Best's Credit Rating Effective Date
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Best's Credit Rating Methodology

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Financial Data Presented

The financial data in this report reflects the most current data available to the Analytical Team at the time of the rating. Updates to the financial exhibits in this report are available here: Best's Financial Report.

Athora Holding Ltd.

AMB #: 046366
Ultimate Parent: AMB # 046366 - Athora Holding Ltd.

Best's Credit Ratings - for the Rating Unit Members

Financial Strength Rating (FSR)	Issuer Credit Rating (ICR)
A-	a-
Excellent	Excellent
Outlook: **Stable**	Outlook: **Stable**
Action: **Affirmed**	Action: **Affirmed**

Assessment Descriptors

Balance Sheet Strength	**Very Strong**
Operating Performance	**Adequate**
Business Profile	**Neutral**
Enterprise Risk Management	**Appropriate**

Rating Unit - Members

Rating Unit: Athora Holding Ltd. | AMB #: 046366

AMB #	Rating Unit Members	AMB #	Rating Unit Members
077712	Athora Ireland plc	095382	Athora Life Re Ltd.

Rating Rationale - for the Rating Unit Members

The Issuer Credit Ratings and Financial Strength Ratings of the member operating companies of the rating unit are determined in accordance with Best's building block rating methodology as applied to the consolidated group's financial statements, and the supporting analytics and results are described in the following sections of this report.

Balance Sheet Strength: Very Strong

- Athora Holding Ltd.'s (Athora) risk-adjusted capitalisation, as measured by Best's Capital Adequacy Ratio (BCAR), was at the strongest level at year-end 2022. Net required capital is expected to increase over the medium term as the group continues to allocate a higher proportion of its investment portfolio to higher-yielding asset classes. BCAR scores are expected to stay comfortably at the strongest level over the forecast period, supported by capital drawdowns to fund any prospective acquisitions.
- The group has good financial flexibility, and its shareholders have consistently provided capital to support growth. The group has demonstrated a good level of access to debt markets and bank facilities.
- The group maintains a relatively conservative allocation by asset class on its insurance liability matching portfolio. The group has limited appetite for systemic market risks, and so has minimal exposure to equities and real estate, and it hedges its interest rate exposure extensively. Athora's return-seeking portfolio is exposed to more significant credit risk through its appetite for private credit investments.
- Athora's liability profile is high risk and heavily weighted towards guaranteed savings business and annuities. Athora mitigates the interest rate risk associated with these products by running a close-to-zero duration gap.

Operating Performance: Adequate

- Track record of adequate operating performance, evidenced by a five-year (2018-2022) weighted average return on equity (ROE) of 9%.
- There is uncertainty in Athora's forecast performance as the level of the group's profitability will be impacted by the successful implementation of its investment and hedging strategies and the execution of large, low volume transactions. Should this strategy be implemented successfully, AM Best expects the group to be able to achieve strong overall returns over the medium-to-long term.
- The nature of the group's targeted business is volatile. Investments in private credit and other high-yield investments increase uncertainty in respect of prospective operating performance.

Business Profile: Neutral

- Since it was spun off from Athene Holding Ltd. (Athene) (now Apollo Global Management, Inc. [Apollo]) in 2018, Athora has established a robust position as a European life insurance consolidator and savings and pensions provider.
- At year-end 2022, the group had EUR 74 billion of assets under management and administration and operations in Belgium, Bermuda, Germany, Ireland, Italy and the Netherlands. The group is in the process of strengthening its presence in Germany and has an appetite for further expansion, especially in geographies where it already has a presence.
- The group is exposed to high levels of product risk through its appetite for European in-force books with high levels of guarantees. The group is also exposed to high operational risk as a result of its M&A activities and its exposure to multiple regulatory jurisdictions.
- The management team has extensive expertise and experience in the structuring and execution of M&A and of other insurance transactions. The group leverages the investment expertise of its strategic shareholder, Apollo, which has a track record of operating a similar business model in the US.

Enterprise Risk Management: Appropriate

- Due to the group's acquisition-driven growth in its formative years, silos existed at the subsidiary level and a group-wide approach to ERM is still evolving. The group experienced operational challenges relating to the calculation of its year-end 2020 regulatory solvency, which were identified in 2021 and were rapidly remediated, but it is investing significantly in building its group ERM function and enhancing its oversight.
- The group's ERM framework was developed in line with the Bermuda Monetary Authority (BMA) and Solvency II requirements and is centered around capital management. The group targets 'listed company' levels of financial reporting, governance and risk management over the medium term.

- Athora has a high appetite for credit risk and life insurance product risk, but significant resources are available to manage this aspect.

Outlook

- The stable outlooks reflect AM Best's expectation that the group's risk-adjusted capitalisation will remain at the strongest level, as measured by BCAR, with growth funded through capital raises and internal capital generation. The outlooks also reflect the expectation that operating returns will be positive and sustainable over the medium-to-long run.

Rating Drivers

- Positive rating pressure may arise if the group is able to demonstrate a track record of strong profitability and sustainable growth over the medium term.
- Negative rating pressure may arise if the group's risk-adjusted capitalisation, as measured by BCAR, falls below the strongest level on a sustained basis.
- Negative rating pressure may arise in the absence of further strengthening of Athora's group-wide risk management capabilities as it continues to expand.

Key Financial Indicators

AM Best may recategorize company-reported data to reflect broader international reporting standards and increase global comparability.

Best's Capital Adequacy Ratio (BCAR) Scores (%)

Confidence Level	95.0	99.0	99.5	99.6
BCAR Score	51.8	40.9	37.0	35.6

Source: Best's Capital Adequacy Ratio Model - Global

Key Financial Indicators	2022 EUR (000)	2021 EUR (000)	2020 EUR (000)	2019 EUR (000)	2018
Net Premiums Written:					
Life	1,870,000	2,150,000	1,565,000	392,000	...
Composite	1,870,000	2,150,000	1,565,000	392,000	...
Net Income	339,000	158,000	656,000	4,000	...
Total Assets	91,926,000	81,491,000	86,461,000	16,670,000	...
Total Capital and Surplus	3,871,000	4,815,000	4,254,000	618,000	...

Source: BestLink® - Best's Financial Suite

Key Financial Indicators & Ratios	2022 EUR (000)	2021 EUR (000)	2020 EUR (000)	2019 EUR (000)	2018	Weighted 5-Year Average
Profitability:						
Balance on Life Technical Account	586,000	527,000	567,000	-4,000	...	...
Net Income Return on Revenue (%)	-3.9	4.8	10.7	0.3	...	...
Net Income Return on Capital and Surplus (%)	7.8	3.5	26.9	...	...	...
Net Investment Yield (%)	-3.1	-1.1	4.3	...	...	...
Leverage:						
Net Premiums Written to Capital and Surplus (%)	51.9	48.0	39.1	64.5	...	...

Source: BestLink® - Best's Financial Suite

Credit Analysis

Balance Sheet Strength

The BCAR scores presented under the "Best's Capital Adequacy Ratio (BCAR) Scores (%)" section of this report are based on the audited year-end 2022 consolidated financial statements.

Balance Sheet Strength (Continued...)

Capitalisation

Athora's risk-adjusted capitalisation, as measured by BCAR, was at the strongest level at year-end 2022. Net required capital is expected to increase over the medium term as the group continues to allocate a higher proportion of its investment portfolio to higher-yielding asset classes in line with its strategic asset allocation (SAA). BCAR scores are expected to stay comfortably at the strongest level over the forecast period, supported by organic capital generation as well as capital drawdowns to fund any prospective acquisitions.

Athora has demonstrated a robust record of financial flexibility, and its shareholders have consistently provided capital to support growth. Athora initially received EUR 2.20 billion of committed capital from several global institutional investors following its deconsolidation from Athene in January 2018. Since inception and through three separate capital raises, Athora has amassed circa EUR 6.75 billion of total equity capital, allowing the group to successfully execute its acquisitive growth strategy. As at year-end 2022, circa EUR 2.45 billion of this capital remained undrawn.

Athora's wide ranging shareholder list includes a heavy weighting to large institutional investors such as sovereign wealth funds and pension funds.

The group has a number of debt instruments in issue, ranging from equity-accounted preference shares to senior bank debt. All instruments with debt-like features are given capital credit in Athora's BCAR, subject to a cap of 20% of total available capital.

Capital Generation Analysis	2022 EUR (000)	2021 EUR (000)	2020 EUR (000)	2019 EUR (000)	2018
Beginning Capital and Surplus	4,815,000	4,254,000	618,700	308,800	...
Net Income	339,000	158,000	656,000	4,000	...
Net Unrealized Capital Gains (Losses)	-2,061,000	-21,000	56,000	34,600	...
Currency Exchange Gains (Losses)	-6,000	7,000	-2,000	2,200	...
Change in Equalisation and Other Reserves	523,000	183,000	2,415,000	273,377	...
Net Change in Paid-In Capital and Surplus	200,000	182,000	384,000	23	...
Stockholder Dividends	-7,000	...	...	...	...
Other Changes in Capital and Surplus	68,000	52,000	126,300	-4,300	...
Net Change in Capital and Surplus	-944,000	561,000	3,635,300	309,900	...
Ending Capital and Surplus	3,871,000	4,815,000	4,254,000	618,700	...
Net Change in Capital and Surplus (%)	-19.6	13.2	587.6	100.4	...

Source: BestLink® - Best's Financial Suite

Liquidity Analysis (%)	2022	2021	2020	2019	2018
Liquid Assets to Total Liabilities	56.1	68.5	68.2	68.5	...
Total Investments to Total Liabilities	95.6	103.3	101.0	90.0	...

Source: BestLink® - Best's Financial Suite

Asset Liability Management - Investments

Athora's investment management function is heavily supported by its strategic shareholder, Apollo, which provides access to a wide range of investments and top-tier asset-liability management (ALM) capabilities. Athora benefits from Apollo's investment management capabilities, who fulfil an investment management function on certain asset classes. Apollo's experience with private lending, other alternative credit assets and private equity is expected to be a key driver of the group's forecast returns.

Investment risk comprises 50% to 60% of Athora's BCAR gross capital requirements. Athora has a higher appetite for credit risk than many large European life insurers, but a lower appetite for systemic risks. Consequently, the group has minimal exposure to equities and real estate and more exposure to credit risk through private credit. The group considers credit risk to be more manageable and better rewarded on a risk-adjusted basis than systemic risks.

Cash holdings are high and the group invests heavily in interest rate derivatives (swaps/swaptions) which can require significant levels of collateral. The group generally invests in high quality, secured low loan-to-value loans.

Balance Sheet Strength (Continued...)

The group's investments and ALM are considered neutral to the balance sheet strength assessment. While sophisticated ALM and a close to zero duration gap are considered positives in the balance sheet strength assessment, the group's exposure to higher risk private credit and alternative assets is an offsetting factor.

The group is comprised of regulated subsidiaries in several European markets, meaning that fungibility of capital can be impacted by each operating entity's regulatory capital requirements. The group's intention to reinsure a proportion of liabilities internally via Athora Life Re Ltd., centralising a proportion of the group's liabilities and capital, will increase capital fungibility.

Composition of Cash and Invested Assets	2022 EUR (000)	2021 EUR (000)	2020 EUR (000)	2019 EUR (000)	2018
Total Cash and Invested Assets	84,167,000	79,213,000	83,035,000	14,454,000	...
Cash (%)	8.7	5.2	2.2	4.1	...
Bonds (%)	27.8	35.7	41.4	51.6	...
Equity Securities (%)	0.2	0.2	1.3	3.4	...
Real Estate, Mortgages and Loans (%)	15.6	16.6	15.6	6.9	...
Other Invested Assets (%)	47.7	42.2	39.5	33.9	...
Total Cash and Unaffiliated Invested Assets (%)	100.0	99.8	99.9	99.9	...
Investments in Affiliates (%)	...	0.2	0.1	0.1	...
Total Cash and Invested Assets (%)	100.0	100.0	100.0	100.0	...

Source: BestLink® - Best's Financial Suite

Reserve Adequacy

A reconciliation between the group's capital reported in its financial statements under IFRS and that under Bermuda's Solvency II-equivalent regime suggests there is economic equity in the IFRS technical reserves. AM Best gives partial credit in Athora's BCAR for the amount by which regulatory own funds exceed shareholders' equity reported in the group's IFRS accounts.

Reserving risk is not considered material by Athora's management or AM Best. The group is net longevity exposed, however its published sensitivities are small, for example its exposure to a 10% decrease in mortality would be a EUR 55 million decrease in profit net of tax.

Holding Company Assessment

Financial Leverage Summary - Holding Company	
Financial Leverage Ratio (%)	36.10
Adjusted Financial Leverage Ratio (%)	20.90
Interest Coverage (x)	63.80

Operating Performance

Athora's operating performance is supportive of an adequate assessment, highlighted by the group's five-year (2018-2022) weighted average return on equity (ROE) of 9%. The ROE for 2022 was 8%, equivalent to net income of EUR 339 million.

Return on equity is partially distorted by the change in size of the group's asset and capital bases, and also by non-recurring items, such as negative goodwill in 2020, and the write-off of a portion of Athora Netherlands' deferred tax asset in 2021.

The 2022 result benefited from the decrease in value of insurance provisions in jurisdictions which do not mandate a locked in discount rate, and was partially offset by the impact of rising interest rates on asset values.

Athora employs a comprehensive hedging programme, and consequently changes in the value of derivatives flow through the income statement resulting in large swings for certain line items. Despite this, overall profitability (excluding non-recurring items) has been positive and relatively stable in aggregate.

Operating Performance (Continued...)

The group monitors returns using spreads, and targets earning attractive risk-adjusted spreads. The group earns substantial yield through its private credit and alternative portfolio.

The group has already demonstrated a robust record of profitability, earning a consolidated investment spread of 168bps in 2022.

There is uncertainty in Athora's forecast performance as the level of the group's profitability will be impacted by the successful implementation of its investment and hedging strategies and the execution of large, low volume transactions. Should this strategy be implemented successfully, AM Best expects the group to achieve strong overall returns over the medium-to-long term.

Financial Performance Summary	2022 EUR (000)	2021 EUR (000)	2020 EUR (000)	2019 EUR (000)	2018
Pre-Tax Income	488,000	379,000	750,000	37,000	...
Net Income after Non-Controlling Interests	318,000	128,000	641,000	-5,800	...

Source: BestLink® - Best's Financial Suite

Operating and Performance Ratios (%)	2022	2021	2020	2019	2018
Overall Performance:					
Return on Assets	0.5	0.2	1.6	...	...
Return on Capital and Surplus	7.8	3.5	26.9	...	...

Source: BestLink® - Best's Financial Suite

Business Profile

Athora was established as a European life consolidator, with a view to leveraging the asset origination capabilities of its strategic shareholder, Apollo. Athora was spun off from Athene in January 2018, who together with Apollo maintain a 23% shareholding. The remaining shareholdings are spread across long-term predominantly institutional investors such as large pension funds, sovereign wealth funds, family offices, asset managers and banks.

Athora's core business model is acquiring large blocks of life liabilities (via acquisitions, portfolio transfers or reinsurance) at a discount to book value, minimising their sensitivity to systemic financial markets and maximising the asset spread available on the investment portfolio. This typically involves running a close-to-zero duration gap at consolidated level and sourcing high-yielding, cash flow matched, private credit investments to earn spread.

At year-end 2022, the group had EUR 74 billion of assets under management and administration and operations in Belgium, Bermuda, Germany, Ireland, Italy and the Netherlands. The group is in the process of strengthening its presence in Germany and has an appetite for further expansion in territories where it already has a presence.

Athora is exposed to high levels of product risk through its appetite for European in-force books with high levels of guarantees. The group is also exposed to high operational risk as a result of its M&A activities and its exposure to multiple regulatory jurisdictions.

In addition to its primary operating entities in four European markets, Athora has two dedicated reinsurance companies, Athora Ireland plc (Athora Ireland) and Athora Life Re Ltd (Athora Re). Athora acquired Aegon Ireland plc (now Athora Ireland) and established its intermediate parent Athora Re (domiciled in Bermuda) around the same time that the group was spun off from Athene.

Athora Ireland was purchased with a closed variable annuity book which was initially 100% ceded to Munich Re and then sold via a portfolio transfer to Monument Life Insurance DAC in January 2022.

Both reinsurance entities supplement Athora's range of consolidation solutions. Athora Ireland is generally used where an EU-based entity is required and cedes a high proportion of its liabilities to Athora Re on a quota share basis. The entities are increasingly used for internal capital management purposes.

Enterprise Risk Management

Athora's ERM is considered appropriate compared to its risk profile. While the group has a high appetite for credit risk and liabilities which carry high product risk, the group has significant resources and expertise available to manage these.

Enterprise Risk Management (Continued...)

Due to the group's M&A based growth in its formative years, silos existed at subsidiary level and a group-wide approach to ERM continues to evolve, although management significantly accelerated investment in group functions over the past two years. The group's strategy of minimising its balance sheet sensitivity to market risk, interest rate risk and biometric risks and maximising its exposure to credit risk through illiquid alternative assets was tested and proven during COVID-19-related market dislocation.

Athora aims to run its ERM function in line with that of a listed company. It employs a three lines of defence risk management model. The group is supervised by the Bermuda Monetary Authority (BMA), with subsidiaries mainly operating in Solvency II regulatory regimes and regulated by local supervisors. In compliance with BMA and Solvency II guidance, risk tolerances, limits, governance and reporting lines and a risk appetite statement with clear thresholds are in place as part of Athora's risk framework. Key strategic functions such as ALM, capital and investment management are mostly centralised.

Environmental, Social & Governance

Athora's exposure to environment, social and governance (ESG) factors arises mainly from its investment portfolio, where there is a risk of stranded assets. Athora is mitigating this by taking actions to embed ESG factors into its investment screening practices. The company has limited appetite for biometric risks, and so demographic changes are not likely to have a material impact on its liabilities.

Financial Statements

Balance Sheet	12/31/2022 EUR (000)	%	12/31/2022 USD (000)
Cash and Short Term Investments	7,294,000	7.9	7,787,950
Bonds	23,371,000	25.4	24,953,684
Equity Securities	170,000	0.2	181,512
Other Invested Assets	53,332,000	58.0	56,943,643
Total Cash and Invested Assets	84,167,000	91.6	89,866,789
Reinsurers' Share of Reserves	35,000	...	37,370
Debtors / Amounts Receivable	5,489,000	6.0	5,860,715
Other Assets	2,235,000	2.4	2,386,354
Total Assets	91,926,000	100.0	98,151,229
Life - Long Term Business	44,839,000	48.8	47,875,497
Life - Linked Liabilities	19,176,000	20.9	20,474,599
Total Gross Technical Reserves	64,015,000	69.6	68,350,096
Debt / Borrowings	2,697,000	2.9	2,879,641
Other Liabilities	21,343,000	23.2	22,788,348
Total Liabilities	88,055,000	95.8	94,018,085
Capital Stock	800,318	0.9	854,516
Retained Earnings	951,000	1.0	1,015,402
Other Capital and Surplus	1,852,682	2.0	1,978,146
Non-Controlling Interests	267,000	0.3	285,081
Total Capital and Surplus	3,871,000	4.2	4,133,144
Total Liabilities and Surplus	91,926,000	100.0	98,151,229

Source: BestLink® - Best's Financial Suite
US $ per Local Currency Unit 1.06772 = 1 Euro (EUR)

Income Statement	Non-Life EUR (000)	Life EUR (000)	Other EUR (000)	12/31/2022 Total EUR (000)	12/31/2022 Total USD (000)
Gross Premiums Written	...	2,457,000	...	2,457,000	2,623,388
Net Premiums Earned	...	1,870,000	...	1,870,000	1,996,636
Net Investment Income	...	-2,524,000	...	-2,524,000	-2,694,925
Unrealized capital gains / (losses)	...	-7,962,000	...	-7,962,000	-8,501,187
Total Revenue	...	-8,616,000	...	-8,616,000	-9,199,476
Benefits and Claims	...	-9,839,000	...	-9,839,000	-10,505,297
Net Operating and Other Expense	...	637,000	98,000	735,000	784,774
Total Benefits, Claims and Expenses	...	-9,202,000	98,000	-9,104,000	-9,720,523
Pre-Tax Income	...	586,000	-98,000	488,000	521,047
Income Taxes Incurred	...	...	...	149,000	159,090
Net Income before Non-Controlling Interests	...	...	...	339,000	361,957
Non-Controlling Interests	...	...	...	21,000	22,422
Net Income/(loss)	...	...	...	318,000	339,535

Source: BestLink® - Best's Financial Suite
US $ per Local Currency Unit 1.06772 = 1 Euro (EUR)

Related Methodology and Criteria

Best's Credit Rating Methodology, 11/13/2020

Available Capital & Holding Company Analysis, 10/13/2017

Rating New Company Formations, 09/07/2023

Rating Run-Off Insurers and Specialists, 09/07/2023

Scoring and Assessing Innovation, 02/27/2023

Understanding Global BCAR, 07/06/2023