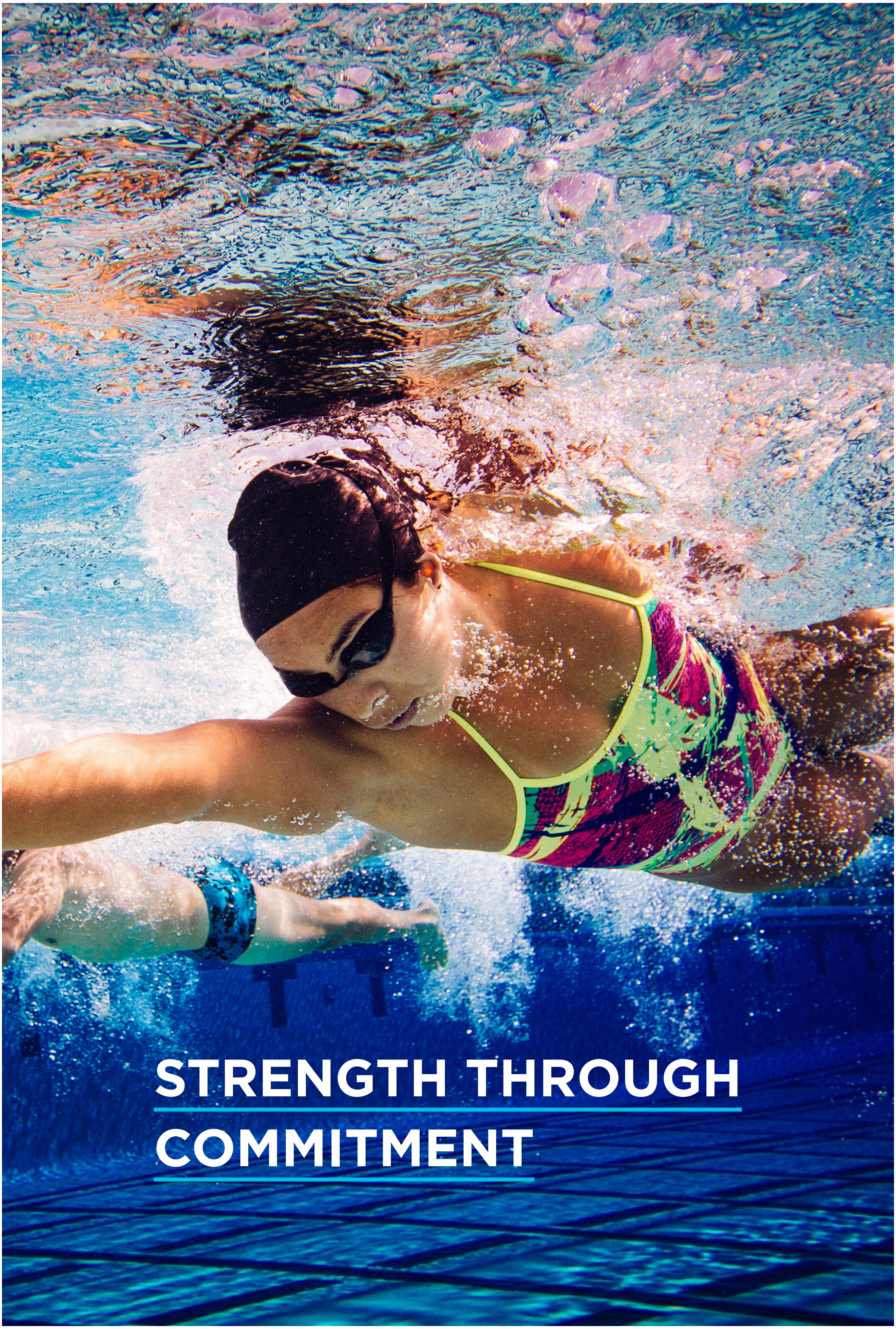
ATHORA

ANNUAL REPORT 2020

Athora Holding Ltd.


STRENGTH THROUGH
COMMITMENT

CONTENTS

Highlights	4
Athora at a glance	6
Chairman's statement	11
Chief executive officer’s report	15
Our business model and strategy	19
Our businesses	24
Financial performance	29
Sustainability	36
Risk management	40
Corporate governance	50
Board of directors	58
Management Executive Committee	61
Statement of directors' responsibilities	63
Consolidated financial statements	64
Other information	183
Glossary	188
Cautionary statement	190

HIGHLIGHTS

A year of significant growth

In 2020, through the efforts of our employees and our strategic relationships, Athora successfully navigated challenging conditions, including turbulent markets and the Covid-19 pandemic. We grew significantly through the acquisition of VIVAT in the Netherlands, improved organic capital generation in Belgium and Germany and completed our first external reinsurance deal. Our business units are focused on maximising their potential through simplifying and solidifying their operations in order to support returns to policyholders and strong and stable capital generation.

KEY FINANCIAL HIGHLIGHTS FY 2020

Organic capital generation - Belgium and Germany

€185m

2019: €54m

IFRS profit before tax from continuing operations

€700m

2019: €(13)m loss

Group BSCR ratio (estimated)

242%

2019: n/a

Total IFRS equity

€4.3bn

2019: €0.6bn

OTHER PERFORMANCE INDICATORS

Assets under administration

€83bn

2019: €15bn

Financial leverage ratio

26%

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

See page 29 for further details of our financial performance during the year.

RATINGS

Athora Life Re and Athora Ireland

A-

AM Best Insurer Financial Strength Rating (Mar 2021)

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

BBB+

Fitch Insurer Financial Strength Rating (Nov 2020)

Athora Holding Ltd.

BBB

Fitch Issuer Default Rating (Dec 2020)

AM Best upgraded Athora Life Re and Athora Ireland to A– from BBB+ in March 2021. The outlook is stable. Achieving the A- rating for Athora's reinsurance carriers is an important step in the delivery of our target to achieve 'A' range ratings for our key operating entities.

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

KEY MILESTONES IN 2020

February

Athora secures €1.8 billion in equity capital commitments from existing and new shareholders

March

98% of employees are set up to work from home in response to Covid-19

Athora repositions investment portfolios in Belgium and Germany to lock in additional value

April

Athora completes VIVAT acquisition and VIVAT's non-life business is sold to NN Group

Successful €589 million debt tender reduces VIVAT's financial leverage

May

Athora Belgium completes sale of non-life business to Baloise

July

Athora donates over €1 million to hospitals and organisations providing Covid-19 relief

November

Athora Lebensversicherung in Germany raises surplus participation for life policies for second consecutive year, to a total interest rate of 4% for 2021

December

VIVAT renamed Athora Netherlands

First external reinsurance transaction signed with leading life insurer

€377 million capital call strengthens Athora's financial profile

INDUSTRY RECOGNITION

Belgium

Athora Belgium wins two Decavi life insurance awards for
Best Branch 23 Fund (medium risk)
and Best Innovation (Individuals)

Netherlands

Zwitserleven PPI product terms awarded 5 stars by Moneyview.

Zwitserleven

ATHORA AT A GLANCE

Bringing more value to customers in fulfilling their long-term insurance needs

Athora is an insurance and reinsurance group fully focused on the European market. We are a specialised operator focusing on the large and attractive traditional life and pensions market. Our ambition is to become a leading provider of guaranteed life and pensions products and solutions in Europe.

We serve the needs of individual and corporate customers that continue to demand products offering safety of returns, at a time when many operators are de-emphasising these products. We also provide innovative M&A and reinsurance solutions to other insurers seeking to enhance their capital position or enact strategic change.

Our business model is centred on the disciplined accumulation of stable and long-dated insurance liabilities, a differentiated approach to investments and efficient operations. These are underpinned by an effective risk management framework and a focus on long-term capital stability. We have supportive long-term shareholders and benefit from a strategic relationship with Apollo Global Management Inc. and its subsidiaries (Apollo), which allows us to leverage the scale of its asset management platform.

Our culture is founded on a clear set of values: Dare to be different, Seek simplicity, Care, and Do the right thing.

€83 billion
assets under administration

2.6 million
customers

€4.3 billion
total IFRS equity

2,300
employees

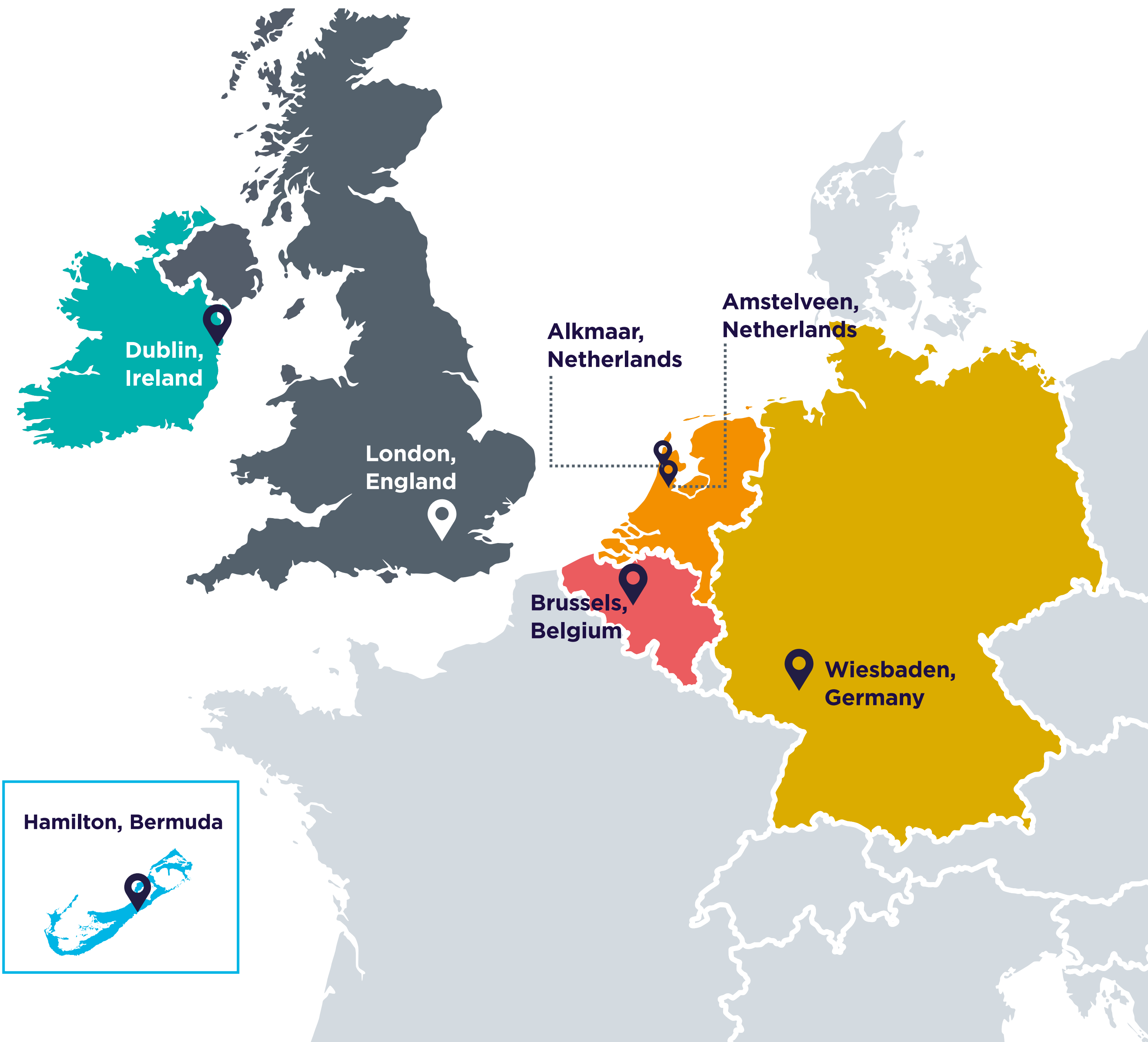
Business units

Our **primary insurance** operations are based in the Netherlands, Belgium and Germany. In the Netherlands and Belgium, 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.

Our **reinsurance** subsidiaries are Athora Life Re (based in Bermuda) and Athora Ireland. We offer third party reinsurance solutions to other insurers within Europe. We also offer internal reinsurance solutions to Athora's operating subsidiaries for efficient risk management.

Our locations

Athora is headquartered in Bermuda with 2,300 employees across seven offices in Belgium, Bermuda, Germany, Ireland, the Netherlands and the UK.



Strategy and values

Strategic priorities

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

Strategic pillars

Grow

Sustainable growth

Disciplined, multi-channel growth via new business and pensions, reinsurance and M&A (including portfolio transfers).

Optimise

Proactive capital and risk management

Prudent management of capital, leverage and liquidity.

Expert credit under-writing, minimising volatility.

Earn

Strong and stable investment returns

Market-leading spread generation capabilities benefiting from our strategic relationship with Apollo.

Operate

Competitive costs and service levels

Efficient, modern platforms, processes and structures.

Scalable operations, ready to seize growth.

Foundations

Strong team

Diverse and engaged group and local teams.

Strong governance

Transparency, governance and regulatory discipline.

Policyholder protection

A business centred on delivering for our customers.

Effective risk culture

Proactive, engaged and widespread risk culture.

For more details on our strategy, please refer to Our business model and strategy on page 19.

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.

Our story

Our company was originally established in Bermuda in 2014 by US-based Athene Holding Ltd. (Athene) to focus on the European life insurance market. Prior to 2018, the foundation was laid for growth in Europe: in 2015, our German business was acquired and in 2017, given the size of the potential opportunities in Europe, €2.2 billion in equity capital commitments was secured from a number of global institutional investors.

On 1 January 2018, the company was deconsolidated from Athene and was renamed Athora. Our key milestones since 2018 are set out below.

2018

We acquire Dublin-based insurer Aegon Ireland.

Athora Life Re, our reinsurance subsidiary, completes its first internal reinsurance deal covering certain risks in Athora Lebensversicherung in Germany.

2019

We acquire composite insurer Generali Belgium, which provides a compelling entry point and platform into the traditional life market in Belgium.

Athora Life Re and Athora Ireland, our principal reinsurance subsidiaries, are given Insurer Financial Strength Ratings of BBB+ and B++ with a stable outlook by Fitch[1] and AM Best respectively. AM Best also gives Long-Term Issuer Credit Rating of bbb+

2020

The Bermuda Monetary Authority (BMA) becomes the group's regulatory supervisor.

We secure equity capital commitments of €1.8 billion from new and existing shareholders, supporting the acquisition of VIVAT, the ongoing requirements of our insurance subsidiaries and our growth strategy in Europe.

We acquire VIVAT in the Netherlands, which delivers immediate scale in an attractive market. VIVAT's non-life business is sold to NN Group following completion of the acquisition.

We reduce debt in Athora Netherlands by nearly €600 million following a tender offer on its 2.375% senior notes.

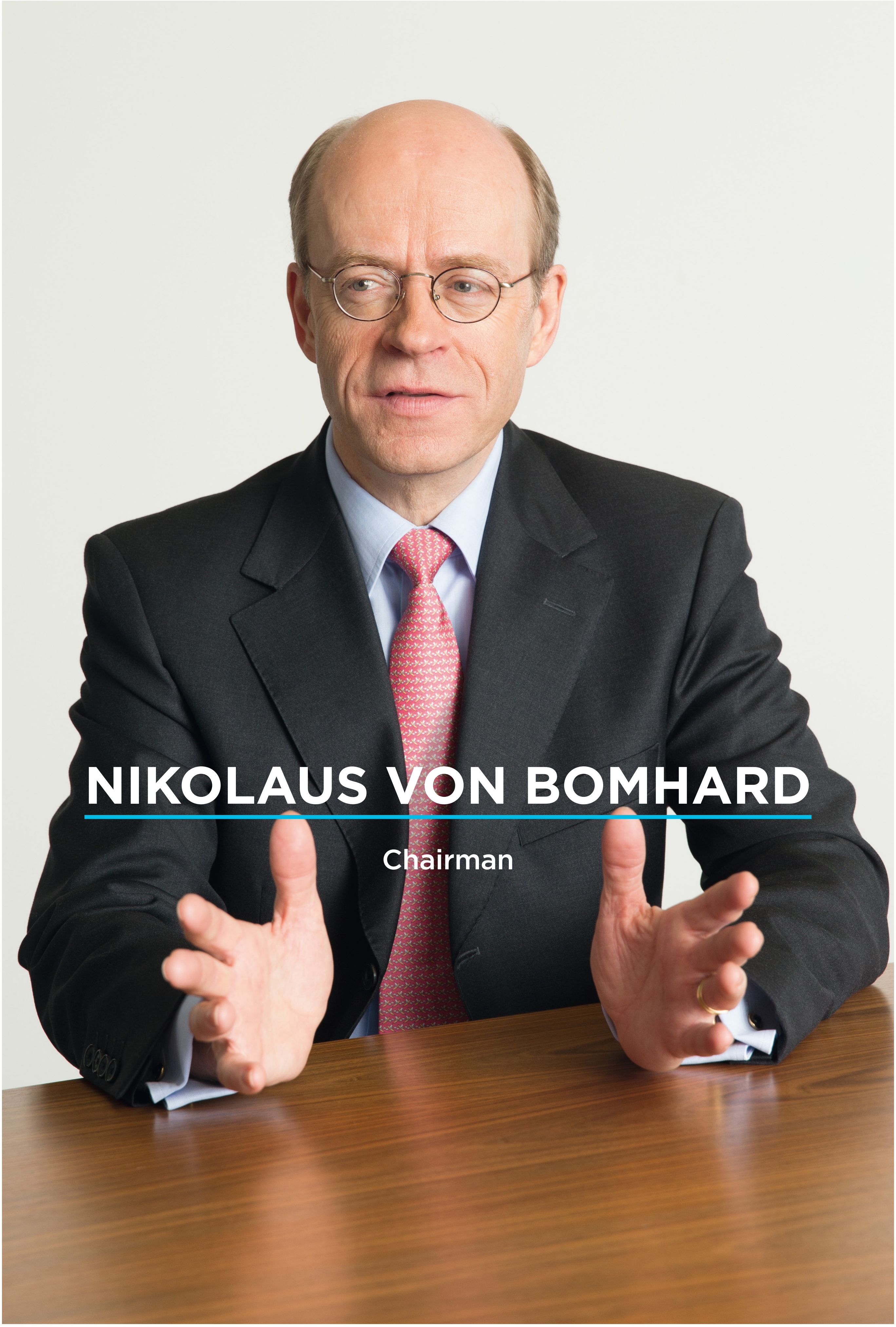
We complete the sale of Athora Belgium's non-life business (acquired from Generali in 2019) to Baloise.

We complete a €1 billion internal reinsurance deal between Athora Belgium and our reinsurance subsidiaries in Ireland and Bermuda.

2021

Our first external reinsurance transaction, between Athora Life Re and a leading Irish life insurer, is signed. It is the largest bulk annuity purchase transaction in the Irish insurance market in 2020.

1 Fitch rating published December 2018


NIKOLAUS VON BOMHARD
Chairman

CHAIRMAN'S STATEMENT

"We have made significant steps to establish ourselves as a leading European insurance and reinsurance group and have laid the foundations for sustainable growth and development in the future."

Dear Stakeholders,

I was delighted to take up the role of Chairman of Athora Holding Ltd. in January 2018. Athora's clearly-defined business model, the scale of the market opportunity and the value proposition for all stakeholders were key motivations for my joining. These, combined with the strength of management, employees and support from institutional shareholders, give me the utmost confidence in the group's future trajectory.

Athora is a dynamic, growing insurance company that, in a short time, has made significant progress to establish itself as a leading provider of innovative life and pensions insurance and reinsurance solutions. To date, Athora has secured €4 billion of equity capital commitments, which is testament to the shared vision of our institutional shareholders, a diverse group of long-term investors. Our investor base also provides the group with significant access to their networks of relationships and expertise, which is of considerable value to our business.

We have a simple business model based on cash generation. By focusing on delivery, and optimising our core value levers, we intend to deliver attractive returns for all stakeholders. Life and pensions companies have an important role to play in society, and as the group matures, we have begun an important journey to formally embed sustainability in how we run our business and deliver on our objectives.

Highlights

Our last financial year saw dramatic events, the biggest being the global Covid-19 pandemic, but also capital markets and broader economic uncertainty. The impacts of monetary policy intervention continue to challenge many legacy insurance portfolios, while capital markets volatility highlights the attractiveness of life insurance and pension products with guarantees.

Against this challenging backdrop, we were able to significantly develop our group from a strategic, financial, operational and governance perspective. A highlight of the year was the acquisition of Athora Netherlands (formerly VIVAT), which allowed us to enter the Dutch market and increase our scale significantly. In 2020, we continued to refine Athora's operating model, evolve our infrastructure, and enhance risk and capital management capabilities.

From a financial perspective, Athora was able to demonstrate the strength of its business model, which comprises strong risk, capital and investment management capabilities. This enabled us to deliver competitive returns to our customers, while supporting business unit organic capital generation and future shareholder returns. The progress we have made in our smaller and more mature business units is an early proof point, which we will seek to be replicated in the Netherlands and our growing reinsurance businesses.

Finally, we continue to nurture our regulatory relationships. In 2020, we became subject to group supervision by the Bermuda Monetary Authority (BMA), operating under a capital regime fully equivalent to Solvency II that effectively represents the economics of a long-term insurance business. The addition of a group supervisor complements the established regulatory relationships we have built in our business units. Towards the end of 2020, we were pleased to participate with representatives from all our local regulators at the first Athora supervisory college meeting hosted by the BMA.

The Board and MEC

The Board of Directors (Board) oversees the Management Executive Committee (MEC) in the day-to-day operations of the group and makes decisions regarding MEC membership. We regularly consult with members of the MEC on the group's strategic direction, material developments (including transactions) and the shaping of corporate policies.

We made two changes to the Board in 2020 relating to representatives from Apollo Global Management, Inc. (together with its subsidiaries, Apollo). Martin Klein resigned in September 2020 and we approved the appointment of Scott Kleinman, Co-President of Apollo, in the same month. We thank Mr. Klein for his contribution to Athora, and we welcome the vast insurance and investment experience that Mr. Kleinman provides to our group.

Following the departure of Barry Cudmore as Group Chief Financial Officer (Group CFO) in April 2020, Tom Stoddard, formerly Group CFO of Aviva plc, was appointed to the role on an interim basis. In March 2021, we were pleased to announce the appointment of a permanent successor, Anders Malmström, who will join Athora in May 2021 subject to the customary approvals. Mr. Malmström joins us from Equitable Holdings, Inc., where he served as CFO, and brings extensive insurance, financial and public market experience to the group. Following the departure of Mark Suter as Group Chief Operating Officer in July 2020, Philip Proost was appointed to the role. Eric Viet, Regional Chief Executive Officer for Belgium and Germany, was appointed to the MEC in June 2020.

Governance and culture

Athora has established a robust board, committee and management structure to oversee the business of the group. This is supported by an engaged Board of Directors who have regularly made themselves available to assess opportunities and respond to the dynamics of the Covid-19 pandemic. The group governance provides clear accountability and oversight of the group while empowering local governance of our business units.

In past years, Athora has focused on building the right culture to ensure the group achieves its mission and strategy. Culture plays a key role in attracting the right talent and allowing employees to thrive and perform in the long term. In 2019 Athora confirmed its four core values—*Dare to be different*, *Seek simplicity*, *Care* and *Do the right thing*—and a set of behaviours to guide leaders and employees across the relatively new organisation. We supported this in 2020 by launching several initiatives to embed the culture. Embedding our culture will continue to receive strong focus in 2021 through deep employee engagement, leadership programmes and a newly-defined approach to inclusion, diversity and equality.

Looking forward

2020 was a year of great progress. We have made significant steps to establish ourselves as a leading European insurance and reinsurance group and have laid the foundations for sustainable growth and development in the future. We continue to be relentlessly focused on the implementation of our operating model and the development of our business units.

Covid-19

"The Covid-19 pandemic validated that our crisis response was robust and able to adapt to the challenges faced by our organisation in continuing to provide services to customers from a virtual environment. Throughout the challenges posed by the pandemic, Athora was proactive in supporting our employees in working effectively from home, offering support to teams in working remotely and launching new initiatives to support employees' wellbeing."

Athora will also remain focused on disciplined and accretive growth. We continue to see significant potential for innovative reinsurance and M&A solutions in the European life and pensions market. I remain convinced that existing institutions will continue to de-emphasise, restructure and divest legacy operations given the challenging interest rate and operational environment.

At Athora, we are focused on being the solutions provider of choice for other insurers seeking to restructure asset- and capital-intensive businesses, while continuing to serve retail and corporate customers that demand pension and insurance products offering long-term security. As a team, we strongly believe in the value of these products—for customers and shareholders—if managed well.

Word of thanks

The Board of Directors wishes to thank all members of Athora's Management Executive Committee and the employees of the group for their dedicated and successful work in this financial year.

Dr. Nikolaus von Bomhard
Chairman of the Board of Directors


MICHELE BAREGGI
Group Chief Executive Officer

CHIEF EXECUTIVE OFFICER'S REPORT

"We have a clear view of where we want to go and, with our strategic relationships, we are concentrating on what we do best: providing security and attractive returns to our customers, while continuing to meet the expectations of our investors and other stakeholders."

Introduction

Welcome to Athora's first public annual report. We want our annual report to help our many stakeholders understand our business at a deeper level—to give you an insight into our strategy, our performance, our operations and how we are delivering on our customer mission. It is also a major milestone for our group and reflects our growing size and maturity.

In the three years since deconsolidation from Athene in January 2018, we have been on an exciting journey. The group has developed at a remarkable pace and I am proud of what we have achieved as an independent company over such a short time. We have successfully built scale—reaching total assets under administration (AUA) of €83 billion across five countries as at 31 December 2020, proven the merits of our business model, gained credibility with our counterparts and delivered better outcomes for our customers. The Athora network of customers (both individual and corporate), employees, partners, distributors and other stakeholders has concurrently grown substantially, and I am excited by what we can achieve together.

Our rapid progress is testament to a number of key factors: the hard work of our employees; the support of our shareholders, partners and distributors; and engagement with our regulators. It is also reflective of the opportunities that exist in the European life insurance market for insurance groups with the relevant expertise and a clearly defined risk appetite. The work continues, however, as we now focus on helping our business units to come together under one group, delivering synergies and realising our full potential to generate value for our stakeholders.

During 2020 we conducted a thorough review of operations across our group. As a result of this review, we have identified our target operating model which closely reflects our very focused business strategy and will ultimately allow Athora to achieve a highly competitive cost base, while maintaining the agility to integrate newly acquired businesses. These strategic, cultural and operational changes are driven by what each of our business units believes they need to best serve their customers and all come together under an umbrella transformation programme called *Becoming Athora*.

2020 Highlights

Despite the challenging operating and financial environment in 2020, I am very pleased with the progress that Athora has made.

We completed our second capital raise since inception in connection with the acquisition of Athora Netherlands (formerly VIVAT). This totalled €1.8 billion from new and existing shareholders and brings our total committed equity capital to €4 billion.

Shortly after closing the capital raise, we completed the acquisition of Athora Netherlands, a follow-on sale of the non-life portfolio to NN Group and a successful senior bond liability management exercise. This was all undertaken while we adjusted to working remotely in response to Covid-19; evidence of the stability, flexibility and adaptability of both our business and people.

With this acquisition, our assets under administration grew by over €60 billion, and ended the year at €83 billion. This is roughly six times 2019 levels, and establishes Athora as a scale European life operator. From a growth perspective, we also closed our first external reinsurance transaction, continued to develop our new business offering in Belgium and completed a comprehensive strategic review in the Netherlands, leading to a revised focus on the pensions market.

The merits of our disciplined approach to capital and risk management, coupled with unique investment capabilities, were evidenced in 2020 amidst very challenging financial market conditions. In Germany and Belgium, we delivered €185 million of organic capital generation (up €131 million year-on-year), resulting in robust closing Solvency II positions and supporting leading levels of policyholder returns.

Finally, I am happy to report a strong inaugural estimated group BSCR ratio of 242%. The publication of our first group solvency position follows extensive work with our group supervisor, the Bermuda Monetary Authority, and supplements the proactive engagement we have with local regulators in each of our operating jurisdictions.

The market background

At the time of our creation, we saw a compelling opportunity in the European life market for a specialised insurance operator like ourselves with the relevant expertise and risk appetite.

The sustained period of low interest rates and tight listed credit spreads, coupled with operational and capital challenges, has been pressuring the industry, leading many incumbents to either de-emphasise, restructure or dispose of guaranteed life operations. Athora provides attractive solutions to operators looking to enact strategic change—through M&A, portfolio transfers, reinsurance or otherwise—as well as continuing to service corporate and individual customers who continue to demand products offering stability of outcomes.

The need for such an offering has accelerated since our inception given the intensification of macro, capital and operational challenges. Interest rate and spread movements have continued to trend lower, capital accumulation across the sector has been muted and legacy systems continue to pose operational challenges. The economic challenges caused by the Covid-19 pandemic have amplified the trends outlined above; monetary policy intervention, although necessary, creates further complexity for many European financial institutions.

Against this challenging macro backdrop, and during a year where capital markets experienced a level of volatility not seen for many years, Athora's business model demonstrated its strengths. Our sophisticated approach to risk management—and clear investment strategy—enabled the group to effectively navigate prevailing market volatility, maintaining stable regulatory balance sheets across the period, while generating additional capital in Belgium and Germany.

Covid-19

"2020 will be a year that will be remembered for the suffering faced by so many, but also for showcasing the very best of human spirit and compassion. In the midst of this uncertainty, Athora continued to provide security to its stakeholders, while also achieving a number of key milestones including the acquisition of Athora Netherlands (formerly VIVAT), the sale of non-life portfolios in the Netherlands and Belgium, the completion of our first external reinsurance transaction and successful tender offer for a legacy Senior Bond.

"We achieved all of this in the middle of a crisis while dealing with personal and professional conditions never seen before. I believe this is testament to strength of our employees and partners who worked tirelessly this year, quickly adapting to working remotely, continuing to keep our operations stable and serving all our customers with minimal disruption."

We have a strategic relationship with Apollo which allows us to leverage the scale of its asset management platform. In addition to co-founding Athora, Apollo assists us in identifying and capitalising on acquisition opportunities that have been critical to our ability to significantly grow our business.

Business Performance

Athora today comprises three primary insurance businesses and two reinsurance carriers. Our German business (€4.9 billion AUA) has been part of the group since deconsolidation from Athene and has since been complemented by acquisitions in Belgium (€8.4 billion AUA) and the Netherlands (€66.0 billion AUA), as well as the organic build-out of our fast-growing reinsurance operations (€3.4 billion AUA).

Germany & Belgium

The success delivered by our German business is testament to the success of our local team and reflective of what the Athora business model can achieve when fully implemented. Since acquisition from Delta Lloyd in 2015 (by Athene Holding Ltd. at the time), we have more than doubled investment returns and reduced unit costs by over one third, while simultaneously reducing customer complaints. This has translated into a significantly improved solvency ratio (excluding transitional measures).

The success of these actions has culminated in greater value and security for shareholders and customers. From a customer perspective, we were pleased to announce another increase in profit participation in 2020, resulting in a total interest rate for our policyholders in 2021 of 4.0%—the highest level of any market participant.

Our Belgium business, acquired from Generali in 2019, is also making good progress towards delivery on its business case. Despite the challenges posed by remote working in 2020, our Belgian colleagues successfully completed the disposal of the non-life portfolio to Baloise in May, refocused their strategy on the life portfolio, relocated to their new office and successfully launched a new product offering.

Following the footsteps of Athora Germany, and thanks to strong regional leadership, Athora Belgium is also starting to deliver tangible financial progress. Investment returns have increased by c. 130bps since acquisition. Solvency II coverage is robust and supportive for future remittances. Lastly, the business has formalised a clear strategic programme in tandem with the wider *Becoming Athora* programme to deliver significant business improvements and efficiencies.

The Netherlands

With the acquisition of Athora Netherlands, we welcomed to the Athora Group well-established brands in the Dutch life insurance market, including Zwitserleven—and an experienced team who understand the complexity of the Dutch life and pensions landscape. Post-closing of the acquisition, the management of Athora Netherlands conducted a comprehensive strategic review, culminating in a decision to simplify operations and focus the organisation on pensions. Aided by a substantial investment in new initiatives, announced expense actions and Athora's unique investment capabilities, we are optimistic about the revised growth outlook for Athora Netherlands.

Organic capital generation for Athora Netherlands for the nine-month period following its acquisition was negative €(129) million. However, with the support of Athora group, a capital injection of €400 million post-acquisition and the implementation of a clear capital, investment and operational strategy, I am confident in the future trajectory of the business. This will, of course, take time to realise, but thanks to the strength of our local resources and the support of group expertise where appropriate, we will maximise the value of the in-force portfolio and capitalise on the attractive opportunities provided by the Dutch life and pensions market.

Reinsurance

As we mature, our growth profile will naturally evolve, and I would highlight the focus and optimism we have for reinsurance.

To date we have completed three internal reinsurance transactions across Europe and Bermuda. The most recent of these took place in October 2020 and covered a portfolio well in excess of €1 billion of "high guarantee" legacy group life pension policies in Belgium. This was the first reinsurance transaction of its kind completed by the businesses and involved close cooperation with our regulators.

In December, we closed our first external reinsurance transaction with a leading insurer in Ireland—the largest bulk annuity purchase transaction in the Irish insurance market in 2020.

With these transactions, we have made material progress in establishing Athora as a credible reinsurance counterparty and continue to have a strong pipeline. We are in advanced discussions on several transaction opportunities with a strong likelihood of execution in 2021 and I expect demand for our reinsurance solutions to increase as we demonstrate our execution track-record.

Outlook

I am excited about the opportunities ahead for Athora as we focus on the initiatives we need to deliver on. We have a clear view of where we want to go and, with our strategic relationships, we are concentrating on what we do best: providing security and attractive returns to our customers, and ensuring that we continue to meet the expectations of our investors and other stakeholders.

Having completed the first stage of our company's life—achieving an appropriate size to scale—we are now focused on supporting our management teams in the delivery of the business case in each business unit, including asset redeployment, implementation of a very focused and effective operating model and selective growth (most notably in reinsurance and Dutch pensions). To deliver on this, we will continue to invest in our capabilities, optimise our investments and increase operating efficiency with an unwavering focus on sound capital and risk management. We are also focused on improving our credit rating outlook, with an ambition to achieve a Single A credit rating, which would be highly supportive for our reinsurance activity.

I look to the year ahead with confidence, secure in the knowledge that we are building the right ecosystem to capitalise on the opportunities that are available to our group.

Michele Bareggi
Chief Executive Officer

OUR 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 life insurance group, we aim 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 constituencies, allowing us to achieve a balance that results in a strong, sustainable franchise.

Our business model

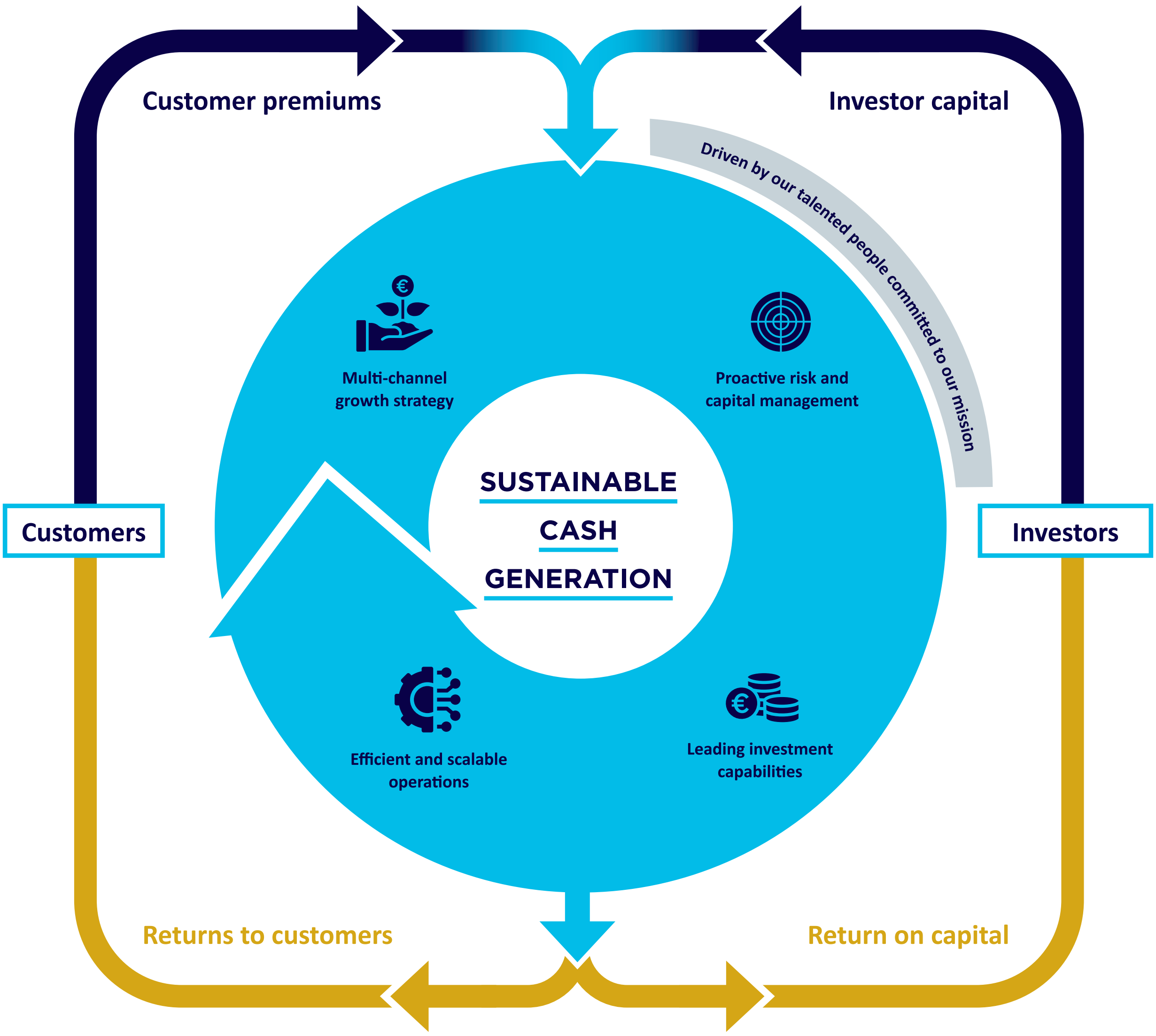
Athora is a leading operator in the European guaranteed life and pensions market. We operate through primary insurance businesses in the Netherlands, Belgium and Germany, and reinsurance operations in Bermuda and Ireland.

We fundamentally believe that the provision of guaranteed life and pensions solutions is of value to customers and, ultimately, our other stakeholders including investors. For customers, we view these products as an essential tool for long-term financial planning and peace of mind. They continue to offer an attractive level of return and security at a time when many other insurers are stepping back from providing them, compounded by increased pressure on state pension provision. For shareholders, we believe that these products—if originated 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. Managing an insurance company is inherently complex, requiring highly skilled employees, systems, capital, risk management and investment capabilities. With a simple focus on cash generation, our business model is designed to provide transparency and simplicity for our stakeholders.

Athora has a multi-channel growth strategy, creating an ability to originate stable and long-term liabilities at attractive rates. Through sophisticated investment and capital management, we aim to earn attractive investment returns relative to the capital consumed. 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 cashflows from our business units.

How we generate cash and deliver attractive returns for our stakeholders



Multi-channel growth strategy

The sustained low interest rates, the tight credit spread environment, and the shift to a risk-based capital regime in Europe continues to put pressure on insurers with high-guarantee legacy liabilities. Athora offers innovative reinsurance 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.

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 transactions in challenging conditions. Our strategy is to continue to grow through each of these channels using a disciplined approach to pricing to ensure financial stability and genuine value creation.

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 effort in building these capabilities across all of our businesses to ensure that we are resilient and maintain our financial strength.

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

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.

Leading investment capabilities

Athora's investment strategy is focused on matching the cashflows of our liabilities and earning attractive risk-adjusted returns, while ensuring capital stability. Our expertise in managing assets enables us to deliver the guaranteed returns and the profit sharing that our customers expect, and sustainable returns for our shareholders, who have entrusted us with their investments.

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

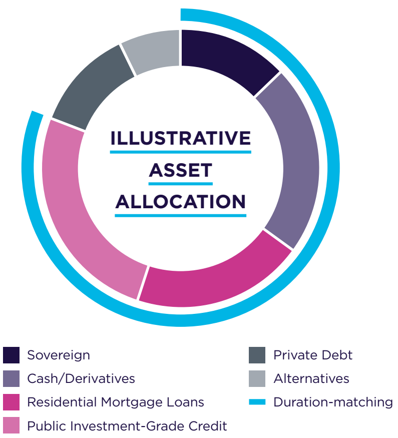
Our asset allocation strategy is specifically tailored to the needs of traditional life products and aims to generate superior returns while minimising exposure to unrewarded market volatility. While many insurance companies use liquid, traded assets to back these types of products, at times compromising 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 solely 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.

Our investment strategy can broadly be split into two components:

- **Asset/liability-matching assets:** We implement a liability-driven asset strategy to minimise the sensitivity of the balance sheet to movements in interest rates. This comprises investments in high-quality core sovereigns (more than 99% with rating of A or higher, more than 60% with rating of AAA and no periphery exposures), residential mortgages (with low loans-to-value) and interest rate derivatives. Additionally, we selectively maintain limited exposure to high-quality, shorter-dated traditional public credit (more than two-thirds with rating of A and higher) in line with our risk/reward appetite.

- **Return-seeking assets:** Our return-seeking portfolio seeks to support the yield of our overall portfolio, whilst carefully managing exposures through diversification across sub-strategies and investment granularity. This portfolio is characterised by investments with low systemic market risk, instead earning a premium for illiquidity and complexity risk. Rather than increase our allocation to higher risk securities to increase yields, we have decided to leverage Apollo's direct origination of high-quality, predominantly senior secured assets, which possess greater alpha-generating qualities than securities that would otherwise be readily available in public markets. Athora's return-seeking asset strategy is important against the environment of ultra-low interest rates and quantitative easing, where many traditional asset classes suffer from low and typically poor risk-adjusted returns.

We believe that a greater focus on direct origination will afford us both quantitative and qualitative advantages, including eliminating the cost of intermediaries, recognising an illiquidity premium, having direct access to diligence and having greater control over the terms of the investment. Furthermore, we believe that direct origination will often provide us with the flexibility to choose the location of the capital structure in which we invest, affording us the opportunity to select the risk/return profile that we deem optimal. By capitalising on these advantages, we seek to increase yields on our investment portfolio while maintaining investment discipline and limiting our exposure to assets with sub-optimal risk/return characteristics.



Efficient and scalable operations

Having established a significant footprint, we have sufficient scale to pursue the implementation of our target operating model and drive further efficiencies.

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 *Becoming Athora* was launched in 2020 to further these ambitions.

As part of the *Becoming Athora* programme, we will combine cost management with investment in systems that will enable 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.

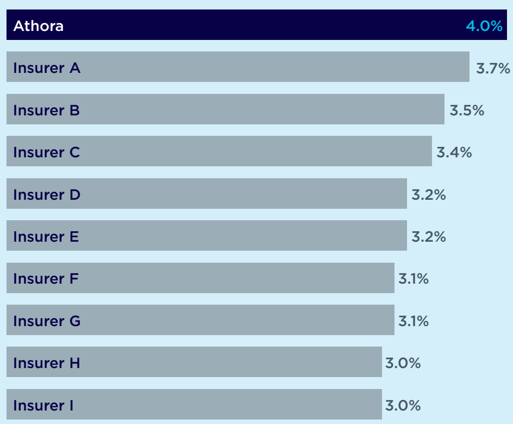
Delivering attractive returns for all stakeholders

By focusing on sustainable growth in organic capital generation, Athora can deliver better returns for our customers (as illustrated by the improved policyholder returns in Germany) and drive sustainable long-term cash generation.

We aim to prudently manage cash and capital centrally at Athora Holding Ltd. (AHL) level, seeking to ensure AHL has sufficient resources to meet its obligations (including operating and interest expenses) and the flexibility to support the capital needs of subsidiaries and/or deploy resources into growth.

Case study: Germany

Total policyholder returns in 2021 (%), based on latest profit participation announcements.



Progress on strategic priorities

Grow — Sustainable growth

- On 1 April, we completed the acquisition of VIVAT from Anbang Group and, concurrently, the non-life business was sold to NN Group, increasing our assets under administration by over €60 billion.
- In December, we signed our first external reinsurance deal—the largest bulk annuity purchase transaction in the Irish insurance market in 2020.
- We conducted strategic reviews in the Netherlands and Belgium, resulting in a more focused product offering and strategy.

Optimise — Proactive capital and risk management

- Raised €1.8 billion of equity capital from new and existing shareholders.
- Reduced debt in Athora Netherlands by nearly €600 million following a successful tender offer of a senior bond issuance.
- Reduced financial leverage to 26%.
- Completed an internal reinsurance transaction between Athora Belgium and our reinsurance subsidiaries, Athora Ireland and Athora Life Re.

Earn — Strong and stable investment returns

- Target investment returns achieved in Belgium, Germany, Ireland and Athora Life Re (Bermuda), where portfolio optimisation continues.
- Commenced rotation of the asset portfolio in the Netherlands leading to improved risk-adjusted investment returns.

Operate — Competitive costs and service levels

- Integration of Athora Belgium.
- Performed review of operations in Athora Netherlands and identified opportunities for efficiencies.
- Began a multi-year transformation programme that aims to enable Athora group to reach full operational effectiveness.

OUR BUSINESSES

Since 2014, Athora has grown primarily through acquisitions. The chart below shows, in simplified form, our primary insurance and reinsurance businesses.

Primary insurance

Athora Netherlands

Pensions, traditional life insurance and unit-linked

Athora Belgium

Traditional life insurance and unit-linked

Athora Germany

Traditional life insurance, unit-linked and pensions

Reinsurance

Athora Life Re (Bermuda)

Athora Ireland

Primary insurance

Our three primary insurance businesses—in the Netherlands, Belgium and Germany—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 and Belgium, we actively write new business. Our German business is closed to new business and aims to efficiently serve our existing customers. Further details are set out below.

Athora Netherlands

Overview and strategy

Athora acquired VIVAT N.V. on 2 April 2020, and the sale of its non-life operations to NN Group was completed on the same day. Our business, which is a leading Dutch life insurer, was renamed Athora Netherlands on 10 December 2020.

As at 31 December 2020, Athora Netherlands had 2.1 million customers, c. 1,700 employees and assets under administration of €66.0 billion.

Athora Netherlands is subject to regulatory supervision by the Dutch Central Bank (DNB) and the Netherlands Authority for the Financial Markets (AFM).

During 2020, a review of Athora Netherlands' strategy and operating model was performed with the aim of maximising the potential of the business and making our operating model less complex and more efficient. From late 2020, we now operate through two main business lines - Pensions and Life services:

Pensions—A fully focused pension provider that operates through our Zwitserleven brand and serves three customer segments:

- employers—with a pension savings offering including defined benefit, defined contribution and premium pension institution (PPI) products;
- employees—with competitive retirement solutions products including individual annuities; and
- pension funds—by supporting pension buy-outs.

Life services—A dedicated service organisation that manages the individual life product portfolio of the Reaal brand.

Life Services continuously explores strategic options for future management of the inactive product portfolio to further accelerate our transformation journey.

In addition, we are currently exploring strategic options for our asset manager, ACTIAM.

Our ambition is to become the number one pension provider in the Netherlands, offering the best value for money—where value is not only a financial, but also a social return. Our strategy is guided by three objectives: customer engagement, profitable growth and capital generation.

Our aim is to achieve our strategic objectives through:

- a simple yet complete and coherent portfolio of excellent customer solutions—focused on pension products sold through our Zwitserleven brand;
- an effective and efficient operating model and organisational structure—with a particular focus on automation and digitalisation as well as potential outsourcing opportunities;
- strong investment capabilities;
- strong sustainability capabilities and governance.

We are well placed to fulfil our customers' needs and build upon our strong market position in pensions.

Operational highlights

In 2020, Athora Netherlands provided an undisrupted service to our customers and achieved resilient results despite the challenging environment. The impact of Covid-19 on our investment returns has been limited.

Our main concern throughout the Covid-19 pandemic has been to support and ensure the best care for customers, employees and all our stakeholders. During lockdown, we transitioned successfully to remote working, were able to meet our customer service levels and all our processes performed well. We actively informed our customers about the potential for deferral of premiums on pension policies and helped customers navigate support options provided by the Dutch government.

For Zwitserleven customers and advisers, we took steps to enhance our digital capabilities, including successfully trialling a new tool to help employers encourage additional savings (*bijsparen*). This tool will be rolled out more widely in 2021. We also took further steps to improve the sustainability of the funds in which defined contribution premiums are invested.

In our individual life business, we continued to focus on efficiency and improving our systems and processes to benefit customers.

During 2020 and in the first quarter of 2021 we have put in place additional reinsurance solutions to mitigate longevity risk. Further details are set out in the risk management section.

Market context, challenges and outlook

The Covid-19 pandemic continues and we expect remote working will remain the norm for some time. Globally, the economy is suffering from the constraints introduced to manage the spread of the virus, and markets remain volatile. Athora Netherlands will therefore continue to closely monitor the development of Covid-19 and the impact on our financial and operational conditions.

The pensions market in the Netherlands remains highly competitive, and uncertainty about the effects of the pension agreement (*pensioenakkoord*) is making the marketplace more challenging. Further to our strategic review, we will continue to transform into a fully focused pension provider and will look to continue to enhance Zwitserleven's product portfolio in 2021.

In life services, to keep costs per policy competitive, we will remain focused on cost efficiency.

Athora Belgium

Overview and strategy

Part of the Athora group since January 2019, Athora Belgium has a corporate history dating back to 1901.

Based in Brussels, we serve the Belgian market and provide a range of specialised life insurance solutions to retail and corporate clients in the Belgian market through a network of over 500 independent brokers. Our product offering includes single and recurring premium savings, pensions and unit-linked life products.

Our team aims to deliver more value to our c. 170,000 customers in fulfilling their long-term insurance needs. At the year end, assets under administration amounted to €8.4 billion.

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

Our aim is to best serve our customers by providing product solutions that meet their needs and expectations, supported by an efficient and agile organisation and digital innovation.

During 2020, we completed the sale of our non-life business to Baloise. In addition, in March we completed the sale of Athora Real Estate Investments BV to Patrizia. Further details are set out in note 13 to the financial statements.

Operational highlights

During the Covid-19 pandemic, looking after our customers and our people has been a priority for Athora Belgium. Operationally, we transitioned effectively to remote working and successfully maintained our service to customers throughout the lockdown period.

In 2020 we made significant progress to integrate the business into the Athora group, including the integration of our IT systems.

During this challenging period we successfully launched new funds in our unit-linked range, hosted over 70 virtual partner meetings and won two sector awards (one for innovation and one for best unit-linked fund).

Market context, challenges and outlook

The challenging market and economic conditions during the year, driven by the pandemic, led to a decrease in sales across the Belgian life market as a whole. Despite this, our focus on developing our broker relationships enabled us to book growth in a shrinking market and we improved our overall market share from 3% to 4%.

Athora Belgium continues to promote and offer guaranteed life and pensions savings and retirement solutions. By doing this, we also enforce our social mission of offering long-term solutions to our customers.

Aided by successful new product launches and competitive profit sharing, the business has been able to grow market share in 2020 and is committed to delivering further, profitable growth over the coming years. From an operational perspective, Athora Belgium is navigating integration into the group's evolving operating model, the transition from its previous owner's systems and impacts from the disposal of the non-life portfolio. In addition, the business will continue to optimise its asset portfolio, which delivered meaningfully improved returns in 2020, but has still not fully implemented its strategic asset allocation.

Athora Germany

Overview and strategy

Athora Deutschland Group (Athora Germany), based in Wiesbaden, was acquired in 2015.

We focus on efficiently managing our closed book portfolio of traditional life, unit-linked and pension policies for our c. 140,000 customers. At 31 December 2020, our assets under administration were €4.9 billion.

Our regulated businesses are subject to regulatory supervision by the German Federal Financial Supervisory Authority (BaFin).

Using our strengths in asset management and in efficiently managing our closed book, our aim is to deliver value for our customers by generating the returns they need and providing them with stability and security, even in the current low interest rate environment.

We expect cash to emerge naturally as the business runs off over time and seek to enhance this through efficient management of the business and improving investment returns. We are focused on managing our expense base and optimising our systems and processes while providing our customers with the quality of service they expect.

Operational highlights

During the Covid-19 pandemic, we successfully maintained the quality of our customer service levels. We successfully enabled remote working and most of our employees worked remotely during lockdown. During 2020, we also received fewer customer complaints and had lower employee turnover.

In November, Athora Lebensversicherung announced it was able to increase its surplus participation for life policies for the second consecutive year, to a total interest rate of 4.0% for 2021. Within this, there is a terminal bonus of 1% and a current interest rate of 3%, which is above the average interest rate of c. 2.2% for classic life insurance contracts in the German market. This result reflects our ability to create value for our customers through our particular focus on investment strategy.

Market context, challenges and outlook

While the gross national product for Germany (*Bruttosozialproduct*) decreased in 2020, premium income for the German life insurance market was only slightly down, by 0.1%, to €99.4 billion. In response to low interest rates, life insurers in Germany are generally focusing on protective strategies and many companies have reduced bonus rates for policyholders.

Looking ahead, in 2021 we will continue to focus on investment performance and expense and reinsurance initiatives.

Athora Germany remains committed to the efficient management of its in-force portfolio, which is closed to new business. This comprises careful management of expenses in relation to the portfolio size, aided by outsourcing of capabilities where appropriate, and efficient capital management. These initiatives are supplemented by our focus on strong investment performance, which is now achieving returns in-line or above target levels. We are committed to servicing our existing customers and delivering attractive policyholder returns, and will continue to strategically assess growth opportunities (including reinsurance) in the German life market.

We also continue to closely monitor and assess risks that may impact on our financial and operational performance, including further development of the Covid-19 pandemic, negative macroeconomic development, geopolitical disputes, investment market volatility and the operational implementation of cost efficiency programmes. Further information on our key risks and financial highlights is set out in the Other information (see page 183) section of this annual report.

Reinsurance

Overview and strategy

Our reinsurance subsidiaries are Athora Life Re (based in Bermuda) and Athora Ireland. The strategy of our reinsurance subsidiaries is to 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.

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

At 31 December 2020, our reinsurance businesses had assets under administration of €3.4 billion. Both subsidiaries have been rated by AM Best as A- with a stable outlook and by Fitch Ratings as BBB+ with a stable outlook.

In March 2021, we announced the sale of Athora Ireland's variable annuity portfolio to Monument Life Insurance DAC. The transaction is expected to close by the end of 2021, subject to court and regulatory approvals.

Operational highlights

Key highlights in 2020 included:

- In December we signed our first external reinsurance deal. The transaction, with a leading Irish life insurer, was the largest bulk annuity purchase transaction in the Irish insurance market in 2020. Importantly, as our first third-party reinsurance deal, it paves the way for further reinsurance transactions, in line with our strategic priority 'Grow'.

- In October, we finalised our third internal reinsurance transaction, with Athora Belgium. Athora Ireland reinsured €1 billion of legacy "high guarantee" group life pension policies, retroceding some of the portfolio to Athora Life Re.

Market context, challenges and outlook

Covid-19 has had minimal impact on our operations with our reinsurance teams adept at working remotely. However, the market turmoil from the pandemic has led to a growing need for capital and risk management solutions from insurers across Europe, accelerating the industry's desire for capital-light products and addressing capital-heavy back-books.

The pipeline of asset intensive reinsurance opportunities has remained buoyant during 2020. Pressure on solvency ratios has focused insurers' attention on capital optimisation solutions and disposals, which has accelerated a number of opportunities to advanced stages towards the end of 2020. Spread volatility and low interest rates presented some challenges in pricing during early/mid 2020. However Athora has continued to be successful, bolstered by strong relationships that have been built across a number of European insurance groups.

FINANCIAL PERFORMANCE

Overview

In 2020, Athora successfully navigated challenging market conditions, including the uncertainty and volatility caused by the Covid-19 pandemic, to raise additional capital, significantly grow our business and strengthen our balance sheet.

In February, we secured €1.8 billion in equity capital commitments from new and existing shareholders, bringing our total committed equity capital to €4 billion.

During the year we called €2.8 billion of this, bringing our total issued equity capital to €3.5 billion. €500 million in equity capital commitments remain undrawn and available to the group.

Together with the proceeds from €0.5 billion of debt financing, the additional equity capital raised was partially used to support our acquisition of Athora Netherlands and a subsequent capital injection into that business in April. It also provides ongoing support for our other insurance subsidiaries and will enable us to continue to develop our business.

Following the capital call in December, which was partially used to repay a €150 million credit facility, the group has reduced its financial leverage to 26%.

In February 2021, the group entered into a new €500 million unsecured revolving credit facility (RCF) with a group of credit institutions. This provides material additional liquidity resources to the group.

Our 2020 results have benefited from the acquisition of Athora Netherlands. As a result of the acquisition, assets under administration significantly increased by over €60 billion, and ended the year at €83 billion (2019: €15 billion). Our Dutch business is the main contributor to the significant increase in our IFRS profit for the year of €656 million (2019: €4 million). Further details of the drivers of our IFRS results are set out below.

In April, our Dutch business conducted a successful tender of its senior notes, reducing financial leverage. We repaid c. 90% (€589 million) of the senior bond, reducing the outstanding value to €61 million.

Regulatory solvency

From 1 January 2020, the Bermuda Monetary Authority (BMA) became the group's regulatory supervisor. We ended the year with a Bermuda Solvency Capital Requirement (BSCR) surplus of €3.5 billion, which translates to a BSCR ratio[1] of 242%. This does not include the €500 million undrawn equity commitments described above.

The regulatory solvency positions of all our European insurance subsidiaries, which are measured on a Solvency II basis, were resilient during 2020.

[1] For Athora, our Bermuda ECR ratio is the same as our BSCR ratio, as our ECR is equal to our BSCR. See the glossary for further details.

Asset allocation

During the year we continued to make progress towards target strategic asset allocations (SAA) in all our business units. We achieved resilient investment performance in challenging markets, preserving capital despite significant volatility in interest rates and spreads. Credit market conditions in 2020 also enabled the group to deploy into target assets at more attractive spreads, quality and terms.

We have an active approach to asset management. We were able to find attractive investment opportunities in Belgium and Germany in 2020, enabling us to benefit from favourable market movements.

Capital and cash 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 organic capital generation (OCG)[1] from acquired subsidiaries to improve and ultimately drive cash remittances to group.

During the year, we commenced the integration of Athora Netherlands and substantially completed the integration of Athora Belgium. The rotation of the investment portfolios of our Belgian and German businesses has largely progressed to their long-term SAAs. Our Belgian and German businesses benefited from favourable market movements and achieved spread levels at or above target in 2020. This contributed to a significant improvement in OCG for Belgium and Germany to €185 million (2019: €54 million), which is above our estimate for the normal level of capital generation from these two businesses.

OCG for Athora Netherlands for the nine-month period following its acquisition at the start of April was negative €129 million, mainly because the level of spread achieved was insufficient to fund the level of drag from the Ultimate Forward Rate (UFR) under Solvency II. Athora Netherlands is in the process of rotating its asset portfolio to target a level of spread that will support the UFR drag whilst producing positive OCG result. Taking the contributions from our Belgian, German and Dutch business units into account, our aggregate OCG for the year was €56 million.

[1] For a definition of organic capital generation, see the Glossary

Expenses

A key pillar of our strategy is operating with competitive costs and service levels, while providing great customer service. *Becoming Athora*, a multi-year transformation programme that started in 2020, includes activity to reduce our long-term cost base while investing in the systems that will allow us to operate in a focused, efficient and stable manner.

Compared to 2019, expenses increased in 2020 driven by the acquisition of Athora Netherlands and transaction, restructuring and integration activity. Further details are set out in the IFRS section below. Expense management will continue to be a key focus area for the group in 2021.

Ratings and financial leverage

Athora is targeting a Single A range credit rating in the medium term. We have A- (Financial Strength) ratings from AM Best, and BBB+ (Insurance Financial Strength) ratings from Fitch. In addition, Athora Holding Ltd. published its BBB Issuer Default Rating from Fitch in December 2020.

At the year end, our financial leverage has improved to 26%. We have a medium-term financial leverage target of 25%, which is consistent with our 'A' range medium-term credit rating target.

The improvement in our financial leverage during 2020 is mainly due to the significant increase in total IFRS equity as a result of the acquisition of Athora Netherlands, repayment of €150 million of bank borrowing in December and IFRS earnings.

IFRS results

The following section sets out more detail on our IFRS results.

IFRS total equity

The table on the right shows the movement in our IFRS total equity during 2020, which increased significantly to €4.3 billion (2019: €0.6 billion). The main drivers of the increase were the equity share capital issuance of €2.8 billion, which was partially used to support our acquisition of VIVAT in the Netherlands in April, and IFRS profits of €656 million (2019: €4 million).

The acquisition of our Dutch business has had a significant effect on our 2020 IFRS result. Further details are set out below.

IFRS total equity	€m
At 31 December 2019	618
Profit for the year	656
Issuance of equity share capital	2,799
Other movements	181
At 31 December 2020	**4,254**

Income statement

Continuing operations	2020 €m	2019 €m
Net earned premiums	1,549	392
Investment income	2,224	701
Investment income attributable to policyholders and third parties	2,456	304
Gain recognised on acquisition of subsidiaries	213	3
Fee and commission and other income	131	45
Net insurance benefits and claims	(2,790)	(778)
Expense attributable to policyholders and third parties	(2,230)	(319)
Acquisition costs	(41)	(16)
Other expenses	(707)	(331)
Interest expense	(105)	(14)
Profit/(loss) before tax	**700**	**(13)**
Tax	(93)	(33)
Profit/(loss) after tax - continuing operations	**607**	**(46)**
Profit after tax - discontinued operations	49	50
Profit for the year	**656**	**4**

Profit for the year

The group generated profit for the year of €656 million (2019: €4 million). Compared to 2019, the increase in profit in 2020 is primarily attributable to the contribution of Athora Netherlands for the nine months post-acquisition in April 2020 and the gain on acquisition of €213 million.

Net earned premiums

Net earned premiums were €1,549 million (2019: €392 million). The increase in 2020 mainly reflects a €1,034 million post-acquisition contribution from Athora Netherlands and higher inwards reinsurance premiums as a result of our first external reinsurance deal, which was completed in December.

In the Netherlands, 2020 saw a resilient performance in Life Corporate[2] products (which included products sold under the Zwitserleven brand) and there was growth in Premium Pension Institution (PPI) inflows following a shift to PPI from other pension products. However, there were lower premiums in Individual Life reflecting a challenging marketplace. In Belgium, net premiums were broadly stable, with resilient performance in savings and pensions offset by lower protection premiums. In Germany, which is closed to new business, net earned premiums were slightly lower than 2019, mainly reflecting higher outwards reinsurance premiums.

Investment income

Investment income was €2,224 million (2019: €701 million), including a €1,204 million post-acquisition contribution from Athora Netherlands.

The result from derivatives was a credit of €1,206 million (2019: €27 million charge), mainly reflecting interest rate movements on derivatives used for asset/liability management purposes. This was partially offset in the movement in insurance provisions.

Other investment income was €1,018 million (2019: €728 million). Compared to 2019, the increase in 2020 was mainly driven by the acquisition of Athora Netherlands and higher realised gains (partly due to the tactical repositioning of our portfolios in Belgium and Germany described above), partly offset by lower investment property income.

Gain recognised on acquisition of subsidiaries

The €213 million gain on acquisition of subsidiaries reflects negative goodwill recognised directly in the income statement on the acquisition of Athora Netherlands. The consideration was lower than the fair value of net assets acquired, resulting in negative goodwill of €213 million. Further details are set out in note 42 in the financial statements.

Net insurance benefits and claims

Net insurance claims and benefits, which include the movement in insurance provisions, were €2,790 million (2019: €778 million).

Within this, net paid claims were €2,757 million (2019: €646 million), which includes €2,151 million relating to Athora Netherlands post-acquisition. The net movement in insurance provisions was a charge of €33 million (2019: €132 million charge).

Other expenses

Other expenses were €707 million (2019: €331 million). Compared to 2019, other expenses increased in 2020 driven by €254 million from Athora Netherlands post-acquisition, higher costs relating to transaction, restructuring and integration activity, higher investment management fees and a €54 million impairment charge relating to certain assets in our available-for-sale investment portfolio. Expense management will continue to be a key focus area for the group in 2021. See note 33 to the financial statements for further details.

Interest expense

Interest expense was €105 million (2019: €14 million), with the year-on-year increase mainly due to higher borrowings as a result of the acquisition of Athora Netherlands. The expense relating to Athora Netherlands' subordinated debt borrowings was €60 million (2019: n/a), which includes an amortisation charge of €15 million. Interest expense on other borrowings was €29 million (2019: €11 million), which includes interest on the €500 million senior debt raised in March 2020 that part-financed the acquisition of Athora Netherlands and a subsequent capital injection into that business. Other interest expenses of €16 million (2019: €3 million) relate to various operating liabilities, including repurchase agreements. Further details are set out in notes 18 and 34 to the financial statements.

Tax

Tax on profit from continuing operations was a charge of €93 million (2019: €33 million charge). Compared to 2019, the level of the 2020 tax charge mainly reflects a change in the mix of profits by jurisdiction. It also reflects that the €213 million gain on acquisition of Athora Netherlands (described above) is not taxable, and a credit arising from the recalculation of the net deferred tax asset of Athora Netherlands following an increase in the tax rate for 2021 and future years. Further details are set out in note 36 to the financial statements.

Discontinued operations

Profit after tax from discontinued operations was €49 million (2019: €50 million). This mainly relates to the profit on disposal of Athora Belgium's non-life business. Further details are set out in note 13 to the financial statements.

[2] For most of 2020, Athora Netherlands was managed on its previous product line basis (Life Corporate, Individual Life and Asset Management). Following the strategic review in 2020, the new operating structure (see Our businesses section for details) has been in effect from late 2020.

Statement of financial position

Assets

The acquisition of Athora Netherlands during 2020 significantly increased the size of our balance sheet. The following table summarises our total assets at 31 December 2020:

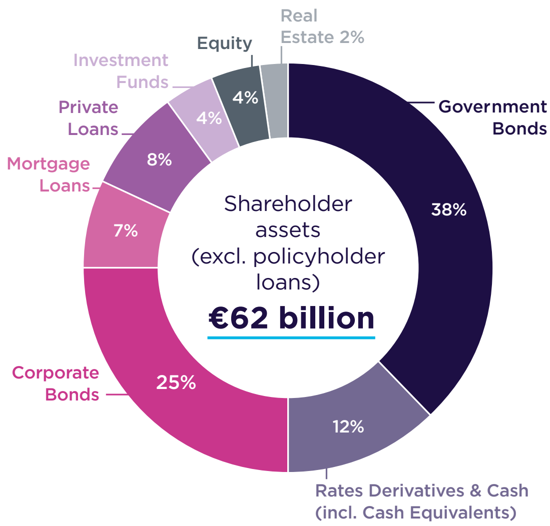
Assets	2020 €m	2019 €m
Investment properties	1,331	773
Financial assets	61,118	10,624
Cash and cash equivalents	1,251	573
Loans due from banks	773	136
General account assets	**64,473**	**12,106**
Investments attributable to policyholders and third parties[1]	18,736	2,444
Assets under administration	**83,209**	**14,550**
Other assets	3,252	2,120
Total assets	**86,461**	**16,670**

1 Includes unit-linked assets

Assets under administration increased to €83 billion at 31 December 2020 (2019: €15 billion), of which 77% (2019: 83%) relates to general account (shareholder) assets. Within this, financial assets of €61.1 billion (2019: €10.6 billion) includes:

Financial assets	2020 €m	2019 €m
Available for sale:		
- Debt securities	38,005	8,577
- Equity securities	2,008	657
- Other investments	2,605	227
Derivatives	6,272	435
Mortgage loans and private loans linked to savings mortgages	9,156	130
Policy and other loans	2,382	75
Fair value through profit or loss:		
- Debt securities	172	-
- Other investments	471	511
Other	47	12
Total	**61,118**	**10,624**

Excluding policy and other loans of €2.4 billion, the allocation of general account assets by type as at 31 December 2020 is shown in the following chart:



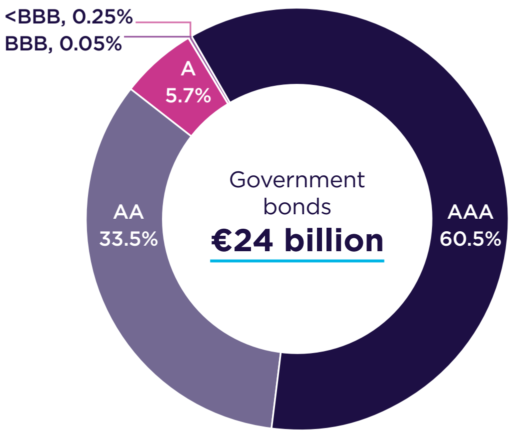
For the main asset types in the chart above, the following table summarises the quality of the assets we invest in:

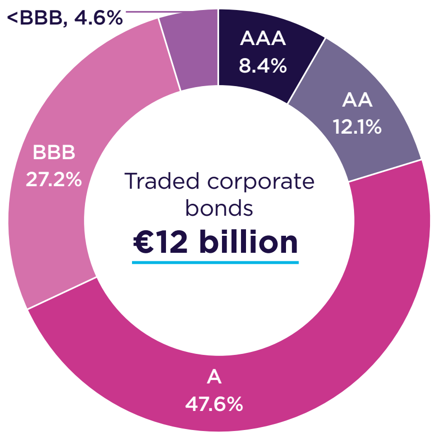
General account assets	
Government bonds	Core EU government bonds, no exposure to peripherals, > 99% A rated
Corporate bonds	Investment grade, short duration with >⅔ higher than A rated
Mortgages	Low loan-to-value (LTV) residential mortgages, predominantly in the Netherlands
Private loans	Primarily senior secured loans, partly originated through Apollo
Other	Includes high quality equity and real estate holdings

Credit ratings of general account debt securities

Within financial assets of €61 billion at 31 December 2020, €38 billion relates to debt securities. This includes €24 billion relating to government debt securities and €12 billion relating to traded corporate debt securities.

The following charts summarise the credit ratings of our general account government and traded corporate debt portfolios:





At 31 December 2020, 99.8% of general account government debt securities and 95.3% of general account traded corporate debt securities are rated as investment grade (BBB rating or better).

Liabilities

The following table summarises our total liabilities at 31 December 2020:

Liabilities	2020 €m	2019 €m
Insurance provisions	49,384	9,692
Liabilities attributable to policyholders and third parties[1]	19,474	2,750
Borrowings	1,498	387
Other financial liabilities	8,846	1,067
Other liabilities	3,005	2,156
Total liabilities	**82,207**	**16,052**

1 Includes unit-linked liabilities

Compared to 2019, insurance provisions and liabilities attributable to policyholders and third parties have significantly increased, mainly due to the acquisition of Athora Netherlands. Further details are set out in note 16 to the financial statements.

At 31 December 2020, total borrowings were €1,498 million, which includes €500 million of senior debt raised in 2020 to part fund the acquisition of Athora Netherlands and €803 million of subordinated debt acquired with that business. Further details are set out in note 18.

Further details of other financial liabilities are set out in note 19.

Capital

Our capital is represented by available statutory capital, which we monitor and manage in conjunction with the BMA's solvency capital requirements. We seek to maintain financial strength in accordance with our risk appetite, to support business growth, meet the requirements of our regulator and give our customers, shareholders and other stakeholders assurance of our financial strength.

At the year end, our estimated group BSCR surplus was €3.5 billion and our estimated group BSCR ratio was 242%:

	2020 €bn
Available statutory capital	5.9
Bermuda Solvency Capital Requirement	2.4
Group BSCR surplus (estimated)	**3.5**
Group BSCR ratio (estimated)	242%

The table below provides a summary of the group's estimated available statutory capital by Tier:

Available statutory capital	2020 €bn
Tier 1	5.1
Tier 2	0.8
Tier 3	-
Available statutory capital	**5.9**

SUSTAINABILITY

Sustainability is a key theme for Athora as a long-term insurance business with promises to customers many years into the future. Our approach focuses on three areas: social impact, the sustainability of our business and responsible investments.

Social impact

To Athora, this means embracing our role in society as a long-term life insurance provider, as outlined below.

Committing to long-term sustainable products that meet the specific challenge of the pension gap and changing demographics

Over the past few years, changes in the market and regulatory environment have led insurers across Europe to gradually start to withdraw from certain life products, typically those with either long duration or guarantees. In addition, ageing populations mean that to reduce the increasing pressure on public pension systems, private provision of retirement savings products is becoming ever more important.

At Athora, we strongly believe that customers still need long-term savings products with guarantees as an essential tool for long-term retirement planning, and therefore this trend presents us with opportunities for growth.

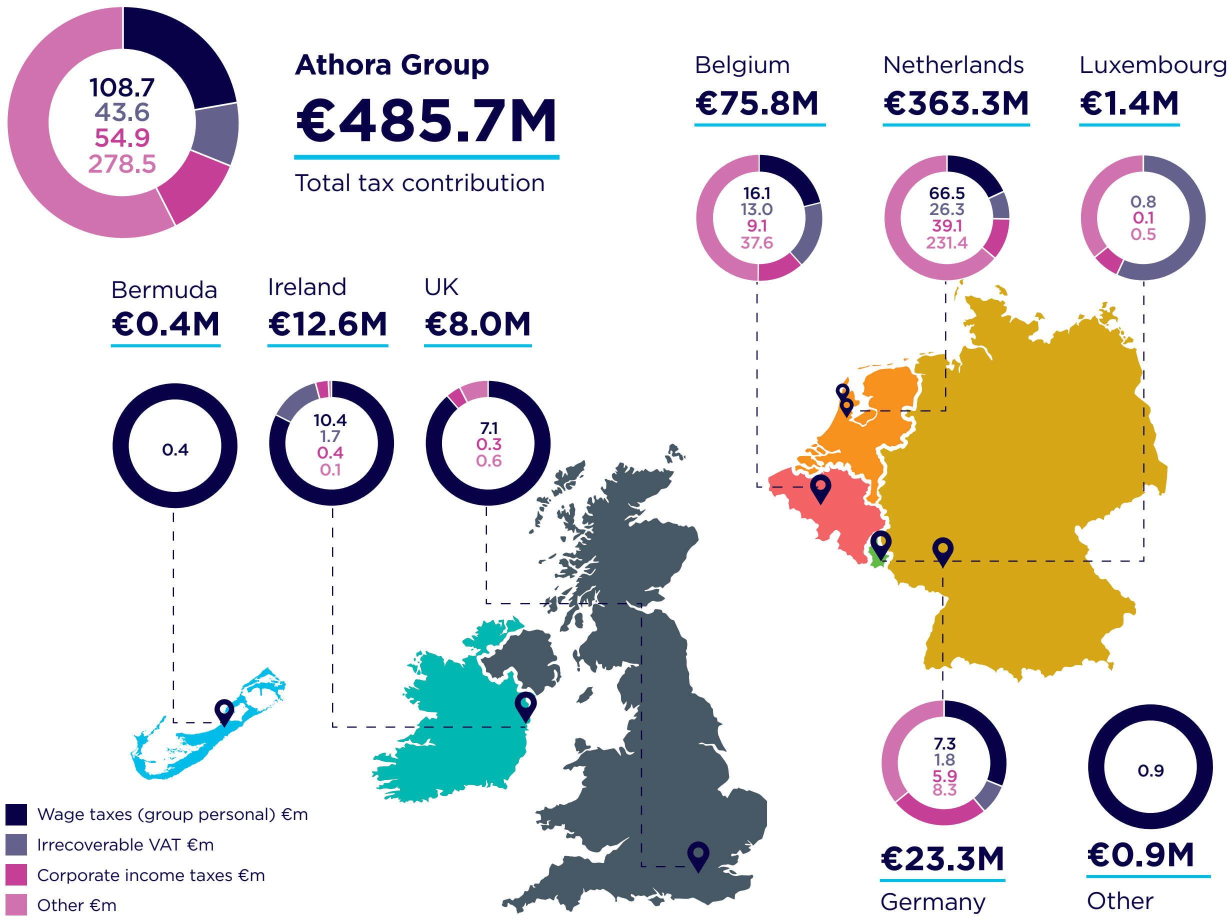
As a result, our mission reflects our aim to provide European customers with the mix of financial and insurance guarantees that they need to support themselves or their loved ones in their retirement. In particular, we believe providing long-term savings products with guarantees is key to allow our customers to plan for a safer and more certain future.

Athora Lebensversicherung in Germany is a great example of this commitment. Thanks to our continued delivery on our strategic plans, we have been able to increase our profit-sharing for the second year in a row and provide above-market returns to our customers. See page 22 for further details.

Promoting a transparent approach to tax

We support local communities in each of the jurisdictions in which we operate—both through the taxes we pay and the taxes we collect on their behalf.

The protection of our customers and other stakeholders is at the core of our strategy and work. We understand that our stakeholders are best served—and their long-term interests are best protected—when we pay the correct amount of tax aligned to where we have substantive business operations. Athora is committed to tax compliance



that is focused on complete and timely tax filings in all jurisdictions in which we operate.

Where commercial opportunities and synergies give rise to transactions between group entities based in different jurisdictions, we ensure these transactions are undertaken at arm's length—and obtain the advice and input of independent experts where the pricing of such transactions is complex.

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.

In 2020, our total tax contribution, company-wide and by jurisdiction, amounted to €485.7 million as illustrated above.

Supporting our communities

At Athora, we have a strong history of community involvement through volunteering and charitable donations. This year, we increased our level of commitment as the Covid-19 pandemic created unprecedented challenges for our local communities.

During the year, Athora committed €1 million to charities supporting frontline efforts in the fight against Covid-19 and providing human services in Belgium, Bermuda, Germany, Ireland and the UK, in addition to the purchase of life-assisting ventilators in Bermuda and Belgium.

In the Netherlands, Zwitserleven, our retail brand, has planted a forest—2,000 trees—in the southern part of the Netherlands. This initiative was conducted as part of its foundation *Stichting voor Later* (Foundation for the Future), which redeploys leftover amounts in small, expired pensions pots (less than €2 each) into community activities. Following the success of this initiative, Zwitserleven also committed to match any donation made by its customers to support the *Trees for All* reforestation project.

Sustainability of our business

To Athora, this means running a resilient business for the very long term, as outlined below.

Limiting our environmental impact

Our aim is to gradually reduce the impact of our business on the environment including limiting our energy consumption, water use and carbon emissions. To achieve this, we have started to take steps to reduce the energy consumption of our buildings, segregate our waste, and reduce our carbon emissions.

Athora Netherlands' office building in Alkmaar has been re-certified according to the 'BREEAM-NL In-Use' method[1]. This objective test compares the sustainability performance of existing buildings and provides guidelines for making them even more sustainable. It is the only existing building in Alkmaar to receive three stars for 'Asset', four stars for 'Management' and three stars for 'Use'. This makes the Alkmaar office one of the most sustainable buildings in the area, especially now that solar panels have recently been installed on the roof.

Maintaining high standards of governance and compliance practices

We believe in maintaining high standards of governance, transparency and good relationships with our regulators. During 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 have also published our annual report for the first 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.

Developing an inclusive culture that supports diversity and equality and in which employees thrive

Our workforce has significantly increased over the past few years as Athora has grown primarily through acquisitions. At 31 December 2020, Athora employs 2,300 colleagues across Belgium, Germany, Ireland, the Netherlands, the United Kingdom and Bermuda, of which 59% are male and 41% are female. At 31 December 2020, two of our eleven Directors of Athora Holding Ltd. are female.

At Athora, we are committed to developing an **inclusive culture**, in which all individuals feel valued, engaged and supported to reach their full potential. Our aim is to develop into an inclusive, diverse organisation, embracing difference and providing equal opportunities for all our colleagues as we grow and mature. Creating this inclusive culture is critical to our business and our purpose, and will enable us to be truly representative of the communities in which we operate, and the customers whom we serve.

We have deployed an employee-centric approach, starting with transparent, two-way communication, fostering an environment of trust where employees are appropriately informed and can safely share feedback. In particular, we have taken active steps forward to develop our employee listening initiatives:

- We conduct an annual employee survey to inform our long-term engagement strategy, complemented by short and event-driven surveys to react promptly and effectively to shorter-term needs.
- Our volunteer employee focus groups act as a sounding board for the leadership with colleagues at all levels. This includes a group-wide culture driver network (CDN) focusing on culture-defining topics. In 2020, the CDN played a significant role in developing and launching the values and behaviours that define our corporate culture.
- We maintain strong relationships with local works councils and unions—where these exist—to ensure additional formal participation from our colleagues.

These employee listening initiatives proved critical to react quickly during the Covid-19 pandemic. We made working-from-home possible for c. 98% of our colleagues within a week and took swift action to support colleagues in their unique situations. Based on the feedback we received, we also adapted our recruitment approach to enable the many colleagues who joined Athora during the working-from-home period to have a strong virtual onboarding experience. Regular feedback regarding a return to office-based work continues to guide our approach—always prioritising health and safety.

Athora also has a strong commitment to the **health and wellbeing** of our colleagues, including

[1] Building Research Establishment Environmental Assessment Method

an annual Health and Wellbeing Awareness Week and social activities focusing on physical and mental health. To support working from home, we significantly strengthened our focus on mental health and wellbeing through targeted campaigns, making tools such as the meditation app *Headspace* available, organising virtual social and cultural events within and outside working hours, and encouraging everyone to reach out to colleagues to provide support as much as possible.

In turn, these initiatives generated a significant uptick in our employee engagement score, which grew +14% year-on-year as of October 2020 across the group (excluding the newly acquired Athora Netherlands where employee engagement and commitment also increased during 2020). Key drivers for this score included clear actions around alignment, culture and change management, addressing Covid-19 challenges, and our focus on overall engagement as Athora completed the acquisition of Athora Netherlands and the sale of the non-life business in Belgium.

We continue to invest in **leadership and organisation development** to build capability in the organisation as we transform and continue to develop. In 2020, we built the foundations to develop leadership capability across the group, bringing leaders together as a community by:

- setting a robust framework for succession planning and key talent identification, resulting in increased diversity in the succession pipeline for executive leadership;
- developing our network of leaders with a shared accountability for role modelling and embedding the Athora culture, values and behaviours across the organisation; and
- building leadership development programmes with the breadth and depth to grow leadership capability at all levels of the organisation going forward.

Across Athora, we have policies and practices that ensure our recruitment, employment, development, compensation, training, job assignment and promotion decisions are based solely on ability and potential relating to the requirements of each position.

Responsible investments

To Athora, this means leveraging our investment capabilities to enact change.

Athora has €83 billion of assets under administration as at 31 December 2020. By steering these investments in a responsible and sustainable manner, we have the ability to foster positive change.

We are taking further steps in this area and have started several initiatives that will allow us to:

- embed ESG in our investment screening and monitoring practices;
- enforce a conscious approach to exclusions (sectors and/or companies in which we choose not to invest);
- support our investments towards more sustainability through active ownership; and
- build dedicated allocations to ESG-positive initiatives.

In the Netherlands, ACTIAM, the in-house asset manager of Athora Netherlands, has maintained a responsible and sustainable investment policy since 1990 and launched its first institutional funds in microfinancing in 2007 and 2008.

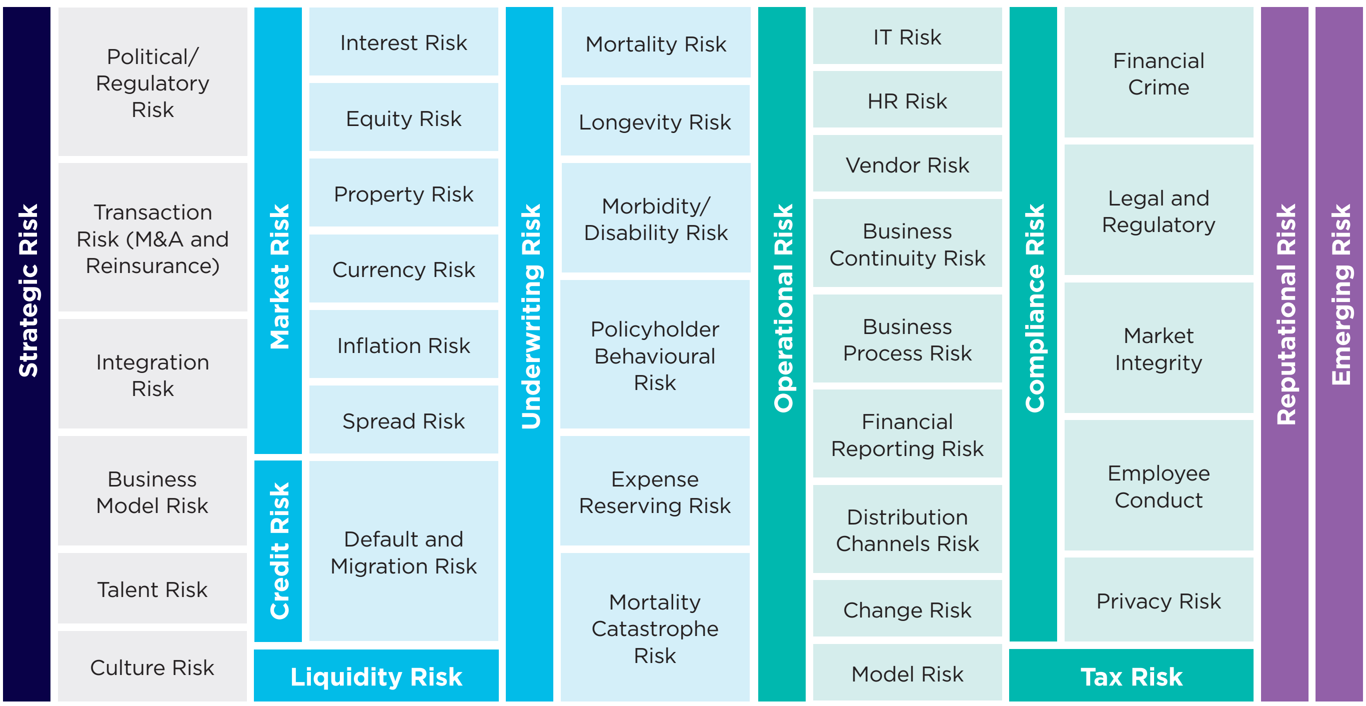
As part of its unit-linked product range, Athora Belgium offers funds with specialised asset managers that have a strong ESG approach. In 2020, the offering was expanded to six funds which attracted 56% of new inflows. As at 31 December 2020, c. 16% of the assets under management in Athora Belgium's unit-linked portfolio were held in sustainable funds, which are also some of the best performing funds in our Belgian portfolio.

RISK MANAGEMENT

Risk management framework

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. 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 below:

Enterprise Risk Management framework



Under the leadership of Group Chief Risk Officer Lukas Ziewer, 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:

1. Targeted risk selection

- We take on long-dated life-insurance liabilities in European markets if these can be pursued 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 illiquidity premiums and credit-risk premiums.
- Risks outside risk appetite are pro-actively mitigated and traded out; our incentive systems discourage short-term, unrewarded risk taking.

2. Skilled risk taking

- Our active risk management is a core competency that helps to promote confidence in our stakeholders (including the Board, supervisors, shareholders and rating agencies).
- We only take risks for which the appropriate skills, capabilities and resources exist in the organisation.
- We measure risk on a timely and reliable basis to achieve a predictable risk profile, and promote conscious trade-offs.

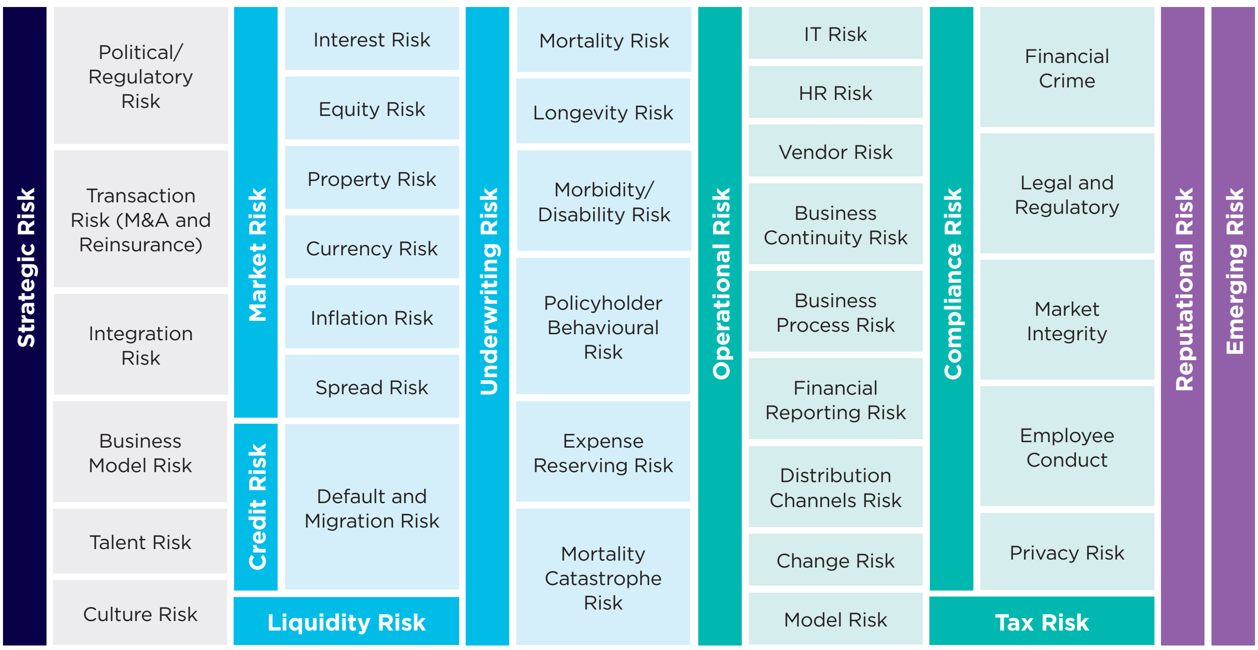
3. Cohesive risk management

- Risk is to be managed consistently across all the business. Aggregated risk is 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.
- We manage the fungibility of capital to increase diversification benefits and support risk taking wherever it is value accretive.

Athora's risk universe is a comprehensive set of risk categories and sub-categories. All our businesses use a consistent approach to facilitate a common understanding of risk, risk aggregation and reporting.

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.

Athora's risk universe



At an overall level, Athora's risk preference can be categorised using three levels:
- **desired risks** that are core to the business model and are underpinned by proactive risk and capital management;
- **tolerated risks** that we incur as a result of the business model but mitigate and manage to reduce; or
- **undesired risks** that we will seek to avoid or fully eliminate where possible.

Risk type	Risk definition	Risk preference
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 Athora will not be able to meet all cash outflow obligations as they come due.	Undesired
Underwriting risk	The risk that the insured event occurs and there are large deviations between expected and actual actuarial assumptions including mortality, persistency, longevity, morbidity and expense variations.	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 an undertaking may suffer as a result of not complying with laws, regulations and administrative provisions as applicable to its 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 Business model and integration risk are undesired 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; and
- 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).

We have implemented a *three lines of defence* risk governance model to ensure that risks are clearly identified, owned and managed. For further information see page 54 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. It enables ethical and responsible risk-based decisions to be made, considering the best interests of the organisation, our customers and other stakeholders over the long term.

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.

Risk culture 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.

We seek to attract and retain the highest quality talent in the industry. The effectiveness of Athora's risk management depends on a strong risk culture and robust risk management practices.

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, such as the BMA required CISSA/GSSA and Solvency II required ORSA, 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. We use advanced stress testing and capital modelling techniques to deliver robust and insightful risk analytics.

Internal control framework

During 2020, the AHL Board established a principles-led internal control framework. 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) will enable us to:

- achieve important objectives;
- sustain/improve performance; and
- develop a 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 our risk profile

2020 saw material changes to the group's risk profile following the acquisition of Athora Netherlands in April and the impact of the global Covid-19 pandemic on financial markets. 2020 also saw the introduction of a proposed update to the regulatory framework of Solvency II by way of the EIOPA Solvency II Review which has the potential to have an impact on the risk profile of the group's European business units.

Acquisition of Athora Netherlands

The acquisition of Athora Netherlands resulted in a significant increase in Athora's assets under administration and insurance obligations. Athora Netherlands is subject to prudential supervision by De Nederlandsche Bank, and the large company regime under Dutch law. Athora Netherlands put in place additional reinsurance solutions in 2020 and Q1 2021 to mitigate some of its longevity risk and bring it within Athora's risk appetite. Work is ongoing to bring asset liability management and investment risks in line with group risk appetite.

Migration of the non-life business to NN Group is on track, and risks related to this sale are being monitored.

Covid-19

Covid-19—and the associated policy response—is a dramatic, global event which had an immediate and ongoing impact on financial markets. In particular, the onset of the pandemic reinforced the trends of 'lower for longer' EUR interest rates and converging European sovereign debt spreads. In contrast, after an initial sharp increase in credit spreads and equity-market volatility, risk markets have recovered quickly and, as at the date of this report, are near the levels seen previously. Athora's investments were defensively positioned, and we cautiously benefited from the opportunities that these increased spread levels offered.

While the sharp economic shock significantly impacted the global capital markets, Athora's defensive investment positioning and solid underwriting governance contributed to our being able to weather the peak of the crisis without exposing the group to significant credit losses. Active management of the public credit portfolio helped mitigate default and migration losses during the heightened downgrade trend worldwide. Our private credit portfolio displayed only a few cases of material credit deterioration, indicating overall portfolio resilience. Credit losses were largely driven by individual, idiosyncratic assets concentrated in the most vulnerable industries, such as leisure and hospitality sectors and the consumer discretionary sector, and remained within group risk tolerance. Overall, the health of the portfolio remains robust, which is a reflection of our underwriting and risk monitoring capabilities in these asset classes.

EIOPA's Solvency II Review

EIOPA's Solvency II Review began in 2020 and Athora is closely monitoring the proposals that will enter a long negotiation process in the coming years. In line with other European insurance groups we expect an impact on liabilities given the long term nature of our liabilities and the suggested change in approach in measuring these. The group is actively monitoring the impacts of the review on our balance sheets. The new proposed approaches will be integrated into the risk measurement framework as the approval stages of this review progresses.

Brexit

To date, no significant risk has materialised for Athora arising from the UK's decision to formally leave the European Union in December 2020. From a privacy perspective, there is a risk that the UK will be classified as a 'third country', but that risk has been largely managed through existing contractual agreements, which are GDPR compliant.

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.

Our risk exposure now includes risks arising from the acquisition of Athora Netherlands. Due to the relative size of Athora Netherlands' business, our exposure to these principal risks have increased from last year. The increased risk exposures are, however, being actively mitigated to ensure that the group's overall exposure to these risks remains within the risk appetite.

More details can be found in note 23 Financial risk management to the financial statements.

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 priority

- Optimise
- Grow

Mitigation

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 continues to develop its approach for future acquisitions and integrations by building on experience 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) and property risk.

Strategic priority

- Optimise
- Earn

Mitigation

Athora actively manages exposure to market risks with the group's ALM risk policy which is implemented locally by the business units. The business units define thresholds for interest rate, spread and currency risk according to the risk metrics and scenarios defined in the policy. Exposures are identified, actively monitored and reported to group at minimum on a monthly basis. A group ALM working group takes place on a weekly basis for most business units with group risk, the investment function and investment manager(s). The group risk management function steers and co-ordinates the overall ALM process and prompts ALM risk management actions. Any risk-limit breaches are escalated to the appropriate governance bodies for remedy and mitigation.

Credit risk

Credit risk stems from a heterogeneous range of both public and private financial instruments, characterised by diverse structural features, credit protection mechanisms, 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 and reinsurance). Athora has low risk appetite for default and migration risk of public credit securities, with high risk appetite for private credit investments that have an attractive risk-return trade off.

Strategic priority

- Optimise
- Earn

Mitigation

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 regulatory requirements as per Solvency II Prudent Person Principle, our risk appetite and strategy and internal financial risk policies. In this context, each investment is selected based on its specific strategic purpose, a tailored risk-return analysis and a comprehensive underwriting criteria review process. Investable assets are described in Athora's Investment Universe, with applicable risk-adjusted return profiles. 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 rating assessment process for all private credit investments. We test risk-adjusted return appropriateness against regulatory and economic capital consumptions. This process further enhances Athora's capabilities to monitor and risk manage private credit assets.

Liquidity risk

We have general balance sheet liquidity risk which relates to our ability to liquidate or rebalance our balance sheet without incurring significant costs from fees, bid-offer spreads, or market impact to meet cash obligations when due.

Strategic priority

- Optimise
- Operate
- Grow

Mitigation

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 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 priority

- 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 priority

- 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.

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 priority

- Optimise
- Operate

Mitigation

In 2020, the group compliance function assessed business unit compliance procedures, conducted a gap analysis against the group standard, and finalised the compliance policy framework.

All compliance policies have minimum standards which must be implemented to ensure a consistent approach for managing risks.

Specific attention was paid to financial crime and data privacy to strengthen those programs and introduce additional technology supporting the compliance functions and the first line of defence. Specialised working groups on the topics of financial crime and privacy have been created to share best practice, develop standards, and to improve the overall efficiency and effectiveness of the programme.

Emerging risk

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 priority

- Optimise
- Operate

Mitigation

In 2021, Athora is introducing a group ESG investment risk policy. This will introduce ESG into our risk management process by ESG scoring and by monitoring ESG concentrations in our portfolio. Climate change stress testing is being implemented as per the policy.

CORPORATE GOVERNANCE

Athora corporate structure

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 group supervision by the Bermuda Monetary Authority (BMA).

For further details of our corporate structure, see www.athora.com/organisation and note 40 to the financial statements.

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 €4 billion of equity capital. Our investor base, which comprises pension funds, sovereign wealth funds, family offices and financial services companies, collectively has over $2 trillion of assets under management.

Key minority shareholders

Apollo Global Management, Inc. (Apollo), Athene Holding Ltd. (Athene) and the Abu Dhabi Investment Authority (ADIA) are key minority shareholders in Athora. These investors share our vision—for Athora to become the best 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 strength to face interest rate, capital, market, operational, and resource challenges. Even at the height of the Covid-19 crisis in March 2020, shareholders met their capital commitments to Athora to fund the Athora Netherlands acquisition, evidencing the strength and commitment of our investor base.

On 8 March 2021, it was announced that Apollo and Athene will merge. The deal is expected to be completed in January 2022, subject to the satisfaction of certain conditions.

Relationship with Athene, Apollo and ADIA

Athene

Athene Holding Ltd. and 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. At 31 December 2020, Athene had total assets of $202.8 billion and operations in the United States, Bermuda and Canada. Athene is listed on the New York Stock Exchange under ticker ATH.

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 of directors. As at 31 December 2020, Athene has a 16.51% holding in the equity share capital of Athora.

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, Inc., and its affiliates (Apollo) is a leading global alternative investment manager with offices in New York, London, Frankfurt, Madrid and Luxembourg, among others. Apollo had assets under management of approximately $455 billion as at 31 December 2020 in credit, private equity and real assets funds invested across a core group of nine industries where Apollo has considerable knowledge and resources. Apollo is listed on the New York Stock Exchange under ticker APO.

As co-founder, 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 asset liability management (ALM) 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 has four members on Athora's Board of directors. Apollo has a 5.90% shareholding in the equity share capital of Athora as at 31 December 2020. 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 of directors and has exercised its right.

Further details of the group's transactions with key minority shareholders are set out in note 41 to the financial statements.

Governance structure

Board and committee structure

The board of directors of AHL (the Board) is responsible for promoting Athora's long-term success. This includes setting the strategic objectives for the group, the ultimate risk appetite of the group, and monitoring management delivery of these strategic objectives within the agreed governance framework. AHL's Board governance guidelines and group Bye-laws define the Board's duties, membership and meeting procedures.

The group 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 accounting 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. Oversees the annual performance evaluation of the Board, subsidiary boards, and each of their respective committees and management.

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 chairman of both the Board and the Risk Committee and another as the chairman of the Audit Committee, the Conflicts Committee, and the Nominating and Corporate Governance Committee.

Our Board has diverse management, operations, governance and oversight experience across many industries. Biographies of our Board members are set out on page 58.

The diagram below sets out the composition of the Board[1] and its committees:

	Nikolaus von Bomhard	Debra Broek	Volkert Doeksen	Anna Maria D'Hulster	Fred Kleisner	Jérôme Mourgue D'Algue	William Wheeler	Alex Humphreys	Gernot Lohr	Mark Rowan	Scott Kleinman
	Chairman, Independent Director	Independent Director	Independent Director	Independent Director	Independent Director	Shareholder Director (Investor)	Shareholder Director (Athene)	Shareholder Director (Apollo)	Shareholder Director (Apollo)	Shareholder Director (Apollo)	Shareholder Director (Apollo)
Audit Committee		Committee Member		Committee Member	Committee Chair		Committee Member	Committee Member			
Compensation Committee	Committee Member					Committee Member	Committee Member		Committee Chair		
Conflicts Committee	Committee Member	Committee Member	Committee Member	Committee Member	Committee Chair	Committee Member					
Nominating and Corporate Governance Committee					Committee Chair	Committee Member	Committee Member		Committee Member		
Risk Committee	Committee Chair	Committee Member		Committee Member		Committee Member			Committee Member		
Transactions Committee	Committee Member					Committee Member	Committee Member		Committee Chair	Committee Member	Committee Member

Committee Chair Committee Member

[1] Martin Klein resigned from the Board on 1 September 2020.

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, by the Management Executive Committee (MEC), which is chaired by the group CEO. The MEC is responsible for the day-to-day management and oversight of the group including implementation of Board-approved strategies at an AHL level. The MEC also provides guidance to the Athora subsidiaries.

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

Role	MEC member
Group Chief Executive Officer	Michele Bareggi
Group Chief Financial Officer	See footnote[1]
Group Chief Risk Officer	Lukas Ziewer
Group Head of Growth	Henrik Matsen
Group General Counsel	Ralf Schmitt
Group Chief Operating Officer	Philip Proost
Regional CEO – Germany and Belgium	Eric Viet

[1] Thomas Stoddard served as interim Group CFO for the year to 9 March 2021. Subject to Board and regulatory approvals, Anders Malmström has been appointed as Group CFO and is expected to commence his role in May 2021.

A brief outline of our MEC members' responsibilities may be found on page 61. Athora has established management committees that assist the MEC in fulfilling its role.

Membership of the MEC is subject to regulatory notification and meeting fitness and propriety requirements. Athora's MEC 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
- 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. The compliance function is also part of the second line of defence and is responsible for monitoring and reporting on compliance with laws and regulations.

Compliance function

Athora's compliance function is headed by a group compliance officer, 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.

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.

Internal audit function

As the third line of defence, the internal audit function assists management and the Audit Committee of the AHL Board of directors 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, its personnel report to the group chief internal auditor (GCIA), who reports directly to the chairman of the AHL Audit Committee and administratively to the Athora group chief executive officer.

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, relevant regulators and our corporate/social responsibilities;
- 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 10% of eligible salary, other than where mandated by local jurisdictions.

Executive and non-executive director reward

Athora's Board 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- 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. In addition, fees may also be paid for attendance at meetings. The level of their remuneration is reviewed periodically by the Compensation Committee.

INEDs typically do not receive any payments linked to business performance and do not participate in incentive arrangements, unless approved by the Board. On a selective basis, INEDs may be offered the opportunity to invest in 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

Nikolaus von Bomhard
Chair, Independent Director
Appointed 1 January 2018
Re-appointed 28 November 2018

Dr. von Bomhard serves as chairman of Athora's Board, as chair of its Risk Committee, and as a member of the Compensation, Conflicts and Transactions Committees. He served as chief executive officer of Munich Re from 2004 to 2017, having joined the company in 1985. He served as chairman of the supervisory board at both ERGO Group AG and at Munich Health Holding AG. Dr. von Bomhard served as a member of the supervisory board for Commerzbank AG and as chairman of The Geneva Association. At the end of April 2018, he was appointed chairman of the supervisory board of Deutsche Post AG. Born in Gunzenhausen, Bavaria, he completed his law studies at Ludwig-Maximilians-Universität of Munich, and he holds a doctorate from the University of Regensburg.

Debra Broek
Independent Director
Appointed 13 March 2019
Re-appointed 24 September 2019

Ms. Broek serves as a member of the Audit, Risk and Conflicts Committees. She is a professional presenter and trainer specialising in the design, development and facilitation of tailored finance and accounting training solutions to companies and accounting firms worldwide—major clients include KPMG and Grant Thornton. Since 2013, Ms. Broek has been a non-executive director of Zurich American Insurance Company and Zurich American Life Insurance Company. Previously, Ms. Broek was head of investor relations and rating agency management at Zurich Insurance Group. Prior to that, Ms. Broek held various senior roles, including: chief financial officer of Zurich Insurance Group's global life segment; member of the finance executive team and of the group finance and risk council; and chief accounting officer, managing director of the Winterthur Group. Ms. Broek is a certified public accountant and fellow of the Life Management Institute (FLMI). She holds a Bachelor of Arts in accounting and business administration from Dordt University, Iowa.

Volkert Doeksen
Independent Director
Appointed 1 January 2018
Re-appointed 24 September 2019

Mr. Doeksen serves as a member of the Conflicts Committee. He has over 25 years of investment experience. He is a senior advisor to The Carlyle Group, where he focuses specifically on large accounts as well as on new product and business development. Previously, Mr. Doeksen was a co-founder and chairman/CEO of AlpInvest Partners. Prior to that, Mr. Doeksen was a partner at Dresdner Kleinwort Benson in New York and a director at Kleinwort Benson Ltd. He also worked at Dillon Read and Morgan Stanley in London. Mr. Doeksen is a member of the supervisory boards of the Royal Concertgebouw and Koninklijke Doeksen. He is a board member of the Fulbright Center and a member of the international advisory board of Van Lanschot Kempen. Mr. Doeksen, a Dutch national, received a LL.M. from Leiden Law.

Anna Maria D'Hulster
Independent Director
Appointed 13 March 2019
Re-appointed 24 September 2019

Ms. D'Hulster serves as a member of the Audit, Risk and Conflicts Committees. Ms. D'Hulster was secretary general of The Geneva Association, the insurance industry's leading international think tank, between August 2014 and February 2019. Previously, Ms. D'Hulster held various senior roles at the Baloise Group, including head of group financial management and head of group performance management. In addition, she founded and served as chief executive officer of Baloise Life. Ms. D'Hulster covered both insurance and banking projects as a principal with Boston Consulting Group in Germany and the United States. She has been a member of the executive committee of Insurance Europe. In 2015, she was appointed non-executive director to the boards and chair of the audit committees of both CNA Europe and Hardy (Underwriting Agencies) Limited, London. Other board positions have included Deutscher Ring and Mercator Verzekeringen. Ms. D'Hulster has an MBA from INSEAD and a degree in business and engineering from the Free University of Brussels (Solvay School).

Fred Kleisner
Independent Director
Appointed 1 January 2018
Re-appointed 24 September 2019

Mr. Kleisner serves as chair of Athora's Audit, Conflicts and Nominating and Corporate Governance Committees. Mr. Kleisner, a four decade plus hotelier, corporate CEO and COO, has led successful management teams throughout the world in every aspect and sector of hospitality. He is currently an independent director of Kindred Healthcare (NYSE: KND), Ashford Hospitality Trust (NYSE: AHT) and Aimbridge Hospitality. Mr Kleisner brings extensive experience in business management and governance to his role at Athora. As a financial expert, he is the chair of the group Audit Committee and a member of each company's audit committee, as well as being a member of compensation committees, and quality and compliance committees. Mr. Kleisner graduated with a Bachelor of Arts from Michigan State University's School of Hospitality Business, and was named MSU's Industry Leader of the Year in 2004. He is currently a director, executive committee member and treasurer of the board at the IslandWood School, Bainbridge Island, WA.

Jérôme Mourgue d'Algue
Appointed 1 January 2018
Re-appointed 1 December 2020

Mr. Mourgue d'Algue is a member of the Athora Board's Compensation, Risk, Conflicts, Transactions and Nominating and Corporate Governance Committees. He previously served as a director of Athene Holding Ltd. and as a member of its risk committee. Mr. Mourgue d'Algue is the head of financial services of ADIA's private equities department, having joined in June 2012.

William Wheeler
Appointed 1 January 2018

Mr. Wheeler is a member of the Athora Board's Audit, Compensation, Risk, Transactions and Nominating and Corporate Governance Committees. Mr. Wheeler is president of Athene Holding Ltd. Prior to joining Athene, Mr. Wheeler was president of the Americas group for MetLife Inc. During his 17 years at MetLife, Mr. Wheeler assumed various executive positions, including executive vice president and chief financial officer. In addition, Mr. Wheeler served as treasurer, playing a key role in preparing MetLife to become a public company. Prior to joining MetLife, Mr. Wheeler was an investment banker at Donaldson, Lufkin & Jenrette. Mr. Wheeler has a Bachelor of Arts degree in English from Wabash College and a Master of Business Administration from Harvard Business School. He currently serves on the board of Evercore Partners Inc.

Alexander Humphreys
Appointed 13 March 2019
Re-appointed 1 December 2020

Mr. Humphreys is a member of the Athora Board's Audit Committee. Mr. Humphreys is partner at Apollo Global Management, Inc. which he joined in 2008. Prior to joining Apollo, Mr. Humphreys was at Goldman Sachs in the financial institutions mergers and acquisitions team, based in London. Mr. Humphreys serves on the boards of directors of Aspen, Catalina Holdings, Amissima and Lumileds. Mr. Humphreys has a BSc in economics from University College London.

Gernot Löhr
Appointed 1 January 2018

Mr. Löhr serves as chair of the Athora Board's Compensation and Transactions Committees and is a member of the Risk and Nominating and Corporate Governance Committees. Mr. Löhr is a senior partner at Apollo Global Management, Inc. Prior to joining Apollo, Mr. Löhr was a founding partner at Infinity Point LLC, Apollo's joint venture partner for the financial services industry. He also worked in financial services investment banking at Goldman Sachs & Co., McKinsey & Company, and B. Metzler Corporate Finance. Currently, Mr. Löhr is a member of Apollo's Management Committee and oversees Apollo's investments in the financial services sector. He serves on the boards of directors of Athene Holdings, Catalina Holdings, Aspen, OLB SNL AG. Mr. Löhr holds a joint master's degree in economics and engineering from the University of Karlsruhe, and a Master of Business Administration from the MIT Sloan School of Management, where he is currently a member of the MIT Sloan advisory board.

Marc Rowan
Appointed 1 January 2018

Mr. Rowan is a member of the Athora Board's Transactions Committee. Mr. Rowan is a co-founder and CEO of Apollo Global Management, Inc. Mr. Rowan currently serves on the boards of directors of Apollo Global Management, Inc, Athene Holding Ltd. and Athora. Mr. Rowan is a founding member and chairman of Youth Renewal Fund, chairman of the board of overseers of The Wharton School, and a member of the University of Pennsylvania's board of trustees. He serves on the boards of directors of Jerusalem U and several technology-oriented venture companies. Mr. Rowan graduated summa cum laude from the University of Pennsylvania's Wharton School of Business with a BS and an MBA in finance.

Scott Kleinman
Appointed 2 September 2020

Mr. Kleinman is a member of the Athora Board's Transactions Committee. Mr. Kleinman is co-president of Apollo Global Management, Inc., sharing responsibility for all of Apollo's revenue-generating and investing business across its integrated alternative investment platform. Mr. Kleinman, who focuses on Apollo's equity and opportunistic businesses, joined Apollo in 1996, and in 2009 he was named lead partner for private equity. Prior to joining Apollo, Mr. Kleinman was a member of the investment banking division at Smith Barney Inc. Mr. Kleinman serves on the board of directors of Athene Holding Ltd.

In 2014, Mr. Kleinman founded the Kleinman Center for Energy Policy at the University of Pennsylvania. He is a member of the board of overseers at the University of Pennsylvania Stuart Weitzman School of Design. Mr. Kleinman received a BA and BS from the University of Pennsylvania and the Wharton School of Business, respectively, graduating magna cum laude, Phi Beta Kappa.

Martin Klein
Appointed 1 January 2018
Resigned 1 September 2020

MANAGEMENT EXECUTIVE COMMITTEE

Michele Bareggi
Group Chief Executive Officer

Henrik Matsen
Group Head of Growth

Philip Proost
Group Chief Operating Officer

Ralf Schmitt
Group General Counsel

Michele leads the Management Executive Committee of Athora and is the main representative of the management towards the group board of directors, our shareholders and other stakeholders.

In addition to the MEC, the CEO oversees the communications, human resources and chief of staff/group strategy and planning functions directly. The group head of internal audit also reports dotted line to the CEO.

Henrik leads a wide range of organisational functions and activities aimed at driving the long-term growth of Athora. This includes the overall reinsurance business unit, the mergers and acquisitions (M&A) function and the new business and pension function which supports business development and growth across the group.

As COO, Philip owns the overall operational agenda for Athora and manages the IT, change, facilities, procurement and transformation office functions. Philip leads the Becoming Athora transformation programme aimed at delivering the Athora target operating model and ways of working for the future.

Ralf holds group responsibility for legal, compliance and governance matters for Athora. This includes direct group ownership for these areas as well as strong coordination with business units in developing the appropriate governance vis-à-vis our group regulator (BMA) and local regulators, and ensuring the right legal and compliance agenda across all entities.

The Athora Management Executive Committee (MEC) is responsible for the strategy and management of AHL, as well as oversight, monitoring and guidance of the group's regulated subsidiaries.

Eric Viet
Regional CEO – Belgium & Germany

As regional CEO, Eric is responsible for the strategic development of the business units in Belgium and Germany as well as the wider growth agenda in those markets. Eric also works closely with the growth team to develop business opportunities in new markets in Europe.

Lukas Ziewer
Group Chief Risk Officer

Lukas reports jointly to the group CEO and the Risk Committee chair of the group board of directors, to ensure independence in the operations of the group risk function. Lukas manages the overall risk agenda for the group and his team supports the wider risk community across Athora in collectively identifying and managing risks related to the Athora businesses.

Group Chief Financial Officer

Thomas Stoddard served as interim Group CFO for the year to 9 March 2021. Subject to Board and regulatory approvals, Anders Malmström has been appointed as Group CFO and is expected to commence his role in May 2021. The CFO is accountable for the group's financial operations and organisation, including accounting, tax, capital and investment activities. In addition, the CFO oversees the actuarial function and ensures appropriate reporting to the board of directors and shareholders/stakeholders.

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

Fred Kleisner
Independent Director

1 April 2021

CONSOLIDATED FINANCIAL STATEMENTS

CONTENTS

Independent auditor's report 66

Consolidated financial statements 68

Consolidated statement of financial position 69
Consolidated income statement 70
Consolidated statement of comprehensive income 71
Consolidated statement of changes in equity 72
Consolidated statement of cash flows 74

Notes to the consolidated financial statements 75

1 Accounting policies 75
2 Critical accounting estimates and judgements 92
3 Intangible assets 93
4 Property and equipment 95
5 Investment properties 97
6 Financial assets 99
7 Investments attributable to policyholders and third parties 101
8 Deferred taxation 102
9 Loans and advances due from banks 106
10 Other receivables 106
11 Other assets 107
12 Cash and cash equivalents 108
13 Non-current assets and liabilities or disposal groups classified as held-for-sale 108
14 Issued capital and reserves 111
15 Non-controlling interests 114
16 Insurance provisions 114
17 Employee benefits and other provisions 117
18 Borrowings 121
19 Other financial liabilities 122
20 Other payables 123
21 Other liabilities 124
22 Derivative financial instruments 124
23 Financial risk management 126
24 Fair value of assets and liabilities 143
25 Capital management 152
26 Net earned premiums 155
27 Fee and commission income 155
28 Investment income 156
29 Investment income attributable to policyholders and third parties 159
30 Other income 160
31 Net insurance benefits and claims 160
32 Expense attributable to policyholders and third parties 160
33 Other expenses 161
34 Interest expense 162
35 Share-based payments 162
36 Taxation 164
37 Cash flow information 165
38 Commitments 166
39 Contingent liabilities 168
40 Subsidiaries 169
41 Related party transactions 169
42 Acquisition of subsidiaries 172
43 Comparatives 176
44 Events after the reporting date 182
45 Approval of financial statements 182

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 2020, 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 2020 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 with 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 skepticism 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.

- 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 financial statements and our auditors' 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 financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the 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.

Ernst & Young
Chartered Accountants and Statutory Audit Firm
Office: Dublin
Date: 2 April 2021

Note: The maintenance and integrity of the Athora Holding Ltd. web site is the responsibility of the directors; the work carried out by the auditor does not involve consideration of these matters and, accordingly, the auditor accepts no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site. Legislation in the Republic of Ireland governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated statement of financial position

As at 31 December

€m	Note	2020	2019
Intangible assets	3	103	91
Property and equipment	4	84	41
Investment properties	5	1,331	773
Financial assets	6	61,118	10,624
Investments attributable to policyholders and third parties	7	18,736	2,444
Reinsurance assets	16	158	79
Deferred taxation assets	8	678	14
Income tax receivable		23	19
Loans and advances due from banks	9	773	136
Other receivables	10	1,358	1,333
Other assets	11	832	123
Cash and cash equivalents	12	1,251	573
Non-current assets or disposal groups classified as held-for-sale	13	16	420
Total assets		**86,461**	**16,670**
Equity			
Share capital and share premium	14	3,095	665
Retained earnings / (deficit)		421	(102)
Other reserves	14	99	45
Common shareholders' equity		**3,615**	**608**
Preferred shares	14	384	-
Shareholders' equity		**3,999**	**608**
Non-controlling interests	15	255	10
Total equity		**4,254**	**618**
Insurance provisions	16	49,384	9,692
Liabilities attributable to policyholders and third parties	16	19,474	2,750
Employee benefits and other provisions	17	858	128
Borrowings	18	1,498	387
Other financial liabilities	19	8,846	1,067
Deferred taxation liabilities	8	59	15
Tax payables		5	7
Other payables	20	1,715	1,444
Other liabilities	21	368	112
Liabilities included in disposal groups classified as held-for-sale	13	-	450
Total liabilities		**82,207**	**16,052**
Total equity and liabilities		**86,461**	**16,670**

The accompanying notes form an integral part of the Consolidated Financial Statements.

Fred Kleisner
Independent Director

1 April 2021

Consolidated income statement

For the years ended 31 December

€m	Note	2020	2019
Continuing operations			
Net earned premiums	26	1,549	392
- Gross earned premiums		*1,801*	*477*
- Earned premiums ceded		*(252)*	*(85)*
Fee and commission income	27	92	41
Investment income	28	2,224	701
Investment income attributable to policyholders and third parties	29	2,456	304
Gain recognised on acquisition of subsidiaries	42	213	3
Other income	30	39	4
Total income		**6,573**	**1,445**
Net insurance benefits and claims	31	(2,790)	(778)
- Claims paid and change in the insurance provisions		*(2,822)*	*(562)*
- Reinsurer's share		*32*	*(216)*
Expense attributable to policyholders and third parties	32	(2,230)	(319)
Acquisition costs		(41)	(16)
Other expenses	33	(707)	(331)
Interest expense	34	(105)	(14)
Total expenses		**(5,873)**	**(1,458)**
Profit / (loss) before taxes		**700**	**(13)**
Taxation charge	36	(93)	(33)
Profit / (loss) from continuing operations		**607**	**(46)**
Discontinued operations			
Profit after tax from discontinued operations	13	49	50
Profit for the year		**656**	**4**
Attributable to shareholders of the Company		641	(6)
Attributable to Non-Controlling Interest		15	10

The accompanying notes form an integral part of the Consolidated Financial Statements.

Consolidated statement of comprehensive income

For the years ended 31 December

€m	Note	2020	2019
Profit for the year		656	4
Other comprehensive income / (expense), net of tax:			
Items that may be reclassified to profit or loss in subsequent years, net of tax:			
Impact on other comprehensive income from available-for-sale investments and shadow accounting adjustments		46	45
- Available-for-sale investments - change in fair value		*1,060*	*556*
- Available-for-sale investments - realised gains and losses		*(531)*	*(179)*
- Shadow accounting adjustments	16	*(483)*	*(332)*
Impact on other comprehensive income from cash flow hedges		10	(10)
- Cash flows hedges - effective portion of changes in fair value	22	*57*	*(10)*
- Cash flows hedges - amount reclassified to profit or loss		*(4)*	*-*
- Shadow accounting adjustments		*(43)*	*-*
Net change in foreign currency translation reserve		(2)	2
Items that will not be reclassified to profit or loss in subsequent years, net of tax:			
Actuarial gains or losses arising from defined benefit plans	17	(103)	(4)
Other comprehensive income / (expense) for the year, net of tax		**(49)**	**33**
Total comprehensive income for the year, net of tax		**607**	**37**
Attributable to shareholders of the Company		592	27
Attributable to Non-Controlling Interest	15	15	10

The accompanying notes form an integral part of the Consolidated Financial Statements.

Consolidated statement of changes in equity

For the year ended 31 December 2020

€m	Share capital and share premium	Preferred shares	Retained earnings / (deficit)	Available-for-sale reserve	Cash flow hedge reserve	Share-based payment reserve	Foreign currency translation reserve	Total share-holders' equity	Non-controlling interests	Total equity
At 1 January 2020	665	-	(102)	52	(10)	1	2	**608**	10	**618**
Profit for the year	-	-	641	-	-	-	-	**641**	15	**656**
Other comprehensive income	-	-	(103)	46	10	-	(2)	**(49)**	-	**(49)**
Total comprehensive income for the year	**-**	**-**	**538**	**46**	**10**	**-**	**(2)**	**592**	**15**	**607**
Issuance of share capital	2,430	-	-	-	-	-	-	**2,430**	-	**2,430**
Issuance of preferred shares	-	369	-	-	-	-	-	**369**	-	**369**
Preferred share dividend, settled in kind	-	15	(15)	-	-	-	-	**-**	-	**-**
Non-controlling interests acquired (Tier 1 equity)	-	-	-	-	-	-	-	**-**	251	**251**
Distribution of interest on Tier 1 equity	-	-	-	-	-	-	-	**-**	(21)	**(21)**
At 31 December 2020	**3,095**	**384**	**421**	**98**	**-**	**1**	**-**	**3,999**	**255**	**4,254**

The accompanying notes form an integral part of the Consolidated Financial Statements.

Consolidated statement of changes in equity (continued)

For the year ended 31 December 2019

€m	Share capital and share premium	Preferred shares	Retained earnings / (deficit)	Available-for-sale reserve	Cash flow hedge reserve	Share-based payment reserve	Foreign currency translation reserve	Total share-holders' equity	Non-controlling interests	Total equity
At 1 January 2019	392	-	(92)	7	-	1	-	**308**	-	**308**
Profit for the year	-	-	(6)	-	-	-	-	**(6)**	10	**4**
Other comprehensive income	-	-	(4)	45	(10)	-	2	**33**	-	**33**
Total comprehensive income for the year	**-**	**-**	**(10)**	**45**	**(10)**	**-**	**2**	**27**	**10**	**37**
Issuance of share capital	273	-	-	-	-	-	-	**273**	-	**273**
At 31 December 2019	**665**	**-**	**(102)**	**52**	**(10)**	**1**	**2**	**608**	**10**	**618**

The accompanying notes form an integral part of the Consolidated Financial Statements.

Consolidated statement of cash flows

For the years ended 31 December

€m	Note	2020	2019[1]
Profit / (loss) before tax		700	(13)
Adjustments for non-cash items included in profit / (loss) before tax:			
Revaluation gains and losses		(4,021)	(803)
Amortisation of premium / discount on investments		326	(260)
Gain recognised on acquisition of subsidiary		(213)	(3)
Change in employee benefit and other provisions		58	4
Impairment charges		54	38
Depreciation and amortisation of non-current assets		17	13
Other non-cash movements		(13)	4
Change in operating assets and liabilities:			
Change in operating assets	37	(376)	465
Change in operating liabilities	37	4,161	226
Income taxes paid		(35)	(45)
Net cash from discontinued operations		4	(5)
Cash flows from operating activities		**662**	**(379)**
Acquisition of subsidiary, net of cash acquired		(2,319)	(529)
Disposal of discontinued activities, net of cash disposed		586	-
Disposal of associate		3	-
Purchase of investment property		(60)	(104)
Proceeds from the sale of investment properties		7	138
Purchase of investments classified as loans and receivables		(2,895)	(57)
Proceeds from the sale of investments classified as loans and receivables		1,898	23
Purchase of available-for-sale investments		(36,442)	(4,656)
Proceeds from the sale of available-for-sale investments		36,885	5,071
Acquisition of property and equipment		(4)	(23)
Proceeds from the sale of property and equipment		3	-
Cash flows from investing activities		**(2,338)**	**(137)**
Proceeds from the issue of share capital		2,430	273
Proceeds from the issue of non-cumulative preferred shares		369	-
Proceeds from borrowings	37	531	175
Repayment of borrowings	37	(889)	(74)
Payment of lease liabilities	37	(5)	(3)
Distributions paid to Non-Controlling Interest		(21)	-
Cash flows from financing activities		**2,415**	**371**
Net increase in cash and cash equivalents		**739**	**(145)**
Effect of exchange rate changes on cash and cash equivalents		(20)	-
Cash at beginning of year		532	677
Cash at end of year		**1,251**	**532**
Comprising:			
Cash and short-term deposits		1,251	573
Overdrafts		-	(41)

1 Amounts have been restated as explained in Note 43 Comparatives.

The accompanying notes form an integral part of the Consolidated Financial Statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 Accounting policies

a Corporate information

Athora Holding Ltd. (the 'Company'), a limited liability company incorporated in Bermuda, was incorporated as AGER Bermuda Holding Ltd. on 1 December 2014. Its registered office is Ideation House, First Floor, 94 Pitts Bay Road, Pembroke HM08, 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.

b Basis of preparation

The consolidated financial statements are 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 (IFRS IC), as adopted by the European Union (EU). IFRSs applied by the group in the preparation of these financial statements are those standards that were effective for periods beginning on or after 1 January 2020.

The presentation currency of the group and the functional currency of the Company is Euro (€ or EUR). The amounts presented in the financial statements are presented in millions.

The financial statements have been prepared under the historical cost convention except for investment properties, financial assets and financial liabilities that have been measured at fair value.

c Going concern

The directors have a reasonable expectation that the Company and the group will continue in operational existence for twelve months from the date of approval of the financial statements (the 'period of assessment') and have prepared the Company and consolidated financial statements on a going concern basis.

In making this assessment the directors considered the potential impact of Covid-19 on the Insurance industry and the company's business, including:
- the Company's capital position
- the capital position of the Company's primary insurance subsidiaries and the surplus over their required regulatory capital ratios;
- the group's initial assessment of the impact on its business, claims and investments;
- the level of reinsurance;
- the credit rating of the group's reinsurance counterparties; and
- the Company's liquidity position.

On the basis of the above, the directors have concluded that neither the group nor the Company have any material uncertainties which would cast a significant doubt on the Company's ability to continue as a going concern over the period of assessment.

d Comparatives

During the year, the group completed the acquisition of VIVAT N.V. (see Note 42 Acquisition of subsidiaries). Following this acquisition, VIVAT N.V. was renamed Athora Netherlands N.V. ('Athora Netherlands').

As a result of this acquisition the group reviewed its presentation of its financial statements to accommodate the significant changes in the group's structure and size. As a result, to provide more reliable information to the user, the presentation of the statement of financial position, income statement, statement of other comprehensive income, statement of changes in equity, statement of cash flows and the related notes have been amended. The presentation of comparative figures has been adjusted where necessary, to conform with the presentation in the current year. There has been no change to the net income or shareholders' funds arising from the representation.

Additionally, following a review of the Statement of Cash Flows certain items have been restated.

Details of the restatement of the Statement of Cash Flows and changes in presentation are set out in Note 43 Comparatives.

e Application of new standards applicable to the year ended 31 December 2020.

Amendments to IFRS 3: Definition of a Business
The amendment to IFRS 3 Business Combinations clarifies that in order to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that, together, significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs. These amendments have no impact on the consolidated financial statements of the group in 2020.

Interest Rate Benchmark Reform ('the Reform') - Amendments to IFRS 9, IAS 39 and IFRS 7 (Phase 1)
The amendments to IFRS 9 and IAS 39 Financial Instruments: Recognition and Measurement provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. The 'phase 1' amendments provide temporary relief from applying specific hedge accounting requirements to hedging relationships directly affected by IBOR reform. A hedging relationship is affected if the reform gives rise to uncertainty about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument because interest rates used are dependent on interbank offered rates (IBORs), and these IBORs are subject to interest rate benchmark reforms. While the group has some interest rate hedge relationships, the Reform does not have a material impact on the consolidated financial statements of the group in 2020 (see Note 22 Derivative financial instruments).

f Adoption of new IFRS accounting standards applicable subsequent to the year ended 31 December 2020.

The following pronouncements are not applicable for the year ended 31 December 2020 and have not been applied in preparing these financial statements. Save as disclosed below, the impact of these accounting changes is still being assessed by the group and unless stated otherwise, a reliable estimate cannot be made at this stage.

Amendments to IFRS 16 Covid-19 Related Rent Concessions
On 28 May 2020, the IASB issued Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic.

As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification. The amendment applies to annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted. During the year ended 31 December 2020, the group did not receive rent related concessions.

IFRS 17 'Insurance contracts'
IFRS 17 replaces IFRS 4 'Insurance Contracts' and is effective for annual periods beginning on or after 1 January 2023. IFRS 17 provides a comprehensive model (the general measurement model) for the measurement of insurance contracts, supplemented by the variable fee approach for contracts with direct participation features and the premium allocation approach mainly for short duration (non-life) insurance contracts.

IFRS 17 requires insurance contracts and participating investment contracts to be measured on the Statement of Financial Position as the total of the value of the fulfilment cash flows, the risk adjustment and the contractual service margin. Changes to estimates of future cash flows from one reporting date to another are recognised either as an amount in the income statement or as an adjustment to the expected contractual service margin, depending on the type of change and the reason for it. The effects of some changes in discount rates can either be recognised in the income statement or in other comprehensive income as an accounting policy choice. The risk adjustment is released to profit and loss as an insurer's risk reduces.

The group plans to adopt the new standard on the required effective date together with IFRS 9 (see below). The group has started a project to implement IFRS 17 and performed a high-level impact assessment of IFRS 17. The group expects that the new standards will result in an important change to the accounting policies for insurance contract liabilities of the group and is likely to have a significant impact on profit and total equity together with presentation and disclosure.

IFRS 9 'Financial instruments'
IFRS 9 'Financial Instruments' replaces IAS 39 'Financial instruments: recognition and measurement' and has been effective for most companies reporting since 1 January 2018. Given the interaction between financial assets and technical insurance liabilities for entities issuing

insurance contracts within the scope of IFRS 4, in accordance with the relevant predominance criteria prescribed by the IASB (refer Amendments to IFRS 4 – Insurance Contracts: Applying IFRS 9 – Financial Instruments with IFRS 4 – Insurance Contracts, published on September 12, 2016) and met by the group, the temporary exemption allowing deferral of the application of IFRS 9 until the effective date of the new insurance contracts standard, IFRS 17, most recently updated and amended in July 2020, is applied. The group qualified for the deferral of IFRS 9 and is making use of this option. As a result, the group will continue to apply IAS 39 in its financial statements until the reporting period beginning on 1 January 2023. The group has mobilised a project to assess the impact of IFRS 9 on its financial instruments, and in particular to address the following areas:

Classification and measurement
IFRS 9 uses a single approach to determine whether a financial asset is measured at amortised cost, fair value through other comprehensive income or fair value through profit or loss. Debt instruments may be measured at amortised cost if both a) the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows and b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI). If both a) the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows and to sell and b) the contractual terms of cash flows are SPPI, the financial asset may be measured at fair value through other comprehensive income and realised gains or losses would be recycled through profit or loss upon sale. Assets not meeting either one of these categories are measured at fair value through profit or loss.

Additionally, at initial recognition, an entity can use the option to designate a financial asset at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch. For equity instruments that are not held for trading, an entity can also make an irrevocable election to present in other comprehensive income (OCI) subsequent changes in the fair value of the instruments (including realised gains and losses), dividends being recognised in profit or loss. Additionally, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in consolidated other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in consolidated OCI would create or enlarge an accounting mismatch in profit or loss.

Under IFRS 9, all equity securities and fund investments, and more debt instruments will be measured at fair value through profit or loss because the characteristics of the contractual cash flows from such instruments are not solely payments of principal and interest on the principal amount outstanding. The business model assessment for groups of financial instruments managed by the group upon transition to IFRS 9 may also significantly reflect fair value management and classification at fair value to profit or loss. The group will also consider the mitigation or elimination of accounting mismatches through measurement at fair value to profit and loss where assets are held in order to meet obligations to policyholders, and fair value is the measurement foundation for calculating and accounting for those obligations. The standard retains most of IAS 39's requirements for financial liabilities except for those designated at fair value through profit or loss whereby that part of the fair value changes attributable to own credit is to be recognised in the OCI instead of the consolidated income statement.

Impairment
Under IFRS 9, a risk-based impairment model is adopted with recognition of both expected and incurred credit losses, rather than the IAS 39 approach which only considers credit losses deemed to have already been incurred. The amount of expected credit losses (ECL) is updated and accounted for at each reporting date to reflect changes in credit risk since initial recognition. The analysis required under the model is split between the 12-month and lifetime ECL of the financial instrument. Credit allowances for financial assets carried at amortized cost and debt securities measured at fair value, with changes in fair value recognized in the OCI, are expected to increase due to the introduction of the expected credit loss methodology.

Hedge accounting
IFRS 9 introduces new requirements for hedge accounting that align hedge accounting more closely with Risk Management. The requirements establish a more principles-based approach to the general hedge accounting model. The amendments apply to all hedge accounting with the exception of portfolio fair value hedges of interest rate risk (or 'fair value macro hedges') to which the hedge accounting requirements currently in IAS 39 will continue to be applied pending the outcome of the IASB macro hedge accounting project. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions. An increase in the use of fair value to profit or loss accounting for financial assets and liabilities may remove the usefulness of hedge accounting for fair value hedges.

The disclosures required under the temporary exemption are set out below:

Financial assets of which cash flows represent solely payments of principal and interest (SPPI) which are not managed on a fair value basis are classified as loans and receivables as set out as Note 6 Financial assets and Note 9 Loans and advances due from banks. The fair value of these assets approximates to the amortised cost. The fair value of all other financial assets is set out in Note 24 Fair value of assets and liabilities. Financial assets whose cash flows represent SPPI and are measured at amortised cost and the financial assets measured at fair value in accordance with IAS 39, are set out by credit risk rating grade in Note 23 Financial risk management.

Amendments to Interest Rate Benchmark Reform - Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)
The 'Phase 2' amendments issued in August 2020, which compliment the 'Phase 1' amendments, require entities to provide information about changes made when determining the contractual cash flows of all financial instruments and leases as a result of benchmark interest rate reform, hedge accounting and disclosures. It is not expected that Phase 2 of the benchmark reform will have a material impact on the consolidated financial statements of the group when becoming effective from 1 January 2021.

g Application of minor amendments applicable to the year ended 31 December 2020.

The IASB has also issued amendments to IAS 1 and IAS 8 effective from 1 January 2020, which provide a new definition of material that states, "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments have no significant impact on the consolidated financial statements of, nor is there expected to be any future impact to the group.

h Basis of consolidation

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 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.

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.

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 hold 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.

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

i Business combinations and goodwill

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 ofacquisition 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.

Value of business acquired (VOBA)
Value of business acquired 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 contracts gross of income tax considerations.

VOBA is essentially a fair value adjustment and can be positive (an asset (see v Intangible assets below) or negative (a liability). A negative VOBA is a liability in addition to the recorded liabilities in respect to the in-force block of contracts 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 included within net insurance benefits in claims in the income statement.

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 is tested at least annually for impairment or when circumstances or events indicate there may be uncertainty over this value. If an impairment is identified the carrying value of the goodwill is written down immediately through the income statement and is not subsequently reversed. At the date of disposal of a subsidiary, the carrying value of attributable goodwill is included in the calculation of the profit of loss on disposal.

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.

j Foreign currencies

The presentation currency of the group and the functional currency of the parent and most subsidiaries is Euro (€ or EUR).

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. Non-monetary items denominated in a foreign currency are not retranslated but hold the rate they were translated at the date of the transaction. Exchange differences arising on the settlement of monetary items during the year are recognised in the income statement in the period in which they arise.

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). 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.

k Insurance contracts – classification

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.

l Reinsurance contracts

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.

m 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.

n Fee and commission income

Fees and commissions are recognised as revenue over the period in which services are performed. 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 related to investment contracts is for policy administration, investment management, surrenders or other contract services. Fees and commissions may be fixed or may vary with the amounts being managed. Revenue 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.

o 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.

p Investment income

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 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.

q Investment income for the account of policy holders

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 which arise from unit-linked business.

r Investment income for the account of third parties

This item 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 respectively the changes in fair value of the liabilities arising from these investments.

s Share of profits of equity accounted investees

This item comprises the group's share of profits after taxation arising from investments in associated companies.

t Net insurance benefits and claims

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) are 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.

u Taxation

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 substantially 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.

v Intangible assets

Present value of in-force (PVIF)
The present value of future profits on a portfolio of long-term insurance, acquired either directly or through the purchase of a subsidiary, is recognised as an asset. Upon first consolidation, all assets, liabilities, and contingent liabilities (unless they are not present obligations) of the acquired company are recorded at their fair value. However, in compliance with an exemption permitted by IFRS 4, liabilities related to life insurance contracts are maintained at the carrying value prior to the acquisition date to the extent that this measurement basis is consistent with the group's accounting principles. The fair value of acquired business in force relating to life insurance contracts and non-life insurance contracts is recognised as an asset corresponding to the present value of future after tax profits emerging on acquired business at the date of acquisition (also referred to as value of acquired business in force and reflecting the difference between the fair value and the carrying value of the liabilities). The present value of future profits takes into consideration the cost of capital and is estimated using actuarial assumptions based on projections made at purchase date using a discount rate that includes a risk premium.

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 indicators annually.

Other intangible assets
Other identifiable 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 with finite useful lives 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.

w Property 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.

x Leases

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.

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.

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 2019 and 31 December 2020, 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.

y Investments - classification

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 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.

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.

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 gain and loss 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.

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

Investment assets for the account of policyholders are classified 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 investments for account of policyholders.

aa Investment assets / liabilities 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 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.

ab Derivative financial instruments and hedging

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.

Hedging
The group designates certain derivatives as either: hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedges); or hedges of a particular risk associated with the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges).

At inception of the hedge relationship, the group documents the economic relationship between hedging instruments and hedged items, including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedged items. The group documents its risk management objective and strategy for undertaking its hedge transactions. Changes in the fair value of cash flow hedges are recognised in other comprehensive income and a separate reserve within equity. Gains and losses accumulated in this reserve are included in the income statement on disposal of the relevant investment or occurrence of the cash flow as appropriate.

ac Impairment of financial assets

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.

Impairment allowances are assessed individually for financial assets that are individually significant. Impairment allowances for portfolios of smaller balance homogenous 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 recognised in the income statement on equity instruments, if the diminution in value is significant or prolonged, are not reversed through the income statement.

ad Loans and advances due from banks

These assets concern receivables from banks with a remaining maturity of one month or more, not including interest-bearing securities. These receivables are measured at amortised cost using the effective interest rate method, less any impairment losses.

ae Other receivables

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.

af Collateral obligations

The group receives and pledges 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 'Other receivables' (Due related to investments – see Note 10 Other receivables) and the collateral repayable is recognised as 'Other payables' (Due related to investments – see Note 20 Other payables) in the statement of financial position. 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.

ag Discontinued operations

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.

ah 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.

ai Shareholders' equity

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

Cash flow hedge 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.

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.

Shadow accounting is applied to the cash flow hedge reserve and AFS reserve for securities that are held to cover insurance liabilities. Further details on shadow accounting is included in Note 1 Accounting policies ak Insurance provisions.

Share-based payment reserve
The share-based payment reserve represents amounts expensed in the income statement in connection with share-based payments, net of transfers to retained earnings on the exercise, lapsing or forfeiting of share awards.

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.

aj Subordinated debt

Subordinated debt includes subordinated bonds and private loans issued by the group. This debt is initially measured at fair value net of the transaction costs incurred. The debt is subsequently measured at amortised cost, using the effective interest rate method.

ak Insurance provisions

Life insurance contract 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), 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 22 Derivative financial instruments).

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 integration 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 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.

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.

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.

Where the unrealised gains or losses are recognised directly in other comprehensive income, the related adjustment to insurance liabilities, Present Value of In-Force (PVIF) is also recognised in other comprehensive income.

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 IAS/IFRS carrying amount of insurance provisions.

al Financial liabilities

Investment contracts
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. 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 contracts without discretionary participating features (DPF) and that do not have a significant insurance risk, mainly include unit/index-linked policies and pure capitalisation 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 profit and loss, while pure capitalisation policies 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 pure capitalisation contracts without discretionary participating features (other than administration costs and other non-incremental costs).
- Fee and commission income and incremental costs of pure capitalisation 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 the case for variable annuity contracts (see Note 16 Insurance provisions). For variable annuities, the guaranteed minimum benefits are bifurcated from the savings component and presented as a derivative.

am Provision for employee benefits

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 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.

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.

an Other 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.

ao Borrowings

On initial recognitions 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.

ap Other Liabilities

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. This category also includes lease liabilities.

aq Offsetting financial assets and financial liabilities

Financial assets and liabilities are offset in the statement of financial position when the group has a legally enforceable right to offset and has the intention to settle the asset and liability on a net basis or simultaneously.

ar Share-based payments

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 profit and loss 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.

as Fair value measurement

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.

at Sale and repurchase agreements

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.

2 Critical accounting estimates and judgements

In preparing the consolidated financial statements, the group makes estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management exercises judgement and makes estimates based on the likelihood of future events, understanding that actual results could differ from those estimates and could affect the future reported amounts of assets and liabilities.

Key sources of estimation, uncertainty and areas of significant judgements that have been made are listed below, with those judgements involving estimation summarised thereafter. These are also discussed throughout the notes to these consolidated financial statements.

Classification of investments

Management uses judgement in determining the classification of investments, including the application of the fair value option. The group classifies its investments as either FVTPL or AFS. The classification depends on the purpose for which the investments were acquired and is determined by local management at initial recognition (see Note 6 Financial assets and Note 7 Investments attributable to policyholders and third parties).

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 due to the low probability of adverse outcome and difficulty of estimating an appropriate provision. At 31 December 2020, there was no change in the probability of the outcome of the lawsuit nor the underlying circumstances. Further details are included in Note 39 Contingent liabilities.

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 historic experience data for other companies and current capital market conditions (see Note 16 Insurance provisions, Note 23 Financial risk management and Note 42 Acquisition of subsidiaries). In the absence of sufficient and credible data, the available data together with expert judgement is used to set the assumptions.

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 to derive the assumptions used in determining the expense for the current year (see Note 17 Employee benefits and other provisions).

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 24 Fair value of assets and liabilities.

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 5 Investment properties and Note 24 Fair value of assets and liabilities).

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 23 Financial risk management, 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 33 Other expenses).

Acquisition accounting

The identification and valuation of identifiable assets and liabilities and in particular, acquired in-force business and brand intangibles, arising from the group's acquisition of the Athora Netherlands business requires the group to make a number of judgements and estimates. Further details are included in Note 3 Intangible assets and Note 42 Acquisition of subsidiaries. The accounting for this acquisition has been determined, however due to its complexity there may be changes in valuation, if further information becomes available in relation to conditions existing at the acquisition date of 1 April 2020.

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 36 Taxation). Management assesses the recoverability of the deferred income tax asset carrying values based on estimated taxable income for future years (see Note 8 Deferred taxation).

3 Intangible assets

€m	Note	PVIF	Brands	Software	Total
Cost					
At 1 January 2020		98	-	5	103
Acquired through business combinations	42	-	21	-	21
Write-offs		-	-	(2)	(2)
At 31 December 2020		**98**	**21**	**3**	**122**
Accumulated amortisation					
At 1 January 2020		(8)	-	(4)	(12)
Write-offs		-	-	2	2
Amortisation charge for the year	33	(7)	(1)	(1)	(9)
At 31 December 2020		**(15)**	**(1)**	**(3)**	**(19)**
Net book value at 31 December 2020		**83**	**20**	**-**	**103**

Intangible assets recognised during the year ended 31 December 2020 consist of the values of brands recognised on the acquisition of Athora Netherlands. The value of these brands is being amortised over an expected useful life of 10 years.

€m	Note	PVIF	Brands	Software	Total
Cost					
At 1 January 2019		-	-	5	5
Acquired through business combinations	42	98	-	-	98
Additions		-	-	-	-
At 31 December 2019		**98**	**-**	**5**	**103**
Accumulated amortisation					
At 1 January 2019		-	-	(3)	(3)
Amortisation charge for the year	33	(8)	-	(1)	(9)
At 31 December 2019		**(8)**	**-**	**(4)**	**(12)**
Net book value at 31 December 2019		**90**	**-**	**1**	**91**

Intangible assets recognised during the year ended 31 December 2019 primarily consist of a present value of in-force business acquired (PVIF) which were derived from the acquisition of Athora Belgium. 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. The PVIF asset is amortised annually in line with its remaining useful life, which was 33 years at 31 December 2020 (2019: 34 years).

4 Property and equipment

€m	Note	Land and buildings	Computer hardware	Motor vehicles	Other	Total
Cost						
At 1 January 2020		38	7	2	3	50
Acquired through business combinations	42	49	3	2	6	60
Additions		1	1	-	2	4
Disposals		(2)	(1)	-	-	(3)
Reclassifications		(4)	2	-	(2)	(4)
At 31 December 2020		**82**	**12**	**4**	**9**	**107**
Accumulated depreciation						
At 1 January 2020		(1)	(6)	-	(2)	(9)
Disposals		-	1	-	-	1
Reclassifications		(1)	(2)	-	2	(1)
Impairment	33	(6)	-	-	-	(6)
Depreciation charge for the year	33	(4)	(2)	(1)	(1)	(8)
At 31 December 2020		**(12)**	**(9)**	**(1)**	**(1)**	**(23)**
Net book value at 31 December 2020		**70**	**3**	**3**	**8**	**84**

In the year ended 31 December 2020 the reclassification of Land and buildings related to Athora Netherlands assets that were reclassified as investment properties (see Note 5 Investment properties).

4 Property and equipment (continued)

€m	Note	Land and buildings	Computer hardware	Motor vehicles	Other	Total
Cost						
At 1 January 2019		-	6	-	2	8
Impact of adoption of IFRS 16		19	-	-	-	19
At 1 January 2019 (restated)		**19**	**6**	**-**	**2**	**27**
Acquired through business combinations	42	19	-	1	1	21
Additions		20	1	1	1	23
Reclassifications		(20)	-	-	(1)	(21)
At 31 December 2019		**38**	**7**	**2**	**3**	**50**
Accumulated depreciation						
At 1 January 2019		-	(5)	-	(1)	(6)
Impact of adoption of IFRS 16		-	-	-	-	-
At 1 January 2019 (restated)		**-**	**(5)**	**-**	**(1)**	**(6)**
Reclassifications		1	-	-	-	1
Depreciation charge for the year	33	(2)	(1)	-	(1)	(4)
At 31 December 2019		**(1)**	**(6)**	**-**	**(2)**	**(9)**
Net book value at 31 December 2019		**37**	**1**	**2**	**1**	**41**

In the year ended 31 December 2019 the reclassification of Land and buildings related to Athora Belgium assets that were recognised as held-for-sale in accordance with IFRS 5 'Non-current assets held-for-sale and discontinued operations' (see Note 13 Non-current assets and liabilities or disposal groups classified as held-for-sale).

4 Property and equipment (continued)

Right-of-use assets as lessee

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	2020	2019
Land and buildings	12	17
Motor vehicles	3	1
	15	**18**

The following amounts in respect of leased assets have been recognised in the group's consolidated income statement:

€m	2020	2019
Depreciation charge on right-of-use asset	(3)	(2)
Interest expense on lease liabilities	(1)	(1)

The liability in respect of right-of-use assets as lessee is recognised in Note 19 Other financial liabilities. Interest expense on lease liabilities is included in Note 34 Interest expense. Total cash outflows recognised in the period in relation to leases were €5m (2019: €3m). There were no sale and leaseback transactions.

5 Investment properties

a Reconciliation of carrying amount

€m	Note	2020	2019
At 1 January		773	599
Additions acquired through business combinations	42	467	207
Additions		60	104
Net gains or losses from fair value adjustments		47	199
Disposals		(7)	(138)
Assets classified as held-for-sale		(13)	(198)
Reclassifications		4	-
At 31 December		**1,331**	**773**

The group holds portfolios of investment properties, covering Dutch, Belgian and German commercial and mixed-use properties.

b Amounts recognised in profit or loss

Total rental income from investment properties recognised in the income statement is €57m (2019: €38m). Direct operating expenses (including repairs and maintenance) arising from investment properties that generated rental income during the period is €19m (2019: €2m). For any properties undergoing renovations, there is a contractual obligation with the tenants to perform the construction.

Please refer to Note 13 Non-current assets and liabilities or disposal groups classified as held-for-sale for relevant information on investment properties classified as held-for sale as at year end.

c Fair value measurement

Details of the measurement approach for Investment properties are outlined in Note 24 Fair value of assets and liabilities.

d Future minimum lease payments receivables

€m	2020	2019
Within one year	32	7
After one year but less than two years	25	8
After two years but less than three years	23	3
After three years but less than four years	18	-
After four years but less than five years	15	-
After five years	12	-
	125	**18**

6 Financial assets

€m	Note	2020	2019
Loans and receivables		11,538	205
Available-for-sale financial assets		42,618	9,461
Derivative financial assets	22	6,272	435
Financial assets at fair value through profit or loss		643	511
Investment in associates		47	12
		61,118	**10,624**

Loans and receivables

€m	2020	2019
Mortgage loans	4,356	130
Private loans linked to savings mortgages	4,800	-
Policy loans	78	71
Other loans	2,304	4
	11,538	**205**

Information about the group's exposure to credit and market risks, and impairment losses for loans and receivables is included in Note 23 Financial risk management. For more information about the private loans linked to savings mortgages see Note 38 Commitments.

Available-for-sale financial assets

€m	2020	2019
Debt securities	37,940	8,577
Equity securities	2,073	657
Investment fund units	2,605	227
	42,618	**9,461**

Information about the group's exposure to credit and market risks, and impairment losses for available-for-sale financial assets is included in Note 23 Financial risk management.

Available-for-sale securities of €1,059m (2019: €385m) were pledged under sale and repurchase agreements (Note 19 Other financial liabilities).

Financial assets at fair value through profit or loss

€m	2020	2019
Investment fund units	471	511
Debt securities	172	-
	643	**511**

These financial assets at fair value through profit of loss were designated as such at initial recognition as they are held as part of the life assurance portfolio that is managed on a fair value basis.

Information about the group's exposure to credit and market risks for financial assets at fair value through profit or loss is included in Note 23 Financial risk management.

Information on fair value of the group's investment portfolio is included in Note 24 Fair value of assets and liabilities.

Investment in associates

The following table sets out the movements in investments in associates:

€m	2020	2019
At 1 January	12	-
Acquired through business combinations	37	12
Share of profits recognised in income	1	-
Disposal	(3)	-
At 31 December	**47**	**12**

During 2020 and 2019, the group acquired interests in associates through business combinations. These were 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 (2019: none). All investments in associates are held by subsidiary companies.

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%
Verzekeringskantoor Saenen	Insurance broker	Belgium	100%
Webbroker SA/NV	Insurance broker	Belgium	100%
CBRE Property Fund Central and Eastern Europe (CBRE PFCEE)	Real estate investment	Netherlands	30%

Belgium

The three Belgian entities were acquired as part of the acquisition of Athora Belgium in 2019. Whilst the group owns 100% of the shares of the three Belgian entities 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.

Netherlands

The Netherlands entity was acquired as part of the acquisition of Athora Netherlands in 2020 and relates to an investment in the CBRE Property Fund Central and Eastern Europe (CBRE PFCEE). 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.

The following tables provide summarised financial information for the associates without taking into account the percentage of ownership held by the group.

Condensed financial statements of associates

Condensed statement of financial position

€m	2020	2019
Non-current assets	151	-
Current assets	16	3
Total assets	**167**	**3**
Current liabilities	(3)	(1)
Non-current liabilities	(43)	-
Total liabilities	**(46)**	**(1)**

Condensed income statement

€m	2020	2019
Income	18	4
Expenses	(18)	(4)
Profit before taxation	**-**	**-**
Taxation	-	-
Profit after taxation	**-**	**-**

7 Investments attributable to policyholders and third parties

€m	2020	2019
Investments attributable to policyholders (insurance contracts)	15,132	1,439
Investments held to cover linked liabilities (investment contracts)	1,190	1,005
Investments attributable to third parties	2,414	-
	18,736	**2,444**

Investments attributable to policyholders

€m	2020	2019
Investment fund units	13,904	995
Corporate bonds	914	87
Equity securities	300	357
Other	14	-
	15,132	**1,439**

These financial assets were designated at fair value through profit or loss at initial recognition as they are held as part of a portfolio that is managed on a fair value basis.

Investments held to cover linked liabilities

€m	2020	2019
Investment fund units	1,190	1,005
	1,190	**1,005**

Included in investment fund units are investment contracts in Belgium where there is insignificant insurance risk of €1,190m (2019: €1,005m). These investment fund units are classified as investment contracts and have a corresponding liability included in investment contract liabilities (see Note 16 Insurance provisions).

Investments attributable to third parties

€m	2020	2019
Investment fund units	2,414	-
	2,414	**-**

These financial assets were designated at fair value through profit or loss at initial recognition as they are held as part of a portfolio that is managed on a fair value basis. The third party investments amount to €2,414m (2019: nil) and largely consist of Index Funds and investments for the account of third party participants.

Investment assets for the account of third parties are directly matched by a corresponding liability.

8 Deferred taxation

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.

€m				Presented as:	
2020	**Assets**	**Liabilities**	**Total (net)**	**Net deferred tax asset**	**Net deferred tax liability**
Losses brought forward	4	-	4	4	-
Reinsurance assets	-	(142)	(142)	(47)	(95)
Capitalised acquisition costs	19	-	19	19	-
Derivatives	-	(1,121)	(1,121)	(1,012)	(109)
Other financial assets	-	(360)	(360)	(363)	3
Investment properties	-	(82)	(82)	(65)	(17)
Available-for-sale financial assets	-	(1,407)	(1,407)	(1,131)	(276)
Pension obligations	77	-	77	73	4
Intangible assets	-	(21)	(21)	-	(21)
Insurance liabilities	3,640	-	3,640	3,200	440
Provisions and other payables	12	-	12	-	12
	3,752	**(3,133)**	**619**	**678**	**(59)**

€m				Presented as:	
2019	**Assets**	**Liabilities**	**Total (net)**	**Net deferred tax asset**	**Net deferred tax liability**
Losses brought forward	10	-	10	10	-
Other financial assets	-	(13)	(13)	-	(13)
Investment properties	-	(12)	(12)	-	(12)
Available-for-sale financial assets	-	(224)	(224)	(1)	(223)
Pension obligations	6	-	6	-	6
Intangible assets	-	(22)	(22)	-	(22)
Insurance liabilities	231	-	231	4	227
Provisions and other payables	23	-	23	1	22
	270	**(271)**	**(1)**	**14**	**(15)**

Deductible temporary differences for which no deferred tax asset has been recognised were €133m at 31 December 2020 (2019: €133m).

The unrecognised deductible temporary differences primarily derive from the fair value increase in the insurance contract liability which arose upon acquisition of Athora Germany, which would equate to a potential tax benefit of €42m at the standard German corporation tax rate (2019: €42m).

No deferred tax asset is currently recognised for this amount due to uncertainty in respect of the timing of future profits and related deductions.

Net deferred tax assets totalling €7m (2019: €13m) were recognised as of the date of the consolidated 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.

On the basis of the latest business plans, 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 consolidated statement of financial position.

8 Deferred taxation (continued)

The movement in net deferred tax assets during the year ended 31 December 2020 is as follows:

€m	1 January 2020	Arising from business combination	Recognised in income statement credit/ (charge) for Continuing Operations	Recognised in Income Statement charge for Discontinued Operations	Recognised in OCI	Disposals	31 December 2020
2020							
Losses Brought Forward	10	-	(6)	-	-	-	4
Reinsurance Assets	-	-	(142)	-	-	-	(142)
Capitalised Acquisition Costs	-	16	3	-	-	-	19
Derivatives	-	(716)	(390)	-	(15)	-	(1,121)
Other Financial Assets	(13)	(54)	(293)	-	-	-	(360)
Investment Property	(12)	(52)	(18)	-	-	-	(82)
Available-for-sale financial assets	(224)	(913)	(41)	-	(229)	-	(1,407)
Pension Obligations	6	8	39	-	24	-	77
Intangible Assets	(22)	-	1	1	-	(1)	(21)
Insurance Liabilities	231	2,354	804	-	251	-	3,640
Provisions and other payables	23	-	(11)	-	-	-	12
Total Net Deferred Tax Asset / (Liability)	**(1)**	**643**	**(54)**	**1**	**31**	**(1)**	**619**

8 Deferred taxation (continued)

The movement in net deferred tax assets during the year ended 31 December 2019 is as follows:

€m	1 January 2019	Arising on Business Combination	Recognised in income statement credit/ (charge) for Continuing Operations	Recognised in Income Statement charge for Discontinued Operations	Recognised in OCI	Reclassified as held-for-sale	31 December 2019
2019							
Losses Brought Forward	8	1	1	-	-	-	10
Other Financial Assets	(5)	-	(8)	-	-	-	(13)
Investment Property	-	(28)	(13)	(9)	-	38	(12)
Available-for-sale financial assets	(4)	(165)	27	-	(82)	-	(224)
Pension Obligations	5	-	-	-	1	-	6
Intangible Assets	-	(24)	2	-	-	-	(22)
Insurance Liabilities	15	163	(26)	-	78	1	231
Provisions and other payables	13	2	8	-	-	-	23
Total Net Deferred Tax Asset / (Liability)	**32**	**(51)**	**(9)**	**(9)**	**(3)**	**39**	**(1)**

9 Loans and advances due from banks

€m	2020	2019
Term deposits with credit institutions	541	20
Pledged collateral	232	116
	773	**136**

The loans and advances due from banks have a maturity profile as follows:

€m	<1 year	1 to 5 years	>5 years	Total
2020	289	69	415	773
2019	136	-	-	136

Loans and advances due from banks set out above include additions through business combinations (see Note 42 Acquisition of subsidiaries).

10 Other receivables

The other receivables comprise as follows:

€m	2020	2019
Direct insurance operations (a)	195	53
Reinsurance operations (b)	1,050	1,223
Other receivables (c)	113	57
	1,358	**1,333**

a Direct insurance operations

€m	2020	2019
Due from intermediaries	93	7
Due from policyholders	64	30
Due from reinsurers	25	15
Other	13	1
	195	**53**

b Reinsurance operations

€m	2020	2019
Due on ceded business	1,050	1,222
Due on accepted business	-	1
	1,050	**1,223**

Reinsurance assets and liabilities

During 2018, Athora Ireland plc executed two reinsurance agreements to reinsure the risks associated with the variable annuity (VA) book of business. The group retains ownership of the assets and the accompanying fee, commissions and guarantee income associated with these assets. A reinsurance premium is paid to the counterparty for the risks covered as part of the reinsurance agreement. The

Company retains associated expense and partial longevity risks. These agreements are structured as modified coinsurance agreements (Modco).

The Modco reinsurance transactions are presented gross on the statement of financial position as the group retains the assets with respect to all the policies reinsured and also establishes and retains the total reserves. Receivables and payables arising out of reinsurance operations are linked to the value of the underlying reserves which represents the total value of the VA liabilities. The treaties include collateral arrangements in the form of cash of €112m (2019: €34m) which is reflected in the statement of financial position.

The two transactions are reflected in the financial position as follows:

Reinsurance assets

€m	Note	2020	2019
Reinsurance recoverable asset		111	58
Modified coinsurance asset		1,049	1,218
		1,160	**1,276**

Reinsurance liabilities

€m	Note	2020	2019
Reinsurance liability - embedded derivative	22	111	58
Modified coinsurance liability		1,079	1,268
Cash collateral held		112	34
		1,302	**1,360**

The reinsurance recoverable asset is fully offset by the embedded derivative financial liability position in Note 22 Derivative financial instruments.

c Other receivables

€m	2020	2019
Due related to investments	-	21
Due related to properties	3	2
Other	110	34
	113	**57**

11 Other assets

€m	2020	2019
Accrued income	519	108
Deferred expenses	223	3
Prepayments	10	3
Other	80	9
	832	**123**

Movement in deferred expenses

€m	2020	2019
At 1 January	3	27
Write-off of deferred cost of reinsurance contracts	-	(27)
Additional expenses deferred during the year	225	3
Amortisation	-	-
Reclassification	(5)	-
At 31 December	**223**	**3**

In 2020 Athora Netherlands has entered in a new longevity reinsurance contract of €188m, 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 group implemented an intra-group reinsurance arrangement between Athora Belgium and Athora Reinsurance. The purpose of the arrangement was to optimise return on capital on the portfolio by transferring long duration liabilities to the reinsurance business. As part of this transaction, deferred expenses of €35m were set up in Athora Reinsurance.

Other assets set out above include additions through business combinations (see Note 42 Acquisition of subsidiaries).

12 Cash and cash equivalents

€m	2020	2019
Cash at bank	1,076	573
Money market funds classified as cash	175	-
	1,251	**573**

Cash and short-term deposits set out above include additions through business combinations (see Note 42 Acquisition of subsidiaries).

13 Non-current assets and liabilities or disposal groups classified as held-for-sale

Held-for-sale assets and liabilities

€m	2020		2019	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Assets & liabilities of disposal groups				
Investment and owner-occupied properties - Belgium	-	-	251	43
Non-life business - Belgium	-	-	75	407
Non-current assets held for sale				
Investment properties - Germany	16	-	94	-
	16	**-**	**420**	**450**

In addition to the above, net assets of €568m related to the Athora Netherlands non-life business were acquired during the year (see Note 42 Acquisition of subsidiaries) and immediately disposed of, with no gain or loss recognised.

Disposal groups classified as held-for-sale

Sale of Belgium property company

On 2 March 2020, the group completed the sale of 100% of the share capital of Athora Real Estate Investments B.V. (AREI) to PATRIZIA Frankfurt Kapitalverwaltungsgesellschaft mbH. AREI had been classified as a disposal group (during 2019 and included seven real estate properties classified as investment and owner-occupied, and other assets and liabilities. The final sale price was €176m with expenses incurred of €6m.

Sale of Belgium non-life business

On 2 June 2020, the group completed the sale of the Belgian non-life business, settled in cash of €252m paid to Baloise Belgium SA, to transfer the net liability position. Expenses related to the sale of €4m were incurred. The non-life business was classified as a disposal group held-for-sale during 2019.

The following tables analyse the income recognised during 2020 and 2019 in respect of disposal groups held for sale.

€m	Belgium property company		Belgium non-life business	
	2020	**2019**	**2020**	**2019**
Net earned premium	-	-	53	129
Net fee and commission income / expense	-	-	-	(38)
Investment income	2	54	-	-
Other income	-	-	-	3
Total income	**2**	**54**	**53**	**94**
Net insurance benefits and claims	-	-	(33)	(72)
Other expenses	(3)	(3)	(20)	(9)
Total expenses	**(3)**	**(3)**	**(53)**	**(81)**
Profit / (loss) before tax	**(1)**	**51**	**-**	**13**
Taxation charge	-	(10)	(1)	(4)
Result from operating activities after tax	**(1)**	**41**	**(1)**	**9**
Gain / (loss) on sale of discontinued operation	(4)	-	72	-
Income tax on gain on sale of discontinued operation	1	-	(18)	-
Profit / (loss) from discontinued operations, net of tax	**(4)**	**41**	**53**	**9**

The following table provides additional information on the carrying value of the disposal groups held for sale at 31 December 2019, which were sold during 2020.

€m	Belgium property company	Belgium non-life business
2019		
Assets		
Property, plant and equipment	179	-
Amounts ceded to reinsurers	-	53
Investments	-	1
Available-for-sale financial assets	64	-
Other assets	8	21
Total assets	**251**	**75**
Liabilities		
Insurance provisions	-	343
Financial liabilities	-	46
Deferred tax liabilities	38	4
Other liabilities	5	13
Total liabilities	**43**	**406**
Net assets / (liabilities)	**208**	**(331)**

Non-current assets held-for-sale

Sale of Germany investment property

At 31 December 2019, two investment properties were classified as held-for-sale. During the year 2020, the sales of both investment properties were completed, with a sales price of €98m and broker fees and other expenses incurred of €2m.

During 2020, two further investment properties were reclassified as held-for-sale. The investment properties are held at fair value and were valued by an external valuer. The sales of both properties are expected to complete during 2021.

14 Issued capital and reserves

Common shares

There are four classes of common shares (A, B, C and D), with Class B shares split into a further two classes (B-1 and B-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 and issued share capital

Authorised

€m	2020	2019
1,000,000,000 common shares of €0.001 each	1	1

Issued and fully paid up (presented in €000s)

€000	2020	2019
321,346,866 common shares of €0.001 each (2019: 77,383,287)	321	77
20,000,000 common shares of the Company owned by subsidiaries (2019: 10,000,000)	(20)	(10)
	301	**67**

Share capital and share premium

€m	Number of shares	Share capital	Share premium
2020			
At 1 January 2020	77,383,287	-	665
Shares issued during the year	243,963,579	-	2,430
Shares exercised during the year	-	-	-
At end of year 2020	**321,346,866**	**-**	**3,095**

€m	Number of shares	Share capital	Share premium
2019			
At 1 January 2019	50,040,730	-	392
Shares issued during the year	27,342,557	-	273
Shares exercised during the year	-	-	-
At end of year 2019	**77,383,287**	**-**	**665**

Movement in number of issued common shares

€m	Class A	B-1	B-2	C-1	C-2	D-1	D-2	Total
2020								
At 1 January	48,279,343	7,387,434	10,716,510	1,000,000	-	10,000,000	-	77,383,287
Movement during the year	171,732,105	22,524,193	38,707,281	-	1,000,000	-	10,000,000	243,963,579
At 31 December	**220,011,448**	**29,911,627**	**49,423,791**	**1,000,000**	**1,000,000**	**10,000,000**	**10,000,000**	**321,346,866**

€m	Class A	B-1	B-2	C-1	C-2	D-1	D-2	Total
2019								
At 1 January	24,882,370	3,441,850	10,716,510	1,000,000	-	10,000,000	-	50,040,730
Movement during the year	23,396,973	3,945,584	-	-	-	-	-	27,342,557
At 31 December	**48,279,343**	**7,387,434**	**10,716,510**	**1,000,000**	**-**	**10,000,000**	**-**	**77,383,287**

Preferred shares

On 27 March 2020, Athora Holding Ltd. issued 3,750,000 preferred shares at a discount with a stated value of €100 per share. The preferred shares have a dividend rate of 8% per annum. Dividends are fully discretionary and if declared Athora can elect to pay in cash or in kind via issuance of additional preferred shares. Dividends not declared are non-cumulative. The preferred shares are recognised as Tier 1 Eligible Capital within the group's available economic capital.

Share capital and share premium

€m	Number of shares	Share capital	Share premium
At 1 January 2020	-	-	-
Preferred shares of €0.001 each	3,899,995	-	384
	3,899,995	**-**	**384**

Warrants

In conjunction with the issue of the preferred shares, 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 being given by the group in accordance with the certificate of designation of the warrants.

Dividends

No dividend was declared or paid to the Company's common shareholders during the year (2019: nil). A dividend in the amount of €15m was declared by the Board on 11 September 2020 on the preferred shares and paid in kind by the pro rata issuance of 149,995 preferred shares

€m	2020	2019
Preferred dividends - €4 per share	15	-
	15	**-**

Other capital reserves

Share-based payments

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 35 Share-based payments for further details of these plans.

OCI Items

The disaggregation of changes of OCI by each type of reserves in equity is presented in the Consolidated Statement of Comprehensive income.

At 31 December 2020 the group had other reserves of €99m (2019: €45m).

15 Non-controlling interests

The non-controlling interests comprise the following:

€m	2020	2019
Athora Netherlands N.V.	245	-
Athora Real Estate S.A.R.L.	10	10
	255	**10**

Athora Netherlands N.V.

Through its subsidiary, Athora Netherlands N.V. the group has a Restricted Tier 1 note in issue with 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 7.000% 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 €15m to cover the coupon due (2019: nil).

Athora Real Estate S.A.R.L.

Athora Real Estate S.A.R.L. is an investment property platform, domiciled in Luxembourg, which includes a third-party investor with a 5.6% holding. No profit was allocated to the non-controlling interest of the subsidiary during the reporting period (2019: nil).

16 Insurance provisions

Provisions for life insurance contracts are either based on current assumptions or on the assumptions established at inception of the contract, reflecting practises 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. For variable annuities, the guaranteed minimum benefits are bifurcated from the savings component and presented as a derivative. Given the dynamic and complex nature of these guarantees, stochastic techniques under a variety of market return scenarios as used for measurement purposes.

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 PVIF, then the insurance provision is increased by this amount.

As described in Note 1 Accounting policies 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 shadow accounting reserve increased by €1,128m in 2020 to €1,855m (2019: €727m). This increase reflects the policyholders’ share of fair value gains recognised during the year. These gains are primarily on the group’s Dutch, German and Belgian available-for-sale debt securities, driven by interest rate and spread movements. As such, a significant proportion of the increase in the reserve was recognised as a charge against the corresponding unrealised gains and losses on available for sale investments, through other comprehensive income. The charge, net of taxes, recognised during the year in the consolidated statement of comprehensive income was €483m (2019: €332m). The charge, gross of taxes, recognised during the year in the consolidated income statement was €438m (2019: €104m).

The group carries a VOBA liability of €1,515m (2019: n/a) in relation to the acquisition of Athora Netherlands and €571m (2019: €615m) in relation to Athora BelgiumThe amortisation period applicable is the lifetime of the related underlying contracts in the portfolio. At 31 December 2020 this is 64 years (2019: n/a) for Athora Netherlands and 33 years for Athora Belgium (2019: 34 years).

€m		2020			2019		
		Liabilities	Reinsurance asset	Net	Liabilities	Reinsurance asset	Net
Insurance provisions (life insurance contracts)	a	**49,384**	**(158)**	**49,226**	**9,692**	**(79)**	**9,613**
Investment contracts with insurance features	b	15,870	-	15,870	1,745	-	1,745
Unit-linked liabilities		1,190	-	1,190	1,005	-	1,005
Liabilities attributable to third parties		2,414	-	2,414	-	-	-
Liabilities attributable to policyholders and third parties		**19,474**	**-**	**19,474**	**2,750**	**-**	**2,750**

a Life insurance contracts

€m	2020			2019		
	Insurance contract liabilities	Reinsurance asset	Net	Insurance contract liabilities	Reinsurance asset	Net
Provision to life insurance contracts	47,104	(29)	47,075	8,591	(1)	8,590
Provisions for outstanding claims	136	(113)	23	146	(60)	86
Provisions for unearned premiums	27	(12)	15	29	(14)	15
Provision for profit sharing contracts	262	(4)	258	199	(4)	195
LAT deficit and shadow accounting	1,855	-	1,855	727	-	727
	49,384	**(158)**	**49,226**	**9,692**	**(79)**	**9,613**

€m	2020			2019		
	Gross insurance contracts	Reinsurance contracts	Net	Gross insurance contracts	Reinsurance contracts	Net
At 1 January	9,692	(79)	9,613	4,529	(39)	4,490
Acquisition of subsidiaries	38,655	(42)	38,613	5,110	(51)	5,059
Reclassification to held-for-sale	-	-	-	(337)	51	(286)
Premiums received	1,253	(252)	1,001	403	(85)	318
Liabilities paid for maturities, surrenders and claims	(2,218)	227	(1,991)	(696)	50	(646)
Fees deducted	(30)	(33)	(63)	60	(61)	(1)
Credit of interest or change in unit-prices	1,163	(15)	1,148	2	49	51
Amortisation of intangibles	(196)	(2)	(198)	(51)	(3)	(54)
Foreign exchange adjustment	-	6	6	-	(2)	(2)
LAT adjustment	1,128	-	1,128	561	-	561
Experience deviations and change in assumptions	(718)	(36)	(754)	54	(1)	53
Other[1]	655	68	723	57	13	70
At 31 December	**49,384**	**(158)**	**49,226**	**9,692**	**(79)**	**9,613**

1 Other includes operating variances and new business.

b Investment contracts with insurance features

€m	2020			2019		
	Investment contract liabilities	Reinsurance of investment	Net	Investment contract liabilities	Reinsurance of investment	Net
At 1 January	1,745	-	1,745	1,619	-	1,619
Acquisition of subsidiaries	12,540	-	12,540	-	-	-
Premiums received	486	-	486	27	-	27
Claims paid	(766)	-	(766)	(115)	-	(115)
Fees deducted	(58)	-	(58)	(23)	-	(23)
Credit of interest	17	-	17	39	-	39
Amortisation of intangibles	(3)	-	(3)	(3)	-	(3)
Investments fair value adjustment	1,979	-	1,979	113	-	113
Foreign exchange adjustment	(70)	-	(70)	88	-	88
At 31 December	**15,870**	**-**	**15,870**	**1,745**	**-**	**1,745**

17 Employee benefits and other provisions

€m	2020	2019
Provision for employee benefits	778	114
Other provisions	80	14
	858	**128**

Post-employment benefit plans

The group sponsors several defined benefit and defined contribution schemes.

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 2020 was €17m (2019: €4m).

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.

Some of the defined benefit schemes are funded while others are insured separately.

Athora Netherlands operate 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.

Assets held to cover the defined benefit pension liabilities of plans administered by Athora Belgium of €42m (2019: €53m) 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 are carried out annually to determine their financial position and to ensure that benefit obligations are adequately funded. The latest full actuarial valuation was carried out in December 2020 using generally accepted actuarial techniques.

The group's total contribution to these defined benefit schemes is expected to be approximately €4m in 2021.

Summary statement of financial position

€m	Netherlands	Belgium	Germany	Total
2020				
Funded schemes				
Defined benefit obligation	(82)	-	(11)	(93)
Fair value of plan assets	79	-	7	86
Net (deficit) arising in funded schemes	**(3)**	**-**	**(4)**	**(7)**
Liabilities arising from unfunded schemes	(676)	(50)	(45)	(771)
Net (deficit)	**(679)**	**(50)**	**(49)**	**(778)**

€m	Belgium	Germany	Total
2019			
Funded schemes			
Defined benefit obligation	-	(11)	(11)
Fair value of plan assets	-	7	7
Net (deficit) arising in funded schemes	**-**	**(4)**	**(4)**
Liabilities arising from unfunded schemes	(64)	(46)	(110)
Net (deficit)	**(64)**	**(50)**	**(114)**

Summary income statement charge

The total net expense recognised in the consolidated income statement in 'Employee compensation and benefits' in respect of the pension plans comprises:

€m	Netherlands	Belgium	Germany	Total
2020				
Current service cost	-	2	-	2
Interest cost	5	-	-	5
Total net expense	**5**	**2**	**-**	**7**

€m	Belgium	Germany	Total
2019			
Current service cost	3	-	3
Interest cost	1	1	2
Total net expense	**4**	**1**	**5**

Summary statement of other comprehensive income

The total net expense recognised in the consolidated statement of comprehensive income in respect of the pension plans comprises:

€m	Netherlands	Belgium	Germany	Total
2020	135	2	2	139
2019	-	3	4	7

The changes in the present value of the defined benefit obligation in respect of the group's pension plans are presented below:

€m	2020	2019
At 1 January	(121)	(55)
Acquired through business combinations	(596)	(60)
Transfers in	(29)	-
Interest cost	(6)	(2)
Service cost (including past service cost)	(2)	(4)
Benefits paid	37	7
Actuarial (gains) / losses	(147)	(7)
At 31 December	**(864)**	**(121)**

For the year ended 31 December 2020, the group has recognised actuarial losses, net of tax, of €103m (2019: €4m) through the consolidated statement of comprehensive income.

The changes in the fair value of the group's pension plan assets are presented below:

€m	2020	2019
At 1 January	7	7
Acquired through business combinations	73	-
Interest income	1	-
Contributions to the scheme	12	-
Benefits paid	(15)	-
Return on plan assets not included in income statement	8	-
At 31 December	**86**	**7**

The fair value of the group's pension plan assets is comprised of:

€m	2020	2019
Cash and cash equivalents	14	-
Investment funds	72	7
	86	**7**

The actuarial gains and losses recognised in the consolidated statement of other comprehensive income were:

€m	2020	2019
Changes in demographic assumptions	15	-
Changes in financial assumptions	(147)	(10)
Experience gains and losses	(15)	3
	(147)	**(7)**

The weighted average key actuarial assumptions at 31 December are:

(%)	2020			2019	
	Netherlands	Belgium	Germany	Belgium	Germany
Discount Rate	0.72	1.34	0.90	1.55	1.18
Inflation Rate	1.50	1.80	1.80	1.80	1.80
Pension Payment Increase	1.50	N/A	1.80	N/A	1.80

Mortality rate

The average life expectancy in years of a pensioner retiring at 65, at the end of the reporting period is as follows:

Years	2020			2019	
	Netherlands	Belgium	Germany	Belgium	Germany
Male	21.4	14.6	20.4	14.2	20.2
Female	23.2	19.0	23.8	18.7	23.7

The sensitivities regarding the principal assumptions used to measure the scheme liabilities are as follows:

- A 1% increase in the discount rate would reduce the value of the scheme liabilities by €135m (2019: €10m). A 1% reduction in the discount rate would increase the value of the scheme liabilities by €176m (2019: €11m).
- A 1% increase in inflation would increase the value of the scheme liabilities by €161m (2019: €5m). A 1% reduction in inflation would reduce the value of the scheme liabilities by €111m (2019: €3m).
- The effect of assuming all members of the scheme will live one year longer would increase the schemes' liabilities by €37m (2019: €3m).

Other provisions

The group has provided for the following liabilities of uncertain timing or amount at 31 December 2020:

€m	Note	Restructuring	Legal	Other	Total
2020					
At 1 January		5	4	5	**14**
Assumed in business combinations	42	-	-	15	**15**
Provisions used		(4)	-	(3)	**(7)**
Additional provisions created		54	-	7	**61**
Provisions released		-	(1)	(2)	**(3)**
At 31 December		**55**	**3**	**22**	**80**

Restructuring provision represents amounts provided for the reorganisation of Athora Germany and Athora Netherlands in line with the new Athora target operating model. The restructuring provision increased during the year due to a strategic review conducted in Athora Netherlands. The remaining provision of €55m (2019: €5m) is expected to be utilised over the next 5 years.

Legal provision is based on pending lawsuits. Many of the legal cases with customers relate to early surrenders. Given the individual nature of each case it is difficult for management to predict the expected timing and amount of the outflows. The recognised provision reflects the best estimate of the most likely outcome.

Other provisions primarily relate to employee early retirement and long service costs. This amount increased during the year primarily due to the assumption of €15m upon acquisition of Athora Netherlands. The expected timing of the outflow is within 5 years as the last agreement matures in 2024.

The table below summarises the expected utilisation of other provisions:

€m	<1 year	1 to 5 years	>5 years	Total
2020	65	15	-	80
2019	7	7	-	14

18 Borrowings

€m	2020	2019
Subordinated debt	803	-
Senior debt	695	147
Revolving credit facilities	-	240
	1,498	**387**

Borrowings set out above include additions through business combinations (Note 42).

Subordinated debt

The group has the following subordinated debt in issue:

€m	Issuer	2020	2019
Euro subordinated bonds	SRLEV N.V.	250	-
Swiss franc perpetual bonds	SRLEV N.V.	98	-
US$ subordinated notes	Athora Netherlands N.V.	455	-
		803	**-**

- €250m subordinated bonds, with a maturity date in 2041. The bonds are classified as Tier 2 regulatory capital under the group's BMA regulatory framework. The bonds have a first call date in April 2021 and carry of coupon of 9.000%.
- CHF105m perpetual subordinated bonds, which carry a coupon of mid-swap plus 5.625% and are callable annually. The bonds qualify as Tier 2 regulatory capital.
- $575m perpetual subordinated notes, which carry a coupon fixed at 6.250% per annum until the first call date (November 2022). The notes are first callable after five years and each fifth anniversary thereafter, subject to conditions to redemption. The notes qualify as Tier 2 regulatory capital.

Senior debt

Issuer	Outstanding (€m)	Currency	Amortised cost (€m)	Issue date	Maturity
Athora Holding Ltd.	500	EUR	486	31-3-2020	1-4-2025
Athora Europe Holding (Bermuda) Ltd.	150	EUR	148	12-2-2019	12-2-2024
Athora Netherlands N.V.	61	EUR	61	17-5-2017	17-5-2023

On 27 March 2020, the group issued €500m 5-year floating rate senior debt to a group of credit institutions as part of the acquisition of Athora Netherlands.

On 12 February 2019, the group issued €175m 5-year floating rate senior debt to a group of credit institutions as part of the acquisition of Athora Belgium. During 2019, the group voluntarily repaid principal of €25m.

During the year the group acquired €657m of senior notes issued by Athora Netherlands NV (see Note 42 Acquisition of subsidiaries). An amount of €589 million was redeemed in April 2020, as a result of the succesful tender offer on the notes. The remaining €61 million senior notes have a fixed coupon at 2.375% per annum and a remaining maturity of three years.

Maturity profile of senior debt

€m	<1 year	1 to 5 years	>5 years	Total
2020	-	695	-	**695**
2019	-	147	-	**147**

Revolving credit facilities

At 31 December 2019, the group had a committed central borrowing facility available of €320m with €240m drawn. This balance was fully paid up during the year 2020 and the facility terminated.

In February 2021, the group entered into a new €500m unsecured revolving credit facility (see Note 44 Events after the reporting date).

19 Other financial liabilities

€m	Note	2020	2019
Derivative financial liabilities	22	1,684	511
Loans linked to operating activities		1,767	426
Deposits received from reinsurers		55	38
Lease liabilities		20	20
Cash collateral held		5,073	72
Other		247	-
		8,846	**1,067**

Loans linked to operating activities

€m	2020	2019
Repurchase agreements	1,059	385
Private loans due to banks	694	-
Other private loans	14	-
Bank overdrafts	-	41
	1,767	**426**

Loans linked to operating activities are predominantly repurchase agreements and other private loans. The private loans relate to savings-based mortgages in the Netherlands.

Lease liabilities

The liability amounts for leases where the group is a lessee are included in the table below:

€m	2020	2019
Current	3	3
Non-current	17	17
	20	**20**

20 Other payables

€m	2020	2019
Liabilities arising from direct insurance operations (a)	479	91
Liabilities arising from reinsurance operations (b)	1,087	1,272
Other payables (c)	149	81
	1,715	**1,444**

Amounts set out above include additions through business combinations (see Note 42 Acquisition of subsidiaries).

a Direct insurance operations

€m	2020	2019
Due to policyholders	393	83
Due to insurers	47	1
Due to intermediaries	39	7
	479	**91**

b Reinsurance operations

€m	2020	2019
Due on ceded business	1,081	1,272
Due on accepted business	6	-
	1,087	**1,272**

c Other payables

€m	2020	2019
Due related to employees	26	10
Due to clients and suppliers	25	23
Due related to properties	5	6
Other	93	42
	149	**81**

21 Other liabilities

€m	2020	2019
Expense accruals	101	63
Other tax liabilities	55	41
Other	212	8
	368	**112**

Other liabilities set out above include additions through business combinations (see Note 42 Acquisition of subsidiaries).

22 Derivative financial instruments

€m	2020		2019	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Derivatives not hedge accounted	5,954	1,597	375	388
Hedging derivatives	318	87	60	123
	6,272	**1,684**	**435**	**511**

Derivatives set out above include additions through business combinations (see 42 Acquisition of subsidiaries).

Derivative financial assets and liabilities not hedge accounted

2020	Notional Amount	Assets	Liabilities
	Units (m)	**€m**	**€m**
Interest rate swaps	117,758	5,217	1,073
Swaptions	11,692	606	152
Futures	-	-	-
Forwards	14,959	118	143
Foreign currency swaps	1,839	12	14
Embedded derivative	1,746	-	111
Other	357	1	104
		5,954	**1,597**

2019	Notional Amount	Assets	Liabilities
	Units (m)	**€m**	**€m**
Interest rate swaps	3,607	105	110
Swaptions	6,860	236	152
Foreign currency swap	-	-	-
Futures	10	-	6
Forwards	104	34	62
Embedded derivative	-	-	58
Other	-	-	-
		375	**388**

Embedded derivative

The embedded derivative is linked to the two Modco transactions detailed in Note 10 Other receivables. Certain Variable Annuity (VA) products provide a range of guaranteed benefits, predominately guaranteed minimum withdrawal benefits and guaranteed death benefits. Guarantees for minimum benefits containing financial risk in insurance contracts are carried based on fair value. These are bifurcated and disclosed as an embedded derivative.

Derivative financial assets and liabilities held for hedging

2020	Notional Amount	Assets	Liabilities
	Units (m)	€m	€m
Interest rate swaps	985	318	1
Forwards	742	-	86
		318	**87**

2019	Notional Amount	Assets	Liabilities
	Units (m)	€m	€m
Interest rate swaps	1,191	35	46
Forwards	1,285	25	77
		60	**123**

Cash flow hedges

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 2020 (2019: €Nil). During 2020 it was determined that a number of forecast transactions for which hedge accounting had been used in 2019 (being the expected acquisition of available for sale securities) are no longer expected to occur. The related cumulative gain that was recognised in other comprehensive income for the period when the hedge was effective of €4m (2019: €Nil) was reclassified from equity to the consolidated income statement. For the year ended 31 December 2020, the effective portion of cash flow hedges, net of tax, recognised through the consolidated statement of comprehensive income was €57m (2019: (€10m)).

Following the financial crisis, the reform and replacement of benchmark interest rates such as GBP LIBOR and other inter-bank offered rates ('IBORs') has become a priority for global regulators. There remains some uncertainty around the timing and precise nature of these changes. For example, it is currently expected that SONIA (Sterling Overnight Index Average) will replace GBP LIBOR and that EONIA (Euro Overnight Index Average) will move to the Euro short-term rate (€STR) by January 2022. Meanwhile, EURIBOR has already changed the methodology under which it is calculated, and it is already authorised under the EU Benchmarks Regulation since July 2019. Therefore, there is no expectation that it will be discontinued in the foreseeable future.

As at 31 December 2020, the group holds a number of cash flow hedge contracts which reference the Euribor and EONIA benchmarks. Those applying EONIA are OTC swaps and not impacted by Phase 1 of benchmark reform, while all Euro denominated central cleared derivatives have been transferred to using €STR. Those cash flow hedges using Euribor will come to an end in January and June 2021 respectively, and will not be renewed. Any remaining derivatives will be transferred in 2021 and the group is monitoring the situation for other possible changes in benchmark rates. The regular turn-over of derivative positions with not very long maturities will allow the group to correctly and timely replace and update all the hedging positions by new derivatives, which are based on compliant interest rates. For these reasons, the impact from IBOR transition on the hedge accounting is not deemed to have a material impact.

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

€m		**Nominal amounts**			**Fair Value**	
2020	**< 1 year**	**1 to 5 years**	**> 5 years**	**Total**	**Positive**	**Negative**
Interest rate contracts						
- Swaps and FRAs	*374*	*-*	*374*	*748*	*317*	*-*
	374	**-**	**374**	**748**	**317**	**-**

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)
- 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 2020 the global effectiveness of all fair value hedges, based on the effectiveness test, was 99.81% (2019: 99.88%). As at 31 December 2020 the fair value of the hedging derivatives assets is nil (2019: €24m) and the fair value of the hedging derivative liabilities is €86m (2019: €77m). The closing loss value of the rolled hedging transactions is deferred and amortised until the maturity of the hedged bonds which amounts to €9m (2019: €nil). The total fair value hedge adjustment booked in the available-for-sale reserve of the bond portfolio amounts to €95m.

The unrealised result on the remaining active hedging transactions of negative €67m (2019: €53m) is reflected as a positive adjustment in the consolidated income statement. Including the rolled transactions, the total positive fair value adjustment in the consolidated income statement amounts to €76m. The net ineffective portion is €nil (2019: €nil).

23 Financial risk management

This note sets out the major risks which the group is exposed to and describes the group's approach to managing these risks. It also sets out sensitivity analysis on the major insurance and financial risks. The group has exposure to the following risks arising from financial instruments:

- credit risk;
- liquidity risk; and
- market risk.

The group also has exposure to underwriting risk as part of its insurance activities.

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.

The group risk committee oversees how management monitors compliance with the group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the group. The group risk committee is assisted in its oversight role by internal audit. Internal audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the audit committee.

Sensitivity analyses

The sensitivity analyses set out in the sections 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 2020 and 2019.

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 2020 and 2019 including the effect of hedge accounting.
- The sensitivity of equity is calculated by considering the effect of any associated cash flow hedges at 31 December 2020 and 2019 for the effects of the assumed changes of the underlying risk.

a Credit risk

Credit risk is the risk of loss resulting from an 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 its investment and hedging activities, via a targeted and well 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. All business units are required to implement credit risk management processes (including limits frameworks), operate specific risk management committees, and ensure detailed reporting and monitoring of their exposures against pre-established risk criteria. The group manages and monitor all exposures across the business units on a consolidated basis and operate a group limit framework that must be adhered to by the business units.

The maximum exposure to credit risk is disclosed in the following section.

Asset quality

The ratings employed by the group consider the ratings from the three main rating agencies (Standard & Poor's, Fitch and Moody's). 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	AAA	AA	A	BBB	BB	B or lower	NR	Total
2020 Rating								
AFS - debt securities	15,439	8,953	6,808	3,705	29	21	2,985	37,940
FVTPL - debt securities	-	172	-	-	-	-	-	172
Derivative financial assets	-	4,079	2,007	186	-	-	-	6,272
Cash and cash equivalents	28	133	966	105	-	-	19	1,251
Reinsurance asset	-	111	-	-	-	-	47	158
Other receivables	-	1,011	3	4	-	47	293	1,358
Loans and advances due from banks	58	-	144	-	-	-	571	773
Loans and receivables	983	69	335	-	-	-	10,151	11,538

€m	AAA	AA	A	BBB	BB	B or lower	NR	Total
2019 Rating								
AFS - debt securities	975	3,830	2,072	398	3	31	1,268	8,577
FVTPL - debt securities	-	-	-	-	-	-	-	-
Derivative financial assets	-	36	386	13	-	-	-	435
Cash and cash equivalents	-	56	491	19	-	-	7	573
Reinsurance asset	-	68	11	-	-	-	-	79
Other receivables	-	1,106	94	1	-	-	132	1,333
Loans and advances due from banks	-	116	-	-	-	-	20	136
Loans and receivables	-	-	-	-	-	-	205	205

Excludes Investments attributable to policyholders and third parties of €914m (2019: €87m) as the risk is not borne by the group. The credit risk assets within the caption 'non-current assets held for sale' at 31 December 2019 of €24m are all treated as unrated.

Asset quality (continued)

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 1 Accounting policies ac - Impairment of financial assets.

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
- 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 33. The table excludes assets carried at fair value though profit or loss.

€m	Neither past due nor impaired	Past due but not impaired	Impaired	Carrying value
2020				
Financial assets				
- Loans and receivables	*11,537*	-	*1*	*11,538*
- Available-for-sale - debt securities	*37,928*	-	*12*	*37,940*
- Fair value through profit or loss - debt securities	*172*	-	-	*172*
Reinsurance asset	158	-	-	158
Loans and receivables due from banks	773	-	-	773
Other receivables	1,358	-	-	1,358

€m	Neither past due nor impaired	Past due but not impaired	Impaired	Carrying value
2019				
Financial assets				
- Loans and receivables	*205*	-	-	*205*
- Available-for-sale - debt securities	*8,577*	-	-	*8,577*
- Fair value through profit or loss - debt securities	-	-	-	-
Reinsurance asset	79	-	-	79
Loans and receivables due from banks	136	-	-	136
Other receivables	1,333	-	-	1,333

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. Amounts of €112m (2019: €34m) relate to collateral payable to a reinsurer (see Note 10 Other receivables).

Derivative financial instruments

As at 31 December 2020, the group has pledged collateral with a fair value of €1,043m (2019: €116m) and has received collateral of €5,073m (2019: €71m).

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 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 is low. The group has an obligation to repay the deposit to the counterparties upon settlement of the contracts. 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 Strategic Asset Allocation.

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
2020					
Investments	25,750	9,734	5,201	8,966	49,651
- Loans and receivables	*1,171*	*982*	*4,390*	*4,996*	*11,539*
- Available-for-sale debt securities	*24,407*	*8,752*	*811*	*3,970*	*37,940*
- FVTPL debt securities	*172*	-	-	-	*172*
Derivative financial assets	-	6,272	-	-	6,272
Reinsurance asset	-	158	-	-	158
Loans and advances due from banks	-	773	-	-	773
Other receivables	-	1,185	3	170	1,358
Cash and cash equivalents	-	1,251	-	-	1,251
Total assets	**25,750**	**19,373**	**5,204**	**9,136**	**59,463**

€m	Government	Financial services	Real estate	Other	Total
2019					
Investments	4,351	1,338	1,532	1,561	8,782
- Loans and receivables	-	-	-	205	*205*
- Available-for-sale debt securities	*4,351*	*1,338*	*1,532*	1,356	*8,577*
- FVTPL debt securities	-	-	-	-	-
Derivative financial assets	-	435	-	-	435
Reinsurance asset	-	79	-	-	79
Loans and advances due from banks	-	136	-	-	136
Other receivables	-	1,295	2	36	1,333
Cash and cash equivalents	-	573	-	-	573
Total assets	**4,351**	**3,856**	**1,534**	**1,597**	**11,338**

Sensitivities

€m	Profit or loss, net of tax		Equity, net of tax	
Credit spread movements	50bp increase	50bp decrease	50bp increase	50bp decrease
31 December 2020	360	(385)	(245)	218
31 December 2019	-	(21)	(20)	20

b 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 to support the group's liquidity position.

The group assessed the concentration of risk with respect to refinancing its debt and concluded it to be low and there were no material debt maturities within 12 months.

The table below summarises the remaining contractual maturity of financial liabilities and insurance contract liabilities at 31 December 2020. 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.

€m		Gross contractual cash flows				
2020	**Carrying amount**	**<1 year**	**1 to 5 years**	**>5 years**	**Unit-linked**	**Total**
Insurance related						
Liabilities for the account of policyholders	1,190	-	-	-	1,190	1,190
Liabilities for the account of third parties	2,414	-	-	2,414	-	2,414
Insurance related liabilities	**3,604**	**-**	**-**	**2,414**	**1,190**	**3,604**
Non-derivative financial liabilities						
Borrowings	1,498	25	763	803	-	1,591
Other financial liabilities	7,162	6,618	419	129	-	7,166
Other payables	1,715	599	21	49	1,046	1,715
Non-derivative financial liabilities	**10,375**	**7,242**	**1,203**	**981**	**1,046**	**10,472**
Derivative financial instrument liabilities						
Derivative financial liabilities not hedged	1,597	250	516	1,173	-	1,939
Interest rate swaps used for hedging	1	1	-	-	-	1
Forwards used for hedging	86	30	(5)	35	-	60
- Outflow		*57*	*2*	*102*	-	*161*
- Inflow		*27*	*7*	*67*	-	*101*

The table below summarises the carrying amount of financial liabilities and insurance contract liabilities at the 31 December 2019 and their contractual maturity dates. Liabilities classified as held for sale are included in <1 year.

€m		Net contractual cash flows			
2019	**Carrying amount**	**<1 year**	**1 to 5 years**	**>5 years**	**Unit-linked**
Insurance related					
Liabilities for the account of policyholders	1,005	-	-	-	1,005
Liabilities for the account of third parties	-	-	-	-	-
Insurance related liabilities	**1,005**	**-**	**-**	**-**	**1,005**
Non derivative financial liabilities					
Borrowings	387	-	387	-	-
Other financial liabilities	484	238	238	8	-
Other payables	1,444	148	(6)	77	1,225
Non-derivative financial liabilities	**2,315**	**386**	**619**	**85**	**1,225**
Derivative financial instrument liabilities	**1,022**	**196**	**56**	**259**	**511**

Additionally, the liquidity profile of the group's financial investments:

€m	Carrying amount	<1 year	1 to 5 years	>5 years	Unit-linked
2020					
Investments					
Non derivative financial assets					
Loans and receivables	11,538	563	2,139	8,836	-
Available-for-sale financial assets - debt securities	37,940	7,951	8,895	21,094	-
FVTPL - debt securities	172	-	3	169	-
Investment assets for the account of policyholders and third parties	18,736	-	-	17,546	1,190
Loans and advances due from banks	773	290	68	415	-
Non derivative financial assets	**69,159**	**8,804**	**11,105**	**48,060**	**1,190**
Derivative financial instruments assets	**6,272**	**127**	**324**	**5,821**	**-**

€m	Carrying amount	<1 year	1 to 5 years	>5 years	Unit-linked
2019					
Investments					
Non derivative financial assets					
Loans and receivables	205	-	-	205	-
Available-for-sale financial assets - debt securities	8,577	2,710	1,817	4,050	-
FVTPL - debt securities	-	-	-	-	-
Investment assets for the account of policyholders and third parties	2,444	-	-	1,439	1,005
Loans and advances due from banks	136	136	-	-	-
Non derivative financial assets	**11,362**	**2,846**	**1,817**	**5,694**	**1,005**
Derivative financial instrument assets	**435**	**30**	**83**	**322**	**-**

c 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. 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 entity, level and is considered as part of the overall ALM process.

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 judgment 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.

A reasonably possibly change of 50 basis points in interest rates at the reporting date would have increased (decreased) profit or loss and equity by the amounts shown in the table below.

€m	Profit or loss, net of tax		Equity, net of tax	
	50bp increase	50bp decrease	50bp increase	50bp decrease
31 December 2020	(30)	36	(71)	87
31 December 2019	(63)	62	(98)	128

Equity risk and property risk

Equity risk is the uncertainty associated with the valuation of assets and liabilities arising from the change in equity markets. We seek to minimise equity risk. The group's appetite for investing in equity securities on our own account is very limited. We manage this through the Strategic Asset Allocation process.

€m	Profit or loss, net of tax		Equity, net of tax	
	10% increase	10% decrease	10% increase	10% decrease
31 December 2020	73	(73)	94	(94)
31 December 2019	30	(30)	34	(35)

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 Sterling and the U.S. 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 Sterling and U.S dollar spot rates impacts the group's total equity.

Some entities within the group have a functional currency of US Dollar or Pound Sterling. These entities have reported exposure to Euro. Any excluded assets are Euro assets held by entities with a Euro functional currency. The table below summarises the key exposure to foreign currency of the statement of financial position:

€m	EUR	GBP	USD	JPY	Other
2020					
Investments					
Loans and receivables	*37*	*110*	*624*	-	*26*
Available-for-sale financial assets	*566*	*596*	*3,468*	*712*	*416*
Financial assets at fair value through profit or loss	-	*246*	*1*	-	-
Investment assets for the account of policyholders	-	712	253	-	-
Loans and advances due from banks	-	-	134	-	4
Cash and cash equivalents	7	41	25	-	1
Total assets	**610**	**1,705**	**4,505**	**712**	**447**
Insurance liabilities	-	-	(165)	-	-
Liabilities for the account of policyholders	-	(968)	-	-	-
Borrowings	(592)	-	(554)	-	(98)
Other financial liabilities	-	-	-	-	-
Total liabilities	**(592)**	**(968)**	**(719)**	**-**	**(98)**
Net financial position exposure	**18**	**737**	**3,786**	**712**	**349**
Forward exchange contracts	-	(573)	(3,773)	(482)	(409)
Net exposure	**18**	**164**	**13**	**230**	**(60)**

€m	EUR	GBP	USD	JPY	Other
2019					
Investments					
Loans and receivables	-	-	-	-	-
Available-for-sale financial assets	-	*317*	*988*	*12*	-
Financial assets at fair value through profit or loss	-	*1,179*	*31*	-	-
Investment assets for the account of policyholders	-	-	-	-	-
Loan and advances due from banks	-	-	-	-	-
Cash and cash equivalents	4	25	5	-	-
Total assets	**4**	**1,521**	**1,024**	**12**	**-**
Insurance liabilities	-	-	-	-	-
Liabilities for the account of policyholder	-	(1,166)	(14)	-	-
Borrowings	-	-	-	-	-
Other financial liabilities	-	(1,216)	-	-	-
Total liabilities	**-**	**(2,382)**	**(14)**	**-**	**-**
Net financial position exposure	**4**	**(861)**	**1,010**	**12**	**-**
Forward exchange contracts	-	-	-	-	-
Net exposure	**4**	**(861)**	**1,010**	**12**	**-**

d Underwriting 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.

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 Life Re and Athora Ireland, together the “Reinsurance Vertical” within the group, serves as an internal reinsurance risk carrier 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 mainly consists of unit-linked insurance policies, savings 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 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. The separate accounts have an interest guarantee whereby at the current low interest rates this option has value for the customer.

The main risks that the group is exposed to are:
- **Mortality/Longevity risk**: 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.

- **Disability/Morbidity risk**: 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 policy holder. Disability risks are mitigated by use of reinsurance. Disability risks and internal experience analysis are monitored against the latest external industry data and emerging trends.

- **Catastrophe risk:** 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.

- **Persistency risk:** 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). Persistency risk is managed at a local level through frequent monitoring of company experience and benchmarked against local market information.

- **Expense risk:** 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.

- **Investment risk:** 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.

Material judgment is required in determining the liabilities and in the 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.

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.

€m	2020			2019		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
Belgium	5,354	(12)	5,342	5,051	(11)	5,040
Bermuda	172	-	172	47	-	47
Germany	1,101	(111)	990	5,086	(10)	5,076
Ireland	5,140	(8)	5,132	1,253	(58)	1,195
Netherlands	53,487	(27)	53,460	-	-	-
Total	**65,254**	**(158)**	**65,096**	**11,437**	**(79)**	**11,358**

Sensitivities

The following analysis is performed for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on gross and net liabilities, profit before tax and equity. 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 off 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.

Lapse rates

€m	Profit or loss, net of tax		Equity, net of tax	
Lapse rates	10% increase	10% decrease	10% increase	10% decrease
31 December 2020	1	(2)	1	(2)
31 December 2019	-	(4)	4	(4)

Mortality

€m	Profit or loss, net of tax		Equity, net of tax	
Mortality	10% increase	10% decrease	10% increase	10% decrease
31 December 2020	10	(16)	10	(16)
31 December 2019	7	(10)	7	(10)

Expenses / inflation

€m	Profit or loss, net of tax		Equity, net of tax	
Expenses / Inflation	10% / 1% increase	10% / 1% decrease	10% / 1% increase	10% / 1% decrease
31 December 2020	-	(310)	-	(310)

e Master netting or similar agreements

The group enters into derivative transactions under International Swaps and Derivatives Association (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. This is because the group does not have any currently legally enforceable right to offset recognised amounts, because the right to offset is enforceable only on the occurrence of future events such as a default on the bank loans or other credit events.

The following table sets out the carrying amounts of recognised financial instruments (FI's) that are subject to the above agreements but are not offset.

€m	Gross amount	Financial instrument asset/ (liability)	Cash collateral (received)/ pledged	Securities collateral (received)/ pledged	Net amount
2020					
Financial assets					
Derivative financial assets	6,272	(135)	(5,073)	-	1,064
Financial liabilities					
Derivative financial liabilities	(1,684)	135	1,043	32	(474)
Repurchase agreements	(1,059)	-	64	1,059	64
	(2,743)	**135**	**1,107**	**1,091**	**(410)**

€m	Gross amount	Financial instrument asset/ (liability)	Cash collateral (received)/ pledged	Securities collateral (received)/ pledged	Net amount
2019					
Financial assets					
Derivative financial assets	435	(156)	(51)	-	228
Financial liabilities					
Derivative financial liabilities	(511)	156	57	32	(266)
Repurchase agreements	(385)	-	26	385	26
	(896)	**156**	**83**	**417**	**(240)**

24 Fair value of assets and liabilities

This note explains the methodology for valuing our assets and liabilities measured at fair value, and for fair value disclosures. It also provides an analysis of these according to a 'fair value hierarchy', determined by the market observability of valuation inputs.

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 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. 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.

Determination of fair values

All financial assets and liabilities 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. Subordinated debt, borrowings, other financial liabilities are also carried at amortised cost unless hedged as part of a fair value hedge. 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, derivatives and some investment properties, but excludes hedge 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 and policyholder risk assets that include private equity holdings and hedge 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. Methodologies and assumptions used in these valuations may include, for example, yield curves, discounted cash flows, property growth rates, longevity or liquidity premiums, as relevant to each asset class.

Fair value hierarchy analysis

An analysis of assets and liabilities measured at fair value on a recurring basis, categorised by fair value hierarchy, is given below. In 2020 the transfers from Level 2 to Level 1 amounted to €125m. There were no other transfers between any of the levels this year. There were no transfers between levels in 2019.

€m	Level 1	Level 2	Level 3	Total
2020				
Assets measured at fair value:				
Investment properties	-	133	1,198	*1,331*
Available-for-sale financial assets	34,860	2,505	5,253	42,618
- Equity securities	*996*	*110*	*967*	*2,073*
- Debt securities	*31,833*	*2,395*	*3,712*	*37,940*
- Investment fund units	*2,031*	*-*	*574*	*2,605*
Financial assets at fair value through profit or loss	497	145	1	643
- Investment fund units	*325*	*145*	*1*	*471*
- Debt securities	*172*		*-*	*172*
Investment assets for the account of policyholders	15,539	393	390	16,322
Investment assets for the account of third parties	2,414	-	-	2,414
Derivative financial assets	-	6,265	7	6,272
Derivative financial assets held for trading	-	5,947	7	5,954
- Interest rate swaps	-	*5,217*	-	*5,217*
- Swaptions	-	*606*	-	*606*
- Foreign currency swaps	-	*5*	*7*	*12*
- Forwards	-	*118*	-	*118*
- Other	-	*1*	-	*1*
Derivative financial assets held for hedging	-	318	-	318
- Interest rate swaps	-	*318*	-	318
- Forwards	-	-	-	-
Total	**53,310**	**9,441**	**6,849**	**69,600**
Assets for which fair value is not disclosed:				
Financial assets classified as loans and receivables	-	1,105	10,542	11,647

€m	Level 1	Level 2	Level 3	Total
2020				
Financial liabilities measured at fair value:				
Liabilities - Investments for the account of policy holders	1,190	-	-	1,190
Liabilities - Investments for the account of third parties	2,414	-	-	2,414
Derivative financial liabilities	3	1,467	214	1,684
Derivative financial liabilities held for trading	3	1,380	214	1,597
- Interest rate swaps	-	*1,073*	-	*1,073*
- Swaptions	-	*151*	*1*	*152*
- Foreign currency swaps	-	*13*	*1*	*14*
- Futures	-	-	-	-
- Forwards	*3*	*140*	-	*143*
- Embedded derivative	-	-	*111*	*111*
- Other	-	*3*	*101*	*104*
Derivative financial liabilities held for hedging	-	87	-	87
- Interest rate swaps	-	*1*	-	*1*
- Forwards	-	*86*	-	*86*
Total	**3,607**	**1,467**	**214**	**5,288**

€m	Level 1	Level 2	Level 3	Total
2019				
Assets measured at fair value:				
Investment properties	-	-	773	773
Investments	6,577	1,889	1,506	9,972
Available-for-sale securities	6,354	1,601	1,506	9,461
- Debt securities	*6,251*	*1,209*	*1,117*	*8,577*
- Equity securities	*103*	*392*	*162*	*657*
- Investment fund units	-	-	*227*	*227*
Financial assets at fair value through profit or loss	223	288	-	511
- Investment fund units	*223*	*288*	-	*511*
- Debt securities	-	-	-	-
Investment assets for the account of policyholders	827	1,617	-	2,444
Investment assets for the account of third parties	-	-	-	-
Derivative financial assets	-	435	-	435
Derivative financial assets held for trading	-	375	-	375
- Interest rate swaps	-	*105*	-	*105*
- Swaptions	-	*236*	-	*236*
-Foreign currency swaps	-	-	-	-
- Forwards	-	*34*	-	*34*
- Other	-	-	-	-
Derivative financial assets held for hedging	-	60	-	60
- Interest rate swaps	-	*35*	-	*35*
- Forwards	-	*25*	-	*25*
Total	**7,404**	**3,941**	**2,279**	**13,624**
Assets for which fair value is not disclosed:				
Financial assets classified as loans and receivables	-	-	206	206

€m	Level 1	Level 2	Level 3	Total
2019				
Financial liabilities measured at fair value:				
Liabilities - Investments for the account of policyholders	-	1,005	-	1,005
Derivative financial liabilities	-	453	58	511
Derivative financial liabilities held for trading	-	330	58	388
- Interest rate swaps	-	*110*	-	*110*
- Swaptions	-	*152*	-	*152*
- Forwards	-	-	-	-
- Futures	-	*6*	-	*6*
- Forwards	-	*62*	-	*62*
- Embedded derivative	-	-	*58*	*58*
- Other	-	-	-	-
Derivative financial liabilities held for hedging	-	123	-	123
- Interest rate swaps	-	*46*	-	*46*
- Forwards	-	*77*	-	*77*
Total	**-**	**1,458**	**58**	**1,516**

Reconciliation of movements in Level 3 assets and liabilities

The following table shows a reconciliation of the opening and closing recorded amounts of Level 3 assets and liabilities:

€m	Investment properties	Available-for-sale financial assets	Financial assets at FVTPL	Investments for the account of policyholder	Derivative Financial assets	Derivative Financial liabilities
At 1 January 2020	773	1,506	-	-	-	58
Income statement	31	(79)	-	9	6	43
- Realised gains	-	*(79)*	-	*9*	-	-
- Unrealised gains / losses	*31*	-	-	-	-	*54*
- Result from derivatives	-	-	-	-	*6*	*(11)*
Other comprehensive income	-	(209)	-	-	-	-
Business combinations	364	2,036	-	401	10	113
Purchases	46	3,610	1	15	1	-
Disposals	(7)	(1,163)	-	(35)	(10)	-
Settlements	-	(55)	-	-	-	-
Transfers to assets held-for-sale	(9)	-	-	-	-	-
At 31 December 2020	**1,198**	**5,646**	**1**	**390**	**7**	**214**

€m	Investment properties	Available-for-sale financial assets	Financial assets at FVTPL	Investments for the account of policyholder	Derivative Financial assets	Derivative financial liabilities
At 1 January 2019	599	1,002	223	-	-	(56)
Income statement	200	-	-	-	-	(2)
- Realised gains	*89*	-	-	-	-	-
- Unrealised gains / losses	*111*	-	-	-	-	-
- Result from derivatives	-	-	-	-	-	*(2)*
Other comprehensive income	-	(40)	-	-	-	-
Business combinations	207	-	-	-	-	-
Purchases	104	548	-	-	-	-
Disposals	(177)	(4)	(223)	-	-	-
Settlements	-	-	-	-	-	-
Transfers to assets held-for-sale	(160)	-	-	-	-	-
At 31 December 2019	**773**	**1,506**	**-**	**-**	**-**	**(58)**

Measurement of fair values

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

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 Committee as well as the Royal Institution of Chartered Surveyors.

Investment properties

The fair value measurement for all the investment properties has been categorised as Level 2 and 3 fair values 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 leaser 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 (2020: 0-66%; 2019 0-2%); Void periods (2020: 0-24 months and 2019: 0-18 months after the end of each lease); Occupancy rate (2020: 100-57%; 2019: 100 -0%); Risk adjusted discount rates (2020: weighted average 3-10%; 2019: weighted average 3-10%).

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)

Available-for-sale financial assets

Valuations of Level 3 available-for-sale financial assets are determined with data inputs from asset managers or third-party valuation experts and largely based on external valuation reports received from asset managers. Methodologies and assumptions used in these valuations may, for example, include yield curves, discounted cash flows, liquidity premiums, market multiples as relevant to each asset class.

Significant unobservable inputs affecting the valuation of debt securities and unlisted equity investments are as follows:

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 EBITA 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).

For debt securities 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.

For investment funds, the valuation is carried out by external fund managers subject to external oversight and guidance and the approach will mirror those outlined above for equity securities and debt securities depending on the nature of the underlying investments in the funds.

Reasonably possible alternative assumptions:

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.

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.

Level 3 sensitivity analysis

€m	2020	2019
Impact on shareholders' equity, net of tax		
Credit spread		
+50bps	26	3
-50bps	(38)	(3)
Interest rate		
+50bps	(42)	(13)
-50bps	50	17
Equity		
+10%	19	8
-10%	(19)	(9)

Derivative financial liability

For the embedded derivative the most significant unobservable factor is credit spread. The expected returns are based on risk-free rates. A premium is added to reflect the credit spread. The credit spread is set by using the credit default swap (CDS) spreads of a reference portfolio of life insurance companies including the Group.

25 Capital management

Capital management objectives and approach

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.

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. A Group Capital 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 Athora of the BMA's determination and approval to be Group Supervisor of Athora. 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.

Estimated unaudited group capital indicators:

	2020 Unaudited
Group Own Funds	€5,888m
Group BSCR	€2,435m
Group BSCR ratio	242%

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 Tier 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 and illiquid own funds. Please see below a breakdown of Athora'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 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.

Reconciliation from IFRS equity to estimated regulatory own funds (unaudited)

€m	Note	2020 Unaudited
IFRS equity per financial statements		4,255
Non-admitted assets		
Elimination of prudential filters	i	(130)
Net deferred tax on elimination of prudential filters	ii	29
Estimated Statutory Capital and Surplus		**(101)**
Adjustment to Economic Balance Sheet (EBS)		
Insurance assets and liabilities valuation differences	iii	1,788
Financial asset and liabilities valuation differences	iv	(313)
Reclassificaion of subordinated liabilities	v	803
Net deferred tax on valuation differences	vi	(544)
Estimated Statutory Economic Capital and Surplus		**5,888**

Notes[1]:

i. Includes €103m of intangible, €19m of deferred expenses and prepaid expenses €8m which are not considered admissible under BMA regulatory framework.
ii. Net deferred tax includes the tax effect of all other reconciling items in the table above which are shown gross of tax.
iii. EBS adjustments of the IFRS balances utilizing 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.
iv. Includes valuation adjustments to reflect financial assets and liabilities valued on a best estimate basis using market-implied assumptions.
v. The subordinated debt of €803m which is issued by Athora Netherlands NV is classified as Tier 2 capital for regulatory reporting.
vi. Net deferred tax includes the tax effect of all other reconciling items in the table above which are shown gross of tax.

[1] All amounts shown are unaudited.

Estimated Unaudited Statutory Economic Capital and Surplus (unaudited)

€m	2020 Unaudited
Tier 1	5,085
Tier 2	803
Tier 3	-
Estimated Statutory Economic Capital and Surplus	**5,888**

26 Net earned premiums

€m	Gross amount		Reinsurers' share		Net amount	
	2020	**2019**	**2020**	**2019**	**2020**	**2019**
Direct insurance	1,674	459	(244)	(75)	1,430	384
Reinsurance accepted	127	18	(8)	(10)	119	8
	1,801	**477**	**(252)**	**(85)**	**1,549**	**392**

The increase in gross earned premiums from direct business is primarily due to the acquisition of Athora Netherlands in 2020 (see Note 42 Acquisition of subsidiaries), which recognised €1,220m direct premiums during the year.

Reinsurers' share of earned premiums from reinsurance accepted primarily represents the retrocession of reinsurance premiums received by Athora Ireland plc.

27 Fee and commission income

Fee and commission income arises as follows:

€m	2020	2019
Insurance activity	3	27
Net income related to investment contracts	89	14
	92	**41**

The increase in fee and commission income related to investment contracts of €75m is primarily driven by the Athora Netherlands business acquired during 2020 (see Note 42 Acquisition of subsidiaries).

28 Investment income

€m	2020	2019
Net income from derivatives	1,206	(27)
Available-for-sale financial assets	761	425
Financial assets at fair value through profit or loss	78	51
Loans and receivables	31	14
Investment properties	91	235
Cash and cash equivalents	(4)	1
Other investments	61	2
	2,224	**701**

Net income from derivatives

€m	2020	2019
Derivatives classified as fair value hedges	(169)	(52)
Derivatives at fair value through profit or loss	1,375	25
Net income / (expense) arising from derivatives	**1,206**	**(27)**

Net income from other financial assets

€m	Financial assets at FVTPL	Available-for-sale financial assets	Loans and receivables	Investment properties	Cash and cash equivalents	Other investments	Total
2020							
Interest	4	310	86	-	16	3	419
Dividends	1	14	-	-	-	-	15
Rental income	-	-	-	57	-	-	57
Other income	(8)	8	-	-	-	-	(0)
Direct operating expenses	-	-	-	(19)	-	-	(19)
Realised revaluations	(1)	713	(1)	2	-	-	713
Unrealised revaluations	82	(284)	(54)	51	(20)	58	(167)
	78	**761**	**31**	**91**	**(4)**	**61**	**1,018**

€m	Financial assets at FVTPL	Available-for-sale financial assets	Loans and receivables	Investment properties	Cash and cash equivalents	Other investments	Total
2019							
Interest	-	140	10	-	1	2	153
Dividends	-	15	-	-	-	-	15
Rental income	-	-	-	38	-	-	38
Direct operating expenses	-	-	-	(2)	-	-	(2)
Realised revaluations	(2)	257	4	89	-	-	348
Unrealised revaluations	53	13	-	110	-	-	176
	51	**425**	**14**	**235**	**1**	**2**	**728**

Interest income from available-for-sale financial assets increased by €170m to €310m (2019: €140m) year on year, which includes €51m (2019: €50m) from Athora Belgium, €113m (2019: €88m) from Athora Germany, €9m (2019: €2m) from Athora Reinsurance and €137m (2019: €nil) from Athora Netherlands.

Loans and receivables interest income increased by €76m to €86m (2019: €10m), predominantly driven by the Athora Netherlands loans and receivables portfolio acquired during the year.

Rental income comprises income from investment properties, net of expenses. The increase of €19m to €57m (2019: €38m) is predominantly driven by the Athora Netherlands property portfolio acquired during the year.

In line with the group risk strategy, each business is undergoing the sale and acquisition of assets to achieve its targeted Strategic Asset Allocation ('SAA') (see Note 23 Financial risk management), resulting in sizeable realised gains and losses during 2020.

Realised gains on available-for-sale assets of €713m (2019: €257m) includes €23m (2019: €155m) on the Athora Germany corporate bond portfolio, €1m (2019: €5m) on the Athora Reinsurance corporate bond portfolio, €356m (2019: €97m) on the Athora Belgium bond and equity portfolio and €333m (2019: €nil) on the Athora Netherlands bond and equity portfolio.

Realised gains on investment properties of €2m arose from Athora Germany. In 2019 the gain of €89m arose from the sale of a Munich property which was part of the German property portfolio.

Unrealised revaluation losses on available-for-sale assets of €284m has decreased by €297m from gains from €13m in 2019. This decrease is predominantly driven by the Athora Netherlands available-for-sale portfolio.

In line with the group risk strategy, each business is undergoing the sale and acquisition of assets to achieve its targeted SAA (see Note 23 Financial risk management), resulting in sizeable unrealised gains and losses during 2020 and 2019.

29 Investment income attributable to policyholders and third parties

€m	2020	2019
Attributable to:		
Policyholder	2,067	304
- Income attributable to insurance contracts	*2,061*	*6*
- Income attributable to investment contracts	*25*	*320*
- Fees and commissions related to insurance contracts	*(19)*	*(22)*
Third parties	389	-
	2,456	**304**

Investment income for the account of policyholders has increased by €1,763m to €2,067m (2019: €304m). This increase is attributable to the acquisition of the Athora Netherlands business in 2020. Athora Netherlands has recognised investment income of €2,042m.

Attributable to policyholders

Income attributable to insurance contracts

€m	Investment fund units	Equity securities	Loan and receivables	Total
2020				
Interest and other income	100	-	-	100
Realised revaluations	252	1	(29)	224
Unrealised revaluations	1,717	17	3	1,737
Total income	**2,069**	**18**	**(26)**	**2,061**

€m	Investment fund units	Equity securities	Loan and receivables	Total
2019				
Interest and other income	-	-	-	-
Realised revaluations	-	-	-	-
Unrealised revaluations	-	-	6	6
Total income	**-**	**-**	**6**	**6**

Income attributable to investment contracts

€m	Investment fund units	Equity securities	Total
2020			
Interest and other income	-	-	-
Realised revaluations	-	(27)	(27)
Unrealised revaluations	-	52	52
Total income	**-**	**25**	**25**

€m	Investment fund units	Equity securities	Total
2019			
Interest and other income	-	-	-
Realised revaluations	64	2	66
Unrealised revaluations	169	85	254
Total income	**233**	**87**	**320**

Attributable to third parties

The amount of €389m (2019: Nil) is fully offset by the corresponding result on related liabilities (see Note 32 Expense attributable to policyholders and third parties).

30 Other income

€m	2020	2019
Gains on foreign currencies	4	2
Income from associates	1	-
Other	34	2
	39	**4**

31 Net insurance benefits and claims

€m	Gross amount		Reinsurers' share		Net amount	
	2020	**2019**	**2020**	**2019**	**2020**	**2019**
Claims paid	(2,984)	(696)	227	50	(2,757)	(646)
Change in mathematical provisions	545	359	(193)	(273)	352	86
Other insurance provisions	(413)	(223)	-	-	(413)	(223)
Outstanding claims	30	(2)	(2)	7	28	5
	(2,822)	**(562)**	**32**	**(216)**	**(2,790)**	**(778)**

Gross insurance benefits and claims increased by €2,260m to €2,822m (2019: €562m), primarily due to the Netherlands business acquired during the year. The remaining variance is largely driven by the impact of the prior year novation of a reinsurance treaty, which improved the result by €276m in 2019 and the continuing run-off of the German business.

Reinsurers' share of net insurance benefits and claims decreased by €248m to €32m (2019: (€216m)), mainly driven by reductions of €259m in the German business which have been offset by the addition of the Netherlands business.

32 Expense attributable to policyholders and third parties

	2020	2019
Attributable to:		
Policyholder	(1,841)	(319)
Third parties	(389)	-
	(2,230)	**(319)**

Attributable to policyholders

Expenses related to policies with policyholder investment risk increased by €1,522m in the year to €1,841m (2019: €319m), primarily as a result of acquisition of Athora Netherlands during the year. Also included are taxes of €4m (2019: €28m) borne by policyholders on policyholder profit participations arising from gains on the sale of property in Munich, which was part of the German property portfolio (see Note 28 Investment income).

Attributable to third parties

The amount of €389m (2019: Nil) consists of results of liabilities for the account of third parties, which is fully offset by the result on the related investments also for the account of third parties (see Note 29 Investment income attributable to policyholders and third parties).

33 Other expenses

€m	Note	2020	2019
Staff costs		303	107
IT, Professional and Property costs		144	93
Asset management fees		96	27
Other administration expenses		80	50
Impairments		54	38
Losses on foreign currencies		13	3
Amortisation of intangible assets	3	9	9
Depreciation	4	8	4
		707	**331**

The primary driver of the increase in other expenses in 2020 was the acquisition of Athora Netherlands, on which €272m expenses were incurred during the year.

Impairments

During 2020 the group recognised an impairment on its available-for-sale portfolio and amortised cost assets of €54m (2019: €38m). Of this impairment €32m (2019: €36m) was recognised in respect of holdings in funds with exposure to adverse changes to the economic and legal environment. In response to these indicators of impairment, the group's investment manager commissioned an independent third-party valuation specialist to provide a market value indication for the fund investment. This resulted in the recognition of an impairment. €15m (2019: nil) of the impairment charge relates to a mezzanine loan which defaulted in the first half of the year due to the severe negative impact of the Covid-19 pandemic and is estimated to have limited recovery. The remainder of the impairment related to tangible property of €6m (2019: nil).

The investments classified as available-for-sale that are impaired have a carrying value of is €118m (2019: €151m) and are held as Level 3 securities in the fair value hierarchy (see Note 24 Fair value of assets and liabilities).

34 Interest expense

€m	2020	2019
Interest on borrowings		
- Interest on subordinated debt	*60*	*-*
- Interest expense on other borrowings	*29*	*11*
	89	**11**
Other interest expenses	16	3
	105	**14**

Interest on borrowings

Interest on subordinated debt of €60m includes an additional €15m to the stated coupon of the bonds, being the accretion of the discount recognised on acquisition.

The subordinated debt was acquired with the Athora Netherlands business during 2020 (see Note 42 Acquisition of subsidiaries). On acquisition, this debt was recognised at a discount following the assessment of its fair value in line with the requirements of IFRS 3 'Business combinations'. This discount is subsequently accreted to zero on a straight-line basis until the first call date of the debt, the longest dated of which is November 2022.

Other interest expenses

Other interest expenses are incurred by the group in respect of various operating liabilities, including deposits received from reinsurers, defined benefit pension schemes, lease liabilities and repurchase agreements.

35 Share-based payments

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.

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 occurence.
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.

Outstanding options and awards

Share options: there were no share options outstanding on the shares of the Company at 31 December 2020 or 31 December 2019.

Share awards: during the year, 35,897 shares were awarded under the AEA (2019: 35,671 shares). The maximum term that these awards vest over is two years (2019: two years).

At 31 December 2020 share awards issued were outstanding as follows:

Athora Equity Awards	Year of vesting	No. of shares
	2021	35,784
	2022	17,949

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.

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.

Expense charged to the Consolidated Income Statement

The total expense recognised for the year arising from equity compensation plans was as follows:

€m	2020	2019
Equity-settled expense	-	-
Cash-settled expense	2	1
	2	**1**

Liabilities arising from share-based payment transactions

€m	2020	2019
Cash-settled liability	3	1

Fair value of awards granted

The weighted average fair value of awards granted during the year, estimated using the group's internally developed fair valuation methodology, was €11.70 per share (2019: €11.00 per share).

36 Taxation

a Analysis of tax charge

€m	2020	2019
Current tax:		
Corporation tax charge on result for the year	(46)	(24)
Adjustment in respect of previous periods	7	-
Total current tax charge	**(39)**	**(24)**
Deferred tax:		
Origination and reversal of temporary differences during the year	(142)	(9)
Effect of change in tax rate	92	-
Adjustment in respect of previous periods	(4)	-
Total deferred tax charge	**(54)**	**(9)**
Total tax charge on loss on ordinary activities	**(93)**	**(33)**

b Reconciliation of the expected tax charge at the standard tax rate to the actual tax charge at the effective rate

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	2020	2019
Profit / (loss) on ordinary activities before tax	700	(13)
Tax calculated at the domestic rates applicable to profits in each operational jurisdiction	(229)	(22)
Effects of:		
Expenses not deductible for tax purposes	(5)	(6)
Gain recognised on acquisition of subsidiary	53	1
Non-Taxable Income	2	-
Changes in Tax Rates	92	-
Income Taxable at Higher/Lower Rates	(1)	(3)
Differences in Expected Tax Rates	(13)	(5)
Minority Interests Taxable at Different Rates	-	2
Adjustments in respect of prior years	3	-
Deduction for Interest on Tier 1 equity	5	-
Total tax charge for the year	**(93)**	**(33)**

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% (2019: 29.58%), Bermuda 0% (2019: 0%), Germany 31.72% (2019: 31.72%), Ireland 12.5% (2019: 12.5%), Netherlands (25%, 2019: N/A), United Kingdom 19% (2019: 19%).

37 Cash flow information

Cash flows from operating activities

a Net changes in operational assets

€m	2020	2019
Net change in financial assets (FVTPL)	119	(234)
Net change in financial assets (derivatives)	95	(241)
Net change in investments attributable to policyholders and third parties	(754)	(64)
Net change in reinsurance assets	(37)	261
Net change in other receivables	206	717
Net change in other assets	(5)	26
	(376)	**465**

b Net changes in operational liabilities

€m	2020	2019
Net change in insurance provisions	1,877	(314)
Net change in liabilities attributable to policyholders and third parties	1,647	479
Net change in provision for employee benefit and other provisions	(35)	(7)
Net change in other financial liabilities (excluding derivatives)	863	357
Net change in other financial liabilities (derivatives)	(148)	204
Net change in other payables	(202)	(539)
Net change in other liabilities	159	46
	4,161	**226**

The group classifies the cash flows from the acquisition and disposal of FVTPL and derivative financial assets as well as investments attributable to policyholders and third parties as operating cash flows, as the purchases are funded from the net cash flows associated with the origination of insurance and investment contracts and the payment of benefits and claims incurred for insurance and investment contracts, which are respectively treated under operating activities. Purchases and sales of AFS financial assets and loans and receivables are classified as investing activities.

Cash flows from financing activities

€m	Subordinated debt	Senior debt	Revolving credit facilities	Lease liabilities	Total
At 1 January 2020	-	147	240	21	408
Acquisition of subsidiaries	851	657	-	4	1,512
Changes from financing cash flows:					
Proceeds of issue of debt	-	500	31	-	531
Repayment of borrowings	-	(614)	(275)	-	(889)
Payment of lease liabilities	-	-	-	(5)	(5)
	-	**(114)**	**(244)**	**(5)**	**(363)**
Amortisation of premium	-	(12)	-	-	(12)
Accretion of discount	10	-	4	-	14
Lease interest expense	-	-	-	1	1
Lease interest paid	-	-	-	(1)	(1)
Realised loss	-	17	-	-	17
Changes in FX rates	(58)	-	-	-	(58)
At 31 December 2020	**803**	**695**	**-**	**20**	**1,518**

€m	Subordinated debt	Senior debt	Revolving credit facilities	Lease liabilities	Total
At 31 December 2018	-	-	290	-	290
Impact of adopting IFRS 16	-	-	-	22	22
At 1 January 2019 (restated)	-	-	290	22	312
Acquisition of subsidiaries	-	-	-	1	1
Changes from financing cash flows:					
Proceeds of issue of debt	-	175	-	-	175
Repayment of borrowings	-	(24)	(50)	-	(74)
Payment of lease liabilities	-	-	-	(3)	(3)
	-	**151**	**(50)**	**(3)**	**98**
Amortisation of premium	-	(4)	-	-	(4)
New leases	-	-	-	1	1
Lease interest expense	-	-	-	1	1
Lease interest paid	-	-	-	(1)	(1)
At 31 December 2019	**-**	**147**	**240**	**21**	**408**

38 Commitments

Capital expenditure

The group has no commitments to make any capital expenditure at the reporting date (2019: Nil).

Unfunded commitments to invest

At 31 December 2020, Athora Lux Invest SCSp had committed, on an unfunded basis, to make various investments across its compartments. These commitments amounted to €164m at the year-end (2019: €325m).

German guarantees

In Germany, the insurance guarantee scheme for life insurers levies annual contributions and, under certain circumstances, special contributions. Athora Lebensversicherung AG and Athora Pensionskasse AG have assumed a contractual obligation to provide, if required, further funds to the protection funds of Protektor or alternative to 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 % (or 1bp) of the sum of the net technical provisions; this corresponds to a maximum obligation of €4m (2019: €4m).

As of 31 December 2020, and under inclusion of the contributions to the mandatory insurance scheme mentioned above for a limited period of time, and assuming that no other life insurer is exempted from payments, the aggregate commitments Athora Lebensversicherung AG and Athora Pensionskasse AG to the insurance to Protektor are €36m (2019: €36m).

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, which as stipulated in the contract with the third party will be guaranteed by Athora Netherlands NV if the SII ratio of SRLEV NV should fall below 100%. SRLEV NV’s solvency ratio was higher than 100% at year-end 2020. 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.

As per 1 January 2019, the Recovery and Resolution insurance companies Act (Wet herstel en afwikkeling van verzekeraars) came into force. This also affects Athora Netherlands. The Recovery and Resolution insurance companies Act will enable insurance companies and the local regulator De Nederlandsche Bank (DNB) to be better prepared for a crisis situation and gives the DNB opportunities to better intervene in cases of bankruptcy of insurance companies. In those cases the DNB is enforced to take care of the interests of policyholders.

In 2012, SRLEV NV 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 NV bore part of the interest deficit. At year-end 2020, a liability of €2m exists relating to this separate accounts restructuring. The customers’ liability in respect of this restructuring was €3m at year-end 2020. SRLEV NV has received a guarantee from one of its clients of €29m to strengthen the clients position concerning determination of the investment portfolio.

Netherlands guarantees received and granted

The market value of guarantees received under the National Mortgage Guarantee Fund (in Dutch: NHG) amounted to €883m at year-end 2020.

The market value of the collateral of the mortgages was €8,783m at year-end 2020. The amortised cost of the mortgages was €3,874m at year-end 2020.

For saving mortgage arrangements were made between SRLEV and several credit institutions. The credit risk concerning saving premiums is covered by received cession warranties amounting to €3,713m, deeds of assignment amounting to €273m or clearance amounting to €213m. At year-end 2020 an amount of €40m was unsecured.

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 2020 was €49m.

General

In Athora Group's efforts to ensure compliance with applicable laws and regulations, instances of non compliance occur. At present, these instances include Sanction and Anti money laundering regulation compliancy which are shared with the regulators including a timely action plan to address and resolve current and future instances in Netherlands. Also, Athora Netherlands is currently further revising its governance framework to adhere to the large company regime and other regulatory requirements.

Legal proceedings

Athora Netherlands is involved in litigation and other binding proceedings involving, but not limited to, disputes concerning the products and services of Athora Netherlands and its position as principal, employer and taxpayer. Although it is impossible to predict the outcome of current or threatened legal proceedings, management believes on the basis of currently available information and after taking legal advice in general, the outcome of these proceedings is unlikely to have any material adverse effects on Athora Netherlands' or the wider group's financial position or operating results.

Netherlands Reinsurance Company for Losses from Terrorism

In 2021, Athora Netherlands will take a 15.4% share in the Life cluster (2020: 17.3%) of the Netherlands Reinsurance company for Losses from Terrorism (Nederlandse Herverzekeringsmaatschappij voor Terrorismeschaden NV). In 2021, the guarantee will be €10m (one third of total guarantee of €31m) for the Life cluster and total premiums will amount to €1m.

39 Contingent liabilities

Investment Insurance Policies

Over time Athora Netherlands has received complaints/claims from customers against Athora Netherlands (through its subsidiary SRLEV NV (‘SRLEV’)) in relation to its unit-linked products.

On 31 December 2020, less than twenty proceedings were still pending against SRLEV 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 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.

Both Vereniging Woekerpolis.nl and SRLEV have filed appeals against the judgement of the District Court. The appeals process is still in an early stage. It is not clear whether a final verdict by the District Court will be rendered in the year 2021. 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 financial impact of current and possible future proceedings, in a meaningful way. Accordingly, neither Athora Netherlands nor the Athora Group, has set up a provision for any compensation that may become payable.

40 Subsidiaries

Principal undertakings of the group for 2020 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 Life Re Ltd.	Insurance	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 Europe Investments DAC	Investment	Ireland	31 December
ACTIAM N.V.	Investment	Netherlands	31 December
Athora Lux Invest SCSp	Investment	Luxembourg	31 December
Athora Real Estate SARL	Investment	Luxembourg	31 December
Athora 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.	Management services	Ireland	31 December
Athora Deutschland Service GmbH	Management services	Germany	31 December
Athora Real Estate (Lux) Services SARL	Management services	Luxembourg	31 December
Athora UK Services Ltd.	Management services	United Kingdom	31 December

Unless otherwise stated, the group owns 100% of the equity of the principal undertakings and 100% of the voting shares of all of these undertakings.

All of the group undertakings are included in the consolidated financial statements with the exception of Athora Europe Investment DAC.

The group has a 100% ownership interest in Athora Europe Investments DAC, an unconsolidated structured entity, that issues secured, cleared and listed profit participating notes (PPN) to clients via an orphan trust, Reinsurance Custody Solutions DAC, which the group neither controls nor has significant influence. 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.

41 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.

Ultimate parent

The ultimate parent and controlling party of the group is Athora Holding Ltd., a limited liability company domiciled in Bermuda.

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):

- As a co-founder of Athora, Apollo retains a strategic relationship with Athora. At 31 December 2020, Apollo has a 5.90% holding in Athora's equity share capital and has four members on Athora's board of directors;
- 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. At 31 December 2020 Athene retains a 16.51% holding in the equity share capital of Athora and has one member on Athora's board of directors;
- At 31 December 2020, ADIA has a minority interest in Athora and has the right to select one member to Athora's board of directors and has exercised its right.

On 8 March 2021 it was announced that Apollo and Athene will merge. The deal is expected to be completed in January 2022, subject to the satisfaction of certain conditions.

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.

At 31 December 2020, Athene and Apollo have commitments to make additional equity investments in Athora of €500 million, which remain undrawn and available to the group.

Transactions with key minority shareholders

During 2020, the group raised additional equity capital of €2.8 billion which included €1.0 billion raised in aggregate from Apollo, Athene and ADIA.

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:

€m	**Income**	**Expenses**	**Payable**	**Receivable**
2020				
Apollo	1	85	27	-
Athene	2	1	-	110
	3	**86**	**27**	**110**

€m	**Income**	**Expenses**	**Payable**	**Receivable**
2019				
Apollo	1	39	9	1
Athene	310	303	-	130
	311	**342**	**9**	**131**

Apollo has a strategic relationship with Athora and provides the group with investment management, advisory and sub-advisory services through its subsidiary, Apollo Asset Management Europe LLP. We expect the strategic relationship with Apollo to continue for the foreseeable future.

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 €0.7 million (2019: €0.6 million) excluding VAT.

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 2020, Athene has not exercised its right of first refusal to reinsure liabilities ceded to Athora's insurance or reinsurance subsidiaries. In addition, Athora's subsidiaries (excluding Athora Netherlands) may from time to time purchase certain funding agreements and/or other spread instruments issued by Athene's insurance subsidiaries. At 31 December 2020 the value of funding agreements provided by the group to Athene was €110 million (2019: €130 million).

During the fourth quarter of 2019, Athene novated a reinsurance agreement (entered into in 2018 for blocks of endowment contracts and annuities assumed from Athora Lebensversicherung in Germany) to Athora Life Re.

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 Board of directors and the Management Executive Committee of Athora Holding Limited, is as follows:

€m	2020	2019
Salaries and other short-term employee benefits	8.5	6.8
Post-employment benefits	0.2	0.2
Other long term benefits	-	-
Share-based payments	0.5	0.4
Termination benefits	1.8	-
	11.0	**7.4**

Receivables from key management personnel at 31 December 2020 were €2.1 million (2019: €0.4 million).

42 Acquisition of subsidiaries

a Acquisition of Athora Netherlands

On 1 April 2020, the group completed the acquisition of VIVAT N.V. (subsequently renamed Athora Netherlands N.V. and referred to as 'Athora Netherlands'), an insurance group based in the Netherlands, from Anbang Group Holdings Co Ltd. The group, through its subsidiary Athora Netherlands Holding Limited ('ANH'), acquired 100% of the ordinary share capital of Athora Netherlands for cash consideration. Immediately following the acquisition of Athora Netherlands, the group sold 100% of the shares of its subsidiary VIVAT Schadeverzekeringen NV ('Schade') (Athora Netherlands' non-life business) to Nationale-Nederlanden Schadeverzekeringen Maatschappij NV ('NN Group'). Thus, at the end of closing on 1 April 2020, the group owned 100% of the outstanding shares of Athora Netherlands with NN Group owning 100% of the outstanding shares of Schade.

The acquisition confirms Athora's position as a leading insurance consolidator in Europe, with entrance into the Dutch market being a key part of the group's strategy. The group also welcomes three new brands to the business – Zwitserleven, Reaal and ACTIAM.

Through the acquisition, the group purchased a €300m restricted Tier 1 note. The note is perpetual and has a fixed coupon of 7.00% per annum. Athora Netherlands may at its sole and absolute discretion at any time elect to cancel any coupon payment which would become payable. The group has classified this equity instrument as a non-controlling interest on acquistion.

Impact of acquistion on results
For the nine months ended 31 December 2020, Athora Netherlands contributed total income of €4,724m and profit after tax of €486m. The group incurred acquisition related costs of €19m on legal fees and due diligence costs. These costs have been expensed during the year and are included in administrative expenses in the consolidated Income Statement.

Fair valuation of assets and liabilities
The fair value adjustment to Athora Netherlands' insurance liabilities reflect an increase of €1,661m. In determining the acquisition-date fair value several potential approaches were considered. The approach adopted was to describe the average market participant's view of the yield curve as swaps plus spread. At 31 December 2020 the group carries a VOBA liability of €1,515m (2019: n/a) in relation to the acquisition of Athora Netherlands. The amortisation period applicable is the lifetime of the related underlying contracts in the portfolio. At 31 December 2020 this is 64 years (2019: n/a) for Athora Netherlands.

The group recognised a €213m bargain purchase on the acquisition of Athora Netherlands. The gain is included in the 'other income' line item in the consolidated income statement. The negative goodwill is in line with the transaction rationale which focusses on the existing book. It reflects the limited opportunities for value adding new business in the Dutch insurance market as it suffered from a reputation of mis-selling, lost fiscal favourable treatment and declining interest rates.

In consideration of the above approach, the following key assumptions were made in the assessment of the fair value of the insurance liabilities:
- A weighted average cost of capital in line with market peers
- A strategic solvency target
- Allowance for a the change in the strategic asset allocation and associated change in capital requirements
- Allowance for planned future expense savings and operational efficiencies to be implemented following the acquisition

The above assumptions provide an estimated fair value adjustment to insurance contract liabilities of €1,661m, with an associated deferred tax asset recognised of €415m. None of the negative goodwill recognised is expected to be deductible for income tax purposes.

€m	Fair value at 1 April 2020
Intangible assets	21
Property and equipment	60
Investment properties	467
Financial assets	47,823
Investments attributable to policyholders and third parties	13,166
Reinsurance assets	42
Deferred taxation assets	643
Income tax receivable	27
Loans and advances due from banks	982
Other Receivables	192
Other assets	419
Cash and short term deposits	302
Non-current assets or disposal groups classified as held-for-sale	2,015
Total assets	**66,159**
Insurance provisions	38,656
Liabilities attributable to policyholders and third parties	13,574
Employee benefit and other provisions	538
Borrowings	1,508
Other financial liabilities	4,976
Other payables	780
Other liabilities	1,596
Liabilities included in disposal groups classified as held-for-sale	1,446
Total liabilities	**63,074**
Net assets (excluding equity)	**3,085**
Fair value of consideration transferred	2,621
Non-controlling interest	251
Gain recognised on acquisition of subsidiary	**213**

b Acquisition of Athora Belgium

On 2 January 2019, following the receipt of competition and regulatory approval, Athora Europe Holding Ltd., an indirect, wholly owned subsidiary of Athora Holding Ltd., acquired 99.9946 per cent of the ordinary share capital of Generali Belgium SA from Participatie Maatschappij Graafschap Holland NV and Assicurazioni Generali SpA. The acquisition will enable the group to enhance its position and offering within the European Insurance and Reinsurance market. The total fair value of the purchase consideration was €565m. Subordinated debt of €35m issued to another Generali Group company was also acquired and has been eliminated as an intra-Group balance. On 31 May 2019, Generali Belgium SA was renamed to Athora Belgium SA (Athora Belgium).

Impact of acquistion on results
The post-acquisition total income of Athora Belgium which is included in the consolidated income statement for the year ended 31 December 2019 is €429m. Athora Belgium contributed a profit after tax of €35m for the period. Had the acquisition occurred on 1 January 2019, the group's consolidated profit for the year would have been consistent with the profit achieved.

Fair valuation of assets and liabilities
The fair value adjustment to Athora Belgium's insurance liabilities reflect an increase of €649m at the date of acquisition. In determining the acquisition-date fair value several potential approaches were considered. The approach adopted was to describe the average market participant's view of the yield curve as swaps plus 95 basis points, reflecting a circa 32% haircut to management's view of the expected returns from the benchmark (and circa 44% of the expected return on Athora Belgium's portfolio). At 31 December 2020 the group carries a VOBA liability of €571m in relation to Athora Belgium (2019: €615m). The amortisation period applicable is the lifetime of the related underlying contracts in the portfolio. At 31 December 2020 this is 33 years for Athora Belgium (2019: 34 years).

In consideration of the above approach, the following assumptions were used:
- Typical cost of capital factor targeted at the middle of the range of benchmarks
- A strategic solvency target
- Inclusion of market risk SCR within the Risk Margin
- Amendment of the market risk module to reflect Management's estimate of the level of the market risk capital requirement once the Strategic Asset Allocation is adopted.

The above assumptions provide an estimated fair value adjustment to insurance contract liabilities of €649m at the date of acquisition, with an associated deferred tax asset recognised of €162m.

€m	Fair value at 2 January 2019
Intangible assets	98
Property and equipment	21
Investment properties	207
Financial assets	5,389
Investment attributable to policyholders and third parties	750
Reinsurance assets	51
Loans and advances due from banks	20
Other receivables	112
Other assets	93
Cash and short-term deposits	36
Total assets	**6,777**
Insurance provisions	5,110
Liabilities attributable to policyholders and third parties	750
Employee benefit and other provisions	62
Other financial liabilities	97
Deferred taxation liabilities	51
Tax payables	1
Other payables	105
Other liabilities	33
Total liabilities	**6,209**
Net assets (excluding equity)	**568**
Fair value of consideration transferred	565
Gain recognised on acquisition of subsidiary	**3**

There were no adjustments to the acquisition date fair values of Generali Belgium SA during 2020.

c Gain recognised on acquisition of subsidiaries

Following the acquisition of Athora Netherlands in 2020 the group recognised a gain of €213m (2019: gain of €3m following the acquisition of Generali Belgium SA).

43 Comparatives

The Group acquired Athora Netherlands during the year (see Note 42 Acquisition of subsidiaries). This was a significant acquisition. Accordingly the presentation of the financial statements provides information that is reliable and more relevant. As stated in Note 1 Accounting policies, prior period comparatives have been reclassified to conform with the current year presentation.

Income statement

The amount of each class of items that has been reclassified is set out below:

€m	As previously presented	A	B	C	D	E	F	G	Current year presentation
2019									
Net earned premium	392	-	-	-	-	-	-	-	392
Fee and commission income	41	-	-	-	-	-	-	-	41
Investment income	-	737	(36)	-	-	-	-	-	701
Investment income attributable to policyholders and third parties	-	-	-	304	-	-	-	-	304
Net income from financial instruments at FVTPL	263	(37)	-	(226)	-	-	-	-	-
Interest income	152	(152)	-	-	-	-	-	-	-
Other income	52	(52)	-	-	-	-	-	-	-
Realised gains	366	(366)	-	-	-	-	-	-	-
Unrealised gains	129	(129)	-	-	-	-	-	-	-
Reversal of impairment losses	1	(1)	-	-	-	-	-	-	-
Income from associates and subsidiaries / Gain on acquisition of subsidiary	3	-	-	-	-	-	-	-	3
Other income	8	-	-	-	(4)	-	-	-	4
Total income	**1,407**	**-**	**(36)**	**78**	**(4)**	**-**	**-**	**-**	**1,445**

43 Comparatives (continued)

Income statement (continued)

€m	As previously presented	A	B	C	D	E	F	G	Current year presentation
2019									
Net insurance benefits and claims	969	-	-	-	-	(219)	28	-	778
Expense attributable to policyholders and third parties	-	-	-	100	-	219	-	-	319
Fee and commission expense	58	-	-	-	-	-	-	(58)	-
Other expenses	34	-	-	-	-	-	(34)	-	-
Realised losses	17	-	(17)	-	-	-	-	-	-
Unrealised losses	19	-	(19)	-	-	-	-	-	-
Impairment losses	38	-	-	-	-	-	-	(38)	-
Acquisition costs	23	-	-	-	-	-	-	(7)	16
Other expenses	248	-	-	(22)	(4)	-	6	103	331
Interest expense	14	-	-	-	-	-	-	-	14
Total expense	**1,420**	**-**	**(36)**	**78**	**(4)**	**-**	**-**	**-**	**1,458**
Loss before taxation	**(13)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(13)**

Notes

A. Income from other financial instruments and investment properties is allocated to investment income. Investment income includes all income and realised and unrealised gains and losses recognised through the income statement on investment properties, loans and receivables,available-for-sale securities (to the extent not recognised in other comprehensive income), assets at fair value through profit or loss and the net result of derivatives.

B. Realised and unrealised losses on financial instruments and investment properties are shown as part of investment income.

C. Net income at FVTPL backing unit-linked business is allocated to investment income for the account of policyholders, with the increase in policy liabilities recognised as an expense.

D. Miscellaneous other income / expense reclassifications.

E. Policyholder component of net insurance benefits and claims reclassified to expense attributable to policyholders and third parties.

F. Other expenses from financial instruments are allocated to policyholders claims in respect of taxes borne by the policyholders on policyholders profit and to other expenses.

G. Miscellaneous expense reclassifications.

43 Comparatives (continued)

Statement of financial position

€m	As previously presented	a	b	c	d	e	f	g	h	Current year presentation
2019										
Intangible assets	91	-	-	-	-	-	-	-	-	91
Tangible assets / Property and equipment	41	-	-	-	-	-	-	-	-	41
Investment properties	773	-	-	-	-	-	-	-	-	773
Financial assets	-	12	205	9,461	946	-	-	-	-	10,624
Investments attributable to policyholders and third parties	-	-	-	-	2,444	-	-	-	-	2,444
Investment in associates	12	(12)	-	-	-	-	-	-	-	-
Loans and receivables	225	-	(225)	-	-	-	-	-	-	-
Available-for-sale financial assets	9,461	-	-	(9,461)	-	-	-	-	-	-
Financial assets at FVTPL	3,390	-	-	-	(3,390)	-	-	-	-	-
Amounts ceded to reinsurers from insurance provisions / Reinsurance asset	79	-	-	-	-	-	-	-	-	79
Deferred tax assets	14	-	-	-	-	-	-	-	-	14
Income tax receivable	19	-	-	-	-	-	-	-	-	19
Loans and advances due from banks	-	-	20	-	-	116	-	-	-	136
Other receivables	1,449	-	-	-	-	(116)	-	-	-	1,333
Deferred expenses	3	-	-	-	-	(3)	-	-	-	-
Other assets	120	-	-	-	-	3	-	-	-	123
Cash and cash equivalents	573	-	-	-	-	-	-	-	-	573
Non-current assets / disposal groups	420	-	-	-	-	-	-	-	-	420
Total assets	**16,670**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**16,670**

43 Comparatives (continued)

Statement of financial position (continued)

€m	As previously presented	a	b	c	d	e	f	g	h	Current year presentation
2019										
Total equity	618	-	-	-	-	-	-	-	-	618
Insurance provisions	11,437	-	-	-	-	-	(1,745)	-	-	9,692
Liabilities attributable to policyholders and third parties	-	-	-	-	-	-	2,750	-	-	2,750
Employee benefit and other provisions	-	-		-	-	-	-	128	-	128
Other provisions	14	-	-	-	-	-	-	(14)	-	-
Financial liabilities at FVTPL	1,516	-	-	-	-	-	(1,516)	-	-	-
Financial liabilities at amortised cost	871	-	-	-	-	-	-	-	(871)	-
Borrowings	-	-	-	-	-	-	-	-	387	387
Other financial liabilities	-	-	-	-	-	-	511	-	556	1,067
Deferred tax liabilities	15	-	-	-	-	-	-	-	-	15
Tax payables	7	-	-	-	-	-	-	-	-	7
Other payables	1,516	-	-	-	-	-	-	-	(72)	1,444
Other liabilities	226	-	-	-	-	-	-	(114)	-	112
Liabilities included in disposal groups	450	-	-	-	-	-	-	-	-	450
Total equity and liabilities	**16,670**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**16,670**

Notes

a. Reclassification of Investment in associates to financial assets.
b. Reclassification of Loans and receivables to financial assets €205m and to loans and advances due from banks €20m.
c. Reclassification of available-for-sale assets to financial assets.
d. Reclassification of financial assets at FVTPL to financial assets €946m and investments attributable to policyholders and third parties €2,444m.
e. Reclassification of deferred expenses to other assets and collateral from other receivables to loans and advances due from banks.
f. Reclassification of financial liabilities at FVTPL to liabilities attributable to policyholders and third parties €1,005m and other financial liabilities €511m. Reclassification of investment contracts with investment features from insurance provisions.
g. Reclassification of pension liability from other liabilities and other provisions to employee benefit and other provisions.
h. Subdivision of financial liabilities at amortised cost into borrowings €387m and other financial liabilities €484m.

43 Comparatives (continued)
Statement of Cash Flows

Restatement of prior periods
The Statement of Cash Flows has been restated as follows:
- Investing activities were presented on a net basis under a simplified approach in the prior year. Non-cash items (revaluation gains and losses, amortisation and accretion of premiums and discounts, depreciation) have been reclassified to non-cash items in the current year. The net balances remaining in investing activities have been split between cash paid for purchases and proceeds from sale. Affected investing activities include net cash flows from investment properties, loans and receivables, AFS financial assets, investments in subsidiaries, associated companies and joint ventures, tangible and intangible assets and other. Effect of exchange rate changes on cash and cash equivalents is also impacted.
- Amounts included in: 1) change of non-cash line items, including the change in reinsurance and insurance provisions and change in deferred expenses; and 2) amounts included in other financial assets and liabilities at FVTPL, have been reclassified to relating to change in receivables and payables from operating activity (which has been renamed to change in operating assets and liabilities in the current year).
- Amortisation of discount on borrowings presented as financing activities in the prior year have been reclassified to non-cash items in the current year.
- Payment of lease liabilities presented as operating in the prior year have been reclassified to financing activities in the current year.

There is no impact on profit before tax, net assets or net cash flow.

€m	As previously reported	Restated	2019 Restated
Operating items not restated	(58)	-	(58)
Change in non-cash items	311	(1,318)	(1,007)
Change in receivables and payables from operating activities	633	250	883
Other financial assets and liabilities at FVTPL	(388)	196	(192)
Net cash from discontinued operations	-	(5)	(5)
Cash flows from operating activities	**498**	**(877)**	**(379)**
Net cash flows from investment properties	(157)	53	(104)
Proceeds from the sale of investment properties	-	138	138
Net cash flows from investments in subsidiaries, associated companies and joint ventures	(375)	(154)	(529)
Net cash flows from loans and receivables	(37)	(20)	(57)
Proceeds from the sale of investments classified as loans and receivables	-	23	23
Net cash flows from available-for-sale financial assets	(443)	(4,213)	(4,656)
Proceeds from the sale of available-for-sale investments	-	5,071	5,071
Net cash flows from tangible and intangible assets	2	(25)	(23)
Other investing activities	(10)	10	-
Cash flows from investing activities	**(1,020)**	**883**	**(137)**
Financing items not restated	273	-	273
Net cash flows from subordinated liabilities and other similar liabilities	97	78	175
Repayment of borrowings	-	(74)	(74)
Payment of lease liabilities	-	(3)	(3)
Cash flows from financing activities	**370**	**1**	**371**
Effect of exchange rate changes on cash and cash equivalents	7	(7)	-

43 Comparatives (continued)

Statement of Cash Flows (continued)

Current year presentation

As noted above, the group has changed the presentation of the financial statements to provide information that is reliable and more relevant. As stated in Note 1 Accounting policies, prior period comparatives have been reclassified to conform with the current year presentation.

€m	As previously presented, restated	Re-presented	Current year presentation
Loss before tax	(13)	-	(13)
Change in non-cash items	(1,007)	1,007	-
Revaluation gains and losses on investments	-	(803)	(803)
Amortisation and accretion of investment premiums and discounts	-	(260)	(260)
Gain recognised on acquisition of subsidiary	-	(3)	(3)
Change in employee benefit and other provisions	-	4	4
Impairment charges	-	38	38
Depreciation and amortisation of non-current assets	-	13	13
Other non-cash movements	-	4	4
Change in receivables and payables from operating activities	883	(883)	-
Change in operating assets	-	465	465
Change in operating liabilities	-	226	226
Income taxes paid	(45)	-	(45)
Other financial assets and liabilities at FVTPL	(192)	192	-
Net cash from discontinued operations	(5)	-	(5)
Cash flows from operating activities	**(379)**	**-**	**(379)**
Acquisition of subsidiary, net of cash acquired	(529)	-	(529)
Purchases of investment property	(104)	-	(104)
Proceeds from the sale of investment properties	138	-	138
Purchase of investments classified as loans and receivables	(57)	-	(57)
Proceeds from the sale of investments classified as loans and receivables	23	-	23
Purchase of available-for-sale investments	(4,656)	-	(4,656)
Proceeds from the sale of available-for-sale investments	5,071	-	5,071
Acquisition of tangible assets	(23)	-	(23)
Cash flows from investing activities	**(137)**	**-**	**(137)**
Proceeds from the issue of share capital	273	-	273
Proceeds from borrowings	175	-	175
Repayment of borrowings	(74)	-	(74)
Payment of lease liabilities	(3)	-	(3)
Cash flows from financing activities	**371**	**-**	**371**
Net increase in cash and cash equivalents	**(145)**	**-**	**(145)**
Effect of exchange rate changes on cash and cash equivalents	-	-	-
Cash at beginning of year	677	-	677
Cash at end of year	**532**	**-**	**532**

44 Events after the reporting date

Acquisition of real estate groups

On 7 January 2021, the group acquired controlling interests in the following three entities (including their subsidiaries):
- OXW Catalina UK Midco Ltd;
- Oxenwood Catalina Germany Holdco S.À R.L.; and
- Oxenwood Catalina Poland Holdco S.À R.L.

The activities of these groups consist exclusively of the ownership and operation of real estate. The purchase consideration of €182m was paid in cash on 7 January 2021. A contingent consideration arrangement requires the group to pay to the vendors an amount of €5m on extension of identified lease contracts and completion of the sale of a specified property by the prescribed period.

Due to the limited time available between the acquisition and the approval of these financial statements, the group is still in the process of establishing the fair value of the assets and liabilities acquired. Acquisition related costs of €7m have been included in other expenses for the year ended 31 December 2020.

Sale of unit-linked guarantee portfolio by Athora Ireland plc

On 26 February 2021 Athora Ireland plc entered into a binding agreement for the sale of its unit-linked guarantee portfolio (ULG). On the same day, Athora Ireland plc entered into a contract to cede (retrospectively from 1 January 2021) risks not already ceded, including expense and longevity risks, that are associated with the ULG for the period to the completion date. The sale of ULG requires court and regulatory approvals and is expected to complete in late 2021. The financial effects of the sale of ULG cannot be reliably estimated at the date these financial statements are approved for publication.

Revolving credit facility

In February 2021, the group entered into a new €500m unsecured revolving credit facility with a group of credit institutions. This provides material additional liquidity resources to the group.

Redemption of SRLEV N.V. subordinated bond

On 11 March 2021, SRLEV N.V., a subsidiary of Athora Netherlands, announced the redemption of the outstanding €250m of originally issued €400m subordinated bonds due 2041 on 15 April 2021. These bonds will be redeemed in full at their principal amount outstanding together with accrued and unpaid interest and any arrears of interest on 15 April 2021.

45 Approval of financial statements

The Board of Directors approved the consolidated financial statements on 31 March 2021.

OTHER INFORMATION

Additional information relating to:

Athora Deutschland Group (Athora Germany)

Risks, opportunities and challenges

Athora Deutschland Group (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 foreseeable future, are credit risk (spread risk) and underwriting risk (lapse risk and expense risk). Further details of our risks are presented in the table below.

Athora Germany has significant investments via our segregated investment funds (Spezialfonds) in Luxembourg. Athora ensures that its investment activity and resulting credit risk is managed to provide long-term value creation for our customers and stakeholders, whilst also complying with regulatory requirements, the Prudent Person Principle, the group's risk appetite and strategy and internal financial risk policies.

Athora Germany is committed to maintaining resilient financial strength, servicing our existing customers and delivering attractive policyholder returns. We will continue to strategically assess growth opportunities (including reinsurance) in the German life market.

Financial risk: Underwriting		
Type	**Relevance**	**Description**
Mortality risk	Low	Certain product lines are exposed to mortality risks. This risk is of low relevance as we reinsure a significant part of our portfolio using high quality reinsurers. In 2020 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 as the portfolio runs off.
Lapse risk	High	Lapse risk (lapse down) is of high relevance as Athora Germany has a high average guarantee in the portfolio and the business is in run-off. During 2020, lapse risk increased, due partly to the continued low interest rate environment. Athora Germany uses reinsurance solutions to mitigate risks where appropriate. During 2019, Athora Germany implemented a reinsurance solution to further mitigate lapse risk. Athora Germany continues to monitor the impact of the Covid-19 pandemic on all its risks, including lapse risk.

Financial risk: Underwriting		
Type	**Relevance**	**Description**
Disability/ morbidity risk	Medium	This risk is of medium relevance as we reinsure part of our portfolio using high quality reinsurers. In 2020 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 per policy. Athora Germany remains committed to the efficient management of its in-force portfolio. This comprises careful management of expenses in relation to the portfolio size, aided by outsourcing of capabilities where appropriate, and efficient capital management.
Catastrophe risk	Low	This risk is of low relevance for Athora Germany as our 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. A significant amount of our portfolio is invested in relatively illiquid private debt. We have an active approach to asset management and during 2020 we were able to find attractive investment opportunities that enabled us to benefit from favourable market movements. Athora ensures that its investment activity and resulting credit risk is managed to provide long-term value creation for our customers and stakeholders, whilst 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 increased in Athora Germany in 2020 but is expected to reduce in 2021 following implementation of a strategic initiative.
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	Low	Interest rate risk, which is of low relevance, is hedged in line with our overall risk strategy against the swap curve.
Equity risk	Low	In line with our overall risk appetite, Athora Germany currently invests in alternative investments and strategic equity. Our exposure to these asset types is expected to reduce in 2021 as we move towards our target strategic asset allocation.
Property risk	Low	Following the implementation of a strategic initiative to reduce our exposure to property risk, the relevance of this risk is low.
Foreign exchange risk	Low	The majority of our assets are Euro-denominated. We do not have appetite for foreign exchange risk and all currency risks are hedged.
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 cash-flows (net of reinsurance) as the book runs off.

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	Compared to other insurers, 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.

Key financial highlights - Athora Germany

In 2020, Athora Germany achieved a net consolidated IFRS result of €35 million, including slightly higher gross premium income:

- Net earned premiums decreased by €8 million, or 6%, to €137 million (2019: €145 million). Compared to 2019, slightly higher gross premiums, mainly due to higher consortium business premiums, were more than offset by higher outwards reinsurance premiums.
- The net result for the year decreased by €13 million, or 27%, to €35 million (2019: €48 million). This was mainly due to higher gains relating to investment properties included in the 2019 result.
- At 31 December 2020, Athora Germany's IFRS shareholders' equity was €197 million (2019: €171 million).

In 2020, Athora Germany achieved a positive German GAAP surplus of €60 million.

Outlook

While the German life insurance market is forecast to achieve a 2% increase in premium income in 2021, Athora Germany's gross premium income is forecast to decrease to c. €130 million as we are closed to new business. In 2021, we are committed to again deliver a positive net result.

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 financial performance section.

APM	Definition	Why is it relevant?
Assets under administration (AUA)	The value of invested assets administered by or on behalf of Athora, including both policyholder funds and shareholder assets. A reconciliation to the amounts shown in the consolidated statement of financial position is shown in the financial performance section.	AUA is a measure of the size and scale of the group and also enables an assessment of our potential earnings capability arising from investment returns.
Financial leverage ratio	Calculated by Athora as borrowings divided by the sum of borrowings and total equity, expressed as a percentage.	Athora is targeting a Single A range credit rating in the medium term. We have a medium term financial leverage target of 25%, which is consistent with our Single A range medium-term credit rating target. Athora monitors our financial leverage ratio to strengthen our reinsurance proposition, optimise our funding costs and 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.
Business unit organic capital generation (OCG)	Measures the organic capital generated by our operating businesses in excess of our target capital coverage. It comprises investment returns in excess of the cost of liabilities, new business, expenses, and the unwind of SCR and risk margin. The group's measure is the summation of the organic capital generation of each business.	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.
ALM	Asset/liability management—the practice in insurance companies of managing the financial risks arising from mismatches between assets and liability cash flows.
Apollo	Apollo Global Management Inc., and its subsidiaries.
Assets under administration (AUA)	Calculated by Athora as the sum of investment properties, financial assets, cash and cash equivalents, loans and advances due from banks and investments attributable to policyholders and third parties in the statement of financial position.
Athora	AHL together with its subsidiaries (also referred to as the group).
BMA	The Bermuda Monetary Authority, which became the group's regulatory supervisor from 1 January 2020.
BSCR	Bermuda Solvency Capital Requirement.
Business unit organic capital generation (OCG)	In our business units, the capital generated in excess of our target capital coverage. It includes investment returns in excess of the cost of liabilities, expenses, new business and the unwind of risk margin and solvency capital requirement.
CISSA	Commercial Insurers' Solvency Self-Assessment—a Bermuda-specific requirement similar to an ORSA.
DNB	De Nederlandsche Bank - the Dutch central bank.
EBS	Economic balance sheet.
ECR	Enhanced Capital Requirement. Under Bermuda law, the group is required to hold minimum statutory capital and surplus (ECR) at least equal to the greater of a minimum solvency margin or the BSCR. For Athora, our ECR is equal to our BSCR.
ERM	Enterprise risk management.

ESG	Environmental, social and governance.
Financial leverage ratio	Calculated by Athora as total borrowings expressed as a percentage of the sum of total borrowings and total equity.
GDPR	General Data Protection Regulation.
Group BSCR ratio	Represents total available statutory capital divided by the group Bermuda solvency capital requirement (BSCR), expressed as a percentage. For Athora, the ECR ratio is the same as the BSCR ratio, as our ECR is equal to our BSCR.
Group BSCR surplus	The difference between available statutory capital and the group BSCR.
GSSA	Group Solvency Self-Assessment—a Bermuda-specific requirement similar to a group ORSA.
ICF	Internal control framework.
IFRS	International Financial Reporting Standards—accounting standards, interpretations and the framework adopted by the International Accounting Standards Board.
IG	Investment grade.
MEC	Management Executive Committee.
M&A	Mergers and acquisitions.
ORSA	Own Risk and Solvency Assessment—a requirement under Solvency II.
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.

CAUTIONARY STATEMENT

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