ATHORA

ANNUAL REPORT 2021

Athora Holding Ltd.

STRENGTH THROUGH COMMITMENT

CONTENTS

Athora is uniquely positioned to meet the needs of our customers in the European life insurance market whilst delivering value to our investors and other stakeholders. We continue to invest in our employees, capabilities, governance and controls. This enables us to grow sustainably, optimise our capital and risk budget, earn strong investment returns and operate effectively.

2021 FINANCIAL HIGHLIGHTS

IFRS profit before tax from continuing operations

€428m

2020: €709m [1]

Total IFRS equity

€4.8bn

2020: €4.3bn

Assets under administration [2]

€79.4bn

2020: €82bn [3]

Financial leverage ratio [2]

25%

2020: 26%

Operating capital generation [2]

€272m

2020: €53m

Group BSCR ratio (estimated)

187%

2020: 200% [4]

1 The 2020 comparatives have been re-presented from those previously published to reclassify certain operations as discontinued operations.

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

3 On 31 December 2021, Athora Ireland (included in Reinsurance) sold its Variable Annuity (VA) portfolio. The comparatives for 2020 have been re-presented to remove the VA assets associated with this portfolio (€1.3 billion).

4 Following the publication of a "Significant Event Report" dated 6 October 2021, comparative figures for the year ended 31 December 2020 have been updated accordingly.

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.

A-

Fitch Insurer Financial Strength Rating (May 2021)

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

KEY MILESTONES

- **March**

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

  Athora Life Re and Athora Ireland Financial Strength Rating upgraded to A- by AM Best

- **April**

  Athora Netherlands issues a €300 million subordinated Tier 2 capital instrument

  Athora Belgium celebrates 120 years of operations

- **May**

  Athora Life Re, Athora Ireland and SRLEV Financial Strength Rating upgraded to A- (positive outlook) by Fitch

- **June**

  Zwitserleven, an Athora Netherlands brand, celebrates its 120-year anniversary

  Athora Germany celebrates 185 years of operations

- **July**

  Athora donates €550,000 to support flood relief efforts in Belgium, Germany and the Netherlands

- **September**

  Athora announces plans to acquire Italian life insurer, Amissima Vita, a €7.2 billion life insurer in Italy

- **October**

  Athora Netherlands announces plans to sell asset manager ACTIAM to Cardano Group

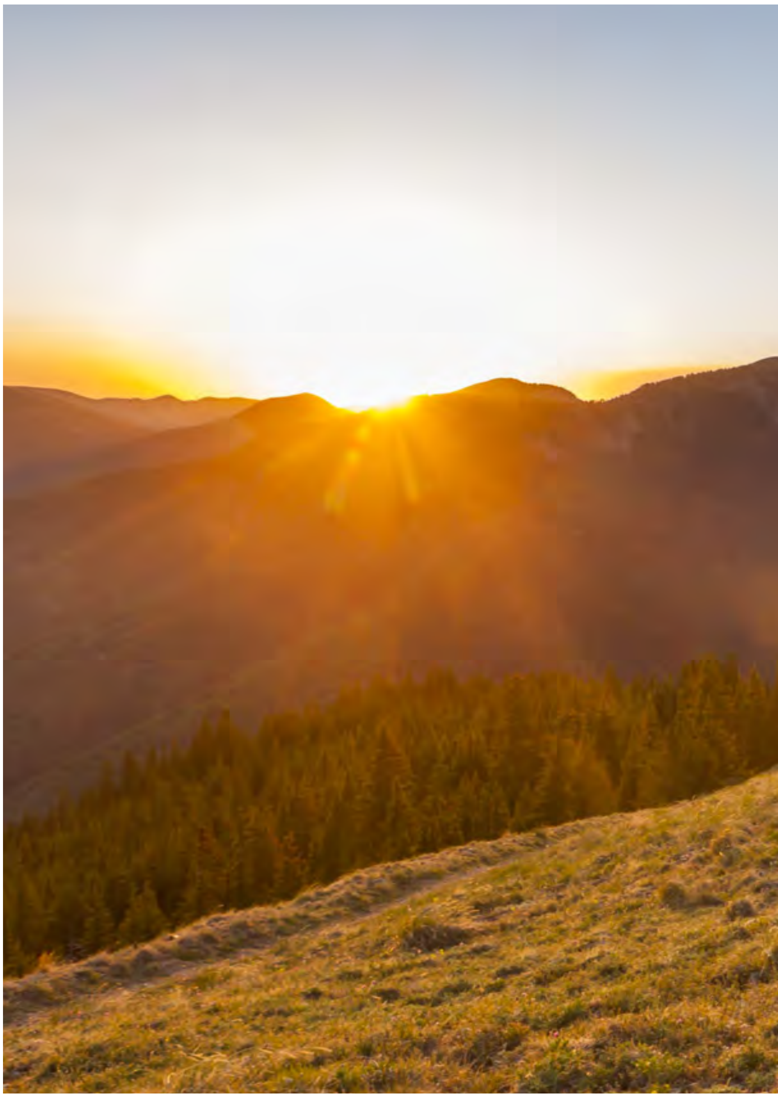
- **November**

  Atradius places €455 million of pension capital with Athora Netherlands (Zwitserleven)

  Athora Belgium announces plans to acquire a closed-book individual life portfolio from NN Insurance Belgium

- **December**

  Athora secures €630 million of additional capital commitments, with a €360 million draw down to accelerate growth



INDUSTRY RECOGNITION

- **Athora Belgium** wins Decavi life insurance award for Best Branch 23 Fund (high risk)
- **Athora Netherlands** recognised as a Top Employer by the Top Employers Institute for the first time
- **Athora Netherlands** named as the most sustainable insurer in the Netherlands by the VBDO (Dutch Association of Investors for Sustainable Development)

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.

Athora offers innovative reinsurance and M&A solutions to insurers seeking to enhance their capital position or enact strategic change. We also 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.

Our business model is centred on the disciplined accumulation of stable and long-dated insurance liabilities; a sophisticated approach to investment, capital and risk management; and an efficient operating model.

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.

€79.4 billion

assets under administration

2.3 million

customers

€4.8 billion

total IFRS equity

1,900

employees

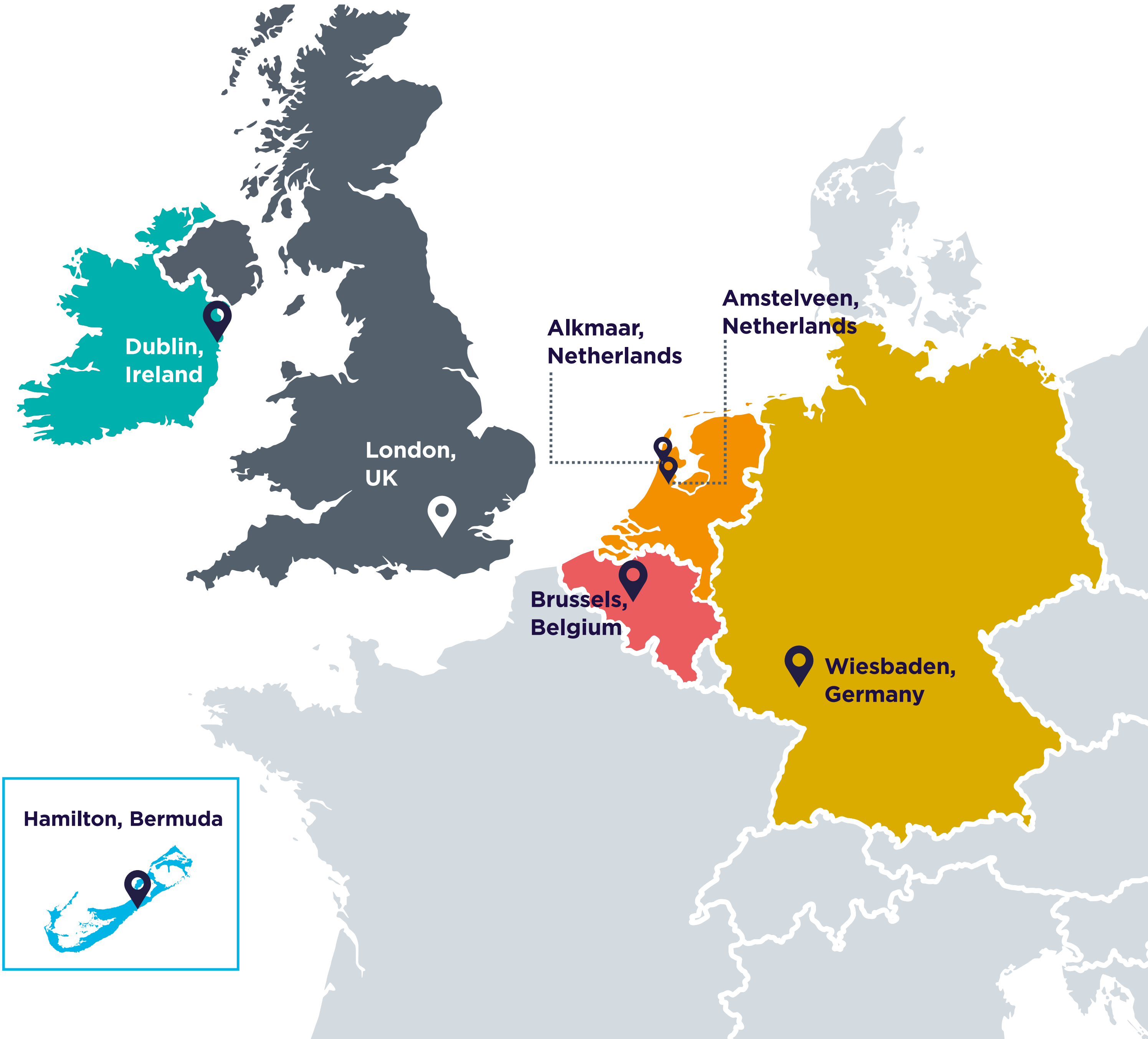
Business units

Our **primary insurance** operations are based in the Netherlands, Belgium and Germany. Following the completion of the acquisition of Amissima Vita, we will also have primary operations in Italy. 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.

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

Our locations

Athora is headquartered in Bermuda with c.1,900 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 and risk structure

Transparency, governance and regulatory discipline; proactive risk culture and robust controls.

Sustainability

Integrated across activities.

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

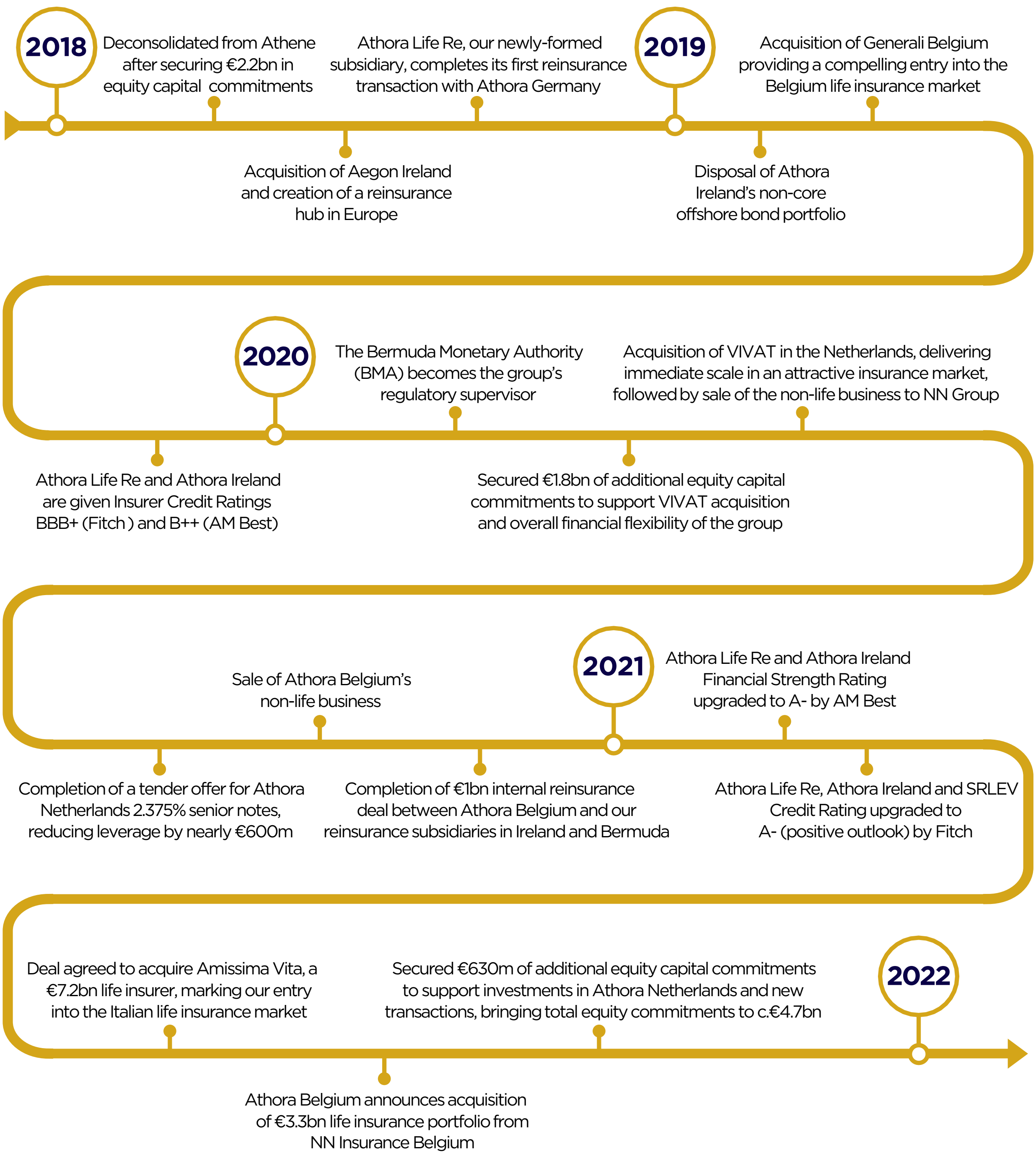
We care about our business, our customers and each other. We welcome and respect diversity of opinion and thought and our collaborative and inclusive workplace ensures we can thrive.

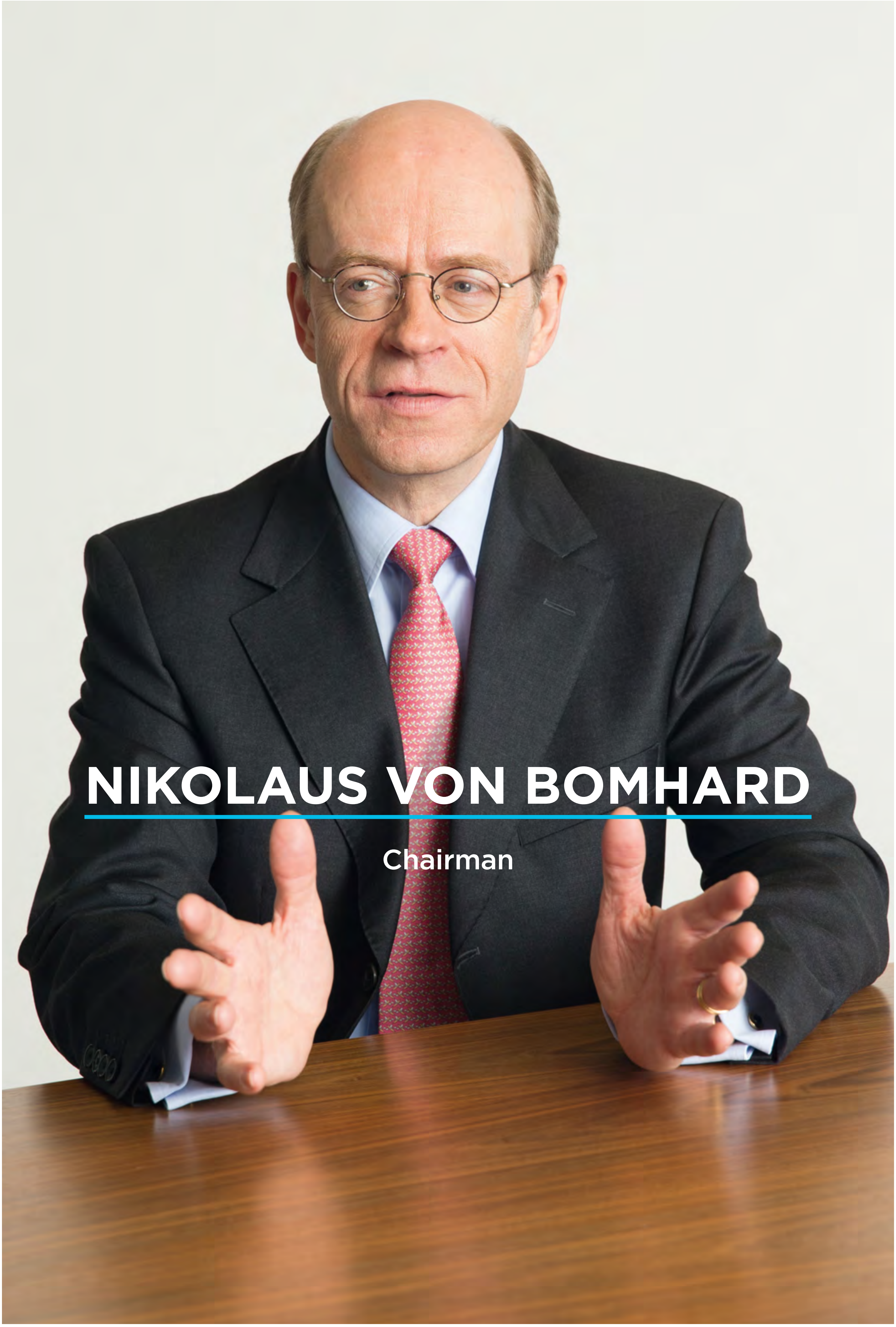
Do the right thing

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 business was originally established in Bermuda in 2014 by US-based Athene Holding Ltd. (Athene) to focus on building an insurance group focused on the European market. Given the size of the potential opportunities in Europe, €2.2 billion in equity capital commitments was secured in 2017 from several global institutional investors and on 1 January 2018 the business was separated from Athene and renamed Athora Holding Ltd. (AHL). Since then we have raised a further €2.5 billion in equity capital commitments, established operations in six countries and formed a credible European insurance group.




NIKOLAUS VON BOMHARD
Chairman

"2021 was a year of continued and steady progress. Our medium-term strategy is now evolving to reflect more focus on execution of our plans, the maturation of our environment and strengthening of our leadership position."

Dear Shareholders,

Athora has established something unique in the European life insurance market given both its clearly-defined business model and strong results. The scale of the market opportunity and Athora's value proposition for all stakeholders mean that Athora is poised to take its place as a significant participant in the European life insurance market. This, combined with the strength of management, employees, support from institutional shareholders and strong results continue to give me confidence that Athora will establish itself as a leading provider of life and pensions insurance and reinsurance solutions in Europe.

To date, Athora has raised c.€4.7 billion of equity capital commitments which underlines the dedication of our institutional shareholders, a diverse group of long-term investors who continue to share our vision for this group.

Highlights

Our last financial year saw the gradual reopening of European economies, aided by effective vaccination campaigns, which supported a strong recovery in economic activity and broader capital markets. During 2020 Athora was able to effectively navigate the challenges posed by the onset of the Covid-19 pandemic, demonstrating the flexibility of our operations in a remote environment and core focus on balance sheet strength. We maintained the same discipline in 2021 during buoyant macroeconomic conditions and will retain the same approach through the periods ahead.

During the year, Athora continued its growth strategy focused on traditional life savings and pension products. A highlight of the year included the announcement of the acquisition of Amissima Vita which provides customers with a broad life insurance offering through its bancassurance partners. We also announced the acquisition of a closed-book individual life portfolio from NN Insurance Belgium representing €3.3 billion of assets under administration. Both of these acquisitions are expected to complete in 2022.

From a financial perspective, Athora continued to demonstrate profitability during 2021. Capital generation was very strong in Athora Germany and Athora Belgium. Athora Netherlands also recorded positive capital generation in the fourth quarter of 2021 for the first time since the full implementation of Solvency II in 2016. These results demonstrate the strength of Athora's business model, comprising strong risk, capital and investment management capabilities and enabling us to deliver competitive returns to our customers, while supporting business unit organic capital generation and future shareholder returns.

Athora continues to work closely with its supervisors across Europe and particularly the Group Supervisor in Bermuda. These relationships provide a strong foundation for Athora's value proposition for its customers. In October 2021 we published a Significant Event Report which revised our FY 2020 group Bermuda Solvency Capital Ratio (BSCR) to 200% after the correction of modelling errors and a higher operational risk capital charge. The revised group BSCR for FY 2020 remains comfortably above Athora's internal risk appetite level and had no impact on the solvency of any group subsidiaries, or the IFRS results of the group or any of its subsidiaries. Since that time, we have undertaken a programme of enhancements and remedial actions to improve our underlying modelling and to mature the control framework. During 2021 Athora participated in two supervisory college meetings. These provided a valuable forum to set out Athora's progress and developments to all our supervisors.

The Board and MEC

There were no changes to the composition of the Board during the year. Regarding the Management Executive Committee (MEC), in April 2021 following the departure of interim group CFO, Tom Stoddard, Anders Malmström was appointed group CFO in May 2021. Anders brings extensive insurance, financial and public market experience to the group and was formerly the CFO of Equitable Holdings, Inc. Philip Proost, group COO, announced his departure in December 2021. Following this, we were pleased to announce the appointment of Stefan Spohr as group COO. Stefan brings extensive transformation and operational experience and has held senior leadership positions at Athora Germany and Athora Netherlands.

Governance and culture

Athora took a number of steps to embed our culture and vision as we align organisational behaviour and day-to-day operations with our strategy and aspirations for our customers, employees, shareholders and other stakeholders. In addition to maintaining active engagement with the Board concerning the performance of all areas of the business, the management team have launched a formal Inclusion, Diversity and Equality (IDE) programme, with an IDE council from across the business to oversee the development of the programme activities. A leadership network (the *I Am Athora Network*) was established to broaden the collective ownership of culture and leadership at Athora—ensuring the 40+ members interact frequently and deeply on matters related to these topics. Both of these initiatives will continue to shape the culture of Athora going forward.

Furthermore, we focused on listening to our employees through surveys and focus groups. In particular, we achieved Smart Working policies in all our locations through a dialogue about what is important to the company and our people —producing what we believe are policies that strengthen the employee experience at Athora.

There is more work to be done to develop the right culture at Athora through improvements in our ways of working, by striving for the right collaboration and behaviours and by offering a fully inclusive environment. What is clear is that we are making progress towards that stronger culture at Athora year by year. 2022 will certainly show further momentum in that direction.

Looking forward

2021 was a year of continued and steady progress. Our medium-term strategy is now evolving to reflect more focus on execution of our plans, maturation of our environment and consolidation of our leadership position. Athora remains focused on disciplined and accretive growth and we continue to see potential for innovative reinsurance and M&A solutions in the European life and pensions market. Value generation is at the heart of what we do and we believe that, by delivering our business model and optimising our core value levers, we will achieve attractive returns for customers and shareholders alike.

Word of thanks

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

Nikolaus von Bomhard
Chairman of the Board of Directors

Ukraine crisis

Sadly, we have seen dramatic changes in the political, social and economic environment in the early months of 2022. At the time of writing this report, the Ukrainian crisis is unfolding and we are witnessing devastating events. Athora has no operations in Ukraine or Russia and no material direct exposure to the current situation through its investment portfolio. The impact on Athora will primarily be seen through any macro-economic volatility and we will continue to closely monitor events so that we continue to deliver for our c.2.3 million customers across Western Europe. The role of insurance companies through these periods is clear—to provide long-term certainty and security to customers, employees and other stakeholders.

MICHELE BAREGGI

Group Chief Executive Officer

"I am pleased with the progress we made in 2021 to consolidate our unique position in the European insurance market and deliver on our business case. We focused on providing security and attractive returns to our customers while continuing to meet the expectations of our investors and other stakeholders."

Over the last twelve months, we have continued to grow, refine and consolidate our business footprint. We have simultaneously delivered good progress on each of our strategic objectives, supporting a clear trajectory of increasing value creation for our stakeholders. Underpinning these efforts has been the continued dedication of our employees, active engagement with our regulators and ongoing support from our investors.

I am pleased to announce that we secured €630 million of new equity commitments over the course of 2021, bringing total committed equity capital to c.€4.7 billion. This additional capital will be used to support continued growth, investments in our business units and the overall financial flexibility of the Athora group. We ended the year with strong increases in solvency capital for most business units, robust group solvency capital and leverage at our medium-term target, having achieved Financial Strength Rating upgrades to A-. This positions Athora extremely well for the next stage of our journey.

Supportive fundamentals

When we made the decision to deconsolidate from Athene, effective 1 January 2018, 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. Over the last four years we have successfully begun to capture this opportunity, accumulating €79.4 billion of assets under administration (AUA) across five jurisdictions, establishing Athora as a leading pan-European life insurer and partner of choice.

We believe that the market opportunity we anticipated five years ago is accelerating and we see a growing number of opportunities to expand within existing jurisdictions and enter new European markets. We firmly believe that our sophisticated approach to investment, risk and capital management—supported by the sourcing capabilities created by our strategic relationship with Apollo—make Athora uniquely positioned to capitalise on the compelling market opportunity in Europe.

Athora's asset performance has been consistently strong throughout periods of market volatility, providing a clear proof of concept for the business model, supporting robust financial results and strong customer outcomes in 2021. We ended the year having delivered investment spreads in excess of target levels outside of the Netherlands, while maintaining tight risk exposures, supported by detailed bottom-up asset origination over recent years. Investment spreads in the Netherlands are now roughly double 2019 levels, resulting in operating capital generation turning positive in the fourth quarter of 2021.

Continuing to grow, refine and strengthen operations

Following the landmark acquisition of Athora Netherlands in April 2020, we have continued to strengthen our European presence in 2021 through a combination of organic and inorganic growth activities.

From an organic perspective, we continue to see strong demand across our various channels —new business (individual and group), pension risk transfer and flow reinsurance—for our suite of products and solutions. Net earned premiums increased by 37% year-on-year supported by a full twelve-month contribution from Athora Netherlands, incremental volumes under a flow reinsurance treaty in Ireland and strong pension risk transfer activity in the Netherlands. During the year Athora Netherlands completed three pension buy-outs, representing c.€630 million of premiums, including a landmark €455m transaction with pension fund Atradius, the largest scheme transferred in the Netherlands during 2021.

Inorganic activity in the year comprised two M&A transactions, representing c.€10.5 billion of combined AUA. In September, we announced the acquisition of Amissima Vita in Italy, a €7.2 billion life insurer, which will allow us to play a key role in meeting the demand for guaranteed savings products in one of Europe's largest insurance markets. Additionally, the planned €3.3 billion portfolio acquisition from NN Insurance Belgium, announced in November, will allow us to build a top-10 position in the life market by reserves, consistent with our strategy to build strong market positions in our primary locations.

In keeping with our disciplined and focused business model, we have simultaneously continued to refine our business footprint. The sale of a closed-book variable annuity portfolio in Ireland to Monument Re allows Athora Ireland to focus on developing our growing pan-European reinsurance business in collaboration with Athora Life Re. Similarly, the announced disposal of ACTIAM in the Netherlands to Cardano Group, including a long-term strategic partnership covering the management of Athora Netherlands' unit-linked portfolio, will facilitate a simplification of the operations and allow the investment office to focus on further repositioning of the general account portfolio. These actions follow successive disposals of non-life portfolios in both the Netherlands and Belgium during 2020, allowing Athora to entirely focus efforts on life savings products.

Throughout our growth and the evolution of our business operations, we have continued to ensure that our customers and employees remain at the heart of what we do. We exist as a business to serve our customers and we take pride in achieving high customer satisfaction through delivery of suitable products and service. Moreover, we recognise that our employees have made enormous sacrifices to deliver strong business performance in 2021, amidst the challenges posed by the Covid-19 pandemic and shift in way of working. We continued to work with our employees to ensure that they are supported throughout this difficult time.

Robust business performance

From an operating perspective, our focus during the year has remained on further refining the investment portfolio of each of our operating entities, disciplined operating expense management combined with investments in our infrastructure and controls, underpinned by our core focus on strong risk and capital management.

A key financial highlight of the year was the upgrade in the Financial Strength Ratings of our core operating entities to A- by both Fitch (Positive Outlook) and AM Best. This is a strong endorsement of the proactive actions taken to reduce leverage since acquiring Athora Netherlands, in addition to robust operating performance and strong capitalisation of the group and our business units.

The Netherlands

Following the 2020 acquisition, Athora Netherlands has materially refocused its business model and strategy, most notably through the disposal of its non-life operations to NN Group in 2020 and third-party asset manager (ACTIAM) to Cardano Group in 2022. Athora Netherlands is now wholly focused on its core business lines and demonstrated its leadership in the Netherlands' pension market during 2021, completing three pension buy-outs and increasing customer retention to an all-time high of 91.3%.

During the year we welcomed several new members to the Supervisory and Executive Boards of Athora Netherlands, including a new chairman, CEO, CFO (interim) and Chief Capital & Investment Officer. Under new leadership, Athora Netherlands has refined and enhanced the strategic ambitions outlined in 2020: enhanced investment returns, disciplined growth in pensions and increased operating efficiency. In December, we decided to invest €325m of additional capital to accelerate delivery of Athora Netherlands' strategic and financial objectives.

Since acquisition, Athora Netherlands has delivered a c.40bps increase in investment spreads and effectively managed costs through business disposals. Supported by a very strong year-end solvency position of 180%, Athora Netherlands is now well placed to accelerate its business performance, underpinned by the continued repositioning of the asset portfolio, and drive higher capital generation.

Belgium

Athora Belgium, acquired from Generali in 2019, has also delivered significant improvements in key performance drivers under Athora ownership. The business footprint has also been refocused on life and pension insurance through a disposal of the non-life business in 2020 and new guaranteed product launches. Since acquisition, investment returns have increased by c.150bps, unit costs have reduced by c.15bps, customer complaints have decreased by over 50% and regulatory capital has increased by c.40%.

We have been able to share the benefits of strong financial performance with our customers through competitive profit sharing, while simultaneously increasing the Solvency II coverage ratio to 184% (compared to c.165% at the point of acquisition). Athora Belgium paid a dividend to group during 2021 and will fund the announced €3.3bn portfolio acquisition, expected to close in 2022, through retained surplus capital generated under Athora ownership.

Germany

Athora Germany, our most mature business unit, continues to provide an excellent example of what the Athora business model can achieve. Since 2015, when Athene acquired the business from Delta Lloyd, we have increased investment returns by c.100bps, reduced unit costs by c.40bp, decreased customer complaints by over 50% and more than doubled regulatory capital. The Solvency II coverage ratio for this business at the end of 2021 was 170% excluding transitional measures (289% including transitional measures).

The culmination of these actions has supported an increase in total policyholder investment returns from 0% in 2015 to 4% (current plus terminal bonus) in 2021, while simultaneously increasing the level of surplus policyholder reserves by 111%. Athora Germany's Solvency II ratio excluding transitional measures now stands at c.170% (vs. c.20% in 2016) and the company is in a position to consider paying dividends.

Reinsurance

Our reinsurance business, which comprises carriers in both Bermuda and Ireland, continues to focus on supporting internal capital management and growing third-party transactions. In Belgium and Germany, we have worked closely with key stakeholders to establish three internal reinsurance structures. Having closed our first external reinsurance transaction with a leading insurer in Ireland in 2020, we have increased volumes as part of the Flow Reinsurance treaty during 2021.

We continue to enhance Athora's credibility as a reinsurance counterparty, aided by our A- credit rating, and will selectively execute on our growing third-party pipeline. Moreover, our reinsurance activities continue to provide significant strategic value in supporting effective capital management for Athora's in-force portfolios and new transactions.

Outlook

In 2022 we will continue to focus on implementing the key elements of our business model, building on the very good results that we have achieved to date to realise our full potential, while delivering increased value to our stakeholders and maturing our operations and controls. We will also focus on integrating our latest acquisitions: as with prior transactions, we have allocated dedicated resources to manage the integration of the announced acquisitions in Belgium and Italy, which are both expected to close in 2022, to be able to ensure a very smooth transition into Athora for both our new policyholders and employees.

I am convinced that Athora is uniquely positioned to meet the needs of our customers in the European life insurance market while delivering value to our investors and other stakeholders. We recognise that achieving our goals requires focus, commitment and diligence, which I am confident that our teams will deliver. We continue to invest in our employees, capabilities, governance and controls, to allow us to grow sustainably, optimise our capital and risk budget, earn strong investment returns, and operate effectively.

Amidst an uncertain political and economic environment in 2022, we will continue to focus on our mission—to bring more value to customers in fulfilling their long-term insurance needs—and to navigate our business through periods of market volatility to deliver increased value creation and stability for our stakeholders over the long term. As we focus on continuing our journey into 2022, we will pay increasing attention to our sustainability efforts. We continue to review our role as an insurer, a corporate citizen, an employer and an investor, and identify ways in which we can make a positive impact through our activities.

Michele Bereggi
Chief Executive Officer

BUSINESS MODEL AND STRATEGY

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

As a specialised and focused 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 stakeholders, allowing us to achieve a balance that results in a strong, sustainable franchise.

Our business

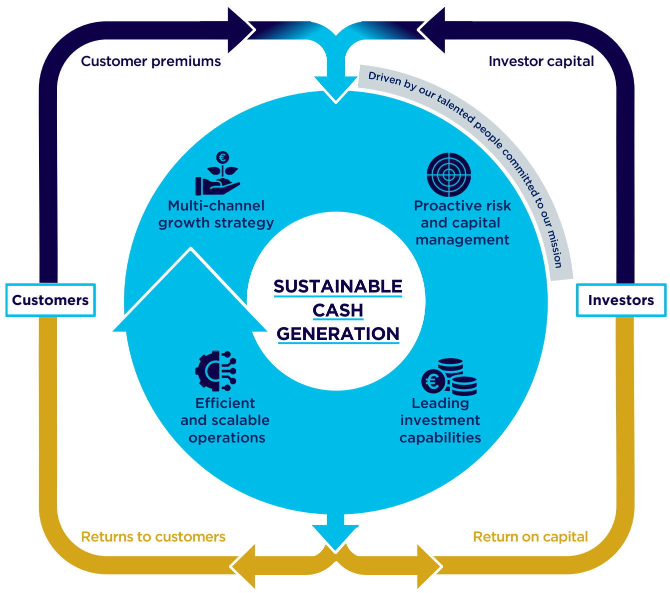
Athora is a leading operator in the European guaranteed life and pensions market. We operate through primary insurance businesses in the Netherlands, Belgium and Germany, and reinsurance operations in Bermuda and Ireland.

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. For shareholders, we believe that these products, if underwritten and managed well, continue to offer attractive margins.

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

Our business model

Athora has a multi-channel growth strategy, creating an ability to originate stable and long-term liabilities at attractive rates. Through sophisticated investment, capital and risk management, we aim to earn attractive investment returns relative to the capital required. With these investment returns, we aim to deliver on our promise to bring more value to our customers, cover our operating and financing costs, and deliver growing cashflows from our business units.



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.

Progress in 2021

- On 23 September, we announced the acquisition of Amissima Vita, marking Athora's first step into the Italian insurance market, Europe's third largest. The transaction is expected to complete in 2022, subject to regulatory approvals.
- On 1 November, Athora Netherlands closed a pension buyout with Pensioenfonds Atradius Nederland. The buyout involved over 1,400 members and invested pension capital amounting to €455 million. This was the third pension risk transfer completed by Athora Netherlands since acquisition.
- On 8 November, we agreed to acquire a €3.3 billion closed-book life insurance portfolio from NN Insurance Belgium. The transaction is expected to close by 2022, subject to receipt of requisite regulatory approvals, and will strengthen Athora's market position to top-10 in Belgium by reserves.

Proactive risk and capital management

Our business model is underpinned by proactive risk and capital management. We are prudent in our management of capital, leverage and liquidity across all economic conditions. We invest significant financial and human resources in building these capabilities across all of our businesses to ensure that we are resilient and maintain our financial strength. During 2021 we achieved an A- credit rating; we seek to maintain an A rating with our credit rating agencies.

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

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

Progress in 2021

- Increase in solvency capital ratio for most subsidiaries. All are capitalised above target levels.
- Achieved credit rating upgrades to ‘A-’ from both AM Best and Fitch, with a positive outlook from Fitch.
- Successfully issued a Tier 2 instrument from Athora Netherlands with a fixed rate coupon of 2.25% in order to refinance a legacy instrument with a fixed rate coupon of 9%.
- Secured a €500 million unsecured revolving credit facility from a syndicate of banks.
- Secured additional equity capital commitments of over €630 million to support investment in Athora Netherlands and new transactions, bringing total equity commitments to €4.7 billion.

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 returns that our customers desire, and sustainable returns for our shareholders, who have entrusted us with their investments.

Our differentiated investment strategy benefits from our strategic relationship with Apollo. The full suite of services Apollo provides for our investment portfolio includes direct investment management, asset allocation, M&A asset diligence and certain operational support services, including investment compliance, tax, 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 only credit risk. This means we invest in assets that we believe generate better value due to the way they are structured, without compromising on credit quality.

Progress in 2021

- Target investment returns exceeded in Belgium, Germany, Ireland and Athora Life Re (Bermuda), with an ongoing focus on portfolio optimisation.
- Continued rotation of the asset portfolio in the Netherlands leading to improved risk adjusted investment returns. Operating capital generation was positive in 2021.

Efficient and scalable operations

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

As part of our transformation programme, we will combine cost management with investment in technology 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.

Progress in 2021

- Reduced operating expenses compared to previous year across our business units and the group, continuing the favourable trend.
- Developed two-year operating plan to increase process maturity, further strengthen operational controls and achieve our efficiency ambitions.
- Customer satisfaction trending upward across business units.

A closer look at our investment strategy

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

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

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

Duration matching assets: We implement a liability-driven asset strategy to invest in assets which meet our liability cashflow profiles, while minimising exposure to market risk and protecting the capital position against volatility in the valuation of liabilities. This results in a high-quality allocation and low appetite for risk. Approximately 75% of our asset portfolio is invested in duration matching assets.

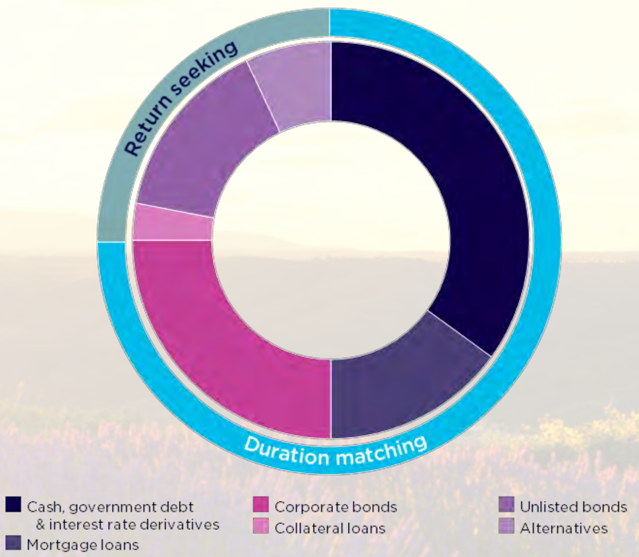
Our portfolio comprises:

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

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

Of the total value invested in return seeking assets, about 70% of the portfolio focuses on privately originated fixed-income assets with the allocation diversified across different sub-strategies and types of collateral. The remaining 30% is allocated to alternatives, including real estate assets, with a focus on

Illustrative strategic asset allocation



cash-generating and downside-protected investments. The Strategic Asset Allocation has no appetite for public equity and structured credit instruments.

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

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

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

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

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

Strategy monitoring: We believe that effective monitoring is a key element of a successful investment strategy. The performance of each investment category versus our strategic objective is monitored monthly. We monitor key risk and solvency capital metrics, actual asset allocation versus target allocation, impact of solvency capital stress testing and detailed asset performance.

Liquidity, performance and positioning of the duration matching assets are reported on a weekly basis and are monitored daily.

OUR BUSINESSES

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

Primary insurance

- **Athora Netherlands**
  Pensions, traditional life insurance
- **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. In September 2021 we agreed to acquire Amissima Vita, an insurance business based in Italy. This sale will complete in 2022 once regulatory approvals have been received.

Athora Netherlands

Overview and strategy

Athora Netherlands joined the group in April 2020 with operations in the cities of Alkmaar and Amstelveen in the Netherlands and c.1,400 employees. We hold a strong position in the Dutch life insurance market, offering pension, savings and life insurance products through our two brands Zwitserleven and Reaal. The Zwitserleven brand marked its 120 year anniversary in 2021, having being established in 1901.

Our business is regulated by the Dutch Central Bank and the Dutch Authority for Financial Markets and is subject to the large company regime.

We focus on offering our c.2 million customers simple and comprehensive products, with a focus on ensuring the choices we make today have an important impact on the protection of our customers' future income. At 31 December 2021, our assets under administration (AUA) were €64.1 billion.

Through the delivery of our strategy we aim to achieve our purpose of being a sustainable partner to our customers for life, enabling them to build wealth for tomorrow. Our strategy is driven through four key pillars:

- a simple, complete and coherent portfolio of customer solutions,
- an effective and efficient operating model and organisational structure,
- strong investment capabilities and
- strong sustainability capabilities and governance.

During 2021 we made good progress in further simplifying the organisation and increasing our focus on pension solutions through the successful sale of ACTIAM to Cardano Group. As part of this transaction, we have entered into a long-term strategic partnership with Cardano, in which they will provide asset management services to our unit-linked business. The transaction follows the transfer of the own account investments from ACTIAM to our in-house investment office in mid-2021. Athora Netherlands was voted the most sustainable insurance company in the Netherlands, demonstrating our commitment to building strong sustainability capabilities.

Operational highlights

During the year we made improvements in serving our customers and distribution partners. We enhanced our customer portals, allowing customers to access information about their policies and available investments directly and make changes to their data online. This has reduced the level of service requests and enquiries received. We also launched the Zwitserleven app in February, which gives customers a single view of their pension details and allows them to manage their products via a mobile device.

We also implemented new software to support our distribution partners, allowing them to quickly make and send quotes to their customers digitally.

We continued to demonstrate strong financial delivery in 2021. We achieved the highest-ever renewal rate of 91.6% in corporate pensions and we secured a record inflow of more than € 500 million in annuities premiums. We also executed the transfer of the Atradius pension fund entitlements and rights to Zwitserleven. We expect more pension funds to consider an insured solution in the future and strongly believe that our business is very well positioned to play an important role in this development.

Our capital position remained with a Solvency II capital ratio of 180% at 31 December 2021, despite volatile capital markets during the year.

Market context, challenges and outlook

During 2021 we continued to navigate our business through the challenges presented by the Covid-19 pandemic. We continued to support our customers, suppliers and employees through ensuring services and payments continued as normal. We also actively informed our customers on premium deferral options and tailored payment plans available and assisted them in navigating the support options provided by the government.

During December 2021 Athora group invested a further €325 million in our business through a combination of debt and equity instruments. This capital injection boosted our solvency capital ratio and will also allow us to continue the repositioning of our investment portfolio towards higher yielding assets, with a better balance between risk and reward contributing to a further improvement of our operating capital generation. The repositioning of investments has already supported positive capital generation in 2021 and we expect the upward trend in capital generation to continue.

Global capital markets continue to be volatile into 2022, we will continue to focus on managing our investment spreads, ensuring we invest in high quality assets and running our operations effectively to service our customers and support our distribution partners.

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 insurance market and provide a range of specialised life insurance solutions to retail and corporate clients through a network of over 500 independent brokers. Our product offering includes single and recurring premium savings, pensions and unit-linked life products. At the year end, assets under administration (AUA) amounted to €7.9 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 c.170,000 customers by providing product solutions that meet their needs and expectations, supported by an efficient and agile organisation and digital innovation.

During 2021, we announced the intention to acquire a closed-book life insurance portfolio from NN Insurance Belgium. This transaction will increase our assets under administration to €10.6 billion (on a pro forma basis). We are currently negotiating a smooth transition of the portfolio, including 26 employees. The transaction is expected to complete during the course of 2022.

Operational highlights

During the Covid-19 pandemic, looking after our customers and our employees 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.

Our customers and brokers have continued to benefit from a high level of service, as evidenced by our net promoter score being above our target, at 13.8. The satisfaction of our employees is measured on a regular basis with a participation rate above 50%.

During the year we continued to integrate the business into the Athora group, including the integration of our IT systems.

During this challenging period we successfully launched six new funds in our unit-linked range, hosted several virtual partner meetings and won one sector award (best unit-linked fund High Risk).

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 secure growth in a shrinking market and we improved our overall market share from 3% to 4.2% (and to 8.6% in the unit-linked segment). This represents an increase of €130 million (+25.6%) in premiums compared to 2020.

Aided by successful new product launches and competitive profit sharing, the business has been able to grow market share in 2021 and is committed to delivering further, profitable growth over the coming years. From an operational perspective, Athora Belgium has finalised its integration into the group from its previous owner's systems and is now engaged in its transformation as a pure life insurance provider after the carve-out of the non-life business. In addition, the business will continue to optimise its asset portfolio and its strategic asset allocation.

Athora Germany

Overview and strategy

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.180,000 customers. At 31 December 2021, our assets under administration were €5.8 billion.

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

Utilising 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 to see positive operating capital generation as this business runs off, and seek to enhance the quantum generated through efficient management of the business and improving investment returns. The solvency capital ratio for this business is now above target levels. 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. Therefore, we optimise our operating model on a permanent basis to deliver highly efficient processes and an organization which allows us to adapt our business to changing requirements.

A portfolio of strong internal and external strategic partners supports us in achieving these goals by establishing shared services and strong local capabilities.

Operational highlights

The Covid-19 pandemic continued to challenge us in 2021, however we were able to improve on our processes and collaboration in the context of remote working and we saw the commitment of our employees increase. We noted a strong reduction in the customer complaint rate in comparison to the previous year, and we managed to increase customer satisfaction by improving the telephone reachability and turnaround times.

The sustainable, operating capital generation through investment activity has enabled us to meaningfully increase profit participation to its policyholders in recent years. Also, for 2022 the surplus participation rate for life policies will be kept at 4.0%. This is among the highest profit sharing rates in Germany and well above the market average.

Market context, challenges and outlook

The low interest rate environment continued to impact the life insurance industry in 2021. Impacted life insurers had to increases their allocations to the ZinszuSatzreserve (ZZR) additional interest reserve in 2021. As a result the average industry declarations of surplus participation for 2022 fell, as in the previous year. In Germany bonus participation rates are declared in advance, at the start of the year.

The target for 2022 for Athora Germany is to maintain the high level of returns for the policyholders on the basis of sustainable and positive investment performance while further improving our solvency position and ongoing reduction of expenses.

Athora Germany remains committed to the efficient management of its in-force portfolio by creating a scalable and flexible organisation and concentrating on value-adding processes, ensuring expenses are managed carefully and capital is managed efficiently. We remain committed to servicing our existing customers on an outstanding level and will continue to strategically assess growth opportunities (including reinsurance) in the German life market.

Our ongoing challenge will be to realise our ambition for growth while at the same time managing the reduction of our portfolio. This requires a combination of cost-efficient portfolio administration and competitive growth strategy and processes. Therefore, we focus on the initiatives implementing the shared service and partnerships models which support our ability to scale. This also includes the promotion of capabilities and skills of our workforce.

We also continue to closely monitor and assess risks that may impact on our financial and operational performance, 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** section of this report.

Reinsurance

Athora Life Re and Athora Ireland

Overview and strategy

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

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

At 31 December 2021, our reinsurance business had assets under administration of €1.9 billion.

During 2021 both reinsurance carriers have had their ratings upgraded, by AM Best to A- in March, and by Fitch to A- with positive outlook in May.

In March 2021, we announced the sale of Athora Ireland's variable annuity portfolio to Monument Life Re. The portfolio represents approximately €1 billion of assets under administration for about 13,000 customers who are predominantly in the United Kingdom. The portfolio has been in run-off since 2017. The transaction closed at the end of 2021, allowing Athora Ireland to focus on further developing our growing reinsurance business.

Operational highlights

During 2021 we signed more reinsurance tranches in the Irish pension risk transfer market, aligned to our strategic growth priority.

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 2021. 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 2021. Spread volatility and low interest rates presented some challenges in pricing during 2021. However Athora has continued to build a pipeline, bolstered by strong relationships that have been built across a number of European insurance groups.

ANDERS MALMSTRÖM

Group Chief Financial Officer

"I am pleased with the strong financial results the group has delivered for 2021. We made significant strides in enhancing the capital structure of our group. This is evidenced in the reduction in our leverage ratio to 25%, just below our medium-term target, the increase in our credit rating to within our target range and the increase in our equity to nearly €5 billion. We are well placed to drive future earnings from this strong base."

Overview

During 2021, Athora consolidated its group structure following the acquisition of Athora Netherlands in 2020. Further divestment of non-core product lines and businesses took place, and in Q4, two future acquisitions were announced as part of the group's growth strategy of adding to its portfolio of companies.

Financial statement impact of acquisitions and disposals

In February 2021, we announced the disposal of our Irish variable annuity business to Monument Re. This transaction completed on 31 December 2021 and accordingly all of the associated assets and liabilities have been derecognised from the balance sheet. A loss on disposal of €16 million after tax was recognised in the income statement.

In October 2021, Athora Netherlands announced that it had reached an agreement to sell its asset manager ACTIAM to Cardano Group. This transaction completed in early January 2022, and consequently all of the assets, liabilities, income and expenses have been classified as discontinued operations in the 2021 financial statements of Athora. The group recognised a loss on disposal of €31 million in the income statement in relation to this transaction.

Financing and capital structure activity

In February 2021, Athora 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. At 31 December 2021, no amounts had been drawn down from the facility.

In December 2021, Athora completed a capital call, securing €630 million of new committed capital, from which €360 million was drawn. This resulted in the issuance of new shares for a total consideration of €360 million (€210 million of Class A and B common shares and €150 million of preference shares). Of this, €325 million was provided to Athora Netherlands by way of additional investment in share capital (€275 million), and subordinated debt (€50 million). These funds will be used to accelerate the asset repositioning in this business.

Asset allocation

During the year we made significant progress in the transition towards the Strategic Asset Allocation (SAA) in Athora Netherlands, where we focused on rotating a greater proportion of the balance sheet into return seeking assets to support capital generation. In our Belgium and Germany businesses we focused on optimising the portfolios to enhance capital efficiency. For all balance sheets, favourable conditions persisted for new asset deployment with risk-return dynamics in private markets remaining attractive. 2021 deployment in return seeking assets was achieved above SAA target spread levels, without compromising on asset quality.

On a consolidated basis, the group asset allocation at FY 2021 remains overweight on liquid investments versus the SAA target, primarily due to the current investment portfolio at Athora Netherlands compared to the long-term target asset allocation.

From a business unit perspective in Germany and Belgium, where the implementation of the investment strategy has reached a more mature stage, balance sheet spreads at the end of December 2021 were meaningfully above SAA target levels in both jurisdictions.

In the Netherlands, balance sheet spreads at the end of December 2021 were c.40bps higher than at the point of acquisition.

In the reinsurance entities, a further ramp-up in asset allocation for the existing portfolios has driven balance sheet spreads above SAA target levels, most notably due to the deployments of new assets pursuant to the third-party reinsurance executed in Ireland and internal reinsurance with Athora Belgium.

Financial highlights

Our 2021 results reflect the impact of consolidating Athora Netherlands for the full financial year compared to 2020 where this business was consolidated for the nine months following its acquisition in April 2020.

Financial highlights	2021 €m	2020 €m
Net earned premiums	2,150	1,565
Assets under administration (AUA)	79,403	81,958[1]
Investment income (excluding derivatives)	1,300	1,035
Expenses	(721)	(671)
Profit before tax for the year from continuing operations	428	709[2]
IFRS equity	4,815	4,254
Financial leverage ratio	25%	26%
Operating capital generation (OCG)	272	53
Regulatory solvency	187%[3]	200%[4]

1 On 31 December 2021, Athora Ireland (included in Reinsurance) sold its Variable Annuity (VA) portfolio. The comparatives for 2020 have been re-presented to remove the VA assets associated with this portfolio (€1.3 billion).
2 The 2020 comparatives have been re-presented from those previously published to reclassify certain operations as discontinued operations.
3 Estimated figure.
4 Following the publication of a "Significant Event Report" dated 6 October 2021, comparative figures for the year ended 31 December 2020 have been updated accordingly.

Net earned premiums

Net earned premiums increased by 37%, mainly as a result of the timing of the acquisition of Athora Netherlands (2021 includes twelve months of premiums from this business versus nine months in 2020) and the impact of three pension risk transfer transactions completed during the year by Athora Netherlands.

In the Netherlands, there was a continued shift in product mix, with lower individual life premiums and a shift away from traditional pension products and towards the Zwitserleven branded products. In addition, Athora Netherlands completed three pension risk transfer transactions (totalling €630m) including a landmark €455m arrangement with pension fund Atradius in November 2021. In Belgium, there has been a reduction in group life business in line with the run-off of the book and, in addition, a general decrease in individual life guaranteed business, this has been offset by an increase in unit-linked single premium business. In Germany, net earned premiums are down 10% on 2020, reflecting the run-off nature of the closed book.

Assets under administration

Assets under administration (AUA) decreased to €79.4 billion at 31 December 2021 (2020: €82 billion), of which 75% (2020: 77%) relates to general account assets.

Assets under administration by business unit	2021 €m	2020 €m
Netherlands	64,101	66,171
Belgium	7,933	7,789
Germany	5,821	6,223
Reinsurance	1,929	1,957[1]
Corporate centre & eliminations[2]	(381)	(182)
Assets under administration	**79,403**	**81,958**

1 On 31 December 2021, Athora Ireland (included in Reinsurance) sold its Variable Annuity (VA) portfolio. The comparatives for 2020 have been re-presented to remove the VA assets associated with this portfolio (€1.3 billion).
2 Includes centrally held cash and the elimination of intra group instruments such as reinsurance receivables.

The decrease in AUA is largely due to the impact of rising interest rates and an upward shift in the euro swap yield curve. This was mostly offset by the increase in assets arising from new business and unrealised gains on investments attributable to policyholders and third parties. The overall fall in assets is matched by a corresponding fall in insurance and other liability values, impacted by the same factors.

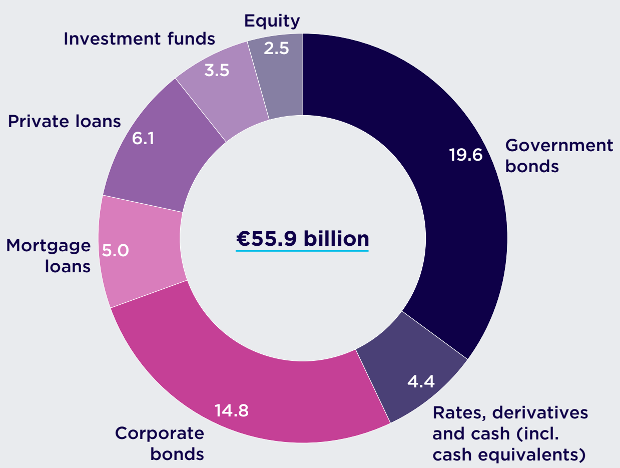
Reconciliation to total assets	2021 €m	2020 €m
Assets under administration	79,403	81,958[1]
Other assets and receivables	1,246	2,190
Deferred tax	587	678
Assets related to sale of VA portfolio in Reinsurance	-	1,251
Other items	255	384
Total assets	**81,491**	**86,461**

1 On 31 December 2021, Athora Ireland (included in Reinsurance) sold its Variable Annuity (VA) portfolio. The comparatives for 2020 have been re-presented to remove the VA assets associated with this portfolio (€1.3 billion).

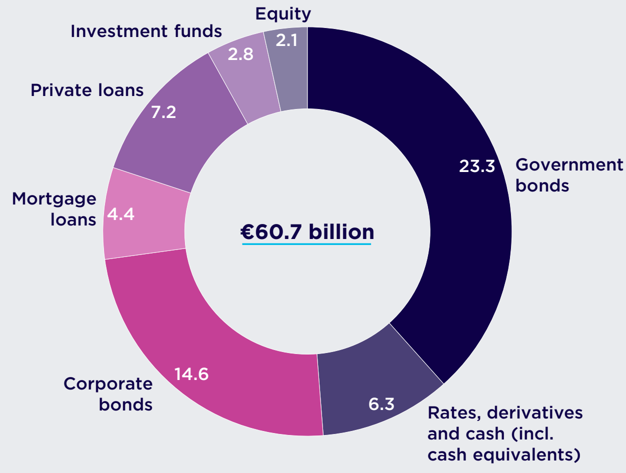
Assets under administration comprises	2021 €m	2020 €m[1]
Investment properties	1,994	1,331
Financial assets	55,935	60,679
Cash and cash equivalents	1,077	1,229
Loans due from banks	390	773
General account assets	**59,396**	**64,012**
Investments attributable to policyholders and third parties (includes unit-linked assets)	20,007	17,946
Assets under administration	**79,403**	**81,958**

1 On 31 December 2021, Athora Ireland (included in Reinsurance) sold its Variable Annuity (VA) portfolio. The comparatives for 2020 have been re-presented to remove the VA assets associated with this portfolio (€1.3 billion).

Financial asset categories
As at 31 December 2021



Financial asset categories[1]
As at 31 December 2020

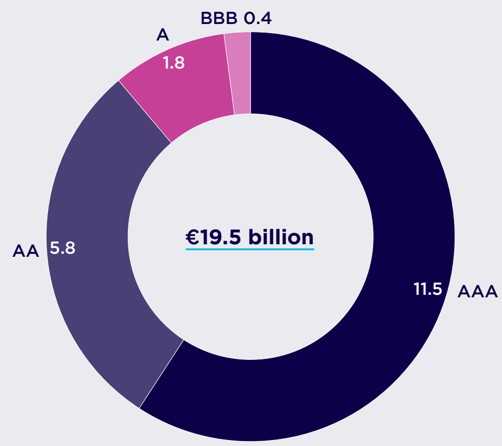


1 On 31 December 2021, Athora Ireland (included in Reinsurance) sold its Variable Annuity (VA) portfolio. The comparatives for 2020 have been re-presented to remove the VA assets associated with this portfolio (€1.3 billion).

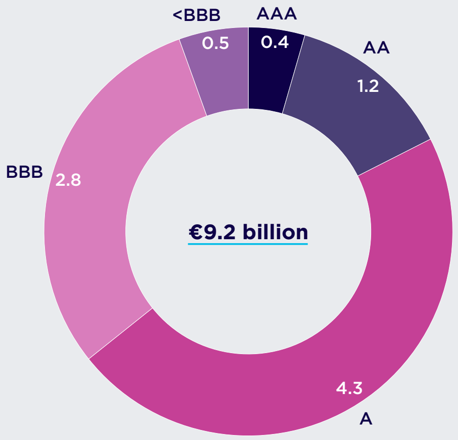
This includes €19.5 billion (2020: €24 billion) relating to government bonds and €9.2 billion (2020: €12 billion) relating to traded corporate debt securities, a sub category of corporate bonds.

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

Credit ratings—government bonds
As at 31 December 2021



Credit ratings—traded corporate bonds
As at 31 December 2021



The quality of our debt portfolio remains very high, as illustrated above. At 31 December 2021, 100% (2020: 99.8%) of government debt securities and 94.5% (2020: 95.3%) of traded corporate debt securities are rated as investment grade (BBB rating or better).

Exposure to the private credit portfolio has increased which will give the opportunity to strengthen future asset returns.

Investment Income

Investment income (excluding derivatives) increased to €1,300 million (2020: €1,035 million) reflecting increased gains in the investment property portfolio, more favourable exchange movements, and increased interest income as interest rates and the size of the credit asset portfolio increased. The 2021 investment income also reflects the full year impact of Athora Netherlands, compared to nine months in 2020. These positive impacts were partially offset by lower returns on the fixed income portfolio.

Investment income (excluding derivatives) comprises the following categories:

Category	2021 €m	2020 €m
Interest, dividend and rental income	553	490
Realised revaluations	361	713
Unrealised revaluations	386	(168)
Investment income (excluding derivatives)	**1,300**	**1,035**

The result from derivatives was a loss of €(2,049) million (2020: €1,206 million gain), mainly reflecting the impact of rising interest rates on the values of derivatives used for duration matching purposes. Derivatives are used by the group to hedge solvency capital and for risk management purposes. The change in the valuation of this derivative portfolio is largely offset by the movement in the related insurance provisions.

Total investment income for 2021 was therefore €(749) million (2020: €2,241 million). Further detail is included in note 28 to the financial statements.

Expenses

A key pillar of our strategy is operating with competitive costs and service levels, while providing great customer service. Our multi-year transformation programme, which 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.

Other expenses were €721 million (2020: €672 million). The 2021 expense figures include 12 months of operating expenses for Athora Netherlands, compared to nine months in the prior year, but the overall group run-rate shows a decline reflecting the impact of cost savings initiatives during the year. 2020 also included €54m of impairments made to the value of certain assets in our available for sale portfolio, whereas there were only €19 million of such impairments in 2021. Expense management will continue to be a key focus area for the group in 2022 and beyond.

Profit before tax for the year from continuing operations

	2021 €m	2020 €m[1]
Profit before taxes	428	709
Taxation charge	(223)	(94)
Profit for the year from continuing operations	205	615
(Loss)/profit after tax from discontinued operations	(47)	41
Other comprehensive income/(expense)	(11)	(49)
Total comprehensive income for the year	**147**	**607**

1 The 2020 comparatives have been re-presented from those previously published to reclassify certain operations as discontinued operations

In 2021, the group generated a profit before tax of €428 million (2020: €709 million) from continuing operations. Compared to 2020, the reduction in profit is primarily attributable to the non-recurrence of the one-off gain on acquisition of Athora Netherlands of €213 million recognised in 2020. The 2021 results also reflect the full year results of Athora Netherlands, compared to 9 months in 2020.

The tax charge of €223 million (2020: €94 million) in 2021 represents an effective tax rate of 52%. This reflects expenses incurred across the group which are not tax-deductible, together with the write-down of a deferred tax asset in the Netherlands following an annual assessment of its recoverability.

As noted above, during 2021 Athora announced the disposal of ACTIAM in the Netherlands, and completed the disposal of the variable annuity business in Ireland. Both operations were considered to be non-core, and a total loss after tax of €47 million was recognised on disposal. In addition, other comprehensive income of €12 million was recognised in 2021, representing primarily gains on available-for-sale assets and shadow accounting, offset by the impacts of cash flow hedge accounting.

Financial leverage[1]

	2021 €m	2020 €m
Subordinated debt	898	803
Senior debt	700	695
Total Borrowings	1,598	1,498
Financial leverage ratio	**25%**	**26%**

At year end, our financial leverage was 25% (2020: 26%), in line with our medium-term target. This is toward the lower end of the ‘A’ rating leverage corridor for our rating agencies.

The improvement in our financial leverage during 2021 primarily reflects our IFRS profits for the year and the additional capital issuance, more than offsetting the impact of a €100m increase in borrowings during 2021.

Interest expense on borrowings decreased marginally to €86 million (2020: €89 million), with the impact of incurring a full year of interest on a €500 million five year floating senior debt instrument signed in March 2020 being more than offset by a reduction in the interest expense due to the redemption of the outstanding €250 million Athora Netherlands subordinated bonds in March 2021.

The group also incurs interest expenses on various operating liabilities, such as repurchase agreements and lease liabilities, bringing total interest expense to €111 million (2020: €105 million). Further detail is set out in note 34 to the financial statements.

During 2021, Fitch upgraded the ratings of Athora’s subsidiaries (Athora Ireland, Athora Life Re and SRLEV) from BBB+ to A-. The ratings of Athora Holding Ltd. (AHL) and Athora Netherlands were upgraded from BBB to BBB+. The rating outlook of Athora and its subsidiaries is Positive. Additionally, AM Best upgraded the ratings of Athora Life Re and Athora Ireland to A- (Stable) from B+ + (Stable).

Athora achieved its target of ‘A’ range ratings in 2021.

1 Financial Leverage is defined consistent with the Fitch Ratings methodology. The ratio is calculated as Debt over Debt + Equity. Debt includes Senior and Tier 2 Debt. Equity includes Common Shareholders’ Equity, Preferred Shares and Restricted Tier 1 Debt. All non-Common Equity items are accounted for at their notional values and where applicable, adjustments for the FX rate at the end of the period are made.

Legal entity ratings[1]	Fitch	AM Best
Athora Holding Ltd.	BBB+	n/a
Athora Netherlands N.V	BBB+	n/a
Athora Ireland plc	A-	A-
Athora Life Re Ltd	A-	A-
SRLEV N.V	A-	n/a

1 Financial Strength Ratings

Operating capital generation

OCG by business unit[1]	2021 €m	2020 €m[2]
Netherlands	76	(103)
Belgium	116	117
Germany	80	39
Group	**272**	**53**

1 OCG is defined as the expected carry on investments, less the cost of liabilities and includes the Ultimate Forward Rate (UFR) drag, expense variances, SCR and Risk Margin unwind and new business. It excludes UFR stepdown and profit-sharing impacts.
2 The 2020 figures have been re-presented on a net of tax basis and with the impact of the UFR step down removed, to be on a consistent basis with the 2021 figures.

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

During the year, we progressed the rotation of the asset portfolio of Athora Netherlands towards its SAA to achieve a higher level of spread that will support the UFR drag and contribute to a positive OCG result. This has resulted in positive OCG of €76 million for the year compared to €(103) million for the nine-month period following acquisition in 2020.

For Germany, the asset strategy has yielded very strong results, partly due to the alternatives and real-estate portfolio which has had significant appreciation of value over the year. Belgium also had strong investment results due to the execution of intra-group reinsurance transaction in H2 2020. This contributed to further improvement in OCG for Belgium and Germany, which is above our estimate for the normal level of capital generation from these two businesses.

Regulatory solvency

We monitor and manage our group solvency capital in line with requirements of the Bermuda Monetary Authority (BMA). We seek to maintain a strong group solvency position, in line with our risk appetite. Our group capital position allows us to support business growth, meet the requirements of our regulator and give our customers, shareholders and other stakeholders assurance of our financial strength. The regulatory solvency positions of our European insurance subsidiaries are measured on a Solvency II basis and they remained resilient during 2021.

	2021 €m	2020 €m[1]
Available statutory capital	4,662	4,890
Bermuda solvency capital requirement (BSCR)	2,492	2,445
Group BSCR surplus (estimated)	**2,169**	**2,446**
Group BSCR ratio (estimated)	187%	200%

1 Following the publication of a "Significant Event Report" dated 6 October 2021, comparative figures for the year ended 31 December 2020 have been updated accordingly.

At the year end, our estimated group BSCR surplus was €2,169 million (2020: €2,446 million) and our estimated group BSCR ratio was 187% (2020: 200%). The decrease in surplus (and ratio) was largely due to the reduction in Available Statutory Capital. This reduction was driven by the impact of modelling and methodology changes, partially offset by the issue of equity capital in December 2021. Under Bermuda law, the group is required to hold minimum statutory capital and surplus (Enhanced Capital Requirement or ECR) at least equal to the greater of a minimum solvency margin or the BSCR. For Athora, our ECR is equal to our BSCR.

The tables below show the reconciliation of IFRS equity to available statutory capital used for the calculation of the group solvency capital position and the available statutory capital by Tier.

Reconciliation to IFRS equity	2021 €m	2020 €m[1]
IFRS equity	4,815	4,255
Non-admitted assets net of tax	(283)	(266)
Insurance assets and liabilities valuation differences	(691)	263
Financial asset and liabilities valuation differences	(21)	(34)
Reclassification of subordinated liabilities	920	854
Net deferred tax on valuation differences	(78)	(182)
Available statutory capital	**4,662**	**4,890**

1 Following the publication of a "Significant Event Report" dated 6 October 2021, comparative figures for the year ended 31 December 2020 have been updated accordingly.

	2021 €m	2020 €m[1]
Tier 1	3,742	4,036
Tier 2	920	854
Tier 3	-	-
Available statutory capital	**4,662**	**4,890**

1 Following the publication of a "Significant Event Report" dated 6 October 2021, comparative figures for the year ended 31 December 2020 have been updated accordingly.

SUSTAINABILITY

Sustainability continues to be a key theme for Athora. We recognise that we have an important role to play, and we embed sustainability across all our activities as an insurer, corporate citizen, employer and investor.

Our role as an insurer

At Athora, we embrace 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

In part due to the regulatory environment, we see a continued market trend of European insurers increasingly withdrawing from long-duration or guaranteed insurance and pension products. Meanwhile, private provision of retirement savings products is becoming ever more important due to ageing populations.

At Athora, we strongly believe that customers need long-term savings products with guarantees as an essential tool for long-term retirement planning. We therefore aim to provide a mix of financial and insurance guarantees, enabling customers to support themselves and their loved ones in their retirement.

Our business model, with a focus on long-duration and guaranteed insurance and pension products, means that we are in a position to acquire businesses other companies are looking to dispose of, and to invest in businesses when others are reluctant. At the same time, our reinsurance offering provides an outsourcing solution to companies which find it challenging to manage their exposure to this kind of risk. As a result, our customers continue to access long-term savings products with guarantees, which is key to allow them to plan for a safer future and achieve financial comfort in retirement.

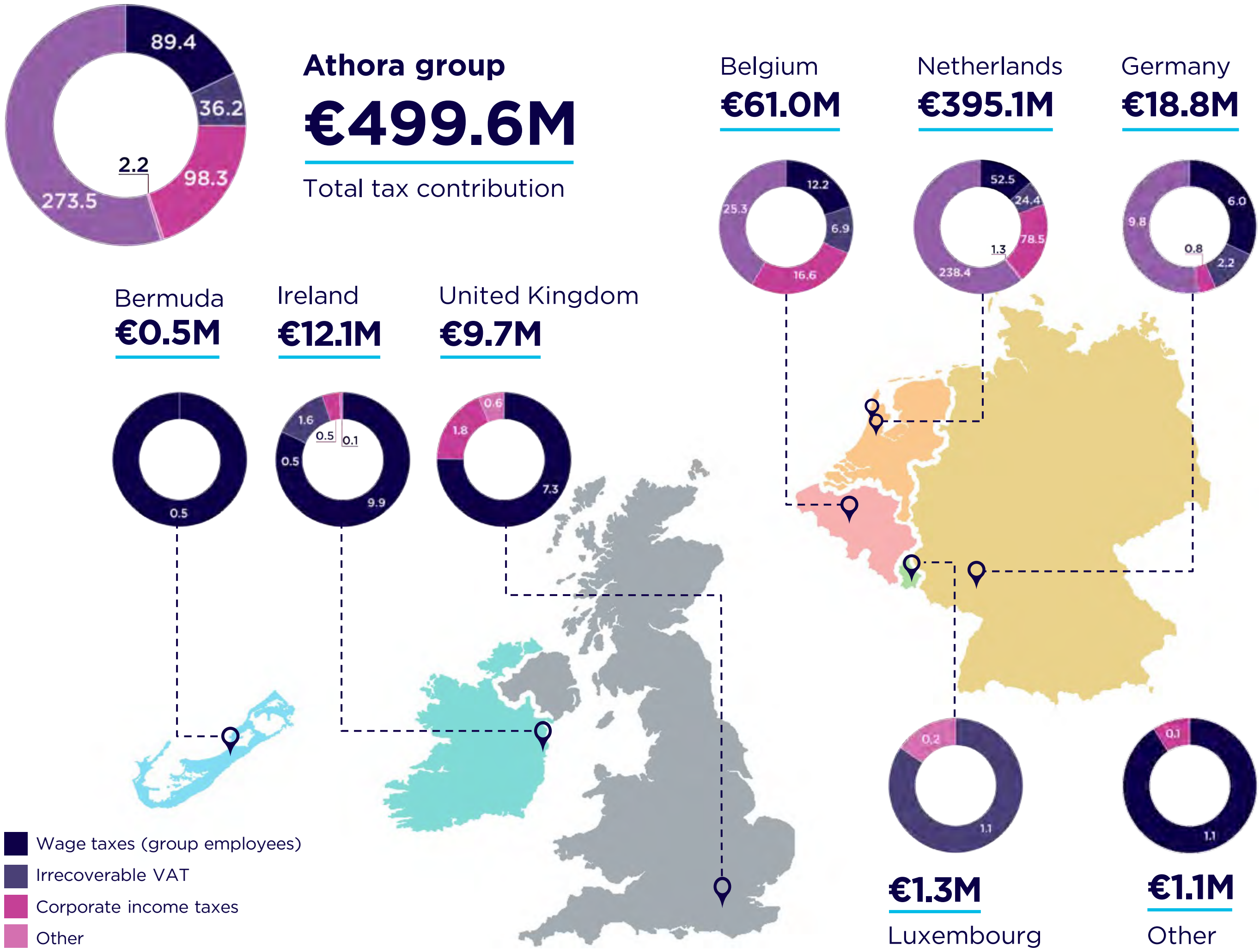
Athora Germany is a great example of this commitment. Thanks to our continued delivery on our strategic plans, we have succeeded in keeping the current profit participation stable at the very high level of 3.0%. In addition to the regular surplus participation, a terminal bonus has been granted, resulting in a total interest rate of 4.0% for life insurance policies for the upcoming 2022 financial year for insurance customers. Athora Lebensversicherung thus offers the best current interest rate for traditional life insurance policies in 2022, alongside two competitors. See page 27 for further details.

Similarly, Athora Belgium's savings insurance offers leading return rates, with our 2021 net return of 1.4% on single premium products being among the highest in the market.

To complement our guaranteed products, both Athora Netherlands and Athora Belgium offer a range of unit-linked products backed by sustainable funds. Through our pension buy-out business in the Netherlands, and our reinsurance business, and track-record in acquiring traditional Life businesses, we provide solutions to other business who are unable or unwilling to manage these portfolios effectively. By providing these solutions, we ensure customer needs continue to be met.

Our role as a corporate citizen

At Athora, we recognise the importance of leading by example. We strive to make a positive impact, as outlined below.



Adhering to 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.

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

In 2021, our total tax contribution, company-wide and by jurisdiction, amounted to €499.6 million, as illustrated above.

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. We 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.

Supporting our communities

We are committed to making a difference in the communities in which we operate. Our approach aims to support those in need and to address societal needs. We encourage colleagues to play their part by giving back and volunteering when possible.

It has been another challenging year for charities and fundraising due to the ongoing pandemic. Some of the ways in which we support our charity partners have continued to be impacted such as in-office fundraising events, community days and offsite volunteering. Nonetheless, we have continued to provide financial support to a range of charitable efforts in our local communities. Collectively, we donated c.€750,000 in 2021, including corporate donations and employee fundraising through virtual events.

In Belgium, Germany and the Netherlands, we donated a collective €550,000 to support relief efforts following catastrophic floods in July with funds going to the Red Cross in Belgium and Germany and to the Giro 777 fund in the Netherlands.

In Bermuda, we provided additional funding for the development of a state-of-the-art Career Development Centre at Bermuda College, bringing our total support to date to $1.14 million. The project is co-funded by Athora and a number of other Bermuda-based insurers. The centre will offer programmes across several relevant sectors that will help with local workforce development and training that will enhance the Bermuda economy. The facility is due to open in the first half of 2022.

In Ireland and the UK, we continued our partnerships with Hugh's House and The Felix Project respectively. Our partnership with Hugh's House has enabled the charity to refurbish accommodation and to install a new, more energy-efficient central heating system. In recognition of our partnership, one of their family rooms has been named the Athora Room. During the year, we also donated to several other charities including corporate donations and funds raised by employees.

Due to local and national restrictions, we were unable to volunteer with our charity partners during the year. We hope to resume volunteering in 2022.

Limiting our environmental impact

Looking at our own business operations, we continually implement initiatives to reduce our carbon footprint while looking after our environment. We are taking steps to reduce the energy consumption of our buildings, separate our waste, and reduce our carbon emissions.

In the London office, we no longer provide water bottles but have introduced reusable pitchers for our water, and compostable pods for our coffee. We ensure that all our waste, recyclable as well as food and compostable waste, is being disposed of responsibly. In 2021, we also donated end-of-life laptops in good working order to charity. These laptops will be used to support the education of children most in need of laptops.

Largely driven by the Covid-19 pandemic, we have managed to significantly reduce our business travel and our travel-related footprint over the last two years. The way of working and solutions put in place during this period will enable us to maintain a lower level of business travel compared to pre-pandemic levels.

Maintaining high standards of governance and compliance

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 are publishing our consolidated annual report for the second time this year and are continuing to improve our disclosures and transparency.

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

Our role as an employer

At Athora, we recognise the importance of building an inclusive people and culture strategy that enables employees to deliver on our customer needs.

Inclusion, diversity and equality

Early in 2021 we defined our key principles for inclusion, diversity and equality (IDE) as a key element of our culture at Athora. Our priority is to focus on an inclusive culture, and to establish the diversity data and equality policies in support. This aligns with our risk culture and other culture initiatives.

We established our IDE Council with strong sponsorship from the Management Executive Committee (MEC) and support from independent non-executive directors (INEDs) on the AHL and other boards. The Council is led by Henrik Matsen, Group Head of Growth, and includes members from our locations, businesses and key functions

Key people diversity demographics

- Our workforce across Athora is made up of 37% women and 63% men
- 29% of our senior leaders are women
- 19% of permanent employees work part-time, 74% of these are women
- The median age is 47 years

across Athora. The IDE Council has five men and four women of six nationalities representing our workforce and the communities in which we work.

The key focus for the IDE Council throughout 2021 was to develop an approach for Athora which establishes the key IDE principles across our businesses and locations while enabling each jurisdiction to adhere to the local requirements.

Listening to our employee experience

Athora has developed a multi-channel approach to employee listening, including formal feedback mechanisms like employee surveys, focus groups and management Q&As. Athora's approach to employee surveys combines an annual employee survey with event-driven pulse surveys to react quickly to short-term needs.

Leadership, culture and individual development

In 2021 we brought together leaders from across the organisation through virtual and in-person workshops. This was focused on expanding leadership capabilities across Athora and increasing networking between leaders across the organisation.

- We established the I Am Athora Network (IAAN), a group of 40 senior leaders (30% of whom are women) focused on building a strong Athora-wide leadership and culture.
- Fifty leaders participated in our *Transform Athora* Leaders Programme which focused on creating alignment, leading change and driving culture.

In 2021, we further embedded succession planning and key talent identification across the organisation, setting ourselves targets to improve depth and diversity of the talent pipeline, and to promote transversal and international mobility.

Living Athora Values Awards were awarded for the second year. This employee recognition programme sponsored by local leadership celebrates and recognises employees across the organisation who role-model the Athora values.

Athora offers strong individual career development opportunities. Our business model provides great opportunities for taking greater responsibilities and developing new skills. Individuals benefit from formal training offerings, support for continuous education and certification in established parts of the business.

Balanced work-life

Covid-19 has blurred the lines between professional and private life. We continued to support employees' health and wellbeing through initiatives such as: health and wellbeing awareness week; home office ergonomics assessments; online wellbeing activities through our partner, Wellplayer; and social activities focusing on physical and mental health such as STEPtember. Time to disconnect and recharge is promoted through initiatives such as summer hours and free company days at year-end.

We also made sure we designed return-to-office policies that felt safe for employees. As part of our return-to-office strategy, we successfully launched our **new progressive Smart Working Framework**, which enables employees across the organisation to combine working from the office/working from home in a way that balances their professional responsibilities and their personal needs.

Our role as an investor

At Athora, we embrace our role as a responsible investor and we leverage our investment capabilities to enact change.

Athora has €79.4 billion of assets under administration as of 31 December 2021. By steering these investments in a responsible and sustainable manner, we have the ability to foster positive change. This includes:

Integration

Through our asset managers, we aim to incorporate sustainability considerations into investment analysis and decision-making processes. This includes the due diligence stage as well as ongoing monitoring processes.

Alignment

We align investments according to our principles. In line with international standards, we avoid exposure to certain companies, sectors or activities identified as causing significant harm from an environmental, social and governance (ESG) perspective. We also limit exposure to themes identified as high ESG risk. Where possible, we leverage alignment principles to identify engagement opportunities and see engagement as an important step to encourage long-term improvement in ESG behaviour.

Engagement

We aim to influence our investee companies to better disclose and adopt sustainable behaviour. Through engagement with investee companies, we assess ESG risks and opportunities, and encourage positive change in behaviours. We believe that engagement with investee companies and asset managers is an effective method to better assess ESG risks and opportunities, and influence change. Athora leverages external managers' ability to engage with companies, using the relevant channel of influence (e.g. voting rights, direct access to management).

Impact

We aim to direct investments to companies and projects exhibiting positive externalities. In 2021, we invested in the Apollo Impact Fund and we continue to seek out such opportunities to further our impact.

Initiatives and recognitions in 2021

As part of its unit-linked product range, Athora Belgium offers funds with specialised asset managers that have a strong ESG approach. We continued to see an increase in popularity in such funds among our clients and we continued to add our offering of such funds.

Athora Belgium launched the Responsible Finance Club to raise awareness among insurance brokers and their clients of the societal importance of responsible investment.

Athora Netherlands was named the most sustainable insurer in the Netherlands by the VBDO benchmark, a benchmark on responsible investment by insurance companies in the Netherlands. This recognition celebrates Athora Netherlands' steps to continuously become more sustainable.

We continued to seek out ways to further our impact through our investments. This includes evaluating and assessing international frameworks and standards for asset owners. We expect to announce our commitment to such frameworks and standards in due course.

RISK MANAGEMENT

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

Enterprise risk management framework

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

Risk appetite and strategy	Risk governance	Risk culture	Risk assessment and measurement	Risk management and monitoring	Risk reporting and insights	Data and technology
Linkage to corporate strategy	Board oversight and committees	Risk organisation	Risk identification, assessment and prioritisation	Risk mitigation response and action plans	Risk reporting	Data quality and governance
Risk universe	Group risk operating structure	Risk competence	Quantitative methods and modeling	Testing, validation and assurance	Business/ operational requirements	Risk analytics
Risk appetite statements	Roles and responsibilities	Risk relationships	Risk aggregation, correlation and concentration	Monitoring	Board and senior management requirements	Technology enablement
	Risk policies and risk opinions	Risk motivation	Scenario analysis and stress testing	Projects and initiatives	External requirements	

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

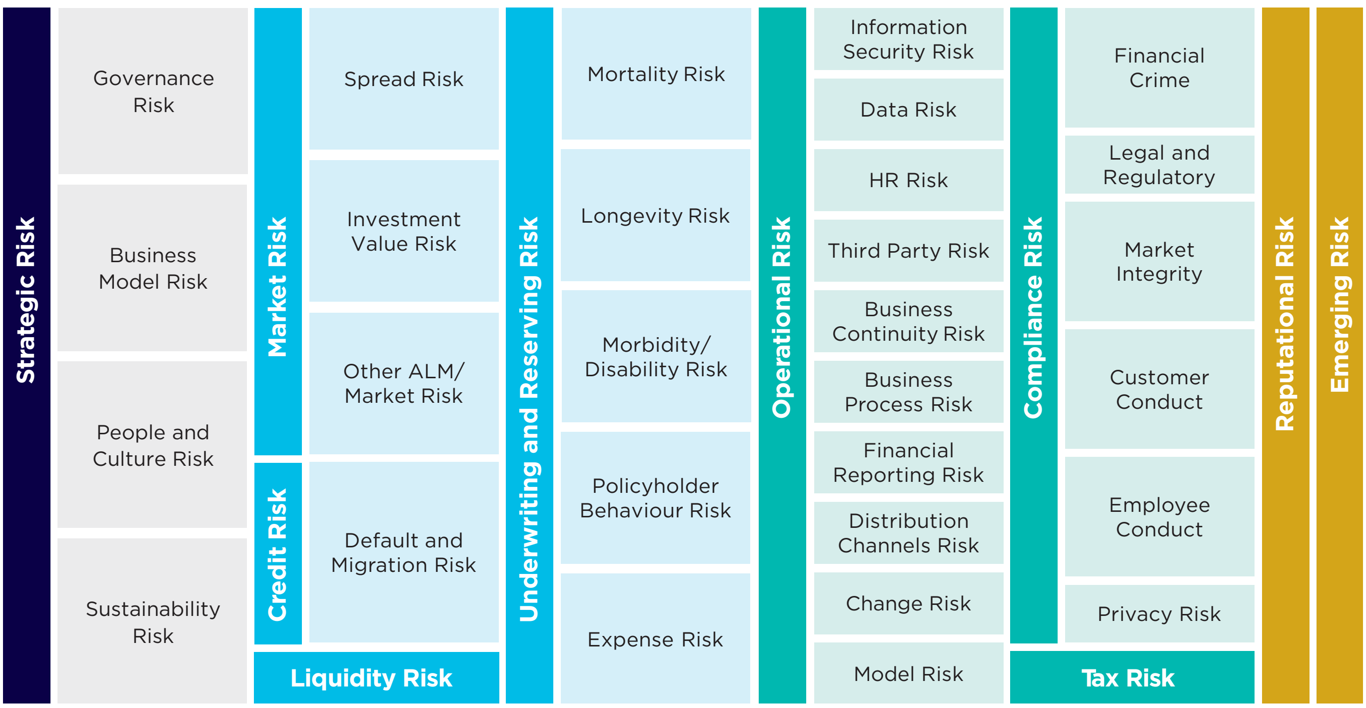
- Our active risk management is a core competency that helps to promote confidence in our stakeholders (including the Board, supervisors, shareholders and rating agencies).
- We only take risks for which the appropriate skills, capabilities and resources exist in the organisation.
- We measure risk on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

Athora's risk universe is a comprehensive set of risk categories and sub-categories, as illustrated in the table below. 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. 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 a firm, though solvent, either does not have sufficient financial resources available to enable it to meet its obligations as they fall due or can secure them only at excessive cost.	Undesired
Underwriting and Reserving risk	Underwriting risk is the risk of incurring financial losses from assumptions deviating from expectation. It includes mortality, longevity, morbidity, policyholder behaviour, and expense risks. Reserving risk is the risk of mis-estimation or lack of control surrounding reserving activities.	Tolerated
Operational risk	The risk of loss resulting from external events or from inadequate or failed internal processes, people and systems.	Tolerated
Compliance risk	The risk of legal or regulatory sanctions, material financial loss or loss to reputation Athora may suffer as a result of its failure to comply with the laws, regulations, rules and codes of conduct applicable to its business activities.	Undesired
Tax risk	The risk of incurring unplanned and/or unexpected tax liabilities, for instance, due to changes in practice or interpretation; or flawed tax advice.	Undesired
Reputational risk	Risk of potential for negative publicity, public perception or uncontrollable events to have an adverse impact on Athora's reputation.	Undesired
Emerging risk	A newly developing or changing risk which is perceived to have a potentially significant impact on Athora's financial strength, competitive position or reputation. Emerging risk may not be fully understood yet or accounted for in traditional ways (e.g. terms and conditions, pricing, reserving or capital setting).	No collective risk appetite set as emerging risks will vary over time

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

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

Risk governance

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

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

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

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

We have implemented a *three lines of defence* risk governance model to ensure that risks are clearly identified, owned and managed. For further information see page 57 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 (which are also required to be shared externally with the regulator), such as the CISSA/GSSA (as required by the Bermuda Monetary Authority) and ORSA (as required by Solvency II), provide relevant information to the Board and its committees and to management to ensure risks are being managed and escalated appropriately. These reports also play an important role in supporting strategic decision making and strategy development.

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

Data and technology

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

Internal control framework

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

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

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

Continuous development

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

Changes in our risk profile

Covid-19

Started in March 2020, covid-19 has continued to dramatically disrupt global financial markets during 2021. In the third quarter of the year, with the emergence of the Omicron strain, major economies faced a new wave of lockdown measures, which have been however short-lived thanks to the government's significant effort to carry forward the vaccination rollout. After a challenging first quarter, global financial markets reported swift recovery towards pre-pandemic level, with low interest rates and tight credit spreads. Key driver to the recovery was the fiscal stimulus package put in place by the major economies' governments, sustaining consumers' demand and investment flows.

Athora's defensive investment positioning and solid underwriting governance maintained before and throughout the covid crisis have contributed to positively weather the challenging market conditions without reporting material credit losses. Active management of the public credit portfolio helped mitigate default and migration losses during the heightened downgrade trend worldwide. Despite the sizeable growth of the private credit portfolio during the year, only few assets experienced material credit deterioration and in the majority of the cases performance has significantly recovered, indicating strong credit fundamentals and solid portfolio resilience through the cycle. The sporadic credit losses were largely driven by individual, idiosyncratic assets concentrated in the most vulnerable industries, such as leisure and hospitality and the consumer discretionary sectors, and remained within group risk tolerance. Overall, the health of the portfolio remains robust, a reflection of the continued adherence to the Prudent Person Principle in our underwriting and risk monitoring processes for the investment activity.

EIOPA's Solvency II Review

The European Insurance and Occupational Pensions Authority'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.

Cyber risk

In 2021, there was a significant global uplift in cyber attacks. This is likely to increase in 2022, especially given the ongoing crisis in Ukraine. Athora needs to continue to focus on perimeter *protection* (traditional defence) and increasingly focus on *readiness/recovery* (new defence). It is expected that an increased number of attacks (failed and successful) will occur globally. It is worth noting that in the future, payments to unblock ransomware may become illegal. Currently, 60% of ransoms paid do not result in data being recovered fully, therefore having a robust business continuity recovery capability will be key.

Ukraine crisis

The Ukraine crisis carries significant risk for a world economy that is yet fully to recover from the pandemic shock of Covid-19. Athora has no operations in Ukraine or Russia, and has no material direct exposure to the current situation through our investment portfolio. The impact on Athora will primarily be seen through any macro-economic volatility. Athora is closely monitoring development of the events and will coordinate appropriate risk mitigation actions as required.

Principal risks and uncertainties

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

Grow
Sustainable growth

Optimise
Proactive capital and risk management

Earn
Strong and stable investment returns

Operate
Competitive costs and service levels

Strategic risk

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

Strategic 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), private equity risk and property risk.

Strategic priority

- Optimise
- Earn
- Operate

Mitigation

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

Credit risk

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

Strategic 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 and BMA Prudent Person Principle frameworks, our risk appetite and strategy and internal financial risk policies. In this context, each investment is selected based on the fitness within the strategic asset allocation, a tailored risk-return analysis and a comprehensive underwriting criteria review process. Investable assets are described in Athora's Investment Universe, with 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 assessment process for a selected set of private credit investments based on validated internal methodology. We test risk-adjusted return appropriateness against regulatory and economic capital consumptions. This process further enhances Athora's capabilities to monitor and 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 and reserving risk

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

Strategic 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

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

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

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

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

Strategic priority

- Optimise
- Operate

Mitigation

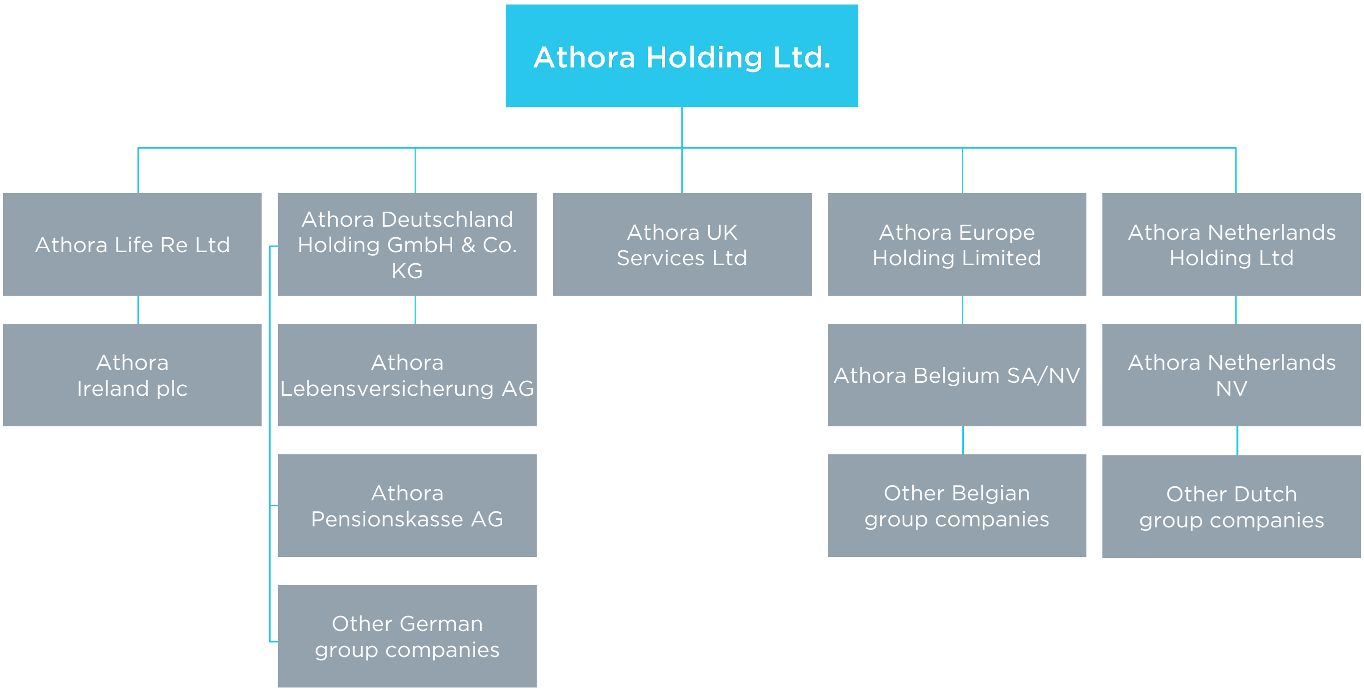
Athora has an established process for identifying and monitoring emerging risks relevant to its business. Emerging risks are identified and discussed with management.

Athora has a group environmental, social and governance (ESG) investment risk policy. ESG investment risk is managed using ESG scoring, by monitoring ESG concentrations in our portfolio and climate change stress testing.

CORPORATE GOVERNANCE

Athora corporate structure

Simplified corporate structure
As at 31 December 2021



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).

Our shareholders

Athora is privately owned by a diverse group of global investors that have taken a long-term approach to their investment in Athora and have committed c.€4.7 billion of equity capital. Our investor base comprises pension funds, sovereign wealth funds, family offices and financial services companies.

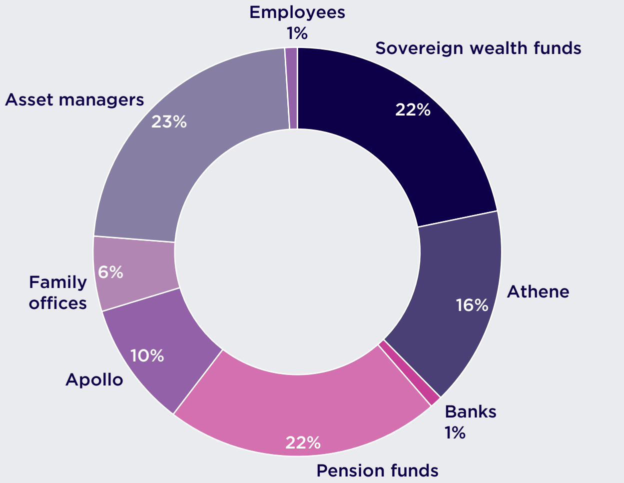
Key minority shareholders

Apollo Global Management, Inc. (Apollo), Athene Holding Ltd. (Athene) and the Abu Dhabi Investment Authority (ADIA) are key minority shareholders in Athora. On 8 March 2021, it was announced that Apollo and Athene would merge, and this deal completed in January 2022.

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

Distribution by shareholder type

As at 31 December 2021



Relationship with Athene, Apollo and ADIA

Athene

Athene Holding Ltd. (together with its subsidiaries, Athene) is a leading retirement services company that issues, reinsures and acquires retirement savings products designed for the increasing number of individuals and institutions seeking to fund retirement needs. At 31 December 2021, Athene had total assets of $235 billion and operations in the United States, Bermuda and Canada.

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. As at 31 December 2021, Athene had a 15.78% economic interest in the equity share capital of Athora.

On 1 January 2022, Athene and Apollo Global Management, Inc. successfully completed their merger under Apollo Global Management, Inc. As a result of the merger, Apollo Global Management, Inc. has two principal subsidiaries: Apollo Asset Management, its alternative asset management business, and Athene, its retirement services business.

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 (together with its subsidiaries) is a global, high-growth alternative asset manager. Apollo had assets under management of approximately $498 billion as at 31 December 2021. Apollo is listed on the New York Stock Exchange under the 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 duration matching strategies to evaluate, source and manage investments originated by Apollo. Apollo also provides advisory services that include advice on direct investment management, asset allocation, asset due diligence, mergers and acquisitions, operational support services (such as investment compliance, tax, legal and risk management) and identifying and capitalising on acquisition opportunities to grow the Athora business.

Apollo has four members on Athora's Board. Apollo had a 10.52% economic interest in the equity share capital of Athora as at 31 December 2021. The strategic relationship with Apollo is expected to continue for the foreseeable future.

ADIA

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

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

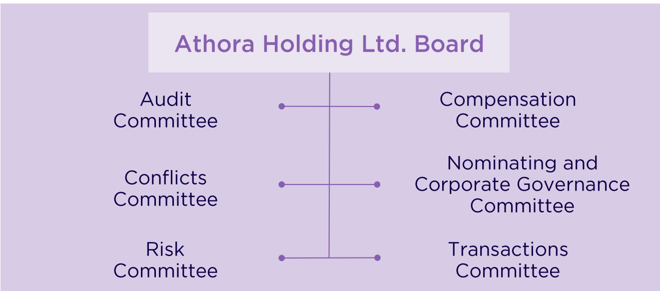
Governance structure

Board and committee structure

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

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

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



The purpose of each committee

Audit Committee: Oversight and monitoring of the integrity of the consolidated financial statements and financial and accounting processes; monitoring compliance with audit, internal 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 starting on page 60.

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

Board and Committee Composition	Nikolaus von Bomhard	Debra Broek	Volkert Doeksen	Anna Maria D'Hulster	Fred Kleisner	Jérôme Mourgue D'Algue	William Wheeler	Alex Humphreys	Gernot Lohr	Marc 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

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 a group. 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	Anders Malmström
Group Chief Risk Officer	Lukas Ziewer
Group Head of Growth	Henrik Matsen
Group General Counsel	Ralf Schmitt
Group Chief Operating Officer	Philip Proost *resigned 1 December 2021*
Group Chief Operating Officer	Stefan Spohr *appointed 1 December 2021*
Regional CEO – Germany and Belgium	Eric Viet

A brief outline of our MEC members' responsibilities may be found starting on page 66. 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 and
- managing the business risk profile.

Risk management function

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

Actuarial function

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

Compliance function

Athora's compliance function is 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.

Internal audit function

As the third line of defence, the internal audit function assists management and the Audit Committee in protecting the group's assets, reputation and sustainability by independently and objectively evaluating the effectiveness of internal controls, risk management and governance processes.

Internal audit's main tasks and responsibilities

- Prepare and execute a risk-based audit plan which is approved by the Audit Committee.

- Identify, and agree with management, opportunities to improve internal controls, risk management and governance processes and verify that such improvements are implemented within a reasonable period of time.

- Assist in the investigation of any significant suspected fraudulent activities within the group or conduct special reviews or consulting which may not usually be included in the scope of the internal audit and notify the regulator, if appropriate, of the results of these activities.

- Issue periodic reports to management and the Audit Committee, summarising the progress and results of the annual audit plan, as well as on the sufficiency of internal audit resources.

- Maintain a professional audit team (of an adequate size relative to the size and nature of the organisation and the remit of the internal audit function) with sufficient knowledge, skills, experience, and professional certifications.

- Ensure management and the Audit Committee are kept informed of emerging trends and successful practices in internal auditing.

- Consider the scope of work of the external auditors, regulators, and internal compliance and risk management teams, as appropriate, for the purpose of providing optimal audit coverage to the organisation at a reasonable overall cost.

- Coordinate and work together with other control and monitoring functions (e.g. risk management, compliance and external auditors).

- Execute audits on the functioning of the first and second line of defence.

Independence and objectivity of the internal audit function

The internal audit function is independent of senior management, which has responsibility for the first and second lines of defence, and is therefore able to provide independent assurance opinions on the effectiveness of the systems of internal control, risk management and governance.

To provide for the independence of internal audit, the function reports to the group chief internal auditor (GCIA), who reports directly to the chairman of the 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 and relevant regulators;
- provide a motivational employment package, as appropriate to each role and to the markets in which we operate, which seeks to drive high levels of individual, team and collective engagement;
- remain competitive in all markets; and
- keep all design aspects modern and as simple as possible, allowing for efficient management and administration of all programmes.

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

Employee reward

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

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

Pension provision

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

Executive and non-executive director reward

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

Executive directors

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

Annual bonus plans for this group provide for a maximum target bonus of no more than 200% of the annual basic salary. There is at minimum an annual evaluation of individual and collective performance; this forms the basis of performance-related remuneration.

Executive directors are typically eligible for participation in long-term incentive arrangements as part of a balanced and market-oriented approach to fixed and variable remuneration in line with our principles. Rewards are delivered in either shares, phantom shares and/or cash. From time to time, other additional equity incentives which are founded on equity in group entities outside of the European Union may be offered to this group.

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

- There is a total time frame of three or more years for each performance cycle.
- Incentives are aligned to specific long-term and balanced performance objectives.
- Incentives are provided as part of an appropriately balanced package between fixed and variable, short- 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, INED

Tenure: 4 years

Committees: Rsk Cmp Cfl Trx

Debra Broek
INED

Tenure: 3 years

Committees: Adt Cfl Rsk

Positions held and expertise

- Expertise in management of insurance and reinsurance risks; solvency regulation; financial accounting
- Chief executive officer of Munich Re from 2004 to 2017, having joined the company in 1985

Other current appointments include

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

Qualifications

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

Positions held and expertise

- Over 25 years of insurance experience, primarily in finance and risk
- Professional presenter and trainer in US Generally Accepted Accounting Principles and International Financial Reporting Standards
- Head of investor relations and rating agency management at Zurich Insurance Group
- Chief financial officer of Zurich Insurance Group's global life segment
- Member of finance executive team and group finance and risk council, Zurich Insurance Group
- Chief accounting officer, managing director of the Winterthur Group
- Senior audit manager at KPMG

Other current appointments include

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

Qualifications

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

Adt Audit Cmp Compensation Cfl Conflicts Nmt Nominating and Corporate Governance Rsk Risk Trx Transactions

Committee Chair

Volkert Doeksen
INED

Tenure: 4 years

Committees: Cfl

Anna Maria d'Hulster
INED

Tenure: 3 years

Committees: Adt Cfl Rsk

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

Other current appointments include
- Partner, GP House
- Supervisory board member, Koninklijke Doeksen
- Board member, Nouryon B.V.
- Board member, Nobian B.V.
- Board member and Audit Committee member, Redball Acquisition Corp.
- Board member, European Biotech Acquisition Corporation – LSPvc.

Qualifications
- LL.M. from Leiden Law

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

Other current appointments include
- Non-executive director and risk committee chair, CNA Europe
- Non-executive director and risk committee chair, Hardy (Underwriting Agencies) Limited, London
- Member of the supervisory board, UNIQA Insurance Group

Qualifications
- MBA, INSEAD
- Degree in business and engineering, Free University of Brussels (Solvay School)

Fred Kleisner
INED

Tenure: 4 years

Committees: Adt Cmp Nmt

Positions held and expertise
- Extensive experience in business management and governance; financial expert
- Four-decade-plus hotelier, corporate CEO and COO
- Led successful management teams throughout the world in every aspect and sector of hospitality

Other current appointments include
- Independent director, Ashford Hospitality Trust (NYSE: AHT)
- Director, executive committee member and board treasurer, IslandWood School, Bainbridge Island, WA
- Independent director, NR International, a public reporting, non-traded REIT

Qualifications
- BA, Michigan State University School of Hospitality Business
- MSU Industry Leader of the Year, 2004

Jérôme Mourgue d'Algue
INED

Tenure: 4 years

Committees: Cmp Cfl Nmt Rsk Trx

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

Other current appointments include
- Director, Constellation Automotive Holdings Limited
- Director, Pension Insurance Corporation

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

Adt Audit · Cmp Compensation · Cfl Conflicts · Nmt Nominating and Corporate Governance · Rsk Risk · Trx Transactions

Committee Chair

William Wheeler

Tenure: 4 years

Committees: Adt Cmp Nmt Rsk Trx

Positions held and expertise
- Expertise in insurance and finance
- President of Athene Holding Ltd.
- President of the Americas group for MetLife Inc.
- Various executive positions such as executive vice president and chief financial officer during 17 years at MetLife; as treasurer, played key role in preparing MetLife to become a public company
- Investment banker at Donaldson, Lufkin & Jenrette

Other current appointments include
- Director, American Council of Life Insurers
- Director, Evercore Partners Inc.
- Director, Venerable Holdings Inc.

Qualifications
- BA in English, Wabash College
- MBA, Harvard Business School

Alexander Humphreys

Tenure: 3 years

Committees: Adt

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

Other current appointments include
- Director, Amissima Vita
- Director, Aspen
- Director, Catalina Holdings
- Director, Miller Homes

Qualifications
- BSc in economics, University College London

Gernot Löhr

Tenure: 4 years

Committees: Cm Nmt Rsk Trx

Positions held and expertise

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

Other current appointments include

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

Qualifications

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

Marc Rowan

Tenure: 4 years

Committees: Trx

Positions held and expertise

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

Other current appointments include

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

Qualifications

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

Adt Audit | Cmp Compensation | Cfl Conflicts | Nmt Nominating and Corporate Governance | Rsk Risk | Trx Transactions | Committee Chair

Scott Kleinman

Tenure: >1 year

Committees: Trx

Positions held and expertise

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

Other current appointments include

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

Qualifications

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

MANAGEMENT EXECUTIVE COMMITTEE

Michele Bareggi
Group Chief Executive Officer

Michele leads the MEC of Athora and is the main representative of the management towards the Board, 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 via dotted line to the CEO.

Anders Malmström
Group Chief Financial Officer

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

Stefan Spohr
Group Chief Operating Officer

Previously COO of Athora Netherlands, Stefan was appointed to the MEC in December 2021 to take responsibility for the overall operational agenda for the group, including IT, change, facilities, procurement and transformation office functions. Stefan also leads our multi-year transformation programme to deliver the Athora target operating model and ways of working for the future.

Lukas Ziewer
Group Chief Risk Officer

Lukas reports jointly to the group CEO and the Risk Committee chair of the Board, 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.

The MEC is responsible for the strategy and management of AHL, as well as oversight, monitoring and guidance of the group's regulated subsidiaries.

Henrik Matsen
Group Head of Growth

Eric Viet
Regional CEO – Belgium & Germany

Ralf Schmitt
Group General Counsel

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 M&A function and the new business and pension function which supports business development and growth across the group.

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.

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

CONSOLIDATED FINANCIAL STATEMENTS

Statement of Directors' responsibilities

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

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

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

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

Signed

Fred Kleisner
Independent Director

13 April 2022

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 the consolidated statement of financial position as at 31 December 2021, 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 2021 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 auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the 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
13 April 2022

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

Consolidated statement of financial position

As at 31 December

€m	Note	2021	2020
Intangible assets	3	95	103
Property and equipment	4	77	84
Investment properties	5	1,994	1,331
Financial assets	6	55,935	61,118
Investments attributable to policyholders and third parties	7	20,007	18,736
Reinsurance assets	16	34	158
Deferred taxation assets	8	587	678
Income tax receivable		8	23
Loans and advances due from banks	9	390	773
Other receivables	10	313	1,358
Other assets	11	933	832
Cash and cash equivalents	12	1,077	1,251
Non-current assets or disposal groups classified as held-for-sale	13	41	16
Total assets		**81,491**	**86,461**
Equity			
Share capital and share premium	14	3,305	3,095
Retained earnings		520	421
Other reserves	14	90	99
Common shareholders' equity		**3,915**	**3,615**
Preferred shares	14	566	384
Total shareholders' equity		**4,481**	**3,999**
Non-controlling interests	15	334	255
Total equity		**4,815**	**4,254**
Insurance provisions	16	46,230	49,384
Liabilities attributable to policyholders and third parties	16	20,478	19,474
Employee benefits and other provisions	17	820	858
Borrowings	18	1,598	1,498
Other financial liabilities	19	6,409	8,846
Deferred taxation liabilities	8	104	59
Tax payables		24	5
Other payables	20	644	1,715
Other liabilities	21	330	368
Liabilities included in disposal groups classified as held-for-sale	13	39	-
Total liabilities		**76,676**	**82,207**
Total equity and liabilities		**81,491**	**86,461**

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

Fred Kleisner
Independent Director

13 April 2022

Consolidated income statement

For the years ended 31 December

€m	Note	2021	2020[1]
Continuing operations			
Net earned premiums	26	2,150	1,565
- Gross earned premiums		*2,620*	*1,794*
- Premiums ceded to reinsurers		*(470)*	*(229)*
Fee and commission income	27	81	32
Investment income	28	(749)	2,241
Investment income attributable to policyholders and third parties	29	2,140	2,456
Gain recognised on acquisition of subsidiaries	42	-	213
Other income	30	16	39
Total income		**3,638**	**6,546**
Net insurance benefits and claims	31	(821)	(2,692)
- Claims paid and change in the insurance provisions		*(1,304)*	*(2,724)*
- Reinsurers' share		*483*	*32*
Expense attributable to policyholders and third parties	32	(1,496)	(2,347)
Acquisition costs		(61)	(22)
Other expenses	33	(721)	(671)
Interest expense	34	(111)	(105)
Total expenses		**(3,210)**	**(5,837)**
Profit before taxes		**428**	**709**
Taxation charge	36	(223)	(94)
Profit from continuing operations		**205**	**615**
Discontinued operations			
(Loss) / profit after tax from discontinued operations	13	(47)	41
Profit for the year		**158**	**656**
Attributable to shareholders of the Company		128	641
Attributable to non-controlling Interest		30	15

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

[1] The 2020 comparatives have been re-presented from those previously published to reclassify certain operations as discontinued operations.

Consolidated statement of comprehensive income

For the years ended 31 December

€m	Note	2021	2020
Profit for the year		158	656
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		14	46
- Available-for-sale investments - change in fair value		*(1,105)*	*1,060*
- Available-for-sale investments - realised gains and losses		*527*	*(531)*
- Shadow accounting adjustments	16	*592*	*(483)*
Impact on other comprehensive income from cash flow hedges		(35)	10
- Cash flows hedges - effective portion of changes in fair value	22	*(111)*	*57*
- Cash flows hedges - amount reclassified to profit or loss		*33*	*(4)*
- Shadow accounting adjustments		*43*	*(43)*
Net change in foreign currency translation reserve		7	(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	22	3	(103)
Other comprehensive expense for the year, net of tax		**(11)**	**(49)**
Total comprehensive income for the year, net of tax		**147**	**607**
Attributable to shareholders of the Company		117	592
Attributable to non-controlling interest	15	30	15

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

Consolidated statement of changes in equity

For the year ended 31 December 2021

€m	Note	Share capital and share premium	Preferred shares	Retained earnings	Available-for-sale reserve	Cash flow hedge reserve	Share-based payment reserve	Foreign currency translation reserve	Total share-holders' equity	Non-controlling interests
At 1 January 2021		3,095	384	421	98	-	1	-	**3,999**	255
Profit for the year		-	-	128	-	-	-	-	**128**	30
Other comprehensive income		-	-	3	14	(35)	-	7	**(11)**	-
Total comprehensive income for the year		**-**	**-**	**131**	**14**	**(35)**	**-**	**7**	**117**	**30**
Issuance of share capital	14	210	-	-	-	-	5	-	**215**	-
Issuance of preferred shares	14	-	150	-	-	-	-	-	**150**	-
Preferred share dividend, settled in kind	14	-	32	(32)	-	-	-	-	**-**	-
Dividends paid to non-controlling interest		-	-	-	-	-	-	-	-	(7)
Disposal of share in subsidiary		-	-	-	-	-	-	-	-	74
Acquisition of subsidiary		-	-	-	-	-	-	-	-	3
Distribution of interest on Tier 1 equity	15	-	-	-	-	-	-	-	**-**	**(21)**
At 31 December 2021		**3,305**	**566**	**520**	**112**	**(35)**	**6**	**7**	**4,481**	**334**

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 2020

€m	Note	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
At 1 January 2020		665	-	(102)	52	(10)	1	2	**608**	10
Profit for the year		-	-	641	-	-	-	-	**641**	15
Other comprehensive income		-	-	(103)	46	10	-	(2)	**(49)**	-
Total comprehensive income for the year		**-**	**-**	**538**	**46**	**10**	**-**	**(2)**	**592**	**15**
Issuance of share capital	14	2,430	-	-	-	-	-	-	**2,430**	-
Issuance of preferred shares	14	-	369	-	-	-	-	-	**369**	-
Preferred share dividend, settled in kind	14	-	15	(15)	-	-	-	-	**-**	-
Non-controlling interests acquired (Tier 1 equity)		-	-	-	-	-	-	-	**-**	251
Distribution of interest on Tier 1 equity	15	-	-	-	-	-	-	-	**-**	(21)
At 31 December 2020		**3,095**	**384**	**421**	**98**	**-**	**1**	**-**	**3,999**	**255**

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	2021	2020[1]
Profit before tax		428	709
Adjustments for non-cash items included in profit / (loss) before tax:			
Revaluation gains and losses		232	(4,021)
Amortisation of premium / discount on investments		410	326
Gain recognised on acquisition of subsidiary	42	-	(213)
Change in employee benefit and other provisions		(36)	58
Impairment charges	33	19	54
Depreciation and amortisation of non-current assets		17	17
Loss on repayment of borrowings	37	43	-
Amortisation/accretion of borrowings and other financial liabilities		(87)	-
Other non-cash movements		(9)	(22)
Change in operating assets and liabilities:			
Change in operating assets	37	(16)	(376)
Change in operating liabilities	37	(3,909)	4,161
Income taxes paid		(69)	(35)
Net cash from discontinued operations		-	4
Cash flows from operating activities		**(2,977)**	**662**
Acquisition of subsidiary, net of cash acquired		(364)	(2,319)
Disposal of discontinued activities, net of cash disposed		79	586
Disposal of associate	6	78	3
Acquisition of associate	6	(151)	-
Purchase of investment property	5	(40)	(60)
Proceeds from the sale of investment properties		9	7
Purchase of investments classified as loans and receivables		(2,765)	(2,895)
Proceeds from the sale of investments classified as loans and receivables		3,030	1,898
Purchase of available-for-sale investments		(39,710)	(36,442)
Proceeds from the sale of available-for-sale investments		42,186	36,885
Acquisition of property and equipment		(2)	(4)
Proceeds from the sale of property and equipment		-	3
Cash flows from investing activities		**2,350**	**(2,338)**
Proceeds from the issue of share capital	14	210	2,430
Proceeds from the issue of non-cumulative preferred shares		150	369
Proceeds from borrowings	37	302	531
Repayment of borrowings	37	(250)	(889)
Payment of lease liabilities	37	(3)	(5)
Distributions paid to non-controlling interest	15	(30)	(21)
Disposal of share non-controlling interest	15	74	-
Cash flows from financing activities		**453**	**2,415**
Net (decrease)/increase in cash and cash equivalents		**(174)**	**739**
Effect of exchange rate changes on cash and cash equivalents		-	(20)
Cash at beginning of year	12	1,251	532
Cash at end of year	**12**	**1,077**	**1,251**
Comprising:			
Cash and short-term deposits	12	1,077	1,251

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

1 The 2020 comparatives have been re-presented from those previously published to reclassify certain operations as discontinued operations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 Accounting policies

a Corporate information

Athora Holding Ltd. (the 'group'), (formerly: AGER Bermuda Holding Ltd) is a limited liability company incorporated in Bermuda, 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.

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

b Basis of preparation

The consolidated financial statements comprise financial statements of the Company and its subsidiaries (collectively the 'group') and are prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Boards (IASB) and interpretations issued by the IFRS Interpretations Committee (IFRICs), as adopted by the European Union (EU). IFRSs applied by the group in the preparation of these consolidated financial statements are those standards that were effective for periods beginning on or after 1 January 2021.

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

c Going concern

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

The consolidated financial statements sections include notes on the group's borrowings (note 18); its contingent liabilities and other risk factors (note 39); its capital management (note 25); management of its risks including market, credit, and liquidity risk (note 23); and derivative financial instruments (note 22).

The group's financial position reflects appropriate reserves, a conservative investment portfolio and capital in excess of the minimum regulatory requirement. In addition, the Board of Directors has reviewed the group's projections for the 12 months from approval of the financial statements, including regulatory capital surpluses and has considered the potential impacts arising from the COVID-19 pandemic and rising geo-political tensions, specifically conflict in Ukraine that could impact global markets as well as the group and its customers.

For lapse, to date, the impact on policyholder behaviour has been limited with no discernible impact being observed for 2020. On mortality, where the group has exposures to portfolios with higher ages, we have observed an increase in deaths for 2020. However, given the current uncertainty around the long-term impacts of COVID-19, there has been no change in the future view of mortality from the year previous.

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

d Application of new standards applicable to the year ended 31 December 2021

The group has adopted the following amendments to standards which became effective for the annual reporting period beginning on 1 January 2021:

Amendments to IFRS 16 leases: COVID-19 related rent concessions
Published by the IASB in May 2020, these amendments do not have a significant impact on the group's consolidated financial statements.

Interest Rate Benchmark Reform ('IBOR Reform')
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. Public authorities in many jurisdictions are undertaking steps to reform interbank offered

rates (IBORs) and transition them to alternative risk-free rates (RFRs).

Being an insurance group predominantly transacting in Euro denominated investments and derivatives, Athora is primarily affected by Euro area benchmark reforms, and less by IBOR reforms for foreign currencies. The group has previously identified LIBOR based loans and structured finance deals issued in foreign currencies that required amendments to their documentation in order to include a fallback or successor rate. These investments have either been sold or matured in 2021, or had their documentation amended in order to incorporate a fallback or successor rate. The remainder of USD LIBOR settings cease after 30 June 2023, for which the group is well placed to complete transitions to alternative benchmarks in advance of cessation.

The group continues to monitor the situation for other possible changes in benchmark rates.

Interest Rate Benchmark Reform Phase 2: Amendments to IFRSs, 4 7, 9 and 16; and IAS 39
To consider the financial reporting implications of the reform, IASB issued amendments to IFRS in August 2020 with an effective date of 1 January 2021. These are mostly the narrow-scope amendments that primarily apply to the hedge relationships which are directly affected by interest rate benchmark reform, as defined in the previous amendment (Phase 1). Phase 2 of the benchmark reform does not have a material impact on the consolidated financial statements of the group as at 31 December 2021.

e Adoption of new IFRS accounting standards applicable subsequent to the year ended 31 December 2021

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

IFRS 17 'Insurance contracts'
In May 2017, the IASB published IFRS 17 Insurance Contracts, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation, and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts that was issued in 2005. IFRS 17 applies to all types of insurance contracts as well as to certain financial instruments with discretionary participation features. In contrast to the requirements in IFRS 4, which are largely based on grandfathering of previous local accounting policies, IFRS 17 provides a comprehensive and consistent approach to insurance contracts. The core of IFRS 17 is the general measurement model (GMM), supplemented by a specific adaptation for contracts with direct participation features (the variable fee approach (VFA)) and a simplified approach (the premium allocation approach (PAA)), mainly for short-duration contracts.

The main features of the new accounting model for insurance contracts are, as follows: the measurement of the present value of future cash flows incorporating an explicit risk adjustment and remeasured at each reporting period (the fulfilment cash flows); a contractual service margin that is equal and opposite to any day one gain in the fulfilment cash flows of a group of contracts, representing the unearned profit of the insurance contracts to be recognised in profit or loss over the service period (coverage period); the presentation of insurance revenue and insurance service expenses in the statement of comprehensive income based on the concept of insurance services provided during the period; and extensive disclosures to provide information on the recognised amounts from insurance contracts and the nature and extent of risks arising from these contracts.

On adoption, IFRS 17 will significantly impact the measurement and presentation of insurance contracts and participating investment contracts.

Investment contracts with no significant insurance or discretionary participating features, equity release and investment management business will be out of scope and therefore not impacted by the new standard.

The group is well placed in its stage of implementation of IFRS 17. However, as some material judgements are still under consideration, a reasonable estimate of the financial impacts cannot be provided at this stage.

Following amendments to the standard published in June 2020, the standard will apply to annual reporting periods beginning on or after 1 January 2023. A further amendment to the standard was published in December 2021, which applies to the comparative information presented on initial application of IFRS 9. The group remains on track for the implementation of IFRS 17 on 1 January 2023.

IFRS 9 'Financial instruments'
IFRS 9, the new standard on financial instruments has an effective date of 1 January 2018. IFRS 9 replaces most of the current IAS 39 'Financial Instruments: Recognition and Measurement' and includes new requirements for the recognition and measurement of financial assets and liabilities, a new forward-looking model for the recognition of impairment losses and a new regulation in order to better align hedge accounting with economic reality and risk management. However,

since the group has decided to apply the temporary exemption from applying IFRS 9, the implementation of IFRS 9 by the group (including all the amendments) has been postponed until 1 January 2023, the effective date of IFRS 17.

The group has assessed the interaction of IFRS 9 with the new insurance contracts standard, IFRS 17. In order to mitigate or eliminate the accounting mismatches, the group intends to measure its financial assets (other than trade and lease receivables) at fair value through profit or loss. Simplified approach will be used for calculating expected credit losses on trade and lease receivables.

The financial liabilities will be classified at amortised cost. It is noted that IFRS 9 retains most of IAS 39 requirements for financial liabilities stated at amortised cost. We do not therefore expect any significant measurement differences on adoption of IFRS 9.

The hedge accounting requirements under IFRS 9, will be more closely aligned with risk management practices and follow a more principle-based approach. The group remains on track for the implementation of IFRS 9 on 1 January 2023.

f Application of minor amendments applicable subsequent to the year ended 31 December 2021.

The following pronouncements are not applicable for the year ended 31 December 2021 and have not been applied in preparing these financial statements. The impact of these minor amendments are being assessed by the group and are deemed not likely to be material.

Amendments to IFRS 3 Business Combinations: Reference to the Conceptual Framework
Published by the IASB in May 2020. The amendments are effective for annual reporting beginning on or after 1 January 2022.

Amendments to IAS 16 Property, Plant and Equipment: Proceeds before Intended Use
Published by the IASB in May 2020. The amendments are effective for annual reporting beginning on or after 1 January 2022.

Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets: Onerous Contracts – Costs of Fulfilling a Contract
Published by the IASB in May 2020. The amendments are effective for annual reporting beginning on or after 1 January 2022.

Annual Improvements to IFRSs 2018-2020 Cycle
Published by the IASB in May 2020, these improvements consist of amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IFRS 16 Leases and IAS 41 Agriculture. These amendments are effective for annual reporting beginning on or after 1 January 2022.

Amendments to IAS 1 Presentation of Financial Statements: Disclosure of Accounting Policies
Published by the IASB in January 2020. The amendments are effective for annual reporting beginning on or after 1 January 2023.

Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates
Published by the IASB in February 2021. The amendments are effective for annual reporting beginning on or after 1 January 2023.

Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Published by the IASB in May 2021. The amendments are effective for annual reporting beginning on or after 1 January 2023.

Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current
Published by the IASB in February 2021. The amendments are effective for annual reporting beginning on or after 1 January 2024.

g 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 holds 20% or more of the voting rights. Significant influence can also be exercised through an agreement with other shareholders. Investments in associated companies are accounted for using the equity method of accounting.

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the group's share of the post-acquisition profits or losses of the investee in the consolidated income statement.

Other changes in equity of associates are recognised directly in the group's other comprehensive income. Dividends received or receivable from associates are recognised in the statement of financial position as a reduction in the carrying amount of the investment. Where the dividend exceeds the carrying amount of the investment, the carrying amount is reduced to nil and the excess recognised as income from associates in the income statement, assuming there is no obligation for the group to repay the dividend and no restrictions to recognising the benefit for the excess.

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

h 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 of acquisition and the amount of any non-controlling interest (NCI) in the acquiree. For each business combination, the group has an option to measure any NCI in the acquiree at fair value or at the NCI's proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the group acquires a business, it assesses the fair value of all identifiable assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances, and pertinent conditions at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree. No reclassification of insurance contracts is required as part of the accounting for the business combination. Thus, insurance contracts are classified on the basis of the contractual terms and other factors at the inception of the contract or modification date.

Any contingent consideration will be recognised at fair value at the acquisition date.

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 u 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 the amortisation is included within net insurance benefits and 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 allocated to cash generated units (CGUs) based on each CGU or groups of CGUs that are expected to benefit from the synergies of acquisition. After initial recognition it is tested at least annually for impairment or when circumstances or events indicate there may be uncertainty over this value. Goodwill impairment is assessed at the CGU level. A CGU for goodwill is the lowest level at which the goodwill is monitored for internal management purposes, which is the Reporting Unit level. If an impairment is identified the carrying value of the goodwill is written down immediately through the income statement and is not subsequently reversed.

At the date of disposal of a subsidiary, the carrying value of attributable goodwill is included in the calculation of the profit or loss on disposal. Where an operation within a CGU to which goodwill has been allocated is disposed of, the goodwill associated with that operation is included in the carrying amount of the operation when determining the gain or loss on disposal. It is measured on the basis of the relative values of the operation disposed of and the portion of the CGU retained.

Where the net fair value of the group's share of the identifiable assets, liabilities and contingent liabilities of the acquired entity is greater than the cost of acquisition, the excess is recognised immediately in the income statement.

i Foreign currencies

The presentational 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 consolidated income statement in the period in which they arise.

The exchange rate differences of monetary items in the statement of financial position measured at fair value, with changes in the fair value recognised in the consolidated income statement, are accounted for as part of these changes in the value of the related item in the statement of financial position. Non-monetary items measured at historical cost are measured at the exchange rate applicable on the initial transaction date.

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.

j 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.

k 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.

l 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.

m Fee and commission income

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

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

n 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.

o 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.

p 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.

q 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 and the changes in the fair value of the liabilities arising from these investments.

r Share of profits of equity accounted investees

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

s 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.

t 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 substantively enacted by the reporting date in which the temporary differences reverse.

The carrying value of deferred tax assets is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to utilise the deferred tax asset.

u 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 intangible assets such as the value of customer relationships and brands can also be recognised. The value of customer relationships intangible represents the value of future profits expected from renewals and the cross-selling of new products to customers known and identified at the time of the acquisition.

Other intangible assets are carried at cost less amortisation and impairment, if any, and are amortised on a straight-line basis over their estimated useful lives as follows: up to 5 years for capitalised software and 10 years for brands.

Intangible assets are reviewed at each reporting date to assess whether there is any indication that they are impaired. If any such indication exists the recoverable amount of the asset is determined and, if the asset's carrying amount is greater than its recoverable amount, the carrying amount is written down immediately to the recoverable amount and the difference recognised in the income statement.

v 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.

w Leases

Assets and liabilities arising from a lease are initially measured on a present value basis. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the lessee's incremental borrowing rate. The lessee's incremental borrowing rate is defined as the rate of interest that a lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

The group predominantly leases buildings. The incremental borrowing rate was determined on a lease-by-lease basis addressing the local economic environment. The group also leases a pool of motor vehicles for which a single incremental borrowing rate was used for the entire portfolio as it comprised leases with reasonably similar characteristics in the same economic environment.

Lease payments are allocated between the liability and finance cost. The finance cost is charged to the income statement over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period, and is included within interest expenses from other financial instruments and investment properties.

The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. Right-of-use assets are recognised within the comparable non-leased asset balances; in particular, leased buildings and motor vehicles are included within property and equipment. The associated lease liability is recognised within financial liabilities at amortised cost.

The group has made use of the election available under IFRS 16 to not recognise any amounts in the statement of financial position associated with leases that are either deemed to be short term, or where the underlying asset is of low value. A short-term lease in this context is defined as any arrangement which has a lease term of 12 months or less. Lease payments associated with such arrangements are recognised in the income statement as an expense on a straight-line basis. The group's total short term and low value lease portfolio is not material.

Variable lease payments
The group may be exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Extension and termination options
Extension and termination options may be included in a property lease to maximise operational flexibility in terms of managing the assets used in the group's operations. These are generally exercisable only by the group and not by the respective lessor.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

Residual value guarantees
The group may, on occasion, provide residual value guarantees in relation to leases. On 31 December 2020 and 31 December 2021, there were no residual value guarantees in place.

Lessor arrangements
Where the group is the lessor, leases are classified as finance leases if the risks and rewards of ownership are substantially transferred to the lessee and operating leases if they are not substantially transferred. Lease income from operating leases is recognised in the income statement on a straight-line basis over the lease term. When assets are subject to finance leases, the present value of the lease payments, together with any unguaranteed residual value, is recognised as a receivable. The group has not entered into any material finance lease arrangements as lessor.

x 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, risk and nature of the instrument or characteristics of the investment. The group has not classified any investments as held-to-maturity. The group determines the classification of its financial assets at initial recognition.

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.

y 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.

z 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.

aa 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.

ab 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 homogeneous loans etc. are determined on a collective basis.

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

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

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

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

Impairment losses are recognised in the income statement on equity instruments, if the diminution in value is significant or prolonged, and not reversed through the income statement.

ac 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.

ad 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.

ae 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 pledged collateral (see note 9) and the collateral repayable is recognised as cash collateral held (see note 19) 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. Where the group enters into reinsurance transactions, either as cedant or reinsurer, where funds are withheld, these assets are received/pledged as collateral to mitigate against counterparty default risk. Management monitors the market value of the collateral, requests/provides additional collateral when needed and performs an impairment valuation when applicable.

af 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.

ag 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.

ah 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 aj 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.

ai 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.

aj 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.

As a result of various transactions, the life insurance contract liabilities held includes negative VOBA. The negative VOBA is a liability recorded in respect of acquired insurance contracts (see accounting policy h business combinations). Any negative VOBA that has arisen on acquisition must be considered within the assessment of the carrying value for the purpose of LAT. The treatment of VOBA for group LAT varies by entity reflecting the LAT deficit that existed in each entity at the date of acquisition (refer to note 16 insurance provisions for further details).

Profit Sharing
In addition to non-profit-sharing insurance contracts, the insurance portfolio also contains insurance contracts with discretionary or contractual profit-sharing rights.

Discretionary profit-sharing schemes concern the right of individual policyholders to receive additional benefit payments over and above any insured or guaranteed capital. The determination of the amount and timing of these additional benefits is at the discretion of group's management. Profit shares already awarded are also included in liabilities arising from insurance contracts.

For insurance contracts with discretionary participation features, realised and unrealised gains and losses that are eligible for profit-sharing on certain financial assets in the portfolio backing the participating insurance contracts are transferred to insurance liabilities, if they constitute a net gain on a cumulative basis. These additions may be made regardless of the management's decision about the profit amounts paid out to the policyholders.

In some jurisdictions, there are also individual and group contracts with contractual profit-sharing. These are based on a share of any surplus interest profits and profit-sharing based on a share of any insurance profits. Obligations as a result of contractual profit-sharing are included in liabilities arising from insurance contracts.

There are also individual and group contracts with contractual profit-sharing. These are based on a share of any surplus interest profits and profit-sharing based on a share of any insurance profits. Obligations as a result of contractual profit-sharing are included in liabilities arising from insurance contracts.

In Germany where participating business is significant the minimum statutory profit sharing is set to 90%, which may include financial income and other components. In Athora's Belgium and Dutch subsidiaries, profit sharing rights are primarily granted at the discretion of management.

Shadow accounting
Realised gains and losses on assets backing insurance liabilities can have a direct effect on the measurement of insurance liabilities. IFRS 4 contains an option generally referred to as 'Shadow Accounting' to reduce accounting mismatches which may occur when insurance liabilities and investments backing those liabilities:
- are measured on a different basis; or
- have changes in their measurements recorded in different line items of total comprehensive income (net income versus other comprehensive income).

Athora applies this option which means that unrealised gains or losses on assets backing insurance liabilities are treated in the same way as realised gains and losses for the purpose of measuring insurance liabilities.

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.

ak Financial liabilities

Investment contracts
Investment contracts without discretionary participating features (DPF) and that do not have a significant insurance risk, mainly include unit/index-linked policies and non-linked investment contracts. These products are accounted for in accordance with IAS 39 as follows:
- The products are recognised as financial liabilities at fair value or at amortised cost. In detail, linked products classified as investment contracts are fair valued through profit and loss, while non-linked investment contracts are generally valued at amortised cost.
- Fee and commission income and expenses are recognised in the income statement over the period in which the related services are performed, along with incremental costs of non-linked investment contracts without DPF

(other than administration costs and other non-incremental costs).
- Fee and commission income and incremental costs of non-linked investment contracts without DPF (other than administration costs and other non-incremental costs) are included in the amortised cost measurement.

When contracts contain both a financial risk component and a significant insurance risk component and the cash flows from the two components are distinct and can be measured reliably, the underlying amounts are unbundled, as is the case for variable annuity contracts (see note 16). For variable annuities, the guaranteed minimum benefits are bifurcated from the savings component and presented as a derivative. Guaranteed minimum benefits are accounted for in line with IFRS 4 insurance contracts, while the bifurcated, embedded derivative is accounted for under IAS 39 Financial instruments (see details in note 22).

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.

al 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.

am 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.

an 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.

ao 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.

ap 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.

aq 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.

ar 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.

as 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.

at Representation of comparatives

The Variable Annuities portfolio and ACTIAM asset manager were not previously classified as held-for-sale or as a discontinued operation. The consolidated primary statements disclose the held-for-sale and discontinued operations separately from continuing operations. The comparatives in the consolidated income statement and consolidated statement of cash flows and corresponding notes have been restated to conform with current year presentation. Please refer to note 13 for further details.

au COVID - 19 impact

We developed strategies designed to reduce as far as possible the impact on operational service arising from mass staff absenteeism, travel restrictions and supply chain disruption caused by a pandemic, which we were able to put into action during the current COVID-19 pandemic. These can be summarised as follows:

Customers
We have actively informed our customers about the possibilities for potential deferral of premium payment on pension policies and amending the pension scheme for their employees in light of the COVID-19 pandemic. We have also helped customers navigate the support options provided by the government.

Way of working
We have come to terms with the fact that the new normal will be different from what we were used to. At the same time, we recognise the opportunities presented with the accelerated digitisation and introduction of digital tools. We have therefore announced a new way of working, in line with the smart working approach. This means:

- Employees are asked to pick a smart site / spot / solution for their work on any given day or part of day—nine to five in the office will no longer be the norm.
- Agreements will be made within each team as to what best suits the team, rather than an overarching company policy.
- The offices have been refurbished (sustainably, using recycled materials) to be conducive to this new way of working.
- Management will be extra alert with respect to the safety and wellbeing of our employees.

Outlook
There remains uncertainty around the outlook for the COVID-19 Omicron variant. The long-term impact on mortality and morbidity is dependent on the extent natural immunity develops in the general population, the efficacy of new healthcare treatments and possible future strains that may emerge.

Trends such as global climate change, urbanisation, antimicrobial resistance, and intensive livestock production are likely to increase the risk of future pandemics, while reductions in migration and international travel as a result of COVID-19 are likely to be temporary making the containment of future pandemics more challenging. We expect the experience and learnings from the current COVID-19 will improve the effectiveness of the public healthcare response to any future pandemics.

We will closely monitor the above developments so that we act on a timely basis and keep our business operations and financial position healthy.

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.

Actuarial assumptions

Management uses judgement to determine and evaluate the actuarial assumptions. Such assumptions where management uses judgement include interest rates, inflation, policyholder behaviour, mortality and morbidity of policyholders. The judgements used in the valuation of insurance and reinsurance contract liabilities are based on historic company experience, aggregate experience data for the insurance industry and current capital market conditions (see note 16, note 23 and note 42). Where data is limited, the available data is supplemented with expert judgement to set the assumptions. The Group Liability Adequacy Test (LAT) methodology, now adopted for all entities, is aligned to how the group assesses its regulatory liabilities for reporting under the Economic Balance Sheet regime in Bermuda. Cashflows utilised for LAT do not consider group level expenses; these are not explicitly reserved for where the group-level LAT surplus is sufficient to cover those.

The actuarial assumptions used in determining the expense and benefit obligations for the group's defined benefit pension plans and other post-employment benefits require significant judgement in some areas. Management reviews previous experience of its plan members and market conditions including interest rates and inflation rates to derive the assumptions used in determining the expense for the current year (see note 17).

Treatment of Netherlands contingent liability

A class action law suit against insurers (including Athora Netherlands) is in progress in the Netherlands. The assessment of the potential impact of this action involves significant judgement. A provision has historically neither been recognised by Athora Netherlands nor by the group as it is not possible to make a reliable estimate of such a liability. At 31 December 2021, there was no change in the probability of the outcome of the lawsuit nor the underlying circumstances. Further details are included in note 39.

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.

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 and note 24).

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, 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).

Acquisition accounting

The identification and valuation of identifiable assets and liabilities and in particular, acquired in-force business and intangibles, arising from the group's acquisition of the new insurance portfolios and businesses requires the group to make a number of judgements and estimates. Further details are included in note 3 and note 42.

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). Management assesses the recoverability of the deferred income tax asset carrying values based on estimated taxable income for future years (see note 8).

3 Intangible assets

€m	Note	PVIF	Brands	Software	Total
Cost					
At 1 January 2021		98	21	3	122
At 31 December 2021		**98**	**21**	**3**	**122**
Accumulated amortisation					
At 1 January 2021		(15)	(1)	(3)	(19)
Amortisation charge for the year	33	(6)	(2)	-	(8)
At 31 December 2021		**(21)**	**(3)**	**(3)**	**(27)**
Net book value at 31 December 2021		**77**	**18**	**-**	**95**

€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 primarily consist of present value of in-force business acquired (PVIF) which was derived from the acquisition of Athora Belgium in 2019. 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 32 years at 31 December 2021 (2020: 33 years). For details on negative PVIF see note 16. The values of brands relates to the recognition on the acquisition of Athora Netherlands in 2020. The value of these brands is being amortised over an expected useful life of 9 years at 31 December 2021 (2020: 10 years).

4 Property and equipment

€m	Note	Land and buildings	Computer hardware	Motor vehicles	Other	Total
Cost						
At 1 January 2021		82	12	4	9	107
Additions		-	1	-	1	2
Disposals		-	-	-	(1)	(1)
At 31 December 2021		**82**	**13**	**4**	**9**	**108**
Accumulated depreciation						
At 1 January 2021		(12)	(9)	(1)	(1)	(23)
Disposals		-	-	-	1	1
Depreciation charge for the year	33	(3)	(2)	(1)	(3)	(9)
At 31 December 2021		**(15)**	**(11)**	**(2)**	**(3)**	**(31)**
Net book value at 31 December 2021		**67**	**2**	**2**	**6**	**77**

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).

Property and equipment

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	2021	2020
Land and buildings	10	12
Motor vehicles	2	3
	12	**15**

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

€m	2021	2020
Depreciation charge on right-of-use asset	(3)	(3)
Interest expense on lease liabilities	(1)	(1)
	(4)	**(4)**

The liability in respect of right-of-use assets as lessee is recognised in note 19. Interest expense on lease liabilities is included in note 34. Total cash outflows recognised in the period in relation to leases were €3m (2020: €5m). There were no sale and leaseback transactions.

5 Investment properties

a Reconciliation of carrying amount

€m	Note	2021	2020
At 1 January		1,331	773
Additions acquired through business combinations	42	496	467
Additions		40	60
Net gains from fair value adjustments		202	47
Disposals		(9)	(7)
Assets classified as held-for-sale	13	(85)	(13)
FX translation gain		19	-
Reclassifications		-	4
At 31 December		**1,994**	**1,331**

The group holds portfolios of investment properties, covering Dutch, Belgian, UK, Polish and German commercial and mixed-use properties. Details of the valuation of investment properties can be found in note 1 and note 2.

b Amounts recognised in profit or loss

Total rental income from investment properties recognised in the income statement is €86m (2020: €57m). Direct operating expenses (including repairs and maintenance) arising from investment properties that generated rental income during the period is €17m (2020: €19m). For any properties undergoing renovations, there is a contractual obligation with the tenants to perform the construction.

Please refer to note 13 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 2 and note 24.

d Future minimum lease payments receivables

€m	2021	2020
Within one year	76	32
After one year but less than two years	68	25
After two years but less than three years	63	23
After three years but less than four years	53	18
After four years but less than five years	40	15
After five years	236	12
	536	**125**

6 Financial assets

€m	Note	2021	2020
Loans and receivables		11,100	11,538
Available-for-sale financial assets		39,646	42,618
Derivative financial assets	22	4,432	6,272
Financial assets at fair value through profit or loss		634	643
Investment in associates		123	47
		55,935	**61,118**

Loans and receivables

€m	2021	2020
Mortgage loans	4,990	4,356
Private loans linked to savings mortgages	4,308	4,800
Policy loans	84	78
Other loans	1,718	2,304
	11,100	**11,538**

Information about the group's exposure to credit and market risks, and impairment losses for loans and receivables is included in note 23.

Available-for-sale financial assets

€m	2021	2020
Debt securities	34,232	37,940
Equity securities	2,332	2,073
Investment fund units	3,082	2,605
	39,646	**42,618**

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.

Available-for-sale securities of €700m (2020: €1,059m) were pledged under repurchase agreements (see note 19).

Financial assets at fair value through profit or loss

€m	2021	2020
Investment fund units	475	471
Debt securities	159	172
	634	**643**

The 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.

Information on fair value of the group's investment portfolio is included in note 24.

Investment in associates

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

€m	2021	2020
At 1 January	47	12
Additions	151	37
Impairment	(1)	-
Share of profits recognised in income	-	1
Realised gains and losses	4	-
Disposal	(78)	(3)
At 31 December	**123**	**47**

Associates are initially measured at cost and are subsequently measured using the equity method. The statutory year end for each associate is 31 December. No associates are considered to be material from a group perspective (2020: 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 Soenen	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%
Apollo Strategic Origination Partners	Investment fund	Bermuda	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. Webbroker SA/NV will be liquidated in 2022 and as a result has been impaired by €1m in the current year as there is no expectation of recuperation from this investment (see note 33).

Netherlands

The Netherlands entity was acquired as part of the acquisition of Athora Netherlands in 2020. CBRE PFCEE invests in commercial real estate in Central and Eastern Europe with the objective of investing in real estate directly or indirectly with the main focus on maximising the rental income.

Athora Netherlands acquired a 30% share of Apollo Strategic Origination Partners (ASOP) in 2021. ASOP is an investment fund organised as a special limited partnership. The fund intends to generate investment income by investing indirectly in private loans in the North American and European market.

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	2021	2020
Non-current assets	253	151
Current assets	170	16
Total assets	**423**	**167**
Current liabilities	(3)	(3)
Non-current liabilities	(43)	(43)
Total liabilities	**(46)**	**(46)**

Condensed income statement

€m	2021	2020
Income	23	18
Expenses	(10)	(18)
Profit before taxation	**13**	**-**
Taxation	(1)	-
Profit after taxation	**12**	**-**

7 Investments attributable to policyholders and third parties

€m	2021	2020
Investments attributable to policyholders (insurance contracts)	15,036	15,132
Investments held to cover linked liabilities (investment contracts)	1,617	1,190
Investments attributable to third parties	3,354	2,414
	20,007	**18,736**

Investments attributable to policyholders

€m	2021	2020
Investment fund units	13,714	13,904
Corporate and government bonds	945	914
Equity securities	365	300
Other	12	14
	15,036	**15,132**

The 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	2021	2020
Investment fund units	1,597	1,190
Equity securities	20	-
	1,617	**1,190**

Investments held to cover linked liabilities are investment contracts in Belgium where there is insignificant insurance risk. These investment fund units and equity securities are classified as investment contracts and have a corresponding liability included in investment contract liabilities (see note 16).

Investments attributable to third parties

€m	2021	2020
Investment fund units	**3,354**	**2,414**

The 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 investments 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 (see note 16).

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:	
2021	**Assets**	**Liabilities**	**Total (net)**	**Net deferred tax asset**	**Net deferred tax liability**
Losses brought forward	15	-	15	10	5
Reinsurance assets	-	(152)	(152)	(63)	(89)
Capitalised acquisition costs	19	-	19	19	-
Derivatives	-	(624)	(624)	(565)	(59)
Other financial assets	-	(336)	(336)	(335)	(1)
Investment properties	-	(126)	(126)	(86)	(40)
Available-for-sale financial assets	-	(765)	(765)	(575)	(190)
Pension obligations	73	-	73	70	3
Intangible assets	-	(20)	(20)	-	(20)
Insurance provisions	2,397	-	2,397	2,110	287
Provisions and other payables	2	-	2	2	-
	2,506	**(2,023)**	**483**	**587**	**(104)**

€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 provisions	3,640	-	3,640	3,200	440
Provisions and other payables	12	-	12	-	12
	3,752	**(3,133)**	**619**	**678**	**(59)**

During 2021, gross deferred tax assets decreased primarily as a result of the reduction in insurance provisions as explained in note 16. The carrying value of insurance provisions under IFRS is in many cases higher than the amount which is immediately deductible against corporate income tax under local tax law, creating deductible temporary differences in a number of our operational jurisdictions. Unrealised gains on derivatives and available for sale financial assets also decreased, leading to a reduction in the gross deferred tax liability. Due to the impact of policyholder profit sharing, some correlation exists between gross movements on deferred tax assets on insurance provisions and deferred tax liabilities on unrealised gains on financial assets. The overall reduction in the net recognised deferred tax asset from €619m at 31 December 2020 to €483m at 31 December 2021 can be broadly explained by the reduction in insurance provisions, partly linked to the application of group LAT parameters for Netherlands. However, two specific factors affecting the decrease were the derecognition of €69m of deferred tax assets for insurance provisions in Netherlands and the reduction in deferred tax assets in line with reducing insurance provisions arising from the amortisation and derecognition of VOBA liability acquisition valuation adjustments.

The recognition of all deferred tax assets is re-assessed at the end of each reporting period. The group only recognises deferred tax assets to the extent that it is considered probable that taxable profit will be available against which the deductible temporary differences can be utilised. For some group entities, particularly Athora Netherlands, Athora Germany and Athora Ireland as of 31 December 2021, deductible temporary differences exceed taxable temporary differences or taxable temporary differences are expected to be settled in different fiscal periods. In these cases, the recognition of some of the deferred tax assets requires taxable profit in future periods not only from the run-off of existing policies and assets, but also from new or recurring business yet to be contracted, and, amongst other things, investment strategy changes anticipated but yet to be implemented. These assessments therefore require detailed forecasting of future taxable profits based on reasonable and supportable assumptions, including market-based assumptions over time horizons, sometimes beyond the scope of approved business plans.

Having evaluated these forecasts at 31 December 2021, the group has not recognised deferred tax assets in respect of all of its deductible temporary differences. Total deductible temporary differences for which no deferred tax asset has been recognised were €401m at 31 December 2021 (2020: €133m). During 2021, €268m of deductible temporary differences of Athora Netherlands, having a deferred tax asset value of €69m at the latest standard Dutch corporation tax rate of 25.8%, were derecognised. A deferred tax charge of €69m has accordingly been recognised in the income statement, as set out in note 36. The €69m charge is reflected in the reduction in deferred tax assets relating to insurance liabilities.

Other unrecognised deductible temporary differences derive from the fair value increase in the insurance contract liability which arose upon acquisition of Athora Germany (€133m), which would equate to a potential tax benefit of €42m at the standard German corporation and trade tax rate of 31.7% (2020:

€42m). No deferred tax assets are currently recognised for these amounts due to uncertainty in respect of the timing of future profits and related deductions.

Separately, net deferred tax assets totalling €11m (2020: €7m) are recognised as at 31 December 2021 in respect of net deductible temporary differences relating to the group's Irish subsidiary, Athora Ireland, which has incurred losses since acquisition in 2018. The deductible temporary differences mainly arise from losses carried forward. There is currently no time limit for the utilisation of losses carried forward within Irish law, however, the losses may only be used against profits earned by the same entity from the same trade. On the basis of the latest business plans and future profit projections, the group expects sufficient taxable profits to be generated by Athora Ireland in future years to realise the deferred tax asset recognised at 31 December 2021.

8 Deferred taxation (continued)

The movement in the net deferred tax balance during the year ended 31 December 2021 is as follows:

€m	**1 January 2021**	**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 2021**
2021							
Losses brought forward	4	-	5	6	-	-	15
Reinsurance assets	(142)	-	(10)	-	-	-	(152)
Capitalised acquisition costs	19	-	-	-	-	-	19
Derivatives	(1,121)	-	470	-	27	-	(624)
Other financial assets	(360)	-	24	-	-	-	(336)
Investment property	(82)	(13)	(31)	-	-	-	(126)
Available-for-sale financial assets	(1,407)	-	427	-	215	-	(765)
Pension obligations	77	-	(4)	-	-	-	73
Intangible assets	(21)	-	1	-	-	-	(20)
Insurance provisions	3,640	-	(996)	(4)	(243)	-	2,397
Provisions and other payables	12	-	(10)	-	-	-	2
Total net deferred tax asset / (liability)	**619**	**(13)**	**(124)**	**2**	**(1)**	**-**	**483**

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 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 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 provisions	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**

9 Loans and advances due from banks

€m	2021	2020
Term deposits with credit institutions	143	541
Pledged collateral	247	232
	390	**773**

The reduction in term deposits with credit institutions is due to a repurchase of mortgage savings in Athora Netherlands during the year.

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

€m	<1 year	1 to 5 years	>5 years	Total
2021	270	68	52	390
2020	289	69	415	773

Total collateral pledged comprises €242m (2020:€168m) that was pledged for derivatives and €5m (2020:€64m) that was pledged for repurchase agreements.

10 Other receivables

The other receivables comprise as follows:

€m	Note	2021	2020
Direct insurance operations	a	156	195
Reinsurance operations	b	2	1,050
Other receivables	c	155	113
		313	**1,358**

a Direct insurance operations

€m	2021	2020
Due from intermediaries	91	93
Due from policyholders	46	64
Due from reinsurers	10	25
Other	9	13
	156	**195**

b Reinsurance operations

€m	2021	2020
Due on ceded business	1	1,050
Due on accepted business	1	-
	2	**1,050**

Reinsurance assets and liabilities

Assumed reinsurance
During 2021, Athora Ireland executed one reinsurance agreement with a third party in the normal course of business. A reinsurance premium was paid by the counterparty in cash for the risks covered as part of the reinsurance agreement.

Ceded reinsurance
During 2018, Athora Ireland executed two reinsurance agreements to reinsure the risks associated with the variable annuity (VA) book of business. The group retained ownership of the assets and the accompanying fee, commissions and guarantee income associated with these assets. A reinsurance premium was paid to the counterparty for the risks covered as part of the reinsurance agreement. These agreements were also structured as modified coinsurance agreements (Modco).

The Modco reinsurance transactions were presented gross on the statement of financial position as the group retained the assets with respect to all the policies reinsured and also established and retained the total reserves. Receivables and payables arising out of reinsurance operations were linked to the value of the underlying reserves which represents the total value of the VA liabilities.

The group retained associated expense partial longevity risks up until 31 December 2020. On 26 February 2021 it entered into a separate third contract to cede these risks retrospectively from 1 January 2021. On 31 December 2021, Athora Ireland sold the VA book of business to Monument Life Insurance DAC. Therefore, any reinsurance balances associated with the reinsurance for the VA book of business outlined below are captured only in the 2020 comparatives (see note 13).

The treaties include collateral arrangements in the form of assets and cash of €nil (2020: €112m) which are reflected in the comparatives of the statement of financial position.

The transactions are reflected in the financial position as follows:

Reinsurance assets

€m	2021	2020
Reinsurance recoverable asset	-	111
Modified coinsurance asset	-	1,049
	-	**1,160**

Reinsurance liabilities

€m	Note	2021	2020
Reinsurance liability - embedded derivative	22	-	111
Modified coinsurance liability		-	1,079
Cash collateral held		-	112
		-	**1,302**

In 2020, the reinsurance recoverable asset was fully offset by the embedded derivative financial liability position (see note 22).

c Other receivables

€m	2021	2020
Due related to properties	1	3
Other	154	110
	155	**113**

11 Other assets

€m	2021	2020
Accrued income	455	519
Deferred expenses	280	223
Prepayments	3	10
Other	195	80
	933	**832**

Other primarily includes €99m (2020: €13m) relating to forward flow mortgages and €49m (2020: €nil) relating to investments pending settlement over the year end.

Movement in deferred expenses

€m	2021	2020
At 1 January	223	3
Additional expenses deferred during the year	53	225
Amortisation	4	-
Reclassification	-	(5)
At 31 December	**280**	**223**

In 2021 Athora Netherlands has entered into a new longevity reinsurance contract (2020: €188m). The deferred loss is €53m (2020: €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 longevity reinsurance contracts are amortised in line with the run off profile of the respective contracts.

12 Cash and cash equivalents

€m	2021	2020
Cash at bank	1,043	1,076
Money market funds classified as cash equivalents	34	175
	1,077	**1,251**

Cash at bank includes additions through business combinations (see note 42).

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

Held-for-sale assets and liabilities

€m	2021		2020	
	Assets	**Liabilities**	**Assets**	**Liabilities**
ACTIAM	41	39	-	-
Investment properties - Germany	-	-	16	-
	41	**39**	**16**	**-**

Disposal groups classified as held-for-sale or sold

Sale of reinsurance variable annuity portfolio

On 26 February 2021, the group's subsidiary Athora Ireland entered into a binding agreement with Monument Life Insurance DAC ('Monument Life') for the sale of its Variable Annuities ('VA') portfolio. On the same day, Athora Ireland entered a contract with Monument Re Limited ('Monument Re') to cede risks not already ceded, including expense and longevity risks, that are associated with the VA portfolio for the period to the completion date of the sale. The sale was closed on 31 December 2021 and portfolio transfer is treated in the current period as a sold discontinued operation. The value of the assets transferred equalled the value of the liabilities transferred.

Sale of ACTIAM

On 21 October 2021, the group's subsidiary Athora Netherlands N.V. ('Athora Netherlands') announced that it had reached an agreement to sell its asset manager ACTIAM N.V. ('ACTIAM') to Cardano Group ('Cardano'). As part of this transaction, Athora Netherlands has entered into a long-term strategic partnership with Cardano, where Cardano will provide asset management services to the unit-linked business of Athora Netherlands. The transaction was completed on 1 January 2022 and is classified as a held-for-sale discontinued operation at 31 December 2021.

The following table analyses the results of disposal groups for 2021.

€m	Reinsurance variable annuity portfolio	ACTIAM	Total
	2021	**2021**	**2021**
Net earned premium	(16)	-	(16)
Net fee and commission income	18	33	51
Investment income	(20)	-	(20)
Total income	**(18)**	**33**	**15**
Net insurance benefits and claims	(102)	-	(102)
Expense attributable to policyholders and third parties	130	-	130
Acquisition costs	(2)	-	(2)
Other expenses	(29)	(64)	(93)
Total expenses	**(3)**	**(64)**	**(67)**
Loss before tax	**(21)**	**(31)**	**(52)**
Taxation credit	2	-	2
Result from operating activities after tax	**(19)**	**(31)**	**(50)**
Elimination of group transactions	3	-	3
Loss from discontinued operations, net of tax	**(16)**	**(31)**	**(47)**

The following table analyses the results of disposal groups for 2020.

€m	Reinsurance variable annuity portfolio	ACTIAM	Belgium property company	Belgium non-life business	Total
	2020	**2020**	**2020**	**2020**	**2020**
Net earned premium	(16)	-	-	53	37
Net fee and commission income	19	41	-	-	60
Investment income	(17)	-	2	-	(15)
Total income	**(14)**	**41**	**2**	**53**	**82**
Net insurance benefits and claims	(98)	-	-	(33)	(131)
Expense attributable to policyholders and third parties	117	-	-	-	117
Acquisition costs	(2)	(17)	-	-	(19)
Other expenses	(3)	(33)	(3)	(20)	(59)
Total expenses	**14**	**(50)**	**(3)**	**(53)**	**(92)**
Loss before tax	**-**	**(9)**	**(1)**	**-**	**(10)**
Taxation charge	-	1	-	(1)	-
Result from operating activities after tax	**-**	**(8)**	**(1)**	**(1)**	**(10)**
Gain/(loss) on sale of discontinued operation	-	-	(4)	72	68
Income tax on gain on sale of discontinued operation	-	-	1	(18)	(17)
Profit/(loss) from discontinued operations, net of tax	**-**	**(8)**	**(4)**	**53**	**41**

Immediately before the classification of the VA portfolio as discontinued operations, the recoverable amount of the VA portfolio as a Cash Generating Unit (CGU) was ascertained and being lower than the book value an impairment of €22m was recognised.

Similar to the VA portfolio, immediately before the classification of ACTIAM as a discontinued operation in October 2021, an impairment loss of €29m was recognised to reduce the carrying amount of the net assets in the disposal group to their recoverable amount. The impairment loss is included in 'Other expenses' in the above table.

The major classes of assets and liabilities of ACTIAM classified as held-for-sale as at 31 December 2021 are as follows:

€m	2021
Financial assets	29
Tax receivable	2
Other assets	3
Cash at bank	7
Total assets held-for-sale	**41**
Provisions	**29**
Other payables	10
Total liabilities held-for-sale	**39**
Net assets directly associated with disposal group	**2**

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 in 2019 which 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. Expenses related to the sale of €4m were incurred.

Non-current assets held-for-sale

Sale of Germany investment property

At 31 December 2020, two investment properties were classified as held-for-sale with a fair value of €16m. During 2021, five further investment properties were reclassified as held-for-sale at a fair value of €85m and valued by an external valuer. During 2021, the sale of all five investment properties was completed, with a sales price of €101m and broker fees and other expenses incurred of €1m. Please see note 5 for further details.

14 Issued capital and reserves

Common shares

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

Authorised and issued share capital

Authorised

€m	2021	2020
1,000,000,000 common shares of €0.001 each (2020: 1,000,000,000 common shares of €0.001 each)	1	1

Issued and fully paid up

€000	2021	2020
337,546,108 common shares of €0.001 each (2020: 321,346,866)	338	321
20,000,000 common shares of the Company owned by subsidiaries (2020: 20,000,000)	(20)	(20)
	318	**301**

Share premium

	Number of shares	Share premium
2021		**€m**
At 1 January	321,346,866	3,095
Shares issued during the year	16,199,242	210
At 31 December	**337,546,108**	**3,305**

	Number of shares	Share premium
2020		**€m**
At 1 January	77,383,287	665
Shares issued during the year	243,963,579	2,430
At 31 December	**321,346,866**	**3,095**

Movement in number of issued common shares

€m	Class A	B-1	B-2	C-1	C-2	D-1	D-2	Total
2021								
At 1 January	220,011,448	29,911,627	49,423,791	1,000,000	1,000,000	10,000,000	10,000,000	321,346,866
Movement during the year	199,511	15,618,731	381,000	-	-	-	-	16,199,242
At 31 December	**220,210,959**	**45,530,358**	**49,804,791**	**1,000,000**	**1,000,000**	**10,000,000**	**10,000,000**	**337,546,108**

€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**

Preferred shares

On 27 December 2021, Athora Holding Ltd. issued 1,500,000 Series B preferred shares with a stated value of €100 per share. The shares are recognised as Tier 1 eligible capital within the group's regulatory solvency ratio. The dividend rate is 4.8%. Dividends are fully discretionary with dividends not declared being non-cumulative. Athora can elect to pay dividends declared in cash or in kind via issuance of additional shares.

On 27 March 2020, Athora Holding Ltd. issued 3,750,000 Series A preferred shares, at a discount, with a stated value of €100 per share. The shares are recognised as Tier 1 eligible capital within the group's regulatory solvency ratio. The dividend rate is 8.0%. Dividends are fully discretionary with dividends not declared being non-cumulative. Athora can elect to pay dividends declared in cash or in kind via issuance of additional shares.

Share capital and share premium

	Number of shares	Share premium
2021		**€m**
At 1 January	3,899,995	384
Preferred shares of €0.001 each	1,818,227	182
At 31 December	**5,718,222**	**566**

	Number of shares	Share premium
2020		**€m**
At 1 January	-	-
Preferred shares of €0.001 each	3,899,995	384
At 31 December	**3,899,995**	**384**

Warrants

In conjunction with the issue of the preferred shares, 6,048,033 warrants were issued in 2020 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 dividends were declared or paid to the Company's common shareholders during the year (2020: €nil). A dividend for the amount of €16m was declared by the Board on 10 March 2021 on the Series A preferred shares and paid in kind by the pro rata issuance of 155,994 Series A preferred shares based on their stated value on 10 March 2021. A second dividend for the amount of €16m was declared by the Board on 27 September 2021 on the Series A preferred shares and paid in kind by the pro rata issuance of 162,233 Series A preferred shares based on their stated value on 27 September 2021 (2020: A dividend in the amount of €15m was declared by the Board on 11 September 2020 on the Series A preferred shares and paid in kind by the pro rata issuance of 149,995 Series A preferred shares based on their stated value on 11 September 2020).

€m	2021	2020
Preferred dividends - €8 per share (2020: €4 per share)	32	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 2021 the group had other reserves of €90m (2020: €99m).

15 Non-controlling interests

The non-controlling interests comprise the following:

€m	2021	2020
Athora Netherlands N.V.	245	245
Germany RE Log Hold Co S.à r.l. / Athora Lux Invest S.C.Sp.	70	-
Athora Real Estate S.A.R.L.	19	10
	334	**255**

Athora Netherlands N.V.

Through its subsidiary, Athora Netherlands N.V, the group has a restricted Tier 1 note in issue with a nominal value of €300m, which was acquired at a fair value of €245m. The note is perpetual and first callable in 2025 and each interest payment date thereafter, subject to conditions of redemption. The coupon is fixed at 7.00% per annum until the first call date. Athora Netherlands may at its sole and absolute discretion at any time elect to cancel any coupon payment (or part thereof) which would otherwise be payable on any payment date. A distribution was made during the year of €21m to cover the coupon due (2020: €15m).

Germany RE Log Hold Co S.à r.l. / Athora Lux Invest S.C.Sp.

Reinsurance Custody Solutions DAC (RCS) is an orphan trust domiciled in Ireland which the group neither controls nor can exert significant influence on and holds interest in two Athora owned entities. RCS has a:
- 10.5% ordinary shareholding in Germany RE Log Hold Co S.à r.l. (see note 42). €1m profit was allocated to the subsidiary during the reporting period (2020: €nil); and
- 8.3% ordinary shareholding in Athora Lux Invest S.C.Sp. There was €nil profit allocated to RCS based on its interest in the subsidiary during the reporting period (2020: €nil). During the year, Athora Lux Invest S.C.Sp. - Alternatives disposed of €65m (2020: €nil) worth of ordinary shareholding to RCS.

Athora Real Estate S.à r.l.

Athora Real Estate S.à r.l. is an investment property platform, domiciled in Luxembourg, which includes a third party investor with a 10.4% holding. €8m profit was allocated to the non-controlling interest of the subsidiary during the reporting period (2020: €nil). During the year a dividend was paid of €7m to the non-controlling interest (2020: €nil). During the year, Athora Real Estate S.A.R.L disposed of €9m (2020: €nil) worth of ordinary shareholding to a third party investor.

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 practices at the time. The best estimate assumptions include both actuarial (e.g. mortality, disability and surrender rates or maintenance and investment management expenses) and investment return or expense inflation assumptions. These assumptions are subject to back-testing and are updated annually to reflect actual experience and current market conditions. Insurance contracts with discretionary participating features are accounted for under the provisions of local GAAP where IFRS 4 ‘Insurance contracts’ does not provide specific guidance. Details of underwriting risk sensitivities are disclosed in note 23.

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 LAT reserve and VOBA, then the insurance provision is increased by this amount.

During the year ended 31 December 2021, consolidated financial statements were prepared with the group LAT parameters applied to insurance liabilities across all subsidiaries. For group LAT, the discount rates used are derived from the (bid price) swap curve, plus real-world spread. Previously LAT was performed using discount rates based on swaps, which converged to the Solvency II Ultimate Forward Rate in line with the Smith-Wilson method (as used for Solvency II reporting). The change in application of group LAT parameters during the year had the impact of decreasing the group's insurance liabilities by approximately €25m after tax. The discount rates used for LAT are influenced by financial market conditions, hence the impact of future discount rate changes cannot be reliably predicted. Accordingly, the effect in future periods is not disclosed because estimating it is impracticable.

As described in note 1 (aj) 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 reinsurance assets decreased by €124m in 2021 to €34m (2020: €158m). This is driven by the sale of the variable annuities book of Athora Reinsurance Life which was reinsured.

The LAT reserve, including shadow accounting, decreased by €1,250m in 2021 to €605m (2020: €1,855m). This decrease reflects the policyholders' share of fair value losses recognised during the year. These losses are primarily on the group's Dutch, German and Belgian available-for-sale debt securities, driven by an increase of interest rates. As such, a significant proportion of the decrease in the reserve was recognised as a credit against the corresponding unrealised losses on available for sale investments, through other comprehensive income. The credit, net of taxes, recognised during the year in the consolidated statement of comprehensive income was €592m (2020: charge, net of taxes, €483m). The credit, gross of taxes, recognised during the year in the consolidated income statement was €398m (2020: €438m).

The 'other' component of €145m (2020: €723m) is mainly driven by the increase of interest rates over the year 2021.

The group carries a VOBA liability of €1,339m (2020: €1,515m) in relation to the acquisition of Athora Netherlands and €529m (2020: €571m) in relation to Athora Belgium. The amortisation period applicable is the lifetime of the related underlying contracts in the portfolio. As at 31 December 2021 this is 63 years (2020: 64 years) for Athora Netherlands and 32 years for Athora Belgium (2020: 33 years).

€m			**2021**			**2020**	
	Note	**Liabilities**	**Reinsurance asset**	**Net**	**Liabilities**	**Reinsurance asset**	**Net**
Insurance provisions (life insurance contracts)	a	**46,230**	**(34)**	**46,196**	**49,384**	**(158)**	**49,226**
Investment contracts with insurance features	b	15,507	-	15,507	15,870	-	15,870
Unit-linked liabilities		1,617	-	1,617	1,190	-	1,190
Liabilities attributable to third parties		3,354	-	3,354	2,414	-	2,414
Liabilities attributable to policyholders and third parties		**20,478**	**-**	**20,478**	**19,474**	**-**	**19,474**

a Life insurance contracts

€m	2021			2020		
	Insurance contract liabilities	Reinsurance asset	Net	Insurance contract liabilities	Reinsurance asset	Net
Provision to life insurance contracts	45,185	(11)	45,174	47,104	(29)	47,075
Provisions for outstanding claims	153	(8)	145	136	(113)	23
Provisions for unearned premiums	25	(11)	14	27	(12)	15
Provision for profit sharing contracts	262	(4)	258	262	(4)	258
LAT deficit and shadow accounting	605	-	605	1,855	-	1,855
	46,230	**(34)**	**46,196**	**49,384**	**(158)**	**49,226**

€m	2021			2020		
	Gross insurance contracts	Reinsurance contracts	Net	Gross insurance contracts	Reinsurance contracts	Net
At 1 January	49,384	(158)	49,226	9,692	(79)	9,613
Acquisition of subsidiaries	-	-	-	38,655	(42)	38,613
Reclassification to held-for-sale	-	59	59	-	-	-
Premiums received	1,871	(446)	1,425	1,253	(252)	1,001
Liabilities paid for maturities, surrenders and claims	(2,740)	481	(2,259)	(2,218)	227	(1,991)
Fees deducted	(9)	(18)	(27)	(30)	(33)	(63)
(Debit)/Credit of interest or change in unit-prices	(1,822)	69	(1,753)	1,163	(15)	1,148
Amortisation of intangibles	(225)	(2)	(227)	(196)	(2)	(198)
Foreign exchange adjustment	-	-	-	-	6	6
LAT adjustment	(1,250)	-	(1,250)	1,128	-	1,128
Experience deviations and change in assumptions	857	-	857	(718)	(36)	(754)
Other	164	(19)	145	655	68	723
At 31 December	**46,230**	**(34)**	**46,196**	**49,384**	**(158)**	**49,226**

b Investment contracts with insurance features

€m	2021			2020		
	Investment contract liabilities	Reinsurance of investment	Net	Investment contract liabilities	Reinsurance of investment	Net
At 1 January	15,870	-	15,870	1,745	-	1,745
Acquisition of subsidiaries	-	-	-	12,540	-	12,540
Reclassification to held-for-sale	(1,067)	-	(1,067)			
Premiums received	716	-	716	486	-	486
Claims paid	(1,134)	-	(1,134)	(766)	-	(766)
Fees deducted	(68)	-	(68)	(58)	-	(58)
Credit of interest	127	-	127	17	-	17
Amortisation of intangibles	-	-	-	(3)	-	(3)
Investments fair value adjustment	1,390	-	1,390	1,979	-	1,979
Foreign exchange adjustment	46		46	-	-	-
Other	(373)	-	(373)	(70)	-	(70)
At 31 December	**15,507**	**-**	**15,507**	**15,870**	**-**	**15,870**

In 2021, €329m of €373m in 'Other' relates to a life portfolio transfer in respect of Athora Netherlands.

17 Employee benefits and other provisions

€m	2021	2020
Provision for employee benefits	763	778
Other provisions	57	80
	820	**858**

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 2021 was €7m (2020: €17m).

Defined benefit pension plans

The group has funded defined benefit pension plans which are for the benefit for its Dutch, Belgian and German employees, administered by Athora Netherlands, Athora Belgium and Athora Germany respectively. These plans are governed by the employment laws of the Netherlands, Belgium, and Germany respectively. The level of benefits provided depends on the member's length of service and salary at retirement age. The fund has the legal form of a foundation and it is governed by the Board of Trustees, which is responsible for the administration of the plan assets and for the definition of the investment strategy. Some of the defined benefit schemes are funded while others are insured separately.

Athora Netherlands 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. These assets are held to cover the deficit.

Assets held to cover the defined benefit pension liabilities of plans administered by Athora Belgium of €41m (2020: €42m) are dedicated and maintained in a pooled pension asset portfolio. However, these assets are not held by an entity that is legally separate from Athora Belgium, so do not meet the definition of 'plan assets' under IAS 19. Instead, they are recognised as investment assets in the statement of financial position, for the benefit of policyholders and cannot be offset against the corresponding defined benefit pension obligation.

Athora Germany have a large number of individual schemes in operation of which only a small number of schemes for which the assets of the schemes are held in a separate trustee administered fund.

In determining the level of contributions required to be made to the schemes and the relevant charges to the consolidated income statement, the group has been advised by independent actuaries.

These defined benefit plans expose the group to actuarial risks, such as longevity risk, interest risk, inflation risk and market (investment) risk. Independent actuarial valuation of the liabilities of the group's defined benefit pension plans is carried out annually to determine the financial position and to ensure that benefit obligations are adequately funded. The latest full actuarial valuation was carried out in December 2021 using generally accepted actuarial techniques.

The group's total contribution to these defined benefit schemes is expected to be approximately €6m in 2022.

Summary statement of financial position

€m	Netherlands	Belgium	Germany	Total
2021				
Funded schemes				
Defined benefit obligation	(79)	-	(10)	(89)
Fair value of plan assets	73	-	7	80
Net deficit arising in funded schemes	**(6)**	**-**	**(3)**	**(9)**
Liabilities arising from unfunded schemes	(664)	(50)	(40)	(754)
Net deficit	**(670)**	**(50)**	**(43)**	**(763)**

€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)**

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
2021				
Current service cost	-	(6)	-	(6)
Interest cost	(3)	(1)	-	(4)
Total net expense	**(3)**	**(7)**	**-**	**(10)**

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

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
2021	3	(5)	(3)	(5)
2020	135	2	2	139

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

€m	2021	2020
At 1 January	(864)	(121)
Acquired through business combinations	-	(596)
Transfers in	-	(29)
Interest cost	(5)	(6)
Service cost (including past service cost)	(6)	(2)
Benefits paid	24	37
Actuarial gains/(losses)	8	(147)
At 31 December	**(843)**	**(864)**

For the year ended 31 December 2021, the group has recognised an actuarial gain, net of tax, of €3m (2020: loss of €103m) through the consolidated statement of comprehensive income.

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

€m	2021	2020
At 1 January	86	7
Acquired through business combinations	-	73
Interest income	-	1
Contributions to the scheme	16	12
Benefits paid	(19)	(15)
Return on plan assets not included in income statement	(3)	8
At 31 December	**80**	**86**

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

€m	2021	2020
Cash and cash equivalents	15	14
Investment funds	65	72
	80	**86**

Investment funds of €65m (2020: €72m) are all quoted in an active market.

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

€m	2021	2020
Changes in demographic assumptions	4	15
Changes in financial assumptions	3	(147)
Experience gains and losses	1	(15)
	8	**(147)**

The weighted average key actuarial assumptions at 31 December are:

(%)	2021			2020		
	Netherlands	**Belgium**	**Germany**	**Netherlands**	**Belgium**	**Germany**
Discount rate	1.16	0.39	1.18	0.72	1.34	0.90
Inflation rate	1.50	2.35	1.80	1.50	1.80	1.80
Pension payment increase	1.50	N/A	1.80	1.50	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	2021			2020		
	Netherlands	Belgium	Germany	Netherlands	Belgium	Germany
Male	21.3	18.0	20.5	21.4	18.0	20.4
Female	23.3	21.0	24.0	23.2	21.0	23.8

The average life expectancy in years of a pensioner retiring at 65 has been remeasured based on insured lives rather than total population for Belgium.

The weighted average duration of the defined benefit obligation is 11 years (2020: 11 years).

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 €124m (2020: €135m). A 1% reduction in the discount rate would increase the value of the scheme liabilities by €158m (2020: €176m).
- A 1% increase in inflation would increase the value of the scheme liabilities by €102m (2020: €161m). A 1% reduction in inflation would reduce the value of the scheme liabilities by €88m (2020: €111m).
- The effect of assuming all members of the scheme will live one year longer would increase the schemes' liabilities by €35m (2020: €37m).

Other provisions

The group has provided for the following liabilities of uncertain timing or amount at 31 December 2021:

€m	Restructuring	Legal	Other	Total
At 1 January 2021	55	1	24	**80**
Assumed in business combinations	-	-	-	**-**
Provisions used	(8)	-	(5)	**(13)**
Additional provisions created	8	-	4	**12**
Provisions released	(15)	-	(7)	**(22)**
At 31 December 2021	**40**	**1**	**16**	**57**

€m	Restructuring	Legal	Other	Total
At 1 January 2020	5	2	7	**14**
Assumed in business combinations	-	-	15	**15**
Provisions used	(4)	-	(3)	**(7)**
Additional provisions created	54	-	7	**61**
Provisions released	-	(1)	(2)	**(3)**
At 31 December 2020	**55**	**1**[1]	**24**[1]	**80**

1 During 2020, there was a €2 million reclassification in the Other Provisions split from Legal to Other.

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 decreased during the year due to a strategic review conducted in Athora Netherlands. The remaining provision of €40m (2020: €55m) is expected to be utilised over the next 4 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 employees' early retirement and long service costs.

The table below summarises the expected utilisation of other provisions:

€m	<1 year	1 to 5 years	>5 years	Total
2021	25	32	-	57
2020	65	15	-	80

18 Borrowings

€m	2021	2020
Subordinated debt	898	803
Senior debt	700	695
	1,598	**1,498**

Subordinated debt

The group has the following subordinated debt in issue:

€m	Issuer	Maturity	2021	2020
US$ subordinated notes	Athora Netherlands N.V.	Callable every five years	500	455
Euro subordinated bonds	Athora Netherlands N.V.	2031	300	-
Swiss franc perpetual bonds	SRLEV N.V.	Callable annually	98	98
Euro subordinated bonds	SRLEV N.V.	N/A	-	250
			898	**803**

- $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.
- €300m subordinated bonds, with a maturity date in 2031. 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 2026 and carry a coupon up until that date of 2.250%. The Euro subordinated bonds are expected to be settled more than 12 months after the balance sheet date.
- CHF105m perpetual subordinated bonds, which carry a coupon of mid-swap plus 5.625% and are callable annually. The bonds qualify as Tier 2 available statutory capital.
- 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 were redeemed in full at their principal amount outstanding together with accrued and unpaid interest and any arrears of interest on 15 April 2021.

Senior debt

Issuer	Nominal (€m)	Currency	Amortised cost (€m)	Issue date	Maturity
Athora Holding Ltd.	500	EUR	490	31-3-2020	1-4-2025
Athora Europe Holding (Bermuda) Ltd.	150	EUR	149	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.

In 2020, the group acquired €645m of senior notes issued by Athora Netherlands NV (see note 42). An amount of €584 million was redeemed in April 2020, as a result of the successful tender offer on the notes. The remaining €61 million senior notes have a fixed coupon at 2.375% per annum and a remaining maturity of three years.

Maturity profile of senior debt

All of the above balances are due to be settled within 1 to 5 years after the balance sheet date (2020: 1-5 years).

Revolving credit facilities

In February 2021, the group entered into a new €500m unsecured revolving credit facility with a group of credit institutions, which provides material additional liquidity resources to the group with no drawdown of the facility during the year.

19 Other financial liabilities

€m	Note	2021	2020
Derivative financial liabilities	22	1,804	1,684
Loans linked to operating activities		1,483	1,767
Deposits received from reinsurers		39	55
Lease liabilities		17	20
Cash collateral held		2,855	5,073
Customer deposits		211	247
		6,409	**8,846**

Loans linked to operating activities

€m	2021	2020
Repurchase agreements	700	1,059
Private loans due to banks	597	694
Other private loans	186	14
	1,483	**1,767**

Other private loans relate to savings-based mortgages in Athora Netherlands.

Lease liabilities

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

€m	< 1 year	1 to 5 years	> 5 years	Total
2021	2	4	11	17
2020	3	6	11	20

20 Other payables

€m	Note	2021	2020
Liabilities arising from direct insurance operations	a	443	479
Liabilities arising from reinsurance operations	b	9	1,087
Other payables	c	192	149
		644	**1,715**

Amounts set out above include additions through business combinations (see note 42).

a Direct insurance operations

€m	2021	2020
Due to policyholders	376	393
Due to insurers	37	47
Due to intermediaries	30	39
	443	**479**

b Reinsurance operations

€m	2021	2020
Due on ceded business	1	1,081
Due on accepted business	8	6
	9	**1,087**

Due on ceded business has decreased by €1,080m primarily as a result of the disposal of variable annuity business in Athora Ireland (see note 13).

c Other payables

€m	2021	2020
Due related to employees	21	26
Due to clients and suppliers	21	25
Due related to properties	22	5
Other	128	93
	192	**149**

Other primarily includes outstanding settlements on investment portfolios relating to Athora Netherlands €114m (2020: €17m).

21 Other liabilities

€m	2021	2020
Expense accruals	111	101
Other tax liabilities	61	55
Deferred income	9	9
Accrued interest	24	49
Other	125	154
	330	**368**

Included in the 'other' balance of €125m is €111m of amounts payable to clients and other accrued liabilities in Athora Netherlands.

22 Derivative financial instruments

€m	2021		2020	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Derivatives not hedge accounted	4,411	1,785	5,954	1,597
Hedging derivatives	21	19	318	87
	4,432	**1,804**	**6,272**	**1,684**

Derivative financial assets and liabilities not hedge accounted

2021	Notional Amount	Assets	Liabilities
	Units (m)	**€m**	**€m**
Interest rate swaps	87,739	3,889	1,291
Swaptions	6,554	311	164
Forwards	3,492	108	269
Foreign currency swaps	1,588	23	4
Inflation linked swaps	2,278	80	57
		4,411	**1,785**

2020	Note	Notional Amount	Assets	Liabilities
		Units (m)	**€m**	**€m**
Interest rate swaps		117,758	5,217	1,073
Swaptions		11,692	606	152
Futures		14,959	118	143
Forwards		1,839	12	14
Embedded derivative	10	1,746	-	111
Inflation linked swaps		357	1	104
			5,954	**1,597**

Embedded derivative

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

Derivative financial assets and liabilities held for hedging

2021	Notional Amount	Assets	Liabilities
	Units (m)	€m	€m
Interest rate swaps	902	3	4
Forwards	619	18	15
		21	**19**

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

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 2021 (2020: €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 €nil (2020: cumulative loss of €4m) was reclassified from equity to the consolidated income statement. For the year ended 31 December 2021, the effective portion of cash flow hedges, net of tax, recognised through the consolidated statement of comprehensive income was a loss of €111m (2020: gain of €57m).

As at 31 December 2021, the group holds a number of cash flow hedge contracts which reference the Euribor benchmark. Those cash flow hedges using Euribor at the end of 2020 came to an end in January and June 2021 respectively and were not renewed. Meanwhile, the group started a new cash flow hedge model for Euribor-based interest rate derivatives during 2021 with a total net asset value of €1m as at 31 December 2021. As Euribor has already been reformed and currently meets the EU Benchmarks Regulation (BMR), the impact from IBOR transition on hedge accounting is not deemed to be material.

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

€m	Nominal amounts				Fair Value	
2021	**< 1 year**	**1 to 5 years**	**> 5 years**	**Total**	**Positive**	**Negative**
Interest rate contracts						
- Swaps and FRAs	*110*	*460*	*220*	*790*	*3*	*(4)*
	110	**460**	**220**	**790**	**3**	**(4)**

€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 2021 the global effectiveness for bond forwards sale hedges was 102.2% (2020: 99.7%), and for spread lock hedges it was 98.7% (2020: 100.2%). As at 31 December 2021 the fair value of the hedging derivative assets is €18m (2020: €nil) and the fair value of the hedging derivative liabilities is €15m (2020: €86m). The closing loss value of the past hedging transactions, for which the hedged risk is still pertinent, is deferred and amortised until the maturity of the hedged bonds which amounts to €27m (2020: €9m). The total fair value hedge adjustment booked in the available-for-sale reserve of the bond portfolio amounts to €24m (2020: €95m).

The unrealised result on the remaining active hedging transactions of negative €22m (2020: €67m) 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 €71m (2020: €76m). The net ineffective portion is €nil (2020: €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 2021 and 31 December 2020.

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 2021 and 31 December 2020 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 2021 and 31 December 2020 for the effects of the assumed changes of the underlying risk.

a Credit risk

Credit risk is the risk of loss resulting from a counterparty's potential inability or unwillingness to fully meet its contractual obligations to the group. The group's approach to managing credit risk recognises that there is a risk of adverse financial impact resulting from deterioration in credit quality of counterparties including default, rating migration and credit spread movements.

The group assumes credit risks through it's investment and hedging activities, via a targeted and selected Strategic Asset Allocation (SAA) that is in line with the risk appetite and strategy. Where credit risk is assumed, the group ensures that it remains diversified, that the group is adequately compensated, and that the level of risk is consistent with the group's risk appetite and objectives. The group avoids idiosyncratic concentrations, distinguishes between price and default risk from credit exposures, and ensures that credit risk taking from the investment activity remains within appetite and does not represent a solvency risk to the group in severe economic conditions.

The group oversees its credit risk management at each business unit to ensure continued compliance with the Prudent Person Principle requirements under Solvency II and BMA regulatory regimes. All business units are required to implement credit risk management processes (including limit frameworks), operate specific risk management committees, and ensure detailed reporting and monitoring of their exposures against pre-established risk criteria. The group manages and monitors all exposures across the business units on a consolidated basis and operates a group limit framework that must be adhered to by the business units.

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

Asset quality

The ratings employed by the group consider the ratings from the three main rating agencies (Standard & Poor's, Fitch and Moody's) as well as internal credit assessments assigned by Athora Group Risk to private credit assets based on BMA-approved BSCR internal credit assessment methodology. The table below provides information regarding the credit risk exposure of the group by classifying assets according to the Standard & Poor's credit ratings of the counterparties. AAA is the highest possible rating. Assets that fall outside the range of AAA to BBB are classified as speculative grade.

€m	AAA	AA	A	BBB	BB	B or lower	NR	Total
2021 Rating								
AFS debt securities	12,296	6,971	6,215	3,157	134	242	5,217	34,232
Reinsurance asset	-	1	13	-	-	-	20	34
Cash and cash equivalents	-	2	595	66	-	-	414	1,077
Loans and advances due from banks	55	-	77	-	-	-	258	390
Loans and receivables	946	-	355	-	-	-	9,799	11,100

€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
Reinsurance asset	-	111	-	-	-	-	47	158
Cash and cash equivalents	28	133	966	105	-	-	19	1,251
Loans and advances due from banks	58	-	144	-	-	-	571	773
Loans and receivables	983	69	335	-	-	-	10,151	11,538

€4,990m of the loans and receivables balance comprises mortgages included in the 'NR' category as credit ratings do not apply to mortgages. On 31 December 2021, the book values of c. 95% (2020: c. 68%) of the mortgages, without National Mortgage Guarantee (Netherlands), were less than 75% of their foreclosure costs. AFS debt securities relating to private debt are not rated but are subject to a quarterly impairment review. More information on credit quality for both categories is available in the impairment testing table in the next section. The asset quality table excludes investments attributable to policyholders and third parties of €945m (2020: €914m) as the risk is not borne by the group.

The group is exposed to counterparty credit risk mainly through derivative trades and cash deposits. This risk is generally mitigated through counterparty risk concentration limits and collateralisation agreements in place. Residual exposures are captured within the groups' credit management framework.

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 (ab).

Carrying values of financial assets measured at amortised cost together with available-for-sale debt securities are reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable. The group considers that objective evidence of impairment exists if any of the following indicators are present:
- Significant financial difficulty of the counterparty;
- Default or delinquency in interest or principal payments;
- Probability of bankruptcy or other financial reorganisation;
- Recognition of an impairment loss on that asset in a prior financial reporting period;
- Disappearance of an active market for that financial asset because of financial difficulty; or
- Observable data indicating a measurable decrease in estimated future cash flows such as changes in economic conditions that correlate with defaults.

The following table provides information regarding the carrying value of financial assets subject to impairment testing that have been impaired and assets that are past due but not impaired. For further detail on impairment see also note 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
2021				
Financial assets				
- *Loans and receivables*	*11,089*	*11*	-	*11,100*
- *AFS debt securities*	*34,209*	-	*23*	*34,232*
Reinsurance asset	34	-	-	34
Loans and receivables due from banks	390	-	-	390
Other receivables	313	-	-	313

€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*
- *AFS debt securities*	*37,928*	-	*12*	*37,940*
Reinsurance asset	158	-	-	158
Loans and receivables due from banks	773	-	-	773
Other receivables	1,358	-	-	1,358

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 €nil (2020: €112m) relate to collateral payable to a reinsurer (see note 10).

Derivative financial instruments

As at 31 December 2021, the group has pledged collateral with a fair value of €412m (2020: €1,043m) and has received collateral of €2,855m (2020: €5,073m).

The group's counterparties for interest rate swaps and foreign currency swaps are all investment graded banks or centrally cleared counterparties. The group has the necessary Credit Support Annex agreements (CSA) and International Swap and Derivative Association agreements (ISDA) in place. The group maintains daily collateral exchange with external counterparties. Given the above, the group's counterparty risk remains within risk appetite. There are no other significant terms and conditions associated with the use of collateral.

Concentrations of credit risk

Concentrations of credit risk arise from exposures to a single debtor, a group of related debtors or groups of debtors that have similar credit risk characteristics in that they operate in the same geographic region or in similar industries. The characteristics are similar in that the changes in economic or political environments may impact their ability to meet obligations as they come due.

The group may accept limited and carefully selected concentration risk to maximise returns, while ensuring an overall diversified asset portfolio. This is managed closely through the process and selection criteria set out in the SAA.

Appropriate limit and early warning systems are in place throughout the group to manage and monitor our credit concentration risk exposures.

The following tables set out the credit risk exposures based on how the group manages the risk. The group manages the risk based on the carrying value of the financial instruments.

€m	Government	Financial services	Real estate	Other	Total
2021					
Investments	24,669	5,899	5,964	8,800	45,332
- Loans and receivables	*4,476*	*142*	*5,943*	*539*	*11,100*
- AFS debt securities	*20,193*	*5,757*	*21*	*8,261*	*34,232*
Derivative financial assets	-	4,432	-	-	4,432
Reinsurance asset	-	34	-	-	34
Loans and advances due from banks	-	390	-	-	390
Other receivables	-	160	22	131	313
Cash and cash equivalents	-	1,077	-	-	1,077
Total assets	**24,669**	**11,992**	**5,986**	**8,931**	**51,578**

€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*	4,995	*11,538*
- AFS 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**	**9,135**	**59,462**

Sensitivities

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

€m	Profit or loss, net of tax		Equity, net of tax	
Credit spread movements	50bp increase	50bp decrease	50bp increase	50bp decrease
31 December 2021	(733)	726	(257)	211
31 December 2020	360	(385)	(245)	218

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 upon 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 are no material debt maturities within 12 months.

The tables below summarise the remaining contractual maturity of financial liabilities and insurance contract liabilities at 31 December 2021 and 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				
2021	**Carrying amount**	**<1 year**	**1 to 5 years**	**>5 years**	**Unit-linked**	**Total**
Insurance related						
Liabilities for the account of policyholders	1,617	-	-	-	1,617	1,617
Liabilities for the account of third parties	3,354	-	-	3,354	-	3,354
Insurance related liabilities	**4,971**	**-**	**-**	**3,354**	**1,617**	**4,971**
Non-derivative financial liabilities						
Borrowings	1,598	71	686	899	-	1,656
Other financial liabilities	4,605	4,011	356	272	-	4,639
Other payables	644	642	2	-	-	644
Non-derivative financial liabilities	**6,847**	**4,724**	**1,044**	**1,171**	**-**	**6,939**
Derivative financial instrument liabilities						
Derivative financial liabilities not hedged	1,785	196	371	1,448	-	2,015
Interest rate swaps used for hedging	4	-	4	-	-	4
Forwards used for hedging	15	15	-	-	-	15
- Outflow	-	*15*	-	-	-	*15*
- Inflow	-	-	-	-	-	-

€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)*

Additionally, the liquidity profile of the group's financial investments at 31 December 2021 and 31 December 2020 are shown in the tables below:

€m	Carrying amount	<1 year	1 to 5 years	>5 years	Unit-linked
2021					
Investments					
Non-derivative financial assets					
Loans and receivables	11,100	841	167	10,092	-
AFS debt securities	34,232	7,844	8,997	17,391	-
Investment assets for the account of policyholders and third parties	20,007	-	-	18,390	1,617
Loans and advances due from banks	390	270	68	52	-
Non-derivative financial assets	**65,729**	**8,955**	**9,232**	**45,925**	**1,617**
Derivative financial instruments assets	**4,432**	**269**	**153**	**4,010**	**-**

€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	-
AFS debt securities	37,940	7,951	8,895	21,094	-
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	**68,987**	**8,804**	**11,102**	**47,891**	**1,190**
Derivative financial instrument assets	**6,272**	**127**	**324**	**5,821**	**-**

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 on a solvency II basis. Within the context of the group ALM Risk Policy, the group uses derivative financial instruments to manage interest rate risk.

With respect to insurance products where the investment risk is exclusively or mainly borne by policyholders (e.g. unit-linked funds), the group's net assets can have interest rate sensitivity through the value of the future fee revenue as well as (potentially) any guarantee issued by the group. Such sensitivity and exposure is incorporated in each group segment and is considered as part of the overall ALM process.

Exposure to interest rate risk is monitored through several measures that include duration, capital modelling, sensitivity testing and stress and scenario testing. The interest rate sensitivity of the assets and liabilities components is measured by the DV01, or 'dollar' value impact of a 1 basis point change in the yield. The group define plausible interest rate stresses for different confidence levels based on statistical analysis and expert judgement which cover a range of interest rate curve changes. The group develops and maintains risk models to validate the results prepared locally, and to monitor the exposure consistently across all statements of financial position in the group.

Investment risk is the risk of loss due to actual investment returns being different to expected. There are interest rate guarantees for some unit-linked insurance policies (classified as insurance), as a result of which the Group is exposed to an interest rate risk in respect of products of this type.

A reasonably possible 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 2021	(561)	697	(319)	436
31 December 2020	(30)	36	(71)	87

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. The group seeks to minimise equity risk. The group's appetite for investing in equity securities on own account basis is very limited. The group manages this through the SAA process. As at 31 December 2021 the group held investment in quoted equities of €661m (2020: €996m) and investment in unquoted equities of €1,671m (2020: €1,077m).

€m	Profit or loss, net of tax		Equity, net of tax	
	10% increase	10% decrease	10% increase	10% decrease
31 December 2021	114	(123)	183	(183)
31 December 2020	73	(73)	94	(94)

Currency risk

Currency risk is the risk of losses when currency exchange rates change. Typically, this is the case when assets and liabilities have different sensitivities to changes in exchange rates.

The group is exposed to transactional foreign currency risk to the extent that there is a mismatch between the currencies in which assets and liabilities are denominated and the respective functional currencies of group companies. While the primary functional currency of group companies is the euro, some subsidiaries have pound sterling or the US dollar as their functional currency. For the assets backing insurance contract liabilities that are not matched by currency, the change in foreign currency exchange rates can expose the group to the risk of foreign exchange losses not offset by liability decreases.

As part of its investment strategy, the group is potentially exposed to currency exchange rates emerging from non-euro denominated assets and it is expected to have very limited currency exposure from its regulatory and market-consistent liabilities; as a consequence, investments in currencies other than euro are the main source of currency risk.

The group manages currency risk by matching assets and liabilities and hedging non-euro denominated investments executed with financial derivatives (e.g. foreign currency swaps or FX forwards) in compliance with the Athora Policy on Use of Derivatives.

Foreign currency translation gains and losses from net investments in foreign operations and tax effects, are recorded in accumulated other comprehensive income. Strengthening or weakening of the euro spot rate compared to pound sterling or US dollar spot rates impacts the group's total equity.

The tables below summarises the key exposure of the assets and liabilities of the group to foreign currency (any excluded assets are euro assets held by entities with a euro functional currency):

€m	**EUR**	**GBP**	**USD**	**JPY**	**Other**
2021					
Investments					
Loans and receivables	-	*319*	*1,554*	-	*23*
AFS financial assets	-	*603*	*3,932*	*1,176*	*228*
Financial assets at fair value through profit or loss	-	-	-	-	-
Investment in associates	-	-	*247*	-	-
Investment assets for the account of policyholders	-	-	73	-	-
Loans and advances due from banks	-	-	43	-	3
Cash and cash equivalents	1	2	2	-	-
Total assets	**1**	**924**	**5,851**	**1,176**	**254**
Insurance liabilities	-	-	-	-	-
Liabilities for the account of policyholders	-	-	(170)	-	-
Borrowings	-	-	(519)	-	(102)
Other financial liabilities	-	-	(87)	-	-
Total liabilities	**-**	**-**	**(776)**	**-**	**(102)**
Net financial position exposure	**1**	**924**	**5,075**	**1,176**	**152**
Forward exchange contracts	-	(972)	(5,388)	(1,159)	(195)
Net exposure	**1**	**(48)**	**(313)**	**17**	**(43)**

€m	EUR	GBP	USD	JPY	Other
2020					
Investments					
Loans and receivables	37	110	624	-	26
AFS financial assets	*566*	*596*	*3,468*	*712*	*416*
Financial assets at fair value through profit or loss	-	*246*	*1*	-	-
Investment in associates	-	-	-	-	-
Investment assets for the account of policyholders	-	712	253	-	-
Loan 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 policyholder	-	(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)**

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 Bermuda and Athora Ireland serve as internal reinsurance risk carriers to centralise the risk management of certain risk exposures and optimise diversification benefits.

Reinsurance of underwriting and selected other risks to well established, solid external reinsurers is a core part of the Group Risk and Capital Management Policy. The reinsurance programme is determined on the basis of risk assessments of the various portfolios, the size of the portfolios, the nature of the underwriting risks, the profit or loss, the risk appetite and the financial strength of the company. Reinsurance assets stemming from a single external reinsurer or reinsurance group may not be more than 10% of the local entity or group balance sheet. External reinsurers must have a financial credit rating of at least investment grade.

External reinsurance contracts do not relieve the group of its obligations to policyholders. Failure of reinsurers to honour their obligations could result in losses to the group. The group evaluates the financial condition of its reinsurers to minimise its exposure to significant losses from the reinsurer insolvencies.

Life insurance contracts

Life insurance contracts offered include individual and group contracts (corporate portfolio).

The individual life insurance portfolio consists of both traditional and unit-linked products. The individual life insurance portfolio mainly consists of unit-linked insurance policies, savings based mortgage policies, endowments and other savings policies, term life policies, funeral policies and life annuity insurance policies providing regular payments for a fixed period or for the remainder of the policyholder's life. Individual policies are sold as policies with a fixed sum insured and policies with a benefit in units (unit linked and universal life insurance). The unit-linked products include both unit-linked and universal life type products, that exist both with and without guarantees. The traditional products include those with and without discretionary participating features. The unit-linked policies are with or without guarantees.

The life corporate portfolio consists of both traditional contracts where the investment risk is borne by the insurer, investment insurance (unit-linked and universal life with insurance elements) and separate accounts, where the investment risk is borne by the customer. 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 policyholder. Disability risks are mitigated by use of reinsurance. In the case of annuity business, the disability/morbidity risk is that the policyholder might fall sick and be unable to work. Disability risks and internal experience analysis, supplemented by considering the latest external industry data, are monitored against the latest external industry data, and emerging trends.

- **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). In the case of annuity business, persistency risk is that the policyholder lapses or surrenders their policy earlier than has been assumed. Persistency risk is managed at a local level through frequent monitoring of company experience and benchmarked against local market information.

- **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.

Material judgement is required in determining the liabilities and choice of assumptions for underwriting risks. Assumptions in use are based on past experience, current internal data, external market indices and benchmarks which reflect current observable market prices and other published information. Mortality, longevity and disability/morbidity assumptions are based on standard industry and national tables, according to the type of contract written and the territory in which the insured person resides. Assumptions are differentiated by contract type, sex and underwriting class. An allowance is made for future mortality improvements. Operating expenses assumptions reflect the projected costs of maintaining and servicing in force policies and associated overhead expenses.

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	2021			2020		
	Gross	**Reinsurance**	**Net**	**Gross**	**Reinsurance**	**Net**
Belgium	5,014	(14)	5,000	5,354	(12)	5,342
Bermuda	176	-	176	172	-	172
Germany	4,947	(11)	4,936	5,140	(8)	5,132
Ireland	10	-	10	1,101	(111)	990
Netherlands	51,590	(9)	51,581	53,487	(27)	53,460
Total	**61,737**	**(34)**	**61,703**	**65,254**	**(158)**	**65,096**

Sensitivities

The following tables show, for reasonably possible movements in key assumptions with all other assumptions held constant, 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 of changes to both the intrinsic cost and time value of options and guarantees. When options and guarantees exist, they are the main reason for the asymmetry of sensitivities.

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 2021	64	32	16	(18)
31 December 2020	1	(2)	1	(2)

Mortality

€m	Profit or loss, net of tax		Equity, net of tax	
Mortality	10% increase	10% decrease	10% increase	10% decrease
31 December 2021	106	(9)	58	(58)
31 December 2020	10	(16)	10	(16)

Expenses / inflation

€m	Profit or loss, net of tax	Equity, net of tax
	10% / 1%	10% / 1%
Expenses / Inflation		
31 December 2021	(487)	(541)
31 December 2020	(310)	(310)

e Master netting or similar agreements

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

The ISDA agreements do not meet the criteria for offsetting in the statement of financial position. 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 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
2021					
Financial assets					
-Derivative financial assets	4,432	54	(2,855)	-	1,631
Financial liabilities					
-Derivative financial liabilities	(1,804)	61	412	-	(1,331)
-Repurchase agreements	(700)	-	5	692	(3)
	(2,504)	**61**	**417**	**692**	**(1,334)**

€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)**

The fair value of securities pledged as collateral was €692m (2020: €1,091m).

24 Fair value of assets and liabilities

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

Level 3

Inputs to Level 3 fair values are unobservable inputs for the asset or liability including, as available and appropriate, internal data and other publicly available information.

Fair value, in the first instance, is calculated using recognised pricing services, market participants or other sources. When market quotations are not available, a model-based approach (typically discounted cash flow) is used to determine fair value. Once valuations are performed, appropriate validation and review is completed to ensure the most appropriate valuation is applied at period end. 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 are carried at fair value except as described below.

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

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

Level 2 assets include money market instruments, mutual funds, exchange-traded funds, unlisted debt securities based on market data, derivatives and some investment properties, but excludes 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, private credit 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 methods using data of comparable listed entities, subject company transactions, discounted cash flows, property growth rates, longevity or liquidity premiums, as relevant to each asset class.

Fair value hierarchy analysis

For assets and liabilities that are measured at fair value in the financial statements on a recurring basis, the group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. In 2021, transfers from Level 2 to Level 1 amounted to €133m (2020: €125m) and transfers from Level 1 to Level 2 amounted to €331m (2020: €nil). In 2021, €133m of investment properties have been transferred from Level 2 to Level 3 (2020: €nil).

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

€m	Level 1	Level 2	Level 3	Total
2021				
Assets measured at fair value:				
Investment properties	-	-	1,994	1,994
AFS financial assets	29,095	2,126	8,425	39,646
- Equity securities	*661*	*44*	*1,627*	*2,332*
- Debt securities	*26,022*	*2,082*	*6,128*	*34,232*
- Investment fund units	*2,412*	-	*670*	*3,082*
Financial assets at fair value through profit or loss	634	-	-	634
- Investment fund units	*475*	-	-	*475*
- Debt securities	*159*	-	-	*159*
Investment assets for the account of policyholders	15,555	749	349	16,653
Investment assets for the account of third parties	3,354	-	-	3,354
Derivative financial assets	1	4,413	18	4,432
Derivative financial assets held for trading	1	4,392	18	4,411
- Interest rate swaps	*1*	*3,888*	-	*3,889*
- Swaptions	-	*311*	-	*311*
- Foreign currency swaps	-	*21*	*2*	*23*
- Forwards	-	*93*	*15*	*108*
- Inflation linked swaps	-	*79*	*1*	*80*
Derivative financial assets held for hedging	-	21	-	21
- Interest rate swaps	-	*3*	-	3
- Forwards	-	*18*	-	18
Total	**48,639**	**7,288**	**10,786**	**66,713**
Assets not measured at fair value for which fair value is disclosed:				
Financial assets classified as loans and receivables	-	1,119	10,069	11,188
Loans and advances due from banks	6	341	48	395

€m	Level 1	Level 2	Level 3	Total
2021				
Financial liabilities measured at fair value:				
Liabilities - Investments for the account of policy holders	1,617	-	-	1,617
Liabilities - Investments for the account of third parties	3,354	-	-	3,354
Derivative financial liabilities	-	1,681	123	1,804
Derivative financial liabilities held for trading	-	1,662	123	1,785
- Interest rate swaps	-	*1,291*	-	*1,291*
- Swaptions	-	*164*	-	*164*
- Foreign currency swaps	-	*2*	*2*	*4*
- Forwards	-	*201*	*68*	*269*
- Embedded derivative	-	-	-	-
- Inflation linked swaps	-	*4*	*53*	*57*
Derivative financial liabilities held for hedging	-	19	-	19
- Interest rate swaps	-	*4*	-	*4*
- Forwards	-	*15*	-	*15*
Total	**4,971**	**1,681**	**123**	**6,775**
Liabilities not measured at fair value for which fair value is disclosed:				
Subordinated debt	913	-	-	913
Senior debt	61	639	-	700

€m	Level 1	Level 2	Level 3	Total
2020				
Assets measured at fair value:				
Investment properties	-	133	1,198	1,331
AFS 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*
- Inflation linked swaps	-	*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 not measured at fair value for which fair value is disclosed:				
Financial assets classified as loans and receivables		1,105	10,542	11,647
Loans and advances due from banks	-	773	-	773

€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*
- Forwards	*3*	*140*	-	*143*
- Embedded derivative	-	-	*111*	*111*
- Inflation linked swaps	-	*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**
Liabilities not measured at fair value for which fair value is disclosed:				
Subordinated debt	842	-	-	842
Senior debt	-	695	-	695

Reconciliation of movements in Level 3 assets and liabilities

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

€m	Investment properties	AFS financial assets	Financial assets at FVTPL	Investments for the account of policyholder	Derivative financial assets	Derivative financial liabilities
At 1 January 2021	1,198	5,253	1	390	7	214
Income statement	202	235	-	6	25	28
- Realised gains	*2*	*16*	-	*6*	-	-
- Unrealised gains	*200*	*234*	-	-	-	-
- Impairment	-	*(18)*	-	-	-	-
- Result from derivatives	-	*3*	-	-	*25*	*28*
Other comprehensive income	19	112	-	-	-	-
Additions acquired through business combinations	496	535	-	-	-	-
Purchases	40	5,562	-	11	11	9
Disposals	(94)	(3,273)	*(1)*	(58)	(25)	(128)
Settlements	-	-	-	-	-	-
Transfers to level 3	133	-	-	-	-	-
Transfers to assets held-for-sale	-	-	-	-	-	-
At 31 December 2021	**1,994**	**8,424**	**-**	**349**	**18**	**123**

€m	Investment properties	AFS 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	(54)	-	9	6	43
- Realised gains	-	*(79)*	-	*9*	-	-
- Unrealised gains	*31*	*25*	-	-	-	*54*
- Result from derivatives	-	-	-	-	*6*	*(11)*
Other comprehensive income	-	(209)	-	-	-	-
Additions acquired through business combinations	364	2,036	-	401	10	113
Purchases	46	3,192	1	15	1	-
Disposals	(7)	(1,163)	-	(35)	(10)	-
Settlements		(55)				
Transfers to level 3	-	-	-	-	-	-
Transfers to assets held-for-sale	(9)	-	-	-	-	-
At 31 December 2020	**1,198**	**5,253**	**1**	**390**	**7**	**214**

Measurement of fair values

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

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

Investment properties

Investment properties are valued at least annually by independent external valuers, being appropriately qualified and experienced appraisers in the countries concerned with excellent breadth and depth of experience in the valuation of the type of asset concerned. Valuations were performed in accordance with guidance issued by the International Valuation Standards Council.

The fair value measurement for all the investment properties has been categorised as Level 3 based on the inputs to the valuation techniques used.

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

Significant unobservable inputs
The significant unobservable inputs include: expected market rental growth (2021: 0-3%; 2020: 0-66%); Void periods (2021: 0-27 months and 2020: 0-24 months after the end of each lease); Occupancy rate (2021: 100-0%; 2020: 100 -57%); Risk adjusted discount rates (2021: weighted average 0-8%; 2020: 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).

Private debt and fixed maturity securities

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

Valuation techniques

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

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

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

Significant unobservable inputs

The significant unobservable inputs and their range include: discount rate (2021: 3%-18%; 2020: 4%-23%); Recoverability (2021: 78%-104%, 2020: 101%); TEV/EBITDA (2021: 2x-16x; 2020: 6x-15x).

Interrelationship between the key unobservable inputs and fair value

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

Private equity securities and investment funds

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

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

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. The valuation approach will mirror those outlined above for equity securities and debt securities depending on the nature of the underlying investments in the funds.

Significant unobservable inputs

The significant unobservable inputs and their range include: Discount rate (2021: 8%-16%; 2020: 8%-15%); TEV/EBITDA (2021: 2x-9x; 2020: 2x-12x).

Interrelationship between the key unobservable inputs and fair value

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

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

Level 3 sensitivity analysis

€m	2021	2020
Impact on shareholders' equity, net of tax		
Credit spread		
+50bps	(109)	26
-50bps	113	(38)
Interest rate		
+50bps	(68)	(42)
-50bps	73	50
Equity		
+10%	123	19
-10%	(118)	(19)

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 the group of the BMA's determination and approval to be Group Supervisor of the group. Pursuant to Section 27B(5) of the Bermuda Insurance Act 1978, the BMA designated Athora Life Re as the 'Designated Insurer' for the purposes of the Insurance Act. Group Supervision of the group was effective from 1 January 2020.

Estimated unaudited group capital indicators:

	2021 Unaudited	Restated 2020 Unaudited*
Group Own Funds	€4,662m	€4,890m
Group BSCR	€2,492m	€2,445m
Group BSCR ratio	187%	200%

Own funds refers to a 'buffer' or excess margin that insurers are required to hold to cover risk of their assets not being sufficient to cover their liabilities. Thus, own funds is capital that already exists, it is split into Tiers 1 to 3 based on their permanence and loss absorbency. Tier 1 funds are highest quality, which are basic own funds. Tier 2 and Tier 3 can be ancillary and illiquid own funds. Please see below a breakdown of the group's own funds.

The Bermuda Solvency Capital Requirement (BSCR) model calculates a risk-based capital measure by applying capital factors to capital and solvency return elements, including investments and other assets, operational risk, and long-term insurance risks, in order to establish an overall measure of capital and surplus for statutory solvency purposes. The Target Capital Level set by the BMA is equal to 120% of the Group Enhanced Capital Requirement. The capital factor established for each risk element, when applied to that element, produces a required capital and surplus amount. The individual capital amounts generated for each risk element are then summed. Covariance adjustments are made to arrive at the BSCR. The group has complied with all capital requirements throughout 2021 and 2020.

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

€m	Note	2021 Unaudited	Restated 2020 Unaudited
IFRS equity per financial statements		4,815	4,254
Non-admitted assets			
Elimination of prudential filters	i	(371)	(337)
Net deferred tax on elimination of prudential filters	ii	88	71
Estimated Statutory Capital and Surplus		**(283)**	**(266)**
Adjustment to Economic Balance Sheet (EBS)			
Insurance assets and liabilities valuation differences	iii	(691)	264
Financial asset and liabilities valuation differences	iv	(21)	(34)
Reclassification of subordinated liabilities	v	920	854
Net deferred tax on valuation differences	vi	(78)	(182)
Estimated Statutory Economic Capital and Surplus		**4,662**	**4,890**

Notes[1]:

i. Includes €95m (2020: €103m) of intangible, €271m (2020: €223m) of deferred expenses and prepaid expenses €5m (2020: €10m) 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 utilising projections of future cash flows and discounting to determine technical provisions comprised of best estimate premium provisions, best estimate loss provisions and risk margins. Includes valuation adjustments to reflect insurance assets and liabilities valued on a best estimate basis using market-implied assumptions.
iv. Includes valuation adjustments to reflect financial assets and liabilities valued on a best estimate basis using market-implied assumptions.

[1] All amounts shown are unaudited.

v. The subordinate debt of €920m (2020: €854m) 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.

Estimated Unaudited Statutory Economic Capital and Surplus

€m	2021 Unaudited	2020 Unaudited*
Tier 1	3,742	4,036
Tier 2	920	854
Tier 3	-	-
Estimated Statutory Economic Capital and Surplus	**4,662**	**4,890**

**On 6 October 2021, Athora Group issued a 'Significant Event Report'. In this report the group restated its 2020 statutory economic capital and surplus and BMA capital position. The 2020 comparatives have been updated in line with the 'Significant Event Report' as published on the group's website.*

26 Net earned premiums

€m	Gross amount		Reinsurers' share		Net amount	
	2021	**2020[1]**	**2021**	**2020[1]**	**2021**	**2020[1]**
Direct insurance	2,579	1,674	(468)	(227)	2,111	1,447
Reinsurance accepted	41	120	(2)	(2)	39	118
	2,620	**1,794**	**(470)**	**(229)**	**2,150**	**1,565**

The increase in gross earned premiums from direct insurance of €905m is primarily due to an increase in gross premiums in the Netherlands, in part due to the recognition of 12 months of business following acquisition in April 2020, and in part due to a significant bulk pension buy-out received during the year.

27 Fee and commission income

€m	2021	2020[1]
Insurance activity	5	3
Net income related to investment contracts	76	29
	81	**32**

The increase of €49m in fee and commission income is primarily driven by increased volumes and positive market evolution of unit-linked businesses in Athora Belgium during the year.

[1] The 2020 comparatives have been re-presented from those previously published to reclassify certain operations as discontinued operations.

28 Investment income

€m	2021	2020[1]
Net (expense) / income from derivatives	(2,049)	1,206
Available-for-sale financial assets	1,013	761
Financial assets at FVTPL	(142)	77
Loans and receivables	88	31
Investment properties	271	91
Cash and cash equivalents	21	(4)
Other investments	49	79
	(749)	**2,241**

For further information on investment property acquired during the year please refer to note 42.

Net income from derivatives

€m	2021	2020
Derivatives classified as fair value hedges	131	(169)
Derivatives at FVTPL	(2,180)	1,375
Net (expense) / income arising from derivatives	**(2,049)**	**1,206**

Net income from derivatives has reduced by €3,255m from €1,206m in 2020 which is primarily due to the upward shift in the Euro swap yield curve reducing the value of the net derivative asset and liability position.

[1] The 2020 comparatives have been re-presented from those previously published to reclassify certain operations as discontinued operations.

Net income from other financial assets

€m	Available-for-sale financial assets	Financial assets at FVTPL	Loans and receivables	Investment properties	Cash and cash equivalents	Other investments	Total
2021							
Interest	369	5	74	-	18	2	468
Dividends	15	10	-	-	-	-	25
Rental income	-	-	-	86	-	-	86
Other income	(9)	-	-	-	-	-	(9)
Direct operating expenses	-	-	-	(17)	-	-	(17)
Realised revaluations	277	(1)	(7)	2	-	90	361
Unrealised revaluations	361	(156)	21	200	3	(43)	386
	1,013	**(142)**	**88**	**271**	**21**	**49**	**1,300**

€m	Available-for-sale financial assets	Financial assets at FVTPL	Loans and receivables	Investment properties	Cash and cash equivalents	Other investments	Total
2020[1]							
Interest	310	4	86	-	16	3	419
Dividends	14	1	-	-	-	-	15
Rental income	-	-	-	57	-	-	57
Other income	8	(8)	-	-	-	18	18
Direct operating expenses	-	-	-	(19)	-	-	(19)
Realised revaluations	713	(1)	(1)	2	-	-	713
Unrealised revaluations	(284)	81	(54)	51	(20)	58	(168)
	761	**77**	**31**	**91**	**(4)**	**79**	**1,035**

Refer to note 5 for further information on movement in investment properties.

[1] The 2020 comparatives have been re-presented from those previously published to reclassify certain operations as discontinued operations.

29 Investment income attributable to policyholders and third parties

€m	2021	2020
Attributable to:		
Policyholder	1,606	2,067
- Income attributable to insurance contracts	*1,383*	2,061
- Income attributable to investment contracts	*223*	25
- Fees and commissions related to insurance contracts	-	(19)
Third parties	534	389
	2,140	**2,456**

Attributable to policyholders

Investment income for the account of policyholders has decreased by €461m to €1,606m (2020: €2,067m). This decrease is attributed to a reduction in policyholder income in Athora Netherlands of €677m partly offset by positive market movements in Athora Belgium of €124m and Athora Germany of €74m.

Income attributable to insurance contracts

€m	Investment fund units	Equity securities	Loans and receivables	Total
2021				
Interest and other income	185	-	(28)	157
Realised revaluations	(92)	-	(17)	(109)
Unrealised revaluations	1,317	-	18	1,335
Total income	**1,410**	**-**	**(27)**	**1,383**

€m	Investment fund units	Equity securities	Loans 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**

Income attributable to investment contracts

€m	Investment fund units	Equity securities	Total
2021			
Unrealised revaluations	110	113	223
Total income	**110**	**113**	**223**

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

Attributable to third parties

The amount of €534m (2020: €389m) is fully offset by the corresponding result on related liabilities (see note 32).

30 Other income

€m	2021	2020
Gains on foreign currencies	5	4
Income from associates	4	1
Other	7	34
	16	**39**

31 Net insurance benefits and claims

€m	Gross amount		Reinsurers' share		Net amount	
	2021	**2020[1]**	**2021**	**2020[1]**	**2021**	**2020[1]**
Claims paid	(3,773)	(2,984)	460	227	(3,313)	(2,757)
Change in mathematical provisions	(107)	545	18	(193)	(89)	352
Other insurance provisions	2,559	(413)	-	-	2,559	(413)
Outstanding claims	17	128	5	(2)	22	126
	(1,304)	**(2,724)**	**483**	**32**	**(821)**	**(2,692)**

See note 16 for information on the movement in net insurance benefits and claims.

32 Expense attributable to policyholders and third parties

€m	2021	2020[1]
Attributable to:		
Policyholders	(962)	(1,958)
Third parties	(534)	(389)
	(1,496)	**(2,347)**

[1] The 2020 comparatives have been re-presented from those previously published to reclassify certain operations as discontinued operations.

Attributable to Policyholders

Expense for the account of policyholders has decreased by €996m to €962m (2020: €1,958m). The change in technical provisions for the account of policyholder is linked to the movement in the investment income for the account of policyholders. The reduction during the year is mainly attributable to a movement in market value revaluations.

Attributable to third parties

The amount of €534m (2020: €389m) consists of the 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).

33 Other expenses

€m	Note	2021	2020[1]
Staff costs		(280)	(283)
IT, professional and property costs		(125)	(131)
Asset management fees		(118)	(95)
Other administration expenses		(68)	(78)
Realised losses from other financial liabilities		(90)	-
Impairments		(19)	(54)
Losses on foreign currencies		(4)	(13)
Amortisation of intangible assets	3	(8)	(9)
Depreciation	4	(9)	(8)
		(721)	**(671)**

Included in staff costs are cash-settled and equity-settled share based payment expenses charged during the year of €11m (2020: €2m) (see note 35).

The realised losses on financial liabilities has an equal and opposite offset included in investment income (note 28).

Impairments

During 2021 the group recognised an impairment on its available-for-sale financial assets portfolio of €18m (2020: €32m) and investment in associates of €1m (2020: €nil). The investments classified as available-for-sale that are impaired have a carrying value of €125m (2020: €118m) and are held as Level 3 securities in the fair value hierarchy (see note 24). The remainder of the impairment in the prior year related to tangible property €nil (2020: €6m), and €nil (2020: €16m) impairment charge related to a mezzanine loan.

[1] The 2020 comparatives have been re-presented from those previously published to reclassify certain operations as discontinued operations.

34 Interest expense

€m	2021	2020[1]
Interest on borrowings		
- Interest on subordinated debt	*(55)*	*(60)*
- Interest expense on other borrowings	*(31)*	*(29)*
	(86)	**(89)**
Other interest expenses	(25)	(16)
	(111)	**(105)**

Interest on borrowings

Interest on subordinated debt is calculated using the effective interest rate method including the amortisation of any discount (see note 18).

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 occurrence.
2. **Athora Long-Term Incentive Plan (LTIP**) is designed to align the material interests of the group's senior management with those of shareholders, whilst also contributing to the maintenance of a competitive total reward offer for its top talent. The LTIP is a cash-settled share-based scheme and has a five-year vesting period.
3. **Athora Equity Awards (AEA)** are made to various individuals in the group as part of their contractual compensation. These awards are equity-settled, with vesting over a period between two and three years.

Outstanding options and awards

Share options: there were no share options outstanding on the shares of the Company at 31 December 2021 or 31 December 2020.

Share awards: during the year, 973,416 shares were awarded under the AEA (2020: 35,897 shares). The maximum term over which these awards vest is three years (2020: two years).

[1] The 2020 comparatives have been re-presented from those previously published to reclassify certain operations as discontinued operations.

At 31 December 2021 share awards issued were outstanding as follows:

Athora Equity Awards		
Year of vesting / No. of shares	2022	506,988
Year of vesting / No. of shares	2023	236,549
Year of vesting / No. of shares	2024	247,828

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	Note	2021	2020
Equity-settled expense		6	-
Cash-settled expense	33	5	2
		11	**2**

Liabilities arising from share-based payment transactions

€m	2021	2020
Cash-settled liability	6	3

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 €13.00 per share (2020: €11.70 per share).

36 Taxation

a Analysis of tax charge

€m	2021	2020[1]
Current tax:		
Current tax charge for the year	(101)	(47)
Adjustment in respect of prior years	2	7
Total current tax charge	**(99)**	**(40)**
Deferred tax:		
Origination and reversal of temporary differences during the year	(69)	(142)
Effect of change in tax rate	16	92
Unrecognised deductible temporary differences	(69)	-
Adjustment in respect of prior years	(2)	(4)
Total deferred tax charge	**(124)**	**(54)**
Total tax charge on profit from continuing operations	**(223)**	**(94)**

[1] The 2020 comparatives have been re-presented from those previously published to reclassify certain operations as discontinued operations.

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	2021	2020[1]
Profit before tax	428	709
Tax calculated at the domestic rates applicable to profits in each operational jurisdiction	(171)	(230)
Effects of:		
Expenses not deductible for tax purposes	(4)	(5)
Gain recognised on acquisition of subsidiary	-	53
Non-taxable income	2	2
Changes in tax rates	16	92
Income taxable at higher/lower rates	(3)	(1)
Differences in expected tax rates	-	(13)
Unrecognised deductible temporary differences	(69)	-
Minority interests taxable at different rates	1	-
Adjustments in respect of prior years	-	3
Deduction for interest on Tier 1 equity	5	5
Total tax charge for the year	**(223)**	**(94)**

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% (2020: 25%), Bermuda 0% (2020: 0%), Germany 31.72% (2020: 31.72%), Ireland 12.5% (2020: 12.5%), Netherlands (25%, 2020: 25%), UK 19% (2020: 19%).

Legally enacted changes in tax rates applicable to future periods result in the remeasurement of deferred tax assets and liabilities. During 2021, changes enacted included the increase in the Dutch tax rate from 25% to 25.8% from 1 January 2022 and the increase in the UK tax rate from 19% to 25%, scheduled for 1 April 2023.

Year on year, the proportionate increase in tax calculated at the domestic rates applicable to profits in each operational jurisdiction relative to profit before tax can be predominately attributed to additional expenses incurred by Athora Holding Limited, which do not give rise to a corporate income tax deduction. In terms of the total tax charge, in 2020, profit before tax included a €213m gain on acquisition of Athora Netherlands (i.e. negative goodwill), which did not constitute taxable income, thereby presenting a €53m credit vis-à-vis the tax charge at the 2020 Dutch tax rate of 25%. Also in 2020, a €92m increase in the net deferred tax asset for Netherlands following the increase in the tax rate enacted during that year was recognised by way of credit to the deferred tax charge in the income statement. Those once-off items had the effect of reducing the total tax charge for 2020 below the amount which would be expected by applying the respective domestic rates of tax to the profits and losses before tax from continuing operations by jurisdiction.

In 2021, following a review of the future profit forecasts necessary to justify recognition of net deferred tax assets in the Netherlands, as explained in note 8, €69m of deferred tax assets were derecognised resulting in an additional charge to the income statement which is not arising from profit before tax for the year.

[1] The 2020 comparatives have been re-presented from those previously published to reclassify certain operations as discontinued operations.

37 Cash flow information

Cash flows from operating activities

a Net changes in operational assets

€m	2021	2020
Net change in financial assets (FVTPL)	(461)	119
Net change in financial assets (derivatives)	31	95
Net change in investments attributable to policyholders and third parties	(50)	(754)
Net change in reinsurance assets	66	(37)
Net change in other receivables	32	206
Net change in other assets	366	(5)
	(16)	**(376)**

b Net changes in operational liabilities

€m	2021	2020
Net change in insurance provisions	(1,603)	1,877
Net change in liabilities attributable to policyholders and third parties	831	1,647
Net change in provision for employee benefit and other provisions	(1)	(35)
Net change in other financial liabilities (excluding derivatives)	(2,498)	863
Net change in other financial liabilities (derivatives)	(415)	(148)
Net change in other payables	10	(202)
Net change in other liabilities	(234)	159
	(3,910)	**4,161**

The group classifies the cash flows from the acquisition and disposal of FVTPL financial assets 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 2021	803	695	-	20	1,518
Changes from financing cash flows:					
Proceeds from issue of debt	302	-	-	-	302
Repayment of borrowings	(250)	-	-	-	(250)
Payment of lease liabilities	-	-	-	(3)	(3)
	52	**-**	**-**	**(3)**	**49**
Amortisation of premium	-	5	-	-	5
Lease interest expense	-	-	-	1	1
Lease interest paid	-	-	-	(1)	(1)
Currency gains and losses	43	-	-	-	43
At 31 December 2021	**898**	**700**	**-**	**17**	**1,615**

€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**

38 Commitments

Capital expenditure

The group has committed to the purchase of a closed-book individual life portfolio from NN Insurance Belgium NV/SA and the purchase of Italian life insurer, Amissima Vita S.p.A ents to make any capital expenditure at the reporting date, subject to regulatory approval (2020: none). Refer to note 43 for details of these transactions.

Unfunded commitments to invest

As at 31 December 2021, Athora Lux Invest S.C.Sp. had committed, on an unfunded basis, to make various investments across its compartments totalling €171m (2020: €164m).

German guarantees

In Germany, the insurance guarantee scheme for life insurers levies annual contributions and, under certain circumstances, special contributions on German life insurers. Athora Lebensversicherung AG and Athora Pensionskasse AG have assumed a contractual obligation to provide, if required, further funds to the protection funds of Protektor or alternatively 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 (2020: €4m).

As at 31 December 2021, the total commitments of Athora Lebensversicherung AG and Athora Pensionskasse AG to Protektor are €36m (2020: €36m) which includes the contributions to the mandatory insurance scheme (as noted above) for a limited period of time and also assumes that no other life insurer is exempted from payments.

Netherlands guarantee schemes

In Netherlands, Athora Netherlands NV through its subsidiary SRLEV NV, has guaranteed obligations arising under an insurance contract between NV Pensioen ESC, a subsidiary of SRLEV NV, and a thirdparty related to the defined benefit plan of that party for the term of the contract. The financial position of NV Pensioen ESC, including the indexation reserves, will be guaranteed by Athora Netherlands NV if the Solvency II ratio of SRLEV NV should fall below 100%, which is stipulated in the contract with the third party. SRLEV NV's solvency ratio was higher than 100% as at 31 December 2021. 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 at 31 December 2021.

In 2012, SRLEV NV revised its separate account contracts to ensure the deficits arising from issued guarantees were more manageable. An agreement was reached with customers, whereby they accepted to fund increased charges relating to longevity risk with SRLEV NV bearing part of the interest deficit. As at 31 December 2021, a liability of €1m (2020: €2m) existed relating to this separate account restructuring. The customers' liability in respect of this restructuring was €2m (2020: €3m) as at 31 December 2021. SRLEV NV has received a guarantee from one of its clients of €13m (2020: €29m) to strengthen the clients position concerning their investment portfolio.

Netherlands guarantees received and granted

The National Mortgage Guarantee Fund (NHG) is a public mortgage loan insurance scheme in the Netherlands which protects borrowers from any residual debt after a foreclosure following a default on their mortgage loan. The market value of guarantees received under the NHG Fund amounted to €650m as at 31 December 2021 (2020: €883m).

The market value of the collateral of the mortgages was €11,430m at 31 December 2021 (2020: €8,783m). The amortised cost of the mortgages was €5,096m at 31 December 2021 (2020: €3,874m).

In relation to saving products, arrangements were made between SRLEV and several credit institutions. The credit risk concerning saving premiums is covered by received cession warranties amounting to €3,406m (2020: €3,713m), deeds of assignment amounting to €250m (2020: €273m) or clearance amounting to €176m (2020: €213m). At 31 December 2021 an amount of €36m was unsecured (2020: €40m).

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 31 December 2021 was €45m (2020: €49m).

General

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

Legal proceedings

Athora Netherlands is involved in litigation and other binding proceedings involving, but not limited to, disputes concerning some of its products and services 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 2022, Athora Netherlands will take a 14.59% share in the life cluster (2021: 15.38%) of the Netherlands Reinsurance company for Losses from Terrorism (Nederlandse Herverzekeringsmaatschappij voor Terrorismeschaden NV). In 2022, the guarantee will be €10m (one third of the total guarantee of €29m) for the life cluster (2021: €10m (one third of the total guarantee of €31m)) and total premiums will amount to €1m (2021: €1m).

39 Contingent liabilities

At 31 December 2021, SRLEV NV had contingent liabilities to invest €1,212m in investment funds (2020: €611m). These funds may in due course call these commitments (capital calls) when specific conditions are met. These capital calls have been taken into account in the company's liquidity management. The contingent liabilities had no immediate effect on the capital as at 31 December 2021.

At 31 December 2021, Athora Netherlands also has a residual commitment of €30m (2020: €100m) to a ten year separate account mandate for RE Young Urban Housing BV (subsidiary of Athora Netherlands) in the Netherlands.

In 2019, SRLEV NV entered into a loan commitment of €32m with its subsidiary Bellecom NV for the renovation of property. At 31 December 2021, the residual loan commitment amounts to €9m (2020: €19m). Bellecom NV has entered into a commitment to invest a maximum of €39m into the renovation of property.

Investment insurance policies

Athora Netherlands has received complaints and claims from customers through SRLEV NV in relation to its unit-linked products.

At 31 December 2021, less than ten proceedings were still pending against SRLEV NV before the civil courts. These cases include one class action brought by Vereniging Woekerpolis.nl in relation to certain products. In this class action, the Vereniging Woekerpolis.nl asked for over 80 declaratory judgements from the court that SRLEV NV acted wrongfully. If such declarations are given, individual class members may use those declarations to file their own claims for damages. By judgement of 20 December 2017, the District Court Noord denied almost all the requested declaratory decisions, except for two.

Both Vereniging Woekerpolis.nl and SRLEV NV 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 2022. However, to date, the number of cases in which SRLEV NV has been required to pay damages following a decision by a civil court has been limited.

The management of Athora Netherlands has ascertained that it is not possible at this time to make reliable estimates of the expected number of proceedings, possible future precedents or the financial and/or reputational impact of current and possible future proceedings. The probability and financial impact of additional compensation and/or successful claims still cannot be determined in a meaningful way.

40 Subsidiaries

The principal undertakings of the group for 2021 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	England	31 December

Unless otherwise stated in note 15, 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 profit participating notes (PPN) to clients. It also ring-fences the corresponding investments in deemed separate entities (silos). The risks and reward of the silos are borne by the respective PPN holders. In accordance with IFRS 12, the silos are consolidated by the PPN holders Athora Life Re Ltd. and Athora Ireland plc. Consequently, there are no assets or liabilities recognised by the Group other than in relation to the consolidation of the two silos mentioned above and the fee of €1,000 charged to the PPN holder. There is no current intention of the Group to provide any financial or other support to the unconsolidated structured entity.

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 and at normal terms and conditions.

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 2021, Apollo had a 10.52% economic interest (19.90% vote) holding in Athora's common share capital and had 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 2021 Athene retained a 15.78% economic interest (10% vote) holding in the equity share capital of Athora and had one member on Athora's board of directors;

At 31 December 2021, 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. Effective 1 January 2022, Athene Holding Ltd. completed a merger under Apollo Global Management, Inc.

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 2021, Athene and Apollo have the following undrawn commitments which are based on normal commerical terms and conditions:

Athene
- €250m equity capital commitment (common shares) (Equity Commitment Letter dated 9 March 2020)
- €200m Series B preferred shares (Subscription Agreement dated 21 December 2021)^

Apollo
- €250m equity capital commitment (common shares) (Equity Commitment Letter dated 9 March 2020)
- €70m equity capital commitment (common shares) (Subscription Agreement dated 27 December 2021)^
- €90m (or difference of €90,000,000 and the aggregate amount of commitments to purchase common shares of AHL that AHL receives from other shareholders pursuant to the program) (Subscription Agreement dated 30 November 2021)^

^ Subject to shareholders' exercise of pre-emptive rights granted under the Amended and Restated Shareholders Agreement dated as of 27 March 2020.

Transactions with key minority shareholders

Transactions are set on an arm's length basis in a manner similar to transactions with third parties. The table below summarises the amount of the other material transactions with Athene and Apollo during the year and the outstanding balances at the end of the year:

€m	Income	Expenses	Payable	Receivable
2021				
Apollo	1	103	28	-
Athene	-	3	3	-
	1	**106**	**31**	**-**

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

During 2021, the group drew an additional capital of €360m which included €352m raised in aggregate from Apollo and Athene.

Apollo 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.

OXW Catalina UK Limited and Oxenwood Catalina III Limited, are subsidiaries of Catalina Holdings (Bermuda) Ltd., a fund investment managed by an Apollo controlled general partner. During the year OXW Catalina UK Limited and Oxenwood Catalina III Limited sold real estate entities to the group. Please see note 42 acquisition of subsidiaries for further details on the transaction. Management fees paid to Oxenwood for the period ended 31 December 2021 were €3m.

The group has leased office space in the United Kingdom. Under a sub-licence agreement, Apollo rents a floor of this space, with total annual rent payable, including service and similar costs, of €1m (2020: €1m) 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 2021, Athene has not exercised its right of first refusal to reinsure liabilities ceded to Athora. In addition, Athora's subsidiaries may from time to time purchase certain funding agreements and/or other spread instruments issued by Athene's insurance subsidiaries. At 31 December 2021 the value of Athene funding agreements held by the group was €62m (2020: €110m).

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	2021	2020
Salaries and other short-term employee benefits	8	9
Share-based payments	5	1
Termination benefits	1	2
	14	**12**

Receivables from key management personnel at 31 December 2021 were €3m (2020: €2m) and relate to management equity plan loans entered into under normal commercial terms.

42 Acquisition of subsidiaries

Acquisition of real estate groups

On 7 January 2021, the group acquired controlling interests in the following three entities ('Oxenwood') (including their subsidiaries):

- 100% shareholding of OXW Catalina UK Midco Ltd;
- 89.5% shareholding of Oxenwood Catalina Germany Holdco S.À R.L.; and
- 100% shareholding of Oxenwood Catalina Poland Holdco S.À R.L.

The activities of these groups consist exclusively of the ownership and operation of real estate. The group acquired these businesses to increase its investment in the real estate sector as it is believed this sector offers opportunity for rental growth and future expansion. Acquisition related costs of €7m have been included in other expenses of which €5m were accounted for in the year ended 31 December 2020. The non-controlling interest at acquisition date is €6m and is measured as the proportionate share of the acquiree's identifiable net assets.

On 1 October, 2021, the Group acquired a 100% share in the French property company, Terra Nova V Montreuil SCI ('Terra Nova V'), for a consideration of €84m. On the same day, the group also purchased from the seller, Generali France, the debt of €57m receivable from Terra Nova V. Terra Nova V owns and operates one property with the same name, located in Montreuil, France, mainly comprising office space.

Impact of acquisition on results

The post-acquisition total income of the acquired Oxenwood real estate groups which is included in the consolidated income statement for the year ended 31 December 2021 is €58m. The real estate groups contributed a profit after tax of €28m for the period. Had the acquisition occurred on 1 January 2021, the group's consolidated profit for the year would have been consistent with the profit achieved.

Subsequent to the acquisition of Terra Nova V, the total income recognised in the consolidated financial statements and the total income had the acquisition occurred on 1 January 2021 have not been disclosed due to their insignificance to the consolidated financial statements.

	OXW Catalina UK Midco Ltd	Oxenwood Catalina Germany Holdco S.À R.L	Oxenwood Catalina Poland Holdco S.À R.L.	Terra Nova V Montreuil SCI
	Fair value at 7 January 2021	Fair value at 7 January 2021	Fair value at 7 January 2021	Fair value at 1 October 2021
	€m	**€m**	**€m**	**€m**
Investment properties	234	104	15	143
Other receivables	3	1	-	2
Other assets	1	-	-	-
Cash and short-term deposits	1	1	-	1
Total assets	**239**	**106**	**15**	**146**
Other financial liabilities	68	41	-	-
Deferred taxation liabilities	7	5	1	-
Other payables	1	-	-	5
Tax payable	3	1	-	-
Total liabilities	**79**	**47**	**1**	**5**
Net assets (excluding equity)	**160**	**59**	**14**	**141**
Fair value of consideration transferred	160	53	14	141
Non-controlling interest	-	6	-	-
(Gain) / loss recognised on acquisition of subsidiary	**-**	**-**	**-**	**-**

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.

Impact of acquisition 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 were expensed in 2020 and included in administrative expenses in the consolidated income statement.

Fair valuation of assets and liabilities
On acquisition, the insurance liabilities of Athora Netherlands increased by €1,661m which reflected a fair value adjustment. 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 carried a VOBA liability of €1,515m 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 was 64 years.

The group recognised a €213m bargain purchase on the acquisition of Athora Netherlands. The gain was shown as 'Gain recognised on acquisition of subsidiaries' in the consolidated income statement in 2020. The negative goodwill was 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 has 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 the change in the strategic asset allocation and associated change in capital requirements, and
- Allowance for planned future expense savings and operational efficiencies to be implemented following the acquisition.

The above assumptions provided 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 was 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**

Following the acquisition of Athora Netherlands in 2020 the group recognised a gain of €213m.

43 Events after the reporting date

Sale of ACTIAM
On 21 October 2021, Athora Netherlands, a wholly owned subsidiary, reached an agreement to sell its asset manager ACTIAM NV (ACTIAM) to Cardano Risk Management BV. The transaction was completed on 1 January 2022. The transfer price does not lead to a significantly different transaction result than the impairment loss recognised on the measurement to fair value less costs to sell as included in the discontinued operation result.

Acquisition of a closed-book individual life portfolio
On 8 October 2021, it was announced that Athora Belgium NV/SA (Athora Belgium), a wholly owned subsidiary, entered into exclusive negotiations to acquire a closed-book individual life portfolio from NN Insurance Belgium NV/SA representing €3,300m of assets under management. The transaction is expected to complete later in 2022, subject to receipt of requisite regulatory and other approvals.

Acquisition of Italian life insurer, Amissima Vita S.p.A.
On 23 September 2021, it was announced that the group has agreed to acquire Italian life insurer, Amissima Vita S.p.A. (Amissima Vita) as part of its continuing growth strategy focused on traditional life savings and pension products. At year end 2020, Amissima Vita's assets stood at €7,200m, representing the savings of about 140,000 policyholders, and annual gross written premiums totalled over €800m. The transaction is expected to complete within the second half of 2022, subject to applicable regulatory clearances.

Dividend declared
On 9 March 2022, the Board declared a dividend of €17m on its Series A preferred shares, which will be paid in kind by the pro rata issuance of 168,723 Series A preferred shares, based on their stated value on the date of declaration.

AHL loan facility
On 12 April 2022, the group secured a new €250m senior bank loan, with a group of credit institutions. When drawn, the loan is expected to qualify as Tier 3 regulatory capital.

44 Approval of financial statements

The Board of Directors approved these consolidated financial statements on 13 April 2022.

OTHER INFORMATION

Athora Deutschland Group (Athora Germany)

Key financial highlights - Athora Germany

In 2021, Athora Germany achieved a net consolidated IFRS result of €22 million:

- Net earned premiums decreased by €7 million, or 5%, to €130 million (2020: €137 million). Last year's gross premiums were higher due to the single premiums from the consortium business, while reinsurance premiums are now declining; as experience shows, the development is as follows for a run-off portfolio.

- The net result for the year decreased by €23 million, or 66%, to €12 million (2020: €35 million). This development is due to the performance of interest rate derivatives. While the derivatives had a positive impact on earnings of €30 million in 2020, a loss of €15 million due to rising interest rates negatively affected earnings in 2021 (difference of €45 million).

- At 31 December 2021, Athora Germany's IFRS shareholders' equity was €195 million (2020: €197 million). The negative impact of the rise in interest rates was largely offset by cost reductions and a very good performance in investment income (e.g. spread and equity development).

In 2021, Athora Germany achieved a positive German GAAP surplus of €60 million, after policyholder profit sharing in a net profit of more than €16 million.

Outlook

While the German life insurance market is forecast to achieve a 1-2% increase in premium income in 2022, Athora Germany's gross premium income is forecast to decrease by c. €135 million, in line with the run-off nature of this business. We remain committed to deliver a positive net result in 2022.

Risks, opportunities and challenges

Athora Germany is closed to new business. The main risks to which the business is exposed, which are not expected to change significantly in the 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, while 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 insurance 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 2021 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. The lapse risk remained of importance, due to the continued low interest rate environment. Athora Germany uses reinsurance solutions to mitigate risks where appropriate. Athora Germany continues to monitor the impact of the Covid-19 pandemic on all its risks, including lapse risk.
Disability/ morbidity risk	Medium	This risk is of medium relevance as we reinsure parts of our portfolio using high quality reinsurers. In 2021 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 by increasing the proportion of variable costs in the overall cost base. This comprises tight cost controls, aided by outsourcing of capabilities where appropriate, and efficient capital management.
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. Athora ensures that its investment activity and resulting credit risk is managed to provide long-term value creation for our customers and stakeholders, while also complying with regulatory requirements, the Prudent Person Principle, the group's risk appetite and strategy and internal financial risk policies.
Concentration risk	Medium	Concentration risk was reduced in 2021 by reducing the relevant exposures.
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 by dynamic use of derivatives.
Equity risk	Low	In line with our overall risk appetite, Athora Germany currently invests in strategic equity which was reduced in line with implemented measures. Our exposure to alternative investments increased in 2021 as this asset types provide attractive returns and uses market opportunities.
Property risk	Low	Property risk was reduced in 2021 in line with strategic asset allocation.
Foreign exchange risk	Low	Assets are either Euro-denominated or the foreign exchange risk and all currency risks are hedged by appropriate derivatives.
Liquidity risk	Low	We do not have appetite for liquidity risk. To manage liquidity risk, Athora Germany uses stress tests and monitors liquidity against a forward-looking liquidity plan based on predicted liability 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	Compliance risk is considered to be lower for Athora Germany as we are closed to new business and compliance is closely managed.
Reputational risk	Low	All of the risks described above, particularly operational risks, may have an adverse impact on our reputation. To avoid any damage to our reputation, Athora Germany closely manages reputational risk.

Alternative performance measures

Athora assesses and discusses financial performance using a number of measures. Some measures are non-GAAP measures that are not defined or specified in accordance with other regulations such as International Financial Reporting Standards (IFRS). These measures are known as alternative performance measures (APMs).

APMs are disclosed to provide stakeholders with additional helpful information to enhance an understanding of our performance and should be viewed as complementary to, rather than a substitute for, the measures determined according to IFRS or other regulations. Athora's APMs may not be comparable to similarly titled measures or disclosures reported by other companies.

A list of the APMs used in our results, as well as their definitions and the reasons why they are used, is provided below. Further discussion of these measures can be found in the Chief Financial Officer's report.

APM	Definition	Why is it relevant?
Assets under administration (AUA)	The value of invested assets administered by or on behalf of Athora, including both policyholder funds and shareholder assets. Calculated by Athora as the sum of investment properties, financial assets, cash and cash equivalents, loans and advances due from banks and investments attributable to policyholders and third parties in the statement of financial position.	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. A reconciliation to the amounts shown in the consolidated statement of financial position is shown in the financial performance section.
Financial leverage ratio	Financial Leverage is defined consistent with the Fitch Ratings methodology. The ratio is calculated as Debt over Debt + Equity. Debt includes Senior and Tier 2 Debt. Equity includes Common Shareholders' Equity, Preferred Shares and Restricted Tier 1 Debt. All non-Common Equity items are accounted for at their notional values and where applicable, adjustments for the FX rate at the end of the period are made.	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.
Operating capital generation (OCG)	Measures the operating capital generated by our operating businesses in excess of our target capital coverage. OCG is defined as the expected carry on investments, less the cost of liabilities and includes the Ultimate Forward Rate (UFR) drag, expense variances, SCR and Risk Margin unwind and new business. It excludes UFR stepdown and profit-sharing impacts.	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.
Apollo	Apollo Global Management Inc. and its subsidiaries.
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.
CISSA	Commercial Insurers' Solvency Self-Assessment—a Bermuda-specific requirement similar to an ORSA.
ECR	Enhanced CapitalRequirement.
ERM	Enterprise risk management.
ESG	Environmental, social and governance.
GSSA	Group Solvency Self-Assessment—a Bermuda-specific requirement similar to a group ORSA.
ICF	Internal control framework.
Investment universe	This document provides descriptions of the asset classes within Athora's company-wide investment universe and is fundamental for the implementation of Athora's risk appetite and strategy. Athora consistently applies the asset classification, investment rationale, return and risk assessment as outlined in the document throughout the group-wide investment, risk assessment and business planning cycle and as guidance for its subsidiaries.
IG	Investment grade.
MEC	Management Executive Committee.
M&A	Mergers and acquisitions.
ORSA	Own Risk and Solvency Assessment—a requirement under Solvency II.
RCF	Revolving credit facility.
SAA	Strategic asset allocation.
SCR	Solvency capital requirement.

Solvency II	The regime for the prudential regulation of European insurance companies that came into force on 1 January 2016.
SRLEV	SRLEV N.V. is a regulated insurance company and wholly owned subsidiary of Athora Netherlands.
UFR	Ultimate Forward Rate.
VIVAT	The group's Dutch insurance subsidiary, which was acquired in April 2020 and subsequently renamed Athora Netherlands. VIVAT's non-life business was sold to NN Group following completion of the acquisition.

This document has been prepared and issued by Athora Holding Ltd. (together with its subsidiaries, 'Athora', also referred to as 'the group'), and must not be interpreted as a recommendation, inducement, invitation or offer to purchase, transfer or sell any securities issued by Athora.

This document contains certain forward-looking statements that reflect Athora's intentions, beliefs, assumptions or current expectations about and targets for the group's future result of operations, financial condition, liquidity, performance, prospects, anticipated growth, strategies and opportunities and the markets in which Athora operates, taking into account all information currently available, and are not necessarily indicative or guarantees of future performance and results. You should not place undue reliance on the forward-looking statements in this document. Athora does not guarantee that the assumptions underlying the forward-looking statements in this document are free from errors, does not accept any responsibility for the future accuracy of the opinions expressed in this document and does not undertake any obligation to update the statements in this document to reflect subsequent events. No responsibility, obligation or liability (whether direct or indirect, in contract, tort or otherwise) is or will be accepted in relation to this document by any member of the group or any member's respective directors, officers, employees, advisers or agents. No representation or warranty, express or implied, is made as to the truth, fullness, accuracy, reasonableness or completeness of the information contained herein (or whether any information has been omitted from this document) or any other information relating to Athora , whether written, oral or in a visual or electronic form, and howsoever transmitted or made available by Athora or any of its directors, officers, employees, advisers or agents.

ATHORA

www.athora.com www.linkedin.com/company/athoragroup