ATHORA LIFE RE LTD.

Financial Condition Report

31 December 2021

TABLE OF CONTENTS

1. EXECUTIVE SUMMARY

Athora Life Re Ltd. ("**ARE**" or the "**Company**") was incorporated under the laws of Bermuda on 4 April 2017 and is registered as a Class E long-term insurer under the Insurance Act 1978, as amended, and related rules and regulations (the "**Insurance Act**") and supervised by the Bermuda Monetary Authority (the "**Authority**").

This Financial Condition Report has been prepared in accordance with the Insurance (Public Disclosure) Rules 2015. It provides information on ARE's business and performance, system of governance, risk profile and capital management.

1.1. Business and Performance

ARE is a wholly-owned subsidiary of Athora Holding Ltd. , a Bermuda holding company ("**Athora Holding**" or "**Parent**") which is an insurance group supervised by the Authority. In January 2018, Athora Holding deconsolidated from Athene Holding Ltd. ("**Athene**") becoming its own insurance group, of which ARE forms a part. Athora Holding, through its subsidiaries in Bermuda, Ireland, Germany, Belgium and Netherlands (collectively the "**Athora Group**"), is a specialist solutions provider in the European insurance market. ARE is the Designated Insurer appointed by the Authority as the lead insurer and administrative point of contact within the Athora Group, through whom the Group is required to fulfil its regulatory reporting and compliance obligations.

ARE is a Bermuda-based reinsurance carrier that provides innovative and creative capital optimisation and risk management solutions to European life insurers. It offers reinsurance solutions to insurers to free up capital, management capacities and operating resources, and enhance policyholder value.

On 3 April 2018, ARE acquired Aegon Ireland plc (now known as Athora Ireland plc ("**Athora Ireland**")) from Aegon N.V. Athora Ireland, as a direct subsidiary of ARE, supports ARE's strategy to provide reinsurance solutions across the European insurance market.

ARE and Athora Ireland have been assigned the following credit ratings by A.M. Best[1] and Fitch Ratings[2]:

	A.M. Best	Fitch
Athora Life Re Ltd.	A-	A-
	Outlook: Stable	Outlook: Positive
	03/2021	09/2021
Athora Ireland plc	A-	A-
	Outlook: Stable	Outlook: Positive
	03/2021	09/2021

[1] For the latest rating, access www.ambest.com.

[2] Fitch's ratings and analysis reflect the ability of an insurer to meet its policyholder, reinsurance and contract holder obligations on a timely basis.

The Company produces its financial statements in accordance with International Financial Reporting Standards ("**IFRS**"), as issued by the International Accounting Standards Board and adopted by the European Union, and reported a pre-tax loss of €51.4m at 31 December 2021, compared with a pre-tax loss of €4.7m at 31 December 2020, with losses in 2021 as a result of the sale of Athora Ireland's variable annuity business and realising book value losses on the investment portfolio due to the higher interest rate environment.

1.2. System of Governance

ARE is committed to a high standard of corporate governance and has adopted governance guidelines as a framework to provide effective governance over the affairs of the Company under the direction of the Company's Board of Directors (the "**Board**", each a "**Director**"), and in compliance with applicable laws and regulations, the Company's Bye-laws and other corporate governance documents of the Company.

The Company is satisfied that the system of governance remains fit for purpose and appropriate for the nature, scale and complexity of risks inherent in its business.

1.3. Risk Profile

The Company faces a number of risks which are external in nature, primarily financial market risks and underwriting risks. Other risks arise from internal factors, such as inadequate systems or processes. Both external and internal risks can affect the Company´s operations, its earnings, the value of its investments, or the sale of its products.

The Company's risk management framework defines the tools, policies and processes used to measure and manage risks, and to help guide the development of ARE's desired risk profile. The risk management and control systems are designed to ensure that these risks are managed effectively and efficiently in a way that is aligned with the Company's risk strategy.

The Company's operational framework and infrastructure has evolved since inception in 2018 and continues to mature to support the increased risk exposure that accompanies balance sheet growth. As the Company continues to progress towards an at-scale operation, further strengthening of processes, systems, and controls is anticipated.

1.4. Solvency Valuation

The Company has valued its assets and liabilities on a market consistent basis, i.e., using information which is market observable where possible in accordance with Economic Balance Sheet ("**EBS**") valuation principles. During the reporting period, the Company introduced uncertainty margins reflecting the simplifications and limitations in the methodology, assumptions, data, and modelling of the technical provision calculation.

1.5. Capital Management

The Company manages capital on an economic basis within the constraints and requirements of its external stakeholders. The primary objective of the Company's capital management process is to ensure that a strong financial position is maintained, and capital volatility is minimised. The Capital Management Policy outlines the capital management process.

The Capital and Investment Committee, and the Risk Committee, together with the Board, regularly consider capital assessments and projections for the Company to ensure that capital is managed with continuous adherence to the Company's principles around capital adequacy, financial flexibility and the efficient use of capital.

The Company's required capital is calculated using the regulatory capital requirements i.e., the Enhanced Capital Requirement ("**ECR**") which is calculated using the Bermuda Statutory Capital Requirement ("**BSCR**") model. The table below summaries the Company's capital position.

€ '000	**2021**	2020
Available Capital	219,454	282,683
ECR	96,683	86,180
Solvency Ratio	227%	328%

The reduction in Available Capital over the period is mostly explained by the sale of the Variable Annuity business from ARE's subsidiary Athora Ireland. The increase in capital requirements over the period is primarily due to increased investment risk reflecting the surplus capital position.

2. BUSINESS AND PERFORMANCE

2.1 Name of the Insurer

Athora Life Re Ltd.
Ideation House, First Floor
94 Pitts Bay Road
Pembroke HM 08, Bermuda

2.2 Insurance Supervisor

Bermuda Monetary Authority
BMA House
43 Victoria Street
Hamilton HM 12, Bermuda

2.3 Approved Auditor

EY Bermuda Ltd.
3 Bermudiana Road
Hamilton, HM08
Bermuda

2.4 Ownership details

ARE is a wholly owned subsidiary of Athora Holding, which is the Athora Group's parent company headquartered in Bermuda. Athora Holding's shareholder base is comprised of high-quality, long-term minded global institutional investors.

2.5 Group structure

The Athora Group structure is shown in **Appendix 1**.

2.6 Insurance business written by business segment and by geographical region during the reporting period

Geographical distribution of business written for the reporting period.

€ '000	2021	2020
Gross Premium Written - Belgium	19,729	1,073,421
Gross Premium Written - Ireland	38,795	117,674
Gross Premium Written - Germany	10,716	12,813
Gross Premium Written - Other	-	7,109
Total Gross Premium Written	**69,240**	**1,211,017**
Net Premium Written - Belgium	19,729	*1,073,421*
Net Premium Written - Ireland	38,795	*117,674*
Net Premium Written - Germany	10,716	*12,813*

Net Premium Written - Other	*-*	*(16,304)*
Total Net Premium Written	**69,240**	**1,187,604**

2.7 Performance of investments, by asset class and details on material income and expenses incurred during the reporting period

2.7.1 Investment performance

The table below details the Company's investment return as reported in the Company's 2021 and 2020 audited financial statements. The change in investment income over the period was driven by an increase in income from a larger asset base over 2021, offset slightly by fair value losses due to interest rate moves over the year.

€ '000	2021	2020
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)
Total Investment Return	**16,721**	**14,044**

2.7.2 Material income and expenses

The Company derives its revenues primarily from premiums on reinsurance contracts and investment income generated from its investment portfolio. The Company's expenses consist largely of acquisition expenses, claim payments, investment expenses and general administrative expenses.

For further details, see the Company's audited financial statements for the reporting period.

2.8 Any other material information

There is no further material information to note regarding the Company's business and performance.

3. GOVERNANCE STRUCTURE

The Company has established a system of governance that is appropriate for the nature, scale and complexity of risks inherent in its business. The Company's governance framework is set out in its Bye-laws, Board Governance Guidelines and committee's terms of reference. The Company's governance structure emulates its Parent's corporate governance framework. This governance framework operates a 'Three Lines of Defence' structure to ensure appropriate segregation of responsibilities.

The Board is responsible for the sound and prudent oversight of the Company and for the overall governance of the Company's business and strategic objectives. The Company's Bye-laws and Board Governance Guidelines define the duties, membership and meeting procedures of the Board. The Company has established a number of management committees (each with their own terms of reference) that provide oversight, review, challenge and monitoring of business and operational activities.

The purpose of each of the management committees

Committee	Membership	Responsibilities
Athora Bermuda Operations Committee ("ABOC")	▪ CEO ▪ CFRO ▪ Chief Actuary ▪ General Counsel ▪ Chief Reinsurance Marketing Actuary	ABOC provides senior management oversight of the operations of the business. ABOC meets monthly and as needed.
Risk Committee ("ARC")	▪ CEO ▪ CFRO ▪ General Counsel ▪ Group Enterprise Risk Management Director	Oversees the development of risk strategy for ARE and integration with the Athora Group strategy. Exercises oversight and provides advice to all key functions within the Company to ensure alignment with the Company's risk strategy and embedding of the risk management system in day to day operations. ARC meets quarterly and as needed. Effective 22 April 2022, the Head of Risk replaced the CFRO as a member of the ARC.
Capital and Investment Management Committee ("CIC")	▪ CEO ▪ CFRO ▪ Chief Actuary ▪ Athora Group Senior Director, Reinsurance, Capital and Balance Sheet Management	Reviews and monitors ARE's capital requirements and capital management, and optimises ARE's balance sheet regarding capital and cash generation within the limits of solvency, liquidity, rating agency capital and ARE's risk appetite. CIC provides strategy and direction regarding the investment activity of ARE and makes recommendations to the ARE Board on such matters. CIC meets quarterly and as needed.

Athora Transactions Committee	▪ CEO ▪ CFRO ▪ Chief Actuary ▪ Chief Reinsurance Marketing Actuary ▪ Senior Pricing Actuary	Conducts a robust appraisal of all reinsurance, retrocession and funding agreement transactions prior to issuing offers of terms for a transaction proportionate its risk and scale.

3.1 Board and Senior Executives

3.1.1 A description of the structure of the board and senior executive, the roles, responsibilities and segregation of these responsibilities

The business and affairs of the Company are overseen by its Board as the primary policy-making body of the Company, taking into account Athora Group-wide policies and procedures established by the Parent's board of directors. While the Company's business is managed under the direction of the Board, the chief/senior executives of the Company ("**Management**") are responsible for overseeing the day-to-day operations of the Company and adopting, formalising and implementing policies, procedures, internal controls and operational mechanics in order to effect the long-term strategic direction of the Company.

The Board currently comprises of four (4) Directors. Each Director is appointed based on several factors, including relevant qualifications, industry experience and technical expertise. The Board's responsibilities are outlined in the Company's Bye-laws and its Board Governance Guidelines.

Management assists the Board with its oversight responsibilities regarding the Company's business activities. Management is responsible for the execution of the Company's strategic plans and objectives and for the effective execution of the roles and responsibilities of their respective functions.

Management comprises five (5) primary officers: Chief Executive Officer; General Counsel and Chief Compliance Officer; Chief Actuary; Chief Reinsurance Marketing Actuary and Chief Financial and Risk Officer. Only one (1) member of the Board, the Chief Executive Officer, is directly involved with the day-to-day management of the Company.

3.1.2 A description of remuneration policy and practices and performance-based criteria governing the board, senior executive and employees

Remuneration Policy and Executive Compensation

The Company has adopted the Athora Group Remuneration Policy which set forth the Group's philosophy and principles for how and the structure under which it compensates and incentivises is employees, including persons who effectively run the regulated undertaking or hold other key functions and other categories of staff whose professional activities have a material impact on the undertaking's risk profile. The Athora Group's remuneration program seeks to, among other things, align the interests of management and staff with the overall business strategy, incorporating the risk management strategy, internal controls, values and the longer-term interests of the Group and its subsidiaries and provide a well-balanced and, where appropriate, a performance-related compensation package for employees, considering the interests of all stakeholders, relevant regulations, and corporate/social responsibilities.

The Athora Holding Compensation Committee is responsible for the review and approval of the terms of employment and appropriate levels of compensation for all senior executives within the Athora Group.

Director Compensation

In order to avoid any misperceptions between compensation and fiduciary responsibilities, members of Management are not additionally compensated for their roles as members of the Board.

Non-executive directors do not receive any payments linked to ARE's performance.

Staff Compensation

The Company aims to attract, recruit, develop and retain competent employees with the skills, knowledge and expertise to fulfil their allocated responsibilities and seeks to provide a motivational employment package, as appropriate to each role and to the markets in which we operate, which seeks to drive high levels of individual, team and collective engagement. All employees are required to set performance objectives, aligned to corporate objectives. Compensation and discretionary bonus are based on the output of annual appraisals and aligned with the interests of policyholders and shareholders.

3.1.3 A description of the supplementary pension or early retirement schemes for members, the board and senior executive

The Company has a pension scheme and provides all employees with pension benefits through a defined contribution pension program. The Company does not have any early retirement schemes.

3.1.4 Any material transactions with shareholder controllers, persons who exercise significant influence, the board or senior executive

Apollo Global Management, Inc. ("**Apollo**") and Athene are key minority shareholders in Athora Holding. On 8 March 2021, it was announced that Apollo and Athene would merge, and this deal completed in January 2022. The Company is party to, or indirectly benefits from, certain service, advisory and cooperation agreements with Athene and/or Apollo (or their respective affiliates).

Athene

Athene was a co-founder of Athora together with Apollo. Athene (together with its subsidiaries) is a leading retirement services company that issues, reinsures and acquires retirement savings products designed for the increasing number of individuals and institutions seeking to fund retirement needs.

Athora was a subsidiary of Athene until 1 January 2018, when Athene deconsolidated Athora through a private offering of equity securities. In connection with the deconsolidation of Athora Holding from Athene, Athora Holding entered into a cooperation agreement with Athene, pursuant to which, among other things, Athene (or a subsidiary thereof) has the right to reinsure, on mutually agreed terms, an agreed percentage of the spread business written or reinsured by any insurance or reinsurance company owned or acquired by the Athora Group, which includes ARE.

Apollo

Apollo (together with its subsidiaries) is a global, high-growth alternative asset manager. As co-founder, Apollo retains a strategic relationship with Athora. The Company has entered into an investment management agreement with Apollo Asset Management Europe LLP ("**AAME**"), a subsidiary of Apollo. AAME provides the Company with specific asset management and specialised investment expertise that includes asset liability management ("**ALM**") strategies to evaluate, source and manage investments originated by Apollo. We expect the strategic relationship with Apollo to continue for the foreseeable future.

3.2 Fitness and Propriety Requirements

3.2.1 A description of the fit and proper process in assessing the board and senior executive

The Company uses a hiring and vetting process, including recruitment and interviewing requirements such as assessments of relevant experience, skills and knowledge to fulfil the particular duties and responsibilities, to confirm fitness and propriety for the relevant role. The Company has adopted the Athora Group Fit & Proper Policy which sets out the principles to be applied when assessing whether individuals are fit and proper and provides guidelines to ensure procedures for such assessments.

In addition, all Board and senior appointments are subject to review by the Athora Holding Nominating and Corporate Governance Committee.

3.2.2 A description of the professional qualifications, skills, and expertise of the board and senior executives to carry out their functions

A. ARE's Board of Directors

Henrik Matsen
Chair

Henrik is co-founder and Group Head of Growth of Athora Holding, responsible for the organisation's growth strategy. A member of the Group Management Executive Committee, he oversees Athora Group's reinsurance and pension risk transfer business and all M&A activities and he coordinates new business product development and distribution. He is a member of the Boards of Directors of the Company, Athora Ireland and Athora Belgium SA/NV. Henrik was a co-founder and director of RMR Advisors Ltd, an investment and advisory firm which provided insurance-related advisory services to Apollo, Athene and their affiliates from 2012 until the creation of Athora. Henrik holds a BSc degree from the Norwegian School of Economics & Business Administration (NHH) in Bergen, Norway.

Amy Ponnampalam
Amy is the Chief Executive Officer of the Company and is responsible for the Bermuda operations for the Athora Group. Amy joined Athora at its inception in 2018, and has worked in Bermuda for 11 years. Prior to joining Athora, Amy was based in London as Head of Corporate Projects for L&G Retirement, and previously worked in Bermuda as the Corporate Actuary and

CRO for Hannover Life Re Bermuda. Amy is a Fellow of the Institute and Faculty of Actuaries in the UK, and is the Chair of the Social Impact Committee for BILTIR (Bermuda International Long Term Insurers and Reinsurers) and has a Bachelor of Actuarial Science from The London School of Economics.

Ralf Schmitt
Appointed 28 April 2020

Ralf is Group General Counsel at Athora Holding with responsibility for legal and compliance across the group. He is Member of the Management Board at Athora Deutschland Holding GmbH & Co. KG as well as a Member of the Athora Belgium SA/NV Boards of Directors. Ralf has more than 18 years of experience in corporate M&A at international law firms such as DLA Piper and Dewey & LeBoeuf and within the Investment Banking division of Citigroup. A German qualified lawyer, Ralf also holds an honours degree from Frankfurt's Goethe University.

Christopher Harding
Appointed 28 April 2020
Resigned effective 22 April 2022

Chris was a Director until his resignation on 22 April 2022. Chris previously served as Senior Director in Athora's Group Balance Sheet Management team where his responsibilities included ownership of both internal and external financing arrangements for the Athora Group, structuring and supporting group eligible capital instruments, including regulatory engagement on eligible capital instruments, management of group liquidity resources, responsibility for Athora Group credit ratings with Fitch and A.M. Best, supporting Group capital management activity, providing transaction structuring support for M&A and reinsurance transactions in relation to corporate structure and financing. Chris has over 13 years of banking and insurance experience with a focus on both debt and equity capital markets, M&A and insurance solutions transactions.

Christopher James
Appointed 22 April 2022

Christopher is Group Chief Structuring Officer Athora Holding and in his role coordinates investments and transactions to ensure compliance and efficiency from a finance, legal, and regulatory perspective. Prior to joining Athora, he was Vice President, International Tax and Senior Counsel at Athene Holding Ltd. In this capacity, he worked closely with the investment and finance team coordinating the structuring and facilitation of investments ranging from derivatives to private equity. When Athora deconsolidated from Athene in 2018, Christopher joined Athora. Previously, he was a US State Assistant Attorney General before transferring into private practice with the Dentons Davis Brown law firm where he was a Senior Partner within the business division working with a broad array of corporate, private equity, and transaction related matters. Christopher has a BS – Accounting from the University of North Carolina cum laude, Doctor of Jurisprudence (JD) from Drake University Law School with honours, and a Master of Laws (LLM) from Northwestern Law School with honours.

B. ARE's Management

Amy Ponnampalam
Chief Executive Officer

See biography above.

Neha Arora
Head of Risk

Neha is Head of Risk at the Company and is responsible for ARE's risk management function. Neha was previously with Pension Insurance Corporation in the UK where she was responsible for enterprise risk management, including the ORSA process, stress and scenario testing, risk appetite and strategy and baseline risk reporting to the Board. Prior to PIC, Neha has had a diverse experience of working in several financial institutions including the Bank of England where she worked in Financial Risk and Strategy, a global macro hedge fund where she worked in investment strategy, and Nomura where she worked in quantitative research and strategy. She has a master's degree in Financial Economics from University of Oxford and is a Chartered Financial Analyst (CFA).

Joelina Redden
General Counsel, Chief Compliance Officer and Corporate Secretary

Joelina is the General Counsel and Chief Compliance Officer of the Company. Prior to joining ARE, she was Vice President and Associate General Counsel at Allied World Assurance Company, Ltd from 2014 to 2018 where she was responsible for corporate, compliance and regulatory matters for Allied World's Bermuda companies and served as underwriting counsel for professional lines, M&A and trade credit. Prior to Allied World, Joelina was Counsel, Corporate and Commercial, in the Insurance Team of Appleby (Bermuda) Limited where she advised on a broad range of (re)insurance regulatory and transactional matters, public and private offerings, restructuring and acquisitions and mergers. Joelina holds a Postgraduate Diploma in Law from City, University of London, England, a Postgraduate Diploma in Legal Practice from BPP Law School, London, England and a Bachelor of Arts (cum laude) from Saints Mary's University, Halifax, Canada. Joelina has been a member of the Bermuda Bar Association since 2002.

Ken Sennewald
Chief Reinsurance Marketing Actuary

Ken is Chief Reinsurance Marketing Actuary at the Company and is responsible for third-party and internal reinsurance. Ken was previously with Hannover Life Re Bermuda where he was responsible for the marketing, structuring and implementation of structured reinsurance solutions, as well as for general business development. He has wide-ranging experience in traditional and non-traditional reinsurance worldwide with extensive technical knowledge and solid understanding of actuarial and financial concepts. Ken holds a Ph.D. in Economics and a master's degree in Financial Mathematics from Dresden University of Technology, as well as a bachelor's degree in Mathematics from Université Caen Normandie. He is a Fellow of the German Actuarial Society.

Neil Snyman
Chief Financial and Risk Officer

Neil joined in June 2020 as the Chief Financial and Risk Officer of the Company. Neil is responsible for Finance, Investments, Balance Sheet Management and Risk oversight. Prior to joining Athora, he was Head of Liability Driven Investment at Aviva with the responsibility of portfolio management of the shareholder assets of the company with the primary objective of constructing capital efficient portfolios. He has wide ranging experience across consulting, banking and asset management focused on asset and capital management initiatives within the insurance industry. Neil holds a MSc in Applied Mathematics from Christchurch College, Oxford. He is a fellow of the Institute of Actuaries.

It is intended that Neil will transition his Risk responsibilities to the Head of Risk in 2022 as the Company progresses towards an at-scale operation and further strengthen Risk processes, systems, and controls.

Wendy Yu
Chief Actuary

Wendy is the Chief Actuary of the Company responsible for the pricing of reinsurance transactions and corporate actuarial matters. She was previously the VP, Global Acquisitions for RGA providing technical expertise for due diligence pricing activities. Prior to RGA, Wendy was the AVP, Investment Strategy developing investment strategies for insurance businesses in order to optimise investment returns. Wendy has a Bachelor of Mathematics, Honors Actuarial Science with a Computer Science Minor. She holds MAAA and FSA designations from the Society of Actuaries.

3.3 Risk Management and Solvency Assessment

3.3.1 A description of the risk management process and procedures to effectively identify, measure, manage and report on risk exposures

The ARE risk framework interfaces directly with the Athora Group's Enterprise Risk Management (ERM) framework and is comprised of:

A System of Governance:

- ARE's committee structure is embedded within the Athora Group Governance Framework.
- ARE is subject to Athora Group policies and guidelines and develops its own specific policies where necessary.

While the Board retains overall responsibility for approving the ARE risk framework, the ARC is charged with developing and overseeing compliance with the risk framework.

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

A Risk Appetite and Strategy:

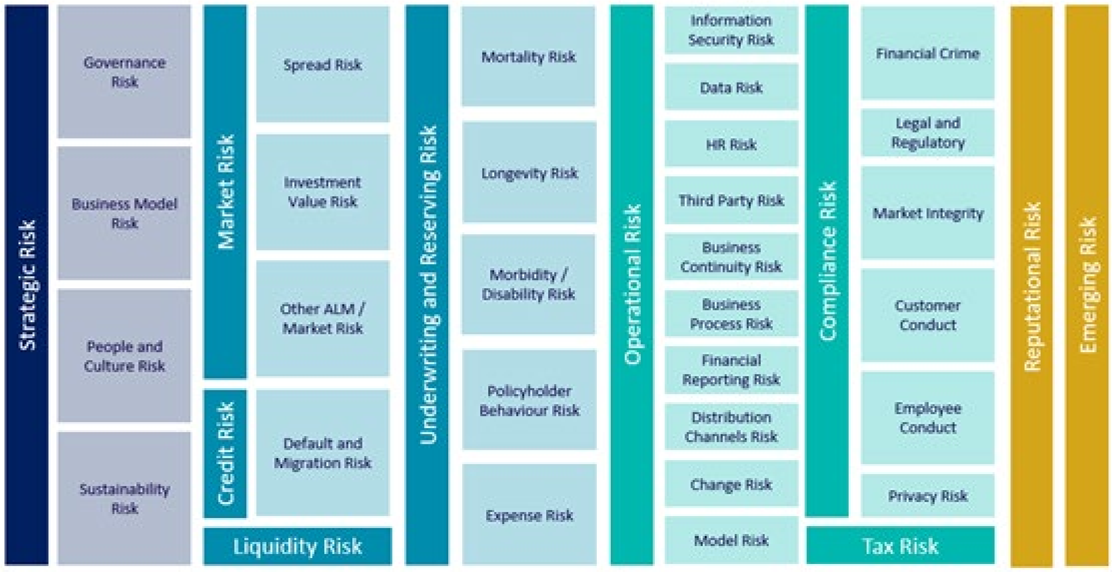
The Risk Appetite and Strategy is an integral part of the business strategy and determines how ARE selects risks it can control and extract value from in line with its strategy. ARE's risk strategy encompasses the following core pillars:

- **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 Appetite and Strategy 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:



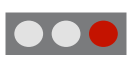
Risk Appetite

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

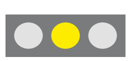
Risk Appetite Statement Indicator

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 are 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 Group allows for aggregation and active monitoring of risks at Group level.

3.3.2 A description of how the risk management and solvency self-assessment systems are implemented and integrated into the insurer's operations; including strategic planning and organisational and decision-making process

ARE's risk management and solvency self-assessment is embodied in the Commercial Insurer's Solvency Self Assessment ("**CISSA**") regulatory requirement in Bermuda. CISSA capital is defined as the amount of capital the Company has determined, that is required to achieve its strategic goals upon undertaking an assessment of all material (reasonably foreseeable) risks arising from its operations or operational environment.

The CISSA is implemented and integrated into the Company's operations as follows:

Strategic Planning

CISSA capital is used in assessing the attractiveness of new markets or risks. CISSA capital is assessed for all new reinsurance transactions and, as such, provides ARE with an indicator of the relative attractiveness of transactions. In addition to this, a subset of the stresses used in the CISSA are considered in the pricing approval process.

Annual Business Planning

ARE's annual business planning is driven primarily by assumed volumes of new reinsurance transactions, where it is assumed that the level of capital committed to new transactions is equal to the level of CISSA capital. In collaboration with the Athora Group Balance Sheet Management function, ARE delivers an annual capital plan which considers the level of CISSA capital required over the following three years. Capital planning is a tool which continues to be developed by the Athora Group and will be a key input in the management of Group capital.

Setting Risk Limits

ARE's risk limits are identified and defined through the risk policies which are established as part of the CISSA process. This covers limits and thresholds for investment and credit risk, operational risk, ALM risk and liquidity risk. ARE will continue to expand its universe of risk limits as business volume grow.

Defining Risk Appetite

ARE's risk appetite is defined under the Risk Appetite and Strategy Policy and is reviewed as part of the annual policy review process.

Evaluation of Capital Adequacy

CISSA capital is central to ARE's Capital Management Policy and is the key internal measure of capital adequacy.

Allocation of Capital to Business Segments and Lines of Business

ARE in collaboration with the Athora Group Balance Sheet Management function, conduct capital planning on an annual basis that is updated quarterly for changes in outlook.

As part of this process CISSA capital is allocated to individual reinsurance transactions.

Capital Management

Marginal return on CISSA capital is reported to the Athora Group Risk and Capital Committee on a quarterly basis and is a key driver of the management of Athora Group capital.

Determination of Rates of Return for Pricing and Underwriting Guidelines

ARE's Reinsurance Pricing Policy targets IRR with respect to CISSA capital allocated to individual transactions as part of the ARE pricing methodology.

Reinsurance Purchase

In assessing the cost-benefit of retrocession of unwanted risks, ARE reviews the impact on the return on CISSA capital.

Determination of Investment Policies and Strategies

ARE's strategic asset allocation is optimised to achieve a target return on CISSA capital.

Meeting Regulatory Requirements

The CISSA is the primary framework for the development and adoption of risk policies which are required to meet regulatory requirements. The reference to EBS and BSCR in the definition of CISSA capital also ensure alignment between the level of CISSA capital and the regulatory capital requirement.

Improving Credit Rating

The CISSA provides demonstrable progress in ARE's ability to write and prudently manage reinsurance business as set out in its business plan and strategy. This includes the set up of a governance framework, internal capital adequacy assessment, and stress and scenario testing. These factors all contribute to ARE's ability to secure and maintain an investment grade credit rating.

Assessing risk adjusted product profitability

ARE measures profitability taking into account CISSA level capitalisation at individual transaction level and in doing so accounts for the specific risk of that transaction.

3.3.3 A description of the relationship between the solvency self-assessment, solvency needs, and capital and risk management systems

See above (section 3.3.2).

3.3.4 A description of the solvency self-assessment approval process including the level of oversight and independent verification by the board and senior executives

ARE's CISSA policy is owned by the ARC and is reviewed and presented to the Board for approval at least annually.

3.4 Internal Controls

3.4.1 A description of the internal control system

A system of internal controls is fundamental to the safe and sound management of the Company and the Athora Group. Effective internal controls play a critical role in helping the Group protect and enhance shareholder value by reducing the possibility of unexpected losses or damages to its reputation. Athora Group has an Internal Control Framework ("**ICF**") Policy describing the system of internal controls and uses it to mitigate the risk of unexpected events. The ICF is based on key principles of Governance, Roles and Responsibilities, Risk Identification and Assessment, Control Activities, Testing and Assurance, Monitoring and Reporting and Skills, Resources and Tools. The ICF, established by the Athora Holding Board, has been adopted in order to support the Athora Group in executing robust and effective internal controls over the risks to which it is exposed in conducting its business and management activities while supporting strategic decision-making. The Company is developing its ICF in line with the Athora Group ICF Policy.

3.4.2 A description of how the compliance function is executed

The Company's Compliance function is a core component of the Company's ICF and its duties and responsibilities are within the second line of defence. The Company's Compliance function is headed up by the Company's Chief Compliance Officer, who reports to the ARC and to the Board on the Company's compliance activities. The Chief Compliance Officer is responsible for the provision of annual compliance risk assessments and plans. Quarterly reporting, which focuses on the progress against plan and static risk assessment reporting, is delivered to the ARC, the Board and to the Group Head of Compliance.

The Company manages compliance activities using a compliance frameworks and policies, including specific control objectives, set by Group Compliance. In order to be able to perform its duties, the Compliance function has full access rights to all information, documents and data.

In addition to the key tasks set out in the Compliance Framework, the compliance management program comprises the following additional elements: compliance culture and business integrity, compliance training and communication.

To assess how changes in the legal and regulatory environment can impact the Company's operations, Compliance monitors the regulatory landscape to identify relevant changes and assesses potential impacts on the Company and reports to Management and the Board on any significant changes in the legal environment. In addition to the above, the Company's Compliance function, in conjunction with Group Compliance, regularly advises and trains Management and employees on policy requirements and compliance risk areas.

The Company has adopted the Group speaking up policy, which alongside a speak-up facility, allows employees to report anonymously in case they observe any potentially unlawful or improper behaviour.

3.5 Internal Audit

3.5.1 Internal Audit Function

As part of the third line of defence, the Internal Audit function assists Management and the Board in protecting the Company's assets, reputation and sustainability by independently and objectively evaluating the effectiveness of internal controls, risk management and governance processes.

Internal Audit's main tasks and responsibilities are:

- Prepare and execute a risk-based audit plan which is approved by the Board.
- Identify, and agree with management, opportunities to improve internal controls, risk management and governance processes and verify that such improvements are implemented within a reasonable period of time.
- Issue periodic reports to management and the Board, summarising the progress and results of the annual audit plan, as well as on the sufficiency of Internal Audit resources.
- Assist in the investigation of any significant suspected fraudulent activities within the organisation and notify management and the Board, of the results.
- Consider the scope of work of the external auditors and regulators, as appropriate, for the purpose of providing optimal audit coverage to the organisation at a reasonable overall cost.
- Coordinate and work together with other control and monitoring functions (e.g. Risk Management, Compliance and external auditors).
- Execute audits on the functioning of the first and second line of defence.
- Maintain a professional audit staff (of an adequate size relative to the size and nature of the organisation and the remit of the Internal Audit function) with sufficient knowledge, skills, experience, and professional certifications.
- Ensure the Board and Management are kept informed of emerging trends and successful practices in internal auditing.
- Ensure the audit work conforms to the Institute of Internal Auditors or other regulatory bodies and Athora Group standards.
- Ensure the principles of integrity, objectivity, confidentiality and competency are applied and upheld.

3.5.2 Independence and objectivity of the Internal Audit function

The Internal Audit function, which is outsourced to Athora Ireland Services Limited ("**AIS**"), is independent of Management, which has responsibility for the first and second lines of defence, and is, therefore, able to provide independent assurance opinions on the effectiveness of the systems of internal control, risk management and governance.

The Company's Internal Auditor is also the Athora Group Chief Internal Auditor ('**GCIA**'). The Company's Internal Auditor reports directly to the Board of the Company and as the GCIA of Athora Holding reports directly to the Chairman of the Athora Holding Audit Committee and administratively to the Athora Group Chief Executive Officer.

Internal Audit executes its duties freely and objectively in accordance with the Institute of Internal Auditors' International Standards for the Professional Practices of Internal Audit, including the Code of Ethics, as well as with Athora Group's policies and procedures. Internal Audit avoids any conflicts of interest and accesses the expertise and knowledge necessary to undertake work in respect of specialist business functions.

3.6 Actuarial Function

ARE's Chief Actuary is responsible for monitoring information concerning the liabilities of the Company and has oversight responsibilities for the Company's underwriting processes, actuarial reporting and actuarial staff functions. ARE's Actuarial Function comprises an actuarial team in Bermuda who are supported by the Athora Group's actuarial services team in Ireland, as well as external actuaries from consulting firms.

The Chief Actuary and Actuarial Team are responsible for:

- setting and monitoring statutory and IFRS reserves for ARE
- setting and monitoring the EBS Best Estimate Liabilities for ARE
- using the Best Estimate Liabilities to develop the Risk Margin
- underwriting and pricing functions relating to writing reinsurance business

ARE's Approved Actuary reviews and provides an actuarial opinion on ARE's EBS Technical Provisions, in accordance with the Insurance Act.

3.7 Outsourcing

3.7.1 A description of the outsourcing policy and information on any key or important functions that have been outsourced

The Company manages external outsourcing in accordance with applicable regulatory requirements. The company's Outsourcing Policy establishes key and minimum requirements to ensure that appropriate controls and governance structures are established with respect to any initiative involving the outsourcing of services or activities to a service provider whether internal or external.

The Outsourcing Policy is designed so that outsourcing of key functions or materials activities does not lead to a reduction in direct management's responsibility for the outsourcing arrangement, including the quality of the service and the control environment and governance which must be aligned to the company's agreed risk appetite. Material outsourcing attracts the highest level of rigour, including regulatory notification, performance and relationship reviews, compliance reviews, and risk and control assessments.

The Company is undergoing implementation of its Outsourcing Policy to ensure due diligence on its service providers and to manage outsourcing risk by applying the key requirements and minimum standards to establish controls and governance. Where appropriate, the company enters into service level agreements that will include an obligation on the parties to comply with all legal and regulatory obligations and ensure that any sub-outsourcing is overseen and managed in line with those service level agreements.

The Company outsources its investment management to AAME which provides specific asset management and specialised investment expertise that includes ALM strategies to evaluate, source and manage investments originated by Apollo.

3.7.2 A description of material intra-group outsourcing

The Company has access to support services from service companies within the Athora Group. The Outsourcing Policy requires that similar standards are applied to these services as for external service providers, including implementing appropriate service level agreements, identification of risk and process owners and monitoring of key controls. Material intra-group outsourcing arrangements are with AIS and include: IT services such as network and infrastructure, IT security, application support, finance systems and data services; risk support services; actuarial support services; internal audit; HR services; and finance support services.

4. RISK PROFILE

4.1 Material risks that the insurer is exposed to, including how these risks are measured and any material changes that have occurred during the reporting period

The Company manages risk for the benefit of its customers and other stakeholders. The Company is exposed to a range of underwriting, operational and financial risks. The risk management and control systems are designed to ensure that these risks are managed effectively and efficiently in a way that is aligned with the Company's strategy.

As part of the CISSA process all material risks are assessed. An important aspect of this is stress and scenario testing. Key sensitivities are reflected in this section.

Risk	Description	Mitigation/measurement
Longevity risk	Longevity risk is assumed through the reinsurance of annuity business. Longevity risk may be due to trend, base level, or catastrophe.	Underwriting processes include use of expert judgement, industry data, and stress testing.
Policyholder behaviour risk	Policyholder behaviour risk is due to variability in lapse rates or annuity take-up rates on reinsured annuity and endowment business.	Underwriting processes include use of expert judgement, industry data, and stress testing.
Fixed income risk	Fixed income risk is the risk of default, downgrade, or spread widening on ARE's fixed income assets.	Bespoke asset selection and underwriting processes to minimise systemic fixed income risk. Credit and Counterparty Concentration Risk Policy controls exposure limits.
Interest rate and liquidity risk	Interest rate and liquidity risk is the risk of mismatches between asset and liability cash flows on reinsured business.	Tight duration mismatch limits are defined in the ALM Policy. Liquidity Risk Policy sets risk based liquidity limits.
Equity risk	Equity risk is the risk of reductions in equity values and alternative investments.	Bespoke asset selection and underwriting processes to minimise systemic equity risk. Exposure limited by Credit and Counterparty Concentration Risk Policy
Operational risk	Operational risk arises from ARE's business processes, systems, and people.	Managed through operational risk reporting and compliance with Operational Risk policies.

There has been no change to the material risks over the period as described in the above table.

4.2 How risks are mitigated including the methods used and the process to monitor the effectiveness of these methods

See table above at Section 4.1.

4.3 Material risk concentrations

The Company has a Credit and Counterparty Concentration Risk Management Policy to manage risk concentrations in relation to counterparties and credit quality. These risks are monitored by both the ARC and CIC and reported to the Board.

4.4 How assets are invested in accordance with the prudent person principle as stated in Paragraph 5.1.2 of the Code

The 'prudent person principle' ("**PPP**") requires that companies only invest in assets and instruments whose risks they can properly identify, measure, monitor, manage, control and report, and appropriately take into account in the assessment of its overall solvency needs. The Company considers these requirements before any investment in new assets or instruments, with a PPP checklist in place which sets out the following steps:

- Athora Pre-Trade Investment Memorandum: acts as an assessment template for PPP requirements at each individual asset class level.
- Regular Pipeline discussion between first and second line: adds further transparency into new investments and work as pre-screening tool for deal flow management and asset sourcing.
- Monthly Asset Deep Dive: covers discussion on significant market developments, asset class specific consideration and watch-listing credit.

The Company complies with the prudent person principle through the implementation of the following key policies:

- Credit and Counterparty Concentration Risk Policy: sets out a system of limits and thresholds which apply to the investment of the Company's assets; and
- ALM and Liquidity Risk Policy: defines ALM limits, thresholds, and stress testing requirements, which must be observed in the investment of the Company's assets.

Minimum requirements to be met are also set by Athora Group for all Athora subsidiaries, with strict standards applied to meet local prudential requirements. Compliance with the prudent person principles is reviewed annually across the Group.

4.5 The stress testing and sensitivity analysis to assess material risks, including the methods and assumptions used, and the outcomes

Underwriting Stress Tests

ARE has developed a set of underwriting stress tests which provide Management with an understanding of the sensitivity of the balance sheet to underwriting risks. The stress tests are reviewed at least annually by Management, ARC and Athora Group Risk Management Function. The underwriting stresses are designed to reflect the key underwriting risks to which ARE's in-force business is exposed. These underwriting scenarios only affect the long-term insurance liabilities.

The underwriting stresses are applied as instantaneous shocks to ARE's best estimate assumptions at the relevant reporting period. For 2021, the following underwriting stress tests were applied:

Scenario	Available Capital	ECR	Solvency Ratio	Change in Solvency Ratio
Base	219,454	96,683	227%	
Decrease of 20% in Lapse Rates	211,055	98,923	213%	(14%)
Decrease of 10% in Mortality Rates	210,027	99,012	212%	(15%)
150% Annuity Take Up Rate	212,261	98,861	215%	(12%)
Expenses Increase by 10%	213,320	98,760	216%	(11%)

- **Decrease of 20% in lapse rates:** Lapse rates are decreased by 20%, which means that policies remain in force for longer, resulting in higher expected payments and therefore an increase in Technical Provisions.

- **Decrease of 10% in base mortality rates:** Base mortality rates are reduced by 10% which has the effect of increasing the level of Technical Provisions required across all treaties.

- **50% Increase in annuity take up rate:** The annuity take-up rate on deferred annuities assumed in the calculation of reserves is increased by 50%. This has the effect of increasing the proportion of deferred annuities which take up the in-payment annuity option upon retirement, which results in an increase to Technical Provisions.

- **Increase in Expenses of 10%:** Expense assumptions are increased by 10% which results in an increase to Technical Provisions.

Financial Market Stress Tests

The Company utilises stress tests that have been developed by the Athora Group Risk Function. These tests provide Management with an understanding of the sensitivity of the balance sheet to market risks. The stress tests are reviewed at least annually by Management, ARC and Athora Group Risk Management Function. The stresses are designed to reflect the market risks to which Company's balance sheet is exposed.

The stresses are applied as instantaneous shocks to the Company's balance sheet at the relevant reporting period. The key 2021 market stresses are set out in the table below:

Scenario	Available Capital	ECR	Solvency Ratio	Change in Solvency Ratio
Base	219,454	96,683	227%	
Broad Market Stress	136,470	91,611	149%	(78%)
Interest Rate Down	203,895	102,310	199%	(28%)
Equity Stress	154,886	88,579	175%	(52%)

- **Broad Market Stress:** This scenario represents a scenario in which both equity and credit markets suffer losses combined with a 50bps fall in interest rate. This scenario has been calibrated to represent a 1-in-40-year event.

- **Interest Rates Down:** This scenario shows the impact of a reduction in interest rates, calibrated to a 1-in-200-year event, which is broadly equivalent to a decrease of 100bps.

- **Equity Stress:** This scenario shows the impact of a reduction in equity , calibrated to a 1-in-40-year event, which is broadly equivalent to a shock of 32.5%.

4.6 Any other material information

There is no other material information to note in relation to the Company’s risk profile.

5. SOLVENCY VALUATION

5.1 The valuation bases, assumptions and methods used to derive the value of each asset class

ARE has considered the valuation principles outlined by the Authority's *Guidance Note for Statutory Reporting Regime* for the reporting period's statutory filing. The Company's economic valuation principles are to measure assets on a fair value basis. The table below summarises the assets held on the EBS balance sheet, which have significantly reduced over the period due to the sale of the Variable Annuity business from ARE's subsidiary Athora Ireland:

€ '000	2021	2020
Cash and Cash Equivalents	150,298	399,112
Investments and funds held by ceding reinsurers	1,679,094	2,016,717
Reinsurance Balances Receivable	1,910	1,050,272
Assets held for index/unit-linked contracts	-	790,141
Other Assets	29,443	34,791
Total Assets	**1,860,744**	**4,291,033**

During the reporting period, the Company did not make any material changes to the recognition and valuation bases used for assets, or to estimation techniques employed. The fair value principles used for assets are as follows:

Cash and cash equivalents

Cash and cash equivalents include liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value and a maturity date of less than 90 days.

Shareholder financial assets

- ***Fixed maturity***
  Fixed maturity securities are recorded at fair value using quoted market prices, where possible. For marketable securities without an active market, pricing information is obtained from several commercial pricing services. The pricing services incorporate a variety of market observable information in their valuation techniques including benchmark yields, trading activity, credit quality, issuer spreads, bids, offers and other reference data.

- ***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.

- ***Investment in Associates***
  The Company has invested in three Athora Luxembourg Funds through AAME.

- ***Assets held for index-linked and unit-linked contracts***
  Assets held for index-linked and unit-linked contracts are valued at fair value. The fair value of financial assets traded in active markets is determined by reference to quoted market bid prices. For financial instruments where there is no active market, the fair value is determined by using other appropriate valuation techniques. The unit-linked assets correspond to the variable annuity policies within Athora Ireland. The variable annuity business has been disposed of during 2021.

- ***Reinsurance assets***
  Reinsurance balances receivable are recorded at amounts expected to be received. The reinsurance outwards corresponds to the reinsurance of variable annuity guarantees by Athora Ireland, which ceased with the sale of the variable annuity business in 2021.

5.2 The valuation bases, assumptions and methods used to derive the value of Technical Provisions and the amount of the best estimate. The amount of the risk margin as well as the level of uncertainty to determine the value of the Technical Provisions should be included

ARE's Approved Actuary reviews and provides an actuarial opinion on ARE's EBS Technical Provisions, in accordance with the Insurance Act.

The table below summarises the Company's Technical Provisions. The reinsurance outwards in 2020 corresponds to the reinsurance of the variable annuity business within Athora Ireland which has been disposed of in 2021.

€ '000	2021	2020
Best Estimate Policy Reserves	1,426,166	1,495,114
Reinsurance Recoverable	-	(63,766)
Risk Margin	13,708	13,101

EBS Best Estimate Liabilities

In general, the best estimate reserves are calculated at a policy level using a deterministic gross premium valuation approach (i.e., reserves are calculated as the present value of future claims plus future expenses less present value of future premiums).

For ARE's reinsurance exposure, premium, claim and expense (maintenance expenses and the expenses associated with servicing the treaty) cashflows are determined using actuarial modelling software on latest internal best-estimate assumptions. These cashflows are then used under the scenario-based approach for the valuation of the Best Estimate Liability.

EBS Risk Margin

EBS Technical Provisions include a risk margin, in addition to the best estimate liabilities, to reflect the uncertainty associated with the probability-weighted cashflows. While in principle, the best estimate reflects the amount required on average to meet policyholder obligations and associated insurer expenses, the insurer will also need to hold additional funds to meet those situations where cashflows exceed those expected. The risk margin is intended to reflect the compensation that the insurer needs to bear this risk.

The key aspects of the risk margin calculation are as follows:

- A 6% cost-of-capital rate is used,
- The calculation reflects the regulatory capital requirements i.e., the ECR,
- The risks included within the BSCR for the risk margin calculation are insurance risk, counterparty credit risk and operational risk. There is no requirement to include market risk on the basis that an asset portfolio can be constructed that will act as a hedge against market risk, and
- The calculation uses the risk-free discount curve specified by the Authority, with the Euro curve being used.

The calculation of the risk margin requires a projection of the BSCR for the period needed to run-off the insurance liabilities. A guidance note issued by the Authority in 2016 outlines a number of simplified approaches that may be adopted in order to project the BSCR required for the risk margin. ARE has used one of the simplified approaches, which is to approximate the individual risk module capital charges using an appropriate run-off proxy. ARE use projected best estimate reserves as the run-off proxy, using the components of the aggregate reserves that best align to the risk module in question.

5.3 A description of recoverables from reinsurance contracts, including special purpose insurers and other risk transfer mechanisms

ARE does not hold recoverables from reinsurance contracts as at end 2021.

5.4 The valuation bases, assumptions and methods used to derive the value of other liabilities

Similar to the valuation principles for assets, the Company's liabilities follow the valuation principles outlined by the Authority's "*Guidance Note for Statutory Reporting Regime*" which values liabilities on a fair value basis.

5.5 Any other material information

There is no further material information regarding valuation for solvency purposes.

6. CAPITAL MANAGEMENT

6.1 Eligible Capital

6.1.1 A description of the capital management policy and process to determine capital needs for business planning, how capital is managed and any material changes during the reporting period

The Company manages capital on an economic basis within the constraints and requirements of its external stakeholders. The primary objective of the Company's capital management process is to ensure that a strong financial position is maintained, and that capital volatility is minimised. The Company has adopted a Capital Management Policy outlining its capital management process.

The Capital Management and Risk Committees, together with the Board, regularly consider capital assessments and projections for the Company to ensure that capital is managed with continuous adherence to the Company's principles around capital adequacy, financial flexibility, and the efficient use of capital.

A capital management plan is prepared, at least annually, for which the Company performs capital projections over the business planning period. The projections allow for the current and expected business strategy, risk profile and capital management activities. The current time horizon used for business planning is usually three years. This exercise allows the Board to assess the Company's current and projected solvency needs and helps trigger appropriate and timely capital management actions. The capital management plan is regularly monitored and updated to reflect up to date information and the performance of the business.

The Company's required capital is calculated using the regulatory capital requirements, i.e., the ECR. The table below summaries the Company's capital position.

€ '000	2021	2020
Available Capital	219,454	282,683
ECR	96,683	86,180
Solvency Ratio	227%	328%

6.1.2 A description of the eligible capital categorised by tiers in accordance with the Eligible Capital Rules

Available capital must be adjusted to reflect, where applicable, the limited accessibility of the assets. At the end of the reporting period, the Company's Eligible Capital was categorised as Tier 1. This means that 100% of the available capital can be used to support the ECR.

Eligible capital

€ '000	2021	2020
Tier 1	219,454	282,683
Tier 2	-	-
Tier 3	-	-

6.1.3 A description of the eligible capital categorised by tiers, in accordance with the Eligible Capital Rules used to meet the Enhanced Capital Requirement and the Minimum Margin of Solvency ("MSM") defined in accordance with Section (1)(1) of the Insurance Act

See Section 6.1.2.

6.1.4 Confirmation that eligible capital is subject to transitional arrangements as required under the Eligible Capital Rules

The Company has no eligible capital subject to transitional arrangements.

6.1.5 Identification of any factors affecting encumbrances affecting the availability and transferability of capital to meet the ECR

Under the regulatory assessment of encumbrances prescribed by the Authority, all the Company's capital is deemed unencumbered.

6.1.6 Identification of ancillary capital instruments that have been approved by the Authority

The Company has no ancillary capital instruments.

6.1.7 Identification of differences in shareholder's equity as stated in the financial statements versus available statutory capital and surplus

Significant differences between IFRS shareholder equity and available statutory capital and surplus include the reduction in available statutory capital for intangible assets.

6.2 Regulatory Capital Requirements

6.2.1 Identification of amount of the ECR and MSM at the end of the reporting period

As of 31 December 2021, the Company's regulatory capital requirements were assessed as follows:

€ '000	2021	2020
MSM	24,171	26,803
ECR	96,683	86,180

6.2.2 Identification of any non-compliance with the MSM and the ECR

At the end of the reporting period the Company is compliant with the MSM and ECR.

6.2.3 A description of the amount and circumstances surrounding the non-compliance, the remedial measures taken and their effectiveness

Not applicable (see 6.2.2).

6.2.4 Where the non-compliance has not been resolved, a description of the amount of the non-compliance at the end of the reporting period

Not applicable (see 6.2.2).

6.3 Approved Internal Capital Model used to derive the ECR

The Company has not applied to use an internal capital model in the calculation of the ECR.

7. SUBSEQUENT EVENTS

Chris Harding resigned as a Director of the Company effective 22 April 2022 and Christopher James was appointed by the Board of Directors of the Company to fill the vacancy effective the same date. See section 3.2.2.A for Christopher James' biography.

DECLARATION

To the best of our knowledge and belief this financial condition report fairly represents the financial condition of the Athora Life Re Ltd. in all material respects.

Signed: /s/ Amy Ponnampalam
Position: Chief Executive Officer
Date: 27 April 2022

Signed: /s/ Neil Snyman
Position: Chief Financial and Risk Officer
Date: 27 April 2022

Appendix 1

ATHORA LIFE RE LTD. GROUP