Athora Ireland plc

Solvency and Financial Condition Report

For the financial year ended 31 December 2019

Contents

Scope of the report

Solvency II is a harmonised Europe-wide insurance regulatory regime. The Solvency II Directive was transposed into Irish Law and the legislation entered into force on 1 January 2016. The Solvency II framework sets out strengthened requirements around capital, governance and risk management, and also introduces increased regulatory reporting requirements and public disclosure requirements.

Under Solvency II, the Solvency and Financial Condition Report is an annual regulatory public disclosure requirement. This report is Athora Ireland plc's ("Athora Ireland", "the Company") Solvency and Financial Condition Report for the year ended 31 December 2019. It informs Athora Ireland's stakeholders about the Company's:

A. Business and Performance;
B. System of Governance;
C. Risk Profile;
D. Valuation for Solvency Purposes; and
E. Capital Management.

It is prepared in accordance with the 'Guidelines on reporting and public disclosure' (EIOPA-BoS-15/109) and Delegated Acts 2015/35, as issued by the European Insurance and Occupational Pensions Authority (EIOPA).

A subset of the Quantitative Reporting Templates that are included in the Appendix of this report and the qualitative information included in Sections D (Valuation for Solvency Purposes) and E (Capital Management) have been subject to external audit.

The following Quantitative Reporting Templates have been subject to external audit:

- S.02.01.02 (Balance Sheet)
- S.12.01.02 (Life & Health Technical Provisions)
- S.23.01.01 (Own funds including basic and ancillary own funds)
- S.25.01.21 (Solvency capital requirement using the standard formula)
- S.28.01.01 (Minimum capital requirement)

On 1 January 2019 the Company changed its functional and presentation currency from UK pounds Sterling (GBP) to Euro (EUR). This change was made in line with Athora Group strategy and is consistent with the underlying change in our business from primarily Sterling to Euro. As a result reported figures for 2018 have been translated from GBP to EUR as follows:

- Assets and liabilities for 2018 are translated at the GBP:EUR spot rate of 31 December 2018.
- Profit or loss for 2018 is translated at the average rate for the year.
- Retained profits/losses use the average rate for the respective year.
- Equity items are translated at the historical rate.

Within this report all figures are presented as rounded to the nearest EUR thousand, unless stated otherwise.

This report and supporting Quantitative Reporting Templates have been approved by the Board of Directors prior to submission to the Central Bank of Ireland and publication on the Athora Ireland website (https://www.athora.com/ie/reports).

Summary

Athora Ireland is a public limited company incorporated under Irish law which commenced trading in July 2002 and is authorised and regulated by the Central Bank of Ireland to transact cross-border life assurance and reinsurance business in Europe.

The Company's strategy is focused on writing long-term life reinsurance for the European marketplace. Together with its parent Athora Life Re, the Company now provides innovative and creative capital optimisation and risk management solutions to European life insurers. The Company continues to manage Unit Linked Guarantee ("ULG") products for policyholders in the UK, Germany, France and the Netherlands.

Business and Performance

The Company remained closed to new business in respect of ULG products in 2019.

Throughout 2019 the Company has continued to pursue its strategy of sourcing and pricing long-term life reinsurance for the European marketplace. Together with its parent Athora Life Re, the Company now provides innovative and creative capital optimisation and risk management solutions to European life insurers.

The Company produces its financial statements in accordance with International Financial Reporting Standards ("IFRS"), as adopted by Europe, and reported a pre-tax loss of €17,490k at 31 December 2019, compared with a pre-tax loss (including discontinued operations) of €52,500k at 31 December 2018. This loss has been further segregated into an underwriting loss of €15,921k (FY2018: loss of €35,344k) and investment loss of €1,569k (FY2018: loss of €17,156k). The main driver of the loss was operating expenses offset by shareholder returns on the Company's financial assets.

Major developments

The COVID-19 outbreak has developed rapidly in 2020, with a significant number of infections. Measures to prevent transmission of the virus include limiting the movement of people, temporarily closing businesses and cancelling events adversely affecting economic activity. Governments and central banks worldwide are responding to this crisis with aid packages and further quantitative easing. At the date of this report the depth and length of this crisis is unknown.

To assess the impact on the Company's financial position and results, we are continuously monitoring the market and economic turbulence that has arisen as a consequence of the COVID-19 outbreak. The most significant risks the Company faces are related to financial markets (particularly credit, equity and interest rates), and underwriting risks (particularly related to mortality, morbidity and policyholder behaviour).

The Company continues to monitor closely the development of the COVID-19 outbreak and its impact on market conditions. If current economic conditions persist, management could take additional actions to mitigate the impact. The Company has invoked its business continuity plans to help ensure the safety and well-being of its staff and customers.

System of Governance

The Board is responsible for the overall governance of Athora Ireland's business and strategic objectives. The Company recognises the critical importance of having efficient and effective risk management systems in place and has established a governance framework for monitoring and overseeing strategy, conduct of business standards and operations of the business.

The Own Risk and Solvency Assessment (ORSA) is one of the key elements of the system of governance. It is an ongoing assessment performed by the Board of the risks facing the Company, and the capital required by and available to the Company in order to meet its commitments in light of those risks, both now and into the future.

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

Risk Profile

The Company faces a number of risks which are external in nature, primarily financial market risks (e.g. movements in interest rates) and underwriting risks (e.g. unexpected changes in longevity trends). Other risks arise from internal factors, such as inadequate systems or processes. Both external and internal risks can affect the Company´s operations, its earnings, the value of its investments, or the sale of its products.

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

The Company's risk profile changed over the reporting period. The following changes to the Company's risk profile have taken place:

- The Company reduced its exposure to UK government bonds, reducing its overall interest rate exposure.
- The Company has implemented the outsourcing of a wide range of functions to Athora Ireland Services Ltd (with the exception of a small number of transfers due to happen in Q2 2020).
- The reporting currency of the Company changed from Sterling to Euro on 1 January 2019. Prior to this change, the Company had repositioned its investments to protect from Brexit-related currency fluctuations – this caused a temporary increase in currency exposure during the second half of 2018, which fell away following the reporting currency change.

At the end of 2019, the most significant risk exposures of the Company are to Spread, Longevity and Equity market risks.

Valuation for Solvency Purposes

Athora Ireland has valued its assets and liabilities on a market consistent basis, i.e. using information which is market observable where possible. The Company's assets are primarily those held to back the policyholder unit-linked liabilities, with the surplus consisting of government and corporate bonds, private credit, alternative assets, subordinated debt and cash. During the reporting period, Athora Ireland did not make any material changes to the recognition, valuation bases or estimation techniques used for its asset valuation.

The technical provisions comprise the Best Estimate Liability and the Risk Margin. A number of assumptions feed into the calculation of the technical provisions. Following the annual assumption review and experience investigations, no significant changes were made to future mortality assumptions, while lapse and expense assumptions were updated to reflect the latest experience. In calculating the technical provisions, the Company does not apply any matching adjustment, volatility adjustment, or transitional measures.

There were no material changes to the bases, methods or main assumptions used for the valuation of other liabilities over the reporting period.

Capital Management

The Company's approach to capital management and how it manages available own funds is outlined in the Company's Capital Management Policy. This policy was revised in 2019 to reflect changes to the Company's investment strategy. Key objectives of the policy are to be compliant with all applicable laws, rules and regulations governing the management of capital and to maintain, at all times, sufficient own funds to cover both the Solvency Capital Requirement and Minimum Capital Requirement. The policy and associated processes help to protect the financial strength of the Company, by identifying various capital management zones, and requiring appropriate actions depending on the current level of capital.

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

Athora Ireland use the prescribed Standard Formula approach for calculating the Solvency Capital Requirement. There were no incidences of non-compliance with capital requirements throughout the reporting period.

The key Solvency II figures for Athora Ireland as at 31 December 2019 and the previous year are presented below:

Solvency Ratio *(EUR thousands)*	**FY2019**	**FY2018**
Available Own funds	195,566	212,035
Minimum Capital Requirement	15,067	22,262
Solvency Capital Requirement	60,266	89,047
Solvency Ratio	**319%**	**238%**

As at 31 December 2019, Athora Ireland's available own funds comprise €183,096k Tier 1 capital (93.6%) and €12,470k Tier 3 capital (6.4%). The own funds eligible to meet the Solvency Capital Requirement comprise the total amount of Tier 1 capital and €9,040k of the Tier 3 capital. The own funds eligible to meet the Minimum Capital Requirement comprise the total Tier 1 capital.

A. Business and Performance

A.1 Business

A.1.1 Overview

Athora Ireland is a public limited company registered in Ireland under company number 346275.

A.1.2 Regulators and auditor

Athora Ireland is authorised and regulated by the Central Bank of Ireland to transact cross-border life assurance and reinsurance business in Europe. The contact details for the Central Bank of Ireland are as follows:

Address:	Central Bank of Ireland, New Wapping Street, North Wall Quay, Dublin 1
Telephone:	+353 1 224 4000

Athora Ireland is also subject to limited regulation by the Financial Conduct Authority in the UK and the Federal Financial Supervisory Authority (BaFin) in Germany.

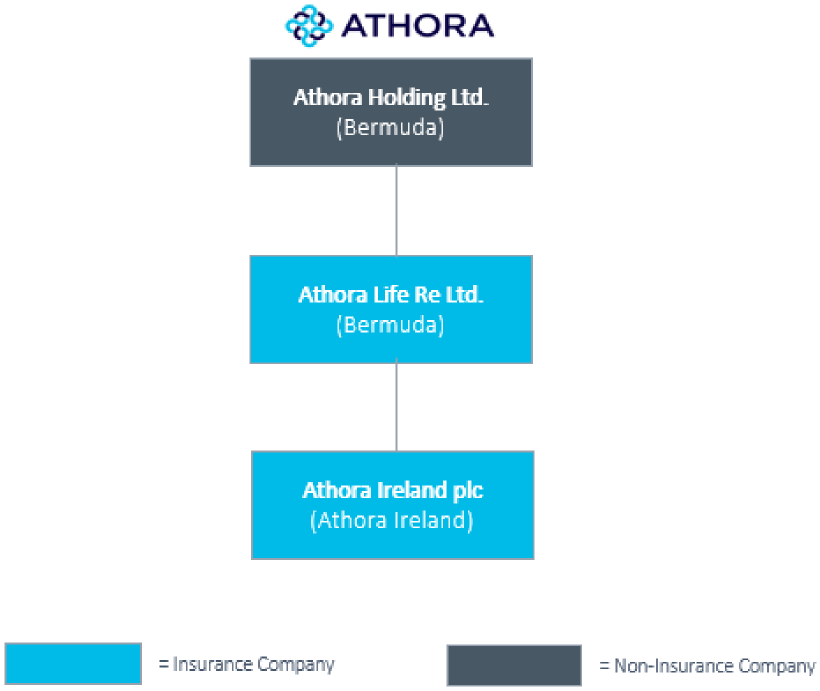
Athora Ireland appointed PricewaterhouseCoopers Ireland as external auditors for the year ending 31 December 2019. The contact details for PricewaterhouseCoopers Ireland are as follows:

Address:	One Spencer Dock, North Wall Quay, Dublin 1
Telephone:	+353 1 792 6000

A.1.3 Major Shareholders

As at 31 December 2019, Athora Ireland's ultimate parent company is Athora Holding Ltd. All of the shares of Athora Ireland are beneficially owned by Athora Life Re Ltd which is a subsidiary of Athora Holding Ltd. The issued share capital of Athora Ireland at this date was €105,660k. A simplified group structure is shown below.

Athora Holding Ltd and Athora Life Re Ltd are incorporated in Bermuda.



A.1.4 List of material related undertakings

Athora Ireland is based in Dublin and has a branch office in Wiesbaden, Germany.

The Company holds 100% of the shares of Athora Europe Investment DAC (AEI), this is a private company with an authorized share capital of €100k. As the holder of the shares, the Company can appoint and recall the board of management/directors of AEI, who in turn appoint an investment manager to execute the day to day operations and decision making subject to board of management oversight. As the Company has insignificant exposure to the variable returns within AEI under IFRS 10 the Company is not required to consolidate AEI.

A.1.5 Related party transactions

During 2019, material transactions between Athora Ireland and related parties of the Athora Group included the following:

- A loan from Athora Ireland plc to Athora Holdings Ltd of €16,519k (GBP 14,826k) was repaid and a new loan for €17,500k was entered into in 2019.
- Investment by Athora Ireland plc in a subordinated bond issued by Athora Lebenversicherung AG of €30,000k

Intragroup transactions have taken place on an arm's length basis. In 2019 Athora Ireland paid recharges for services which were provided by various entities of the Athora Group.

A.1.6 Material lines of business and material geographical areas

Lines of Business
At year end 2019, Athora Ireland's material lines of business are (i) Index-linked and unit-linked insurance; and (ii) Life reinsurance. Both lines of business relate to contracts with options or guarantees i.e. ULG products.

Material geographical areas
Athora Ireland manages ULG products for policyholders in the UK, Germany, France and the Netherlands.

A.1.7 Material events over the reporting period

A summary is provided below of the material events that have occurred over 2019:

Market conditions
2019 was a strong year for equity performance, with the FTSE All Share rising by c. 16% and the Eurostoxx by 30%. Interest rates fell significantly in both the GBP and Euro markets, by c. 0.4% and 0.7% respectively. While the Company's direct exposure to market risks associated with the ULG products has been removed through the reinsurance of that portfolio, market movements can still impact the Company's solvency ratio through their impact on the value of reserves for future operating expenses, and on the Risk Margin under Solvency II. Falling interest rates in particular served to increase both, albeit partially offset by other factors.

Risk and capital management actions
The Company's focus continues to be to deploy shareholder capital in line with its overall business strategy and risk appetite. Key actions over the reporting period include the reduction in exposure to interest rate risk through a refinement to the Company's positions in government bonds and the change of reporting currency from Sterling to Euro. Both actions reduced the Company's exposure to GBP currency and the UK government, and thus Brexit-related risks.

A.2 Underwriting performance

The Company's underwriting performance for 2019 and 2018 is shown in the table below:

Underwriting performance *(EUR thousands)*	**FY2019**	**FY2018**
Premium income	-	7,093
Adviser charges	(890)	(1,019)
Reinsurance income	7,801	8,265
Claims & Withdrawal Payments	(115,390)	(314,870)
Movement in unit-linked funds	118,807	308,755
Fee and other income	20,941	61,632
Expenses and other costs	(47,190)	(105,200)
Total performance	**(15,921)**	**(35,344)**

The variances observed between 2018 and 2019 is primarily due to the sale of the Offshore Bond portfolio on 31 December 2018.

There was no premium income in 2019 due to the closure of the Company's ULG products to new business. The Company paid €890k in adviser charges over the period.

'Claims and Withdrawal Payments' consists of regular withdrawals made by policyholders and other benefits which have been paid by the Company (e.g. on death or surrender of the policy).

The 'Movement in unit-linked funds' reflects the movement in the policyholder unit-linked funds over the period.

'Expenses and other costs' comprise operating expenses, movement in deferred acquisition costs in 2018 and the cost of reinsurance.

A geographical split of premiums, claims and expenses for 2019 and 2018 are shown below.

Premiums, claims and expenses	**FY2019**			
(EUR thousands)	United Kingdom	Germany	Other	**Total**
Premiums	4,424	-	2,487	**6,911**
Claims	113,839	1,490	61	**115,390**
Expenses	19,692	455	-	**20,147**

Premiums, claims and expenses	**FY2018**			
(EUR thousands)	United Kingdom	Germany	Other	**Total**
Premiums	10,272	1,443	2,624	**14,339**
Claims	312,836	1,984	50	**314,870**
Expenses	24,319	7,515	-	**31,834**

Premiums, claims and expenses all reduced across geographical areas in 2019 due to the closure of the ULG products to new business and the sale of the Offshore Bond book. The table for FY2019 is consistent with the information presented in the Quantitative Reporting Template included in the Appendix (S.05.02.01).

A.3 Investment performance

The Company holds investments on behalf of policyholders and the shareholder. The Company does not provide investment advice to policyholders, and investments selected by policyholders or their appointed advisers are not included in the investment performance below.

The shareholder investment performance for 2019 and 2018 is shown in the tables below:

FY2019 Investment Performance *(EUR thousands)*	**Income**	**Movements in Fair Value**	**Total Performance**
Embedded Derivative	-	1,597	1,597
Shareholder Investments	3,275	(6,441)	(3,166)
Total	**3,275**	**(4,844)**	**(1,569)**

FY2018 Investment Performance *(EUR thousands)*	**Income**	**Movements in Fair Value**	**Total Performance**
Embedded Derivative	-	(23,839)	(23,839)
Derivative financial instruments	3,441	-	3,441
Shareholder Investments	2,300	942	3,242
Total	**5,741**	**(22,897)**	**(17,156)**

Under IFRS, a liability is held to reflect the derivatives embedded within the ULG insurance contracts. The movement in the 'Embedded Derivative' reflects the change in fair value of this IFRS ULG reserve, which reflects the value of the guarantees underlying these products. The risk associated with this derivative is now reinsured, and as such a reinsurance recoverable asset is separately recorded whose movement in fair value would have exactly offset that of the Embedded Derivative over the reporting period.

The Company revised its investment strategy for its 'Shareholder Investments', introducing tighter constraints on the level of interest rate risk exposure allowed. The focus on private credit and alternative assets for achieving stable income remains. Shareholder investments also consists of government and corporate bonds, cash, a corporate loan and a subordinated bond. Collective investment funds are utilised for certain asset classes. The portfolio is managed under the direction of the Company by AAME. In 2019 this yielded €3,275k in interest earned on deposit accounts and liquidity funds.

The overall negative investment performance over 2019 is driven by a reduction in fair value in the private credit asset class as a result of some impairments.

Investment expenses are not managed by asset type and are collectively shown in Section A.2 under expenses. Gains in available-for-sale securities have been recognised directly in other comprehensive income. The Company has no investments in securitisation.

A.4 Performance of other activities

The Company's only activity is life insurance and reinsurance and there are no other material activities to disclose. Currently the Company has one operating lease. The Company has renewed its property lease with IFSC South Block Limited in respect of the second floor of IFSC House. The duration of the lease is 15 years which is cancellable after 8 years. The cost of the lease for 2019 is included above in 'Expenses and other costs'.

A.5 Any other information

There is no further material information to note regarding Athora Ireland's business and performance.

B. System of Governance

B.1 General Information on the System of Governance

B.1.1 Corporate Governance

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

The Board is responsible for the overall governance of Athora Ireland's business and strategic objectives. The Company recognises the critical importance of having efficient and effective risk management systems in place. To this end, as at 31 December 2019, the Company has a governance framework that includes:

- a clearly stated corporate organisational structure, and written terms of reference for the Board and its Committees, with appropriate delegated authorities;
- a Fitness and Probity policy to ensure those holding key function positions possess the appropriate qualifications, experience and knowledge;
- a Board Risk Committee, comprising at least three members with an appropriate representation of Non-Executive Directors and Independent Non-Executive Directors, which is appropriate to the nature, scale and complexity of the business of the Company which oversees risk;
- a Risk Management Function providing a second line of defence, independent from operations and with responsibility for monitoring and reporting risk and ensuring compliance with the Athora Ireland Enterprise Risk Management Framework;
- a Compliance Function providing a second line of defence, with responsibility for monitoring and reporting on compliance with regulations and legal requirements;
- a Board Audit Committee, the majority of its members shall be Independent Non-Executive Directors, at least one of whom shall be competent in auditing or accounting and which oversees internal control and financial reporting matters; and
- a third line of defence, whereby the Company is subject to periodic internal and external audits.

Board of Directors

The Board is responsible for the overall governance of Athora Ireland's business and strategic objectives. As at 31 December 2019, the Board has six directors with one further Director due to join in March 2020. As a subsidiary of a Group, the Board has a majority of Non-Executive Directors. During 2019 the Board of Athora Ireland was responsible for:

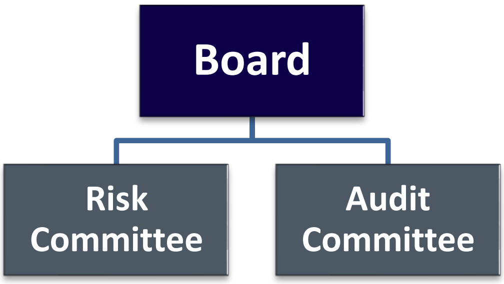
- The business strategy of Athora Ireland;
- The amounts, types and distribution of both internal capital and own funds adequate to cover the risks of Athora Ireland;
- The strategy for the on-going management of material risks;
- A robust and transparent organisational structure with effective communications and reporting channels;
- A remuneration framework that is in line with the risk strategies of Athora Ireland; and

- An adequate and effective internal control framework that includes well-functioning Risk Management, Compliance, and Internal Audit Functions as well as an appropriate financial reporting and accounting framework.

The principal responsibilities of the Board are documented in the Board Charter.

Board Committees

The Board has established two Board Committees to which they have delegated certain functions, although the Board remains responsible for the oversight of each Committee.



Risk Committee

The Risk Committee is responsible for advising the Board on risk appetite and risk tolerances based on the current and future strategy. It takes account of the Board's overall risk appetite, the current financial position of the Company and the current and prospective macroeconomic and financial environment and, drawing on the work of the Audit Committee and the External Auditor, the capacity of the institution to manage and control risks within the agreed strategy. The Risk Committee also oversees the Risk Management Function.

Audit Committee

The Audit Committee is responsible for assisting the Board in fulfilling its oversight role in relation to financial reporting and internal control. This includes reviewing the integrity of the financial statements and the financial reporting process, the systems of audit, internal accounting and financial controls, the Internal Audit Function and the annual independent audit of the financial statements in addition to the Company's legal and regulatory compliance and ethical standards. The Audit Committee regularly meets with the external auditor and internal auditor in the absence of the Executive Director.

Senior Management Team (SMT)

The Board has delegated the day-to-day running of the business to the Executive Director and key members of senior management, together referred to as the "Senior Management Team". The Senior Management Team is mandated and responsible for managing Athora Ireland in accordance with the strategies, risk appetites, objectives and policies set by the Board.

The Senior Management Team is supported by a number of sub-Committees, including the Investment, Capital Management, Reinsurance and Operations and Risk Committees.

Lines of defence and key functions
Athora Ireland's risk management structure is organised along three 'lines of defence', as summarised in the diagram below:

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

The Company's first line of defence is the business and support functions which have direct responsibility for managing and taking risk in accordance with defined risk strategy, risk tolerances and risk policies.

In line with the guidelines on the Solvency II Systems of Governance, the Company also has four key functions embedded in the organisation:

- *Actuarial Function* - The Actuarial Function spans the first and second lines of defence and is responsible for informing the Board of the reliability and adequacy of the calculation of technical provisions.
- *Risk Management Function* - This function forms part of the second line of defence and performs an oversight role in the major processes which allows for robust challenge of decisions and processes across the business.
- *Compliance Function* - This function also forms part of the second line of defence and is responsible for monitoring and reporting on compliance with laws and regulations.
- *Internal Audit Function* - This function forms part of the third line of defence and provides independent assurance opinions on the effectiveness of the systems of internal control, risk management and governance.

B.1.2 Remuneration policy

Remuneration Principles
The Athora Group has established a Group Remuneration Policy ('the Policy'). This Policy contains the Group Remuneration Principles which provides the foundation for remuneration policies and practices throughout the Athora Group. The key principles are that remuneration should be balanced, compliant, fair, competitive, motivational, performance-related, aligned to business strategy and risk-prudent.

Specific terms and conditions are defined for the employment of different groups of staff. 'Identified Staff' are one of the specific groups of employees who are covered by a separate section of the Policy. Identified staff are considered to be material risk takers. They are identified separately in order to recognise the fact that these employees' roles and responsibilities require specific risk mitigating measures and governance processes.

Athora Ireland’s remuneration practices and processes have not materially changed compared to the previous reporting period.

General compensation practices

The Athora Group operates a Total Reward approach to compensation. This means that the aim is for total remuneration for experienced and competent employees to be consistent with those in the markets in which the Athora Group operates and competes for employees. Total Reward typically consists of financial and non-financial, tangible and intangible elements.

The Group Remuneration Policy recognises that variable compensation strengthens the commitment of staff in general and in particular Identified Staff members to the Company's objectives, business strategy, risk tolerance and long-term performance. Variable compensation is based on a number of individual and company performance indicators that are linked to these items. The indicators are regularly evaluated by experts in the Company's Finance, Risk Management, Audit and Human Resources departments to ensure the alignment remains strong.

All variable compensation is capped at an appropriate level, as a percentage of base pay. Variable compensation is usually paid out in cash and/or shares aligned to the longer-term performance of the Group and is, where appropriate, subject to further conditions being fulfilled. Variable compensation already paid out may also be retrieved under certain circumstances.

Each year, the Board reviews total compensation levels to ensure they remain competitive and provide proper, risk-based incentives to identified members of staff.

Board Remuneration

The Remuneration Policy for members of the Board is aimed at ensuring fair compensation and protecting the independence of the Board members. The remuneration of Independent Non-Executive Directors is fee-based, with each of the applicable fees being a fixed amount. The fees are reviewed, benchmarked and contractually agreed every three years.

Non-Executive Directors, other than Independent Non-Executive Directors, are employees of Athora Group and are remunerated in line with the Group Remuneration Policy and any country specific terms and conditions. The Chief Executive Officer is an Identified Staff member within Athora Ireland and an executive director.

Supplementary Pension/Early Retirement Schemes

The only pension scheme currently in operation within the Company is the Athora Ireland Defined Contribution Pension Scheme. There are no Supplementary or Early Retirement Schemes currently in operation for employees or members of the Board.

B.2 Fitness and Probity requirements

Athora Ireland is obliged to ensure that all persons who run the business or who hold key functions within the business, fulfil the following requirements:

a) Their professional qualifications, knowledge and experience are adequate to enable sound and prudent management; and
b) They're of good repute and integrity.

These requirements are known as the 'Fitness and Probity Standards' (the Standards).

The Standards apply to Irish regulated undertakings on the appointment and ongoing employment of individuals to certain senior positions known as Pre-Approval Controlled Functions and to certain specific functions, known as Controlled Functions. The Standards require those appointed as Pre-Approval Controlled Function and Controlled Function holders to be competent and capable, honest, ethical, to act with integrity and to be financially sound.

The Company has established a Fitness and Probity Policy and procedure with the aim of providing guidance on the Standards to ensure that each Pre-Approval Controlled Function and Controlled Function holder appointed within the business:

- Possesses the necessary professional qualifications, knowledge, experience, competence and capacity appropriate to their function;
- Has obtained the skills appropriate to the relevant function, through training or employment;
- Demonstrates the competence and proficiency required to undertake the relevant function through the performance of previous similar roles;
- Has a sound knowledge of the business as a whole, and the specific responsibilities that are to be undertaken;
- Has a clear and comprehensive understanding of the appropriate regulatory and legal environment;
- Manages responsibilities so as to not impair their ability to discharge their duties;
- Complies with the Central Bank of Ireland's Minimum Competency Code (if applicable).

A specific job profile is prepared for each role or function and the fitness of the relevant individual is assessed against that profile as part of the recruitment or appointment process. The ongoing compliance of Controlled Function holders with their obligations under the Standards is monitored by the Company and the Fitness and Probity Policy provides guidance on situations which may give rise to re-assessments being conducted. In the event of any changes to the status or identity of Controlled Function holders, the Company has established procedures to notify the Central Bank of Ireland.

B.3 Risk management system including the Own Risk and Solvency Assessment

B.3.1 Risk management system

Introduction to Enterprise Risk Management Framework

Athora Ireland has an Enterprise Risk Management Framework ("ERM") which lays the foundation for managing risk throughout its operations. The aim of the Enterprise Risk Management Framework is to enable management to deal effectively with uncertainty, and the associated risk and opportunity, by enhancing the organisation's capacity to build value which contributes to the fulfilment of its corporate strategy.

The Enterprise Risk Management Framework is made up of multiple components, where each of the building blocks (see diagram below) can and do influence each other. These are described below.

Risk Strategy

The aim of the risk strategy is to support the corporate strategy in a manner that's aligned with the stated risk tolerance of the Company, is sustainable and considers the requirements of the Company's stakeholders (e.g. policyholders, shareholder, regulator and employees). An assessment of the Company's risk preferences leads to a targeted risk profile that reflects the risks the Company wants to keep on the balance sheet and which risks it would like to avoid by means of risk mitigation techniques or other management actions.

Risk Appetite & Tolerance

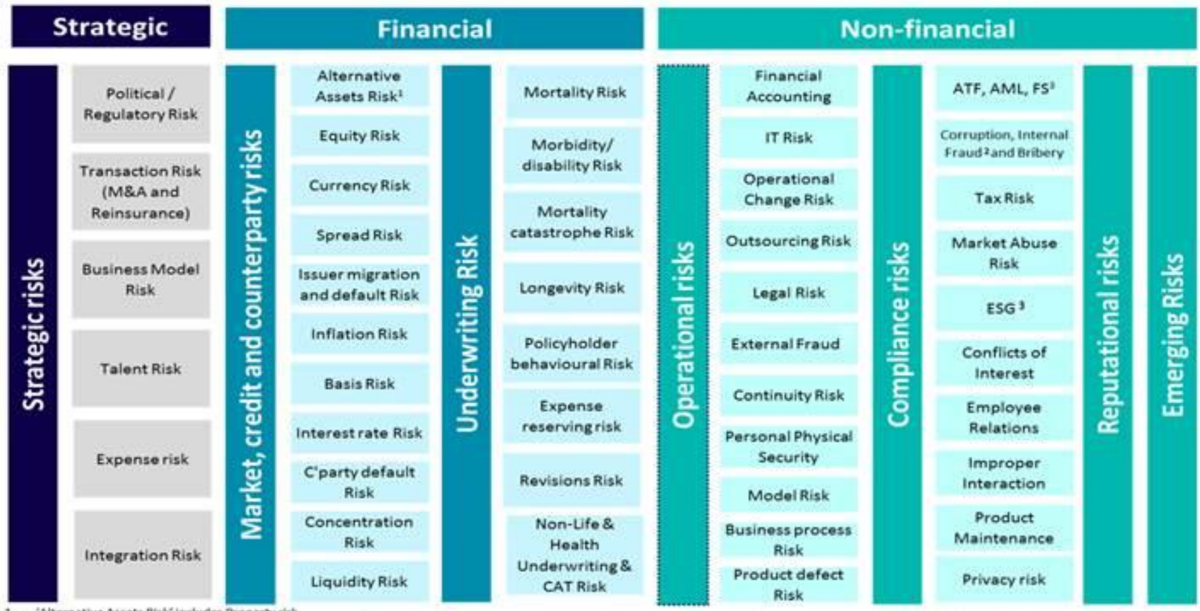
Risk tolerance aims to establish the Company's tolerance for risk in order to assist management in carrying out the Company strategy within the resources available. In its Risk Appetite & Tolerance Statement, the Company has defined five key areas where risk tolerance plays an important role:

1. Financial strength - defined in terms of the applicable capital requirements.
2. Continuity - continuity of the Company is tested against identified extreme events.
3. Culture - a strong risk culture is promoted by prescribing a low tolerance for operational risk.
4. Risk balance - risk limits are set to manage concentration of risks and encourage diversification.
5. Pricing - pricing tolerances are defined and are consistent with the stated risk tolerances.

Risk Identification

Athora Ireland has identified a risk universe that captures all known material risks the Company is exposed to. To identify and monitor potential new and emerging risks, the Company has an Emerging Risk process in place and logs all risk events (risks which have already occurred) and risk deficiencies (risks which could potentially occur), which helps to ensure on-going appropriateness of the risk universe and the risk management framework.

Athora Ireland Risk Universe



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

Risk Assessment

There is a consistent methodology for measuring risks across Athora which sets out the principles that apply to all aspects of calculating and reporting market consistent information, both internally and externally.

Risk and Control Self-Assessments are performed on new and existing business processes which aim to highlight operational risks that exist in the process and aid in the development of suitable controls.

Risk Response

When a risk exposure is within risk tolerance, management can accept the risk. Where limits are breached, management are required to take appropriate action as defined by the relevant risk policy. These actions may include accepting this risk (subject to valid circumstances, e.g. if the breach is very small or temporary), controlling the risk (by improving process and controls or introducing new controls), transferring the risk (by outsourcing to third parties, reinsuring or hedging the risk or insuring against the risk), or avoiding the risk (terminating activities that introduce the risk).

Each response considers the effect on reducing the likelihood and/or impact of the risk and also the costs and benefits of alternative risk responses.

Risk Reporting

A comprehensive set of risk reports to measure, monitor and manage the risks in the business are produced, showing the impact of key market and underwriting risk drivers on earnings and regulatory capital with additional reports for credit concentration risk, liquidity risk and operational risk.

The Risk Management Function has a direct line to the Board via the right of escalation as determined in the risk Committees' terms of reference.

Risk Monitoring

The most material risk issues are identified and monitored on a regular basis in the Board's "Top and Emerging Risks" list prepared by the Chief Risk Officer. A risk dashboard is presented to and monitored by the Risk Committee quarterly, providing an update on risk exposures against risk limits, containing scores for each risk category based on specified quantitative and qualitative measures.

The financial strength metrics are compared to the different capital zones in the Capital Management Policy.

Continuity related statements on capital and liquidity risks are tested at least quarterly.

Risk Control

Risk control includes risk governance, risk policies, model validation, risk embedding, risk culture and compliance. An effective risk governance framework is an important element of risk control as clear responsibilities and structured decision making is a necessary requirement.

Section B.1 describes the "lines of defence" model the company operates and its application which enables a professional risk culture where risk management can be optimally embedded within the business.

B.3.2 Own Risk and Solvency Assessment

The Own Risk and Solvency Assessment (ORSA) is the ongoing assessment by the Board of the risks facing the Company, and the capital required by and available to the Company in order to meet its commitments in light of those risks, both now and into the future.

The Board is responsible for ensuring that the ORSA process is appropriately designed and implemented. An ORSA Policy is maintained in order to ensure the ORSA process is compliant with the Solvency II regulations and integrated within the management of the business. The Board reviews the ORSA Policy on an annual basis to ensure ongoing appropriateness.

The full ORSA process must be performed annually, or more often when the Board deems necessary. In 2019, an ORSA report was produced in December, reflecting the risk profile and strategy over the year.

A graphical overview of the ORSA process is included in the figure below:

A summary of the process is as follows:

The process is based on the following key working assumptions:

- The process is iterative and subject to on-going monitoring to ensure the ORSA responds to major changes impacting the business.
- The process is such that the Group and subsidiary level assessments are co-ordinated in terms of assumptions, timelines, methodologies and approach, as directed by Group Risk.
- The business strategy must be clearly set with key business objectives outlined, a risk strategy (which is linked to appetite and tolerance) and a capital management strategy and plan should be in place.
- The business plan should incorporate potential variances and forward-looking risk assessments.
- The output from the business strategy, business plan and capital management plan are used in the overall own risk and solvency assessment and decision-making process.
- The output of risk reporting and dashboards are a key input to the process on an on-going basis.
- At all stages of the process, consideration is given to external environment factors and emerging and long-term risks.
- The relevant Board or Board Committee is actively involved throughout this process, where relevant
- All the above must be evidenced.

The Company manages capital in line with a Capital Management Policy, and risks in line with the Enterprise Risk Management Framework, with both these key ORSA sub-processes delivered through formal governance Committees.

The Capital Management Policy ensures the financial strength of the Company is protected. The policy defines capital management zones and management are required to maintain capital within specified target zones and take appropriate actions when outside of these target zones.

The allocation of capital to different risks is guided by the Risk Appetite and Tolerance Statements which are a fundamental part of the Enterprise Risk Management Framework. Together, the Capital Management Policy and the Risk Appetite and Tolerance Statements ensure that the Company is adequately capitalised and that the capital is allocated to risks in line with the strategy of the business.

The Company determines its projected solvency needs by performing capital projections over the business planning period, allowing for the current and expected business strategy, risk profile and capital management activities.

The ORSA is an ongoing process and the Board are engaged in the process throughout the year and when key decisions are being made. Regular updates are provided to the Board on strategic objectives, current and projected solvency positions, risk monitoring and business initiatives to facilitate the ongoing monitoring of the ORSA. These discussions are reflected in the annual ORSA report, or separate reports as required.

The ORSA Policy provides a list of potential triggers for producing a non-regular ORSA report, however it is neither an exhaustive list, nor an automatic process, and the ultimate decision resides with the Board.

B.4 Internal Control system

Athora Ireland has developed an Internal Control System which aims to ensure compliance with applicable laws, regulation and administrative processes and the effectiveness and efficiency of operations, as well as the availability and reliability of financial and non-financial information.

In particular, the Company's control activities aim to assure an adequate level of internal control over operational activities and financial reporting. The objective is to provide assurance regarding the reliability, accuracy, completeness, timeliness and quality of internal and external reporting and the safeguarding of assets. The principles of the Enterprise Risk Management Framework and Internal Control System have been embedded into underlying policies across the business.

General principles of Athora's Internal Control Framework

The general principles of Athora Ireland's Internal Control Framework apply to all functional areas or departments. These principles are:

- All employees must comply with the Code of Conduct. The Code of Conduct states that all employees will conduct their work in an ethical manner;
- If employees become aware of or observe fraud, questionable accounting practices, or other unethical behaviour they should report it to a member of management, Head of Compliance or to the local ethics hotline;
- All departments must develop a system of internal control to ensure that the assets and records of the Company are adequately protected from loss, theft, alteration or unauthorised access;

- All departments establish and maintain adequate segregation of duties. Where adequate segregation cannot be achieved, other compensating controls must be established and documented;
- All departments have business continuity plans in place with a regular update process; and
- Records of the Company must be maintained in compliance with record retention policies and local regulatory requirements.

Operational Risk Management Framework

A key element of the Internal Control System is the Athora Operational Risk Management framework. This framework is Athora's interpretation outlining how the Solvency II requirements with respect to operational risk management practices, should be practically implemented. The fundamental components for this framework include a loss database, periodic risk and control self-assessments, scenario analysis and operational risk capital, and key risk indicators.

Compliance Function

The Compliance Function is outsourced to Athora Ireland Services Ltd ("AIS") and is responsible for providing oversight, challenge and assistance to the business in delivering the business plan within the requirements of applicable laws and regulations. In order to ensure compliance policies and procedures are being properly implemented by the business, the Compliance Function also regularly conducts compliance monitoring.

The Compliance Function is independent from the first line functions within the Company and within Athora Ireland Services Ltd to ensure its effectiveness. This is implemented as follows:

- The Compliance Function has formal status within Athora Ireland and Athora Ireland Services Ltd;
- The Head of Compliance has overall responsibility for coordinating the management of compliance risks;
- The Head of Compliance reports to the Athora Ireland Board Audit Committee and the Athora Group General Counsel. As this function is outsourced to Athora Ireland Services Ltd there is also a reporting line to Athora Ireland Chief Executive Officer;
- The Compliance Team and in particular, the Head of Compliance, aren't placed in a position where there is a potential conflict of interest between their compliance responsibilities and other responsibilities they may have; and
- The Compliance Function has full access to information and personnel at all times necessary to carry out their responsibilities.

All employees have a personal responsibility to ensure their work is performed in compliance with applicable rules, regulations, the Athora Code of Conduct and internal policies. The head of each business unit within the Company and Athora Ireland Services Ltd is responsible for implementing the systems, policies and procedures to provide assurance that breaches of relevant obligations are prevented and that business is being conducted in line with local law and regulation.

Where a compliance issue or breach is identified, this must be reported without delay to the Compliance Team. The relevant business area is responsible for implementing any resolution and the Compliance Team monitors this implementation to ensure desired outcomes are achieved.

B.5 Internal Audit Function

As part of the third line of defence, the Internal Audit Function assists the Senior Management Team and the Board Audit Committee in protecting the Company's assets, reputation and sustainability by independently and objectively evaluating the effectiveness of internal controls, risk management and governance processes.

To ensure the independence of the auditors and effective governance, the Group Chief Internal Auditor has a reporting line to the Board Audit Committee Chairman.

Internal Audit's main tasks and responsibilities are:

- Prepare and execute a risk based audit plan which is approved by the Board 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 Company 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 Board Audit Committee, summarising the progress and results of the annual audit plan, as well as on the sufficiency of Internal Audit resources.
- Assemble and maintain a professional audit staff with sufficient knowledge, skills, experience, and professional certifications.
- Ensure the Board Audit Committee and Senior Management Team 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, which is outsourced to Athora Ireland Services Ltd 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.

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 any conflicts of interest and accesses the expertise and knowledge necessary to undertake work in respect of specialist business functions.

B.6 Actuarial Function

The Board are responsible for providing an effective Actuarial Function as part of the overall system of governance. The Board must also appoint a Head of Actuarial Function. During 2019 the Company transitioned the outsourced Head of Actuarial Function role to KPMG, an actuarial consulting firm.

The Actuarial Function is responsible for coordinating the calculation of technical provisions, ensuring appropriateness of the methodologies and underlying models used and assumptions made, assessing the sufficiency and quality of data used in the calculation of the technical provisions and comparing best estimates against experience. It is also responsible for informing the Board of the reliability and adequacy of the calculation of technical provisions.

The Actuarial Function and in particular the Head of Actuarial Function has additional responsibilities under the Central Bank of Ireland's Domestic Actuarial Regime, including submitting a written report to the Board on at least an annual basis which documents all material tasks undertaken by the Actuarial Function over the reporting period and their results and identifies any deficiencies and includes recommendations as to how they should be remedied.

B.7 Outsourcing

Outsourcing & Supplier Risk Policy

Outsourcing arrangements and material suppliers impact operational risk as a result of potential material changes to and reduced control over the related people, processes and systems. To manage outsourcing and supplier risk, the Company has established an Outsourcing Risk Policy.

The aim of the Outsourcing Risk Policy is to ensure that arrangements entered into by the Company which can result in material risk are subject to appropriate due diligence, approval and on-going monitoring. All material risks arising from these activities must be appropriately managed to ensure that the Company is able to meet both its financial and service obligations.

In the case of material intra-group outsourcing arrangements, the Outsourcing Risk Policy requirements are the same as an external outsourcing arrangement, except that the examination of the vendor may be less detailed, provided Athora Ireland has greater familiarity with the vendor and has sufficient control over, or can influence the actions of the vendor.

All new outsourcing arrangements must be assessed to determine the risk classification, at the point of initial engagement with the service provider. Due diligence requirements must be carried out and documented, before entering or significantly changing an outsourcing arrangement. As part of Athora Ireland's outsourcing oversight process, the due diligence of critical and / or important functions is reviewed annually with the outcomes documented.

A written agreement, including a service level agreement (if applicable) stipulating duties and responsibilities of both parties must exist for all outsourcing arrangements, including intra-group arrangements.

The service provider performance and internal control must be adequately monitored on an ongoing basis, and operational risk is assessed with the service provider at least annually. For intra-group arrangements, monthly service review meetings are in place with oversight provided via the quarterly Reinsurance and Operations Committee which is responsible for managing escalated issues.

Critical & Important outsourcing arrangements

The outsourcing arrangements of Athora Ireland which relate to critical and/or important functions or activities are:

- An intra-group agreement with Athora Ireland Services Ltd, for the provision of services relating to policy administration, customer service, IT, HR, Finance, Actuarial, Risk Management, Compliance, Internal Audit and Corporate Communications. Functional reporting is completed on a monthly basis and service level reporting on a quarterly basis.
- An arrangement with AAME who provide investment management and related services to the Company.
- An arrangement with Kames Capital for the management of assets within the Company's ULG fund range.
- An external agreement with LAB Group, a company based in Luxembourg. LAB provide document scanning and storage services to the Company.
- An external agreement with KPMG, a consulting firm with a Dublin-based actuarial function, for the provision of services to fulfil the role of the Head of Actuarial Function.

All five arrangements must meet the requirements of the Outsourcing Risk Policy.

The Company has a number of other outsourcing and supplier arrangements which have not been listed here, as they are not defined as relating to critical or important functions or activities under Solvency II. However, they are still considered material from an operational risk perspective and therefore must also meet the requirements of the Outsourcing Risk Policy. All other material third party arrangements not covered by the Outsourcing Risk Policy are managed under the Third Party Arrangement Risk Guidelines.

B.8 Any other information

The Company's system of governance complies with the Athora Code of Business Conduct and Ethics which consists of the Company's Purpose, Core Values, Business Principles and Rules of Conduct. The Code of Conduct also addresses governance aspects, internal guidelines and policies, the compliance with laws and regulations, information sharing and the identification and management of risks in a prudent way.

The Company's overall corporate governance structure and adherence to the Code of Conduct is the responsibility of the Board. The Company is satisfied that the system of governance remains fit for purpose and appropriate for the nature, scale and complexity of risks inherent in its business.

C. Risk Profile

General

Athora Ireland's risk strategy provides direction for the targeted risk profile while supporting the business strategy. Risk tolerances and limits are established as part of the risk strategy to ensure that the Company maintains, at all times, a solvency and liquidity position such that no plausible scenario would cause the Company to default on its obligations to policyholders.

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

An important aspect of the ORSA process is stress and scenario testing, and some of these sensitivities are reflected throughout Section C.

The sensitivities involve recalculating the solvency position at points throughout the year and as at 31 December 2019 following adverse stresses. The sensitivity impacts are calculated using the Company's standard reporting process in so far as possible.

At the end of 2019, the most significant risk exposures of the Company are to Spread, Longevity and Equity market risks.

Prudent Person Principle

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

The Company does not directly invest policyholder assets, and instead uses a range of investment management companies. To meet the requirements of the prudent person principle, the Company only uses investment managers with which they have investment management agreements or subscription agreements in place. Policyholder funds are generally invested in equities, bonds and cash or cash equivalents.

The Company also invests in sovereign and corporate bonds, private credit and alternative assets, liquidity funds, cash deposits and absolute return funds. These investments take account of applicable internal risk policies including the Credit Name Limit Policy and Investment and Counterparty Risk Policy.

The Company identifies and measures the risks associated with its asset investments by receiving regular investment reports, which provide detailed information on the assets underlying the investment, as well as their performance.

The Company manages and controls the risks associated with the investments made through its risk policies, documented processes and risk tolerances statements. The Company seeks to ensure an appropriate level of prudence is exercised when considering which investments to hold. This is supported by a number of underlying policies which are reviewed annually and help to prevent risk concentrations or excessive accumulation of risk in the portfolio as a whole.

The Company monitors the asset investments and performance through various Committees which meet regularly. These include the Investment Committee, the Risk Committee and the Capital Management Committee.

The Board is ultimately responsible for the Investment Strategy and any risk management activities associated with it. The process is governed by the Risk Committee which reviews compliance against all policies and report at least quarterly to the Board Risk Committee.

Off-balance sheet positions and Special Purpose Vehicles

Athora Ireland has a single off-balance sheet position which is in relation to the guarantee attaching to the Company's operating lease for its Dublin office premises. In the event that the Company were to default on the lease payment, Athora Holding Ltd has guaranteed the payment of same. The Company does not view this as a material risk.

C.1 Underwriting risk

At 31 December 2019, Underwriting Risks comprise 36% of the pre-diversified reported Basic Solvency Capital Requirement. The key underwriting risks which the Company is exposed to are set out below:

Longevity Risk

Due to the nature of the ULG products, Athora Ireland is currently exposed to longevity risk (i.e. risk of customers living longer than expected) rather than mortality or catastrophe risk. Under the treaty with New Re, the reinsurance benefit paid on fund exhaustion is equal to the capitalised value of future income based on pre-defined mortality assumptions. This means that AI's longevity risk up until the point of fund exhaustion is fully mitigated - however if the actual longevity improvements experienced by customers thereafter prove to be higher than that assumed in that capitalisation calculation, this residual risk will fall on the Company.

The annual mortality experience investigation in 2019 resulted in no changes to expected future mortality.

Policyholder Behaviour Risk

For the ULG business, there is a risk from lower lapses than expected, which could lead to higher future expenses arising from the higher number of policies in force.

Lapse risk can arise due to mis-estimation, economic shocks and trends, competitor activity (lapse and re-entry), changes in policyholder behaviour and reputational damage. Other policyholder behaviour risks exist, for example, selective fund switching.

The policyholder behaviour experience investigation performed in 2019 resulted in a reduction to expected future lapse rates.

Expense Risk
The Company is exposed to the risk that its future expenses are higher than currently expected. Expense risk can arise through mis-estimation, higher than expected inflation, lower volumes of business than expected, expense overruns, regulatory change and changes in the mix of business.

The annual expense analysis resulted in some changes to the current expense assumptions to reflect lower expenses in the business generally due to closure to new business, sale of the Offshore Bond business and efficiency initiatives.

Assessment & mitigation
The Company assesses, monitors and controls underwriting risk through a number of methods:

- Quarterly reporting highlights the performance of key underwriting risks, including a full attribution which explains any variance to expectations for these risks.
- A quarterly assessment of the risk against stated risk tolerances is performed through the Risk Committee.
- Mortality, persistency, and expense experience investigations are conducted annually.
- Pricing seeks to ensure that any accepted risks are charged a premium which reflects the circumstances of that risk, and where necessary, encourages certain behaviours.
- The ORSA aims to assess risks under stressed conditions through a range of stress and scenario testing.

There have been no material changes to how underwriting risk is assessed over 2019.

Risk concentration
The geographical concentration of the Company's life insurance liabilities is predominantly within the UK, e.g. Athora Ireland is exposed to changes in UK mortality rates due to medical advances or pandemics. The risks associated with the VA business liabilities have been reinsured to New Re with the exception of the residual exposure to mortality rates after the point policyholder funds exhaust.

Risk sensitivity
The solvency position at 31 December 2019 has been re-calculated following adverse stresses for the material underwriting risks. For each of these sensitivities, the table below shows the estimated impact on the reported solvency ratio:

Sensitivity	Change in Solvency Ratio (Post Stress - Pre Stress)
Lapse rates +20%	+6%
Lapse rates -20%	-9%
Mortality +10%	+38%
Mortality -10%	-43%

The results of the analysis demonstrate that changes in lapse risk or longevity risk have a relatively modest impact on the Company's solvency ratio. Lapse risk arises through the impact of lapse rates on the projected expenses required to support the ULG book, whereby lower lapses would result in higher projected expenses over the life of the portfolio. Longevity risk arises through the impact of changes in projected mortality rates after each ULG policyholder's unit-linked fund is exhausted, as the reinsurance benefit paid by New Re to the Company at this point is equal to the capitalised value of future income due to that policyholder based on pre-defined mortality assumptions.

Separately, risk of changes to expenses (for a given number of policies or amount of assets under management) could have a material impact, however, expenses are largely within management control.

The analysis indicates that based on the current strategy and business model the Company's underwriting risk profile can withstand severe shocks and is within the Board's risk appetite. As part of the ORSA, combined shocks are also considered. These indicated that the impact of reductions in mortality and lapse is heightened in times of low interest rates.

C.2 Market risk

At 31 December 2019, market risks comprise 57% of the pre-diversified reported Basic Solvency Capital Requirement. The key market risks to which the Company is exposed are set out below:

Currency Risk

Currency risk arises where changes in exchange rates create unequal fluctuations in the market value of assets and liabilities. Within Athora Ireland the relevant exchanges rates are Euro and Sterling Pounds ("GBP"). Since 1 January 2019 the functional currency of the Company has changed from GBP to Euro, but GBP liabilities continue to arise from the UK portion of the legacy ULG book.

The Company has set an upper bound tolerance range for Currency Risk that reflects its low appetite for the risk, but also an agreed mismatch of the Risk Margin .

Spread Risk

The Company carries spread risk through its holdings of fixed income assets, both public sovereign and corporate bonds and private debt. Spread Risk associated with the ULG portfolio is reinsured, so the risk arises in relation to holdings of fixed income assets within shareholder investments.

The Company's fixed income portfolio is managed by AAME, a global leader in the sourcing and management of private credit assets, along with a small holding with Kames Capital. The Company's appetite for these risks is high, as their risk/return profile is seen as favourable and as a good match for long term, guaranteed life insurance liabilities.

The Company has a high tolerance range for Spread Risk, which reflects the fact that Athora Ireland's chosen business model is predicated on earning a net spread between our assets and liabilities; therefore, the Company will always have appetite to this risk, and this exposure will grow as new reinsurance business is written.

Equity Risk
The Company is exposed to equity risk through shareholder investments in holdings of alternative assets which demonstrate equity-like behaviour. In the policyholder accounts, the risks arise from the guarantees written on the underlying investments (ULG business) which is fully reinsured.

The Company has set an upper bound tolerance range for Equity Risk that reflects a low to medium appetite for the risk. Where it exists as part of the ULG book, it is mitigated through reinsurance and/or derivatives as most appropriate/effective.

Interest rate risk
The Company is exposed to interest rate risk where the movement in the value of its fixed interest assets may not offset the movement in the value of its liabilities, for example due to differences in duration.

The Company's appetite for interest rate risk is low, as it is not core to the Company's business strategy.

Assessment & mitigation
The Company assesses, monitors and controls market risk through a number of methods:

- The reinsurance agreement mitigates the market risks inherent in the ULG portfolio.
- A series of investment constraints that reflect the Company's risk appetite are documented in the Investment Management Agreement with AAME.
- Quarterly reporting to the Investment Committee highlights the performance of market risks, including a full attribution which explains any variance to expectations for these risks.
- A quarterly assessment of the risk against stated risk tolerances is performed through the Risk Committee.
- Risk policies incorporate concentration limits in certain asset class risks.
- The ORSA aims to assess risks under stressed conditions through a range of stress and scenario testing.

There have been no material changes to how the Company assesses its market risks over the reporting period.

Risk concentration
Market risk exposures make up a material element of total Solvency Capital Requirement. Following reinsurance of the ULG portfolio, the exposure to market risks is driven primarily by the strategic asset allocation of Shareholder Assets.

The largest concentration in the Company's shareholder assets is to Athora entities, comprising circa 8% of assets, and thereafter to the UK and French governments, both rated AA. Within the Company's wider credit holdings there is no exposure to any single issuer that exceeds 5% of invested assets.

Risk sensitivity
The solvency position at 31 December 2019 has been re-calculated following adverse stresses for the material market risks. For each of these sensitivities, the table below shows the estimated impact on the reported solvency ratio:

Sensitivity	Change in Solvency Ratio (Post Stress – Pre Stress)
Equity markets +20%	11%
Equity markets -20%	-13%
Interest Rates Up	+24%
Interest Rates Down	-22%
Broad Market Stress	-45%

The Interest Rate Up and Down sensitivities show the impact of typical stresses to interest rates that could be expected one in every 10 years and represent shocks of c. +0.4% and -0.5% respectively. The Broad Market Stress sensitivity represents a scenario in which both equity and credit markets suffer losses combined with a 0.5% fall in interest rates.

The results of the analysis demonstrates that the most material risk to the Company's solvency ratio is a scenario where equity and credit markets fall combined with falls in interest rates. However, at 31 December 2019 the Company was still projected to enjoy a solvency ratio of 274% after this Broad Market Stress. This indicates that the Company's market risk profile can withstand severe shocks and is within the Board's risk appetite.

C.3 Credit Risk

At 31 December 2019 Counterparty Default risk comprised 5% of the pre-diversified reported Basic Solvency Capital Requirement.

Credit risk relates to default of obligors. Athora Ireland is exposed to credit risk in respect of its holdings in fixed income assets, cash deposits, and its ULG reinsurance treaty.

Assessment & mitigation

The Company assesses, monitors and controls credit risk through a number of methods:

- The Credit Name Limit Policy ensures concentration risk exposures for shareholder investments are managed within specified limits. This policy sets out the maximum exposure the Company is willing to accept, depending on credit rating.
- The Company operates a collateral arrangement to mitigate the risks of default on the ULG reinsurance treaty.

There have been no material changes to how Counterparty Default risk is assessed over the reporting period.

Risk concentration

The most significant individual counterparty exposure held by the Company is to BNP Paribas, with whom cash deposits within collective investment funds are held.

Risk sensitivity

The Broad Market Stress shown in section C.2 includes the impact of default losses on the fair value of investments. The analysis indicated that based on the current strategy and business model the Company's credit risk profile could withstand severe shocks and is within the Board's risk appetite

C.4 Liquidity risk

Liquidity risk may arise due to illiquidity of the assets held to meet the cash flow requirements, but also due to insufficient capacity to raise funds to meet cash flow requirements. Illiquidity of certain investment assets may prevent the Company from selling investments at fair prices in a timely manner.

Liquidity risk is actively managed by the Company and does not give rise to a capital requirement.

Overall the Company has a low tolerance for liquidity risk and therefore operates strict limits in relation to the proportion of its assets which are required to be held in cash or cash equivalents, rather than less liquid but higher performing asset types.

Assessment & mitigation

The Company assesses, monitors and controls liquidity risk through a number of methods:

- The Liquidity Risk Policy is designed to ensure a prudent liquidity profile is maintained. This is characterised by asset liquidity that is sufficient to meet cash demands under not only expected conditions but also under stressed conditions. This policy defines the methodology to ensure that liquidity is being measured and tested consistently.
- Stressed Liquidity Scenarios are assessed quarterly with the results presented to the Risk Committee. Any breaches in test results follow a defined escalation and action process. The Company must maintain enough liquidity in order to meet all cash needs under these stressed scenarios.

Risk concentration

The largest concentration risk related to liquidity exposure relates to the ULG reinsurance arrangement.

Risk sensitivity

The Company holds liquid assets comprising cash and cash equivalents and both sovereign and investment grade securities for which there is an active and liquid market. These assets can be readily sold to meet liquidity requirements. This is demonstrated by the passing of the liquidity sensitivity tests described above.

C.5 Operational risk

At 31 December 2019 Operational risk comprised 2% of the pre-diversified reported Solvency Capital Requirement.

Operational risk is the risk of losses resulting from inadequate or failed internal processes and controls, people and systems or from external events.

It is a direct consequence of operating a business and cannot be diversified or fully mitigated against. However, the Company actively manages and monitors its operational risk, and the Board has no tolerance for action or lack of action which could lead to material adverse risk events.

Operational risks primarily relate to the services which have been outsourced to Athora Ireland Services.

Assessment & mitigation

Athora's approach to evaluating operational risks is based on the quantitative and qualitative rating of those risks with regard to their potential impact and likelihood after consideration of the effectiveness of controls. Risk impact is assessed (at a minimum) along the following three impact dimensions: financial loss, customer & reputation, and financial misstatement. The resulting ratings reflect the uncontrolled (residual) risk the business area is running. A forward looking operational risk profile is carried out on a quarterly basis, together with details of action plans that address key risks and, where appropriate, the Chief Risk Officer's opinion on the effectiveness of those plans. Reference is made to Section B.4 for a detailed description of the Operational & Conduct Risk Management Framework.

The Operational Risk Policy defines tolerances for single loss events, cumulative losses over five years and total operational risk Solvency Capital Requirement. Any breaches to these limits require action plans to be put in place.

The Risk Management Function oversees the collation, aggregation, and analysis of operational risk management information prior to consideration at the Risk Committee. There have been no material changes to how Athora Ireland assesses its risk over the reporting period.

Risk concentration

Athora categorises Operational Risk into a number of further subcomponents:

General Operational Risks	Compliance Risks	IT Risks
Financial Accounting Risk	**Regulatory Risk**	Strategy & Architecture
Personal Security Risk	**Tax Risk**	**IT Project & Change Management**
Operational Change Risk	Employee Relations Risk	IT Asset Management
Outsourcing Risk	Conflicts of Interest Risk	IT Operations
Legal Risk		Service Availability
Fraud Risk		**Information Security**
Continuity Risk		Disaster Recovery
Model Risk		System Development
Business Process Risk		
Product Defect Risk		

Operational risk is broadly spread and not heavily concentrated within any one of these categories.

Risk sensitivity

As the output of operational risk reporting is largely qualitative, sensitivity testing is not relevant.

C.6 Other material risks

There are no other material risks to note in relation to the Company's risk profile.

C.7 Any other information

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

D. Valuation for Solvency Purposes

This section describes the accounting policies and valuation techniques used by Athora Ireland for the Solvency II valuation of the assets and liabilities, including the differences between these Solvency II valuation principles and those applied in the financial statements.

D.1 Assets

The table below shows assets held on the Solvency II balance sheet and the comparative IFRS values as at 31 December 2019:

Assets *(EUR thousands)*	**Solvency II**	**IFRS**	**Difference**
Assets held for index/unit-linked contracts	994,843	994,656	187
Available for sale financial assets	74,239	281,438	(207,199)
Cash and cash equivalents	30,348	30,348	-
Collective investments undertakings	486,305	247,944	238,361
Loans and mortgages	17,568	47,500	(29,932)
Insurance and intermediaries receivables and reinsurance recoverable	1,205,784	1,281,573	(75,789)
Other	26,158	19,526	6,632
Total	**2,835,245**	**2,902,985**	**(67,740)**

During the reporting period, Athora Ireland did not make any material changes to the recognition and valuation bases used for assets, or to estimation techniques employed.

Assets held for index-linked and unit-linked contracts

The fair value of financial assets traded in active markets is determined by reference to quoted market bid prices. For financial instruments where there is no active market, the fair value is determined by using other appropriate valuation techniques. The choice of pricing model and related assumptions is a source of uncertainty as it can lead to different estimates for the quantification of fair values. The fair value of floating rate and overnight deposits with credit institutions is their carrying value (which is the cost of the deposit and accrued interest). The fair value of fixed interest-bearing deposits is estimated using discounted cash flow techniques.

Assets held for index-linked and unit-linked contracts of €994,843k are valued at fair value under both IFRS and Solvency II and are presented differently as:

- 'Financial Assets at fair value through profit or loss' in the Financial Statements; and
- 'Assets held for index-linked and unit-linked funds' on the Solvency II balance sheet.

Available for sale financial assets

Solvency II consists of government bonds of €43,119k and a subordinated bond of €31,120k reported at market value plus accrued interest. Under IFRS the subordinated bond is recorded in 'Loans and receivables from group companies' at amortised cost of €30,000k.

The IFRS figure consists of government bonds at market value excluding accrued interest of €43,012k and Athora Lux funds at market value of €238,426k. The Athora Lux funds are reported under 'Collective Investment Undertakings' at market value of €238,426k under Solvency II.

Cash and cash equivalents

Cash and cash equivalents of €30,348k are valued at fair value under both IFRS and Solvency II.

Collective Investments Undertakings

Collective Investments Undertakings are valued at fair value under both IFRS and Solvency II. They are presented as 'Shareholder investments at fair value through profit and loss' in the financial statements. The difference of €238,361k consists primarily of the Athora Lux funds €238,426k which are reported as 'Available for sale financial assets' in the Financial Statements. The residual balance consists of accrued interest of €122k which is reported under 'Prepayments and accrued income' in the financial statements and seed capital of €187k which is reported in 'Assets held for index/unit-linked contracts' under Solvency II.

Loans and mortgages

The loan to Athora Holding Ltd of €17,500k is presented as 'Loans and mortgages' under Solvency II and 'Loans and receivables from group companies' under IFRS. The loan includes accrued interest of €68k under Solvency II which is separately reported as 'Insurance Receivables' under IFRS. The subordinated bond, recorded at market value of €31,120k in 'Available for Sale Financial Assets' under Solvency II, is recorded at amortised cost of €30,000k under IFRS.

Insurance and intermediaries receivables and reinsurance recoverable

The difference of €75,789k relates primarily to the reinsurance recoverable asset which is valued using differing methodologies under IFRS and Solvency II. The main driver relates to the K-Factors and yield curves used to value the asset.

Other

The main difference between the total Solvency II and IFRS value for this category is driven by the different magnitude of the deferred tax asset under the two bases. A deferred tax asset of €12,470k is recognised under Solvency II whereas the IFRS valuation is €8,500k. The difference is attributable to the differing valuation of the underlying items for which deferred tax is applicable.

D.2 Technical provisions

The technical provisions comprise the Best Estimate Liability and the Risk Margin. The table below summarises the technical provisions, split by Solvency II lines of business[1], for all life insurance obligations as at 31 December 2019:

Technical Provisions *(EUR thousands)*	**Index-linked and unit-linked insurance**	**Life reinsurance**	**Total**
Best Estimate Liabilities (Gross of reinsurance)	**1,216,241**	**34,177**	**1,250,418**
Recoverables from reinsurance	(38,588)	24,513	(14,075)
Best Estimate Liabilities (Net of reinsurance)	1,254,829	9,664	1,264,493
Risk Margin	**18,985**	**12,897**	**31,882**
Technical Provisions (Gross of reinsurance)	**1,235,226**	**47,074**	**1,282,300**

As at 31 December 2019 the Company has not transferred any risk to special purpose vehicles. The Company has an outward reinsurance agreement in place in respect of the ULG business. No significant simplified methods were used to calculate the technical provisions. The Company has not applied any matching adjustment, volatility adjustment, transitional risk-free interest rate term structures or the transitional deduction.

Best Estimate Liability

The Best Estimate Liability corresponds to a probability-weighted average of future cash-flows, taking account of the time value of money, using the relevant risk-free interest rate term structure prescribed by the European Insurance and Occupational Pensions Authority. The Best Estimate Liability is calculated on a policy-by-policy basis, allowing for the projection of fund values, charges, claims, expenses and lapses.

A stochastic modelling approach is used for the ULG business, given the guarantees which are dependent on market conditions. The modelling approach is proportionate to the nature, scale and complexity of the risks associated with the underlying cash flows.

Recoverables from reinsurance contracts

Reinsurance cash flows are not explicitly modelled as there is currently no difference between the reinsurance basis and the Company's best estimate basis. Therefore, the reinsurance recoverable is calculated as the present value of future revenue and claims under the reinsurance treaty.

The need for an allowance for counterparty default in the technical provisions in respect of the ULG reinsurance agreement is assessed each quarter. No such allowance is currently required as there is currently a liability to the reinsurer rather than an asset.

[1] Refer to Section A.1.6 for a description of the Solvency II lines of business

Risk Margin

The Risk Margin serves to reflect the additional price that would be charged by another insurance company to cover the cost of capital required to cover the insurance risks inherent in a portfolio of insurance liabilities.

The Risk Margin is calculated per the prescribed Solvency II cost-of-capital approach, where a 6% cost of capital is charged on an amount of eligible own funds equal to the Solvency Capital Requirement necessary to run off the Company's obligations. The calculations approximate some of the projected Solvency Capital Requirements for certain risks.

During 2019, refinements were made to the approach used to calculate the Risk Margin between annual re-calibrations, which better reflect anticipated movements in the Risk Margin and the Solvency Capital Requirement over time.

Assumptions

Realistic assumptions are used in the calculation of the technical provisions. Market assumptions have been set to be consistent with economic conditions prevailing at the valuation date. Non-market assumptions are set on a best estimate basis, following analysis of past experience, supplemented with industry data where experience data is not sufficiently detailed. An overview of the main assumptions used in calculating the technical provisions are outlined below:

- *Interest Rates:* The projected cash flows are discounted using the prescribed currency specific risk-free interest rate term structures. Future investment returns on unit-linked funds are also projected using the same risk-free yield curve.
- *Persistency:* Lapse and withdrawal assumptions vary by product type and policy duration. Persistency experience for ULG business is assumed to be dynamic in nature, i.e. policyholder behaviour is assumed to be influenced by the value of the guarantees attached to their product, which is dependent on market conditions.
- *Mortality:* Assumptions are differentiated by sex and based on standard industry tables. A best estimate assumption is used for expected future mortality improvements.
- *Expenses:* Renewal expense assumptions are determined with respect to the recurring costs incurred by Athora Ireland in servicing the in-force insurance and reinsurance obligations. This includes administrative expenses, investment operations expenses and claims management expenses.

During 2019, the current mortality assumptions were monitored relative to experience data. The current assumptions were considered appropriate and no changes were implemented.

A persistency investigation was carried out during 2019, which showed a change in the observed lapse rates. As a result, the assumptions were updated to reflect the recent experience.

Athora Ireland completed their annual expense analysis during 2019. The Company projected changes to the expense budget relative to prior years. At year-end 2019 the Company updated the level of expense assumptions used for calculating the technical provisions to reflect the latest budget.

Uncertainty associated with technical provisions

Uncertainty in the technical provisions primarily relates to how future actual experience will differ from the best estimate assumptions which are used in the calculations, e.g. with respect to future lapse rates or mortality improvements. Similarly, there is uncertainty in determining appropriate market consistent expense assumptions, which requires an estimation of the future expense base of the Company, sales levels and inflation rates.

A robust assumption setting process is followed in order to ensure this uncertainty is well understood and variances against assumptions are regularly monitored. There are also a number of stress and scenario tests performed as part of the ORSA process which helps the Company to understand their sensitivity to various assumptions. In addition, the Company carries out a series of scenarios and stress tests each quarter which help to assess the uncertainty associated with the technical provisions.

For ULG products, the uncertainty of the timing, frequency and amount of claims is taken into account through the stochastic modelling of the Best Estimate Liability. The use of dynamic functions also allows for dependencies between market movements, policyholder behaviour and associated cash flows.

Controlled Volatility Funds underlie some of the ULG products. These funds are rebalanced on a daily basis to target a specific volatility and therefore there is uncertainty associated with the future asset mix within the funds.

The main area of uncertainty in the Risk Margin calculation is in the Solvency Capital Requirement over the projected future lifetime of the Company's obligations, given that this is dependent on the projection of economics over that time period in addition to experience with respect to lapse rates and mortality.

Material differences between Solvency II and the financial statements

The table below highlights the material differences between the gross technical provisions under Solvency II and the equivalent reserves in the financial statements (i.e. before allowance for the impact of reinsurance). The equivalent valuation of the liabilities under IFRS at 31 December 2019 is c. €39,948k more than the technical provisions under Solvency II. The table is presented based on Solvency II lines of business[2]:

[2] ULGs are classified as Life insurance under Solvency II. Under IFRS, ULGs are classified as insurance contracts.

Gross SII Technical provisions to IFRS contract liabilities (EUR thousands)	Index linked and unit -linked insurance	Life reinsurance	Total	Note
Solvency II Technical Provisions	1,235,226	47,074	1,282,300	
Less Risk Margin	(18,985)	(12,897)	(31,882)	1
Solvency II Best Estimate Liability	1,216,241	34,177	1,250,418	
Methodology & assumption changes	66,546	5,285	71,831	2
IFRS insurance contract and derivative liabilities	1,282,787	39,462	1,322,249	

Note 1: There is no Risk Margin required under IFRS. The removal of the Risk Margin decreases the index-linked and unit-linked insurance business by €18,985k and life reinsurance business by €12,897k respectively.

Note 2: The calculation of the Best Estimate Liability involves a projection of future cash flows on best estimate assumptions (where a negative Best Estimate Liability is permitted). Under IFRS, the future guarantee fees and guaranteed benefits are considered for ULGs (and presented as a derivative financial liability), in addition to the fair value of the unit-linked liability and an expense reserve. This differs to Solvency II, where non-guaranteed elements are also included in the ULG Best Estimate Liability.
In addition, the yield curve, and other economic assumptions used for the IFRS calculation are not fully aligned to Solvency II and these differences are reflected above.

D.3 Other liabilities

The table below shows the value of other liabilities for the purposes of Solvency II valuation and the comparative IFRS values:

Other liabilities *(EUR thousands)*	Solvency II	IFRS	Difference
Financial liabilities other than debts owed to credit institutions	-	34,109	(34,109)
Payables	1,340,982	1,378,062	(37,080)
Other provisions	-	1,811	(1,811)
Debts owed to credit institutions	16,398	-	16,398
Total Other liabilities	**1,357,378**	**1,413,982**	**(56,604)**

For the purposes of Solvency II, other liabilities are valued in conformity with IFRS, i.e. at the market value of the liability, which is the total amount of cash that changes hands if the liability were sold. During the reporting period, the Company did not make any material changes to the recognition and valuation bases used for other liabilities, or to estimation techniques.

Financial liabilities other than debts owed to credit institutions

As at 31 December 2019, Athora Ireland had a collateral obligation (liability payable) of €34,109k to the reinsurer as a result of the ULG reinsurance agreement entered into during 2018. Under IFRS this is presented as 'Collateral Obligations' and as 'Reinsurance payables' under Solvency II.

Payables

This line item consists of reinsurance liabilities, payables and sundry creditors. The difference between the Solvency II and IFRS values relates primarily to the IFRS VA reserve of €57,756k offset by a bank overdraft of €16,398k classified as 'Debts owed to credit institutions' under Solvency II.

Other provisions

In the financial statements, provisions are established under IFRS when it is probable that a past event has given rise to a present obligation or loss and the amount can be reasonably estimated. As at 31 December 2019, the Company has established provisions of €1,811k for potential liabilities. Under Solvency II these provisions have been included within 'Payables'.

Debts owed to credit institutions

This reflects a bank overdraft of €16,398k which is presented as 'Debts owed to credit institutions' under Solvency II. There is no difference in valuation under IFRS, however in the Financial Statements it is reported as 'Financial liabilities at amortised cost'.

D.4 Alternative methods for valuation

The Company does not have any material assets or liabilities for which we apply alternative methods for valuation. There is a small proportion of policyholder assets where quoted market bid prices are not available, so these assets are valued using appropriate valuation techniques as described in Section D.1. A portion of the shareholder assets are unrated and are valued based on observable valuation techniques (Level III) in line with other group entities.

D.5 Any other information

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

E. Capital Management

E.1 Own funds

The Company's approach to capital management and how it manages available own funds (being the excess of assets over liabilities) is outlined in the Capital Management Policy. Key objectives of the policy are to be compliant with all applicable laws, rules and regulations governing the management of capital and to maintain, at all times, sufficient own funds to cover both the Solvency Capital Requirement and Minimum Capital Requirement. The policy and associated processes help to protect the financial strength of the Company, by identifying various capital levels, and requiring appropriate actions depending on the current and projected level of capital.

The objectives, policies and processes for managing own funds over the reporting period were reviewed in line with the revised Athora Group strategy.

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

The ORSA process includes an assessment of the sufficiency of capital available to meet the commitments in light of the risks faced by the business, both now and into the future. The Company determines its solvency needs by performing capital projections over the business planning period, allowing for the current and expected business strategy, risk profile and capital management activities. The current time horizon used for business planning is usually three years. This exercise allows the Board to make an assessment of the Company's current and projected solvency needs and helps trigger appropriate and timely capital management actions.

Tiering of own funds

The table below sets out the movement in the Solvency II available own funds over the reporting period:

Own funds *(EUR thousands)*	**FY2019**	**FY2018**	**Movement**
Ordinary share capital	105,660	105,660	-
Share premium account	17,026	17,026	-
Reconciliation reserve	60,410	79,607	(19,197)
Amount equal to the value of net deferred tax assets	12,470	9,742	2,728
Available own funds	**195,566**	**212,035**	**(16,469)**
Eligible own funds to meet Solvency Capital Requirement	192,136	212,035	(19,899)
Eligible own funds to meet Minimum Capital Requirement	183,096	202,293	(19,197)

As shown below, the majority of the Company's available own funds consist of Tier 1 capital. The Deferred Tax Asset of €12,470k remains the only lower tier asset and is classified as Tier 3 representing 6.4% of own funds at year end 2019.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilised. The Company estimates the most probable amount of future taxable profits, using assumptions consistent with those employed in impairment calculations, and taking into account applicable tax legislation in the relevant jurisdiction. These calculations require the use of estimates.

Deferred tax is recognised in respect of timing differences that have originated but not reversed at the statement of financial position date, where transactions or events have occurred at that date that will result in an obligation to pay more or a right to pay less tax. Deferred tax is measured on an undiscounted basis at tax rates that have been or are substantially enacted by the balance sheet date in which timing differences reverse.

Own funds summary by tier	**FY2019**		**FY2018**	
(EUR thousands)	**Tier 1**	**Tier 3**	**Tier 1**	**Tier 3**
Ordinary share capital	105,660	-	105,660	-
Share premium account	17,026	-	17,026	-
Reconciliation reserve	60,410	-	79,607	-
Amount equal to the value of net deferred tax assets	-	12,470	-	9,742
Available own funds	**183,096**	**12,470**	**202,293**	**9,742**

There is no restriction on AI's eligible own funds to meet the Minimum Capital Requirement and Solvency Capital Requirement requirements. No ancillary own funds or own funds items that are subject to transitional arrangements exist.

As at 31 December 2019, 'Ordinary share capital' comprises 105,660,001 ordinary shares of €1 each. The 'Share premium account' of €17,026k related to share capital issued at a premium and held by the Company's direct parent, Athora Life Re Ltd.

The 'Reconciliation Reserve' presented above is derived by taking the excess of assets over liabilities from the balance sheet and reducing it by basic own fund items (other than subordinated liabilities) and other specified adjustments. This is summarised in the table below and is consistent with the own funds Quantitative Reporting Template included in the Appendix (S.23.01.01).

Reconciliation reserve *(EUR thousands)*	**FY2019**	**FY2018**
Available own funds / Excess of assets over liabilities	195,566	212,035
Other basic own fund items	(135,156)	(132,428)
Reconciliation reserve	**60,410**	**79,607**

Difference between own funds and IFRS Shareholders Equity

The main differences between available own funds (excess of assets over liabilities) and IFRS Shareholder Equity is related to the valuation of technical provisions (as described in Section D.2), the removal of deferred assets and liabilities (as described in Section D.1), the removal of software costs (an intangible asset) and the reinsurance recoverable asset.

The table below provides a reconciliation from IFRS Equity to total own funds for both year end 2019 and the prior period:

IFRS Equity to own funds *(EUR thousands)*	**FY2019**	**FY2018**
Total IFRS equity	223,357	235,572
Difference in technical provisions	39,949	33,457
Removal of software	-	(308)
Deferred tax adjustment	3,970	3,362
Reinsurance recoverable asset	(71,831)	(60,048)
Subordinated debt fair value adjustment	121	-
Total own funds	**195,566**	**212,035**

Description of items deducted from own funds

There are no items deducted from own funds, nor any significant restriction affecting the availability and transferability of own funds.

E.2 Solvency Capital Requirement and Minimum Capital Requirement

Solvency Capital Requirement

The eligible own funds, Solvency Capital Requirement and solvency ratio as at 31 December 2019 and the prior period are presented below:

Solvency II key figures *(EUR thousands)*	**FY2019**	**FY2018**
Eligible Own Funds	192,136	212,035
Solvency Capital Requirement	60,266	89,047
Solvency Ratio	319%	238%

The Company does not use any undertaking-specific parameters in the Solvency Capital Requirement calculations.

Solvency Capital Requirement split by risk module

The table below shows the net Solvency Capital Requirement split by risk module.

Solvency Capital Requirement by risk module *(EUR thousands)*	**FY2019**	**FY2018**
Market risk	42,397	72,691
Counterparty default risk	4,825	10,909
Life underwriting risk	28,601	25,846
Diversification	(17,373)	(22,567)
Basic Solvency Capital Requirement	**58,450**	**86,879**
Operational risk	1,816	3,053
Loss-absorbing capacity of technical provisions	-	-
Loss-absorbing capacity of deferred taxes	-	-
Solvency Capital Requirement	**60,266**	**89,932**

The net Solvency Capital Requirement reduced by €29,666k (c. 33%) over 2019. The main driver of this change was a large reduction in the Market risk module, as well as a smaller decrease in the Counterparty Default risk module. These decreases were partly offset by an increase in the Life Underwriting risk module. The reasons for these changes are outlined below:

- *Market risk Solvency Capital Requirement:* The reduction of €30,294k was primarily caused by a reduction in Currency risk capital requirements due to the change to the functional currency of the Company during 2019. An increase in Spread risk capital requirements resulted from changes in the assets held by the Company, partly offsetting the reduced Currency risk.
- *Counterparty Default Risk Solvency Capital Requirement:* The reduction of €6,084k was primarily due to a reduction in bank deposits held by the Company in 2019.

- *Life Underwriting risk Solvency Capital Requirement:* This risk module increased by €2,755k over 2019, primarily due to an increase in the Longevity risk capital requirements.

Minimum Capital Requirement

The Minimum Capital Requirement figure has reduced by €7,416k, from €22,483k at the previous year-end to €15,067k as at 31 December 2019.

Minimum Capital Requirement *(EUR thousands)*	**FY2019**	**FY2018**
Linear Minimum Capital Requirement	8,851	8,503
Solvency Capital Requirement	60,266	89,931
Minimum Capital Requirement cap	27,120	40,469
Minimum Capital Requirement floor	15,067	22,483
Combined Minimum Capital Requirement	15,067	22,483
Absolute Floor	3,700	3,700
Minimum Capital Requirement	**15,067**	**22,483**

The inputs used to calculate the Minimum Capital Requirement are outlined in the table above:

- The Linear Minimum Capital Requirement is a calculation based on the value of technical provisions and capital at risk.
- The Linear Minimum Capital Requirement is subject to a respective floor of 25% and a cap of 45% of the Solvency Capital Requirement.
- An Absolute Floor of €3,700k is prescribed by the European Insurance and Occupational Pension Authority.

The Minimum Capital Requirement reduced by c. 33% over the reporting period, driven by the same factors that caused the change in the Solvency Capital Requirement.

Simplified calculations

In the calculation of Counterparty Default Risk module, a simplified calculation of the risk mitigating effect is used, pursuant to Article 111 of the Delegated Regulation. The simplified calculation is proportionate to the nature, scale and complexity of the risks faced for this risk module.

Article 51(2) of Directive 2009/138/EC

The Central Bank of Ireland does not require Athora Ireland to hold a capital add-on.

E.3 Use of the duration-based equity risk sub-module in the calculation of the Solvency Capital Requirement

Athora Ireland does not make use of the duration-based equity risk sub-module set out in Article 304 of Directive 2009/138/EC for the calculation of the Standard Formula Solvency Capital Requirement.

E.4 Differences between the standard formula and any internal model used

Athora Ireland does not have an approved Internal Model for use in the calculation of the Solvency Capital Requirement.

E.5 Non-compliance with the Minimum Capital Requirement and non-compliance with the Solvency Capital Requirement

There were no incidences of non-compliance with capital requirements throughout the period covered by this report as the Company has maintained sufficient capital to meet both the Minimum Capital Requirement and Solvency Capital Requirement.

E.6 Any other information

There is no further material information to note regarding the Company's capital management.

Appendix – Quantitative Reporting Templates

All values are in €000's

S.02.01.02 - Balance sheet

		Solvency II value
		C0010
Assets		
Goodwill	R0010	
Deferred acquisition costs	R0020	
Intangible assets	R0030	-
Deferred tax assets	R0040	12,471
Pension benefit surplus	R0050	-
Property, plant & equipment held for own use	R0060	11,026
Investments (other than assets held for index-linked and unit-linked contracts)	R0070	560,544
Property (other than for own use)	R0080	-
Holdings in related undertakings, including participations	R0090	-
Equities	R0100	-
Equities - listed	R0110	-
Equities - unlisted	R0120	-
Bonds	R0130	74,239
Government Bonds	R0140	43,119
Corporate Bonds	R0150	31,120
Structured notes	R0160	-
Collateralised securities	R0170	-
Collective Investments Undertakings	R0180	486,305
Derivatives	R0190	-
Deposits other than cash equivalents	R0200	-
Other investments	R0210	-
Assets held for index-linked and unit-linked contracts	R0220	994,843
Loans and mortgages	R0230	17,568
Loans on policies	R0240	-
Loans and mortgages to individuals	R0250	-
Other loans and mortgages	R0260	17,568
Reinsurance recoverables from:	R0270	(14,075)
Non-life and health similar to non-life	R0280	-
Non-life excluding health	R0290	-
Health similar to non-life	R0300	-
Life and health similar to life, excluding health and index-linked and unit-linked	R0310	-
Health similar to life	R0320	-
Life excluding health and index-linked and unit-linked	R0330	-
Life index-linked and unit-linked	R0340	(14,075)
Deposits to cedants	R0350	-

Insurance and intermediaries receivables	R0360	1,219,859
Reinsurance receivables	R0370	-
Receivables (trade, not insurance)	R0380	2,661
Own shares (held directly)	R0390	-
Amounts due in respect of own fund items or initial fund called up but not yet paid in	R0400	-
Cash and cash equivalents	R0410	30,348
Any other assets, not elsewhere shown	R0420	-
Total assets	**R0500**	**2,835,245**

		Solvency II value
		C0010
Liabilities		
Technical provisions – non-life	R0510	-
Technical provisions – non-life (excluding health)	R0520	-
Technical provisions calculated as a whole	R0530	-
Best Estimate	R0540	-
Risk margin	R0550	-
Technical provisions - health (similar to non-life)	R0560	-
Technical provisions calculated as a whole	R0570	-
Best Estimate	R0580	-
Risk margin	R0590	-
Technical provisions - life (excluding index-linked and unit-linked)	R0600	-
Technical provisions - health (similar to life)	R0610	-
Technical provisions calculated as a whole	R0620	-
Best Estimate	R0630	-
Risk margin	R0640	-
Technical provisions – life (excluding health and index-linked and unit-linked)	R0650	-
Technical provisions calculated as a whole	R0660	-
Best Estimate	R0670	-
Risk margin	R0680	-
Technical provisions – index-linked and unit-linked	R0690	1,282,300
Technical provisions calculated as a whole	R0700	-
Best Estimate	R0710	1,250,418
Risk margin	R0720	31,882
Other technical provisions	R0730	-
Contingent liabilities	R0740	-
Provisions other than technical provisions	R0750	-
Pension benefit obligations	R0760	-
Deposits from reinsurers	R0770	-
Deferred tax liabilities	R0780	-
Derivatives	R0790	-
Debts owed to credit institutions	R0800	16,398
Financial liabilities other than debts owed to credit institutions	R0810	-
Insurance & intermediaries payables	R0820	18,430
Reinsurance payables	R0830	34,109
Payables (trade, not insurance)	R0840	1,285,732

Subordinated liabilities	R0850	-
Subordinated liabilities not in Basic Own Funds	R0860	-
Subordinated liabilities in Basic Own Funds	R0870	-
Any other liabilities, not elsewhere shown	R0880	2,711
Total liabilities	**R0900**	**2,639,679**
Excess of assets over liabilities	**R1000**	**195,566**

S.05.01.02 - Premiums, claims and expenses by line of business

Columns containing no data have been excluded

All values are in €000's

Life		**Line of Business for: life insurance obligations**	**Life reinsurance obligations**	**Total**
		Index-linked and unit-linked insurance	**Life reinsurance**	
		C0230	C0280	C0300
Premiums written				
Gross	R1410	(891)	7,801	6,911
Reinsurers' share	R1420	18,914	7,803	26,717
Net	R1500	(19,804)	(2)	(19,806)
Premiums earned				
Gross	R1510	(891)	7,801	6,911
Reinsurers' share	R1520	18,914	7,803	26,717
Net	R1600	(19,804)	(2)	(19,806)
Claims incurred				
Gross	R1610	115,379	11	115,390
Reinsurers' share	R1620	22	-	22
Net	R1700	115,357	11	115,368
Changes in other technical provisions				
Gross	R1710	-	-	-
Reinsurers' share	R1720	-	-	-
Net	R1800	-	-	-
Expenses incurred	R1900	9,056	11,091	20,147
Other expenses	R2500			-
Total expenses	R2600			20,147
Total amount of surrenders	R2700	115,366	-	115,366

S.05.02.01 - Premiums, claims and expenses by country

Columns containing no data have been excluded

All values are in €000's

Life		Home Country	Top 5 countries (by amount of gross written premiums) - Life					Total Top 5 and home country
			GB	DE	FR	NL	CH	
		C0220	C0230	C0240	C0250	C0260	C0270	C0280
Premiums written								
Gross	R1410	-	4,424	-	2,487	-	-	6,911
Reinsurers' share	R1420	-	17,715	997	2,487	10	5,507	26,717
Net	R1500	-	(13,292)	(997)	-	(10)	(5,507)	(19,806)
Premiums earned								
Gross	R1510	-	4,424	-	2,487	-	-	6,911
Reinsurers' share	R1520	-	17,715	997	2,487	10	5,507	26,717
Net	R1600	-	(13,292)	(997)	-	(10)	(5,507)	(19,806)
Claims incurred								
Gross	R1610	-	113,839	1,490	-	61	-	115,390
Reinsurers' share	R1620	-	22	-	-	-	-	22
Net	R1700	-	113,817	1,490	-	61	-	115,368
Changes in other technical provisions								
Gross	R1710	-	-	-	-	-	-	-
Reinsurers' share	R1720	-	-	-	-	-	-	-
Net	R1800	-	-	-	-	-	-	-
Expenses incurred	R1900	-	19,692	455	-	-	-	20,147
Other expenses	R2500							-
Total expenses	R2600							20,147

S.12.01.02 - Life and Health SLT Technical Provisions

Columns containing no data have been excluded

All values are in €000's

		Index-linked and unit-linked insurance			Accepted reinsurance	**Total (Life other than health insurance, incl. Unit-Linked)**
			Contracts without options and guarantees	Contracts with options or guarantees		
		C0030	C0040	C0050	C0100	C0150
Technical provisions calculated as a whole	R0010	-			-	-
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole	R0020	-			-	-
Technical provisions calculated as a sum of BE and RM						
Best Estimate						
Gross Best Estimate	R0030		-	1,216,241	34,177	1,250,418
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0080		-	(38,588)	24,513	(14,075)
Best estimate minus recoverables from reinsurance/SPV and Finite Re - total	R0090		-	1,254,829	9,664	1,264,493
Risk Margin	R0100	18,985			12,897	31,882
Amount of the transitional on Technical Provisions						
Technical Provisions calculated as a whole	R0110	-			-	-
Best estimate	R0120		-	-	-	-
Risk margin	R0130	-			-	-
Technical provisions - total	R0200	1,235,227			47,074	1,282,300

S.23.01.01 - Own funds

All values are in €000's

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	**C0020**	**C0030**	**C0040**	**C0050**
Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35						
Ordinary share capital (gross of own shares)	R0010	105,660	105,660		-	
Share premium account related to ordinary share capital	R0030	17,026	17,026		-	
Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	R0040	-	-		-	
Subordinated mutual member accounts	R0050	-		-	-	-
Surplus funds	R0070	-	-			
Preference shares	R0090	-		-	-	-
Share premium account related to preference shares	R0110	-		-	-	-
Reconciliation reserve	R0130	60,410	60,410			
Subordinated liabilities	R0140	-		-	-	-
An amount equal to the value of net deferred tax assets	R0160	12,470				12,470
Other own fund items approved by the supervisory authority as basic own funds not specified above	R0180	-	-	-	-	-
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds						
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	R0220	-				
Deductions						
Deductions for participations in financial and credit institutions	R0230	-	-	-	-	-
Total basic own funds after deductions	R0290	195,566	183,096	-	-	12,470

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	R0300	-			-	
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	R0310	-			-	
Unpaid and uncalled preference shares callable on demand	R0320	-			-	-
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	R0330	-			-	-
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	R0340	-			-	
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	R0350	-			-	-
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0360	-			-	
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0370	-			-	-
Other ancillary own funds	R0390	-			-	-
Total ancillary own funds	R0400	-			-	-
Available and eligible own funds						
Total available own funds to meet the SCR	R0500	195,566	183,096	-	-	12,470
Total available own funds to meet the MCR	R0510	183,096	183,096	-	-	
Total eligible own funds to meet the SCR	R0540	192,136	183,096	-	-	9,040
Total eligible own funds to meet the MCR	R0550	183,096	183,096	-	-	
SCR	R0580	**60,266**				
MCR	R0600	**15,067**				
Ratio of Eligible own funds to SCR	R0620	**319%**				
Ratio of Eligible own funds to MCR	R0640	**1,215%**				

		C0060
Reconciliation reserve		
Excess of assets over liabilities	R0700	195,566
Own shares (held directly and indirectly)	R0710	-
Foreseeable dividends, distributions and charges	R0720	-
Other basic own fund items	R0730	135,156
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740	-
Reconciliation reserve	R0760	**60,410**
Expected profits		
Expected profits included in future premiums (EPIFP) - Life business	R0770	-
Expected profits included in future premiums (EPIFP) - Non-life business	R0780	-
Total Expected profits included in future premiums (EPIFP)	R0790	-

S.25.01.21 - Solvency Capital Requirement

Columns containing no data have been excluded

All values are in €000’s

		Gross solvency capital requirement	Simplifications
		C0040	C0120
Market risk	R0010	42,397	None
Counterparty default risk	R0020	4,825	
Life underwriting risk	R0030	28,601	None
Health underwriting risk	R0040	-	None
Non-life underwriting risk	R0050	-	None
Diversification	R0060	(17,373)	
Intangible asset risk	R0070	-	
Basic Solvency Capital Requirement	R0100	58,450	

Basic Solvency Capital Requirement (USP)

		USP
		C0090
Life underwriting risk	R0030	None
Health underwriting risk	R0040	None
Non-life underwriting risk	R0050	None

Calculation of Solvency Capital Requirement

		Value
		C0100
Operational risk	R0130	1,816
Loss-absorbing capacity of technical provisions	R0140	-
Loss-absorbing capacity of deferred taxes	R0150	-
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160	-
Solvency Capital Requirement excluding capital add-on	R0200	60,266
Capital add-on already set	R0210	-
Solvency capital requirement	R0220	60,266
Other information on SCR		
Capital requirement for duration-based equity risk sub-module	R0400	-
Total amount of Notional Solvency Capital Requirements for remaining part	R0410	-
Total amount of Notional Solvency Capital Requirements for ring fenced funds	R0420	-
Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	R0430	-
Diversification effects due to RFF nSCR aggregation for article 304	R0440	-

S.28.01.01 - Minimum Capital Requirement

Columns containing no data have been excluded

All values are in €000's

		C0040
MCR_L Result	R0200	8,851

Total capital at risk for all life (re)insurance obligations

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
		C0050	C0060
Obligations with profit participation - guaranteed benefits	R0210	-	
Obligations with profit participation - future discretionary benefits	R0220	-	
Index-linked and unit-linked insurance obligations	R0230	1,264,493	
Other life (re)insurance and health (re)insurance obligations	R0240	-	
Total capital at risk for all life (re)insurance obligations	R0250		-

Overall MCR calculation

		C0070
Linear MCR	R0300	8,851
SCR	R0310	60,266
MCR cap	R0320	27,120
MCR floor	R0330	15,067
Combined MCR	R0340	15,067
Absolute floor of the MCR	R0350	3,700
Minimum Capital Requirement	R0400	15,067