ATHORA

ANNUAL REPORT 2022

Athora Holding Ltd.

Strength through commitment

2022 FINANCIAL HIGHLIGHTS

Operating capital generation[1]

€442m

2021: €243m[4]

Group BSCR ratio (estimated)

183%[5]

2021: 187%

Assets under management and administration[1]

€73.8bn[6]

2021: €77.6bn[2]

IFRS profit before tax from continuing operations

€488m

2021: €428m

Total IFRS equity

€3.9bn

2021: €4.8bn

Adjusted financial leverage ratio[1, 3]

25%

2021: 25%

RATINGS

Athora Life Re, Athora Ireland and SRLEV N.V.

A

Fitch Insurer Financial Strength Rating (Oct 2022)

Athora Life Re and Athora Ireland

A-

AM Best Financial Strength Rating (May 2022)

Visit www.athora.com/ratings for all our latest ratings.

1 Definitions of our alternative performance indicators are set out in the glossary.

2 The definition of AuMA changed during the year to include derivative liabilities as set out in the glossary. Prior year comparatives have been restated.

3 Financial leverage ratio has been adjusted to remove the impact of interest rate rises on IFRS Equity, estimated as €1.5bn in 2022.

4 The OCG definition changed during the year to include experience variances and profit-sharing impacts as set out in the glossary. Prior year comparatives have been restated.

5 The Group BSCR ratio of 183% reflects the impact of a short-term investment made in December 2022 and repaid in early 2023, without which the Group BSCR ratio would stand at 195%. Refer to the CFO report for further detail.

6 AuMA at 31 December 2022. Proforma AuMA of c.€94bn includes the c.€19bn acquisition from AXA Germany, which is subject to regulatory approvals and is targeted to close at the end of 2023.

CONTENTS

KEY MILESTONES

- **January**
  Athora Netherlands completes sale of asset manager, ACTIAM, to Cardano Group

  Athora Ireland completes sale of non-core variable annuity portfolio to Monument Re

- **April**
  Bermuda College marks grand opening of Athora-supported Career Development Centre

- **May**
  Athora Life Re, Athora Ireland and SRLEV upgraded to A by Fitch[1]

  Athora Holding upgraded to A- by Fitch[2]

- **June**
  Athora Netherlands issues €500 million subordinated Tier 2 notes

- **July**
  Athora publishes its first Sustainability Report

  Athora announces closed-life book transaction with AXA Germany

- **August**
  Athora completes acquisition of Italian life insurer, Amissima Vita

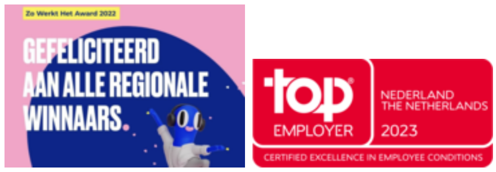
- **October**
  Athora Belgium completes acquisition of a closed-book life insurance portfolio from NN Insurance Belgium including concurrent reinsurance

  Athora Netherlands announces agreement to acquire WTW's Premium Pension Institution (PPI) in the Netherlands

- **November**
  Amissima Vita rebranded to Athora Italia

- **December**
  Athora completes third capital raise, securing approximately €2.75 billion of additional common equity commitments including €600m raised in 2021

INDUSTRY RECOGNITION



Athora Netherlands recognised as Top Employer by the Top Employers Institute for second year in a row and as Best Hybrid Employer by Zo Werkt Het

Zwitserleven nominated as Long-term investor of the year 2021 by Pensioen Pro Awards

Reaal's Zuivere Lijfrente product received highest rating from comparison website, Moneyview, receiving 5-star ratings for both product conditions and price

Athora Belgium wins two Decavi life insurance awards for Best Low Risk Fund (Branch 23) and Best Medium Risk Fund (Branch 23)

[1] Fitch Insurer Financial Strength for the operating companies Athora Life Re Ltd., Athora Ireland plc and SRLEV N.V.
[2] Includes Athora Netherlands.

Athora at a glance

Who we are

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 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.

€73.8bn
Assets under management and administration

2.7m
Customers

€3.9bn
Total IFRS equity

1,700
Employees

Our mission

To deliver more value to our customers in fulfilling their long-term insurance needs.

Our brands

ATHORA Zwitserleven Reaal

Our values

Dare to be different

We create more value for our customers and our business by doing things differently. Together, we challenge the status quo, we do things differently where it brings more value, we share ideas and we embrace new ways of working.

Seek simplicity

We aim for simplicity in a complex business environment. We strive to design simple and cost-effective products and processes that benefit our customers, our partners and our colleagues.

Care

We care about our business, our customers and each other. We welcome and respect diversity of opinion and thought and our collaborative and inclusive workplace ensures we can thrive.

Do the right thing

We take our responsibilities seriously. We commit to always 'doing the right thing' to create a sustainable future for our customers, our partners, our colleagues and the communities we operate in.

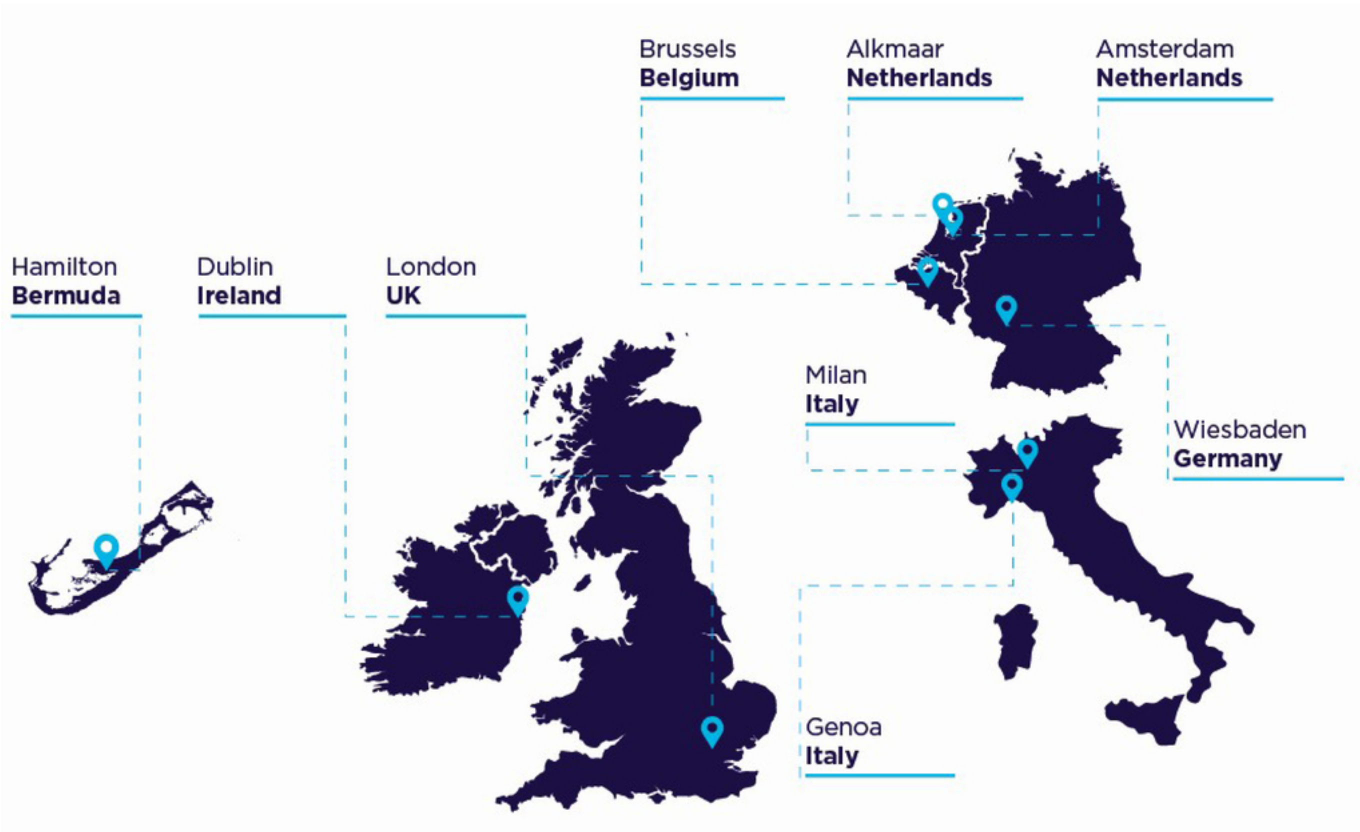
Business units

Our **primary insurance** operations are based in the Netherlands, Belgium, Germany and Italy. In the Netherlands, Belgium and Italy, we provide a range of life and pensions products to individual and corporate customers to meet their differing needs. In Germany, we focus on efficiently managing the existing book of policies as we are closed to new business.

We offer **reinsurance** solutions to other European insurers through our subsidiaries Athora Life Re and Athora Ireland. We also offer internal reinsurance solutions to Athora's operating subsidiaries for efficient capital management.

Our locations

Athora is headquartered in Bermuda with c.1700 employees across nine offices in Belgium, Bermuda, Germany, Ireland, Italy, the Netherlands and the UK.



Our strategic priorities

Strategic pillars

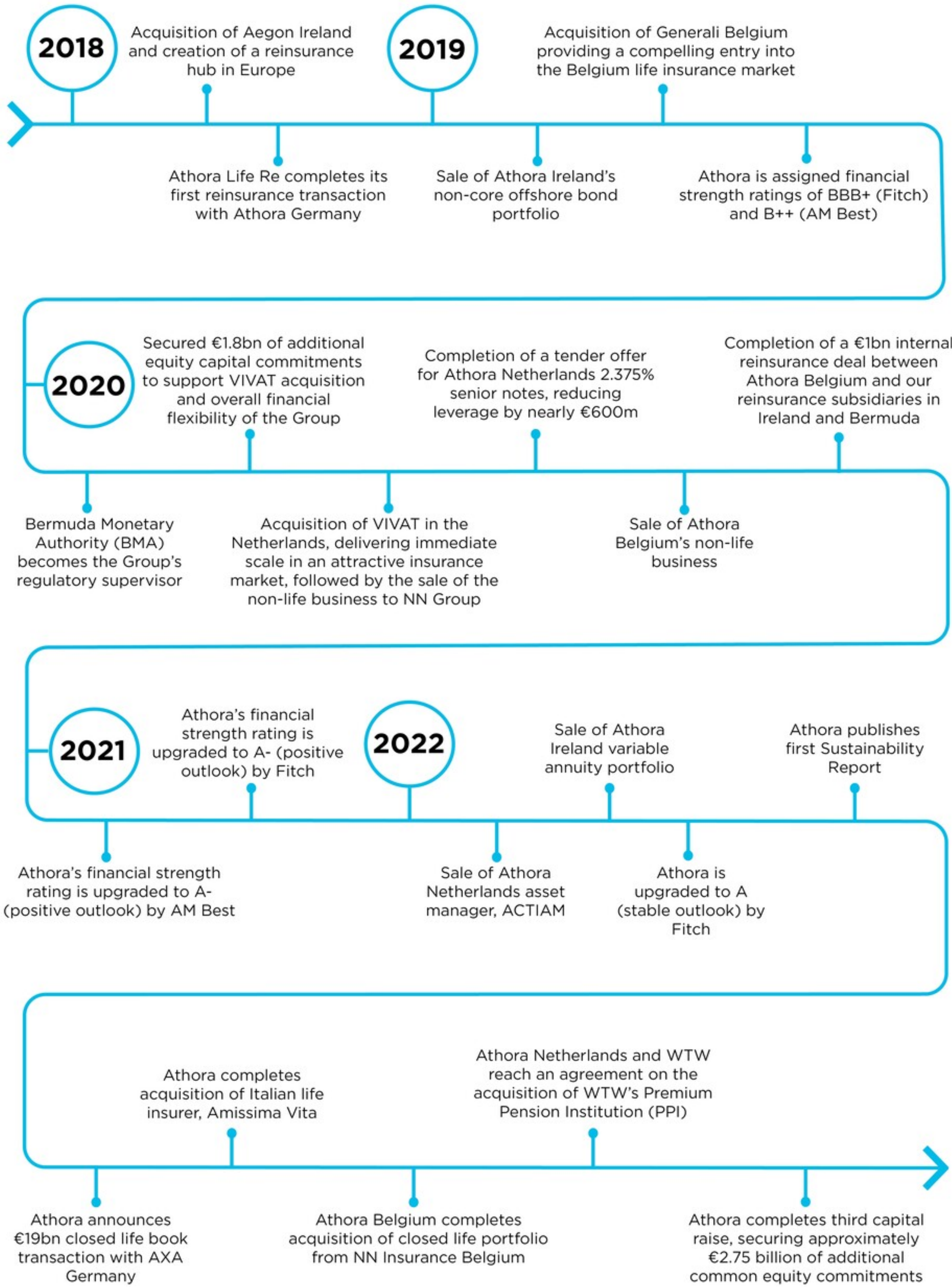
Grow	Optimise	Earn	Operate
Sustainable growth	**Proactive capital and risk management**	**Strong and stable investment returns**	**Competitive costs and service levels**
Disciplined, multi-channel growth via new business and pensions, reinsurance and M&A (including portfolio transfers).	Prudent management of capital, leverage and liquidity. Expert credit under-writing, minimising volatility.	Market-leading spread generation capabilities benefiting from our strategic relationship with Apollo.	Efficient, modern platforms, processes and structures. Scalable operations, ready to seize growth.

Foundations

Diverse and engaged teams	Strong governance and risk culture	Sustainability
Strong culture where employees thrive; diverse, inclusive and equal workforce.	Transparency, governance and regulatory discipline; proactive, engaged and widespread risk culture.	Consistent sustainability approach across Athora.

Our story

Our business was originally established in Bermuda in 2014 by US-based Athene Holding Ltd. (Athene) with the intention to build a savings and retirement services group focused on the European market. Given the size of the potential opportunities in Europe, €2.2 billion of equity capital commitments were secured in 2017 from several global institutional investors. On 1 January 2018, the business was separated from Athene and renamed Athora Holding Ltd. (AHL). Since inception, Athora has raised approximately €6.75 billion of total equity capital, established operations in six countries and formed a leading European insurance group. Key milestones since deconsolidation from Athene are outlined below.



A message from the Chairman

"We have again, in 2022, proven our ability to deliver on the promises we have made to our stakeholders, delivering strong financial performance despite the uncertain economic environment."

Nikolaus von Bomhard, Chairman

Dear Shareholders,

In 2022 Athora performed strongly against our strategic objectives, strengthening our management structure and laying foundations for the next phase of our maturity journey.

Athora entered its fifth year in a strong position with significant capital, a supportive high-quality investor base, proven performance record and high calibre talent. These elements underpin our plans to scale up from established and new bases, and allow us to capture the opportunities available in the European savings and retirement services market.

Highlights

In December, we announced the completion of Athora's third equity capital raise securing approximately €2.75 billion of additional common equity capital commitments from new and existing shareholders, including early commitments of €600 million received in December 2021. This latest funding round brings the total equity capital raised since Athora's inception to c.€6.75 billion, allowing Athora to bring new capital to the markets in which we operate. The addition of new investors to our shareholder base is a testament to Athora's market position and business model, and their support is integral to our strategy and growth ambitions in Europe. As a long-term savings and retirement services group, the support of an investor base with a long-term focus positions Athora uniquely in the industry.

In the reporting year, we entered the Italian life insurance market via the acquisition of Amissima Vita S.p.A., rebranded Athora Italia, and closed the acquisition of a closed-life portfolio from NN Insurance Belgium. Athora was also selected as the preferred bidder for a c.€19 billion[1] Assets under Management and Administration (AuMA) closed-life portfolio from AXA Germany. The deal, targeted to close in late 2023, will allow Athora to achieve scale in Europe's second largest life insurance market.

This year, the Group BSCR ratio remained relatively stable at 183%[2] (2021: 187%) supported by positive underlying capital generation and financing activities. Our financial strength was again reflected in favourable credit rating momentum as we gained further upgrade from Fitch for Athora's Insurer Financial Strength

[1] AXA Germany portfolio c€19 billion AuMA at 31 December 2021 as disclosed when we announced the acquisition.
[2] The Group BSCR ratio of 183% reflects the impact of a short-term investment made in December 2022 and repaid in early 2023, without which the Group BSCR ratio would stand at 195%. Refer to the CFO report for further detail.

Rating from A- (Positive) to A (stable). Lastly, following the latest capital raise we have significant undrawn equity capital.

The Board and MC

In addition to Martin Klein succeeding William Wheeler on the Board in September 2022, this year our management structure evolved with Mike Wells appointed as Group Chief Executive Officer (CEO) and Michele Bareggi, former Group Chief Executive Officer, transitioning to the newly-created position of President and Deputy CEO. Mike is a seasoned leader in global insurance, having spent 26 years at Prudential plc including seven years as the Group Chief Executive Officer. We also announced the appointment of Ward Bobitz as Group General Counsel. Ward joins Athora from Genworth Financial where he spent nearly 25 years, including seven years as its Executive Vice President and General Counsel.

On 12 February 2023, Athora announced that the Management Executive Committee (MEC) would be restructured, and the name of the committee would change to the Management Committee (MC). It was also announced that Lukas Ziewer will be stepping down from his role in 2023. A new Group CRO will be appointed in due course, subject to regulatory and other approvals.

Governance and culture

Athora has grown rapidly in five years and now is the time to embed the risk culture, mindset and behaviours that will support the next stage of our maturity. In 2022, we introduced new pillars to our transformation programme to help us enhance our control framework, risk management, decision making and culture.

We also published our Sustainability Strategy and Sustainability Investment Policy, setting out the strategic commitments and key initiatives underway across the Group. This will help to embed sustainability within our strategic and investment decisions and concentrate the impact we make.

We have continued to implement our Inclusion, Diversity and Equality (IDE) programme and endeavoured to nurture our group culture by promoting organisational behaviours that can empower individuals and Athora to thrive. I am pleased to see our gender diversity objectives come to fruition through some senior female appointments announced across our jurisdictions in 2022 and early 2023.

Leadership and culture are at the top of the agenda for our I Am Athora Network (IAAN), a group of more than 60 leaders across the business that seek to collectively own the leadership and culture development.

In 2022, the IAAN focused on advancing our maturity journey and transformation programme, while continuing to foster collaborative relationships across the business.

Finally, our regulators play a critical role in maintaining the overall health of the insurance industry by protecting, through their oversight of the industry, the long-term savings and insurance for millions of people. We seek to support these efforts through effective regulatory collaboration based on open and regular engagement. It is critical that we not only share a mutual understanding on the key areas of interest, but that we work closely together to deliver the best outcomes possible for our policyholders.

Looking forward

Despite changes in the macroeconomic environment, we remain positive about the path ahead and are confident that our strategic and financial progress will continue. Our strategy of focusing on careful asset underwriting and asset-liability management, disciplined expense management and investments in our infrastructure all underpinned by strong risk and capital management is designed to work through economic cycles, and ensure delivery of return and security for our customers over the long term.

Word of thanks

The Board wishes to thank all members of Athora's management and the employees of the Group for their dedicated work in this financial year.

Nikolaus von Bomhard

Chairman of the Board of Directors

Chief Executive's overview

"Athora is well positioned to further consolidate its position in the attractive European savings and retirement services market. We continue to execute on our business model, delivering mutually beneficial outcomes for our investors and policyholders, and have significant excess capital to pursue additional growth."

Mike Wells, Group Chief Executive Officer

Athora recently celebrated its fifth anniversary, providing an important juncture to reflect on what has been built to date and the journey ahead. In the last years, Athora has been able to scale pro-forma AuMA to c.€94 billion[1] across six jurisdictions and establish itself as a leading player in the European savings and retirement services landscape. This could not have been achieved without the dedication of our employees, support of our investors, strong regulatory engagement and trust of our policyholders who have all contributed to this amazing journey.

As I look to the next five years, we have access to capital enabling Athora to pursue additional growth and strengthen across our core value drivers. To support the next phase, we are investing to strengthen our capabilities in order to build a robust and highly scalable platform that can support our growth ambition.

A year of substantial progress

2022 has been a pivotal year for Athora. Amidst a volatile economic backdrop, we have delivered strong operating performance, as highlighted by the progress on our KPIs, demonstrating the merits of our business model through varying economic cycles. We end the year having materially expanded our market position and balance sheet capacity, while simultaneously consolidating the foundations on which we operate.

Over the course of the year, we have continued to selectively deploy capital, in-line with our strategy to establish and consolidate market positions in key European markets. We end the year with a consolidated balance sheet, pro-forma for announced transactions, at c.€94 billion[1], top-3 and top-10 market shares in the Netherlands and Belgium by life reserves respectively, and will transform our position in the German market upon closing the transaction with AXA Germany. The acquisition of Amissima Vita in Italy has also provided Athora with an important foothold in the attractive Italian life insurance market, which offers significant organic growth potential.

[1] Proforma AuMA of c.€94bn includes the c.€19bn acquisition from AXA Germany, as of year-end 2021, which is subject to regulatory approvals and is targeted to close at the end of 2023.

Lastly, in December 2022, we announced the completion of our third capital raise, securing approximately €2.75 billion of additional common equity commitments, including commitments of €600 million received in December 2021. The composition of our investor base is unique in the industry. Athora enjoys exceptional alignment with a group of cornerstone investors who share our long-term vision.

Continued delivery on strategic goals

Sustainable growth

Over the last twelve months, we have continued to execute on our growth agenda. Most notably, we successfully completed the two acquisitions we signed in 2021, signed a new large transaction in 2022 and continued to deliver on our organic objectives.

Our entry into the Italian life insurance market was successfully completed in August via the acquisition of Amissima Vita (rebranded Athora Italia), resulting in an increase in Group AuMA of €6.6 billion and contributing €178 million of GWP since closing. Shortly after, in October, we closed a €2.6 billion portfolio transfer in Belgium, strengthening our market share on reserves to top-10, concurrently completing a €1.2 billion internal quota-share reinsurance treaty between Athora Belgium and Athora Life Re, further scaling our reinsurance operations.

Consistent with our ambition to establish leadership positions in our key markets of operation, we have also continued our trend of consolidating and scaling our market positions. In July, we announced the signing of a landmark acquisition in Germany from AXA Group, representing €19 billion[2] of AuMA, which is targeted to close in late 2023. And, in October, Athora Netherlands agreed to acquire a €1.1 billion Premium Pension Institution (PPI) business from Willis Towers Watson (also expected to close in 2023).

Organic activity has also remained robust despite the increasing market volatility. Group GWP, excluding Pension Buy-outs, increased by 21% year-on-year, supported by five months of premiums from Athora Italia and solid operating momentum in the Netherlands. Athora Netherlands has also continued to exercise its leadership position in the Netherlands Pension Buy-out market, completing the only competitive transaction in the market during 2022. Premium trends are expected to further increase in 2023, underpinned by a full-year contribution from Athora Italia (including new distribution agreements), a strong Pension Buy-out pipeline in the Netherlands and further development of our pan-European reinsurance offering.

Proactive capital & risk management

We end the year with strong capital positions across all of our business units and at Group with the BSCR ratio remaining relatively stable at 183%[3] (2021: 187%). Most notably, the Solvency II ratio of our largest business unit, Athora Netherlands, has increased to 205% (31 December 2021: 180%) supported by an acceleration in the business turnaround, as intended when we decided to contribute €325 million of additional capital in December 2021. Primed with the capital, Athora Netherlands has been able to step-up the repositioning of its asset portfolio supporting an acceleration of Group Operating Capital Generation to €442 million (2021: €243 million[4]). We anticipate that Athora Italia will similarly be able to accelerate its strategic agenda following the €200 million capital contribution in December 2022.

Athora's growing operating track record and effective management of our balance sheet and capital structure have been further recognised by rating agencies and lenders. In May 2022, Athora's Insurer Financial Strength Rating was increased for the second year in a row by Fitch to A (stable), which supported a further reduction in financing costs at Athora Netherlands.

Strong and stable investment returns

We have once again delivered strong investment performance across our business units in 2022 – leveraging our strategic relationship with Apollo and unique asset origination capabilities – supported by the effective repositioning of our investment holdings, strong asset returns and a disciplined approach to asset-liability management.

Following the continuation of the repositioning of the investment portfolio in the Netherlands, our consolidated investment portfolio has become significantly closer to our long-term strategic asset allocation target. This has resulted in a 50% year-on-year increase in our consolidated investment spread to 168 bps. On a forward looking basis, we expect Athora Netherlands to substantially reach its strategic asset allocation by the end of 2023. Our investment office is also focusing on the repositioning of the Athora Italia investment portfolio, assets associated with the acquired portfolio in Belgium and preparations for the onboarding of the portfolio being acquired from AXA Germany.

---

[2] AXA Germany portfolio c€19 billion AuMA at 31 December 2021 as disclosed when we announced the acquisition.
[3] The Group BSCR ratio of 183% reflects the impact of a short-term investment made in December 2022 and repaid in early 2023, without which the Group BSCR ratio would stand at 195%. Refer to the CFO report for further detail.
[4] The OCG definition changed during the year to include experience variances and profit-sharing impacts as set out in the glossary. Prior year comparatives have been restated. Refer to the CFO report for further detail.

The investment performance of our asset holdings has also remained robust during 2022, despite the challenging macroeconomic environment, as demonstrated by the low level of asset impairments. This has been achieved due to the origination of assets at highly attractive terms over recent years, facilitated by our strategic relationship with Apollo, and strong pricing tensions in private markets. Equally important has been our ability to deliver these returns without compromising on risk, with new assets being originated with attractive terms and risk-return characteristics. This disciplined, bottom-up approach to asset underwriting is critical in allowing Athora to navigate market cycles, as demonstrated in both 2021 and 2022.

Despite the recent uptick in market volatility, we have not experienced any discernible changes in the quality of our asset portfolio, as demonstrated by the continued low level of asset impairments. Similarly, we have maintained a very strong liquidity profile, with material capacity to withstand higher movements and volatility in both interest rate and credit markets. Given the evolving economic environment, we are continuing to closely monitor our investment portfolio and target asset allocations to capture developing opportunities.

Competitive operating model & service levels

From an operational perspective, our focus has remained on the continued simplification of our operations and integration of acquired portfolios, alongside investments in our transformation programme to drive efficiencies.

Consistent with our focused business strategy, we have further simplified both Athora Netherlands and Athora Ireland during 2022. In the Netherlands, the completion of the ACTIAM disposal marks the final stage in the re-focusing of the business on retirement and savings products. Similarly, the disposal of the legacy variable annuity portfolio in Ireland will allow Athora Ireland (alongside Athora Life Re) to fully focus on the expansion of our pan-European reinsurance business. Collectively, these initiatives support a significant simplification of the operating model in both business units, alongside material benefits to the overall cost base.

Athora's track-record of successfully closing transactions and integrating acquired portfolios has once again been demonstrated in 2022. The integration of Amissima Vita into the Group was successfully completed in November, resulting in the smooth transition of 143,000 customers to Athora Group. Likewise, the portfolio transfer of a €2.6 billion closed-life portfolio from NN Insurance Belgium was also successfully completed in October.

We will continue to work closely with NN Insurance Belgium over the coming two years to migrate all activities onto our own systems.

Alongside transaction activities, we have continued to progress our multi-year transformation and efficiency programme, Transform Athora. This programme is focused on future-proofing all of our systems, processes and operations, in order to strengthen our processes, ensure scalability of our platforms and drive operating efficiency. Central to this is our use of strategic outsourcing partners, in order to leverage external capabilities and economies of scale. Supported by these activities, our run-rate cost base is down year-on-year, despite the inflationary environment.

Strengthening foundations and investing in our people

Throughout our growth and the evolution of our business operations, we have continued our efforts to ensure that our customers and employees remain at the heart of what we do. In 2022, we observed favourable trends in customer satisfaction, reflecting several product and service initiatives. Of note, we have materially strengthened our customer proposition in Belgium and Germany – most demonstrably by the attractive levels of profit sharing – while developing compelling offerings in the Pension Buy-out and decumulation markets in the Netherlands. I would also like to highlight that our strong business performance is the reflection of the hard work of our employees, and I would like to recognise the hard work and contribution made by the Athora team.

Over the course of 2022, we have continued to focus on strengthening our foundations. As part of the continuation of our maturity journey, we continue to strengthen the talent and bench at the Group and local level, welcoming Ward Bobitz to the Athora Group Management Executive Committee and Jan-Hendrik Erasmus to the Athora Netherlands Executive Board. The addition of further leaders with listed company experience will help us to enhance our operations, controls, governance, and stakeholder management to the level we intend to operate.

During the year, we have also ramped-up our sustainability activities. In 2022, we have published our first sustainability report and a dedicated sustainability section on our website, and our intention is to continue to progress on our journey in 2023, with increased measurement and reporting of our progress.

Outlook

During the last five years, Athora has established itself as a highly credible operator in the European savings and retirement services space, delivering growth and achieving positive stakeholder outcomes via the execution of a clear business strategy.

Athora enters 2023 with strong operating momentum, a robust balance sheet and significant available capital. This positions us extremely well to further accelerate our business delivery – providing our stakeholders with peace of mind irrespective of market conditions – and capitalise on the variety of organic and inorganic growth opportunities available to us across Europe. Special attention will also be given to Athora Germany in 2023, in order to prepare for the closing and smooth integration of the portfolio acquisition from AXA Germany. Alongside this, we will continue to invest in our employees, capabilities, governance, controls and sustainability efforts.

We have a clear view of where we want to go and, with our strategic relationships, we are concentrating on providing security and attractive returns to our customers, and ensuring that we continue to meet the expectations of our investors and other stakeholders.

Mike Wells
Group Chief Executive Officer

Business model and strategy

Athora's mission is to bring more value to customers in fulfilling their long-term insurance needs.

As a specialised and focused European savings and retirement services group, Athora aims to provide long-term return and security to our stakeholders: customers (including end consumers, distribution partners and insurers), employees, regulators and shareholders, among others. All aspects of our business work together to support these stakeholders, allowing us to achieve a balance that results in a strong and sustainable group.

Our business

Athora is a leading provider of guaranteed products in the European savings and retirement services market. We operate through primary insurance businesses in the Netherlands, Belgium, Germany and Italy, and reinsurance operations in Bermuda and Ireland.

We believe that the provision of guaranteed savings and retirement solutions is of value to customers and, ultimately, our other stakeholders, including investors. For customers, our solutions are an essential tool for long-term financial planning and peace of mind. For investors, we believe that these products, if underwritten and managed well, continue to offer attractive margins.

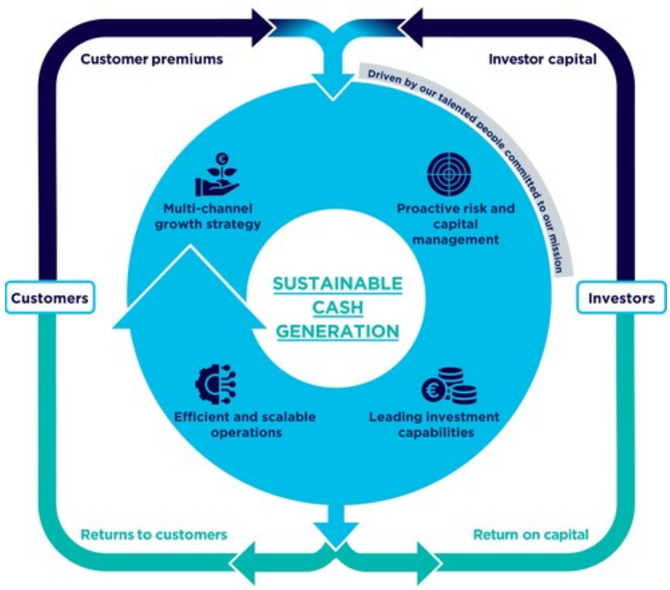
Supported by our strategic shareholder, Apollo, who provides us with access to their leading asset management platform, network of relationships and financial expertise, we constructed a business model with a simple focus on cash generation.

Athora benefits from strong support from a leading group of long-term investors. Athora has €2.5 billion of undrawn committed equity capital and will continue to invest and grow existing and new operations across Europe.

Our business model

Athora is designed and built using permanent equity from an investor base that is fully aligned with our patient, long-term strategy. Fundamentally we have alignment between the capital backing our investments and our promises to customers.

Our business model is centred on disciplined growth focusing on stable and long-dated insurance liabilities across multiple channels in Europe: new business, pension buy-outs, reinsurance and M&A (including portfolio transfers). Through sophisticated investment, capital and risk management, we aim to earn attractive investment returns relative to the capital required. With these investment returns, we aim to deliver on our promise to bring more value to our customers, cover our operating and financing costs, and deliver growing cash flows from our business units (BUs).



Multi-channel growth strategy

Following a period of sustained low interest rates and tight credit spreads, alongside the shift to a risk-based capital regime in Europe, many insurers with high-guarantee legacy liabilities have undertaken restructuring actions and are enacting permanent changes in strategy. While the recent increase in interest rates has reduced the liability-side pressure of high-guarantee legacy products, heightened volatility in public capital markets has increased the asset-side pressures. Changes to market activity therefore appear limited and unlikely in the near-term.

Athora offers innovative reinsurance, portfolio transfer and M&A solutions to other insurers seeking to enhance their capital position or enact strategic change, while continuing to meet institutional and retail demand for life and pension products offering guarantees. These products are sold through a strong network of distribution partners, primarily comprised of banks, brokers and financial advisers.

Through a multi-channel growth strategy—new business and pensions, reinsurance and M&A (including portfolio transfers)—we believe there is an opportunity to accumulate large volumes of long-duration liabilities at attractive terms.

Over the last few years, Athora has built a strong reputation in the market by proving our ability to execute complex M&A, reinsurance, portfolio transfers and Pension Risk Transfer (PRT) transactions. Additionally, Athora has continued to invest in its product offering and distribution structure, including the expansion of our Bank and Broker distribution networks. Our strategy is to selectively grow through each of these channels using a disciplined approach to pricing to ensure financial stability and sustainable value creation.

Progress in 2022

- In July, Athora announced the signing of a c.€19 billion AuMA closed-book life transaction with AXA Germany, adding meaningful scale in Europe’s second largest life insurance market.
- In August, Athora completed the acquisition of Amissima Vita – subsequently rebranded to Athora Italia - marking Athora’s first step into the Italian insurance market, Europe’s third largest.
- In October, Athora completed the acquisition of a €2.6 billion closed-book life insurance portfolio from NN Insurance Belgium, alongside a €1.2 billion concurrent reinsurance arrangement with Athora Life Re, materially strengthening Athora’s market position in Belgium.
- In October, Athora Netherlands completed a new PRT with A.C. Nielsen, which was the only competitive transaction executed in the Netherlands PRT market during the year.
- In October, Athora Netherlands agreed to acquire €1.1 billion AuMA Premium Pension Institution from Willis Towers Watson, resulting in an increase in Athora Netherlands’ combined PPI AuMA to approximately €2.7 billion.
- In December, Athora Italia entered a long-term distribution agreement with Banca Popolare di Bari, effective 1 March 2023.

Proactive risk and capital management

Our business model is underpinned by proactive risk and capital management. We are prudent in our management of capital, leverage and liquidity across all economic conditions. We invest significant financial and human resources in building these capabilities across all of our businesses to ensure that we are resilient and maintain our financial strength. Athora operates with an A (stable) Insurer Financial Strength rating from Fitch, upgraded from A- (positive) during 2022, and benefits from significant undrawn committed equity capital.

We seek to minimise exposure to systemic market risks—most notably interest rates and listed equity —and we have a modest appetite for biometric risks. In contrast, we carefully underwrite spread and default risk with a focus on earning superior risk-adjusted spreads by capturing illiquidity and complexity risk premiums.

We have an unwavering commitment to the protection of our policyholders and work to ensure that our businesses have the resources to deliver their strategic ambitions. This translates into robustly capitalised business units, with contained risk sensitivities and a strong group financial position.

Progress in 2022

- Completed third capital raise securing approximately €2.75 billion of additional common equity commitments, bringing total equity commitments to €6.75 billion.
- Achieved credit rating upgrades to ‘A’ with a Stable outlook from Fitch.
- Increased the solvency ratio of Athora Netherlands by 25pp year-on-year to 205%.
- Successfully issued €500 million Subordinated Tier 2 notes from Athora Netherlands with an initial fixed rate coupon of 5.375%, with proceeds used to redeem a maturing $575 million instrument.
- €200 million of additional equity capital provided to Athora Italia to support the continued growth agenda, including new distribution efforts.

Leading investment capabilities

Athora's investment strategy is focused on managing the duration of our assets/liabilities, to maintain stability in our capital positions, while delivering attractive risk-adjusted returns. Our expertise in managing assets enables us to deliver the returns that our customers desire, and sustainable returns for our shareholders, who have entrusted us with their investments.

Our differentiated investment strategy benefits from our strategic relationship with Apollo. The full suite of services Apollo provides for our investment portfolio includes direct investment management, asset allocation, M&A asset diligence and certain operational support services including investment compliance, tax and legal.

Athora's asset allocation strategy is specifically tailored to the need of traditional life products and aims to generate superior returns while minimising exposure to unrewarded market volatility. While many insurance companies use liquid traded assets to back these types of products, at times compromising by taking more credit and market risk to generate income, at Athora we use our expertise to capture illiquidity and complexity premium rather than assuming only credit risk. This means we invest in assets that we believe generate better value due to the way they are structured, without compromising on credit quality.

Progress in 2022

- Target investment spreads exceeded in Belgium, Germany, Ireland and Athora Life Re (Bermuda), with an ongoing focus on portfolio optimisation.
- Continued rotation of asset portfolio in the Netherlands leading to improved risk adjusted investment returns of 80bps vs. 2021.
- Consolidated investment spreads increase by over 50bps year-on-year to 168bps.
- Despite market volatility, Athora has delivered robust asset performance, as demonstrated by the low level of asset impairments.

Efficient and scalable operations

Our strategy for success in the long term is to put in place a lean operating structure — with a competitive cost base which streamlines the business rather than slowing it down— while maintaining the agility to integrate newly acquired businesses. Our multi-year transformation programme, *Transform Athora*, seeks to further these ambitions.

As part of our transformation programme, we have combined cost management with investment in technology that enables us to operate in a focused, efficient and stable manner. Our goal is to operate efficiently, while achieving effective long-term cost management together with increased customer satisfaction.

Progress in 2022

- Reduced operating costs compared to 2021 across our business units and corporate centre, continuing the favourable trend.
- Continued progress on multi-year operating plan to increase process maturity, strengthen operational controls and achieve efficiency, all of which are on track with key milestones delivered.
- In October, we signed a comprehensive partnership agreement with Tata Consulting Services covering certain IT and Finance services.
- Customer satisfaction trending upward across business units.

A closer look at our investment strategy

We have developed a unique investment strategy and, in executing this strategy, we utilise our strategic relationship with Apollo. We leverage Apollo's expertise, dedicated infrastructure and access to unique investment opportunities, which ultimately supports the delivery of superior investment return outcomes for our customers and shareholders.

We are deliberate in positioning our investments to navigate market dislocations, which provides unique protection in downside scenarios. We have a prudent risk appetite and focus our investment strategy on assets where returns are primarily driven by fundamental-based underwriting, harvesting illiquidity and complexity premium rather than assuming incremental credit or market risk.

Athora's strategic asset allocation is designed to be resilient in a market downturn and can broadly be split into two components: duration matching assets and return seeking assets.

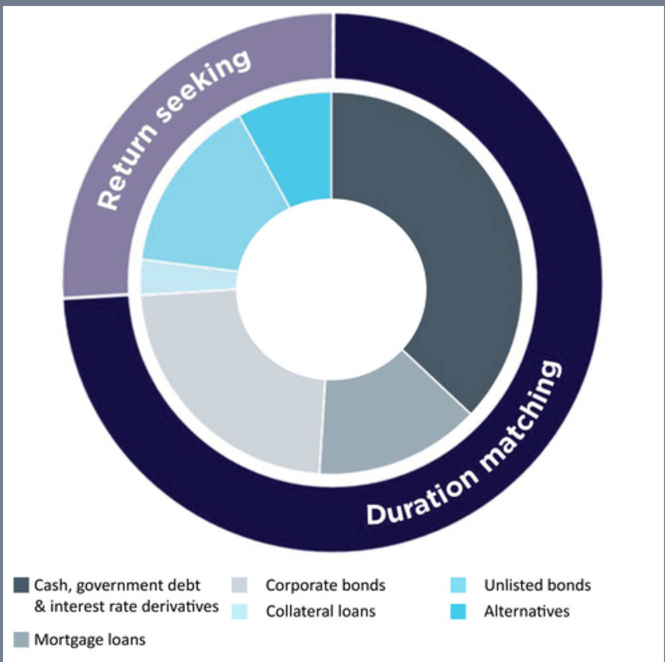
Duration matching assets: We manage the duration of our assets and liabilities to maintain stability in our capital positions, while minimising exposure to market risk and protecting the capital position against volatility in the valuation of liabilities. This results in a high-quality allocation and low appetite for systemic market risk. Approximately 70-75% of our asset portfolio is invested in duration matching assets.

Our portfolio comprises:

- Government bonds: high-quality, core sovereign debt instruments (primarily AAA and AA rated). There is no strategic appetite for investing in European periphery or emerging market sovereign debt instruments.
- Interest rate derivatives: as necessary to support efficient risk management.
- Mortgage loans: performing prime owner-occupied residential mortgages with low Loan to Value (LTV) of c.60% or lower.
- Corporate bonds: high quality and diversified short-dated traditional public investment grade credit (>70% rated A and higher). There is no strategic appetite for investing in European periphery, emerging markets, BBB rated or high yield instruments.

Return seeking assets: Our return seeking portfolio seeks to support the yield of our overall portfolio whilst carefully managing exposures through strong diversification across sub-strategic and different idiosyncratic asset risks.

Of the total value invested in return seeking assets, about 70% of the portfolio focuses on privately originated fixed-income assets with the allocation diversified across different sub-strategies and types of collateral. The remaining 30% is allocated to alternatives, including real estate with a focus on cash-generating units and downside-protected investments. The Strategic Asset Allocation has no appetite for public equity.



Illustrative strategic asset allocation

The diversified and granular portfolio is characterised by investments with low systemic market risk, instead aiming for attractive returns driven by illiquidity and complexity. Illiquidity premium, private market inefficiencies and bespoke protective covenants result in additional returns with no marginal risk or market risk increase.

Rather than increasing our allocation to higher-risk securities to increase yields, we leverage Apollo's expertise, access and infrastructure in direct origination across a wide range of asset classes. This has enabled us to build a portfolio of high-quality assets, predominantly senior secured, which possess more attractive risk versus return profiles than securities that would otherwise be readily available in public markets. We capture illiquidity and complexity premiums with a prudent risk profile stemming from disciplined underwriting and drawdown modelling.

As a result, our return seeking portfolio is granular and characterised by security, with low loan to value, collateral and protective covenants in place.

Robust underwriting of individual investments results in a diversified portfolio of high-quality private assets, which provides steady and attractive risk-adjusted returns for the portfolio as a whole. This is particularly beneficial when both public markets and the macroeconomic environment are volatile.

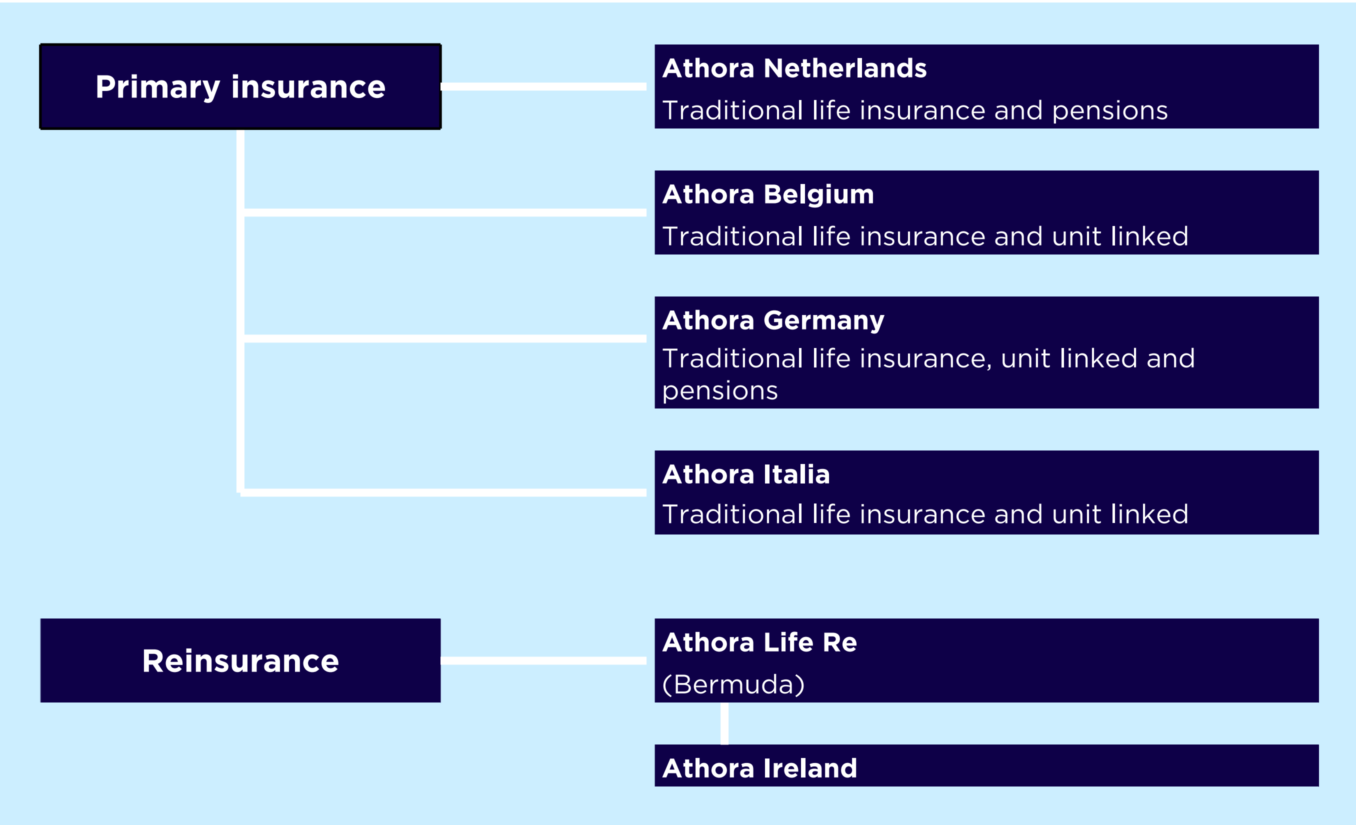
A continuing focus on direct origination also provides a number of other important quantitative and qualitative advantages, for example avoiding the cost of intermediaries, direct access in conducting due diligence and greater control over the terms of each investment.

We review new opportunities to ensure they are suitable for the balance sheet. This robust process takes into account factors like fit of the investment with our investment universe, Prudent Person Principle requirements, performance of the asset in a drawdown scenario and its impact on the solvency position.

Strategy monitoring: We believe that effective monitoring is a key element of a successful investment strategy. The performance of each investment strategy versus our strategic objective is monitored monthly. We monitor key risk and solvency capital metrics, actual asset allocation versus target allocation, impact of solvency capital stress testing and detailed asset performance. Liquidity, performance and positioning of the duration matching assets are reported on a weekly basis and are monitored daily.

Our businesses

The chart below shows, in simplified form, our primary insurance and reinsurance businesses and the countries in which these businesses operate.



Primary insurance

Our four primary insurance businesses - in the Netherlands, Belgium, Germany and Italy - provide life insurance, investment, pensions and savings products, enabling customers to protect themselves and their families, plan for retirement and provide long-term financial security.

In the Netherlands, Belgium and Italy, we actively write new business. Our German business is closed to new business and aims to efficiently serve our existing customers. In August 2022, we acquired Amissima Vita (rebranded Athora Italia), an insurance business based in Italy which is among the top 20 insurers by new business sales in Italy and provides customers with savings and retirement solutions.

BUSINESS HIGHLIGHTS

205%
Capital ratio[1]

€51bn
Assets under management and administration[2]

2m
Customers

1,000
Employees

Athora Netherlands

Overview and strategy

Athora Netherlands joined the Group in April 2020 and has operations in the cities of Alkmaar and Amstelveen with c.1,000 employees. Athora Netherlands has a distinguished 130 year history and holds strong positions in the Dutch life insurance and pension markets, via its two brands - Zwitserleven and Reaal.

Athora Netherlands is regulated by the Dutch Central Bank and the Dutch Authority for Financial Markets, and is subject to the large company regime.

Athora Netherlands focuses on offering simple and comprehensive products to its approximately 2 million customers, ensuring the choices made today have an important impact on the protection of customers' future income. At 31 December 2022, assets under management and administration totalled €51 billion.

Operational highlights

In January 2022, Athora Netherlands completed the sale of ACTIAM, its in-house asset manager, to Cardano Group. This has allowed the business to focus wholly on its core business lines and leadership in the pensions market.

Good progress has been made during the year on its sustainability purpose: "*We are a sustainable partner for life, taking care of your tomorrow*". Athora Netherlands has continued to deliver its objectives in a sustainable manner.

The Netherlands Solvency II ratio improved from 180% to 205% by year-end 2022, as a result of strong capital generation and the positive impact of financial markets in combination with a more efficient use of capital. The solid capital position provides comfort to customers and demonstrates the strength of the platform and operating momentum.

A new functional organisational structure was implemented at the beginning of the year to become a more simplified and efficient company tailored to the pension-focused growth strategy.

Market context, challenges and outlook

2022 was a volatile and uncertain year. A significant rise in inflation contributed to monetary authorities adapting their policies, which had a substantial impact on financial markets. Despite the challenging macroeconomic back-drop, Athora Netherlands was able to make very good progress with the execution of its Ambition 2025 strategy. Zwitserleven, as a leading provider of pension solutions, was able to deliver solid growth in pension premiums, excluding the impact of single premiums from pension buy-outs, which can vary from year to year. Sales benefited from high renewal rates and a number of new large contracts.

The announced acquisition of the WTW sponsored Pension Premium Institution (PPI) will further strengthen Athora Netherlands' position in the DC (Defined Contribution) pensions markets. This was the first acquisition in some time, providing a clear signal of our commitment to become a leading player in the Dutch pension market. Athora Netherlands was also successful in the market for pension fund buy-outs in 2022. This demonstrates our strength to provide the best solutions for pension funds facing complex challenges in their pension schemes ahead of the upcoming pension reforms.

Athora Netherlands looks forward to 2023, a year in which it will move to a new sustainable head office from which it will continue to build on a solid foundation to become the leading pension solutions provider in the Netherlands.

1 YE22 SII ratio.
2 AuMA as per the Group consolidated statement of financial position. Refer to CFO section for further detail on page 32.

BUSINESS HIGHLIGHTS

150%
Capital ratio[1]

€8.9bn
Assets under management and administration[2]

400,000
Customers

225
Employees

Athora Belgium

Overview and strategy

Athora Belgium joined the Group in January 2019. Based in Brussels with c.225 employees, it has served the Belgian market since 1901 and provides a range of specialised life insurance solutions to retail and corporate clients through a network of over 500 independent brokers.

Athora Belgium is authorised and regulated by the National Bank of Belgium (NBB) and the Belgian Financial Services and Markets Authority (FSMA).

The Athora Belgium team is committed to its c.400,000 customers in fulfilling their long-term insurance needs. At 31 December 2022, assets under management and administration totalled €8.9 billion.

Operational highlights

During the fourth quarter of 2022, Athora Belgium completed the acquisition of a closed-book individual life portfolio from NN Insurance Belgium. This transaction is in line with Athora's growth strategy, focused on traditional life savings and retirement products in the European market, and results in a strengthened market position for Athora Belgium in the Belgian life insurance sector.

The capital position of Athora Belgium at 31 December 2022 was 150% (31 December 2021: 184%), impacted by the portfolio transfer from NN Insurance Belgium during the final quarter of the year.

Market context and challenges

Athora Belgium is now ranked 10th in the Belgium market (2021: ranked 12th) and market share increased from 1.8% to 2.8%.

Gross written premiums of Athora Belgium were impacted by difficult market conditions due to rising interest rates and inflation. Looking forward Athora Belgium will continue to focus on its growth strategy in unit-linked and guaranteed rate products.

1 YE22 SII ratio.
2 AuMA as per the Group consolidated statement of financial position. Refer to CFO section for further detail on page 32.

BUSINESS HIGHLIGHTS

197%
Capital ratio[1]

€6.6bn
Assets under management and administration[2]

140,000
Customers

100
Employees

Athora Italia

Business overview

Amissima Vita joined the Group on 1 August 2022, and rebranded as Athora Italia on 14 November 2022.

Based in Genoa and Milan, with c.100 employees, Athora Italia is a life insurance company with more than 50 years of experience in the Italian insurance market, in which we provide traditional life insurance products, unit-linked and pension policies for our c.140,000 customers.

Athora Italia is regulated by IVASS - the Italian Institute for the Supervision of Insurance.

Through the implementation of our strategy, we want to achieve a primary role in the Italian insurance market. Our growth strategy will be achieved through a combination of the following actions:

- Focus on the relationship with current distributors
- Focus on expanding market share through partnerships with new distributors
- Support of marketing and communication activities
- Strengthening the organisation for integration with the Group

Market context and challenges

Since acquisition on 1 August 2022, gross earned premiums totalled €178 million. During 2022, the market we operate in was adversely impacted by macro economic conditions which contributed to increased inflation and interest rates. Additionally, we were also impacted by the termination of a distribution agreement. Since then, we have signed a new relationship agreement with a distributor, Banca Popolare di Bari e Cassa di Risparmio di Orvieto, effective 1 March 2023.

Strategic progress

At the end of 2022, assets under management and administration totalled €6.6 billion. As a result of the difficult economic and financial situation in 2022, the company reviewed its investment policy to ensure that investments are consistent with the portfolio's short and medium-long term objectives. We have invested in asset classes capable of generating a high return on capital, with careful risk management, ensuring a high diversification of positions and risks in the portfolio.

Performance highlights

To support the long-term strategy, Athora Italia has extended its product and fund offering. From 2023, we will provide our customers with a new individual insurance pension plan (PIP) as well as a segregated fund, Athora Italia Linea Valore, and two new internal funds, Athora Futuro Flessibile and Athora Futuro Azionario, fully designated to the individual pension plan. These are In addition to four new internal funds - Flexible, Balanced, Bond Balanced and ESG Balanced - created in 2022.

1 YE22 SII ratio.
2 AuMA as per the Group consolidated statement of financial position. Refer to CFO section for further detail on page 32.

BUSINESS HIGHLIGHTS

206%
Capital ratio[1,2]

€4.3bn
Assets under management and administration[3]

180,000
Customers

120
Employees

Athora Germany

Business overview

Athora Germany joined the Group in 2018. The company has a distinguished 186 year history and is based in Wiesbaden with c.120 employees.

Athora Germany's regulated businesses are subject to regulatory supervision by the German Federal Financial Supervisory Authority (BaFin).

Athora Germany focuses on efficiently managing its closed book portfolio of traditional life, unit-linked and pension policies for c.180,000 customers while pursuing opportunities to add scale to the business.

At 31 December 2022, assets under management and administration totalled €4.3 billion.

Operational highlights

Athora Germany announced the acquisition of a closed book portfolio of deferred annuities and endowments from AXA Germany of €19 billion AuMA in July 2022, which is subject to regulatory approval.

Following the completion of the transaction (targeted for late 2023), Athora Germany will be in the top 15 biggest life insurance entities in the German market, based on assets under management and administration.

Athora Germany Solvency II ratio improved from 170% to 206%[2] in the final quarter of the year, owing to strong capital generation and the positive impact of financial markets. The solid capital position provides comfort to customers and demonstrates the strength of the platform and operating model.

Athora Lebensversicherung AG ("Athora Leben") confirmed that its profit participation for life insurance will remain stable for a third consecutive year with a market leading total interest rate of 4.0% for 2023.

1 SII ratio calculated without Transitional Measures.
2 SII ratio based on Q4 submissions to the regulators.
3 AuMA as per the Group consolidated statement of financial position. Refer to CFO section for further detail on page 32.

BUSINESS HIGHLIGHTS

210%
Capital ratio[1]

€2.6bn
Assets under management and administration[2]

30
Employees

Reinsurance

Overview and strategy

Our reinsurance subsidiaries, Bermuda-based Athora Life Re (ARE) and its subsidiary, Athora Ireland, offer innovative and creative third-party capital optimisation and risk management solutions to other European life insurers and internal reinsurance solutions to Athora's primary insurance subsidiaries, often within the context of M&A activity.

ARE and Athora Ireland are regulated by the Bermuda Monetary Authority and the Central Bank of Ireland, respectively.

At 31 December 2022, our reinsurance business had assets under management and administration of €2.6 billion.

During 2022, both reinsurance carriers have had their ratings upgraded by Fitch to A in October and their ratings reaffirmed as A- by AM Best in April, both on stable outlook with both rating agencies.

Operational highlights

During 2022, ARE signed more reinsurance tranches in the Irish pension risk transfer market which is steady growing business for Athora. A structured risk transfer reinsurance treaty aimed at internal risk and capital management was developed and executed. ARE also completed a reinsurance transaction with Athora Belgium covering policies acquired under the portfolio transfer with NN insurance Belgium during the year, aligned to our strategic growth priority.

Market context, challenges, and outlook

2022 was a volatile year for markets with large movements experienced in both long term interest rates and currency exchange rates. Athora was able to weather these movements well owing to our policy of matching our assets to liabilities aligned to our lack of risk appetite for public market risk exposure and maintained sufficient liquidity buffers throughout.

The pipeline of asset intensive reinsurance opportunities remained stable during 2022, as Athora continued to maintain its pipeline, bolstered by strong relationships that have been built across a number of European insurance groups.

1 Estimated YE22 EBS ratio.
2 AuMA as per the Group consolidated statement of financial position. Refer to CFO section for further detail on page 32.

Chief Financial Officer's overview

"I am pleased with the progress we've made in 2022 in volatile market conditions. We have delivered strong financial results, increased our Operating Capital Generation by 82%, maintained a strong solvency position, completed two acquisitions in the second half of the year as well as raising €2.75bn of equity, significantly strengthening our ability to grow and drive future earnings."

Anders Malmström, Group Chief Financial Officer

Overview

2022 was another successful year for Athora, as we made significant strides against our strategic targets despite the backdrop of a challenging macroeconomic environment. We have delivered robust operating and financial performance demonstrating the merits of our business model through varying economic cycles.

We continued to execute on our growth agenda, completing the previously announced acquisitions of Amissima Vita in Italy and a closed-life portfolio from NN Insurance Belgium increasing AuMA by €9.2 billion. In July 2022, we announced the acquisition of a portfolio of a closed-life portfolio from AXA Germany with AuMA of €19.0 billion[1], this transaction is targeted to complete in 2023.

Further, we secured significant additional equity capital commitments in 2022. In December, we announced the completion of Athora's third equity capital raise, securing approximately €2.75 billion[2] of additional common equity capital commitments from new and existing shareholders. This latest funding round brings the total equity capital raised since Athora's inception to c.€6.75 billion.

At 31 December 2022, €2.5 billion remained undrawn and available for us to further pursue our growth strategy.

During 2022, we also increased our credit rating to A stable and refinanced a €500 million Tier 2 subordinated debt.

Our business model is based on improving our investment returns and building a cost efficient operating model and on both we have made significant progress. We continue to deliver our differentiated investment strategy increasing our average investment returns across all our business units by over 50bps to 168 bps, achieving an increase in operating capital generation (OCG)[3] of 82%.

We made good progress in 2022 on strengthening our control environment as well as building our operating model. We continue to focus on costs and efficiency, reducing operating expenses year on year, whilst recognising the investment that is required to deliver a lean operating model and will continue to invest in our systems, people and processes.

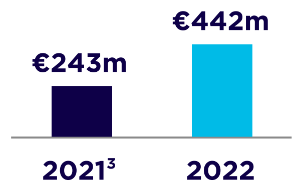
1-3 Please see page 29 for footnotes.

Financial highlights

Athora's 2022 results demonstrate positive momentum on our key value drivers. The continued repositioning of Athora Netherland's investment portfolio, combined with tight cost management, has supported a significant increase in OCG, underpinned by Athora Netherlands where solvency capitalisation increased to 205%. Despite the challenging market conditions, Athora remains financially resilient with a robust Group BSCR ratio. IFRS results were significantly impacted by the non-economic treatment of interest rates under IFRS 4, where assets are fair valued but liabilities are held at "locked-in" rates in most business units. This dynamic combined with Athora's hedging strategy, which is focused on managing local solvency positions, led to a significant decrease in IFRS equity during 2022. The mismatch in accounting treatment will be eliminated on the implementation of IFRS 9 & 17 from 1 January 2023.

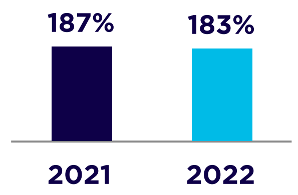
Operating capital generation

We have delivered an 82% increase in OCG primarily as a result of the repositioning of asset portfolios in the Netherlands and ongoing cost discipline. Belgium, Germany and Reinsurance achieved spread levels above target in 2022, while Netherlands spreads have increased by >100bps since 2020.



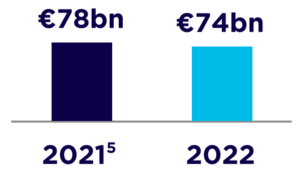
Group BSCR ratio

Our capital position has remained robust, with the Regulatory solvency ratio remaining stable in volatile market conditions. The Group BSCR ratio of 183% reflects the impact of a short-term investment made in December 2022 and repaid in early 2023, without which the Group BSCR ratio would stand at 195%[4].



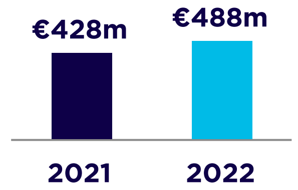
AuMA

AuMA decreased due to significant increases in interest rates reducing asset values, partially offset by the acquisitions contributing c.€9 billion AuMA. Including the recently announced acquisition of AXA Germany portfolio of c.€19 billion[1], our Proforma AuMA increased to c.€94 billion.



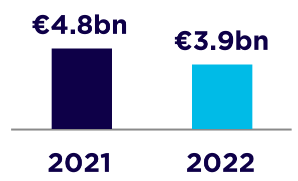
IFRS Profit before tax

The increase in IFRS Profit Before Tax is primarily attributable to a reduction in the value of technical provisions at Athora Netherlands due to the benefit of rising interest rates on the Group Liability Adequacy Test result. Other Comprehensive Income was impacted by a €1.9 billion reduction in Available for Sale asset values primarily driven by rising interest rates.



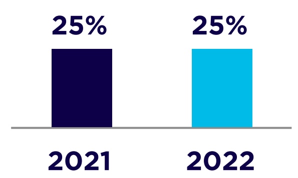
IFRS Equity

As a result of the asset and liability accounting mismatch outlined above, IFRS Equity reduced. The impact of the mismatch on IFRS equity was a reduction of €1.5 billion.



Adjusted Financial Leverage Ratio

Our financial leverage ratio increased to 31% due to the reduction in IFRS Equity noted above and a small increase in borrowings. Allowing for the impact of the accounting mismatch gives an adjusted financial leverage ratio of 25% which is in line with our medium term target.



1. AXA Germany portfolio c.€19 billion AuMA at 31 December 2021 as disclosed when we announced the acquisition. Targeted to complete in late 2023.
2. Includes commitments of €600m received in 2021.
3. The OCG definition changed during the year to include experience variances and profit-sharing impacts. Prior year comparatives have been restated.
4. The investment was a highly secure, collateralised fixed income replacement exposure with a conservative loan-to-value, daily margin and implied investment grade rating. For the investing entities under Solvency II, the capital charge was reflective of the low risk and short duration of the instrument. However, under the Group BSCR the default capital charge was 35%.
5. The definition of AuMA changed during the year to include derivative liabilities as set out in the glossary. Prior year comparatives have been restated.

Operating capital generation

A strong balance sheet, combined with efficient operations and our unique investment capabilities, is the foundation that enables the Group to deliver improving levels of capital and cash generation over time. The nature of our business model means that in the short-term, following new acquisitions, there is capital strain in the acquired subsidiary as we invest and rotate the acquired asset portfolio towards our target SAA. Once the SAA is fully deployed, we expect OCG from acquired subsidiaries to improve and ultimately support cash remittances to Group year on year.

Operating capital generation
Operating capital generation (OCG) increased to €442 million driven by our largest business unit Athora Netherlands. The key drivers of the increase in OCG in Athora Netherlands was the repositioning of the asset portfolio and a reduction in the UFR drag as a result of increasing interest rates.

€m	2022	2021[2]
Operating capital generation[1]	442	243

1. OCG is defined as the expected carry on investments, less the cost of liabilities and includes the Ultimate Forward Rate (UFR) drag, expense and experience variances (incl. profit-sharing impacts), SCR and Risk Margin unwind and new business. It excludes UFR stepdown.
2. The OCG definition changed during the year to include experience variances and profit-sharing impacts as set out in the glossary. Prior year comparatives have been restated.

Business unit solvency ratios
The solvency ratios of the business units, measured under Solvency II remained robust, most notably in the Netherlands and Germany where the solvency ratios increased by 25pp and 35pp respectively year-on-year.

The solvency ratio of Belgium decreased as a result of capital consumed by the planned portfolio transfer from NN Insurance Belgium which completed in Q4 2022 as well as the impact of rising interest rates on the lapse risk component of the Solvency Capital Requirement "SCR", which is an industry-wide trend due to the prescribed Solvency II calculation.

Athora Group provided €200 million of additional capital to Athora Italia in December 2022 to support additional growth in Italy. The solvency ratio of 197% was positively impacted by this capital contribution partially offset by the increase in lapse SCR, similar to Belgium.

%	2022	2021
Netherlands[5]	205	180
Germany[3 4]	206	170
Belgium[5]	150	184
Italy[5]	197	–
Reinsurance[6]	210	227

3. SII ratio calculated without Transitional Measures.
4. SII ratio based on Q4 submissions to the regulators.
5. YE22 SII ratio.
6. Estimated YE22 EBS ratio.

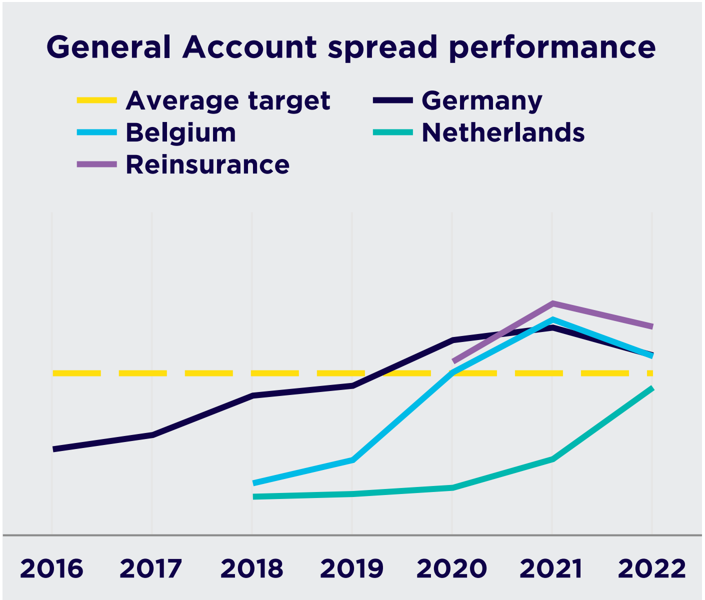
Further convergence of portfolios to SAA

Netherlands: significant increase in spreads during 2022, with the expectation to reach the target level during 2023.

Belgium & Reinsurance: spreads remain above target levels, with a swift ramp-up of newly acquired portfolios and assets.

Germany & Italy: spreads performing in-line/ ahead of target with an expectation to ramp-up spreads in Italy over the coming year and preparation in Germany for the AXA Germany acquisition.

The chart opposite shows the general account spread performance compared to target.



Group solvency capital

Group solvency capital is calculated in line with the requirements of the Bermuda insurance regulatory framework. We seek to maintain a strong Group solvency position, in line with our risk appetite. Our Group capital position allows us to support business growth, meet the requirements of our regulator and give our customers, shareholders and other stakeholders assurance of our financial strength. The regulatory solvency positions of our European insurance subsidiaries are measured on a Solvency II basis and they remained resilient during 2022.

Group BSCR ratio

At the year end, our estimated Group BSCR surplus was €2,356 million (2021: €2,170 million) and our estimated Group BSCR ratio remained relatively stable at 183% (2021: 187%) with positive operating momentum largely offsetting increased capital requirements due to asset repositioning and market movements.

The year end 2022 BSCR ratio was also impacted by a short-term investment made in December 2022 and repaid in early 2023, without which the Group BSCR ratio would stand at 195%[2].

€m	2022	2021
Available statutory capital	**5,204**	4,662
Bermuda solvency capital requirement (BSCR)	**2,848**	2,492
Group BSCR surplus (estimated)[1]	**2,356**	2,170
Group BSCR ratio (estimated)	**183%**	187%

1. The Group is required to hold minimum statutory capital and surplus (Enhanced Capital Requirement or ECR) at least equal to the greater of a minimum solvency margin or the BSCR. For Athora, our ECR is equal to our BSCR.
2. The investment was a highly secure, collateralised fixed income replacement exposure with a conservative loan-to-value, daily margin and implied investment grade rating. For the investing entities under Solvency II, the capital charge was reflective of the low risk and short duration of the instrument. However, under the Group BSCR the default capital charge was 35%.

Reconciliation to IFRS equity

The table opposite shows the reconciliation of IFRS equity to available statutory capital used for the calculation of the Group solvency capital position.

Assets and liability valuation differences between IFRS and Economic Balance Sheet (EBS) have significantly increased on prior year.

Insurance liabilities under IFRS are primarily valued using locked in discount rates, while the EBS liabilities are valued using best estimate assumptions and market data. In addition, some financial assets are held at amortised cost under IFRS but held at fair value under EBS. The fair values on these assets have decreased significantly compared to the amortised cost values, due to the rise in interest rates.

€m	2022	2021
IFRS equity	**3,871**	4,815
Non-admitted assets net of tax	**(340)**	(283)
Insurance assets and liabilities valuation differences	**2,338**	(691)
Financial asset and liabilities valuation differences	**(1,562)**	(21)
Reclassification of subordinated liabilities	**1,161**	920
Net deferred tax on valuation differences	**(264)**	(78)
Available statutory capital	**5,204**	4,662

Available statutory capital

Available statutory capital on an EBS basis has also increased due to the issuance of €762 million of Tier 1, partially offset by the impact of increases in interest rates, and issuance of €250 million of Tier 3 regulatory capital during 2022. Further detail is set out in **note I7** to the financial statements.

€m	2022	2021
Tier 1	**4,044**	3,742
Tier 2	**910**	920
Tier 3	**250**	–
Available statutory capital	**5,204**	4,662

BMA consultation paper

On 24 February 2023, the (Bermuda Monetary Authority) BMA published a consultation paper which covers proposed changes to the calculation of the technical provisions and capital requirements which will apply to Bermuda-based commercial (re)insurers. The impact of this is currently being assessed.

Assets under Management and Administration

Assets under Management and Administration (AuMA) represents the value of invested assets managed directly by Athora or administered on behalf of our clients. Assets under Management (AuM) reflects the the assets we manage as part of our general account insurance business, while Assets under Administration (AuA) refers to assets we administer on behalf of our clients, primarily in relation to unit-linked products. Assets that we manage as part of our general account activities are invested according to the principles of our investment strategy and Strategic Asset Allocation (SAA). The SAA is explained in more detail in the Business Model and Strategy section page 20.

Total AuMA

Our general accounts assets (AuM) decreased by 4% and AuA by 7%. As at 31 December 2022, the AuM was €55.2 billion and Group's AuA was €18.6 billion, giving a total AuMA of €73.8 billion at 31 December 2022 (2021:€77.6 billion).

The decrease in AuMA is largely due to the impact of rising interest rates. This was partially offset by the increase in assets arising from the acquisitions of Athora Italia, €6.6 billion, and the closed-book life portfolio from NN Insurance Belgium, €2.6 billion.

Proforma AuMA

In July 2022, the Group announced the acquisition of a closed-book life portfolio from AXA Germany with an AuMA of c.€19 billion. Following the completion of this acquisition the AuMA of the Group will increase to c.€94 billion.

€m	2022	2021
Investment properties	2,214	1,994
Financial assets	61,774	55,812
Investments in associates	41	123
Cash and cash equivalents	1,315	1,077
Loans due from banks	5,321	390
Derivative liabilities	(15,496)	(1,804)
Total AuM: General account assets	55,169	57,592
Total AuA: Investments attributable to policyholders and third parties (includes unit-linked assets)[1]	18,581	20,007
Total AuMA[2]	73,750	77,599

AuMA by Business Unit

The business units utilise derivatives to manage their solvency positions. Included within financial assets are €12.3 billion of derivative assets, which partially offset the derivative liabilities of €(15.5) billion together with €4.9 billion of cash collateral shown as loans due from banks.

Further detail is set out in **note E5** to the financial statements.

€m	2022	2021
Netherlands	51,019	62,720
Belgium	8,860	7,587
Germany	4,329	5,290
Reinsurance	2,576	1,779
Italy	6,557	
Corporate center & elimination[1]	409	223
Total AuMA by Business Unit[2]	73,750	77,599

1. Includes centrally held cash and the elimination of intra group instruments such as reinsurance receivables.
2. The definition of AuMA has changed from the prior year and general account assets now include derivatives. The 2021 comparative has been restated. Refer to glossary for full definition.

Reconciliation to total assets

The table opposite shows a reconciliation of the Group AuMA to the Group's Total Assets as per the Consolidated Statement of Financial Position.

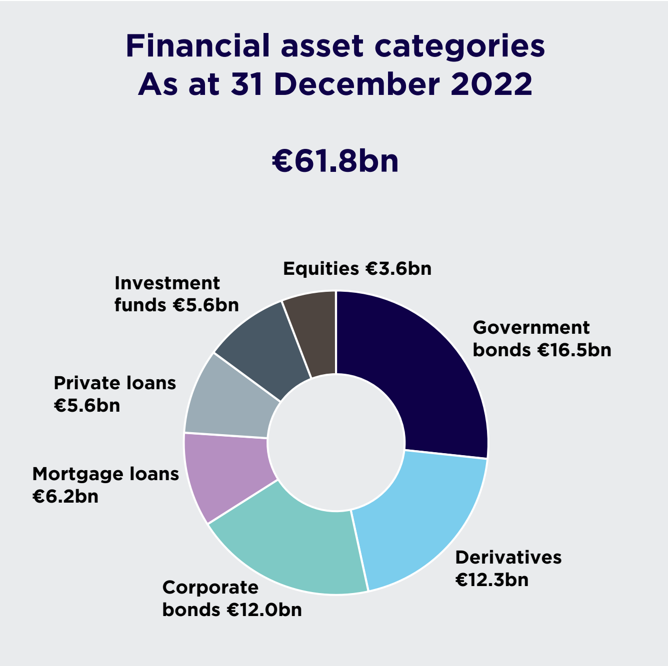
Further detail is set out on page 70 of the financial statements.

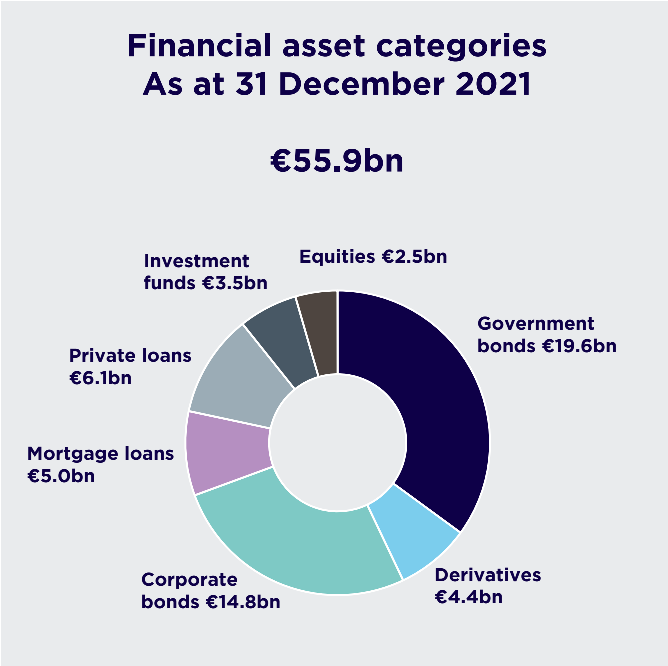
€m	2022	2021
Assets under management and administration	73,750	77,599
Add back: derivative liabilities	15,496	1,804
Other assets and receivables	1,408	1,246
Deferred tax	987	587
Other items	285	255
Total assets	91,926	81,491

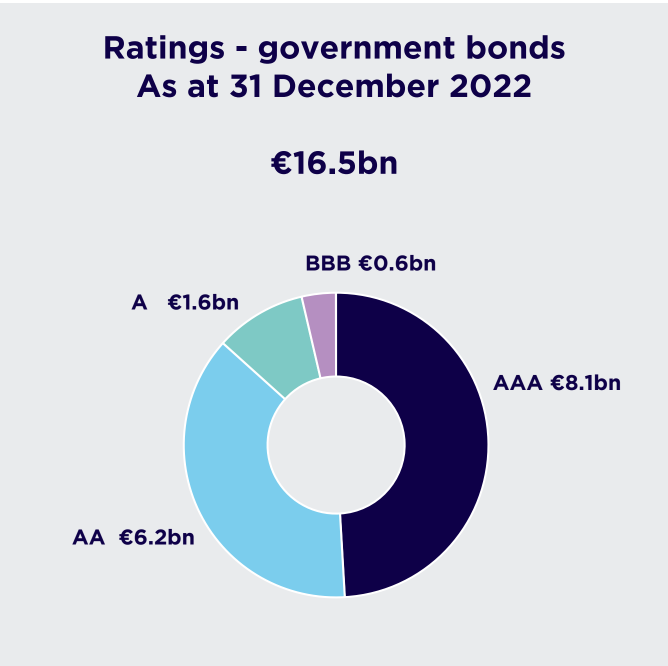
Financial Assets

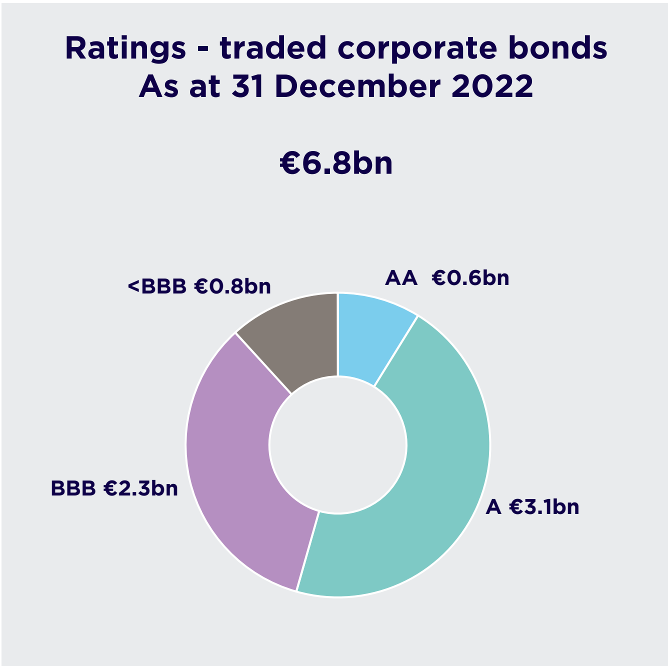
The following charts show the main categories of financial assets held by the group in 2022 compared to 2021 and summarise the credit ratings of our general account government and traded corporate debt portfolios.

The quality of our debt portfolio remained very high, as illustrated below. At 31 December 2022, 100% (2021: 100%) of government debt securities and 88% (2021: 94.5%) of traded corporate debt securities are rated as investment grade (BBB rating or better):





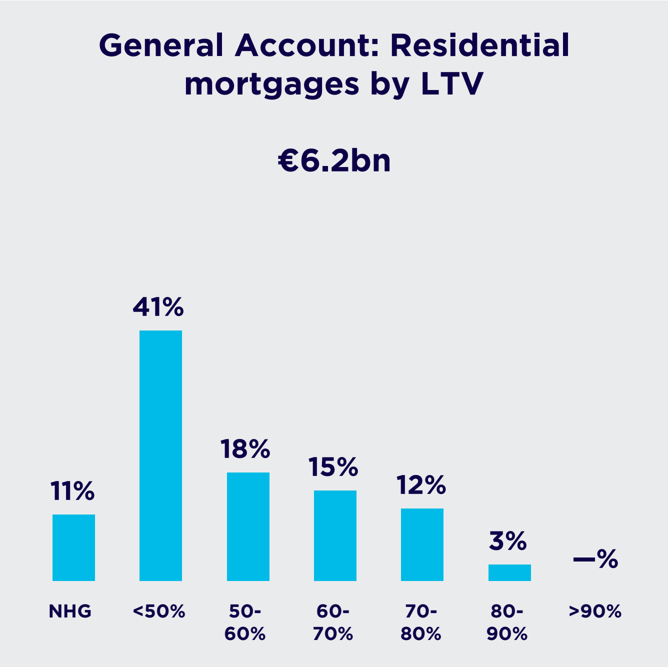


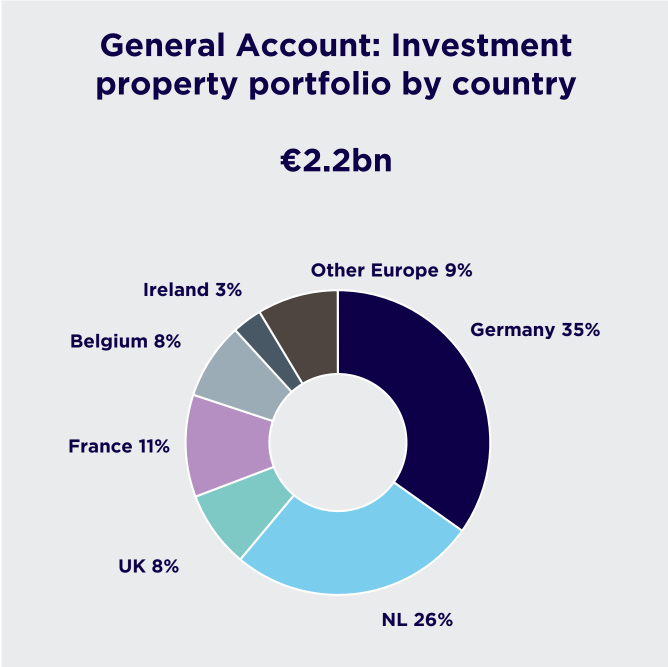


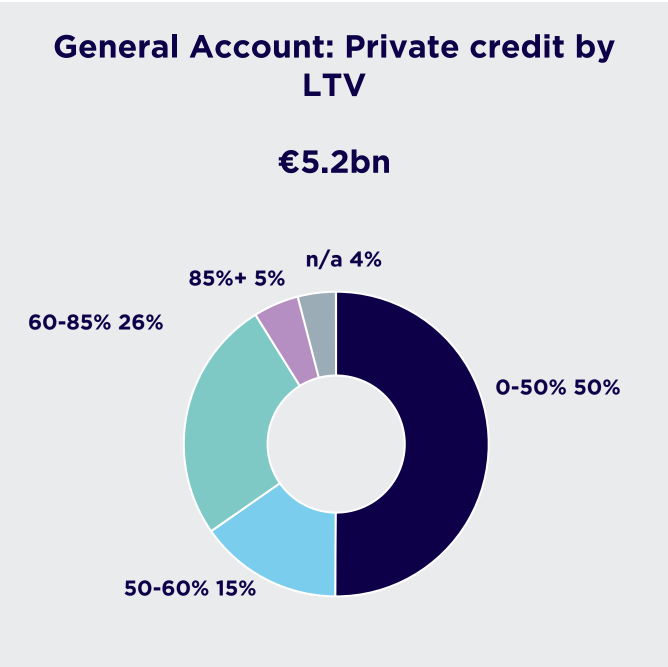
General Account Assets
The following charts illustrate the credit quality of our general account assets.

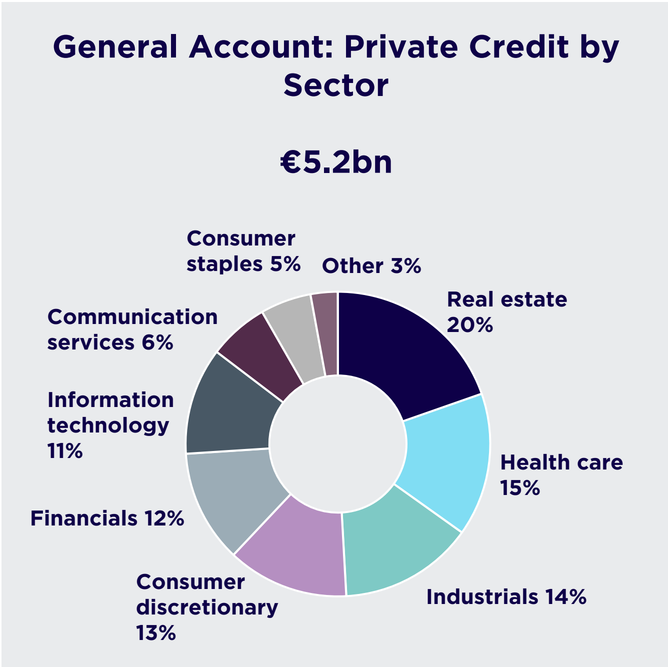
The residential mortgage loans portfolio totalled €6.2 billion (2021: €5.0 billion) and, of these, 48% (2021: 49%) were >50% loan to value (LTV). The investment property portfolio has increased by 9% to €2.2 billion (2021: €2 billion) and is shown by country for 2022.

Included within our corporate bond portfolio are private credit investments totalling €5.2 billion (2021: €5.6 billion) and, of these, 50% (2021: 56%) were >50% Loan to Value (LTV) and are shown by sector for 2022.









Profit before tax for the year from continuing operations

IFRS equity is impacted by distortions from the accounting treatment of assets and liabilities for all business units, except Athora Netherlands, where assets are fair valued under IAS 39 but liabilities are held at 'locked-in" rates under IFRS 4. This mismatch in accounting treatment under IFRS will be eliminated on the implementation of IFRS 9 & 17 from 1 January 2023. During 2022, due to rising interest rates, there was a significant increase in the accounting mismatch.

Profit before tax

In 2022, the Group generated a profit before tax of €488 million (2021: €428 million) from continuing operations.

Profitability is primarily attributable to the significant decrease in the value of insurance provisions in the Netherlands business where we apply the Group Liability Adequacy Test (LAT), partially offset by the impact of rising interest rates on assets which are fair valued through profit or loss.

€m	2022	2021
Profit before taxes	**488**	428
Taxation charge	**(149)**	(223)
Profit for the year from continuing operations	**339**	205
(Loss)/profit after tax from discontinued operations	**–**	(47)
Other comprehensive income/(expense)	**(1,911)**	(11)
Total comprehensive income for the year	**(1,572)**	147

Taxation charge

The tax charge of €(149) million (2021: €(223) million) in 2022 represents an effective tax rate of 31%. The effective tax rate reflects expenses incurred across the Group which are not tax-deductible, together with the reversal in full due to the increase in interest rates, of the previously recognised write-down of a deferred tax asset in the Netherlands following an annual assessment of its recoverability.

Other Comprehensive Income

Other Comprehensive Income was impacted by a €(1,923) million (2021: €14 million) reduction in Available-for-Sale asset values primarily driven by interest rate movements.

Of the Total Comprehensive Income of €(1,572) million, the non-economic impact from business units applying "locked-in" rates was €(1,496) million.

Gross written premiums

Gross written premiums have decreased 6% on 2021, primarily as a result of decreased pension risk transfer activity which is more lumpy in nature. Excluding pension risk transfer activity there has been a 21% increase in New Business premiums, supported by €178 million contribution from Athora Italia.

€m	2022	2021
Gross written premiums	**2,457**	2,620
Pension Risk Transfers	**(55)**	(630)
Gross written premiums (excluding pension risk transfer activity)	**2,402**	1,990

Net investment income

Interest, dividend and rental income increased to €799 million (2021: €567 million) as a result of the continued repositioning of the investment portfolio towards the Group Strategic Asset Allocation, particularly in the Netherlands. This increase was offset by fair value losses of €(1,829) million (2021: €733 million) and derivative losses of €(5,894) million (2021: €(2,049) million. The increase in fair value and derivative losses is mainly due to the sharp rise in interest rates in 2022. Derivatives are used by the Group to hedge solvency capital and for risk management purposes. The change in the valuation of the derivative portfolio is offset by a reduction in the valuation of insurance liabilities valued using the Group LAT approach.

€m	2022	2021
Interest, dividend and rental income[1 2]	**799**	567
Fair value (losses)/gains[1]	**(1,829)**	733
Investment expense from derivatives	**(5,894)**	(2,049)
Net investment expense attributable to shareholders	**(6,924)**	(749)

1. The 2021 figure has been represented to include net gains on loans and receivables within 'Interest, dividend and rental income' from 'Fair value (losses)/gains'.
2. Total interest, dividend and rental income of €1,038 million (2021: €812 million) includes €239 million (2021: €245 million) of income on derivatives, and €799 million (2021: €567 million) recurring interest, dividends and rental income. Refer to **note C2**.

Financial leverage

Our financial leverage ratio definition is consistent with the Fitch Ratings Methodology. We have a medium term financial leverage target of 25%, which is consistent with our "A" range financial strength rating target. Athora manages its financial leverage ratio carefully given the influence it has on our credit rating, which in turn is critical to Athora's reinsurance proposition, funding costs and ability to maintain financial flexibility. Following the implementation of IFRS 17, a revised financial leverage definition will be proposed, which is expected to remain consistent with our "A" rating target.

Adjusted financial leverage

At year end, our financial leverage ratio was 31% (2021: 25%). The increase in financial leverage was primarily due to the interest rate impacts on the Group's IFRS Equity, explained on prior pages, along with a moderate increase in net borrowings. Adjusting for the €1.5 billion impact of interest rates on Athora's Business Units using "locked-in" interest rates for liability discounting, the Adjusted financial leverage ratio is 25%. This is in line with our medium-term target of 25% and compares well with what is expected for an 'A Rating' level.

During the year, total borrowings increased by €294 million, predominantly relating to the issuance of a new €250 million Tier 3 loan from a syndicate of credit institutions and the inclusion of a €80 million Tier 2 bond which had been issued by Athora Italia before it was acquired by Athora Group. During the year, Athora Netherlands also refinanced Tier 2 bonds at favourable terms achieving an initial fixed coupon of 5.375% compared to 6.250% on the refinanced instrument.

Interest expense on borrowings increased marginally to €93 million (2021: €86 million), driven by the higher borrowing base, which was partially offset by refinancing of existing debt at favourable terms.

€m	2022	2021
Subordinated debt	985	898
Senior debt	907	700
Total borrowings[1]	1,892	1,598
Adjusted financial leverage ratio	25%	25%
Financial leverage ratio	31%	25%

1. Refer to glossary for definition of inputs into ratio and the adjustments made to IFRS balance sheet line items as per Fitch methodology. As a result of these adjustments it is not possible to calculate the ratio by simply dividing total borrowings by IFRS equity as per the consolidated statement of financial position.

€m	2022	2021
Interest on borrowings[2]	93	86

2. In addition to interest on borrowings, the Group incurred interest expenses of €36 million (2021: €25 million) on various operating liabilities, such as repurchase agreements and lease liabilities in addition to interest on borrowings, giving total interest expense of €129 million (2021: €111 million).

Further detail is set out in **note E7** to the financial statements.

Ratings

During 2022, Fitch upgraded the Insurer Financial Strength Ratings of Athora's subsidiaries (Athora Ireland, Athora Life Re and SRLEV) from A- to A. The Issuer Default Ratings of Athora Holding Ltd. (AHL) and Athora Netherlands were upgraded from BBB+ to A-. The rating outlook of Athora and its subsidiaries is stable. Additionally, AM Best held the ratings of Athora Life Re and Athora Ireland stable at A-.

The upgrade achieved by Athora in 2022 places us more comfortably within our 'A' range rating target.

Legal entity ratings	FITCH	AM BEST
Athora Holding Ltd[1]	A-	n/a
Athora Netherlands N.V.[1]	A-	n/a
Athora Ireland plc[2]	A	A-
Athora Life Re Ltd[2]	A	A-
SRLEV N.V.[2]	A	n/a

1. Issuer Default Rating.
2. Insurer Financial Strength Rating.

Risk management

Robust risk management is central to the success of Athora as a modern insurance and reinsurance group. It is a key element of our business model and therefore risk management is the responsibility of all Athora employees.

Enterprise risk management framework

Our enterprise risk management (ERM) framework was devised to ensure that we identify, understand and assess risks against levels defined as acceptable. When we understand the risks we face, we can design and implement appropriate controls. The aim is to enable every employee to see how they contribute to the effective management of risk. Risks are managed from multiple perspectives, including economic, regulatory and accounting. The ERM framework includes a number of components, as set out in the figure below.

Risk appetite and strategy	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 prioritisation	Risk mitigation response and action plans	Risk reporting	Data quality and governance
Risk universe	Group risk operating structure	Risk competence	Quantitative methods and modelling	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 and risk opinions	Risk motivation	Scenario analysis and stress testing	Projects and initiatives	External requirements	

Under the leadership of the Group Chief Risk Officer, the objective of Athora's risk management framework is that each risk is assumed and managed deliberately to create value for stakeholders within our defined risk appetite and risk strategy.

Our risk appetite and risk strategy are integral parts of our business strategy and we manage all risks with the purpose of ensuring a good customer outcome. They determine how we select the risks we can control, and from which we can extract value, in line with our mission.

Risk appetite and risk strategy are translated into specific policies and limits for the relevant risk types. Specific strategies apply for each risk type, but three fundamental principles apply generally:

Targeted risk selection	Skilled risk taking	Cohesive risk management
We take on long-dated life insurance liabilities in European markets where these can be managed within risk appetite and provide a risk-adjusted return in line with strategy. Asset selection for return seeking investments is determined by our access and opportunity to capture appropriate risk adjusted returns. Risks outside risk appetite are pro-actively mitigated or traded out; our incentive systems discourage short-term, unrewarded risk taking.	Our active risk management is a core competency that helps to promote confidence in our stakeholders (including the Board, customers, supervisors, shareholders and rating agencies). We only take risks for which the appropriate skills, capabilities and resources exist in the organisation to manage those risks. We measure risk on a timely and reliable basis to achieve a predictable risk profile, and promote conscious trade-offs.	Risk is to be managed consistently across all the business with the aggregated risk ultimately owned at the Group level. A core test of any successful business case and decision is the assessment of how a proposed activity fits into our risk appetite with understanding of the trade-off in the decision between upside opportunity and downside protection. Common underlying economic basis to measure risk across the business with an own view of the capital needed to support the risks faced.

Athora's risk universe

Athora's risk universe is a comprehensive set of risk categories and subcategories, as illustrated in the table below. All our businesses use a consistent approach to facilitate a common understanding of risk, risk aggregation and reporting.

Risk category	Subcategories
Strategic Risk	Governance Risk; Business Model Risk; People and Culture Risk; Sustainability Risk
Market Risk	Spread Risk; Investment Value Risk; Other ALM/ Market Risk
Credit Risk	Default and Migration Risk
Liquidity Risk	
Underwriting and Reserving Risk	Mortality Risk; Longevity Risk; Morbidity/ Disability Risk; Policyholder Behaviour Risk; Expense Risk
Operational Risk	Information Security Risk; Data Risk; HR Risk; Third Party Risk; Business Continuity Risk; Business Process Risk; Financial Reporting Risk; Distribution Channels Risk; Change Risk; Model Risk
Compliance Risk	Financial Crime; Legal and Regulatory; Market Integrity; Customer Conduct; Employee Conduct; Privacy Risk
Tax Risk	
Reputational Risk	
Emerging Risk	

We use risk appetite statements to indicate our appetite for certain risks. These are set at Group level to manage the aggregated risk profile across the Group. At an overall level, Athora's risk preference can be categorised using three levels:

- **desired risks** that are core to the business model which provide an attractive risk-return profile and are underpinned by proactive risk and capital management;
- **tolerated risks** that we incur as a result of the business model but are reduced through mitigation; or
- **undesired risks** that we seek to avoid or fully eliminate where possible.

Risk type	Risk definition	Risk preferences
Strategic risk	The risk of deviations from the envisaged strategy and/or changes in either the external environment or business enablers requiring changes in the business model.	Tolerated[1]
Market risk	Includes the risk of loss or adverse change in the financial situation resulting (directly or indirectly) from fluctuations in the level and volatility of market prices of assets, liabilities and financial instruments.	Undesired/ tolerated[2]
Credit risk	The risk of loss resulting from an obligor's potential inability or unwillingness to fully meet its contractual obligations to Athora.	Desired
Liquidity risk	The risk that a firm, though solvent, either does not have sufficient financial resources available to enable it to meet its obligations as they fall due or can secure them only at excessive cost.	Undesired
Underwriting and Reserving risk	Underwriting risk is the risk of incurring financial losses from assumptions deviating from expectation. It includes mortality, longevity, morbidity, policyholder behaviour, and expense risks. Reserving risk is the risk of mis-estimation or lack of control surrounding reserving activities.	Tolerated
Operational risk	The risk of loss resulting from external events or from inadequate or failed internal processes, people and systems.	Tolerated
Compliance risk	The risk of legal or regulatory sanctions, material financial loss or loss to reputation Athora may suffer as a result of its failure to comply with the laws, regulations, rules and codes of conduct applicable to its business activities.	Undesired
Tax risk	The risk of incurring unplanned and/or unexpected tax liabilities, for instance, due to changes in practice or interpretation; or flawed tax advice.	Undesired
Reputational risk	Risk of potential for negative publicity, public perception or uncontrollable events to have an adverse impact on Athora's reputation.	Undesired
Emerging risk	A newly developing or changing risk which is perceived to have a potentially significant impact on Athora's financial strength, competitive position or reputation. Emerging risk may not be fully understood yet or accounted for in traditional ways (e.g. terms and conditions, pricing, reserving or capital setting).	No collective risk appetite set as emerging risks will vary over time

1. Most strategic risks are undesired (governance, sustainability and people and culture) but there is appetite to take on transaction and talent risk in order to achieve the Group's strategy.
2. Most market risks are undesired (foreign exchange, interest rate, public equity), but some specific market risks can be tolerated (spreads, alternatives).

We set out qualitative risk appetite statements internally for each risk in the risk universe to provide direction as to how the risk appetite statement indicator is to be interpreted. We also use a quantitative risk appetite dashboard that shows all the limits from the risk policies in one place. We report on these qualitative and quantitative dashboards quarterly to the Group Board Risk Committee.

Risk governance

Athora governs risk through:

- risk policies and business standards;
- risk oversight committees; and
- clear roles, responsibilities and delegated authorities.

Good governance ensures that directors and executives have a shared understanding of risk, appropriate to their role and responsibilities.

Specific Board committees focusing on risk give the Board a better means for understanding how best to monitor, manage and mitigate risks to which the Group is exposed—in particular the forward-looking aspects relating to Athora's business strategy. This is supported by the Chief Risk Officer reporting to the Board Risk Committee.

The assignment of responsibility to key stakeholders across the Group is guided by the following risk governance principles:

- risk can be allocated by category, such as: strategic, market, credit, liquidity, etc.
- executive owners of each risk category are identified;
- executive owners are responsible for the aggregated view of that risk;
- structure and processes ensure that risks are managed within pre-defined appetite;
- management includes delegation of authority to take risks and consideration of the risk- reward balance;
- good practice requires that each risk category has an appropriate management forum (this is not intended to imply that there should be a separate management forum for each risk category); and
- risk management services may be outsourced to third parties, including to Athora Shared Services, but responsibility for risk management cannot be outsourced.

We have implemented *a three lines of defence* risk governance model to ensure that risks are clearly identified, owned and managed. For further information refer to the internal controls details in the Corporate Governance section.

The Risk Management function together with specialist functions such as Compliance and Actuarial develop and operate methodologies to identify, manage and mitigate designated types of risks. The Risk Management function monitors overall risks, including specific risk- types, and escalates through the system of governance any such risks that may exceed Athora's risk appetite. The risk management system is embedded in decision-making across the business, including for capital, insurance, reinsurance and investment management.

Within the Athora Group at legal entity level, risk management functions/owners exist with staffing responsibilities and governance structures tailored to each entity. The business has clear ownership of risk-taking/risk-avoidance decisions, and reports to the Group on appetite, decisions and outcomes.

Risk culture

Athora is committed to building and maintaining a strong risk culture, in which the collective ability to identify and understand, openly discuss, and act on our current and future risks is embedded across the business. Having a strong risk culture is seen by the Board as a key driver of the long-term sustainability and profitability of our business and is therefore relevant to all our employees. Risk culture is the set of values, behaviours and subsequent actions that shape our collective approach to managing risk and making decisions.

The following critical and reinforcing elements describe the strong risk culture which we seek to have in Athora:

- a clear and well-communicated risk strategy;
- collaboration and information sharing;
- rapid and “no blame” escalation of threats or concerns;
- constructive challenge of actions and preconceptions at all levels;
- visible and consistent role-modelling by senior leaders and managers; and
- incentives which encourage people to “do the right thing” in the long-term interest of the whole business.

The effectiveness of Athora's risk management depends on a strong risk culture and robust risk management practices. This is supported by our Risk Culture Framework and Code of Conduct. Our Risk Culture Framework sets out our sustainable approach to Risk Culture which aligns to Athora's broader culture, values and behaviours. Our Code of Conduct embodies our values and guides our behaviours, actions and decisions to ensure we carry out our business in a way that is right for all our colleagues, stakeholders and customers. This is measured by an annual survey. The purpose of the survey is to capture how our risk culture influences our risk management practices across business units and functions.

Risk assessment and measurement

We maintain activities that allow us to identify, assess, and quantify known and emerging risks. These processes allow us to consider the extent to which potential events may have an impact on the achievement of our objectives. Athora uses both qualitative and quantitative approaches, processes and tools to identify, assess and measure risk, and determine the appropriate capital requirements. We have an emerging risk policy in place and emerging risks are regularly considered within risk governance committees.

Risk management and monitoring

Our responses involve both business-as-usual activities and action plans where current efforts are not sufficient to reduce risk to an acceptable level. We are applying and embedding a coordinated series of processes and tools across risk management and assurance activities to test effectiveness and validate controls and mitigation activities:

- control testing—a key component of the internal control framework;
- model validation activities—includes independent validation of key models and assumptions;
- validation of material external data;
- independent review and oversight of outsourcing due diligence processes; and
- reporting of risks to the Board and relevant committees.

Monitoring of risks comprises both ongoing monitoring activities in the normal course of management and separate evaluations. Group risk management 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.

Risk reporting and insights

The management and Board committees are part of Athora's overall governance framework for ensuring appropriate reporting and escalation of risk to their ultimate owner, the Board. Regular reporting includes a CRO summary, risk landscape, risk dashboard and emerging risks, amongst other items.

Regulatory reporting requirements for internal reports (which are also required to be shared externally with the regulator), such as the CISSA / GSSA (as required by the Bermuda regulatory framework) and ORSA (as required by Solvency II), provide relevant information to the Board and its committees and to management to ensure risks are being managed and escalated appropriately. These reports also play an important role in supporting strategic decision making and strategy development.

Risk reporting seeks to provide a comprehensive picture of risks across layers and risk types. The key focus is on delivering actionable insights from risk information and providing risk transparency.

Data and technology

Athora takes a Group-wide approach using tools and processes for establishing and maintaining the confidence in and integrity of risk data and technology. The ERM Risk data and technology aligns with Athora's Data Governance Council (DGC) Data policies and standards and the DGC's objective of maximising the value of data as a business asset; respecting business needs, Group/local regulatory requirements, innovation and efficiencies.

Internal control framework

The Board has established a principles-led internal control framework for the Group. This was designed to support Athora in executing robust and effective controls over its risk exposures, while supporting strategic decision-making. The internal control framework (ICF) continues to evolve and be embedded across the Group in a consistent way which enables us to:

- achieve important objectives;
- sustain/improve performance; and
- develop a consistent and scalable system of effective and efficient internal controls.

The principles-led approach enables the ICF to adapt to our changing business and operating environment, mitigating risks to acceptable levels and supporting sound decision making and governance across the Group.

Continuous development

Our approach to risk management is constantly evolving. The Group Chief Risk Officer is responsible for developing the risk management framework and internal control framework to ensure that risk management remains effective.

Changes in the risk environment

Global Economic Background

The year started on an upbeat note with the gradual reopening of the global economy after two years of intermittent lockdowns due to Covid-19. However, the start of the war in Ukraine in February 2022 and the resulting sanctions on Russian oil and gas exports contributed to slower global economic growth and rapidly rising inflation. During the first few months of the conflict, energy markets experienced historically high short-term volatility amid concerns over the medium-term hold of countries' energy supplies and ability to build up reserves ahead of the winter season. The spike of the European gas futures in August prompted the G7 countries to implement coordinated measures to curb energy financial market speculation and cap prices on Russian energy products.

During 2022, there was an unprecedented surge in inflation, reaching double digit figures in Europe. The combination of strong aggregate demand and constrained supply chains at a time of very stimulative monetary and fiscal policy created the perfect conditions for economies to overheat. To control inflation, central banks switched from accommodative to restrictive monetary policies with a series of hikes bringing policy rates from negative territory to the range of 4%-5%.

With normalisation in energy prices in the last quarter of 2022, headline inflation started to ease, however core inflation (excluding food and energy) remained stable or slightly increased mainly due to wage growth and cost of services components. High and sticky inflation that prompts further aggressive central bank actions is a key risk. As annual inflation rates fall in 2023, there is a risk they do not fall far enough and remain entrenched at higher rates than central bank policy makers would ideally like. There is also a risk that central banks have already tightened too much and with long lags in monetary policy taking effect, economies could be already heading for a deep recession.

The outbreak of the war in Ukraine also exacerbated existing geopolitical tensions across the globe and especially between the two largest economic powers: China and the US. China's unclear position with respect to the conflict and international sanctions, and the stronger nationalist stance in the US, have remarkably eroded not only trade afflux between the two blocs but also diplomatic cooperation, ultimately impacting medium term international initiatives in strategically-important areas such as defence and ecological transition.

Athora's defensive investment positioning and solid underwriting governance maintained throughout the year have contributed to positively weather the challenging market conditions without adverse investment impacts. At outbreak of the war in Ukraine, Athora put in place a weekly process to actively monitor the Group's investment portfolio and intervene to mitigate the risk of default and migration.

Notwithstanding the fact that Athora had no substantial direct investment in Russia, Belarus or Ukraine, risk reduction actions were precautionarily taken in the public credit portfolio while the investment deployment in private credit strategies has been performed with a particular emphasis on avoiding potential contagion risk from the unfolding crisis. Despite the growth of the private credit portfolio during the year, relatively few assets have experienced credit deterioration. Overall, the performance of the investment portfolio has remained robust, a reflection of the strong credit fundamentals of the underlying positions, the resilience of the credit profile, through the cycle and the continued adherence to the Prudent Person Principle in the risk taking process.

Regulatory Solvency Requirements

Athora operates in multiple jurisdictions in Europe and Bermuda and is therefore subject to the different regulatory requirements in those jurisdictions. Athora closely monitors its regulatory solvency according to the applicable requirements and any proposals to change them. Bermuda is updating the Bermuda regulatory solvency regime to apply the framework for internationally active insurance groups established by the International Association of Insurance Supervisors (IAIS). The final versions of any changes will be integrated into the risk measurement framework of Athora as they are finalised for application.

Cyber risk

In 2022, we continued to see a significant global uplift in cyber attacks. Athora needs to continue to focus on perimeter protection ensuring the hybrid working structures are incorporated in this. We will also continue to improve the testing of our operational resiliency capabilities should an incident occur. It is expected that an increased number of attacks (failed and successful) will occur globally. Currently, 60% of ransoms paid do not result in data being recovered fully, therefore having a robust business continuity recovery capability will be key.

Principal risks and uncertainties

Athora's principal risks and uncertainties are detailed below, together with their potential impact, mitigating actions which are in place, and links to our strategic priorities—Grow, Optimise, Earn and Operate.

Grow	Optimise	Earn	Operate
Sustainable growth	**Proactive capital and risk management**	**Strong and stable investment returns**	**Competitive costs and service levels**

Strategic Risk

The risk that planned growth cannot be found either through reinsurance or acquisition due to lack of available transactions. This also includes risks that pricing or integration of the acquired business into the operating model of the group results in not being able to deliver the expected outcomes for customers or value for shareholders.

Strategic priorities	Mitigation
Optimise Grow	A set of criteria aligned to the Group strategy is applied to all potential transactions by experienced internal and appropriate external resources. Detailed integration plans are developed and resourced with the depth of the integration depending on the nature of the acquisition. Athora is actively embedding its approach to future acquisitions and integrations incorporating lessons learned from transactions completed.

Market Risk

Athora aims to limit balance sheet volatility from market risks tightly, while pursuing returns from attractive investments. We have a low risk appetite for interest rate risk, currency risk, inflation risk and public equity risk and a medium risk appetite for spread risk (as detailed in the credit risk section), private equity risk and property risk.

Strategic priorities	Mitigation
Optimise Earn Operate	Athora ensures that investment activity and the resulting market risk exposure is managed to provide long-term sustainable returns by investing in a manner appropriate to the nature, currency and duration of Athora's insurance liabilities and obligations while complying with relevant regulatory requirements. In doing so, Athora actively manages exposure to market risks with the Group's asset liability management risk policy which is implemented locally by the business units (BUs). The business units define thresholds for interest rate, spread and currency risk according to the risk metrics and scenarios defined in the policy. Such scenarios, include, standalone stresses for each market risks, such as interest rate, spread, currency risk, as well as multi-risk scenario calibrated to account for diversification benefits allocated to each risk upon aggregation. Exposures are identified, actively monitored and reported to Group at minimum on a quarterly basis. A working group takes place on a weekly basis for most business units with the Group investment function, local BU investment, risk function and investment manager(s). The Group investment management function steers and co-ordinates the overall duration matching process and the risk function prompts duration matching risk management actions. Any risk-limit breaches are escalated to the appropriate governance bodies for remedy and mitigation.

Credit Risk

Credit risk originates from fixed income investment in both public and private financial instruments, whose credit risk profile varies depending on asset- specific structural features, credit protections, seniority ranking and collateral terms. Credit risk arises from a variety of investments considered strategic within Athora's Investment Universe, including investments into sovereign bonds, public corporate bonds, residential mortgage loans, private corporate loans, and commercial real estate debt. We seek certain investment risks in pursuit of returns, while minimising counterparty risks (in derivatives, cash and reinsurance). Athora has low risk appetite for default and migration risk of public credit securities, while high risk appetite for private credit investments that present an attractive risk-return profile.

Strategic priorities	Mitigation
Optimise Earn	Athora ensures that investment activity and the resulting credit risk is managed to provide long-term value creation for our policyholders and stakeholders, while complying with the solvency II and Bermuda regulatory requirements, including the Prudent Person Principle frameworks, our risk appetite and strategy and internal financial risk policies. In this context, each investment is selected based on the fitness within the strategic asset allocation, a tailored risk-return analysis and a comprehensive underwriting criteria review process. Investable assets are described in Athora's Investment Universe, with associated expected risk profiles and characteristics. According to our Investment Governance and Oversight policy, only assets that are Board- approved per the Athora Investment Universe are permitted. Credit concentration risk and counterparty risk are managed via our Credit Concentration and Counterparty Risk policy. Additionally, we form our own credit risk view via an internal credit assessment process for a selected set of private credit investments based on validated internal methodology. We test risk-adjusted return appropriateness against regulatory and economic capital consumptions. This process further enhances Athora's capabilities to monitor and manage risks associated with credit assets.

Liquidity Risk

Liquidity risk is managed prudently to ensure that at all times Athora can meet its obligations as they fall due. 2022 saw significant increases in interest rates causing liquidity strains for a number of financial market participants. Athora was able to navigate the change in environment due to it holding a large proportion of liquid assets in line with the Group Liquidity Risk policy. During 2023, further enhancements of the liquidity risk management framework are planned to support the Group with its ambitious growth plans.

Strategic priorities	Mitigation
Optimise Grow Operate	We have a comprehensive liquidity management framework that ensures that a sufficient liquidity buffer is maintained to enable liquidity demands to be met, even in times of stressed market conditions.

Underwriting and reserving risk

As Athora's business model is mainly aimed at providing a capital guarantee, the underwriting risk management is therefore focused on longevity and expense reserving risk as well as customer behaviour, most notably lapse risk as well other customer options such as annuitisation.

Strategic priorities

Optimise

Grow

Mitigation

Athora assesses, monitors and controls underwriting risks to be able to adequately price and reserve for such uncertainty, and to anticipate any potential future adverse deviations. This is based on several methods including:

- regular experience investigations using actuarial professional practices and available internal data; complemented by external data such as industry analysis and benchmarking reports.
- regular reporting on the performance of key underwriting risks, including sensitivity analysis and stress & scenario testing. The evolution of these risks is monitored in case of changes in macroeconomic conditions, regulation, competitor activity or socio-economic trends.
- implementing solutions to manage or transfer such risks where appropriate (e.g., reinsurance arrangements).

Operational risk

We have some appetite for operational risks, given the fast pace of change, but this is expected to migrate to low over time. A material failure in our business processes or IT security may result in unanticipated financial loss or reputational damage.

Strategic priorities

Optimise

Operate

Mitigation

We are embedding a system of internal controls to mitigate the risk of unanticipated financial loss or damage to our reputation.

We continue to invest in our system capabilities and business processes to ensure that we meet the expectations of our customers; comply with regulatory, legal and financial reporting requirements; and mitigate the risks of loss or reputational damage from risk events.

Any risks with a high potential impact are monitored centrally on a regular basis with action taken to remediate as required.

Compliance Risk

The primary compliance challenge for financial institutions is the quickly evolving regulatory landscape and the pace of change, at both the EU and the national level, across a broad range of regulatory topics. Compliance with new or evolving requirements presents operational challenges for the business given the effort to assess the impact of evolving regulation, implement the necessary controls and processes in response, document these controls and processes, and then test the effectiveness of new controls, all within a limited time-frame.

Strategic priorities	Mitigation
Optimise	In 2022, Group Compliance worked with the business units via a Compliance Obligations Working Group. This Working Group tracked new laws and regulations and summarised the impact for the business and will continue to support business through implementation. A similar Working Group was established that focused on ESG-related laws and regulations which is a rapidly changing environment. Group Compliance, with the support of the Working Group, also conducted a vendor selection process to onboard an Athora-wide regulatory tracking tool that will reduce operational inefficiencies surrounding the tracking of laws and regulations and ensure comprehensive coverage for our business units. Group Compliance also developed additional control objective frameworks to support the business in the area of fit and proper and conflict of interest. Training programs in the areas of privacy and financial crime were also updated and additional enhancements were made to our conflict of interest and gift and entertainment processes.
Operate	Finally, Group Compliance supported the development of a new Group Code of Conduct which will set the standard for communicating the expected behaviours.

Emerging risk

Athora maintains an Emerging Risk Register where all risks are assessed in terms of impact and time horizon. These risks are then aggregated according to various risk factors. The Emerging Risk Register is updated on an annual basis.

A key emerging risk for Athora is the risk that the investments on Athora's balance sheet are exposed to the potential impact of climate change.

The following list of climate-related risks have been identified as having the potential to have an adverse impact on our balance sheet:

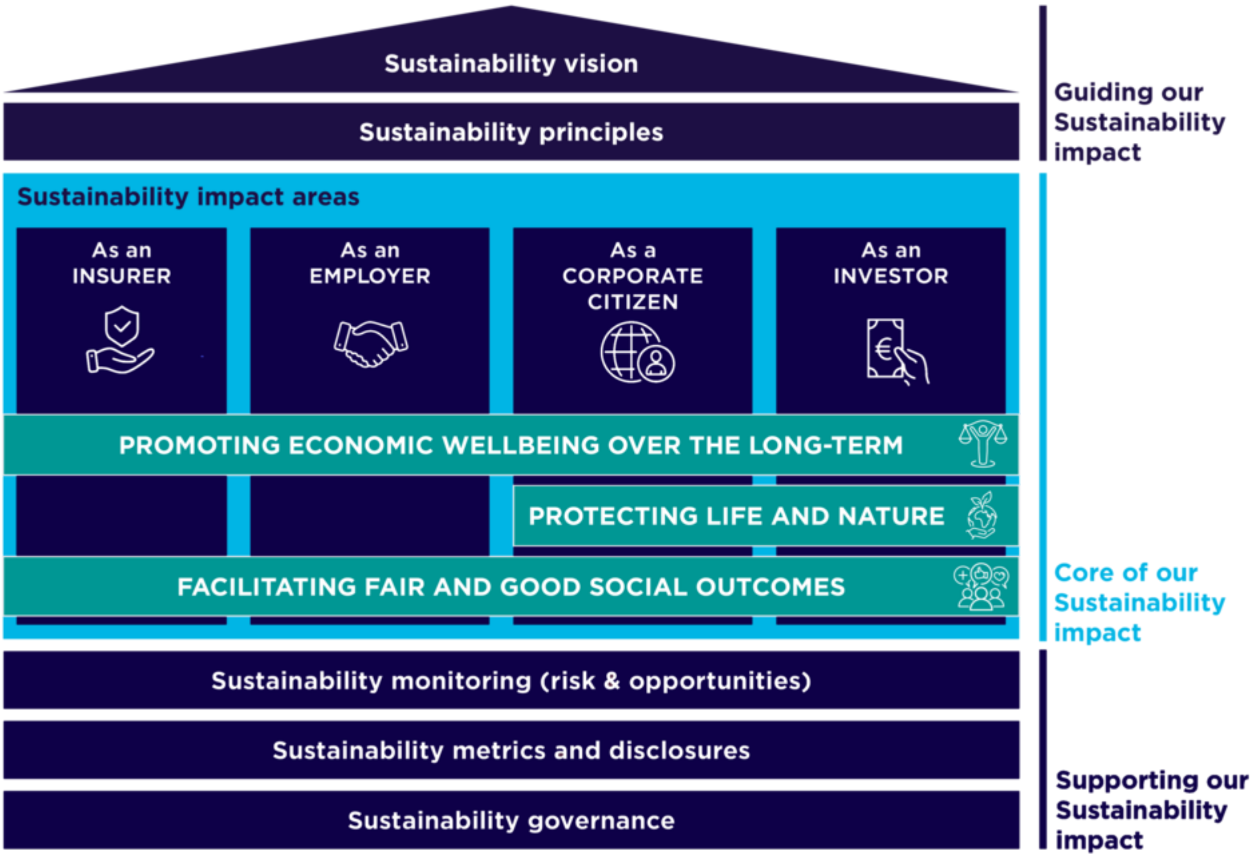
- Physical risk from climate change arises from increasing severity and frequency of climate and weather-related events.
- Transitional risk arises from the adjustment towards a carbon neutral economy, which will require significant structural changes to the economy.
- Liability risk arises from people or businesses seeking compensation for losses suffered from physical or transitional risks from climate change.

Strategic priorities	Mitigation
Optimise	Athora has an established process for identifying and monitoring emerging risks relevant to its business. Emerging risks are identified and discussed with management.
Operate	Athora has a Group environmental, social and governance (ESG) investment risk policy. ESG investment risk is managed using ESG scoring, by monitoring ESG concentrations in our portfolio and climate change stress testing.

Sustainability

Sustainability strategy

Sustainability continues to be a key topic for Athora. In 2022, we published our Sustainability strategy which can be found on our website. Our Sustainability strategy framework as illustrated below was developed to emphasise the importance and scale of the Sustainability topic. The core of our Sustainability strategy focuses on key impact areas at the intersection of our business activities and our defined Sustainability themes. These impact areas are guided by our Sustainability vision and principles, and supported by appropriate monitoring, metrics & disclosures and governance.



We also published our inaugural Sustainability report in 2022 and started working towards aligning with frameworks such as the Global Reporting Initiative (GRI), the Sustainability Accounting Standards Board (SASB) and the Task Force on Climate-Related Financial Disclosures (TCFD). We are committed to advancing our Sustainability activities at Athora, and to disclosing our progress through our annual Sustainability report and other channels.

This section provides an overview of some of our 2022 activities. We refer to our standalone annual Sustainability report that will be published in due course for further detail on each of these areas.

Our role as an insurer

Committing to long-term sustainable products

As European insurers have continued to withdraw from long-duration and guaranteed insurance products at a time when such products are becoming increasingly important due to ageing populations and market conditions, Athora remains committed to providing these products in the European market.

Our business model, with a focus on long-duration and guaranteed insurance and pension products, means that we are in a position to acquire businesses other companies are looking to dispose of, and to invest in businesses when others are reluctant. At the same time, our reinsurance offering continues to provide an outsourcing solution to companies finding it challenging to manage their exposure to this kind of risk.

In 2022, Athora entered the Italian market by completing the acquisition of Amissima Vita (now Athora Italia). We also increased our commitment to the Belgian and German insurance markets through our closed-book life insurance portfolio acquisitions from NN Insurance Belgium and AXA Germany. Similarly in the Netherlands, we have reached an agreement to acquire the WTW's Premium Pension Institution (PPI).

Focusing on customer satisfaction

We place the customer at the heart of everything we do, and we take customer satisfaction very seriously. We continuously monitor customer satisfaction through NPS scores and customer complaints.
We saw robust levels of customer satisfaction over 2022 and will continue to strive to deliver the desired customer outcomes in 2023.

Providing products and services that meet the needs of our clients

In Germany, Athora Leben confirmed a stable profit participation on life insurance policies for a third consecutive year into 2023, at a total rate of 4.00%. This is more than double the 2022 market average at 1.99%.

To complement our guaranteed products, Athora Netherlands, Athora Belgium and Athora Italy offer a range of unit-linked solutions, a significant proportion of which are backed by sustainable funds.

In the Netherlands, 89% of funds offered to our unit-linked customers are categorised as either article 8 or article 9 in accordance with the Sustainable Finance Disclosures Regulation (SFDR). This corresponds to 97% of actual unit-linked AuM. Similarly, in Belgium, 78% of funds offered to unit-linked customers are categorised as article 8 or article 9. This is equivalent to over 80% of unit-linked AuM.

Our role as an employer

Inclusion, diversity and equality

In 2022, we developed our Inclusion, Diversity and Equality (IDE) vision and strategy as a goalpost for our IDE ambitions and defined our IDE metrics and targets to ensure our progress is measurable and transparent. Given the importance of the topic, we also included IDE-related questions in our employee engagement survey.

Inclusion Diversity & Equality

In 2022, we developed our Inclusion, Diversity and Equality (IDE) vision and strategy as a goalpost for our IDE ambitions and defined our IDE metrics and targets to ensure our progress is measurable and transparent. Given the importance of the topic, we also included IDE-related questions in our employee engagement survey.

We established our IDE Council in 2021, with the mission to:

- Develop and deliver on our IDE vision and strategy
- Co-ordinate and enable collaboration between colleagues on IDE initiatives across Athora
- Champion IDE by acting as role models, representatives and advocates with regards to IDE topics
- Represent employees across Athora's regions and functional teams in building a strong IDE culture

Furthermore, we established our first Employee Resource Group – the Athora Women's Inclusion Network (AWIN) – which was initiated by a small group of employees across our offices.

Building our culture and leadership

We have continued to build our culture and leadership.

The I Am Athora Network (IAAN) was established in 2021 to bring together ~40 senior leaders from across the Group focused on building a strong Athora-wide leadership and culture. The network continued its works throughout 2022.

I Am Athora Network

We have put together a leadership programme for 2023 to develop and equip our future leaders with the right skills to lead the organisation.

As recognition is an important part of our culture, the Living Athora Values Awards were awarded for the third year. This employee recognition programme sponsored by local leadership celebrates and recognises employees across the organisation who role-model the Athora values.

Pictured: I Am Athora Network, Milan, November 2022

Developing and retaining our talent

In 2022, we further embedded succession planning and key talent identification across the organisation. We identified talent development plans and developed our talent programme, ensuring employee engagement. 85% of employees took part in our employee engagement survey in 2022, and we observed an overall increase in engagement level.

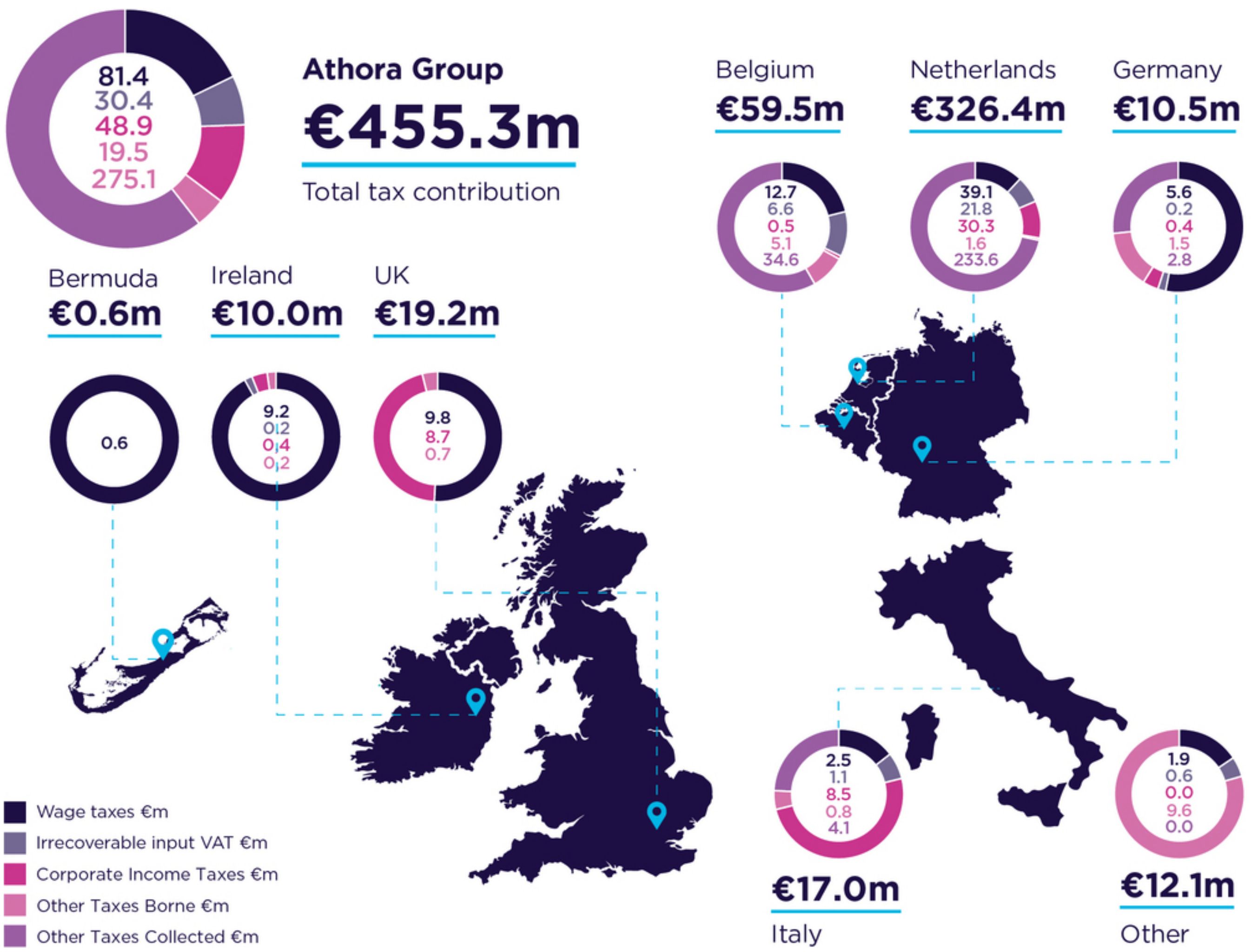
Our role as a corporate citizen

Adhering to a transparent approach to tax

At Athora, we understand that stakeholders are best served, and their long-term interests are best protected, when companies pay the appropriate amount of tax aligned to where they have substantive business operations. At Athora, we pay tax where our profits are originated. We are committed to tax compliance that is focused on complete and timely tax filings in all jurisdictions in which we operate.

Tax decisions taken by the Group follow the appropriate tax legislation and guidance where available. Where there is meaningful doubt in respect of interpretation, Athora engages in open and transparent dialogue with the relevant tax authorities. Our tax policy can be found on our website.

In 2022, our total tax contribution, company-wide and by jurisdiction, amounted to €455.3 million (2021: €499.6 million) as illustrated below.



The total tax contribution of €455.3 million can be dissected into total taxes borne of €115.8 million and total taxes collected of €339.5 million.

Supporting our communities

We are committed to making a difference in the communities in which we operate. Our approach aims to support those in need and to address societal needs. We encourage colleagues to play their part by giving back and volunteering when possible. We promote volunteering opportunities and offer volunteering days for employees to volunteer during work hours.

In 2022, we increased our volunteering and fundraising activities in line with the lifting of Covid restrictions. Some examples of activities across our jurisdictions are listed below:

- In Belgium, we raised €86,000 for cancer and leukaemia research via the online auction of artworks from our former office on Avenue Louise in Brussels.
- In Bermuda, we sponsored the Athora 8k Run & Walk in aid of The Coalition for the Protection of Children.
- In Ireland, we continued our partnership with Hugh's House, including financial donations and on-site volunteering.
- In Italy, we made financial donations to Banco Alimentare and Comunità Sant'Egidio.
- In the Netherlands, we commenced a partnership with NL Cares through our local volunteer foundation, Samen voor Later (Together for Later). This partnership provides employees with access to volunteer opportunities through the NL Cares platform.
- In the UK, we set up a local charity committee and selected Crisis as our charity partner.

Across the Group, we also supported the Ukraine crisis with both corporate and employee financial donations, totalling over €400,000. Athora Netherlands also entered into an agreement with the municipality of Alkmaar to offer an empty office building to temporarily house 300 Ukrainian refugees from early 2023.

In order to increase coordination going forward we developed our Charitable efforts guidelines in 2022. These are being rolled out across the Group.

Limiting our environmental impact

Looking at our own business operations, we rolled out a consistent Group-wide approach to measuring the carbon footprint from our own operations with an objective to set targets and reduce our emissions.

We have continued to implement solutions to reduce our carbon footprint through waste recycling, donation of end-of-life electronics to charities, reducing water and energy consumption through installation of motion sensors and continuing our hybrid working model.

During 2022, we moved into a new office in Bermuda, and prepared for office moves in other locations. In assessing new spaces, we have considered the sustainability characteristics of the buildings – including smart heating, recycling and options to commute to the office using a low-carbon mode (e.g. cycling).

Maintaining high standards of governance and compliance

We believe in maintaining high standards of governance, transparency and good relationships with our regulators. In 2020, Athora Holding Ltd. became regulated by the Bermuda Monetary Authority and we commenced periodic regulatory college meetings with all of our principal insurance regulators. We are publishing our consolidated annual report for the third time this year and are continuing to improve our disclosures and transparency.

Further details may be found in the corporate governance section of this report.

Our role as an investor

Developing our Sustainable Investment approach

At Athora, we recognise the importance of our role as a responsible and sustainable investor. With €73.8 billion of assets under management and administration (AuMA) as of 31 December 2022, we have the ability and responsibility to foster positive change through our investment portfolio.

We launched our Group Sustainable Investment policy in 2022 which sets out our approach to Sustainable investments, considering the four pillars of our framework:

Integration: taking into account sustainability considerations in our investment analysis and decision-making process.

Alignment: avoiding exposures to certain sectors or activities identified as causing significant harm from an environmental, social and governance (ESG) perspective.

Engagement: working with asset managers to influence investee companies to adopt sustainable behaviour.

Impact: aiming to direct investments to companies and projects exhibiting positive externalities.

Investing directly into the economy

Of our €73.8 billion AuMA, €13.8 billion is invested directly into the economy through private loans, mortgage loans and private equity investments. By dedicating a significant proportion of our portfolio to direct investments, we aim to support individuals and companies which may not have access to public funding.

Leveraging our balance sheet to make a difference

As an insurer with a sizeable balance sheet, we seek to leverage our assets in making a positive impact on the communities where we operate. Whilst we are committed to supporting charitable efforts as part of our community engagement, we recognise that this has limitations in terms of scalability and impact. We are therefore actively seeking opportunities to make long-term investments which bring about positive environmental and social impacts in our communities.

Reforestation initiative

In October 2022, we announced a reforestation initiative[1] in collaboration with Fondazione Sylva and Edward Burtynsky. As part of the initiative, some thousands of native trees are being planted in Southern Italy (one of our focus markets) and educational sessions and exhibitions are launched to spread awareness about the importance of nature and biodiversity. These activities have been made possible through the investment by Athora in a series of photographs by Burtynsky which depict the devastation brought by lack of biodiversity in the region.

Photo by Edward Burtynsky, Xylella Studies #2, Lecce, Puglia, Italy, 2021

Photo by Edward Burtynsky, Xylella Studies #1, Lecce, Puglia, Italy, 2021

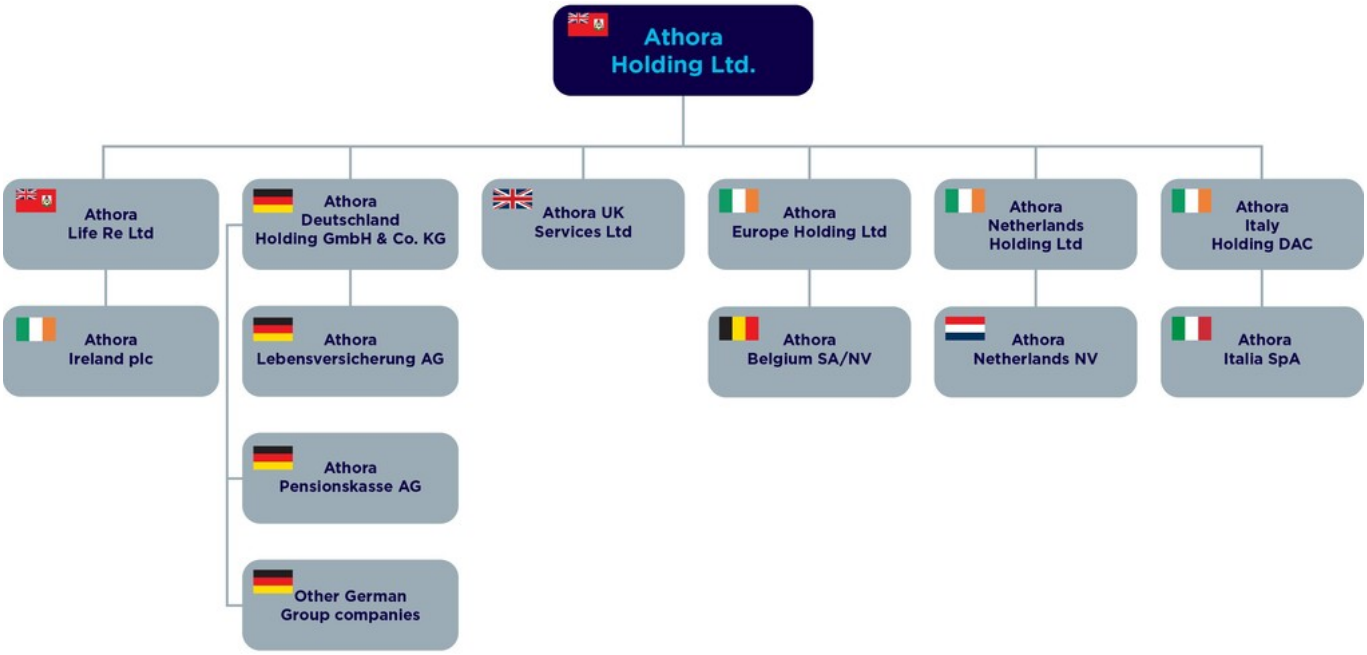
1. https://www.athora.com/news/athora-announces-reforestation-project

Corporate governance

Athora corporate structure

Simplified corporate structure

As at 31 December 2022



The ultimate holding company of the Athora group of companies is Athora Holding Ltd., a limited liability company domiciled in Bermuda, whose principal activity is the holding of investments in subsidiaries. Athora is subject to insurance group supervision by the Bermuda Monetary Authority (BMA).

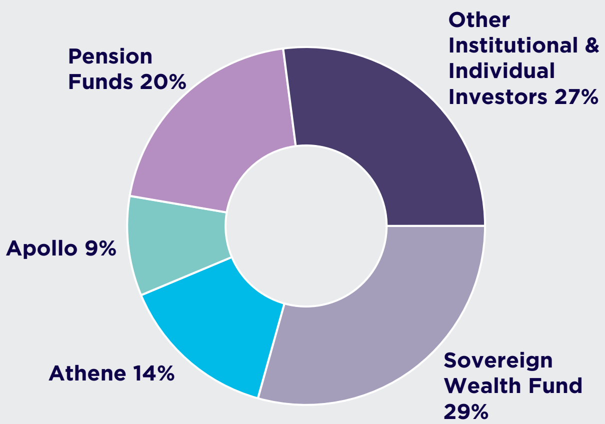
Our shareholders

Athora is privately owned by a diverse group of global investors that have taken a long-term approach to their investment in Athora and have committed c.€6.75 billion of equity capital. Our investor base comprises pension funds, sovereign wealth funds, family offices and financial services companies.

Key minority shareholders

Apollo Global Management, Inc. (Apollo), Athene Holding Ltd. (Athene), which is part of the Apollo group, and the Abu Dhabi Investment Authority (ADIA) are key minority shareholders in Athora.

These investors share our vision—for Athora to become the leading provider of guaranteed life solutions in Europe. With our investors' backing, Athora benefits from access to stable capital, ensuring we have the resources necessary to drive growth and the financial strength to face interest rate, capital, market, operational, and resource challenges.



Relationship with Athene, Apollo and ADIA

Athene

Athene Holding Ltd. (together with its subsidiaries, Athene) 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.

Athene was a co-founder of Athora together with Apollo. Athora was a subsidiary of Athene until 1 January 2018, when Athene deconsolidated Athora through a private offering of equity securities. Athene retains a minority interest in Athora and has one member on Athora's Board.

On 1 January 2022, Athene merged into a wholly-owned subsidiary of Apollo Global Management, Inc. As a result of the merger, Athene became a wholly-owned subsidiary of Apollo Global Management, Inc. and one of its principal subsidiaries. Athene is no longer a publicly traded company listed on the New York Stock Exchange.

The strategic relationship with Athene provides Athora with expertise and insight of an experienced management team to support the creation of a successful insurance group tailored to the specific market requirements in Europe.

Apollo

Apollo Global Management (together with its subsidiaries) is a global alternative asset manager. Apollo had assets under management of approximately $548 billion as at 31 December 2022. Apollo is listed on the New York Stock Exchange under the ticker APO.

As co-founder of Athora, Apollo retains a strategic relationship with Athora. Apollo provides Athora with specific asset management and specialised investment expertise through its subsidiary, Apollo Asset Management Europe LLP, that includes duration matching strategies to evaluate, source and manage investments originated by Apollo.

Apollo also provides advisory services that include advice on direct investment management, asset allocation, asset due diligence, mergers and acquisitions, operational support services (such as investment compliance, tax, legal and risk management) and identifying and capitalising on acquisition opportunities to grow the Athora business.

Apollo, including Athene have five members on Athora's Board. Apollo, including Athene, had a 23.25% economic interest in the equity share capital of Athora as at 31 December 2022. The strategic relationship with Apollo is expected to continue for the foreseeable future.

ADIA

Established in 1976, the Abu Dhabi Investment Authority and its affiliates (ADIA) is a globally-diversified investment institution that prudently invests funds on behalf of the Government of Abu Dhabi through a strategy focused on long-term value creation. ADIA has the right to select one member to Athora's Board and has exercised its right.

Further details of the Group's transactions with key minority shareholders are set out in **note I3** to the financial statements.

Governance structure

Board and committee structure

The Board is responsible for promoting Athora's long-term success. This includes providing oversight and guidance over the strategic objectives, the ultimate risk appetite, and monitoring management delivery of these strategic objectives within the agreed governance framework. AHL's bye-laws and Board governance guidelines define the Board's duties, membership and meeting procedures.

The Group chief executive officer (CEO) and senior executives (management) are responsible for formalising and implementing policies, procedures, internal controls and operational mechanics to deliver the long-term strategic direction approved by the Board.

To assist in fulfilling its oversight responsibilities, the Board has established six Board committees, each with their own charter. Each committee chairman reports to the Board on the committee's activities.

The purpose of each committee

Audit Committee: Oversight and monitoring of the integrity of the consolidated financial statements and financial and accounting processes; monitoring compliance with audit, internal audit and internal controls requirements; monitoring the independent auditor's qualifications, independence and performance; and monitoring legal and regulatory compliance and ethical standards.

Compensation Committee: Oversight of the Group's executive compensation programme.

Conflicts Committee: Evaluates and considers for approval certain related party transactions.

Nominating and Corporate Governance Committee: Identifies, evaluates and recommends individuals for Board and senior management appointment. Evaluates and determines the corporate governance framework, including relevant documents such as Group policies. Oversees Environmental, Social and Governance strategy and Inclusion, Diversity and Equality framework and the annual performance evaluation of the Board.

Risk Committee: Oversight of systems and processes to identify, manage and mitigate risks. Assists the Board and its committees in fulfilling their oversight responsibilities for risk management.

Transactions Committee: Reviews and assesses material transactions (e.g. acquisitions, dispositions and certain reinsurance transactions) for recommendation to the Board.

Our Board members

Our Board consists of eleven directors, including five fully independent non-executive directors (INEDs). One INED serves as chairperson of both the Board and the Risk Committee and three other INEDs serve as Chairs of the Conflicts Committee, Audit Committee, and Nominating and Corporate Governance Committee, respectively.

Our Board has diverse management, operations, governance and oversight experience across many industries. Biographies of our Board members are set out on pages 60-63.

The composition of the Board and its Committees is set out in the table below.

Board and Committee Composition	Nikolaus von Bomhard Chairman, Independent Director	Debra Broek[1] Independent Director	Volkert Doeksen Independent Director	Anna Maria D'Hulster[2] Independent Director	Fred Kleisner Independent Director	Jérôme Mourgue D'Algue Shareholder Director (Investor)	Martin Klein[3] Shareholder Director (Athene)	Alex Humphreys Shareholder Director (Apollo)	Gernot Lohr Shareholder Director (Apollo)	Marc Rowan Shareholder Director (Apollo)	Scott Kleinman Shareholder Director (Apollo)
Audit Committee		Chair		Member	Member		Member	Member			
Compensation Committee	Member					Member			Chair		Member
Conflicts Committee	Member	Member	Member	Member	Chair	Member					
Nominating and Corporate Governance Committee		Member		Chair	Member	Member		Member	Member		
Risk Committee	Chair	Member		Member		Member			Member		
Transactions Committee	Member					Member	Member		Chair	Member	Member

Committee chair Committee member

1 Appointed Chair of the Audit Committee effective 1 January 2023.
2 Appointed Chair of the Nominating and Corporate Governance Committee effective 25 January 2023.
3 Appointed effective 14 September 2022 to succeed William Wheeler.

Fitness and propriety requirements

Athora uses the hiring and vetting process including recruitment and interviewing requirements to confirm fitness and propriety for the relevant role. All Board and senior management appointments are subject to review by the Nominating and Corporate Governance Committee, as set out in the committee's charter.

Group executive management structure

Athora is led, at the direction of the Board, and by the Group CEO and deputy CEO, and the Management Committee (MC), which is chaired by the Group CEO/deputy CEO.

The purpose of the MC is to evidence the discharge of responsibility by the Chair for management of the our assets, business and operations in accordance with the strategic direction, integrated management plan, risk appetite and strategy policy, relevant legal and regulatory obligations and bounds of spend on business growth/acquisitions approved by the Board.

The Management Committee

Responsibilities are allocated individually to the following members of the MC by functional area:

Role	MC member[1]
Group Chief Executive Officer	Mike Wells (appointed 7 September 2022)
President & Deputy CEO	Michele Bareggi (role changed 1 July 2022)
Group Chief Financial Officer	Anders Malmström
Group Chief Risk Officer	Lukas Ziewer[2]
Group General Counsel	Ward Bobitz (appointed 6 September 2022)

1. On 12 February 2023, Athora announced that the Management Executive Committee (MEC) would be restructured to comprise the above members, and the name of the committee would change to the Management Committee (MC).
2. It was also announced on 12 February 2023, that Mr. Ziewer, who has served as Group Chief Risk Officer (CRO) since September 2018 would step down from his role in 2023. A new Group CRO will be appointed in due course, subject to regulatory and other approvals.

A brief outline of our MC members responsibilities may be found on page 64. Athora has established a framework of management committees to support each MC member and key function holders fulfil their responsibilities.

Membership of the MC is subject to regulatory notification and meeting fitness and propriety requirements. Athora's MC members have substantial experience in insurance and broader global financial services, as outlined on our website.

Subsidiary governance

The responsibility for day-to-day management at the level of each of Athora's regulated subsidiaries sits with the respective management and (where applicable) supervisory boards of each subsidiary. Each of Athora's regulated subsidiaries has a comprehensive local governance framework. This supports the subsidiary board in oversight and monitoring of the business of the subsidiary.

The board of each subsidiary has established appropriate committees (e.g., Audit Committee and Risk Committee) to assist in fulfilling its role.

Internal controls

The Board and management are responsible for adopting an effective internal controls framework. We apply a *Three Lines of Defence* model for our internal control system (summarised below), supported by our Group Audit Committee and by the internal audit function.

First line of defence

- Business functions

Second line of defence

- Risk management function
- Compliance function
- Actuarial function

Third line of defence

- Internal audit function

Business functions

In line with our internal risk management policies, management is the first line of defence and has primary responsibility for:

- running the business in accordance with the agreed business plan and risk appetite,
- operating the controls within each functional area and
- managing the business risk profile.

Risk management function

The risk management function, acting as part of the second line of defence, is responsible for the ongoing monitoring of business operations and the effectiveness and integrity of the risk management framework.

Actuarial function

The actuarial function is a control function within Athora's risk management function and independently oversees the calculation of technical provisions, including the appropriateness and quality of methodologies, models, assumptions and data used in the calculation of technical provisions. As part of Athora's internal control system, the actuarial function works in close collaboration with an independent Approved Group Actuary, which is a reserved role under the Bermuda Insurance Act 1978, as amended, to provide an opinion on the Group's technical provisions which is submitted as part of the annual filing to the BMA.

Compliance function

Athora's compliance function is led by a Group Head of Compliance, who reports to the Group General Counsel and is responsible for ensuring compliance with regulatory requirements and legal obligations. The Board monitors the Group compliance function and receives updates on compliance activities on a quarterly basis.

Internal audit function

As the third line of defence, the internal audit function assists management and the Audit Committee in protecting the Group'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

- Prepare and execute a risk-based audit plan which is approved by the Audit Committee.
- 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.
- Assist in the investigation of any significant suspected fraudulent activities within the Group or conduct special reviews or consulting which may not usually be included in the scope of the internal audit and notify the regulator, if appropriate, of the results of these activities.

- Issue periodic reports to management and the Audit Committee, summarising the progress and results of the annual audit plan, as well as on the sufficiency of internal audit resources.
- Maintain a professional audit team (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 management and the Audit Committee are kept informed of emerging trends and successful practices in internal auditing.
- Consider the scope of work of the external auditors, regulators, and internal compliance and risk management teams, 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.

Independence and objectivity of the internal audit function

The internal audit function is independent of senior 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.

To provide for the independence of internal audit, the function reports to the Group Chief Internal Auditor, who reports directly to the chairwoman of the Audit Committee and administratively to the Group CEO.

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 policies and procedures. Internal audit avoids activities that may be perceived to impair audit objectivity and accesses the expertise and knowledge necessary to undertake work in respect of specialist business functions.

Group remuneration policy

Athora's Group remuneration policy lays out the philosophy and principles which guide how we compensate and incentivise our employees, including those whose professional activities have a material impact on the undertaking's risk profile.

We apply a total reward approach whereby we seek to drive the highest possible levels of engagement, motivation, performance and cost-effectiveness through employing the appropriate elements of compensation and benefits.

We seek to:

- provide a well-balanced and, where appropriate, performance-related compensation package for employees, considering the interests of all stakeholders and relevant regulators;
- 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;
- remain competitive in all markets; and
- keep all design aspects modern and as simple as possible, allowing for efficient management and administration of all programmes.

The policy applies to all Athora employees and independent non-executive directors. In the case when there is a conflict between the Group policy and a remuneration policy established and approved by a local subsidiary board, the local policy shall prevail to the extent that it relates to those individuals employed by or serving the local subsidiaries.

Employee reward

Athora aims to attract, recruit, develop and retain competent employees with the skills, knowledge and expertise to fulfil their allocated responsibilities. We seek to provide a motivational employment package, as appropriate to each role in the markets in which we operate.

All employees are required to set performance objectives, aligned ultimately to corporate objectives. Compensation and discretionary bonuses (where applicable) are based on the output of annual performance reviews and aligned with the interests of policyholders and shareholders.

Pension provision

We operate a range of pension plans aligned to local market requirements, primarily on a defined contribution basis. The maximum employer contribution is typically 10% of eligible salary, other than where mandated by local jurisdictions.

Executive and non-executive director reward

The Compensation Committee is responsible for the review and approval of the key terms of employment and appropriate levels of compensation for the most senior Group executives.

Executive directors

The policy for executive directors is to provide a fixed and (where appropriate) a variable component to their compensation alongside employee benefits. The variable element of remuneration may comprise a short- and a long-term variable component to reward the achievement of qualitative and quantitative performance objectives.

Annual bonus plans for this group provide for a maximum target bonus of no more than 200% of the annual basic salary. There is at minimum an annual evaluation of individual and collective performance; this forms the basis of performance-related remuneration.
Executive directors are typically eligible for participation in long-term incentive arrangements as part of a balanced and market-oriented approach to fixed and variable remuneration in line with our principles. Rewards are delivered in either shares, phantom shares and/or cash. From time to time, other additional equity incentives which are founded on equity in Group entities outside of the European Union may be offered to this group.

Typically, the long-term incentive arrangements include the following characteristics, tailored according to circumstances:

- There is a total time frame of three or more years for each performance cycle.
- Incentives are aligned to specific long-term and balanced performance objectives.
- Incentives are provided as part of an appropriately balanced package between fixed and variable, short-term and long-term focused remuneration as appropriate to the role and market.
- A holding period post-vesting may apply, in line with applicable regulatory expectations.

Where executive directors are also classified as ***Identified*** they will also be subject to the variable remuneration deferral.

Independent non-executive directors (INEDs)

INEDs are typically remunerated by means of an annual base retainer fee and committee membership and/or chair fee, where applicable, payable in a combination of cash and Class A common shares. The fees are fixed and do not vary based on business performance, and are reviewed periodically by the Compensation Committee.

INEDs do not participate in incentive arrangements, unless approved by the Board. INEDs may be offered the opportunity to acquire additional Athora shares. Such opportunities require approval by the Compensation Committee and will be compliant with all parts of the Athora remuneration policy. Where required, INEDs are provided with professional indemnity (Directors and Officers) insurance for the period during which they undertake their duties. INEDs receive reimbursement for expenses incurred in the performance of their duties.

Board of directors

R | Cp | Cf | T

Nikolaus von Bomhard

Chair, INED

Tenure: 5 years

Experience

Expertise in management of insurance and reinsurance risks; solvency regulation; financial accounting.

Chief executive officer of Munich Re from 2004 to 2017, having joined the company in 1985.

Other current appointments include

Supervisory board chairman, Deutsche Post DHL Group
Supervisory board chairman, Munich Re

Qualifications

Law, Ludwig-Maximilians-Universität of Munich
Doctorate, University of Regensburg

A | Cf | NG | R

Debra Broek

INED

Tenure: 4 years

Experience

Over 25 years of insurance experience, primarily in finance and risk. Previously worked as Chief Financial Officer of Zurich Insurance Group's global life segment; Head of Investor Relations and Rating Agency Management; and Group Chief accounting officer, managing director of the Winterthur Group.

Other current appointments include

Non-executive director and audit and risk committee member, Zurich American Insurance Company
Non-executive director and audit and risk committee chair, Zurich American Life Insurance Company
Board of trustees chair, Dordt University in Sioux Center, Iowa

Qualifications

BA in accounting and business administration, Dordt University, Iowa
CPA; FLMI

Cf

Volkert Doeksen

INED

Tenure: 5 years

Experience

Twenty-five years of investment experience
Co-founder and chairman/CEO of AlpInvest Partners
Director at Kleinwort Benson Ltd
Dillon Read and Morgan Stanley, London

Other current appointments include

Partner, GP House B.V.
Supervisory board member, Koninklijke Doeksen B.V.
Board member, Nouryon B.V.
Board member, Nobian B.V.
Board member, European Biotech Acquisition Corporation – LSPvc.

Qualifications

LL.M. from Leiden Law

A Audit | Cp Compensation | Cf Conflicts | NG Nominating and Corporate Governance | R Risk | T Transactions
Committee Chair

NG A Cf R

Anna Maria d'Hustler

INED

Tenure: 4 years

Experience

Secretary general of The Geneva Association, the insurance industry's leading international think tank, between August 2014 and February 2019.
Senior roles at the Baloise Group, including head of risk and financial management and head of group performance management.
Founder and chief executive officer of Baloise Life
Principal with Boston Consulting Group, covering insurance and banking projects in Germany and United States.
Board positions have included Deutscher Ring and Mercator Verzekeringen.
Member of executive committee of Insurance Europe.

Other current appointments include
Member of the supervisory board, UNIQA Insurance Group
Board mandates include
Non-executive director and risk committee chair, CNA Europe
Non-executive director and risk committee chair, Hardy (Underwriting Agencies) Limited, London
Qualifications
MBA, INSEAD
Degree in business and engineering, Free University of Brussels (Solvay School)

C A NG

Fred Kleisner

INED

Tenure: 5 years

Experience

Extensive experience in business management and governance; financial expert Four-decade-plus hotelier, corporate Group CEO and COO of multi-national, listed companies.
Led successful management teams throughout the world in every aspect and sector of hospitality and gaming.

Other current appointments include
Independent director, Ashford Hospitality Trust (NYSE: AHT), Audit Committee, Compensation Committee, Corporate Governance and Nominating Committee.
Director/Trustee, executive committee member and board treasurer/Finance Committee Chair, IslandWood School, Bainbridge Island, WA
Independent director, NR International, a public reporting, non-traded REIT; Co-Chair Finance Committee

Qualifications
BA, Michigan State University, Broad College of Business; School of Hospitality Business
MSU Industry Leader of the Year, 2004; Member, Advisory Board, Broad College of Business/School of Hospitality Business

Cp Cf NG R T

Jérôme Mourgue d'Algue

Tenure: 5 years

Experience

Twenty-two years of investment experience.
Co-Global Head of Private Equity, ADIA.
Head of EMEA and Americas, Private Equity, ADIA (2019-2022).
Head of financial services and senior portfolio manager, Private Equity, ADIA (2012-2018).
Partner at Bregal Capital LLP.
Vice president at Morgan Stanley Capital Partners.
Started his career at McKinsey & Company.
Director and member of risk committee of Athene Holding Ltd.

Other current appointments include
Director, Pension Insurance Corporation

Qualifications
MBA, Wharton School of Business
BA in business administration, ESSEC (France)

A Audit Cp Compensation Cf Conflicts NG Nominating and Corporate Governance R Risk T Transactions
Committee Chair

A T

Martin P. Klein

Tenure: <1 year

Experience

Executive Vice President and Chief Financial Officer of Athene, where he is responsible for overseeing financial management, including enterprise finance, reporting, tax, actuarial and internal audit functions, and develops and executes strategic operating decisions. He also serves as a director of several of Athene's insurance subsidiaries. Prior to joining Athene in 2015, Marty was with Genworth Financial, most recently served as Executive Vice President & Chief Financial Officer, and also served as Genworth's Acting President & Chief Executive Officer. Previously, he was Managing Director at Barclays, and with Lehman Brothers and Zurich Insurance Group before that.

Other current appointments include

Caritas board member
Serves on the University of Iowa College of Liberal Arts & Sciences Dean's Advisory Council

Qualifications

BA in Mathematics and Business Administration from Hope College
MS in Statistics and Actuarial Science from the University of Iowa
Fellow of the Society of Actuaries and a Chartered Financial Analyst

A NG

Alexander Humphreys

Tenure: 4 years

Experience

Partner at Apollo Global Management, Inc., having joined in 2008.
Financial institutions mergers and acquisitions team, Goldman Sachs, London

Other current appointments include

Director, Aspen
Director, Catalina Holdings
Director, Miller Homes

Qualifications

BSc in economics, University College London

Cp NG R T

Gernot Löhr

Tenure: 5 years

Experience

Partner and Co-Chair of Global Financial Institutions Group at Apollo Global Management, Inc. Member of Apollo's Business Development Committee; oversees Apollo's investments in the financial services sector.
Founding partner at Infinity Point LLC, Apollo's joint venture partner for the financial services industry
Financial services investment banking at Goldman Sachs & Co., McKinsey & Company and B. Metzler Corporate Finance

Other current appointments include

Director, Aspen
Director, Athene Holding Ltd.
Director, Catalina Holdings
Advisory board member, MIT Sloan School of Management

Qualifications

Joint master's degree in economics and engineering, University of Karlsruhe
MBA, MIT Sloan School of Management

A Audit Cp Compensation Cf Conflicts NG Nominating and Corporate Governance R Risk T Transactions
Committee Chair

T

Marc Rowan

Tenure: 5 years

Experience

Co-founder and CEO of Apollo Global Management, Inc.

Other current appointments include

Director, Apollo Global Management, Inc.
Director, Athene Holding Ltd.
Founding member and chairman of Youth Renewal Fund
Chair of the board of advisors, the Wharton School
Member of the board of trustees, University of Pennsylvania

Qualifications

BS (summa cum laude), Wharton School of Business, University of Pennsylvania
MBA in finance, Wharton School of Business, University of Pennsylvania

Cp T

Scott Kleinman

Tenure: 2 years

Experience

Co-president of Apollo Global Management, Inc., co-leading Apollo's day-to-day operations including all of Apollo's revenue-generating businesses and enterprise solutions across its integrated alternative investment platform.
Joined Apollo in 1996; named lead partner for private equity in 2009; named co-president in 2018. Serves on Management and Executive Committees.
Previously member of investment banking division at Smith Barney Inc.
Founded the Kleinman Center for Energy Policy at the University of Pennsylvania in 2014.

Other current appointments include

Member of board of directors, Apollo Global Management Inc., Athene Holding Ltd. and certain other affiliated public vehicles
Member of board of advisors, University of Pennsylvania Stuart Weitzman School of Design
Member of board of directors, White Plains Hospital

Qualifications

BA, University of Pennsylvania
BS, Wharton School of Business
Graduated magna cum laude, Phi Beta Kappa

A Audit Cp Compensation Cf Conflicts NG Nominating and Corporate Governance R Risk T Transactions
Committee Chair

Management committee

Mike Wells
Group Chief Executive Officer

Mike joined Athora in July 2022 as Group CEO. He leads the Management committee and is the main management representative towards the Board, our shareholders and other stakeholders. Mike also oversees the communications, human resources and group strategy and planning functions directly. The group head of internal audit also reports to the Group CEO.

Michele Bareggi
President & Deputy CEO

Michele is President & Deputy CEO, having joined Athora in September 2017. He is responsible for the coordination and direction of the Athora Group subsidiaries as well as growth, sustainability, transformation and culture. He is a Member of the Supervisory Boards of Athora Netherlands, SRLEV and Proteq.

Anders Malmström
Group Chief Financial Officer

Anders joined Athora in May 2021 as Group CFO. Anders is responsible for the group's financial operations and organisation, including accounting, tax, capital, and investment activities. In addition, he oversees our actuarial function and ensures appropriate reporting to the Board and shareholders/ stakeholders.

Lukas Ziewer
Group Chief Risk Officer*

Lukas reports jointly to the Group CEO and Risk Committee chair of the Board to ensure independence in the operations of the group risk function. He manages Athora's overall risk agenda and his team supports the wider risk community across Athora in collectively identifying and managing risks related to the Athora businesses.

Ward Bobitz
Group General Counsel

Ward joined Athora in July 2022. He is responsible for the Group's legal, compliance and governance matters. This includes direct ownership for these areas as well as strong coordination with business units in developing the appropriate governance with regard to our group regulator (BMA) and local regulators and ensuring the right legal and compliance agenda across all entities.

*Further information

On 12 February 2023, it was announced that Lukas will be stepping down from his role in 2023. A new Group CRO, will be appointed in due course, subject to regulatory and other approvals.

Consolidated financial statements

Statement of Directors' responsibilities

The directors of Athora Holding Ltd. (the Company) are required to prepare the consolidated financial statements (collectively, the Financial Statements) in accordance with Bermuda law. The directors have elected to prepare the Financial Statements in accordance with IFRS as adopted by the European Union.

In preparing these Financial Statements, the directors have:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that are reasonable and prudent;
- determined that the Financial Statements have been prepared in accordance with IFRS as adopted by the European Union and give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group in the consolidated financial statements; and
- prepared the financial statements on the going concern basis.

The directors are responsible for keeping proper books of account in accordance with the Companies Act 1981 (Bermuda).

The directors are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Signed

s/s Debra Broek

Independent Director

Date 30 March 2023

Independent auditor's report

To the Shareholders of Athora Holding Ltd.

Opinion

We have audited the consolidated financial statements of Athora Holding Ltd. and its subsidiaries ("the Group"), which comprise of the consolidated statement of financial position as at 31 December 2022, consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2022 and of its consolidated financial performance and of its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Basis for opinion

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

Responsibilities of management and those charged with governance for the consolidated financial statements

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

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Independent auditor's report (continued)

Auditor's Responsibilities for the audit of the consolidated financial statements (continued)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Other information

The other information comprises all of the information in the Annual Report other than the consolidated financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Signed: s/s

Ernst & Young
Chartered Accountants and Statutory Audit Firm
Office: Dublin
30 March 2023

Note: The maintenance and integrity of the Athora Holding Ltd. web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the consolidated financial statements since they were initially presented on the website.

Legislation in the Bermuda governing the preparation and dissemination of consolidated financial statements may differ from legislation in other jurisdictions.

Consolidated income statement

For the year ended 31 December

€m	Note	2022	2021
Continuing operations			
Income			
Gross earned premiums		**2,457**	2,620
Less: premiums ceded to reinsurers	**F1**	**(587)**	(470)
Net earned premiums		**1,870**	2,150
Fee and commission income	**C1**	**82**	81
Net investment (expense)/income	**C2**	**(10,345)**	1,391
Other income	**C3**	**30**	16
		(8,363)	3,638
Expenses			
Policyholder claims		**(3,774)**	(3,773)
Less: reinsurance recoveries		**562**	460
Claims paid after reinsurance		**(3,212)**	(3,313)
Change in insurance contract liabilities		**9,189**	2,469
Change in reinsurers' share of insurance contract liabilities		**275**	23
Net insurance benefits and claims		**6,252**	(821)
Change in investment contract liabilities		**2,996**	(962)
Investment return attributable to third parties	**C2.2**	**591**	(534)
Acquisition costs		**(75)**	(61)
Other expenses	**C4**	**(784)**	(721)
Finance costs	**C5**	**(129)**	(111)
		8,851	(3,210)
Profit before taxes for the year		**488**	428
Taxation charge	**C6**	**(149)**	(223)
Profit from continuing operations		**339**	205
Discontinued operations			
Profit/(loss) after tax from discontinued operations	**H3**	**—**	(47)
Profit for the year		**339**	158
Attributable to shareholders of the Company		**318**	128
Attributable to non-controlling Interest	**D3**	**21**	30

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

Consolidated statement of comprehensive income

For the year ended 31 December

€m	Note	2022	2021
Profit for the year		**339**	158
Other comprehensive income/(expense), net of tax:			
Items that may be reclassified to profit or loss in subsequent years, net of tax:			
Available-for-sale investments	D2	**(1,923)**	14
- Change in fair value		***(3,015)***	*(1,105)*
- Amount reclassified to profit or loss		***653***	*527*
- Shadow accounting adjustments	F1	***439***	*592*
Cash flow hedges		**(138)**	(35)
- Changes in fair value	E5	***(138)***	*(111)*
- Amount reclassified to profit or loss		**—**	*33*
- Shadow accounting adjustments		**—**	*43*
Net change in foreign currency translation reserve		**(6)**	7
Net change in share based payment reserve		**2**	—
Items that will not be reclassified to profit or loss in subsequent years, net of tax:			
Actuarial gains arising from defined benefit plans	G10	**154**	3
Other comprehensive expense for the year, net of tax		**(1,911)**	(11)
Total comprehensive (expense)/income for the year, net of tax		**(1,572)**	147
Attributable to shareholders of the Company		**(1,593)**	117
Attributable to non-controlling interest	D3	**21**	30

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

Consolidated statement of financial position

As at 31 December

€m	Note	2022	2021
Assets			
Intangible assets	G1	140	95
Property and equipment	G2	72	77
Investment properties	G3	2,214	1,994
Financial assets	E3	61,774	55,812
Investments attributable to policyholders and third parties	E4	18,581	20,007
Investments in associates	G4	41	123
Reinsurance assets	F1	35	34
Deferred tax assets	G8	987	587
Income tax receivable		38	8
Loans and advances due from banks	G6	5,321	390
Receivables and other assets	G5	1,408	1,246
Cash and cash equivalents	G7	1,315	1,077
Non-current assets or disposal groups classified as held-for-sale	H3	—	41
Total assets		**91,926**	81,491
Equity			
Share capital and share premium	D1	3,833	3,305
Retained earnings		951	520
Other capital reserves	D2	(1,980)	90
Common shareholders' equity		**2,804**	3,915
Preferred shares	D1	800	566
Total shareholders' equity		**3,604**	4,481
Non-controlling interests	D3	267	334
Total equity		**3,871**	4,815
Liabilities			
Insurance provisions	F1	44,839	46,230
Investment contract liabilities	E9	15,067	17,124
Liabilities attributable to third parties		4,109	3,354
Pension scheme liabilities	G10	546	763
Financial liabilities			
Borrowings	E7	1,892	1,598
Other financial liabilities	E8	20,326	6,409
Deferred tax liabilities	G8	19	104
Income tax payable		10	24
Other liabilities and accruals	G9	1,211	974
Provisions	G11	36	57
Liabilities included in disposal groups held-for-sale	H3	—	39
Total liabilities		**88,055**	76,676
Total equity and liabilities		**91,926**	81,491

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

Signed: s/s Debra Broek

Independent Director

30 March 2023

Consolidated statement of changes in equity

For the year ended 31 December 2022

€m	Share capital and share premium	Preferred shares	Retained earnings	Other capital reserves	Total share-holders' equity	Non-controlling interests	Total equity
Note	**D1.1**	**D1.2**		**D2**		**D3**	
At 1 January 2022	**3,305**	**566**	**520**	**90**	**4,481**	**334**	**4,815**
Profit for the year	**—**	**—**	**318**	**—**	**318**	**21**	**339**
Other comprehensive income	**—**	**—**	**154**	**(2,065)**	**(1,911)**	**—**	**(1,911)**
Total	**—**	**—**	**472**	**(2,065)**	**(1,593)**	**21**	**(1,572)**
Issuance of share capital	**528**	**—**	**—**	**(5)**	**523**	**—**	**523**
Issuance of preferred shares	**—**	**200**	**—**	**—**	**200**	**—**	**200**
Preferred share dividend	**—**	**34**	**(41)**	**—**	**(7)**	**—**	**(7)**
Disposal in share by NCI						**(65)**	**(65)**
Dividend paid to NCI	**—**	**—**	**—**	**—**	**—**	**(2)**	**(2)**
Distribution of interest on restricted Tier 1 equity	**—**	**—**	**—**	**—**	**—**	**(21)**	**(21)**
At 31 December 2022	**3,833**	**800**	**951**	**(1,980)**	**3,604**	**267**	**3,871**

For the year ended 31 December 2021

€m	Share capital and share premium	Preferred shares	Retained earnings	Other capital reserves	Total share-holders' equity	Non-controlling interests	Total equity
Note	D1.1	D1.2		D2		D3	
At 1 January 2021	**3,095**	**384**	**421**	**99**	**3,999**	**255**	**4,254**
Profit for the year	—	—	128	—	128	30	158
Other comprehensive income	—	—	3	(14)	(11)	—	(11)
Total	—	—	131	(14)	117	30	147
Issuance of share capital	210	—	—	5	215	—	215
Issuance of preferred shares	—	150	—	—	150	—	150
Preferred share dividend	—	32	(32)	—	—	—	—
Dividends paid to non-controlling interest	—	—	—	—	—	(7)	(7)
Disposal of share in subsidiary	—	—	—	—	—	74	74
Acquisition of subsidiary	—	—	—	—	—	3	3
Distribution of interest on restricted Tier 1 equity	—	—	—	—	—	(21)	(21)
At 31 December 2021	**3,305**	**566**	**520**	**90**	**4,481**	**334**	**4,815**

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

Consolidated statement of cash flows

For the year ended 31 December

€m	Note	2022	2021
Cash flows from operating activities			
Profit before taxes for the year		**488**	428
Adjustments for non-cash items	I2	**11,924**	589
Adjustments for non-operating items - finance costs		**93**	—
Change in operating assets and liabilities	I2	**(14,338)**	(3,925)
Income taxes paid		**(84)**	(69)
Net cash flows from operating activities		**(1,917)**	(2,977)
Cash flows from investing activities			
Acquisition of subsidiary, net of cash acquired		**(66)**	(364)
Disposal of discontinued activities, net of cash disposed		**—**	79
Disposal of associate	G4	**92**	78
Acquisition of associate	G4	**—**	(151)
Purchase of investment property	G3	**(317)**	(40)
Proceeds from the sale of investment properties		**130**	9
Purchase of investments classified as loans and receivables		**(1,769)**	(2,765)
Proceeds from the sale of investments classified as loans and receivables		**2,564**	3,030
Purchase of available-for-sale investments		**(59,094)**	(39,710)
Proceeds from the sale of available-for-sale investments		**59,906**	42,186
Acquisition of property and equipment		**(5)**	(2)
Net cash flows from investing activities		**1,441**	2,350
Cash flows from financing activities			
Proceeds from the issue of share capital	D1	**528**	210
Proceeds from the issue of non-cumulative preferred shares	D1	**200**	150
Proceeds from borrowings	E7	**748**	302
Repayment of borrowings	E7	**(592)**	(250)
Payment of lease liabilities		**(1)**	(3)
Dividends paid		**(9)**	—
Interest paid	I2	**(74)**	—
Distributions paid to non-controlling interest	D3	**(21)**	(30)
(Acquisition)/ Disposal of share non-controlling interest	D3	**(65)**	74
Net cash flows from financing activities		**714**	453
Net increase/(decrease) in cash and cash equivalents		**238**	(174)
Effect of exchange rate changes on cash and cash equivalents		**—**	—
Cash at beginning of year	G7	**1,077**	1,251
Cash at end of year	G7	**1,315**	1,077

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

A. Significant accounting policies

A1. Basis of preparation

A1.1 Corporate information

Athora Holding Ltd. (the 'Company'), is a limited liability company incorporated in Bermuda, on 1 December 2014. Its registered office is First Floor, Swan Building, 26 Victoria Street, Hamilton HM12, Bermuda.

The Company is domiciled in Bermuda and, through its global operating subsidiaries, is an insurance and reinsurance specialist solutions provider for the European life insurance and reinsurance market.

The ultimate parent and controlling entity of the group is Athora Holding Ltd.

A1.2 Basis of preparation

The consolidated financial statements comprise financial statements of the Company and its subsidiaries (collectively the 'group') and are prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Boards (IASB) and interpretations issued by the IFRS Interpretations Committee (IFRICs), as adopted by the European Union (EU). IFRSs applied by the group in the preparation of these consolidated financial statements are those standards that were effective for periods beginning on or after 1 January 2022.

The presentational currency of the group and the functional currency of the Company, and most subsidiaries, is euro (€ or EUR). The amounts presented in the consolidated financial statements are presented in millions.

The principal accounting policies have been consistently applied in these consolidated financial statements. Where an accounting policy can be directly attributed to a specific note to the consolidated financial statements, the policy is presented within that note, with a view to enabling greater understanding of the results and financial position of the group. All other significant accounting policies are disclosed below.

A1.2.1 Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings, including collective investment schemes, where the group exercises overall control. In accordance with the principles set out in IFRS 10 Consolidated Financial Statements, the group controls an investee if and only if the group has all the following:

- power over the investee;
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect its returns.

The group considers all relevant facts and circumstances in assessing whether it has power over an investee, including relevant activities, substantive and protective rights, voting rights and purpose and design of an investee. The group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Further details about the consolidation of subsidiaries, including collective investment schemes, are included in **note H1.**

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated.

A1.2.2 Foreign currency transactions

Transactions in foreign currencies are recorded at the rate of exchange prevailing at the date of the transaction. At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange prevailing at the reporting date. Exchange differences arising on the settlement of monetary items during the year are recognised in the consolidated income statement in the period in which they arise under the same heading as the underlying transactions are reported. Non-monetary assets and liabilities measured at historical cost are measured at the exchange rate applicable on the initial transaction date.

A. Significant accounting policies (continued)

A1. Basis of preparation (continued)

A1.2.2 Foreign currency transactions (continued)

The financial position of the group's foreign operations that have a functional currency different from the presentational currency are translated into euro at foreign exchange rates prevailing at the reporting date. The income and expenses of foreign operations are translated into euro at average exchange rates, unless these do not approximate to the foreign exchange rates ruling at the dates of the transactions in which case income and expenses are translated at the dates of the transactions. Foreign exchange differences arising on the translation of foreign operations are recognised in other comprehensive income.

A1.3 Going concern

These consolidated financial statements have been prepared on a going concern basis.

The consolidated financial statements sections include notes on the group's borrowings (**note E7**); its contingent liabilities and other risk factors (**note I5**); its capital management (**note I7**); management of its risks including market, credit, and liquidity risk (**note E10**); derivative financial instruments (**note E5**); and capital raising (**note D1**). The group's financial position reflects appropriate reserves, a conservative investment portfolio and capital in excess of the minimum regulatory requirement.

In addition, the Board of Directors has reviewed the group's projections for the 12 months from approval of the financial statements, including regulatory capital surpluses and has considered the potential impacts arising from the after-effects of COVID-19 pandemic and rising geo-political tensions, specifically conflict in Ukraine that continues to impact global markets as well as the group and its customers.

In December 2022, the group completed its third capital raise (conducted as a private placement of common equity securities), securing a total of approximately €2.75bn of additional permanent equity capital commitments from new and existing shareholders, including commitments of €600m secured in December 2021 from Apollo (including Athene). Athora continues to be supported by sovereign, pension and other institutional investors, demonstrating the high-quality and long-time horizon of its leading, institutional investor base. The completion of this capital raise has added new leading investors to the shareholder base, a testament to Athora's strong market positioning and attractive business model with a long-term focus. The undrawn capital commitments at 31 December 2022 amounted to €2.4bn (**note I4.3**).

After making enquiries, the Board of Directors has a reasonable expectation that the group has adequate resources to continue in operational existence for a period of at least 12 months from the date of approval of the financial statements. For this reason, they continue to adopt, and to consider appropriate, the going concern basis in preparing the consolidated financial statements.

A 1.4 Presentation

During the year, a review of the presentation of financial statements indicated that the financial statements need to be presented differently so that these are clear and clutter-free. Accordingly, whilst the presentation of the primary statements remains largely consistent with prior periods, the supporting notes to the financial statements are set out in a manner that the management considers to be an improvement on the previous presentation. The relevant information is now set out in a structured manner, making it easier for users to find the salient points about the performance of the business and its prospects for long-term success.

Where applicable, comparative information has been restated to conform with the current period presentation.

A. Significant accounting policies (continued)

A2. Critical accounting estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Disclosures of judgements made by management in applying the group's accounting policies include those that have the most significant effect on the amounts that are recognised in the consolidated financial statements. Disclosures of estimates and associated assumptions include those that have a significant risk of resulting in a material change to the carrying value of assets and liabilities within the next year. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of the judgements as to the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Critical accounting estimates are those which involve the most complex or subjective judgements or assessments. The areas of the group's business that typically require such estimates are the measurement of insurance and investment contract liabilities, determination of the fair value of financial assets and liabilities and valuation of intangibles on initial recognition.

The application of critical accounting judgements that could have the most significant effect on the recognised amounts include classification of contracts to be accounted for as insurance or investment contracts, recognition of pension surplus, the determination of operating profit, identification of intangible assets arising on acquisitions, the recognition of an investment as an associate and determination of control with regards to underlying entities. Details of all critical accounting estimates and judgements are included below.

A2.1 Actuarial assumptions

Management uses judgement to determine and evaluate the actuarial assumptions. Such assumptions where management uses judgement include interest rates, inflation, policyholder behaviour, mortality and morbidity of policyholders. The judgements used in the valuation of insurance and reinsurance contract liabilities are based on historic company experience, aggregate experience data for the insurance industry and current capital market conditions (see **note E10, note F1** and **note H2**). Company, industry and market expectations of future developments are also considered. Where data is limited, the available data is supplemented with expert judgement to set the assumptions. The group Liability Adequacy Test (LAT) methodology, adopted for all entities, is aligned to how the group assesses its regulatory liabilities for reporting under the Economic Balance Sheet regime in Bermuda. Cashflows utilised for LAT do not consider group level expenses; these are not explicitly reserved for where the group-level LAT surplus is sufficient to cover those.

The actuarial assumptions used in determining the expense and benefit obligations for the group's defined benefit pension plans and other post-employment benefits require significant judgement in some areas. Management reviews previous experience of its plan members and market conditions including interest rates and inflation rates as well as considering future expectations to derive the assumptions used in determining the expense for the current year (see **note G10**).

A2.2 Treatment of Netherlands contingent liability

A class action law suit against insurers (including Athora Netherlands) is in progress in the Netherlands. The assessment of the potential impact of this action involves significant judgement. A provision has historically neither been recognised by Athora Netherlands nor by the group as it is not possible to make a reliable estimate of such a liability.

At 31 December 2022, there was no further development with regard to the possible outcome of the lawsuit nor the underlying circumstances. Further details are included in **note I5**.

A2.3 Fair value of financial instruments

In the determination of the fair value of financial instruments, the group's management reviews estimates and assumptions used, particularly those items categorised within Level 3 of the fair value hierarchy. A sensitivity analysis is performed in respect of the key assumptions used in the valuation of Level 3 financial instruments. The details of this sensitivity analysis are included in **note E2.**

A. Significant accounting policies (continued)

A2. Critical accounting estimates and judgements (continued)

A2.4 Valuation of investment properties

Management uses external independent qualified appraisal services to determine the fair value of investments properties, which utilises the Discounted Cash Flow (DCF) calculation method. The valuation model includes, amongst other items, the agreed rent for the signed leases, the market rent for currently vacant space, estimated rents for reletting of the space after lease term expiry and rental growth forecasts (see **note E2** and **note G3**).

A2.5 Impairment

The determination of incurred impairment amounts that are recognised with respect to the invested assets varies by investment type and is based upon periodic evaluation and assessment of known and inherent risks associated with the respective asset class. Such evaluations and assessments are revised as conditions change and new information becomes available. In considering impairments, management considers a wide range of factors, including those described in **note E1** and **E10**, and uses its best judgement in evaluating the cause of the decline in the estimated fair value of the investment assets and the prospects for near-term recovery. For certain asset classes, particularly debt instruments, management's evaluation involves a variety of assumptions and estimates about the operations of the issuer of the instrument and its future earnings potential. Management updates its evaluations regularly and reflects changes in impairments as such evaluations are revised (see **note C4**).

A2.6 Acquisition accounting

The identification and valuation of identifiable assets and liabilities and in particular, acquired in-force business and intangibles, arising from the group's acquisition of the new insurance portfolios and businesses requires the group to make a number of judgements and estimates. Further details are included in **note G1** and **note H2.**

A2.7 Taxes

The group operates within various tax jurisdictions where significant management judgements are required when interpreting the relevant tax laws, regulations and legislation in the determination of the group's tax provisions and the carrying amount of tax assets and liabilities (see **note G8**). Management assesses the recoverability of the deferred income tax asset carrying values based on estimated taxable income for future years (see **note G8**).

A2.8 Impact of climate risk on accounting judgments and estimates

In preparation of these financial statements, the group has considered the impact of climate change across a number of areas, predominantly in respect of the valuation of financial instruments, insurance and investment contract liabilities and goodwill and other intangible assets.

Many of the effects arising from climate change will be longer-term in nature, with an inherent level of uncertainty, and have been assessed as having a limited effect on accounting judgments and estimates for the current period.

A3. Adoption of new accounting pronouncements in 2022

No new IFRS accounting standards and amendments that became effective on or after January 1, 2022 had a material impact on group's financial position at 31 December 2022 and performance for the year then ended.

Amendments to IFRS 3 Business Combinations: Reference to the Conceptual Framework

Published by the IASB in May 2020. The amendments are effective for annual reporting beginning on or after 1 January 2022.

Amendments to IAS 16 Property, Plant and Equipment: Proceeds before Intended Use

Published by the IASB in May 2020. The amendments are effective for annual reporting beginning on or after 1 January 2022.

A. Significant accounting policies (continued)

A3. Adoption of new accounting pronouncements in 2022 (continued)

Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets: Onerous Contracts – Costs of Fulfilling a Contract

Published by the IASB in May 2020. The amendments are effective for annual reporting beginning on or after 1 January 2022.

Annual Improvements to IFRSs 2018-2020 Cycle

Published by the IASB in May 2020, these improvements consist of amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IFRS 16 Leases and IAS 41 Agriculture. These amendments are effective for annual reporting beginning on or after 1 January 2022.

A4. New accounting pronouncements not yet effective

The following new standards and amendments to existing standards have been issued, are not yet effective for the group and have not been adopted early by the group:

A4.1 IFRS 17, Insurance Contracts and IFRS 9, Financial Instruments

IFRS 17 and IFRS 9 are not applicable for the year ended 31 December 2022 and have not been applied in preparing these financial statements. The group is required to implement IFRS 17 and IFRS 9 on 1 January 2023 ("implementation date"). As the group has opted to restate comparatives, the transition to IFRS 17 and IFRS 9 will be on 1 January 2022 ("transition date").

IFRS 17 and IFRS 9 are addressed below.

A4.1.1 IFRS 17 'Insurance contracts'

IFRS 17 replaces IFRS 4, Insurance Contracts, for annual periods beginning on or after 1 January 2023 ("effective date"). As retrospective application is required the transition date is 1 January 2022.

The nature of the changes in accounting policies can be summarised, as follows:

Changes to classification, measurement

The adoption of IFRS 17 did not change the classification of the group's insurance contracts.

The group was previously permitted under IFRS 4 to continue accounting using its previous accounting policies. However, IFRS 17 establishes specific principles for the recognition and measurement of insurance contracts issued and reinsurance contracts held by the group.

The key principles of IFRS 17 are that the group:

- Identifies insurance contracts as those under which the group accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder.
- Separates specified embedded derivatives, distinct investment components and distinct goods or services other than insurance contract services from insurance contracts and accounts for them in accordance with other standards.
- Divides the insurance and reinsurance contracts into groups it will recognise and measure.
- Recognises and measures groups of insurance contracts at: A risk-adjusted present value of the future cash flows (the fulfilment cash flows) that incorporates all available information about the fulfilment cash flows in a way that is consistent with observable market information; Plus an amount representing the unearned profit in the group of contracts (the contractual service margin or CSM).
- Recognises profit from a group of insurance contracts over each period the group provides insurance contract services, as the group is released from risk. If a group of contracts is expected to be onerous (i.e., loss-making) over the remaining coverage period, the group recognises the loss immediately.

A. Significant accounting policies (continued)

A4. New accounting pronouncements not yet effective (continued)

- Recognises an asset for insurance acquisition cash flows in respect of acquisition cash flows paid, or incurred, before the related group of insurance contracts is recognised. Such an asset is derecognised when the insurance acquisition cash flows are included in the measurement of the related group of insurance contracts.

Transition date fair valuation

The group has applied the fair value approach on transition. Obtaining reasonable and supportable information to apply the full retrospective approach was impracticable without undue cost or effort due to data and system constraints.

The group has determined the CSM of the liability for remaining coverage at the transition date, as the difference between the fair value of the group of insurance contracts and the fulfilment cash flows measured at that date. In determining fair value, the group has applied the requirements of IFRS 13 *Fair Value Measurement,* except for the demand deposit floor requirement.

The group has aggregated contracts issued more than one year apart in determining groups of insurance contracts under the fair value approach at transition as it did not have reasonable and supportable information to aggregate groups into those including only contracts issued within one year.

For the application of the fair value approach, the group has used reasonable and supportable information available at the transition date in order to:

- Identify groups of insurance contracts.
- Determine whether any contracts are direct participating insurance contracts.
- Identify any discretionary cash flows for insurance contracts without direct participation features.

The fulfilment cash flows represent the risk-adjusted present value of an entity's right rights and obligations to the policyholders, comprising estimates of expected cash flows, discounting and an explicit risk adjustment for non-financial risk. The group determines discount rates using the top-down approach. These IFRS 17 curves are constructed as risk free rate plus a portfolio specific spread that is based on the illiquidity premium of the reference portfolio.

The group has elected not to disaggregate insurance finance income or expenses between amounts included in profit or loss and amounts included in other comprehensive income as it has opted for the recognition of insurance finance income or expenses in profit or loss.

As stated above, the CSM represents the unearned profit from in force contracts that an entity will recognise if it provides services over the period.

A4.1.2 IFRS 9 'Financial instruments'

IFRS 9 replaced IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018. However, the group elected, under the amendments to IFRS 4, to apply the temporary exemption from IFRS 9, deferring the initial application date of IFRS 9 to align with the initial application of IFRS 17, for annual periods beginning on or after 1 January 2023 (effective date). As the group has opted for a retrospective application, the transition date is 1 January 2022.

Changes to classification and measurement

To determine their classification and measurement category, IFRS 9 requires all financial assets to be assessed based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics.

The IAS 39 measurement categories for financial assets (fair value through profit or loss (FVTPL), available for sale (AFS), held-to-maturity (HTM) and loans and receivables (L&R) at amortised cost have been replaced under IFRS 9, by:

- Financial assets at fair value through profit or loss including equity instruments and derivatives;
- Debt instruments at amortised cost;
- Debt instruments at fair value through other comprehensive income, with gains or losses recycled to profit or loss on derecognition; and

A. Significant accounting policies (continued)

A4. New accounting pronouncements not yet effective (continued)

- Equity instruments at fair value through other comprehensive income, with no recycling of gains or losses to profit or loss on derecognition (not used by the group).

On transition, however, the group, has irrevocably designated all financial assets as measured at FVTPL (other than cash and other receivables) so as to eliminate or significantly reduce a measurement or recognition inconsistency (referred to as 'an accounting mismatch') that would otherwise arise from measuring financial assets and insurance liabilities on different bases. Further, the financial assets are managed, and their performance evaluated, in a fair value business model or are mandatorily required to be measured at fair value under IFRS 9.

The financial liabilities (other than derivatives) will continue to be stated at amortised cost.

The hedge accounting requirements under IFRS 9 are more closely aligned with risk management practices and follow a more principle-based approach.

Transition date fair valuation

On the transition date, the group measured all financial assets (other than cash and other receivables) at their fair value in accordance with IFRS 13, Fair Value Measurement.

A4.1.3 IFRS 17 and IFRS 9, Quantitative impact on transition date

The group is in advanced stages of transition to and implementation of IFRS 17 and IFRS 9. Whilst, some judgements are still being calibrated, the estimated net impact is a reduction in shareholders' equity of between €0.5bn and €0.7bn at 1 January 2022. This is primarily attributable to the recognition of CSM and Risk Margin. It should be noted that the cash flows and underlying capital generation of the group's businesses are unaffected by IFRS 17 and IFRS 9, and the standards will have little or no impact on the group's solvency performance metrics under the Bermuda Solvency Capital Requirement (BSCR) model.

A4.2 Application of minor amendments applicable subsequent to the year ended 31 December 2022

The following pronouncements are not applicable for the year ended 31 December 2022 and have not been applied in preparing these financial statements. The impact of these minor amendments are being assessed by the group and is deemed not likely to be material.

Amendments to IAS 1 Presentation of Financial Statements: Disclosure of Accounting Policies

Published by the IASB in January 2020. The amendments are effective for annual reporting beginning on or after 1 January 2023.

Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates

Published by the IASB in February 2021. The amendments are effective for annual reporting beginning on or after 1 January 2023.

Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction

Published by the IASB in May 2021. The amendments are effective for annual reporting beginning on or after 1 January 2023.

Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current

Published by the IASB in February 2021. The amendments are effective for annual reporting beginning on or after 1 January 2024.

B. Distributions

B1. Dividends – common shares

No dividends were declared or paid to the Company's common shareholders during the year (2021: €nil).

B2. Dividends – preferred shares

€m	2022	2021
Series A preferred dividends - €8.00 per share (2021: €8.00 per share)	34	32
Series B preferred dividends - €4.80 per share (2021: €nil per share)	7	—

2022

- A dividend of €17m was declared by the Board on 9 March 2022 on the Series A preferred shares and was paid in kind by the pro rata issuance of 168,723 Series A preferred shares based on their stated value on the date of declaration.
- A dividend of €18m was declared by the Board on 7 September 2022 on the Series A preferred shares and was paid in kind by the pro rata issuance of 175,472 Series A preferred shares based on their stated value on the date of declaration.
- A dividend of €7m was declared by the Board on 12 December 2022 on the Series B preferred shares and was paid in cash.

2021

- A dividend of €16m was declared by the Board on 10 March 2021 on the Series A preferred shares and paid in kind by the pro rata issuance of 155,994 Series A preferred shares based on their stated value on 10 March 2021.
- A dividend of €16m was declared by the Board on 27 September 2021 on the Series A preferred shares and paid in kind by the pro rata issuance of 162,233 Series A preferred shares based on their stated value on 27 September 2021.

C. Other income statement notes

C1. Fees and commissions

Fees related to the provision of investment management services and administration services are recognised as services are provided. Front end fees, which are charged at the inception of service contracts, are deferred as a liability and recognised over the life of the contract. No significant judgements are required in determining the timing or amount of fee income or the costs incurred to obtain or fulfil a contract.

Fee and commission income

Fee and commission income related to investment contracts comprises primarily asset management fees and intermediary commissions. Asset management fee comprises fees received on contracts with external parties related to the asset management activities of the investment portfolio as well as the tactical asset allocation according to the mandate agreed upon. It also includes fees relating to the valuation of the outstanding assets and the related financial administration of all assets.

The fees are recognised as these services are provided. Fee and commission income on insurance business includes fund management fees, distribution fees from mutual funds and amounts earned on guarantees on variable annuities. Such income is for policy administration, investment management, surrenders or other contract services. Fees may be fixed or may vary with the amounts being managed. Revenue for these is recognised when the group satisfies a performance obligation by transferring a service to a customer and receives an amount that reflects the consideration to which an entity would expect an entitlement to. Fees related to other activities mainly comprise commission received as reward from external parties for insurance contracts signed by the group's intermediaries and fees received for administrative services. The fees are recognised at a point in time for the former and over-time for the latter.

Fee and commission expense

Commission expenses and management fees are accounted for as fee and commission expense to the extent that they are directly attributable to the services received in the reporting period.

€m	2022	2021
Fee income from investment contract business	78	76
Insurance activity	4	5
	82	81

C. Other income statement notes (continued)

C2. Net investment (expense)/income

Investment income attributable to shareholders
Investment income comprises income on financial assets at fair value through profit or loss, available for sale financial assets, loans and receivables and investment properties.

Net income from financial instruments at fair value through profit or loss
This item comprises realised and unrealised gains and losses, interest income and expense and dividends on financial assets and liabilities at fair value through profit or loss. Income accruing to unit-linked business is shown separately as investment income attributable to policyholders and third parties.

A realised gain or loss on a financial investment is only realised on disposal or transfer, and is the difference between the proceeds received, net of transaction costs and its original cost, as appropriate. Unrealised gains and losses, arising on investments which have not been derecognised as a result of disposal or transfer, represent the difference between the carrying value at the year end and the carrying value at the previous year end or purchase value during the year, less the reversal of previously recognised unrealised gains and losses in respect of disposals made during the year.

Income from other financial instruments and investment properties
This item comprises interest income, other income (e.g. rental, dividend income), realised and unrealised gains and losses, including related to foreign exchange gains and losses, on financial assets not at fair value through profit or loss as well as such income from investment properties.

For interest-bearing assets, interest is recognised as it accrues and is calculated using the effective interest rate method. Fees and commissions that are an integral part of the effective yield of the financial assets or liabilities are recognised through the income statement as an adjustment to the effective interest rate of the instrument. Dividends on equity securities are recorded as revenue on the ex-dividend date.

Rental income is recognised on an accruals basis, and is recognised on a straight line basis unless there is compelling evidence that benefits do not accrue evenly over the period of the lease.

Investment income attributable to policyholders & third parties
Investment income attributable to policyholders comprises realised and unrealised gains and losses, interest income and expense and dividends on financial assets and liabilities at fair value through profit or loss which arise from unit-linked business.

Investment income attributable to third parties represents gains and losses on investments for account of third parties. These gains and losses comprise increases and decreases in the fair value changes on the investments for account of third parties and the changes in the fair value of the liabilities arising from these investments.

€m	Note	2022	2021
Investment expense attributable to shareholders	C2.1	(6,924)	(749)
Investment (expense)/income attributable to policyholders and third parties	C2.2	(3,421)	2,140
		(10,345)	1,391

C. Other income statement notes (continued)

C2. Net investment income (continued)

C2.1 Net investment (expense)/income attributable to shareholders

€m	Note	2022	2021
Investment income			
Income from financial assets held at FVTPL		**62**	15
Income from derivatives		**239**	245
Income from available-for-sale investments		**668**	375
(Expense)/income from loans and receivables		**(22)**	88
Rental income from investment properties		**76**	69
Interest income from cash and cash equivalents		**13**	18
Other investments		**2**	2
		1,038	812
Fair value gains/(losses)			
Financial investments held at FVTPL:			
Designated upon initial recognition		**(840)**	(157)
Derivatives - held for hedging		**264**	131
Derivatives - held for trading		**(6,397)**	(2,425)
Available-for-sale investments		**(846)**	638
Investment properties	**G3**	**(77)**	202
Cash and cash equivalents		**(27)**	3
Other investments		**(39)**	47
		(7,962)	(1,561)
		(6,924)	(749)

In the prior period presentation, investment management expenses totalling €26m are offset against the investment income (refer **note C4**).

During 2022 there is a net expense from loans and receivables of €22m (2021: Income €88m). This is driven by the higher realised losses of €127m (2021: €6m) on disposal of loans and receivables that are stated at amortised cost, partially offset by interest income and fair value adjustments of €105m (2021:€94m).

C2.2 Net investment (expense)/income attributable to policyholders and third parties

€m	2022	2021
Policyholders		
(Expense)/income attributable to insurance contracts	**(2,491)**	1,383
(Expense)/income attributable to investment contracts	**(339)**	223
	(2,830)	1,606
Third parties	**(591)**	534
	(3,421)	2,140

C3. Other income

€m	2022	2021
Gains on foreign currencies	**—**	5
Income from associates	**12**	4
Other	**18**	7
	30	16

C. Other income statement notes (continued)

C4. Other expenses

Other expenses are recognised in the consolidated income statement as incurred.

€m	Note	2022	2021
Staff costs		**(310)**	(280)
IT, professional and property costs		**(177)**	(125)
Investment management expenses		**(141)**	(118)
Other administration expenses		**(82)**	(72)
Realised losses from other financial liabilities		**—**	(90)
Impairments		**(58)**	(19)
Amortisation of intangible assets	**G1**	**(9)**	(8)
Depreciation	**G2**	**(7)**	(9)
		(784)	(721)

The prior period presentation does not include investment management expenses totalling €26m that are offset against the investment income (refer **note C2.1**).

Impairments

During 2022 the group recognised an impairment on its available-for-sale financial assets portfolio of €54m (2021: €18m) (of which €44m (2021: €17m) relates relates to available-for-sale equities and investment funds), investment in associates of €nil (2021: €1m), amortised cost assets of €nil (2021: €1m) and properties for own use of €4m (2021: €nil) (see **note G2**) . The investments classified as available-for-sale that are impaired have a carrying value of €202m (2021: €125m) and are held as Level 3 securities in the fair value hierarchy (see **note E2**). The total carrying value of investments classified as available-for-sale is €33,317m (2021: €39,646m). For further details on the group's impairment policy (see **note E1**). The properties for own use that are impaired have a carrying amount of €32m (2021: €36m).

C5. Finance costs

Interest on borrowings is recognised in the consolidated income statement as it accrues and is calculated using the effective interest method including the amortisation of any discount (see **note E7**).

€m	2022	2021
Interest on borrowings		
Interest on subordinated debt	**(55)**	(55)
Interest expense on other borrowings	**(38)**	(31)
	(93)	(86)
Other finance costs	**(36)**	(25)
	(129)	(111)

Other finance costs are incurred by the group in respect of various operating liabilities, including loans linked to operating activities disclosed within other financial liabilities, deposits received from reinsurers, defined benefit pension schemes, lease liabilities and repurchase agreements.

C6. Tax charge

Income tax comprises current and deferred tax. Income tax is recognised in the consolidated income statement except to the extent that it relates to items recognised in the statement of consolidated comprehensive income or the statement of consolidated changes in equity, in which case it is recognised in these statements.

Current tax is the expected tax payable on the taxable income for the year, using tax rates and laws enacted or substantively enacted at the date of the statement of consolidated financial position together with adjustments to tax payable in respect of previous years.

C6.1 Current year tax charge

€m	2022	2021
Current tax:		
Current tax charge for the year	(58)	(101)
Adjustment in respect of prior years	9	2
Total current tax charge	(49)	(99)
Deferred tax:		
Origination and reversal of temporary differences during the year	(169)	(69)
Effect of change in tax rate	—	16
Adjustment for unrecognised deductible temporary differences	75	(69)
Adjustment in respect of prior years	(6)	(2)
Total deferred tax charge	(100)	(124)
Total tax charge on profit from continuing operations	(149)	(223)

C6.2 Reconciliation of tax charge

The group operates in multiple jurisdictions and is subject to taxation on profits/(losses) in each jurisdiction at different rates. The differences are explained below:

€m	2022	2021
Profit before tax	488	428
Tax calculated at the domestic rates applicable to profits in each operational jurisdiction	(230)	(171)
Effects of:		
Expenses not deductible for tax purposes	(5)	(4)
Non-taxable income	1	2
Changes in tax rates	—	16
Income taxable at higher/lower rates	1	(3)
Adjustment for unrecognised deductible temporary differences	75	(69)
Minority interests taxable at different rates	—	1
Adjustments in respect of prior years	3	—
Deduction for interest on restricted Tier 1 equity	6	5
Total tax charge for the year	(149)	(223)

Tax calculated at the domestic rates applicable to profits in each operational jurisdiction has been computed using the standard rates of taxes on corporate income for the financial year, as follows: Belgium 25% (2021: 25%), Bermuda 0% (2021: 0%), Germany 31.72% (2021: 31.72%), Ireland 12.5% (2021: 12.5%), Netherlands 25.8%, (2021: 25%), United Kingdom 19% (2021: 19%) and Italy 30.82% (2021: N/A). The standard rates of taxes on corporate income include not only those taxes specifically entitled 'corporate income tax' in each jurisdiction but also other similar taxes levied on profits, such as regional production tax ('imposta regionale sulle attività produttive') in Italy and trade tax ('Gewerbesteuer') in Germany.

C. Other income statement notes (continued)

C6. Tax charge (continued)

C6.2 Reconciliation of tax charge (continued)

Legally enacted changes in tax rates applicable to future periods result in the remeasurement of deferred tax assets and liabilities. During 2021, changes enacted included the increase in the Dutch tax rate from 25% to 25.8% from 1 January 2022 and the increase in the UK tax rate from 19% to 25% scheduled for 1 April 2023. No significant further changes in tax rates arose during 2022.

Year on year, the proportionate change in tax calculated at the domestic rates applicable to profits in each operational jurisdiction relative to profit before tax can be predominately attributed to changes in the mix of profits earned in different jurisdictions. In terms of the total tax charge, in 2021, following a review of the future profit forecasts necessary to justify recognition of net deferred tax assets in the Netherlands, as explained in **Note G8**, €69m of deferred tax assets were derecognised resulting in an additional charge to the income statement which was not arising from profit before tax for the year.

During 2022, following the significant increases in market interest rates, future profit forecasts for our Netherlands insurance group improved, allowing for the reversal of the previous €69m write-down of deferred tax assets in 2021. A further €6m of tax was also mitigated in Italy using previously unrecognised deductible temporary differences.

D. Equity

D1. Share capital

The group has issued ordinary shares which are classified as equity. Incremental external costs that are directly attributable to the issue of these shares are recognised in equity, net of tax.

D1.1 Common shares

There are four classes of common shares (A, B, C and D), with Class B, C and D shares split into further sub-classes (B-1, B-2, C-1, C-2, C-3, D-1 and D-2). Holders of the A, B-1 and B-2 shares have 55%, 35% and 10% of the total voting rights respectively. Holders of Class C and D shares have no voting rights, nor an entitlement to receive any dividends. C shares are entitled to convert to a certain number of A or B common shares if shareholder returns are in excess of agreed hurdles in the event of a material change of control. D shares are not convertible but are entitled to receive a proportion of shareholder returns in excess of agreed hurdles in the event of a material change of control.

Authorised

€m	2022	2021
1,000,000,000 common shares of €0.001 each (2021: 1,000,000,000)	**1**	1

Issued and fully paid up

€000	2022	2021
370,952,162 common shares of €0.001 each (2021: 337,546,108)	**371**	338
20,000,000 common shares of the Company owned by subsidiaries (2021: 20,000,000)	**(20)**	(20)
	351	318

D. Equity (continued)

D1. Share capital (continued)

D1.1 Common shares (continued)

Share premium

	Number of shares	Share premium €m
At 1 January 2021	321,346,866	3,095
Shares issued during the year	16,199,242	210
At 31 December 2021	337,546,108	3,305
Share issued during the year	33,406,054	528
At 31 December 2022	**370,952,162**	**3,833**

Share premium comprises additional paid-in capital in excess of the par value. This reserve is not ordinarily available for distribution.

Movement in number of issued common share

Class	At 1 January 2021	Shares issued during the year	At 31 December 2021	Shares issued/ (forfeited) during the year	At 31 December 2022
A	220,011,448	199,511	220,210,959	34,453,902	**254,664,861**
B-1	29,911,627	15,618,731	45,530,358	(2,036,292)	**43,494,066**
B-2	49,423,791	381,000	49,804,791	—	**49,804,791**
C-1	1,000,000	—	1,000,000	—	**1,000,000**
C-2	1,000,000	—	1,000,000	—	**1,000,000**
C-3	—	—	—	988,444	**988,444**
D-1	10,000,000	—	10,000,000	—	**10,000,000**
D-2	10,000,000	—	10,000,000	—	**10,000,000**
Total	321,346,866	16,199,242	337,546,108	33,406,054	**370,952,162**

Included in the A-class shares issued during the year are 63,695 shares that were subsequently acquired by the Company in a buyback and cancelled. See also **note I3**.

D1.2 Preferred shares

On 28 March 2022 and 27 September 2022, Athora Holding Ltd. issued 344,195 Series A preferred shares with a stated value of €100 per share (2021: 3,750,000) which represented a dividend paid in kind on existing Series A preferred shares. The shares are recognised as Tier 1 eligible capital within the group's regulatory solvency ratio. The dividend rate is 8% (2021: 8%). Dividends are fully discretionary with dividends not declared being non-cumulative. Athora can elect to pay dividends declared in cash or in kind via issuance of additional shares.

Athora Holding Ltd. issued 2,000,000 Series B preferred shares with a stated value of €100 per share (2021: 1,500,000) on 03 May 2022 (37,686 shares), 27 July 2022 (1,912,071 shares), 10 August 2022 (48,077 shares) and 24 August 2022 (2,166 shares). The shares are recognised as Tier 1 eligible capital within the group's regulatory solvency ratio. The dividend rate is 4.8% (2021: 4.8%). Dividends are fully discretionary with dividends not declared being non-cumulative. Athora can elect to pay dividends declared in cash or in kind via issuance of additional shares.

D. Equity (continued)

D1. Share capital (continued)

D1.2 Preferred shares (continued)

	Number of shares	Par value per share €	Share premium €m
At 1 January 2021	3,899,995	3,900	384
Preferred shares of €0.001 each issued	1,818,227	1,818	182
At 31 December 2021	5,718,222	5,718	566
Preferred shares of €0.001 each issued	2,344,195	2,344	234
At 31 December 2022	**8,062,417**	**8,062**	**800**

Warrants

During 2020, 6,048,033 warrants were issued over voting common shares in Athora Holding Ltd. These warrants are exercisable during the period commencing on issue date up to the tenth anniversary of issue. However, the warrants must be exercised in the event of the occurrence of a listing, change of control or a significant disposal event once notice of such event has been given by the group in accordance with the certificate of designation of the warrants.

D2. Other capital reserves

For the year ended 31 December 2022

€m	Available-for-sale reserve	Cash flow hedge reserve	Share based payment reserve	Foreign currency translation reserve	Other reserves
At 1 January 2022	**112**	**(35)**	**6**	**7**	**90**
Profit for the year	**—**	**—**	**—**	**—**	**—**
Other comprehensive income	**(1,923)**	**(138)**	**2**	**(6)**	**(2,065)**
Total comprehensive income for the year	**(1,923)**	**(138)**	**2**	**(6)**	**(2,065)**
Issuance of share capital	**—**	**—**	**(5)**	**—**	**(5)**
At 31 December 2022	**(1,811)**	**(173)**	**3**	**1**	**(1,980)**

For the year ended 31 December 2021

€m	Available-for-sale reserve	Cash flow hedge reserve	Share based payment reserve	Foreign currency translation reserve	Other reserves
At 1 January 2021	98	—	1	—	99
Profit for the year	—	—	—	—	—
Other comprehensive income	14	(35)	—	7	(14)
Total comprehensive income for the year	14	(35)	—	7	(14)
Issuance of share capital	—	—	5	—	5
At 31 December 2021	112	(35)	6	7	90

D2.1 Available-for-sale reserve

The AFS reserve represents the cumulative change in fair value of available-for-sale financial assets, net of any shadow accounting adjustment. If the particular assets are sold, settled or as a result of other events are no longer recognised, the corresponding cumulative gains and losses is then transferred from the AFS reserve through other comprehensive income to the income statement.

D. Equity (continued)

D2. Other capital reserves (continued)

D2.1 Available-for-sale reserve (continued)

Shadow accounting is applied to the cash flow hedge reserve and AFS reserve for securities that are held to cover insurance liabilities. Further detail on shadow accounting is included in **note F1**.

At year-end 2022 the group reported a negative AFS reserve of €(1.8)bn due to revaluation losses of €(1.9)bn incurred during the year. This represents the cumulative net fair value decrease in AFS assets held. These movements are not recorded in the income statement until either the relevant asset is sold or is considered impaired. Fair value decreases solely due to interest rate increases are not considered appropriate grounds for impairment, unless clear impairment indicators are also present.

D2.2 Cash flow hedging reserve

The cash flow hedge reserve consists of the effective part of cumulative changes in the fair value of derivatives qualifying for cash flow hedge accounting (net of taxes), provided that the hedged transaction has not yet occurred. Further details of the group's hedge accounting policy are included in **note E5.**

D2.3 Share-based payment reserve

The share-based payments reserve is used to recognise the value of equity-settled share-based payments provided to employees, including key management personnel, as part of their remuneration. Refer to **note I1** for further details of these plans.

D2.4 Foreign currency translation reserve

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

D3. Non-controlling interests (including restricted Tier 1 notes)

Non-controlling interests are stated at the share of net assets attributed to the non-controlling interest holder at the time of acquisition, adjusted for the relevant share of subsequent changes in equity. The Fixed Rate Reset Perpetual Restricted Tier 1 Contingent Convertible Notes ('Tier 1 Notes') meet the definition of equity and accordingly are shown as a separate category within equity at the proceeds of issue. The coupons on the instruments are recognised as distributions on the date of payment and are charged directly to the statement of consolidated changes in equity.

The non-controlling interests comprise the following:

€m	Note	2022	2021
Athora Netherlands N.V.	D3.1	245	245
Hemingway Germany RE Log Hold Co S.à r.l.	D3.2	4	5
Athora Lux Invest S.C.Sp	D3.2	—	65
Athora Real Estate S.A.R.L.	D3.2	18	19
		267	334

D3.1 Athora Netherlands N.V.

Through its subsidiary, Athora Netherlands N.V, the group has a restricted Tier 1 note in issue with a nominal value of €300m, which was acquired at a fair value of €245m. The note is perpetual and first callable in 2025 and each interest payment date thereafter, subject to conditions of redemption.

The coupon is fixed at 7.00% per annum until the first call date. Athora Netherlands may at its sole and absolute discretion at any time elect to cancel any coupon payment (or part thereof) which would otherwise be payable on any payment date. A distribution was made during the year of €21m to cover the coupon due (2021: €21m).

D. Equity (continued)

D3. Non-controlling interests (including restricted Tier 1 notes) (continued)

D3.2 Other non-controlling interests

10.5% ordinary shareholding in Hemingway Germany RE Log Hold Co S.à r.l. (formerly called "Germany RE Log Hold Co Sarl"), a holding company in the German logistics real estate market. €nil profit was allocated to non-controlling interests during the reporting period (2021: €1m).

In 2021, Athora Lux Invest S.C.Sp. - Alternatives disposed of €65m worth of ordinary shareholding to a third party resulting in an 8.3% ordinary shareholding in Athora Lux Invest S.C.Sp. This holding was disinvested in 2022. There was €nil profit allocated to non-controlling interests based on its interest in the subsidiary during the reporting period (2021: €nil).

Athora Real Estate S.à r.l. is an investment property platform, domiciled in Luxembourg, which includes a minority share of 10.4% by a third party. €1m profit was allocated to non-controlling interests during the reporting period (2021: €8m). During the year a dividend was paid of €2m (2021: €7m). During the year, Athora Real Estate S.A.R.L disposed of €nil (2021: €9m) worth of ordinary shareholding to non-controlling interests.

E. Financial assets and liabilities

E1. Fair valuation

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal, or in its absence, the most advantageous market to which the group has access at that date. The fair value of a liability reflects its non-performance risk.

A number of the group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The fair value of a non-financial asset is determined based on its highest and best use from a market participant's perspective. When using this approach, the group takes into account the asset's use that is physically possible, legally permissible, and financially feasible.

The group measures the fair value of a financial instrument using the quoted price in an active market for that instrument, when one is available. A market is regarded as 'active' if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

If an asset or liability measured at fair value has a bid price and an ask price, then the group measures assets and long positions at a bid price and short positions at an ask price.

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price, i.e., the fair value of the consideration given or received. If the group determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the measurement, then the financial instrument is initially measured at its fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price. Subsequently, the difference is recognised in the consolidated income statement on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market date or the transaction is closed out.

E1.1 Financial assets

Purchases and sales of financial assets are recognised on the trade date, which is the date that the group commits to purchase or sell the asset.

Loans and deposits are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and only include assets where a security has not been issued. These loans and deposits are initially recognised at cost, being the fair value of the consideration paid for the acquisition of the investment. All transaction costs directly attributable to the acquisition are also included in the cost of the investment. Subsequent to initial recognition, these investments are carried at amortised cost, using the effective interest method.

Equities, debt securities and collective investment schemes are designated at FVTPL and accordingly are stated in the statement of consolidated financial position at fair value. They are designated at FVTPL because this is reflective of the manner in which the financial assets are managed.

Reinsurers share of investment contracts liabilities without discretionary participation features (DPF) are valued, and associated gains and losses presented, on a basis consistent with investment contracts liabilities without DPF as detailed under the 'Financial liabilities' section E1.2 below.

E. Financial assets and liabilities (continued)

E1. Fair valuation (continued)

E1.1 Financial assets (continued)

Derivatives

The group uses derivative financial instruments in line with its strategy for risk mitigation.

Commercial reasoning will dictate if the derivative financial instruments are classified as held for trading or designated as a hedging instrument. The group applies hedge accounting to these derivative financial instruments when they satisfy the criteria outlined in IAS 39.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into, and they are subsequently remeasured to their fair value at the end of each reporting period.

The accounting for subsequent changes in fair value depends on the initial designation of the derivative financial instrument, and changes are included in the income statement or statement of other comprehensive income, as appropriate.

Derivative financial instruments not hedge accounted

All derivatives not hedge accounted are presented as assets when the fair values are positive and as liabilities when the fair values are negative.

Derivative financial instruments not hedge accounted are typically entered into with the intention to settle in the near future. These instruments are initially recorded at fair value. Subsequent to initial recognition, these instruments are re-measured at fair value. Fair value adjustments and realised gains and losses are recognised in the income statement.

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

Impairment of financial assets

The group assesses at each period end whether a financial asset, or group of financial assets, held at amortised cost and as-available-for sale are impaired. The group first assesses whether objective evidence of impairment exists. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognised, are not included in the collective assessment of impairment.

Assets accounted for at amortised cost

At each reporting date the group assesses whether, as a result of one or more events occurring after initial recognition of the financial asset and prior to the reporting date, there is objective evidence that a financial asset or group of financial assets has become impaired.

Where such an event, including the identification of fraud, has had an impact on the estimated future cash flows of the financial asset or group of financial assets, an impairment allowance is recognised. The amount of impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. If the asset has a variable rate of interest, the discount rate used for measuring the impairment allowance is the current effective interest rate.

Subsequent to the recognition of an impairment loss on a financial asset or a group of financial assets, interest income continues to be recognised on an effective interest rate basis, on the asset's carrying value net of impairment provisions. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the allowance is adjusted and the amount of the reversal is recognised in the income statement.

E. Financial assets and liabilities (continued)

E1. Fair valuation (continued)

E1.1 Financial assets (continued)

Assets accounted for at amortised cost (continued)
Impairment allowances are assessed individually for financial assets that are individually significant.

Impairment allowances for portfolios of smaller balance homogeneous loans etc. are determined on a collective basis.

In certain circumstances, the group will renegotiate the original terms of a customer's loan, either as part of an ongoing customer relationship or in response to adverse changes in the circumstances of the borrower. Where the renegotiated payments of interest and principal will not recover the original carrying value of the asset, the asset continues to be reported as past due and is considered impaired. Where the renegotiated payments of interest and principal will recover the original carrying value of the asset, the loan is no longer reported as past due or impaired provided that payments are made in accordance with the revised terms. Renegotiation may lead to the loan and associated provision being derecognised and a new loan being recognised initially at fair value.

A loan or advance is normally written off, either partially or in full, against the related allowance when the proceeds from realising any available security have been received or there is no realistic prospect of recovery and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off decrease the amount of impairment losses recorded in the income statement. For both secured and unsecured retail balances, the write-off takes place only once an extensive set of collections processes has been completed, or the status of the account reaches a point where policy dictates that forbearance is no longer appropriate. For commercial lending, a write-off occurs if the loan facility with the customer is restructured, the asset is under administration and the only monies that can be received are the amounts estimated by the administrator, the underlying assets are disposed and a decision is made that no further settlement monies will be received, or external evidence (for example, third-party valuations) is available that there has been an irreversible decline in expected cash flows.

Available-for-sale financial assets
The group assesses, at each balance sheet date, whether there is objective evidence that an available-for-sale financial asset is impaired. In addition to the criteria for financial assets accounted for at amortised cost set out above, this assessment involves reviewing the current financial circumstances (including creditworthiness) and future prospects of the issuer, assessing the future cash flows expected to be realised and, in the case of equity shares, considering whether there has been a significant or prolonged decline in the fair value of the asset below its cost.

If an impairment loss has been incurred, the cumulative loss measured as the difference between the acquisition cost (net of any principal repayment and amortisation) and the current fair value, less any impairment loss on that asset previously recognised, is reclassified from equity to the income statement. For impaired debt instruments, impairment losses are recognised in subsequent periods when it is determined that there has been a further negative impact on expected future cash flows; a reduction in fair value caused by general widening of credit spreads would not, of itself, result in additional impairment. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised, an amount not greater than the original impairment loss is credited to the income statement; any excess is taken to other comprehensive income.

Impairment losses are recognised in the income statement on equity instruments, if the diminution in value is significant or prolonged, and not reversed through the income statement. Unless there is evidence to the contrary, an equity security is considered impaired if the decline in fair value relative to cost has been either at least 30% (significant) at the end of the reporting period, or been in an unrealised loss position for a continuous period of more than 12 months (prolonged) at the end of the reporting period.

E. Financial assets and liabilities (continued)

E1. Fair valuation (continued)

E1.1 Financial assets (continued)

Derecognition of financial asset

A financial asset (or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the Company retains the right to receive cash flows from the assets, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the Company has transferred its rights to receive cash flows from the asset and has either transferred substantially all the risks and rewards of the asset, or has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Details of the financial assets are set out in **section E3**.

E1.2 Financial liabilities

On initial recognition, financial liabilities are recognised when due and measured at the fair value of the consideration received less directly attributable transaction costs. Subsequent to initial recognition, financial liabilities are measured at amortised cost using the effective interest method.

Deposits received from reinsurers

It is the group's practice to obtain collateral to cover certain reinsurance transactions, usually in the form of cash or marketable securities. Where cash collateral is available to the group for investment purposes, it is recognised as a 'financial asset' and the collateral repayable is recognised as 'deposits received from reinsurers' in the statement of consolidated financial position. The 'deposits received from reinsurers' are measured at amortised cost.

Net asset value attributable to unitholders

The net asset value attributable to unitholders represents the non-controlling interest in collective investment schemes which are consolidated by the group. This interest is classified at FVTPL and measured at fair value, which is equal to the bid value of the number of units of the collective investment scheme not owned by the group.

Obligations for repayment of collateral received

It is the group's practice to obtain collateral in stock lending and derivative transactions, usually in the form of cash or marketable securities. Where cash collateral received is available to the group for investment purposes, it is recognised as a 'financial asset' and the collateral repayable is recognised as 'obligations for repayment of collateral received' in the statement of consolidated financial position. The 'obligations for repayment of collateral received' are measured at amortised cost, which in the case of cash is equivalent to the fair value of the consideration received. Further details of the group's collateral arrangements are included in **note E6**.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, or cancelled or expires.

Offsetting financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. When financial assets and liabilities are offset any related interest income and expense is offset in the income statement.

E. Financial assets and liabilities (continued)

E1. Fair valuation (continued)

E1.2 Financial liabilities (continued)

Hedge accounting
The accounting policy for hedge accounting is set out in **note E5**.

Details of the financial liabilities are set out in **note E6, E7 and E8**.

E2. Fair value hierarchy

E2.1 Basis for determining fair value hierarchy

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the 'fair value hierarchy' described as follows, based on the lowest level input that is significant to the fair value measurement as a whole.

Level 1

Inputs to Level 1 fair values are quoted prices (unadjusted) in active markets for identical assets and liabilities that the entity can access at the measurement date. Fair values of assets and liabilities traded on active markets are determined using quoted market prices when available. Financial instruments are considered as being quoted in an active market when quotes representing consensus are regularly provided by external pricing services with limited dispersion and prices are readily available.

Level 2

Inputs to Level 2 fair values are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. If the asset or liability has a specified (contractual) term, a Level 2 input must be observable for substantially the full term of the instrument. Level 2 inputs include the following:

- Quoted prices for similar assets and liabilities in active markets.
- Quoted prices for identical or similar assets and liabilities in markets that are not active, the prices are not current, or price quotations vary substantially either over time or among market makers, or in which little information is released publicly.
- Inputs other than quoted prices that are observable for the asset or liability (for example, interest rates and yield curves observable at commonly quoted intervals, implied volatilities, and credit spreads).
- Market-corroborated inputs.

Where the group uses broker quotes and no information as to the observability of inputs is provided by the broker, the investments are classified as follows:

- Where the broker quote is binding, or where the broker price is validated by using internal models with market observable inputs and the values are similar, the group classifies the investment as Level 2.
- In circumstances where internal models are not used to validate broker prices, or the observability of inputs used by brokers is unavailable, the investment is classified as Level 3.

Level 3

Inputs to Level 3 fair values are unobservable inputs for the asset or liability including, as available and appropriate, internal data and other publicly available information.
Fair value, in the first instance, is calculated using recognised pricing services, market participants or other sources. When market quotations are not available, a model-based approach (typically discounted cash flow) is used to determine fair value. Once valuations are performed, appropriate validation and review is completed to ensure the most appropriate valuation is applied at period end.

E. Financial assets and liabilities (continued)

E2. Fair value hierarchy (continued)

E2.1 Basis for determining fair value hierarchy (continued)

The group formulates the assumptions that are used to determine prices, with due reference to estimates of future cash flows and timing, maturity dates, volatility, risk premium and other relevant available information.

Unobservable inputs may be used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. However, it is worth noting that the fair value measurement objective remains the same, i.e. an exit price at the measurement date from the perspective of a market participant that holds the asset or owes the liability. Examples are investment properties, certain private equity investments and private placements. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an orderly transaction between market participants under market conditions current at that date.

E2.2 Determination of fair values

All financial assets are carried at fair value except as described below.

Loans and receivables, loans and advances due from banks and other receivables are carried at amortised cost and use income based valuation techniques. The estimated fair value for assets carried at amortised cost is disclosed separately in the tables below, excluding certain assets and liabilities where the book value is determined to equal fair value because of their short-term nature.

The group classifies sovereign, corporate bond securities, mutual funds and the majority of equities, excluding all private equity holdings, as Level 1. The basis of the classification is that they are assessed as satisfying the Level 1 observable requirements and that the prices for these assets are readily available.

Level 2 assets include money market instruments, mutual funds, exchange-traded funds, unlisted debt securities based on market data, derivatives and some investment properties, but excludes investment funds. Generally, these assets are traded regularly however they do not have readily available, observable market prices. The basis for this classification is that fair value is derived from observable assets, either directly as available prices or derived indirectly from other quoted prices, and utilised for these assets. The prices used are from: fund managers, who publish prices daily; and banks for derivatives, who use models that replicate the underlying market-traded instruments.

Debt securities, in line with market practice, are generally valued using an independent pricing service. These valuations are determined using independent external quotations from multiple sources and are subject to a number of monitoring controls, such as monthly price variances, stale price reviews and variance analysis. Pricing services, where available, are used to obtain the third party broker quotes. Where pricing services providers are used, a single valuation is obtained and applied. When prices are not available from pricing services, quotes are sourced from brokers.

Over-the-counter derivatives are valued using broker quotes or models such as option pricing models, simulation models or a combination of models. The inputs for these models include a range of factors which are deemed to be observable, including current market and contractual prices for underlying instruments, period to maturity, correlations, yield curves and volatility of the underlying instruments.

Unit trusts and other investment funds included under the other investment's category are valued using net asset values which are not subject to a significant adjustment for restrictions on redemption or for limited trading activity. Level 3 assets are the remainder of assets where prices are derived from valuation techniques that include inputs for assets that are not usually based on observable market data, which require significant management judgement or estimation. The group's Level 3 assets are properties, equity securities, private credit and policyholder risk assets that include private equity holdings and investment funds. Valuations of Level 3 assets are determined with data inputs from asset managers or third party valuation experts and assurance reviews by auditors, which feed into an independent review of inputs and methodologies underlying these valuations by group management.

E. Financial assets and liabilities (continued)

E2. Fair value hierarchy (continued)

E2.2 Determination of fair values (continued)

Methodologies and assumptions used in these valuations may include, for example, yield methods using data of comparable listed entities, subject company transactions, discounted cash flows, property growth rates, longevity or liquidity premiums, as relevant to each asset class.

E2.3 Fair value hierarchy analysis

For assets and liabilities that are measured at fair value in the financial statements on a recurring basis, the group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. In 2022, transfers from Level 2 to Level 1 amounted to €162m (2021: €133m), net transfers from Level 3 to Level 2 amounted to €12m (2021: €nil) and transfers from Level 1 to Level 2 amounted to €nil (2021: €331m). In 2022, €nil investment properties have been transferred from Level 2 to Level 3 (2021: €133m).

An analysis of assets and liabilities measured at fair value on a recurring basis, categorised by fair value hierarchy for 2022 and 2021, is given below.

€m	Level 1	Level 2	Level 3	Total
2022				
Assets measured at fair value:				
Investment properties	—	—	2,214	2,214
AFS financial assets	23,403	1,314	8,600	33,317
Equity securities	*148*	*22*	*2,161*	*2,331*
Debt securities	*17,410*	*1,291*	*5,573*	*24,274*
Money market funds	*5,791*	—	—	*5,791*
Investment fund units	*54*	*1*	*866*	*921*
Financial assets at fair value through profit or loss	4,989	88	845	5,922
Investment fund units	*407*	—	—	*407*
Debt securities	*4,582*	*88*	*144*	*4,814*
Shares and similar investments	—	—	*68*	*68*
Other assets held at fair value through profit or loss	—	—	*633*	*633*
Investment assets for the account of policyholders	13,385	774	314	14,473
Investment assets for the account of third parties	4,108	—	—	4,108
Derivative financial assets	2	12,061	251	12,314
Derivative financial assets held for trading	—	*11,942*	*251*	*12,193*
Derivative financial assets held for hedging	*2*	*119*	—	*121*
Total	45,887	14,237	12,224	72,348
Assets not measured at fair value for which fair value is disclosed:				
Financial assets classified as loans and receivables	—	461	8,673	9,134
Loans and advances due from banks	502	4,790	8	5,300

E. Financial assets and liabilities (continued)

E2. Fair value hierarchy (continued)

E2.3 Fair value hierarchy analysis (continued)

€m	Level 1	Level 2	Level 3	Total
2022				
Financial liabilities measured at fair value:				
Liabilities - Investments for the account of policyholders	**830**	**769**	**690**	**2,289**
Liabilities - Investments for the account of third parties	**4,109**	**—**	**—**	**4,109**
Derivative financial liabilities	**—**	**15,452**	**44**	**15,496**
Derivative financial liabilities held for trading	***—***	***15,206***	***44***	***15,250***
Derivative financial liabilities held for hedging	***—***	***246***	***—***	***246***
Total	**4,939**	**16,221**	**734**	**21,894**
Liabilities not measured at fair value for which fair value is disclosed:				
Subordinated debt	**921**	**—**	**—**	**921**
Senior debt	**59**	**850**	**—**	**909**

€m	Level 1	Level 2	Level 3	Total
2021				
Assets measured at fair value:				
Investment properties	—	—	1,994	1,994
AFS financial assets	29,095	2,126	8,425	39,646
Equity securities	*75*	*44*	*1,627*	*1,746*
Debt securities	*26,022*	*2,082*	*6,128*	*34,232*
Money market funds	*2,928*	—	—	*2,928*
Investment fund units	*70*	—	*670*	*740*
Financial assets at fair value through profit or loss	634	—	—	634
Investment fund units	*475*	—	—	*475*
Debt securities	*159*	—	—	*159*
Investment assets for the account of policyholders	15,555	749	349	16,653
Investment assets for the account of third parties	3,354	—	—	3,354
Derivative financial assets	1	4,413	18	4,432
Derivative financial assets held for trading	1	4,392	18	4,411
Derivative financial assets held for hedging	—	21	—	21
Total	**48,639**	**7,288**	**10,786**	**66,713**
Assets not measured at fair value for which fair value is disclosed:				
Financial assets classified as loans and receivables	—	1,119	10,069	11,188
Loans and advances due from banks	6	341	48	395

E. Financial assets and liabilities (continued)

E2. Fair value hierarchy (continued)

E2.3 Fair value hierarchy analysis (continued)

€m	Level 1	Level 2	Level 3	Total
2021				
Financial liabilities measured at fair value:				
Liabilities - Investments for the account of policy holders	1,617	—	—	1,617
Liabilities - Investments for the account of third parties	3,354	—	—	3,354
Derivative financial liabilities	—	1,681	123	1,804
Derivative financial liabilities held for trading	—	*1,662*	*123*	*1,785*
Derivative financial liabilities held for hedging	—	*19*	—	*19*
Total	**4,971**	**1,681**	**123**	**6,775**

Liabilities not measured at fair value for which fair value is disclosed:				
Subordinated debt	913	—	—	913
Senior debt	61	639	—	700

E. Financial assets and liabilities (continued)

E2. Fair value hierarchy (continued)

E2.3 Fair value hierarchy analysis (continued)

Reconciliation of movements in Level 3 assets and liabilities

The following tables show a reconciliation of the opening and closing recorded amounts of Level 3 assets and liabilities.

	Assets					Liabilities	
€m	Investment properties	AFS financial assets	Financial assets at FVTPL	Investments for the account of policyholder	Derivative financial assets	Derivative financial liabilities	Liabilities - Investments for the account of policyholder
At 1 January 2022	**1,994**	**8,425**	**—**	**349**	**18**	**123**	**—**
Net revaluation gains/ (losses)	***(77)***	***105***	***(44)***	***(7)***	**—**	**—**	**—**
Impairment	**—**	***(53)***	**—**	**—**	**—**	**—**	**—**
Result from derivatives	**—**	**—**	**—**	**—**	***185***	***40***	
Income statement	**(77)**	**52**	**(44)**	**(7)**	**185**	**40**	**—**
Other comprehensive income	**(10)**	**(258)**	**—**	**—**	**—**	**—**	**—**
Additions acquired through business combinations	**95**	**—**	**651**	**—**	**—**	**—**	**726**
Purchases	**317**	**3,849**	**447**	**9**	**48**	**—**	**23**
Disposals	**(105)**	**(3,456)**	**(209)**	**(37)**	**—**	**(121)**	**(13)**
Transfers to/ (from) level 3	**—**	**(12)**	**—**	**—**	**—**	**2**	**(46)**
At 31 December 2022	**2,214**	**8,600**	**845**	**314**	**251**	**44**	**690**

E. Financial assets and liabilities (continued)

E2. Fair value hierarchy (continued)

E2.3 Fair value hierarchy analysis (continued)

	Assets					Liabilities	
€m	**Investment properties**	**AFS financial assets**	**Financial assets at FVTPL**	**Investments for the account of policyholder**	**Derivative financial assets**	**Derivative financial liabilities**	**Liabilities - Investments for the account of policyholders**
At 1 January 2021	**1,198**	**5,253**	**1**	**390**	**7**	**214**	**—**
Net revaluation gains	*202*	*250*	—	*6*	—	—	—
Impairment	—	*(18)*	—	—	—	—	—
Result from derivatives	—	*3*	—	—	*25*	*28*	—
Income statement	202	235	—	6	25	28	—
Other comprehensive income	19	112	—	—	—	—	
Additions acquired through business combinations	496	535	—	—	—	—	—
Purchases	40	5,562	—	11	11	9	—
Disposals	(94)	(3,272)	(1)	(58)	(25)	(128)	—
Transfers to level 3	133	—	—	—	—	—	—
At 31 December 2021	**1,994**	**8,425**	**—**	**349**	**18**	**123**	**—**

E. Financial assets and liabilities (continued)

E2. Fair value hierarchy (continued)

E2.4 Measurement of fair values

Valuations of Level 3 financial instruments are determined with data inputs from asset managers or third party valuation experts and largely based on external valuation reports received from asset managers. The group reviews the valuation processes internally and with external investment managers and other professionals. This work gives comfort to management that the assets are valued in accordance with applicable regulation and guidance which results in the asset being valued appropriately. In the current year there have been no changes in the respective valuation techniques used.

The principal assets classified as Level 3, and the valuation techniques applied to them, are described below.

E2.4.1 Investment properties

Investment properties are valued at least annually by independent external valuers, being appropriately qualified and experienced appraisers in the countries concerned with excellent breadth and depth of experience in the valuation of the type of asset concerned. Valuations were performed in accordance with guidance issued by the International Valuation Standards Council. The fair value measurement for all the investment properties has been categorised as Level 3 based on the inputs to the valuation techniques used.

Valuation technique

Investment properties are fair valued on an income approach that considers the agreed rent for the signed leases, the market rent for currently vacant space and estimated rents for re-letting of the space after lease term expiry. The discount rate for the subject properties has been applied under consideration of the overall risk profile of each subject property on a case-by-case basis.

Significant unobservable inputs

The significant unobservable inputs include: expected market rental growth (2022: 0-2%; 2021: 0-3%); Void periods (2022: 0-24 months and 2021: 0-27 months after the end of each lease); Occupancy rate (2022: 100-0%; 2021: 100-0%); Risk adjusted discount rates (2022: weighted average 4-8%; 2021: weighted average 0-8%).

Interrelationship between the key unobservable inputs and fair value

The estimated fair value would increase (decrease) if:

- Expected market rental growth were higher (lower);
- Void periods were shorter (longer);
- Occupancy rates were higher (lower);
- Rent-free periods were shorter (longer); or
- The risk-adjusted discount rate were lower (higher).

E2.4.2 Private debt and fixed maturity securities

The group holds commercial mortgage loans, mezzanine debt as well as privately placed bonds and structured debt products. These have been classified as Level 3 because they are not traded on an active market and are valued either using valuations of similar privately or publicly held assets, which include a significant unobservable liquidity adjustment, or are validated against internal models.

Valuation techniques

Private credit instruments are valued by external investment managers using primarily discounted cash flow models and yield methods, whereby cash flows are discounted and modelled based on yield spread movements in comparable market yields as well as company specific factors.

The fair value is estimated considering (i) current or recent prices for identical securities in markets that are not active and (ii) a net present value calculated using discount rates derived from quoted yields of securities with similar maturity and credit rating that are traded in active markets adjusted by a liquidity factor. Credit spreads represent the premium above the benchmark reference instrument required to compensate for lower credit quality; higher spreads lead to a lower fair value.

E. Financial assets and liabilities (continued)

E2. Fair value hierarchy (continued)

E2.4 Measurement of fair values (continued)

The group holds a portfolio of mezzanine and mortgage loans which are valued using a cash equivalency method which utilises a discounted cashflow analysis to arrive at the net present value for a loan based on a market equivalent rate. This technique takes into account the market value of the underlying real estate in order to determine the quality of the loan. The current market value of the real estate can be obtained through a current valuation or through other techniques such as forecasting based on real estate indices, survey data, collateral-specific and variables (loan-to-value ratio, refinancing risk, etc.).

Significant unobservable inputs

The significant unobservable inputs and their range include:

- Discount rate (2022: 3%-18%; 2021: 3%-18%); This does not include discounts rates on three individually significant inputs which consist of mortgage backed securities and bank debt term loans with discount rates of 24% - 52% (2021: Nil).
- Recoverability (2022: 74%-75%, 2021: 78%-104%); and
- TEV/EBITDA (2022: 2x-24x; 2021: 2x-16x).

Interrelationship between the key unobservable inputs and fair value

Valuation techniques applied to many of the group's Level 3 instruments often involve the use of two or more inputs whose relationship is interdependent. For debt securities, reasonably possible alternative assumptions have been determined in respect of the group's credit investment by flexing credit spreads.

E2.4.3 Private equity securities and investment funds

Private equity holdings are valued using a range of techniques, including earnings multiples, forecast cash flows and price-to-earnings ratios which are deemed to be appropriate but unobservable.

For equity securities the valuation model is based on market multiples derived from quoted prices of companies comparable to the investee, adjusted for the illiquidity of the equity securities, and the revenue and EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) of the investee. The estimate is adjusted for the net debt of the investee. The significant unobservable input is the adjusted market multiple. The estimated fair value would increase (decrease) if the adjusted market multiple were higher (lower).

Investment funds are valued by external fund managers subject to regulatory oversight and guidance. These external managers have experience in pricing these 'difficult to value' assets which generally have limited, if any, observable data. The valuation approach will mirror those outlined above for equity securities and debt securities depending on the nature of the underlying investments in the funds.

Significant unobservable inputs

The significant unobservable inputs and their range include: Discount rate (2022: 10%-20%; 2021: 8%-16%); TEV/EBITDA (2022: 1x-10x; 2021: 2x-9x).

Interrelationship between the key unobservable inputs and fair value

Valuation techniques applied to many of the group's level 3 instruments often involve the use of two or more inputs whose relationship is interdependent. For unlisted equity, the valuation techniques used vary depending on the nature of the investment. Reasonably possible alternative valuations for these investments have been calculated by reference to the approach taken, as appropriate to the business sector and investment circumstances and as such the following inputs have been considered:

- for valuations derived from earnings multiples, consideration is given to the risk attributes, growth prospects and financial gearing of comparable businesses when selecting an appropriate multiple; and
- the discount rates used in discounted cash flow valuations.

E. Financial assets and liabilities (continued)

E2. Fair value hierarchy (continued)

E2.5 Level 3 sensitivity analysis

€m	2022	2021
Impact on shareholders' equity, net of tax		
Credit spread +50bp	(94)	(109)
Credit spread -50bp	99	113
Interest rate +50bp	(48)	(68)
Interest rate -50bp	52	73
Equity +10%	224	123
Equity -10%	(224)	(118)

E. Financial assets and liabilities (continued)

E3. Financial assets

The group classifies its financial assets as fair value through profit or loss, held-to-maturity, loans and other receivables or available-for-sale financial assets. The classification is based on management's intention relating to the purpose, risk and nature of the instrument or characteristics of the investment. The group has not classified any investments as held-to-maturity. The group determines the classification of its financial assets at initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans are recognised when the cash is advanced to the borrowers. After initial measurement, loans and receivables are measured at amortised cost, using the Effective Interest Rate (EIR) method, less allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortisation is included in 'Interest income' in the income statement. Gains and losses are recognised in the income statement when the investments are derecognised or impaired.

Available-for-sale financial assets

Available-for-sale (AFS) financial assets are those intended to be held for an indefinite period, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices. Purchases and sales of AFS financial assets are recognised on trade date. They are initially recognised at fair value plus transaction costs. Fair value movements are recognised in other comprehensive income. Interest is calculated using the effective interest rate method and is recognised in the income statement. Gains and losses arising from changes in the fair value of investments classified as AFS are recognised directly in other comprehensive income, until the financial asset is either sold, becomes impaired or matures, at which time the cumulative gain or loss previously recognised in other comprehensive income is recognised in the income statement.

Financial assets at fair value through profit or loss

Financial assets (and liabilities) are designated as at fair value through profit or loss where their performance is managed on a fair value basis. Financial assets at fair value through profit or loss (FVTPL) can either be held for trading (if acquired principally for the purpose of selling in the short-term) or designated at fair value through profit or loss at inception. The principal category of assets designated at fair value though profit or loss are those held as part of the life assurance business, which are managed on a fair value basis. These investments are initially recorded at fair value. Subsequent to initial recognition, these investments are re-measured at fair value. Fair value adjustments and realised gains and losses are recognised in the income statement. Financial assets at fair value through profit or loss include derivative financial instruments.

Purchases and sales of financial assets (and liabilities) are recognised on the trade date, which is the date the entity commits to purchase or sell an asset.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the group has transferred substantially all risks and rewards of ownership.

E. Financial assets and liabilities (continued)

E3. Financial assets (continued)

€m	Note	2022	2021
Debt securities		**24,274**	34,232
Equity securities		**2,331**	1,746
Money market funds		**5,791**	2,928
Investment fund units		**921**	740
Available-for-sale financial assets		**33,317**	39,646
Debt securities		**4,814**	159
Equity securities		**68**	—
Investment fund units		**407**	475
Other loans		**633**	—
Financial assets at fair value through profit or loss		**5,922**	634
Mortgage loans		**5,310**	4,990
Private loans linked to savings mortgages		**3,872**	4,308
Other		**1,039**	1,802
Loans and receivables		**10,221**	11,100
Derivative financial assets	E5	**12,314**	4,432
		61,774	55,812

Information about the group's exposure to credit and market risks, and impairment losses on loans and receivables and AFS securities is included in **note E10** and **C4**. Available-for-sale securities of €2,077m (2021: €692m) were pledged under repurchase agreements (see **note E6** and **E8**). Information on the fair value of the group's investment portfolio is included in **note E2**.

E4. Investments attributable to policyholders and third parties

Investment assets for the account of policyholders (Fair value through profit or loss)

Investment assets for the account of policyholders are classified at initial recognition as fair value through profit or loss. These investments are held to cover insurance contracts, according to which the investment risk is borne by policyholders. Amounts due from these policyholders are recognised in the income statement as premium income. Dividends, coupons, adjustments in the fair value of investments and gains and losses on the sale of investments are recognised in the income statement as investment income attributable to policyholders.

Investment assets for the account of third parties (Fair value through profit or loss)

These investments relate to the third parties' share in the investments of investment funds with opposite daily redeemable financial obligations to these third parties at the same amount and are measured at fair value through profit or loss. Any related gains and losses are recognised in the income statement as gains and losses on financial instruments. These investment funds are consolidated since the group controls these funds and is exposed to these funds' gross variable results, which are mainly attributable to investments for the account of policyholders. The group's exposure to risks arising from these financial instruments is limited since the beneficial ownership rests with these third parties and participants. The value of corresponding liabilities equals the fair value of the underlying investments.

E. Financial assets and liabilities (continued)

E4. Investments attributable to policyholders and third parties (continued)

€m	2022	2021
Investment fund units	**11,204**	13,714
Corporate and government bonds	**673**	945
Equity securities	**295**	365
Other	**12**	12
Investments attributable to policyholders (insurance contracts)	**12,184**	15,036
Investment fund units	**2,280**	1,597
Equity securities	**9**	20
Investments held to cover linked liabilities (investment contracts)	**2,289**	1,617
Investment fund units	**4,108**	3,354
Investments attributable to third parties	**4,108**	3,354
	18,581	20,007

E5. Derivatives and hedging

The group purchases derivative financial instruments principally in connection with the management of its insurance contract and investment contract liabilities based on the principles of reduction of risk and efficient portfolio management. The group does not typically hold derivatives for the purpose of selling or repurchasing in the near term or with the objective of generating a profit from short-term fluctuations in price or margin. The group also holds derivatives to hedge financial liabilities denominated in foreign currency.

Derivative financial instruments are largely classified as held for trading. Such instruments are recognised initially at fair value and are subsequently remeasured to fair value. The gain or loss on remeasurement to fair value is recognised in the consolidated income statement. Derivative financial instruments are not classified as held for trading where they are designated as a hedging instrument and where the resultant hedge is assessed as effective. For such instruments, any gain or loss that arises on remeasurement to fair value is initially recognised in other comprehensive income and is recycled to the income statement as the hedged item impacts the income statement.

Since 2021 the embedded derivative no longer applies, as the Variable Annuity (VA) book was sold at the end of that year. VA products provided a range of guaranteed benefits, predominantly guaranteed minimum withdrawal benefits and guaranteed death benefits, as well as guarantees for minimum benefits containing financial risks. As the economic characteristics and risks of these financial risk guarantees and those of the host contract were not deemed to be clearly and closely related, they were carried at fair value, bi-furcated and disclosed separately as an embedded derivative liability.

€m	2022		2021	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Derivatives not hedge-accounted	**12,193**	**15,250**	4,411	1,785
Hedging derivatives	**121**	**246**	21	19
	12,314	**15,496**	4,432	1,804

E. Financial assets and liabilities (continued)

E5. Derivatives and hedging (continued)

	2022			2021		
	Notional Amount Units (m)	Assets €m	Liabilities €m	Notional Amount Units (m)	Assets €m	Liabilities €m
Not hedge-accounted						
Interest rate swaps	**133,984**	**10,553**	**15,014**	87,739	3,889	1,291
Swaptions	**5,936**	**309**	**90**	6,554	311	164
Futures	**167**	**5**	**—**	—	—	—
Forwards	**1,489**	**912**	**76**	3,492	108	269
Foreign currency swaps	**535**	**1**	**6**	1,588	23	4
Inflation linked swaps	**6,001**	**413**	**64**	2,278	80	57
		12,193	**15,250**		4,411	1,785
Hedging						
Interest rate swaps	**3,139**	**5**	**243**	902	3	4
Forwards	**2,555**	**95**	**2**	619	18	15
Foreign currency swaps	**817**	**21**	**1**	—	—	—
		121	**246**		21	19

E. Financial assets and liabilities (continued)

E5. Derivatives and hedging (continued)

Cash flow hedges

The group designates certain derivatives as hedging instruments in order to effect cash flow hedges. At the inception of the hedge relationship, the group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the group documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk.

Where a cash flow hedging relationship exists, the effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated under the heading of cash flow hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in the income statement, and is included in net investment income.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to the income statement in the periods when the hedged item affects profit or loss, in the same line as the recognised hedged item.

Hedge accounting is discontinued when the group revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. Any gain or loss recognised in other comprehensive income and accumulated in equity at that time is recycled to the income statement over the period the hedged item impacts the income statement.

The group has scheduled the purchase of fixed income securities as part of its reinvestment strategy. In order to mitigate the associated interest rate exposure to these future investments, the group has entered into a number of hedging transactions – forward starting fixed receiving interest rate swaps. In order to reduce the exposure to variability in future cash flows caused by changes in the benchmark interest rate on future securities investments, the group follows the strategy defined below. The strategy of the hedge is to manage the group's risk coming from the changes in the interest rates and secure the cost of future purchases. This interest rate risk exposures, are hedged with derivative contracts (hedging instruments), which mitigate the variability of the underlying cost caused by variations in the interest rate curve. As a result of the hedge, the economic impact of changes in the hedged items' cash flows due to changes in the appropriate portion of the benchmark interest rate will be neutralised by offsetting. The hedged risk is the exposure to variability in future cash flows caused by the fluctuation of the benchmark interest rate. The hedging instruments are the forward starting interest rate swaps. The group receives the fixed interest and pays the variable interest. The notional and maturity of these interest rate swaps is set to match the notional and the maturity of the expected future fixed income investments.

There was no ineffectiveness, in respect of cash flow hedges, recognised in the consolidated income statement during 2022 (2021: €nil). For the year ended 31 December 2022, the effective portion of cash flow hedges, net of tax, recognised through the consolidated statement of comprehensive income was a loss of €138m (2021: loss of €111m).

The following table sets out the nominal amounts and terms of the derivatives used for cash flow hedging purposes.

		Nominal amounts				Fair Value	
€m		**< 1 year**	**1 to 5 years**	**> 5 years**	**Total**	**Positive**	**Negative**
Interest rate contracts							
2022	***Swaps and FRAs***	**50**	**838**	**420**	**1,308**	**–**	**(184)**
2021	*Swaps and FRAs*	110	460	220	790	3	(4)

E. Financial assets and liabilities (continued)

E5. Derivatives and hedging (continued)

Fair value hedges

The group has a portfolio of sovereign bonds that are classified as available-for-sale. In order to mitigate the risk associated with these bonds, the group entered into a number of hedging transactions, establishing two hedging models:

- bond forward sale transactions, covering the price risk of the bond (reflected in the future bond fair value, measured at the maturity date of the forward); and
- spread-lock transactions (consisting of the bond forward sale, and the forward starting interest rate swap), which cover the spread risk component of the bond.

By definition of the hedge, there is a close match in the evolution of values of the hedged risk, and the hedging transactions. A pro-forma effectiveness test is performed on a quarterly basis to verify that the effectiveness is close to 100%. The hedging transactions in each of the two models may be rolled over, as long as the hedged risk extends beyond the maturity date.

At 31 December 2022 the global effectiveness for bond forwards sale hedges was 100.6% (2021: 102.2%), and for spread lock hedges it was 103.2% (2021: 98.7%). As at 31 December 2022 the fair value of the hedging derivative assets is €121m (2021: €18m) and the fair value of the hedging derivative liabilities is €62m (2021: €15m). The closing gain value of the past hedging transactions, for which the hedged risk is still pertinent, is deferred and amortised until the maturity of the hedged bonds which amounts to €140m (2021: €27m loss). The total gain on the fair value hedge adjustment booked in the available-for-sale reserve of the bond portfolio amounts to €179m (2021: €24m loss).

The unrealised result on the remaining active hedging transactions of negative €39m (2021: €22m) is reflected as an adjustment in the consolidated income statement. Including the rolled transactions, the total positive fair value adjustment in the consolidated income statement amounts to €250m (2021: €71m). The net ineffective portion is €nil (2021: €nil).

E6. Collateral arrangements

The group receives collateral in the form of cash and other investment securities in respect of derivative contracts and reinsurance contracts. Where cash collateral is available to the group for investment purposes it is recognised as received collateral (see **note G6**) and the collateral repayable is recognised as cash collateral held (see **note E8**) in the statement of financial position. Pledged collateral that has been paid to banks is classified as Loans and advances due from banks (see **note G6**). The 'obligations for repayment of collateral received' are measured at amortised cost, which in the case of cash is equivalent to cost. Only collateral received where the group has the risks and rewards of ownership, is accounted for in this way. Non-cash collateral received, where the group bears no risk or reward, is not included in these financial statements. Where the group enters into reinsurance transactions, either as cedant or reinsurer, where funds are withheld, these assets are received/pledged as collateral to mitigate against counterparty default risk. Management monitors the market value of the collateral, requests/provides additional collateral when needed and performs an impairment valuation when applicable.

E6.1 Financial instrument collateral arrangements

The group has no financial assets and financial liabilities that have been offset in the statement of consolidated financial position as at 31 December 2022 (2021: none).

The disclosures set out below relate to financial assets and financial liabilities recognised in the statement of consolidated financial position that are subject to enforceable master netting arrangements or similar agreements. Such agreements do not meet the criteria for offsetting in the statement of consolidated financial position as the group has no current legally enforceable right to offset recognised financial instruments. Furthermore, certain related assets received as collateral under the netting arrangements will not be recognised in the statement of consolidated financial position as the group does not have permission to sell or re-pledge, except in the case of default.

E. Financial assets and liabilities (continued)

E6. Collateral arrangements (continued)

E6.1 Financial instrument collateral arrangements (continued)

As stated in **note G6**, the pledged collateral included in "Loans and advances due from banks" amounts to €5,133m (2021: €247m). As stated in **note E8**, the cash collateral included in "Other financial liabilities" amounts to €1,658m (2021: €2,855m). These collateral balances mature on demand.

E6.2 Derivative collateral arrangements

The group enters into derivative transactions under ISDA master netting agreements. In general, under these agreements, the amounts owed by each counterparty on a single day in respect of all transactions outstanding in the same currency are aggregated into a single net amount that is payable by one party to the other. In certain circumstances – e.g. when a credit event such as a default occurs – all outstanding transactions under the agreement are terminated, the termination value is assessed and only a single net amount is payable in settlement of all transactions.

The ISDA agreements do not meet the criteria for offsetting in the statement of financial position.

The following table sets out the carrying amounts of recognised financial instruments that are subject to the above agreements but are not offset. These collateral balances mature on demand.

€m	Gross amount	Financial instrument asset/ (liability)	Cash collateral (received) /pledged	Securities collateral (received) /pledged	Net amount
2022					
Financial assets					
Derivative financial assets	**12,314**	**93**	**(1,658)**	**–**	**10,749**
Financial liabilities					
Derivative financial liabilities	**(15,496)**	**(282)**	**5,179**	**(271)**	**(10,870)**
Repurchase agreements	**(2,155)**		**67**	**2,077**	**(11)**
	(5,337)	**(189)**	**3,588**	**1,806**	**(132)**

€m	Gross amount	Financial instrument asset/ (liability)	Cash collateral (received) /pledged	Securities collateral (received) /pledged	Net amount
2021					
Financial assets					
Derivative financial assets	4,432	54	(2,855)	–	1,631
Financial liabilities					
Derivative financial liabilities	(1,804)	61	412	–	(1,331)
Repurchase agreements	(700)	–	5	692	(3)
	1,928	**115**	**(2,438)**	**692**	**297**

The fair value of securities pledged as collateral was €2,077m (2021: €692m).

E6.3 Stock lending arrangements

Securities lending and borrowing transactions are usually collateralised by securities or cash in order to mitigate significant counterparty exposure. The transfer of the securities to counterparties is only reflected on the statement of financial position if the risks and rewards of ownership are also transferred. Cash advanced or received as collateral is recorded as an asset or liability.

E. Financial assets and liabilities (continued)

E6. Collateral arrangements (continued)

E6.3 Stock lending arrangements (continued)

The group has entered into a number of stock lending transactions during the year for the purpose of generating additional income. The lending periods associated with these arrangements are open ended and can be terminated on request. The assets transferred under the stock loan agreements are secured by the receipt of collateral which is only accepted in the form of equity and fixed income securities, with restrictions on its quality. Although collateral is at the disposal of the group, it has not been used for trading given the open-ended nature of the initial securities lent in the transactions.

The following table shows the assets within the group that have been transferred under stock loan agreements and the related collateral received.

€m	2022	2021
Stock loan arrangements:		
Corporate bonds	**2**	178
Government bonds	**500**	1,978
Total	**502**	2,156
Collateral received	**542**	2,214

E7. Borrowings

On initial recognition borrowings are recorded at fair value net of transaction costs incurred. These instruments are subsequently measured at amortised cost, using the effective interest rate method.

€m	Note	2022	2021
Subordinated debt	**E7.1**	**985**	898
Senior debt	**E7.2**	**907**	700
		1,892	1,598

E7.1 Subordinated debt

€m	Issuer	Maturity	Note	2022	2021
US$ subordinated notes	Athora Netherlands N.V.	Perpetual	**E7.1.1**	**—**	500
Euro subordinated bonds	Athora Netherlands N.V.	2031	**E7.1.2**	**298**	300
Euro subordinated bonds	Athora Netherlands N.V.	2032	**E7.1.3**	**497**	—
Swiss franc perpetual bonds	SRLEV N.V.	Perpetual	**E7.1.4**	**107**	98
Euro subordinated bonds	Athora Italia S.p.A	2031	**E7.1.5**	**83**	—
				985	898

E7.1.1 In June 2022, $506m of the $575m perpetual subordinated notes were tendered for as part of a refinancing exercise. The residual stub was called at its first call date in November 2022. The notes carried a fixed coupon of 6.250% until the first call date of November 2022. The notes qualified as Tier 2 regulatory capital.

E7.1.2 €300m subordinated bonds, with a first call date in 2026 and a maturity date in 2031. The bonds are classified as Tier 2 regulatory capital. The coupon is fixed at 2.250% until its first call date.

E. Financial assets and liabilities (continued)

E7. Borrowings (continued)

E7.1 Subordinated debt (continued)

E7.1.3 €500m subordinated bonds, with a first call date in 2027 and a maturity date in 2032. The bonds are classified as Tier 2 regulatory capital. The coupon is fixed at 5.375% until its first call date.

E7.1.4 CHF105m subordinated perpetual bonds which are callable annually. The coupon is fixed until 2026 at 5.334%. The bonds qualify as Tier 2 regulatory capital.

E7.1.5 €80m subordinated bonds, with a first call date in 2026 and a maturity date in 2031. The coupon is fixed until 2026 at 7.000%. The bonds qualify as Tier 2 regulatory capital.

E7.2 Senior debt

€m						Amortised cost	
Issuer	Nominal	Currency	Issue date	Maturity	Note	2022	2021
Athora Holding Ltd.	450	EUR	31/03/2020	01/04/2025	**E7.2.1**	**445**	490
Athora Holding Ltd.	250	EUR	21/04/2022	21/04/2025	**E7.2.2**	**253**	—
Athora Europe Holding (Bermuda) Ltd.	150	EUR	12/02/2019	12/02/2024	**E7.2.3**	**148**	149
Athora Netherlands N.V.	61	EUR	17/05/2017	17/05/2024	**E7.2.4**	**61**	61
						907	700

E7.2.1 In 2020, AHL issued €500m 5-year floating rate senior debt to a group of credit institutions as part of the acquisition of Athora Netherlands. €50m of this debt was repaid in 2022. Please see below, and **note I6**, for further information relating to the debt refinancing which took place in February 2023.

E7.2.2 In April 2022, AHL borrowed €250m from a group of credit institutions. The loan is classified as Tier 3 regulatory capital.

E7.2.3 In 2019 Athora Europe Holding (Bermuda) Ltd. borrowed €175m from a group of credit institutions as part of the financing for the group's acquisition of Athora Belgium. In 2021, an amount of €25m was repaid. Please see below, and **note I6**, for further information relating to the debt refinancing which took place in February 2023.

Interest charged on the above loans with credit institutions (referenced in E7.2.1 to E7.2.3) is based on a margin ranging from 2.25% to 3.5% on the Euribor base rate.

E7.2.4 In 2020, the group acquired Athora Netherlands and consolidated €650m of senior notes issued by Athora Netherlands NV. An amount of €584 million was redeemed in April 2020, as a result of the successful tender offer on the notes. The remaining €61 million senior notes have a fixed coupon at 2.375% per annum and mature during 2024.

Revolving credit facilities
In February 2021, the group entered into a €500m unsecured revolving credit facility with a group of credit institutions, which provides material additional liquidity resources to the group. No amounts were drawn on this facility during the year. In February 2023, this revolving credit facility was refinanced and the term extended (**note I6**).

In February 2023, a 3-year €600m Term Loan was signed to refinance the AHL €450m Term Loan and the €150m Term Loan of Athora Europe Holding Bermuda Ltd (**note I6**).

E. Financial assets and liabilities (continued)

E8. Other financial liabilities

On initial recognition other financial liabilities are recorded at fair value net of transaction costs incurred. These instruments are subsequently measured at amortised cost, using the effective interest rate method.

€m	Note	2022	2021
Repurchase agreements		***2,155***	*700*
Private loans due to banks		***620***	*597*
Other private loans		***185***	*186*
Loans linked to operating activities		**2,960**	1,483
Derivative financial liabilities	**E5**	**15,496**	1,804
Deposits received from reinsurers		**45**	39
Lease liabilities	**E8.1**	**17**	17
Cash collateral held	**E6**	**1,658**	2,855
Customer deposits		**150**	211
		20,326	6,409

Securities sold subject to repurchase agreements (repos) continue to be recognised on the statement of financial position where substantially all risks and rewards are retained. Funds received under these arrangements are included in liabilities. Conversely, securities purchased under agreements to resell (reverse repos), where the group does not acquire substantially all risks and rewards of ownership, are recorded as loans and receivables. The difference between sale and repurchase price is treated as interest and accrued over the life of the agreements using the effective interest rate method.

E8.1 Lease liabilities

The liability amounts and maturity profile for leases where the group is a lessee are included in the table below:

€m	< 1 year	1 to 5 years	> 5 years	Total
2022	**2**	**9**	**6**	**17**
2021	2	4	11	17

For details of the accounting policy on leases see **note G2**.

E. Financial assets and liabilities (continued)

E9. Investment contract liabilities

Contracts under which the transfer of insurance risk to the group from the policyholder is not significant are classified as investment contracts and accounted for as financial liabilities.

Investment contracts without discretionary participating features (DPF) and that do not have a significant insurance risk, mainly include unit/index-linked policies and non-linked investment contracts. These products are accounted for in accordance with IAS 39 as follows:

- The products are recognised as financial liabilities at fair value or at amortised cost. In detail, linked products classified as investment contracts are fair valued through the income statement, while non-linked investment contracts are generally valued at amortised cost.
- Fee and commission income and expenses are recognised in the income statement over the period in which the related services are performed, along with incremental costs of non-linked investment contracts without DPF (other than administration costs and other non-incremental costs).
- Fee and commission income and incremental costs of non-linked investment contracts without DPF (other than administration costs and other non-incremental costs) are included in the amortised cost measurement.

When contracts contain both a financial risk component and a significant insurance risk component and the cash flows from the two components are distinct and can be measured reliably, the underlying amounts are unbundled, as is among others the case for variable annuity contracts (see note F). For variable annuities, the guaranteed minimum benefits are bifurcated from the savings component and presented as a derivative. Guaranteed minimum benefits are accounted for in line with IFRS 4 insurance contracts, while the bifurcated, embedded derivative is accounted for under IAS 39 Financial instruments (see details in **note E5**).

Investment contract liabilities are recognised when contracts are entered into and premiums are receivable. These liabilities are initially recognised at fair value, this being the transaction price excluding any transaction costs directly attributable to the issue of the contract. The liability is the sum of the unit-linked liabilities plus an additional amount to cover the present value of the excess of future policy costs over future charges. Subsequent to initial recognition, the investment contract liabilities are measured at fair value through profit or loss. Deposits and withdrawals are recorded directly as an adjustment to the liability in the statement of financial position and are not recognised as gross premium in the income statement. Fair values are determined at each reporting date and fair value adjustments are recognised in the income statement. The liability is derecognised when the contract expires, is discharged or is cancelled. For a contract that can be cancelled by the policyholder, the fair value of the contract cannot be less than the surrender value.

Investment contract policyholders are charged for policy administration services, investment management services, surrenders and other contract fees. These fees are recognised as revenue over the period in which the related services are performed. If the fees are for services provided in future periods, then they are deferred and recognised over those periods. 'Front end' fees are charged on some non-participating investment contracts. Where the non-participating investment contract is measured at fair value, such fees which relate to the provision of investment management services are deferred and recognised as the services are provided.

€m	Note	2022	2021
Investment contracts with insurance features	**E9.1**	**12,778**	15,507
Unit-linked liabilities (investment contracts)		**2,289**	1,617
Investment contract liabilities		**15,067**	17,124

E. Financial assets and liabilities (continued)

E9. Investment contract liabilities (continued)

E9.1 Investment contracts with insurance features – movement analysis:

€m	2022	2021
At 1 January	**15,507**	15,870
Reclassification to held-for-sale	**—**	(1,067)
Premiums received	**740**	716
Claims paid	**(912)**	(1,134)
Credit of interest / Change in unit prices	**(2,467)**	1,514
Other	**(90)**	(392)
At 31 December	**12,778**	15,507

The above liabilities do not include risk mitigation through reinsurance.

In 2021, 'other' included €329m relating to a life portfolio transfer in respect of Athora Netherlands.

E10. Risk management – financial risks

The use of financial instruments naturally exposes the group to the risks associated with them, mainly credit risk, market risk, and liquidity risk. The group also has exposure to underwriting risk as part of its insurance activities which are covered in **note F2**.

E10.1 Risk management framework

The Company's board of directors has overall responsibility for the establishment and oversight of the group's risk management framework. The board of directors has established the Board Risk Committee, which is responsible for developing and monitoring the group's risk management policies. The committee reports regularly to the board of directors on its activities.

The group's risk management policies are established to identify and analyse the risks faced by the group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the group's activities. The group, through its internal processes, management standards and governance aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

E10.2 Sensitivity analyses

The sensitivity analyses set out in the table below have been prepared on the basis that the amount of net debt, the ratio of fixed to floating interest rates of debt and derivatives and the proportion of financial instruments in foreign currencies are all constant and on the basis of the hedge designations in place at 31 December 2022 and 31 December 2021.

The following assumptions have been made in calculating the sensitivity analyses:

- The sensitivity of the relevant income statement item is the effect of the assumed changes in respective market risks. This is based on the financial assets and financial liabilities held at 31 December 2022 and 31 December 2021 including the effect of hedge accounting.

E. Financial assets and liabilities (continued)

E10. Risk management – financial risks (continued)

E10.2 Sensitivity analyses (continued)

- The sensitivity of equity is calculated by considering the effect of any associated cash flow hedges at 31 December 2022 and 31 December 2021 for the effects of the assumed changes of the underlying risk.

	2022		2021	
€m	**Profit or loss, net of tax**	**Equity, net of tax**	**Profit or loss, net of tax**	**Equity, net of tax**
Credit risk				
Credit spreads +50bp	**375**	**3**	733	92
Credit spreads -50bp	**(398)**	**10**	(726)	(45)
Market risk				
Interest rates +50bp	**(467)**	**(777)**	561	102
Interest rates -50bp	**(53)**	**290**	(736)	(252)
Equity/property prices +10%	**2**	**217**	114	183
Equity/property prices -10%	**(2)**	**(217)**	(123)	(183)

Athora has exposure to changes in credit spreads on its fixed income holdings in both public and private financial instruments. The change in sensitivity from the prior period is mainly due to the insurance liabilities of one of our business units that are now valued using locked in discount rates (in 2021 Group LAT applied). Athora's exposure to interest rate movements is due to an accounting mismatch on an IFRS basis. The impact of increases in interest rates has reduced the group LAT deficit, resulting in a non-linear movement in interest rate sensitivities. Athora is exposed to equity and property assets as a portion of the strategic asset allocation is held in these assets. The increase in sensitivity compared to the prior year is due a move towards our strategic asset allocation.

During the year, the group reviewed the parameters, processes and procedures used in the determination of sensitivities relating to a 50bp increase and decrease in: interest rates; and credit spreads. As a result of this review a number of improvements were made to data collection, processes and reviews, which were used for the calculation of sensitivities set out above. The prior period sensitivities have been recalculated on this improved basis.

E10.3 Financial risks

Credit risk

Credit risk is the risk of loss resulting from a counterparty's potential inability or unwillingness to fully meet its contractual obligations to the group. The group's approach to managing credit risk recognises that there is a risk of adverse financial impact resulting from deterioration in credit quality of counterparties including default, rating migration and credit spread movements.

The group assumes credit risks through it's investment and hedging activities, via a targeted and selected Strategic Asset Allocation (SAA) that is in line with the risk appetite and strategy. Where credit risk is assumed, the group ensures that it remains diversified, that the group is adequately compensated, and that the level of risk is consistent with the group's risk appetite and objectives. The group avoids idiosyncratic concentrations, distinguishes between price and default risk from credit exposures, and ensures that credit risk taking from the investment activity remains within appetite and does not represent a solvency risk to the group in severe economic conditions.

The group oversees its credit risk management at each business unit to ensure continued compliance with the Prudent Person Principle requirements under Solvency II and BMA regulatory regimes. All business units are required to implement credit risk management processes (including limit frameworks), operate specific risk management committees, and ensure detailed reporting and monitoring of their exposures against pre-established risk criteria. The group manages and monitors all exposures across the business units on a consolidated basis and operates a group limit framework that must be adhered to by the business units. The total exposure to credit risk is disclosed in the following section.

E. Financial assets and liabilities (continued)

E10. Risk management – financial risks (continued)

E10.3 Financial risks (continued)

Asset quality
The ratings employed by the group consider the ratings from the three main rating agencies (Standard & Poor's, Fitch and Moody's) as well as internal credit assessments assigned by Athora Group Risk to private credit assets based on BMA-approved BSCR internal credit assessment methodology. The table below provides information regarding the credit risk exposure of the group by classifying assets according to the Standard & Poor's credit ratings of the counterparties. AAA is the highest possible rating. Assets that fall outside the range of AAA to BBB are classified as speculative grade.

€m 2022 Rating	AAA	AA	A	BBB[i]	BB[i]	B or lower[i]	NR[ii]	N/A[iii]	Total
AFS debt securities	7,053	5,077	4,295	2,145	1,494	1,108	1,330	1,772	24,274
FVTPL debt securities	1,059	1,837	465	1,060	144	40	209	—	4,814
Reinsurance asset	—	6	17	—	—	—	9	3	35
Cash and cash equivalents	—	49	1,004	257	1	—	4	—	1,315
Loans and advances due from banks	51	97	240	352	—	—	4,155	426	5,321
Loans and receivables	485	—	238	122	—	—	—	9,376	10,221

€m 2021 Rating	AAA	AA	A	BBB[i]	BB[i]	B or lower[i]	NR[ii]	NA[iii]	Total
AFS debt securities	12,296	6,971	6,215	3,257	1,118	656	1,387	2,332	34,232
FVTPL debt securities	—	159	—	—	—	—	—	—	159
Reinsurance asset	—	1	13	—	—	—	—	20	34
Cash and cash equivalents	—	2	595	66	—	—	—	414	1,077
Loans and advances due from banks	55	—	77	—	—	—	—	258	390
Loans and receivables	946	—	355	—	—	—	84	9,715	11,100

The asset quality table excludes investments attributable to policyholders and third parties of €673m (2021: €945m) as the risk is not borne by the group.

i. Included within the AFS debt securities 'BBB', 'BB 'and 'B or lower' credit ratings are assets of €2,257m (2021: €1,498m) allocated an internal rating which are considered to be investment grade quality.
ii. AFS debt securities allocated to 'Not rated' primarily relate to private debt €1,330m (2021: €1,387m) with the assets being subject to quarterly impairment reviews.
iii. AFS debt securities classed as 'Not applicable' primarily relate to mortgage-backed securities €1,772m (2021: €2,332m) which benefit from collateral support.
Loans and receivables classed as 'Not applicable' primarily relate to:
- Mortgages €5,310m (2021: €4,990m) which are considered to be low credit risk due to the social security system set up in the Netherlands which makes it unlikely that consumers would not be able to meet their repayments. At 31 December 2022, the book values of c. 97% (2021: c. 95%) of the mortgages, without National Mortgage Guarantee (Netherlands), were less than 75% of their foreclosure costs.
- Private loans linked to savings mortgages €3,872m (2021: €4,308m) which are considered to be low risk as the counterparties to these assets, in the vast majority of cases as a result of ceding and retro-ceding, are investment grade commercial banks.

Available-for-sale equity securities are predominantly level 3 financial assets.

Further credit quality information on the 'NR' and 'N/A' assets is available in the impairment testing table in the next section.

The group is exposed to counterparty credit risk mainly through derivative trades and cash deposits. This risk is generally mitigated through counterparty risk concentration limits and collateralisation agreements in place. Residual exposures are captured within the groups' credit management framework.

E. Financial assets and liabilities (continued)

E10. Risk management – financial risks (continued)

E10.3 Financial risks (continued)

The Group maintains accurate and consistent risk ratings across its asset portfolio. This enables management to focus on the applicable risks and to compare credit exposures across all lines of business, geographical regions and products. The rating system is supported by a variety of financial analytics combined with market information to provide the main inputs for the measurement of counterparty risk. All risk ratings are tailored to the various categories of assets and are assessed and updated regularly.

The Group operates an Internal Credit Rating Committee and a Portfolio Credit Committee to perform oversight and monitoring of internal credit ratings for externally rated and internally rated assets. A variety of methods are used to validate the appropriateness of credit assessments from external institutions and fund managers. Internally rated assets are those that do not have a public rating from an external credit assessment institution. The internal credit ratings used by the Group are provided by fund managers or for certain assets (in particular, equity release mortgages) determined by the Life Companies. The Committees review the policies, processes and practices to ensure the appropriateness of the internal ratings assigned to asset classes, in line with regulatory requirements.

In assessing whether financial assets carried at amortised cost or classified as available-for-sale are impaired, due consideration is given to the factors outlined in **note E3**.

Carrying values of financial assets measured at amortised cost together with available-for-sale debt securities are reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable. The group considers that objective evidence of impairment exists if any of the following indicators are present:

- Significant financial difficulty of the counterparty;
- Default or delinquency in interest or principal payments;
- Probability of bankruptcy or other financial reorganisation;
- Recognition of an impairment loss on that asset in a prior financial reporting period;
- Disappearance of an active market for that financial asset because of financial difficulty; or
- Observable data indicating a measurable decrease in estimated future cash flows such as changes in economic conditions that correlate with defaults.

The following table provides information regarding the carrying value of financial assets subject to impairment testing that have been impaired and assets that are past due but not impaired. For further detail on impairment see also **note C4**.

	2022				2021			
€m	**Neither past due nor impaired**	**Past due but not impaired**	**Impaired**	**Carrying value**	**Neither past due nor impaired**	**Past due but not impaired**	**Impaired**	**Carrying value**
Financial assets								
Loans and receivables	***10,211***	***10***	***—***	***10,221***	*11,089*	*11*	*—*	*11,100*
AFS debt securities	***24,255***	***—***	***19***	***24,274***	*34,209*	*—*	*23*	*34,232*
FVTPL debt securities	***4,814***	***—***	***—***	***4,814***	*159*	*—*	*—*	*159*
Reinsurance asset	**35**	**—**	**—**	**35**	34	—	—	34
Loans and advances due from banks	**5,321**	**—**	**—**	**5,321**	390	—	—	390
Prepayments and other	**354**	**—**	**—**	**354**	145	—	—	145

E. Financial assets and liabilities (continued)

E10. Risk management – financial risks (continued)

E10.3 Financial risks (continued)

Reinsurance risk

Reinsurance costs and recoveries as defined by the reinsurance agreement are reflected in the valuation with these costs and recoveries being appropriately calibrated to the direct assumptions. Reinsurance contracts do not relieve the group of its obligations to policyholders. Failure of reinsurers to honour their obligations could result in losses to the group. The group evaluates the financial condition of its reinsurers to minimise its exposure to significant losses from the reinsurer insolvencies.

Derivative financial instruments

As at 31 December 2022, the group has pledged collateral with a fair value of €5,179m (2021: €412m) and has received collateral of €1,658m (2021: €2,855m).

The group's counterparties for interest rate swaps and foreign currency swaps are all investment graded banks or centrally cleared counterparties. The group has the necessary Credit Support Annex agreements (CSA) and International Swap and Derivative Association agreements (ISDA) in place. The group maintains daily collateral exchange with external counterparties. Given the above, the group's counterparty risk remains within risk appetite. There are no other significant terms and conditions associated with the use of collateral.

Concentrations of credit risk

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

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

Appropriate limit and early warning systems are in place throughout the group to manage and monitor our credit concentration risk exposures.

The following tables set out the credit risk exposures based on how the group manages the risk. The group manages the risk based on the carrying value of the financial instruments.

€m	Government	Financial services	Real estate	Other	Total
2022					
Investments	*16,569*	*7,962*	*5,987*	*8,791*	*39,309*
Loans and receivables	*137*	*3,763*	*5,828*	*493*	*10,221*
AFS debt securities	*12,655*	*3,656*	*15*	*7,948*	*24,274*
FVTPL debt securities	*3,777*	*543*	*144*	*350*	*4,814*
Derivative financial assets	–	12,314	–	–	12,314
Reinsurance asset	–	35	–	–	35
Loans and advances due from banks	–	5,321	–	–	5,321
Prepayments and other	–	–	–	354	354
Cash and cash equivalents	–	1,315	–	–	1,315
Total assets	**16,569**	**26,947**	**5,987**	**9,145**	**58,648**

E. Financial assets and liabilities (continued)

E10. Risk management – financial risks (continued)

E10.3 Financial risks (continued)

€m	Government	Financial services	Real estate	Other	Total
2021					
Investments	20,494	10,233	5,964	8,800	45,491
Loans and receivables	*142*	*4,476*	*5,943*	*539*	*11,100*
AFS debt securities	*20,193*	*5,757*	*21*	*8,261*	*34,232*
FVTPL debt securities	*159*	—	—	—	*159*
Derivative financial assets	—	4,432	—	—	4,432
Reinsurance asset	—	34	—	—	34
Loans and advances due from banks	—	390	—	—	390
Prepayments and other	—	—	—	145	145
Cash and cash equivalents	—	1,077	—	—	1,077
Total assets	**20,494**	**16,166**	**5,964**	**8,945**	**51,569**

Liquidity risk

Liquidity risk is the risk that the group will not be able to meet all cash outflow obligations as they come due. The group ensures that a sufficient liquidity buffer is maintained to meet liquidity demands, even in times of stressed market conditions. Exposure to liquidity risk is managed through several measures that include risk limits, standardised approach to liquidity measurement, sensitivity testing and stress and scenario testing and liquidity plans.

Liquidity risk at insurance entities within the group is measured by a Liquidity Coverage Ratio, whereby entities assess liquidity resources (i.e. liquid assets after appropriate haircuts) relative to liquidity requirements under certain stresses over various time periods. The group has committed borrowing and capital facilities that can be called upon to support the group's liquidity position. The group has assessed the concentration of risk with respect to refinancing its debt and concluded it to be low and there are no material debt maturities within 12 months.

The tables below summarise the remaining contractual maturity of financial liabilities and insurance contract liabilities at 31 December 2022 and 31 December 2021. The amounts are gross and undiscounted and include contractual interest payments and exclude the impact of netting agreements. For insurance contracts liabilities, maturity profiles are determined based on estimated timing of the cash outflows from the recognised insurance liabilities.

E. Financial assets and liabilities (continued)

E10. Risk management – financial risks (continued)

E10.3 Financial risks (continued)

€m	Carrying amount	Gross contractual cash flows <1 year	1 to 5 years	>5 years	Unit-linked	Total
2022						
Insurance provisions	**44,839**	**2,035**	**7,972**	**42,750**	**—**	**52,757**
Investment contracts with insurance features	**12,778**	**630**	**2,275**	**9,873**	**—**	**12,778**
Liabilities for the account of policyholders	**2,289**	**—**	**—**	**—**	**2,289**	**2,289**
Liabilities for the account of third parties	**4,109**	**—**	**—**	**4,109**	**—**	**4,109**
Insurance related liabilities	**64,015**	**2,665**	**10,247**	**56,732**	**2,289**	**71,933**
Other financial liabilities	**4,830**	**4,010**	**811**	**9**	**—**	**4,830**
Other payables	**797**	**706**	**54**	**37**	**—**	**797**
Non-derivative financial liabilities	**5,627**	**4,716**	**865**	**46**	**—**	**5,627**
Derivative financial liabilities not hedged	**15,250**	**373**	**1,017**	**13,860**	**—**	**15,250**
Interest rate swaps used for hedging	**243**	**—**	**1**	**242**	**—**	**243**
Forwards used for hedging	**2**	**2**	**—**	**—**	**—**	**2**
Foreign currency swaps	**1**	**1**	**—**	**—**	**—**	**1**
Derivative financial instrument liabilities	**15,496**	**376**	**1,018**	**14,102**	**—**	**15,496**

As set out in **note E7.1**, of the total subordinated debt of €985m (2021: €898m), €878m (2021: €300m) is payable after more than five years and the rest is perpetual debt. As set out in **note E7.2**, the senior debt of €907m (2021: €700m) is payable within 2 to 5 years.

E. Financial assets and liabilities (continued)

E10. Risk management – financial risks (continued)

E10.3 Financial risks (continued)

€m	Carrying amount	Gross contractual cash flows <1 year	1 to 5 years	>5 years	Unit-linked	Total
2021						
Insurance provisions	46,230	1,929	7,752	38,536	1,599	49,816
Investment contracts with insurance features	15,507	889	3,283	11,335	—	15,507
Liabilities for the account of policyholders	1,617	—	—	—	1,617	1,617
Liabilities for the account of third parties	3,354	—	—	3,354	—	3,354
Insurance related liabilities	**66,708**	**2,818**	**11,035**	**53,225**	**3,216**	**70,294**
Other financial liabilities	4,605	4,011	356	272	—	4,639
Other payables	644	642	2	—	—	644
Non-derivative financial liabilities	**5,249**	**4,653**	**358**	**272**	**—**	**5,283**
Derivative financial liabilities not hedged	1,785	196	371	1,448	—	2,015
Interest rate swaps used for hedging	4	—	4	—	—	4
Forwards used for hedging	15	15	—	—	—	15
Foreign currency swaps	—	—	—	—	—	—
Derivative financial instrument liabilities	**1,804**	**211**	**375**	**1,448**	**—**	**2,034**

As set out in **note E7.1**, of the total subordinated debt of €985m (2021: €898m), €878m (2021: €300m) is payable after more than five years and the rest is perpetual debt. As set out in **note E7.2**, the senior debt of €907m (2021: €700m) is payable within 2 to 5 years.

E. Financial assets and liabilities (continued)

E10. Risk management – financial risks (continued)

E10.3 Financial risks (continued)

Additionally, the liquidity profile of the group's financial investments at 31 December 2022 and 31 December 2021 are shown in the tables below:

€m	Carrying amount	<1 year	1 to 5 years	>5 years	Unit-linked
2022					
Loans and receivables	**10,221**	**424**	**154**	**9,643**	**—**
AFS debt securities	**24,274**	**5,609**	**6,713**	**11,952**	**—**
FVTPL debt securities	**4,814**	**462**	**1,250**	**3,102**	**—**
Investment assets for the account of policyholders and third parties	**18,581**	**—**	**—**	**16,301**	**2,280**
Loans and advances due from banks	**5,321**	**5,214**	**77**	**30**	**—**
Non-derivative financial assets	**63,211**	**11,709**	**8,194**	**41,028**	**2,280**
Derivative financial instruments assets	**12,314**	**779**	**1,270**	**10,265**	**—**

€m	Carrying amount	<1 year	1 to 5 years	>5 years	Unit-linked
2021					
Loans and receivables	11,100	841	167	10,092	—
AFS debt securities	34,232	7,844	8,997	17,391	—
FVTPL debt securities	159	—	2	157	—
Investment assets for the account of policyholders and third parties	20,007	—	—	18,390	1,617
Loans and advances due from banks	390	270	68	52	—
Non-derivative financial assets	65,888	8,955	9,234	46,082	1,617
Derivative financial instruments assets	4,432	269	153	4,010	—

Market risk

Market risk includes the risk of loss or of adverse change in the financial situation resulting, directly or indirectly, from fluctuations in the level and in the volatility of market prices of financial instruments. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk, such as equity risk.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The group's exposure to the risk of changes in market interest rates relates primarily to the group's variable rate loan portfolio, its available-for-sale debt securities and its long-term debt obligations with floating interest rates.

The group does not seek to take interest rate risk, as it is not core to its business strategy and it believes the return for keeping this risk on the statement of financial position is very low. The group manages interest rate risk through its group ALM Risk Policy. The ALM risk strategy seeks to mitigate and manage the interest rate risk exposure stemming from the variable rate asset and liability exposures on a solvency II basis. Within the context of the group ALM Risk Policy, the group uses derivative financial instruments to manage interest rate risk.

With respect to insurance products where the investment risk is exclusively or mainly borne by policyholders (e.g. unit-linked funds), the group's net assets can have interest rate sensitivity through the value of the future fee revenue as well as (potentially) any guarantee issued by the group. Such sensitivity and exposure is incorporated in each group segment and is considered as part of the overall ALM process.

E. Financial assets and liabilities (continued)

E10. Risk management – financial risks (continued)

E10.3 Financial risks (continued)

Exposure to interest rate risk is monitored through several measures that include duration, capital modelling, sensitivity testing and stress and scenario testing. The interest rate sensitivity of the assets and liabilities components is measured by the DV01, or 'dollar' value impact of a 1 basis point change in the yield. The group define plausible interest rate stresses for different confidence levels based on statistical analysis and expert judgement which cover a range of interest rate curve changes. The group develops and maintains risk models to validate the results prepared locally, and to monitor the exposure consistently across all statements of financial position in the group.

Investment risk is the risk of loss due to actual investment returns being different to expected. There are interest rate guarantees for some unit-linked insurance policies (classified as insurance), as a result of which the group is exposed to an interest rate risk in respect of products of this type.

Equity risk and property risk

Athora is exposed to the risk of reductions in the valuation of equities (or changes in the volatility) or property investments which could result in reductions in asset values and losses. We seek to minimise equity risk while selectively takes on property risks conditional to appropriate valuation framework and solid underwriting features, including compelling idiosyncratic risk-return profile and downside protection. Property assets include direct property investment, shares in property companies, property collectives and structured property assets. Equity and property price risk is managed through monitoring of financial risk profiles according to diversification and underwriting criteria as per Athora Investment Universe and Athora Group Credit Concentration and Counterparty Risk policy. As at 31 December 2022 the group held investment in quoted equities of €148m (2021: €75m), investment in unquoted equities of €2,251m (2021: €1,671m) and investment properties of €2,214m (2021: €1,994m)

Currency risk

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

The group is exposed to transactional foreign currency risk to the extent that there is a mismatch between the currencies in which assets and liabilities are denominated and the respective functional currencies of group companies. While the primary functional currency of group companies is the euro, some subsidiaries have pound sterling or the US dollar as their functional currency. For the assets backing insurance contract liabilities that are not matched by currency, the change in foreign currency exchange rates can expose the group to the risk of foreign exchange losses not offset by liability decreases.

As part of its investment strategy, the group is potentially exposed to currency exchange rates emerging from non-euro denominated assets and it is expected to have very limited currency exposure from its regulatory and market-consistent liabilities; as a consequence, investments in currencies other than euro are the main source of currency risk. The group manages currency risk by matching assets and liabilities and hedging non-euro denominated investments executed with financial derivatives (e.g. foreign currency swaps or FX forwards) in compliance with the Athora Policy on Use of Derivatives.

Foreign currency translation gains and losses from net investments in foreign operations and tax effects, are recorded in accumulated other comprehensive income. Strengthening or weakening of the euro spot rate compared to pound sterling or US dollar spot rates impacts the group's total equity.

The tables following summarise the key exposure of the assets and liabilities of the group to foreign currency (any excluded assets are euro assets held by entities with a euro functional currency):

E. Financial assets and liabilities (continued)

E10. Risk management – financial risks (continued)

E10.3 Financial risks (continued)

€m	GBP	USD	JPY	Other
2022				
Investment properties	**—**	**—**	**—**	**88**
Investments	**1,168**	**7,192**	**1,115**	**266**
Loans and receivables	***1***	***150***	**—**	***2***
AFS financial assets	***1,072***	***6,364***	***1,115***	***243***
Financial assets at FVTPL	***95***	***678***	**—**	***21***
Investment in associates	**—**	**—**	**—**	**—**
Investment assets for the account of policyholders	**—**	**229**	**—**	**—**
Loans and advances due from banks	**—**	**11**	**—**	**2**
Cash and cash equivalents	**5**	**52**	**—**	**1**
Total assets	**1,173**	**7,484**	**1,115**	**357**
Investment contract liabilities	**—**	**182**	**—**	**—**
Borrowings	**—**	**—**	**—**	**105**
Other financial liabilities	**—**	**61**	**—**	**—**
Total liabilities	**—**	**243**	**—**	**105**
Net financial position exposure	**1,173**	**7,241**	**1,115**	**252**
Forward exchange contracts and cross-currency swaps	**(1,192)**	**(7,295)**	**(1,105)**	**(220)**
Net exposure	**(19)**	**(54)**	**10**	**32**

€m	GBP	USD	JPY	Other
2021				
Investment properties	—	—	—	—
Investments	922	5,486	1,176	251
Loans and receivables	*319*	*1,554*	—	*23*
AFS financial assets	*603*	*3,932*	*1,176*	*228*
Financial assets at FVTPL	—	—	—	—
Investment in associates	—	*247*	—	—
Investment assets for the account of policyholders	—	73	—	—
Loans and advances due from banks	—	43	—	3
Cash and cash equivalents	2	2	—	—
Total assets	924	5,851	1,176	254
Investment contract liabilities	—	(170)	—	—
Borrowings	—	(519)	—	(102)
Other financial liabilities	—	(87)	—	—
Total liabilities	—	(776)	—	(102)
Net financial position exposure	924	5,075	1,176	152
Forward exchange contracts and cross-currency swaps	(972)	(5,388)	(1,159)	(195)
Net exposure	**(48)**	**(313)**	**17**	**(43)**

F. Insurance contracts, investment contracts with DPF and reinsurance

Classification of contracts

Insurance contracts are those contracts where the group has accepted significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder. The group also assumes reinsurance risk in the normal course of business for life insurance contracts where applicable. The group determines whether it has significant insurance risk, by comparing benefits payable after an insured event with benefits payable if the insured event did not occur. Contracts under which the group transfers significant insurance risk to other parties are classified as reinsurance contracts. Insurance and reinsurance contracts also expose the group to financial risk.

Insurance contracts and investment contracts with DPF

Life insurance liabilities

Life insurance contract liabilities applicable to the group's insurance and investment business include provisions for policies where investment risks are borne by policyholders (unit-linked business) which is covered in **note E4**, as well as insurance policies offering a variety of guarantees and participation features, and reinsurance liabilities.

Life insurance liabilities are recognised when contracts are entered into and premiums are receivable. For unit-linked insurance contract liabilities, the provision is based on the fund value, together with an allowance for any excess of future expenses over charges, where appropriate. Any guaranteed benefits under the contract terms are separated out and fair valued as financial instruments. The financial instruments liabilities are calculated as the face value of the units allocated to the contract, plus an additional reserve for guaranteed benefits.

When contracts contain both a financial risk component and a significant insurance risk component (or guaranteed benefit, such as for variable annuities) and the cash flows from the two components are distinct and can be measured reliably, the financial risk component is bifurcated and accounted for as an embedded derivative (see **note E5**).

Liabilities for guaranteed benefits differ according to exposure maturity (short / long term), to generally used reporting methodology (net / gross level premium) and to the claim processing efficiency (claims reserves). These liabilities are measured using the net premium method. The liability is determined as the sum of the discounted value of the expected future benefits, claims handling and policy administration expenses, policyholder options and guarantees and investment income from assets backing such liabilities, which are directly related to the contract, less the discounted value of the expected premiums that would be required to meet the future cash outflows based on the valuation assumptions used. The liability is either based on current assumptions or calculated using the assumptions established at the time the contract was issued, in which case, a margin for risk and adverse deviation is generally included. Furthermore, the liability for life insurance contracts comprises the provision for unearned premiums and premium deficiency, as well as for claims outstanding, which includes an estimate of the incurred claims that have not yet been reported to the group.

Adjustments to the liabilities at each reporting date are recorded in the income statement. The liability is derecognised when the contract expires, is discharged or cancelled.

Reserves calculated are subject to estimates and assumptions, especially on life expectancy and health of an insured individual and on the development of interest rates and investment returns. At each reporting date, an assessment is made of whether the recognised life insurance liabilities, including shadow reserve (see shadow accounting section below), net of related PVIF, are adequate by using an existing liability adequacy test (LAT). The liability value is adjusted to the extent that it is insufficient to meet expected future benefits and expenses, any shadow reserve in excess of the LAT is released. In performing the LAT, current best estimates of future contractual cash flows, including related cash flows such as claims handling and policy administration expenses, policyholder options and guarantees, as well as investment income from assets backing such liabilities, are used. A number of valuation methods are applied, including discounted cash flows, option pricing models and stochastic modelling. A consistent application of those assumptions is achieved by integrating all liability calculations into a centralised model and valuation process. To the extent that the LAT involves discounting of cash flows, the interest rate applied may be prescribed by regulations or may

F. Insurance contracts, investment contracts with DPF and reinsurance (continued)

Insurance contracts and investment contracts with DPF (continued)

Life insurance liabilities (continued)

be based on management's prudent expectation of future investment returns. Any inadequacy is recorded in the income statement, initially by impairing PVIF and, subsequently, by establishing an additional insurance liability for the remaining deficit.

In subsequent periods, the liability for a block of business that has failed the LAT is based on the assumptions that are established at the time of the loss recognition. The assumptions do not include a margin for adverse deviation. Impairment losses resulting from liability adequacy testing are reversed in future years if the impairment no longer exists.

As a result of various transactions, the life insurance contract liabilities held includes negative VOBA. The negative VOBA is a liability recorded in respect of acquired insurance contracts (see accounting policy H2 business combinations). Any negative VOBA that has arisen on acquisition must be considered within the assessment of the carrying value for the purpose of LAT. The treatment of VOBA for group LAT varies by entity reflecting the LAT deficit that existed in each entity at the date of acquisition.

Profit sharing

In addition to non-profit-sharing insurance contracts, the insurance portfolio also contains insurance contracts with discretionary or contractual profit-sharing rights.

Discretionary profit-sharing schemes concern the right of individual policyholders to receive additional benefit payments over and above any insured or guaranteed capital. The determination of the amount and timing of these additional benefits is at the discretion of group's management. Profit shares already awarded are also included in liabilities arising from insurance contracts.

For insurance contracts with discretionary participation features, realised and unrealised gains and losses that are eligible for profit-sharing on certain financial assets in the portfolio backing the participating insurance contracts are transferred to insurance liabilities, if they constitute a net gain on a cumulative basis. These additions may be made regardless of the management's decision about the profit amounts paid out to the policyholders.
In some jurisdictions, there are also individual and group contracts with contractual profit-sharing. These are based on a share of any surplus interest profits and profit-sharing based on a share of any insurance profits. Obligations as a result of contractual profit-sharing are included in liabilities arising from insurance contracts.

There are also individual and group contracts with contractual profit-sharing. These are based on a share of any surplus interest profits and profit-sharing based on a share of any insurance profits. Obligations as a result of contractual profit-sharing are included in liabilities arising from insurance contracts.

In Germany the minimum statutory profit sharing is set to 90%, which may include financial income and other components. In Athora's Belgium and Dutch subsidiaries, profit sharing rights are primarily granted at the discretion of management.

Shadow accounting

Realised gains and losses on assets backing insurance liabilities can have a direct effect on the measurement of insurance liabilities. IFRS 4 contains an option generally referred to as 'Shadow Accounting' to reduce accounting mismatches which may occur when insurance liabilities and investments backing those liabilities:

- are measured on a different basis; or
- have changes in their measurements recorded in different line items of total comprehensive income (net income versus other comprehensive income).

Athora applies this option which means that unrealised gains or losses on assets backing insurance liabilities are treated in the same way as realised gains and losses for the purpose of measuring insurance liabilities.

F. Insurance contracts, investment contracts with DPF and reinsurance (continued)

Insurance contracts and investment contracts with DPF (continued)

Shadow accounting (continued)

The adjustment arising from the application of shadow accounting is included in the carrying amount of insurance liabilities whose adequacy is tested by the liability adequacy test (LAT), to reflect the IFRS carrying amount of insurance provisions.

Embedded derivatives

Embedded derivatives are treated as separate derivatives and are recorded at fair value if their economic characteristics and risks are not closely related to those of the related host contract and the host contract is not itself recorded at fair value through profit or loss. Embedded derivatives that meet the definition of insurance contracts are treated and measured as insurance contracts. See further details in **note E5**.

Reinsurance

The group assumes and cedes reinsurance in the normal course of business, with retention limits varying by line of business. The cost of reinsurance related to long-duration contracts is accounted for over the life of the underlying reinsured policies, using assumptions consistent with those used to account for these policies.
Premiums ceded and claims reimbursed are presented on a gross basis in the income statement and statement of financial position as appropriate.

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

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

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

Consolidated income statement recognition

Net Earned Premium

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

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

Claims paid

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

Death claims and surrenders are recorded based on notifications received. Maturities and annuity payments are recorded when due. The reinsurer’s share (ceded reinsurance recoveries) is accounted for in the same period as the underlying claim.

F. Insurance contracts, investment contracts with DPF and reinsurance (continued)

F1. Liabilities under insurance contracts

Provisions for life insurance contracts are either based on current assumptions or on the assumptions established at inception of the contract, reflecting practices at the time. The best estimate assumptions include both actuarial (e.g. mortality, disability and surrender rates or maintenance and investment management expenses) and investment return or expense inflation assumptions. These assumptions are subject to back-testing and are updated annually to reflect actual experience and current market conditions. Insurance contracts with discretionary participating features are accounted for under the provisions of local GAAP where IFRS 4 'Insurance contracts' does not provide specific guidance. Details of underwriting risk sensitivities are disclosed below in **note F2.3.**

All contracts are subject to liability adequacy testing (LAT) which reflects management's current estimates of future cash flows. If the liability adequacy test leads to a provision that exceeds the sum of the insurance provision, the shadow accounting reserve and VOBA (where applicable based on circumstances at the date of acquisition), then the insurance provision is increased by this amount.

Consolidated financial statements are prepared with the group LAT parameters applied to insurance liabilities across all subsidiaries. For group LAT, the discount rates used are derived from the (bid price) swap curve, plus real-world spread. The discount rates used for LAT are influenced by financial market conditions, hence the impact of future discount rate changes cannot be reliably predicted.

As described above and permitted under IFRS 4, the group applies shadow accounting to mitigate valuation mismatches between financial investments carried at fair value and insurance liabilities accounted for in accordance with local GAAP requirements. Shadow accounting attributes the policyholders' share of the difference to the insurance liabilities.

The LAT deficit, including shadow accounting, decreased by €(9,278)m in 2022 (2021: (€1,250)m). This decrease seen in 2022 reflects the increase in interest rates which has reduced the LAT deficit and shadow accounting reserve. Underlying insurance provisions before the LAT test is applied are valued using locked-in discount rates, which will not have decreased over the period.

As such, a proportion of the decrease in the reserve was recognised as a credit against the corresponding unrealised losses on available-for-sale investments, through other comprehensive income. The credit, net of taxes, recognised during the year in the consolidated statement of comprehensive income was €439m (2021: €592m). The credit, gross of taxes, recognised during the year in the consolidated income statement was €8,653m (2021: €398m).

The group carries a VOBA liability of €1,179m (2021: €1,339m) in relation to the acquisition of Athora Netherlands and €489m (2021: €529m) in relation to Athora Belgium. The Group carries a VOBA asset of €141m in relation to the acquisition of NN Insurance portfolio and €343m in relation to the acquisition of Athora Italia.

The amortisation period applicable is the lifetime of the related underlying contracts in the portfolio. As at 31 December 2022 this is 62 years (2021: 63 years) for Athora Netherlands, 31 years for Athora Belgium (2021: 32 years), 40 years (2021: n/a) for the NN Insurance portfolio and 40 years (2021: n/a) for Athora Italia.

F. Insurance contracts, investment contracts with DPF and reinsurance (continued)

F1. Liabilities under insurance contracts (continued)

Insurance provisions - movement analysis:

€m	2022 Gross	2022 Reinsurance	2022 Net	2021 Gross	2021 Reinsurance	2021 Net
At 1 January	**46,230**	**(34)**	**46,196**	**49,384**	**(158)**	**49,226**
Acquisition of subsidiaries and portfolios	**8,633**	**(4)**	**8,629**	—	—	—
Reclassification to held-for-sale	**—**	**—**	**—**	—	59	59
Premiums received	**1,680**	**(560)**	**1,120**	1,871	(446)	1,425
Liabilities paid for maturities, surrenders and claims	**(2,992)**	**560**	**(2,432)**	(2,740)	481	(2,259)
Portfolio transfers	**139**	**—**	**139**	—	—	—
Fees deducted	**(3)**	**(20)**	**(23)**	(9)	(18)	(27)
Credit of interest or change in unit-prices	**829**	**35**	**864**	(1,822)	69	(1,753)
Amortisation of intangibles	**(114)**	**—**	**(114)**	(225)	(2)	(227)
Change in LAT adjustment and Shadow accounting	**(9,278)**	**—**	**(9,278)**	(1,250)	—	(1,250)
Experience deviations and change in assumptions	**(367)**	**24**	**(343)**	857	—	857
Other	**82**	**(36)**	**46**	164	(19)	145
At 31 December	**44,839**	**(35)**	**44,804**	**46,230**	**(34)**	**46,196**

The portfolio transfer of €139m relates to a transfer of group pension contracts from policyholder to shareholder life insurance liabilities.

F. Insurance contracts, investment contracts with DPF and reinsurance (continued)

F2. Risk management – insurance risk

An overview of the group's approach to risk management and the group's management of financial and other risks is detailed in **note E10**.

Insurance risk refers to the risk of reductions in earnings and/or value, through financial or reputational loss, due to fluctuations in the timing, frequency and severity of insured/underwritten events and to fluctuations in the timing and amount of claim settlements. This includes fluctuations in profits due to customer behaviour.

The Life businesses are exposed to the following elements of insurance risk:

Mortality/ Longevity	The risk most typically associated with life insurance policies is mortality and longevity risk. These risks mainly affect the duration and timing of the payment of the insured cash flows. Mortality risk indicates the risk for the group of the policyholder dying earlier than expected. In the case of annuity business, the longevity risk is that the policyholder might live longer than expected. Mortality and longevity risks are mitigated by use of reinsurance. Mortality and longevity risks are monitored using internal experience analysis against the latest external industry data and emerging trends.
Morbidity/ Disability	Other underwriting risks that affect the life insurance portfolio is the risk of being (partly) unable to work for a period or on a permanent basis. The financial impact is mostly dependent on the age, the sum insured and the disability percentage of the policyholder. Disability risks are mitigated by use of reinsurance. In the case of annuity business, the disability/morbidity risk is that the policyholder might fall sick and be unable to work. Disability risks and internal experience analysis, supplemented by considering the latest external industry data, are monitored against the latest external industry data, and emerging trends.
Expenses	Risk of loss due to expense experience being different to that estimated within pricing and valuation. Expense risk is primarily managed through the assessment of business unit profitability and frequent monitoring of expense levels.
Persistency	Other underwriting risks that affect the life insurance portfolio are risks associated with policyholders' behaviour, such as early surrender (the policyholder terminates the policy before the maturity date) or conversion to a paid-up status (the policyholder terminates the regular premium payment before the maturity date). In the case of annuity business, persistency risk is that the policyholder surrenders their policy earlier than has been assumed. Persistency risk is managed at a local level through frequent monitoring of company experience and benchmarked against local market information.
Catastrophe	In the event of a catastrophe the risks will be concentrated primarily in the group insurance portfolio. Participants in a group contract often work at the same location or undertake joint activities, which brings about a concentration of risk. Such concentrations of risks have been partly offset through the use of reinsurance.

F2.1 Objectives and policies for mitigating insurance risk

Life and health insurance risk in the group arises through its exposure to mortality, longevity and morbidity risks and exposure to worse than anticipated operating experience on factors such as persistency levels, exercising of policyholder options and administration expenses.

The assumption and management of life insurance risks is governed by the group-wide business standards covering underwriting, pricing, product design and management, in-force management, claims handling, and reinsurance. The objective of the group is to mitigate its exposure to risk arising from these contracts through product design and selection; product, geographical, and individual risk diversification; thorough underwriting, and through reinsurance. The group local entities assess underwriting risks by following the Product Approval and Review Process (PARP) for new or adjusted products and management of the existing portfolio.

F. Insurance contracts, investment contracts with DPF and reinsurance (continued)

F2. Risk management – insurance risk (continued)

F2.1 Objectives and policies for mitigating insurance risk continued

The group business units use several methods to assess and monitor insurance risk exposures both for individual types of risks insured and overall risks. These methods include internal risk measurement models, experience analyses, external data comparisons, sensitivity analyses, scenario analyses and stress testing.

The group uses reinsurance as a means to mitigate underwriting risk exposures and bring them in line with its Risk Appetite & Strategy, and to create free surplus that can be used to improve capital position, finance sales growth or invest in acquisitions. Reinsurance is also used to support pricing and underwriting capacity, where appropriate terms and secure counterparties are available, group entities may also reinsure or retrocede risks to other companies within the group, in order to optimally allocate and redirect capital in line with the business strategy. Athora Bermuda and Athora Ireland serve as internal reinsurance risk carriers to centralise the risk management of certain risk exposures and optimise diversification benefits.

Reinsurance of underwriting and selected other risks to well established, solid external reinsurers is a core part of the group Risk and Capital Management Policy. The reinsurance programme is determined on the basis of risk assessments of the various portfolios, the size of the portfolios, the nature of the underwriting risks, the profit or loss, the risk appetite and the financial strength of the company. Reinsurance assets stemming from a single external reinsurer or reinsurance group may not be more than 10% of the local entity or group balance sheet. External reinsurers must have a financial credit rating of at least investment grade.

External reinsurance contracts do not relieve the group of its obligations to policyholders. Failure of reinsurers to honour their obligations could result in losses to the group. The group evaluates the financial condition of its reinsurers to minimise its exposure to significant losses from the reinsurer insolvencies.

Life insurance contracts

Life insurance contracts offered include individual and group contracts (corporate portfolio). The individual life insurance portfolio consists of both traditional and unit-linked products. The individual life insurance portfolio mainly consists of unit-linked insurance policies, savings based mortgage policies, endowments and other savings policies, term life policies, funeral policies and life annuity insurance policies providing regular payments for a fixed period or for the remainder of the policyholder's life. Individual policies are sold as policies with a fixed sum insured and policies with a benefit in units (unit linked and universal life insurance). The unit-linked products include both unit-linked and universal life type products, that exist both with and without guarantees. The traditional products include those with and without discretionary participating features. The unit-linked policies are with or without guarantees.

The life corporate portfolio consists of both traditional contracts where the investment risk is borne by the insurer, investment insurance (unit-linked and universal life with insurance elements) and separate accounts, where the investment risk is borne by the customer. Interest rate guarantees on separate accounts returns have been granted for a limited number of these contracts.

The following tables set out the insurance contract liabilities, with and without DPF, and the related reinsurance contracts by geography based on the location of office recording the transaction.

F. Insurance contracts, investment contracts with DPF and reinsurance (continued)

F2. Risk management – insurance risk (continued)

F2.1 Objectives and policies for mitigating insurance risk continued

	2022			2021		
€m	**Gross**	**Reinsurance**	**Net**	**Gross**	**Reinsurance**	**Net**
Belgium	**7,169**	**(20)**	**7,149**	5,014	(14)	5,000
Bermuda	**281**	**—**	**281**	176	—	176
Germany	**3,891**	**(8)**	**3,883**	4,947	(11)	4,936
Ireland	**18**	**—**	**18**	10	—	10
Netherlands	**40,575**	**(3)**	**40,572**	51,590	(9)	51,581
Italy	**5,683**	**(4)**	**5,679**	—	—	—
Total	**57,617**	**(35)**	**57,582**	**61,737**	**(34)**	**61,703**

F2.2 Assumptions

Material judgement is required in determining the liabilities and choice of assumptions for underwriting risks. Assumptions in use are based on past experience, current internal data, external market indices and benchmarks which reflect current observable market prices and other published information. Mortality, longevity and disability/morbidity assumptions are based on standard industry and national tables, according to the type of contract written and the territory in which the insured person resides. Assumptions are differentiated by contract type, sex and underwriting class.

An allowance is made for future mortality improvements. Operating expenses assumptions reflect the projected costs of maintaining and servicing in force policies and associated overhead expenses.

F2.3 Sensitivities

The following table shows the sensitivity of profit and equity, net of tax, to the key non-economic risks for reasonably possible movements in key assumptions with all other assumptions held constant. The correlation of assumptions will have a significant effect in determining the ultimate liabilities, but to demonstrate the impact due to changes in assumptions, assumptions had to be changed on an individual basis. It should be noted that movements in these assumptions are non-linear. Sensitivity information will also vary according to the current economic assumptions, mainly due to the impact of changes to both the intrinsic cost and time value of options and guarantees. When options and guarantees exist, they are the main reason for the asymmetry of sensitivities.

	2022		2021	
€m	**Profit or loss, net of tax**	**Equity, net of tax**	**Profit or loss, net of tax**	**Equity, net of tax**
Lapse rates: 10% increase	**4**	**4**	64	16
Lapse rates: 10% decrease	**(4)**	**(4)**	32	(18)
Mortality: 10% increase	**54**	**54**	106	58
Mortality: 10% decrease	**(55)**	**(55)**	(9)	(58)
Expenses/Inflation: 10%/1% decrease	**(397)**	**(397)**	(487)	(541)

The reduction in the lapse rates and mortality sensitivities compared to the prior year is primarily due to the rise in interest rates as there has been minimal change to overall product mix. Athora has exposure to an increase in operating expenses and to future expense inflation. The reduction in the expenses sensitivity compared to the prior year is primarily due to the rise in interest rates.

G. Other statement of consolidated financial position notes

G1. Intangible assets

Present value of in-force (PVIF)

For details on the accounting policy on PVIF see **Note H2**.

Other intangible assets

Other intangible assets such as the value of customer relationships and brands can also be recognised. The value of customer relationships intangible represents the value of future profits expected from renewals and the cross-selling of new products to customers known and identified at the time of the acquisition.

Other intangible assets are carried at cost less amortisation and impairment, if any, and are amortised on a straight-line basis over their estimated useful lives as follows: up to 5 years for capitalised software and 10 years for brands.

Intangible assets are reviewed at each reporting date to assess whether there is any indication that they are impaired. If any such indication exists the recoverable amount of the asset is determined and, if the asset's carrying amount is greater than its recoverable amount, the carrying amount is written down immediately to the recoverable amount and the difference recognised in the income statement.

€m	Note	Goodwill	PVIF	Other	Total
Cost					
At 1 January 2021		–	98	24	122
At 31 December 2021		–	98	24	122
Acquired through business combinations		27	24	3	54
Additions		–	–	–	–
Disposals		–	–	–	–
At 31 December 2022		**27**	**122**	**27**	**176**
Accumulated amortisation					
At 1 January 2021		–	(15)	(4)	(19)
Amortisation charge for the year	**C4**	–	(6)	(2)	(8)
At 31 December 2021		–	(21)	(6)	(27)
Amortisation charge for the year	**C4**	–	(6)	(3)	(9)
At 31 December 2022		**–**	**(27)**	**(9)**	**(36)**
Net book value at 1 January 2022		–	77	18	95
Net book value at 31 December 2022		**27**	**95**	**18**	**140**

Intangible assets recognised primarily consist of present value of in-force business acquired (PVIF) which was derived from the acquisitions of Athora Italy during the year (€24m) and Athora Belgium in 2019 (€98m). The expected useful life of the PVIF asset is in line with the expected run-off of future earnings of the acquired business as at the acquisition date, which was 35 years for Athora Belgium and 39 years for Athora Italy. The PVIF asset is amortised annually in line with its remaining useful life, which was 31 years at 31 December 2022 (2021: 32 years) for Athora Belgium and is 39 years for Athora Italy. For details on negative PVIF see **note F1**.

Other intangibles primarily relates to brands recognised on the acquisition of Athora Netherlands in 2020. The value of these brands is being amortised over an expected useful life of 8 years at 31 December 2022 (2021: 9 years). For goodwill see **note H2**.

G. Other statement of consolidated financial position notes (continued)

G2. Property, plant and equipment

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes all expenses directly attributable to the acquisition of the assets.

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

- Buildings (50 years)
- Computer hardware (3 years)
- Motor vehicles (3 years)
- Other (3 to 7 years)

Buildings refers to owner-occupied properties only. A full month of depreciation is charged in the income statement in the month of acquisition.

Repair and maintenance expenses of owner-occupied property are recognised within other operating expenses as incurred. Expenses incurred after the acquisition of an asset that increase or extend the future economic benefits of owner-occupied property in relation to their original use are capitalised and then depreciated.

€m	Note	Land and buildings	Office equipment and vehicles	Total
Cost				
At 1 January 2021		82	25	107
Additions		—	2	2
Disposals		—	(1)	(1)
At 31 December 2021		82	26	108
Acquisition from business combinations		1	1	2
Additions		4	1	5
Disposals		—	(2)	(2)
At 31 December 2022		**87**	**26**	**113**
Accumulated depreciation				
At 1 January 2021		(12)	(11)	(23)
Disposals		—	1	1
Depreciation charge for the year	**C4**	(3)	(6)	(9)
At 31 December 2021		(15)	(16)	(31)
Disposals		—	1	1
Impairment		(4)	—	(4)
Depreciation charge for the year	**C4**	(3)	(4)	(7)
At 31 December 2022		**(22)**	**(19)**	**(41)**
Net book value at 1 January 2022		67	10	77
Net book value at 31 December 2022		**65**	**7**	**72**

G. Other statement of consolidated financial position notes (continued)

G2. Property, plant and equipment (continued)

Right-of-use assets as lessee

Assets and liabilities arising from a lease are initially measured on a present value basis. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the lessee's incremental borrowing rate. The lessee's incremental borrowing rate is defined as the rate of interest that a lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

The group predominantly leases buildings. The incremental borrowing rate was determined on a lease-by-lease basis addressing the local economic environment. The group also leases a pool of motor vehicles for which a single incremental borrowing rate was used for the entire portfolio as it comprised leases with reasonably similar characteristics in the same economic environment.

Lease payments are allocated between the liability and finance cost. The finance cost is charged to the income statement over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period and is included within interest expenses from other financial instruments and investment properties.

The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. Right-of-use assets are recognised within the comparable non-leased asset balances; in particular, leased buildings and motor vehicles are included within property and equipment. The associated lease liability is recognised within financial liabilities at amortised cost.

The group has made use of the election available under IFRS 16 to not recognise any amounts in the statement of financial position associated with leases that are either deemed to be short term, or where the underlying asset is of low value. A short-term lease in this context is defined as any arrangement which has a lease term of 12 months or less. Lease payments associated with such arrangements are recognised in the income statement as an expense on a straight-line basis. The group's total short term and low value lease portfolio is not material.

Variable lease payments

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

Extension and termination options

Extension and termination options may be included in a property lease to maximise operational flexibility in terms of managing the assets used in the group's operations. These are generally exercisable only by the group and not by the respective lessor.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

Residual value guarantees

The group may, on occasion, provide residual value guarantees in relation to leases. On 31 December 2022 and 31 December 2021, there were no residual value guarantees in place.

Lessor arrangements

Where the group is the lessor, leases are classified as finance leases if the risks and rewards of ownership are substantially transferred to the lessee and operating leases if they are not substantially transferred. Lease income from operating leases is recognised in the income statement on a straight-line basis over the lease term. When assets are subject to finance leases, the present value of the lease payments, together with any unguaranteed residual value, is recognised as a receivable. The group has not entered into any material finance lease arrangements as lessor.

G. Other statement of consolidated financial position notes (continued)

G2. Property, plant and equipment (continued)

Owner-occupied properties and motor vehicles held under lease arrangements are stated at amortised cost and are amortised on a straight-line basis over the lease term. The following table analyses the net book value of right-of-use assets:

€m	2022	2021
Land and buildings	11	10
Motor vehicles	1	2
	12	12

The following amounts in respect of leased assets have been recognised in the group's consolidated income statement:

€m	2022	2021
Depreciation charge on right-of-use asset	(2)	(3)
Interest expense on lease liabilities	(1)	(1)
	(3)	(4)

The liability in respect of right-of-use assets as lessee is recognised in **note E8**. Interest expense on lease liabilities is included in **note C5**. Total cash outflows recognised in the period in relation to leases were €1m (2021: €3m). There were no sale and leaseback transactions.

G3. Investment properties

Investment properties, principally retail properties, offices, residential properties, and land are held for long-term rental yields and are not occupied by the group. Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included within investment income in the income statement in the year in which they arise, including corresponding tax effect. Fair values are evaluated annually by an accredited external, independent valuer, applying a valuation model recommended by the International Valuation Standards Council. Investment properties are derecognised either when they have been disposed of, or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the income statement in the year of retirement or disposal.

G3.1 Reconciliation of carrying amount

€m	Note	2022	2021
At 1 January		1,994	1,331
Additions acquired through business combinations	H2	95	496
Additions - new purchases		317	40
Fair value (losses)/gains		(77)	202
Disposals		(105)	(9)
Assets classified as held-for-sale	H3	—	(85)
FX translation (loss)/gain		(10)	19
At 31 December		2,214	1,994

The group holds portfolios of investment properties, covering Dutch, Belgian, Italian, UK, Polish and German commercial and mixed-use properties.

During 2022, the Netherlands invested in number properties across Europe at a market value of €308m and a further €9m expenditure was capitalised by the Group.
One German and two United Kingdom investment properties which were classified as held-for-sale were sold with a sales price of €18m and €112m respectively. In addition, broker fees and other expenses of €2m were incurred. Prior to sale the properties were held at a fair value of €17m and €86m were sold for €18m and €112m respectively.

G. Other statement of consolidated financial position notes (continued)

G3. Investment properties (continued)

During 2021, five German properties were sold, with a sales price of €101m. In addition, broker fees and other expenses of €1m were incurred.

G3.2 Amounts recognised in profit or loss

Total rental income from investment properties recognised in the income statement is €99m (2021: €86m). Direct operating expenses (offset against rental income in the consolidated income statement), including repairs and maintenance, arising from investment properties that generated rental income during the period is €23m (2021: €17m). For any properties undergoing renovations, there is a contractual obligation with the tenants to perform the construction.

G3.3 Fair value measurement

Details of the measurement approach for investment properties are outlined in **note A2** and **note E2**.

G3.4 Future minimum lease payments receivables

€m	2022	2021
Within one year	**238**	76
After one year but less than five years	**1,294**	224
After five years	**1,416**	236
	2,948	536

G4. Investments in associates

An associated company is an entity in which the parent (investor) has significant influence but is neither a subsidiary nor a joint venture of the parent. Significant influence is presumed when the group directly or indirectly holds 20% or more of the voting rights. Significant influence can also be exercised through an agreement with other shareholders. Investments in associated companies are accounted for using the equity method of accounting.

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the group's share of the post-acquisition profits or losses of the investee in the consolidated income statement.

Other changes in equity of associates are recognised directly in the group's other comprehensive income. Dividends received or receivable from associates are recognised in the statement of financial position as a reduction in the carrying amount of the investment. Where the dividend exceeds the carrying amount of the investment, the carrying amount is reduced to nil and the excess recognised as income from associates in the income statement, assuming there is no obligation for the group to repay the dividend and no restrictions to recognising the benefit for the excess.

The share of profits of equity accounted investees comprises the group's share of profits after taxation arising from investments in associated companies.

G. Other statement of consolidated financial position notes (continued)

G4. Investments in associates (continued)

The following table sets out the movements in investments in associates:

€m	2022	2021
At 1 January	123	47
Additions	—	151
Associate profit	10	—
Impairment	—	(1)
Realised gains	2	4
Disposal	(92)	(78)
Unrealised (losses)/gains	(2)	—
At 31 December	**41**	123

Associates are initially measured at cost and are subsequently measured using the equity method. The statutory year end for each associate is 31 December. No associates are considered to be material from a group perspective (2021: none). All investments in associates are held by subsidiary companies.

The disposal of €92m relates primarily to the divestment of the group's 30% share in Apollo Strategic Origination Partners.

The associates have no contingent liabilities to which the group is exposed, and the group have no commitments to provide funding to any of the associates.

The group's associates are as follows:

Name	Principal activity	Country of incorporation	Proportion of ownership
Group GVA–BC Assurance	Insurance broker	Belgium	100%
CBRE Property Fund Central and Eastern Europe (CBRE PFCEE)	Real estate investment	Netherlands	30%

Belgium

The Belgian entity was acquired as part of the acquisition of Athora Belgium in 2019. Whilst the group owns 100% of the shares of the Belgian entity above, these shares have protective rights only without any participative rights. Protective rights are designed to protect the interest of the party holding these rights without giving that party power over the entity to which those rights relate. As such, the group has concluded that it does not control, but rather wields significant influence over these entities and so has accounted for them as equity accounted investees in accordance with IAS 28. In 2022, Webbroker SA/NV was merged with Group GVA-BC and Athora Belgium disposed of 100% of their share in Verzekeringskantoor Soenen.

Netherlands

The Netherlands entity was acquired as part of the acquisition of Athora Netherlands in 2020. CBRE PFCEE invests in commercial real estate in Central and Eastern Europe with the objective of investing in real estate directly or indirectly with the main focus on maximising the rental income. Athora Netherlands disposed of 100% of their share in Apollo Strategic Origination Partners in 2022.

G. Other statement of consolidated financial position notes (continued)

G5. Receivables and other assets

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

Other receivables are recognised when due and measured on initial recognition at the fair value of the amount receivable. Subsequent to initial recognition, these receivables are measured at amortised cost using the effective interest rate method.

€m	Note	2022	2021
Direct insurance operations		**172**	156
Reinsurance operations		**4**	2
Accrued investment income		**437**	455
Deferred expenses	G5.1	**299**	280
Investments pending settlement		**142**	208
Prepayments and other		**354**	145
		1,408	1,246

G5.1 Deferred expenses

Deferred expenses comprise the cost of reinsurance related to long-duration contracts, which is deferred and accounted for over the life of the underlying reinsured policies, using assumptions consistent with those used to account for these policies.

Movement in unamortised deferred expenses during the year was as follows:

€m	2022	2021
At 1 January	**280**	223
Additional expenses deferred during the year	**17**	53
Amortisation	**2**	4
At 31 December	**299**	280

In 2021 Athora Netherlands entered into a new longevity reinsurance contract. The deferred loss was €53m, further decreasing their longevity risk and positively affecting the Solvency II ratio for Athora Netherlands. The longevity contract was paid during the year and recognised as a deferred expense in other assets. The longevity reinsurance contracts are amortised in line with the run-off profile of the respective contracts.

G. Other statement of consolidated financial position notes (continued)

G6. Loans and advances due from banks

These assets comprise collateralised short-term deposits held at bank and classified as receivables. These receivables, that are not interest bearing, are measured at amortised cost using the effective interest rate method, less any impairment losses.

€m	2022	2021
Term deposits with credit institutions	**188**	143
Pledged collateral	**5,133**	247
	5,321	390

The loans and advances due from banks have a maturity profile as follows:

€m	<1 year	1 to 5 years	>5 years	Total
2022	**5,214**	**77**	**30**	**5,321**
2021	270	68	52	390

Total collateral pledged within loans and advances due from banks comprises €5,066m (2021: €242m) that was pledged for derivatives and €67m (2021: €5m) that was pledged for repurchase agreements.

G7. 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. Money market investments that are held for investment purposes (backing insurance liabilities or equity based on asset liability management considerations) are not included in cash and cash equivalents but are presented as investments.

€m	2022	2021
Cash at bank	**835**	1,043
Money market funds classified as cash equivalents	**368**	34
Positive margin and collateral cash	**112**	—
	1,315	1,077

Cash at bank includes additions through business combinations (see **note H2**).

G. Other statement of consolidated financial position notes (continued)

G8. Deferred tax

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

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

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

				Presented as:	
€m	**Assets**	**Liabilities**	**Total (net)**	**Net deferred tax asset**	**Net deferred tax liability**
2022					
Losses brought forward	**20**	**—**	**20**	**20**	**—**
Reinsurance assets	**—**	**(134)**	**(134)**	**(134)**	**—**
Capitalised acquisition costs	**20**	**—**	**20**	**20**	**—**
Derivatives	**847**	**—**	**847**	**847**	**—**
Other financial assets	**69**	**—**	**69**	**69**	**—**
Investment properties	**—**	**(105)**	**(105)**	**(86)**	**(19)**
Available-for-sale financial assets	**423**	**—**	**423**	**423**	**—**
Pension obligations	**27**	**—**	**27**	**27**	**—**
Intangible assets	**12**	**—**	**12**	**12**	**—**
Insurance provisions	**(219)**	**—**	**(219)**	**(219)**	**—**
Provisions and other payables	**8**	**—**	**8**	**8**	**—**
	1,207	**(239)**	**968**	**987**	**(19)**

				Presented as:	
€m	**Assets**	**Liabilities**	**Total (net)**	**Net deferred tax asset**	**Net deferred tax liability**
2021					
Losses brought forward	15	—	15	10	5
Reinsurance assets	—	(152)	(152)	(63)	(89)
Capitalised acquisition costs	19	—	19	19	—
Derivatives	—	(624)	(624)	(565)	(59)
Other financial assets	—	(336)	(336)	(335)	(1)
Investment properties	—	(126)	(126)	(86)	(40)
Available-for-sale financial assets	—	(765)	(765)	(575)	(190)
Pension obligations	73	—	73	70	3
Intangible assets	—	(20)	(20)	—	(20)
Insurance provisions	2,397	—	2,397	2,110	287
Provisions and other payables	2	—	2	2	—
	2,506	**(2,023)**	**483**	**587**	**(104)**

G. Other statement of consolidated financial position notes (continued)

G8. Deferred tax (continued)

In 2022, gross deferred tax assets decreased primarily as a result of the reduction in insurance provisions. The carrying value of insurance provisions under IFRS has in prior periods been higher than the amount which is immediately deductible against corporate income tax under local tax law, creating deductible temporary differences in a number of our operational jurisdictions, though the temporary difference significantly decreased during 2022 as the insurance provisions liability under IFRS 4 reduced, excepting the impact of acquired liabilities. The gross value of deferred tax liabilities also decreased year on year due to the reduction in the value of financial assets, resulting in previous unrealised gains positions turning to unrealised loss positions which for tax purposes in many jurisdictions will only be deductible upon realisation, leading to deferred tax assets at the end of the year. The group has also recognised significant unrealised losses on derivatives during 2022, which will be deductible against tax as the liabilities are discharged. Due to the impact of policyholder profit sharing, some correlation exists between gross movements on deferred tax for financial assets, derivatives and insurance provisions. The overall increase in the net recognised deferred tax asset from €483m at 31 December 2021 to €968m at 31 December 2022 can be broadly explained by the market value movements on financial assets and derivative financial instruments, but partly reduced by the change in insurance provisions.

During 2022, a number of the group's subsidiary reporting units have seen their temporary difference position move from net taxable differences (i.e. an opening net deferred tax liability in the relevant jurisdiction) to net deductible differences (i.e. a closing net deferred tax asset for the jurisdiction). This is particularly the case for the group's subsidiary reporting units in Germany and Belgium. The group also acquired a net deferred tax asset position within Athora Italy, which has increased since acquisition.

The recognition of all deferred tax assets is re-assessed at the end of each reporting period. The group only recognises deferred tax assets to the extent that it is considered probable that taxable profit will be available against which the deductible temporary differences can be utilised. For some group entities as of 31 December 2022, deductible temporary differences exceed taxable temporary differences or taxable temporary differences are expected to be settled in different fiscal periods. In these circumstances, the recognition of some of the deferred tax assets requires taxable profit in future periods not only from the run-off of existing policies and assets, but also from new or recurring business yet to be contracted, and, amongst other things, investment strategy changes anticipated but yet to be implemented. These assessments therefore require detailed forecasting of future taxable profits based on reasonable and supportable assumptions, including market-based assumptions over time horizons sometimes beyond the scope of approved business plans.

Having evaluated these forecasts at 31 December 2022, the group has not recognised deferred tax assets in respect of all of its deductible temporary differences. Total deductible temporary differences for which no deferred tax asset has been recognised were €189m at 31 December 2022 (31 December 2021: €401m). The unrecognised deductible temporary differences derive from the fair value increase in the insurance contract liability which arose upon acquisition of Athora Germany (€133m), which would equate to a potential tax benefit of €42m at the standard German corporation and trade tax rate of 31.72% (2021: €42m), and €56m of deductible temporary differences in Italy on insurance provisions with a potential tax benefit of €13m at the Italian IRES rate of 24% (2021: N/A). No deferred tax assets are currently recognised for these amounts due to uncertainty in respect of the timing of future profits and related deductions. During 2021, €268m of deductible temporary differences of Athora Netherlands having a deferred tax asset value of €69m at the latest standard Dutch corporation tax rate of 25.8% were derecognised. A deferred tax charge of €69m was recognised in the income statement for 2021, as set out in **Note C6**. The €69m charge was reflected in the reduction in deferred tax assets relating to insurance liabilities as at 31 December 2021. However, during 2022, following the significant increase in market interest rates, forecast profitability for Athora Netherlands improved, allowing for the reversal of the previous impairment charge in full - leading to a €69m credit in the income statement for 2022. A further €6m of tax was also mitigated in Italy using previously unrecognised deductible temporary differences.

Separately, net deferred tax assets totalling €21m (2021: €11m) are recognised as of the date of the Statement of Financial Position in respect of net deductible temporary differences relating to the group’s Irish subsidiary, Athora Ireland Plc, which has incurred losses since acquisition in 2018.

G. Other statement of consolidated financial position notes (continued)

G8. Deferred tax (continued)

The deductible temporary differences mainly arise from losses carried forward. There is currently no time limit for the utilisation of losses carried forward within Irish law, however, the losses may only be used against profits earned by the same entity from the same trade. On the basis of the latest business plans and future profit projections, the group expects sufficient taxable profits to be generated by Athora Ireland Plc in future years to realise the deferred tax asset recognised at the date of the Statement of Financial Position.

The movement in the net deferred tax balance during the year ended 31 December 2022 is as follows:

			Recognised in income statement			
€m	At 1 January	Arising from business combination	Credit/ (charge) for continuing operations	Charge for discontinued operations	Recognised in OCI	At 31 December
2022						
Losses brought forward	15	19	(14)	—	—	20
Reinsurance assets	(152)	—	18	—	—	(134)
Capitalised acquisition costs	19	—	1	—	—	20
Derivatives	(624)	(10)	1,435	—	46	847
Other financial assets	(336)	133	272	—	—	69
Investment property	(126)	3	17	—	1	(105)
Available-for-sale financial assets	(765)	—	257	—	931	423
Pension obligations	73	—	8	—	(54)	27
Intangible assets	(20)	31	1	—	—	12
Insurance provisions	2,397	(143)	(2,130)	—	(343)	(219)
Provisions and other payables	2	(29)	35	—	—	8
Total net deferred tax asset/(liability)	483	4	(100)	—	581	968

G. Other statement of consolidated financial position notes (continued)

G8. Deferred tax (continued)

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

€m	At 1 January	Arising from business combination	Recognised in income statement: Credit/(charge) for continuing operations	Recognised in income statement: Charge for discontinued operations	Recognised in OCI	31 December
2021						
Losses brought forward	4	–	5	6	–	15
Reinsurance assets	(142)	–	(10)	–	–	(152)
Capitalised acquisition costs	19	–	–	–	–	19
Derivatives	(1,121)	–	470	–	27	(624)
Other financial assets	(360)	–	24	–	–	(336)
Investment property	(82)	(13)	(31)	–	–	(126)
Available-for-sale financial assets	(1,407)	–	427	–	215	(765)
Pension obligations	77	–	(4)	–	–	73
Intangible assets	(21)	–	1	–	–	(20)
Insurance provisions	3,640	–	(996)	(4)	(243)	2,397
Provisions and other payables	12	–	(10)	–	–	2
Total net deferred tax asset/(liability)	**619**	**(13)**	**(124)**	**2**	**(1)**	**483**

G. Other statement of consolidated financial position notes (continued)

G9. Other liabilities and accruals

Other liabilities include creditors, amounts payable to reinsurers, other taxes and accrued liabilities as well as interest accrued on financial instruments that are measured at amortised cost.

€m	2022	2021
Liabilities arising from direct insurance operations	**552**	443
Liabilities arising from reinsurance operations	**11**	9
Outstanding settlements on investment portfolios	**153**	114
Accruals and deferred income	**214**	187
Fiduciary, payroll and other taxes	**76**	60
Other	**205**	161
	1,211	974

G. Other statement of consolidated financial position notes (continued)

G10. Pension scheme liabilities

The group contributes to both defined benefit and defined contribution elements of the pension schemes. A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, dependent on one or more factors such as age, years of service and pensionable salary. A defined contribution plan is a pension plan under which the group pays fixed contributions; there is no legal or constructive obligation to provide a specific benefit outcome.

Defined contribution schemes

Contributions made by the group to defined contribution arrangements are recognised in the income statement as an employee benefit expense when they are due, within other expenses.

Defined benefit schemes

A full actuarial valuation of defined benefit schemes is carried out at least every three years with interim reviews in the intervening years; the valuation is updated to 31 December each year by a qualified actuary. For the purposes of these annual updates scheme assets are included at their fair value and scheme liabilities are measured on an actuarial basis using the projected unit credit method by an independent, qualified actuary.

The amount recognised in the statement of financial position in respect of the defined benefit element of the pension scheme is the present value of the defined benefit obligation at the reporting date less the fair value of plan assets. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates equivalent to the market yields at the reporting date on high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity that are approximate to the terms of the related pension asset/liability.

A surplus is only recognised to the extent that it is recoverable through a right to make reduced contributions in the future or to receive a refund from the scheme. The group recognises any change in the effect of the surplus that can be recognised in other comprehensive income within remeasurements of the retirement benefit asset.

The group recognises in the income statement the current service cost of providing pension benefits and the net interest on the net defined benefit obligation. The current service cost is recognised within other expenses.

The net interest on the net defined benefit obligation is recognised within interest expenses and is determined by applying the discount rate used to measure the net defined benefit obligation at the beginning of the period to the net defined benefit obligation at that date, taking account of changes in the net defined benefit obligation during the period as a result of contributions and benefit payments.

Past service costs are changes in the defined benefit obligation arising from plan amendments or curtailments and are recognised immediately in the income statement, within other expenses, when the plan amendment or curtailment occurs. The group recognises the gain or loss on a settlement of the defined benefit obligation immediately in the income statement when the settlement occurs.

The group recognises in other comprehensive income, within actuarial gains or losses arising from defined benefit plans, net of tax, gains and losses arising from experience adjustments and changes in the actuarial assumptions, and the return on plan assets excluding the net interest on the net defined benefit obligation that is recognised in the income statement.

G10.1 Defined contribution pension plans

The group provides defined contribution pension plans to its employees across a number of entities in the group. Employees can make additional voluntary payments to the defined contribution pension plans.

The group’s expense for the defined contribution pension plans in 2022 was €17m (2021: €7m).

G. Other statement of consolidated financial position notes (continued)

G10. Pension scheme liabilities

G10.2 Defined benefit pension plans

The group has funded defined benefit pension plans which are for the benefit for its Dutch, Belgian and German employees, administered by Athora Netherlands, Athora Belgium and Athora Germany respectively. These plans are governed by the employment laws of the Netherlands, Belgium, and Germany respectively. The level of benefits provided depends on the member's length of service and salary at retirement age. The fund has the legal form of a foundation and it is governed by the Board of Trustees, which is responsible for the administration of the plan assets and for the definition of the investment strategy. Some of the defined benefit schemes are funded while others are insured separately.

Athora Netherlands operates a number of legacy defined benefit schemes which provide pension benefits for current and former employees. Most of these schemes are insured by SRLEV (an Athora Netherlands subsidiary) while some are insured through third parties. Investments relating to pension schemes that are included in a separate investment account are offset against the present value of defined benefit obligations. Non-separated investments are recognised within investments in the statement of financial position. These assets are held to cover the deficit.

Assets held to cover the defined benefit pension liabilities of plans administered by Athora Belgium of €47m (2021: €41m) are dedicated and maintained in a pooled pension asset portfolio. However, these assets are not held by an entity that is legally separate from Athora Belgium, so do not meet the definition of 'plan assets' under IAS 19. Instead, they are recognised as investment assets in the statement of financial position, for the benefit of policyholders and cannot be offset against the corresponding defined benefit pension obligation.

Athora Germany have a large number of individual schemes in operation of which only a small number of schemes for which the assets of the schemes are held in a separate trustee administered fund.

In determining the level of contributions required to be made to the schemes and the relevant charges to the consolidated income statement, the group has been advised by independent actuaries. These defined benefit plans expose the group to actuarial risks, such as longevity risk, interest risk, inflation risk and market (investment) risk. Independent actuarial valuation of the liabilities of the group's defined benefit pension plans is carried out annually to determine the financial position and to ensure that benefit obligations are adequately funded. The latest full actuarial valuation was carried out as at 31 December 2022 using generally accepted actuarial techniques. The group's total contribution to these defined benefit schemes is expected to be approximately €19m in 2023.

	2022				2021			
€m	**Netherlands**	**Belgium**	**Germany**	**Total**	**Netherlands**	**Belgium**	**Germany**	**Total**
Funded schemes								
Defined benefit obligation	**(57)**	**–**	**(6)**	**(63)**	(79)	–	(10)	(89)
Fair value of plan assets	**57**	**–**	**7**	**64**	73	–	7	80
Net deficit: funded schemes	**–**	**–**	**1**	**1**	(6)	–	(3)	(9)
Liabilities: unfunded schemes	**(462)**	**(48)**	**(32)**	**(542)**	(664)	(50)	(40)	(754)
Net pension plan deficit	**(462)**	**(48)**	**(31)**	**(541)**	**(670)**	**(50)**	**(43)**	**(763)**

G. Other statement of consolidated financial position notes (continued)

G10. Pension scheme liabilities (continued)

G10.2 Defined benefit pension plans (continued)

€m	2022 Present value of obligation	2022 Fair value of plan assets	2022 Net deficit	2021 Present value of obligation	2021 Fair value of plan assets	2021 Net deficit
At 1 January	**(843)**	**80**	**(763)**	(864)	86	(778)
Costs recognised in the income statement						
Interest income/(expense)	**(8)**	**1**	**(7)**	(5)	—	(5)
Service cost (including past service cost)	**(2)**	**—**	**(2)**	(6)	—	(6)
	(10)	**1**	**(9)**	(11)	—	(11)
Remeasurement recognised in OCI						
Return on plan assets	**—**	**(15)**	**(15)**	—	(3)	(3)
Changes in demographic assumptions	**(7)**	**—**	**(7)**	4	—	4
Changes in financial assumptions	**226**	**—**	**226**	3	—	3
Experience gains and losses	**8**	**—**	**8**	1	—	1
	227	**(15)**	**212**	8	(3)	5
Other movements						
Acquired through business combinations	**—**	**—**	**—**	—	—	—
Transfers in	**(1)**	**—**	**(1)**	—	—	—
Contributions to the scheme	**—**	**18**	**18**	—	16	16
Benefits paid	**22**	**(20)**	**2**	24	(19)	5
At 31 December	**(605)**	**64**	**(541)**	**(843)**	**80**	**(763)**

The actuarial gains recognised in other comprehensive income, net of deferred tax, is €154m (2021: €3m). This is on a total remeasurement of €212m (2021: €5m).

The fair value of the group's pension plan assets is comprised of:

€m	2022	2021
Cash and cash equivalents	**14**	15
Equity instruments	**10**	—
Debt instruments	**33**	—
Asset-backed securities	**7**	—
Investment funds	**—**	65
	64	80

Plan assets, excluding cash, of €64m (2021: €80m) are all quoted in an active market.

G. Other statement of consolidated financial position notes (continued)

G10. Pension scheme liabilities (continued)

G10.2 Defined benefit pension plans (continued)

G10.2.1 *Key assumptions and sensitivities*

The weighted average key actuarial assumptions to calculate the scheme assets are shown below:

	2022			2021		
%	**Netherlands**	**Belgium**	**Germany**	**Netherlands**	**Belgium**	**Germany**
Discount rate	**3.69**	**3.10**	**3.45**	1.16	0.39	1.18
Inflation rate	**2.25**	**1.80**	**2.00**	1.50	2.35	1.80
Pension payment increase	**2.17**	**n/a**	**1.0-2.0**	1.50	n/a	1.80

The most significant non-financial assumption is the assumed rate of mortality. The table below shows the average life expectancy assumption of a pensioner retiring at 65:

	2022			2021		
Years	**Netherlands**	**Belgium**	**Germany**	**Netherlands**	**Belgium**	**Germany**
Male	**21.9**	**18.0**	**21.0**	21.3	18.0	20.5
Female	**23.6**	**21.0**	**24.0**	23.3	21.0	24.0

The weighted average duration of the defined benefit obligation is 12 years (2021: 11 years).
The sensitivity of the defined benefit obligation to changes in the key assumptions is shown in the table below.

	Increase/(decrease) in defined benefit obligation	
€m	**2022**	2021
1% increase in discount rate	**(71)**	(124)
1% decrease in discount rate	**89**	158
1% increase in inflation rate	**58**	102
1% decrease in inflation rate	**(51)**	(88)
1 year increase in life expectancy	**35**	35

G11. Provisions

General provisions are recognised if there is a legally enforceable or constructive obligation arising from events in the past, the settlement of which is likely to require an outflow of assets, and a reliable estimate of the obligation can be made. Provisions are measured at the present value of the expected future cash flows. Additions and any subsequent releases are recognised in the income statement.

The movement in provisions during the year is shown in the following table:

€m	Restructuring	Other	Total
At 1 January 2021	55	25	80
Assumed in business combinations	—	—	—
Provisions used	(8)	(5)	(13)
Additional provisions created	8	4	12
Provisions released	(15)	(7)	(22)
At 31 December 2021	40	17	57
Assumed in business combinations	—	1	1
Provisions used	(14)	(10)	(24)
Additional provisions created	1	7	8
Provisions released	(6)	—	(6)
At 31 December 2022	**21**	**15**	**36**

- Restructuring provisions represents amounts provided for the reorganisation of Athora Germany and Athora Netherlands in line with the new Athora target operating model. The restructuring provision decreased during the year due to a strategic review conducted in Athora Netherlands. The remaining provision is expected to be utilised over the next three years.
- Other provisions primarily relate to employees' early retirement and long service costs with the remaining provision expected to be utilised over the next one to five years.

H. Interests in subsidiaries and associates

Subsidiaries are consolidated from the date that effective control is obtained by the group and are excluded from consolidation from the date they cease to be subsidiary undertakings. For subsidiaries disposed of during the year, any difference between the net proceeds, plus the fair value of any retained interest, and the carrying amount of the subsidiary including non-controlling interests, is recognised in the consolidated income statement.

For further details, refer to **note A1**, basis of consolidation.

Acquisition method

The group uses the acquisition method to account for the acquisition of subsidiaries. The cost of an acquisition is measured at the fair value of the consideration. Any excess of the cost of acquisition over the fair value of the net assets acquired is recognised as goodwill. In certain acquisitions an excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities, contingent liabilities and non-controlling interests over cost may arise. Where this occurs, the surplus of the fair value of net assets acquired over the fair value of the consideration is recognised in the consolidated income statement.

Directly attributable acquisition costs are included within administrative expenses. Costs directly related to the issuing of debt or equity securities are included within the initial carrying amount of debt or equity securities where these are not carried at fair value.

Portfolio transfers

When completing an acquisition, the group first considers whether the acquisition meets the definition of a business combination under IFRS 3 Business Combinations. IFRS 3, and the use of acquisition accounting, does not apply in circumstances where the acquisition of an asset or a group of assets does not constitute a business, and is instead a portfolio of assets and liabilities.

H. Interests in subsidiaries and associates

Subsidiaries

Subsidiaries are entities controlled by the group. The group controls an entity when it has power over the entity, is exposed to, or has rights to, variable returns from its involvement with the entity, and has the ability to affect those returns through the exercise of its power. This generally accompanies a shareholding of more than one half of the voting rights although in certain circumstances a holding of less than one half of the voting rights may still result in the ability of the group to exercise control. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity. The group reassesses whether or not it controls an entity if facts and circumstances indicate that there are changes to any of the above elements. Subsidiaries are fully consolidated from the date on which control is transferred to the group; they are de consolidated from the date that control ceases.

The group consolidates collective investment vehicles if its beneficial ownership interests give it substantive rights to remove the external fund manager over the investment activities of the fund. Where a subsidiary of the group is the fund manager of a collective investment vehicle, the group considers a number of factors in determining whether it acts as principal, and therefore controls the collective investment vehicle, including: an assessment of the scope of the group's decision making authority over the investment vehicle; the rights held by other parties including substantive removal rights without cause over the group acting as fund manager; the remuneration to which the group is entitled in its capacity as decision maker; and the group's exposure to variable returns from the beneficial interest it holds in the investment vehicle.

Consolidation may be appropriate in circumstances where the group has less than a majority beneficial interest. Where a collective investment vehicle is consolidated the interests of parties other than the group are reported in other liabilities and the movement in these interests in interest expense.

Structured entities

These are entities that are designed so that their activities are not governed by way of voting rights. In assessing whether the group has power over such entities in which it has an interest, the group considers factors such as the purpose and design of the entity; its practical ability to direct the relevant activities of the entity; the nature of the relationship with the entity; and the size of its exposure to the variability of returns of the entity.

Non-controlling interests

The treatment of transactions with non-controlling interests depends on whether, as a result of the transaction, the group loses control of the subsidiary. Changes in the parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions; any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the parent entity. Where the group loses control of the subsidiary, at the date when control is lost the amount of any non-controlling interest in that former subsidiary is derecognised and any investment retained in the former subsidiary is remeasured to its fair value; the gain or loss that is recognised in profit or loss on the partial disposal of the subsidiary includes the gain or loss on the remeasurement of the retained interest.

H. Interests in subsidiaries and associates (continued)

H1. Subsidiaries and structured entity

H1.1 Subsidiaries

The principal subsidiaries of the group for 2022 were:

Name	Principal activity	Country of incorporation	Statutory year end
Athora Europe Holding (Bermuda) Ltd.	Holding company	Bermuda	31 December
Athora Europe Holding Ltd.	Holding company	Ireland	31 December
Athora Deutschland Verwaltungs GmbH	Holding company	Germany	31 December
Athora Deutschland GmbH Holding & Co KG	Holding company	Germany	31 December
Athora Deutschland GmbH	Holding company	Germany	31 December
Athora Netherlands Holding Limited	Holding company	Ireland	31 December
Athora Netherlands N.V.	Holding company	Netherlands	31 December
Athora Italy Holding DAC	Holding Company	Ireland	31 December
Athora Life Re Ltd.	Reinsurance	Bermuda	31 December
Athora Ireland plc	Insurance	Ireland	31 December
Athora Pensionskasse AG	Insurance	Germany	31 December
Athora Lebensversicherung AG	Insurance	Germany	31 December
Athora Belgium SA	Insurance	Belgium	31 December
SRLEV N.V.	Insurance	Netherlands	31 December
Proteq Levensverzekeringen N.V.	Insurance	Netherlands	31 December
Athora Italia S.p.A	Insurance	Italy	31 December
Athora Europe Investments DAC	Investment	Ireland	31 December
Athora Lux Invest SCSp	Investment	Luxembourg	31 December
Athora Lux Invest NL SCSp	Investment	Luxembourg	31 December
Hemingway Real Estate (Lux) SCSp	Investment	Luxembourg	31 December
Zwitserleven PPI N.V.	Pension	Netherlands	31 December
N.V. Pensioen ESC	Pension	Netherlands	31 December
Athora Ireland Services Ltd.	Reinsurance intermediary	Ireland	31 December
Athora Bermuda Services Ltd.	Management services	Bermuda	31 December
Athora Deutschland Service GmbH	Management services	Germany	31 December
Athora Lux Invest Management S.à r.l.	Management services	Luxembourg	31 December
Athora UK Services Ltd.	Management services	England	31 December
Athora Netherlands Services B.V.	Management services	Netherlands	31 December
Athora Services Belgium S.A./N.V.	Management services	Belgium	31 December

Unless otherwise stated, the group owns 100% of the equity and 100% of the voting shares of all the above subsidiaries.

H1.2 Structured entity

The group has a 100% ownership interest in Athora Europe Investments DAC, an unconsolidated structured entity, that issues profit participating notes (PPN) to clients. It also ring-fences the corresponding investments in deemed separate entities (silos). The risks and reward of the silos are borne by the respective PPN holders.

In accordance with IFRS 12, the silos are consolidated by the PPN holders Athora Life Re Ltd. and Athora Ireland plc. Consequently, there are no assets or liabilities recognised by the group other than in relation to the consolidation of the two silos mentioned above and the fee of €1,000 charged to the PPN holder. There is no current intention of the group to provide any financial or other support to the unconsolidated structured entity.

H2. Acquisitions and portfolio transfers

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

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

Any contingent consideration will be recognised at fair value at the acquisition date.

Present value of in-force (PVIF) and Value of business acquired (VOBA)

PVIF relating to investment contracts
The fair value of acquired business in force relating to "investment contracts", acquired either directly or through the purchase of a subsidiary, is recognised as an asset (PVIF) corresponding to the present value of future after tax profits emerging on acquired business at the date of acquisition.

PVIF is amortised over the lifetime of the related contracts in the portfolio on a systematic basis. The rate of amortisation is chosen by considering the profile of the additional value of in-force business acquired and the expected depletion in its value. The group tests PVIF for impairment annually. See also **note G1** and **note E9**.

PVIF relating to insurance contracts - referred to as VOBA
The value of business acquired (VOBA) on a portfolio of "insurance contracts" is a result of the expanded presentation and represents the difference between the book value and the fair value of the acquired in-force block of insurance contracts gross of income tax considerations.

VOBA is a fair value adjustment on the date of acquisition, and can be positive (an asset) or negative (a liability). A positive VOBA is a deduction to the recorded insurance liabilities of the acquired entity on the date of acquisition. A negative VOBA is a liability in addition to the recorded insurance liabilities of the acquired entity on the date of acquisition.

VOBA is amortised over the lifetime of the related underlying contracts in the portfolio, on a systematic basis, and the amortisation is included within net insurance benefits and claims in the income statement. See further details also in **note F**.

Goodwill

Goodwill arises on business combinations and represents the excess of the cost of an acquisition over the fair value of the group's share of the identifiable assets, liabilities and contingent liabilities acquired.

Goodwill is recognised as an asset at cost and allocated to cash generated units (CGUs) based on each CGU or groups of CGUs that are expected to benefit from the synergies of acquisition. After initial recognition it is tested at least annually for impairment or when circumstances or events indicate there may be uncertainty over this value. Goodwill impairment is assessed at the CGU level.

A CGU for goodwill is the lowest level at which the goodwill is monitored for internal management purposes, which is the Reporting Unit level. If an impairment is identified the carrying value of the goodwill is written down immediately through the income statement and is not subsequently reversed.

H. Interests in subsidiaries and associates (continued)

H2. Acquisitions and portfolio transfers (continued)

Goodwill (continued)

At the date of disposal of a subsidiary, the carrying value of attributable goodwill is included in the calculation of the profit or loss on disposal. Where an operation within a CGU to which goodwill has been allocated is disposed of, the goodwill associated with that operation is included in the carrying amount of the operation when determining the gain or loss on disposal. It is measured on the basis of the relative values of the operation disposed of and the portion of the CGU retained.

Where the net fair value of the group's share of the identifiable assets, liabilities and contingent liabilities of the acquired entity is greater than the cost of acquisition, the excess is recognised immediately in the income statement.

H2.1 Summary of acquisitions

In accordance with its business model of expansion through acquisitions, the group acquired two entities during the year, as set out below.

Acquisition of a closed-book individual life portfolio

On 3 October, 2022, Athora Belgium NV/SA (Athora Belgium), a wholly owned subsidiary, acquired a closed-book individual life portfolio (Portfolio) from NN Insurance Belgium NV/SA. The purchase consideration was paid in cash. The fair value of assets and liabilities acquired, the purchase consideration, and the goodwill on acquisition is set out below.

Acquisition of Italian life insurer, Amissima Vita S.p.A.

On 1 August 2022, Athora Group acquired 100% interest in an Italian life insurer, Amissima Vita s.p.a. (Amissima), a company incorporated in Italy, through its wholly owned subsidiary Athora Italy Holding ("AIH"), a company incorporated in Ireland (the "Purchaser"); from Primavera Intermediate Holdings S.à r.l., (PIH) a company incorporated in Luxembourg ("Seller"). The Seller is a subsidiary of a related party (Apollo), and the transaction was undertaken on commercial terms and conditions (refer **note I3**). Subsequent to acquisition, Amissima's name was changed to Athora Italia s.p.a (AIT). The fair value of assets and liabilities acquired, the purchase consideration which was paid in cash, and the goodwill on acquisition is set out below.

H. Interests in subsidiaries and associates (continued)

H2. Acquisitions and portfolio transfers (continued)

€m	Closed book individual life portfolio Fair value at 1 October 2022	Amissima Vita Fair value at 1 August 2022	Total
Intangibles	—	24	24
Investment properties	—	95	95
Financial assets	2,570	6,630	9,200
Deferred tax assets	2	2	4
Reinsurance Assets	—	4	4
Receivables and other assets	6	288	294
Cash and short-term deposits	—	342	342
Total assets	**2,578**	**7,385**	**9,963**
Insurance provisions	2,373	6,260	8,633
Investment contract liabilities	—	726	726
Other financial liabilities	—	169	169
Other payables and accruals	8	46	54
Total liabilities	**2,381**	**7,201**	**9,582**
Net assets	**197**	**184**	**381**
Fair value of consideration transferred	204	204	408
Goodwill arising on acquisition	**7**	**20**	**27**

The accumulated costs to end December 2022 relating to acquisitions of the Portfolio and Amissima are c€3m and c€5m, respectively; of which c€2m and c€2m were incurred during the year ended 31 December 2022. These costs are expensed as incurred and included in the statement of comprehensive income.

The revenue and loss consolidated subsequent to the acquisition of Amissima Vita is €178m and €(32)m, respectively. The additional revenue and profit recognised, if the acquisition were made on 1 January 2022 would be €528m and €36m, respectively.

It is impracticable to disclose the incremental revenue and profit or loss after tax that would have been included in the group accounts if the acquisition of the Portfolio that occurred on 1 October 2022 had happened on 1 January 2022.

This is because:

a. the seller did not maintain standalone financial information in respect to the acquired portfolio;
b. the seller maintains its books and records under Belgian GAAP,
c. any conversion to IFRS to determine revenue and profit for the period 1 January 2022 to 30 September 2022, requires significant estimates in regard to:
    i. assumptions about what management's intent would have been in the period; and
    ii. amounts based on circumstances that existed during the period in which those amounts are to be recognised, measured or disclosed.

Goodwill arising on both acquisitions represents future synergies expected to arise in the combined operations, the value of new business from new distribution channels and customers going forward, and the value of the workforce and management. Following initial recognition, goodwill is stated at cost less any accumulated impairment losses. For impairment testing, goodwill is allocated to relevant cash generating units. Goodwill is impaired when the recoverable amount is less than the carrying value. The carrying value of goodwill has been tested for impairment at the year end. The management does not believe goodwill to be impaired.

H. Interests in subsidiaries and associates (continued)

H2. Acquisitions and portfolio transfers (continued)

Acquisition of real estate groups in 2021

On 7 January 2021, the group acquired controlling interests in the following three entities ('Oxenwood')(including their subsidiaries):

- 100% shareholding of OXW Catalina UK Midco Ltd;
- 89.5% shareholding of Oxenwood Catalina Germany Holdco S.À R.L.; and
- 100% shareholding of Oxenwood Catalina Poland Holdco S.À R.L.

The activities of these groups consist exclusively of the ownership and operation of real estate. The group acquired these businesses to increase its investment in the real estate sector as it is believed this sector offers opportunity for rental growth and future expansion. Acquisition related costs of €7m were included in other expenses of which €5m were accounted for in the year ended 31 December 2020. The non-controlling interest at acquisition date was €6m and was measured as the proportionate share of the acquiree's identifiable net assets.

On 1 October, 2021, the group acquired a 100% share in the French property company, Terra Nova V Montreuil SCI ('Terra Nova V'), for a consideration of €84m. On the same day, the group also purchased from the seller, Generali France, the debt of €57m receivable from Terra Nova V. Terra Nova V owns and operates one property with the same name, located in Montreuil, France, mainly comprising office space.

The post-acquisition total income of the acquired Oxenwood real estate groups which is included in the consolidated income statement for the year ended 31 December 2021 is €58m. The real estate groups contributed a profit after tax of €28m for the period. Had the acquisition occurred on 1 January 2021, the group's consolidated profit for the year would have been consistent with the profit achieved.

Subsequent to the acquisition of Terra Nova V, the total income recognised in the consolidated financial statements and the total income had the acquisition occurred on 1 January 2021 have not been disclosed due to their insignificance to the consolidated financial statements.

	OXW Catalina UK Midco Ltd	Oxenwood Catalina Germany Holdco S.À R.L	Oxenwood Catalina Poland Holdco S.À R.L.	Terra Nova V Montreuil SCI
€m	**Fair value at 7 January 2021**	**Fair value at 7 January 2021**	**Fair value at 7 January 2021**	**Fair value at 1 October 2021**
Investment properties	234	104	15	143
Other receivables	3	1	—	2
Other assets	1	—	—	—
Cash and short-term deposits	1	1	—	1
Total assets	**239**	**106**	**15**	**146**
Other financial liabilities	68	41	—	—
Deferred tax liabilities	7	5	1	—
Other payables	1	—	—	5
Tax payable	3	1	—	—
Total liabilities	**79**	**47**	**1**	**5**
Net assets (excluding equity)	**160**	**59**	**14**	**141**
Fair value of consideration transferred	160	53	14	141
Non-controlling interest	—	6	—	—
Goodwill arising on acquisition	**—**	**—**	**—**	**—**

H. Interests in subsidiaries and associates (continued)

H3. Disposals and non-current assets held-for-sale

The group classifies disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of the disposal group, excluding finance costs and income tax expense. Assets and liabilities classified as held for sale are presented separately in the statement of consolidated financial position.

Non-current assets are classified as held-for-sale if the group will recover the carrying amount principally through a sale transaction rather than through continuing use and a sale is considered highly probable. Non-current assets classified as held-for-sale are measured at the lower of carrying amount and fair value less costs to sell. Assets and liabilities classified as held-for-sale are shown separately on the face of the statement of financial position.

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

Sale of reinsurance variable annuity portfolio
On 26 February 2021, the group's subsidiary Athora Ireland entered into a binding agreement with Monument Life Insurance DAC for the sale of its Variable Annuities ('VA') portfolio. On the same day, Athora Ireland entered a contract with Monument Re Limited to cede risks not already ceded, including expense and longevity risks, that are associated with the VA portfolio for the period to the completion date of the sale. The sale was closed on 31 December 2021. The value of the assets transferred equalled the value of the liabilities transferred.

Sale of ACTIAM
On 21 October 2021, the group's subsidiary Athora Netherlands N.V. announced that it had reached an agreement to sell its asset manager ACTIAM N.V. ('ACTIAM') to Cardano group ('Cardano'). As part of this transaction, Athora Netherlands has entered into a long-term strategic partnership with Cardano, where Cardano will provide asset management services to the unit-linked business of Athora Netherlands. The transaction was completed on 1 January 2022 and was classified as a held-for-sale discontinued operation at 31 December 2021.

The following table analyses the results of disposal groups for 2021.

€m	VA portfolio 2021	ACTIAM 2021	Total 2021
Net earned premium	(16)	—	(16)
Net fee and commission income	18	33	51
Investment income	(20)	—	(20)
Total income	**(18)**	**33**	**15**
Net insurance benefits and claims	(102)	—	(102)
Expense attributable to policyholders and third parties	130	—	130
Acquisition costs	(2)	—	(2)
Other expenses	(29)	(64)	(93)
Total expenses	**(3)**	**(64)**	**(67)**
Loss before tax	(21)	(31)	(52)
Taxation credit	2	—	2
Result from operating activities after tax	**(19)**	**(31)**	**(50)**
Elimination of group transactions	3	—	3
Loss from discontinued operations, net of tax	**(16)**	**(31)**	**(47)**

H. Interests in subsidiaries and associates (continued)

H3. Disposals and non-current assets held-for-sale (continued)

Immediately before the classification of the VA portfolio as discontinued operations, the recoverable amount of the VA portfolio as a Cash Generating Unit (CGU) was ascertained and being lower than the book value an impairment of €22m was recognised.

Similar to the VA portfolio, immediately before the classification of ACTIAM as a discontinued operation in October 2021, an impairment loss of €29m was recognised to reduce the carrying amount of the net assets in the disposal group to their recoverable amount. The impairment loss is included in 'Other expenses' in the above table.

The major classes of assets and liabilities of ACTIAM classified as held-for-sale as at 31 December 2021 are as follows:

€m	**2021**
Financial assets	29
Tax receivable	2
Other assets	3
Cash at bank	7
Total assets held-for-sale	**41**
Provisions	29
Other payables	10
Total liabilities held-for-sale	39
Net assets directly associated with disposal group	**2**

The transaction was completed on 1 January 2022. The transfer price does not lead to a significantly different transaction result than the impairment loss recognised on the measurement to fair value less costs to sell as included in the discontinued operation result.

H3.1 Non-current assets held-for-sale

Sale of German investment property
During the year, an investment property was classified as held-for-sale and was subsequently sold by 31 December 2022 with a sales price of €18m and broker fees and other expenses incurred of €1m. Prior to sale the property was held at a fair value of €17m.

Sale of United Kingdom investment properties
During the year, two investment properties were classified as held-for-sale and was subsequently sold by 31 December 2022 with a sales price of €112m and broker fees and other expenses incurred of €1m. Prior to sale the properties were held at a fair value of €86m.

I. Other notes

I1. Share-based payment

Cash-settled schemes
The group has issued share-based plans that entitle certain employees to receive cash payments based on the value of the Company's common shares. For cash-settled share-based payment transactions, the group measures the liability incurred as the fair value of the liability. Until the liability is settled, the group remeasures the fair value of the liability at the end of each reporting period and at the date of settlement, with any changes in value recognised in the income statement for the period. The approach used to account for vesting conditions when measuring equity-settled transactions also applies to cash-settled transactions.

Equity-settled schemes
The group offers share awards over the Company's common shares, representing equity-settled share-based payment transactions. The group measures the cost of providing these awards at the fair value of the share awards at date of grant, which is recognised in the income statement over the expected vesting period of the related employees and credited to the share-based payment reserve, which is part of shareholders' funds. When shares awarded are issued, the amount recognised at the grant date, net of any transaction costs, is credited to share capital (par value) and the balance to share premium, with the relevant amount in the share-based payment reserve then credited to retained earnings.

This note describes the various equity compensation plans operated by the group and how the group values the options and awards of shares in the Company.

I1.1 Description of plans

The group maintains a number of active share plans and schemes, as follows:

1. **Athora Management Equity Plan (MEP)** is designed to align management and shareholders' interests. The MEP is an equity-settled share-based payment scheme, has no vesting requirements and allows management to share in the financial success of the group in the event there is a change of control occurrence.
2. **Athora Long-Term Incentive Plan (LTIP)** is designed to align the material interests of the group's senior management with those of shareholders, whilst also contributing to the maintenance of a competitive total reward offer for its top talent. The LTIP is a cash-settled share-based scheme and has a five-year vesting period.
3. **Athora Equity Awards (AEA)** are made to various individuals in the group as part of their contractual compensation. These awards are equity-settled, with vesting over a period between two and three years.

I1.2 Outstanding options and awards

1. **Share options:** there were no share options outstanding on the shares of the Company at 31 December 2022 or 31 December 2021.
2. **Share awards:** during the year, 29,297 shares were awarded under the AEA (2021: 973,416 shares). The maximum term over which these awards vest is 2 years (2021: 3 years).

At 31 December 2022 share awards issued were outstanding as follows:

Athora Equity Awards		
Year of vesting / No. of shares	2023	177,198
Year of vesting / No. of shares	2024	188,477

I1.3 Determination of fair value of equity instruments

MEP

Management subscribes up-front in the MEP, paying fair market value for the subscription. The fair market valuation is prepared by an independent third party, based on the estimated present value of future economic benefits from participation in the MEP scheme.

I. Other notes (continued)

I1. Share-based payment (continued)

LTIP and AEA

The fair value attributable to both the LTIP and AEA is determined with reference to the fair value of the Company's 'A' shares at the grant date of the awards. The group has developed a fair value methodology for valuation of the shares. The methodology balances the objectives of reflecting the underlying value in the existing insurance entities, as well as franchise value potential from future M&A and reinsurance activity.

The model for valuing the existing insurance entities is based on projecting the dividend paying capacity of those entities. The model inputs include the following parameters for projecting the business:

- Best estimate demographic assumptions used to project policyholder liabilities.
- Real world investment returns on the assets backing the liabilities.
- Required capital for the entity, based on SII or applicable local capital requirement.
- Strategic solvency target for the entity, which reflects the amount in excess of required capital that the entity holds.
- Expected tax payments on future cashflows.

I1.4 Expense charged to the consolidated income statement

The total expense recognised for the year arising from equity compensation plans was as follows:

€m	2022	2021
Equity-settled expense	5	6
Cash-settled expense	6	5
	11	11

I1.5 Liabilities arising from share-based payment transactions

€m	2022	2021
Cash-settled liability	10	6

I2. Cash flows from operating activities

I2.1 Adjustments for non-cash items

€m	Note	2022	2021
Amortisation of premium/discount on investments		246	410
Change in employee benefit and other provisions		(33)	(36)
Impairment charges	C6	58	19
Depreciation and amortisation of non-current assets		16	17
Loss on repayment of borrowings		39	43
Amortisation/accretion of borrowings and other financial liabilities		(11)	(87)
Revaluation gains and losses		11,631	232
Other		(22)	(9)
		11,924	589

I. Other notes (continued)

I2. Cash flows from operating activities (continued)

I2.2 Net change in operational assets and liabilities

€m	2022	2021
Net change in financial assets	(7,347)	(430)
Net change in investments attributable to policyholders and third parties	(1,199)	(50)
Net change in reinsurance assets	2	66
Net change in other receivables	(108)	32
Net change in other assets	(248)	366
Net change in operational assets	(8,900)	(16)
Net change in other financial liabilities (excluding derivatives)	253	(2,498)
Net change in other financial liabilities (derivatives)	2,567	(415)
Net change in insurance provisions	(10,237)	(1,603)
Net change in liabilities attributable to policyholders and third parties	1,287	831
Net change in provision for employee benefit and other provisions	(8)	(1)
Net change in other payables	24	11
Net change in other liabilities	676	(234)
Net change in operational liabilities	(5,438)	(3,909)
Total	**(14,338)**	(3,925)

Cash outflows relating to interest paid on borrowings of €74m (2021: €72m) are classified in the current period presentation as financing activities as this is considered to better reflect the nature of the cash flows. In the prior period presentation, the interest paid on borrowings is classified as an operating activity.

The Group's borrowings arising from financing activities predominantly include the subordinated debt of €985m (2021: €898m) and senior debt of €907m (2021: €700m). The net increase of €87m and €207m, respectively, is attributable to:

- proceeds of borrowing of €497m (2021: €302m), €250m (2021: nil), respectively;
- acquired through business combinations €83m (2021: nil), nil, respectively;
- repayment of borrowings of €542m (2021: €250m) and €50m (nil), respectively; and
- non-cash increase due to net change in amortised cost €49m (2021: €43m) and €7m (€5m), respectively.

I3. Related party transactions

This note gives details of the transactions between group companies and related parties, which are undertaken in the normal course of business and at normal terms and conditions.

I3.1 Ultimate parent

The ultimate parent and controlling party of the group is Athora Holding Ltd., a limited liability company domiciled in Bermuda.

I. Other notes (continued)

I3. Related party transactions (continued)

I3.2 Key minority shareholders

The group has three key minority shareholders: Apollo Global Management, Inc. and its subsidiaries (Apollo), Athene Holding Ltd and its affiliates (Athene), and the Abu Dhabi Investment Authority and its affiliates (ADIA). Athene, Apollo and ADIA are considered to have significant influence over the group due to representation on Athora's board of directors and are therefore related parties of the group.

On 3 January 2022, Athene and Apollo (excluding Athene) completed a merger under Apollo Global Management, Inc. Apollo Global Management, Inc. has two principal subsidiaries:

- Apollo Asset Management, (formerly Apollo Global Management, Inc.), its alternative asset management business, and
- Athene, its retirement services business.

Athora was a subsidiary of Athene until 1 January 2018, when Athene deconsolidated Athora through a private offering of equity securities. As cofounders of Athora, Athene and Apollo retain a strategic relationship with Athora. At 31 December 2022, Athene and Apollo have five members on Athora's board of directors and a combined 23.25% (2021: 26.30%) economic interest and 29.90% (2021: 29.90%) vote holding in Athora's common share capital.

At 31 December 2022, ADIA had a 18.63% (2021 16.75%) economic interest and 9.9% vote (2021 9.9%) holding in Athora. ADIA has the right to select one member to Athora's board of directors and has exercised its right.

At 31 December 2022, Apollo Global Management, Inc. through its subsidiaries, Athene and Apollo, have the following undrawn commitments. All commitments are at an arm's length basis and are based on normal commercial terms and conditions.

Athene

- €250m equity capital commitment (common shares) (Equity Commitment Letter dated 9 March 2020)
- €350m equity capital commitment (common shares) (Subscription Agreement dated 1 October 2022)

Apollo

- €250m equity capital commitment (common shares) (Equity Commitment Letter dated 9 March 2020)
- €70m equity capital commitment (common shares) (Subscription Agreement dated 1 October 2022)

It is expected that all but €9m of draws under Athene's 1 October 2022 Subscription Agreement will be funded by crediting the redemption proceeds due to Athene upon the redemption of certain Series B preferred shares towards payment of the common shares.

I3.3 Transactions with key minority shareholders

Transactions are set on an arm's length basis in a manner similar to transactions with third parties. The table below summarises the amount of the other material transactions with Athene and Apollo during the year and the outstanding balances at the end of the year:

	2022				2021			
€m	**Income**	**Expenses**	**Payable**	**Receivable**	**Income**	**Expenses**	**Payable**	**Receivable**
Apollo	**1**	**108**	**25**	**—**	1	103	28	—
Athene	**1**	**2**	**—**	**—**	—	3	3	—
	2	**110**	**25**	**—**	**1**	**106**	**31**	**—**

I. Other notes (continued)

I3. Related party transactions (continued)

I3.3 Transactions with key minority shareholders (continued)

During 2022, the group received common share commitments of €600m in aggregate from Apollo and Athene and drew additional preferred capital of €191,207,055 from Athene that was committed in 2021. Apollo provides the group with investment management, advisory and sub-advisory services through its subsidiary, Apollo Asset Management Europe LLP.

Athene has a cooperation agreement with Athora. Under this agreement, which excludes Athora Netherlands, Athene and Athora have certain rights of first refusal relating to certain reinsurance and acquisition transactions. As at 31 December 2022, Athene has not exercised its right of first refusal to reinsure liabilities ceded to Athora. In addition, Athora's subsidiaries may from time to time purchase certain funding agreements and/or other spread instruments issued by Athene's insurance subsidiaries. At 31 December 2022 the value of Athene funding agreements held by the group was €55m (2021: €62m).

The group has leased office space in the United Kingdom. Under a sub-licence agreement, Apollo rents a floor of this space, with total annual rent payable, including service and similar costs, of €1m (2021: €1m) excluding VAT. See **notes C2** and **G3**.

OXW Catalina UK Limited and Oxenwood Catalina III Limited, are subsidiaries of Catalina Holdings (Bermuda) Ltd., a fund investment managed by an Apollo controlled general partner. During the year OXW Catalina UK Limited and Oxenwood Catalina III Limited sold real estate entities to the group. Please see **note H2** acquisition of subsidiaries for further details on the transaction. Management fees paid to Oxenwood for the period ended 31 December 2022 were €2m (2021: €3m).

On 1 August 2022, Athora acquired Amissima Vita, an Italian life insurer, from Apollo. For details of the acquisition see **note H2**.

I3.4 Transactions with key management personnel

The compensation of the group's key management personnel (i.e. those having authority and responsibility for planning, directing and controlling the activities of the group), which comprises the members of the Management Executive Committee (MEC) of Athora, is as follows:

€m	2022	2021
Salaries and other short-term employee benefits	10	8
Share-based payments	4	5
Termination benefits	—	1
	14	14

Receivables from key management personnel at 31 December 2022 were €3m (2021: €3m) and relate to management equity plan loans entered into under normal commercial terms.

During 2022, Class A shares owned by a member of key management were bought back by the group for €1m. See further details in **note D1**.

I4. Commitments and guarantees

I4.1 Commitments

As at 31 December 2022, Athora Lux Invest S.C.Sp. had committed, on an unfunded basis, to make various investments across its compartments totalling €545m (2021: €171m).

In 2019, SRLEV NV entered into a loan commitment of €32m with its subsidiary Bellecom NV for the renovation of property. In 2022, the renovation was finalised leading to the residual commitment being nil at year-end 2022 (2021: €9m)

14.2 Guarantees

Financial guarantee contracts issued by the group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount recognised less cumulative amortisation.

German guarantees

In Germany, the insurance guarantee scheme for life insurers levies annual contributions and, under certain circumstances, special contributions on German life insurers. Athora Lebensversicherung AG and Athora Pensionskasse AG have assumed a contractual obligation to provide, if required, further funds to the protection funds of Protektor Lebensversicherungs-AG ('Protektor'), a life insurance company that has assumed the task of the mandatory insurance guarantee scheme for life insurers. Such obligation is, in principle, based on a maximum of 1% of the sum of the net underwriting reserves with deduction of payments already provided to the insurance guarantee scheme. The protection fund may also levy special contributions amounting to a further 1% of the sum of the net technical provisions; this corresponds to a maximum obligation of €3.8m (2021: €4m).

As at 31 December 2022, the total commitments of Athora Lebensversicherung AG and Athora Pensionskasse AG to Protektor are €33.1m (2021: €36m) which includes the contributions to the mandatory insurance scheme (as noted above) and will continue while Athora is a member of this scheme. This assumes that no other life insurer is exempted from payments.

Netherlands guarantee schemes

In Netherlands, Athora Netherlands NV through its subsidiary SRLEV NV, has guaranteed obligations arising under an insurance contract between NV Pensioen ESC, a subsidiary of SRLEV NV, and a third party related to the defined benefit plan of that party for the term of the contract. The financial position of NV Pensioen ESC, including the indexation reserves, will be guaranteed by Athora Netherlands NV if the Solvency II ratio of SRLEV NV should fall below 100%. SRLEV NV's solvency ratio was 207% as at 31 December 2022. Given that the fair value of the separated assets exceeds the technical claims and benefits, this contract does not give rise to any additional technical claims and benefits in the statement of financial position.

In 2012, SRLEV N.V. revised separate account contracts before the end date of the contracts to make the deficits arising from issued guarantees more manageable. Agreement was reached with customers, in which process customers funded the increased charges of longevity risk while SRLEV N.V. bore part of the interest deficit. At year-end 2022, a liability of €1m exists relating to this separate accounts restructuring (2021: €1m). The customers' liability in respect of this restructuring was €2m at year-end 2022 (2021: €2m).

Netherlands guarantees received and granted

The notional amount of the mortgages guaranteed under the National Mortgage Guarantee Fund (in Dutch: NHG) amounted to €577m at year-end 2022 (2021: €650m).

The market value of the collateral of the mortgages was €12,854m at year-end 2022 (2021: €11,430m). The amortised cost of the mortgages was €5,190m at year-end 2022 (2021: €5,096m).

For saving mortgages, arrangements were made between SRLEV and several credit institutions. The credit risk concerning saving premiums is covered by received cession warranties amounting to €3,123m (2021: €3,406m), deeds of assignment amounting to €231m (2021: €250m) or clearance amounting to €149m (2021: €176m). At year-end 2022 an amount of €34m was unsecured (2021: €36m).

Under the so-called 'Fortuinplan' arrangement mortgage receivables have been pledged to policyholders for the equivalent value of insurance contract liabilities. The value of these insurance contract liabilities at year-end 2022 was €42m (2021: €45m).

I. Other notes (continued)

I4. Commitments and guarantees (continued)

I4.2 Guarantees (continued)

Additional commitments

In 2021 SRLEV entered into a long-term contract with Cardano with regard to asset management activities. The future contractual payments amount to approximately €202m (2021: €210m), of which €25m (2021: €27m) will be due within 1 year and €95m (2021: €108m) in the period between 1 and 5 years. Early termination of the contract will result in the additional fees linked to the remaining duration of the contract.

In 2022 Athora Netherlands entered into a 10-year rental agreement for an office space in Amsterdam, where the head office of Athora Netherlands will be located from April 2023 onwards. The agreed contractual lease payments amount to approximately €19m, of which €1m will be due within 1 year and €8m will be due in the period between 1 and 5 years.

Netherlands Reinsurance company for losses from terrorism

In 2023, Athora Netherlands will take a 17.15% share in the Life cluster (2022: 14.59%) of the Netherlands Reinsurance company for Losses from Terrorism (Nederlandse Herverzekeringsmaatschappij voor Terrorismeschaden N.V.). In 2023, the guarantee will be €11 million (one third of a total guarantee of €34m) for the Life cluster (2022: €10 million (one third of a total guarantee of €29m)) and total premiums will amount to €1m (2022: €1m).

General

In Athora's efforts to ensure compliance with applicable laws and regulations, instances of non-compliance can occur. At present, these instances include Sanction and Anti-money laundering regulation non-compliance which is shared with the regulators, including a timely action plan to address and resolve current and future instances in the Netherlands. The Netherlands is currently further revising its governance framework to adhere to the large company regime and other regulatory requirements.

I4.3 Undrawn capital commitments

At 31 December 2022 the balance of undrawn capital commitments secured by the group was €2,448m. In January 2023, AHL made a capital call of €210m in respect of this commitment.

I5. Contingent liabilities

Where the group has a possible future obligation as a result of a past event, or a present legal or constructive obligation but it is not probable that there will be an outflow of resources to settle the obligation or the amount cannot be reliably estimated, this is disclosed as a contingent liability.

At year-end 2022, SRLEV N.V. had contingent liabilities to invest €1,631m in investment funds (2021: €1,212m). These funds may in due course call these commitments (capital calls) when specific conditions are met. These capital calls have been taken into account in the company's liquidity management. The contingent liabilities had no immediate effect on the capital as of 31 December 2022.

Athora Netherlands has received complaints and claims from customers through SRLEV NV in relation to its unit-linked products.

At 31 December 2022, less than five proceedings were still pending against SRLEV NV before the civil courts. These cases include one class action brought by Vereniging Woekerpolis.nl in relation to certain products. In this class action, the Vereniging Woekerpolis.nl asked for over 80 declaratory judgements from the court that SRLEV NV acted wrongfully. If such declarations are given, individual class members may use those declarations to file their own claims for damages. By judgement of 20 December 2017, the District Court Noord denied almost all the requested declaratory decisions, except for two.

I. Other notes (continued)

I5. Contingent liabilities (continued)

Both Vereniging Woekerpolis.nl and SRLEV NV have filed appeals against the judgement of the District Court. The appeals proceedings are currently on hold and it is unlikely that a final verdict will be delivered by the Court of Appeal in 2023. However, to date, the number of cases in which SRLEV NV has been required to pay damages following a decision by a civil court has been limited.

The management of Athora Netherlands has ascertained that it is not possible at this time to make reliable estimates of the expected number of proceedings, possible future precedents or the financial and/or reputational impact of current and possible future proceedings. The probability and financial impact of additional compensation and/or successful claims still cannot be determined in a meaningful way.

I6. Events after the reporting period

The financial statements are adjusted to reflect significant events that have a material effect on the financial results and that have occurred between the period end and the date when the financial statements are authorised for issue, provided they give evidence of conditions that existed at the period end. Events that are indicative of conditions that arise after the period end that do not result in an adjustment to the financial statements are disclosed.

Debt refinancing

A €500m Revolving Credit Facility (“RCF”) was signed in February 2023 with a group of leading credit institutions to refinance the existing €500m RCF. The new facility extends the maturity to 2026 and has two further 1-year extension options. The facility remains undrawn.

A 3-year €600m Term Loan was drawn in February 2023 to refinance AHL’s €450m Term Loan and the €150m Term Loan of Athora Europe Holding Bermuda Ltd. The transaction materially reduces interest cost, furthers Athora’s aim to consolidate financing at AHL whilst having no impact on financial leverage.

Share Buyback

In February 2023, the group bought back €300m of class A and class B-1 shares from various investors at a predetermined arm's length price.

Dividend paid

On 27 March, AHL paid a dividend of €18m (2021: €17m) on its Series A preferred shares, which are paid in kind by the pro rata issuance of 182,491 (2021: 168,723) Series A preferred shares, based on their stated value on the date of declaration.

Capital call

In January 2023 there was a call on undrawn capital commitments of €210m (ordinary share capital) that was funded in February 2023. This call was made to fund the share buyback referred to above. (see **note I4**).

I. Other notes (continued)

I6. Events after the reporting period (continued)

Share-based payments - Employee Share Awards

On 15 December 2022 the group announced that eligible employees will be awarded up to 100 employee share awards in January 2023 (grant date). The award is expected to vest in July 2024.

Acquisition of a closed life insurance portfolio

On 14 July 2022, the group announced Athora Germany's acquisition of a €19bn closed traditional life insurance portfolio comprising 900,000 policyholders, from AXA Germany. The transaction is expected to close by the end of 2023.

Acquisition of Premium Pension Institution business

In October 2022, Athora Netherlands agreed to acquire a €1.1bn Premium Pension Institution business in the Netherlands from Willis Towers Watson which is expected to close in early 2023.

Acquisition of pension portfolio

On 2 February 2023, Athora Netherlands has reached an agreement to acquire a 2nd pillar pension portfolio of Onderlinge's-Gravenhage. The portfolio totals c.11,300 policies, representing invested pension assets of c.€307m. The transaction is expected to close mid-2023.

I7. Capital management

I7.1 Objectives

The main objective of the group's capital management policy is at all times to appropriately capitalise the operating entities and the group itself, to ensure the interests of policyholders, regulators, shareholders, and other stakeholders can be met. The capital management policy is designed based on regulatory, economic and rating agency requirements.

The aim of the capital management strategy is four-fold:

1. Ensure a robust capitalisation of the group and operating units;
2. Ensure sufficient capital is available to support investment strategies and drive future capital generation;
3. Enable financial flexibility to pursue opportunities as they arise; and
4. Ensure the efficient allocation of capital across the group to deliver expected returns.

I7.2 Approach to capital management (unaudited)

The Group Capital Management policy is adopted by each operating unit to ensure a cohesive approach to capital management across the group, with appropriate amendments to reflect the specifics of each jurisdiction.

Target capital levels at both group and local level are set to reflect the risk profiles of the business and the strategic outlook. An Integrated Management Plan is produced annually to assess capital adequacy and optimisation across the group over the business planning period.

On 7 April 2020, the BMA notified the group of the BMA's determination and approval to be group Supervisor of the group. Pursuant to Section 27B(5) of the Bermuda Insurance Act 1978, the BMA designated Athora Life Re as the 'Designated Insurer' for the purposes of the Insurance Act. group Supervision of the group was effective from 1 January 2020.

I. Other notes (continued)

I7. Capital management (continued)

I7.3 Estimated unaudited group capital indicators:

	Unaudited	
	2022	2021
Group Own Funds (€m)	**5,204**	4,662
Group BSCR (€m)	**2,848**	2,492
Group BSCR ratio	**183%**	187%

Own funds refers to a 'buffer' or excess margin that insurers are required to hold to cover risk of their assets not being sufficient to cover their liabilities. Thus, own funds is capital that already exists, it is split into Tiers 1 to 3 based on their permanence and loss absorbency. Tier 1 funds are highest quality, which are basic own funds. Tier 2 and Tier 3 can be ancillary own funds. Please see below a breakdown of the group's own funds.

The Bermuda Solvency Capital Requirement (BSCR) model calculates a risk-based capital measure by applying capital factors to capital and solvency return elements, including investments and other assets, operational risk, and long-term insurance risks, in order to establish an overall measure of capital and surplus for statutory solvency purposes. The Target Capital Level set by the BMA is equal to 120% of the group Enhanced Capital Requirement. The capital factor established for each risk element, when applied to that element, produces a required capital and surplus amount. The individual capital amounts generated for each risk element are then summed. Covariance adjustments are made to arrive at the BSCR. The group has complied with all capital requirements throughout 2022 and 2021.

I7.4 Reconciliation from IFRS equity to estimated regulatory own funds (unaudited)

		Unaudited	
€m	**Note**	**2022**	2021
IFRS equity per financial statements		**3,871**	4,815
Non-admitted assets			
Elimination of prudential filters	**1**	**(435)**	(371)
Net deferred tax on elimination of prudential filters	**2**	**95**	88
Estimated Statutory Capital and Surplus		**3,531**	4,532
Adjustment to Economic Balance Sheet (EBS)			
Insurance assets and liabilities valuation differences	**3**	**2,338**	(691)
Financial asset and liabilities valuation differences	**4**	**(1,562)**	(21)
Reclassification of subordinated liabilities	**5**	**1,161**	920
Net deferred tax on valuation differences	**6**	**(264)**	(78)
Estimated Statutory Economic Capital and Surplus		**5,204**	4,662

Notes:

1. Includes €171m (2021: €95m) of intangible assets, €258m (2021: €271m) of deferred expenses and prepaid expenses €6m (2021: €5m) which are not considered admissible under BMA regulatory framework.
2. Net deferred tax includes the tax effect of all other reconciling items in the table above which are shown gross of tax.
3. EBS adjustments of the IFRS balances utilising projections of future cash flows and discounting to determine technical provisions comprised of best estimate premium provisions, best estimate loss provisions and risk margins. Includes valuation adjustments to reflect insurance assets and liabilities valued on a best estimate basis using market-implied assumptions.
4. Includes valuation adjustments to reflect financial assets and liabilities valued on a best estimate basis using market-implied assumptions.
5. The subordinated debt of €1,161m (2021: €920m) comprises debt issued by Athora Netherlands N.V. (€838m) and Athora Italia S.p.A. (€72m). Both are classified as Tier 2 capital for regulatory reporting. Also included is an unsecured loan available to Athora Holding Limited (€250m) which is classified as Tier 3 capital for regulatory reporting.
6. Net deferred tax includes the tax effect of all other reconciling items in the table above which are shown gross of tax.

I. Other notes (continued)

I7. Capital management (continued)

I7.5 Estimated Unaudited Statutory Economic Capital and Surplus

	Unaudited	
€m	**2022**	**2021**
Tier 1	**4,044**	3,742
Tier 2	**910**	920
Tier 3	**250**	—
Estimated Statutory Capital and Surplus	**5,204**	4,662

I8. Approval of financial statements

The Board of Directors approved these consolidated financial statements on 30 March 2023.

Other information

Athora Deutschland Group (Athora Germany)

The management information in this section is disclosed pursuant to section 292 of the HGB (Handelsgesetzbuch) – exemption from preparing consolidated financial statements and a separate Group management report[1].

Key financial highlights - Athora Germany

In 2022, Athora Germany achieved a net consolidated IFRS result of €2 million:

- Net earned premiums decreased by €13 million, or 10%, to €117 million (2021: €130 million). As in the previous year, premiums were affected by lower single premiums in consortium business in addition to the natural decrease due to the run-off business model.
- The segmental net result for the year decreased by €64 million to €(52) million (2021: €12 million). This development is due to the performance of interest rate derivatives. Athora Germany uses derivatives in the Group's own funds for its asset-liability management strategy. While under IAS 39 derivatives are accounted for at fair value, the liabilities side is accounted for under IFRS 4, which is a book value approach adjusted with a policyholder participation in changes in the value of the asset side.
- At 31 December 2022, Athora Germany's IFRS shareholders' equity (without minority interests) was €99 million (2021: €195 million). The negative impact was due to the rise in interest rates. In the operating business, recognisable in the risk and cost result, showed a very positive development, just as the return out of the return-seeking assets.

In 2022, Athora Germany presented a consolidated loss under German GAAP of €(13) million.

After a policyholder direct bonus (profit sharing) of €5 million is included, this resulted in a net loss of €(18) million.

Outlook

The German life insurance market forecasts an unchanged business development compared to 2022, which considers a further decrease in premiums written. Also, Athora Germany forecasts premiums written to decrease by c.€125 million in 2023, in line with the run-off nature of this business.

After Athora Germany has been in run-off for several years and has undertaken various activities to acquire another portfolio, these activities could lead to a positive result in 2023. After intensive analysis and negotiations with the seller, the German management and the M&A team of the Athora Group were able to successfully sign a contract for the acquisition of a portfolio in July 2022. These are clear signs that Athora's efforts in the area of customer service, surplus participation and improvement of the coverage situation were successful, as these were key points in the negotiations with the seller. At the same time, this enables Athora to significantly reduce its strategic risk and further position itself for the future. While the acquisition of the portfolio is subject to approval by BaFin, Athora has launched a Group-wide project to integrate the new portfolio into Athora Germany. Together with the portfolio seller, the main steps of the transfer are being prepared in numerous project groups. The activities are running in a targeted and focused manner in order to obtain regulatory approval in 2023.

[1] In respect of Athora Deutschland GmbH, Athora Deutschland Holding GmbH & Co. KG and Athora Lebensversicherung AG.

Overall, Athora will grow significantly in Germany as a result of this acquisition and become a large, established company, from which all stakeholders will benefit. It is the target to achieve a positive result in 2023, which, however, will be impacted by the closing of the signed acquisition subject to the approval of the regulatory authorities.

Risks, opportunities and challenges

Athora Germany is closed to new business. The main risks to which the business is exposed, which are not expected to change significantly in the near future, are credit risk (spread risk), equity risk (investments in alternatives) and underwriting risk (lapse risk depending on the interest rate level and expense risk). Further details of our risks are presented in the table below.

Athora Germany has significant investments via segregated investment funds (*Spezialfonds*) in Luxembourg. Athora ensures that its investment activity and resulting credit and equity risks are managed to provide long-term value creation for our customers and stakeholders, while also complying with regulatory requirements, the Prudent Person Principle, the Group's risk strategy and appetite and internal financial risk policies.

Athora Germany is committed to maintaining resilient financial strength under Solvency II, servicing our existing customers and delivering attractive policyholder returns. Athora Germany will continue to strategically assess growth opportunities in the German life insurance market, as announced in summer 2022.

Financial risk: Underwriting

Type	Relevance	Description
Mortality risk	Low	Certain product lines are exposed to mortality risks. This risk is of low relevance as Athora has reinsured a significant part of the portfolio using high quality reinsurers. In 2022, the relevance of mortality risk has remained unchanged.
Longevity risk	Medium	Longevity risk mainly relates to Athora Germany's annuity portfolio. As parts of this portfolio are reinsured, longevity risk is of medium relevance and reducing over time as the portfolio runs off.
Lapse risk	Medium	Lapse risk (lapse down) was of high relevance in a low interest rate environment as Athora Germany has a high average guarantee in the portfolio and the business is in run-off. The lapse risk remains of importance, but has reduced significantly given the increase of interest rates.
Disability/ morbidity risk	Medium	This risk is of medium relevance as Athora Germany has reinsured significant parts of the portfolio using high quality reinsurers. In 2022, the relevance of this risk has remained unchanged.
Expense risk	High	Expense risk is of high relevance. Athora Germany is closed to new business and the run-off of the book leads to an increase in fixed costs. Athora Germany remains committed to the efficient management of its in-force portfolio by increasing the proportion of variable costs in the overall cost base. This comprises tight cost controls, aided by outsourcing of capabilities where appropriate, and efficient capital management. As Athora has announced an acquisition in the summer 2022, the company expects forward looking a slightly lower relevance of expense risk, beside the fact that inflation might increase the expense risk forward looking.
Catastrophe risk	Low	This risk is of low relevance for Athora Germany as the exposure is mainly reinsured with a high quality reinsurer.

Financial risk: Credit

Type	Relevance	Description
Spread risk	High	As the risk appetite of the company is in favour of spread risk, this risk is of high relevance to Athora Germany. Athora ensures that its investment activity and resulting credit risk is managed to provide long-term value creation for our customers and stakeholders, while also complying with regulatory requirements, the Prudent Person Principle, the Group's risk appetite and strategy and internal financial risk policies.
Concentration risk	Medium	Concentration risk remains unchanged on a medium level.
Default risk	Low	The average default rate on receivables is very low. In addition, Athora Germany only uses reinsurers with at least a BBB+ rating.

Financial risk: Market

Type	Relevance	Description
Interest rate risk	Medium	Interest rate risk, which is of medium relevance, is hedged in line with our overall risk strategy against the swap curve by dynamic use of derivatives. While interest rate down was the relevant stress in the past, the significant increase in interest rates turned the relevant stress to interest rates up under local GAAP.
Equity risk	Medium	In line with our overall risk appetite, Athora Germany currently invests in strategic equity which was reduced in line with implemented measures. Our exposure to alternative investments is significant as this asset types provide attractive returns and uses market opportunities.
Property risk	Low	Property risk was reduced in 2022 to almost zero in line with strategic asset allocation.
Foreign exchange risk	Low	Assets are either Euro-denominated or the foreign exchange risk and all currency risks are hedged by appropriate derivatives.
Liquidity risk	Low	We do not have appetite for liquidity risk. To manage liquidity risk, Athora Germany uses stress tests and monitors liquidity against a forward-looking liquidity plan based on predicted liability cashflows (net of reinsurance) as the book runs off. Even during the increase of interest rates in 2022, Athora had sufficient liquidity buffers and could demonstrate that forward looking liquidity requirements are under control.

Non-financial risks

Type	Relevance	Description
Operational risk	Low	Athora Germany has limited appetite for operational risks and seeks to minimise them to as low a level as is commercially sensible.
Compliance risk	Low	Compliance risk is considered to be lower for Athora Germany as we are closed to new business and compliance is closely managed.
Reputational risk	Low	All of the risks described above, particularly operational risks, may have an adverse impact on our reputation. To avoid any damage to our reputation, Athora Germany closely manages reputational risk.

Alternative performance measures

Athora assesses and discusses financial performance using a number of measures. Some measures are non-GAAP measures that are not defined or specified in accordance with other regulations such as International Financial Reporting Standards (IFRS). These measures are known as alternative performance measures (APMs).

APMs are disclosed to provide stakeholders with additional helpful information to enhance an understanding of our performance and should be viewed as complementary to, rather than a substitute for, the measures determined according to IFRS or other regulations. Athora's APMs may not be comparable to similarly titled measures or disclosures reported by other companies.

A list of the APMs used in our results, as well as their definitions and the reasons why they are used, is provided below. Further discussion of these measures can be found in the Chief Financial Officer's report.

APM	Definition	Why is it relevant
Assets under management administration (AuMA)	The value of invested assets administered by or on behalf of Athora, including both policyholder funds and shareholder assets. Calculated by Athora as the sum of investment properties, financial assets, cash and cash equivalents, loans and advances due from banks, derivative liabilities and investments attributable to policyholders and third parties in the statement of financial position.	AuMA is a measure of the size and scale of the Group and enables an assessment of our potential earnings capability arising from investment returns and fees. A reconciliation to the amounts shown in the consolidated statement of financial position is shown in the financial performance section.
Financial leverage ratio	The financial leverage ratio is defined consistent with the Fitch Ratings methodology. The ratio is calculated as Debt over Debt + Equity. Debt generally includes Senior and Tier 2 Debt. Equity generally includes Common Shareholders' Equity, Preferred Shares and Restricted Tier 1 Debt and other loss-absorbing sources of capital. Debt, Preferred Shares and Restricted Tier 1 Debt are accounted for at their notional value and where applicable, adjustments for the FX rate at the end of the period are made.	We have a medium term financial leverage target of 25%, which is consistent with our "A" range financial strength rating target. Athora manages its financial leverage ratio given the importance it has to our ratings, which in turn are critical to Athora's reinsurance proposition, our funding costs and our ability to maintain financial flexibility.
Group BSCR ratio	Available statutory capital divided by the Bermuda Solvency Capital Requirement (BSCR) and expressed as a percentage.	The Group BSCR ratio is an indicator of our financial strength.
Operating capital generation (OCG)	OCG defined as the expected carry on investments, less the cost of liabilities and includes the Ultimate Forward Rate (UFR) drag, expense and experience variances (incl. profit-sharing impacts), SCR and Risk Margin unwind and new business. It excludes UFR stepdown.	Athora considers this measure meaningful to stakeholders as it enhances an understanding of the Group's operating performance. By focusing on sustainable growth in OCG, Athora can deliver better returns for our customers and drive sustainable long-term cash generation.

Glossary

Term	Definition
AHL	Athora Holding Ltd. (also referred to as the Company) is domiciled in Bermuda.
APMs	Alternative Performance Measures.
Apollo	Apollo Global Management Inc. and its subsidiaries.
Athora	AHL together with its subsidiaries (also referred to as the Group).
BMA	Bermuda Monetary Authority, which became the Group's regulatory supervisor from 1 January 2020.
BSCR	Bermuda Solvency Capital Requirement.
CISSA	Commercial Insurers' Solvency Self-Assessment—a Bermuda-specific requirement similar to an ORSA.
ECR	Enhanced Capital Requirement.
ERM	Enterprise risk management.
ESG	Environmental, social and governance.
GSSA	Group Solvency Self-Assessment—a Bermuda-specific requirement similar to a group ORSA.
GWP	Gross Written Premiums.
ICF	Internal control framework.
Investment universe	This document provides descriptions of the asset classes within Athora's company-wide investment universe and is fundamental for the implementation of Athora's risk appetite and strategy. Athora consistently applies the asset classification, investment rationale, return and risk assessment as outlined in the document throughout the group-wide investment, risk assessment and business planning cycle and as guidance for its subsidiaries.
IG	Investment grade.
MEC	Management Executive Committee.
MC	Management Committee.
M&A	Mergers and acquisitions.
ORSA	Own Risk and Solvency Assessment—a requirement under Solvency II.
PRT	Pension risk transfer. Pension buy-outs are a type of PRT.
RCF	Revolving credit facility.
SAA	Strategic asset allocation.
SCR	Solvency capital requirement.
Solvency II	The regime for the prudential regulation of European insurance companies that came into force on 1 January 2016.
SRLEV	SRLEV N.V. is a regulated insurance company and wholly owned subsidiary of Athora Netherlands.
UFR	Ultimate Forward Rate.
VIVAT	The Group's Dutch insurance subsidiary, which was acquired in April 2020 and subsequently renamed Athora Netherlands. VIVAT's non-life business was sold to NN Group following completion of the acquisition.

This document has been prepared and issued by Athora Holding Ltd. (together with its subsidiaries, 'Athora', also referred to as 'the Group'), and must not be interpreted as a recommendation, inducement, invitation or offer to purchase, transfer or sell any securities issued by Athora.

This document contains certain forward-looking statements that reflect Athora's intentions, beliefs, assumptions or current expectations about and targets for the Group's future result of operations, financial condition, liquidity, performance, prospects, anticipated growth, strategies and opportunities and the markets in which Athora operates, taking into account all information currently available, and are not necessarily indicative or guarantees of future performance and results. You should not place undue reliance on the forward-looking statements in this document. Athora does not guarantee that the assumptions underlying the forward-looking statements in this document are free from errors, does not accept any responsibility for the future accuracy of the opinions expressed in this document and does not undertake any obligation to update the statements in this document to reflect subsequent events. No responsibility, obligation or liability (whether direct or indirect, in contract, tort or otherwise) is or will be accepted in relation to this document by any member of the Group or any member's respective directors, officers, employees, advisers or agents. No representation or warranty, express or implied, is made as to the truth, fullness, accuracy, reasonableness or completeness of the information contained herein (or whether any information has been omitted from this document) or any other information relating to Athora , whether written, oral or in a visual or electronic form, and howsoever transmitted or made available by Athora or any of its directors, officers, employees, advisers or agents.

athora.com

linkedin.com/company/athoragroup

ATHORA