Solvency and Financial Condition Report 2022

Lifetri Groep BV

Contents

Summary

This Solvency and Financial Condition Report (SFCR) provides public quantitative and qualitative disclosures for Lifetri Groep B.V. (Lifetri Groep) on Solvency II as required by the Solvency II legislation[1]. For a more elaborate discussion of some of the contents, we refer to Lifetri's Annual Report.

This SFCR is the single SFCR publication of Lifetri Groep, and pertains to all relevant regulated entities:

- Lifetri Groep B.V.
- Lifetri Verzekeringen N.V.
- Lifetri Uitvaartverzekeringen N.V.

The amounts disclosed in this SFCR are consistent with the amounts in the Annual Report, in thousands of euros unless stated otherwise.

Content

Chapter A 'Business and performance' describes the overall business profile and structure of Lifetri Groep. It also provides insight into the underwriting and investment performance of Lifetri Groep.

Chapter B 'Governance system' explains the organisational governance structure and looks into the role and execution of key Solvency II functions.

Chapter C 'Risk profile' analyses Lifetri's exposure to financial and non-financial risks and explains the risk mitigation techniques in place.

Chapter D 'Valuation for solvency purposes' elaborates on the differences in presentation and measurement of balance sheet elements between Solvency II and Dutch Generally Accepted Accounting Principles (DGAAP').

Chapter E 'Capital management' discusses the composition of available and Eligible Own Funds and the calculation of the Solvency Capital Requirement (SCR).

[1] As required by the Delegated Regulation (EU) 2015/35/Annex XX 'Structure of the Solvency and Financial Condition Report and Regular Supervisory Report', this SFCR follows the required standard chapter layout. The subjects addressed are based on Directive 2009/138/EC/ and (amended) Directive 2014/51/EU section 3 – Public Disclosures (articles 51-56), Delegated Regulation (EU) 2015/35 and (amended) Delegated Regulation (EU) 2016/467 chapter XII Public Disclosures (articles 292-298). Furthermore, the figures presented in this report are in line with the supervisor's reported Quantitative Reporting Templates (QRT). Lifetri Groep is required to submit the QRT to its supervisor De Nederlandsche Bank (DNB).

Eligible Own Funds

Solvency II requires to hold Eligible Own Funds for covering Solvency Capital Requirement. The Eligible Own Funds are classified in three tiering categories. The tiering classification is prescribed in the Solvency II Legislation, as not all own-fund items are considered to be able to fully absorb losses in the event of liquidation proceedings. Tier 1 own-fund items are the highest-grade capital and Tier 3 items are the lowest grade capital.

in thousands of euros	**31 December 2022**	**31 December 2021**
Tier 1 Capital	114,771	203,621
Tier 2 Capital	60,028	76,139
Tier 3 Capital	-	-
Eligible Own Funds	**174,799**	**279,760**

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. For Lifetri Groep the part of core capital comprising deferred tax assets (DTA) is Tier 3 capital. Eligible own funds are smaller than available own funds due to restrictions on Tier 2 and Tier 3 capital in place.

At the end of 2022 eligible own funds amounted to € 174.8 million.

Available Own Funds

Available own funds is the availability of capital to cover the Solvency Capital Requirement.

in thousands of euros	**31 December 2022**		**31 December 2021**	
Share capital		173,881		173,881
Reconciliation reserve	-59,110		29,740	
Subordinated liabilities	73,738		79,925	
Net deferred tax assets	68,943		56,145	
Available own funds		**257,452**		**339,691**

Solvency Capital Requirement

in thousands of euros	31 December 2022		31 December 2021	
Solvency capital requirement				
Market risk	72,410		56,668	
Counterparty risk	8,394		10,891	
Life underwriting risk	104,007		117,986	
Diversification	-41,155		-38,303	
BSCR		**143,656**		**147,242**
Operational risk		5,902		8,378
LACDT		-29,501		-3,342
Total solvency capital requirement		**120,057**		**152,278**
Eligible own funds		**174,799**		**279,761**
Solvency II ratio		146%		184%
Pro-forma Solvency II ratio[1]		154%		-
Minimum Capital required ratio		307%		385%

1 The pro-forma Solvency II ratio, is the year-end solvency including the capital contribution of € 10 million.

Lifetri's capital management aims to protect policyholders' 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%.

Lifetri Groep was adequately capitalised at year-end 2022 with a Solvency II ratio of 146% based on the Standard Formula.

Developments

On 31 December 2022, the solvency level of Lifetri was 146% (2021: 184%), above the norm solvency level of 135%. The decrease of the solvency ratio in 2022 was predominantly caused by the decrease of the UFR per 1 January 2022 (€ 25 million) and the strengthening of expense reserves (€ 20m) for investments in future growth of the pension platform. The net interest rate increase over the year also contributed negatively to the solvency ratio (€ 60 million).

In 2022, the rising interest rates impacted the Own Funds adversely by € 59.5 million gross of taxes. However, at the same time, the rising interest rates reduced the UFR impact on the technical provisions in 2022 by € 1,040.2 million, a further improvement compared to 2021 when the reduction was € 686.4 million. The reduction brought the regulatory solvency more in line with the economic solvency.

The negative impact on the regulatory solvency in case of rate increases is in line with the anticipated sensitivities and the result of deliberate choices Lifetri has made in its interest rate risk management. Lifetri's economic balance sheet improved significantly in 2022 because of the increased interest rates, which boosted the economic valuation of Lifetri and its creditworthiness to bond and policyholders.

Given the specific composition of the balance sheet, Lifetri's Solvency II sensitivities remain relatively high. As of December 2022, a fall of interest rates by 0.5% would have a positive impact on the Lifetri Group's Solvency II Ratio by 48%, while an increase in rates by 0.5% would have a negative impact by 37%. In practice, management intervention actions may further prevent risks. Especially under the current volatile market circumstances this may result in Solvency II ratios that are at the lower end of the desired target range. The aim of Lifetri's capital management policy is to always have sufficient buffers in the system to secure the rights of our customers. In this policy the long-term commitment of the shareholder and its willingness to support the Solvency II coverage ratio once the norm solvency would be breached, is an important cornerstone. This enables Lifetri to take economic decisions to stabilise the ratio.

In line with the capital policy, the shareholder injected € 10 million into Lifetri in March 2023 when the Solvency II coverage ratio approached the norm ratio. The capital injection increases the year-end pro forma norm ratio to 154%.

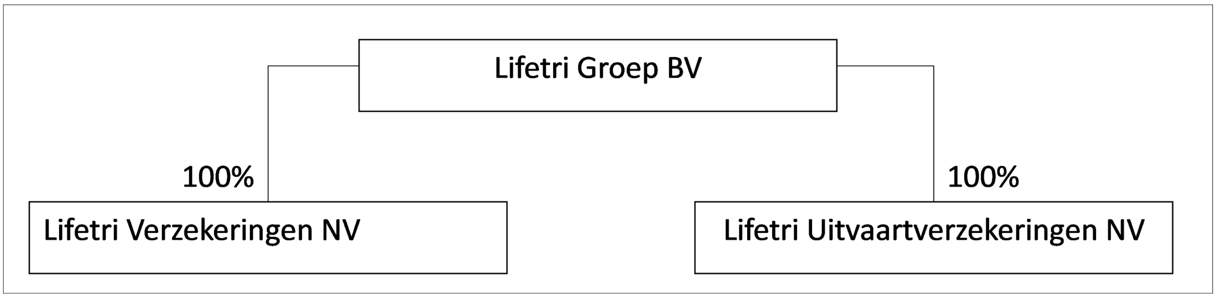
A. Business and performance

This chapter of the SFCR contains general information on Lifetri Groep, a simplified group structure and Lifetri Groep's financial performance.

A.1. Business

Group structure and Ownership

The group structure as at 31 December 2022 is as follows:



Lifetri Groep consists of two entities,: Lifetri Verzekeringen N.V. (Lifetri Verzekeringen) and Lifetri Uitvaartverzekeringen N.V. (Lifetri Uitvaartverzekeringen). These two entities acquire and service individual life insurance policies and pensions.

Lifetri's principal shareholder is Sixth Street, a leading global investment firm with approximately US$65 billion in assets under management and committed capital. Sixth Street pursues investments, such as Lifetri, and strategic partnerships in the insurance and reinsurance industry through its Sixth Street TAO platform with current investor breakdown showing long-term investors, such as pension funds and sovereign wealth funds accounting for ~80%. In addition to Lifetri, the Sixth Street TAO platform holds other dedicated pension and insurance affiliates, including Talcott Financial Group in the US and Clara Pensions in the UK. The long-term commitment of Sixth Street perfectly fits Lifetri's long-term view of creating value for individual customers, pension members, as well as Lifetri.

A.1.1. Market environment

In the year 2022, the world was confronted with various challenges: the Russian invasion of Ukraine, supply chain disruptions, rising inflation, rapidly rising interest rates and volatile financial markets. These developments impacted Lifetri in its investments and capital management.

In this challenging macro environment, Lifetri believes the life market offers plenty of growth opportunities as demand for guarantees remains strong. Our long-term view combined with solid risk management and strong capital backing ensures that we can keep our promise to offer Dutch customers the financial means to live the retired live they want and assurance that there are sufficient means for their funeral.

Pension reform

The upcoming pension reform in the Netherlands will be the main driver of growth for Lifetri. After a long period of preparations, end of 2022 the Dutch House of Representatives approved on a new pension law, which will result in an unprecedented change in the Dutch pension schemes. Once approved by The Senate, the law will come into effect. Anticipating the new pension law, (the boards of) pension funds have started exploring alternatives and will take final decisions on the transition of the current accrued entitlements to the new system. Lifetri strongly believes, grounded in multiple risk preference research, that guaranteed solutions will be part of the considerations and often can be in the interest of (specific groups of) the funds participants. Our unique proposition, with our offering of guaranteed solutions, positions us well to grow our business on the back of this reform.

A.1.2. Business strategy

Lifetri's client centric strategy differentiates itself from other insurers by a strong focus on offering guarantees to customers and giving customers the best service possible. Lifetri is a Dutch medium-sized insurance company with around 550,000 customers in both pension and funeral insurance, and manages circa € 1.8 billion of assets. The ambition is to grow to over € 10 billion in assets by 2025. This strategy and growth ambition is fully supported by Lifetri's principal shareholder, Sixth Street.

Lifetri has a unique service book strategy with a strong focus on long-term guarantees. Lifetri provides flexible and tailor-made solutions to both pension funds and life insurers. This service book strategy is focused on the paid-up entitlements of former pension fund members and the funeral insurance customers. Apart from the consolidation of (pension) insurance portfolios, Lifetri does not write new business.

This specialized product offering enables Lifetri to offer a unique and distinguishing proposition to the pension funds and its participants:

- transfers of participants entitlements are quick, predictable and carry little to no transaction risk;
- future additions of portfolios benefit from a no-legacy platform. In contrast with other players in the market, there is no administrative complexity following historically built-up portfolios; and

- the relatively simple and manageable IT landscape ensures low costs and high service levels. Consequently, Lifetri can respond quickly to any legislative changes.

For the funeral portfolio, Lifetri's strategic focus is fully on servicing the existing customers in an impeccable, friendly and efficient manner to provide them long-term security. Lifetri does not write new business in its funeral portfolio and instead focusses on its existing customer base.

Lifetri is well prepared for upcoming pension reform in the Netherlands.

In 2022, Lifetri diligently continued to build a scalable platform, enabling Lifetri to smoothly absorb insurance back-books and offer customers lifetime certainty with innovative guaranteed solutions.

Although in 2022 transaction volumes in general in the Netherlands were still low, Lifetri expects a large inflow of demand for guarantee-books, especially in the pension area, in the years to come.

To make sure that Lifetri is well prepared to absorb the expected growth in demand and to safeguard that the wishes of the pension fund and its participants can be properly fulfilled, over the last years Lifetri has:

1. built up an experienced team of (pension) professionals,
2. invested in a modern and scalable insurance platform, and
3. entered into several partnership agreements to safeguard capacity in the areas of for example reinsurance, hedging and implementation.

Professionals who help support the pension funds and its participants

In the past years, Lifetri has built up strong expertise about how to best assist the (board of) pension funds and its participants in their decision-making process in which the interests of all stakeholders are carefully considered.

A modern and legacy free insurance company

Outstanding and predictable service levels are an important condition in the success of the Lifetri strategy. In 2022, Lifetri finalised the implementation of a modern and modular IT platform with the migration of the funeral portfolio to the target infrastructure. On top of that a new back-end system for the pension portfolio was successfully implemented and the existing pension customers were seamlessly migrated to the new system. The current fully cloud based IT set up is secure, future proof and sufficiently scalable to address the market opportunity at hand.

A platform for partners who share our vision

The current setup of the platform enables Lifetri to respond efficiently and innovatively on demands of the customer. Lifetri is of the opinion that the established relationships with its business partners is creating a competitive advantage and therefore are imperative to deliver on the strategic goals. Lifetri will continuously monitor whether adding additional partners to the platform can improve the proposition towards customers and secure capacity on scarce resources in the pension space.

The upcoming pension transition and consequently the expected strong increase in the demand for guarantees, will require a significant amount of additional capital and other risk absorption (like inflation hedging and longevity) in the Dutch insurance system. Lifetri is pleased with the long-term commitment of its shareholder and the recently announced long-term relationship with Legal & General, to invest in Lifetri fully supporting the growth ambitions.

A.1.3. Progress on strategy

In 2022, Lifetri again made significant progress in achieving its long-term strategic goals and also achieved satisfactory results on the shorter-term deliverables of the business plan.

Plans have been defined and executed in each of the following areas:

1. continued implementation of the strategic asset allocation;
2. partnering and innovation to accommodate needs of pension funds;
3. realisation of the full migration of all former Klaverblad individual policies; and
4. development of staff and organization.

1. Continued implementation of the strategic asset allocation mix

As the main constituent of Lifetri's revenue model, the execution on the strategic asset allocation and consequently the gradual improvement of the risk-adjusted return profile is imperative. By selecting and adding new managers to the platform and by tight oversight of their performance, the 2022 goals on asset returns have been realised. On top of that, policies that support the implementation have been enhanced with features of new instruments, and adjusted following the impact of the significantly changed interest rate environment on the composition of the balance sheet. Furthermore, rebalancing assets, managing liquidity constraints due to the use of derivatives, enhancing insights of tax impacts, and improving the management of our network of investment managers, clearing brokers and custodians were focus areas.

2. Partnering and innovation to accommodate needs of pension funds

Lifetri's approach to provide pension funds with tailor-made solutions has been further extended with the addition of innovative combined offerings with selected partners. Blended solutions of conditional entitlements on the one hand and guarantees for specific participants on the other have been developed. Furthermore, longevity risk solutions to efficiently leverage and adapt our balance sheet to the potential needs of pension funds have been fully embedded. The completion of a scalable pension administration system with our partner Visma Idella and the seamless realisation of the full migration of all former Klaverblad and Allianz policies to the target landscape is another concrete proof point that Lifetri is ready to implement new pension customers and secure the desired service levels to participants.

3. Realisation of the full migration of all former Klaverblad individual policies

In 2022, Lifetri finalised the multi-year project of implementing a new future proof IT landscape, including the migration of all former Klaverblad policies to the new core system.

4. Development of staff and organization

In 2022, Lifetri re-assessed the target operating model in terms of staff, based on the outlook of the business plan. The organisational model is flexible and structured to allow people to work in multidisciplinary teams and across multiple products. Furthermore, processes were streamlined through continuous improvement (lean). Our colleagues have been empowered to come up with improvement ideas to increase quality of service and productivity. The reliance on external hires decreased significantly because of the above-mentioned projects.

The service department for intermediaries and the three individual policy administration departments have been combined in one department working towards one process and one system. Regulatory reporting has been split off from the activities related to balance sheet management and is now combined with the finance department. In this new organisational setup both regulatory reporting and the forward-looking management of assets and liabilities will have undivided focus. The cooperation with external advisors, shareholder and other stakeholders has intensified and further improved being mindful of each other's roles and responsibilities in Lifetri's system of governance.

Staff engagement remained stable at a satisfactory level even though projects, reporting demands and commercial endeavours put a heavy workload on staff.

A.1.4. ESG ambitions and progress

Well-being of customers, employees, and all other stakeholders is an important cornerstone in everything that Lifetri does. Lifetri also takes care of the planet by investing responsibly, pursuing a sustainable society for current and next generations.

In 2022, Lifetri made progress in its sustainability endeavours. Building on its self-assured mission, the UN Sustainable Development Goals (SDG) 3, 4 and 13 and its Responsible Investing policy, Lifetri set the first ESG (Environment Social Governance) ambitions and made further progress in its execution of the Responsible Investing policy.

ESG Ambitions

Inspired by the self-assured mission and with the aim of making the sustainability policy concrete, three sustainability themes have been identified. These themes are:

- Lifetri is a good employer for its employees;
- Lifetri applies a client centric approach in its operations; and
- Lifetri aims to provide a sustainable future for current and future generations.

Good employer

This theme fits well within the values of Lifetri. Self-assured also implies that employees feel welcomed and respected. That inclusivity is not a target, but a given. An inspirational environment, where creativity and learning are important competences. Such an environment is essential for Lifetri to attract a divers and highly skilled workforce. This is essential to be and remain successful. Lifetri's ambition is to empower people by:

- having meaningful dialogue;
- facilitating lifelong learning; and
- being aware of the Lifetri DNA.

Lifetri aims to be a diverse and inclusive organization, because we believe that these are the organizations of the future. We strive to create an environment where all our employees are given equal and fair opportunities and where everyone feels valued and secure. We aim for diversity not only in terms of back ground (gender, nationality, age, educational background, religion, sexual orientation etc), but also across personal experiences, characteristics and the different skills that people bring. In terms of gender diversity, Lifetri formulated the following objective for the coming years: the ambition by 2027 is to have at least 33% male and female in the SB, the MB and the leadership team.

Client centricity

Lifetri is focused on supporting customers to make conscious decisions. Comprehensible information and communication is imperative to safeguard that customers – consciously – make choices that are in line with their objectives and desires.

Sustainable future for current and future generations

Within the theme Sustainable future for current and future generations Lifetri focuses on the impact of climate change. Key focus areas of Lifetri are the reduction of greenhouse gases and preservation of biodiversity, as both are essential for a liveable world. To make a meaningful contribution Lifetri has set the following ambitions:

- by 2050, Lifetri is a net zero carbon issuer; and
- Lifetri supports biodiversity preservation.

In 2023, Lifetri will give further substance to the themes and ambitions by, where possible, formulating clear goals and regularly report on them.

Progress

During 2022, in order to grow towards the strategic asset allocation, Lifetri introduced again additional asset classes and selected a number of new external asset managers like for instance Private Equity. As part of the selection process, Lifetri focused on how these selected asset managers can support its ESG ambitions. During the selection process Lifetri assessed the asset manager's investment process to see to what extent ESG has been truly integrated. In addition, the ESG ambition of the asset manager itself is also a crucial element in the assessment. Moreover, the asset managers realisation of, or progress towards realisation of, the SFDR 8 or 9 qualification with regards to the relevant investment strategy has been an important element in the selection process. These qualifications are important for Lifetri as it enables the company to build a sustainable investment portfolio. Additionally, all selected managers have committed to the guidelines and restrictions stated in Lifetri's Responsible Investment policy.

In the quarterly review meetings with the external managers, sustainability is a topic of growing importance. As the regulatory requirements with respect to sustainability reporting increase, sustainable data availability and quality will improve and will subsequently lead to more constructive dialogues.

Lifetri's Responsible Investing Council (RI Council) held four meetings in 2022. The RI Council discussed various topics and advised the Asset & Liability Committee (ALCO) where appropriate on topics including the EIOPA Risk Assessment for the ORSA, the development of the investment portfolio, the longer-term ambitions with regard to sustainability and the decision to join the collective engagement program to support biodiversity. The latter are engagement activities by a large group of institutional investors as their collective activity gains more weight in this case against food producers to preserve biodiversity.

A.2. Underwriting performance

Lifetri did not underwrite any new business in 2022. The business plan and the projections included one pension buy-out for 2022. The shown underwriting performance below reflects the performance of the existing portfolio.

The following tables present the underwriting performance for the year 2022 and comparatives for the year 2021.

Underwriting income and expenses

in thousands of euros	2022		2021	
Insurance premiums earned				
Gross premiums	83,447		90,202	
Outgoing reinsurance premiums	-14,411		-13,599	
Net premiums earned		**69,036**		**76,603**
Claims and benefits paid				
Gross claims and benefits paid	-46,737		-43,725	
Reinsurers' share claims	13,576		12,745	
Net claims and benefits paid		**-33,161**		**-30,979**
Change in technical provisions				
Gross change in technical provisions	607,904		-19,210	
Reinsurers share	17,708		7,376	
Net change in technical provision		**625,612**		**-11,834**

Life insurance obligations

in thousands of euros	Insurance with profit participation	Other life insurance	Total
Premiums written			
Gross	38,392	45,054	83,447
Reinsurers' share	-	14,411	14,411
Net	38,392	30,644	69,036
Premiums earned			
Gross	38,392	45,054	83,447
Reinsurers' share	-	14,411	14,411
Net	38,392	30,644	69,036
Claims incurred			
Gross	6,245	34,636	40,881
Reinsurers' share	-	13,576	13,576
Net	6,245	21,060	27,305
Changes in other technical provisions			
Gross	-242,419	-365,486	-607,904
Reinsurers' share	-	-17,708	-17,708
Net	-242,419	-347,778	-590,196
Expenses incurred			
Administrative expenses	1,407	17,519	18,926
Investment management expenses	696	8,659	9,354
Acquisition expenses	60	742	801
Overhead expenses	616	7,673	8,290
Total	2,779	34,593	37,371
Total amount of surrenders	-	-	2,998

A.3. Investment performance

The tables below provide information on the various sources of investment income per asset category.

Investment income and expenses

in thousands of euros	2022	2021
Investment income		
Interest from bonds	12,143	14,728
Interest from mortgages	11,521	6,382
Interest on bank accounts	-352	-1,361
Income investment funds	9,937	4,716
Interest on derivatives	1,693	2,105
Realised gains and losses on sales of investments	-55,475	140,955
Total investment income	**-20,532**	**167,525**

A.4. Performance of other activities

There are no other activities.

A.5. Any other information

No other information needs to be reported.

B. System of Governance

This chapter contains information on the system of governance of Lifetri Groep and includes a description of the main roles and responsibilities of committees and key functions within Lifetri Groep.

In this chapter, where we refer to “Lifetri Groep”, we refer to the group, and to the individual regulated entities.

B.1. General information on the system of governance

B.1.1. The corporate governance structure

The corporate governance structure for Lifetri Groep comprises of the various bodies with their different role/policy/meeting and composition/duties and rights/tasks and powers and reporting. The structure for Lifetri Groep consists of three bodies: the Shareholders’ Meeting (the highest body), the Management Board (hereafter MB) and the Supervisory Board (hereafter SB).

Lifetri Groep B.V. is the sole shareholder of Lifetri Verzekeringen and Lifetri Uitvaartverzekeringen.

The Management Boards of the two subsidiaries of Liftri Groep consist of the same members as the Management Board of Lifetri Groep.

The Supervisory Boards of the two subsidiaries of Liftri Groep consist of the same members as the Supervisory Board of Lifetri Groep.

B.1.1.1. The Shareholder’s meeting

The role of the shareholder is laid down in the articles of association (in Dutch ‘statuten’). The articles of association determine that the Shareholders’ meeting, which is the body of the company formed by shareholders or others entitled to vote, shall take place at least once a year. Other meetings shall be held as often as the MB or SB deem necessary. Under the articles of association, the shareholder has a number of rights. Examples thereof are nomination of the MB, nomination of the SB, adopting the annual accounts and decisions regarding transfer of the company.

B.1.1.2. The Management Board

The MB is responsible for deciding on as well as the implementation of the general policy of Lifetri Groep. The MB consists of a Chief Executive Officer (CEO), Chief Investment Officer (CIO), Chief Financial & Risk Officer (CFRO) and a Chief Operational Officer (COO) with the CEO being the chair of the Board. The MB meetings are once every week.

The Management Board of Lifetri Groep currently consisted of:


P.D.A. Wits, CEO


J.P.M. Rijken, CIO


R. Zomer, COO


M.R.E. Harkema, CFRO

B.1.1.3. The Supervisory Board and committees

In 2022, the SB held six meetings: five regular meetings and one ad-hoc meeting, which was 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.

The overall attendance rate of SB members at SB meetings during 2022 was more than 90%. Furthermore, the SB held a few sessions to discuss informally among members of the SB, part of which the CEO was 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.

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 investment plan, IT security risks, the development of business activities, including ESG progress, investments and pension buy-in / buy-out opportunities, as well as the competitive environment, the relationship with the external regulators, including the Dutch Central Bank (DNB) and the Dutch Authority for Financial Markets (AFM), the performance and functioning of the SB and of the MB, and ongoing for 2022, the IT migration of the Klaverblad portfolio.

Furthermore, the SB spent considerable time discussing proposed changes in the composition of the SB and the developments and considerations leading to those changes. After a diligent recruitment process and careful consideration, the new Chairman of the SB, Peter Borgdorff, Borgdorff, replacing Herman van Hemsbergen, as well as an additional new member of the SB, Andrew Birrell, replacing Nils Albert were appointed by the shareholder, following approval from the Dutch Central Bank (DNB) on their respective appointments. Furthermore, the renewal of the CEO mandate was considered and approved in February 2023. 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.

Audit and Risk committee and Nomination and Remuneration committee

The SB has two committees: The Audit and Risk committee (ARC) and the Nomination and Remuneration committee (RemCo).

The following SB members are members of the Committees:

ARC: Henk Eggens Chairman, Andrew Birrell

RemCo: Andrew Birrell Chairman, Peter Borgdorff

The ARC met five times. The CEO, the CFRO, 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 met in private sessions with the ARC during the year to discuss any topics they wish to raise.

Main topics discussed in the ARC during 2023 so-far were the annual financial statements 2022 and the related report from the external auditor, the external auditor's plan for the year 2023, the quarterly performance reports, the Own Risk Solvency Assessment (ORSA), the Systematic Integrity Risk Analysis (SIRA), reports from the second line functions (i.e. risk, compliance and actuarial risk), reports from internal audit, including audit findings and the internal audit p

The RemCo met once during 2022. Main topics discussed were the implementation of the remuneration policy for the MB and for the organisation for 2022, the performance review for 2022, and the remuneration and performance objectives for 2023.

The Supervisory Board of Lifetri Groep currently consists of:

Peter Borgdorff, Chairman

Andrew Birrell

Henk Eggens

Rohan Singhal

B.1.1.4. Asset Liability and Capital Committee

The ALCO is a permanent committee to the MB. Its purpose is that (1) the committee implements and executes investments decisions (including interest rate hedges), within the scope as approved by the MB within the MB approved governance and policies, (2) the committee advises and submits proposals to the MB on possible investments and on capital outside the approved scope, and that (3) the committee monitors and reports on relevant subjects. The ALCO meets at least once every two months. The ALCO consist of the following members: CFRO, CIO, head of Asset Management, head of Actuarial reporting and the second line Risk Manager. The CFRO acts as Chairman of the ALCO and the CIO as vice-Chairman. The voting members of the ALCO are the CFRO, CIO, Manager Asset Management and Manager Actuary department.

B.1.1.5. Risk & Compliance Committee
The Risk & Compliance Committee (RCC) is a special MB meeting dedicated to the 2nd line (financial and non-financial) Risk Management and Compliance. The RCC meets every quarter.

B.1.2. Three lines of defence
The responsibilities for managing risks follow the governance structure of Lifetri Groep, 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 on whether the internal control measures are adequate to mitigate risks. The second line Actuarial Function provides an objective, independent review and opinion on the calculation of technical provisions and sensitivity, the data quality, assumptions and IT systems used by the insurer for capital calculations, the best estimates, the Solvency II position, the underwriting policy (pricing and acceptance policy) and reinsurance arrangements. Second line compliance advises the organization on the objective to meet requirements of laws and regulations and monitors if the business activities actually comply with these requirements.

(pricing and acceptance policy) and reinsurance arrangements. Second line compliance advises the organization on the objective to meet requirements of laws and regulations and monitors if the business activities actually comply with these requirements.

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.

B.1.3. Remuneration policy

Lifetri's remuneration policy is sufficiently interesting to attract, retain and promote well-qualified employees. All this is closely linked to sound and controlled operations and is aimed at the longer term. This means, among other things, that the remuneration should not encourage employees to take excessive risks, which could compromise the careful handling of stakeholder interests. Incentives should also be built into the remuneration policy, aimed at rewarding behaviour and results that are in line with the long-term interests of Lifetri and its stakeholders.

The remuneration policy provides scope for variable remuneration for the Management Board and (to a limited extent) the senior management. The variable remuneration for this group consists of a monetary payment and honours behaviours and results in line with goals that are important to stakeholders and can therefore contribute to continuity and value creation. The criteria on which the variable remuneration is based are established on a yearly basis and comprise of at least 50% non-financial factors. As for the variable remuneration for Nominated Posts, an appropriate proportion is paid out over time. Where the variable remuneration is performance-related, the total amount of the variable remuneration is based on a combination of the assessment of the performance of the person concerned, and of their business unit, and on the total results of the company or the group to which the company belongs. The structure of the variable remuneration should not and will not encourage the taking of undesirable risks or the short-term maximization of returns for the individual.

In accordance with Section 1:121 of the Financial Supervision Act, the maximum payable variable remuneration for the Management Board and (to a limited extent) the senior management in the year of payment never amounts to more than 20% of the fixed annual remuneration. This variable remuneration is allocated annually in arrears based on the achievement of targets set in writing in advance, based on both financial and non-financial criteria. The first 60% of the variable remuneration is paid with the salary payment in the month following the adoption of the financial statements. The remaining 40% is paid out three years later. A claw-back clause is applicable. For all other staff the variable remuneration is limited to 25% of a monthly salary.

B.2. Fit and proper requirements

The legal fit and proper requirements apply to the persons who effectively run the business. To this end, the members of the Management Board and the Supervisory Committee are also screened by the Regulator (DNB). The internal Screening Policy ("Regeling Screening") sets out the specific requirements on fit and proper.

B.2.1. Expertise and reliability

The education policy enables employees to follow the training necessary for the performance of their respective positions. The company ensures that SB, MB and managers are suitable (knowledge, skills and professional conduct) for the performance of their duties and that all employees are competent. The objective is to guarantee the right level of training and experience (level of expertise) of Lifetri Groep's employees. Permanent education is instrumental in guaranteeing the right level.

In its education policy, Lifetri Groep has determined which specific training requirements it sets at least for certain functions, how it enables the MB, management and employees to follow training courses and how it makes it possible to acquire sufficient knowledge, skills (expertise) and professional competence for the performance of their duties.

B.3. Risk management system including the own risk and solvency assessment

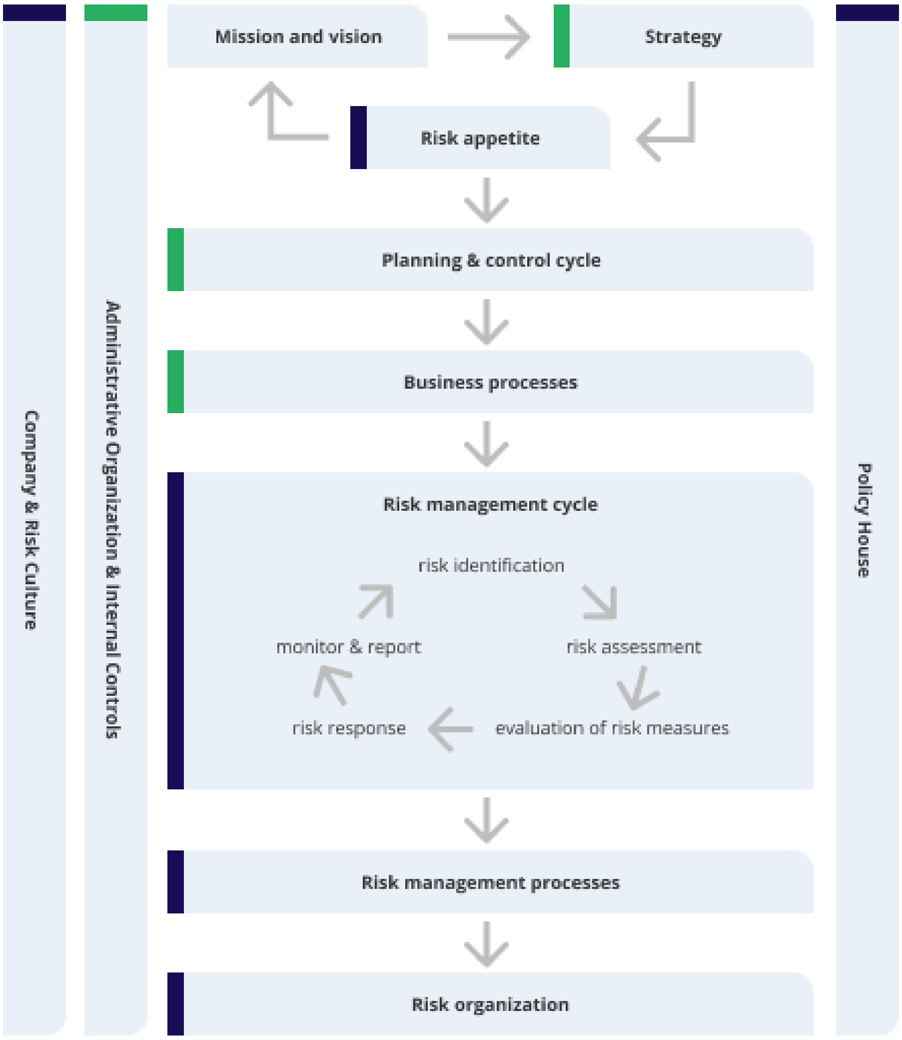
B.3.1. Risk management framework

The risk management framework in the figure below represents the governance structure, risk appetite, risk policies, risk management processes and internal controls that Lifetri has in place to manage its risks, in relation to the strategy and business processes.

The top of the framework shows that on the one hand, a top-down approach is applied for Risk management with the mission, vision and strategy as a starting point. The business strategy and financial strategy are combined in the Business Plan. The Business Plan contains a multiyear projection of both capital and solvency requirements. The process of establishing risk appetite statements and tolerances is completed alongside the business and financial planning process.

Further down, the insurer's business processes are the basis for a periodic bottom-up risk management cycle. The frequency and timing are risk-based, depending on the level and type of inherent risks in each (group of) process(es). Each process owner also has the responsibility to maintain an adequate set of administrative organization and set of internal controls (AO/IC).

The risk organization represents the responsibilities for managing risks at various levels and key functions at Lifetri. The governance structure with Three Lines of Defence (3LoD) is the basis for risk management & compliance at Lifetri.



B.3.1.1. Risk appetite

During the annual strategic process the risk appetite is ascertained and updated if needed. Risk appetite is the aggregate level and types of risk Lifetri is willing to take within its capacity to achieve its strategic objectives and business plan. Risk appetite therefore reflects the willingness to optimally exploit our opportunities and minimize hazard to an acceptable level. Both risk strategy and risk appetite should be reviewed at least annually.

The risk appetite contains a number of qualitative and quantitative risk appetite statements and is defined for both financial and non-financial risks and compliance. The risk appetite statements are supported by risk tolerances for material risk types. This ensures plans and risk appetite are appropriately aligned.

The risk appetite statements (RAS) are reviewed periodically to ensure their continuing relevance in providing guidance to the business. The RAS has been updated in 2021. The risk appetite statements are established by the Management Board and approved by the Supervisory Board. Breaching a risk tolerance level serves as a red alert for management: the risk position must be reduced, or the Management Board may decide otherwise, with a substantiation of the decision.

The RAS is included in the appendices to show the risk appetite and tolerance (if applicable) per risk type.

The figure also contains the risk management cycle. The Risk management cycle is aimed at identifying and mitigating the inherent risks of the insurer which are material, and as such increases the likelihood that Lifetri's strategy and objectives are achieved.

B.3.1.2. Risk identification

The Management Board, line management and process owners identify the inherent risks which could occur and subsequently determine the risk measures and/or controls to mitigate these risks. Risks can be identified or updated as a result from:

- a planned or triggered risk assessment or other risk management processes
- quarterly discussions with managers
- key control monitoring results
- observations
- incident notifications

Specifically, for financial risks, the inherent risks can result from scenario analysis and or stress testing (e.g. for the ORSA). Identified risks are documented in Lifetri's risk & control framework.

B.3.1.3. Risk assessment and risk rating (net risks)

Identified risks need to be assessed by the 1st line considering existing risk measures or controls (net risks). Risk are assessed quantitatively as much as possible. For example financial risks are quantified in line with Solvency II requirements unless otherwise specified in separate policy documents.

If this Is not possible or cumbersome for example for non-financial risks or compliance risks, the risks are scored through a qualitative method (likelihood x impact). The outcomes of this scoring are shown in a heat map as illustrated below.

Impact	Likelihood	Unlikely	Possible	Likely	Certain
		1	2	3	4
Very high impact	4	M (4)	H (8)	VH (12)	VH (16)
High impact	3	M (3)	M (6)	H (9)	VH (12)
Average impact	2	L (2)	M (4)	M (6)	H (8)
Low impact	1	L (1)	L (2)	M (3)	M (4)

For non-financial risks the risk assessment criteria used to rate the non-financial risks. Financial risks, on the other hand, are rated according to their applicable risk appetite statements, tolerances, limits and the intervention ladder (as included in the Capital & Dividend Policy).

For all risk categories, risk management or compliance supports and challenges the individual risk assessments and the aggregated risk profile. In case the residual risks in Lifetri's risk profile are not acceptable or exceed the established risk appetite limits, management determines improved risk measures or controls.

B.3.1.4. Risk mitigation

To mitigate the impact of inherent risks and reduce the net risks within risk appetite limits management determines and implements risk measures and/or internal controls. Management ascertains periodically if risk measures and controls are sufficient in design to ensure that the net risks remain within risk appetite limits and or are accepted. This can be done by performing for example:

- a Strategic Risk Assessment (SRA)
- Risk Control Self-Assessments (RCSA)
- Financial scenario analysis and stress testing
- Systematic Integrity Risk Analysis (SIRA)

For risk mitigation in general, there are four basic risk responses which a company can choose to manage risks:

- Avoid: risks are completely avoided by discontinuing or not starting activities that could incur the risk.
- Mitigate: risks are mitigated by taking measures to limit the risk (reduce or control). On the one hand, this can be done by implementing new (internal) controls or strengthening existing controls. Mitigating actions must be implemented by the first line and be specific, measurable, attainable, relevant, timely (SMART) and cost effective in relation to the risk. On the other hand, the severity or probability of risks can be reduced i.e. strategic risks can be reduced by diversifying through a mix of products, markets and or technology.

- Transfer: the financial consequences of risks can be transferred to third parties. The insurer takes out insurance programs or contracts when the exposure of possible losses or damages as a result of risk events is such that it would be inconvenient or prohibitive to ultimately charge these costs to the Profit and Loss Account. The transferring of risk does not eliminate the risk and reputation effects are not transferable.
- Accept: management may decide to accept a residual risk. For risks that are identified by governments and supervisors, the response cannot be to accept the risk. Risk acceptance needs to be adequately documented and approved in the RCC Management Board meeting.

While choosing one or more of the risk response strategies the following factors are considered:

- The nature and size of the business of Lifetri.
- The risk level and risk categories which the Management Board finds acceptable for Lifetri.
- The capacity of Lifetri, both financially and organizationally, to compensate the consequences of risks when they occur.
- The costs of implementing and executing additional risk measures or controls in relation to the likelihood and impact of risks.
- Lifetri's core values, reputation and generally accepted principles in Dutch society.

In case the existing risk measures or controls are not sufficient to maintain residual risks within acceptable risk appetite limits, management determines improved risk measures or controls. This is documented in the issue list.

B.3.1.5. Monitoring and evaluation

To ensure that risk measures and internal controls operate effectively throughout the year, periodic monitoring is necessary. Lifetri applies a risk-based approach for monitoring risk measures and internal controls. This means that risk measures and (key) controls for (very) high risks are monitored more frequently than for risks with a low score.

The key controls are periodically monitored and evaluated by the process owners to ascertain whether they work as intended and operate effectively. The outcomes are recorded in the risk & control framework (a.k.a. risk & control matrix) which are maintained by the process owners.

Key control evaluation can be done for example by:

- periodic key controls testing by the managers;
- ad hoc review of the effectiveness of key controls by the 2nd line key functions.

B.3.1.6. 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 ALCO 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. The reports from the 2nd line functions are discussed with the SB/ARC.
- 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-RCC, ALCO or SB/ARC. The Financial Risk Management report is specifically discussed in the Asset Liability Capital Committee (ALCO) 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.

B.3.2. Risk organisation

We refer to the chapter on governance for the general reporting lines and committees regarding risk management. The second line risk management activities are carried out by the risk management team and the compliance officer (see B.4.1). Their roles and responsibilities are briefly described below.

- Risk manager with focus on financial risk management and Risk Management Function holder (2nd line, RMF). The risk manager oversees all risks, both financial and non-financial risks, but will have a specific focus on financial risk management. The main attention areas for quantitative financial risk management are:
  - Underwriting risk;
  - Asset Liability Management (ALM);
  - Investment risk (securities and derivates);
  - Liquidity and concentration risk;
  - Re-insurance and other de-risking methods;
  - Financial risks resulting from working with intermediaries or other third parties.
- Non-Financial Risk Manager (2nd line, NFRM). The NFRM is responsible for the 2nd line non-financial risks i.e. operational risks, IT risks, outsourcing risks (incl. Cloud applications), legal risks. Where needed he/she advises and supports the Management Board on strategic risks, environment risks and governance risks.

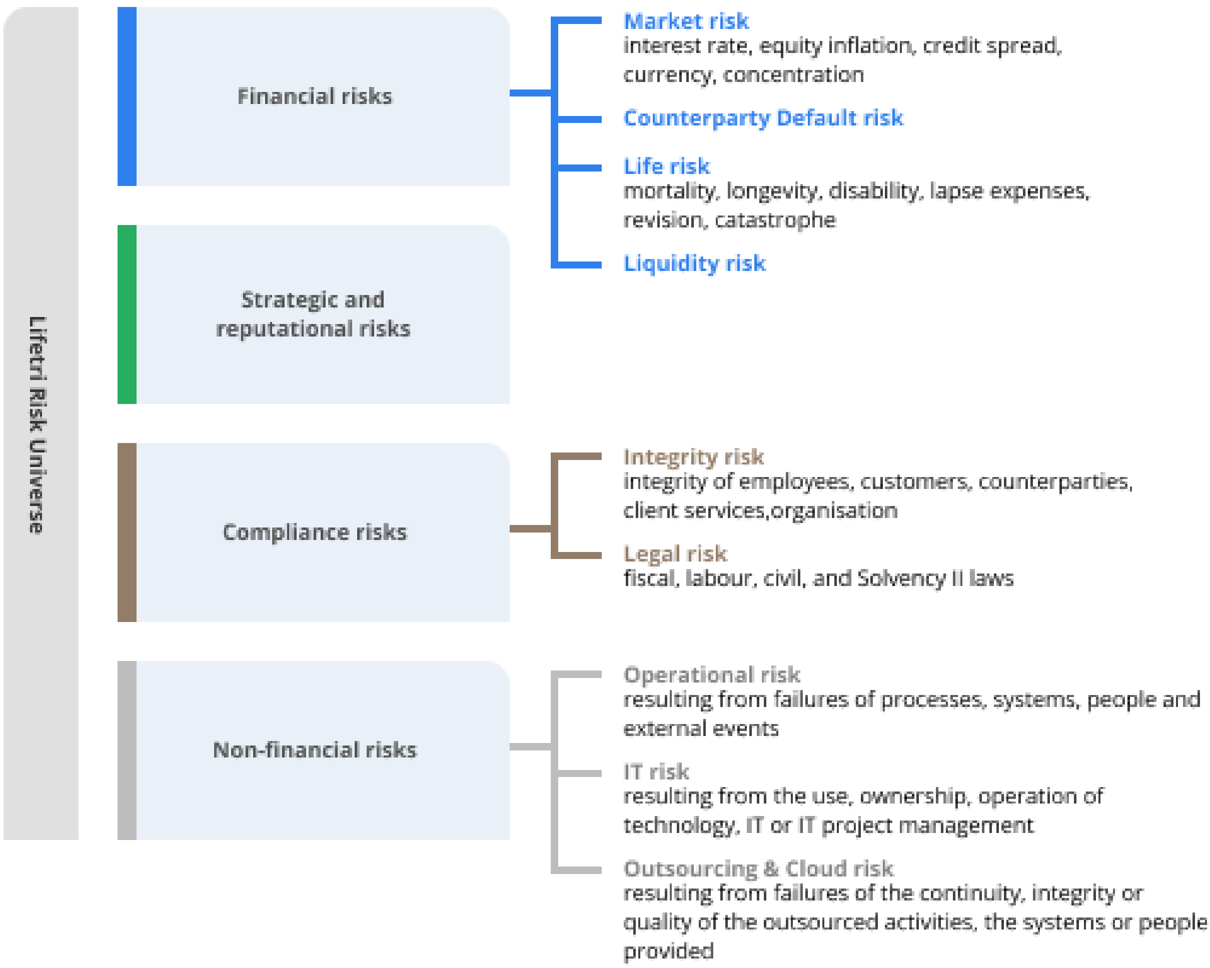
For IT and information security risks the NFRM works closely with the (Chief) Information Security Officer ((C)ISO) and the Data Protection Officer (DPO), which entails that the NFRM is expert on information security and GDPR (AVG).

B.3.3. Risk universe and risk categories

The financial risk types which Lifetri Groep 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 and equity), counterparty default risk and actuarial life risks (mortality, longevity, disability, lapse, expenses, revision and catastrophe). In addition, Lifetri has included liquidity risk in its risk universe.

The other risk types are generally more qualitative in nature.

The non-financial risk types 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 types include legal risk and integrity risk.



B.3.4. Own Risk and Solvency Assessment

Lifetri Uitvaartverzekeringen has a national Basic regime license, Lifetri Verzekeringen has an EU Solvency II license. The ORSA is mandatory only for Lifetri Verzekeringen.

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 Groep 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.

B.4. Internal control system

B.4.1. Compliance function

The main principle is that Compliance (2nd line) is responsible for signalling the introduction of new laws and regulations of governments and supervisory authorities. The 1st line is responsible for the implementation of new laws and regulations and being compliant to existing laws and regulations. Compliance can advise the 1st line about the interpretation of (new) laws and regulations, but cannot be held responsible for the adequate application thereof. Compliance has an independent monitoring function (2nd line).

There are two exceptions to the main principle that Compliance is responsible for signalling new laws and regulations. Firstly, for fiscal laws, labor laws and civil laws. The second exception to the aforementioned principle applies to Solvency II. Within Lifetri, only Actuarial Department & Balance Sheet Management and Finance have specific knowledge on Solvency II (pillars 1 and 3). These two departments are therefore responsible for signalling changes in the SII framework.

B.4.2. Internal control framework

To ensure that risk measures and internal controls operate effectively throughout the year, periodic monitoring is necessary. Lifetri applies a risk-based approach for monitoring risk measures and internal controls. This means that risk measures and (key) controls for (very) high risks are monitored more frequently than for risks with a low score.

The key controls are periodically monitored and evaluated by the process owners to ascertain whether they work as intended and operate effectively. The outcomes are recorded in the risk & control framework (a.k.a. risk & control matrix) which are maintained by the process owners.

Key control evaluation can be done for example by:

- periodic key controls testing by the managers;
- ad hoc review of the effectiveness of key controls by the 2nd line key functions.

B.4.3. External auditor

KPMG is the appointed external auditor.

B.5. Internal audit function

The Internal Audit Function (hereafter (IAF) provides opinions and recommendations on the quality of internal control and internal processes, and the effectiveness of risk management. The task of the IAF is to assess if the system of governance, risk management and internal control at Lifetri is effective in design and operation. In this manner the IAF contributes to a systematic evaluation of risk measures for the business activities of Lifetri.

PwC is hired to perform the IAF.

B.6. Actuarial function

One of the key responsibilities of the Actuarial Function (hereafter AF) is to provide an objective, independent review and opinion on the calculation of technical provisions and sensitivity, the data quality, assumptions and IT systems used by the insurer for capital calculations, the best estimates, the Solvency II position, the underwriting policy (pricing and acceptance policy) and reinsurance arrangements. The Actuarial Function is also required to issue a formal actuarial report which documents all material tasks that have been undertaken by the actuarial function, their results, clearly identifying any deficiencies and giving recommendations as to how such deficiencies could be remedied. The AF is performed by Triple A Risk Finance.

B.7. Outsourcing

Lifetri has an active outsourcing policy. The policy lays down criteria for the selection of outsourcing parties, as well as the requirements of a proper selection process. The cloud/operating platform has been outsourced to MS Azure. Running a cloud/operating platform is not core business for Lifetri. By means of outsourcing Lifetri is able te focus on their core business. MS Azure publishes their SOC type 2 assurance report on their website. Since 2021, the investment administration and salary administration have also been outsourced.

B.8. Any other information

B.8.1. DPO

Lifetri Groep has a Data Protection Officer (DPO) to independently monitor the privacy of data.

The DPO shall be involved where business changes may have privacy consequences. To give substance to this, the DPO is involved in the formulation of policy, product development and changes involving personal data.

B.8.2. Important internal and external events

On 24 February, Russia invaded Ukraine. As a result of this act of war, many western countries imposed additional sanctions on Russia. Lifetri's total exposure to Russian bonds was limited to around € 5.0 million and around € 2.0 million to Ukrainian bonds. All these bonds are held through investments in Exchange Traded Funds (ETF). As the Russian bonds were excluded from the index since, the exposure to Russian bonds in the ETFs are reduced to nil.

C. Risk Profile

This chapter of the SFCR contains information on the risk profile of Lifetri Groep.

C.1. Underwriting risk

Underwriting risk represents the uncertainty in Lifetri's solvency position due to unexpected fluctuations in timing, frequency or severity of insured events or timing and amount of claim settlements and expenses.

- 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 and or inflation.
- Catastrophe: The risk of loss resulting from extreme or irregular events resulting in higher mortality rates which results in earlier death claims.

The Solvency II required capital for the life underwriting risk is the highest of all risks. At the end of 2022, the SCR for life underwriting risk was € 104.0 million. Lapse risk and expense risk are the highest risks with the life risks. The longevity risk is reduced due to the longevity reinsurance with Hannover Re. The expected future buy-outs will increase the longevity and expense risk. The additional longevity risk will be re-insured for at least 70%.

Life risk

in thousands of euros	Lifetri Verzekeringen	Lifetri Uitvaart verzekeringen	Lifetri Groep
Mortality	29,500	8,471	37,971
Longevity	15,589	0	15,589
Disability	0	0	0
Lapse	14,124	18,046	32,170
Expences	43,081	17,151	60,232
Revision	0		0
Catastrophe	11,631	794	12,425
Diversification	-41,343	-11,421	-54,380
Life underwriting risk	**72,582**	**33,041**	**104,007**

C.2. Market risk

Market risk includes all the risks as a result of losses on financial investments caused by adverse price movements. The relevant market risks for Lifetri are the following:

- Interest risk: The risk that is introduced by the influence of interest rate changes on both the valuation and future cash flow from investments in relation to the valuation of the Lifetri liabilities.
- Credit spread risk: Risk of loss arising from the widening of market spreads due to actual, or perceived, increase in risk.
- Concentration risk: Risk of solvency position deterioration from default of a single counterparty to which Lifetri has a significant exposure.

Due to the investments in different asset classes as well as the increases in interest rates which increased the interest shocks and consequently the interest rate risk, in 2022 SCR market risk increased from € 56.5 million to € 72.4 million.

Market risk

in thousands of euros	Lifetri Verzekeringen	Lifetri Uitvaart-verzekeringen	Lifetri Groep
Interest risk	17,201	5,168	22,369
Equity risk	6,831	975	7,806
Property risk	0	0	0
Credit spread risk	45,256	6,968	52,225
Currency risk	0	0	0
Concentration risk	0	0	0
Diversification	-8,048	-1,822	-9,990
SCR Market risk	**61,240**	**11,289**	**72,410**

C.3. Credit risk

Counter party default risks for government bonds are limited by rating based limits per sovereign (BBB- or better rated), default risk for other instruments by relatively small issuer limits. Credit risk on the credit portfolio is managed by limiting the Solvency Capital Requirement (SCR) for spread risk as a percentage of the credit investments.

Credit risk in the form of counterparty default risk is the risk of loss arising from default of a borrower or a transaction counterparty (note that credit spread risk is a market risk, see above). Counterparty default risk may result from the likelihood or probability that one of those involved in a transaction might default on its contractual obligation. Counterparty risk can exist in credit, investment, trading transactions including retail mortgages and reinsurance contracts.

The Solvency II required capital of counterparty default risk is decreased in 2022 from € 10.9 million to € 8.4 million. This decrease is mainly caused by a significant decrease in the loss given default on mortgages combined with an increase in better rated counterparties for the cash positions.

C.4. Liquidity risk

Liquidity risk is comprised of:

- Cash flow Liquidity: Risk of being unable to meet obligations to policyholders or other creditors arising from a lack of available liquidity. Most of Lifetri's payments to policyholders have a long-term time horizon and are predictable; therefore this liquidity risk is limited.
- Asset Liquidity: Risk of being unable to sell a given asset at short-notice to fulfil collateral requirements and or shocks in the liability cash flows.

- Expected Profit in Future Premiums: The expected profit which is part of the own funds but will only be realized as the future premiums are paid.

Liquidity risk is managed first by a minimum cash requirement for all predictable outgoing cash flows for a short-term period of one month. Given the net inflow of premiums this is trivial in practice. Secondly a liquidity stress test is defined to make sure a significant part of the investment portfolio can be liquidated in a matter of days.

C.5. Operational risk

Within operational risk, Lifetri has identified IT Risk and Outsourcing and Cloud risk as separate risks because of the extensive use of, and dependence on IT. The following sub risks fall in this category:

- Operational risk: The risk of losses as a result of shortcomings in or failures of internal processes, systems and people, or from external events.
- IT risk: The risk that the continuity, integrity or availability (CIA) of the business processes and the information services is inadequately supported by IT systems, services and personnel. The IT risk relates to the following topics:
  - IT and technology strategy
  - Information security
  - Continuity, integrity and availability of information systems and processes
- Outsourcing and Cloud risk: Outsourcing may result in the risk that the continuity, integrity or quality is impaired of the activities outsourced to third parties, or of the systems or people provided by these third parties. Cloud technology is seen by supervisory authorities as a form of outsourcing. Cloud risks may result when an insurer makes use of an on-demand service model (e.g. SaaS-based) for the delivery of IT services (e.g. data storage, applications, e-mail, IT infrastructure), which are often based on virtualisation and/or distributed computer environments.

At the end of 2022, the SCR operational risk was € 5.9 million (2021: € 8.4 million).

C.6. Other material risks

Lifetri has identified two additional categories of risk, i.e. strategic & reputation risks and compliance risks. Solvency II does not require insurance companies to hold capital for strategic & reputation risks.

C.6.1. Strategic risks

Strategic risk and reputation risk: In general, strategic and reputation risks are risks that jeopardize the achievement of the strategic objectives of a company and/or have a negative impact on the reputation of the company. For the (life) insurance industry, key drivers for strategic risk can be the rapid pace through which business models change and may become obsolete. The category focuses on the long-term risks which may result from strategic choices, dependencies of stakeholders, changes in competition, markets, politics, the economy or the external environment in general.

C.6.2. Compliance risks

Compliance risk is the risk of legal or supervisory sanctions, material, financial or reputation loss which an organization may incur as a result from a failure to adhere to laws and regulations. Laws and regulations include internal policies, charters and codes of conduct.

Compliance risks consist of two categories: Integrity risk and Legal risk. The Compliance Universe shows for each law or regulation if it applies to integrity or not. Integrity related laws and regulations have a direct impact on the Integrity risk. Other laws and regulations fall under the Legal risk category.

- Integrity risk: The Integrity risk relates to the integrity of employees, customers, counter parties (including intermediaries), the financial services provided by Lifetri, and of the Lifetri organization.
    - Integrity of employees: The integrity of employees including temporary staff (contractors) deals with the question whether employees are fit and proper; and it focuses on competences, remuneration, conflicts of interest, integrity sensitive jobs, fraud prevention and other integrity related issues.
    - Integrity of clients: This topic deals with client acceptance, client due diligence, monitoring of unusual transactions and checks against sanction lists.
    - Integrity of third parties: This focuses on the integrity of third parties when entering into and exiting a business relationship, fraud prevention and other integrity related issues. Third parties consist of all parties with which Lifetri cooperates but excluding clients. Insurance intermediaries and re-insurers are included in this definition of third parties.
    - Integrity of financial services: This focuses on providing careful and diligent products or services to clients (duty of care towards and providing information to clients), complaints, PARP and Marketing.
    - Integrity of the organization: This deals with the internal governance of the organization, asset management, dealing with sensitive information of the company and financial markets, operating the proper license, reporting to supervisors, adherence with anti-trust laws, financial laws & regulations, privacy, information security and prevention of cybercrime.
- Legal risk: The Legal risk relates to (non-compliance with) laws and regulations which does not involve integrity. It relates to fiscal, labour, civil and Solvency II laws and regulations.

- Fiscal laws: This consists of all fiscal regulations applicable to the insurance undertaking (Value Added Tax, wage tax, corporate tax) for which non-compliance can directly result in a fine.
- Labour laws: This consists of the risk of non-compliance with labour laws (employment contract, CAO (collective employees' agreement), working conditions) which may result in liabilities and claims for the employer.
- Civil law: Civil law is related to legal entities, annual financial statements, agreements and contracts, insurance, liability, tenancy law and copyright which may result in liabilities towards third parties or clients.
- Solvency II: Solvency II is a European directive which focuses on the organization and business operations of insurance undertakings in general. The Solvency II (SII) framework consists of three pillars. Pillar 1 focuses on quantifiable risks and capital requirements. Pillar 2 relates to, among other things, the required key Solvency II functions i.e. RMF, compliance and internal control, AF, Internal Audit Function. Pillar 3 consists of requirements for publishing information and reports to the supervisory authorities.

C.7 Any other information

No other information is applicable.

D. Valuation for Solvency Purposes

Introduction

This chapter of the SFCR contains information on the valuation for solvency purposes of assets, insurance liabilities and other liabilities of Lifetri Groep and explains the differences with their valuations in the 2022 Financial statements of Lifetri Groep.

The tables below provide a reconciliation between the local GAAP and Solvency II balance sheets.

Reconciliation Local GAAP balance sheet and Solvency II balance sheet

in thousands of euros	Dutch GAAP	Reclass	Revaluation	Solvency II
Property, plant & equipment held for own use	**281**			**281**
Bonds	467,359	0		467,359
Mortgages	530,458	0		530,458
Investment funds	516,426	0		516,426
Derivatives	-100,878	231,220		130,342
Investments	**1,413,367**			**1,644,586**
Deferred tax asset	70,166	0	-1,222	68,943
Reinsurance recoverables	0	-45,326		-45,326
Receivables (trade, not insurance)	5,560	19,214		24,774
Insurance and intermediaries receivables	671	25		696
Cash and cash equivalents	228,483	-81,004		147,479
Deposits other than cash equivalents	0	81,004		81,004
Tax and social security contributions	18,623	-18,623		0
Any other assets, not elsewhere shown	0	0		0
Total assets	**1,737,150**	**186,509**	**-1,222**	**1,922,437**
Subordinated liability	**78,475**		**-4,738**	**73,738**
Technical provisions	1,407,797	0		1,407,797
Reinsurers' share	45,326	-45,326		0
Net insurance liabilities	**1,453,123**	**-45,326**		**1,407,797**
Reinsurance recoverables	0			0
Provisions other than technical provisions	0			0
Pension benefit obligations	249			249
Deferred tax liabilities	0			0
Derivatives	0	231,220		231,220
Insurance & intermediaries payables	10,665	531		11,197
Group companies	0	178		178
Payables (trade, not insurance)	14,426	-2,134		12,293
Tax and social security contributions	12	-12		0
Any other liabilities, not elsewhere shown	0	2,052		2,052
Total liabilities	**1,556,951**	**186,509**	**-4,738**	**1,738,722**
Excess of assets over liabilities	**180,199**	**0**	**3,515**	**183,715**

D.1. Assets

Financial assets and other liabilities (not being technical provisions) are categorised into the following fair value hierarchy.

in thousands of euros	Level 1	Level 2	Level 3	Total
Bonds	1,041,064	209,417	-	1,250,481
Mortgage loans	-	566,357	-	566,357
Investment funds	283,221	153,022	-	436,243
Derivatives	-	9,504	-	9,504
At 31 December 2021	**1,324,285**	**938,300**	**-**	**2,262,585**

in thousands of euros	Level 1	Level 2	Level 3	Total
Bonds	427,423	39,937	-	467,359
Mortgage loans	-	530,459	-	530,459
Investment funds	118,992	271,692	125,743	516,426
Derivatives	-	130,342	-	130,342
At 31 December 2022	**546,415**	**972,429**	**125,743**	**1,644,587**

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 significantly 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.

D.2. Technical provisions

The initial recognition of the acquired provision for insurance liabilities on local GAAP 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 in the best estimate valuation.

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 the company.

D.3. Other liabilities

Other liabilities, under local GAAP, included the interest payable on cash held in bank accounts.

Payables, trade not insurance, are valued at face value for SII purposes.

D.4. Alternative methods for valuation

Lifetri Groep does not apply alternative methods for valuation.

D.5 Any other information

No other information is applicable.

E. Capital Management

Introduction

This chapter of the SFCR contains information on the capital management of Lifetri Groep, including the reconciliation of Dutch local GAAP (Local GAAP) equity to Solvency II Own Funds, Minimum Capital Requirement ('MCR') and Solvency Capital Requirement ('SCR').

Lifetri's capital management aims to protect policyholders' rights, comply with regulatory requirements, and ensure that financial setbacks can be absorbed without endangering the continuity of the business and strategy. Therefore, Lifetri holds an additional buffer, apart from the technical reserves and the regulatory solvency capital requirement (SCR). The target solvency level is set at 160%, while the norm solvency level, our desired minimum level, is set at 135%. These levels have been affirmed in 2022.

Lifetri operates in an environment that is regulated by Solvency II. The Solvency II framework demands the use of certain parameters that deviate from the financial markets, most notably with respect to the interest rate curve that is used to discount liabilities. As there are no observable interest rates for (very) long-term liabilities, the regulatory authorities prescribe the use of the so-called ultimate forward rate (UFR) in the interest rate curve. This means that discount rates beyond a certain point (the last liquid point) converge to this UFR. The last liquid point is set at 20 years. As a result, in the current situation that the UFR is higher than the market rate, the value of liabilities due in 20 years and beyond is lower than the value based on market rates. The UFR is part of the EIOPA Long-Term Guarantee measures that were aimed at reducing the effect of artificial volatility for long-term insurance products.

Lifetri has very long dated liabilities. Both the pension and the funeral liabilities last beyond the last liquid point of twenty years up to one hundred years.

The observable interest rates in the financial markets deviate significantly from the EIOPA interest rate structure. As per end 2022, the thirty-year swap was 2.53% while the EIOPA rate was 2.89%, and the fifty-year swap was 2.06% while the EIOPA rate was 3.06%.

In its interest risk hedging policy, Lifetri chooses not to exactly hedge the Solvency II coverage ratio as Lifetri manages its balance sheet on an economic basis. Lifetri, having no view on interest rate, targets a low SCR interest. Therefore, the Solvency II coverage ratio is sensitive to interest movements.

The interest hedging strategy is calibrated in such a manner that an interest movement that adversely impacts the Solvency II coverage ratio is economically beneficial.

Lifetri does not have an appetite for inflation risk. The inflation guarantee in the pension liabilities are hedged on a cash flow basis with the derivatives. Based on Solvency II the liabilities are slightly overhedged. The inflation risk in the expense provisions is hedged with inflation linked bonds, where Lifetri considers the central banks to manage the inflation at 2% over time ultimately. Second order effects to the cost assumptions and the risk margin due to inflation had an adverse impact.

Lifetri reinsures its longevity risk up to 85% with Hannover Re.

E.1. Own funds

E.1.1. Headlines of the Capital Policy

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 Policy is aimed at being able to capture financial setbacks without endangering the continuity of the business. Therefore, Lifetri Groep wishes to hold an extra buffer apart from the technical reserves and the regulatory solvency capital (SCR). The target solvency level is set at 160% of SCR. The target solvency ratio is determined as follows:

- An amount equal to the internal norm solvency of 135%;
- An additional buffer to be able to take market risk (as tested in the ORSA stress scenarios), and not fall below the internal norm solvency. The scenarios used in stress tests are reviewed periodically to ensure they remain relevant;
- After defining the additional buffer for market risk, the suitability of the target solvency ratio is analysed against the expected strategic and market environment of Lifetri for the coming year. The outcome of this assessment can lead to a further increase of the target ratio capital requirement for the first coming year, if necessary.

The SCR ratio determines a detailed capital intervention ladder in the Capital Management & Dividend Policy. Above the target solvency level, no actions are needed, below the minimum solvency level measures will be taken and in between both 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 like retaining profits (withholding dividend), cost reduction, pricing, outsourcing, reinsurance and strategic measures are listed in the capital policy. In practice, management intervention actions may further prevent risks.

E.1.2. The Solvency of Lifetri Groep

in thousands of euros	31 December 2022		31 December 2021	
Share capital		173,881		173,881
Reconciliation reserve	-59,110		29,740	
Subordinated liabilities	73,738		79,925	
Net deferred tax assets	68,943		56,145	
Available own funds		**257,452**		**339,691**

in thousands of euros	31 December 2022		31 December 2021	
Solvency capital requirement				
Market risk	72,410		56,668	
Counterparty risk	8,394		10,891	
Life underwriting risk	104,007		117,986	
Diversification	-41,155		-38,303	
BSCR		**143,656**		**147,242**
Operational risk		5,902		8,378
LACDT		-29,501		-3,342
Total solvency capital requirement		**120,057**		**152,278**
Eligible own funds		**174,799**		**279,761**
Solvency II ratio		146%		184%
Pro-forma Solvency II ratio[1]		154%		-
Minimum Capital required ratio		307%		385%

1 The pro-forma Solvency II ratio, is the year-end solvency including the capital contribution of € 10 million.

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 the part of core capital comprising deferred tax assets (DTA) is Tier 3 capital. Eligible own funds are smaller than available own funds due to the restrictions in place.

E.1.3. 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 policy is aimed at being able to capture financial setbacks without endangering the continuity of the business. Therefore, Lifetri Groep wishes to hold an extra buffer apart from the technical reserves and the regulatory solvency capital.

At the end of 2022, eligible own funds amounted to € 174.8 million.

The SCR ratio determines a detailed capital intervention ladder in the Capital Management & Dividend Policy. Above the target solvency level, no measures are needed; below the minimum solvency level measures will be taken, and in between these levels' actions are being considered and prepared.

E.2. Solvency Capital Requirement and Minimum Capital Requirement

Solvency Capital Requirement and Minimum Capital Requirement are given in paragraph E.1.2.

E.3. Use of the duration-based equity risk sub-module in the calculation of the Solvency Capital Requirement

Lifetri Groep is not invested in equities.

E.4. Differences between the standard formula and any internal model used

Lifetri Groep does not apply an internal model.

E.5. Non-compliance with the Minimum Capital Requirement and non-compliance with the Solvency Capital Requirement

There have been no instances of non-compliance with the Minimum Capital Requirement or the Solvency Capital Requirement.

E.6. Any other information

There is no other material information regarding capital management.

Contact and legal information

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