ATHORA LIFE RE LTD.

Financial Condition Report

31 December 2019

Athora Life Re Ltd. Financial Condition Report

For the twelve (12) months ending 31 December 2019

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1. EXECUTIVE SUMMARY

Athora Life Re Ltd. ("**ARE**" or the "**Company**") was incorporated under the laws of Bermuda on 4 April 2017 under its previous name, NewRe Life Re Ltd., and changed to its current name effective 7 September 2017. ARE is registered as a Class E long-term insurer under the Insurance Act 1978, as amended, and related rules and regulations (the "**Insurance Act**") and is supervised by the Bermuda Monetary Authority.

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

1.1. Business and Performance

ARE is a wholly-owned subsidiary of Athora Holding Ltd. (previously known as AGER Bermuda Holding Ltd.), a Bermuda holding company ("**Athora Holding**" or "**Parent**"). In January 2018, Athora Holding deconsolidated from Athene Holding Ltd. ("**Athene Holding**") becoming its own insurance group, of which ARE forms a part. Athora Holding, through its subsidiaries in Bermuda, Ireland, Germany and Belgium (collectively the "**Athora Group**"), is a specialist solutions provider in the European insurance market.

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

Effective 31 December 2019, the Company, Athene Life Re Ltd. ("**ALRe**") and Athora Lebensversicherung AG ("**ALV**"), as ceding company, entered into an assumption of reinsurance agreement (the "**Assumption**") pursuant to which the Company assumed all of ALRe's rights and obligations under the reinsurance agreement dated 31 December 2018 (the "**Original HLV Reinsurance Agreement**") and the Company thereby assumed the position of direct reinsurer under an amended and restated reinsurance agreement (the "**HLV Reinsurance Agreement**"). The HLV Reinsurance Agreement reinsures a 60% quota share of certain longevity, policyholder behaviour and market risks on a portfolio of business of Hamburger Lebensversicherung AG ("**HLV**")[1]. Simultaneous with the Assumption, the quota share retrocession agreement between the Company and ALRe, under which the Company reinsured 100% of the reinsured risks under the Original HLV Reinsurance Agreement, terminated effective 31 December 2019. The Company's risk exposure did not change as a result of the Assumption as prior to this 100% of the risks had been retroceded to the Company. The Assumption has resulted in reduced operational complexity for the Company.

Effective 30 September 2019, the Company entered into a lapse risk reinsurance agreement ("**Lapse Risk Reinsurance Agreement**") with ALV, relating to a portfolio of German endowments and deferred annuities, which protects ALV against the economic losses in a low-lapse scenario.

On 3 April 2018, ARE acquired Aegon Ireland plc (now known as Athora Ireland plc ("**Athora Ireland**")) from Aegon N.V. Athora Ireland, as a direct subsidiary of ARE, facilitates transactions from Europe to Bermuda, providing an easier path for liabilities and reinsurance transactions between the entities.

[1] HLV merged into ALV effective 1 January 2015.

ARE and Athora Ireland have been assigned the following credit ratings by A.M. Best[2] and Fitch Ratings[3]:

	A.M. Best	Fitch
Athora Life Re Ltd.	B++ Outlook: Stable 02/2020	BBB+ Outlook: Stable 10/2019
Athora Ireland plc	B++ Outlook: Stable 02/2020	BBB+ Outlook: Stable 10/2019

The Company produces its financial statements in accordance with International Financial Reporting Standards ("**IFRS**"), as issued by the International Accounting Standards Board and adopted by the European Union, and reported a pre-tax loss of €20.8m at 31 December 2019, compared with a pre-tax loss (including discontinued operations) of €10.3m at 31 December 2018. This is in line with expectations and is reflective of ARE's early stage of operations. The losses are primarily driven by operating expenses reflecting the development of infrastructure to support future new business.

1.2. System of Governance

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

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

1.3. Risk Profile

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

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

[2] For the latest rating, access www.ambest.com.
[3] Fitch's ratings and analysis reflect the ability of an insurer to meet its policyholder, reinsurance and contract holder obligations on a timely basis.

1.4. Solvency Valuation

The Company has valued its assets and liabilities on a market consistent basis, i.e., using information which is market observable where possible in accordance with EBS valuation principles. During the reporting period, the Company did not make any material changes to the recognition, valuation bases or estimation techniques used for its asset valuation.

Over the period the Company implemented the Scenario Based Approach in the valuation of the Best Estimate Liability. There were no other material changes to the bases, methods or main assumptions used for the valuation of other liabilities over the reporting period

1.5. Capital Management

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

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

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

€ '000	2019	2018
Available Capital	215,778	214,407
ECR	94,682	77,706
Solvency Ratio	228%	276%

The increase in Capital requirements over the period is driven by an increase in market risk primarily due to asset repositioning and deployment over 2019 in line with the Company's Risk Appetite and Strategy.

2. BUSINESS AND PERFORMANCE

2.1 Name of the Insurer

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

2.2 Insurance Supervisor

Bermuda Monetary Authority (the "**Authority**")
BMA House
43 Victoria Street
Hamilton HM 12, Bermuda

2.3 Approved Auditor

PricewaterhouseCoopers Ltd.
4th Floor, Washington House
16 Church Street West
Hamilton HM 11, Bermuda

2.4 Ownership details

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

2.5 Group structure

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

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

Geographical distribution of business written for the reporting period

€ '000	2019	2018
Gross Premium Written - Germany	9,091	*294,100*
Gross Premium Written- Other	7,801	*6,287*
Total Gross Premium Written	**16,892**	**300,387**
Net Premium Written - Germany	*9,091*	*294,100*
Net Premium Written- Other	*(18,916)*	*(14,507)*
Total Net Premium Written	**(9,825)**	**279,593**

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

2.7.1 Investment performance

The table below details the Company's investment return as reported in the Company's 2019 and 2018 audited financial statements. The change in investment income over the period reflects asset repositioning and deployment over H2 2018 and over 2019.

€ '000	2019	2018
Interest income on financial assets	7,893	2,131
Realised gains/(losses)	5,135	-
Impairment losses	(5,743)	-
Fair value gains/(losses)	13,321	-61
Other investment income	2,551	-
Total Investment Return	**23,157**	**2,070**

2.7.2 Material income and expenses

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

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

2.8 Any other material information

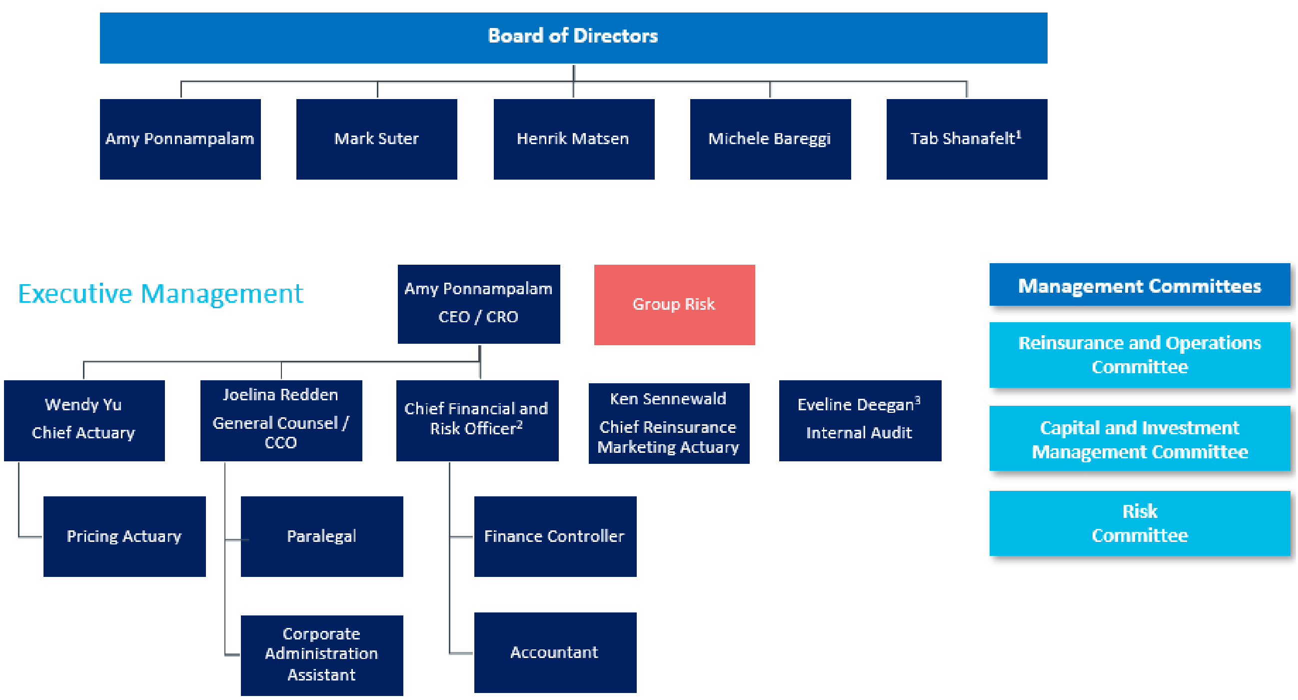
There is no further material information to note regarding the Company's business and performance.

3. GOVERNANCE STRUCTURE

The Company is satisfied that its system of governance is appropriate for the nature, scale and complexity of risks inherent in its business and to ensure compliance with applicable laws and regulations, the Company's Bye-laws and other corporate governance documents of the Company. ARE is committed to a high standard of corporate governance and has adopted Board and other governance guidelines and terms of reference as a framework to provide effective governance over the affairs of the Company under the direction of the Company's Board. The Company's governance structure emulates its Parent's corporate governance framework. This governance framework operates a 'Three Lines of Defence' structure to ensure appropriate segregation of responsibilities.

The Board is responsible for the sound and prudent oversight of the Company and for the overall governance of the Company's business and strategic objectives. The Company's Bye-laws and Board Governance Guidelines define the duties, membership and meeting procedures of the Board. The Board has delegated certain authority to a number of management committees, each with their own terms of reference (see Management Committees at Section 3.1.1.C. below).

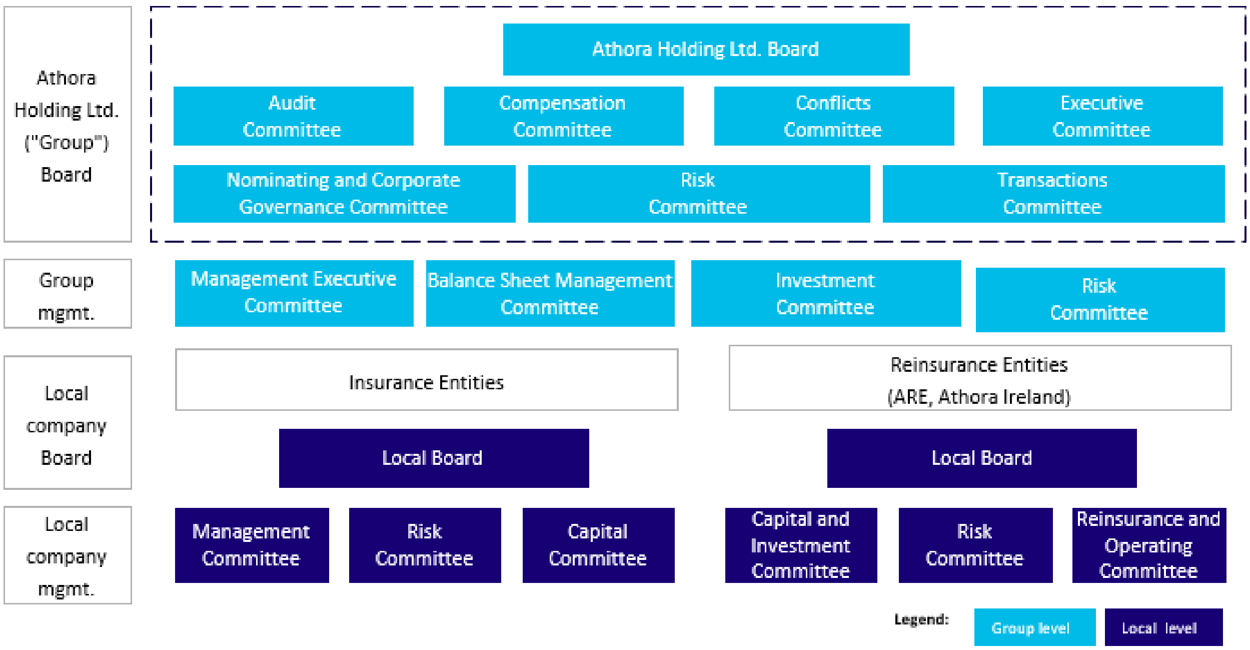
ARE Governance Structure



1. Independent non-executive director
2. Currently being recruited
3. Also Head of Group Internal Audit, reporting to the Athora Holding Ltd.'s Audit Committee

Athora Holding manages governance at two distinct levels across the Group: at a consolidated Group level and also at the individual operating company level. The following diagram illustrates the tiered governance structure.

Group Governance Structure



3.1 Board and Senior Executives

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

A. Board

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

The Board currently comprises five (5) Directors, one (1) of which is a non-executive independent director. Each Director is appointed based on several factors, including relevant qualifications, industry experience and technical expertise. The Directors' roles and responsibilities are outlined in the Company's Bye-laws and its Board Governance Guidelines.

See Section 3.2.2.A for the Directors' biographies.

B. Senior Executives

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

See Section 3.2.2.B for the Managements' biographies.

C. Segregation of Responsibilities

Management comprises four (4) primary officers: Chief Executive Officer (and Chief Risk Officer); General Counsel and Chief Compliance Officer; Chief Actuary; Chief Reinsurance Marketing Actuary. The Approved Actuary is separate to these roles. Only one (1) member of the Board, the Chief Executive Officer, is directly involved with the day-to-day management of the Company.

The Company has established management committees that provide oversight, review, challenge and monitoring of business and operational activities.

The following management committees have been constituted, each with their own terms of reference:

Committees, Membership and Responsibilities

Committee	Membership	Responsibilities
Reinsurance and Operations Committee ("AROC")	▪ CEO ▪ CFO/CRO ▪ Chief Actuary ▪ General Counsel ▪ Chief Reinsurance Marketing Actuary	▪ Oversees all reinsurance opportunities and recommends new reinsurance transactions to the Board. ▪ Oversees all material operational matters relating to ARE. ▪ Provides senior management oversight of the operations of the business ▪ Meets monthly and as needed.
Risk Committee ("ARC")	▪ CEO ▪ CFO/CRO ▪ General Counsel ▪ Athora Group CRO ▪ Athora Group Head of Balance Sheet	▪ Oversees the development of a risk strategy for ARE and integration with the Athora Group strategy. ▪ Responsible for the development and ongoing maintenance of an effective risk management system. ▪ Risk oversight of all key functions within ARE (i.e., Finance, Actuarial, Legal and Compliance and Operations). ▪ Provides a documented opinion on all recommendations submitted to the Board by any of the ARE's other management committees ▪ Meets quarterly and as needed

Capital and Investment Management Committee ("CIC")	▪ CEO ▪ CFO/CRO ▪ Chief Actuary ▪ Athora Group Head of Balance Sheet Management ▪ Athora Group Senior Director, Reinsurance, Capital and Balance Sheet Management	▪ Reviews and monitors the ARE's capital requirements and capital management. ▪ Optimises ARE's balance sheet with regard to capital and cash generation within the limits of solvency, liquidity, rating agency capital and ARE's risk appetite ▪ Provides strategy and direction regarding the investment activity of ARE. ▪ Makes recommendations to the ARE Board on such matters. ▪ Meets quarterly and as needed.

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

A. Remuneration Policy and Executive Compensation

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

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

B. Director Compensation

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

The Company pays its independent non-executive director a base retainer fee. Non-executive directors do not receive any payments linked to ARE's performance and do not participate in any of Athora Group's incentive schemes.

C. Staff Compensation

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

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

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

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

The Company is party to, or indirectly benefits from, certain service, advisory and cooperation agreements with Athene and/or Apollo Global Management Inc ("**Apollo**") (or their respective affiliates) who are minority shareholders and strategic partners of the Parent. In addition. the Company has entered into an investment management agreement with Apollo Asset Management Europe LLP ("**AAME**"), an affiliate of Apollo.

The Company has two reinsurance arrangements with ALV (an affiliate of ARE).

Other material related party transactions are as follows:

- Investment by the Company in a subordinated bond issued by Athora Belgium of €35m
- A loan from Athora Ireland to Athora Holding of €17.5m
- Investment by Athora Ireland in a subordinated bond issued by ALV of €30m

Further, in connection with the deconsolidation of Athora Holding from Athene, Athora Holding entered into a cooperation agreement with Athene, pursuant to which, among other things, Athene (or a subsidiary thereof) has the right to reinsure, on mutually agreed terms, an agreed percentage of the spread business written or reinsured by any insurance or reinsurance company owned or acquired by Athora, which includes ARE.

3.2 Fitness and Propriety Requirements

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

The Company maintains a hiring and vetting process in order to confirm fitness and propriety for relevant roles in line with the Authority's prudential regime for regulated entities, which includes consideration as to whether the person has relevant experience, skills and knowledge to fulfil the particular duties and responsibilities of the position.

The Athora Holding Nominating and Corporate Governance Committee oversees the process of assessing the fitness and propriety of all board members within the Athora Group, including ARE's Board. Board members are selected based on their extensive experience and knowledge of (re)insurance and financial services.

The Athora Holding Management Executive Committee ensures that key roles performed within the Athora Group are identified and filled by senior executives who are demonstrably qualified for the role. In addition, the Board approves its senior executives upon being satisfied that they possess the appropriate experience, skill levels and degrees of specialisation.

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

Biographies for the current Directors and Senior Executives are as follows:

A. ARE's Board of Directors

Henrik Matsen, Chair

Henrik is a Director of the Company and is also the Athora Group Head of Balance Sheet Management. He is responsible for reinsurance, capital and the group balance sheet. He is a member of the Athora Ireland Boards of Directors. He was one of the co-founders of RMR Advisors Ltd, a firm providing insurance related advisory services to Apollo, Athene and their affiliates. RMR Advisors was acquired by Athene in 2016 and formed the beginning of what is today Athora. Prior to that, Henrik worked at UBS in its Financial Institutions Group Investment Banking division, and in FICC Structuring. Henrik holds a BSc degree from the Norwegian School of Economics & Business Administration (NHH) in Bergen, Norway.

Michele Bareggi

Michele is a Director of the Company and is also the Athora Group Chief Executive Officer. He is responsible for the coordination and direction of the Management Executive Committee and the Athora Group subsidiaries. He is the Chairman of the Management Board of Athene Deutschland Holding GmbH & Co. KG and also member of the Athora Ireland Boards of Directors. Michele was formerly Managing Director and Head of Morgan Stanley's European Insurance and Pensions business as well as being responsible for Morgan Stanley's reinsurance operations globally. He joined Morgan Stanley in 2010 and also led the Fixed Income Capital Markets division in Italy. Prior to joining Morgan Stanley, he was employed by Nomura Holdings, Inc. from 2008 to 2010, where he co-ran the Insurance business for Europe, Japan and Asia. From 2003 to 2008, he worked with Lehman Brothers Holdings Inc. where he held various senior roles covering Italian and other European Insurance companies on the asset-side as well as capital management, DCM/ECM and reinsurance solutions. Before joining Lehman Brothers, he held senior roles at JPMorgan and Credit Suisse First Boston. Michele holds a B.Sc. (cum laude) in Economics, Statistics and Social Sciences from Università Bocconi Milano.

Mark Suter

Mark is a Director of the Company and is also the Athora Group Chief Operating Officer at Athora, responsible for oversight of operations, IT, integration, communications and administration. He is also a Member of the Management Board for Athene Deutschland Holding and Vice Chairman of the Supervisory Board for ALV. Mark was previously Executive Vice President and Chief Integration Officer of Athene Holding Ltd. Prior to that, he co-founded and was a senior executive of Countrywide Bank, which grew to $95bn in assets and was the 11th largest national bank in the US. Mark also managed a $1 billion distressed mortgage portfolio for an affiliate of Blackrock from 2008 to 2009 and was a management consultant in the banking and insurance industry from 1995 to 2000. He is a member of the Supervisory Board of EVO Banco, S.A.U. Mark has a Bachelor of Science in Economics, cum laude, from the Wharton School of the University of Pennsylvania.

Tab Shanafelt (Independent)

Tab is a Director of the Company and previously served as General Counsel of Athene Life Re Ltd. Prior to joining Athene Life Re, he served as the Managing Director-Principal at Bear, Stearns & Co. ("BSC") from 1998 to 2008. He served the Structured Equity Products Group where he was part of a newly formed team focused on insurance-linked products. As a member of BSC's Insurance Solution Group, he helped to design solutions specific to the challenges faced by its insurance sector clients. He joined BSC in 1998 to create and head the Global Transaction Management Group. Previously, Tab worked for over ten years in a management capacity within the legal departments of Hyundai Capital Services and Nomura Securities International. He has a Bachelor of Science in Political Science from American University in Washington D.C, a J.D. from Pace University School of Law in New York City, and is admitted to the Bar in New York and Connecticut.

Amy Ponnampalam (Executive)

Amy is a Director of the Company and its Chief Executive Officer and Chief Risk Officer. She was previously Head of Corporate Projects for Legal & General Plc in London responsible for leading the execution of a range of strategic projects relating to the global strategy for Legal & General Retirement. Prior to Legal & General, she was the Chief Risk Officer and Corporate Actuary for Hannover Life Reassurance Bermuda Ltd in Bermuda where she was responsible for a range of strategic, operational and technical initiatives. Previously Amy worked in London as a life actuarial consultant with Ernst & Young and Grant Thornton, specialising in UK capital management. Amy is a Fellow of the Institute and Faculty of Actuaries and has a Bachelor of Actuarial Science from The London School of Economics.

B. ARE's Management

Amy Ponnampalam, Chief Executive Officer and Chief Risk Officer

See biography above.

Wendy Yu, Chief Actuary

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

Joelina Redden, General Counsel, Chief Compliance Officer and Corporate Secretary

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

Ken Sennewald, Chief reinsurance Marketing Actuary

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

3.3 Risk Management and Solvency Assessment

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

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

A System of Governance:

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

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

The ARE risk framework interfaces directly with the Athora Group's Enterprise Risk Management ("**ERM**") framework. As part of the Athora Group ERM framework risk need to be identified, understood, and assessed (against levels defined as acceptable) before the right controls can be designed and implemented. Risks are managed from multiple perspectives, including economic, regulatory and accounting. The ERM Framework includes Risk Strategy and Appetite, Risk Governance, Risk Culture, Risk Measurement and Assessment, Risk Management and Monitoring, Risk Reporting and Insights and Data and Technology.

The following graphic sets out these components.

Risk Strategy and Appetite	Risk Governance	Risk Culture	Risk Assessment and Measurement	Risk Management and Monitoring	Risk Reporting and Insights	Data and Technology
Linkage to corporate strategy	Board Oversight and Committees	Risk Organisation	Risk Identification, Assessment and Prioritization	Risk Mitigation, Response and Action Plans	Risk Reporting	Data Quality and Governance
Risk Universe	Company Risk Operating Structure	Risk Competence	Quantitative Methods and Modeling	Testing, Validation and Assurance	Business/ Operational Requirements	Risk Analytics
Risk Appetite Statements	Roles and Responsibilities	Risk Relationships	Risk Aggregation, Correlation and Concentration	Monitoring	Board and Senior Management Requirements	Technology Enablement
	Risk Policies	Risk Motivation	Scenario Analysis and Stress Testing	Projects and Initiatives	External Requirements	

A Risk Strategy and Appetite:

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

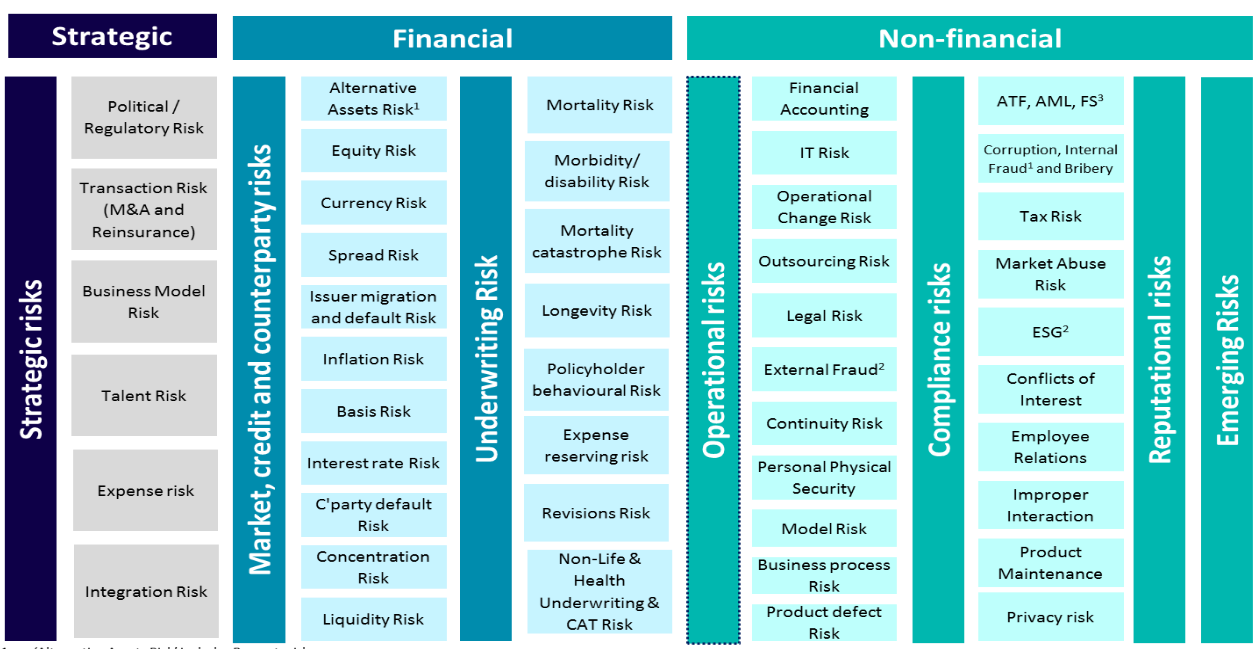
Risk Identification – assessment of all material risks facing the business
Risk Appetite – a definition of appetite for risk taking and risk controlling for each material risk
Risk Monitoring – a system of stress and scenario testing to assess ARE's resilience to risk, covering internally defined stress testing, regulatory stress testing, and reverse stress testing.

The risk strategy is reviewed annually but expected to remain stable over time. Risk Strategy and Appetite is translated into specific Risk Policies and Limits for the relevant risk types, which set out the policy objectives, requirements, the roles and responsibilities, as well as the required processes and controls for each risk.

Risk Identification

Risk identification requires a rigorous assessment of the business to determine the universe of risks to which the business is exposed. The group categorises its risk universe into three areas: Strategic, Financial and Non-Financial.

The risk universe is shown below:



1. 'Alternative Assets Risk' includes Property risk
2. "Internal Fraud" refers to fraud by Athora's Directors, Officers and Employees, perpetrated against the interests of Athora and/or third parties. "External Fraud" refers to fraud perpetrated by external parties against the interests of Athora.
3. ESG = Environmental, social and governance, ATF = Anti-Terrorist Financing, AML = Anti-money laundering, FS = Financial Sanctions

Risk Appetite

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

Risk Appetite Statement Indicator

None

- No acceptance of these risks
- Focus efforts on removing entirely and design our business model to actively avoid exposure, where deemed required, even at significant cost
- Any such risk fully mitigated/ hedged away

Low

- Seek to remove exposure or accept very limited exposure
- Aggressively pursue risk mitigation/hedging options
- Closely monitor both inherent and residual risk levels

Medium

- Targeted pursuit of certain risks
- Acceptance of large risks where mitigation options unavailable or not economically viable.
- Will tactically engage in limited risk-specific mitigation/hedging

High

- Actively pursue risks, and retain majority of exposure.
- These risks tend to drive our business performance and we believe we have a strategic advantage in retaining and managing

Risk monitoring

Monitoring of risks comprises both ongoing monitoring activities in the normal course of management and separate evaluations. There is regular reporting of monitoring activities to the ARC and Board. Group Risk provides guidance on quarterly monitoring in line with the Risk Strategy and Appetite and Risk Tolerances and Limits set out in the Risk Policies. Consistent monitoring across the Group allows for aggregation and active monitoring of risks at Group level.

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

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

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

Strategic Planning

CISSA capital is used in assessing the attractiveness of new markets or risks. CISSA capital is assessed for all new reinsurance transactions and, as such, provides ARE with an indicator of the relative attractiveness of transactions.

Annual Business Planning

ARE's annual business planning is driven primarily by assumed volumes of new reinsurance transactions, where it is assumed that the level of capital committed to new transactions is equal to the level of CISSA capital. In collaboration with the Athora Group Balance Sheet Management function, ARE delivers an annual capital plan which considers the level of CISSA capital required over the following twelve (12) month period. Capital planning is a key input in the management of Group capital.

Setting Risk Limits

ARE's risk limits are identified and defined through the risk policies which are established as part of the CISSA process. This covers limits and thresholds for investment and credit risk, operational risk, ALM risk and liquidity risk.

Defining Risk Appetite

ARE's risk appetite is defined under the CISSA Policy and is reviewed as part of the annual CISSA process.

Evaluation of Capital Adequacy

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

Capital Management

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

Determination of Rates of Return for Pricing and Underwriting Guidelines

ARE's Reinsurance Pricing Policy targets IRR with respect to CISSA capital allocated to individual transactions.

Reinsurance Purchase

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

Determination of Investment Policies and Strategies

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

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

See above (section 3.3.4).

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

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

3.4 Internal Controls

3.4.1 A description of the internal control system

The Board and Management are responsible for adopting an effective internal controls framework. ARE applies a '*Three Lines of Defence*' model for its internal control system, as summarised in the table below, supported by Athora Holding's Audit Committee and by the Internal Audit function.

Three Lines of Defence		
First Line of Defence	**Second Line of Defence**	**Third Line of Defence**
▪ Business Functions	▪ Risk Management Function ▪ Compliance Function	▪ Internal Audit Function

In line with the internal risk management policies of ARE and the Athora Group, Management, acting as the 'first line of defense', is primarily responsible for the running of the business and the operation of controls within each functional area as well as the management of the business risk profile.

The risk management function, acting as part of the 'second line of defense', is responsible for the ongoing monitoring of business operations and the effectiveness and integrity of the risk management framework. The compliance function also forms part of the second line of defence and is responsible for monitoring and reporting on compliance with laws and regulations.

The internal audit function acts as the third line of defence, providing independent assurance that the risk management framework, internal controls and the governance processes within the business are operating effectively.

3.4.2 A description of how the compliance function is executed

The Company's compliance function is headed by a Chief Compliance Officer, who is responsible for ensuring compliance with regulatory requirements and legal obligations as a Bermuda regulated entity. The Board receives updates on the Company's compliance activities on a quarterly basis. The Parent's board of directors monitors the Athora Group's compliance function, which is overseen by the Group Compliance Officer who reports to the Group General Counsel.

3.5 Internal Audit

The Company's Internal Auditor enhances and protects organisational value by providing risk-based, independent and objective assurance, advice and insight. In support of these objectives, the Athora Group Internal Audit function provides internal audit services to the Athora Group and reports its findings to the Athora Holding Audit Committee and the Board on a periodic basis.

Internal Audit has no responsibility for other functions across the business, either at a group or local level. Accordingly, it does not develop nor install systems or procedures, prepare records, or engage in any other activity that would normally be audited. The function maintains its independence and its objectivity from the business by not participating in the Company's operational activities and by adhering to the Board's instruction of the function.

3.6 Actuarial Function

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

The Chief Actuary and Actuarial Team are responsible for:

- setting and monitoring statutory reserves for ARE;
- setting and monitoring the Economic Balance Sheet Best Estimate of Liabilities for ARE; and
- using the Best Estimate of Liabilities to develop the Risk Margin.
- underwriting and pricing functions relating to writing reinsurance business

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

3.7 Outsourcing

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

The Company manages external outsourcing in accordance with all applicable regulatory requirements. ARE has implemented a selection and due diligence process for the selection of external vendors and third-party supply arrangements. Where appropriate, the Company has entered into service level agreements, which include an obligation on the parties to the agreements to comply with all legal and regulatory obligations. The Company outsources its investment management function to Apollo Asset Management Europe LLP.

The Athora Group has adopted a Group Outsourcing Policy, the purpose of which is to establish the requirements for identifying, justifying, and implementing outsourcing arrangements for its critical or important operational functions or activities. The objective of the Group Outsourcing Policy is to ensure that the outsourcing of critical or important operational functions or activities does not lead to the reduction in Management's responsibility for key functions, material impairment of the quality of the system of governance or conflicts of interest.

3.7.2 A description of material intra-group outsourcing

The Company has access to support functions from entities within the Athora Group through intra-group services agreements. These agreements provide support for certain functions, such as risk management, legal and compliance, finance and accounting, IT and internal audit. All material intra-group outsourcing functions are reviewed by the Athora Group's Legal and Compliance Team, as well as by the Parent's Management Executive Committee.

4. RISK PROFILE

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

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

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

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

There has been no change to the material risks over the period as described in the above table. Over the period due to repositioning and deployment of assets there has been an observed increase in market risks in line with the Company's Risk Appetite and Strategy.

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

See table above at Section 4.1.

4.3 Material risk concentrations

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

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

The 'prudent person principle' requires that companies only invest in assets and instruments whose risks they can properly identify, measure, monitor, manage, control and report, and appropriately take into account in the assessment of its overall solvency needs. The Company considers these requirements before any investment in new assets or instruments.

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

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

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

Underwriting Stress Tests

ARE has developed a set of three (3) underwriting stress tests which provide Management with an understanding of the sensitivity of the balance sheet to underwriting risks. The stress tests are reviewed at least annually by Management, ARC and Athora Group Risk Management Function. The underwriting stresses are designed to reflect the key underwriting risks to which ARE's inforce business is exposed. These underwriting scenarios only affect the long-term insurance liabilities.

The underwriting stresses are applied as instantaneous shocks to ARE's best estimate assumptions at 31 December of the relevant reporting year.

For 2019, the following underwriting stress tests were applied:

Scenario	Available Capital	ECR	Solvency Ratio	Change in Solvency Ratio
Base	215,778	94,682	228%	
Decrease of 20% in Lapse Rates	210,055	94,707	222%	(6%)
Decrease of 10% in Mortality Rates	203,257	94,647	215%	(13%)
150% Annuity Take Up Rate	208,011	94,683	220%	(8%)
Expenses Increase by 10%	209,422	94,650	221%	(7%)

- **Decrease of 20% in lapse rates:** Lapse rates on deferred annuities are decreased by 20%, resulting in more policies reaching retirement age and, therefore, an increase in the level of annuity reserves.

- **Decrease of 10% in base mortality rates:** Base mortality rates are reduced by 10% which has the effect of increasing the liabilities due under deferred and in-payment annuities.

- **50% Increase in annuity take up rate:** The annuity take-up rate on deferred annuities assumed in the calculation of reserves is increased by 50%. This has the effect of increasing the proportion of deferred annuities which result in an annuity being taken upon retirement, therefore, increasing the level of annuity reserves.

- **Increase in Expenses of 10%:** Expenses are 10% higher than assumed which has the effect of increasing the Technical Provisions.

Financial Market Stress Tests

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

The stresses are applied as instantaneous shocks to the Company's balance sheet at the relevant reporting period. A subset of the 2019 stresses showing the key market sensitivities are shown in the table below:

Scenario	Available Capital	ECR	Solvency Ratio	Change in Solvency Ratio
Base	215,778	94,682	228%	
Broad Market Stress	187,762	90,214	208%	(20%)
Interest rates down	212,102	97,534	217%	(10%)
Interest rates up	218,361	92,971	235%	7%

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

- **Interest rates down:** This scenario shows the impact of stress to interest rates that could be expected one in every 200 years and represents a shock of c.a -100bps

- **Interest rates up:** This scenario shows the impact of stress to interest rates that could be expected one in every 200 years and represents a shock of c.a +100bps

4.6 Any other material information

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

5. SOLVENCY VALUATION

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

ARE has considered the valuation principles outlined by the Authority's *Guidance Note for Statutory Reporting Regime* for the reporting period's statutory filing. The Company's economic valuation principles are to measure assets on a fair value basis. The table below summarises the assets held on the EBS balance sheet:

€ '000	2019	2018
Cash and Cash Equivalents	287,795	218,442
Investments and funds held by ceding reinsurers	741,857	728,296
Reinsurance Balances Receivable	1,219,117	1,157,737
Assets held for index/unit-linked contracts	994,656	960,101
Other Assets	31,979	33,772
Total Assets	3,275,403	3,098,348

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

Cash and cash equivalents

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

Shareholder financial assets

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

- ***Loans and receivables***
  Loans and receivables are recorded at fair value plus transaction costs when cash is advanced to the borrowers. They are subsequently accounted for at amortised cost using the effective interest method.

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

Assets held for index-linked and unit-linked contracts

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

Reinsurance assets

Reinsurance balances receivable are recorded at amounts expected to be received. The reinsurance outwards corresponds to the reinsurance of variable annuity guarantees by Athora Ireland.

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

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

The table below summarises the Company's technical provisions. The reinsurance outwards corresponds to the reinsurance of the variable annuity business within Athora Ireland.

€ '000	2019	2018
Best Estimate Policy Reserves	372,377	383,188
Reinsurance Recoverable	6,368	(2,168)
Risk Margin	6,228	2,932

EBS Best Estimate of Liabilities

In general, the best estimate reserves are calculated on a policy by policy basis using a deterministic gross premium valuation approach (i.e., reserves are calculated as the present value of future claims plus future expenses less present value of future premiums). A slight difference exists for the best estimate reserves for the Athora Ireland liabilities, which have been assessed using a stochastic approach.

For Athora Ireland, a stochastic approach is adopted, where best estimate reserves are calculated on a policy by policy basis using a deterministic gross premium valuation approach (i.e., reserves are calculated as the present value of future claims plus future expenses less present value of future premiums) in a number of stochastic scenarios. The scenarios are generated using an economic scenario generator developed by Athora Ireland for this purpose.

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

EBS Technical Provisions

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

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

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

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

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

Athora Ireland has executed a modified coinsurance agreement with New Reinsurance Company Ltd. to reinsure most of the risks associated with its variable annuity book of business.

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

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

5.5 Any other material information

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

6. CAPITAL MANAGEMENT

6.1 Eligible Capital

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

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

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

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

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

€ '000	2019	2018
Available Capital	215,778	214,407
ECR	94,682	77,706
Solvency Ratio	228%	276%

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

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

Eligible capital

€ '000	2019	2018
Tier 1	215,778	214,407
Tier 2	-	-
Tier 3	-	-

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

See Section 6.1.2.

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

The Company has no eligible capital subject to transitional arrangements.

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

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

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

The Company has no ancillary capital instruments.

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

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

6.2 Regulatory Capital Requirements

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

At 31 December 2018, the Company's regulatory capital requirements were assessed as follows:

Regulatory capital requirements

€ '000	2019	2018
MSM	23,670	19,427
ECR	94,682	77,706

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

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

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

Not applicable (see 6.2.2).

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

Not applicable (see 6.2.2).

6.3 Approved Internal Capital Model used to derive the ECR

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

7. SUBSEQUENT EVENTS

Effective 28 April 2020, Michele Bareggi and Mark Suter resigned as Directors of the Company and the Board appointed Ralf Schmitt and Christopher Harding to fill the vacancies. Ralf is Group General Counsel of Athora Holding responsible for legal and compliance across the Athora Group. Chris is a Senior Director in Athora's Group Balance Sheet Management team, with broad experience across corporate finance, financial markets, M&A, life (re)insurance, regulatory and rating capital frameworks.

On 7 April 2020, the Authority notified the Company of the Authority's determination and approval to be Group Supervisor of the Insurance Group "Athora Group". Pursuant to Section 27B(5) of the Insurance Act, the Authority designated the Company, as a member of the Athora Group, to be the 'Designated Insurer' for the purposes of the Insurance Act. The Group Supervision of the Athora Group is effective 1 January 2020.

On 2 April 2020, the Athora Group completed the acquisition of VIVAT N.V., the fourth largest insurer and second largest life insurer in the Netherlands and subsequently sold the non-life business of VIVAT to NN Group N.V.

The COVID-19 outbreak has developed rapidly in 2020, with a significant number of infections. Measures to prevent transmission of the virus include limiting the movement of people, temporarily closing businesses, and cancelling events. This has adversely affected economic activity across the world. Governments and central banks worldwide are responding to the crisis with aid packages and further quantitative easings. At the date of this report, the length and depth of this crisis is unknown. The outbreak may negatively impact the Company and other insurance and reinsurance businesses that provide protection to affected individuals and businesses. To assess the impact on the Company's financial position and results, management is continuously monitoring the market and economic turbulence that has arisen as a consequence of the COVID-19 outbreak. The most significant risks the Company faces are related to financial markets (particularly credit, equity and interest rates), and underwriting risks (particularly related to mortality, morbidity and policyholder behaviour). The Company has activated business continuity plans and will continue to actively manage the situation as it unfolds.

Effective 17 February 2020, the Company entered into a funding agreement with Athora Belgium. The amount of the funding agreement was €75m, it bears a fixed interest rate and has a maturity date of 17 February 2023.

Effective 31 January 2020, the Company entered into an addendum to the Lapse Risk Reinsurance Agreement to extend the scope of risk covered to include lump sum take-up risk, as well as lapse risk.

DECLARATION

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

Signed: ____________________________
Name: Amy Ponnampalam
Position: Chief Executive Officer and Chief Risk Officer
Date: 30 April 2020

Signed: Joelina Redden
Name: Joelina Redden
Position: General Counsel and Chief Compliance Officer
Date: 30 April 2020

Appendix 1

ATHORA LIFE RE LTD. GROUP