We believe that shareholders' equity is a relevant metric for assessment of the financial performance of Lifetri Groep B.V. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for the users of the consolidated financial statements for qualitative reasons.

We agreed with the Supervisory Board that misstatements in excess of EUR 325,000 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.

Our focus on the risk of fraud and non-compliance with laws and regulations

Our objectives

The objectives of our audit with respect to fraud and non-compliance with laws and regulations are:

With respect to fraud:

- to identify and assess the risks of material misstatement of the financial statement due to fraud;
- to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate audit responses; and
- to respond appropriately to fraud or suspected fraud identified during the audit.

With respect to non-compliance with laws and regulations:

- to identify and assess the risk of material misstatement of the financial statements due to non-compliance with laws and regulations; and
- to obtain a high (but not absolute) level of assurance that the financial statements, taken as a whole, are free from material misstatement, whether due to fraud or error when considering the applicable legal and regulatory framework.

The primary responsibility for the prevention and detection of fraud and non-compliance with laws and regulations lies with the Management Board, with oversight by the Supervisory Board.

Our risk assessment

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. We evaluated the fraud risk factors to consider whether those factors indicated a risk of material misstatement due to fraud.

In addition, we performed procedures to obtain an understanding of the legal and regulatory frameworks that are applicable to the Company and we inquired Management Board and the Supervisory Board as to whether the entity is in compliance with such laws and regulations and inspected correspondence, if any, with relevant licensing and regulatory authorities.

The potential effect of the identified laws and regulations on the financial statements varies considerably.

Firstly, the Company is subject to laws and regulations that directly affect the financial statements, including taxation and financial reporting and Solvency II. We assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statements items and therefore no additional audit response is necessary.

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have an indirect material effect on amounts recognized or disclosures provided in the financial statements, or both, for instance through the imposition of fines or litigation.

We identified the following areas as those most likely to have such an indirect effect:

- Wet financieel toezicht (wft);
- Financial and economic crime (FEC) related regulation;

In accordance with the auditing standards we evaluated the fraud risk of management override of controls that is relevant to our audit.

We communicated the identified risks of fraud throughout our team and remained alert to any indications of fraud throughout the audit.

In all of our audit procedures, we addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by management that may represent a risk of material misstatement due to fraud.

We communicated our risk assessment and audit response to management and the Supervisory Board. Our audit procedures differ from a specific forensic fraud investigation, which investigation often has a more in-depth character.

Our response

We performed the following audit procedures (not limited) to respond to the assessed risks:

- evaluated the design and the implementation and, where considered appropriate, tested the operating effectiveness of internal controls that mitigate fraud risks. In case of internal control deficiencies, where we considered there would be opportunity for fraud, we performed supplemental detailed risk-based testing;
- performed data analysis of high-risk journal entries and evaluated key estimates and judgements for bias by the Company, including retrospective reviews of prior year's estimates. Where we identified instances of unexpected journal entries or other risks through our data analytics, we performed additional audit procedures to address each identified risk;
- considered the outcome of our other audit procedures and evaluated whether any findings or misstatements were indicative of fraud or non-compliance. If so, we re-evaluated our assessment of relevant risks and its resulting impact on our audit procedures;
- obtained audit evidence regarding compliance with the provisions of those laws and regulations generally recognised to have a direct effect on the determination of material amounts and disclosures in the financial statements;
- incorporated elements of unpredictability in our audit;
- performed detailed testing on other emoluments in relation to the Management Board.

We do note that our audit is based on the procedures described in line with applicable auditing standards. Our procedures to address identified risks of fraud and related to non-compliance with laws and regulations did not result in a key audit matter.

We do note that our audit is not primarily designed to detect fraud and non-compliance with laws and regulations and that management is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to errors or fraud, including compliance with laws and regulations.

The more distant non-compliance with indirect laws and regulations (irregularities) is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it. In addition, as with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

Our key audit matter

Key audit matter is the matters that, in our professional judgement, are of most significance in our audit of the financial statements. We have communicated the key audit matter to the Supervisory Board. The key audit matters are not a comprehensive reflection of all matters discussed.

This matters are addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on this matters.

Acquisition of Klaverblad Levensverzekering N.V.

Description

On 1 May 2019, Lifetri signed the SPA ('Share Purchase Agreement') regarding the acquisition of Klaverblad Levensverzekering N.V. After approval of the Dutch Central Bank in late February 2020, the acquisition was closed on 31 March 2020.

The acquisition of Klaverblad Levensverzekering N.V. during the current year gives rise to a significant risk of error related to valuation and inclusion of the opening balances and the calculation and treatment of goodwill in the consolidated financial statements of Lifetri Groep B.V.

Given the financial significance and the level of judgement required, we considered this a key audit matter.

Our response

Our audit approach included the following significant substantive procedures around the acquisition:

- Assessment of the review performed by the auditor of Klaverblad Levensverzekering N.V. on the opening balances as at 1 April 2020;
- Review of the accounting memorandum and treatment documentation as prepared by management, with regards to the treatment of the transactions in the Lifetri Groep (consolidated) annual accounts for the year ended 31 December 2020.
- With the assistance of our Corporate Finance and Financial Risk Management specialist make an assessment and evaluation of the Purchase Price Allocation (PPA), as performed by management, particularly relating to:
  - assessing the appropriateness of the assumptions used in the Dividend Discount Model and the PPA;
  - assessing whether any intangible assets should be recognised on initial recognition of the transaction; and
  - assessing whether the appropriate use of the average market participant assumption was used
- Analysis and reconciliation of the data used in the PPA and the data that was recorded in the consolidated financial statements;
- Analysis of the appropriateness of the company's treatment of Goodwill and the related goodwill impairment recognised.

Our observation

Overall we conclude that the methods and assumptions used in the PPA were appropriate and that the accounting treatment of the transaction was in accordance with the requirements of Part 9 of Book 2 of the Dutch Civil Code.

Report on the other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information.

Based on the following procedures performed, we conclude that the other information:

- is consistent with the financial statements and does not contain material misstatements; and

— contains the information as required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is less than the scope of those performed in our audit of the financial statements.

Management of the Company is responsible for the preparation of the other information, including the information as required by Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Engagement

We were engaged by the General Meeting of Board of Directors of Lifetri Groep B.V. as auditor of the Company for the year 2020 and have operated as statutory auditor since the financial year 2018.

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 audits of public-interest entities.

Description of responsibilities regarding the financial statements

Responsibilities of Management of the Company and the Supervisory Board for the financial statements

Management of the Company is responsible for the preparation and fair presentation of the financial statements in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore, the Management of the Company is responsible for such internal control as management 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 Management of the Company is responsible for assessing the Company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, Management of the Company should prepare the financial statements using the going concern basis of accounting unless Management of the Company either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so. The Management of the Company 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.

A further description of our responsibilities for the audit of the financial statements is included in appendix of this auditor's report. This description forms part of our auditor's report.

Utrecht, 19 May 2021

KPMG Accountants N.V.

A.J.H. Reijns RA

Appendix:
Description of our responsibilities for the audit of the financial statements

Appendix

Description of our responsibilities for the audit of the financial statements

We have exercised professional judgement and have maintained professional scepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included among others:

— identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining 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 the risk resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

— 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 Management of the Company;

— concluding on the appropriateness of Management of the Company's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company to cease to continue as a going concern;

— evaluating the overall presentation, structure and content of the financial statements, including the disclosures; and

— evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

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.