Annual Report 2020

Lifetri Uitvaartverzekeringen N.V.

Contents

Annual Report 2020 1
1. Composition of the Management Board and Supervisory Board 3
2. Introduction 4
2.1 Lifetri Groep 4
2.2 Key figures 4
2.3 Group structure and ownership 4
3. Report of the Supervisory Board 6
3.1 General 6
3.2 Composition of the SB 6
3.3 Meetings of the Supervisory Board and its committees 7
4. Report of the Management Board 10
4.1 Business Developments 10
4.2 Risk Management 14
4.3 Capital Management 14
4.4 Subsequent events 14
5. Risk Governance and Capital Management 16
5.1 Risk Management 16
5.2 Capital Management 22
6. Financial Statements 24
6.1 Balance Sheet 24
(Before appropriation of result) 24
6.3 Income Statement 26
6.4 Cash Flow Statement 27
6.5 Accounting Principles 28
6.6 Profit appropriation 38
6.7 Notes to the Balance Sheet 38
6.8 Notes to the Income statement 42
7. Other Information 46
7.1 Appropriation result according to the Articles of Association 46
7.2 Independent auditor's report 46

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.

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Lifetrigroep.com

2. Introduction

2.1 Lifetri Groep

Lifetri Uitvaartverzekeringen N.V. (Lifetri Uitvaartverzekeringen) is a funeral insurer in the Netherlands, wholly owned by Lifetri Groep B.V. (Lifetri Groep). The activities of Lifetri Uitvaartverzekeringen consist of selling in-kind funeral insurance policies to private consumers in the Netherlands and servicing the existing clients. Lifetri Uitvaartverzekeringen is the full owner of Lifetri Verzekeringen N.V. (Lifetri Verzekeringen), a company with a small funeral insurance portfolio.

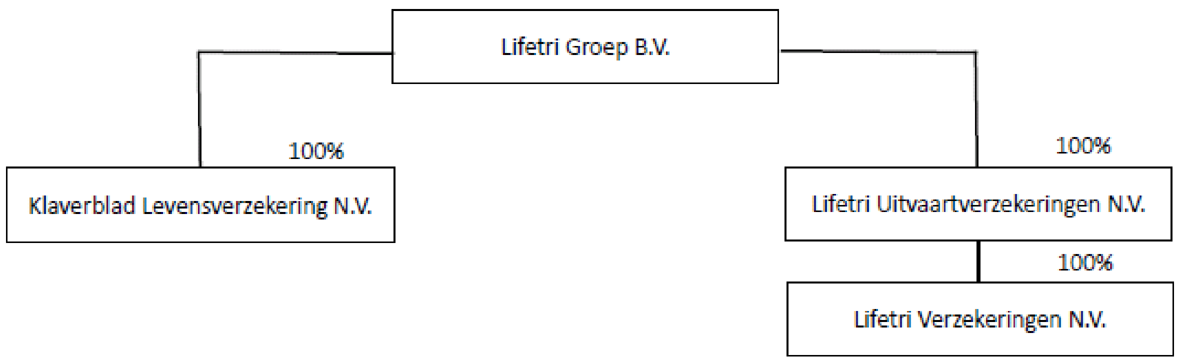
2.2 Key figures

in thousands of euros	2020	2019
Shareholder's funds	51.419	50.662
Eligible own funds	56.097	57.559
Solvency capital required (SCR)	28.460	32.103
Solvency II ratio	197%	179%
Net premiums earned	19.202	19.043
Claims and benefits paid	5.853	5.161
Total operating expenses	8.686	8.909
Net result	757	-5.777

2.3 Group structure and ownership

Lifetri Uitvaartverzekeringen is fully owned subsidiary of Lifetri Groep B.V. which is fully owned by 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	2018–2022 (1st term)

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	2018–2021 (1st term)

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	2018–2021 (1st term)

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 of Lifetri and its entities, 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 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), 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 a MB and a 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 Uitvaartverzekeringen was € 0,8 million (2019: € -5,8 million). Gross premiums earned was € 19,2 million (2019: € 19,0 million). Total operating expenses up to 31 December 2020 amounted to € 8,7 million (2019: € 8,9 million). The shareholder's funds were € 51,4 million (2019: € 50,7 million) on 31 December 2020.

Business strategy

Lifetri Groep's ambition is to become the best provider of long-term guarantees. Through a combination of 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 or 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 chose an option for their participants.

Lifetri believes it can provide these participants with various innovative options, providing a tailor-made solutions 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 our 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 the 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.

ost importantly we wanted people to stay connected amongst each other and with Lifetri Groep. Constant communication was key, regular check-ins, informal talks and making an effort to dismiss about 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 entrMy 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 longetivity 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 Its 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 in 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

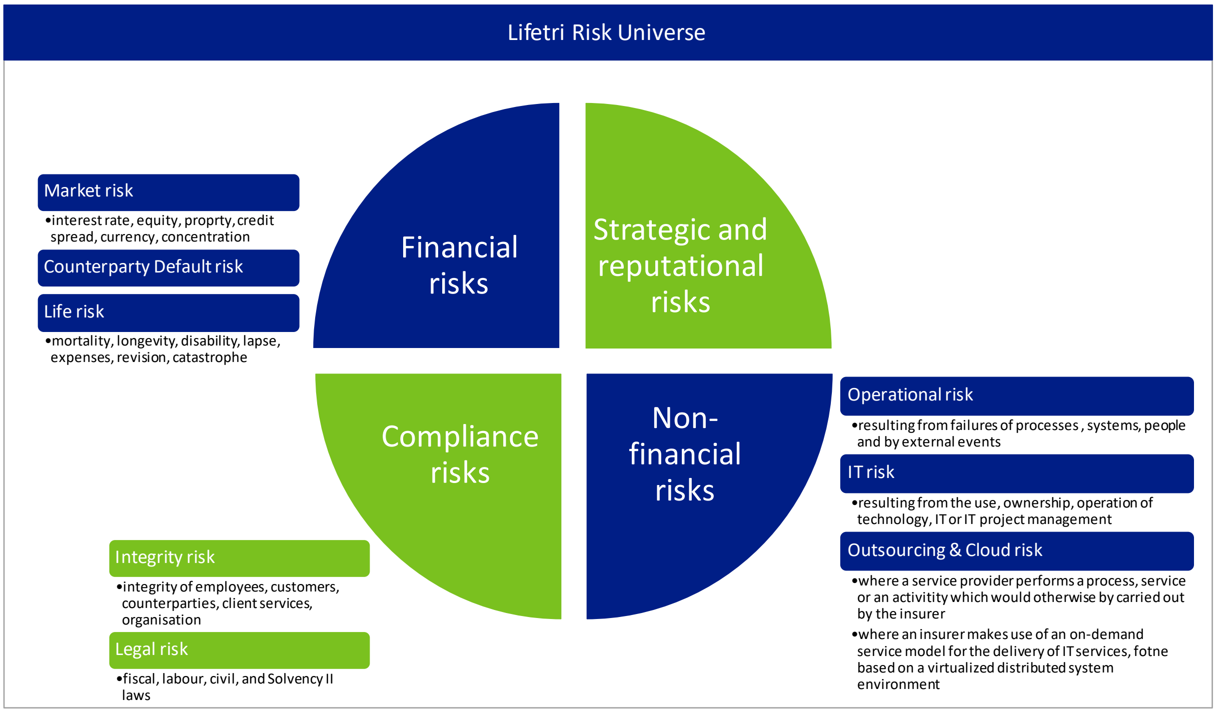
Risks are inherent in daily business. Lifetri group applies risk management processes to keep the risk within acceptable levels. These levels are defined in Lifetri group's risk appetite statements and limits (see paragraph further below).

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.

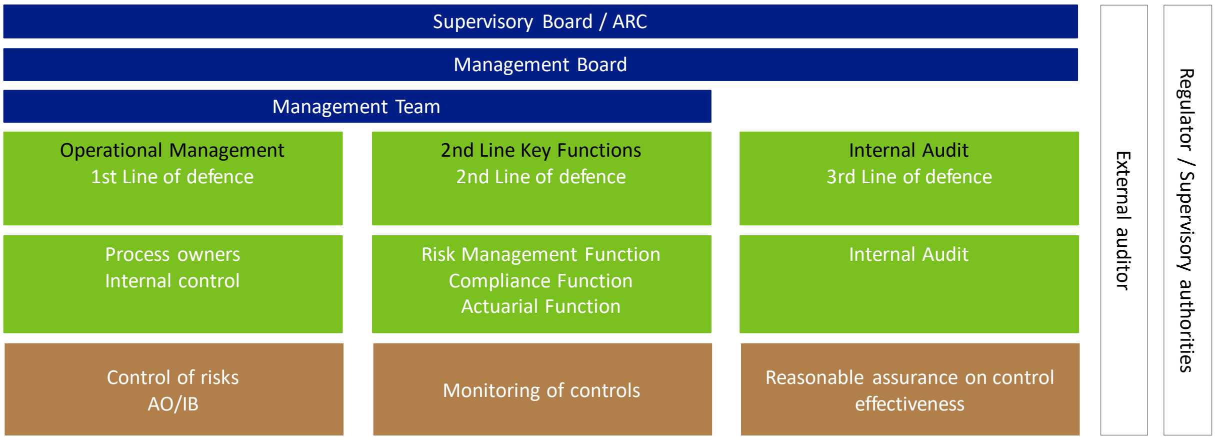


Lifetri Risk Universe

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).



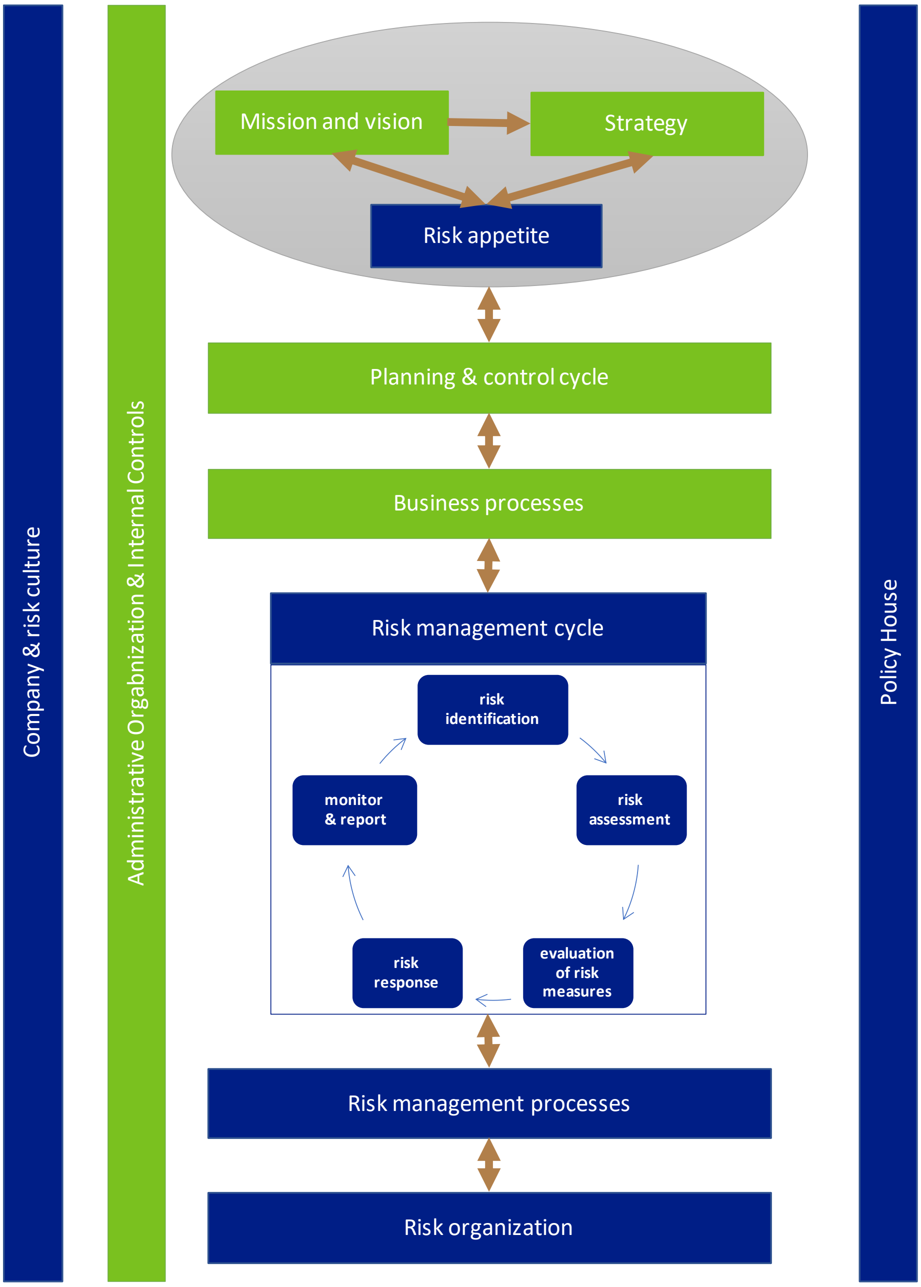
The first line of defence is the business itself, which is responsible for adherence with applicable laws and regulations, and for its own internal control of all activities and underlying processes.

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 responsibility area. 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

in thousands of euros	2020		2019	
Own funds		56.097		57.559
Tier 1	56.097		57.559	
Tier 2	0		0	
Tier 3	0		0	
Total available own funds		**56.097**		**57.559**
Eligible own funds		**56.097**		**57.559**
Solvency capital requirement				
Market risk	2.166		4.488	
Counterparty risk	1.891		2.724	
Life underwriting risk	35.841		36.297	
Diversification	-2.917		-5.012	
BSCR		36.981		38.497
Operational risk		963		762
LACDT		-9.484		-7.156
Total solvency capital requirement		**28.460**		**32.103**
Minimum capital requirement		7.113		8.026
Solvency II ratio		197%		179%
Minimum Capital required ratio		788%		717%

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. Financial Statements

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 35 to 40 form an integral part of these financial statements.

The financial statements do not include the consolidated accounts, as Lifetri Uitvaartverzekeringen's parent Lifetri Groep B.V. reports the consolidated accounts (based on legal exemption under Section 408 of the Dutch Civil Code 2).

6.1 Balance Sheet

(Before appropriation of result)

Assets

in thousands of euros		31 December 2020		31 December 2019	
Investments					
Cash and cash equivalents	1.	11.940		52.509	
Financial investments					
Bonds	2.	237.247		195.002	
Mortgages	3.	54.619		16.811	
Investment funds	4.	11.913		-	
Total financial investments		303.779		211.813	
Total investments			**315.719**		**264.322**
Investments for risk policyholders					
Investments in subsidiary	5.	5.425	**5.425**	5.923	**5.923**
Short term receivables					
Policyholders	6.	157		74	
Group companies		2.368		745	
Other receivables	7.	412		278	
Total short term receivables			**2.937**		**1.097**
Other assets					
Equipment	8.	5		10	
Accrued interest cash		-		5	
Total other assets			**5**		**15**
Total assets			**324.086**		**271.357**

Liabilities

in thousands of euros		31 December 2020		31 December 2019	
Shareholders' funds					
Share capital		45		45	
Share premium		57.852		56.700	
Revaluation reserve		8.726		6.073	
Other reserves		-15.961		-6.379	
Result before appropriation		757		-5.777	
Total shareholders' funds	9.		**51.419**		**50.662**
Insurance liabilities					
For own risk	10.	249.184		197.705	
Net insurance liabilities			**249.184**		**197.705**
Provisions					
Restructuring provisions		-		201	
Pension obligations		-		-	
Total provisions			**-**		**201**
Long-term liabilities					
Other long-term liabilities	11.	10.009		11.310	
Total long-term liabilities			**10.009**		**11.310**
Deferred tax liability	12.	11.258	**11.258**	7.868	**7.868**
Short term liabilities					
Policyholders	13.	1.796		1.706	
Tax and social security contributions		123		216	
Other liabilities group companies		-		-	
Other short term liabilities	14.	297		1.689	
Total short term liabilities			**2.216**		**3.611**
Total liabilities			**324.086**		**271.357**

6.3 Income Statement

in thousands of euros		2020		2019	
Insurance premiums					
Gross premiums		19.202		19.043	
Net premiums	1.		**19.202**		**19.043**
Investment income					
Result from subsidiary		-498		-1.216	
Interest from bonds		1.778		2.997	
Interest from mortgages		382		-	
Interest on bank accounts		-164		-257	
Dividends		354		-	
Realised gains and losses on sales of investments		507		9.280	
Total investment income			**2.359**		**10.805**
Unrealised gains and losses on investments	2.		**48.369**		**36.278**
Claims and benefits paid	3.				
Gross claims and benefits paid		-5.853		-5.161	
Net claims and benefits paid			**-5.853**		**-5.161**
Change in technical provisions					
Gross change in technical provisions		-51.479		-59.271	
Net change in technical provisions			**-51.479**		**-59.271**
Interest on funeral deposits		13	**13**	67	**67**
Operating expenses	4.				
Staff, overhead and depreciation costs		-8.686		-8.909	
Total operating expenses			**-8.686**		**-8.909**
Investment management expenses		-840	**-840**	-144	**-144**
Investment income attributable to non-technical account		-8.659	**-8.659**	-9.604	**-9.604**
Result technical account life insurance			**-5.574**		**-16.896**
Investment income attributable from technical account		8.659	**8.659**	9.604	**9.604**
Result before tax			**3.085**		**-7.291**
Income tax	5.	-2.329	**-2.328**	1.514	**1.514**
Net result			**757**		**-5.777**

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.

6.4 Cash Flow Statement

in thousands of euros	2020		2019	
Cash flow from operational activities				
Result for the year		**757**		**-5.777**
Adjusted for:				
Result for subsidiary	498		1.216	
Change in technical provisions	51.479		59.271	
Change in pension obligation	-		-1.740	
Change in other provisions	-201		201	
Depreciation assets	5		14	
Fair value changes through profit or loss	-47.857		-35.707	
Changes in:				
Receivables	-1.835		-493	
Liabilities	1.995		-1.382	
Other long term liabilities	-1.301		-900	
Net cash flow from operational activities		**3.540**		**14.703**
Cash flow from investing activities				
Investments and purchases				
Subsidiary				
Bonds	-		-57.578	
Mortgages	-38.701		-15.775	
Investment funds	-11.321		-	
Investment in subsidiary	-		-3.000	
Equipment	-		-1	
Disposals and redemptions				
Subsidiary	-		-	
Bonds	5.254		81.905	
Mortgages	659		-	
Net cash from investing activities		**-44.109**		**5.551**
Cash flow from financing activities		**-**		**-**
Net increase/decrease in cash		**-40.569**		**20.254**
Cash and cash equivalents beginning of period		**52.509**		**32.255**
Cash and cash equivalents end of period		**11.940**		**52.509**

Included in Net cash flow from operating activities

in thousands of euros	2020	2019
Interest received	2.160	2.997
Interest paid	-164	-257
Dividend received	354	-

6.5 Accounting Principles

Lifetri Uitvaartverzekeringen N.V. (Lifetri Uitvaartverzekeringen) with a statutory seat in Baarn, is a limited liability company under Dutch law, Chamber of Commerce registration number 69933332. 100% of the shares of Lifetri Uitvaartverzekeringen are held by Lifetri Groep B.V.

The main activities within the group consist of selling and managing life insurance policies in the Dutch market including pensions term insurance and funeral insurance. Funeral insurance policies are both sum and in-kind insurance.

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	52.509	-	52.509
Financial investments			
Bonds	194.030	972	195.002
Mortgages	16.811	-	16.811
Total financial investments	210.841	972	211.813
Total investments	**263.350**	**972**	**264.322**
Investments for risk policyholders			
Investments in subsidiary	**5.923**	**-**	**5.923**
Short term receivables	**1.097**	**-**	**1.097**
Other assets			
Equipment	10	-	10
Accrued interest bonds	972	-972	-
Accrued interest cash	5	-	5
Total other assets	**987**	**-972**	**15**
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
Shareholders' funds			
Share capital	45	-	45
Share premium	56.700	-	56.700
Revaluation reserve	30.051	-23.978	6.073
Other reserves	-2.323	-4.056	-6.379
Result before appropriation	-33.811	28.034	-5.777
Total shareholders' funds	**50.662**	**-**	**50.662**

The impact on 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
Insurance premiums			
Gross premiums	19.043	-	19.043
Net premiums	**19.043**	**-**	**19.043**
Investment income	**10.780**	**26**	**10.806**
Unrealised gains and losses on investments	**469**	**35.809**	**36.278**
Claims and benefits paid	**-5.161**	**-**	**-5.161**
Change in technical provisions	**-59.271**	**-**	**-59.271**
Interest on funeral deposits	**67**	**-**	**67**
Operating expenses	**-8.909**	**-**	**-8.909**
Investment management expenses	**-144**	**-**	**-144**
Investment income attributable to non-technical account	**-2.294**	**-7.305**	**-9.599**
Result technical account life insurance	**-45.420**	**28.530**	**-16.890**
Investment income attributable from technical account	**2.294**	**7.305**	**9.599**
Result before tax	**-43.126**	**35.835**	**-7.291**
Income tax	**9.315**	**-7.801**	**1.514**
Net result	**-33.811**	**28.034**	**-5.777**

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 recognised in the financial statements. Events that provide no information on the actual situation at the balance sheet date are not recognised 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
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.

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.

Other loans

Loans are measured at fair value whereas discounted cash flows are calculated against the interest rate associated with the duration of that cash flow. Changes in the fair value of investments are recorded in the income statement. For loans 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. Quoted investment funds in active markets are measured at fair value level 1, unquoted 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. The carrying value of cash is regarded as a good approximation of the fair value, as these assets are of a short-term nature. Cash is measured against fair value Level 1.

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 Uitvaartverzekeringen 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 Uitvaartverzekeringen.

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 Uitvaartverzekeringen 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 payout 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 interest rate (swap-curve).

Funeral deposits are reported at nominal value. No further increase of the deposits is taken into account.

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%.

Long-term liabilities
Long-term liabilities include liabilities with a remaining term longer than one year.
The long-term liabilities are initially valued at fair value and are subsequently valued at amortised cost, on the basis of the effective interest rate method.

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%, with due consideration to the tax facilities.

Cash flow 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 Uitvaartverzekeringen 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 Uitvaartverzekeringen are considered to be a related party. In addition, statutory directors, other key management of Lifetri Uitvaartverzekeringen 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 Uitvaartverzekeringen 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 taken into account.

The net asset value is calculated on the basis of Lifetri Uitvaartverzekeringen’s accounting policies.

If Lifetri Uitvaartverzekeringen 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 Uitvaartverzekeringen 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 Uitvaartverzekeringen’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 Uitvaartverzekeringen 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 Profit appropriation

The Management Board proposes to charge the result of EUR € 0,6 million to the other reserves within the shareholder's funds. The SB has approved this proposal.

6.7 Notes to the Balance Sheet

Specification fair value hierarchy

in thousands of euros	Level 1	Level 2	Level 3	Total
Subsidiairy	-	5.298	-	5.298
Bonds	185.489	51.758	-	237.247
Mortgage loans	31.721	22.898	-	54.619
Investment funds	11.913	-	-	11.913
At 31 December 2020	**229.123**	**79.954**	**-**	**309.077**

in thousands of euros	Level 1	Level 2	Level 3	Total
Subsidiairy	-	5.923	-	5.923
Bonds	195.002	-	-	195.002
Mortgage loans	16.030	781	-	16.811
Investment funds	-	-	-	-
At 31 December 2019	**211.032**	**6.704**	**-**	**217.736**

Investments:

Cash and cash equivalents (1.)

For an amount of € 4,5 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 (2.)

Bonds

in thousands of euros	2020	2019
At 1 January	**195.002**	**182.755**
Purchases	-	57.578
Disposals	-3.248	-81.905
Redemption	-2.006	-
Fair value changes through profit or loss	47.499	36.574
At 31 December	**237.247**	**195.002**

Cost of Bonds amounts to € 153,3 million (2019: € 158,1 million).

Bonds by credit rating

in thousands of euros	2020	2019
AAA	4.250	7.167
AA	232.997	187.835
At 31 December	**237.247**	**195.002**

Mortgages (3.)

in thousands of euros	2020		2019	
At 1 January		**16.811**		-
Purchases	38.701		15.775	
Disposals	-65		-	
Redemption	-508		-	
Fair value changes throug profit or loss	-320		1.036	
At 31 December		**54.619**		**16.811**

Cost of Mortgages amounts to € 53,0 million (2019: € 15,8 million).

Investment funds (4.)

in thousands of euros	2020		2019	
At 1 January				-
Purchases	11.321		-	
Disposals	-		-	
Redemption	-		-	
Fair value changes throug profit or loss	592		-	
At 31 December		**11.913**		**-**

Cost of investment funds amounts to € 11,3 million (2019: nil).

Investments in subsidiary (5.)

in thousands of euros	2020		2019	
At 1 January		**5.923**		4.139
Share premium paid	-		3.000	
Operational result current year	-498		-1.216	
At 31 December		**5.426**		**5.923**

Short-term receivables:

Policyholders (6.)

The short-term receivables on policyholders relate to insurance premiums due.

Other receivables (7.)

in thousands of euros	2020		2019	
Non-insurance receivables	377		202	
Prepaid operating expenses	32		75	
Other	2		1	
Total Short term receivables		**412**		**278**

Equipment (8.)

Property, plant and equipment

in thousands of euros	Hardware	Office equipement	Car	Total 2020	2019
At 1 January	**9**	**1**	**-**	**10**	**23**
Purchases	-	-	-	-	1
Depreciation	-4	-1	-	-5	-14
At 31 December	**5**	**-**	**-**	**5**	**10**

A 20% depreciation rate on the purchase value is applied for the calculation of the annual depreciation expenses.

Shareholder's funds (9.)

	Share capital	Share premium	Revaluation reserve	Other reserve	Result before appropriation	Total
At 1 januari 2019	**45**	**56.700**	**121**	**-555**	**133**	**56.444**
Result current year	-	-	-	-	-5.777	-5.777
Result last year	-	-	-	133	-133	-
Changes required by law	-	-	5.952	-5.952	-	-
Correction last year	-	-	-	-5	-	-5
At 31 December 2019	**45**	**56.700**	**6.073**	**-6.379**	**-5.777**	**50.662**

	Share capital	Share premium	Revaluation reserve	Other reserve	Result before appropriation	Total
At 1 January 2020	**45**	**56.700**	**6.073**	**-6.379**	**-5.777**	**50.662**
Result current year					757	757
Result last year				-5.777	5.777	-
Share premium contribution		1.152		-1.152		-
Changes required by law			2.653	-2.653		-
At 31 December 2020	**45**	**57.852**	**8.726**	**-15.961**	**757**	**51.419**

The authorized capital of Company amounts to € 225,000 (2019: € 225,000), divided into shares of € 1. The total number of issued and paid up shares is € 45,001 (2019: € 45,001).

The share premium contribution at acquisition is the received loan from the shareholder converted into share premium at acquisition date. The share premium contribution was received by bank from Lifetri Groep B.V.

The share premium concerns the income from the issuing of shares in so far as this exceeds the nominal value of the shares (above par value). The share premium is freely distributable.

The revaluation reserve relates to financial investments without frequent market quotations from active markets. For unrealised results reported in the income statement, the revaluation reserve is recognised with a corresponding charge against other reserves.

Insurance liabilities: For own risk (10.)

Insurance liabilities: For own risk

in thousands of euros	2020		2019	
At 1 January		**197.705**		**138.434**
Acquired business	-		-	
Change in technical provisions	51.479		59.271	
At 31 December		**249.184**		**197.705**

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.

Other long-term liabilities (11.)

Other longterm liabilities

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 0,5%.

Deferred tax (12.)

in thousands of euros	2020	2019
Deferred tax assets	9.815	514
Deferred tax liability	21.072	8.382
Total deferred tax	**11.258**	**7.868**

in thousands of euros	2020		2019	
At 1 January		**7.868**		**9.403**
Revaluation of technical provision at fair value	-11.397		-9.210	
Revaluation of bonds	14.787		7.675	
At 31 December		**11.258**		**7.868**

During 2020 the income tax for current tax changed from 21.7% to 25%. Also, for the upcoming years the tax rate of 25% is expected and used to calculate the deferred tax.

Short-term liabilities

Policyholders (13.)

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

Other Liabilities (14.)

in thousands of euros	2020		2019	
Creditors	11		820	
Accruals for operational expenses	286		800	
Tax and social security contributions	123		216	
Interest bank accrual	-		69	
At 31 December		**420**		**1.905**

6.8 Notes to the Income statement

The Income statement reflects the premiums, claims, operating expenses and net result of the Lifetri Uitvaartverzekeringen business starting on 1 January 2020 and ending on 31 December 2020.

Net premiums (1.)

in thousands of euros	2020		2019	
Periodic premiums	18.619		18.877	
Single premiums	583		166	
Total Net premiums		**19.202**		**19.043**

Unrealised gains and losses on investments (2.)

Unrealised gains and losses on investments

in thousands of euros	2020		2019	
Unrealised result on bonds	47.132		35.241	
Unrealised result on mortgages	645		1.037	
Unrealised result on investment funds	592		-	
Total unrealised gains and losses on investments		**48.369**		**36.278**

Claims and Benefits paid (3.)

Claims and benefits paid

in thousands of euros	2020		2019	
Mortality claims	5.833		5.137	
Surrenders	20		24	
Total claims and benefits paid		**5.853**		**5.161**

Operating expenses (4.)

in thousands of euros	2020		2019	
Salaries	-		2.204	
Severance expenses	-		436	
Social security contributions	-		400	
Pension expenses	-		-1.177	
Travel expenses	4		120	
External hires	1.501		3.264	
Other staff expenses	11		607	
Recharges to group companies	4.839		-544	
Staff expenses		**6.355**		**5.310**
Office expenses	1.138		900	
Housing expenses	227		500	
Marketing expenses	43		366	
General and administrative expenses	881		1.878	
Recharges to group companies	-		-60	
Overhead expenses		**2.289**		**3.585**
Depreciation		**42**		**14**
Staff, overhead- and depreciation costs		**8.686**		**8.909**
Total expenses		**8.686**		**8.909**

The auditor's expenses have been accounted for in Lifetri Groep B.V.'s annual report.

Income tax (5.)

in thousands of euros	2020	2019
Deferred tax	-2.194	1.514
Change in tax rate for deferred tax	-1.196	
Current tax	1.061	-
Total income tax	**-2.329**	**1.514**

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	**57.559**
Change UFR	-3.438
Model Change	-
Unwind	1.840
Portfolio development	-169
Operational Assumption	-4.157
Economic assumption	4.333
Other	128
Own funds 31 December	**56.096**

6.9 Contingent liabilities and commitments

Fiscal unity

For income tax purposes Lifetri Uitvaartverzekeringen is part of the fiscal unity which also includes Lifetri Groep, Klaverblad Levensverzekeringen and Lifetri Verzekeringen. Because Lifetri Groep is at the head of the fiscal unity, Lifetri Uitvaartverzekeringen has a current account relationship with Lifetri Groep. Amounts for income tax recognised at balance sheet date have been settled in this current account.

Cash pool

The Rabobank accounts of Lifetri Uitvaartverzekeringen are included in the Lifetri Groep cash pool provided by Rabobank. The Lifetri Groep cash pool consists of the Rabobank accounts of Lifetri Groep, Lifetri Uitvaartverzekeringen and Lifetri Verzekeringen.

Capital commitments

At 31 December 2020 Lifetri Uitvaartverzekeringen is committed to provide funding for the private debt portfolio. The commitment for a capital contribution amounts up to € 10,0 million.

Maarssen, 19 May 2021

Sgd.

Management Board	Supervisory Board
P.D.A. Wits, CEO	J.H.D. van Hemsbergen, Chairman
M.R.E. Harkema, CFRO	N. Albert
J.P.M. Rijken, CIO	H. Eggens
R. Zomer, COO	R. Singhal

signed version is available at the head office

7. Other Information

7.1 Appropriation result according to the Articles of Association

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

7.2 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 Uitvaartverzekeringen N.V.

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

Our opinion

In our opinion the accompanying financial statements give a true and fair view of the financial position of Lifetri Uitvaartverzekeringen N.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 financial statements 2020 of Lifetri Uitvaartverzekeringen N.V. (the Company) based in Baarn.

The financial statements comprise:

1 the balance sheet as at 31 December 2020;

2 the following statements for 2020: the profit and loss account, the statement of comprehensive income and 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 financial statements' section of our report.

We are independent of Lifetri Uitvaartverzekeringen N.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 1.4 million — 3% of shareholders' equity

Key audit matter
— Valuation of insurance contract liabilities

Opinion
Unqualified

Materiality

Based on our professional judgement we determined the materiality for the financial statements as a whole at EUR 1.4 million (2019: EUR 1.7 million). The materiality is determined with reference to shareholders' equity (3%). We consider shareholders' equity as the most appropriate benchmark based on our assessment of the general needs of users of the financial statements of a life (funeral) insurance company. We believe that shareholders' equity is a relevant metric for assessment of the financial performance of Lifetri Uitvaartverzekeringen N.V. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.

We agreed with the Supervisory Board that misstatements in excess of EUR 70,000 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 matter that, in our professional judgement, is of most significance in our audit of the financial statements. We have communicated the key audit matter to the Supervisory Board. The key audit matter is not a comprehensive reflection of all matters discussed.

This matter is 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 matter.

Valuation of insurance contract liabilities

Description

Lifetri Uitvaartverzekeringen N.V. has insurance contract liabilities of EUR 249 million representing 77% of its total liabilities. The valuation of the insurance contract liabilities involves judgement over uncertain future outcomes in the insurance contract liabilities as reported in the balance sheet and requires the application of significant management judgement in setting the assumptions related to mortality, expense and lapse rate.
Given the financial significance and the level of judgement required, we considered this a key audit matter.

Our response

Our audit approach included testing both the effectiveness of internal controls around determining insurance contract liabilities as well as substantive audit procedures.

Our procedures over internal controls focused on controls around the adequacy of policyholder data, the governance and controls around assumption setting and the review procedures performed on the Best Estimate Liability (BEL) and Risk Margin by the Actuarial Function Holder. In our audit we also considered the process around the internal validation and implementation of the models used to determine the valuation of the insurance contract liabilities.

With the assistance of our actuarial specialists we performed the following substantive audit procedures:

- assessing the appropriateness of the data and verifying the accuracy and completeness of claim data used in the valuation and assumption setting;
- assessing the appropriateness of assumptions used in the valuation of insurance contract by reference to company and industry data and expectations of investment returns and expense developments;
- analysis of developments in actuarial results and movements in reserve adequacy during the year and corroborative inquiries with management and the Actuarial Function Holder in that regard;
- evaluation of the robustness of management’s substantiation that the insurance contract liabilities are adequate as at 31 December 2020.

Our observation

Overall, we found that management estimated the valuation of the insurance contract liabilities neutral. We also found the related disclosure to be adequate and refer to Note 10 of the financial statements.

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.

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 I 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.

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.