ATHORA LIFE RE LTD.

CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2021

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Independent Auditor's Report

The Board of Directors and Shareholder
Athora Life Re Ltd.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Athora Life Re Ltd. and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 2021, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in Bermuda, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and the Board of Directors for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Building a better working world

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Board of Directors are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. 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 consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain 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 for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management'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 the Group'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 consolidated 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 the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Ernst & Young Ltd.

April 27, 2022

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

for the financial year ended 31 December 2021 and 2020

€'000	Note	2021	2020
Gross earned premium	4	69,240	1,203,908
Investment income	5	16,721	14,044
Other income	6	1,079	5,229
Total income		87,040	1,223,181
Claims paid and change in the insurance provisions	7	(91,381)	(1,191,240)
Other expenses	8	(23,986)	(26,407)
Interest expenses	9	(2,567)	(2,108)
Total expenses		(117,934)	(1,219,755)
(Loss) / Profit before taxes from continuing operations		(30,894)	3,426
Income taxes	10	(380)	(6,003)
Loss after tax from discontinued operations	30	(20,124)	(2,132)
Loss for the year		(51,398)	(4,709)

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

for the financial year ended 31 December 2021 and 2020

€'000	Note	2021	2020
Loss for the period		**(51,398)**	(4,709)
Other comprehensive (loss) / income, net of tax:			
Items that may be reclassified to profit or loss in subsequent years			
Available-for-sale reserve net of cash		**(42,244)**	28,455
Items that will not be reclassified to profit or loss in subsequent years			
Revenue reserves - transferred from OCI		**-**	(570)
Tax charge relating to components of other comprehensive income that may be classified for the year net of tax	**10d**	**2,414**	(590)
Other comprehensive (loss) / income for the year, net of tax		**(39,830)**	27,295
Total comprehensive (loss) / income for the year, net of tax		**(91,228)**	22,586

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

for the financial year ended 31 December 2021 and 2020

€'000	Note	2021	2020
Property and equipment	11	**10,076**	10,965
Financial assets	12	**1,790,412**	2,324,126
Investments attributable to policyholders and third parties	13	**-**	790,141
Reinsurance assets	14	**-**	110,791
Deferred tax assets	10c	**11,151**	6,730
Current tax assets		**228**	226
Loans and advances due from banks	15	**2,714**	-
Receivables	16	**4,306**	1,054,943
Other assets	17	**31,807**	33,658
Cash and cash equivalents	18	**32,820**	91,743
Total assets		**1,883,514**	4,423,323
Equity			
Shareholders' equity	19	**250**	250
Share capital and share premium	19	**241,000**	241,000
Retained losses	19	**(84,772)**	(31,271)
Other reserves	19	**(7,837)**	29,893
Total equity		**148,641**	239,872
Insurance provisions	20	**1,404,294**	1,374,257
Liabilities attributable to policyholders and third parties	21	**-**	1,126,041
Borrowings	22	**155,000**	155,000
Other financial liabilities	23	**23,841**	236,437
Payables	24	**25,646**	1,156,730
Other liabilities	25	**126,092**	134,986
Total liabilities		**1,734,873**	4,183,451
Total equity and liabilities		**1,883,514**	4,423,323

Approved by the Board:

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Amy Ponnampalam
Director

Date: April 22, 2022

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

for the financial year ended 31 December 2021 and 2020

€'000	Total equity €000's	Share capital €000's	Capital Contribution €000's	Retained Losses €000's	OCI €'000's
Balance as at 1 January 2020	217,286	250	241,000	(26,562)	2,598
Current year retained losses	(4,709)	-	-	(4,709)	-
Unrealised gains and losses - through OCI	27,885	-	-	-	27,885
OCI tax charge	(590)	-	-	-	(590)
Balance as at 31 December 2020	**239,872**	**250**	**241,000**	**(31,271)**	**29,893**
Current year retained losses	**(51,398)**	**-**	**-**	**(51,398)**	**-**
Movement in Foreign Currency Translation reserve	**(3)**			**(2,103)**	**2,100**
Unrealised gains and losses - through OCI	**(42,244)**	**-**	**-**	**-**	**(42,244)**
OCI tax charge	**2,414**	**-**	**-**	**-**	**2,414**
Balance as at 31 December 2021	**148,641**	**250**	**241,000**	**(84,772)**	**(7,837)**

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

for the financial year ended 31 December 2021 and 2020

€000's	Notes	2021	2020
(Loss) / Profit before taxes from continuing operations		(30,894)	3,426
Adjusted for:			
Depreciation		890	950
Lease interest		610	-
Unrealised (gains) / losses on investments		(45,809)	71,071
Unrealised (gains) / losses on derivatives		(656)	57,911
Realised gains on investments		(16,753)	(71,621)
Effect of exchange rate changes		15	(9,755)
Income tax paid		(2)	(547)
		(92,599)	51,435
Movements in working capital:			
Increase / (Decrease) in insurance and other receivables		317	(5,340)
Decrease / (increase) in deferred expenses		635	(23,479)
Increase in insurance contract liabilities		30,037	900,895
Decrease in reinsurance assets		-	115,809
(Decrease) in insurance, trade and other payables		(142,574)	(63,447)
Increase in deferred revenue		-	125,712
(Decrease) in deferred tax assets		(2,387)	-
Increase in loans and advances due from banks		(2,714)	-
Increase in other assets		1,668	-
Transfer of cash from VA portfolio		21,798	-
Net cash out flow from discontinued operations		(29,191)	(2,132)
Net cash (used) / provided in operating activities:		(215,010)	1,099,453
Cash flow from investing activities:			
Proceeds from sale of financial assets		511,973	1,140,111
Purchase of financial assets		(398,672)	(2,239,448)
Net purchase of loans and receivables		35,000	(27,500)
Principal element of lease payments		(1,281)	(1,014)
Net cash in flow from discontinued operations		9,067	-
Net cash provided / (used) in investing activities:		156,087	(1,127,851)
Cash flow from financing activities:			
Proceeds from funding agreements		-	75,000
Capital contribution		-	(16,398)
Net cash provided by financing activities:		-	58,602
Net (decrease) / increase in cash and cash equivalents		(58,923)	30,204
Cash and cash equivalents at 1 January		91,743	61,539
Cash and cash equivalents at 31 December		32,820	91,743

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2021 and 2020

1. Corporate and Company Information
This section provides corporate and group information about Athora Life Re Ltd. (the "Company" or "ARE") and its subsidiaries.

a) Corporate Information
The consolidated financial statements of the Company for the year ended 31 December 2021 were approved by the Board of Directors of the Company (the "Board") on 22 April 2022. The Company is an exempted company incorporated in Bermuda and is registered as a long-term Class E reinsurer under Bermuda's Insurance Act of 1978, as amended, and related rules and regulations (collectively, the "Insurance Act"). The Company's registered office and principal place of business is Ideation House, First Floor, 94 Pitts Bay Road, Pembroke HM 08, Bermuda.

The Company is principally engaged in providing capital optimisation and risk management solutions to European life insurers. Information on the Company's structure is provided in Note 1b: Company information on other related party relationships of the Company is provided in Note 29.

b) Company Information
The consolidated financial statements of the Company include:

Name	Principal activity	Country of incorporation	% Equity interest 2021	% Equity interest 2020
Athora Ireland plc ("AI")	Life assurance business	Ireland	**100**	100
Athora Europe Investments DAC ("AEI DAC")	Special Purpose Vehicle	Ireland	**100**	100

The next senior and the ultimate holding company of the Company is Athora Holding Ltd. ("AHL"), which is based in Bermuda. The "Athora Group" refers to AHL when consolidated with its subsidiaries.

c) Transfer of Variable Annuity portfolio
In early 2021, the Company entered into a binding agreement for the transfer of its Variable Annuity ("VA") portfolio. The Company also entered into a reinsurance contract to cede risks not already ceded, including expense and longevity risks that are associated with the VA portfolio for the period to the completion date of the transfer. The transfer of the VA portfolio was completed on 31 December 2021 with income and expenses associated with this line of business presented as discontinued operations. The breakdown of these results are detailed in Note 30. The Company has taken this opportunity to review the presentation of the financial statements as detailed in accounting policy (aa).

2. Basis of preparation and other significant accounting policies
This section provides additional information about the overall basis of preparation that the directors consider useful and relevant in understanding these financial statements, including:

- Summary of other significant accounting policies impacting the results and financial position of the Company, including changes in accounting policies and disclosures during the year
- Standards that have been issued but not yet adopted by the Company

a) Basis of preparation
The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and adopted by the European Union.

The consolidated financial statements have been prepared on a historical cost basis, except for financial assets and financial liabilities that have been measured at fair value. The consolidated financial statements are presented in euros and all values are rounded to the nearest thousand (€000), except when otherwise indicated. The consolidated financial statements are prepared on a going concern basis.

2. Basis of preparation and other significant accounting policies (continued)

b) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2021.

Subsidiaries are all entities (including structured entities) over which the Company has control. Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are deconsolidated from the date that control ceases.

Only substantive rights (i.e., the holder must have the practicability to exercise them) and rights that are not protective shall be considered. The Company can have power with less than a majority of the voting rights of an investee, in particular through:

- the proportion of ownership with regards to the other investors;
- potential voting rights;
- a contractual arrangement between the investor and other vote holders;
- rights arising from other contractual arrangements;
- a combination of these indicators.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Company for preparation of consolidated financial statements. The acquisition method of accounting is used to account for business combinations by the Company.

c) Significant accounting judgments, estimates and assumptions

In preparing the consolidated financial statements, the Company makes estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. As management judgment involves an estimate of the likelihood of future events, actual results could differ from those estimates, which could affect the future reported amounts of assets and liabilities.

Key sources of estimation, uncertainty and areas of significant judgments have been made are listed below and discussed throughout the notes to these consolidated financial statements including:

i) In the determination of the fair value of financial instruments, the Company's management exercises judgment in the determination of fair value inputs, particularly those items categorised within level 3 of the fair value hierarchy (Note 27: Determination of fair value of financial instruments).

ii) Management uses judgment to evaluate the classification of insurance and reinsurance contracts to determine whether these arrangements should be accounted for as insurance or investment. The actuarial assumptions, such as interest rates, inflation, policyholder behaviour, mortality and morbidity of policyholders used in the valuation of insurance and reinsurance contract liabilities require significant judgment and estimation (Note 20: Insurance provision, Note 3: Financial risk management).

iii) The Company operates within tax jurisdictions where significant management judgments and estimates are required when interpreting the relevant tax laws, regulations and legislation in the determination of the Company's tax provisions and the carrying amount of tax assets and liabilities (Note 10: Taxation).

iv) Management applies judgment in assessing the recoverability of the deferred income tax asset carrying values based on future years' taxable income projections (Note 10: Taxation).

2. **Basis of preparation and other significant accounting policies (continued)**

c) Significant accounting judgments, estimates and assumptions (continued)

v) Certain gains, losses, and expenses related to the reinsurance contracts are recorded as Deferred income and expenses. The Company recognises these deferred income and expenses on day 1 of reinsurance contracts. Deferred income and expenses are amortised to the statement of profit or loss over time. If the assumptions relating to the future profitability of these policies are not realised, the amortisation of these costs could be accelerated or written off due to lack of recoverability.

COVID-19

Much uncertainty around the impact of Covid-19 on the economic landscape and business operations remained at the end of 2021. However, the roll-out of Covid-19 vaccines globally and in Bermuda and Ireland has supported a continued economic recovery and allowed a reduction in government restrictions, which is expected to allow a full return to the office where appropriate for staff.

Our financial position coupled with the robustness of our operations since March 2020 gives comfort that the Company can withstand a prolongation of the outbreak and re-institution of restrictions. Economic effects linger, however, not least inflation which has increased during 2021 and will continue to be monitored as a risk.

Going concern

The financial statements are prepared on a going concern basis, as the Directors are satisfied that the Company has the resources to continue in business for the foreseeable future.

In making this assessment, the Directors have considered a wide range of information relating to present and future conditions, including future projections of profitability, cashflows, capital requirements and capital resources. In addition, the Board has approved the three-year capital management. It therefore continues to adopt the going concern basis in preparing the financial statements.

d) Adoption of new IFRS accounting standards

The International Accounting Standards Board ("IASB") has issued several amendments to IFRSs effective 1 January 2021. These include Interest Rate Benchmark Reform: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (Phase 2), and Covid-19 Related Rent Concessions beyond 30 June 2021: Amendment to IFRS 16 the Company as lessee did not avail of a COVID-19 related rent concession. These amendments did not have a significant impact on the Company.

Adoption of new IFRS accounting standards applicable subsequent to the year ended 31 December 2021

The following pronouncements are not applicable for the year ended 31 December 2021 and have not been applied in preparing these financial statements. Save as disclosed below, the impact of these accounting changes is still being assessed by the Company and unless stated otherwise, a reliable estimate cannot be made at this stage.

IFRS 17 'Insurance contracts'

In May 2017, the IASB published IFRS 17 Insurance Contracts, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation, and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts that was issued in 2005. IFRS 17 applies to all types of insurance contracts as well as to certain financial instruments with discretionary participation features. In contrast to the requirements in IFRS 4, which are largely based on grandfathering of previous local accounting policies, IFRS 17 provides a comprehensive and consistent approach to insurance contracts. The core of IFRS 17 is the general measurement model ("GMM"), supplemented by a specific adaptation for

2. Basis of preparation and other significant accounting policies (continued)

d) Adoption of new IFRS accounting standards (continued)

Adoption of new IFRS accounting standards applicable subsequent to the year ended 31 December 2021 (continued)

contracts with direct participation features (the variable fee approach (“VFA”)) and a simplified approach (the premium allocation approach (“PAA”)), mainly for short-duration contracts.

The main features of the new accounting model for insurance contracts are, as follows: the measurement of the present value of future cash flows incorporating an explicit risk adjustment and remeasured at each reporting period (the fulfilment cash flows); a contractual service margin that is equal and opposite to any day one gain in the fulfilment cash flows of a group of contracts, representing the unearned profit of the insurance contracts to be recognised in profit or loss over the service period (coverage period); the presentation of insurance revenue and insurance service expenses in the statement of comprehensive income based on the concept of insurance services provided during the period; and extensive disclosures to provide information on the recognised amounts from insurance contracts and the nature and extent of risks arising from these contracts.

On adoption, IFRS 17 will significantly impact the measurement and presentation of insurance contracts and participating investment contracts. Investment contracts with no significant insurance or discretionary participating features, equity release and investment management business will be out of scope and therefore not impacted by the new standard. The Company is in the advanced stages of implementation of IFRS 17. However, as some material judgements are still under consideration, a reasonable estimate of the financial impacts cannot be provided at this stage. Following amendments to the standard published in June 2020, the standard will apply to annual reporting periods beginning on or after 1 January 2023. A further amendment to the standard was published in December 2021, which applies to the comparative information presented on initial application of IFRS 9.

The Company remains on track for the implementation of IFRS 17 on 1 January 2023.

IFRS 9 ‘Financial instruments’
IFRS 9, the new standard on financial instruments has an effective date of 1 January 2018. IFRS 9 replaces most of the current IAS 39 ‘Financial Instruments: Recognition and Measurement’ and includes new requirements for the recognition and measurement of financial assets and liabilities, a new forward-looking model for the recognition of impairment losses and a new regulation in order to better align hedge accounting with economic reality and risk management. However, since the group has decided to apply the temporary exemption from applying IFRS 9, the implementation of IFRS 9 by the Company (including all the amendments) has been postponed until 1 January 2023, the effective date of IFRS 17.

The Company has assessed the interaction of IFRS 9 with the new insurance contracts standard, IFRS 17. In order to mitigate or eliminate the accounting mismatches, the group intends to measure its financial assets (other than trade and lease receivables) at fair value through profit or loss. Simplified approach will be used for calculating expected credit losses on trade and lease receivables.

The financial liabilities will be classified at amortised cost. It is noted that IFRS 9 retains most of IAS 39 requirements for financial liabilities stated at amortised cost. We do not therefore expect any significant measurement differences on adoption of IFRS 9.

The Company remains on track for the implementation of IFRS 9 on 1 January 2023.

2. Basis of preparation and other significant accounting policies (continued)

d) Adoption of new IFRS accounting standards (continued)

Adoption of new IFRS accounting standards applicable subsequent to the year ended 31 December 2021 (continued)

Onerous Contracts — Cost of Fulfilling a Contract (Amendments to IAS 37)

The amendments are effective for annual reporting periods beginning on or after 1 January 2022.

Property, Plant and Equipment — Proceeds before Intended Use (Amendments to IAS 16)

The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and are not expected to have a material if any impact on the group.

Definition of Accounting Estimates (Amendments to IAS 8)

The amendments are effective for annual periods beginning on or after 1 January 2023.

Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)

The amendments are effective for annual periods beginning on or after 1 January 2023.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)

The amendments are effective for annual periods beginning on or after 1 January 2023.

Classification of Liabilities as Current or Non-current (Amendments to IAS 1)

The amendments were originally effective for annual reporting periods beginning on or after 1 January 2022 however, their effective date has been delayed to 1 January 2024.

Reference to the Conceptual Framework – Amendments to IFRS 3
The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively.

The above list of pronouncements is not an all-encompassing list, others have been omitted due to the fact that they are not considered to be applicable to the Company.

2. Basis of preparation and other significant accounting policies (continued)

e) Foreign currency translation
The functional and presentation currency of the Company is Euro (€).

Transactions in foreign currencies are recorded at the rate of exchange ruling at the date of the transaction. At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the Statement of Financial Position date. Non-monetary items (including all equity components) denominated in a foreign currency are not retranslated but hold the rate with which they were translated at the date of the transaction. Exchange differences arising on the settlement of monetary items during the year are dealt with in the statement of profit or loss in the period in which they arise.

Items included in the financial statements of each of the Company's subsidiaries are measured using the currency of the primary economic environment in which the entity operates.

f) Insurance and investment contracts - classification
Insurance contracts are those contracts where the Company (the insurer) has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely impacts the policyholders. As a general guideline, the Company determines whether it has significant insurance risk, by comparing benefits payable after an insured event with benefits payable if the insured event did not occur. Insurance contracts can also transfer financial risk.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expire. Investment contracts can, however, be reclassified as insurance contracts after inception if insurance risk becomes significant.

Derivatives embedded in an insurance contract are separated and fair valued through the statement of profit or loss unless the embedded derivative is itself an insurance contract. The derivative is also not separated if the host insurance contract is measured at fair value through profit or loss ("FVTPL").

Investment contracts are those contracts that transfer significant financial risk, but not significant insurance risk. Financial risk is the risk of a possible future change in one or more of a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of price or rates, credit rating or credit index or other variable.

g) Reinsurance contacts
The Company assumes reinsurance in the normal course of business and also uses ceded reinsurance to exit non-core risks, with retention limits varying by line of business. Premiums on reinsurance assumed are recognised as revenue in the same manner as they would be if the reinsurance were considered direct business, taking into account, the product classification of the reinsured business. The cost of reinsurance related to long-duration contracts is accounted for over the life of the underlying reinsured policies, using assumptions consistent with those used to account for these policies.

Premiums ceded and claims reimbursed are presented on a gross basis in the consolidated income statement and statement of financial position as appropriate.

Reinsurance assets primarily include balances due from both insurance and reinsurance companies for ceded insurance liabilities. Amounts recoverable from reinsurers are estimated in a manner consistent with the underlying contract liabilities, outstanding claims provisions or settled claims associated with the reinsured policies and in accordance with the relevant reinsurance contract.

2. Basis of preparation and other significant accounting policies (continued)

g) Reinsurance contacts (continued)

The Company also cedes insurance contracts under a modified coinsurance treaty where it retains the assets and reserves on the policies reinsured. This creates an obligation to render, at a later date, payments which include a proportional share of the gross premium plus a return on the assets. These assets and liabilities are presented gross on the statement of financial position.

If a reinsurance asset is impaired, the Company reduces the carrying amount accordingly and recognises that impairment loss in the income statement. A reinsurance asset is impaired if there is objective evidence, as a result of an event that occurred after initial recognition of the reinsurance asset, that the Company may not receive all amounts due to it under the terms of the contract, and the event has a reliably measurable impact on the amounts that the Company will receive from the reinsurer.

Ceded reinsurance arrangements do not relieve the Company from its obligations to policyholders.

h) Insurance benefits and claims

Gross benefits and claims consist of benefits and claims paid to policyholders, as well as changes in the gross valuation of insurance contract provisions. The reinsurer's share (ceded reinsurance recoveries) are accounted for in the same period as the underlying claim.

Death claims and surrenders are recorded based on notifications received. Maturities and annuity payments are recorded when due.

i) Taxation

Current income tax

Corporation tax is payable on all taxable profits. Provisions for tax liabilities require management to make judgments and estimates in relation to tax issues and exposures. Amounts provided are based on management’s interpretation of country specific tax laws and the likelihood of settlement. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the current tax and deferred tax provisions in the period in which such determination is made.

Current income tax relating to items recognised directly in equity or other comprehensive income (“OCI”) is recognised in equity or OCI and not in the statement of profit or loss.

Under current Bermuda law, the Company is not required to pay any taxes in Bermuda on either income or capital gains. The Company has received an assurance from the Minister of Finance of Bermuda under The Exempted Undertaking Tax Protection Act 1966 of Bermuda that in the event of any such taxes being imposed the Company will be exempted from taxation until the year 2035.

The Company’s wholly owned subsidiary, AI, is a tax resident in Ireland and subject to Irish taxes. The Company has received a Certificate of Tax Residency for each year since 2018. The special purpose vehicles AEI DAC is a qualifying company within the meaning of s110 of the Taxes Consolidation Act 1997 in Ireland. As such, the profits are chargeable to corporation tax under Case III of Schedule D at a rate of 25%, but are computed in accordance with the provisions applicable to Case I of Schedule D.

Deferred tax

Deferred tax is recognised in respect of timing differences that have originated but not reversed at the statement of financial position date, where transactions or events have occurred at that date that will result in an obligation to pay more or a right to pay less tax. Deferred tax is measured on an undiscounted basis at tax rates that have been or are substantially enacted by the reporting date in which timing differences reverse.

2. Basis of preparation and other significant accounting policies (continued)

i) Taxation (continued)

Deferred tax (continued)
The carrying value of deferred tax is reviewed at the end of each reporting period and the carrying value of deferred tax is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to utilise the deferred tax asset.

j) Business combinations and goodwill
Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest ("NCI") in the acquiree. For every business combination, the Company has an option to measure any NCIs in the acquiree at fair value or at the NCI's proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Company acquires a business, it assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree. No reclassification of insurance contracts is required as part of the accounting for the business combination. Thus, insurance contracts are classified on the basis of the contractual terms and other factors at the inception of the contract or modification date.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses and is tested at least annually for impairment. If impairment is identified the carrying value of the goodwill is written down and recognised through the statement of profit or loss and is not subsequently reversed. At the date of disposal of a subsidiary the carrying value of attributable goodwill is included in the calculation of the profit or loss on disposal.

k) Present value of acquired in-force business ("PVIF")
When a portfolio of long-term insurance contracts is acquired, whether directly from another insurance company, or as part of a business combination, the difference between the fair value of the insurance liability and the value of the insurance liabilities measured using the Company's existing accounting policies is recognised as a PVIF asset.

PVIF is amortised over the useful lifetime of the related contracts in the portfolio on a systematic basis. The rate of amortisation is chosen by considering the profile of the additional value of in-force business acquired and the expected depletion in its value.

l) Other intangible assets
Other intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss.

m) Property and equipment
Property and equipment, including owner-occupied property, is stated at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment losses. A full month of depreciation is charged in the statement of profit or loss in the month of acquisition.

2. Basis of preparation and other significant accounting policies (continued)

m) Property and equipment (continued)

Depreciation is calculated to write off the cost less estimated residual value of property and equipment on a straight-line basis over their expected useful lives as follows:

Office fit out	7 years
Computer software	4 years
Office equipment	3 years
Computer hardware	3 years

The assets' residual values, and useful lives and method of depreciation are reviewed and adjusted, if appropriate, at each financial year end and adjusted prospectively.

An item of property and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss in the year the asset is derecognised.

n) Financial assets

Financial assets are classified, at initial recognition, as financial assets at FVTPL, loans and receivables, held-to-maturity investments or available-for-sale ("AFS") financial assets. The classification is based on management's intention relating to the purpose and nature of the instrument or characteristics of the investment. The Company determines the classification of its financial assets at initial recognition. Financial assets are recognised initially at fair value plus, in the case of investments not at FVTPL, directly attributable transaction costs that are attributable to the acquisition of the financial asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Company has transferred substantially all risks and rewards of ownership.

The Company has not classified any financial assets as held-to-maturity.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss can either be held for trading (if acquired principally for the purpose of selling in the short-term) or designated at fair value through profit or loss at inception. The principal category of assets designated at fair value though profit or loss are those held as part of the life assurance business, which are managed on a fair value basis. These investments are initially recorded at fair value. Subsequent to initial recognition, these investments are re-measured at fair value. Fair value adjustments and realised gain and loss are recognised in the statement of profit or loss. Financial assets at fair value through profit or loss include derivative financial instruments. The Company does not apply hedge accounting for these investments.

Loans and receivables

Loans and receivables are recorded at fair value plus transaction costs when cash is advanced to the borrowers. They are subsequently accounted for at amortised cost using the effective interest method, less allowance for impairment.

AFS financial assets

AFS financial assets are those intended to be held for an indefinite period, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices. Purchases and sales of AFS financial assets are recognised on trade date. They are initially recognised at fair value plus transaction costs. Fair value movements are recognised in other comprehensive income. Interest is calculated using the effective interest method and is recognised in the income statement.

2. Basis of preparation and other significant accounting policies (continued)

n) Financial assets (continued)

Gains and losses arising from changes in the fair value of investments classified as AFS are recognised directly in other comprehensive income, until the financial asset is either sold, becomes impaired or matures, at which time the cumulative gain or loss previously recognised in other comprehensive income is recognised in the income statement.

Impairment of financial assets

The Company assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, there is objective evidence of impairment as a result of one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

o) Derivative financial instruments

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value.

All derivatives financial instruments are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Embedded derivatives are treated as separate derivatives and are recorded based on fair value if their economic characteristics and risks are not closely related to those of the related host contract and the host contract is not itself recorded at fair value through the statement of income. Embedded derivatives that are closely related to the definition of insurance contracts are treated and measured as insurance contracts.

p) Receivables

Receivables include insurance, reinsurance and other receivables. Premiums written in course of collection and receivables from brokers and intermediaries, co-insurers and reinsurers are reported as arising out of direct insurance or reinsurance operations respectively. Insurance receivables are stated at amortised cost (deemed fair value at acquisition date). The carrying value of receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the statement of income.

q) Discontinued operations

A discontinued operation is a cash generating unit or a group of cash generating units that has been disposed of or is classified as held for sale, and (a) represents a separate major line of business or geographical area of operations, (b) is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations or (c) is a subsidiary acquired exclusively with a view to resale. The results after tax of discontinued operations are shown as a single line item on the face of the income statement, statement of comprehensive income and statement of cash flows.

r) Deferred expenses

Deferred cost of reinsurance

A deferred cost of reinsurance is established when the Company enters a reinsurance transaction. For reinsurance ceded, the Company is not relieved of its legal liabilities, so the reserves relating to the underlying reinsured contracts will continue to be reported in the consolidated statement of financial position during the contractual term of the underlying contracts. When losses on reinsurance transaction are deferred, the amortisation is based on the assumptions of the underlying insurance contracts and is recognised in the income statement.

2. Basis of preparation and other significant accounting policies (continued)

s) Cash and cash equivalents

Cash and cash equivalents deposits on the statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value. Money market investments that are held for investment purposes (backing insurance liabilities or equity based on asset liability management considerations) are not included in cash and cash equivalents but are presented as investments or investments for account of policyholders.

t) Equity

Capital contributions

Capital contributions represent the cumulative amount of capital contributed to the Company from the ultimate parent AHL.

Accumulated other comprehensive income

AFS reserve

The AFS reserve represents the cumulative change in fair value of AFS financial assets.

Foreign currency translation reserve

The foreign currency translation reserve represents the cumulative gains and losses on the translation of the Company's net investment in its foreign operations. Gains and losses accumulated in this reserve are reclassified to the income statement when the Company loses control, joint control or significant influence over the foreign operation or on disposal or partial disposal of the operation.

u) Insurance provisions

Life insurance contract liabilities

Life insurance liabilities are recognised when contracts are entered into, and premiums are charged. Any guaranteed benefits under the contract terms are separated out and fair valued as financial instruments. The financial instruments liabilities are calculated as the face value of the units allocated to the contract, plus an additional reserve for guaranteed benefits. Liabilities for guaranteed benefits differ according to exposure maturity (short / long term), to generally used reporting methodology (net / gross level premium) and to the claim processing efficiency (claims reserves). These liabilities are measured using the net premium method. The liability is determined as the sum of the discounted value of the expected future benefits, claims handling and policy administration expenses, policyholder options and guarantees and investment income from assets backing such liabilities, which are directly related to the contract, less the discounted value of the expected premiums that would be required to meet the future cash outflows based on the valuation assumptions used. The liability is either based on current assumptions or calculated using the assumptions established at the time the contract was issued, in which case, a margin for risk and adverse deviation is generally included. Furthermore, the liability for life insurance contracts comprises the provision for unearned premiums and premium deficiency, as well as for claims outstanding, which includes an estimate of the incurred claims that have not yet been reported to the Company. Adjustments to the liabilities at each reporting date are recorded in the statement of profit or loss. The liability is derecognised when the contract expires, is discharged or cancelled.

Reserves calculated are subject to estimates and assumptions, especially on life expectancy, policyholder behaviour and health of an insured individual and on the development of interest rates and investment returns. At each reporting date, an assessment is made of whether the recognised life insurance liabilities, net of related PVIF and deferred acquisition costs ("DAC") are adequate by using an existing liability adequacy test. The liability value is adjusted to the extent that it is insufficient to meet expected future benefits and expenses. In performing the adequacy test, current best estimates of future contractual cash flows, including related cash flows such as claims handling and policy administration expenses, policyholder options and guarantees, as well as investment income from assets backing such liabilities, are used. A number of valuation methods are applied, including discounted cash flows, option pricing models and

2. Basis of preparation and other significant accounting policies (continued)

u) Insurance provisions (continued)
stochastic modelling. A consistent application of those assumption is achieved by integration all liability calculation into a centralised model and valuation process.

To the extent that the test involves discounting of cash flows, the interest rate applied may be prescribed by regulations or may be based on management's prudent expectation of current market interest rates. Any inadequacy is recorded in the statement of profit or loss, initially by impairing PVIF and DAC and, subsequently, by establishing an additional insurance liability for the remaining loss. In subsequent periods, the liability for a block of business that has failed the adequacy test is based on the assumptions that are established at the time of the loss recognition. The assumptions do not include a margin for adverse deviation. Impairment losses resulting from liability adequacy testing are reversed in future years if the impairment no longer exists.

v) Offsetting of financial instruments
Financial assets and financial liabilities are offset, and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

w) Employee benefit expense
The Company participates in a defined contribution plans for certain employees. The assets of the plan are held separately from those of the Company. The cost of providing these pension benefits is charged to the statement of profit or loss on the basis of a percentage of pensionable earnings when they are due, within operating expenses.

x) Leases
The Company leases primarily office buildings. Rental contracts are typically made for fixed periods up to 20 years but may have extension options as described in below. Until the 2018 financial year, leases of property, plant and equipment were classified as either finance leases or operating leases. From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company.

Assets and liabilities arising from a lease are initially measured on a present value basis. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the Company's incremental borrowing rate. Lease payments are allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. Payments associated with leases with a lease term of twelve months or less and leases of low-value assets are recognised as an expense in profit or loss on a straight-line basis.

Variable lease payments
The Company may be exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Extension and termination options
Extension and termination options may be included in a property lease to maximise operational flexibility in terms of managing the assets used in the Company's operations. These are generally exercisable only by the Company and not by the respective lessor. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise

2. Basis of preparation and other significant accounting policies (continued)

x) Leases (continued)

a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

Residual value guarantees

The Company may on occasion provide residual value guarantees in relation to leases. On 31 December 2020 and 31 December 2021, there were no residual value guarantees in place. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2021 was 5.5% (2020: 5.5%).

y) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date under current market conditions, assuming that market participants would act in their economic best interests. A fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability; or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

In accordance with IFRS 13, all assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole.

- **Level 1**: quoted (unadjusted) market prices in active markets for identical assets or liabilities that the Company can access at the measurement date.
- **Level 2**: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices of identical or similar assets and liabilities) using valuation techniques for which all significant inputs are based on observable market data.
- **Level 3**: unobservable inputs for the asset or liability including, as available and appropriate, internal data and other publicly available information.

For assets and liabilities that are measured at fair value in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

z) Revenue recognition

Gross premiums

Gross earned premiums from life contracts are recognised as revenue when payable by the policyholder except for unit linked business where premiums are accounted for when liabilities are recognised.

Reinsurance premiums

Earned premiums ceded under reinsurance agreements are deducted from revenue to arrive at the net earned premium figure when reinsurance agreements are in effect and the relevant reinsurance assets are established.

2. Basis of preparation and other significant accounting policies (continued)

z) Revenue recognition

Fees and commission income
Insurance and investment contract policyholders are charged for policy administration services, investment management services, surrenders and other contract fees. These fees are recognised as revenue over the period in which the related services are performed. If the fees are for services provided in future periods, then they are deferred and recognised over those future periods.

Investment income
Interest income is recognised in the statement of income as it accrues and is calculated by using the effective interest rate ("EIR") method. Fees and commissions that are an integral part of the effective yield of the financial asset are recognised as an adjustment to the EIR of the instrument. Investment income also includes dividends when the right to receive payment is established.

Net realised gains and losses
Net realised gains and losses recorded in the statement of profit or loss include gains and losses on financial assets. Gains and losses on the sale of investments are calculated as the difference between net sales proceeds and the original or amortised cost and are recorded on occurrence of the sale transaction.

aa) Change in presentation
At the end of the year, AI plc completed the transfer of the VA portfolio (see Note 30: Discontinued Operations).

As a result of this transfer the Company reviewed the presentation of its financial statements to accommodate the significant changes in the Company's business with the transfer of the VA portfolio and the move to pure reinsurance business. As a result, to provide more reliable information to the user, the presentation of the statement of financial position, statement of profit or loss, statement of other comprehensive income, statement of changes in equity, statement of cash flows and the related notes have been amended. The presentation of comparative figures has been adjusted where necessary, to conform with the presentation in the current year. There has been no change to the net income or shareholders' funds arising from the change in presentation. All the current policies are relevant for 2020 and 2021.

3. Financial risk management

This note sets out the major risks which the Company is exposed to and describes the Company's approach to managing these risks. It also sets out sensitivity analysis on the major insurance and financial risks.

The ARE risk framework interfaces directly with the Athora Group's Enterprise Risk Management ("ERM") framework.

a) Risk management framework

ARE's risk management framework is comprised of:

A System of Governance:

- ARE's committee structure is embedded within the Athora Group Governance Framework.
- ARE adopts Athora Group policies and guidelines localised, as required, and develops its own specific policies, where necessary.

While the Board retains overall responsibility for approving the ARE risk framework, ARE's Risk Committee ("ARC") is charged with developing and overseeing compliance with the risk framework.

The ARE risk framework interfaces directly with the Athora Group's ERM framework. As part of the Athora Group ERM framework, risk need to be identified, understood, and assessed (against levels defined as acceptable) before the right controls can be designed and implemented. Risks are managed from multiple perspectives, including economic, regulatory and accounting. The ERM Framework includes Risk Strategy and Appetite, Risk Governance, Risk Culture, Risk Measurement and Assessment, Risk Management and Monitoring, Risk Reporting and Insights and Data and Technology. The following graphic sets out these components.

Risk Strategy and Appetite	Risk Governance	Risk Culture	Risk Assessment and Measurement	Risk Management and Monitoring	Risk Reporting and Insights	Data and Technology
Linkage to corporate strategy	Board Oversight and Committees	Risk Organisation	Risk Identification, Assessment and Prioritization	Risk Mitigation, Response and Action Plans	Risk Reporting	Data Quality and Governance
Risk Universe	Company Risk Operating Structure	Risk Competence	Quantitative Methods and Modeling	Testing, Validation and Assurance	Business/ Operational Requirements	Risk Analytics
Risk Appetite Statements	Roles and Responsibilities	Risk Relationships	Risk Aggregation, Correlation and Concentration	Monitoring	Board and Senior Management Requirements	Technology Enablement
	Risk Policies	Risk Motivation	Scenario Analysis and Stress Testing	Projects and Initiatives	External Requirements	

3. Financial risk management (continued)

a) Risk management framework (continued)

A Risk Strategy and Appetite

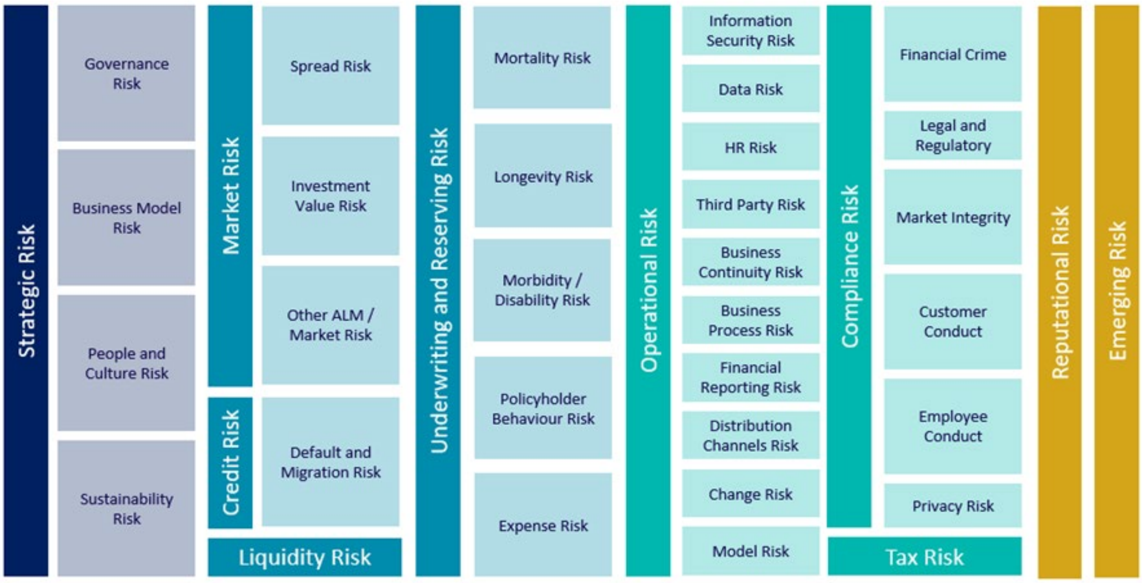
The Risk Strategy and Appetite is an integral part of the business strategy and determines how ARE selects risks it can control and extract value from in line with its strategy. ARE's risk strategy encompasses the follow core pillars:

- **Risk Identification** – assessment of all material risks facing the business.
- **Risk Appetite** – a definition of appetite for risk taking and risk controlling for each material risk.
- **Risk Monitoring** – a system of stress and scenario testing to assess ARE's resilience to risk, covering internally defined stress testing, regulatory stress testing, and reverse stress testing.

The risk strategy is reviewed annually but expected to remain stable over time. Risk Strategy and Appetite is translated into specific risk policies and limits for the relevant risk types, which set out the policy objectives, requirements, the roles and responsibilities, as well as the required processes and controls for each risk.

Risk Identification

Risk identification requires a rigorous assessment of the business to determine the universe of risks to which the business is exposed. The risk universe is shown below:



3. Financial risk management (continued)

a) Risk management framework (continued)

Risk Appetite
Risk appetite defines ARE's appetite for risk taking/risk controlling by applying the risk strategy to the universe of risk to which Athora is exposed. A traffic light system is used to define ARE's risk appetite:

Risk Appetite Statement Indicator

None

- No acceptance of these risks.
- Focus efforts on removing entirely and design our business model to actively avoid exposure, where deemed required, even at significant cost.
- Any such risk fully mitigated/ hedged away.

Low

- Seek to remove exposure or accept very limited exposure.
- Aggressively pursue risk mitigation/hedging options.
- Closely monitor both inherent and residual risk levels.

Medium

- Targeted pursuit of certain risks.
- Acceptance of large risks where mitigation options unavailable or not economically viable.
- Will tactically engage in limited risk-specific mitigation/hedging.

High

- Actively pursue risks and retain majority of exposure.
- These risks tend to drive our business performance and we believe we have a strategic advantage in retaining and managing.

Risk Monitoring
Monitoring of risks comprises both ongoing monitoring activities in the normal course of management and separate evaluations. There is regular reporting of monitoring activities to the ARC and Board. Group Risk provides guidance on quarterly monitoring in line with the Risk Strategy and Appetite and risk tolerances and limits set out in the risk policies. Consistent monitoring across the Athora group allows for aggregation and active monitoring of risks at Athora group level.

b) Credit risk
Credit risk is the risk of loss resulting from an obligator's potential inability or unwillingness to fully meet its contractual obligations to the Company. Credit risk can result from changes in the rating category of the obligor, fluctuation of spreads associated with each credit rating over time, and potentially default, being the lowest possible rating assigned to a fixed income investment.

The Company assumes credit risks through its investment activities, via a targeted and well selected Strategy Asset Allocation ("SAA") that is in line with the risk strategy. Where the Company assumes this risk, it ensures that it remains diversified, and that it is adequately compensated for the risks it assumes, and that the level of risk is consistent with the Company's risk appetite and objectives. The Company avoids idiosyncratic concentrations and ensures that default risk exposure is sufficiently modest so as not to represent a solvency risk to the Company in even severe economic conditions.

3. Financial risk management (continued)

b) Credit risk (continued)

Exposure to credit risk

The following table summarises the Company's maximum exposure to credit risk related to financial instruments and insurance contracts. The maximum credit exposure is the carrying value of the financial assets and insurance assets net of any allowances for losses.

	Investment grade	Unrated	Unit-linked	Total
2021	**€'000**	**€'000**	**€'000**	**€'000**
Cash and cash equivalents	**32,820**	**-**	**-**	**32,820**
Receivables	**-**	**4,306**	**-**	**4,306**
Financial assets	**962,428**	**827,984**	**-**	**1,790,412**
Loans and advances due from banks	**2,714**	**-**	**-**	**2,714**
	997,962	**832,290**	**-**	**1,830,252**

	Investment grade	Unrated	Unit-linked	Total
2020	**€'000**	**€'000**	**€'000**	**€'000**
Cash and cash equivalents	91,743	-	-	91,743
Receivables	-	4,671	1,050,272	1,054,943
Reinsurance assets	110,791	-	-	110,791
Investments attributable to policyholders and third parties	-	-	790,141	790,141
Financial assets	1,151,996	1,172,130	-	2,324,126
	1,354,530	1,176,801	1,840,413	4,371,744

Concentration risk

Concentrations of credit risk arise from exposures to a single debtor, a group of related debtors or groups of debtors that have similar credit risk characteristics in that they operate in the same geographic region or in similar industries. The characteristics are similar in that the changes in economic or political environments may impact their ability to meet obligations as they come due.

The Company may accept limited and carefully selected concentration risk to maximise returns, while ensuring an overall diversified asset portfolio. This is managed closely through the criteria process and selection of the SAA.

The Company uses appropriate limit and early warning systems throughout the Company to manage and monitor our credit risk exposures.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2021 and 2020

3. Financial risk management (continued)

b) Credit risk (continued)

Asset quality
The ratings employed by the Company consider the ratings from the three main rating agencies (Standard and Poor's, Fitch and Moody's). There are no financial assets that are past due or impaired.

	AAA	AA	A	BBB	NR	Total
2021 Rating	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**
Financial Assets at fair value though P&L	-	-	-	-	**59,439**	**59,439**
Loans and receivables	-	-	**75,000**	-	-	**75,000**
AFS Financial Assets	**58,209**	**331,784**	**316,684**	**180,751**	**768,545**	**1,655,973**
Cash and cash equivalents	-	**2,039**	**30,781**	-	-	**32,820**
	58,209	**333,823**	**422,465**	**180,751**	**827,984**	**1,823,232**

	AAA	AA	A	BBB	NR	Total
2020 Rating	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**
Financial Assets at fair value though P&L	-	-	-	-	259,364	259,364
Loans and receivables	-	-	-	-	110,000	110,000
AFS Financial Assets	146,533	466,096	298,820	238,651	802,765	1,952,865
Derivatives	-	-	-	-	1,897	1,897
Reinsurance assets	-	110,791	-	-	-	110,791
Cash and cash equivalents	27,442	-	63,815	486	-	91,743
	173,975	576,887	362,635	239,137	1,174,026	2,526,660

3. Financial risk management (continued)

b) Credit risk (continued)

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet all cash outflow obligations as they come due. We ensure that a sufficient liquidity buffer is maintained to ensure liquidity demands are met, even in times of stress.

The table below summarised the maturity profile of the Company's contractual obligations:

2021	Up to a year €'000	1 - 5 years €'000	Over 5 years €'000	Unit-linked €'000	Total €'000
Payables	**25,646**	-	-	-	**25,646**
Other financial liabilities	**1,281**	**6,406**	**20,744**	-	**28,431**
Borrowings	-	**155,000**	-	-	**155,000**
	26,927	**161,406**	**20,744**	-	**209,077**

2020	Up to a year €'000	1 - 5 years €'000	Over 5 years €'000	Unit-linked €'000	Total €'000
Payables	97,278	13,566	-	1,045,886	1,156,730
Other financial liabilities	114,810	113,875	7,752	-	236,437
Borrowings	-	155,000	-	-	155,000
	212,088	282,441	7,752	1,045,886	1,548,167

Market risk

Market risk includes the risk of loss or of adverse change in the financial situation resulting, directly or indirectly, from fluctuations in the level and in the volatility of market prices of assets, liabilities and financial instruments. Market risk to the Company is managed as part of its investment strategy and ALM framework which involves closely matching assets and liabilities.

Currency risk

Currency risk is the risk of losses when currency exchange rates change. Typically, this is the case when assets and liabilities have different sensitivities to changes in exchange rates.

For the assets backing insurance contracts liabilities that are not matched by currency, the change in foreign currency exchange rates can expose the Company to the risk of foreign exchange losses not offset by liability decreases. The Company's obligations are denominated in Euro, Sterling and U.S dollars. In accordance with IFRS, foreign currency translation gains and losses from net investments in foreign operations and tax effects, are recorded in accumulated other comprehensive income. Strengthening or weakening of the euro spot rate compared to Sterling and U.S dollar spot rates impacts the Company's total equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2021

3. Financial risk management (continued)

b) Credit risk (continued)

Currency risk (continued)

The table below summarises the key exposure to foreign currency of the statement of financial position:

2021	EUR €'000	GBP €'000	USD €'000	Total €'000
Cash and cash equivalents	32,458	15	347	32,820
Receivables	4,194	-	112	4,306
Financial assets	1,541,898	40,462	208,052	1,790,412
Property and equipment	10,076	-	-	10,076
Deferred tax assets	11,151	-	-	11,151
Current tax assets	228	-	-	228
Loans and advances due from banks	2,714	-	-	2,714
Other assets	31,793	14	-	31,807
Total assets	1,634,512	40,491	208,511	1,883,514
Payables	25,609	15	22	25,646
Other financial liabilities	23,841	-	-	23,841
Insurance provisions	1,404,294	-	-	1,404,294
Other liabilities	125,809	101	182	126,092
Borrowings	155,000	-	-	155,000
Total liabilities	1,734,553	116	204	1,734,873

2020	EUR €'000	GBP €'000	USD €'000	Total €'000
Cash and cash equivalents	67,745	24,093	(95)	91,743
Receivables	17,051	1,037,892	-	1,054,943
Reinsurance assets	110,791	-	-	110,791
Investments attributable to policyholders and third parties	77,840	712,301	-	790,141
Financial assets	1,144,121	1,089,258	90,747	2,324,126
Property and equipment	10,965	-	-	10,965
Deferred tax assets	6,730	-	-	6,730
Current tax assets	226	-	-	226
Other assets	32,185	51	1,422	33,658
Total assets	1,467,654	2,863,595	92,074	4,423,323
Payables	33,385	1,085,036	38,309	1,156,730
Liabilities attributable to policyholders and third parties	158,266	967,775	-	1,126,041
Other financial liabilities	228,784	7,653	-	236,437
Insurance provisions	1,374,257	-	-	1,374,257
Other liabilities	134,986	-	-	134,986
Borrowings	155,000	-	-	155,000
Total liabilities	2,084,678	2,060,464	38,309	4,183,451

3. Financial risk management (continued)

b) Credit risk (continued)

Interest rate risk
Interest rate risk exists if asset and liability cash flows are not closely matched, and interest rates change causing a difference in value between the asset and liability.

The Company does not seek to take interest rate risk, as it is not core to the Company's business strategy and the Company believes the return for keeping this risk on its statement of financial position is very low. The asset and liability strategy are structured so as to ensure that the asset is relatively neutral with respect to interest rate movements. Any risk to moves in interest rates should be the result of a tactical and evaluated position.

Equity risk
Equity risk is the uncertainty associated with the valuation of assets and liabilities arising from the change in equity markets. The Company seeks to minimise equity risk and has a limited appetite for investing in equity securities.

Underwriting risk
Underwriting risk is the risk the insured event occurs and that there are large deviations between expected and actual actuarial assumptions including mortality, persistency, longevity, morbidity and expense variations.

The Company is in the business of accepting risk associated with insurance contract liabilities. The objective of the Company is to mitigate its exposure to risk arising from these contracts through product design, product and geographical diversification, the implementation of underwriting strategy guidelines within each entity, and through the use of reinsurance arrangements.

The Company accepts certain underwriting risks where it helps to achieve business objectives or where mitigation methods are not available or economically viable.

3. Financial risk management (continued)

b) Credit risk (continued)

Sensitivities – insurance and financial risk

The analysis below is performed for reasonably possible movements in key variables, with all other variables held constant, showing the impact on income before tax. The correlation of variables will have a significant effect in determining the ultimate impact from market risk, but to demonstrate the impact due to changes in variables, variables were changed on an individual basis. In the current year, scenarios were changed to align sensitivity analyses across the group.

2021 Type of varaible	Change in sensitivity	Impact on profit before tax €m	Impact on profit after tax €m	Impact on OCI, pre tax €m	Impact on OCI, net of tax €m	Impact on equity, pre-tax €m	Impact on equity, net of tax €m
Credit Spread	+50bps	-	-	(79,023)	(76,590)	(79,023)	(76,590)
	-50bps	-	-	79,023	76,590	79,023	76,590
Interest rate	+50bps	-	-	(76,629)	(74,291)	(76,629)	(74,291)
	-50bps	-	-	82,443	80,002	82,443	80,002
Equity	10%	4,163	4,163	14,772	14,211	18,935	18,374
	-10%	(4,163)	(4,163)	(14,772)	(14,211)	(18,935)	(18,374)
Underwriting lapses rates	10%	(4,027)	(3,899)	-	-	(4,027)	(3,899)
	-10%	4,328	4,190	-	-	4,328	4,190
Underwriting mortality	10%	(8,774)	(8,687)	-	-	(8,774)	(8,687)
	-10%	9,546	9,459	-	-	9,546	9,459
Underwriting 10% Expenses	10%	4,079	3,997	-	-	4,079	3,997

Tax rate is at 12.5% for all sensitivities applicable for AI plc.

2020 Type of varaible	Change in sensitivity	Impact on profit before tax €m	Impact on profit after tax €m	Impact on OCI, pre tax €m	Impact on OCI, net of tax €m	Impact on equity, pre-tax €m	Impact on equity, net of tax €m
Credit Spread	+50bps	(4,930)	(4,314)	(19,604)	(17,154)	(24,534)	(21,467)
	-50bps	5,336	4,669	21,154	18,510	26,491	23,179
Interest rate	+50bps	(2,466)	(2,158)	(17,715)	(15,500)	(20,181)	(17,658)
	-50bps	2,616	2,289	19,217	16,815	21,833	19,104
Equity	10%	(405)	(354)	2,962	2,591	2,557	2,237
	-10%	335	293	(2,962)	(2,591)	(2,626)	(2,298)
Underwriting lapses rates	10%	1,997	1,748	-	-	1,997	1,748
	-10%	(2,305)	(2,017)	-	-	(2,305)	(2,017)
Underwriting mortality	10%	9,941	8,698	-	-	9,941	8,698
	-10%	(12,260)	(10,727)	-	-	(12,260)	(10,727)
Underwriting 10% Expense	10%	(10,122)	(8,857)	-	-	(10,122)	(8,857)

Tax rate is at 12.5% for all sensitivities applicable for AI plc.

3. Financial risk management (continued)

b) Credit risk (continued)

Capital Management
The Company's approach to capital management is outlined in the Company's capital management policy. The Company has established the following capital management objectives to managing the risks that affect its capital position:

- To manage the capital and liquidity of the Company on an economic basis, and within the constraints and requirements of all external stakeholders (policyholders, regulators, shareholders, and rating agencies);
- To maintain financial strength so that each entity can withstand reasonably adverse business and market conditions; and
- To minimise balance sheet and capital volatility, thus ensuring stability and predictability for all stakeholders and support an efficient management of capital.

The Company is supervised by the Bermuda Monetary Authority ("BMA") and as a Class E reinsurer is required to maintain available statutory capital and surplus to meet the Minimum Margin of Solvency ("MSM") and to meet and maintain an Enhanced Capital Requirement in accordance with the provisions of the Insurance Act and related rules and regulations. As of 31 December 2021, the Company exceeds its required MSM.

The Bermuda Companies Act 1981, as amended, limits the Company's ability to declare and pay dividends and make and pay distributions to shareholders if there are reasonable grounds for believing that the Company would be unable to pay its liabilities as they become due, or if the realisable value of its assets would be less than its liabilities. Under the Insurance Act, the Company cannot in any financial year pay dividends that would exceed 25 percent of its total statutory capital and surplus, as shown on its statutory balance sheet in relation to the previous financial year, unless at least seven days before payment of those dividends it files with the BMA an affidavit stating that the declaration of those dividends has not caused the insurer to fail to meet its relevant margins.

In addition, the Company shall request the approval of the BMA before reducing by 15 percent or more its total statutory capital, as set out in its prior year financial statements. Furthermore, as an insurer carrying on long-term business, the Company is also restricted from declaring or paying a dividend unless the value of its assets, as certified by the Company's approved actuary, exceeds its liabilities (as so certified) by the greater of its margin of solvency or, if applicable, its enhanced capital requirement.

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4. Net earned premium

	2021 Gross amount €'000	2020 Gross amount €'000	2021 Reinsurers' share €'000	2020 Reinsurers' share €'000	2021 Net amount €'000	2020 Net amount €'000
Accepted reinsurance	**69,240**	1,203,908	-	-	**69,240**	1,203,908
	69,240	1,203,908	-	-	**69,240**	1,203,908

5. Investment income

	2021 €'000	2020 €'000
Financial assets at fair value through profit or loss	**(3,959)**	1,252
Available-for-sale financial assets	**17,222**	9,774
Loans and receivables	**4,059**	3,829
Cash and cash equivalents	**1**	6
Result on derivatives	**(602)**	(817)
	16,721	14,044

2021	Financial assets at fair value through profit or loss €'000	Available-for-sale financial assets €'000	Loans and receivables €'000	Cash and cash equivalents €'000	Result on derivatives €'000	Total €'000
Interest income	**9,911**	**24,179**	**4,059**	**1**	**54**	**38,204**
Realised gains / (losses)	**(10,305)**	**(6,957)**	**-**	**-**	**-**	**(17,262)**
Unrealised gains / (losses)	**(3,565)**	**-**	**-**	**-**	**(656)**	**(4,221)**
	(3,959)	**17,222**	**4,059**	**1**	**(602)**	**16,721**

2020	Financial assets at fair value through profit or loss €'000	Available-for-sale financial assets €'000	Loans and receivables €'000	Cash and cash equivalents €'000	Result on derivatives €'000	Total €'000
Interest income	566	8,582	3,829	6	-	12,983
Realised gains / (losses)	687	1,192	-	-	492	2,371
Unrealised gains / (losses)	(1)	-	-	-	(1,309)	(1,310)
	1,252	9,774	3,829	6	(817)	14,044

For interest-bearing assets, interest is recognised as it accrues and is calculated using the effective interest rate method.

6. Other income

	2021 €'000	2020 €'000
Gains/Loss on foreign currencies	-	2,461
Other income	**703**	831
Income from associates and other group companies	**376**	1,937
	1,079	5,229

7. Net insurance benefits and claims

	2021 €'000	2020 €'000
Claims Paid	**(69,647)**	(4,752)
Change in insurance provisions	**(21,734)**	(1,186,488)
	(91,381)	(1,191,240)

8. Other expenses

	Note	2021 €'000	2020 €'000
Staff costs		**(1,768)**	(1,625)
Losses on foreign currency		**(16)**	(3,785)
Other administration expenses		**(8,578)**	(10,216)
Depreciation	11	**(890)**	(951)
Asset management fees		**(6,193)**	(3,296)
IT, Professional and Property costs		**(5,678)**	(5,662)
Acquisition and administration costs		**(863)**	(872)
		(23,986)	(26,407)

9. Interest expenses

	2021 €'000	2020 €'000
Interest expenses on other loans, bonds and payables	**(617)**	(680)
Interest expenses on deposits received from reinsurers	-	(14)
Other interest expenses	**(659)**	(1,283)
Interest expenses on subordinated liabilities and borrowings	**(1,291)**	(131)
	(2,567)	(2,108)

10. Taxation

a) Analysis of Tax charge

	2021 €'000	2020 €'000
Current tax:		
Corporation tax charge for the year	-	-
Adjustment in respect of previous years	-	-
Total current tax charge	-	-
Deferred tax:		
Origination and reversal of timing differences during the year	**389**	(185)
Adjustment in respect of previous years	**(9)**	6,188
Total deferred tax charge	**380**	6,003
Total Tax charge on profit from continuing operations	**380**	6,003

b) Reconciliation of the expected tax charge/ (credit) at the standard tax rate to the actual tax charge at the effective rate

The group operates in multiple jurisdictions and is subject to taxation on profits in each jurisdiction at different rates.

The differences are explained below:

	2021 €000	2020 €000
(Loss) / Profit from continuing operations before tax	**(30,894)**	3,426
Tax calculated at the domestic rates applicable to profits in each operational jurisdiction	**389**	(185)
Effects of:		
Expenses not deductible for tax purposes	-	-
Previously unrecognised temporary differences	-	-
Effect of Changes in Tax Rates	-	-
Adjustments in respect of prior years	**(9)**	6,188
Exchange Adjustments	-	-
Total Tax charge for the year from continuing operations	**380**	6,003

Tax calculated at the domestic rates applicable to profits in each operational jurisdiction has been computed using the standard rates of taxes on corporate income for the financial year, as follows: Bermuda 0% (2020: 0%), Ireland 12.5% (2020: 12.5%).

10. Taxation (continued)

c) Deferred tax assets

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred taxes relate to the same fiscal authority.

Net deferred tax assets totalling €11.1m (2020: €6.7m) were recognised as of the date of the Statement of Financial Position in respect of net deductible temporary differences relating to the group's Irish subsidiary, AI, which has incurred losses since acquisition in 2018.

On the basis of the latest business plans, the group expects sufficient taxable profits to be generated by AI in future years to realise the deferred tax asset recognised at the date of the Statement of Financial Position.

	Assets	Liabilities	Net Deferred Tax Assets
2021	**€000**	**€000**	**€000**
Losses Brought Forward	**9,673**	**-**	**9,673**
Property and equipment	**64**	**-**	**64**
Available-for-sale financial assets	**1,302**	**-**	**1,302**
Leases	**95**	**-**	**95**
Provisions and other payables	**17**	**-**	**17**
	11,151	**-**	**11,151**

	Assets	Liabilities	Net Deferred Tax Assets
2020	**€000**	**€000**	**€000**
Losses Brought Forward	3,485	-	3,485
Property and equipment	110	-	110
Available-for-sale financial assets	-	(1,112)	(1,112)
Leases	68	-	68
Insurance Liabilties	4,122	-	4,122
Provisions and other payables	57	-	57
	7,842	(1,112)	6,730

10. Taxation (continued)

d) Circumstances affecting current and future tax charges

The movement in net deferred tax assets during the year ended 31 December 2021 is as follows:

	1 January 2021 €000	Recognised in income statement credit / (charge) for Continuing Operations 2021 €000	Recognised in Income Statement credit / (charge) for Discontinued Operations 2021 €000	Recognised in other comprehensive income 2021 €000	31 December 2021 €000
Losses Brought Forward	**3,485**	**(321)**	**6,509**	**-**	**9,673**
Property and equipment	**110**	**(46)**	**-**	**-**	**64**
Available-for-sale financial assets	**(1,112)**	**-**	**-**	**2,414**	**1,302**
Leases	**68**	**27**	**-**	**-**	**95**
Insurance Liabilties	**4,122**	**-**	**(4,122)**	**-**	**-**
Provisions and other payables	**57**	**(40)**	**-**	**-**	**17**
	6,730	**(380)**	**2,387**	**2,414**	**11,151**

The movement in net deferred tax assets during the year ended 31 December 2020 is as follows:

	1 January 2020 €000	Recognised in income statement credit / (charge) for Continuing Operations 2020 €000	Recognised in Income Statement charge for Discontinued Operations 2020 €000	Recognised in other comprehensive income 2020 €000	31 December 2020 €000
Losses Brought Forward	8,664	(5,522)	343	-	3,485
Property and equipment	177	(67)	-	-	110
Available-for-sale financial assets	(522)	-	-	(590)	(1,112)
Leases	36	32	-	-	68
Insurance Liabilties	4,480	(358)	-	-	4,122
Provisions and other payables	145	(88)	-	-	57
	12,980	(6,003)	343	(590)	6,730

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11. Property and equipment

	Right-of-use buildings 2021 €'000	Right-of-use buildings 2020 €'000
At 1 January	**12,744**	11,853
Reclassification	-	891
At 31 December	**12,744**	12,744
Accumulated amortisation		
At 1 January	**(1,778)**	(827)
Depreciation / amortisation charge	**(890)**	(837)
Reclassification	-	(114)
At 31 December	**(2,668)**	(1,778)
Net book value at 31 December	**10,076**	10,965

Right-of-use asset (see Note 26) with a net carrying amount of €10,076 (2020: €10,965) are recorded under property and equipment.

12. Financial assets

	2021 €'000	2020 €'000
Available-for-sale financial equity assets	**282,713**	196,524
Available-for-sale financial debt assets	**1,373,260**	1,756,342
Available-for-sale assets total	**1,655,973**	1,952,866
Loans and receivables	**75,000**	110,000
Financial assets at fair value through profit or loss	**59,439**	259,363
Derivative financial assets	-	1,897
Total Financial assets	**1,790,412**	2,324,126

Reduction in financial assets in 2021 is primarily a result of the transfer of the VA portfolio as AFS government bonds and unit-linked funds were transferred to Monument as part of the transfer.

13. Investments attributable to policyholders and third parties

	2021 €'000	2020 €'000
Financial assets at fair value through profit or loss	-	790,141
	-	790,141

Investments for account of policyholders has reduced to zero in the current year following the transfer of the VA portfolio by AI of 31 December 2021.

14. Reinsurance assets

	2021 €'000	2020 €'000
Reinsurance recoverable	-	110,791
	-	110,791

Reinsurance recoverable has reduced to zero in the current year following the transfer of the VA portfolio by AI of 31 December 2021.

15. Loans and advances due from Banks

	2021 €'000	2020 €'000
Collateral pledged from securities borrowing and derivatives	**2,714**	-
	2,714	-

Collateral pledged in 2021 relates to the derivatives program entered into by AI in 2021.

16. Receivables

	2021 €'000	2020 €'000
Receivables from direct insurance operations	-	1,190
Receivables from reinsurance operations	**1,910**	1,051,447
Other receivables	**2,396**	2,306
	4,306	1,054,943

Reduction in receivables from reinsurance operations from prior year is largely driven by the transfer of the VA portfolio and the cessation of the modified coinsurance arrangement with NewRe.

17. Other assets

	2021 €'000	2020 €'000
Deferred expenses	**23,794**	24,429
Accrued income	**7,982**	8,887
Prepayments	**29**	332
Other assets	**2**	10
	31,807	33,658

18. Cash and cash equivalents

	2021 €'000	2020 €'000
Cash at bank and credit balances with banks pay on demand	**32,820**	91,743
	32,820	91,743

19. Shareholders' equity

	2021 €'000	2020 €'000
Share capital and share premium	**241,250**	241,250
Retained earnings	**(84,772)**	(31,271)
Other reserves	**(7,837)**	29,893
	148,641	239,872

The Company's share premium amounts to €250 fully paid shares at €1 par value each. The capital contribution of €241,000 represents amounts contributed by AHL.

20. Insurance provisions

	2021 €'000	2020 €'000
At 1 January 2021	**1,374,257**	299,072
Premiums received	**66,999**	1,067,068
Liabilities paid for maturities, surrenders and claims	**(54,517)**	(13,485)
Benefits and claims experience variation	**9,656**	(8,673)
Fees deducted	**(2,243)**	(673)
Change in accounting estimates	**2,541**	-
Expenses	**1,895**	24,886
Discount rate	**5,706**	6,062
At 31 December 2021	**1,404,294**	1,374,257

21. Liabilities attributable to policyholders and third parties

	2021 €'000	2020 €'000
Balance as at 1 January	**1,126,041**	1,298,625
Deposits	**6,762**	-
Withdrawals	**(102,028)**	(102,988)
Fees deducted	**(18,410)**	(19,429)
Investment return and foreign exchange	**41,628**	(50,167)
IFRS 5 disposal	**(1,053,993)**	-
Balance as at 31 December	**-**	1,126,041

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22. Borrowings

	2021 €'000	2020 €'000
Loans from other group companies	**155,000**	155,000
	155,000	155,000

On 6 December 2018, the Company executed a funding agreement with ALV in the amount of €80,000, with a floating interest rate and a maturity date of 6 December 2023.

On 17 February 2020, the Company executed a funding agreement with AB in the amount of €75,000, with a floating interest rate and a maturity date of 17 February 2023.

These funding agreements do not transfer insurance risk. Accordingly, the contracts are accounted for as a deposit liability in a manner similar to interest bearing or other financial instruments.

23. Other financial liabilities

	2021 €'000	2020 €'000
Lease liabilities	**10,836**	11,507
Derivative liabilities	**13,005**	113,314
Cash collateral held	**-**	111,616
	23,841	236,437

The reduction in derivatives liability and cash collateral held in 2021 is primarily as a result of the transfer of the VA portfolio on 31 December 2021.

The Company enters into derivative transactions under International Swaps and Derivatives Association ("ISDA") master netting agreements. In general, under these agreements the amounts owed by each counterparty on a single day in respect of all transactions outstanding in the same currency are aggregated into a single net amount that is payable by one party to the other.

24. Trade and Other Payables

a) Payables arising out of reinsurance operations

	2021 €'000	2020 €'000
Due on ceded business	**17,452**	1,082,919
Payables arising out of reinsurance operations	**17,452**	1,082,919

b) Payables arising out of direct insurance operations

	2021 €'000	2020 €'000
Payables arising out of direct insurance operations	**1,170**	18,550
Payables arising out of reinsurance operations	**1,170**	18,550

24. Trade and Other Payables (continued)

c) Other payables

	2021 €'000	2020 €'000
Due related to clients and suppliers	**2,232**	2,862
Intercompany payables	**4,228**	49,572
Other payables	**564**	2,827
Other payables	**7,024**	55,261
Total payables	**25,646**	1,156,730

The reduction of the payables arising from reinsurance operation balance in 2021 was due to the transfer of the VA portfolio and the cessation of the modified coinsurance arrangement with NewRe as part of the reinsurance agreement on the portfolio.

Other payables consist of payables to suppliers and other sundry liabilities. The carrying amounts disclosed above approximate fair value at the reporting date. All amounts are payable within one year.

25. Other liabilities

	2021 €'000	2020 €'000
Expense accruals	**4,001**	456
Other taxes	**409**	161
Deferred income	**121,228**	134,159
Other liabilities	**454**	210
Other liabilities	**126,092**	134,986

The deferred revenue recognised relates to reinsurance contracts, which are deferred and capitalised in the statement of financial position and released to the statement of profit or loss over the expected life of the policy.

26. Leases

Effective 1 December 2019, the Company has applied IFRS 16 to the consolidated financial statements. The Company leases office space for a term of fifteen years (until 14 April 2033) having the option to cancel the lease after eight years. The lease is for the second floor of the IFSC House in Dublin.

Right-of-use asset

	Note	2021 €'000	2020 €'000
Right of use assets:			
Buildings	**11**	**10,076**	10,965
The carrying amount of discounted lease liabilities			
Balance at the beginning of the year		**11,507**	11,631
Lease adjustment		**-**	511
Lease payments		**(1,281)**	(1,281)
Interest expense		**610**	646
Balance at the end of the year		**10,836**	11,507

26. Leases (continued)

Lease liabilities

	2021 €'000	2020 €'000
Lease liabilities		
Current	**1,281**	1,281
Non Current	**9,555**	10,226
Total	**10,836**	11,507

There were no additions to the right-of-use assets during the 2021 financial year.

Amounts recognised in the statement of profit and loss:

	2021 €'000	2020 €'000
Depreciation charge of right-of-use assets	**889**	951
Interest expense	**610**	587

Maturity analysis – contractual undiscounted cash flows

	2021 €'000	2020 €'000
Leasehold premises		
Payable on leases which expire:		
Less than one year	**1,281**	1,281
One to five years	**5,125**	5,125
More than 5 years	**8,114**	9,395
	14,520	15,801

Interest expenses are recorded under Other operating and administration expenses on the Consolidated Statements of Profit or Loss. The total cash outflow for leases in 2021 was €1.3m (2020: €1.3).

27. Determination of fair value of financial instrument

The following table provides the fair value measurement hierarchy of the Company's financial assets and liabilities:

2021	Total €0	Quoted prices in active markets (Level 1) €0	Significant observable inputs (Level 2) €0	Significant unobservable inputs (Level 3) €0
Assets measured at fair value:				
Financial assets – own risk				
Available for sale financial assets	**1,655,973**	**574,015**	**280,476**	**801,482**
Investments at fair value through profit or loss	**59,439**	**59,439**	**-**	**-**
	1,715,412	**633,454**	**280,476**	**801,482**
Liabilities measured at fair value:				
Derivative financial liabilities	**13,005**	**-**	**13,005**	**-**
	13,005	**-**	**13,005**	**-**

2020	Total €0	Quoted prices in active markets (Level 1) €0	Significant observable inputs (Level 2) €0	Significant unobservable inputs (Level 3) €0
Assets measured at fair value:				
Financial assets – own risk				
Available for sale financial assets	1,952,866	916,831	317,679	718,356
Investments at fair value through profit or loss	259,364	113,498	145,866	-
Derivative financial assets	1,897	-	1,897	-
Financial assets – policyholder risk	790,141	436,722	353,419	-
	3,004,268	1,467,051	818,861	718,356
Liabilities measured at fair value:				
Derivative financial liabilities	113,314	-	2,523	110,791

Movement into level 3 in the fair value hierarchy

The Company's policy is to record transfers of assets and liabilities between level 1, level 2 and level 3 at their fair values at the beginning of each reporting year. The Company confirms the asset holdings whether in custody or otherwise held by the Company, identifying asset holdings which do not have market observable data.

27. Determination of fair value of financial instrument (continued)

The following table summarises the change of all assets and liabilities measured at estimated fair value on a recurring basis using significant unobservable inputs (Level 3), including realised and unrealised gains or (losses) of all assets and liabilities still held at the end of the respective periods:

2021	Available for sale financial assets €000	Financial liabilities €000
Opening balances	**718,356**	**(110,791)**
Total gains/(losses) in profit or loss	**8,662**	**-**
Total gains/(losses) in OCI	**8,441**	**-**
Purchases	**437,049**	**-**
Sales	**(438,436)**	**(110,791)**
Transfers to level 1 and 2	**-**	**-**
Transfers from level 1 and 2	**67,410**	**-**
Closing balance	**801,482**	**-**

2020	Available for sale financial assets €000	Financial liabilities €000
Opening balances	307,280	(57,756)
Total gains/(losses) in profit or loss	212	(53,035)
Total gains/(losses) in OCI	3,995	-
Purchases	456,853	-
Sales	(49,984)	-
Closing balance	718,356	(110,791)

The Company reviews the valuation processes used internally and with external Investment Managers and other professionals. This work gives comfort to management that the assets are valued in accordance with applicable regulation and guidance which results in the asset being valued appropriately. Private equity holdings are valued using a range of techniques, including earnings multiples, forecast cash flows and price / earnings ratios which are deemed to be appropriate but unobservable.

Significant unobservable inputs for level 3

The valuation process for significant unobservable inputs used for recurring fair value measurements for certain Level 3 assets and liabilities is based on the following valuation technique and assumptions.

- For the financial liabilities, this relates to an embedded derivative with the most significant unobservable factor being credit spread. The expected returns are based on risk-free rates. The Company added a premium to reflect the credit spread as required. The credit spread is set by using the credit default swap spreads of a reference portfolio of life insurance companies including Athora as provided to the Company by Athora Group Risk.
- AFS securities consist of the Company's investment in Athora Luxembourg Funds, asset-backed securities, and commercial mortgage loans. Significant unobservable inputs include valuations of private loans and private equity. Where market quotations are unavailable, a model-based approach is used to determine fair value. These valuations are reviewed by a third-party valuation specialist.

28. Commitments and contingencies

Legal proceedings and regulations

The Company operates in the reinsurance industry and may be subject to legal proceedings in the normal course of business. The Company has no pending or threatened legal proceedings at the reporting date.

The Company is also subject to insurance laws and regulations of Bermuda and has complied with such laws and regulations. There are no contingencies associated with the Company's compliance or lack of compliance with such laws and regulations.

Capital commitments

The Company has no capital commitments at the reporting date.

29. Related party transactions

Key management personnel

For the purposes of the disclosure requirements of IAS 24, the term 'key management personnel' (i.e., those persons having authority and responsibility for planning, directing and controlling the activities of the Company) comprises the members of the Company's management committees.

The remuneration of key management personnel during the year was as follows:

	2021 $000	2020 $000
Salaries and other short-term employee benefits	**1,706**	1,480
Bonus awards	**616**	670
Defined benefit pension contributions	**191**	186
Other benefits	**124**	81
	2,637	2,417

Subsidiaries

Note 1 provides information about the Company's structure, including details of the subsidiaries and the holding company. The following information provides the total amount of transactions that have been entered into with related parties for the relevant financial year.

Entities with significant influence

Entities that have significant influence on the Company and, as such, are considered related parties are subsidiaries and affiliates of:

- Apollo Global Management, Inc., who provide investment management, consulting, financial, and advisory services to the Company

Transactions and balances with related parties

In accordance with IFRS 10: Consolidated financial statements, transactions and balances between overall group companies have been eliminated on consolidation and have not been reported as part of the consolidated financial statements.

29. Related party transactions (continued)

Transactions and balances with related parties (continued)

The Company has entered into transactions with related parties in the normal course of business during the year.

2021	Income €000	Expense €000	Receivable €000	Payable €000
Entities with significant influence	**-**	**4,580**	**-**	**2,560**
Subsidiaries and group companies	**34,880**	**66,389**	**79,539**	**1,522,192**

2020	Income €000	Expense €000	Receivable €000	Payable €000
Entities with significant influence	-	3,573	-	2,026
Subsidiaries and group companies	1,092,000	1,090,731	114,357	1,529,452

Transactions with related parties in 2021

Intercompany loan
In December 2021, the Company executed a loan agreement with AHL.

30. Discontinued operations

On 26 February 2021, The Group entered into a binding agreement for the transfer of its VA portfolio. On the same day, the Group entered a contract to cede risks not already ceded, including expense and longevity risks, that are associated with the VA portfolio for the period to the completion date of the transfer. The transfer of the VA portfolio was completed 31 December 2021. Financial information relating to the discontinued operation for the period to the date of derecognition is set out below.

The financial performance and cash flow information presented are for the twelve months ended 31 December 2021 and the year ended 31 December 2020.

	2021 €'000	2020 €'000
Fee and Commission Income	**17,962**	18,613
Reinsurance Expense	**(77,756)**	(23,413)
Investment income / (expense)	**37,574**	925
Net benefits and claims	**(25,456)**	5,330
Net operating expenses	**(7,889)**	(3,902)
Other	**33,053**	(28)
Loss Before Tax	**(22,512)**	(2,475)
Tax on discontinued operation	**2,388**	343
Loss after tax from discontinued operation	**(20,124)**	(2,132)

31. Comparative Figures

The Company sold its VA portfolio at the end of the year (see Note 30 Discontinued operations). This was a significant change in the business model of the Group. Accordingly, the presentation of the financial statements provides information that is reliable and more relevant. As stated in Note 1: Accounting policies, prior period comparatives have been reclassified to conform with the current year presentation.

Certain of the 2020 comparative figures have been reclassified to conform to the presentation adopted for 2020.

	As previously presented	a	b	c	d	e	Change in presentation	Current year presentation
2020	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Property and equipment	10,965	-	-	-	-	-	-	10,965
Financial assets	-	2,324,126	-	-	-	-	2,324,126	2,324,126
Available for sale financial assets	1,952,865	(1,952,865)	-	-	-	-	(1,952,865)	-
Shareholder investments at FVTPL	259,364	(259,364)	-	-	-	-	(259,364)	-
Derivative financial assets	1,897	(1,897)					(1,897)	
Loans and receivables	110,000	(110,000)	-	-	-	-	(110,000)	-
Investments attributable to policyholders and third parties	-	-	790,141	-	-	-	790,141	790,141
Financial assets at fair value	790,141	-	(790,141)	-	-	-	(790,141)	-
Reinsurance assets	1,161,063	-	-	(1,050,272)	-	-	(1,050,272)	110,791
Deferred tax assets	6,730	-	-	-	-	-	-	6,730
Current tax assets	-	-	-	-	-	226	226	226
Receivables	-	-	-	1,054,943	-	-	1,054,943	1,054,943
Insurance receivables	1,492	-	-	(1,266)	-	(226)	(1,492)	-
Other assets	-	-	-	-	33,658	-	33,658	33,658
Deferred expenses	24,429	-	-	-	(24,429)	-	(24,429)	-
Prepayments and accrued income	12,634	-	-	(3,405)	(9,229)	-	(12,634)	-
Cash and cash equivalents	91,743	-	-	-	-	-	-	91,743
Total assets	**4,423,323**	**-**	**-**	**-**	**-**	**-**	**-**	**4,423,323**

Notes

a. Reclassification of AFS financial assets, loans and receivables, and shareholder investments at FVTPL to Financial assets.

b. Reclassification of Financial assets at fair value to Investments attributable to policyholders and third parties.

c. Reclassification of VA insurance/reinsurance receivables, intercompany receivables, and ModCo Reinsurance Recoverable (VA) to receivables.

d. Reclassification of deferred expenses, prepayments and accrued income to other assets.

e. Reclassification of tax receivables from insurance receivables to current tax assets.

31. Comparative Figures (continued)

	As previously presented	a	b	c	d	e	f	Change in presentation	Current year presentation
2020	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Shareholders' equity	-	-	-	-	-	250	-	250	250
Share Capital	250	-	-	-	-	(250)	-	(250)	-
Share capital and share premium	-	-	-	-	-	241,000	-	241,000	241,000
Capital contribution	241,000	-	-	-	-	(241,000)	-	(241,000)	-
Retained losses	(31,271)	-	-	-	-	-	31,271	31,271	-
Retained earnings	-	-	-	-	-	-	(31,271)	(31,271)	(31,271)
Other reserves	-	-	-	-	-	-	29,893	29,893	29,893
Unrealized gains/(losses) on available for sale financial asse	32,273	-	-	-	-	-	(32,273)	(32,273)	-
Tax effects of items recognized through OCI	(1,112)	-	-	-	-	-	1,112	1,112	-
Foreign Currency Translation reserve	(1,268)	-	-	-	-	-	1,268	1,268	-
Insurance provisions	-	1,374,257	-	-	-	-	-	1,374,257	1,374,257
Liabilities attributable to policyholders and third parties	-	1,126,041	-	-	-	-	-	1,126,041	1,126,041
Insurance contract liabilities	2,506,659	(2,500,298)	-	-	(6,361)	-	-	(2,506,659)	-
Borrowings	-	-	155,000	-	-	-	-	155,000	155,000
Borrowings and other financial liabilities	166,507	-	(166,507)	-	-	-	-	(166,507)	-
Other financial liabilities	-	-	236,437	-	-	-	-	236,437	236,437
Derivative financial liabilities	113,314	-	(113,314)	-	-	-	-	(113,314)	-
Trade and other payables	169,790	-	(111,616)	(2,914)	(55,260)	-	-	(169,790)	-
Payables	-	-	-	-	1,156,730	-	-	1,156,730	1,156,730
Insurance payables	1,101,470	-	-	-	(1,101,470)	-	-	(1,101,470)	-
Other liabilities	-	-	-	128,625	6,361	-	-	134,986	134,986
Deferred revenue	125,711	-	-	(125,711)	-	-	-	(125,711)	-
Total equity and liabilities	**4,423,323**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**4,423,323**

Notes

a. Reclassification of Insurance contract liabilities to Insurance provisions and Liabilities attributable to policyholders and third parties

b. Relcassification of Borrowings and other financial liabilities and Derivative financial liabilities to Borrowings and Other financial liabilities.

c. Reclassification of deferred revenue and other payables to other liabilities.

d. Reclassification of insurance payables and trade payables to payables.

e. Change in presentation of share capital and capital contribution to Shareholders' Equity and Share capital and share premium.

f. Reclassification of OCI reserves and retained earnings.

31. Comparative Figures (continued)

2020	As previously presented €'000	a €'000	b €'000	c €'000	d €'000	e €'000	Change in presentation €'000	Current year presentation €'000
Gross earned premium	-	-	-	1,203,908	-	-	1,203,908	1,203,908
Reinsurance premiums written	1,211,017	(7,109)	-	(1,203,908)	-	-	(1,211,017)	-
Investment income	12,434	(17)	-	-	1,627	-	1,610	14,044
Realised gains	71,621	(69,937)	-	-	(1,684)	-	(71,621)	-
Fair value gains and (losses)	(68,656)	68,599	-	-	57	-	68,656	-
Other income	5,201	28	-	-	-	-	28	5,229
Fee and commission income	18,875	(18,875)	-	-	-	-	(18,875)	-
Claims paid and change in the insurance provisions	-	-		(1,191,239)	-	-	(1,191,240)	(1,191,240)
Gross change in contract liabilities	(1,121,046)	(59,330)	-	1,180,376	-	-	1,121,046	-
Gross benefits & claims paid	(113,374)	98,512	-	14,862	-	-	113,374	-
Change in contract liabilities ceded to reinsurer	61,910	(57,911)	-	(3,999)	-	-	(61,910)	-
Premiums ceded to reinsurers	(23,413)	23,413	-	-	-	-	23,413	-
Other expenses	-	-	-	-	-	(26,407)	(26,407)	(26,407)
Interest expenses	-	-	(2,108)	-	-	-	(2,108)	(2,108)
Operating and administration expenses	(53,618)	25,102	2,108	-	-	26,407	53,618	-
Income taxes	(5,660)	(343)					(343)	(6,003)
Loss after tax from discontinued operations	-	(2,132)	-	-	-	-	(2,132)	(2,132)
Loss for the year	**(4,709)**	**-**	**-**	**-**	**-**	**-**	**-**	**(4,709)**

Notes

a. Reclassification of VA expense and income items to Loss after tax from discontinued operations.

b. Reclassification of lease interest and other interest expense to Interest expenses.

c. Reclassification of insurance benefits and claims, both gross and reinsurer's share to Claims paid and change in the insurance provisions and Reinsurer's share.

d. Reclassification of realised gains and losses as well as fair value gains and losses to Investment income.

e. Reclassification of operating and administration expenses to Other expenses.

32. Subsequent events

There were no post balance sheet events.