

Athora Holding Ltd. publishes its Half Year 2023 results

28 September 2023

Pembroke, Bermuda, 28 September 2023 – Athora Holding Ltd. (Athora or the Group), a leading European savings and retirement services group, today announces its unaudited financial results for the six months to 30 June 2023.

Highlights

- **Operating Capital Generation: €198m** (HY 2022: €172m¹)
- **Group BSCR² Solvency ratio (estimated): 194%** (FY 2022: 183%)
- **AuMA: €72.4bn** (FY 2022: €72.0bn³); after announced acquisitions, **pro forma AuMA: €85bn⁴**
- **IFRS Profit before tax⁵: €59m** (HY 2022: loss of €1,253m)
- **IFRS Equity⁶: €3.9bn** (FY 2022: €4.0bn)
- **Financial Leverage: 27%** (FY 2022: 23%⁷); after expected drawing of equity for announced acquisitions, **pro forma Financial Leverage: 25%**
- **Credit Rating: “A” (Stable)⁸**

¹ Athora’s definition of Operating Capital Generation (“OCG”) is defined as the expected return on investments, less the cost of liabilities (including the Ultimate Forward Rate (“UFR”) drag), expense /experience variances (including profit-sharing impacts), Solvency Capital Requirement (“SCR”) unwinds, Risk Margin unwinds and new business impacts. It excludes the UFR stepdown. Comparative figure for OCG at 30 June 2022 restated due to a change to the group methodology.

² Bermuda Solvency Capital Requirement (“BSCR”) ratio is considered an estimate given only Year-End ratios are considered actuals by the Bermuda Monetary Authority.

³ AuMA is calculated by Athora as the sum of investment properties, financial assets, cash and cash equivalents, loans and advances due from banks, investments attributable to policyholders and third parties, net of derivative liabilities. The comparative figure has been updated to reflect valuation changes resulting from the adoption of IFRS 9/17.

⁴ The pro forma number comprises AuMA at 30 June 2023 for Athora’s existing business units and estimated AuMA for the acquisition of a closed-life portfolio from AXA Germany (subject to regulatory approvals and completion).

⁵ IFRS Profit before tax has been restated for comparative periods to reflect the transition to IFRS 9/17 accounting standards.

⁶ IFRS Equity has been restated for comparative periods to reflect the transition to IFRS 9/17 accounting standards.

⁷ The Financial Leverage ratio has been calculated using an interim methodology, including CSM net of tax and the comparative has been restated accordingly. Pro forma for the equity expected to be called shortly before the acquisition of a closed-life portfolio from AXA Germany (subject to regulatory approvals and completion).

⁸ Fitch Insurer Financial Strength Rating of rated Business Units.

Strategic progress

- Higher capital generation supported by continued repositioning of the Athora Netherlands investment portfolio to drive increased risk-adjusted returns.
- Successful inaugural listed debt issuance from Athora Holding Ltd. of €600m⁹ senior unsecured fixed rate notes, which qualify as eligible Tier 3 regulatory capital for Group Solvency.
- The previously announced acquisition of a €13bn¹⁰ Assets under Management and Administration (AuMA) closed-life portfolio from AXA Germany is targeted to complete in Q1 2024.
- Completion of the acquisition of the Willis Towers Watson (WTW) €1.3bn¹¹ Premium Pension Institute (PPI) in Netherlands, alongside the signing of two Pension Risk Transfer transactions totalling €0.4bn.
- Onboarding of Banca Popolare di Bari as a new distribution partner in Italy.
- Agreement to transfer the Athora Netherlands individual life portfolio management and certain Group IT activities to Tata Consultancy Services (TCS).
- Key strategic hires announced in Germany, Belgium and at Group level to support the next phase in Athora's growth journey, including the appointment of Todd Solash as Deputy CEO and President of Athora Group, subject to requisite approvals.

Financial performance

- **Operating Capital Generation (OCG) of €198m** (HY 2022: €172m). The increase in Operating Capital Generation was supported by the ongoing repositioning of the Athora Netherlands asset portfolio and partially offset by adverse performance in Athora Italia.
- **Group IFRS profit before tax of €59m** (HY 2022: loss of €1,253m). These results reflect the adoption of IFRS 9 "Financial Instruments" and IFRS 17 "Insurance Contracts" from 1 January 2023, with comparative figures restated. The IFRS profit for the period reflects a positive Insurance Service and Net Financial Result, which includes a negative one-off impact of €96m (before tax) relating to changes in a group life reinsurance contract in the Netherlands. However, this change had a meaningful positive impact on the reinsurance Contractual Service Margin (CSM). The loss at HY 2022 was mainly as a result of rising interest rates.
- **Total IFRS equity of €3.9bn** (FY 2022: €4.0bn). IFRS Equity has remained stable during the first half of the year. During the period, Athora issued €300m of common equity. Athora also redeemed €116m of preference shares and bought back €300m of common equity, of which €184m is held as treasury shares. A CSM of €2.5bn has been recognised following the implementation of IFRS 17, which represents future profits of the business.

⁹€600 million senior unsecured fixed rate notes, due in 2028 and listed on Global Markets Exchange of Euronext Dublin. The notes are recognised as Tier 3 Ancillary Capital by the Bermuda Monetary Authority. The notes received a BBB+ rating from Fitch Ratings on issuance.

¹⁰ Previously disclosed as €19bn, with the drop in value being principally due to market impacts since announcement.

¹¹ Updated for Q1 2023, as per closing.

- **Financial Leverage Ratio of 27%** (FY 2022: 23%), **proforma Financial Leverage of 25%**¹². With the introduction of IFRS 9/17, Athora expects to re-evaluate its Financial Leverage methodology while continuing to target a leverage ratio that is aligned with Fitch's expectations for an 'A' rating. This work is expected to be completed for FY 2023 reporting. For HY 2023, Athora has applied an interim methodology, including CSM net of tax, and restated the HY 2022 comparative. The increase in the Financial Leverage ratio is primarily due to the €600m bond issuance, partially offset by repayment of a €250m bank loan. The bond issuance has secured the intended debt capital financing for the AXA Germany acquisition whilst the equity will be drawn shortly before closing. Pro-forma for the expected equity to be drawn for the acquisition, Financial Leverage would stand at 25%.
- **Assets under Management and Administration (AuMA) of €72.4bn** (FY 2022: €72.0bn¹³), **proforma AuMA of €85bn**. AuMA has remained broadly flat compared to FY 2022 reflecting the stable market conditions experienced in the first half of 2023. Growth in pro forma AuMA is supported by previously announced acquisition of €13bn AuMA from AXA Germany.

Financial strength

- **Undrawn Equity Capital of €2.2bn** (FY 2022: €2.5bn): reduced marginally due to the capital drawn down for a €300m common share repurchase.
- **Group BSCR ratio of 194%** (FY 2022: 183%). The increase in solvency was driven by positive operating capital generation, management actions (including changes to a group life reinsurance contract in the Netherlands) and the impact of a net €350m increase in Tier 3 capital, partially offset by the repurchase of preference share capital. Athora continues to work towards implementation of the Bermuda Monetary Authority's consultation papers issued in February and August 2023, with impacts being quantified.
- **Strong Business Unit solvency ratios**. Netherlands 214% (FY 2022: 205%), Belgium 163% (FY 2022: 150%), Germany 277% (FY 2022: 346%)¹⁴, Italy 239%¹⁵ (FY 2022: 197%), Reinsurance 229% (FY 2022: 210%).
- **Credit Rating maintained at A (Stable) by Fitch**. In September 2023, Fitch maintained the Insurer Financial Strength Ratings of Athora's rated Business Units at 'A'. The Issuer Default Ratings for Athora Holding Ltd. and Athora Netherlands N.V. were also held at 'A-'. All ratings are on Stable Outlook.
- **Financing activity**. Increase in Borrowings due to issuance of a €600m Tier 3 bond partially offset by repayment of €250m of Tier 3 bank debt. Additionally, Athora refinanced its existing senior bank debt at Athora Holding Ltd. and Athora Europe Holding (Bermuda) Ltd. into one single bank loan at Athora Holding Ltd., continuing the journey to centralising all financing at the holding company.

¹² The financial leverage ratio has been calculated using an interim methodology, including CSM net of tax and the comparative has been restated accordingly. Pro forma for the equity expected to be called shortly before the acquisition of a closed-life portfolio from AXA Germany.

¹³ The comparative figure has been updated to reflect valuation changes resulting from the adoption of IFRS 9/17.

¹⁴ Solvency ratio including transitional measures for technical provisions.

¹⁵ Italy solvency ratio includes the impact of an external lapse reinsurance treaty.

Group Chief Executive Officer Statement

Mike Wells, Group Chief Executive Officer, said:

Our focus for 2023 has been on the continued delivery of our business plans in each market, supported by a strengthening in our executive management teams, alongside the successful closing and integration of transactions across Belgium and Italy.

During the first half of 2023, we have made significant strategic progress – most notably from a growth and operations standpoint – while maintaining strong investment performance and robust capitalisation amidst continued macroeconomic volatility. This has translated into a 15% increase in Operating Capital Generation (OCG), a strong 30 June 2023 estimated Group BSCR ratio of 194% and robust inaugural IFRS 9/17 financial results.

Business performance in 2023 has been notably strong in our largest Business Unit, Athora Netherlands, with solvency coverage increasing to 214% supported by a 14% positive contribution from OCG in the period. The strong turnaround in solvency capital and OCG at Athora Netherlands since acquisition (1H 2020 solvency coverage of 160% and negative OCG) is testament to the strength of our business model and delivery of the local team.

The momentum in capital generation, combined with positive management and financing actions, has supported an overall increase in the Group BSCR ratio to 194%. Financing actions in the period included the successful completion of our inaugural listed debt offering, comprising €600m of senior unsecured fixed rates notes, which qualify as Tier 3 regulatory capital.

Accessing public debt capital markets is an important step in Athora's business plan, providing longer-term financing and aligning the Group's capital structure with our long-term savings and retirement services strategy. The issuance also provides appropriate debt capital funding for the upcoming acquisition from AXA Germany, with accompanying equity issuance due to be completed shortly before closing via the drawing of further equity capital.

Looking ahead, we will continue to focus on our strategy of disciplined growth, careful asset underwriting and effective expense management, alongside strategic investments in our infrastructure, all underpinned by strong risk and capital management. We maintain significant undrawn equity capital, totalling €2.2 billion at 30 June 2023, allowing us to execute on our long-term growth strategy.

I would like to thank all our employees for their continued efforts and contribution in the first half of the year and, as always, we remain focused on the delivery of our mission: to deliver more value to our customers in fulfilling their long-term insurance needs.

Unaudited interim consolidated income statement for the half year ended 30 June 2023

€m	Half year ended 30 June 2023	Half year ended 30 June 2022 (Restated)
Insurance contract revenue	1,095	1,137
Insurance service expense	(989)	(921)
Insurance service result before reinsurance contracts held	106	216
Allocation of reinsurance premium	(284)	(306)
Amounts recoverable from reinsurers for incurred claims	273	280
Net expense from reinsurance contracts held	(11)	(26)
Insurance service result	95	190
Net investment income	2,433	(12,018)
Net finance (expense)/income from insurance contracts	(1,558)	9,724
Net finance (expense)/income from reinsurance contracts	(113)	314
Change in investment contract liabilities	(94)	201
Investment return attributable to third parties	(424)	594
Net financial result	244	(1,185)
Fee and commission income	31	22
Other income	12	17
Other expenses	(221)	(218)
Acquisition costs	(14)	(16)
Other finance costs	(86)	(63)
Impairments	(2)	-
Profit/(Loss) before taxes	59	(1,253)
Taxation charge	(36)	371
Profit/(Loss) for the period	23	(882)
Attributable to shareholders of the Company	13	(899)
Attributable to non-controlling interest	10	17

Unaudited interim consolidated statement of other comprehensive income for the half year ended 30 June 2023

€m	Half year ended 30 June 2023	Half year ended 30 June 2022 (Restated)
Profit/Loss for the period	23	(882)
Other comprehensive expense for the period:		
Net change in foreign currency translation reserve	2	(2)
Actuarial gain arising from defined benefit plans	8	143
Other comprehensive (expense) / income for the period, net of tax	10	141
Total comprehensive (expense) / income for the period, net of tax	33	(741)
Attributable to shareholders of the Company	23	(758)
Attributable to non-controlling interest	10	17

Unaudited interim statement of financial position as at 30 June 2023

€m	As at 30 June 2023	As at 31 December 2022 (Restated)
Intangible assets	119	126
Property and equipment	52	72
Investment properties	1,107	2,214
Financial assets	75,647	78,063
Investments attributable to policyholders and third parties	6,817	5,903
Investments in associates	46	41
Reinsurance contract assets	15	12
Deferred taxation assets	1,049	1,079
Income tax receivable	47	38
Receivables and other assets	862	1,035
Cash and cash equivalents	2,219	1,315
Total assets	87,980	89,898
Equity		
Share capital and premium	4,022	3,833
Treasury shares	(184)	-
Retained earnings	(892)	(884)
Other reserves	5	4
Common shareholders' equity	2,951	2,953
Preference shares	700	800
Total shareholders' equity	3,651	3,753
Non-controlling interests	245	267
Total equity	3,896	4,020
Insurance contract liabilities	56,741	56,551
Reinsurance contract liabilities	207	97
Investment contract liabilities attributable to policyholders	1,958	1,795
Liabilities for account of third parties	4,859	4,108
Pension scheme liabilities	531	546
Financial liabilities	19,201	22,084
Deferred taxation liabilities	5	31
Income tax payable	3	10
Other liabilities and accruals	544	620
Provisions	35	36
Total liabilities	84,084	85,878
Total equity and liabilities	87,980	89,898

For information

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About Athora

Athora is a leading European savings and retirement services group. We concentrate on the large and attractive traditional life and pensions market, with an ambition to become a leading provider of guaranteed savings and pensions products in Europe. We serve the needs of individual and corporate customers who continue to demand products offering safety of returns, and also provide innovative M&A and reinsurance solutions to other insurers seeking to enhance their capital position or enact strategic change. Athora's principal subsidiaries are Athora Netherlands N.V. (Amsterdam, Netherlands), Athora Belgium N.V./S.A. (Brussels), Athora Lebensversicherung AG (Wiesbaden, Germany), Athora Italia S.p.A (Italy) and Athora Life Re Ltd. (Bermuda). At 30 June 2023, Athora had Assets under management and administration (AuMA) of €72 billion, c.1,500 staff and approx. 2.7 million customers.

For more information, please visit: www.athora.com

LinkedIn: www.linkedin.com/company/athoragroup

Disclaimer

This press release contains summary information only and does not purport to be comprehensive and is not intended to be (and should not be used as) the sole basis of any analysis or other evaluation and should be read in conjunction with the annual report 2022 of Athora Holding Ltd.

Consistent accounting policies were applied in preparing the unaudited results to 30 June 2023 as those applied in preparing the annual report 2022 of Athora Holding Ltd, with the exception of the implementation of accounting standards IFRS 9 and IFRS 17 from 1 January 2023 (as disclosed in the 2022 annual report). Comparative figures have been restated where applicable for the implementation of IFRS 9 and 17.

All figures quoted in this document are unaudited.