ATHORA LIFE RE LTD.

CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2022

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Building a better
working world

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Independent Auditor's Report

The Board of Directors and Shareholder
Athora Life Re Ltd.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Athora Life Re Ltd. and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 2022, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in Bermuda, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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Responsibilities of Management and the Board of Directors for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Board of Directors are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Ernst & Young Ltd.

April 21, 2023

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

for the financial year ended 31 December 2022 and 2021

€'000	Note	2022	2021
Gross earned premium	5	**1,188,602**	69,240
Investment (loss) / income	6	**(95,074)**	16,721
Other income	7	**2,425**	1,079
Total income		**1,095,953**	87,040
Claims paid and change in the insurance provisions	8	**(1,211,174)**	(91,381)
Other expenses	9	**(27,447)**	(23,986)
Interest expenses	10	**(2,244)**	(2,567)
Total expenses		**(1,240,865)**	(117,934)
Loss before taxes from continuing operations		**(144,912)**	(30,894)
Income taxes	11	**5,665**	(380)
Loss after tax from discontinued operations	28	**-**	(20,124)
Loss for the year		**(139,247)**	(51,398)

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

for the financial year ended 31 December 2022 and 2021

€'000	Note	2022	2021
Loss for the year		**(139,247)**	(51,398)
Other comprehensive loss, net of tax:			
Items that may be reclassified to profit or loss in subsequent years			
Available-for-sale reserve		**(251,798)**	(42,244)
Items that will not be reclassified to profit or loss in subsequent years			
Tax charge relating to components of other comprehensive income	**11d**	**4,222**	2,414
Other comprehensive loss for the year, net of tax		**(247,576)**	(39,830)
Total comprehensive loss for the year, net of tax		**(386,823)**	(91,228)

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

for the financial year ended 31 December 2022 and 2021

€'000	Note	2022	2021
Property and equipment	12	**9,188**	10,076
Financial assets	13	**2,407,607**	1,790,412
Deferred tax assets	11c	**21,038**	11,151
Current tax assets	11e	**426**	228
Loans and advances due from banks	14	**14,354**	2,714
Receivables	15	**25,394**	4,306
Other assets	16	**67,819**	31,807
Cash and cash equivalents	17	**181,283**	32,820
Total assets		**2,727,109**	1,883,514
Shareholders' equity	18	**250**	250
Share capital and share premium	18	**241,000**	241,000
Retained losses	18	**(224,019)**	(84,772)
Other reserves	18	**(255,413)**	(7,837)
Total equity		**(238,182)**	148,641
Insurance provisions	19	**2,434,290**	1,404,294
Borrowings	21	**155,000**	155,000
Other financial liabilities	22	**66,049**	23,841
Payables	23	**90,518**	25,646
Other liabilities	24	**219,434**	126,092
Total liabilities		**2,965,291**	1,734,873
Total equity and liabilities		**2,727,109**	1,883,514

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

Approved by the Board:

Amy Ponnampalam

Director

21 April 2023

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

for the financial year ended 31 December 2022 and 2021

€'000	Note	Total equity	Share capital	Capital Contribution	Retained Losses	OCI
Balance as at 1 January 2021		239,872	250	241,000	(31,271)	29,893
Loss for the year		(51,398)	-	-	(51,398)	-
Movement in Foreign Currency Translation reserve		(3)	-	-	(2,103)	2,100
Unrealised gains and losses - through OCI		(42,244)	-	-	-	(42,244)
OCI tax charge	**11d**	2,414	-	-	-	2,414
Balance as at 31 December 2021		**148,641**	**250**	**241,000**	**(84,772)**	**(7,837)**
Loss for the year		(139,247)	-	-	(139,247)	-
Unrealised gains and losses - through OCI		(251,798)	-	-	-	(251,798)
OCI tax charge	**11d**	4,222	-	-	-	4,222
Balance as at 31 December 2022		**(238,182)**	**250**	**241,000**	**(224,019)**	**(255,413)**

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

for the financial year ended 31 December 2022 and 2021

€'000	Note	2022	2021
Loss before taxes from continuing operations		**(144,912)**	(30,894)
Adjustments for non-cash items:			
Depreciation	9	**888**	890
Lease interest	25	**573**	610
Unrealised losses / (gains) on investments		**35,907**	(46,465)
Realised losses / (gains) on investments		**111,046**	(16,753)
Amortisation of premium / discount on investments		**311**	-
Impairment losses on investments	9	**354**	-
Effect of exchange rate changes		**-**	15
Income tax paid		**(7)**	(2)
		4,160	(92,599)
Movements in working capital:			
(Increase) / Decrease in receivables		**(21,088)**	317
Increase in insurance provisions		**1,029,996**	30,037
Increase / (Decrease) in payables and other liabilities		**158,214**	(142,574)
(Increase) / Decrease in current tax assets		**(191)**	-
(Increase) / Decrease in deferred tax assets		**-**	(2,387)
(Increase) in loans and advances due from banks		**(11,640)**	(2,714)
(Increase) / Decrease in other assets		**(36,012)**	2,303
Transfer of cash from VA portfolio		**-**	21,798
Net cash out flow from discontinued operations		**-**	(29,191)
Cash flows from operating activities		**1,123,439**	(215,010)
Proceeds from sale of financial assets		**2,629,545**	511,973
Purchase of financial assets		**(3,600,240)**	(398,672)
(Purchase) / Sale of loans and receivables		**(3,000)**	35,000
Net cash in flow from discontinued operations		**-**	9,067
Cash flows from investing activities		**(973,695)**	157,368
Payment of lease liabilities	25	**(1,281)**	(1,281)
Cash flows from financing activities		**(1,281)**	(1,281)
Net increase / (decrease) in cash and cash equivalents		**148,463**	(58,923)
Cash and cash equivalents at 1 January		**32,820**	91,743
Cash and cash equivalents at 31 December		**181,283**	32,820

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the financial year ended 31 December 2022

1. Corporate and Company Information

This section provides corporate and group information about Athora Life Re Ltd. (the "Company" or "ARE") and its subsidiaries.

a) Corporate Information

The consolidated financial statements of the Company for the year ended 31 December 2022 were approved by the Board of Directors of the Company (the "Board") on 21 April 2023. The Company is an exempted company incorporated in Bermuda and is registered as a long-term Class E insurer under Insurance Act of 1978 of Bermuda, as amended, and related rules, and regulations (collectively, the "Insurance Act"). The Company's registered office and principal place of business is First Floor, Swan Building, 26 Victoria Street, Hamilton HM12, Bermuda.

The Company is principally engaged in providing capital optimisation and risk management solutions to European life insurers. Information on the Company's structure is provided in Note 1b. Information on other related party relationships of the Company is provided in Note 27.

b) Company Information

The consolidated financial statements of the Company include:

Name	Principal activity	Country of incorporation	% Equity interest 2022	2021
Athora Ireland plc ("AI")	Life assurance business	Ireland	**100**	100
Athora Europe Investments DAC ("AEI DAC")	Special Purpose Vehicle	Ireland	**100**	100

The next senior and the ultimate holding company of the Company is Athora Holding Ltd. ("AHL"), an exempted company incorporated in Bermuda. The "Athora Group" refers to AHL when consolidated with its subsidiaries.

c) Execution of new inward reinsurance transaction

In 2022, the Company executed an inward reinsurance contract to reinsure a quota-share of a cedant's policyholder benefits of endowment products and universal life policies. Counterparty risk for the cedant is mitigated using collateral pledged under the cedant's local law. For further information on the financial impact of this transactions, refer to Notes 5, 8, 15, 16, 19, 23 and 24.

d) Transfer of Variable Annuity portfolio

In 2021, the Company's subsidiary, Athora Ireland plc ("AI") entered into a binding agreement for the transfer of its Variable Annuity ("VA") portfolio. The transfer was completed on 31 December 2021 with income and expenses associated with this line of business presented as discontinued operations. The breakdown of these results is detailed in Note 28.

2. Basis of preparation and other significant accounting policies

This section provides additional information about the overall basis of preparation that the Board considers useful and relevant in understanding these financial statements, including:

- Summary of other significant accounting policies impacting the results and financial position of the Company, including changes in accounting policies and disclosures during the year.
- Standards that have been issued but not yet adopted by the Company.

a) Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and adopted by the European Union.

The consolidated financial statements have been prepared on a historical cost basis, except for financial assets and financial liabilities that have been measured at fair value. The consolidated financial statements are presented in euros and all values are rounded to the nearest thousand (€000), except when otherwise indicated.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the financial year ended 31 December 2022

2. Basis of preparation and other significant accounting policies (continued)

b) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2022.

Subsidiaries are all entities (including structured entities) over which the Company has control. Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are deconsolidated from the date that control ceases.

Only substantive rights (i.e., the holder must have the practicability to exercise them) and rights that are not protective shall be considered. The Company can have power with less than a majority of the voting rights of an investee, in particular through:

- the proportion of ownership with regards to the other investors;
- potential voting rights;
- a contractual arrangement between the investor and other vote holders;
- rights arising from other contractual arrangements;
- a combination of these indicators.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Company for preparation of consolidated financial statements. The acquisition method of accounting is used to account for business combinations by the Company.

c) Going concern

The consolidated financial statements are prepared on a going concern basis.

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

In 2022, there was a fall in the Company's IFRS equity primarily due to the impact of rising interest rates on asset values. However, the fall in IFRS equity was mainly driven by differences in asset and liability valuation approaches under IFRS 4. The Company fair value assets under IFRS, while insurance provisions are valued using "locked-in" discount rates. This accounting mismatch is expected to be eliminated when IFRS 17 and 9 are implemented on 1 January 2023. These adoptions are expected to reverse the non-economic interest rate impacts within the insurance provisions

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

2. Basis of preparation and other significant accounting policies (continued)

d) Adoption of new IFRS accounting standards

No new IFRS accounting standards and amendments that became effective on or after 1 January 2022 had a material impact on the Company's financial position at 31 December 2022 and performance for the year then ended. The following amendments were applied for the first time:

Amendments to IFRS 3 Business Combinations: Reference to the Conceptual Framework

Published by the IASB in May 2020. The amendments are effective for annual reporting beginning on or after 1 January 2022.

Amendments to IAS 16 Property, Plant and Equipment: Proceeds before Intended Use

Published by the IASB in May 2020. The amendments are effective for annual reporting beginning on or after 1 January 2022.

Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets: Onerous Contracts – Costs of Fulfilling a Contract

Published by the IASB in May 2020. The amendments are effective for annual reporting beginning on or after 1 January 2022.

Annual Improvements to IFRSs 2018-2020 cycle

Published by the IASB in May 2020, these improvements consist of amendments to:

- IFRS 1 First-time Adoption of International Financial Reporting Standards;
- IFRS 9 Financial Instruments;
- IFRS 16 Leases;
- IAS 41 Agriculture.

New accounting pronouncements not yet effective

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

IFRS 17, Insurance Contracts and IFRS 9, Financial Instruments

The Company will implement IFRS 17 and IFRS 9 on 1 January 2023 (implementation date). As the Company has opted for a retrospective application, the transition date is 1 January 2022 (transition date). As IFRS 17 and IFRS 9 are not applicable for the year ended 31 December 2022, they have not been applied in preparing these financial statements.

IFRS 17 'Insurance contracts'

IFRS 17 replaces IFRS 4, Insurance Contracts, for annual periods beginning on or after 1 January 2023 (effective date). As the retrospective application is required, the transition date is 1 January 2022.

The nature of the changes in accounting policies can be summarised, as follows:

(i) Changes to classification and measurement

The adoption of IFRS 17 did not change the classification of the Company's insurance contracts.

The Company was previously permitted under IFRS 4 to continue accounting using its previous accounting policies. However, IFRS 17 establishes specific principles for the recognition and measurement of insurance contracts issued and reinsurance contracts held by the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the financial year ended 31 December 2022

2. Basis of preparation and other significant accounting policies (continued)

d) Adoption of new IFRS accounting standards (continued)

(ii) The key principles of IFRS 17 are that the Company:

- Identifies insurance contracts as those under which the Company accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder;
- Separates specified embedded derivatives, distinct investment components and distinct goods or services other than insurance contract services from insurance contracts and accounts for them in accordance with other standards;
- Divides the insurance and reinsurance contracts into groups it will recognise and measure;
- Recognises and measures groups of insurance contracts at: A risk-adjusted present value of the future cash flows (the fulfilment cash flows) that incorporates all available information about the fulfilment cash flows in a way that is consistent with observable market information; plus, an amount representing the unearned profit in the group of contracts (the contractual service margin or "CSM");
- Recognises profit from a group of insurance contracts over each period the Company provides insurance contract services, as the Company is released from risk. If a group of contracts is expected to be onerous (i.e., loss-making) over the remaining coverage period, the Company recognises the loss immediately;
- Recognises an asset for insurance acquisition cash flows in respect of acquisition cash flows paid, or incurred, before the related group of insurance contracts is recognised. Such an asset is derecognised when the insurance acquisition cash flows are included in the measurement of the related group of insurance contracts.

(iii) Transition date fair valuation

The Company has applied the fair value approach on transition. Obtaining reasonable and supportable information to apply the full retrospective approach was impracticable without undue cost or effort due to data and system constraints.

The Company has determined the CSM of the liability for remaining coverage at the transition date, as the difference between the fair value of the group of insurance contracts and the fulfilment cash flows measured at that date. In determining fair value, the Company has applied the requirements of IFRS 13 Fair Value Measurement, except for the demand deposit floor requirement.

The Company has aggregated contracts issued more than one year apart in determining groups of insurance contracts under the fair value approach at transition as it did not have reasonable and supportable information to aggregate groups into those including only contracts issued within one year.

For the application of the fair value approach, the Company has used reasonable and supportable information available at the transition date in order to:

- Identify groups of insurance contracts;
- Determine whether any contracts are direct participating insurance contracts; and
- Identify any discretionary cash flows for insurance contracts without direct participation features.

The discount rate for the group of contracts applying the fair value approach was determined at the transition date. Therefore, for the measurement of fulfilment cash flows at the date of transition, the locked-in discount rate is the weighted average of the rates applicable at the date of initial recognition of contracts that joined a group over a 12-month period. The discount rate used for accretion of interest on the CSM is determined using the bottom-up approach.

The Company has elected not to disaggregate insurance finance income or expenses between amounts included in profit or loss and amounts included in other comprehensive income as it has opted for the recognition of insurance finance income or expenses in profit or loss.

2. Basis of preparation and other significant accounting policies (continued)

d) Adoption of new IFRS accounting standards (continued)

IFRS 9 'Financial instruments'

IFRS 9 replaced IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018. However, the Company elected, under the amendments to IFRS 4 to apply the temporary exemption from IFRS 9, deferring the initial application date of IFRS 9 to align with the initial application of IFRS 17, for annual periods beginning on or after 1 January 2023 (effective date). As the Company has opted for a retrospective application, the transition date is 1 January 2022.

(i) Changes to classification and measurement

To determine their classification and measurement category, IFRS 9 requires all financial assets to be assessed based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics.

The IAS 39 measurement categories for financial assets (fair value through profit or loss ("FVTPL"), available for sale ("AFS"), held-to-maturity ("HTM") and loans and receivables ("L&R") at amortised cost) have been replaced under IFRS 9, by:

- Financial assets at FVTPL, including equity instruments and derivatives;
- Debt instruments at fair value through other comprehensive income, with gains or losses recycled to profit or loss on derecognition; and
- Equity instruments at fair value through other comprehensive income, with no recycling of gains or losses to profit or loss on derecognition (not used by the Company).

On transition, however, the Company, has irrevocably designated all financial asset as measured at FVTPL (other than cash and other receivables) so as to eliminate or significantly reduce a measurement or recognition inconsistency (referred to as 'an accounting mismatch') that would otherwise arise from measuring financial assets and insurance liabilities on different bases. Further, the financial assets are managed, and their performance evaluated, in a fair value business model or are mandatorily required to be measured at fair value under IFRS 9.

The financial liabilities (other than derivatives) will continue to be stated at amortised cost.

Whilst the hedge accounting requirements under IFRS 9 are more closely aligned with risk management practices and follow a more principle-based approach, the Company has determined not to engage in hedge accounting under the standard.

(ii) Transition date fair valuation

On the transition date, the Company measured all financial assets (other than cash and other receivables) at their fair value in accordance with IFRS 13, Fair Value Measurement.

IFRS 17 and IFRS 9, Impact on transition date

The Company is in the advanced stages of transition to and implementation of IFRS 17 and IFRS 9. However, as some judgements are still being calibrated, a reasonable estimate of the financial impacts cannot be provided at this stage.

Notwithstanding, on transition at 1 January 2022, a net adverse impact is expected on shareholders' equity, which is expected to be primarily attributable to the creation of contractual service margin.

The Company expects that the new standards will result in significant changes to the accounting policies and is likely to have a considerable impact on profit, total equity, disclosure and overall presentation.

It is noted that the cash flows and underlying capital generation of the Company's businesses are unaffected by IFRS 17 and IFRS 9, and the standards will have little or no impact on the Company's' Economic Balance Sheet ("EBS") performance metrics.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the financial year ended 31 December 2022

2. Basis of preparation and other significant accounting policies (continued)

d) Adoption of new IFRS accounting standards (continued)

Application of minor amendments applicable subsequent to the year ended 31 December 2022.

The following pronouncements are not applicable for the year ended 31 December 2022 and have not been applied in preparing these financial statements. The impact of these minor amendments is being assessed by the Company and are deemed not likely to be material.

Amendments to IAS 1 Presentation of Financial Statements: Disclosure of Accounting Policies

Published by the IASB in January 2020. The amendments are effective for annual reporting beginning on or after 1 January 2023.

Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates

Published by the IASB in February 2021. The amendments are effective for annual reporting beginning on or after 1 January 2023.

Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction

Published by the IASB in May 2021. The amendments are effective for annual reporting beginning on or after 1 January 2023.

Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current

Published by the IASB in February 2021. The amendments are effective for annual reporting beginning on or after 1 January 2024.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the financial year ended 31 December 2022

2. Basis of preparation and other significant accounting policies (continued)

e) Foreign currency translation

The functional and presentation currency of the Company is Euro (€).

Transactions in foreign currencies are recorded at the rate of exchange ruling at the date of the transaction. At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the Statement of Financial Position date. Non-monetary items (including all equity components) denominated in a foreign currency are not retranslated but hold the rate with which they were translated at the date of the transaction. Exchange differences arising on the settlement of monetary items during the year are dealt with in the statement of profit or loss in the period in which they arise.

Items included in the financial statements of each of the Company's subsidiaries are measured using the currency of the primary economic environment in which the entity operates.

f) Insurance contracts - classification

Insurance contracts are those contracts where the Company (the reinsurer) has accepted significant insurance risk from another party (the insurer) by agreeing to compensate the insurer if a specified uncertain future event (the insured event) adversely affects the insurer. As a general guideline, the Company determines whether it has significant insurance risk, by comparing benefits payable with benefits payable if the insured event did not occur. Contracts under which the Company transfers significant insurance risk are classified as reinsurance contracts. Insurance and reinsurance contracts can also expose the Company to financial risk.

g) Reinsurance contacts

Contracts entered into with reinsurers are accounted for according to their substance in accordance with IFRS 4 Insurance Contracts. The Company assumes and cedes reinsurance risk in the normal course of business for life insurance contracts where applicable. The cost of inward reinsurance related to long-duration contracts is accounted for over the life of the underlying reinsured policies, using assumptions consistent with those used to price these policies.

h) Net earned premium

Gross earned recurring premiums from reinsurance contracts are recognised as revenue when payable by the cedant. Earned premiums ceded under reinsurance agreements are deducted from gross earned premiums to arrive at the net earned premium figure when reinsurance agreements are in effect and the relevant reinsurance assets are established.

i) Insurance benefits and claims

Gross benefits and claims consist of benefits and claims paid to policyholders, as well as changes in the gross valuation of insurance contract provisions. Ceded reinsurance recoveries are accounted for in the same period as the underlying claim. Death claims and surrenders are recorded based on notifications received. Maturities and annuity payments are recorded when due.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the financial year ended 31 December 2022

2. Basis of preparation and other significant accounting policies (continued)

j) Taxation

Current income tax

Corporation tax is payable on all taxable profits. Provisions for tax liabilities require management to make judgements and estimates in relation to tax issues and exposures. Amounts provided are based on management's interpretation of country specific tax laws and the likelihood of settlement. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the current tax and deferred tax provisions in the period in which such determination is made.

Current income tax relating to items recognised directly in equity or other comprehensive income ("OCI") is recognised in equity or OCI and not in the statement of profit or loss. Under current Bermuda law, the Company is not required to pay any taxes in Bermuda on either income or capital gains. The Company has received an assurance from the Minister of Finance of Bermuda under The Exempted Undertaking Tax Protection Act 1966 of Bermuda that in the event of any such taxes being imposed the Company will be exempted from taxation until the year 2035.

The Company's wholly owned subsidiary, Athora Ireland plc ("AI"), is a tax resident in Ireland and subject to Irish taxes. AI has received a Certificate of Tax Residency for each year since 2018. The special purpose vehicles AEI DAC is a qualifying company within the meaning of s110 of the Taxes Consolidation Act 1997 in Ireland. As such, the profits are chargeable to corporation tax under Case III of Schedule D at a rate of 25%, but are computed in accordance with the provisions applicable to Case I of Schedule D.

Deferred tax

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 reporting date in which timing differences reverse.

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

k) Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest ("NCI") in the acquiree. For every business combination, the Company has an option to measure any NCIs in the acquiree at fair value or at the NCI's proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Company acquires a business, it assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances, and pertinent conditions at the acquisition date. No reclassification of insurance contracts is required as part of the accounting for the business combination. Thus, insurance contracts are classified on the basis of the contractual terms and other factors at the inception of the contract or modification date.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses and is tested at least annually for impairment. If impairment is identified the carrying value of the goodwill is written down and recognised through the statement of profit or loss and is not subsequently reversed. At the date of disposal of a subsidiary the carrying value of attributable goodwill is included in the calculation of the profit or loss on disposal.

l) Other intangible assets

Other intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss.

2. Basis of preparation and other significant accounting policies (continued)

m) Financial assets

Financial assets are classified, at initial recognition, as financial assets at FVTPL, loans and receivables, held-to-maturity investments, or available-for-sale ("AFS") financial assets. The classification is based on management's intention relating to the purpose and nature of the instrument or characteristics of the investment. The Company determines the classification of its financial assets at initial recognition. Financial assets are recognised initially at fair value plus, in the case of investments not at FVTPL, directly attributable transaction costs that are attributable to the acquisition of the financial asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Company has transferred substantially all risks and rewards of ownership. The Company has not classified any financial assets as held-to-maturity.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss can either be held for trading (if acquired principally for the purpose of selling in the short-term) or designated at fair value through profit or loss at inception. The principal category of assets designated at fair value though profit or loss are those held as part of the life assurance business, which are managed on a fair value basis. These investments are initially recorded at fair value. Subsequent to initial recognition, these investments are re-measured at fair value. Fair value adjustments and realised gain and loss are recognised in the statement of profit or loss. Financial assets at fair value through profit or loss include derivative financial instruments. The Company does not apply hedge accounting for these investments.

Loans and receivables

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

AFS financial assets

AFS financial assets are those intended to be held for an indefinite period, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices. Purchases and sales of AFS financial assets are recognised on trade date. They are initially recognised at fair value plus transaction costs. Fair value movements are recognised in other comprehensive income. Interest is calculated using the effective interest method and is recognised in the statement of profit or loss.

Gains and losses arising from changes in the fair value of investments classified as AFS are recognised directly in other comprehensive income, until the financial asset is either sold, becomes impaired or matures, at which time the cumulative gain or loss previously recognised in other comprehensive income is recognised in the statement of profit or loss.

Impairment of financial assets

The Company assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, there is objective evidence of impairment as a result of one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

n) Derivative financial instruments

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value.

All derivatives financial instruments are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

o) Offsetting of financial instruments

Financial assets and liabilities are offset, and the net amount is reported in the consolidated statement of financial position if there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously. When financial assets and liabilities are offset, any related interest income and expense is offset in the statement of profit or loss.

2. Basis of preparation and other significant accounting policies (continued)

p) Discontinued operations

A discontinued operation is a cash generating unit or a group of cash generating units that has been disposed of or is classified as held for sale, and (a) represents a separate major line of business or geographical area of operations, (b) is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations or (c) is a subsidiary acquired exclusively with a view to resale. The results after tax of discontinued operations are shown as a single line item on the face of the statement of profit or loss, statement of comprehensive income and statement of cash flows.

q) Deferred expenses

Certain losses and expenses on reinsurance contracts are recognised as deferred expenses in the statement of financial position.

After initial recognition, these losses and expenses are amortised over the life of the reinsurance contract, based on the terms of expected future premiums, claims and expenses up to 35 years. Amortisation is recorded in the statement of profit or loss. A change in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period and is treated as a change in an accounting estimate.

An impairment review is performed at each reporting date or more frequently when an indication of impairment arises. When the recoverable amounts are less than the carrying value, an impairment loss is recognised in the statement of profit or loss. Deferred expenses are also considered in the liability adequacy test for each reporting period. Deferred expenses are derecognised when the related contracts are settled or disposed.

r) Receivables

Receivables include reinsurance and other receivables. Premiums written in course of collection and receivables from reinsurers are reported as arising out of reinsurance operations, respectively. Reinsurance receivables are stated at amortised cost (deemed fair value at acquisition date). The carrying value of receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the statement of profit or loss.

s) Cash and cash equivalents

Cash and cash equivalents deposits on the statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value.

t) Equity

Capital contributions

Capital contributions represent the cumulative amount of capital contributed to the Company from the ultimate parent AHL.

Accumulated other comprehensive income

Available-for-sale reserve

The AFS reserve represents the cumulative change in fair value of AFS financial assets.

Foreign currency translation reserve

The foreign currency translation reserve represents the cumulative gains and losses on the translation of the Company's net investment in its foreign operations. Gains and losses accumulated in this reserve are reclassified to the statement of profit or loss when the Company loses control, joint control, or significant influence over the foreign operation or on disposal or partial disposal of the operation.

2. Basis of preparation and other significant accounting policies (continued)

u) Insurance provisions

Life insurance contract liabilities

Life insurance liabilities are recognised when contracts are entered into, and premiums are charged.

The liability is determined as the sum of the discounted value of the expected future benefits, allowing for expenses on claims handling and policy administration expenses, less the discounted value of the expected premiums that would be required to meet the future cash outflows based on the valuation assumptions used. The liability is either based on current assumptions or calculated using the assumptions established at the time the contract was issued, in which case, a margin for risk and adverse deviation is generally included. Furthermore, the liability for life insurance contracts comprises the provision for unearned premiums and premium deficiency, as well as for claims outstanding, which includes an estimate of the incurred claims that have not yet been reported to the Company. Adjustments to the liabilities at each reporting date are recorded in the statement of profit or loss. The liability is derecognised when the contract expires, is discharged, or cancelled.

Reserves calculated are subject to estimates and assumptions, especially on life expectancy, policyholder behaviour and health of an insured individual and on the development of interest rates and investment returns. At each reporting date, an assessment is made of whether the recognised life insurance liabilities, net of deferred acquisition costs ("DAC") are adequate by using an existing liability adequacy test. The liability value is adjusted to the extent that it is insufficient to meet expected future benefits and expenses. In performing the adequacy test, current best estimates of future contractual cash flows, including related cash flows such as claims handling and policy administration expenses, as well as investment income from assets backing such liabilities, are used.

To the extent that the test involves discounting of cash flows, the interest rate applied may be prescribed by regulations or may be based on management's prudent expectation of current market interest rates. Any inadequacy is recorded in the statement of profit or loss, initially by impairing DAC and, subsequently, by establishing an additional insurance liability for the remaining loss.

In subsequent periods, the liability for a block of business that has failed the adequacy test is based on the assumptions that are established at the time of the loss recognition. The assumptions do not include a margin for adverse deviation. Impairment losses resulting from liability adequacy testing are reversed in future years if the impairment no longer exists.

v) Employee benefit expense

The Company participates in a defined contribution plans for certain employees. The assets of the plan are held separately from those of the Company. The cost of providing these pension benefits is charged to the statement of profit or loss on the basis of a percentage of pensionable earnings when they are due, within operating expenses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the financial year ended 31 December 2022

2. Basis of preparation and other significant accounting policies (continued)

w) Leases

The Company leases primarily office buildings. Rental contracts are typically made for fixed periods up to 20 years but may have extension options as described in below. Until the 2018 financial year, leases of property, plant and equipment were classified as either finance leases or operating leases. From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company.

Assets and liabilities arising from a lease are initially measured on a present value basis. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the Company's incremental borrowing rate. Lease payments are allocated between the liability and finance cost. The finance cost is charged to the statement of profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. Payments associated with leases with a lease term of twelve months or less and leases of low-value assets are recognised as an expense in the statement of profit or loss on a straight-line basis.

Variable lease payments

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

Extension and termination options

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

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

Residual value guarantees

The Company may on occasion provide residual value guarantees in relation to leases. On 31 December 2021 and 31 December 2022, there were no residual value guarantees in place.

The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2022 was 5.5% (2021: 5.5%).

x) Investment income

Investment income comprises income on financial assets at fair value through profit or loss, available for sale financial assets, loans and receivables and derivative financial assets at fair value through profit or loss, which includes interest income, realised or unrealised gains and losses and dividends accrued on financial assets.

For AFS assets, interest income is recognised as it accrues and is calculated by using the effective interest rate ("EIR") method. Fees and commissions that are an integral part of the effective yield of the financial asset are recognised as an adjustment to the EIR of the Instrument.

A realised gain or loss on a financial investment is only realised on disposal or transfer, and is the difference between the proceeds received, net of transaction costs and its original or amortised cost, as appropriate.

Unrealised gains and losses, arising on investments which have not been derecognised as a result of disposal or transfer, represent the difference between the carrying value at the year end and the carrying value at the previous year end or purchase value during the year, less the reversal of previously recognised unrealised gains and losses in respect of disposals made during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the financial year ended 31 December 2022

2. Basis of preparation and other significant accounting policies (continued)

y) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date under current market conditions, assuming that market participants would act in their economic best interests. A fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability; or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

In accordance with IFRS 13, all assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole.

- **Level 1**: quoted (unadjusted) market prices in active markets for identical assets or liabilities that the Company can access at the measurement date.
- **Level 2**: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices of identical or similar assets and liabilities) using valuation techniques for which all significant inputs are based on observable market data.
- **Level 3:** unobservable inputs for the asset or liability including, as available and appropriate, internal data and other publicly available information.

For assets and liabilities that are measured at fair value in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the financial year ended 31 December 2022

3. Significant accounting judgements, estimates and assumptions

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

Key sources of estimation, uncertainty and areas of significant judgements that have been made are listed below and discussed throughout the notes to these consolidated financial statements including:

i) Management uses estimates and evaluates the actuarial assumptions used in measuring the liabilities for life insurance contracts with fixed or guaranteed terms relating to mortality, lapses, interest rates, investment return, equity volatility and future expenses. Also, surrender rates and other policyholder behaviour are projected in line with best estimates (see Note 4 Financial risk management and Note 19 Insurance provisions). In the absence of sufficient and credible data, the available data together with expert judgement is used to set the assumptions.

The liability for life insurance contracts is either based on current assumptions or on the assumptions established at inception of the contract, reflecting the best estimates at the time. All contracts are subject to liability adequacy testing ("LAT") which reflects management's current estimates of future cash flows.

ii) In addition, certain gains, losses, and expenses related to the reinsurance contracts are recorded as deferred income and expenses. The Company recognises these deferred income and expenses on day 1 of reinsurance contracts. Deferred income and expenses are amortised to the statement of profit or loss over time. If the assumptions relating to the future profitability of these policies are not realised, the amortisation of these costs could be accelerated or written off due to lack of recoverability.

iii) The Company operates within tax jurisdictions where significant management judgements and estimates are required when interpreting the relevant tax laws, regulations, and legislation in the determination of the Company's tax provisions and the carrying amount of tax assets and liabilities (Note 11: Taxation). Management applies judgement in assessing the recoverability of the deferred income tax asset carrying values based on future years' taxable income projections (Note 11: Taxation).

iv) In the determination of the fair value of financial instruments, the Company's management exercises judgement in the determination of fair value inputs, particularly those items categorised within level 3 of the fair value hierarchy, where valuations may be adjusted to account for company-specific issues and the lack of liquidity. Illiquidity adjustments are generally based on available market evidence. A sensitivity analysis is performed in respect of the key assumptions used in valuation of financial instruments. (Note 26: Determination of fair value of financial instruments).

v) The determination of incurred impairment amounts that are recognised with respect to the invested assets varies by investment type and is based upon periodic evaluation and assessment of known and inherent risks associated with the respective asset class. Such evaluations and assessments are revised as conditions change and new information becomes available. In considering impairments, management considers a wide range of factors and uses its best judgement in evaluating the cause of the decline in the estimated fair value of the investment assets and the prospects for near-term recovery. For certain asset classes, particularly debt instruments, management's evaluation involves a variety of assumptions and estimates about the operations of the issuer of the instrument and its future earnings potential. Management updates its evaluations regularly and reflects changes in impairments as such evaluations are revised.

vi) In preparation of these financial statements, the Company has considered the impact of climate change across a number of areas, predominantly in respect of the valuation of financial instruments and insurance contract liabilities. Many of the effects arising from climate change will be longer-term in nature, with an inherent level of uncertainty, and have been assessed as having a limited effect on accounting judgements and estimates for the current period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the financial year ended 31 December 2022

4. Financial risk management

This note sets out the major risks which the Company is exposed to and describes the Company's approach to managing these risks. It also sets out sensitivity analysis on the major insurance and financial risks.

The ARE risk framework interfaces directly with the Athora Group's Enterprise Risk Management ("ERM") framework.

a) Risk management framework

ARE's risk management framework is comprised of:

System of Governance:

- ARE's committee structure is embedded within the Athora Group Governance Framework.
- ARE adopts Athora Group policies and guidelines localised, as required, and develops its own specific policies, where necessary.

While the Board retains overall responsibility for approving the ARE risk framework, ARE's Risk Committee ("ARC") is charged with developing and overseeing compliance with the risk framework.

As part of the Athora Group ERM framework, risks need to be identified, understood, and assessed (against levels defined as acceptable) before the right controls can be designed and implemented. Risks are managed from multiple perspectives, including economic, regulatory, and accounting. The ERM Framework includes Risk Strategy and Appetite, Risk Governance, Risk Culture, Risk Measurement and Assessment, Risk Management and Monitoring, Risk Reporting and Insights and Data and Technology. The following graphic sets out these components.

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

Risk Strategy and Appetite

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

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

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

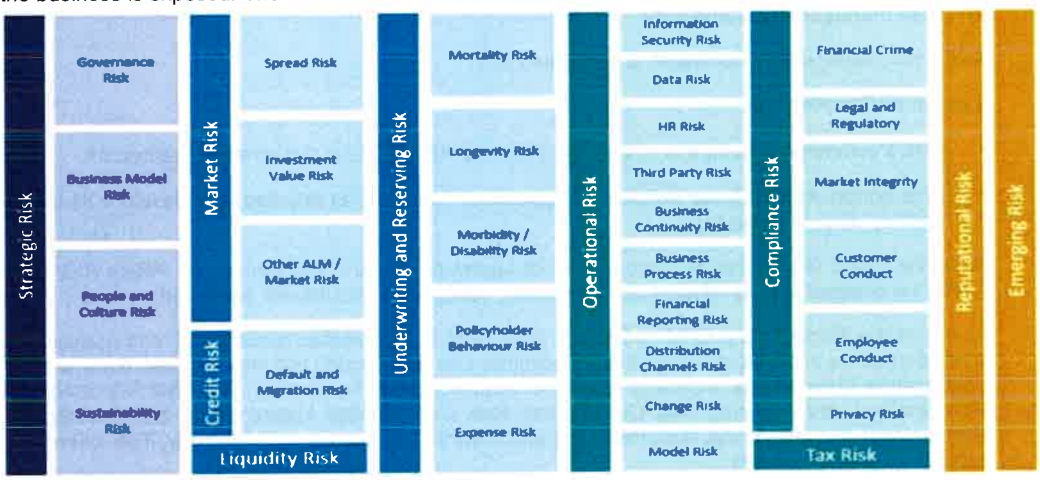
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the financial year ended 31 December 2022

4. Financial risk management (continued)

a) Risk management framework (continued)

Risk Identification

Risk identification requires a rigorous assessment of the business to determine the universe of risks to which the business is exposed. The risk universe is shown below:



Risk Appetite

Athora uses risk appetite statement indicators to signify its appetite for certain risks. Risk appetite is defined for the residual risk, which is the risk after the risk response (accept, control, transfer, avoid) has been applied.

Appetite Statement Indicator	Description	Behaviour
None	A risk which is outside of our business model and for which there is no appetite.	▪ No acceptance of these risks ▪ Remove and design business model to avoid any exposure, even at significant cost and loss of opportunity ▪ Monitor that any such risk fully mitigated/hedged away
Undesired	Undesired risks that we will seek to avoid or fully eliminate where possible.	▪ Accept tightly limited exposure, if at all, where necessary ▪ Aggressively pursue risk mitigation/hedging options ▪ Closely monitor both inherent and residual risk levels
Tolerated	Tolerated risks that we incur as a result of the business model but are reduced through mitigation.	▪ Target exposure conducive to implement strategy successfully ▪ Accept risks where mitigation options are unavailable or not economically viable ▪ Will tactically engage in limited risk-specific mitigation/hedging
Desired	Desired risks that are core to the business model and are underpinned by proactive risk and capital management.	▪ Actively pursue and retain exposure implementing strategy ▪ These risks drive our business, and we have a strategic advantage in underwriting and managing them ▪ Ensure sufficient capacity is available even in stress scenarios

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the financial year ended 31 December 2022

4. Financial risk management (continued)

a) Risk management framework (continued)

Risk Monitoring

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

b) Credit risk

Credit risk is the risk of loss resulting from an obligator's potential inability or unwillingness to fully meet its contractual obligations to the Company. Credit risk can result from changes in the rating category of the obligor, fluctuation of spreads associated with each credit rating over time, and potentially default, being the lowest possible rating assigned to a fixed income investment.

The Company assumes credit risks through its investment activities, via a targeted and well selected Strategy Asset Allocation ("SAA") that is in line with the risk strategy. Where the Company assumes this risk, it ensures that it remains diversified, and that it is adequately compensated for the risks it assumes, and that the level of risk is consistent with the Company's risk appetite and objectives. The Company avoids idiosyncratic concentrations and ensures that default risk exposure is sufficiently modest so as not to represent a solvency risk to the Company in even severe economic conditions.

Exposure to credit risk

The following table summarises the Company's maximum exposure to credit risk related to financial instruments and insurance contracts. The maximum credit exposure is the carrying value of the financial assets and insurance assets net of any allowances for losses.

The exposure to credit risk only takes into consideration the ratings from main rating agencies (see 'Asset quality' section) and does not consider internal credit assessments assigned by Athora Group Risk to private credit assets based on BMA-approved BSCR internal credit assessment methodology.

€'000	Investment grade	Unrated	Total
2022			
Financial assets	**1,322,693**	**1,084,914**	**2,407,607**
Loans and advances due from banks	**14,354**	**-**	**14,354**
Receivables	**-**	**25,394**	**25,394**
Cash and cash equivalents	**181,283**	**-**	**181,283**
	1,518,330	**1,110,308**	**2,628,638**

€'000	Investment grade	Unrated	Total
2021			
Financial assets	962,428	827,984	1,790,412
Loans and advances due from banks	2,714	-	2,714
Receivables	-	4,306	4,306
Cash and cash equivalents	32,820	-	32,820
	997,962	832,290	1,830,252

Concentration risk

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the financial year ended 31 December 2022

4. Financial risk management (continued)

Concentration risk (continued)

The Company uses appropriate limit and early warning systems throughout the Company to manage and monitor our credit risk exposures.

Asset quality

The ratings employed by the Company consider the ratings from the three main rating agencies (Standard & Poor's, Fitch, and Moody's).

€'000	AAA	AA	A	BBB	BB	NR	Total
2022 Rating							
Financial assets							
- Financial assets at fair value though P&L	-	-	-	-	-	65,114	65,114
- Loans and receivables	-	-	10,000	-	68,000	-	78,000
- AFS financial Assets	72,972	838,742	216,260	116,719	-	1,006,426	2,251,119
- Derivative financial assets	-	-	-	-	-	13,374	13,374
Cash and cash equivalents	-	-	180,000	1,283	-	-	181,283
	72,972	838,742	406,260	118,002	68,000	1,084,914	2,588,890

€'000	AAA	AA	A	BBB	BB	NR	Total
2021 Rating							
Financial assets							
- Financial assets at fair value though P&L	-	-	-	-	-	59,439	59,439
- Loans and receivables	-	-	-	7,000	68,000	-	75,000
- AFS financial Assets	58,209	331,784	316,684	180,751	-	768,545	1,655,973
Cash and cash equivalents	-	2,039	30,781	-	-	-	32,820
	58,209	333,823	347,465	187,751	68,000	827,984	1,823,232

AFS financial assets allocated to "Not rated" ("NR") consist of the Company's investment in private debt and equity of €1,006m (2021: €769m), with the assets being subject to quarterly impairment reviews.

Financial assets at fair value through P&L of €65m (2021: €59m) that are not rated relates to liquidity funds' investments held by the Company.

c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet all cash outflow obligations as they come due. We ensure that a sufficient liquidity buffer is maintained to ensure liquidity demands are met, even in times of stress.

The table below summarised the maturity profile of the Company's gross contractual obligations:

€'000	Up to a year	1-5 years	Over 5 years	Total
2022				
Borrowings	80,000	75,000	-	155,000
Other financial liabilities	(3,090)	4,855	67,395	69,160
Payables	90,518	-	-	90,518
	167,428	79,855	67,395	314,678

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the financial year ended 31 December 2022

4. Financial risk management (continued)

c) Liquidity risk (continued)

€'000	Up to a year	1-5 years	Over 5 years	Total
2021				
Borrowings	-	155,000	-	155,000
Other financial liabilities	1,281	6,406	20,744	28,431
Payables	25,646	-	-	25,646
	26,927	161,406	20,744	209,077

d) Currency risk

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

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

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

The table below summarises the key exposure of the assets and liabilities of the Company to foreign currency (any excluded assets are euro assets held by the Company):

€'000	USD	GBP	Other	Total
2022				
Financial assets	**294,936**	**86,583**	**70,928**	**452,447**
Receivables	**-**	**9**	**-**	**9**
Cash and cash equivalents	**15,521**	**-**	**-**	**15,521**
Total assets	**310,457**	**86,592**	**70,928**	**467,977**
Payables	**10,921**	**63**	**2**	**10,986**
Other liabilities	**239**	**1,076**	**-**	**1,315**
Total liabilities	**11,160**	**1,139**	**2**	**12,301**

€'000	USD	GBP	Other	Total
2021				
Financial assets	208,052	40,462	-	248,514
Receivables	112	-	-	112
Other assets	-	14	-	14
Cash and cash equivalents	347	15	-	362
Total assets	208,511	40,491	-	249,002
Payables	22	15	-	37
Other liabilities	182	101	-	283
Total liabilities	204	116	-	320

4. Financial risk management (continued)

e) Market risk

Market risk includes the risk of loss or of adverse change in the financial situation resulting, directly or indirectly, from fluctuations in the level and in the volatility of market prices of assets, liabilities, and financial instruments. Market risk to the Company is managed as part of its investment strategy and ALM framework which involves closely matching assets and liabilities.

f) Interest rate risk

Interest rate risk exists if asset and liability cash flows are not closely matched, and interest rates change causing a difference in value between the asset and liability.

The Company does not seek to take interest rate risk, as it is not core to the Company's business strategy and the Company believes the return for keeping this risk on its statement of financial position is very low. The asset and liability strategy are structured so as to ensure that the asset is relatively limited with respect to interest rate movements. Any risk to moves in interest rates should be the result of a tactical and evaluated position, and in line with Company's risk appetite.

g) Equity risk

Equity risk is the uncertainty associated with the valuation of assets and liabilities arising from the change in public equity markets. The Company has a limited appetite for investing in equity securities.

h) Underwriting risk

Underwriting risk is the risk that the insured event occurs and that there are large deviations between expected and actual actuarial assumptions including mortality, persistency, longevity, morbidity, and expense variations.

The Company is in the business of accepting risk associated with insurance contract liabilities. The objective of the Company is to mitigate its exposure to risk arising from these contracts through product design, product and geographical diversification, the implementation of underwriting strategy guidelines within each entity, and through the use of reinsurance arrangements.

The Company accepts certain underwriting risks where it helps to achieve business objectives or where mitigation methods are not available or economically viable.

i) Sensitivities – insurance and financial risk

The analysis below is performed for reasonably possible movements in key variables, with all other variables held constant, showing the impact on income before tax. The correlation of variables will have a significant effect in determining the ultimate impact from market risk, but to demonstrate the impact due to changes in variables, variables were changed on an individual basis.

2022 €'000 Type of variable	Change in sensitivity	Impact on profit before tax	Impact on profit after tax	Impact on OCI, pre tax	Impact on OCI, net of tax	Impact on equity, pre tax	Impact on equity, net of tax
Credit spread	+50bps	-	-	(98,588)	(97,397)	(98,588)	(97,397)
	-50bps	-	-	112,639	111,337	112,639	111,337
Interest rate	+50bps	687	1,223	(92,452)	(91,280)	(91,765)	(90,057)
	-50bps	(687)	(1,223)	106,205	104,923	105,518	103,700
Equity	+10%	-	-	16,448	15,797	16,448	15,797
	-10%	-	-	(16,448)	(15,797)	(16,448)	(15,797)
Underwriting lapses rates	+10%	1,466	1,356	-	-	1,466	1,356
	-10%	(495)	(378)	-	-	(495)	(378)
Underwriting mortality	+10%	11,653	11,573	-	-	11,653	11,573
	-10%	(12,778)	(12,697)	-	-	(12,778)	(12,697)
Underwriting expenses	+10%	(7,859)	(7,666)	-	-	(7,859)	(7,666)

Tax rate is at 12.5% for all sensitivities applicable for AI plc.

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4. Financial risk management (continued)

i) Sensitivities – insurance and financial risk (continued)

2021 €'000 Type of variable	Change in sensitivity	Impact on profit before tax	Impact on profit after tax	Impact on OCI, pre tax	Impact on OCI, net of tax	Impact on equity, pre tax	Impact on equity, net of tax
Credit spread	+50bps	-	-	(79,023)	(76,590)	(79,023)	(76,590)
	-50bps	-	-	79,023	76,590	79,023	76,590
Interest rate	+50bps	-	-	(76,629)	(74,291)	(76,629)	(74,291)
	-50bps	-	-	82,443	80,002	82,443	80,002
Equity	+10%	4,163	4,163	14,772	14,211	18,935	18,374
	-10%	(4,163)	(4,163)	(14,772)	(14,211)	(18,935)	(18,374)
Underwriting lapses rates	+10%	(4,027)	(3,899)	-	-	(4,027)	(3,899)
	-10%	4,328	4,190	-	-	4,328	4,190
Underwriting mortality	+10%	(8,774)	(8,687)	-	-	(8,774)	(8,687)
	-10%	9,546	9,459	-	-	9,546	9,459
Underwriting expenses	+10%	4,079	3,997	-	-	4,079	3,997

Tax rate is at 12.5% for all sensitivities applicable for AI plc.

j) Capital Management

The Company's approach to capital management is outlined in the Company's capital management policy. The Company has established the following capital management objectives to managing the risks that affect its capital position:

- To manage the capital and liquidity of the Company on an economic basis, and within the constraints and requirements of all external stakeholders (policyholders, regulators, shareholders, and rating agencies);
- To maintain financial strength so that each entity can withstand reasonably adverse business and market conditions; and
- To minimise balance sheet and capital volatility, thus ensuring stability and predictability for all stakeholders and support an efficient management of capital.

The Company is supervised by the Bermuda Monetary Authority ("BMA") and as a Class E insurer is required to maintain available statutory capital and surplus to meet its minimum margin of solvency ("MSM") and to meet and maintain its enhanced capital requirement in accordance with the provisions of the Insurance Act. As of 31 December 2022, the Company exceeds its required MSM.

The Bermuda Companies Act 1981, as amended, limits the Company's ability to declare and pay dividends and make and pay distributions to shareholders if there are reasonable grounds for believing that the Company would be unable to pay its liabilities as they become due, or if the realisable value of its assets would be less than its liabilities. Under the Insurance Act, the Company cannot in any financial year pay dividends that would exceed 25 percent of its total statutory capital and surplus, as shown on its statutory balance sheet in relation to the previous financial year, unless at least seven days before payment of those dividends it files with the BMA an affidavit stating that the declaration of those dividends has not caused the insurer to fail to meet its relevant margins.

In addition, the Company shall request the approval of the BMA before reducing by 15 percent or more its total statutory capital, as set out in its prior year financial statements. Furthermore, as an insurer carrying on long-term business, the Company is also restricted from declaring or paying a dividend unless the value of its assets, as certified by the Company's approved actuary, exceeds its liabilities (as so certified) by the greater of its margin of solvency or, if applicable, its enhanced capital requirement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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5. Net earned premium

€'000	2022	2021
Accepted reinsurance	1,188,602	69,240
	1,188,602	69,240

The increase in earned premiums from reinsurance accepted is primarily due to the reinsurance contract entered into in 2022 (see Note 1c).

6. Investment (loss) / income

€'000	2022	2021
Financial assets at fair value through profit or loss	71	(3,959)
Available-for-sale financial assets	(38,665)	17,222
Loans and receivables	4,040	4,059
Cash and cash equivalents	371	1
Derivatives at fair value through profit and loss	(60,891)	(602)
	(95,074)	16,721

€'000	Financial assets at fair value through profit or loss	Available-for-sale financial assets	Loans and receivables	Cash and cash equivalents	Derivatives at fair value through profit and loss	Total
2022						
Interest income	-	33,990	4,040	371	2,628	41,029
Dividend income	-	10,850	-	-	-	10,850
Realised gains / (losses)	42	(83,505)	-	-	(27,583)	(111,046)
Unrealised gains / (losses)	29	-	-	-	(35,936)	(35,907)
	71	(38,665)	4,040	371	(60,891)	(95,074)

€'000	Financial assets at fair value through profit or loss	Available-for-sale financial assets	Loans and receivables	Cash and cash equivalents	Derivatives at fair value through profit and loss	Total
2021						
Interest income	9,911	24,179	4,059	1	54	38,204
Dividend income	-	-	-	-	-	-
Realised gains / (losses)	(10,305)	(6,957)	-	-	-	(17,262)
Unrealised gains / (losses)	(3,565)	-	-	-	(656)	(4,221)
	(3,959)	17,222	4,059	1	(602)	16,721

The investment losses on financial assets in 2022 are due to the susceptibility of the assets to interest rates and other macroeconomic factors in the market and are therefore not deemed to be a permanent credit risk related to the diminution in the assets values.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the financial year ended 31 December 2022

7. Other income

€'000	2022	2021
Gains on foreign currency	**7**	-
Other income	**-**	703
Income from associates and other group companies	**2,418**	376
	2,425	1,079

8. Net insurance benefits and claims

€'000	2022	2021
Claims Paid	**(108,669)**	(69,647)
Change in insurance provisions	**(1,102,505)**	(21,734)
	(1,211,174)	(91,381)

The increase in net insurance benefits and claims is primarily due to the reinsurance contract entered into in 2022 (see Note 1c).

9. Other expenses

€'000	Note	2022	2021
Staff costs		**(1,650)**	(1,768)
Losses on foreign currency		**(72)**	(16)
Other administration expenses		**(14,829)**	(8,578)
Depreciation	12	**(888)**	(890)
Impairment losses		**(354)**	-
Asset management fees		**(4,863)**	(6,193)
IT, Professional and Property costs		**(3,269)**	(5,678)
Acquisition and administration costs		**(1,522)**	(863)
		(27,447)	(23,986)

10. Interest expenses

€'000	2022	2021
Interest expenses on other loans, bonds and payables	**(573)**	(617)
Other interest expenses	**(35)**	(659)
Interest expenses on subordinated liabilities and borrowings	**(1,636)**	(1,291)
	(2,244)	(2,567)

11. Taxation

a) Analysis of Tax charge

€'000	2022	2021
Current tax:		
Total current tax charge	**-**	-
Deferred tax:		
Origination and reversal of timing differences during the year	**5,607**	(389)
Adjustment in respect of previous years	**58**	9
Total deferred tax (credit) charge	**5,665**	(380)
Total Tax credit / (charge) on profit from continuing operations	**5,665**	(380)

11. Taxation (continued)

b) Reconciliation of the expected tax charge/ (credit) at the standard tax rate to the actual tax charge at the effective rate

The Company operates in multiple jurisdictions and is subject to taxation on profits in each jurisdiction at different rates.

The differences are explained below:

€'000	2022	2021
Loss from continuing operations before tax	**(144,912)**	(30,894)
Tax calculated at the domestic rates applicable to profits in each operational jurisdiction	**5,607**	(389)
Effects of:		
Adjustments in respect of prior years	**58**	9
Total tax credit / (charge) for the year from continuing operations	**5,665**	(380)

Tax calculated at the domestic rates applicable to profits in each operational jurisdiction has been computed using the standard rates of taxes on corporate income for the financial year, as follows: Bermuda 0% (2021: 0%), Ireland 12.5% (2021: 12.5%).

c) Deferred tax assets

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred taxes relate to the same fiscal authority.

Net deferred tax assets totalling €21.0m (2021: €11.2m) were recognised as of the date of the Statement of Financial Position in respect of net deductible temporary differences relating to the Company's Irish subsidiary, AI, which has incurred losses since acquisition in 2018.

On the basis of the latest business plans, the Company expects sufficient taxable profits to be generated by AI in future years to realise the deferred tax asset recognised at the date of the Statement of Financial Position.

€'000	Assets	Liabilities	Net Deferred Tax Assets
2022			
Losses Brought Forward	**15,335**	-	**15,335**
Property and equipment	**27**	-	**27**
Available-for-sale financial assets	**5,524**	-	**5,524**
Leases	**118**	-	**118**
Provisions and other payables	**34**	-	**34**
	21,038	-	**21,038**

€'000	Assets	Liabilities	Net Deferred Tax Assets
2021			
Losses Brought Forward	9,673	-	9,673
Property and equipment	64	-	64
Available-for-sale financial assets	1,302	-	1,302
Leases	95	-	95
Provisions and other payables	17	-	17
	11,151	-	11,151

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the financial year ended 31 December 2022

11. Taxation (continued)

d) Circumstances affecting current and future tax charges

The movement in net deferred tax assets during the year ended 31 December 2022 is as follows:

€'000	Balance as at 1 January	Recognised in income statement credit / (charge) for Continuing Operations	Recognised in Income Statement credit / (charge) for Discontinued Operations	Recognised in other comprehensive income	Balance as at 31 December
2022					
Losses brought forward	**9,673**	**5,662**	**-**	**-**	**15,335**
Property and equipment	**64**	**(37)**	**-**	**-**	**27**
Available-for-sale financial assets	**1,302**	**-**	**-**	**4,222**	**5,524**
Leases	**95**	**23**	**-**	**-**	**118**
Insurance liabilties	**-**	**-**	**-**	**-**	**-**
Provisions and other payables	**17**	**17**	**-**	**-**	**34**
	11,151	**5,665**	**-**	**4,222**	**21,038**

€'000	Balance as at 1 January	Recognised in income statement credit / (charge) for Continuing Operations	Recognised in Income Statement credit / (charge) for Discontinued Operations	Recognised in other comprehensive income	Balance as at 31 December
2021					
Losses brought forward	3,485	(321)	6,509	-	9,673
Property and equipment	110	(46)	-	-	64
Available-for-sale financial assets	(1,112)	-	-	2,414	1,302
Leases	68	27	-	-	95
Insurance liabilties	4,122	-	(4,122)	-	-
Provisions and other payables	57	(40)	-	-	17
	6,730	(380)	2,387	2,414	11,151

e) Current tax assets

€'000	2022	2021
Balance as at 1 January	**228**	226
Tax Paid	**7**	13
Amount settled against other tax liabilities	**(7)**	(11)
Withholding tax receivables	**198**	-
Balance as at 31 December	**426**	228

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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12. Property and equipment

€'000	2022	2021
Cost		
As at 1 January	**12,744**	12,744
As at 31 December	**12,744**	12,744
Accumulated Depreciation		
As at 1 January	**(2,668)**	(1,778)
Charge for the year	**(888)**	(890)
As at 31 December	**(3,556)**	(2,668)
Net book value as at 31 December	**9,188**	10,076

Right-of-use asset (see Note 25) with a net carrying amount of €9,188 (2021: €10,076) is recorded under property and equipment.

13. Financial assets

€'000	2022	2021
Available-for-sale financial equity assets	**597,330**	282,713
Available-for-sale financial debt assets	**1,653,789**	1,373,260
Total available-for-sale assets	**2,251,119**	1,655,973
Loans and receivables	**78,000**	75,000
Financial assets at fair value through profit or loss	**65,114**	59,439
Derivative financial assets	**13,374**	-
Total financial assets	**2,407,607**	1,790,412

14. Loans and advances due from banks

€'000	2022	2021
Collateral pledged from securities borrowing and derivatives	**14,354**	2,714
	14,354	2,714

Collateral pledged relates to the derivatives program entered into by AI.

15. Receivables

€'000	2022	2021
Receivables from reinsurance operations	**12,346**	1,910
Other receivables	**13,048**	2,396
	25,394	4,306

The increase in receivables from reinsurance operations is primarily driven by the reinsurance contract entered into in 2022 (see Note 1c).

The other receivables primarily include outstanding settlements receivable of €12,507 (2021: €644) on the Company's investment portfolios.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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16. Other assets

€'000	2022	2021
Deferred expenses	**41,368**	23,796
Accrued income	**26,046**	7,982
Prepayments	**405**	29
	67,819	31,807

The increase in deferred expenses is primarily driven by the reinsurance contract entered into in 2022 (see Note 1c).

17. Cash and cash equivalents

€'000	2022	2021
Cash at bank and credit balances with banks pay on demand	**181,283**	32,820
	181,283	32,820

18. Shareholders' equity

€'000	2022	2021
Share capital	**250**	250
Capital contribution	**241,000**	241,000
Retained losses	**(224,019)**	(84,772)
Other reserves	**(255,413)**	(7,837)
	(238,182)	148,641

The Company's shareholder's equity of €250 relates to fully paid shares at €1 par value each. The capital contribution of €241,000 represents the capital contributed to the Company from AHL.

19. Insurance provisions

€'000	2022	2021
Balance as at 1 January	**1,404,294**	1,374,257
Premiums received	**1,188,601**	66,999
Liabilities paid for maturities, surrenders and claims	**(110,190)**	(54,517)
Benefits and claims experience variation	**6,163**	9,656
Fees deducted	**-**	(2,243)
Change in accounting estimates	**-**	2,541
Movement in unearned premium	**(79,394)**	-
Expenses	**(2,139)**	1,895
Discount rate	**26,955**	5,706
Balance as at 31 December	**2,434,290**	1,404,294

The increase in insurance provisions is predominantly due to the reinsurance contract entered into in 2022 (see Note 1c).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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20. Liabilities attributable to policyholders and third parties

€'000	2022	2021
Balance as at 1 January	-	1,126,041
Deposits	-	6,762
Withdrawals	-	(102,028)
Fees deducted	-	(18,410)
Investment return and foreign exchange	-	41,628
IFRS 5 disposal	-	(1,053,993)
Balance as at 31 December	**-**	-

The Variable Annuity business was transferred on 31 December 2021 thus the Company no longer holds any liabilities attributable to policyholders.

21. Borrowings

€'000	2022	2021
Loans from other group companies	**155,000**	155,000
	155,000	155,000

On 6 December 2018, the Company executed a funding agreement with Athora Lebensversicherung AG in the amount of €80,000 with a floating interest rate and a maturity date of 6 December 2023.

On 20 December 2022, the Company amended its funding agreement with Athora Belgium in the amount of €75,000 with a floating interest rate and a maturity date of 20 December 2025.

These funding agreements do not transfer insurance risk. Accordingly, the contracts are accounted for as a deposit liability in a manner similar to interest bearing or other financial instruments.

22. Other financial liabilities

€'000	Note	2022	2021
Lease liabilities	25	**10,128**	10,836
Derivative liabilities		**55,921**	13,005
		66,049	23,841

The Company enters into derivative transactions under International Swaps and Derivatives Association ("ISDA") master netting agreements. In general, under these agreements the amounts owed by each counterparty on a single day in respect of all transactions outstanding in the same currency are aggregated into a single net amount that is payable by one party to the other.

23. Trade and Other Payables

a) Payables arising out of reinsurance operations

€'000	2022	2021
Due on ceded business	**70,157**	17,452
Payables arising out of reinsurance operations	**70,157**	17,452

Due on ceded business has increased primarily as a result of reinsurance contract entered into in 2022 (see Note 1c).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the financial year ended 31 December 2022

23. Trade and Other Payables (continued)

b) Payables arising out of direct insurance operations

€'000	2022	2021
Payables arising out of direct insurance operations	**45**	1,170
Payables arising out of direct insurance operations	**45**	1,170

c) Other payables

€'000	2022	2021
Due related to clients and suppliers	**1,002**	2,232
Intercompany payables	**1,609**	4,228
Other payables	**17,705**	564
Other payables	**20,316**	7,024
Total payables	**90,518**	25,646

Other payables consist of payables to suppliers and other sundry liabilities. The carrying amounts disclosed above approximate fair value at the reporting date. All amounts are payable within one year.

The other payables primarily include outstanding settlements of €17,670 (2021: €108) on the Company's investment portfolios.

24. Other liabilities

€'000	2022	2021
Expense accruals	**4,012**	4,001
Other taxes	**84**	409
Deferred income	**209,400**	121,228
Other liabilities	**5,938**	454
	219,434	126,092

The deferred revenue recognised relates to reinsurance contracts, which are deferred and capitalised in the statement of financial position and released to the statement of profit or loss over the expected life of the policy.

The increase in deferred income is primarily due to the reinsurance contract entered into in 2022 (see Note 1c).

Included in the other liabilities of €5,938 is accrued interest payable on derivatives liabilities of €5,486 (2021: €8).

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25. Leases

In 2018, the Company leased office space for a term of fifteen years (until 14 April 2033) having the option to cancel the lease after eight years. The lease is for the second floor of the IFSC House in Dublin.

For leases where the Company is a lessee, in accordance with IFRS 16 Leases, the balance sheet shows the following amounts:

€'000	Note	2022	2021
Right of use asset:			
Buildings	**12**	**9,188**	10,076
The carrying amount of discounted lease liabilities			
Balance as at 1 January		**10,836**	11,507
Lease payments		**(1,281)**	(1,281)
Interest expense		**573**	610
Balance as at 31 December		**10,128**	10,836

€'000	2022	2021
Lease liabilities		
Current	**1,281**	1,281
Non Current	**8,847**	9,555
	10,128	10,836

There were no additions to the right-of-use asset during the 2022 financial year (2021: nil).

Amounts recognised in the statement of profit or loss:

€'000	Note	2022	2021
Depreciation charge of right-of-use asset	9	**888**	890
Interest expense		**573**	610

Interest expenses are recorded under Other operating and administration expenses on the Consolidated Statements of Profit or Loss. The total cash outflow for leases in 2022 was €1.3m (2021: €1.3m).

Maturity analysis – contractual undiscounted cash flows

€'000	2022	2021
Leasehold premises		
Payable on leases which expire:		
Less than one year	**1,281**	1,281
One to five years	**5,125**	5,125
More than 5 years	**6,833**	8,114
	13,239	14,520

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26. Determination of fair value of financial instrument

The following table provides the fair value measurement hierarchy of the Company's financial assets and liabilities:

€'000	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
2022				
Assets measured at fair value:				
Financial assets				
Available for sale financial assets	**2,251,119**	**1,168,126**	**160,063**	**922,930**
Investment funds at fair value through P&L	**65,114**	**65,114**	**-**	**-**
Derivative financial assets	**13,374**	**-**	**13,374**	**-**
	2,329,607	**1,233,240**	**173,437**	**922,930**
Liabilities measured at fair value:				
Derivative financial liabilities	**55,921**	**-**	**55,921**	**-**
	55,921	**-**	**55,921**	**-**

€'000	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
2021				
Assets measured at fair value:				
Financial assets				
Available for sale financial assets	1,655,973	574,015	280,476	801,482
Investment funds at fair value through P&L	59,439	59,439	-	-
	1,715,412	633,454	280,476	801,482
Liabilities measured at fair value:				
Derivative financial liabilities	13,005	-	13,005	-
	13,005	-	13,005	-

Movement into level 3 in the fair value hierarchy

The Company's policy is to record transfers of assets and liabilities between level 1, level 2, and level 3 at their fair values at the beginning of each reporting year. The Company confirms the asset holdings whether in custody or otherwise held by the Company, identifying asset holdings which do not have market observable data.

26. Determination of fair value of financial instrument (continued)

Movement into level 3 in the fair value hierarchy (continued)

The following table summarises the change of all assets and liabilities measured at estimated fair value on a recurring basis using significant unobservable inputs (Level 3), including realised and unrealised gains or (losses) of all assets and liabilities still held at the end of the respective periods.

Available-for-sale financial assets consist of the Company's investment in private debt and fixed maturity security as well as private equity securities and investment funds.

In 2021, the financial liabilities relate to actuarial calculations associated with the Variable Annuity portfolio expense reserve and embedded derivative. These balances have been transferred to Monument Life Insurance DAC as part of the portfolio transfer on 31 December 2021 (see Note 28).

€'000	Available for sale financial assets	Financial liabilities
2022		
Opening balances	**801,482**	**-**
Total gains/(losses) in profit or loss	**(67,680)**	**-**
Total gains/(losses) in OCI	**6,564**	**-**
Purchases	**498,319**	**-**
Sales	**(307,492)**	**-**
Transfers to level 1 and 2	**(8,263)**	**-**
Transfers from level 1 and 2	**-**	**-**
Closing balance	**922,930**	**-**

€'000	Available for sale financial assets	Financial liabilities
2021		
Opening balances	718,356	(110,791)
Total gains/(losses) in profit or loss	8,662	-
Total gains/(losses) in OCI	8,441	-
Purchases	437,049	-
Sales	(438,436)	110,791
Transfers to level 1 and 2	-	-
Transfers from level 1 and 2	67,410	-
Closing balance	801,482	-

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

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

Private debt and fixed maturity securities

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

26. Determination of fair value of financial instrument (continued)

Private debt and fixed maturity securities (continued)

Valuation techniques

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

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

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

Significant unobservable inputs

The significant unobservable inputs and their range include: discount rate (2022: 3%-52%; 2021: 3%-18%); Recoverability (2022: 74%-75%, 2021: 78%-104%); TEV/EBITDA (2022: 2x-24x; 2021: 2x-16x).

Interrelationship between the key unobservable inputs and fair value

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

Private equity securities and investment funds

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

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

Hedge funds are valued by external fund managers subject to regulatory oversight and guidance. These external managers have experience in pricing these 'difficult to value' assets which generally have limited, if any, observable data. The valuation approach will mirror those outlined above for equity securities and debt securities depending on the nature of the underlying investments in the funds.

Significant unobservable inputs

The significant unobservable inputs and their range include: Discount rate (2022: 10%-20%; 2021: 8%-16%); TEV/EBITDA (2022: 1x-10x; 2021: 2x-9x).

Interrelationship between the key unobservable inputs and fair value

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

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

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27. Related party transactions

Key management personnel

For the purposes of the disclosure requirements of IAS 24, the term 'key management personnel' (i.e., those persons having authority and responsibility for planning, directing, and controlling the activities of the Company) comprises the members of the Company's management committees.

The remuneration of key management personnel during the year was as follows:

$'000	2022	2021
Salaries and other short-term employee benefits	**1,802**	1,706
Bonus awards	**623**	616
Defined benefit pension contributions	**506**	191
Other benefits	**137**	124
	3,068	2,637

Note that the remuneration above is disclosed in $'000s.

Subsidiaries

Note 1 provides information about the Company's structure, including details of the subsidiaries and the holding company. The following information provides the total amount of transactions that have been entered into with related parties for the relevant financial year.

Entities with significant influence

Entities that have significant influence on the Company and, as such, are considered related parties are subsidiaries and affiliates of:

- Apollo Global Management, Inc., who provide investment management and advisory services to the Company

Transactions and balances with related parties

In accordance with IFRS 10 consolidated financial statements, transactions and balances between overall group companies have been eliminated on consolidation and have not been reported as part of the consolidated financial statements.

The Company has entered into transactions with related parties in the normal course of business during the year.

€'000	Income	Expense	Receivable	Payable
2022				
Apollo Global Management Inc.	**-**	**3,715**	**-**	**1,397**
Athora Belgium S.A./N.V.	**1,075,981**	**1,087,790**	**50,351**	**2,210,935**
Athora Holding Ltd.	**92**	**1,229**	**10,012**	**434**
Athora Bermuda Services Ltd.	**-**	**4,783**	**-**	**156**
Athora Lebensversicherung AG	**9,418**	**17,344**	**31,794**	**364,135**
Athora UK Services Ltd.	**-**	**300**	**75**	**-**
Athora Ireland Services Ltd.	**2,326**	**7,293**	**18**	**1,018**

€'000	Income	Expense	Receivable	Payable
2021				
Apollo Global Management Inc.	-	4,580	-	2,560
Athora Belgium S.A/N.V.	21,838	32,395	38,111	1,422,170
Athora Holding Ltd.	376	1,116	7,012	522
Athora Bermuda Services Ltd.	-	4,243	112	1,097
Athora Deutschland Holding & Co KG	-	39	-	-
Athora Lebensversicherung AG	12,666	20,125	33,739	95,992
Athora UK Services Ltd.	-	448	-	-
Athora Ireland Services Ltd.	-	8,023	565	2,411

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27. Related party transactions (continued)

Transactions with related parties in 2022

The material intra-group transactions during 2022 are listed below.

- Intra-group reinsurance treaty with Athora Belgium executed in 2022 (see Note 1c).
- Extension of the funding agreement with Athora Belgium in 2022 (see Note 21).

28. Discontinued operations

On 26 February 2021, The Company's subsidiary, AI entered into a binding agreement for the transfer of its VA portfolio. On the same day, AI entered a contract to cede risks not already ceded, including expense and longevity risks, that are associated with the VA portfolio for the period to the completion date of the transfer. The transfer of the VA portfolio was completed 31 December 2021. Financial information relating to the discontinued operation for the period to the date of derecognition is set out below.

The financial performance and cash flow information presented are for the twelve months ended 31 December 2021.

€'000	2021
Fee and commission income	17,962
Reinsurance expense	(77,756)
Investment income / (expense)	37,574
Net benefits and claims	(25,456)
Net operating expenses	(7,889)
Other	33,053
Loss before tax	(22,512)
Tax on discontinued operation	2,388
Loss after tax from discontinued operation	(20,124)

29. Commitments and contingencies

Legal proceedings and regulations

The Company operates in the reinsurance industry and may be subject to legal proceedings in the normal course of business. The Company has no pending or threatened legal proceedings at the reporting date.

The Company is also subject to the insurance laws and regulations of Bermuda and has complied with such laws and regulations in all material respects. There are no contingencies associated with the Company's compliance or lack of compliance with such laws and regulations.

Capital commitments

The Company has no capital commitments at the reporting date.

30. Subsequent events

In December 2022, the management of the Company's subsidiary, Athora Ireland plc ("AI"), signed a letter of intent with approval from the Board for AI to enter into a mass lapse inward reinsurance treaty. The coverage period is effective from 1 January 2023.

31. Approval of financial statements

The financial statements were approved by the Board on 21 April 2023.