

Athora Holding Ltd. publishes its full year 2023 results

28 March 2024

Pembroke, Bermuda, 28 March 2024 – Athora Holding Ltd. (Athora or the Group), a leading European savings and retirement services group, today announces its financial results for the full year (FY) to 31 December 2023.

Highlights

- **Operating capital generation: €567m** (FY 2022: €370m¹)
- **Group BSCR² solvency ratio: 182%** (FY 2022: 183%)
- **Assets under Management and Administration: €73.3bn** (FY 2022: €69.6bn³); after announced acquisitions, proforma AuMA: €86.4bn⁴
- **IFRS profit before tax: €1,082m** (FY 2022⁵: €(1,294)m)
- **IFRS equity & CSM⁶ €6.9bn** (FY 2022⁶: €6.5bn)
- **Financial leverage: 25%** (FY 2022: 23%⁷)
- **Credit rating: 'A' (Stable)⁸**

¹ Operating Capital Generation (OCG) is defined as the expected return on investments, less the cost of liabilities (including the Ultimate Forward Rate (UFR) drag), expense / experience variances (including profit-sharing impacts), Solvency Capital Requirement (SCR) unwinds, risk margin unwinds, new business impacts and resulting tiering impacts. It excludes the UFR stepdown. Comparative figure for OCG at 31 December 2022 restated due to a change to the Group methodology.

² Bermuda Solvency Capital Requirement (BSCR) ratio is considered an estimate given only year-end ratios are considered actuals by the Bermuda Monetary Authority. The 2023 year-end ratio will be finalised in May 2024.

³ Assets under management and administration (AuMA) is calculated by Athora as the sum of investment properties, financial assets, cash and cash equivalents, investments attributable to policyholders and third parties, net of derivative liabilities. Adjustments are made for consolidated third-party funds where no fee is earned by the Group to remove them from AuMA, and off-balance sheet AUA where the Group earns fees on unconsolidated funds, are included in AuMA. The comparative figure has been updated to reflect valuation changes resulting from the adoption of IFRS 9/17.

⁴ The proforma number comprises AuMA at 31 December 2023 for Athora's existing business units and estimated AuMA for the previously announced acquisition of a closed book portfolio from AXA Germany (representing €13.1bn in AuMA) which remains subject to closing.

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

⁶ IFRS Equity has been restated for comparative periods to reflect the transition to IFRS 9/17 accounting standards. Contractual Service margin (CSM) is presented gross of tax and net of reinsurance.

⁷ The financial leverage ratio has been calculated using the revised Fitch Ratings' methodology, and the comparative has been restated accordingly.

⁸ Fitch Ratings Insurer Financial Strength Rating of rated business units.

Strategic progress

- Higher capital generation supported by strong commercial momentum, transformation and expense initiatives, as well as the continued repositioning of investment portfolios to drive increased risk-adjusted returns.
- In March 2024, first remittance declared by Athora Netherlands since acquisition in 2020 of €75 million.
- Successful inaugural listed notes issuance from Athora Holding Ltd. of €600 million⁹ senior unsecured fixed rate notes, which qualify as Tier 3 regulatory capital for Group Solvency.
- Previously announced acquisition of a closed book portfolio from AXA Germany (representing €13.1 billion¹⁰ in AuMA) remains subject to closing.
- Continued growth momentum with the completion of the acquisition of the Willis Towers Watson (WTW) €1.4 billion¹¹ Premium Pension Institute (PPI) in the Netherlands, alongside the completion of two Pension Risk Transfer transactions totalling €0.3 billion.
- Successful execution of new product and distribution initiatives across Belgium, Italy and the Netherlands, with a 29% annual increase in gross inflows at Athora Netherlands.
- Agreement to transfer the Athora Netherlands individual life portfolio management and certain Group IT activities to Tata Consultancy Services (TCS).
- Todd Solash appointed as President and Deputy CEO of Athora Group in October 2023 and Bruce Hemphill as Chair of the Board of Directors in January 2024.
- Key leadership appointments announced in Germany, Belgium and at Group to support the next phase in Athora's growth journey.

Financial performance

- **Operating capital generation (OCG) of €567 million** (FY 2022: €370 million). The increase in OCG was underpinned by a 69% year-on-year increase at Athora Netherlands, as a result of strong commercial, operational and investment momentum.
- **Group IFRS profit before tax of €1,082 million** (FY 2022: €(1,294) million). The IFRS profit for the year reflects a positive insurance service and net financial income result, primarily arising from the impact of decreasing interest rates and the strategic shift towards return-seeking asset exposure, partially offset by a €95 million¹² provision relating to the settlement regarding investment-linked insurance products in the Netherlands. The loss in FY 2022 was mainly as a result of a sharp rise in interest rates over the course of the year.
- **Total IFRS equity and CSM of €6.9 billion** (FY 2022: €6.5 billion).

IFRS equity of €4.6 billion (FY 2022: €4.0 billion) has increased as a result of the profit for the year, which was partially offset by movements in share capital. During the year, there was a net share issuance of €188 million of common equity. Athora also redeemed €118 million of preferred shares and bought back €300 million of common equity, of which €184 million is held as treasury shares.

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

¹⁰ AuMA at 31 December 2023.

¹¹ AuMA at 31 December 2023.

¹² On 22 March 2024, Athora Netherlands announced a settlement agreement with interest groups and non-affiliated customers regarding the unit-linked insurance products sold in the Netherlands by SRLEV N.V. (Reaal) and its predecessor companies.

A contractual service margin of €2.3 billion (FY 2022: €2.4 billion) has been recognised following the implementation of IFRS 17, which represents future profits of the business. The decrease of €0.1 billion is mainly as a result of the annual release of CSM to profit. Other movements within CSM were largely offsetting during 2023, with the beneficial impacts of a renegotiation of an external reinsurance treaty in the Netherlands, offsetting experience variances, assumption changes and other impacts.

- **Financial leverage ratio of 25%** (FY 2022: 23%¹³) is consistent with Athora's target of 25% over the medium-term. In line with the updated Fitch Rating criteria, a new methodology was applied due to the implementation of IFRS 9/17 to include CSM net of tax. Financial leverage increased moderately as a result of the €600 million senior Tier 3 notes issuance, which was mostly offset by an increase in IFRS equity and repayment of a bank loan.
- **Assets under management and administration (AuMA) of €73.3 billion** (FY 2022: €69.6 billion¹⁴), proforma AuMA of €86.4 billion. AuMA has increased compared to FY 2022 reflecting the acquisition of WTW in the Netherlands, and the beneficial impact of decreasing interest rates on fixed income asset values. Proforma AuMA comprises the previously announced acquisition of a closed book portfolio from AXA Germany (representing €13.1 billion in AuMA), which remains subject to closing.

Financial strength

- **Undrawn equity capital of €2.2 billion**¹⁵ (FY 2022: €2.5 billion): reduced marginally due to the utilisation of €118 million to redeem preference shares. Additionally, the Group has access to €750 million of undrawn liquidity from a Revolving Credit Facility¹⁶.
- **Group BSCR ratio (estimated) of 182%**¹⁷ (FY 2022: 183%): remained robust despite an increase in capital requirements to support the ongoing asset repositioning, and a further impact to available statutory capital from the settlement regarding investment-linked policies, in the Netherlands. Athora continues to work towards implementation of the Bermuda Monetary Authority's consultation papers issued in February and August 2023.
- **Strong business unit solvency ratios:** Solvency remains robust across all business units. Netherlands 206% (FY 2022: 205%), Belgium 155% (FY 2022: 150%), Germany 163% (FY 2022: 117%)¹⁸, Italy 211%¹⁹ (FY 2022: 197%) and Reinsurance 186% (FY 2022: 210%). Since acquisition in 2020, Athora Netherlands' solvency ratio has significantly improved from 160%.
- **Credit Rating maintained at 'A' (Stable) by Fitch Ratings:** In September 2023, Fitch Ratings maintained the Insurer Financial Strength Ratings of Athora's rated business units at 'A'. The Issuer Default Ratings for Athora Holding Ltd. and Athora Netherlands N.V. were also held at 'A-'. All ratings are on Stable outlook.
- **Financing activity:** Increase in borrowings due to the issuance of €600 million senior Tier 3 notes partially offset by repayment of €250 million of Tier 3 bank debt. Additionally, Athora refinanced its existing senior bank debt at Athora Holding Ltd. and Athora Europe Holding (Bermuda) Ltd. into one single bank loan at Athora Holding Ltd., continuing the journey to centralise all financing at the ultimate holding company.

¹³ The financial leverage ratio has been calculated using the revised Fitch Ratings' methodology, and the comparative has been restated accordingly.

¹⁴ The comparative figure has been updated to reflect valuation changes resulting from the adoption of IFRS 9/17.

¹⁵ As of 31 December 2023, including €1.7bn of uncalled equity from the 2022 capital raise, providing growth capacity, and a further €500m of "backstop" equity commitment letters, signed in 2020.

¹⁶ In February 2024, a €1.0bn Revolving Credit Facility (RCF) was signed to refinance the existing €500m RCF and extend the tenure to 2027. Subsequently, the Group drew down €250m of the new facility to prepay part of the €600m term loan due in February 2026.

¹⁷ Bermuda Solvency Capital Requirement (BSCR) ratio is considered an estimate given only year-end ratios are considered actuals by the Bermuda Monetary Authority. The 2023 year-end ratio will be finalised in May 2024.

¹⁸ Solvency ratio excluding transitional measures for technical provisions.

¹⁹ Italy solvency ratio includes the impact of an external lapse reinsurance treaty.

Group Chief Executive Officer Statement

Mike Wells, Group Chief Executive Officer, said:

We delivered a strong set of results in 2023, amidst a volatile macroeconomic environment, and have made significant progress against our strategic plan. Notably, the improvements in financial performance at Athora Netherlands, since acquisition in 2020, is testament to the strength of our business model and team.

Group OCG increased by 53% to €567 million, underpinned by strong commercial momentum, transformation and expense initiatives, as well as the continued repositioning of investment portfolios to drive increased risk-adjusted returns. Athora Netherlands OCG increased by €186 million, with the solvency ratio remaining strong at 206% despite market challenges related to mortgage spread widening and property revaluations. The significant turnaround in the financial performance of Athora Netherlands, since acquisition, has enabled the business to declare a remittance of €75 million in March 2024.

The Group BSCR ratio remained robust at 182%¹⁷, supported by positive capital generation, select management actions and financing activity. This was offset by the capital requirement impacts of the investment portfolio repositioning and the provision taken in the Netherlands. IFRS financial results reflected a strong profit before tax of €1,082 million. This supported an increase in the combined value of IFRS equity and CSM to €6.9 billion. Financial leverage of 25% remains in line with target levels.

An important milestone during the year was the completion of our first listed debt offering – a €600 million senior unsecured fixed rate note issuance – qualifying as Tier 3 regulatory capital. Accessing public debt capital markets is an important step in Athora's business plan, providing longer-term financing and aligning the Group's capital structure with our long-term savings and retirement services strategy. Over recent periods, we have also consolidated our term loan structures and increased our liquidity facilities, reflecting a maturing in our business.

2023 has been a year of operational transition. Several changes were made to our executive management teams, across the Group and business units, in preparation for the next phase of our strategic growth journey. We have also continued to invest in our infrastructure, including a re-tooling of our actuarial systems and investment accounting platform, to support increases in our scale.

Looking ahead, we will continue to focus on our strategy of disciplined growth, careful asset underwriting and expense management, underpinned by strong risk and capital management. Our financial flexibility remains strong, with €2.2 billion¹⁵ of undrawn equity, a prudent capital structure and a supportive long-term investor base.

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

For information

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About Athora

Athora is a leading European savings and retirement services group. We concentrate on the large and attractive traditional life and pensions market, with an ambition to become a leading provider of guaranteed savings and pensions products in Europe. We serve the needs of individual and corporate customers who continue to demand products offering safety of returns, and also provide innovative M&A and risk transfer solutions to other insurers seeking to enhance their capital position or enact strategic change. Athora's principal subsidiaries are Athora Netherlands N.V. (Amsterdam, Netherlands), Athora Belgium N.V./S.A. (Brussels, Belgium), Athora Lebensversicherung AG (Wiesbaden, Germany), Athora Italia S.p.A (Genoa and Milan, Italy) and Athora Life Re Ltd. (Bermuda). At 31 December 2023, Athora had AuMA of €73.3 billion, c.1,500 employees and approx. 2.8 million policyholders.

For more information, please visit: www.athora.com
LinkedIn: www.linkedin.com/company/athoragroup

Disclaimer

This press release of Athora Holding Ltd. contains information, relating to the full year results for 2023 of Athora Holding Ltd., as described above.

This press release contains summary information only and does not purport to be comprehensive and is not intended to be (and should not be used as) the sole basis of any analysis or other evaluation and should be read in conjunction with the Annual Report 2023 of Athora Holding Ltd.