


ANNUAL
REPORT
2023

Athora Holding Ltd.





Strength
through
commitment

2023 FINANCIAL HIGHLIGHTS

Operating capital
generation (OCG)¹

€567m

2022: €370m²

Assets under management
administration (AuMA)^{1, 3}

€73.3bn⁴

2022: €69.6bn^{3, 5}

IFRS equity and CSM⁶

€6.9bn

2022: €6.5bn⁶

Group BSCR ratio
(estimated)^{1, 7}

182%

2022: 183%

IFRS profit before tax

€1,082m

2022: €(1,294)m⁸

Financial leverage ratio^{1, 9}

25%

2022: 23%⁹

RATINGS

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

A

Fitch Insurer Financial
Strength Rating (Sept
2023)

Athora Life Re and Athora
Ireland

A-

AM Best Financial Strength
Rating (May 2023)

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

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

2 The Group OCG methodology changed during the year. Prior year comparatives have been restated.

3 The definition of AuMA changed during the year to exclude consolidated third-party funds and include off-balance sheet AUA, when certain criteria are met, as set out in the glossary. Prior year comparatives have been restated.

4 AuMA at 31 December 2023. Pro forma AuMA at 31 December 2023 is €86.4bn and includes Athora's existing business units and estimated AuMA for the previously announced acquisition of a closed book portfolio from AXA Germany (representing €13.1bn in AuMA), which remains subject to closing.

5 The comparative AuMA figure has also been restated to reflect valuation changes resulting from the transition to IFRS 9/17 accounting standards.

6 IFRS equity has been restated for the comparative year to reflect the transition to IFRS 9/17 accounting standards. CSM is presented gross of tax and net of reinsurance.

7 The Group Bermuda Solvency Capital Requirement (BSCR) ratio is considered an estimate, given that only year end ratios are considered actuals by the Bermuda Monetary Authority. The year end 2023 ratio will be finalised in May 2024.

8 IFRS profit before tax has been restated for the comparative year to reflect the transition to IFRS 9/17 accounting standards.

9 The financial leverage ratio has been calculated using the new Fitch Ratings methodology, including CSM net of tax, and the comparative has been restated accordingly.

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Athora at a glance

Athora is a leading European savings and retirement services group focused on the large and attractive traditional life and pensions market.

Who we are

We concentrate on the large and attractive traditional life and pensions market, with an ambition to become the leading provider of guaranteed products in Europe.

We serve the needs of individual and corporate customers who continue to demand products offering safety of returns, and also provide innovative M&A and risk transfer solutions to other insurers seeking to enhance their capital position or enact strategic change.

€73.3bn

Assets under management and administration

2.8m

Customers

€6.9bn

Total IFRS equity and CSM

c.1,500

Employees

Our mission

To deliver more value to our customers in fulfilling their long-term insurance needs.

Our brands



Our values



Dare to be different

We create more value for our customers and our business by doing things differently. Together, we challenge the status quo, we do things differently where it brings more value, we share ideas and we embrace new ways of working.



Seek simplicity

We aim for simplicity in a complex business environment. We strive to design simple and cost-effective products and processes that benefit our customers, our partners and our colleagues.



Care

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



Do the right thing

We take our responsibilities seriously. We commit to always 'doing the right thing' to create a sustainable future for our customers, our partners, our colleagues and the communities we operate in.

Business units

Our **primary insurance** operations are based in the Netherlands, Belgium, Germany and Italy. In the Netherlands, Belgium and Italy, we provide a range of life and pensions products to individual and corporate customers to meet their financial planning needs. In Germany, we focus on efficiently managing the existing book of policies and maintaining an attractive proposition to our customers.

We offer **risk transfer solutions** through our subsidiaries Athora Life Re and Athora Ireland.

Our locations

Athora is headquartered in Bermuda with c. 1,500 employees across 10 offices in Belgium, Bermuda, Germany, Ireland, Italy, the Netherlands and the UK.



Our story

Athora was originally established in Bermuda in 2014 by US-based Athene Holding Ltd. (Athene) with the intention to build a savings and retirement services group focused on the European market. Given the size of the potential opportunities in Europe, €2.2 billion of equity capital commitments were secured in 2017 from several global institutional investors. This reporting year marks the sixth anniversary of the business separating from Athene and being renamed Athora Holding Ltd. (AHL). Since inception, Athora has raised approximately €6.75 billion of total equity capital, established operations in seven countries and formed a leading European insurance group. Key milestones since deconsolidation from Athene are outlined below.

2018

Athora acquires Aegon Ireland (now Athora Ireland) and creates reinsurance hub in Europe.

Athora Life Re completes its first reinsurance transaction with Athora Germany.

2019

Athora acquires Generali Belgium (now Athora Belgium), entering the Belgian life insurance market.



2020

Athora secures €1.8 billion of additional equity capital commitments.

Athora acquires VIVAT (now Athora Netherlands), bringing immediate scale in an attractive life insurance market.

Completion of a tender offer for Athora Netherlands 2.375% senior notes, reducing leverage by nearly €600 million.

Athora Belgium and our reinsurance subsidiaries in Bermuda and Ireland complete a €1.0 billion internal reinsurance transaction.



2021

Athora Netherlands announces sale of asset manager ACTIAM to Cardano Group, which completed in January 2022.

Athora's financial strength ratings upgraded to A- (AM Best and Fitch).

2022

Athora completes third capital raise, securing approximately €2.75 billion of additional common equity commitments.

Athora announces closed life book transaction with AXA Germany.

Athora acquires Amissima Vita (now Athora Italia), marking our entry into the attractive Italian insurance market.

Athora Belgium acquires a closed life portfolio from NN Insurance Belgium.

Athora publishes first Sustainability Report, outlining our strategic ambitions and priorities in this space.

2023

Athora completes €600 million inaugural listed Tier 3 notes issuance.

WTW's Premium Pension Institution (PPI) transfers to Athora Netherlands.

Zwitserleven acquires Onderlinge's-Gravenhage's 2nd pillar pension portfolio.

A message from the Chairman

"Athora's clear business model and focus on strong capital and risk management has enabled us to effectively navigate a changing macroeconomic environment in 2023, while positioning us for success in the future."

Bruce Hemphill

Chair of the Board of Directors



In October 2023, I was honoured to be appointed Chair of Athora Holding Ltd., effective 1 January 2024, succeeding Dr. Nikolaus von Bomhard. I am excited to join a growing European financial institution that fills a void in the savings and retirement space by offering products with financial guarantees, and am committed to building on the foundations that Nikolaus and the team have laid since 2018. I would like to thank Nikolaus for his enormous contribution to the establishment of Athora and his support in the transition.

I am pleased to present the 2023 Annual Report for Athora. This has been a year defined by significant strategic progress, robust financial performance and profound organisational change. Despite the challenges presented by the evolving macroeconomic environment, we have continued to execute against our strategic pillars and significantly matured the organisation. We have a clear business model that is designed to work across economic cycles, with a core focus on strong capital and risk management.

This has enabled us to effectively navigate increased external volatility over the last twelve months and build a foundation for continued growth in 2024 and onwards.

Highlights

While 2022 featured several distinct milestones for Athora – including a €2.75 billion¹ capital raise and intense M&A activity – the focus for 2023 has centred on the strengthening of our operational capabilities and positioning the Group for the next phase of growth.

A key highlight of the year has been the strong progress made at Athora Netherlands, which has underpinned a 53% year-on-year growth in Group Operating Capital Generation. Since acquisition in 2020, Athora Netherlands has transitioned from a thinly-capitalised company with negative annual capital generation to a profitable company with one of the highest solvency ratios (206%) in the Dutch market. This provides a clear example of what the Athora business model can achieve.

¹ Including commitments of €600m received in December 2021.

From a consolidated perspective, Athora's financial position remains robust. This is reflected in the year end Group BSCR ratio of 182% (estimated) and prudent financial leverage of 25%, which have supported our retained A (stable) Insurer Financial Strength rating with Fitch Ratings². On 1 January 2023, the industry formally implemented IFRS 9/17. This was managed smoothly at Athora from both an operational and financial standpoint, with growth in both IFRS equity and net income during the year. Noting the growing track record of the Group, and increasing financial maturity, we also started to transition our financing structure in 2023, successfully completing our first public debt issuance in June 2023. Accessing public debt capital markets is an important step in providing longer-term financing and increased flexibility. Athora also continues to maintain significant undrawn equity, totalling €2.2 billion³.

Lastly, Athora has continued to grow in 2023 building further scale in our core markets through both organic and inorganic actions. From an organic standpoint, Athora Netherlands has increased market share in the individual annuity market and executed two Pension Risk Transfer transactions (totalling c.€0.3 billion), while Athora Belgium has revamped its guaranteed product offering and Athora Italia has taken steps to reposition its distribution footprint following the acquisition of Carige by BPER Banca in 2022. From an inorganic standpoint, activity has focused on the acquisition of a closed-life book portfolio from AXA Germany.

Governance and culture

We recognise that building a cohesive and performance-focused culture is a critical component of our success. Over the last year, we have continued to mature in this area by strengthening our People & Culture function and progressing our Inclusion, Diversity & Equality strategy.

During 2023, we have also continued to progress our sustainability efforts: as an insurer, employer, corporate citizen and investor. Of note, we have engaged with key stakeholders on their sustainability priorities, enhancing our data quality, reporting and disclosures as featured in our second annual Sustainability Report. Athora Netherlands again demonstrated its leadership in this space, retaining its 'Top Employer' certification from the Top Employers Institute and first place in the Dutch Association of Investors for Sustainable Development's (VBDO) benchmark for 'Responsible Investment by Insurers in the Netherlands'.

Lastly, we have actively and continually engaged with our regulators as we execute our business plan, grow and mature. This was especially important in 2023 given the evolving macroeconomic backdrop and regulatory landscape, including changes in prudential standards in both Europe and Bermuda, and various conduct initiatives in our core markets. Our focus continues to be on the smooth execution of our business model, with a central focus on policyholder protection and treatment.

Looking forward

The structural savings gap in Europe, alongside volatile markets, continue to drive customer demand for savings and retirement solutions that feature certainty of outcomes through financial guarantees. Despite this, product supply in these areas continues to reduce as incumbents look to reduce exposure to these capital intensive products. This is creating a significant opportunity for Athora to realise our growth ambitions, leveraging our competitive strengths in investment, capital and risk management to deliver a de-risked offering that provides attractive returns to both policyholders and shareholders.

Alongside this, we will continue to enhance our operating capabilities and mature the business, aided by the addition of leaders with track records of success in executing change and delivering long-term value. Our focus in the coming years is to balance growth with simplification, and drive consistent operational delivery against our business plan.

Thanks and acknowledgment

In closing, I would like to express my gratitude to our management and employees for their unwavering dedication and hard work, our policyholders for their continued trust, and our shareholders for their ongoing support.



Bruce Hemphill

Chair of the Board of Directors

² In September 2023, Fitch maintained the Insurer Financial Strength ratings of our rated insurance business units at 'A' and the issuer default rating for Athora Holding Ltd. and Athora Netherlands N.V. of 'A-' with a stable outlook.

³ As of 31 December 2023, including €1.7bn of uncalled equity from the 2022 capital raise, providing growth capacity, and a further €500m of "backstop" equity commitment letters, signed in 2020.

Chief Executive Officer's report

"2023 has been an important year of transition for Athora. I am pleased with the progress made amidst changing macroeconomic conditions. Our resilience is testament to the strength of our long-term business model, a highly supportive stakeholder base and the continued dedication of our people."

Mike Wells

Group Chief Executive Officer



Athora has established itself as a leader in the European savings and retirement services market, benefiting from both the agility and efficiency of being a new entrant and the deep expertise of our business units. As of year end 2023, Athora has a presence in six jurisdictions and pro forma Assets under Management and Administration (AuMA) of €86.4 billion¹.

We enter 2024 with continued growth momentum, a robust financial profile and significant capital to deploy into attractive new opportunities. Undrawn equity capital stands at €2.2 billion² and financial leverage remains in line with our medium-term target at 25%. The delivery of our growth and strategic vision is a result of the continued support of our policyholders, regulators, distributors and the dedication of our employees, combined with a leading long-term investor base. I feel strongly that Athora has a unique opportunity to fill the vast savings gap in Europe, underpinned by a differentiated approach to asset, capital and risk management.

Business update

2023 has been a year of transition. I am pleased with the progress made amidst challenging macroeconomic conditions – volatile capital markets, sharp interest rate movements and high levels of inflation – as well as idiosyncratic pressures in some European markets, including the impacts following the insolvency of a mid-sized Italian insurer. Our resilience is testament to the strength of our long-term business model and progress against our business ambitions.

From an organisational perspective, we made several key leadership appointments across the Group and business units during the year, adding seasoned insurance leaders with deep operational experience and positioning the business well for the coming years. Our investment in regional capabilities, most notably in Belgium and Germany, is reflective of our desire to build strong local operations that support a scaling across markets, while ensuring an efficient, streamlined and highly-skilled Corporate Centre.

¹ The pro forma number comprises AuMA at 31 December 2023 for Athora's existing business units of €73.3bn and estimated AuMA for the previously announced acquisition of a closed book portfolio from AXA Germany (representing €13.1bn in AuMA) remains subject to closing.

² As of 31 December 2023, including €1.7bn of uncalled equity from the 2022 capital raise, providing growth capacity, and a further €500m of "backstop" equity commitment letters, signed in 2020.



In July 2023, Athora was designated as an Internationally Active Insurance Group (IAIG), reflecting our increasing international presence, growth trajectory and systemic importance. Growth activity in the year included pension acquisitions and risk transfer transactions in the Netherlands, as well as the execution of product and distribution-related initiatives across our product lines in Belgium, Italy and the Netherlands.

In July 2022, we announced the acquisition of a portfolio of a closed book portfolio from AXA Germany (representing €13.1 billion³ in AuMA). Completion is subject to regulatory approval.

Our financial strength and flexibility improved further in 2023. Solvency remains robust across our Business Units supported by positive Operating Capital Generation (OCG) trends and proactive management actions, most notably in the Netherlands. Group Solvency also remains above minimum target levels at 182%⁴.

Financial leverage has remained stable at 25% (2022: 23%⁵) which is our medium-term target. This, combined with our 'A'⁶ (stable) Fitch Insurer Financial Strength rating and ability to access public debt capital markets following our inaugural issuance in June 2023, provides materially improved financial flexibility.

Progress against strategic pillars

Grow

Growth activity in 2023 has centred around progressing previously announced transactions, pension growth in the Netherlands, and enhancing our organic profile across Belgium, Italy and the Netherlands.

From a transaction standpoint, the acquisition of Willis Towers Watson's (WTW) c.€1.4 billion⁷ Premium Pension Institution (PPI) by Athora Netherlands closed in April 2023, bringing a further ~32,000 scheme members into the Athora ecosystem. Athora Netherlands also completed two PRT transactions during the year, one with Onderlinge's-Gravenhage (c.€240 million) and another with Pension Fund Aon (c.€60 million)

Organic growth trends exhibited significant dispersion across markets, driven by a combination of country and business specific trends. Gross inflows decreased by 12% year-on-year, driven by market-wide volatility in Italy and changes to Athora Italia's distribution footprint. Excluding Athora Italia, gross inflows were 11% higher year-on-year. Athora Netherlands delivered strong new production in individual annuities (increase of 44% year-on-year), while Group Defined Benefit and Defined Contribution lines benefited from high retention and increased indexation. Athora Belgium undertook a series of successful commercial actions in the final quarter of 2023, including the launch of an attractive new guaranteed product in October, increasing total run-rate volumes by 45%⁸ year-on-year.

³ The pro forma number comprises AuMA at 31 December 2023 for Athora's existing business units and estimated AuMA for the previously announced acquisition of a closed book portfolio from AXA Germany (representing €13.1bn in AuMA) remains subject to closing.

⁴ Bermuda Solvency Capital Requirement (BSCR) ratio is considered an estimate given only year-end ratios are considered actuals by the Bermuda Monetary Authority. The 2023 year-end ratio will be finalised in May 2024.

⁵ The financial leverage ratio has been calculated using the revised Fitch Ratings' methodology, and the comparative has been restated accordingly

⁶ In September 2023, Fitch maintained the Insurer Financial Strength ratings of our rated insurance business units at 'A' and the issuer default rating for Athora Holding Ltd. and Athora Netherlands N.V. at 'A-' with a stable outlook.

⁷ AuMA at 31 December 2023. Acquisition of WTW is not recognised on the Group's consolidated statement of financial position but is recognised within AuMA. Refer to page 38.

⁸ Assuming annualisation of Branch 21 Individual Single Premium volume proposals received during the fourth quarter of 2023.

Athora Italia is exploring opportunities to drive enhanced output from previously signed distribution agreements, as well as the addition of new distribution partners and the development of its product offering.

Looking forward, we are focused on scaling our Business Units further, by capturing the organic growth potential of our operations and capitalising on attractive inorganic growth opportunities as they come to market. From an organic standpoint, we remain well positioned to engage in attractive opportunities in the Dutch PRT market, and continue to develop our retail and corporate product offerings across Belgium, Italy and the Netherlands.

Optimise

Over the year we have maintained stable capital positions across our Business Units and at Group. This has been the result of consistent capital generation and prudent risk management, in addition to careful hedging and liquidity management.

The Group's BSCR ratio stands at 182%⁹ (2022: 183%), and we continue to engage closely with the Bermuda Monetary Authority (BMA) on the impacts of the proposed changes to the Bermuda capital regime. Group OCG increased materially during the year to €567 million (2022: €370 million¹⁰). This was underpinned by a 69% increase at Athora Netherlands, aided by the continued repositioning of the investment portfolio and ongoing business transformation following the sale of non-core business lines.

Solvency capitalisation also remains robust across our Business Units, most notably at Athora Netherlands, where year end solvency increased to 206% (2022: 205%), supported by increased OCG and select management actions, including changes to outward longevity reinsurance. Solvency at Athora Italia Italy (211%), benefited from several management actions, including lapse reinsurance.

In March 2024, Athora Netherlands reached a final settlement agreement with interest groups regarding investment-linked insurance policies. A provision of €95 million¹¹ has been established in the year end 2023 results.

“We delivered strong investment returns to our policyholders and investors, leveraging our strategic relationship with Apollo and unique asset origination capabilities.”

Our strong capital position provides comfort to our customers and forms a solid and sustainable platform to further develop our business.

Lastly, we achieved a key milestone in the evolution of our financing structure in June 2023, completing an inaugural public debt offering via a €600 million senior unsecured fixed rate notes issuance. This enables us to access longer-term financing with regulatory capital eligibility, enhancing financial flexibility. Financial leverage remained within our medium-term target of 25% and Fitch reaffirmed our A¹² (stable) rating in September 2023.

Earn

During 2023, we delivered strong investment returns to our policyholders and investors, leveraging our strategic relationship with Apollo and unique asset origination capabilities. Noting the volatility in capital markets, we have also worked proactively to manage emerging risks, including prudent liquidity management and enhanced monitoring of return seeking assets.

Consolidated investment spreads increased by 12bps year-on-year to 180bps, supported by a careful repositioning of our investment portfolio. In particular, allocations to return seeking assets increased by 2%. Deployment has been especially disciplined given the uncertain macroeconomic backdrop. New investments into all Return Seeking assets classes were delivered at or above underwriting target levels, reflecting attractive pricing tensions and market spread levels.

In parallel, we continue to ensure careful balance sheet management through disciplined asset-liability management and hedging, alongside regular asset monitoring.

⁹ The Group BSCR Bermuda Solvency Capital Requirement (“BSCR”) ratio is considered an estimate given only year end ratios are considered actuals by the Bermuda Monetary Authority. The year end 2023 ratio will be finalised in May 2024.

¹⁰ The Group OCG methodology changed during the year. Prior year comparatives have been restated.

¹¹ On 22 March 2024, Athora Netherlands announced a settlement agreement with interest groups and non-affiliated customers regarding the unit-linked insurance products sold in the Netherlands by SRLEV N.V. (Reaal) and its predecessor companies.

¹² Athora Life Re, Athora Ireland and SRLEV N.V.

Given the evolving interest rate environment, we have increased monitoring of hedge positions and liquidity to manage investment and counterparty requirements, as well as lapse risk. As at 31 December 2023, liquid resources stood at €6.1 billion, with particularly strong liquidity in Italy given the liability profile. Defaults and losses remained low during 2023 and continue to trend below underwriting assumptions. Impairments during the year primarily related to Commercial Real Estate where we have a relatively small portfolio compared to other European insurers and are carefully monitoring developments.

Our investment capabilities, which remain at the core of our business model, are continuing to support our customer proposition. In 2023, we once again announced market-leading profit participation to customers in Germany, while profit sharing in Italy has increased materially for Athora Italia's new Gestione Separata (Athora Risparmio Protetta). Additionally, our annuity products in the Netherlands consistently offer best-in-class returns to customers in the retirement segment, while Athora Belgium launched a revamped Branch 21 product in the final quarter of 2023 with a market-leading guaranteed rate.

Operate

From an operational perspective, our key focus over the year has been strengthening Group and local management, delivering key transformation initiatives, the IFRS 9/17 transition and active expense management amidst high levels of European inflation.

Since inception, Athora has built expertise in delivering complex transactions and executing operational turnarounds, including the disposal of various non-core business lines inherited as part of key acquisitions. The addition of experienced insurance leaders with a proven track-record of success in this space, and the delivery of successful business transformations, will be invaluable as the business continues to scale.

We have also been progressing our multi-year transformation and efficiency programme, Transform Athora. This year has seen the successful delivery of several key initiatives, including the development of actuarial models on a leading platform and the introduction of a new investment accounting managed service. Group change activity has been centralised under our new Chief Operating Officer, ensuring transformation activities are delivered in a simple and standardised way.

“The addition of experienced insurance leaders with a proven track-record of success, and the delivery of successful business transformations, will be invaluable as the business continues to scale.”

Lastly, we have responded effectively to increased expense pressure from sustained inflation in 2023. Operating expenses have increased marginally year-on-year, although the increase is primarily driven by the augmentation in our footprint following acquisitions in Belgium and Italy during 2022.

Looking forward, we will continue to enhance our business operations to drive greater cost efficiency and scalability.

Strengthening foundations and investing in our people

As part of our ongoing maturity journey, we have focused on stabilising our Group and local governance bodies and frameworks to ensure enhanced decision-making processes, controls and risk management. In recognition of the importance of building a strong risk culture, particularly as we continue to expand, our Group Risk function has been bolstered by the appointment of Michael Koller as Group Chief Risk Officer and Chantal Waight as Managing Director, Group Risk. Lastly, we are focused on maintaining effective relationships with our local and Group regulators through consistent and transparent engagement.

We have also expanded our Group sustainability activities in 2023, publishing our second Group annual Sustainability Report and refreshing our overarching sustainability strategy. Athora Netherlands has maintained leadership in this space, achieving first place in the Dutch Association of Investors for Sustainable Development's (VBDO) benchmark for 'Responsible Investment by Insurers in the Netherlands'. Preparations for the introduction of the Corporate Sustainability Reporting Directive (CSRD) have also progressed well at Athora Netherlands, ahead of new disclosure requirements for the year ending 2024, and will be expanded further across the Group in line with regulatory timelines.

With the significant people changes undertaken in 2023, we have endeavoured to cultivate a strong workplace culture, supported by our new leaders. From an Inclusion, Diversity & Equality (IDE) standpoint, we have expanded our data monitoring capabilities, while our Employee Resource Groups have undertaken a variety of events to raise cultural awareness.

To further drive our cultural progress, Joanna Rouse was appointed as Group Chief People & Culture Officer in June 2023, and has overseen improved diversity in recent hiring and the development of new employee wellbeing initiatives. We are focused on building a long-term talent pipeline, with a view to attracting and retaining individuals who embody our values and enable our ambitions.

Alongside the changes in Risk and People & Culture, we have conducted several other leadership changes over the year. At Group, Todd Solash joined as Deputy Group Chief Executive Officer and Steven Braudo as Group Chief Operating Officer. Athora Germany and Athora Belgium have also benefited from the recent appointment of new leadership teams, including Immo Querner (Athora Germany, Chief Executive Officer) and Yves Pouillet (Athora Belgium, Chief Executive Officer).

Outlook and closing remarks

Looking forward, we anticipate continued and substantial unmet customer demand for de-risked savings and retirement solutions in Europe. Heightened market volatility, following changes in monetary policy and geopolitical instability, highlights the importance of products with financial guarantees for customers. Meanwhile, incumbents continue to de-emphasise these product lines as they seek to reduce capital intensity. Athora's unique business model and competitive strengths, combined with significant undrawn capital, position us well to serve these policyholder needs. Delivering security and attractive returns to our customers remains at the core of our purpose, and we continue to place the utmost importance on meeting the expectations of all our stakeholders.

Effectively executing our business plan remains critical to fully realise this potential. We will continue to pursue disciplined growth in our core markets by seeking attractive, large-scale transactions and enhancing our organic growth channels. Underpinning this, we will maintain a robust financial position and drive consistent value generation, leveraging our ability to deliver attractive risk-adjusted returns.

We will optimise our operations through our Transform Athora programme and identification of further cost efficiencies. Realisation of our business plan will be supported by investment to strengthen our business foundations, leveraging the expertise of our leadership team, while continuing to attract and develop talent across the Group. In parallel, further development of our governance, risk, controls and sustainability efforts will be carried out as we ensure the long-term scalability of our operations.

Finally, I would like to thank Dr. Nikolaus von Bomhard for his dedication as Chairman since 2018. He has played a pivotal role in establishing Athora as the business it is today. I look forward to working with our new Chair, Bruce Hemphill, over the coming years as we continue to grow and mature the organisation.



Mike Wells
Group Chief Executive Officer

Business model and strategy

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

As a specialised European savings and retirement services group, Athora aims to provide long-term returns and security to all of our stakeholders – customers (including end consumers, distribution partners and insurers), employees, regulators and shareholders. All aspects of our business work together to support these stakeholders, allowing us to achieve a balance that results in a strong and sustainable group.

Our strategic priorities

Strategic pillars and priorities



Grow

Strengthen customer product offering and distribution channels

Secure inorganic growth opportunities

Execute on organic new business and Pension Risk Transfers (PRT) opportunities



Optimise

Maintain strong local and Group capital, and leverage profile, to drive policyholder protection

Achieve ongoing capital generation and secure ability to distribute dividends from business units

Deliver enhanced management information as part of ongoing transaction integration



Earn

Drive attractive returns to customers

Deliver strong investment returns in line with Strategic Asset Allocation (SAA) targets

Demonstrate the robustness of the investment portfolio



Operate

Deliver improved customer satisfaction and engagement

Achieve target cost structure whilst maintaining quality controls

Execute change agenda and deliver a clear operating model

Foundations

People

Build a diverse and high-performing talent pool with strong retention

Governance & Risk Culture

Ensure effective governance, and build regulatory credibility and trust

Sustainability

Sustainability maturity in line with market.

Our business

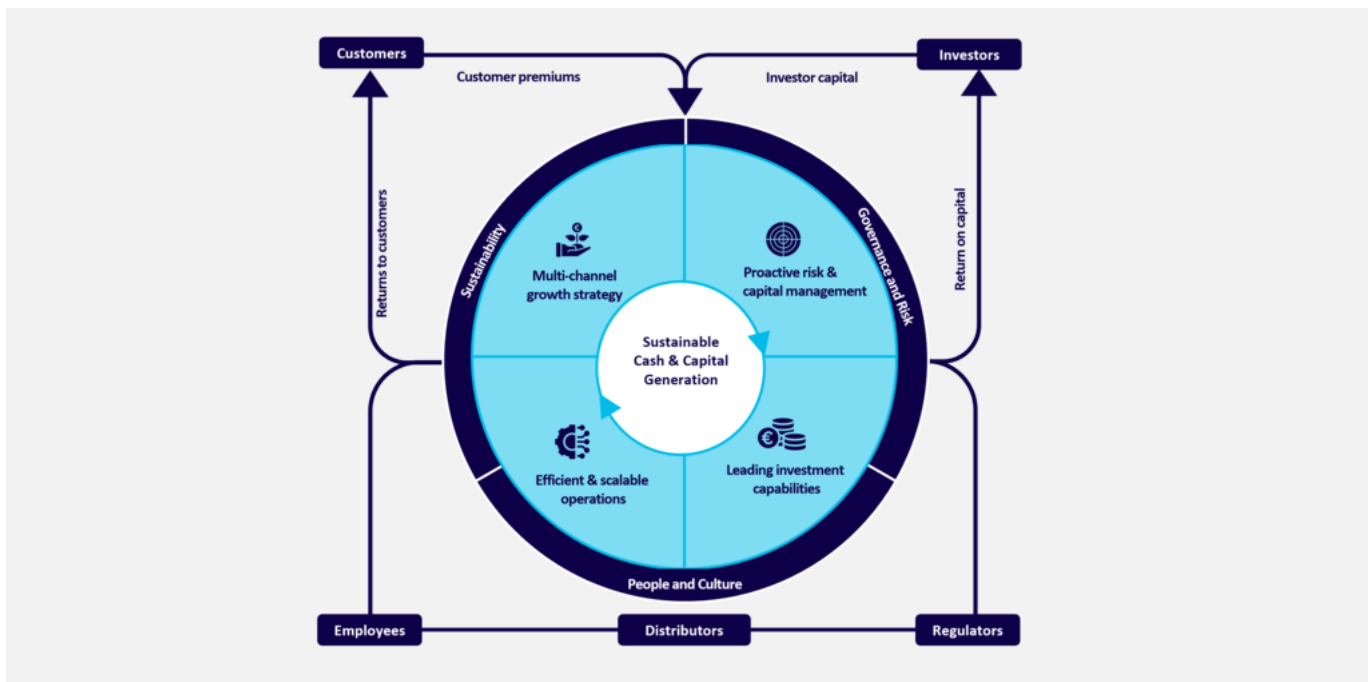
Athora is a leading provider of guaranteed products in the European savings and retirement services market. We operate through primary insurance businesses in the Netherlands, Belgium, Germany and Italy, and reinsurance operations in Bermuda and Ireland. As at 31 December 2023, we have €73.3 billion of Assets under Management and Administration (AuMA), approximately 2.8 million customers, and c.1,500 employees across Belgium, Bermuda, Germany, Ireland, Italy, the Netherlands and the UK.

There is substantial unmet customer demand for de-risked savings and retirement products with financial guarantees, driven by the structural ageing of European populations as well as volatility over market cycles. Despite this, many insurers have been increasingly de-emphasising these product lines as they seek to reduce capital intensity. At Athora, we believe that the provision of guaranteed savings and retirement solutions is of great value to our stakeholders. For customers, our solutions are an essential tool for long-term financial planning and providing safety in retirement. For investors, these products offer resilient margins and attractive risk-adjusted returns. As a result, we have tailored our business model to serve these needs comprehensively and effectively, delivering both dependable security and differentiated returns.

Our business model

Our business model is underpinned by our multi-channel growth strategy, proactive risk and capital management, leading investment capabilities, and efficient and scalable operations. The successful implementation of our business model aims to deliver sustainable cash and capital that can be used to grow further, in-line with our ambition to become the leading provider of guaranteed savings and retirement services in Europe. Athora applies a disciplined approach to growth with efficient capital allocation between new growth and capital returns, subject to defined profitability and capital thresholds.

Athora is designed and built using permanent equity from an investor base that is fully supportive of our long-term strategy, providing strong alignment between the capital backing our investments and our guarantees to our customers. Athora currently has €2.2 billion¹ of committed, but undrawn equity capital. Additionally, we benefit from the strong support of our shareholder and strategic partner, Apollo, who provides us with access to a leading asset management platform, and a network of relationships and financial expertise, enabling us to generate superior risk-adjusted investment returns and offer our customers market-leading guarantee levels.



¹ As of 31 December 2023, including €1.7bn of uncalled equity from the 2022 capital raise, providing growth capacity, and a further €500m of “backstop” equity commitment letters, signed in 2020.

Our strategy

Athora's ambition is to become the leading provider of guaranteed savings and retirement services in Europe and, in doing so, to provide long-term certainty, returns and security to our customers, and generate stable returns for our shareholders.

Our four strategic pillars – Grow, Optimise, Earn and Operate – and three foundations – People, Governance & Risk Culture and Sustainability – outline our key business priorities and act as guardrails for how we deliver this ambition for our stakeholders.

Grow

	Strengthen customer product offering and distribution channels
	Secure inorganic growth opportunities
	Execute on organic new business and PRT opportunities

Our strategy under the 'Grow' Strategic Pillar is to selectively scale through a multi-channel approach comprising M&A, risk transfer solutions, Pension Risk Transfer and new business. We believe there is an opportunity to accumulate large volumes of long-duration liabilities at attractive terms, underpinned by a disciplined approach to pricing, financial stability and sustainable value creation. In recent years, many insurers with onerous legacy liabilities have exited the guaranteed product space and restructured portfolios, transitioning to focus instead on fee-based products with less capital intensity. Balance sheet pressures for these legacy products have persisted throughout the interest rate cycle, as periods of heightened volatility in public markets pressure investment portfolios and/or capital positions under risk-based frameworks.

Our product offering is tailored to meet the demand of customers, including the provision of savings and retirement services products with guarantees. These products are sold to institutional and retail clients through a strong network of distribution partners, primarily comprised of banks, brokers and advisers. We continue to invest in our product offering and distribution capabilities, including the expansion of our distribution networks. Additionally, Athora offers a full suite of options to other insurers to support them in enhancing their capital positions and/or enacting strategic change. We have built a strong reputation in executing complex transactions over recent years.

Progress in 2023

- Closed €1.2 billion¹ Premium Pension Institution acquisition in the Netherlands
- Completed two Pension Risk Transfer (PRT) transactions in the Netherlands totalling €290 million¹
- Onboarding of a new bancassurance agreement in Italy
- Reached aggregate reinsurance quota share volumes of €337 million with a leading Irish life insurer
- Launch of a new higher guarantee product in Belgium in quarter four 2023, increasing run-rate volumes in Belgium by 45%²

¹ Price at closing. Included within AuMA, refer to page 38.

² Assuming annualisation of Branch 21 Individual Single Premium volume proposals received during the fourth quarter of 2023. Refer to page 54.

Optimise

	Maintain strong local and group capital, and leverage profile, to drive policyholder returns
	Achieve ongoing capital generation and secure ability to distribute dividends from business units
	Deliver enhanced management information as part of ongoing transaction integration

The 'Optimise' Strategic Pillar is reflective of our unwavering commitment to the protection of our customers, and to ensure that our businesses have the resources to deliver their strategic ambitions. In practice, this translates into robustly capitalised Business Units, with contained risk sensitivities, and a strong Group financial position.

Athora is proactive and prudent in our management of capital, leverage and liquidity across all economic conditions. We invest significant financial and human resources in building capabilities across all of our businesses to ensure that we are resilient and maintain our financial strength. This is reflected in the capitalisation of our business units and Group, as well as A³ (stable) Insurer Financial Strength rating from Fitch and financial leverage of 25%, consistent with our medium-term target ratio. Athora also has access to significant undrawn committed equity capital, as well as several liquidity facilities. In 2023, Athora accessed public debt capital markets, increasing its financial flexibility.

To ensure consistent value generation throughout economic cycles and minimise exposure to non-strategic market risks, Athora adopts a rigorous approach to asset and liability management (ALM), including prudent monitoring of hedge positions and liquidity to manage investment and counterparty requirements, as well as policyholder behaviour. This is reflected in the balance sheet composition of our business units and the Group's liquidity profile, including undrawn facilities.

Progress in 2023


- Completed €600 million inaugural Tier 3 public debt issuance in June 2023
- Maintained 'A' range credit ratings with both AM Best and Fitch Ratings³
- Financial leverage remained aligned to our medium-term target of 25%
- Robust Group BSCR position of 182%⁴
- Strong Solvency II position at Athora Netherlands of 206% aided by a 69% increase in OCG
- Undrawn committed common equity capital of €2.2 billion⁵

³ In September 2023, Fitch maintained the Insurer Financial Strength ratings of our rated insurance business units at 'A' and the issuer default rating for Athora Holding Ltd. and Athora Netherlands N.V. of 'A-' with a stable outlook.

⁴ The Group Bermuda Solvency Capital Requirement (BSCR) ratio is considered an estimate, given that only year end ratios are considered actuals by the Bermuda Monetary Authority. The year end 2023 ratio will be finalised in May 2024.

⁵ As of 31 December 2023, including €1.7bn of uncalled equity from the 2022 capital raise, providing growth capacity, and a further €500m of "backstop" equity commitment letters, signed in 2020.

Earn

	Drive attractive returns to customers
	Deliver strong investment returns in line with SAA targets
	Demonstrate the robustness of the investment portfolio

Our 'Earn' Strategic Pillar is focused on the delivery of our investment strategy, enabling us to offer attractive guaranteed products to our customers, and create sustainable value for our shareholders, who have entrusted us with their investments. We proactively manage investment risks through diligent asset underwriting, prudent asset-liability management and proactive management of emerging risks.


Strategic asset allocations are specifically tailored to the needs of guaranteed savings and retirement products and aims to generate superior returns while minimising exposure to market volatility. Many insurance companies primarily use traded assets to back these products, typically taking more credit and/or market risk to generate incrementally income. At Athora, we use our investment expertise to capture illiquidity and complexity premium – rather than assuming only credit or market risk – for a return seeking portion of our investment portfolio. This means we invest in assets that we believe offer better risk-adjusted returns without compromising on asset quality.

Our differentiated investment strategy benefits from our strategic relationship with Apollo, a leading alternative investment manager. This relationship is instrumental in the execution of our SAA and deployment into return seeking asset classes. The full suite of services Apollo provides for our investment portfolio includes direct investment management, asset allocation, M&A asset due diligence and certain operational support services, including investment compliance, tax and legal.

Progress in 2023

- Revision of SAA to reflect changing macroeconomic environment
- Consolidated investment spreads increased by 12bps year-on-year to 180bps
- Asset defaults and losses low, and trending below underwriting assumptions
- Leading Athora Netherlands annuity proposition with consistent top three rates
- Market leading crediting rate in Germany for the fourth year running
- Launch of new guaranteed product in Belgium
- Attractive yield of ~4% declared in a key Athora Italy fund (*Athora Risparmio Protetta*)

Operate

	Deliver improved customer satisfaction and engagement
	Achieve target cost structure whilst maintaining quality controls
	Execute agenda and deliver a clear operating model

Under the 'Operate' Strategic Pillar, our focus is to implement a lean operating structure with a competitive cost base, whilst maintaining the agility to effectively integrate newly acquired businesses. As a growth-minded organisation, we are focused on building robust and scalable infrastructure to drive increasing efficiency over time.

The extensive operational insurance expertise of our Group and local management teams ensures that Athora is strongly placed to progress our maturity journey within a streamlined operating model. We are focused on enabling our business units to achieve at-scale positions in our core markets, while maintaining effective governance and through a lean Corporate Centre function.

Our multi-year transformation programme, Transform Athora, seeks to facilitate these ambitions, balancing cost management with selective investment in technologies that enable us to operate in a focused, efficient and scalable manner. As part of Transform Athora, we are also engaging selectively with outsourcing partners that enable us to drive more cost-effective outcomes, by leveraging the efficiency, scale or capability benefits of specific providers.

Progress in 2023

- Stable operating expenses⁶ compared to prior year, demonstrating continued cost discipline
- Legal merger of the Willis Towers Watson and Zwitserleven Premium Pension Insurance portfolios
- Successful transition to IFRS 9/17 on 1 January 2023
- Enhancement of actuarial modelling and investment operation capabilities
- Transfer of administrative tasks pertaining to a legacy individual life portfolio, in the Netherlands to Tata Consulting Services (TCS)

⁶ Excluding operating expenses related to acquisitions.

Foundations

	Build a diverse and high performing talent pool with strong retention
	Ensure effective governance, and build regulatory credibility and trust
	Sustainability maturity in line with market

Our Foundations are centred around our ‘People’, ‘Governance & Risk Culture’ and ‘Sustainability’, and act as key enablers for delivering our strategy.

People

Our people are an essential component of our business and we strive to embed a diverse and inclusive culture where employees thrive and feel empowered. As a part of this, we are focused on building a long-term talent pipeline, with a view to attracting and retaining individuals who embody our values and enable our ambitions.

Governance & Risk Culture

We recognise that building strong relationships with our key stakeholders is critical, and we continue to prioritise this through ongoing engagement that is both proactive and transparent. In demonstrating our commitment to strengthening our governance structures and risk culture, we have undertaken a multi-year culture and maturity initiative. This has sought to enhance governance bodies and frameworks to ensure enhanced decision-making processes, controls and risk management.

Sustainability

Sustainability is an important focus for Athora and we continue to consider the impact of our activities in our role as an insurer, employer, corporate citizen and investor. Our approach to sustainability is outlined in our sustainability strategy⁵ and our annual Sustainability Report.

Progress in 2023

- Key strategic leadership hires across Athora Group and Business Units
- Athora Netherlands awarded “Top Employer” certification from the Top Employers Institute
- Increased diversity with <65% majority gender across senior leadership
- Designated as an Internationally Active Insurance Group in July 2023
- Publication of second annual Sustainability Report
- Athora Netherlands awarded first place in the Dutch Association of Investors for Sustainable Development’s (VBDO) benchmark for ‘Responsible Investment by Insurers in the Netherlands’

5. Refer to the Sustainability section on page 53.

A closer look at our investment strategy

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

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

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

Asset liability matching (ALM): We manage the duration of our assets and liabilities to maintain stability in our capital positions, while minimising exposure to market risk and protecting our capital position against volatility in the valuation of liabilities. This results in a high-quality, liquid allocation and low appetite for systemic market risk.

Our portfolio comprises:

- Government bonds: high-quality, core sovereign debt instruments (primarily AAA and AA rated). The Group has limited strategic appetite for investing in European periphery or emerging market sovereign debt instruments.

- Interest rate derivatives: as necessary to support efficient risk management.
- Mortgage loans: performing prime owner-occupied residential mortgages predominantly in the Netherlands with low Loan to Value (LTV) of c.60% or lower.
- Corporate bonds: high-quality and diversified short-dated traditional public investment grade credit (77% rated A and higher). The Group has low appetite for investing in European periphery, emerging markets, or high-yield instruments.

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

Of the total value invested in return seeking assets, the majority focuses on privately originated, fixed income assets, with granular allocation between sub-categories and types of collateral. A small portion is allocated towards alternative (majority towards platforms) and real estate assets, with a focus on cash-generating and downside-protected investments. The Group has no appetite for public equities and structured credit due to unfavourable perceived risk and return profile.

Illustrative Strategic Asset Allocation (SAA)

ALM

Manage mark-to-market liabilities

- Stabilise balance sheet volatility, against mark-to-market liabilities
- Focus on ALM features and not spread generation
- High quality and liquidity with no appetite for default risk

Return Seeking

Generate spread through the cycle with no marginal risk increase

- Earn illiquidity and complexity premium, leveraging Apollo's private assets expertise & capabilities
- Diversified across asset classes and risk profiles

Typical ALM Assets

- AAA/AA Core European Sovereigns
- Euro Swaps and liquidity pool for derivative margins
- High-quality & short-dated Investment Grade credit
- Low LTV residential mortgages



Typical Return Seeking Assets

- Private Investment Grade
- Private Credit (MML, CML, Large Cap Lending etc.)
- Alts (Funds, Platforms etc.)

- Target sustainable risk-adjusted returns by capturing illiquidity and complexity premiums, driving consistent yield outperformance
- Dynamic asset allocation to take advantage of market dislocations (opportunistic purchases during Covid or UK LDI turmoil)
- Differentiation driven by proprietary asset origination and greater asset expertise through Apollo partnership

The return seeking portfolio is characterised by investments with low systemic market risk, instead aiming for attractive returns driven by illiquidity and complexity. Illiquidity premium and private market inefficiencies result in better risk-adjusted returns, with no marginal or market risk increase, given the bespoke protective covenants and strong collateral package.

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

As a result, our return seeking portfolio is characterised by security, with low loan to value, collateral and protective covenants in place. Robust underwriting of individual investments results in a diversified portfolio of high-quality private assets, which provides steady and attractive risk-adjusted returns for the portfolio as a whole.

This is particularly beneficial when both public markets and the macroeconomic environment are volatile.

A continuing focus on direct origination also provides a number of other important quantitative and qualitative advantages, for example avoiding the cost of intermediaries, direct access in conducting due diligence and greater control over the terms of each investment. In addition, given the nature of the private investments and focusing on downside protection, the recoverability rate is, on average, higher than in public markets.

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

Strategy monitoring: We believe that effective monitoring is a key element of a successful investment strategy. The performance of each investment strategy versus our strategic objective is monitored monthly. We monitor key risk and solvency capital metrics, actual asset allocation versus target allocation, impact of solvency capital stress testing and detailed asset performance. Liquidity, performance and positioning of the duration matching assets are reported on a weekly basis and are monitored daily.

Assets under management and administration (AuMA)

AuMA represents the value of invested assets managed directly by Athora or administered on behalf of our clients. Assets under Management (AuM) reflects the assets we manage as part of our general account insurance business, while Assets under Administration (AuA) refers to assets we administer on behalf of our clients, primarily in relation to unit-linked products. Assets that we manage as part of our general account activities are invested according to the principles of our investment strategy and SAA.

The table opposite shows the Group's AuMA presented as per the categories reported in the IFRS Consolidated Statement of Financial Position, with the exception of investment contracts with discretionary participation features (DPFs).

All investment contracts with DPF features have been reclassified from financial assets to be presented as AuA. Further detail is set out in **note E3** to the financial statements.

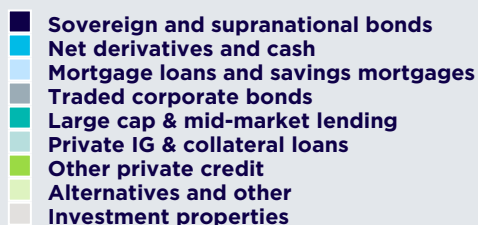
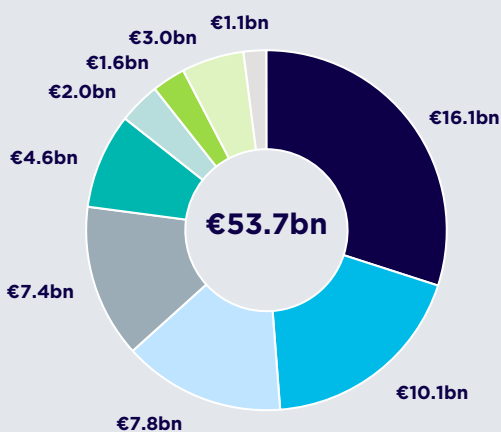
€m	2023	2022
Investment properties	1,077	2,214
Financial assets	59,208	65,452
Investments in associates	43	41
Cash and cash equivalents	2,484	1,315
Derivative liabilities	(9,093)	(15,516)
Total AuM: General account assets	53,719	53,506
Total AuA: Investments attributable to policyholders and third parties <i>(includes unit-linked assets)</i>	19,591	16,082
Total AuMA	73,310	69,588

Further adjustments are made for consolidated third-party funds where no fee is earned by the Group to remove them from AuMA, and Off-balance sheet AUA where the Group earns fees on unconsolidated funds, are included in AuMA. A reconciliation of the Group's AuMA to the Group's total assets per the Consolidated Statement of Financial Position is provided in **the CFO report** on page 38.

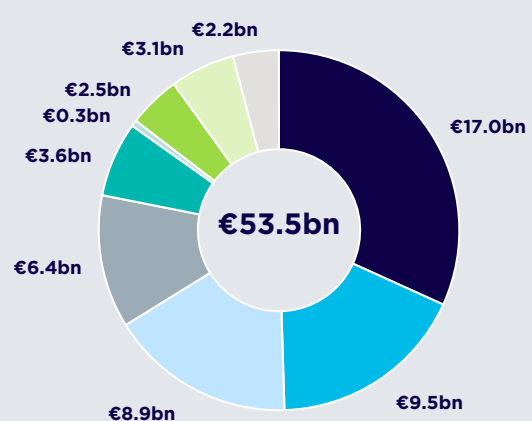
Assets under management

The charts below show the main categories of assets managed by the Group as part of our general account insurance business in 2023 compared to 2022 and includes both return seeking and ALM assets. Investment properties are considered as return seeking assets and principally relate to residential and commercial property exposures.

**Assets under management
As at 31 December 2023**



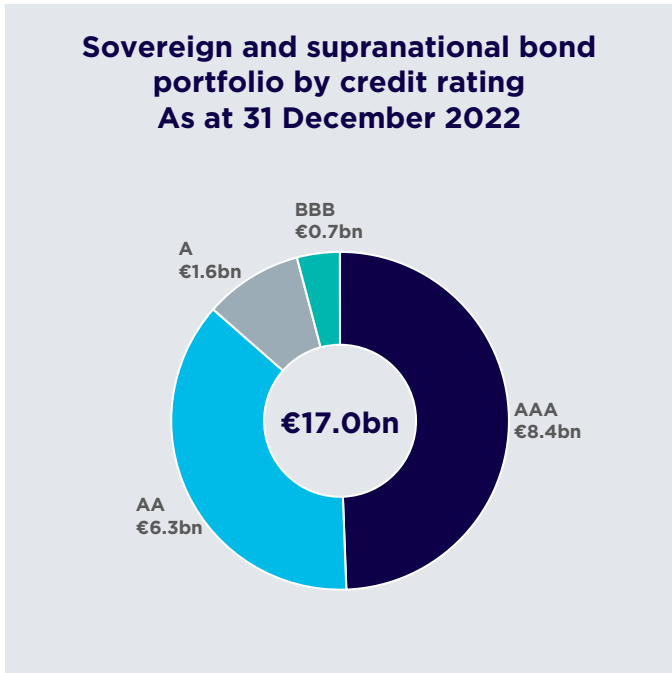
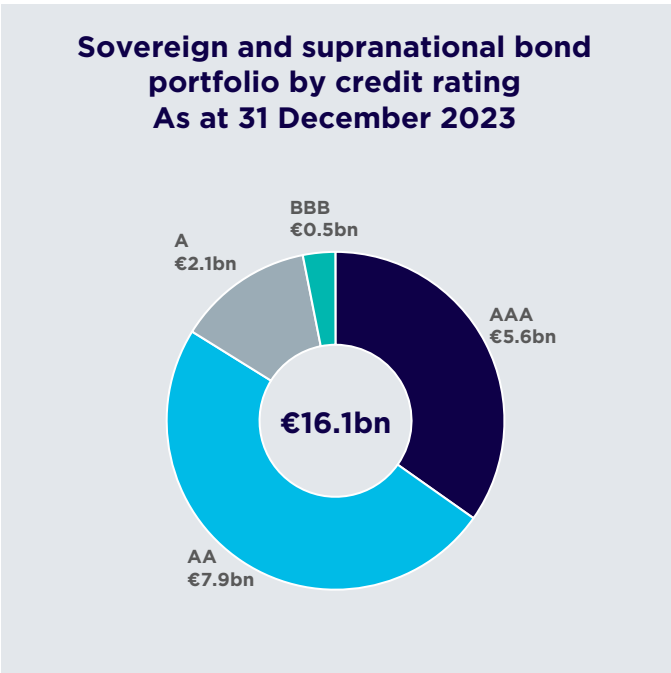
**Assets under management
As at 31 December 2022**



Sovereign and supranational bonds

Sovereign bonds represent the largest allocation within the portfolio, with the majority of the portfolio represented by Western European governments.

The quality of our portfolio remains very high, and therefore provides significant liquidity to our balance sheet. At 31 December 2023, 97% (2022: 96%) of government debt securities are rated A or better.



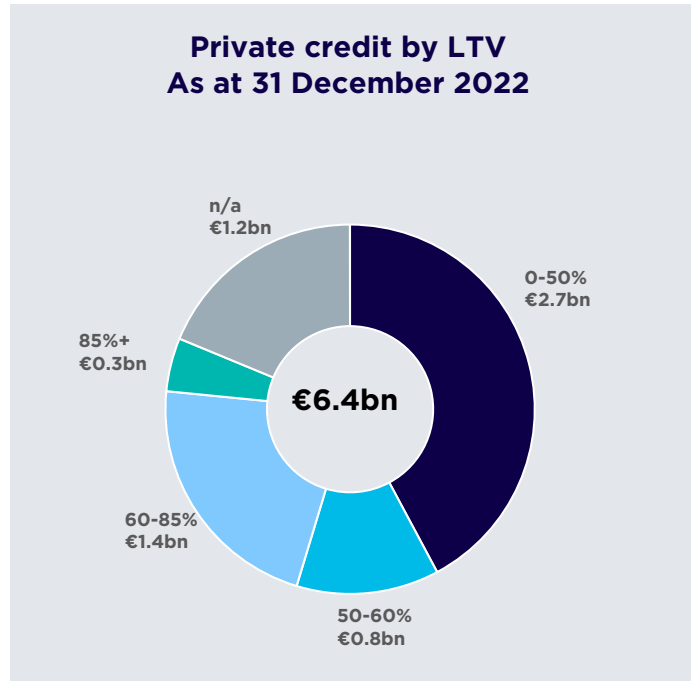
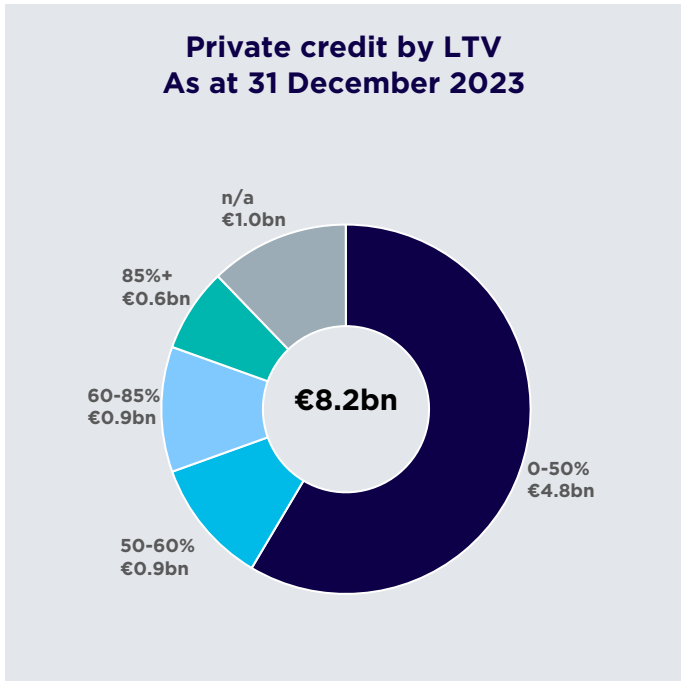
Traded corporate bonds

Traded corporate bonds represent 14% of the asset allocation, with the portfolio being well diversified across sectors and the majority invested in high-quality financial institutions. At 31 December 2023, 100% (2022: 97%) of traded corporate debt securities are rated as investment grade (BBB rating or better).



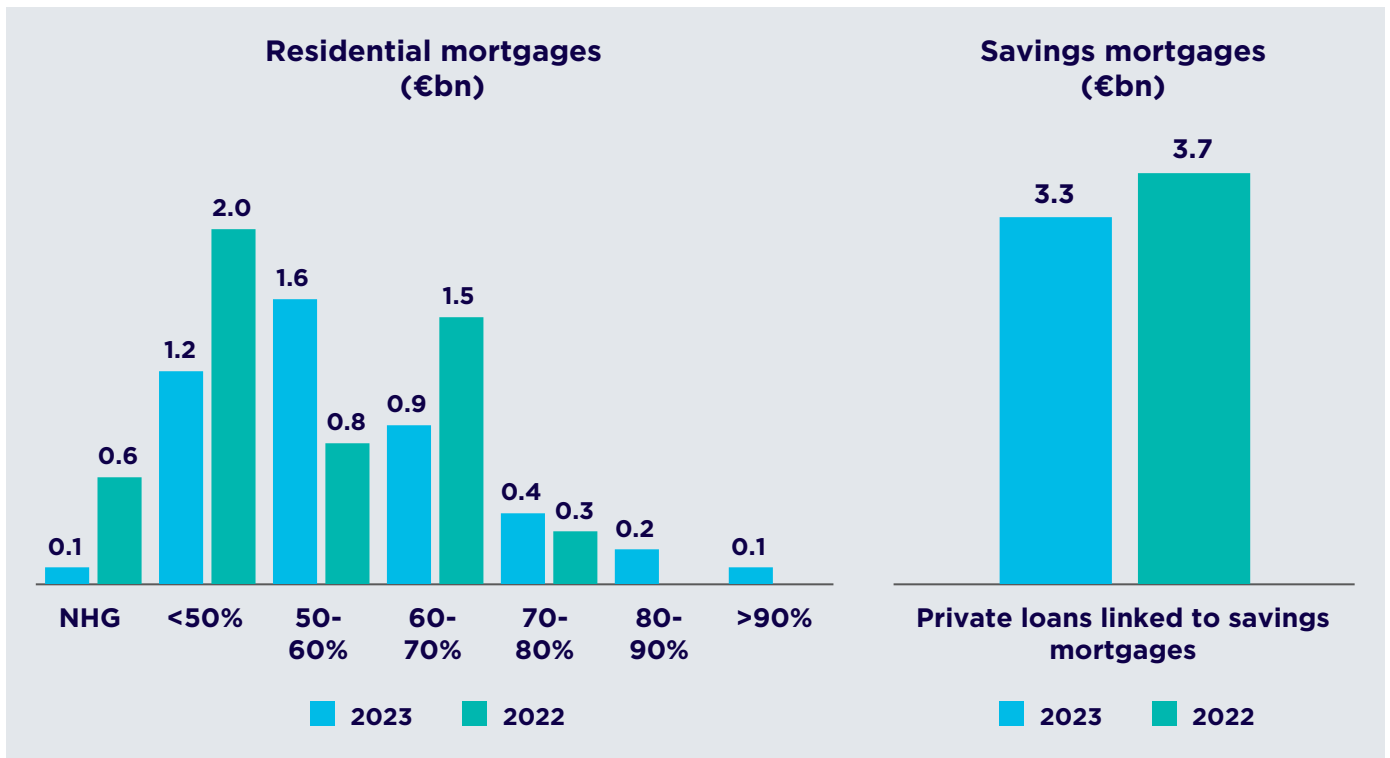
Private credit

Private credit constitutes the main return seeking asset class, providing stable income and better risk-adjusted returns than comparable traded assets. We have a well-diversified and defensively-positioned portfolio, with exposures to cyclical sectors kept to a minimum. As illustrated below, the overall portfolio totalled €8.2 billion (2022: €6.4 billion). At 31 December 2023, 70% (2022: 55%) of the portfolio has an LTV of less than 60%.



Mortgage loans and savings mortgages

The residential mortgage loans portfolio totalled €4.5 billion (2022: €5.2 billion) and is predominantly located in the Netherlands. The portfolio decreased significantly during the year as a result of a strategic disposal. The chart below shows that 64% (2022: 65%) of the Dutch residential mortgage portfolio LTVs are below 60% or government guaranteed (NHG)¹. A further €3.3 billion (2022: €3.7 billion) private loans linked to savings-based mortgages are collateralised and with investment grade Dutch banks as counterparties.



¹ Mortgages guaranteed under the National Mortgage Guarantee Fund.

Our businesses

We have primary insurance operations in the Netherlands, Belgium, Italy and Germany, with reinsurance operations in Bermuda and Ireland.



Athora Netherlands



Highlights

206%

Solvency II capital coverage ratio¹

€52bn

Assets under management and administration²

c.2m

Customers

c.850

Employees

Overview and strategy

Athora Netherlands joined the Group in April 2020 and has operations in the cities of Alkmaar and Amsterdam with c.850 employees. Athora Netherlands has a distinguished 130 year history and holds strong positions in the Dutch life insurance and pension markets through its two brands - Zwitserleven and Reaal.

Athora Netherlands is regulated by the Dutch Central Bank and the Dutch Authority for Financial Markets, and is subject to the Dutch large company regime.

Athora Netherlands distinguishes itself from competitors by focusing very strongly on what they are very good at: building wealth for future income. At 31 December 2023, assets under management and administration totalled €51.6 billion².

Athora Netherlands continued to make strong progress with its 'Ambition 2025' strategy to achieve its purpose "We are a sustainable partner for life, taking care of your tomorrow". This strategy consists of three key value creators:

- Growth - a business for the future
- Operating model - our focus is our advantage
- Investments & capital - deliver on the promise

Integrated in these three value creators is our overarching sustainability approach, ensuring Athora Netherlands delivers on its purpose in a sustainable manner.

Operational highlights

Athora Netherlands made significant progress with the execution of the growth strategy in pensions in 2023, with strong business volumes in both accumulation (defined contribution plans) and decumulation (immediate pensions and annuities) products. Furthermore, employers and advisers were updated on the latest developments in the market during the annual Zwitserleven pension event in May.

The legal merger of Zwitserleven PPI and Willis Towers Watson's (WTW) PPI took effect in December 2023. The team is now focused on the operational integration of the two units, creating a combined platform to capture future growth. In addition, we successfully migrated Onderlinge 's-Gravenhage's second pillar pension portfolio of to our administration systems.

Athora Netherlands transferred the administrative tasks pertaining to the legal legacy individual life portfolio to Tata Consultancy Services (TCS). This expansion of its long-standing strategic partnership with TCS will enable further improve customer service levels, safeguard the continuity of service and variability of the expense base of its Life Service Business, a closed book consisting of individual life insurance products under the Reaal brand.

¹ Quarter 4 2023 SII ratio.

² AuMA as reported in the Group consolidated statement of financial position. Refer to CFO section for further detail on page 38.

In September 2023, Athora Netherlands once again achieved first place in the benchmark 'Responsible Investment by Insurers in the Netherlands' with a score of 4.5 out of 5. The Dutch Association of Investors for Sustainable Development (VBDO) presents this survey every two years, comparing the sustainable investment policies of Dutch insurers in four areas: governance, policy, implementation and transparency.

Athora Netherlands' Solvency II ratio remained robust at 206% at end of 2023 from (2022: 205%). In March 2024, Athora Netherlands reached a final settlement agreement with interest groups regarding investment-linked insurance policies. A provision of €95 million has been included in the year end 2023 results.

Athora Netherlands' strong capital position provides comfort to stakeholders and forms a solid and sustainable platform to further develop our business.

The Zwitserleven Feeling



For more than four decades, Dutch households have known 'Het Zwitserleven Gevoel' - The Zwitserleven Feeling. It is a brand promise that reflects the peace of mind that comes from properly taking care of your financial future.

This iconic statement has been a key factor in elevating the Zwitserleven brand, helping build customer trust and supporting growth ambitions. It was even included in the Van Dale Great Dictionary in 2005.

As times change, so do great brands. In 2024, Zwitserleven unveiled an exciting fresh look, showing how the *Feeling* can be enjoyed and shared by many more generations to come.

Find out more at <https://www.athora.nl/en/brands/zwitserleven/>

Athora Belgium



Highlights

155%

Solvency II capital coverage ratio¹

€8.4bn

Assets under management and administration²

c.537,000

Customers

c.200

Employees

Overview and strategy

Athora Belgium joined the Group in January 2019. Based in Brussels with c.200 employees, it has served the Belgian market since 1901 and provides a range of specialised life insurance solutions to retail and corporate clients through a network of over 500 independent brokers.

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

The Athora Belgium team is committed to its c.537,000 customers in fulfilling their long-term insurance needs. At 31 December 2023, assets under management and administration totalled €8.4 billion.

Operational highlights

Athora Belgium acquired a closed-book individual life portfolio from NN Insurance Belgium in October 2022; integration of this portfolio to Athora Belgium is ongoing. This acquisition supports Athora's growth strategy focused on traditional life savings and retirement products in the European market, and results in a strengthened market position for Athora Belgium. The solvency capital ratio of Athora Belgium at 31 December 2023 was 155% (2022: 150%).

Market context

Gross inflows in the early part of 2023 at Athora Belgium were impacted by difficult market conditions due to rising interest rates and inflation. In October, we launched a new individual life product with an increased guaranteed rate which performed very well in the market.

Looking forward, Athora Belgium will continue to focus on its growth strategy on unit-linked and guaranteed rate products.

Decavi Life Insurance Awards for Athora Belgium



Athora Belgium won two awards at the 2023 Decavi Awards for Best Branch 23 Fund - Low Risk and for Best Branch 23 Fund - Medium Risk

¹ Quarter 4 2023 SII ratio.

² AuMA as reported in the Group consolidated statement of financial position. Refer to CFO section for further detail on page 38.

Athora Italia



Highlights

211%

Solvency II capital coverage ratio¹

€6.4bn

Assets under management and administration²

c.120,000

Customers

c.100

Employees

Business overview

Athora Italia joined the Group in August 2022, rebranding from Amissima Vita in November 2022. Athora Italia is a life insurance company based in Genoa and Milan, with c.100 employees and over 50 years of experience in the Italian insurance market. It provides traditional life insurance products, unit-linked and pension policies for c.120,000 customers. Athora Italia is regulated by IVASS - the Italian Institute for the Supervision of Insurance. At 31 December 2023, assets under management and administration totalled €6.4 billion³.

Our strategy focuses on:

- Delivering attractive returns for policyholders
- Development of innovative new products
- Fostering relationships with current distributors
- Focus on expanding market share through partnerships with new distributors

Market context

In 2023, the market we operate in was impacted by volatility in interest rates and yields. This market volatility has had a particular impact on lapses in the Italian insurance sector.

Performance highlights

In March 2023, the company successfully launched its exclusive multi-year partnership with BDM Banca del Mezzogiorno and Cassa di Risparmio di Orvieto.

The product offering was extended with three new products distributed through our banking channel (Athora Valore Risparmio, Athora Multipliù Valore and Athora Futuro Previdenza) and with another new product distributed through our agency channel (Athora Vita Facile).

Increased segregated fund yield



Athora Italia reaffirmed its place among the leaders in the Italian life market as it increased the gross yield of its flagship segregated fund (Athora Risparmio Protetto) to 4.13% in 2023.

¹ Quarter 4 2023 SII ratio.

² AuMA as reported in the Group consolidated statement of financial position. Refer to CFO section for further detail on page 38.

³ Amounts recognised in 2022 since the acquisition by the Group on 1 August 2022.

Athora Germany



Highlights

163%

Solvency II capital coverage ratio¹

€4.0bn

Assets under management and administration²

c.165,000

Customers

c.120

Employees

Business overview

Athora Germany joined the Group in 2018. The company has a distinguished 187 year history and is based in Wiesbaden with c.120 employees.

Athora Germany's regulated businesses are subject to regulatory supervision by the German Federal Financial Supervisory Authority (BaFin).

Athora Germany focuses on efficiently managing its closed book portfolio of traditional life, unit-linked and pension policies for c.165,000 customers, while pursuing opportunities to add scale to the business.

At 31 December 2023, assets under management and administration totalled €4.0 billion².

Athora Germany announced the acquisition of a closed book portfolio of deferred annuities and endowments from AXA Germany of c.€13.1 billion AuMA in July 2022, which is subject to regulatory approval.

Following the completion of the transaction (targeted for 2024), Athora Germany will be in the top 15 life insurance entities in the German market, based on assets under management and administration.

Operational highlights

Athora Lebensversicherung AG (Athora Leben) confirmed that its profit participation for life insurance will remain market leading for a third consecutive year with a top market total interest rate of 4.0% for 2023.

Delivering more value for customers in Germany



Athora Leben has confirmed its profit participation for life insurance will remain stable for a fourth consecutive year with a market leading total interest rate of 4.0% for 2024.

¹ Year end 2023 SII ratio, excluding transitionals. Ratio including transitionals is 393%.

² AuMA as reported in the Group consolidated statement of financial position. Refer to CFO section for further detail on page 38.

Reinsurance

Highlights

186%

BSCR capital coverage ratio¹

€2.5bn

Assets under management and administration²

30

Employees

Overview and strategy

Our reinsurance subsidiaries, Bermuda-based Athora Life Re (ARE) and its subsidiary, Athora Ireland, offer innovative and creative capital optimisation and risk transfer solutions, primarily to our insurance subsidiaries.

ARE and Athora Ireland are regulated by the Bermuda Monetary Authority and the Central Bank of Ireland, respectively. At 31 December 2023, the reinsurance business had assets under management and administration of €2.5 billion.

Market context

2023 was a volatile year for markets with significant movements in both long-term interest rates, yields and exchange rates. Our reinsurance business was resilient to this volatility owing to effective risk management and our investment philosophy.

¹ Quarter 4 2023 BSCR ratio.

² AuMA as reported in the Group consolidated statement of financial position. Refer to CFO section for further detail on page 38.

Chief Financial Officer's report

"A strong set of financial results in 2023, with an increase of 53% in operating capital generation delivered in challenging market conditions, reaffirms the strength of our business model"

Anders Malmström
Group Chief Financial Officer



Overview

We delivered strong financial results in 2023 despite challenging market conditions. This continues to show the strength of our operating model, unique investment strategy and focus on managing costs.

Against a volatile market backdrop, our investment strategy continued to deliver, with consolidated spreads increasing by 12bps year-on-year to 180bps as a result of the ongoing asset repositioning in the Netherlands. Additionally, in a challenging inflationary environment, we maintained stable operating expenses, demonstrating our focus on cost discipline. We also continued our growth journey with the completion of the acquisitions of the Willis Towers Watson (WTW) c.€1.4 billion Premium Pension Institute (PPI) and two pension risk transfers of c.€0.3 billion in the Netherlands.

The performance of our business model is evidenced by the 53% increase in Group Operating Capital Generation (OCG) to €567 million. In March 2024, Athora Netherlands reached a significant milestone with the declaration of a remittance of €75 million.

In March 2024, Athora Netherlands reached a settlement agreement with interest groups regarding investment-linked insurance policies. A provision of €95 million has been included in the year end 2023 results.

On 1 January 2023, the Group implemented IFRS 9, Financial Instruments and IFRS 17, Insurance Contracts with comparatives restated at 1 January 2022. IFRS 17 is an accounting change which requires a company to recognise profits as it delivers insurance services (rather than when it receives premiums) and to provide information about profits the company expects to recognise in the future, the contractual service margin (CSM). The implementation of these accounting standards was complex, spanning all business units and fundamentally changed the way we report under IFRS, and was delivered to plan without any significant issues.



In 2023, we delivered strong IFRS results, with IFRS profit before tax of €1,082 million (2022: €(1,294) million) supported by the asset repositioning in the Netherlands and a reduction in interest rates.

The OECD's Pillar Two minimum 15% corporate income tax framework was enacted in EU countries, effective 1 January 2024. In response to this, the Government of Bermuda has also enacted a 15% corporate income tax regime, effective 1 January 2025. The Group's subsidiaries are all currently subject to corporate income tax at headline rates in excess of 15%, with the exception of Ireland and Bermuda. The Group has applied an exemption on deferred tax for Pillar Two under IAS 12 Income Taxes. As such, there is no impact on our results. We are continuing to assess the impact of the Pillar Two income tax legislation on our future financial performance.

Our balance sheet continues to remain robust with a BSCR ratio of 182% (estimated). During 2023, the Bermuda Monetary Authority (BMA) issued two consultation papers setting out changes to the Bermuda Solvency Capital Requirement Model and Schedules. We await the publication of the rules in 2024 and are working closely with the BMA to finalise the impacts.

In June 2023, we successfully issued our inaugural public debt issuance of €600 million senior Tier 3 notes from our holding company. This has been approved as eligible Tier 3 capital for Group regulatory purposes. This is an important step in providing long-term financing and aligning the Group's capital structure with our strategic ambitions. The issuance was partially offset by repayment of €250 million of Tier 3 bank debt.

In September 2023, Fitch maintained the Insurer Financial Strength ratings of our rated insurance business units at 'A' and the issuer default rating for Athora Holding Ltd. and Athora Netherlands N.V. of 'A-' with a stable outlook.

2023 firmly demonstrates Athora's business model in action and positions us strongly to meet our future growth ambitions.

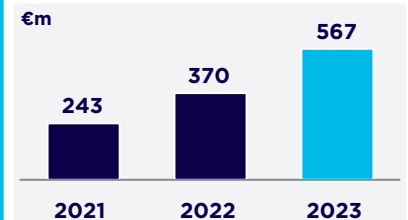
Anders Malmström
Group Chief Financial Officer

Financial highlights

Our financial performance indicators show how we are delivering on our strategy. We use alternative performance measures (APMs) as defined on page 213, which are not prescribed by accounting standards, alongside IFRS income statement and balance sheet metrics, as we believe they provide a better understanding of our performance and financial strength.

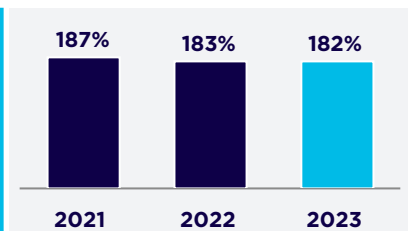
Operating capital generation¹

- Group OCG increased by 53% to €567 million driven by the ongoing asset repositioning and positive investment returns



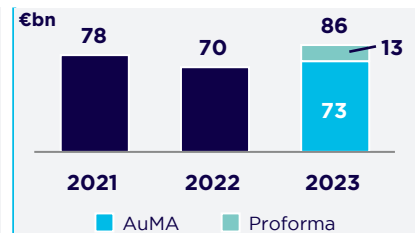
Group BSCR ratio²

- Group solvency ratio has reduced marginally to 182% due to an increase in capital requirements to support the ongoing asset repositioning



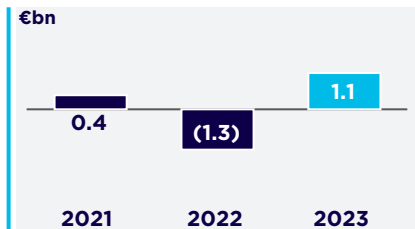
Assets under Management and Administration (AuMA)³

- AuMA has increased to €73 billion due to net positive investment flows and a decrease in interest rates having a positive impact on asset values
- Pro forma AuMA increased to c.€86 billion⁴



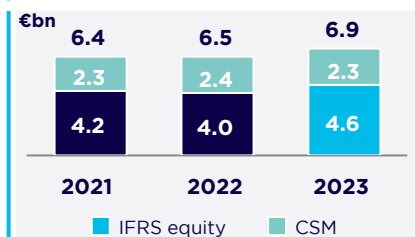
IFRS profit before tax⁵

- IFRS profit before tax has increased primarily due to repositioning of the asset portfolio towards the strategic asset allocation in Athora Netherlands, as well as decreasing interest rates. 2022 saw significant rises in interest rates which had a negative impact on IFRS profit before tax



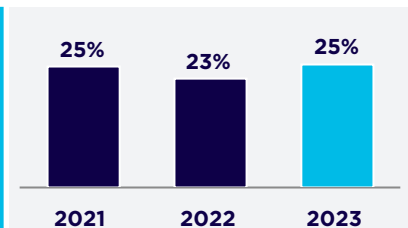
IFRS equity⁶ and CSM⁷

- IFRS equity has increased primarily due to profits for the year
- CSM reduced by c.€0.1 billion over 2023



Financial leverage ratio⁸

- Financial leverage stands at 25% under the IFRS 9/17 accounting regime, in-line with target levels.
- €600m senior Tier 3 notes issuance undertaken in June 2023, which was offset by an increase in IFRS equity and repayment of a €250m Tier 3 bank loan.



¹ The Group OCG methodology changed during the year. Prior year comparatives for 2022 have been restated. 2021 comparative is as published.

² Bermuda Solvency Capital Requirement (BSCR) ratio is considered an estimate given only year-end ratios are considered actuals by the Bermuda Monetary Authority. The 2023 year-end ratio will be finalised in May 2024.

³ The 2022 comparative AuMA figure has been updated to reflect valuation changes resulting from the adoption of IFRS 9/17. 2021 comparative is as published.

⁴ Pro forma AuMA comprises the previously announced acquisition of a closed book portfolio from AXA Germany (representing €13.1bn in AuMA), which remains subject to closing.

⁵ IFRS profit before tax 2022 comparative has been restated to reflect IFRS 9/17 accounting standards. 2021 comparative is as published under IFRS 4/IAS 39 regime.

⁶ IFRS equity has been restated for both the 2022 and 2021 comparative periods to reflect IFRS 9/17 accounting standards.

⁷ CSM has been presented net of reinsurance and gross of tax.

⁸ Financial leverage ratio has been calculated using new Fitch Ratings methodology and 2022 has been restated. 2021 comparative is as published under IFRS 4/IAS3 regime.

Operating capital generation (OCG)

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

Operating capital generation

Group OCG increased to €567 million, driven primarily by significant improvements in our largest business unit, Athora Netherlands. The successful repositioning of the Athora Netherlands asset portfolio towards a greater proportion of return seeking assets increased investment spreads.

The chart opposite shows the general account spread performance following the further convergence of all business unit portfolios to SAA during the year. Consolidated investment spreads increased year-on-year by 12 bps to 180 bps.

Netherlands: further increase in investment spreads, as a result of the ongoing repositioning of the asset portfolio.

Germany & Reinsurance: year-on-year increase in investment spreads, with a focus on disciplined redeployment into new return seeking assets.

Italy & Belgium: modest decline in investment spreads due to a strategic focus on balancing liquidity requirements with increased investment spreads, particularly given the profile of Italian liabilities.

Business unit solvency ratios

The solvency ratios of the business units, measured under Solvency II remained strong. Most notably, in the Netherlands and Italy where the solvency ratios increased by 1pps and 14pps respectively year-on-year.

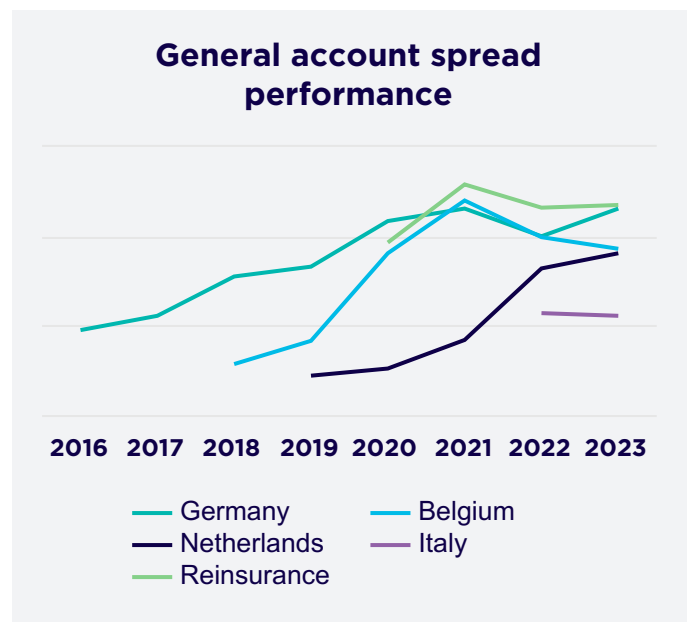
The solvency ratio of Italy increased as a result of entering into a reinsurance agreement to reduce the solvency capital requirement (SCR), partially offset by the increase in lapse assumptions.

The solvency ratio for Germany decreased as a result of natural unwinding of the transitional measures over the year in accordance to the solvency transitional rules.

€m	2023	2022 ²
Operating capital generation ¹	567	370

¹ OCG is defined as the expected return on investments, less the cost of liabilities and includes the Ultimate Forward Rate (UFR) drag, expense and experience variances (including profit-sharing impacts), Solvency Capital Requirement (SCR) and Risk Margin unwinds, new business impacts and the resulting tiering impacts. It excludes the UFR stepdown.

² The OCG definition has been amended to reflect a change in the Group methodology. Prior year comparatives have been restated.



%	2023	2022
Netherlands ¹	206	205
Germany ^{1,2}	163	117
Belgium ³	155	150
Italy ³	211	197
Reinsurance ⁴	186	210

¹ Solvency II ratio based on year end 2023 submissions to the regulators.

² Solvency II ratio calculated excluding Transitional Measures.

³ Solvency II ratio based on quarter four submissions to the regulators.

⁴ Estimated year end 2023 EBS ratio.

Group solvency capital ratio

Group solvency capital is calculated in line with the requirements of the Bermuda insurance regulatory framework. We seek to maintain a strong Group solvency position in line with our risk appetite. Our Group capital position allows us to support business growth, meet the requirements of our regulator and give our customers, shareholders and other stakeholders assurance of our financial strength. The regulatory solvency positions of our European business units are measured on a Solvency II basis and remained resilient during 2023.

Group BSCR ratio

At the 31 December 2023, our estimated Group BSCR surplus was €2,424 million (2022: €2,356 million) and our estimated Group BSCR ratio remained robust at 182% (2022: 183%); the main driver for the slight decrease being an increase in capital requirements to support the ongoing asset repositioning in the Netherlands.

€m	2023	2022
Available statutory capital	5,382	5,204
BSCR	2,958	2,848
Group BSCR surplus (estimated)¹	2,424	2,356
Group BSCR ratio (estimated)	182%	183%

The BMA published consultation papers during 2023, which covered proposed changes to the calculation of the technical provisions and capital requirements which will apply to Bermuda-based commercial (re)insurers. We await the publication of the rules in 2024 and are working closely with the BMA to finalise the impacts.

¹ The Group is required to hold minimum statutory capital and surplus (Enhanced Capital Requirement or ECR) at least equal to the greater of a minimum solvency margin or the BSCR. For Athora, our ECR is equal to our BSCR.

Reconciliation to IFRS equity

The table opposite shows the reconciliation of IFRS equity to available statutory capital used for the calculation of the Group solvency capital position.

Assets and liabilities valuation differences between IFRS and the Economic Balance Sheet (EBS) decrease available statutory capital in 2023, primarily due to the discount curve used for EBS being lower than that used on an IFRS basis. This effect is partially offset due to the removal of the IFRS 17 CSM, which is not accounted for under EBS.

The increase in borrowings eligible for reclassification as regulatory capital is due to the issuance of the €600 million public bond listed by AHL during the year, which has regulatory approval as eligible Tier 3 capital from the BMA.

€m	2023	2022
IFRS equity	4,629	4,020
Non-admitted assets, net of tax	(103)	(106)
Insurance assets and liabilities valuation differences	(700)	338
Financial asset and liabilities valuation differences	(2)	68
Reclassification of borrowings eligible as regulatory capital	1,602	1,161
Net deferred tax on valuation differences	(44)	(277)
Available statutory capital	5,382	5,204

Available statutory capital

Within the tiering of available statutory capital on an EBS basis, Tier 3 capital has increased as noted above due to the issuance of €600 million of Tier 3 debt, partially offset by the repayment of €250 million of Tier 3 bank loan during 2023.

€m	2023	2022
Tier 1	3,780	4,043
Tier 2	965	911
Tier 3	637	250
Available statutory capital²	5,382	5,204

² Further detail is set out in note I7 to the financial statements

Assets under Management and Administration (AuMA)

Assets under Management and Administration (AuMA) represents the value of invested assets managed directly by Athora or administered on behalf of our clients. Assets that we manage as part of our general account activities are invested according to the principles of our investment strategy and Strategic Asset Allocation (SAA). The SAA and the assets included in the general account are explained in more detail in the Investment Strategy section on pages 21 to 25.

Total AuMA

Our general accounts assets (AuM) remained flat and AuA increased by 22%, primarily as a result of the acquisition of WTW's Premium Pension Institution (PPI) by Athora Netherlands, but as well as the beneficial impact of decreasing interest rates on fixed income asset values.

In July 2022, the Group announced the acquisition of a closed-book portfolio from AXA Germany (representing c.€13.1 billion in AuMA), which remains subject to closing. Following the completion of this previously announced acquisition the AuMA of the Group on a pro forma basis will be c.€86.4 billion.

Further detail on the types and credit ratings of assets held is set out in the **Investment Strategy** section on pages 21 to 25.

Reconciliation of AuMA to total Group IFRS assets

The table opposite shows a reconciliation of the Group AuMA to the Group's total assets as per the Consolidated Statement of Financial Position.

Further detail is set out in **note E3** to the financial statements.

€m	2023	2022
Total AuM: General account assets	53,719	53,506
Total AuA: Investments attributable to policyholders and third parties (includes unit-linked assets) ¹	19,591	16,082
Total AuMA²	73,310	69,588

¹ All investment contracts with DPF features have been reclassified from financial assets, per the IFRS 9/17 consolidated statement of financial position, to be presented as AuA.

² The comparative AuMA figure has been updated to reflect valuation changes resulting from the adoption of IFRS 9/17.

€m	2023	2022
Assets under management and administration	73,310	69,588
Add back: derivative liabilities	9,093	15,516
Consolidated third-party funds ³	4,997	2,431
Off-balance sheet AuA ⁴	(1,399)	—
Receivables and other assets	914	1,041
Deferred tax	771	1,079
Other items	279	241
Total assets	87,965	89,896

³ Included in the Group's statement of financial position are investments in funds of €4,977m (2022: €2,431m) by external clients, where the Group has control but does not earn any fee revenue. Therefore, these funds have been excluded from the AuMA.

⁴ Off-balance sheet AuA totalling €1,399m as at 31 December 2023 represent assets where the beneficial ownership interest resided with the customer and which are therefore not recognised in the consolidated statement of financial position but on which the Group earns fee revenue.

IFRS profit for the year

Athora has implemented IFRS 17, the accounting standard for insurance contracts, and IFRS 9, the accounting standard for financial instruments, from 1 January 2023. IFRS 17 and 9 have introduced significant changes to the accounting for insurance contracts and financial assets and liabilities, with new balance sheet concepts arising and a different pattern of profit and loss recognition compared to IFRS 4 and IAS 39, respectively. As required, the comparatives for 2022 and the opening balance sheet as at 1 January 2022 have been restated. The key line items in the Group's consolidated statement of comprehensive income are summarised in the table below.

Insurance service result

The insurance service result of €246 million (2022: €202 million) is the difference between the actual and expected cost of the service provided. Insurance revenue includes expected claims, directly attributable expenses, release of the risk adjustment and CSM amortisation. Actual claims and directly attributable expenses paid are included within the insurance service expense.

The result for the year is primarily attributable to the annual release of the CSM and risk adjustment, together with more beneficial impacts of actual claims against experience.

Net investment income

Net investment income increased compared to the prior year due to decreases in interest rates in 2023, which resulted in positive mark to market asset valuations, partially offset by a reduction in property valuations. Conversely, the prior year saw more pronounced increases in interest rates, resulting in a negative impact on asset values, particularly our derivative portfolio. Derivatives are held to hedge our business unit capital positions for risk management purposes and can create volatility in our results due to over hedging on an IFRS basis. The change in the valuation of the derivative portfolio is offset by an increase in the valuation of insurance liabilities which is presented within *Net insurance finance income/(expense) attributable to shareholders*.

Net insurance and reinsurance finance expense

The net insurance and reinsurance finance expense of €3,541m is mainly driven by the impact of decreases of interest rates on discount rates during the year, partially offset by an increase in the illiquidity premium as a result of the asset repositioning to return seeking assets in the Netherlands.

This contrasts with rises in interest rates in 2022 providing the opposite effect on discount rates.

Refer to **notes C1, C2 and F1** to the financial statements for further detail.

€m	2023	2022 Restated
Insurance revenue	2,228	2,229
Insurance service expense	(2,001)	(1,993)
Net income/(expense) from reinsurance contracts held	19	(34)
Insurance service result	246	202
Net investment income/(expense) attributable to shareholders	5,070	(14,522)
Net insurance and reinsurance finance (expense)/income attributable to shareholders	(3,541)	13,569
Net finance result in respect of investment contracts and third parties ¹	—	—
Net financial result	1,529	(953)
Other income ²	99	86
Other expenses ³	(597)	(500)
Finance costs	(195)	(129)
Profit/(loss) before tax	1,082	(1,294)
Income tax ⁴	(320)	355
Profit/(loss) for the year	762	(939)
Other comprehensive income/(expense) ⁵	17	151
Total comprehensive income for the year	779	(788)

¹ Refers to unit-linked contracts which are accounted for under IFRS 9 (i.e. investment contracts that do not have discretionary participation features which must be accounted for under IFRS 9/17). Due to the nature of these contracts, the investment income/expense earned on the assets held and the change in investment contract liabilities due to policyholders and third parties, will always completely offset in the Group's income statement and will be presented as net finance result in respect of investment contracts and third parties.

² Other income includes fees, commission and other income. Refer to notes **C3** and **C4** to the financial statements.

³ Other expenses includes acquisition costs, impairments and other expenses. Refer to note **C5** to the financial statements.

⁴ In 2023 a tax charge of €320 million (2022: credit of: €355 million) represents an effective tax rate of 30%. The effective tax rate reflects expenses incurred across the Group which are not tax deductible. During 2023, Bermuda enacted a 15% corporate income tax, effective from 1 January 2025. Athora does not anticipate an increased tax burden in the near term from these changes. Refer to notes **C7** and **G7**. Further information on the Group's total tax contribution is included in the Sustainability section on page 56.

⁵ Other comprehensive income was €17 million (2022: €151 million) which primarily relates to an actuarial gain on the Group's defined benefit plans. Under IFRS 9 the Group does not recognise debt instruments at fair value through other comprehensive income, or apply hedge accounting.

IFRS equity and CSM

The key equity line items in the Group's consolidated statement of financial position are summarised in the table below, with restated comparatives for the year ended 2022 presented. On the adoption of IFRS 17, a contractual service margin (CSM) liability has been recognised on the balance sheet. The CSM represents future profits which will be released to the income statement over the life of the contracts.

IFRS equity

At 31 December 2023, the Group's IFRS equity increased 15% to €4,629 million (2022: €4,020 million). The increase in IFRS equity was driven by IFRS profit for the year of €762 million (2022: €(939) million). This was partially offset by net reductions in share capital. During the year, there was a net share issuance of €188 million of common equity. Athora also redeemed €118 million of preferred shares and bought back €300 million of common equity, of which €184 million is held as treasury shares.

€m	2023	2022 Restated
Share capital, share premium and treasury shares	3,837	3,833
Retained earnings	(184)	(884)
Other reserves	11	4
Preferred shares	720	800
Non-controlling interest	245	267
Total equity	4,629	4,020

CSM

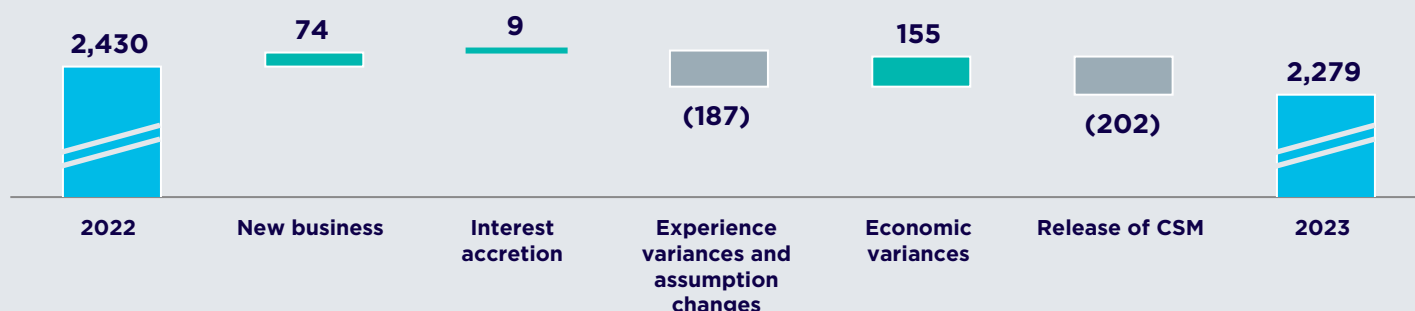
The CSM under IFRS 17 represents a stock of future profit to be released to the consolidated income statement over the life of the insurance contract. The CSM may increase with each future acquisition made by the Group or when new insurance contracts are written. It will also be impacted by assumption changes, experience variances and market movements for the variable fee business.

€m	2023	2022 Restated
CSM (net of reinsurance)	2,279	2,430
Risk adjustment (net of reinsurance)	760	793
Release of CSM (%)	8.1	8.0
Release of RA (%)	5.4	6.8

CSM (net of reinsurance) has decreased by €151 million over 2023, largely represented by the release of €202 million to profit or loss. Other movements within CSM were largely offsetting during 2023, with the beneficial impacts of the renegotiation of an external reinsurance treaty offsetting new business CSM, experience variances, assumption changes and other impacts.

CSM amortisation is €(202) million or 8.1% of the pre-release closing CSM. This level of release is expected to repeat in future periods. Further detail is set out in notes F1 and F2 to the financial statements.

Contractual service margin (CSM) Analysis of change (€m)



Financial leverage

Our financial leverage ratio definition is consistent with the newly released Fitch Ratings Methodology. Following the implementation of IFRS 9/17, Fitch has published a revised financial leverage definition which includes the CSM (net of tax) within the total equity capital calculation, whilst keeping the leverage target for an 'A' rated entity unchanged. Hence, Athora's medium-term leverage target is unchanged at 25%, which is consistent with our 'A' rating target. In the year ended 31 December 2023, Athora has applied the new methodology, and restated the 2022 comparative.

Financial leverage

At 31 December 2023, our financial leverage ratio was 25% (2022: 23%). The increase is primarily due to the inaugural €600 million Tier 3 senior bond issuance by Athora Holding Ltd., partially offset by repayment of a €250 million Tier 3 bank loan and an increase in IFRS equity.

Borrowings

During the year, total borrowings increased by €374 million, primarily due to the Athora Holding Ltd. €600 million Tier 3 senior bond issuance, partially offset by repayment of the Athora Holding Ltd. €250 million Tier 3 senior bank loan. In February 2023, senior bank loans issued by Athora Holding Ltd. (€450 million) and Athora Europe Holding Ltd. (Bermuda) Ltd. (€150 million) were refinanced by a €600 million senior bank loan at Athora Holding Ltd. The transaction was refinanced at materially better terms, whilst having no impact on financial leverage. Further detail is set out in **note E7** to the financial statements.

Interest expense on borrowings increased to €112 million (2022: €93 million), driven by the higher borrowing base and a sharp increase in the EURIBOR rates during 2023, which was partially offset by refinancing of existing debt at favourable terms. Further detail is set out in **note C6** to the financial statements.

€m	2023	2022 Restated
Subordinated debt	992	985
Senior debt	1,274	907
Total borrowings	2,266	1,892
Financial leverage ratio ¹	25%	23%

¹ Refer to glossary for definition of inputs into ratio and the adjustments made to IFRS balance sheet line items as per Fitch Ratings methodology. As a result of these adjustments it is not possible to calculate the ratio by simply dividing total borrowings by IFRS equity as per the consolidated statement of financial position.

€m	2023	2022 Restated
Interest on subordinated debt	(46)	(55)
Interest on bank loans/ RCF	(66)	(38)
Total interest on borrowings ²	(112)	(93)

² In addition to interest on borrowings, the Group incurred interest expenses of €83 million (2022: €36 million) on various operating liabilities, such as repurchase agreements and lease liabilities, giving a total interest expense of €195 million (2022: €129 million).

Ratings

Fitch provides Insurer Financial Strength Ratings of Athora's subsidiaries (Athora Ireland, Athora Life Re and SRLEV) and Issuer Default Ratings of Athora Holding Ltd. (AHL) and Athora Netherlands. Additionally, AM Best provides ratings for Athora Life Re and Athora Ireland.

In September 2023, Fitch maintained the Insurer Financial Strength Ratings of Athora's rated Business Units at 'A'. The Issuer Default Ratings for Athora Holding Ltd. and Athora Netherlands N.V. were also held at 'A-'. All ratings are on Stable Outlook. Additionally, AM Best held the ratings of Athora Life Re and Athora Ireland stable at A-. The upgrade achieved by Athora in 2022 places us more comfortably within our 'A' range rating target.

Legal entity ratings	FITCH	AM BEST
Athora Holding Ltd. ¹	A-	NR
Athora Netherlands N.V. ¹	A-	NR
Athora Ireland plc ²	A	A-
Athora Life Re Ltd ²	A	A-
SRLEV N.V. ²	A	NR

¹ Issuer Default Rating.

² Insurer Financial Strength Rating.

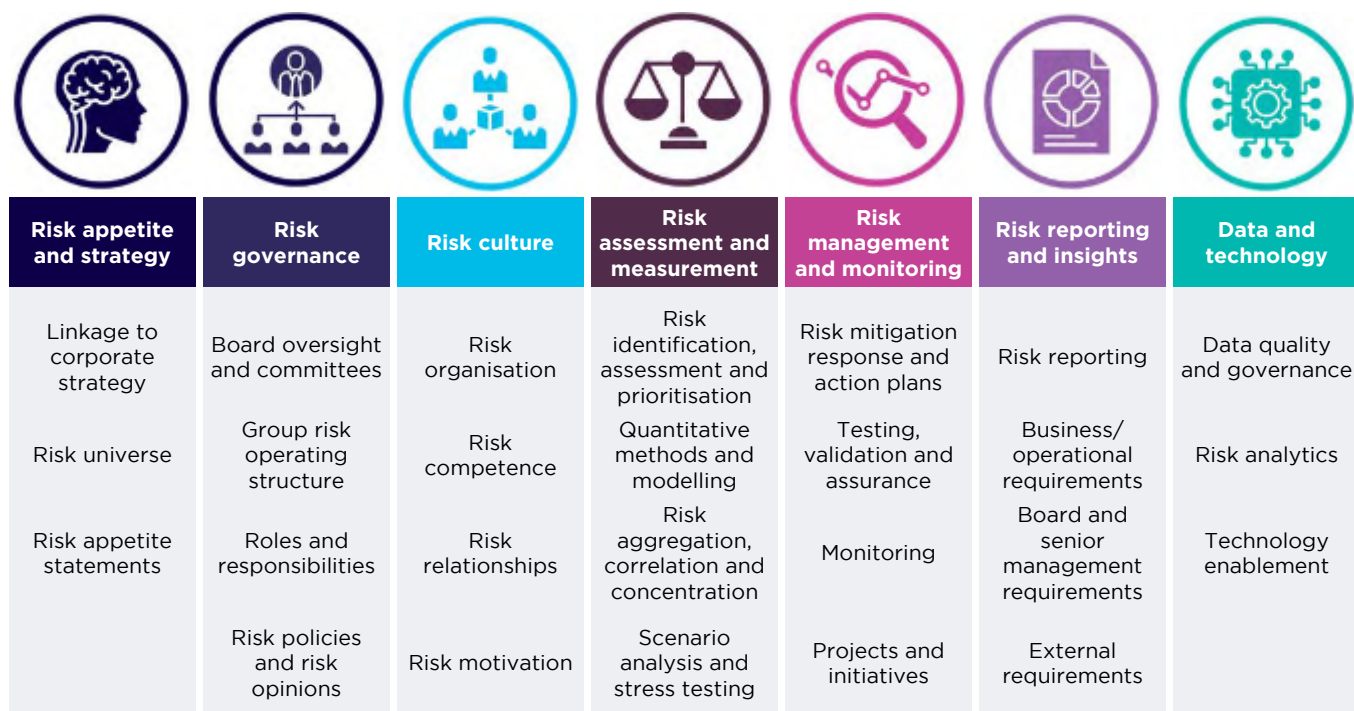
Risk management

Our risk appetite and risk strategy are integral parts of our business strategy and we manage all risks to ensure a good customer outcome.

Robust Risk Management is central to the success of Athora as a specialised European savings and retirement services group. As a key element of our business model, Risk Management is the responsibility of all Athora employees.

Enterprise Risk Management framework

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



Under the leadership of the Group Chief Risk Officer, the objective of Athora’s Risk Management framework is that each risk is assumed and managed deliberately, understanding the risk-reward trade off within our defined risk appetite and risk strategy. This ensures a clear and common understanding of the Group’s Risk Management system and enables employees to adhere to the principles and governance of the system.

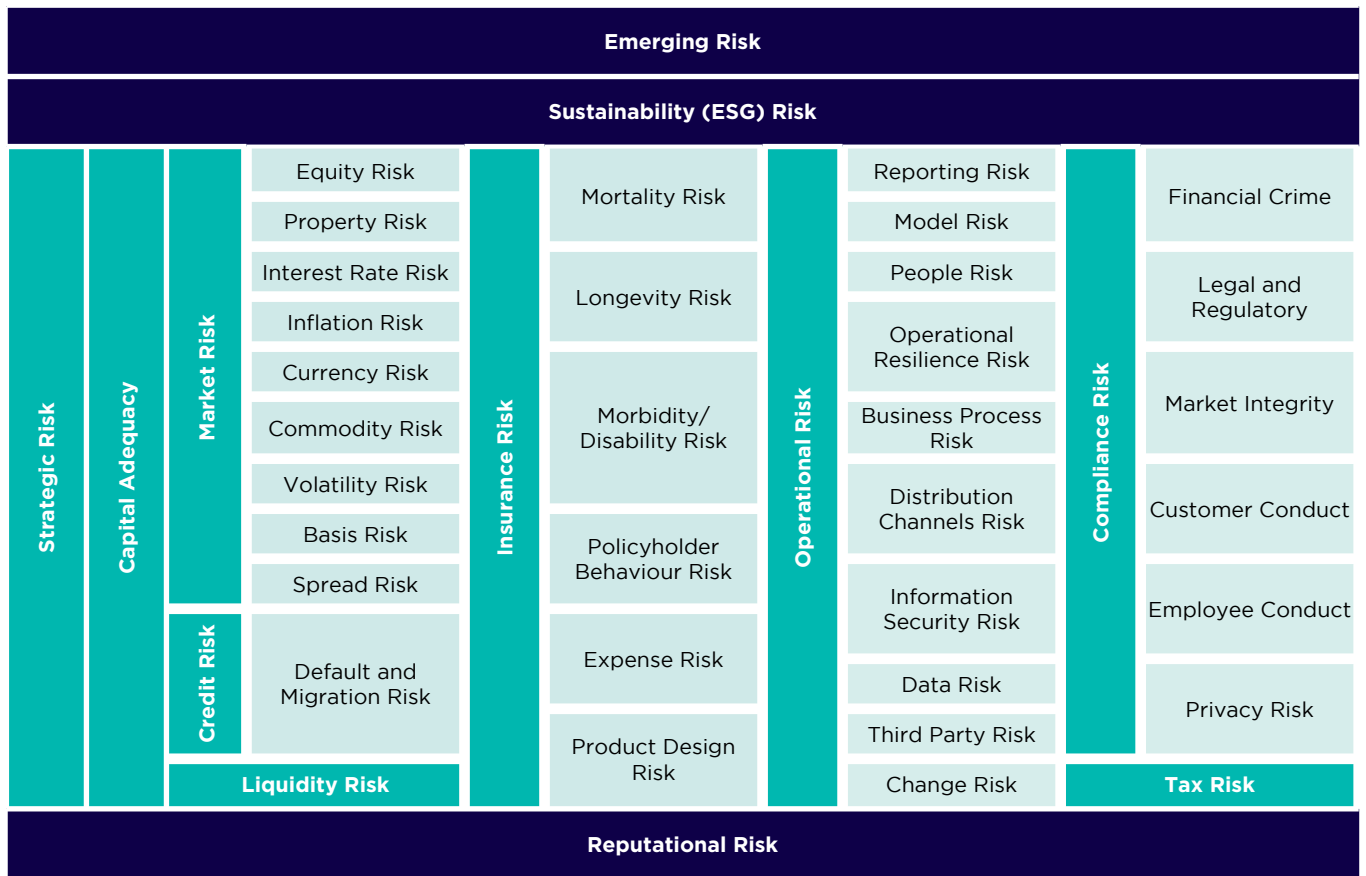
Risk appetite and strategy

Our risk appetite and risk strategy are integral parts of our business strategy and we manage all risks with the purpose of supporting the delivery of Athora's strategic pillars. They determine how we select the risks we can control, and from which we can extract value, in line with our mission.

Risk appetite and risk strategy are translated into specific policies and limits for the relevant risk types. Specific strategies apply for each risk type, but three fundamental principles apply generally:

Targeted Risk Selection	Skilled Risk Taking	Cohesive Risk Management
<ul style="list-style-type: none"> We take on long-dated life insurance liabilities in European markets where these can be managed within risk appetite and provide a risk-adjusted return in line with strategy. Asset selection for return seeking investments is determined by Athora's access and opportunity to capture appropriate risk-adjusted returns. Risks outside of risk appetite are pro-actively mitigated or traded out; short-term unrewarded risk taking is discouraged. This includes having an efficient process in place to identify emerging issues and risks. 	<ul style="list-style-type: none"> Active Risk Management is a core competency of Athora that helps promote confidence in our stakeholders (including the Board, customers, supervisors, shareholders, and rating agencies). Athora ensures the level of capital held in the balance sheet is compatible with the risks taken and that the business operates efficient capital structures. Athora only takes risks for which the appropriate skills, capabilities and resources exist in the organisation to manage the risks. We measure risk on a timely and reliable basis, to achieve a predictable risk profile, and promote conscious trade-offs between risk, reward, and cost. 	<ul style="list-style-type: none"> Risk is managed consistently across all the business with the aggregated risk ultimately owned at the Group level. Risk appetite is clearly articulated for all risk categories and is managed to ensure the business operates within the established risk appetite through monitoring and controls as well as overall compliance with risk policies. The <i>three lines of defence</i> model is employed with all lines clear on their roles and working together effectively to manage the risk. The common underlying economic own view of the risk is used to measure the available and required risk capital across the business.

Athora’s risk universe is a comprehensive set of risk categories and subcategories, as illustrated in the table below. All our businesses use a consistent approach to facilitate a common understanding of risk, risk aggregation and reporting.



We use risk appetite statements to indicate our appetite for certain risks. These are set at Group level to manage the aggregated residual risk profile across the Group. At an overall level, our risk preference can be categorised using three levels:

- **risk seeking:** actively seek and manage exposure to risks that are core to our purpose and strategy as a business. These risks are typically considered to be risk rewarding and for which we have a competitive advantage.
- **risk acceptance:** accept and manage exposure to risks that are core to our purpose and strategy as a business. The residual risk is reduced through risk mitigation. These are typically risks for which there is some upside with appropriate management of the risk or where eliminating the downside is uneconomical or impractical.
- **risk avoidance:** actively avoid exposure to risks which are outside of our business model and for which there is no or low appetite. We will take reasonable steps to avoid taking the risk or, where practical, to tightly limit the exposure to this risk, ensuring strong processes are in place to reduce the likelihood and impact of risks arising. These are typically risks for which there is no or limited upside.

Risk type	Risk definition	Risk preferences
Strategic risk	Risk of deviations from the envisaged strategy and/or changes in either the external environment or business context requiring changes in the business model.	Risk Acceptance
Capital Adequacy risk	Risk that Athora will not maintain a robust capital position to provide all key stakeholders with the confidence that it will meet its financial and non-financial obligations.	Risk Avoidance
Market risk	Risk of loss or adverse change in the financial situation resulting (directly or indirectly) from fluctuations in the level and volatility of market prices of assets, liabilities and financial instruments.	Risk Seeking/ Risk Avoidance/ Risk Acceptance ¹
Credit risk	Risk of loss resulting from an obligor's potential inability or unwillingness to fully meet its contractual obligations to Athora.	Risk Seeking
Liquidity risk	Risk that an entity has insufficient cash, other liquid resources or management actions to meet obligations when they fall due.	Risk Avoidance
Insurance risk	Insurance risk is comprised of underwriting and reserving risk. Underwriting risk is the risk of incurring financial losses from assumptions deviating from expectation (where assumptions include mortality, longevity, morbidity, policyholder behaviour and expense) and reserving risk is the risk of misestimation or lack of control surrounding reserving activities.	Risk Acceptance
Operational risk	Risk of loss resulting from external events or from inadequate or failed internal processes, people and systems.	Risk Acceptance/ Risk Avoidance
Compliance risk	Risk of legal or regulatory sanctions, material financial loss or loss to reputation Athora may suffer as a result of its failure to comply with the laws, regulations, rules and codes of conduct applicable to its business activities.	Risk Avoidance
Tax risk	Risk of incurring unplanned and/or unexpected tax liabilities, for instance, as a result of changes in practice or interpretation; or incorrect tax advice.	Risk Avoidance
Sustainability (ESG) risk	Risk of ESG events or developments, which may, if not managed, have significant negative impacts on the assets, financial and earnings situations, or reputation of an entity.	Risk Avoidance
Reputational risk	Reputational risk occurs when a stakeholder's experience of Athora falls short of, or is misaligned with, their expectation and thus undermines trust and confidence in Athora.	Risk Avoidance
Emerging risk	Emerging risk is a newly developing or changing risk which is perceived to have a potential significant impact on Athora's financial strength, competitive position or reputation. Emerging Risks may not be yet fully understood or accounted for in traditional ways (e.g. terms and conditions, pricing, reserving or capital setting).	No collective risk appetite set as emerging risks will vary over time.

We set out qualitative risk appetite statements internally for each risk in the risk universe to provide direction as to how the risk appetite statement indicator is to be interpreted. We also use a quantitative risk appetite dashboard to monitor key risk metrics, across financial and other dimensions of the business. We report on these qualitative and quantitative dashboards quarterly to the Group Board Risk Committee.

¹ Some market risks are actively sought (equity risk and property risk), while others are actively avoided (currency risk and inflation risk). Some specific market risks can be tolerated (interest rate risk and spread risk).

Risk governance

Athora governs risk through:

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

The Chief Risk Officer reports to the Board Risk Committee.

The assignment of responsibility to key stakeholders across the Group is guided by the following risk governance principles:

- risk can be allocated by category, such as: strategic, market, credit, liquidity, etc.;
- executive owners of each risk category are identified and are responsible for the aggregated view of that risk;
- structure and processes ensure that risks are managed within pre-defined appetite;
- management includes delegation of authority to take risks and consideration of the risk-reward balance;
- each risk category has an appropriate management forum; and
- Risk Management services may be outsourced to third parties, but responsibility for Risk Management cannot be outsourced.

We have implemented a *three lines of defence* risk governance model to ensure that risks are clearly identified, owned and managed.

The Risk Management function together with specialist functions such as Compliance and Actuarial, develop and operate methodologies to identify, manage and mitigate designated types of risks. The Risk Management function monitors overall risks, including specific risk types, and escalates, through the system of governance, any such risks that may exceed Athora's risk appetite. The Risk Management system is embedded in decision making across the business, including for capital, insurance, reinsurance and investment management.

Within the Athora Group at legal entity level, Risk Management functions/owners exist with resourcing responsibilities and governance structures tailored to each entity. The business has clear ownership of risk-taking/risk-avoidance decisions, and reports to the Group on appetite, decisions and outcomes.

Risk culture

Risk culture is the set of values, behaviours and subsequent actions that shape our collective approach to managing risk and making decisions.

The following critical and reinforcing elements describe the strong risk culture which we seek to have in Athora:

- a clear and well-communicated risk strategy;
- collaboration and information sharing;
- rapid and "no blame" escalation of threats or concerns;
- constructive challenge of actions and preconceptions at all levels;
- visible and consistent role modelling by senior leaders and managers; and
- incentives which encourage people to "do the right thing" in the long-term interest of the whole business.

Our Risk Culture Framework sets out our sustainable approach to Risk Culture which aligns to Athora's broader culture, values and behaviours.

Our Code of Conduct embodies our values and guides our behaviours, actions and decisions to ensure we carry out our business in a way that is right for all our colleagues, stakeholders and customers.

Risk assessment and measurement

We maintain activities that allow us to identify, assess, and quantify known and emerging risks. These processes allow us to consider the extent to which potential events may have an impact on the achievement of our objectives. Athora uses both qualitative and quantitative approaches, processes and tools to identify, assess and measure risk, and determine the appropriate capital requirements.

Risk management and monitoring

We apply and embed a coordinated series of processes and tools across Risk Management and assurance activities to test effectiveness and validate controls and mitigation activities. Monitoring of risks comprises both ongoing monitoring activities and separate evaluations. Group Risk Management provides guidance on quarterly monitoring in line with the risk strategy and appetite, and risk tolerances and limits, set out in risk policies.

Consistent monitoring across the Group allows for aggregation and active monitoring of risks at Group level:

- control testing—a key component of the internal control framework;
- model validation activities—includes independent validation of key models and assumptions;

- validation of material external data;
- independent review and oversight of outsourcing due diligence processes; and
- reporting of risks to the Board and relevant committees.

Risk reporting and insights

The Management and Board Committees are part of Athora's overall governance framework for ensuring appropriate reporting and escalation of risk to the Board.

Regulatory reports such as the Bermuda Monetary Authority (BMA) required Commercial Insurer's Solvency Self-Assessment (CISSA)/ Group Solvency Self Assessment (GSSA) and Approved Actuary Report and Opinion and the Solvency II required Own Risk Self Assessment (ORSA) and Actuarial Function Holder Report, also provide relevant information to the Board, its Committees and to Management to ensure risks are being managed and escalated appropriately. These reports also play an important role in supporting strategic decision making and strategy development.

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

Data and technology

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

Internal control framework

The Board has established a principles-led internal control framework (ICF) for the Group. This is designed to support Athora in executing robust and effective controls over its risk exposures, while supporting strategic decision making.

The ICF continues to evolve and be embedded across the Group in a consistent way which enables us to:

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

Continuous development

Our approach to Risk Management is constantly evolving. The Group Chief Risk Officer is responsible for developing the Risk Management framework and ICF to ensure that Risk Management remains effective.

During 2023, we focused on enhancing our risk reporting to Management and the Board and on our risk tooling strategy for financial and operational risk information, as well as developing risk culture training for employees.

Changes in the risk environment

Global economic background

Over the past year, the global economy has experienced turbulence with persistent inflation, rising interest rates, tight labour markets and geopolitical shocks creating uncertainty.

Central banks around the world raised interest rates in 2023 trying to contain inflation, while attempting to balance this with a need to maintain growth and avoid a recession.

In March 2023, Silicon Valley Bank collapsed suddenly. This was the third largest bank failure in US history and sparked concerns among customers and investors regarding the financial health of other institutions. This was evidenced by other failures in the banking system such as Credit Suisse. However, systemic failure was avoided.

In the latter part of 2023, the year-on-year inflation change metrics began to slow. This prompted central banks to pause on further rate rises and provide commentary on the potential speed and number of interest rates cuts to come in 2024.

Athora's investment positioning and solid underwriting performance has helped to navigate through these challenging market conditions without material adverse impacts on our investments. Overall, the performance of the investment portfolio has remained robust, a reflection of the strong credit fundamentals of the underlying positions, the resilience of the credit profile and the continued adherence to the Prudent Person Principle in the risk-taking process.

Regulatory solvency requirements

Athora operates in multiple jurisdictions in Europe and Bermuda and is therefore subject to different capital regimes. The regulatory frameworks in Bermuda (BSCR) and in Europe (Solvency II) are both currently under review with changes expected to come into effect in 2024

and 2026, respectively. The changes are likely to have an impact on the balance sheets of the Athora entities. Athora entities are currently proactively assessing the operational and financial implications of the anticipated changes and preparing accordingly.

Athora has been designated as an Internationally Active Insurance Group (IAIG). The integration of the Common Framework for IAIGs (ComFrame) established by the International Association of Insurance Supervisors (IAIS) into Bermuda's supervisory framework is subject to the publication of applicable rules by the BMA. Once effective, it will require Athora to comply with, amongst others, the Insurance Capital Standards (ICS), a risk capital framework that applies to all IAIGs coming into force from year end 2024. Athora is closely monitoring developments of the ICS framework as more details on the capital regime and application requirements become available.

Cyber risk

We continued to see an increase in the volume and sophistication of cyber attacks throughout 2023. Much of this was driven by the impact of Artificial Intelligence capabilities maturing globally. Athora will continue to focus on perimeter protection, ensuring the hybrid working structures are incorporated in this. We increased our focus on crisis management testing for our senior leaders and will continue to build on this throughout 2024. Operational resiliency will be another key area of focus for the teams during 2024, ensuring we improve the testing and enhancement of our capabilities should an incident occur. It is expected that an increased number of attacks (failed and successful) will occur globally.

Principal risks and uncertainties

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

			
Grow	Optimise	Earn	Operate
Sustainable growth	Proactive capital and Risk Management	Strong and stable investment returns	Competitive costs and service levels

Strategic risk

A strategic risk is the risk that an event impacts our ability to achieve our overarching strategy and core business priorities. In line with our Strategic Pillars, this includes any risk impacting our ability to achieve sustainable growth, maintain effective capital management, drive strong and stable investment returns and operate efficiently and competitively.

Strategic priorities

Mitigation



Optimise



Grow

Our strategic planning process has been designed to ensure we can effectively identify and manage strategic risks should they arise. As a part of this process, we have articulated strategic priorities that outline our key business activities in line with our strategy, as well as their associated short-term and medium-term targets. Athora has actively embedded ongoing monitoring processes to ensure we have a clear understanding of our progress against these priorities and can identify and mitigate where we may be off track.

Capital Adequacy risk

Capital is managed in a proactive and prudent way to ensure that Athora can meet its long-term obligations through the robust capitalisation of Athora Group and all the Life Companies.

Strategic priorities

Mitigation



Optimise



Grow






Operate

This risk is managed through the robust capitalisation of Athora Group and of all its Life Companies, and the central management of financial resources to be able to support Life Companies in stress or opportunity, i.e. ensure that capital is not considered a scarce resource. Athora allocates capital across risks and businesses in a way that aligns with its specific risk and strategic preferences while ensuring appropriate risk-return trade-offs. Athora also maintains a financial profile consistent with an 'A' range rating.



Market risk

Athora aims to limit balance sheet volatility from market risks while pursuing returns for all stakeholders from attractive investments. Athora has low risk appetite for interest rate, currency, inflation and public equity risks, whilst maintaining a higher risk tolerance for spread risk (as detailed in the credit risk section), private equity and property risks.

Strategic priorities	Mitigation
 Optimise	Athora ensures that investment activity and the resulting market risk exposure is managed to provide long-term sustainable returns whilst operating within accounting, solvency and liquidity constraints. Athora actively manages exposure to market risks with the Group’s Asset and Liability Management (ALM) risk policy which is implemented locally by the business units. The business units define thresholds for interest rate, spread and currency risk according to the risk metrics and scenarios defined in the policy. Such scenarios include standalone stresses for each market risk, such as interest rate, spread, currency risk, as well as multi-risk scenarios calibrated to account for diversification benefits allocated to each risk upon aggregation. Exposures are identified, actively monitored and reported to Group. Any risk-limit breaches are escalated to the appropriate governance bodies for remedy and mitigation.
 Earn	
 Operate	

Credit risk

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

Strategic priorities	Mitigation
 Optimise	Athora ensures that investment activity and the resulting credit risk is managed to provide long-term value creation for our policyholders and stakeholders, whilst complying with the Solvency II and Bermuda regulatory requirements, including the Prudent Person Principle frameworks, our risk appetite, strategy and internal financial risk policies. In this context, each investment is selected based on its fitness within the strategic asset allocation, a tailored risk-return analysis and a comprehensive underwriting criteria review process. Investable assets are described in Athora’s Investment Universe, with associated expected risk profiles and characteristics. According to our Investment Governance and Oversight policy, only assets that are Board-approved per the Athora Investment Universe are permitted. Credit concentration risk and counterparty risk are managed via our Credit Concentration and Counterparty Risk policy. Additionally, we form our own credit risk view via an internal credit assessment process for a selected set of private credit investments based on a validated internal methodology. We test risk-adjusted return appropriateness against regulatory and economic capital consumptions. This process further enhances Athora’s capabilities to monitor and manage risks associated with credit investments.
 Earn	

Liquidity risk

Liquidity risk is managed prudently to ensure that, at all times, Athora can meet its obligations as they fall due. 2023 saw continued volatility in interest rates creating challenges for a number of financial market participants. Athora was able to navigate the higher interest rate environment as a result of its prudent Risk Management strategy and holdings of liquid assets, in line with the Group Liquidity Risk policy. During 2024, further enhancements of the liquidity Risk Management framework are planned to support the Group with its ambitious growth plans.

Strategic priorities

Mitigation



Optimise



Grow



Operate

We have a comprehensive liquidity management framework that ensures that a sufficient liquidity buffer is maintained to enable liquidity demands to be met, even in times of stressed market conditions. The business units identify and quantify stressed liquidity requirements in line with the Group's liquidity risk policy, which is then reported and monitored. There are regular meetings at the business unit and Group level to monitor, discuss and identify liquidity risks on a forward-looking basis.

Insurance risk

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

Strategic priorities

Mitigation



Optimise



Grow

Athora assesses, monitors and controls underwriting risks to be able to adequately price and reserve for such uncertainty, and to anticipate any potential future adverse deviations. This is based on several methods including:

- regular experience investigations using actuarial professional practices and available internal data, complemented by external data such as industry analysis and benchmarking reports;
- regular reporting on the performance of key underwriting risks, including sensitivity analysis and stress & scenario testing. The evolution of these risks is monitored in case of changes in macroeconomic conditions, regulation, competitor activity or socio-economic trends; and
- implementing solutions to manage or transfer such risks, where appropriate (e.g., reinsurance arrangements).

Operational risk

Given the size and complexity of the business, Athora is exposed to operational risk which is mitigated through our people and the controls, processes and systems we have in place.

Strategic priorities

Mitigation



Optimise



Operate

We continue to embed a system of internal controls to mitigate the risk of unanticipated financial loss or damage to our reputation. This is enhanced through investment in our system capabilities and business processes to ensure that we meet the expectations of our customers; comply with regulatory, legal and financial reporting requirements; and mitigate the risks of loss or reputational damage from risk events. Any risks with a material potential impact are monitored on a regular basis with action taken to remediate as required.

Compliance risk

The primary compliance challenge for financial institutions is the quickly evolving regulatory landscape and the pace of change, at both the EU and the national level, across a broad range of regulatory topics. Compliance with new or evolving requirements presents operational challenges for the business given the effort to assess the impact of evolving regulation, implement the necessary controls and processes in response, document these controls and processes, and then test the effectiveness of new controls, all within a limited time-frame.

Strategic priorities

Mitigation



Optimise

In 2023, Group Compliance selected a new regulatory horizon scanning application to provide support in tracking new laws and regulations and provide case management capabilities to assist in implementation. The tool will reduce operational inefficiencies and ensure comprehensive coverage for our business units. It will be fully operational in 2024.

Group Compliance continued its work, through the Compliance Obligations Working Group, to track and monitor our businesses compliance with core legal obligations. The Working Group supports the development of control objectives for key activities, as well as supporting implementation efforts. Group Compliance also provides training for employees to ensure that the right level of awareness and understanding is reached. A similar Working Group was established to focus on ESG-related laws and regulations and the sharing of information across business units. Group Compliance also acts in an advisory capacity to regulatory projects being rolled out to support the embedding of new requirements.



Operate

Group Compliance further enhanced its control framework across the Group by producing a maturity assessment to analyse the maturity of each of its business units. Training programmes in the areas of privacy and financial crime were also updated and additional enhancements were made to our conflict of interest and gift and entertainment processes.

Finally, Group Compliance supported the development of a new Group Code of Conduct which sets the standard for communicating the expected behaviours.

Emerging risk

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

Strategic priorities

Mitigation



Optimise

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



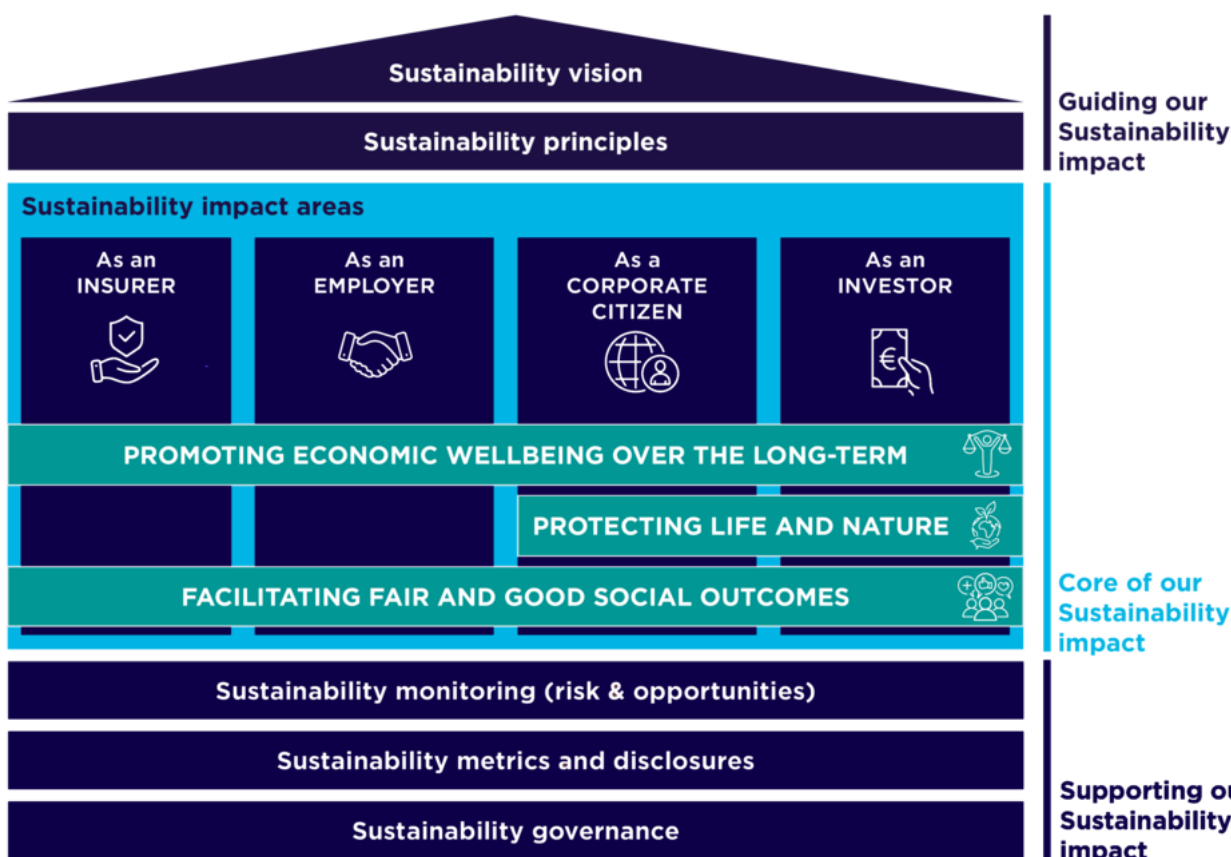
Operate

Sustainability

The core of our sustainability strategy focuses on key impact areas at the intersection of our business activities and our defined sustainability themes.

Sustainability strategy

In 2023, we continued to implement our sustainability strategy, which is published on our website and illustrated below. The core of our sustainability strategy focuses on key impact areas at the intersection of our business activities and our defined sustainability themes. These impact areas are guided by our sustainability vision and principles, and supported by appropriate monitoring, metrics, disclosures and governance.



In 2023, we continued to evolve our sustainability disclosures in our Sustainability Report, where we reported in reference to international frameworks such as the Global Reporting Initiative (GRI), the Sustainability Accounting Standards Board (SASB) and the Task Force on Climate-Related Financial Disclosures (TCFD). We are committed to advancing our Sustainability activities and disclosing our progress through our annual sustainability report and other channels.

This section provides an overview of some of our 2023 activities. We refer to our standalone annual sustainability report that will be published in due course for further detail on each of these areas.

Our role as an insurer



“We place the customer at the heart of everything we do.”

Providing products and services that meet the needs of our clients

2023 was a successful year for delivering attractive returns on our guaranteed products, across each jurisdiction. Of note, the annuity offerings of Athora Netherlands consistently placed in the top-3 by rate, during the year, while Athora Belgium launched improved a Branch 21 guaranteed product, with leading rates in October 2023. In Germany, Athora Lebensversicherung AG confirmed a stable 2024 profit participation on its life insurance policies for the fourth consecutive year, offering a total rate of 4.0%. This compares to the current market average of less than 2.2% in 2023. Lastly, Athora Italia declared a 2023 gross yield of 4.13% on the Athora Risparmio Protect segregated fund, amongst the best in the market.

To complement our guaranteed products, Athora Netherlands, Athora Belgium and Athora Italia offer a range of unit-linked solutions, a significant proportion of which are backed by sustainable funds. In the Netherlands, 90% of funds offered to our unit-linked customers are categorised as either Article 8 or Article 9 in accordance with the Sustainable Finance Disclosures Regulation (SFDR). This corresponds to 98% of actual unit-linked AuMA. Similarly, in Belgium, 80% of funds offered to unit-linked customers are categorised as Article 8 or Article 9. This is equivalent to over 83% of unit-linked AuMA. In Italy, we introduced an Article 8 compliant internal fund in a hybrid product in 2023.

Placing the customer at the centre of everything we do

Customers are at the heart of Athora's operations, and we continue to take a detailed approach to monitoring customer satisfaction across our BUs. During 2023, our Net Promoter Score (NPS) developed strongly year-on-year in Belgium, while the Delighted Customer Score metric also remained resilient in the Netherlands. In Italy, our level of customer complaints has remained contained amidst a change in distribution footprint and complaints also remain at very low levels in our German closed portfolio. Looking forward to 2024, we intend to further strengthen our customer satisfaction outcomes via product, distribution and operations-related initiatives across our markets

Employing responsible marketing

We believe that clear and transparent marketing and communication with customers is key, in particular given the potential complexity of products within the insurance industry. We are committed to ensuring that our communications are timely, accurate, relevant and easy to understand.

Respecting data privacy

We recognise our data protection obligations and are committed to remain compliant with the General Data Protection Regulation (GDPR). To ensure that we effectively protect personal data, we have a Group Data Privacy, Retention and Deletion policy in place.

Our role as an employer

Improving our culture

Athora's commitment to a diverse, ethical and engaged culture made progress in 2023 with changes in senior management and a streamlining of the Group organisational structure to optimise decision-making accountability.

The People & Culture team have developed a rigorous cultural fit assessment stage in the hiring process, including a detailed psychometric analysis, to ensure new hires are assessed for behaviour and values, particularly for leadership roles.

2024 continues this focus with a comprehensive Performance Management Programme to launch in the second part of the year to ensure performance is closely managed and measured, with specific criteria around how employees operate in their role, namely communication, behaviours and conflict resolution, as well as professional skills and competencies.

Monitoring employee engagement

The annual engagement survey will be conducted in June 2024 to coincide with year end performance reviews, reporting and results collation.

Historically, engagement surveys were conducted in the fourth quarter, but given the change in cycle to June from 2024 onwards, a lighter 'pulse check' survey was held in November 2023 to monitor employee perceptions, also noting changes in leadership throughout the year. A positive response was recorded, indicating that recent changes are having a positive impact on culture.

Living Athora Values Awards (LAVA)

Employee recognition is a key pillar of our culture framework and this year's LAVA ceremony saw a record number of employees recognised as role models of Athora's values.

Sponsored by leadership, this is the fourth year of the employee recognition programme, and included winners from across the Group sites, including Bermuda, Dublin and London.

Training on risk culture and behavioural change

Two key training programmes were deployed in 2023, one focused on risk culture and the other on values and behaviours.

Risk culture training comprised of a comprehensive online course with a formal

assessment to ensure that employees are able to define and make decisions on potential organisational risks, as well as being able to identify appropriate escalation and resolution outcomes. This had a 100% completion rate within twelve weeks.

Additionally, values and behaviours training was held across corporate centre locations at the end of 2023 and in early 2024. This saw very strong in-person attendance. This training was provided by an external provider experienced in dealing with behavioural change, with a focus on interactive discussions to clearly outline the behavioural standards expected of Athora's employees.

Promoting inclusion, diversity and equality (IDE)



Athora's IDE programmes continued to expand in membership and visibility in 2023.

The Athora Women's Inclusion Network (AWIN), established in 2022, has strong local chapters in Dublin, London, Bermuda and Germany. Chapters host regular events, such as International Women's Day which is observed in March annually. AWIN aims to promote professional development, advocate for gender equality and deepen educational awareness of gender related topics.

The Athora Pride Network promotes inclusion particularly in relation to sexual orientation, gender identity and gender expression. The network provides a support group and raises awareness about LGBTQ+ issues, whilst promoting professional development amongst this employee cohort.

Recognition

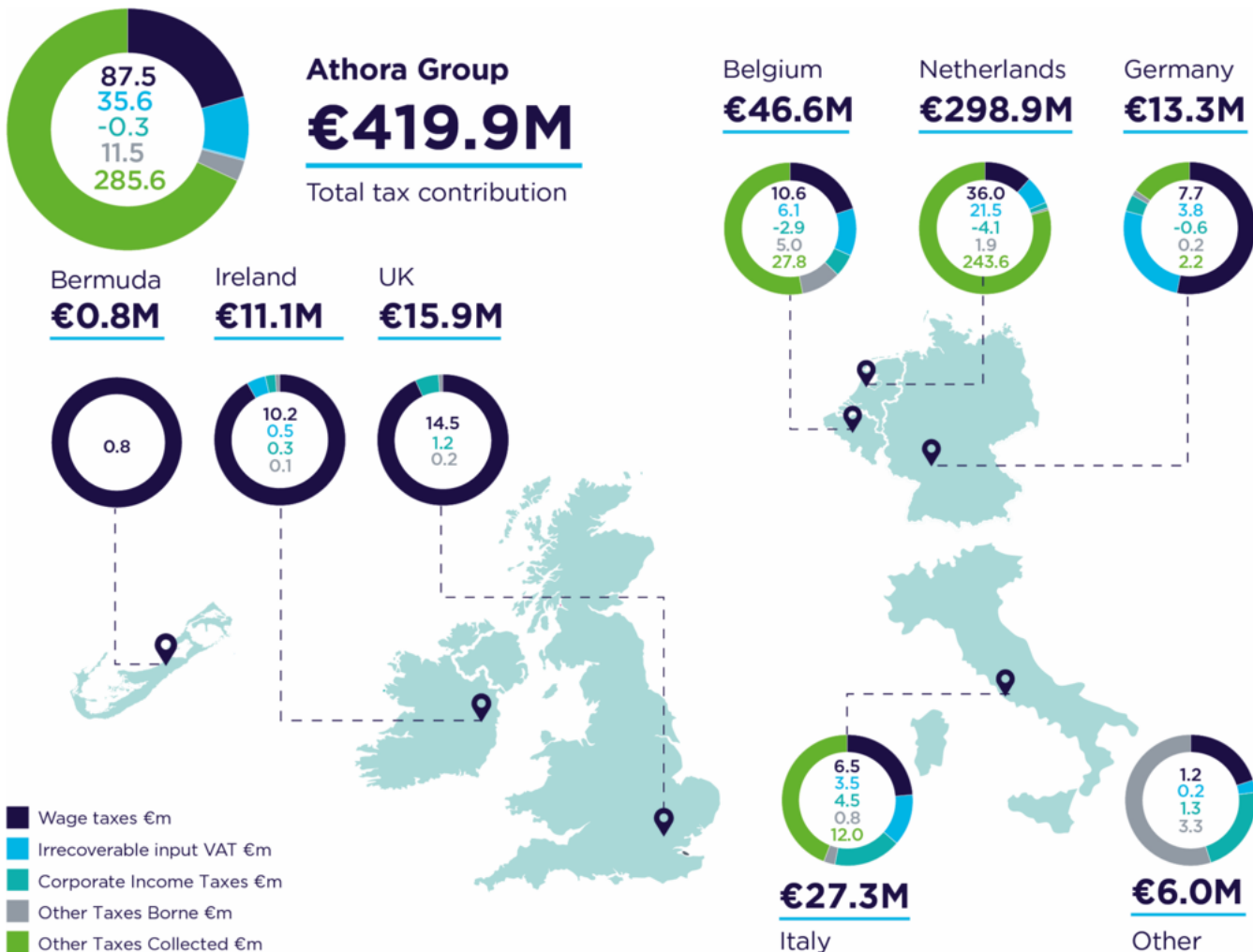
In 2023, Athora Netherlands received the Top Employer certificate for the second year in a row. This international certificate is awarded to employers with excellent human resources policies.

Our role as a corporate citizen

Adhering to a transparent approach to tax

At Athora, we understand that stakeholders are best served, and their long-term interests are best protected, when companies pay the appropriate amount of tax aligned to where they have substantive business operations. We pay tax where our profits are originated, and tax decisions taken by the Group follow the appropriate tax legislation and guidance, where available.

In 2023, our total tax contribution, company-wide and by jurisdiction, amounted to €419.9 million (2022: €455.3 million) as illustrated below.



The total tax contribution of €419.9 million can be dissected into total taxes borne of €65.3 million and total taxes collected of €354.6 million.

Supporting our communities

We are committed to making a difference to the communities in which we operate. In 2023, we rolled out our Charitable Efforts Guidelines across the Group, which guide our charitable activities and encourage employees to get involved in volunteering and fundraising efforts. Our approach aims to support those in need and to address societal needs.

In 2023, we donated €0.2 million to charitable organisations across our jurisdictions supporting causes such as food poverty, women's safety, children's welfare, mental health, cancer care and research, and humanitarian aid relief.

Limiting our environmental impact

Looking at our own business operations, we have continued to develop our Group-wide approach to measuring the carbon footprint from our own operations, including the implementation of a Group-wide carbon capture system.

We have also continued to implement solutions to reduce our carbon footprint through waste recycling, donation of end-of-life electronics to charities, reducing water and energy consumption through installation of motion sensors and continuing our hybrid working model.

In 2023, we moved into new offices in London and Amsterdam. In assessing new spaces, we considered the sustainability characteristics of the buildings – including smart heating, recycling and options to commute to the office using a low-carbon mode (e.g. cycling). Our new office in Amsterdam is located in one of the most sustainable office buildings in Europe, with the highest sustainability scores from the WELL Building Standard.

Maintaining high standards of governance and compliance

We believe in maintaining high standards of governance, transparency and good relationships with our supervisors. We continue to monitor the regulatory and policy developments relevant to our business and work to remain compliant with these. Additionally, we continue to hold periodic Supervisory College meetings with all our principal insurance supervisors. Further details can be found in the corporate governance section of this report.

Our role as an investor

Developing our sustainable investment approach

With €73.3 billion of AuMA as at 31 December 2023, we recognise that we have the ability and responsibility to foster positive change through our investment portfolio.

We have continued to develop our approach to sustainable investments, which we launched in 2022 with the following four core pillars:

Integration: taking into account sustainability considerations in our investment analysis and decision-making process.

Alignment: avoiding exposures to certain sectors or activities identified as causing significant harm from an environmental, social and governance (ESG) perspective.

Engagement: working with asset managers to influence investee companies to adopt sustainable behaviour.

Impact/Sustainability: aiming to direct investments to companies and projects exhibiting positive externalities.

Investing directly into the economy

Of our €73.3 billion AuMA, €16.9 billion is invested directly into the economy through private loans, mortgages and private equity investments. By dedicating a significant proportion of our portfolio to direct investments, we aim to support individuals and companies which may not have access to public funding.

Industry recognition

In 2023, Athora Netherlands (which is Athora's largest business unit accounting for 70% of AuMA) once again achieved the first place in the benchmark 'Responsible Investment by Insurers in the Netherlands' by the Dutch Association of Investors for Sustainable Development (VBDO). The benchmark compares Dutch insurers' sustainable investment practices across governance, policy, implementation and transparency.

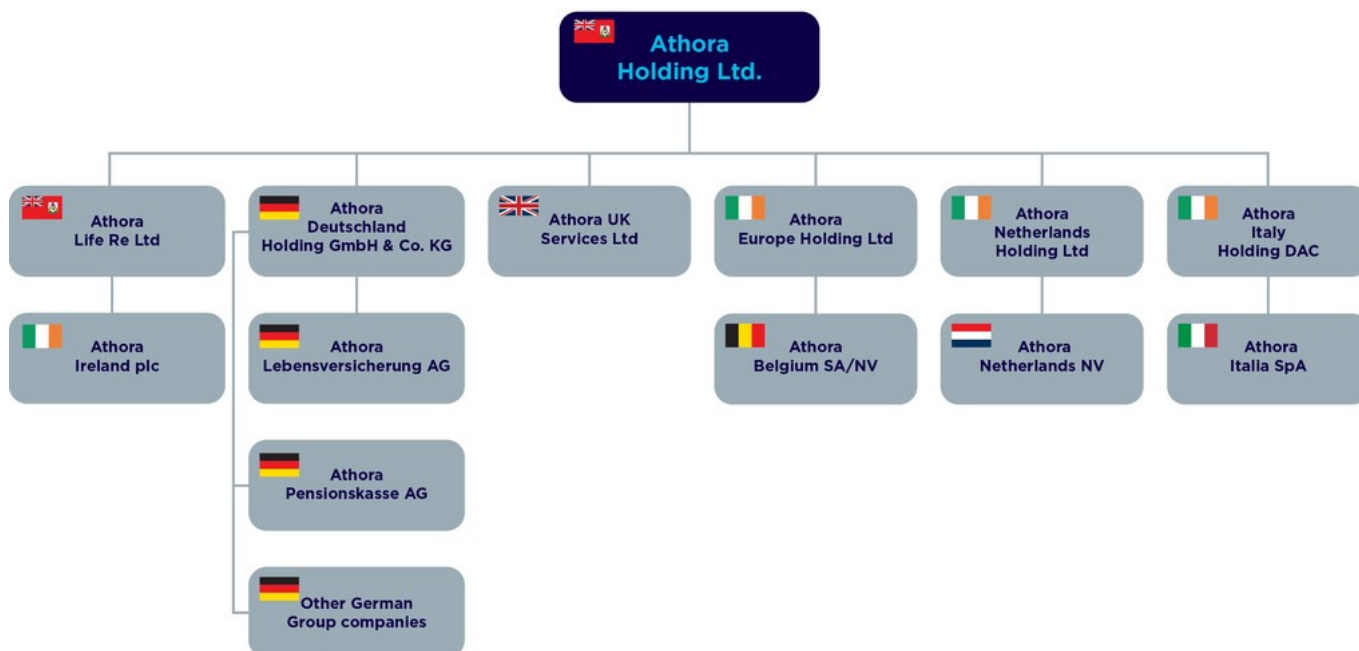
Corporate governance

Athora's corporate structure supports its operations in an efficient manner and with a heavy emphasis on governance.

Athora corporate structure

Simplified corporate structure

As at 31 December 2023



The ultimate holding company of the Athora group of companies is Athora Holding Ltd., a company limited by shares domiciled in Bermuda, whose principal activity is the holding of investments in subsidiaries. Athora is subject to insurance group supervision by the Bermuda Monetary Authority (BMA).

Our shareholders

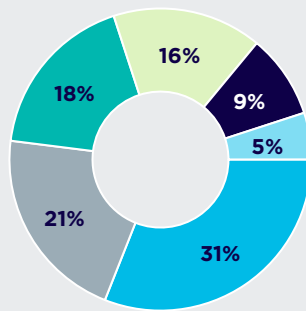
Athora is privately owned by a diverse group of global investors that have taken a long-term approach to their investment in Athora and have committed c.€6.75 billion of equity capital. Our investor base comprises pension funds, sovereign wealth funds, family offices and financial services companies.

Key minority shareholders

Apollo Global Management, Inc. (Apollo), Athene Holding Ltd. (Athene), which is part of the Apollo group, and the Abu Dhabi Investment Authority (ADIA) are key minority shareholders in Athora.

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

Distribution by shareholder type As at 31 December 2023



Relationship with Athene, Apollo and ADIA

Athene

Athene Holding Ltd. (together with its subsidiaries, Athene) is a leading retirement services company that issues, reinsures and acquires retirement savings products designed for the increasing number of individuals and institutions seeking to fund retirement needs.

Athene was a co-founder of Athora together with Apollo. Athora was a subsidiary of Athene until 1 January 2018, when Athene deconsolidated Athora through a private offering of equity securities. Athene retains a minority interest in Athora and has one member on Athora's Board.

On 1 January 2022, Athene merged into a wholly-owned subsidiary of Apollo Global Management, Inc. As a result of the merger, Athene became a wholly-owned subsidiary of Apollo Global Management, Inc. and one of its principal subsidiaries.

The strategic relationship with Athene provides Athora with expertise and insight of an experienced management team to support the creation of a successful insurance group tailored to the specific market requirements in Europe.

Apollo

Apollo Global Management (together with its subsidiaries) is a global alternative asset manager. Apollo had assets under management of approximately \$651 billion as at 31 December 2023. Apollo is listed on the New York Stock Exchange under the ticker APO.

As co-founder of Athora, Apollo retains a strategic relationship with Athora. Apollo provides Athora with specific asset management and specialised investment expertise through its subsidiary, Apollo Asset Management Europe LLP, that includes duration matching strategies to evaluate, source and manage investments originated by Apollo.

Apollo also provides advisory services that include advice on direct investment management, asset allocation, asset due diligence, mergers and acquisitions, operational support services (such as investment compliance, tax, legal and risk management) and identifying and capitalising on acquisition opportunities to grow the Athora business.

Apollo, including Athene, has five members on Athora's Board and a 24.57% economic interest in the equity share capital of Athora as at 31 December 2023. The strategic relationship with Apollo is expected to continue for the foreseeable future.

ADIA

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

Further details of the Group's transactions with key minority shareholders are set out in **note 13** to the financial statements.

Governance structure

Board and committee structure

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

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

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



The purpose of each committee

Audit Committee: Oversight and monitoring of the integrity of the consolidated financial statements and financial and accounting processes; monitoring compliance with audit, internal audit and internal controls requirements; monitoring the independent auditor’s qualifications, independence and performance; and monitoring legal and regulatory compliance and ethical standards.

Compensation Committee: Oversight of the Group’s executive compensation programme.

Conflicts Committee: Evaluates and considers for approval certain related party transactions.

Nominating and Corporate Governance Committee: Identifies, evaluates and recommends individuals for Board and senior management appointment. Evaluates and determines the corporate governance framework, including relevant documents such as Group policies. Oversees Environmental, Social and Governance strategy and Inclusion, Diversity and Equality framework and the annual performance evaluation of the Board.

Risk Committee: Oversight of systems and processes to identify, manage and mitigate risks. Assists the Board and its committees in fulfilling their oversight responsibilities for risk management.

Transactions Committee: Reviews and assesses material transactions (e.g. acquisitions, dispositions and certain reinsurance transactions) for recommendation to the Board.

Our Board members

Our Board consists of eleven directors, including five fully independent non-executive directors (INEDs). One INED serves as chairperson of both the Board and the Risk Committee and three other INEDs each serve as Chairs of the Conflicts Committee, Audit Committee, and Nominating and Corporate Governance Committee.

Our Board has diverse management, operations, governance and oversight experience across many industries. Biographies of our Board members are set out on pages 65-68.

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

Board and Committee Composition	Bruce Hemphill	Debra Broek ¹	Volkert Doeksen	Anna Maria D'Hulster ²	Fred Kleisner ³	Jérôme Mourgue D'Algue	Martin Klein	Alex Humphreys ⁴	Gernot Lohr ⁵	Marc Rowan ⁶	Scott Kleinman
	Chairman, Independent Director	Independent Director	Independent Director	Independent Director	Independent Director	Shareholder Director (Investor)	Shareholder Director (Athene)	Shareholder Director (Apollo)	Shareholder Director (Apollo)	Shareholder Director (Apollo)	Shareholder Director (Apollo)
Audit Committee											
Compensation Committee											
Conflicts Committee											
Nominating and Corporate Governance Committee											
Risk Committee											
Transactions Committee											
		Committee chair				Committee member					

¹ Appointed Chair of the Audit Committee effective 1 January 2023.

² Appointed Chair of the Nominating and Corporate Governance Committee effective 25 January 2023.

³ Appointed as member of the Compensation Committee effective 17 January 2024.

⁴ Appointed Chair of the Compensation Committee effective 17 January 2024.

⁵ Resigned as Chair of the Compensation Committee effective 17 January 2024.

⁶ Mr. Rowan resigned from the Board effective 26 March 2024. Mr. Vishal Sheth, Partner and Co-Head of Apollo's Global FIG, was appointed to fill the vacancy on the Board created by Mr. Rowan's resignation and was also appointed to the Transactions Committee, each effective 27 March 2024.

Fitness and propriety requirements

Athora uses the hiring and vetting process, including recruitment and interviewing requirements, to confirm fitness and propriety for the relevant role. All Board and senior management appointments are subject to review by the Nominating and Corporate Governance Committee, as set out in the committee's charter.

Group executive management structure

Athora is led, at the direction of the Board, by the Group CEO and the President & Deputy CEO, as well as the Management Committee (MC), which is chaired by the Group or Deputy CEO.

The purpose of the MC is to evidence the discharge of responsibility, by the Chair, for management of our assets, business and operations in accordance with the strategic direction, integrated management plan, risk appetite and strategy policy, relevant legal and regulatory obligations and bounds of spend on

business growth/acquisitions approved by the Board.

Management Committee

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

Role	MC member
Group Chief Executive Officer	Mike Wells
President & Deputy CEO	Todd Solash (appointed 26 January 2024)
Group Chief Financial Officer	Anders Malmström
Group Chief Risk Officer	Michael Koller (appointed 11 July 2023)
Group General Counsel	Ward Bobitz

A brief outline of our MC members' responsibilities may be found on page 69. Athora

has established a framework of management committees to support each MC member and key function holders in fulfilling their responsibilities.

Membership of the MC is subject to regulatory notification and meeting fitness and propriety requirements. Athora's MC members have substantial experience in insurance and broader global financial services, as outlined on our website.

Subsidiary governance

The responsibility for day-to-day management at the level of each of Athora's regulated subsidiaries sits with the respective management and (where applicable) supervisory boards of each subsidiary. Each of Athora's regulated subsidiaries has a comprehensive local governance framework. This supports the subsidiary board in oversight and monitoring of the business of the subsidiary.

The board of each subsidiary has established appropriate committees (e.g., Audit Committee and Risk Committee) to assist in fulfilling its role.

Internal controls

The Board and management are responsible for adopting an effective internal controls framework. We apply a *three lines of defence* model for our internal control system (summarised below), supported by our Group Audit Committee and by the Internal Audit function.

First line of defence

- Business functions

Second line of defence

- Risk Management function
- Compliance function
- Actuarial function

Third line of defence

- Internal Audit function

Business functions

In line with our internal risk management policies, management is the first line of defence and has primary responsibility for:

- running the business in accordance with the agreed business plan and risk appetite;
- operating the controls within each functional area; and
- managing the business risk profile.

Risk management function

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

the effectiveness and integrity of the risk management framework.

Actuarial function

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

Compliance function

Athora's compliance function is led by a Group Head of Compliance, who reports to the Group General Counsel and is responsible for ensuring compliance with regulatory requirements and legal obligations. The Board monitors the Group compliance function and receives updates on compliance activities on a quarterly basis.

Internal audit function

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

Internal audit's main tasks and responsibilities

- Prepare and execute a risk-based audit plan which is approved by the Audit Committee.
- Identify, and agree with management, opportunities to improve internal controls, risk management and governance processes and verify that such improvements are implemented within a reasonable period of time.
- Assist in the investigation of any significant suspected fraudulent activities within the Group or conduct special reviews or consulting which may not usually be included in the scope of the internal audit and notify the regulator, if appropriate, of the results of these activities.
- Issue periodic reports to management and the Audit Committee, summarising the progress and results of the annual audit plan, as well as on the sufficiency of internal audit resources.

- Maintain a professional audit team (of an adequate size relative to the size and nature of the organisation and the remit of the internal audit function) with sufficient knowledge, skills, experience, and professional certifications.
- Ensure management and the Audit Committee are kept informed of emerging trends and successful practices in internal auditing.
- Consider the scope of work of the external auditors, regulators, and internal compliance and risk management teams, as appropriate, for the purpose of providing optimal audit coverage to the organisation at a reasonable overall cost.
- Coordinate and work together with other control and monitoring functions (e.g. risk management, compliance and external auditors).
- Execute audits on the functioning of the first and second line of defence.

Independence and objectivity of the internal audit function

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

To provide for the independence of internal audit, the function reports to the Group Chief Internal Auditor, who reports directly to the chairwoman of the Audit Committee and administratively to the Group CEO.

Internal audit executes its duties freely and objectively in accordance with the Institute of Internal Auditors' International Standards for the Professional Practices of Internal Audit, including the Code of Ethics, as well as with Athora Group policies and procedures. Internal audit avoids activities that may be perceived to impair audit objectivity and accesses the expertise and knowledge necessary to undertake work in respect of specialist business functions.

Group remuneration policy

Athora's Group remuneration policy lays out the philosophy and principles which guide how we compensate and incentivise our employees, including those whose professional activities have a material impact on the undertaking's risk profile.

We apply a total reward approach whereby we seek to drive the highest possible levels of

engagement, motivation, performance and cost-effectiveness through employing the appropriate elements of compensation and benefits.

We seek to:

- provide a well-balanced and, where appropriate, performance-related compensation package for employees, considering the interests of all stakeholders and relevant regulators;
- provide a motivational employment package, as appropriate to each role and to the markets in which we operate, which seeks to drive high levels of individual, team and collective engagement;
- remain competitive in all markets; and
- keep all design aspects modern and as simple as possible, allowing for efficient management and administration of all programmes.

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

Employee reward

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

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

Pension provision

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

Executive and non-executive director reward

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

Directors

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

Annual bonus plans for this group provide for a maximum target bonus of no more than 200% of the annual basic salary. There is, at minimum, an annual evaluation of individual and collective performance; this forms the basis of performance-related remuneration. Directors are typically eligible for participation in long-term incentive arrangements as part of a balanced and market-oriented approach to fixed and variable remuneration in line with our principles. Rewards are delivered in either shares, phantom shares and/or cash. From time to time, other additional equity incentives, which are founded on equity in Group entities outside of the European Union, may be offered to this group.

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

- There is a total time frame of three or more years for each performance cycle.
- Incentives are aligned to specific long-term and balanced performance objectives.
- Incentives are provided as part of an appropriately balanced package between fixed and variable, short-term and long-term focused remuneration as appropriate to the role and market.
- A holding period post-vesting may apply, in line with applicable regulatory expectations.

Where directors are also classified as **Identified** they will also be subject to the variable remuneration deferral.

Independent non-executive directors (INEDs)

INEDs are typically remunerated by means of an annual base retainer fee and committee membership and/or chair fee, where applicable, payable in a combination of cash and Class A common shares. The fees are fixed and do not vary based on business performance, and are reviewed periodically by the Compensation Committee.

INEDs do not participate in incentive arrangements, unless approved by the Board. INEDs may be offered the opportunity to acquire additional Athora shares. Such opportunities require approval by the Compensation Committee and will be compliant with all parts of the Athora remuneration policy. Where required, INEDs are provided with professional indemnity (Directors and Officers) insurance for the period during which they undertake their duties. INEDs receive reimbursement for expenses incurred in the performance of their duties.

Board of Directors



R **Cp** **Cf** **T**

Bruce Hemphill

Chair, INED

Tenure: <1 year

Experience

Bruce is a global leader in the financial services industry with 30 years of experience in senior executive and non-executive leadership roles across international markets and jurisdictions.

He most recently served as non-executive Chair of Catalina Holdings (Bermuda) Ltd. Previously, he served as Group CEO of Old Mutual plc, a FTSE 100 company and earlier in his career was CEO at Liberty Holdings.

Other current appointments include

Director, Menai Financial Group



A **Cf** **NG** **R**

Debra Broek

INED

Tenure: 5 years

Experience

Debra has over 25 years of insurance experience, primarily in finance and risk.

She was previously CFO of Zurich Insurance Group's global life segment; Head of Investor Relations and Rating Agency Management; and Group Chief Accounting Officer, Managing Director of the Winterthur Group.

Other current appointments include

Non-Executive Director and Audit and Risk Committee member, Zurich American Insurance Company

Non-Executive Director and Audit and Risk Committee Chair, Zurich American Life Insurance Company

Board of Trustees Chair, Dordt University in Sioux Center

Non-Executive Director and Audit and Risk Committee Chair, Zurich Holding Company of America, Inc.



Cf

Volkert Doeksen

INED

Tenure: 6 years

Experience

Volkert has over 25 years of investment experience.

He co-founded and held the positions of Chairman/CEO of AlInvest Partners, Director at Kleinwort Benson Ltd, Dillon Read and Morgan Stanley.

Other current appointments include

Partner, GP House B.V.

Supervisory Board Member, Koninklijke Doeksen B.V.

Board Member, Nouryon B.V.

Board Member, Nobian B.V.

Board Member, European Biotech Acquisition Corporation - LSPvc.



NG **A** **Cf** **R**

Anna Maria D'Hulster

INED

Tenure: 5 years

Experience

Anna Maria has held many senior roles, including Secretary General of The Geneva Association, the insurance industry's leading international think tank, between August 2014 and February 2019.

Prior to that she was Founder and CEO of Baloise Life and Principal with Boston Consulting Group, covering insurance and banking projects in Germany and the US. Board positions have included Deutscher Ring and Mercator Verzekeringen. Member of executive committee of Insurance Europe.

Other current appointments include

Supervisory Board Member, UNIQA Insurance Group

Non-Executive Director and Risk Committee Chair, CNA Europe

Non-Executive Director and Risk committee chair, Hardy (Underwriting Agencies) Limited



Cf **A** **NG** **Cp**

Fred Kleisner

INED

Tenure: 6 years

Experience

Fred has extensive experience in business management and governance with over four decades of experience as a hotelier and held the positions of corporate Group CEO and COO of multi-national, listed companies.

He has also led successful management teams in the hospitality and gaming sectors, throughout the world.

Other current appointments include

Independent Director, Audit Committee, Compensation Committee, Corporate Governance and Nominating Committee, Ashford Hospitality Trust (NYSE: AHT)

Director/Trustee, Executive Committee Member and Board Treasurer/Finance Committee Chair, Island Wood School, Bainbridge Island, WA

Independent Director, NR International (a public reporting, non-traded REIT); Co-Chair Finance Committee



Cp **Cf** **NG** **R** **T**

Jérôme Mourgue d'Algue

Tenure: 6 years

Experience

Jérôme has over two decades of investment experience and is Co-Global Head of Private Equity at ADIA.

He was previously a Partner at Bregal Capital LLP, Vice President at Morgan Stanley Capital Partners and commenced his career at McKinsey & Company.

Other current appointments include

Board Director and Risk Committee Member, Athene Holding Ltd.

Board Director, Pension Insurance Corporation



A T

Martin P. Klein

Tenure: 1 year

Experience

Martin is Executive Vice President and CFO of Athene Holding Ltd. He also serves as a director of several of Athene's insurance subsidiaries.

Prior to joining Athene in 2015, Martin served at Genworth Financial, most recently as Executive Vice President & CFO, and, prior to that, as Genworth's Acting President & CEO.

Previously, he was Managing Director at Barclays and, before that, at Lehman Brothers and Zurich Insurance Group.

Other current appointments include

Board Member, Caritas

Dean's Advisory Council Member, University of Iowa College of Liberal Arts & Sciences



Cp A NG

Alexander Humphreys

Tenure: 5 years

Experience

Alex is a Partner at Apollo Global Management, Inc., having joined in 2008.

Prior to that he led the financial institutions mergers and acquisitions team at Goldman Sachs.

Other current appointments include

Director, Aspen

Director, Catalina Holdings

Director, Miller Homes



NG R T

Gernot Lühr

Tenure: 6 years

Experience

Gernot is Partner and Co-Chair of Global Financial Institutions Group at Apollo Global Management, Inc. He is a member of Apollo's Business Development Committee, and oversees Apollo's investments in the financial services sector.

Prior to Apollo, he was a founding partner at Infinity Point LLC, Apollo's joint venture partner for the financial services industry.

He has also held senior roles in financial services investment banking at Goldman Sachs, McKinsey & Company and B. Metzler Corporate Finance.

Other current appointments include

Director, Aspen

Director, Athene

Director, Catalina Holdings

Advisory Board Member, MIT Sloan School of Management



T

Marc Rowan

Tenure: 6 years

Experience

Marc is Co-Founder and CEO of Apollo Global Management, Inc.

Other current appointments include

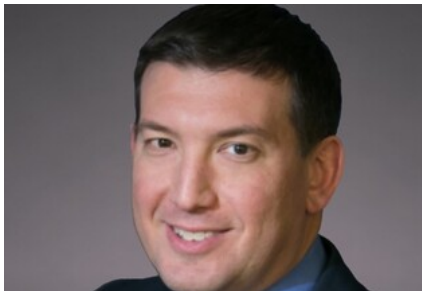
Board Director, Apollo Global Management, Inc.

Board Director, Athene Holding Ltd.

Founding Member and Chairman of Youth Renewal Fund

Board of Advisors Chair, the Wharton School of Business at the University of Pennsylvania

Board of Trustees, University of Pennsylvania



Cp T

Scott Kleinman

Tenure: 3 years

Experience

Scott is Co-President of Apollo Global Management, Inc.

He joined Apollo in 1996 and was named Lead Partner for private equity in 2009 and Co-President in 2018. He serves on Management and Executive Committees.

Previously, he was in the investment banking division at Smith Barney Inc.

He founded the Kleinman Center for Energy Policy at the University of Pennsylvania in 2014.

Other current appointments include

Board Director, Apollo Global Management Inc., Athene Holding Ltd. and certain other affiliated public vehicles

Board of Advisors, University of Pennsylvania Stuart Weitzman School of Design

Board Director, White Plains Hospital

Management Committee



Mike Wells

Group Chief Executive Officer

Mike joined Athora in July 2022 as Group CEO. He leads the Management Committee and is the main management representative towards the Board, our shareholders and other stakeholders. Mike also oversees the Communications, People & Culture and Group Strategy & Planning functions directly. The Group Head of Internal Audit also reports to the Group CEO.



Todd Solash

President & Deputy CEO

Todd joined Athora in October 2023 as President and Deputy CEO. He is responsible, with the Group CEO, for managing Athora and for oversight of its subsidiaries. He coordinates the delivery of business performance across the Group, including internal operations & technology, change initiatives, M&A and business opportunities, in accordance with Athora's strategy, risk appetite and business plans.



Anders Malmström

Group Chief Financial Officer

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



Michael Koller

Group Chief Risk Officer

Michael joined Athora in June 2023 and reports jointly to the Group CEO and Risk Committee Chair to ensure independence in the operations of the Group risk function. He manages Athora's overall risk agenda and his team supports the wider risk community across Athora in collectively identifying and managing risks related to the Athora businesses.



Ward Bobitz

Group General Counsel

Ward joined Athora in July 2022. He is responsible for the Group's legal, compliance and governance matters. This includes direct ownership for these areas as well as strong coordination with business units in developing the appropriate governance with regard to our Group regulator (BMA) and local regulators and ensuring the right legal and compliance agenda across all entities.

Consolidated financial statements

Statement of Directors' responsibilities

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

In preparing these Financial Statements, the directors have:

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

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

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

Signed

s/s Debra Broek

Independent Director

Date 27 March 2024

Independent auditor's report

To the Shareholders of Athora Holding Ltd.

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Athora Holding Ltd. and its subsidiaries (the Group), which comprise of the consolidated statement of financial position as at 31 December 2023, consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and of its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Basis for opinion

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters.

Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Independent auditor's report (continued)

Key audit matters (continued)

Risk	Our response to the risk	Key observations communicated to the Audit Committee
<p>Measurement of the statement of financial position for the initial application of IFRS 17</p> <p>On 1 January 2023, the Group adopted IFRS 17: 'Insurance Contracts' which replaced IFRS 4 'Insurance Contracts'. As described in the Notes to the financial statements, the Group applied IFRS 17 to insurance contracts issued and reinsurance contracts held retrospectively from 1 January 2022, in accordance with the accounting policies outlined in Note A3.1. The 2022 comparative figures as presented in these financial statements have been restated for the adoption of IFRS 17.</p> <p>On transition to the new standard, shareholders' equity as of 1 January 2022, decreased by €637m, arising from the change in insurance contract liabilities valuation, and the related valuation differences and deferred tax.</p> <p>Auditing the Group's initial application was complex as it related to the measurement of the Group's insurance contract liabilities including the transition CSM. This required the application of significant auditor judgement due to the complexity of the models, accounting interpretations and the development of assumptions used in the determination of the transition CSM. The audit effort involved professionals with specialised skills and knowledge to assist in evaluating the audit evidence obtained.</p>	<p>We obtained an understanding, evaluated the design of selected key controls over the initial application.</p> <p>To test the initial application, our audit procedures were executed with the assistance of our actuarial team members and included, amongst others:</p> <ul style="list-style-type: none"> • Held walkthroughs to confirm our understanding of the process and identify key controls. • Evaluated the Group's accounting policies and actuarial methodology to assess compliance with IFRS 17. • Assessed the analysis of contracts prepared by the Group for the purpose of the classification General Measurement Model and Variable Fee Approach and tested such analysis for compliance with IFRS 17 and to the underlying contracts on a sample basis. • Tested the completeness and accuracy of data used in the calculation of the transition balances to the underlying source systems on a sample basis. • Assessed the appropriateness and consistency of key assumptions used in the calculation of the transition balances with those used in other reporting bases for the corresponding period, publicly available market data, our knowledge of the products and the requirements of IFRS 17. 	<p>Our observations include an overview of the risk, outline of the audit procedures performed, the judgements we focused on and the results of our testing.</p>

Independent auditor's report (continued)

Key audit matters (continued)

Accordingly, we have identified the initial application as a key audit matter.

The critical accounting judgments and the impact related to the initial application are disclosed in Note A2, F4 and A3.1 to the financial statements.

- Tested the methodology and calculation of the IFRS 17 insurance contract liabilities and transition CSM through review of the calculation logic within the newly implemented models.

Finally, we assessed the adequacy of the disclosures in the Notes to the financial statements.

Valuation of Present Value of Future cash flows, including Reinsurance

As of 31 December 2023, the Group recorded Insurance Contract Liabilities under the General Measurement Model and Variable Fee Approach of €36,248m (2022: €36,173m) and €21,258m (2022: €20,378m), respectively, on its balance sheet with a total Insurance Contract Liabilities on a gross basis (excluding reinsurance held) of €57,506m (2022: €56,551m). Of this amount, €54,161m relates to Present value of Future Cash Flows (PVFCF).

At initial recognition, the Group measures a group of insurance contracts under General Measurement Model and VFA as the total of:

- Fulfilment cash flows, which comprise of:
 - (i) estimates of future cash flows, adjusted to reflect the time value of money and financial risks.
 - (ii) risk adjustment for non-financial risk.
- Contractual service margin (CSM), which represents the unearned profit the Company will recognise as it provides service under the related insurance contracts.

We obtained an understanding and evaluated the design of controls over methods selection, completeness and accuracy of the underlying data, relevant models, assumption setting, and the models used by management related to the estimation of PVFCF.

To test PVFCF, our audit procedures were executed with the assistance of our actuarial team members and included, for certain lines of business selected based on risk:

- Walkthroughs to confirm our understanding of the valuation process and identified key controls.
- Tested the completeness and accuracy of data, including in-force policyholder data as utilised by the Group to value estimated future cash flows by reconciling such amounts to the underlying accounting records. Specifically for the determination of the discount rate under IFRS 17, we performed specific audit procedures to obtain assurance over the completeness and accuracy of the data. This includes engaging quantitative specialists who examined the Point-in-Time (PIT), Through The Cycle (TTC), and Expected Losses (EL) calculations. Where relevant, we have confirmed that input data reconciles with an external source(s) or confirmations from the various EY component teams.

Our observations include an overview of the risk, outline of the audit procedures performed, the judgements we focused on and the results of our testing.

Independent auditor's report (continued)

Key audit matters (continued)

PVFCF are associated with significant uncertainties requiring the use of expert judgment within complex actuarial models relying on subjective assumptions in relation to future events. Key assumptions include mortality, lapse and expense assumptions as well as modelled future decisions of management and or policyholders. Moreover, because of the long duration of many life insurance products, relatively small changes in key assumptions may have a significant impact on PVFCF.

The determination of PVFCF requires the use of complex formulas and the construction of models that may be incorrectly designed or configured, and for which inadequate assumptions and/or incomplete or inaccurate input data may be used.

Accordingly, we have identified PVFCF within the recorded Insurance Contract Liabilities as a key audit matter.

The accounting policies and critical accounting judgments and estimates regarding PVFCF are described in Note F and F4 with additional information presented in Note F1 to the financial statements.

- Assessed key best estimate assumptions used in selected actuarial models via quantitative and qualitative analysis, including considerations of their reasonableness based on experience studies, our knowledge of the Group and local market, products offered, publicly available market and macroeconomic data.
- Reviewed a sample of experience studies supporting specific assumptions.
- Evaluated the nature, timing and completeness of changes in key assumptions, models and methods and assessing whether individual changes were errors or refinements of estimates.
- Tested the models used through review of the calculation on a sample basis, and through performing independent calculations of PVFCF and compared the results to those of the Group.
- Performed analytical review procedures, including period to period analysis of changes in PVFCF and assessed whether such changes appropriately reflect current period facts and circumstances.

Finally, we assessed the adequacy of the disclosures in the Notes to the financial statements.

Insurance revenue recognition

The timing of expected premiums and claims for the period, release of the Risk Adjustment and the definition of the coverage units on which the amortisation of the CSM is based, all of which are subjective in nature and based on complex actuarial models or input derived from these models.

We obtained an understanding and evaluated the design of controls over the integrity of the source data and other inputs into the CSM model and output.

To test the CSM release, our audit procedures were executed with the assistance of our actuarial team and included, certain lines of business based on risk:

Our observations include an overview of the risk, outline of the audit procedures performed, the judgements we focused on and the results of our testing.

Independent auditor's report (continued)

Key audit matters (continued)

There is a high degree of complexity and estimation involved in deriving the release patterns.

Additionally, it is necessary to consider the onerousness of each grouping of contracts, recording the related losses as a separate loss component and a debit to the income statement.

The accounting policies and critical accounting judgments and estimates regarding CSM release are described in Note F and note F4 with additional information presented in Note F1 to the financial statements.

Accordingly, we have identified Insurance revenue recognition as a key audit matter.

- Compared the Group's methodology for the release of the CSM to profit or loss to the requirements of IFRS 17.
- Tested the appropriateness of the Group's assumptions in relation to release pattern.
- Tested material cashflows which are input into the model by vouching back to source information.
- Recalculated the total CSM release, to test for compliance with requirements of IFRS 17.
- Tested the Group's methodology for identifying onerous contracts assessment and checked the calculation of onerous contracts on a sample basis.
- Reviewed material manual adjustments recorded and vouched to supporting documentation, tested clerical accuracy and the appropriateness of these adjustments.

Finally, we assessed the adequacy of the disclosures in the Notes to the financial statements.

Valuation of Level 3 Investments (Debt securities, Loans, Equity securities, Investment Fund Units and Investment Properties (IP), all of which are classified as Level 3 investments)

Debt securities, Loans, Equity securities, investment fund units (excluding investment fund units valued using NAV statements from third parties) and investment properties, all of which are classified as Level 3 investments inherently, carry higher estimation uncertainty and thus increased judgement in determining the valuation.

We obtained an understanding and evaluated the design of a sample of controls over the integrity of the source data and other inputs into the valuation of Level 3 Investments:

- Held walkthroughs to confirm our understanding of the valuation process and identify key controls.
- Considered the Valuation Working Group minutes and held discussions with management to update our understanding of the changes in the Group's investment portfolios in each key location.

Our observations include an overview of the risk, outline of the audit procedures performed, the judgements we focused on and the results of our testing.

Independent auditor's report (continued)

Key audit matters (continued)

When valuation techniques are applied to these investments using unobservable inputs, there is a potential for incorrect estimations. Moreover, valuation techniques are dependent on the completeness and accuracy of data used and inadequate or unreliable data can lead to incorrect fair value measurements, resulting in a potential misstatement.

The Group recorded financial assets of €72,791m of which €1,679m, €14,371m, €2,459m and €670m relates to Debt securities, Loans & Receivable, investment fund units and Equity securities and recorded investment properties of €1,077m, as disclosed in Note E2 at 31 December 2023 which are both (a) measured at fair value through profit and loss, and (b) classified as Level 3 within the Group's hierarchy of fair value measurements.

Given the significant management judgement in determining the fair value of Debt securities, Loans, Equity securities, investment fund units and Investment Properties, we have identified these Level 3 Investments as a key audit matter.

The critical accounting judgements and the impact related to Debt securities, Loans, Equity securities, investment fund units and Investment Properties are disclosed in Note E1 to the financial statements.

- To test the valuation, our audit procedures included, among other procedures, involving our valuation specialists to assess the methodologies and significant assumptions used by management. These procedures included assessing the valuation methodologies used with respect to the Group's policies, valuation guidelines, and industry practice and comparing a sample of valuation assumptions used against benchmarks. We also performed independent investment valuations on a sample basis to evaluate management's recorded values.
- In addition, we assessed the adequacy of the disclosures related to the valuation of Debt securities, Loans, Equity securities, investment fund units and Investment Properties.

Independent auditor's report (continued)

Key audit matters (continued)

Valuation of unit-linked provision

Holders of unit-linked products (where the customer bears all or part of the investment risk), or interest groups on their behalf, have filed claims or initiated proceedings against the Group.

On 22 March 2024, the Company agreed on a settlement with interest groups Consumentenclaim, Vereniging Woekerpolis.nl, Woekerpolisproces, Wakkerpolis and Consumentenbond regarding investment-linked ("unit-linked") insurance products sold in the Netherlands by SRLEV N.V. (Reaal) and its predecessor companies. The settlement amounts to €70m. In addition, €25m will be available for hardship cases and non-affiliated customers that have not previously received compensation.

The settlement relates to all investment-linked insurance products of customers affiliated with one of the interest groups. All legal proceedings will be discontinued, and no new legal proceedings may be initiated by the interest groups. The agreement will be final once 90% of these affiliated customers agree with their proposal. Athora Netherlands expects this process to take at least until the end of 2024.

The accounting policies and critical accounting judgments and estimates Unit-Linked provision are described in Note A2.1 and with additional information presented in G10 to the financial statements. Due to the significance and judgment that is required to assess the developments with respect to the unit linked exposure and the resulting accounting treatment we considered this a key audit matter.

Our audit procedures included, amongst others, assessing the recognition of the settlement and related residual claim risk provision in accordance with "IAS 10 events after the reporting period", and the appropriateness of the Group's accounting policies related to the unit-linked exposure in accordance with IAS 37 "Provisions, contingent liabilities and contingent assets".

We performed audit procedures in this area, which included:

- Evaluation of Athora's governance, processes and design of internal controls with respect to unit-linked exposures.
- Review of the documentation and discussing the unit-linked exposures with management and the Group's internal legal advisors.
- Inspection and assessment of the settlement agreement and gain an understanding of the build-up and composition of the agreed settlement amount.
- Critical evaluation of management's assessment of the likelihood of a final settlement that supports management's recognition and measurement of the provision.
- Assessment of management's best estimate calculation of the provision for hardship cases and non-affiliated customers that have not previously received compensation.
- Involved our own legal experts in the assessment of the documentation, assumptions, and developments regarding the unit-linked exposure.

We also considered whether the Athora's disclosures in respect of this provision and legal exposure is compliant with the relevant accounting requirements.

Our observations include an overview of the risk, outline of the audit procedures performed, the judgements we focused on and the results of our testing.

Independent auditor's report (continued)

Other information included in The Group's 2023 Annual Report

Other information consists of the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements, or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

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

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

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

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism 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.

Independent auditor's report (continued)

Auditor's Responsibilities for the audit of the consolidated financial statements (continued)

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The partner in charge of the audit resulting in this independent auditor's report is Martina Keane.

Signed: s/s

Ernst & Young

Chartered Accountants and Statutory Audit Firm

Office: Dublin

27 March 2024

Note: The maintenance and integrity of the Athora Holding Ltd. web site is the responsibility of the directors; the work carried out by the auditor's does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the consolidated financial statements since they were initially presented on the web site.

Legislation in Bermuda governing the preparation and dissemination of consolidated financial statements may differ from legislation in other jurisdictions.

Consolidated income statement

For the year ended 31 December

€m	Note	2023	2022 Restated
<i>Insurance contract revenue</i>	C1	2,228	2,229
<i>Insurance service expense</i>	F1	(2,001)	(1,993)
Insurance service result before reinsurance contracts held		227	236
<i>Allocation of reinsurance premium</i>		(561)	(596)
<i>Amounts recoverable from reinsurers for incurred claims</i>		580	562
Net income/(expense) from reinsurance contracts held	F2	19	(34)
Insurance service result		246	202
Net investment income	C2	6,057	(15,362)
Net finance (expense)/income from insurance contracts	C2	(3,404)	13,222
Net finance (expense)/income from reinsurance contracts	C2	(137)	347
Change in investment contract liabilities	E9	(166)	249
Investment return attributable to third parties	E9	(821)	591
Net financial result		1,529	(953)
Fee and commission income	C3	69	55
Other income	C4	30	31
Other expenses	C5	(571)	(462)
Acquisition costs	C5	(26)	(34)
Finance costs	C6	(195)	(129)
Impairments	G2	—	(4)
Profit/(loss) before tax		1,082	(1,294)
Income tax	C7	(320)	355
Profit/(loss) for the year		762	(939)
Attributable to shareholders of the Company		741	(960)
Attributable to non-controlling interest		21	21

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

Consolidated statement of comprehensive income

For the year ended 31 December

€m	Note	2023	2022 Restated
Profit/(loss) for the year		762	(939)
Other comprehensive income/(expense) for the year			
<i>Items that may be reclassified to profit or loss in subsequent years, net of tax:</i>			
Net change in foreign currency translation reserve	D2	7	(6)
<i>Items that will not be reclassified to profit or loss in subsequent years, net of tax:</i>			
Actuarial gain arising from defined benefit plans	G9	10	157
Other comprehensive income/(expense) for the year, net of tax		17	151
Total comprehensive income/(expense) for the year		779	(788)
Attributable to shareholders of the Company		758	(809)
Attributable to non-controlling interest		21	21

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

Consolidated statement of financial position

€m	Note	31 December 2023	31 December 2022 Restated	1 January 2022 Restated
Assets				
Intangible assets	G1	118	118	95
Property and equipment	G2	53	72	77
Investment properties	G3	1,077	2,214	1,994
Financial assets	E3	72,791	78,063	71,202
Investments held in respect of investment contract liabilities and third parties	E4	9,607	5,903	4,970
Investments in associates	G4	43	41	123
Reinsurance contract assets	F2	47	12	14
Deferred taxation assets	G7	771	1,079	759
Income tax receivable		60	38	8
Receivables and other assets	G5	914	1,041	894
Cash and cash equivalents	G6	2,484	1,315	1,077
Non current assets or disposal groups classified as held-for-sale		—	—	41
Total assets		87,965	89,896	81,254
Equity				
Share capital, share premium and treasury shares	D1	3,837	3,833	3,305
Retained earnings		(184)	(884)	(40)
Other reserves	D2	11	4	13
Common shareholders' equity		3,664	2,953	3,278
Preferred shares	D1	720	800	566
Total shareholders' equity		4,384	3,753	3,844
Non-controlling interest	D3	245	267	334
Total equity		4,629	4,020	4,178
Liabilities				
Insurance contract liabilities	F1	57,506	56,551	62,424
Reinsurance contract liabilities	F2	210	97	437
Investment contract liabilities and liabilities for account of third parties	E9	9,607	5,903	4,970
Pension scheme liabilities	G9	524	542	763
Financial liabilities				
Borrowings	E7	2,266	1,892	1,598
Other financial liabilities	E8	12,469	20,192	6,203
Deferred taxation liabilities	G7	9	31	69
Income tax payable		1	10	24
Other liabilities and accruals	G8	619	622	492
Provisions	G10	125	36	57
Liabilities included in disposal groups classified as held-for-sale		—	—	39
Total liabilities		83,336	85,876	77,076
Total equity and liabilities		87,965	89,896	81,254

The accompanying notes form an integral part of the consolidated financial statements. The reconciliation of previously published balance sheets at 1 January 2022 and 31 December 2022 have been restated due to adoption of IFRS 9, Financial Instruments, and IFRS 17, Insurance Contracts is set out in **note A3.1.4**.

Signed: s/s Debra Broek

Independent Director
27 March 2024

Consolidated statement of changes in equity

For the year ended 31 December 2023

€m	Note	Share capital and share premium	Treasury shares	Preferred shares	Retained earnings	Share-based payment reserve	Foreign currency translation reserve	Total shareholders' equity	Non-controlling interests	Total equity
At 1 January 2023 (restated)		3,833	—	800	(884)	3	1	3,753	267	4,020
Profit for the year		—	—	—	741	—	—	741	21	762
Other comprehensive income for the year		—	—	—	10	—	7	17	—	17
Total comprehensive income/(expense)		—	—	—	751	—	7	758	21	779
Net issuance of share capital	D1	186	—	—	—	—	—	186	—	186
Preferred shares dividend	B2	—	—	38	(51)	—	—	(13)	—	(13)
Redemption of preferred shares	D1	—	—	(118)	—	—	—	(118)	—	(118)
Sale of treasury shares	D1	—	116	—	—	—	—	116	—	116
Purchase of treasury shares	D1	—	(300)	—	—	—	—	(300)	—	(300)
Share based payment reserve movement	D2	2	—	—	—	—	—	2	—	2
Deconsolidation	H3	—	—	—	—	—	—	—	(19)	(19)
Distributions to minority shareholders	D3	—	—	—	—	—	—	—	(24)	(24)
At 31 December 2023		4,021	(184)	720	(184)	3	8	4,384	245	4,629

For the year ended 31 December 2022

€m	Note	Share capital and share premium	Preferred shares	Retained earnings	Available-for-sale reserve*	Cash flow hedge reserve*	Share-based payment reserve	Foreign currency translation reserve	Total shareholders' equity	Non-controlling interests	Total equity
At 1 January 2022		3,305	566	520	112	(35)	6	7	4,481	334	4,815
Initial application of IFRS 17		—	—	(676)	—	—	—	—	(676)	—	(676)
Initial application of IFRS 9		—	—	116	(112)	35	—	—	39	—	39
Restated balance as at 1 January 2022		3,305	566	(40)	—	—	6	7	3,844	334	4,178
Loss for the year		—	—	(960)	—	—	—	—	(960)	21	(939)
Other comprehensive income for the year		—	—	157	—	—	—	(6)	151	—	151
Total comprehensive income/(expense)		—	—	(803)	—	—	—	(6)	(809)	21	(788)
Net issuance of share capital	D1	528	—	—	—	—	(5)	—	523	—	523
Issuance of preferred shares	D1	—	200	—	—	—	—	—	200	—	200
Preferred shares dividend	B2	—	34	(41)	—	—	—	—	(7)	—	(7)
Share based payment reserve movement	D2	—	—	—	—	—	2	—	2	—	2
Disposal in share of subsidiary	D3	—	—	—	—	—	—	—	—	(65)	(65)
Distributions to minority shareholders	D3	—	—	—	—	—	—	—	—	(23)	(23)
At 31 December 2022 (restated)		3,833	800	(884)	—	—	3	1	3,753	267	4,020

* Available-for-sale reserve and Cash flow hedge reserve are no longer applicable due to policy choices made on transition to IFRS 9, Financial Instruments (refer **note A3.1.4**).

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

Consolidated statement of cash flows

For the year ended 31 December

€m	Note	2023	2022
Cash flows from operating activities			
Profit/(loss) before tax		1,082	(1,294)
Adjustments for non-cash items	I2	(3,880)	8,303
Adjustments for non-operating items - finance costs		99	94
Change in operating assets and liabilities	I2	3,840	(7,518)
Income taxes paid		(38)	(84)
Net cash flows from operating activities		1,103	(499)
Cash flows from investing activities			
Acquisition of subsidiary, net of cash acquired		(2)	(66)
Disposal of associate		—	92
Acquisition of intangible assets		(5)	—
Acquisition of property and equipment		(7)	(5)
Net cash flows from investing activities		(14)	21
Cash flows from financing activities			
Proceeds from the issue of share capital	D1	188	528
Redemption of common shares	D1	(1)	—
Redemption of treasury shares	D1	116	—
Purchase of treasury shares	D1	(300)	—
Proceeds from the issue of non-cumulative preferred shares	D1	—	200
Redemption of non-cumulative preferred shares	D1	(118)	—
Dividends paid on non-cumulative preferred shares	B2	(13)	(7)
Proceeds from borrowings	I2	1,195	748
Repayment of borrowings	I2	(850)	(592)
Payment of lease liabilities		(1)	(1)
Interest paid on borrowings		(36)	(74)
Distributions paid to non-controlling interest	D3	(24)	(21)
Acquisition of non-controlling interest	D3	—	(65)
Net cash flows from financing activities		156	716
Net increase in cash and cash equivalents		1,245	238
Effect of deconsolidation of subsidiary		(76)	—
Cash at 1 January		1,315	1,077
Cash at 31 December		2,484	1,315
Comprising:			
Cash and short term deposits		2,484	1,315

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

A. Material accounting policies

A1. Basis of preparation

A1.1 Corporate information

Athora Holding Ltd. (the 'Company'), is a company limited by shares incorporated in Bermuda, on 1 December 2014. Its registered office is First Floor, Swan Building, 26 Victoria Street, Hamilton HM12, Bermuda.

The Company is domiciled in Bermuda and, through its global operating subsidiaries (collectively the 'Group'), is an insurance and reinsurance specialist solutions provider for the European life insurance and reinsurance market.

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

A1.2 Basis of preparation

The consolidated financial statements comprise financial statements of the Company and its subsidiaries and are prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Boards (IASB) and interpretations issued by the IFRS Interpretations Committee (IFRICs), as adopted by the European Union (EU). IFRSs applied by the Group in the preparation of these consolidated financial statements are those standards that were effective for periods beginning on or after 1 January 2023.

The presentational currency of the Group and the functional currency of the Company, and most subsidiaries, is euro (€ or EUR). The amounts presented in the consolidated financial statements are presented in millions unless otherwise stated.

The accounting policies have been consistently applied in these consolidated financial statements. Where an accounting policy can be directly attributed to a specific note to the consolidated financial statements, the policy is presented within that note, with a view to enabling greater understanding of the results and financial position of the Group. All other material accounting policies are disclosed below.

A1.2.1 Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings, including collective investment schemes, where the Group exercises overall control. In accordance with the principles set out in IFRS 10 Consolidated Financial Statements, the Group controls an investee if and only if the Group has all the following:

- power over the investee;
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect its returns.

The Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including relevant activities, substantive and protective rights, voting rights and purpose and design of an investee. The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Further details about the consolidation of subsidiaries, including collective investment schemes, are included in **note H1**.

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

A1.2.2 Foreign currency transactions

Transactions in foreign currencies are recorded at the rate of exchange prevailing at the date of the transaction. At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange prevailing at the reporting date. Exchange differences arising on the settlement of monetary items during the year are recognised in the consolidated income statement in the period in which they arise under the same heading as the underlying transactions are reported. Non-monetary assets and liabilities measured at historical cost are measured at the exchange rate applicable on the initial transaction date.

A. Material accounting policies (continued)

A1. Basis of preparation (continued)

A1.2.2 Foreign currency transactions (continued)

The financial position of the Group's foreign operations that have a functional currency different from the presentational currency are translated into euro at foreign exchange rates prevailing at the reporting date. The income and expenses of foreign operations are translated into euro at average exchange rates, unless these do not approximate to the foreign exchange rates ruling at the dates of the transactions in which case income and expenses are translated at the dates of the transactions. Foreign exchange differences arising on the translation of foreign operations are recognised in other comprehensive income.

A1.3 Going concern

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

The consolidated financial statements sections include notes on the Group's borrowings (**note E7**); its contingent liabilities and other risk factors (**note I5**); its capital management (**note I7**); management of its risks including market, credit, and liquidity risk (**note E10**); derivative financial instruments (**note E5**); and capital raising through a public bond issue (**note D1** and **note I4**). The Group's financial position reflects appropriate reserves, a conservative investment portfolio and capital in excess of the minimum regulatory requirement.

The Board has considered financial projections which demonstrate the ability of the Group to withstand market shocks in a range of scenarios, including very severe ones.

In assessing the appropriateness of the going concern basis, the Board considered base case liquidity and solvency projections that incorporated an estimated view of the economy as a whole, and in particular the continuing war in Ukraine. The Board noted the Group's access to additional funding through its undrawn Revolving Credit Facility (refer **note E7**), which was doubled in February 2024 (see **note E7** and **note I6**).

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

A1.4 Presentation

The Group has applied IFRS 17, Insurance Contracts, and IFRS 9, Financial Instruments, including any consequential amendments to other standards, from 1 January 2023. These standards have brought significant changes to the accounting for insurance and reinsurance contracts and financial instruments. The accounting policies applied on adoption of IFRS 9 and IFRS 17 are set out in **note E** and **note F** respectively. The impact of these policies on classification and measurements on transition to IFRS 17 and IFRS 9 are set out in **note A3.1**. The Group has accordingly presented the consolidated financial statements in accordance with the disclosure requirements of IFRS 17 and IFRS 9.

Except for the changes to accounting policies attributable to adoption of IFRS 17 and IFRS 9 as set out above, the Group has consistently applied the accounting policies to all periods presented in these consolidated financial statements.

Where applicable, comparative information has been restated to conform with the current period presentation.

A reconciliation of the balance sheet under IFRS 4, Insurance Contracts and IAS 39, Financial Instruments, Recognition and Measurement, with the balance sheet under IFRS 17 and IFRS 9 on date of transition (1 January 2022) and date of implementation (1 January 2023) is set out in **note A3.1.4**.

A. Material accounting policies (continued)

A2. Critical accounting estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Disclosures of judgements made by management in applying the Group's accounting policies include those that have the most significant effect on the amounts that are recognised in the consolidated financial statements. Disclosures of estimates and associated assumptions include those that have a significant risk of resulting in a material change to the carrying value of assets and liabilities within the next year. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of the judgements as to the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Critical accounting estimates are those which involve the most complex or subjective judgements or assessments. The areas of the Group's business that typically require such estimates are the measurement of insurance and investment contract liabilities, determination of profit and the fair value of financial assets and liabilities and valuation of intangibles on initial recognition.

Details of all critical accounting estimates and judgements are set out below.

On implementation of IFRS 9 the Group has classified all financial assets at "fair value" through profit and loss. This means that any increment or decrement in fair value is automatically captured in the consolidated income statement. As fair valuation takes into account both incurred and expected losses, impairment is no longer an area of significant estimate or judgement.

Information about significant judgements and estimates made in relation to insurance and reinsurance contracts under IFRS 17 are captured in **note F4**. These include:

- Methods used to measure insurance contracts
- Actuarial assumptions
- Discount rates
- Risk adjustment for non-financial risk
- Amortisation of the contractual service margin

A2.1 Treatment of Netherlands contingent liability

Athora Netherlands' subsidiary SRLEV has a portfolio of unit-linked insurance policies (including and also referred to as: unit-linked policies) which consists of a variety of products with distinct characteristics and different versions of contractual documentation. SRLEV and its predecessors have concluded approximately 1.2 million unit-linked insurance policies, of which approximately 132,000 were still outstanding at 31 December 2023.

Since 2006, there has been widespread public attention for costs and risks related to unit-linked insurance policies and the question whether insurance companies provided adequate information to their current and prospective unit-linked policyholders. In response to this, insurers, Athora Netherlands being one of them, agreed on compensation schemes with interest groups. In 2009, Athora Netherlands reached an outline agreement followed by an Agreement ('Vaststellingsovereenkomst') in 2010 to offer compensation to policyholders whose individual unit-linked policies had a cost charge in excess of an agreed maximum. In 2014, the implementation of the compensation scheme was concluded. The costs of the compensation scheme and complementary policy are substantial and have been recognised in the financial statements.

Later on, much of the attention of the public, politicians and regulators has shifted from the costs of investment-linked insurances to the efforts undertaken by the insurers to mobilise customers with an active unit-linked insurance to review their position (Flankerend Beleid: 'complementary policy'). SRLEV uses various tools to communicate with customers and encourages them to check whether their policies still meet the purposes for which they were originally entered into and to consider revising their products or switch to other forms of products for capital accumulation.

As from 2013, clients have been approached and activated to review their position and take adequate measures. The nature of the encouragement depended on the characteristics of the policies. First focus was on the so called 'non-accumulating policies' (Dutch: niet opbouwende polissen, 'NOPs'). In 2016 customers with a pension- or mortgage related policy have been approached. In 2017, the

A. Material accounting policies (continued)

A2. Critical accounting estimates and judgements (continued)

A2.1 Treatment of Netherlands contingent liability (continued)

remaining group of customers (Activation Category 'Other') have been encouraged to review their position.

The number of proceedings against SRLEV that involve unit-linked policies is, compared to the portfolio of active policies, relatively limited. On 31 December 2022, less than five proceedings were pending against SRLEV before the civil courts or before the Klachteninstituut Financiële Dienstverlening ('Kifid'). These cases include a collective action brought by Vereniging Woekerpolis.nl regarding the products Swiss Life Spaarbeleg and AXA Verzekerd Hypotheekfonds.

In this collective action, Vereniging Woekerpolis.nl asked for over 80 declaratory judgements from the court that SRLEV acted wrongfully. If such declarations are given, individual class members may use those declarations to file their own claims for damages. By judgement of 20 December 2017, the District Court Noord-Holland denied almost all of the requested declaratory decisions, except for two. The District Court declared that SRLEV failed to adequately inform a part of the class about the effect of increasing life premiums as the accrued capital diminishes ('hefboom en inteereffect'). Also, the District Court nullified a contractual term allowing SRLEV to increase certain administrative costs in one of its products; according to the District Court any cost increase based on those terms should be refunded.

The judgement itself does not have substantial influence on the assessment of the unit-linked insurances risk profile. So far, none of the class members have commenced litigation for financial compensation based on the declaratory verdict in the collective action. Both Vereniging Woekerpolis.nl and SRLEV filed appeal against the judgement of the District Court. The appeal proceedings are currently on hold. It is unlikely that a final verdict by the Court of Appeal will be rendered in the year 2024.

To date, the number of cases in which SRLEV has been required to pay damages following a decision by Kifid or a civil court has been limited.

On 26 September 2023, two judgements were rendered by the Court of Appeal in collective actions initiated by Vereniging Woekerpolis.nl against two other Dutch insurers Nationale-Nederlanden and Aegon. Contrary to the District Court, the Court of Appeal (partially) awarded the claims. We believe that these judgements do not have any direct consequences for SRLEV's position in the collective action brought by Vereniging Woekerpolis.nl against SRLEV. On 29 November 2023, Aegon/a.s.r. announced a settlement with five interest groups. Nationale-Nederlanden announced its settlement with the same organisations on 9 January 2024, followed by Achmea on 16 February 2024.

On 21 March 2024, SRLEV has reached a final settlement agreement with interest groups Consumentenbond, ConsumentenClaim, Wakkerpolis, Woekerpolis.nl, and Woekerpolisproces regarding unit-linked insurance policies sold by SRLEV and its predecessors. The settlement relates to all unit linked insurance products of customers affiliated with one of the interest groups. All legal proceedings will be discontinued, and no new legal proceedings may be initiated by the interest groups. The agreement will be final once 90% of these affiliated customers agree with their proposal. A provision of €95 million was recognised (**note G10**) to cover the costs of the settlement. This includes €25 million for the estimated risk of hardship cases and customers not affiliated with one of the interest groups who have not previously received compensation.

A2.2 Fair value of financial instruments

In the determination of the fair value of financial instruments, the Group's management reviews estimates and assumptions used, particularly those items categorised within Level 3 of the fair value hierarchy. A sensitivity analysis is performed in respect of the key assumptions used in the valuation of Level 3 financial instruments. The details of this sensitivity analysis are included in **note E2**.

A2.3 Valuation of investment properties

Management uses non-affiliated external independent qualified appraisal services to determine the fair value of investment properties, which utilises the Discounted Cash Flow (DCF) calculation method. The valuation model includes, amongst other items, the agreed rent for the signed leases, the market rent for currently vacant space, estimated rents for reletting of the space after lease term expiry and rental growth forecasts (see **note E2** and **note G3**).

A. Material accounting policies (continued)

A2. Critical accounting estimates and judgements (continued)

A2.4 Acquisition accounting

The identification and valuation of identifiable assets and liabilities and in particular, acquired in-force business and intangibles, arising from the Group's acquisition of the new insurance portfolios and businesses requires the Group to make a number of judgements and estimates. Further details are included in **note G1** and **note H2**.

A2.5 Taxes

The Group operates within various tax jurisdictions where significant management judgements are required when interpreting the relevant tax laws, regulations and legislation in the determination of the Group's tax provisions and the carrying amount of tax assets and liabilities (see **note G7**). Management assesses the recoverability of the deferred income tax asset carrying values based on estimated taxable income for future years (see **note G7**).

A2.6 Impact of climate risk on accounting judgments and estimates

In preparation of these financial statements, the Group has considered the impact of climate change across a number of areas. 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 judgments and estimates for the current period. The Group is closely monitoring relevant changes and developments, such as new climate-related legislation.

A3. Adoption of new accounting pronouncements in 2023

A3.1 Implementation of IFRS 17, Insurance Contracts, and IFRS 9, Financial Instruments

IFRS 17 and IFRS 9 have been applied in preparing these financial statements. The Group implemented IFRS 17 and IFRS 9 on 1 January 2023 ("implementation date") with a transition date of 1 January 2022.

The impact on the balance sheet on the date of transition and date of implementation is set out below.

A3.1.1 IFRS 17 Insurance Contracts

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

Changes to classification and measurement

The adoption of IFRS 17 did not change the classification of the Group's insurance contracts, except for insurance contracts with investment elements, which are no longer bifurcated.

The Group 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 Group.

The key principles of IFRS 17 applied are set out below:

- Identifies insurance contracts as those under which the Group 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.

A. Material accounting policies (continued)

A3. Adoption of new accounting pronouncements in 2023 (continued)

A3.1.1 IFRS 17 Insurance Contracts (continued)

- 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 insurance and reinsurance contracts into groups it recognises and measures. Those groups of insurance contracts are recognised and measured 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 group provides insurance contract services, as the group is released from risk. If a group of contracts is expected to be onerous (i.e. loss-making) over the remaining coverage period, the group 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.

Transition date fair valuation

The Group 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 Group 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 Group has applied the requirements of IFRS 13 Fair Value Measurement, except for the demand deposit floor requirement.

The Group 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 Group 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.
- Identify any discretionary cash flows for insurance contracts without direct participation features.

The fulfilment cash flows represent the risk-adjusted present value of an entity's rights and obligations to the policyholders, comprising estimates of expected cash flows, discounting and an explicit risk adjustment for non-financial risk. These IFRS 17 curves are constructed as risk free rate plus a portfolio specific spread that is based on the illiquidity premium of the reference portfolio.

The Group 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.

As stated above, the CSM represents the unearned profit from in-force contracts that an entity recognises as it provides services over the period. For more details see the accounting policies for insurance and reinsurance contracts applied by the Group outlined in **note F**.

A. Material accounting policies (continued)

A3. Adoption of new accounting pronouncements in 2023 (continued)

A3.1.2 IFRS 9 Financial Instruments

IFRS 9 replaced IAS 39 Financial Instruments: Recognition and Measurement. As the Group has opted for a retrospective application, the transition date is 1 January 2022.

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. See **note E1** and **note E3** for further details.

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 fair value through profit or loss including equity instruments and derivatives;
- Debt instruments at amortised cost;
- 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 Group).

On transition, all financial assets are mandatorily measured at FVTPL (other than cash and cash equivalents and other receivables) because these are managed and their performance is evaluated using a fair value business model.

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

The Group has resolved not to apply hedge accounting under IFRS 9.

Transition date fair valuation

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

A3.1.3 Other matters

It should be noted that the cash flows and underlying capital generation of the Group's businesses are unaffected by IFRS 17 and IFRS 9, and the standards have little or no impact on the Group's solvency performance metrics under the Bermuda Solvency Capital Requirement (BSCR) model.

A. Material accounting policies (continued)

A3. Adoption of new accounting pronouncements in 2023 (continued)

A3.1.4 Quantitative impact

The impact on implementation of IFRS 17 and IFRS 9 on 1 January 2023 is set out below:

			Transition from IFRS 4 to IFRS 17				Transition from IAS 39 to IFRS 9			IFRS 17 / IFRS 9 at 1 January 2023
	IFRS 4 / IAS 39 at 31 December 2022	Measurement period adjustment	Removal of IFRS 4	IFRS 17 fulfilment cashflows	IFRS 17 CSM	Tax effect IFRS 17	Re-measurement effect	Re-classification	Tax effect (IFRS 9)	
		Note H2	A	B	C	F	D	E	F	
ASSETS										
Intangible assets	140	2	(24)							118
Property and equipment	72									72
Investment properties	2,214									2,214
Financial assets	61,774		(90)				(1,641)	18,020		78,063
Investments held in respect of investment contract liabilities and third parties	18,581							(12,678)		5,903
Investments in associates	41									41
Reinsurance contract assets	35		(35)	12						12
Deferred tax assets	987	4				(330)			418	1,079
Current tax assets	38									38
<i>Loans and advances due from banks (obsolete under IFRS 9)</i>	5,321							(5,321)		—
Receivables and other assets	1,407	6	(387)					15		1,041
Cash and cash equivalents	1,315									1,315
Total assets	91,925	12	(536)	12	—	(330)	(1,641)	36	418	89,896
EQUITY										
Share capital and share premium	3,833									3,833
Retained earnings	951		58,350	(54,205)	(2,431)	(342)	(1,641)	(1,984)	418	(884)
Other capital reserves	(1,980)							1,984		4
Common shareholders' equity	2,804	—	58,350	(54,205)	(2,431)	(342)	(1,641)	—	418	2,953
Preferred shares	800									800
Shareholders' equity	3,604	—	58,350	(54,205)	(2,431)	(342)	(1,641)	—	418	3,753
Non-controlling interest	267									267
Total equity	3,871	—	58,350	(54,205)	(2,431)	(342)	(1,641)	—	418	4,020
LIABILITIES										
<i>Insurance provisions (obsolete under IFRS 17)</i>	44,839	14	(44,853)							
<i>Insurance contract liabilities (new per IFRS 17)</i>				53,846	2,705					56,551
<i>Reinsurance contract liabilities (new per IFRS 17)</i>				371	(274)					97
Investment contract liabilities and liabilities for account of third parties	19,175		(13,272)							5,903
Pension scheme liabilities	542									542
Financial liabilities										
Borrowings	1,892									1,892
Other financial liabilities	20,326		(170)					36		20,192
Deferred tax liabilities	19					12				31
Income tax payable	10									10
Other liabilities and accruals	1,215	(2)	(591)							622
Provisions	36									36
Total liabilities	88,054	12	(58,886)	54,217	2,431	12	—	36	—	85,876
Total equity and liabilities	91,925	12	(536)	12	—	(330)	(1,641)	36	418	89,896

A. Material accounting policies (continued)

A3. Adoption of new accounting pronouncements in 2023 (continued)

A3.1.4 Quantitative impact (continued)

The impact on transition to IFRS 17 and IFRS 9 on 1 January 2022 is set out below:

	IFRS 4 / IAS 39 at 31 December 2021	Transition from IFRS 4 to IFRS 17				Transition from IAS 39 to IFRS 9			IFRS 17 / IFRS 9 at 1 January 2022
		Removal of IFRS 4	IFRS 17 fulfilment cashflows	IFRS 17 CSM	Tax effect IFRS 17	Re- measurement effect	Re- classification	Tax effect (IFRS 9)	
		A	B	C	F	D	E	F	
ASSETS									
Intangible assets	95								95
Property and equipment	77								77
Investment properties	1,994								1,994
Financial assets	55,812	(84)				48	15,426		71,202
Investments held in respect of investment contract liabilities and third parties	20,007						(15,037)		4,970
Investments in associates	123								123
Reinsurance contract assets	34	(34)	14						14
Deferred tax assets	587				181			(9)	759
Current tax assets	8								8
<i>Loans and advances due from banks (obsolete under IFRS 9)</i>	390						(390)		—
Receivables and other assets	1,246	(344)					(8)		894
Cash and cash equivalents	1,077								1,077
Non-current assets or disposal groups classified as held-for-sale	41								41
Total assets	81,491	(462)	14	—	181	48	(9)	(9)	81,254
EQUITY									
Share capital and share premium	3,305								3,305
Retained earnings	520	61,955	(60,594)	(2,253)	216	48	77	(9)	(40)
Other capital reserves	90						(77)		13
Common shareholders' equity	3,915	61,955	(60,594)	(2,253)	216	48	—	(9)	3,278
Preferred shares	566								566
Shareholders' equity	4,481	61,955	(60,594)	(2,253)	216	48	—	(9)	3,844
Non-controlling interest	334								334
Total equity	4,815	61,955	(60,594)	(2,253)	216	48	—	(9)	4,178
LIABILITIES									
<i>Insurance provisions (obsolete under IFRS 17)</i>	46,230	(46,230)							—
<i>Insurance contract liabilities (new per IFRS 17)</i>	—		59,981	2,443					62,424
<i>Reinsurance contract liabilities (new per IFRS 17)</i>	—		627	(190)					437
Investment contract liabilities and liabilities for account of third parties	20,478	(15,508)							4,970
Pension scheme liabilities	763								763
Financial liabilities									
Borrowings	1,598								1,598
Other financial liabilities	6,409	(231)					25		6,203
Deferred tax liabilities	104				(35)			—	69
Income tax payable	24								24
Other liabilities and accruals	974	(448)					(34)		492
Provisions	57								57
Liabilities in disposal groups classified as held for sale	39								39
Total liabilities	76,676	(62,417)	60,608	2,253	(35)	—	(9)	—	77,076
Total equity and liabilities	81,491	(462)	14	—	181	48	(9)	(9)	81,254

A. Material accounting policies (continued)**A3. Adoption of new accounting pronouncements in 2023 (continued)****A3.1.4 Quantitative impact (continued)****Notes**

- A. Derecognition of IFRS 4 insurance liabilities; removal of other items now modelled as part of IFRS 17 fulfilment cashflows, such as PVIF (1/1/2023: (€24m), 1/1/2022: €0m), (re)insurance payables (1/1/2023: (€591m), 1/1/2022: (€448m)) and receivables (1/1/2023: (€387m), 1/1/2022: (€344m)) and investment contracts with insurance features and/or DPFs which were unbundled under IFRS 4/ IAS 39 and classified as either Other financial liabilities (saving mortgages) (1/1/2023: (€170m), 1/1/2022: (€231m)) or Investment contract liabilities (1/1/2023: (€13,272m), 1/1/2022: (€15,508m)), but are now in scope of IFRS 17.
- B. Recognition of all cashflows modelled as part of (re)insurance IFRS 17 fulfilment cashflows (1/1/2023: €54,205m, 1/1/2022: €60,594m).
- C. Recognition of (re)insurance IFRS 17 Contractual Service Margin (CSM) (1/1/2023: €2,431m, 1/1/2022: €2,253m).
- D. Remeasurement effect of classifying IAS 39 amortised cost assets at FVTPL under IFRS 9 by recognising fair value movements.
- E. Reclassifications arising from a FVTPL classification of financial assets under IFRS 9 (1/1/2023: €18,020m, 1/1/2022: €15,426m) including derecognition of AFS Reserve (1/1/2023: (€1,811m), 1/1/2022: €112m) and Cashflow Hedge Reserve (1/1/2023: (€173m), 1/1/2022: (€35m)) within equity.
- F. Net deferred tax effect of transitioning from IAS 39/IFRS 4 to IFRS 9/17 (1/1/2023: €76m, 1/1/2022: €207m).

A. Material accounting policies (continued)

A3. Adoption of new accounting pronouncements in 2023 (continued)

A3.2 Application of minor amendments applicable to the year ended 31 December 2023

The following pronouncements are applicable for the year ended 31 December 2023 but the impact of these minor amendments does not have a material impact on the Group's financial position at 31 December 2023 and performance for the year then ended.

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

Published by the IASB in February 2021, the amendments to IAS 1 require entities to disclose their "material accounting policy information" rather than their "significant accounting policies". IFRS Practice Statement 2 Making Materiality Judgements is modified accordingly to support these amendments.

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 introduce a definition of "accounting estimates" and other changes to help entities distinguish changes in accounting policies from changes in accounting estimates.

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

Amendments to IAS 12 Income Taxes published on May 2021 narrows the scope of the exemption from the recognition of deferred tax liabilities and assets. This exemption no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. These amendments mainly concern lease transactions of the Group. As a result, on initial recognition of a lease, the Group needs to assess the tax bases of the right-of-use and the lease liability by identifying the amounts attributable to them for tax purposes. Then, if the taxable and the deductible temporary differences are equal, a deferred tax liability related to the right-of-use and a deferred tax asset related to the lease liability are recognised.

Amendments to IAS 12: International Tax Reform Pillar Two Model Rules

In May 2023, the IASB issued amendments to IAS 12, which introduce a mandatory exception in IAS 12 from recognising and disclosing deferred tax assets and liabilities related to Pillar Two income taxes. The amendments clarify that IAS 12 applies to income taxes arising from tax law enacted or substantively enacted to implement the Pillar Two Model Rules published by the Organization for Economic Cooperation and Development (OECD). Such tax legislation, and the income taxes arising from it, are referred to as 'Pillar Two legislation' and 'Pillar Two income taxes', respectively. The Group has applied the exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes. For further details see **note G7**.

A4. New accounting and other pronouncements not yet effective

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

A4.1 Sustainability reporting standard

IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information and IFRS S2 Climate-related Disclosures

As part of its work on sustainability reporting and climate-related matters' impact on financial statements, the IFRS Foundation's standard-setting bodies – the IASB and the International Sustainability Standards Board (ISSB) – have emphasised the concept of connectivity between financial statements and sustainability disclosures.

Published by the International Sustainability Standards Board (ISSB) in June 2023, IFRS S1 provides a set of disclosure requirements designed to enable companies to communicate to investors about the sustainability-related risks and opportunities they face over the short, medium and long term. IFRS S2 sets out specific climate-related disclosures and is designed to be used with IFRS S1.

Although all public and private companies can apply IFRS S1 and IFRS S2, the ISSB does not have the right to mandate the application of the Standards. Companies can voluntarily apply these Standards, and jurisdictional authorities can decide whether to require companies to apply them.

These standards are effective for annual reporting beginning on or after 1 January 2024.

A. Material accounting policies (continued)

A4. New accounting and other pronouncements not yet effective (continued)

A4.1 Sustainability reporting standard (continued)

The Group and its customers may face significant climate-related risks in the future. These risks include the threat of financial loss and adverse non-financial impacts that encompass the political, economic and environmental responses to climate change. The key sources of climate risks have been identified as physical and transition risks. Physical risks arise as the result of acute weather events such as hurricanes, floods and wildfires, and longer-term shifts in climate patterns, such as sustained higher temperatures, heat waves, droughts and rising sea levels and risks. Transition risks may arise from the adjustments to a net-zero economy, e.g. changes to laws and regulations, litigation due to failure to mitigate or adapt, and shifts in supply and demand for certain commodities, products and services due to changes in consumer behaviour and investor demand.

These risks are receiving increasing regulatory, political and societal scrutiny in the jurisdictions that the Group operates in. While certain physical risks may be predictable, there are significant uncertainties as to the extent and timing of their manifestation. For transition risks, uncertainties remain as to the impacts of the impending regulatory and policy shifts, changes in consumer demands and supply chains.

The Group is making progress on embedding climate risk in its risk framework, including the development of appropriate risk appetite metrics and the creation of a Sustainability Office, which is responsible for developing group-wide policies, processes and controls to incorporate climate risks in the management of principal risk categories as part of Athora's Sustainability Strategy Framework launched in 2022.

Corporate Sustainability Reporting Directive (CSRD) applicable in Netherlands from 1 January 2024

The European Union (EU) legislation: "Corporate Sustainability Reporting Directive (CSRD)" entered into force in January 2023. Member states have until mid-2024 to transpose the directive, with a view to mandatory requirements commencing for financial years on or after 1 January 2024 on a staggered basis based on size. As Athora Netherlands is already reporting under the Non-Financial Reporting Directive (NFRD), it is required to report in 2025 on its activities for the financial year 2024. The directive will be subsequently expanded further across the Group in line with regulatory timelines.

The CSRD notably expands the scope, sustainability disclosures and reporting requirements of its predecessor, the NFRD. Athora Netherlands will publish new and specific information that covers the entire value chain. Athora Netherlands, its customers and the companies in which Athora Netherlands invests may face significant climate-related risks in the future. These risks include the threat of financial loss and adverse non-financial impacts that encompass the political, economic and environmental responses to climate change. Athora Netherlands is making progress on embedding climate risk in its Risk framework, including the development of appropriate risk appetite metrics and the creation of a Climate Risk Committee, which is responsible for developing group-wide policies, processes and controls to incorporate climate risks in the management of principal risk categories. In preparation of these financial statements, the group has considered the impact of climate change across a number of areas.

A4.2 Application of minor amendments applicable subsequent to the year ended 31 December 2023

The following pronouncements are not applicable for the year ended 31 December 2023 and have not been applied in preparing these financial statements. The impact of these minor amendments are being assessed by the Group and are deemed not likely to be material.

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

Published by the IASB in January 2020 and October 2022, the amendments clarify requirements in IAS 1 for the presentation of liabilities in the statement of financial position and improve the information an entity provides when its right to defer settlement of a liability for at least twelve months is subject to compliance with covenants. The amendments are effective for annual reporting periods beginning on or after 1 January 2024.

A. Material accounting policies (continued)

A4. New accounting and other pronouncements not yet effective (continued)

A4.2 Application of minor amendments applicable subsequent to the year ended 31 December 2023 (continued)

Amendments to IFRS 16, Leases: Lease Liability in a Sale and Leaseback

Published by the IASB in September 2022, the amendments introduce specific subsequent measurement requirements for sale and leaseback transactions. The amendments are effective for annual reporting periods beginning on or after 1 January 2024.

Amendments to IAS 7, Statement of Cash Flows and IFRS 7 - Financial Instruments: Disclosures: Supplier Finance Arrangements

Published by the IASB in May 2023 with an effective date of 1 January 2024, the amendments introduce specific disclosure requirements relating to the effects of supplier finance arrangements on the entity's liabilities, cash flows and its exposure to liquidity risk.

Lack of exchangeability - Amendments to IAS 21

Published by the IASB in August 2023 with an effective date of 1 January 2025, this amendment specifies how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking.

B. Segmental analysis and distributions

B1. Segmental analysis

The Group Management Committee, which is the Chief Operating Decision Maker (CODM) for the Group, reviews the Group's internal reporting based on three segments (which reflect the Group's organisational and management structures) in order to assess performance and allocate resources. These segments are primarily differentiated by the geographies they operate in, are set out below:

- a. Netherlands
- b. Rest of Europe
- c. Reinsurance, Corporate and intra-group eliminations.

The products and services these segments provide are as follows:

Netherlands and Rest of Europe:

Netherlands and Rest of Europe (comprising: Belgium, Italy and Germany) provide traditional life insurance, unit linked, pensions and savings products. Netherlands, Belgium and Italy, actively write new business. The German business is closed to new business.

Reinsurance, Corporate and intra-group eliminations

This segment primarily comprises the:

- a. Group Corporate Centre of the relevant corporate entities, net of inter-segment eliminations; and
- b. Reinsurance, which provides reinsurance services to predominantly other group entities, and to external insurers.

Transfers or transactions between segments are entered into under normal commercial terms and conditions that would also be available to unrelated third parties.

The reportable segments and required disclosures in relation to their performance is set out below.

B. Earnings performance (continued)

B1. Segmental analysis (continued)

€m	Netherlands	Rest of Europe	Reinsurance, Corporate & intra-group eliminations	Total
	2023	2023	2023	2023
<i>Insurance contract revenue</i>	1,818	394	16	2,228
<i>Insurance service expense</i>	(1,644)	(340)	(17)	(2,001)
Insurance service result before reinsurance contracts held	174	54	(1)	227
<i>Allocation of reinsurance premium</i>	(529)	(106)	74	(561)
<i>Amounts recoverable from reinsurers for incurred claims</i>	516	127	(63)	580
Net income/(expense) from reinsurance contracts held	(13)	21	11	19
Insurance service result	161	75	10	246
Net investment income	4,538	1,343	176	6,057
Net finance (expense)/income from insurance contracts	(2,368)	(1,018)	(18)	(3,404)
Net finance (expense)/income from reinsurance contracts	(131)	99	(105)	(137)
Change in investment contract liabilities	—	(166)	—	(166)
Investment return attributable to third parties	(821)	—	—	(821)
Net financial result	1,218	258	53	1,529
Fee and commission income	28	41	—	69
Other income	7	16	7	30
Other expenses	(363)	(182)	(26)	(571)
Acquisition costs	—	(26)	—	(26)
Finance costs	(52)	(82)	(61)	(195)
Profit/(loss) before tax	999	100	(17)	1,082
Income tax				(320)
Profit for the year				762

B. Earnings performance (continued)**B1. Segmental analysis (continued)**

€m	Netherlands	Rest of Europe	Reinsurance, Corporate & intra-group eliminations	Total
	2022	2022	2022	2022
	Restated	Restated	Restated	Restated
<i>Insurance contract revenue</i>	1,874	344	11	2,229
<i>Insurance service expense</i>	(1,671)	(311)	(11)	(1,993)
Insurance service result before reinsurance contracts held	203	33	—	236
<i>Allocation of reinsurance premium</i>	(564)	(78)	46	(596)
<i>Amounts recoverable from reinsurers for incurred claims</i>	529	78	(45)	562
<i>Other changes</i>	—	1	(1)	—
Net income/(expense) from reinsurance contracts held	(35)	1	—	(34)
Insurance service result	168	34	—	202
Net investment income	(12,354)	(2,646)	(362)	(15,362)
Net finance (expense)/income from insurance contracts	10,395	2,789	38	13,222
Net finance (expense)/income from reinsurance contracts	347	(349)	349	347
Change in investment contract liabilities	—	249	—	249
Investment return attributable to third parties	591	—	—	591
Net financial result	(1,021)	43	25	(953)
Fee and commission income	22	33	—	55
Other income	4	25	2	31
Other expenses	(231)	(194)	(37)	(462)
Acquisition costs	—	(34)	—	(34)
Finance costs	(60)	(44)	(25)	(129)
Impairments	(4)	(5)	5	(4)
Profit/(loss) before tax	(1,122)	(142)	(30)	(1,294)
Income tax				355
Loss for the year				(939)

Notes

- A. Profit or loss for each segment includes allocation of Corporate expenses relating to asset management fees, senior staff costs, professional fees, and other such costs, which are not recharged to the segments. These costs are considered an integral part of the business performance and are therefore allocated to each operating segment, on the basis of each operating segment's proportion of total investments, and included in the respective profit or loss reported to CODM. Management considers this basis of allocation to be reasonable. It should be noted that there is no asymmetrical allocation to reporting segments.
- B. No revenue transactions with a single external customer amount to 10% or more of any segments total revenue.
- C. The reduction in net investment income of €362m in 2022 within Reinsurance, Corporate and intra-group eliminations predominantly relates to diminution of €345m in value of investments held by Athora Life Re (ARE) due to a rise in interest rates. This is offset by a reduction of €360m on ARE's insurance contract liabilities recognised in the net finance income from insurance contracts.
- D. Information relating to assets and liabilities for each reportable segment is not presented, as this is not regularly provided to the CODM to make decisions about resources to be allocated to the segments and assess their performance.

B. Earnings performance (continued)

B2. Distributions

B2.1 Dividends - common shares

No dividends were declared or paid to the Company's common shareholders during the year (2022: €nil).

B2.2 Dividends - preferred shares

€m	2023	2022 Restated
Series A preferred dividends - €8.00 per share (2022: €8.00 per share)	38	34
Series B preferred dividends - €4.80 per share (2022: €4.80 per share)	13	7

Dividends on the above Series A and Series B preferred shares are fully discretionary and non-cumulative. The Company can elect to pay dividends declared in cash or in kind via issuance of additional shares.

2023

- On the Series A preferred shares, stated value of €100 per share, dividends of €18m (€4.00 per share) and €19m (€4.00 per share) were declared by the Board on 14 March and 7 September 2023, respectively. Both were paid in kind by the pro rata issuance of 182,491 and 189,789 Series A preferred shares, respectively, based on the stated value of preferred shares outstanding on the date of declaration. The dividend rate is 8%.
- On the Series B preferred shares, stated value of €100 per share, a dividend of €9.5m (€4.80 per share) was declared by the Board on 29 March 2023 and paid in cash on 3 May 2023, and a dividend of €1.7m (€4.80 per share) was declared by the Board on 7 December 2023 and paid in cash on 27 December 2023. The dividend rate is 4.8%.
- Of the €120m paid in connection with the redemption of Series B preferred shares (see **Note D1**), €1.6m was for accrued dividends due under the terms of the Certificate of Designations.

2022

- On the Series A preferred shares, a dividend of €17m and a dividend of €18m were declared by the Board on 9 March and 7 September 2022 respectively. Both were paid in kind by the pro rata issuance of 168,723 and 175,472 Series A preferred shares respectively, based on their stated value on the date of declaration.
- A dividend of €7m was declared by the Board on 12 December 2022 on the Series B preferred shares and was paid in cash.

C. Other income statement notes

C1. Insurance revenue

The Group's insurance revenue depicts the provision of services arising from a group of insurance contracts at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those services. Insurance revenue from a group of insurance contracts is therefore the relevant portion for the period of the total consideration for the contracts, (i.e. the amount of premiums paid to the Group adjusted for financing effect (the time value of money) and excluding any investment components). The total consideration for a group of contracts covers amounts related to the provision of services and is comprised of:

- Insurance service expenses, excluding any amounts relating to the risk adjustment for non-financial risk and any amounts allocated to the loss component of the liability for remaining coverage
- Amounts related to income tax that are specifically chargeable to the policyholder
- The risk adjustment for non-financial risk, excluding any amounts allocated to the loss component of the liability for remaining coverage
- The CSM release
- Amounts related to insurance acquisition cash flows

For management judgement applied to the amortisation of the CSM, please refer to **note F4**.

€m	Note	2023	2022 Restated
Amounts relating to the changes in the liability for remaining coverage			
Expected insurance service expenses and claims incurred		1,968	1,955
Change in the risk adjustment for non-financial risk		47	72
Amount of CSM recognised in profit or loss		209	200
Other amounts including experience adjustments for premium receipts		—	(3)
		2,224	2,224
Amounts relating to recovery of insurance acquisition cash flows			
Allocation of the portion of premiums that related to the recovery of insurance acquisition cash flows		4	5
		2,228	2,229

See **note B1** for a breakdown of insurance revenue by operating segments.

C. Other income statement notes (continued)

C2. Net financial result

Net investment income

Investment income attributable to shareholders comprises income on financial assets at fair value through profit or loss and investment properties.

Net income from financial instruments at fair value through profit or loss

This item comprises realised and unrealised gains and losses, interest income and expense and dividends on financial assets and liabilities at fair value through profit or loss. Income accruing to unit-linked business is shown separately as investment income attributable to assets held in respect of investment contract liabilities and third parties.

For interest-bearing assets, interest is recognised as it accrues and is calculated using contractual interest rates (effective yield). Dividends on equity securities are recorded as revenue on the ex-dividend date.

A realised gain or loss on a financial investment is only realised on disposal or transfer, and is the difference between the proceeds received, net of transaction costs and its original cost. 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, as appropriate, less the reversal of previously recognised unrealised gains and losses in respect of disposals made during the year.

Income from investment properties

This item comprises rental income, realised and unrealised gains and losses, including related to foreign exchange gains and losses, on investment properties. Rental income is recognised on an accruals basis, and is recognised on a straight line basis unless there is compelling evidence that benefits do not accrue evenly over the period of the lease.

Investment income attributable to assets held in respect of investment contract liabilities and third parties

Investment income attributable to assets backing investment contract liabilities comprises realised and unrealised gains and losses, interest income and expense and dividends on financial assets and liabilities at fair value through profit or loss which arise from unit-linked business.

Investment income attributable to third parties represents gains and losses on investments for account of third parties. These gains and losses comprise the fair value changes on the investments for account of third parties and the changes in the fair value of the liabilities arising from these investments.

Insurance finance income or expense

Insurance finance income or expenses comprise the change in the carrying amount of insurance contracts arising from:

- The effect of the time value of money and changes in the time value of money
- The effect of financial risk and changes in financial risk

The Group does not disaggregate insurance finance income or expenses between profit or loss and OCI. This is to minimise the accounting mismatch because all of the Group's financial assets backing the insurance issued portfolios are measured and managed on a fair value through profit or loss basis.

C. Other income statement notes (continued)

C2. Net financial result (continued)

Reinsurance finance income and expense

Reinsurance finance income or expenses comprise the change in the carrying amount of insurance contracts arising from:

- The effect of the time value of money and changes in the time value of money
- The effect of financial risk and changes in financial risk

The Group does not disaggregate reinsurance finance income or expenses between profit or loss and OCI. The Group has determined that the risk of non-performance related to its reinsurance contracts held is a financial risk as it deems the risk of losses from dispute not being material. The Group has, therefore, chosen to present the effects of non-performance for reinsurance held as a separate line item within reinsurance finance income or expenses.

€m	Note	2023	2022 Restated
Investment income/(expense) attributable to shareholders	C2.1	5,070	(14,522)
Net finance (expense)/income from insurance contracts	C2.3	(3,404)	13,222
Net finance (expense)/income from reinsurance contracts	C2.4	(137)	347
Net financial result attributable to shareholders		1,529	(953)
Net investment income/(expense) on financial assets held in respect of investment contract liabilities and third parties	C2.2	987	(840)
Change in investment contract liabilities	E9	(166)	249
Investment return attributable to third parties	E9	(821)	591
Net financial result attributable to assets held in respect of investment contract liabilities and third parties		—	—
Net financial result		1,529	(953)

C2.1 Net investment income/(expense) attributable to shareholders

€m	2023	2022 Restated
Net income/(expense) from derivatives held	778	(6,078)
Interest revenue	1,320	1,139
Net gains/(losses) on financial assets valued through profit or loss	2,691	(9,712)
Investment properties	(39)	(1)
Cash and cash equivalents	112	(5)
Other investment income	208	135
	5,070	(14,522)

Investment income attributable to shareholders consists of income from derivatives, fixed income securities and other investments. The fair value gains in financial assets are mainly driven by the decrease in interest rates in 2023 compared to a large increase in interest rates in 2022.

C. Other income statement notes (continued)

C2. Net financial result (continued)

C2.2 Net investment income/(expense) on financial assets held in respect of investment contract liabilities and third parties

€m	2023	2022 Restated
Net result on financial assets held in respect of investment contract liabilities	166	(249)
Net result on investments for account of third parties	821	(591)
	987	(840)

Investment income from investments held in respect of investment contract liabilities and third parties consists of income from fixed income securities and other investments. The increase in income is mainly driven by a decrease in interest rates in 2023 compared to the large increase in interest rates seen in 2022.

Net investment income in the Income Statement consists of net investment income/(expense) attributable to shareholders and net investment (expense)/income on financial assets held in respect of investment contract liabilities and third parties

C2.3 Insurance finance (expense)/income from insurance contracts issued

€m	2023	2022 Restated
Changes in fair value of underlying items of contracts measured under the Variable Fee Approach	(1,372)	3,327
Interest accreted	(950)	(54)
Effect of changes in interest rates and other financial assumptions	(1,082)	9,949
	(3,404)	13,222

The main driver for the change from €13.2bn income to a €3.4bn expense, relates to the impact on the present value of future cashflows due to the large increase in interest rates in 2022 compared with a decrease in interest rates in 2023. In addition, there is an impact from the increase in the fair value of underlying items (FVUI) in 2023 versus a reduction in FVUI in 2022 on the insurance contracts with direct participation features, measured under the variable fee approach (VFA).

There was a larger negative impact on interest accreted in 2023 of €(950)m (2022: €(54)m) from the unwind on PVFC and CSM and from the difference between the current and locked-in interest rates in 2023. This was mainly due to the Unwind on PVFC where there was a larger negative impact due to lower interest rates in 2023 compared to 2022.

C2.4 Reinsurance finance (expense)/income from reinsurance contracts held

€m	2023	2022 Restated
Interest accreted	(134)	344
Other	(3)	3
	(137)	347

Interest accreted captures discount rate unwinds, the effect of changes in interest rates as well as impacts caused by differences between locked-in discount rates and current discount rates. The positive impact last year was mainly the result of increasing interest rates. The main driver of the 2023 negative results compared with the 2022 positive results is due to a reinsurance premium reduction secured on an external longevity reinsurance treaty. The reinsurance treaty relates to GMM business, therefore, the impact from the delta between locked-in and current rates on this premium change led to a loss in 2023. An additional loss arose from increases in the size of the reinsurance liability, due to the effect of decreasing interest rates over the year.

C. Other income statement notes (continued)

C3. Fees and commissions

Fee and commission income

Fee and commission income related to investment contracts comprises primarily asset management fees and intermediary commissions. Asset management fee comprises fees received on contracts with external parties related to the asset management activities of the investment portfolio as well as the tactical asset allocation according to the mandate agreed upon. It also includes fees relating to the valuation of the outstanding assets and the related financial administration of all assets. Fee and commission income is recognised as the services are provided. Front end fees, which are charged at the inception of service contracts, are deferred as a liability and recognised over the life of the contract.

Fee and commission expense

Commission expenses and management fees are accounted for as fee and commission expense to the extent that they are directly attributable to the services received in the reporting period. Fee and commission income is recognised as the services are provided.

€m	2023	2022 Restated
Asset management fees	24	18
Investment contract fees receivable	41	33
Third party fee income	4	4
	69	55

C4. Other income

€m	2023	2022 Restated
Loss on foreign currencies	—	(1)
Income from associates	4	12
Other	26	20
	30	31

The reduction in the income from associates is due to the divestment of an associate discussed in **note G4**.

C. Other income statement notes (continued)

C5. Other expenses and acquisition costs

C5.1 Other expenses

Other expenses are recognised in the consolidated income statement as incurred.

An analysis of total expenses incurred by the Group in the reporting period is included in the table below:

€m	Note	2023	2022 Restated
Staff costs		(347)	(310)
IT, professional and property costs		(170)	(177)
Asset management fees		(153)	(117)
Other administration expenses		(164)	(82)
Amortisation of intangible assets	G1	(10)	(9)
Depreciation of tangible assets	G2	(8)	(7)
		(852)	(702)
Represented by:			
Directly attributable expenses		(281)	(240)
Other expenses		(571)	(462)
		(852)	(702)

C5.2 Acquisition costs

Acquisition costs predominantly relate to legal and professional fees that are incurred to support the acquisition of investment contracts with no discretionary participation features, business combinations and other such activities. These are recognised in the income statement as incurred.

C. Other income statement notes (continued)

C6. Finance costs

Interest on borrowings is recognised in the consolidated income statement as it accrues and is calculated using the effective interest method including the amortisation of any discount (see **note E7**).

€m	2023	2022 Restated
Interest on external debt		
Subordinated debt	(46)	(55)
Bank loans / revolving credit facilities	(66)	(38)
	(112)	(93)
Other finance costs	(83)	(36)
	(195)	(129)

Other finance costs are incurred by the Group in respect of various operating liabilities, including loans linked to operating activities disclosed within other financial liabilities, deposits received from reinsurers, defined benefit pension schemes, lease liabilities (see **note G2**) and repurchase agreements (see **note E8** for further details).

C7. Tax charge

Income tax comprises current and deferred tax. Income tax is recognised in the consolidated income statement except to the extent that it relates to items recognised in the statement of consolidated comprehensive income or the statement of consolidated changes in equity, in which case it is recognised in these statements.

Current tax is the expected tax payable on the taxable income for the year, using tax rates and laws enacted or substantively enacted at the date of the statement of consolidated financial position together with adjustments to tax payable in respect of previous years.

C7.1 Current year tax charge

€m	2023	2022 Restated
Current tax:		
Current tax charge for the year	—	(58)
Adjustment in respect of prior years	1	9
	1	(49)
Deferred tax:		
Origination and reversal of temporary differences during the year	(311)	335
Effect of change in tax rate	—	—
Adjustment for unrecognised deductible temporary differences	(11)	75
Adjustment in respect of prior years	1	(6)
	(321)	404
	(320)	355

C. Other income statement notes (continued)

C7. Tax charge (continued)

C7.2 Reconciliation of tax charge

The Group operates in multiple jurisdictions and is subject to taxation on profits/(losses) in each jurisdiction at different rates. The differences are explained below:

€m	2023	2022 Restated
Profit/(loss) before tax	1,082	(1,294)
Tax calculated at the domestic rates applicable to profits in each operational jurisdiction	(336)	277
Effects of:		
Expenses not deductible for tax purposes	(4)	(5)
Non-taxable Income	22	1
Income taxable at higher/lower rates	2	(2)
Adjustment for unrecognised deductible temporary differences	(11)	75
Adjustments in respect of prior years	2	3
Deduction for interest on Tier 1 equity	5	6
Total tax (charge)/credit	(320)	355

Applicable tax rates and tax legislation

Tax calculated at the domestic rates applicable to profits in each operational jurisdiction has been computed using the standard rates of taxes on corporate income for the financial year, as follows: Belgium 25% (2022: 25%), Bermuda 0% (2022: 0%), Germany 31.72% (2022: 31.72%), Ireland 12.5% (2022: 12.5%), Netherlands 25.8%, (2022: 25.8%), United Kingdom 23.5% (2022: 19%) and Italy 30.82% (2022: 30.82%). The standard rates of taxes on corporate income include not only those taxes specifically entitled 'corporate income tax' in each jurisdiction but also other similar taxes levied on profits, such as regional production tax ('imposta regionale sulle attività produttive') in Italy and trade tax ('Gewerbsteuer') in Germany.

Legally enacted changes in tax rates applicable to future periods result in the remeasurement of deferred tax assets and liabilities. The Dutch tax rate increased from 25% to 25.8% on 1 January 2022 and the UK tax rate increased from 19% to 25% with effect from 1 April 2023.

In December 2023, an amendment to the municipal trade tax applicable to Athora Germany was announced which will result in the standard rate of tax increasing to 31.92% from 2024, and the government of Bermuda enacted the Corporate Income Tax Act which will see Athora's Bermuda constituent entities liable to a 15% corporate income tax on their profits from 1 January 2025, subject to a number of important transitional adjustments. These prospective changes did not result in material remeasurement of deferred tax in 2023.

No significant further changes in tax rates arose during 2022 or 2023 apart from the new legislation outlined further below.

Analysis of tax charges for the year and comparative information

Year on year, the proportionate change in tax calculated at the domestic rates applicable to profits in each operational jurisdiction relative to profit before tax can be predominately attributed to changes in the mix of profits earned in different jurisdictions.

For 2023, the effective tax charge is lower than the taxable profit multiplied by the standard rate due primarily to non-taxable income (in respect of certain dividends and unrealised gains on equities where the Group holds sufficient interest to avail of participation exemption), as well as tax deductions allowed for interest costs that are recognised via equity rather than the income statement. However, unrealised losses and expenses in certain other subsidiaries cannot be relieved against other profits, so no deferred tax credit has been recognised in these cases, thereby increasing the tax charge for the year relative to accounting profit.

C. Other income statement notes (continued)

C7. Tax charge (continued)

C7.2 Reconciliation of tax charge (continued)

In terms of the total tax charge, in 2022, following a review of the future profit forecasts necessary to justify recognition of net deferred tax assets in the Netherlands, as explained in **note G7**, €69m of deferred tax assets previously derecognised in 2021 were brought back onto the balance sheet, resulting in an additional credit to the income statement which was not arising from profit before tax for the year. A further €6m of tax was also mitigated in Italy using previously unrecognised deductible temporary differences.

Changes in accounting for deferred tax following changes in other accounting standards

Comparative information for 2022 has been restated due to changes in accounting standards. Although changes in accounting standards have no effect on the charges for current tax of prior periods, the implementation of IFRS 17 and IFRS 9 has resulted in changes in the classification and measurement of deferred tax.

As explained in **note A3.1.4**, as of 31 December 2022, net deferred tax assets are €1,048m under IFRS 17/9 compared with €968m under IFRS 4/IAS 39, an accumulated net increase of €80m. The corresponding positions at 1 January 2022, the transition date, show an increase in deferred tax assets of €207m after applying the new accounting standards. The decrease of €(127)m over the course of 2022 is explained by IFRS 17/9 measurement changes during 2022, leading to an additional deferred tax charge of €(131)m and an increase in deferred tax assets acquired in business combinations of €4m.

The deferred tax credit of €404m for 2022 shown in the restated information included in table C7.1 above compares with a deferred tax charge in the income statement of €(100)m presented in the original 2022 information under IFRS 4/IAS 39. This net difference of €504m reflects the reclassification of tax credits of €635m previously recognised via OCI, less the 2022 tax charge on 2022 IFRS 17/9 remeasurements of €(131)m.

Changes in legislation applicable to future periods substantively enacted at the balance sheet date

As explained in detail in **note G7**, no deferred tax has been recognised in respect of 2023 EU member state legislation enacting the OECD Pillar Two Framework or the Bermuda Corporate Income Tax Act. No current tax charges arose in 2023 in respect of this legislation, which is not effective until future periods.

D. Equity

D1. Share capital

The Group has issued ordinary shares which are classified as equity. Incremental external costs that are directly attributable to the issue of these shares are recognised in equity, net of tax.

The Group also holds treasury shares, which together with any directly related costs are recorded as a deduction to consolidated shareholders' equity. Where these treasury shares are subsequently sold or reissued, any consideration received is included in consolidated shareholders' equity, net of any directly related costs and tax effects.

D1.1 Common shares

There are four classes of common shares (A, B, C and D), with Class B, C and D shares split into further sub-classes (B-1, B-2, C-1, C-2, C-3, C-4, D-1 and D-2). Holders of the A, B-1 and B-2 shares have 55%, 35% and 10% of the total voting rights respectively. Holders of Class C and D shares have no voting rights, nor an entitlement to receive any dividends. C shares are entitled to convert to a certain number of A or B common shares if shareholder returns are in excess of agreed hurdles in the event of a material change of control. D shares are not convertible but are entitled to receive a proportion of shareholder returns in excess of agreed hurdles in the event of a material change of control.

11,929,564 Class A, 15,638 Class B-1 and 1,000,000 Class C-4 common shares were issued during 2023.

Authorised		
€m	2023	2022
		Restated
1,000,000,000 common shares of €0.001 each (2022: 1,000,000,000)	1	1

Issued and fully paid up		
€000	2023	2022
		Restated
383,813,755 common shares of €0.001 each (2022: 370,952,162)	384	371
20,000,000 common shares of the Company owned by subsidiaries (2022: 20,000,000)	(20)	(20)
	364	351
Treasury Shares		
12,034,749 treasury shares of €0.001 each (2022: nil)	(12)	—
	352	351

137,931 common shares (2022: 137,931) of €0.001 each of the Company were issued in 2022 to a subsidiary and remain unpaid.

Treasury shares

During 2023, 19,607,841 of common shares at nominal value of €0.001 each were repurchased at a total value of €300m. These shares are held as Treasury Shares. Subsequently, the Company transferred 7,573,092 Treasury shares at a total value of €116m to certain shareholders following their funding of capital calls with such shareholders receiving 46,544 Class A and 7,526,548 Class B-2 common shares (refer below).

At 31 December 2023, 12,034,749 Treasury shares were held by the Company at a book value of €184m.

Purchase, cancellation and reissue of own shares

During 2023, the following share capital transactions occurred:

- 1,181,237 Series B Preferred Shares were redeemed for an aggregate redemption amount of €119,775,650. A portion of the redemption proceeds was applied to fund capital calls made on certain shareholders (refer above); and
- 83,609 Class A common shares were repurchased for €1m and subsequently cancelled.

D. Equity (continued)**D1. Share capital (continued)**

	Number of shares	Share premium €m
Share premium		
At 1 January 2022 (Restated)	337,546,108	3,305
Shares issued during the year	33,406,054	528
At 31 December 2022 (Restated)	370,952,162	3,833
Shares issued during the year	12,945,202	189
Shares redeemed during the year	(83,609)	(1)
At 31 December 2023	383,813,755	4,021

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

Movement in number of issued common shares

Class	At 1 January 2022	Movement	At 31 December 2022	Movement	At 31 December 2023
	Restated	Restated	Restated		
A	220,210,959	34,453,902	254,664,861	4,319,407	258,984,268
B-1	45,530,358	(2,036,292)	43,494,066	15,638	43,509,704
B-2	49,804,791	—	49,804,791	7,526,548	57,331,339
C-1	1,000,000	—	1,000,000	—	1,000,000
C-2	1,000,000	—	1,000,000	—	1,000,000
C-3	—	988,444	988,444	—	988,444
C-4	—	—	—	1,000,000	1,000,000
D-1	10,000,000	—	10,000,000	—	10,000,000
D-2	10,000,000	—	10,000,000	—	10,000,000
Total	337,546,108	33,406,054	370,952,162	12,861,593	383,813,755

Included in the Class A common shares issued during 2022 are 83,609 shares that were acquired by the Company in 2023 in a buyback and cancelled. See also section above and **note 13**.

D1.2 Preferred shares

	Number of shares	Par value €	Share premium €m
At 1 January 2022 (Restated)	5,718,222	5,718	566
Shares issued during the year (€0.001 per share)	2,344,195	2,344	234
At 31 December 2022 (Restated)	8,062,417	8,062	800
Shares issued during the year (€0.001 per share)	372,280	372	38
Shares redeemed during the year (€0.001 per share)	(1,181,237)	(1,181)	(118)
At 31 December 2023	7,253,460	7,253	720

Series A and B preferred shares are recognised as Tier 1 eligible capital within the Group's regulatory solvency ratio.

Dividends

For dividend distributions on Series A and Series B preferred shares refer to **note B2**.

D. Equity (continued)

D1. Share capital (continued)

D1.3 Warrants

During 2020, 6,048,033 warrants were issued over voting common shares in Athora Holding Ltd. These warrants are exercisable during the period commencing on issue date up to the tenth anniversary of issue. However, the warrants must be exercised in the event of the occurrence of a listing, change of control or a significant disposal event once notice of such event has been given by the Group in accordance with the certificate of designation of the warrants.

D1.4 Undrawn capital commitments

At 31 December 2023 the balance of undrawn capital commitments secured by the Group was €2,237m (2022: €2,448m). In January 2023, AHL made a capital call of €210m in respect of previously undrawn commitments.

D2. Other reserves

D2.1 Share-based payment reserve

The share-based payments reserve is used to recognise the value of equity-settled share-based payments provided to employees, including key management personnel, as part of their remuneration. Refer to **note 11** for further details of these plans.

D2.2 Foreign currency translation reserve

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

D3. Non-controlling interests (including restricted Tier 1 notes)

Non-controlling interests are stated at the share of net assets attributed to the non-controlling interest holder at the time of acquisition, adjusted for the relevant share of subsequent changes in equity. The Fixed Rate Reset Perpetual Restricted Tier 1 Contingent Convertible Notes ('Tier 1 Notes') meet the definition of equity and accordingly are shown as a separate category within equity at the proceeds of issue. The coupons on the instruments are recognised as distributions on the date of payment and are charged directly to the statement of consolidated changes in equity.

The non-controlling interests comprise the following:

€m	Note	2023	2022 Restated
Athora Netherlands N.V.	D3.1	245	245
Hemingway Germany RE Log Hold Co S.à r.l.	D3.2	–	4
Athora Real Estate S.A.R.L.	D3.2	–	18
		245	267

D3.1 Athora Netherlands N.V.

Through its subsidiary, Athora Netherlands N.V, the Group has a restricted Tier 1 note in issue with a nominal value of €300m and fair value of €245m. The note is perpetual and first callable in 2025 and each interest payment date thereafter, subject to conditions of redemption.

The coupon is fixed at 7.00% per annum until the first call date. Athora Netherlands may at its sole and absolute discretion at any time elect to cancel any coupon payment (or part thereof) which would otherwise be payable on any payment date. A distribution was made during the year of €21m to cover the coupon due (2022: €21m).

D. Equity (continued)

D3. Non-controlling interests (including restricted Tier 1 notes) (continued)

D3.2 Other non-controlling interests

On 1 April 2023, the Group lost control of its 100% equity interest in its subsidiary Hemingway Real Estate (Lux) SCSp (HREL), following the appointment of Apollo Hemingway Real Estate (Lux) as general partner to HREL (see **Note H3**).

Non-controlling interest of €18m representing minority shares held by third parties of 10.4% in Athora Real Estate S.a.r.l which form part of the HREL investment, was also derecognised at that date. See details at **Note H3**.

Before being derecognised, a profit of €nil (2022: €nil) was allocated to non-controlling interests in Hemingway Germany RE Log Hold Co S.à r.l., while a profit of €0.2m (2022: €1m) was allocated to non-controlling interests in Athora Real Estate S.à r.l. and a dividend was paid of €3m (2022: €2m).

E. Financial assets and liabilities

E1. Classification and measurement of financial assets and liabilities

E1.1 Classification and recognition of financial instruments

Financial assets

The Group mandatorily classifies all its financial assets as fair value through profit or loss because their performance is managed on a fair value basis. The exception are cash and cash equivalents and other receivables, which are classified at amortised cost (see **note G5** and **note G6**). Both receivables and cash & cash equivalents are short-term in nature and therefore the carrying amount equals fair value.

The classification is based on management's intention relating to the purpose, risk and nature of the instrument or characteristics of the investment. The Group determines the classification of its financial assets at initial recognition.

Financial assets at fair value through profit or loss (FVTPL) can either be held for trading (if acquired principally for the purpose of selling in the short-term) or designated at fair value through profit or loss at inception.

Financial assets are initially recorded at fair value. Fair value adjustments and realised gains and losses are recognised in the income statement. Incremental costs and fees that are directly attributable to origination of the financial assets are immediately recognised in the profit or loss.

A financial asset (or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the Group retains the right to receive cash flows from the assets, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and has either transferred substantially all the risks and rewards of the asset, or has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Financial assets held by the Group include debt instruments, equity instruments, loans, receivables and investments in non-consolidated investment funds. These instruments are held directly or through controlled investment funds.

Details of the financial assets are set out in **section E3**.

E. Financial assets and liabilities (continued)

E1. Classification and measurement of financial assets and liabilities (continued)

E1.1 Classification and recognition of financial instruments (continued)

Net asset value attributable to unit-holders

The net asset value attributable to unit-holders represents the non-controlling interest in collective investment schemes which are consolidated by the Group. This interest is classified at FVTPL and measured at fair value, which is equal to the bid value of the number of units of the collective investment scheme not owned by the Group.

For further details see **Note E4**.

Financial liabilities

On initial recognition, financial liabilities are recognised when due and measured at the fair value of the consideration received less directly attributable transaction costs. Other than derivatives and investment contract liabilities, financial liabilities are measured at amortised cost using the effective interest method subsequent to initial recognition.

A financial liability is derecognised when the obligation under the liability is discharged, or cancelled or expires.

Details of the financial liabilities are set out in **note E7, E8 and E9**.

Offsetting financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount reported in the statement of financial position only when 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 asset and settle the liability simultaneously. When financial assets and liabilities are offset any related interest income and expense is offset in the income statement.

Obligations for repayment of collateral received

It is the Group's practice to obtain collateral in stock lending and derivative transactions, usually in the form of cash or marketable securities. Where cash collateral received is available to the Group for investment purposes, it is recognised as a 'financial asset' and the collateral repayable is recognised as 'obligations for repayment of collateral received' in the statement of consolidated financial position. The 'obligations for repayment of collateral received' are measured at amortised cost, which in the case of cash is equivalent to the fair value of the consideration received. Further details of the group's collateral arrangements are included in **note E6**.

E.1.2 Fair Valuation of financial assets and liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal, or in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

A number of the Group's accounting policies require the measurement of fair values, for financial assets and non-financial assets. Further, disclosure is required of the fair value of financial liabilities, which are measured at amortised cost.

The fair value of a non-financial asset is determined based on its highest and best use from a market participant's perspective. When using this approach, the Group takes into account the asset's use that is physically possible, legally permissible, and financially feasible.

E. Financial assets and liabilities (continued)

E1. Classification and measurement of financial assets and liabilities (continued)

E.1.2 Fair Valuation of financial assets and liabilities (continued)

The Group determines the fair value of a financial instrument using the quoted price in an active market for that instrument, when one is available. A market is regarded as 'active' if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

If an asset or liability measured at fair value has a bid price and an ask price, then the Group measures assets and long positions at a bid price and short positions at an ask price.

The best evidence of the fair value on initial recognition is normally the transaction price, i.e. the fair value of the consideration given or received. If the Group determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the measurement, then the financial instrument is initially measured at its fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price. Subsequently, the difference is recognised in the consolidated income statement on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

Purchases and sales of financial assets are recognised on the trade date, which is the date that the Group commits to purchase or sell the asset.

E2. Fair value hierarchy

E2.1 Valuation models

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the 'fair value hierarchy' described as follows, based on the lowest level input that is significant to the fair value measurement model as a whole.

Level 1

Inputs to Level 1 fair values are quoted prices (unadjusted) in active markets for identical assets and liabilities that the entity can access at the measurement date. Financial instruments are considered as being quoted in an active market when quotes representing consensus are regularly provided by external pricing services with limited dispersion and prices are readily available.

Level 2

Inputs to Level 2 fair values: Inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments, quoted prices for identical or similar instruments in markets that are considered less than active, or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.

Level 3

Level 3 includes all instruments for which the valuation technique includes unobservable inputs that have a significant effect on the instrument's valuation, including, as available and appropriate, internal data and other publicly available information.

E. Financial assets and liabilities (continued)

E2. Fair value hierarchy (continued)

E2.1 Valuation models (continued)

Where market quotations are not available, a model-based approach is used to determine fair value. Once valuations are performed, appropriate validation and review is completed to ensure the most appropriate valuation is applied at period end.

Unobservable inputs may be used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. The objective of using a valuation technique is to establish what the transaction price (i.e. exit price) would have been on the measurement date in an orderly transaction between market participants under market conditions current at that date.

E2.2 Determination of fair values

All financial assets (with the exception of cash and cash equivalents and other receivables) are carried at fair value.

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

Level 2 assets include money market instruments, pledged collateral, some mutual funds, exchange-traded funds, unlisted debt securities, loans and reverse repos based on market data and derivatives, but excludes investment funds. Generally, these assets are traded regularly however they do not have readily available, observable market prices. The basis for this classification is that fair value is derived from observable assets, either directly as available prices or derived indirectly from other quoted prices, and utilised for these assets. The prices used are from: fund managers, who publish prices daily; and banks for derivatives, who use models that replicate the underlying market-traded instruments.

- Debt securities, in line with market practice, are generally valued using an independent pricing service. These valuations are determined using independent external quotations from multiple sources and are subject to a number of monitoring controls, such as monthly price variances, stale price reviews and variance analysis. Pricing services, where available, are used to obtain the third party broker quotes. Where pricing services providers are used, a single valuation is obtained and applied. When prices are not available from pricing services, quotes are sourced from brokers.
- Over-the-counter derivatives are valued using broker quotes or models such as option pricing models, simulation models or a combination of models. The inputs for these models include a range of factors which are deemed to be observable, including current market and contractual prices for underlying instruments, period to maturity, correlations, yield curves and volatility of the underlying instruments.
- Unit trusts and other investment funds included under the other investments category are valued using net asset values which are not subject to a significant adjustment for restrictions on redemption or for limited trading activity.

The Group's Level 3 assets comprise investment properties, private equity securities and private credit as well as some derivatives, investment funds and certain debt securities. For these assets, prices are derived from valuation techniques that include significant inputs not based on observable market data, which require management judgement.

Methodologies used in Level 3 valuations may include yield methods using data of comparable listed entities, subject company transactions, discounted cash flows, property growth rates, longevity or liquidity premiums, as relevant to each asset class. The Group formulates the assumptions that are used to determine prices, with due reference to estimates of future cash flows and timing, maturity dates, volatility, risk premium and other relevant available information. See **note E2.4** for further details.

E. Financial assets and liabilities (continued)

E2. Fair value hierarchy (continued)

E2.3 Fair value hierarchy analysis

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

In 2023, transfers from Level 2 to Level 1 amounted to €11m (2022: €162m), transfers from Level 1 to Level 2 amounted to €138m (2022: €nil), transfers from Level 3 to Level 1 amounted to €11m (2022: €nil), transfer from Level 1 to Level 3 amount to €8m (2022: €nil), transfers from Level 3 to Level 2 amounted to €438m (2022: €25m), and transfers from Level 2 to Level 3 amounted to €87m (2022: €13m). Transfers are made depending on the availability of observable inputs.

An analysis of assets and liabilities measured at fair value on a recurring basis, categorised by fair value hierarchy for 2023 and 2022, is given below.

31 December 2023				
€m	Level 1	Level 2	Level 3	Total
Assets measured at fair value:				
Investment properties	—	—	1,077	1,077
<i>Derivative financial assets</i>	—	7,292	46	7,338
<i>Equity securities</i>	114	—	670	784
<i>Debt securities</i>	21,814	1,627	1,679	25,120
<i>Investment fund units</i>	18,755	13	2,459	21,227
<i>Loans & Receivables</i>	—	3,375	14,371	17,746
<i>Reverse repurchase agreements</i>	—	571	—	571
<i>Other financial assets</i>	—	4	1	5
Financial assets	40,683	12,882	19,226	72,791
Financial assets held in respect of investment contract liabilities	1,879	168	—	2,047
Investment assets for account of third parties	7,560	—	—	7,560
	50,122	13,050	20,303	83,475
Financial liabilities measured at fair value:				
Liabilities attributable to investment contracts	1,879	168	—	2,047
Liabilities for account of third parties	7,560	—	—	7,560
Derivative financial liabilities	40	9,040	13	9,093
	9,479	9,208	13	18,700
Liabilities not measured at fair value for which fair value is disclosed:				
Subordinated debt	982	—	—	982
Senior debt	700	622	—	1,322

E. Financial assets and liabilities (continued)**E2. Fair value hierarchy (continued)****E2.3 Fair value hierarchy analysis (continued)**

31 December 2022	Restated			
€m	Level 1	Level 2	Level 3	Total
Assets measured at fair value:				
Investment properties	—	—	2,214	2,214
<i>Derivative financial assets</i>	2	12,081	251	12,334
<i>Equity securities</i>	148	—	1,102	1,250
<i>Debt securities</i>	22,277	1,272	1,416	24,965
<i>Investment fund units</i>	18,303	13	2,010	20,326
<i>Loans & Receivables</i>	—	5,801	13,370	19,171
<i>Reverse repurchase agreements</i>	—	—	—	—
<i>Other financial assets</i>	7	8	2	17
Financial assets	40,737	19,175	18,151	78,063
Financial assets held in respect of investment contract liabilities	1,040	755	—	1,795
Investment assets for account of third parties	4,108	—	—	4,108
	45,885	19,930	20,365	86,180
Financial liabilities measured at fair value:				
Liabilities attributable to investment contracts	830	769	196	1,795
Liabilities for account of third parties	4,108	—	—	4,108
Derivative financial liabilities	—	15,472	44	15,516
	4,938	16,241	240	21,419
Liabilities not measured at fair value for which fair value is disclosed:				
Subordinated debt	921	—	—	921
Senior debt	59	850	—	909

E. Financial assets and liabilities (continued)

E2. Fair value hierarchy (continued)

E2.3 Fair value hierarchy analysis (continued)

Reconciliation of movements in Level 3 assets and liabilities

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

€m	Assets			Liabilities	
	Investment properties	Financial assets	Derivative financial assets	Derivative financial liabilities	Investments attributable to investment contracts
At 1 January 2023	2,214	17,900	251	44	196
Adjustment for Change in Estimate*	—	164	—	—	(196)
<i>Investment income</i>	—	1	—	—	—
<i>Realised gains/(losses)</i>	(1)	28	—	—	—
<i>Unrealised gains/(losses)</i>	(82)	13	41	12	—
<i>Result from derivatives</i>	—	—	—	—	—
Income statement	(83)	42	41	12	—
Other comprehensive income	—	—	—	—	—
Purchases	68	7,645	—	—	—
Disposals	(20)	(6,747)	—	—	—
Deconsolidation	(1,119)	327	—	—	—
Reclassification	17	—	—	—	—
Transfers to/(from) level 3	—	(151)	(246)	(43)	—
At 31 December 2023	1,077	19,180	46	13	—

*Under IFRS 9, all the financial assets, in particular amortised cost assets, have been classified as FVTPL. Consequently, the fair valuation methodology and procedures were revisited and updated. Whilst the fair values have not been affected, this has impacted the disclosures relating to hierarchy of fair valuation such that the fair valuations that were previously regarded as Level 3 within the hierarchy were reassessed as Level 2 and vice versa.

€m	Assets			Liabilities	
	Investment properties	Financial assets	Derivative financial assets	Derivative financial liabilities	Liabilities attributable to investment contracts
At 1 January 2022 (restated)	1,994	18,865	19	122	—
<i>Investment income</i>	—	—	—	—	—
<i>Realised gains/(losses)</i>	—	65	—	—	—
<i>Unrealised gains/(losses)</i>	(77)	(2,014)	—	—	—
<i>Result from derivatives</i>	—	—	184	41	—
Income statement	(77)	(1,949)	184	41	—
Other comprehensive income	(10)	(258)	—	—	—
Additions acquired through business combinations	95	651	—	—	232
Purchases	317	4,305	48	—	23
Disposals	(105)	(3,702)	—	(121)	(13)
Deconsolidation / reclassification	—	—	—	—	—
Transfers to/(from) level 3	—	(12)	—	2	(46)
At 31 December 2022 (restated)	2,214	17,900	251	44	196

For details on the balances relating to deconsolidation see **Note H3**.

E. Financial assets and liabilities (continued)

E2. Fair value hierarchy (continued)

E2.4 Measurement of fair values of Level 3 financial instruments

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 with assurance reviews by their external auditors. The Group reviews the valuation processes internally and with external investment managers and other professionals. This work gives comfort to management that the assets are valued in accordance with applicable regulation and guidance which results in the asset being valued appropriately. In the current year there have been no changes in the respective valuation techniques used.

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

E2.4.1 Investment properties

Investment properties are valued at least annually by independent external valuers, being appropriately qualified and experienced appraisers in the countries concerned with excellent breadth and depth of experience in the valuation of the type of asset concerned. Valuations were performed in accordance with guidance issued by the International Valuation Standards Council. The fair value measurement for all the investment properties has been categorised as Level 3 based on the inputs to the valuation techniques used.

Valuation technique

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

Significant unobservable inputs

The significant unobservable inputs include: expected market rental growth (2023: 0-5%; 2022: 0-2%); Void periods (2023: 0-60 months and 2022: 0-24 months after the end of each lease); Occupancy rate (2023: 53-100%; 2022: 0-100%); Risk adjusted discount rates (2023: weighted average 4-12%; 2022: weighted average 4-8%).

Interrelationship between the key unobservable inputs and fair value

The estimated fair value would increase (decrease) if:

- Expected market rental growth were higher (lower);
- Void periods were shorter (longer);
- Occupancy rates were higher (lower); or
- The risk-adjusted discount rate were lower (higher).

E2.4.2 Private debt and fixed maturity securities

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

Valuation techniques

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

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

E. Financial assets and liabilities (continued)

E2. Fair value hierarchy (continued)

E2.4 Measurement of fair values of Level 3 financial instruments (continued)

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

Significant unobservable inputs

The significant unobservable inputs and their range include:

- Discount rate (2023: 4%-27%; 2022: 3%-18%); This does not include discounts rates on two individually significant inputs which consist of mortgage backed securities and bank debt term loans with discount rates of 30% - 31% (2022 with three inputs: 24% - 52%).
- Recoverability (2023: 71%, 2022: 74%-75%); and
- Total Enterprise Value (TEV)/EBITDA (2023: 2x-21x; 2022: 2x-24x).

Interrelationship between the key unobservable inputs and fair value

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

E2.4.3 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).

Investment 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 (2023: 9%-20%; 2022: 10%-20%); TEV/EBITDA (2023: 0.8x-12.6x; 2022: 1x-10x).

Interrelationship between the key unobservable inputs and fair value

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

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

E. Financial assets and liabilities (continued)**E2. Fair value hierarchy (continued)****E2.5 Level 3 sensitivity analysis**

€m		2023	2022 Restated
Impact on shareholders' equity, net of tax	Change in		
Credit spread	+50bps	(237)	(266)
Credit spread	-50bps	228	266
Interest rate	+50bps	(271)	(239)
Interest rate	-50bps	307	254
Equity/property	+10%	283	280
Equity/property	-10%	(283)	(280)

E. Financial assets and liabilities (continued)

E3. Financial assets

The following table sets out the fair value of the financial assets held by the Group, including the composition and the fair value of underlying items of the Group's direct participating contracts at the reporting date:

31 December 2023				
€m	Note	Underlying items of direct participating contracts	Other*	Total
Debt securities		4,714	20,406	25,120
Equity securities		9	775	784
Investment funds		15,846	5,381	21,227
Derivative assets	E5	—	7,338	7,338
Reverse repurchase agreements		—	571	571
Loans & Receivables**		112	17,634	17,746
Other financial assets		—	5	5
		20,681	52,110	72,791

31 December 2022

Restated

€m	Note	Underlying items of direct participating contracts	Other*	Total
Debt securities		4,838	20,127	24,965
Equity securities		114	1,136	1,250
Investment funds		13,267	7,059	20,326
Derivative assets	E5	9	12,325	12,334
Reverse repurchase agreements		—	—	—
Loans & Receivables**		277	18,894	19,171
Other financial assets		—	17	17
		18,505	59,558	78,063

*'Other' comprises general accounts assets backing insurance contracts accounted for under the General Measurement Model and free shareholder assets.

** 'Loans & Receivables' includes pledged collateral of €3,154m (2022: €5,133m). Refer also to credit risk disclosures in **note E10.3**.

Information about the Group's exposure to credit and market risks is included in **note E10**. Information on the fair value of the Group's investment portfolio is included in **note E2**.

Included in the financial assets above, are €13,583m (2022: €12,611m) of unit linked assets which are backing insurance contract liabilities in scope of IFRS 17 and are classified as assets under administration ("AuA"). See further details in the Investment Strategy section.

On 1 April 2023, the Group lost control of its 100% equity interest in its subsidiary Hemingway Real Estate (Lux) SCSp (HREL) following the appointment of a general partner to HREL. The loss of control of the subsidiary was recognised by derecognising the assets and liabilities of HREL at their carrying values at 1 April 2023. The Group's investment retained in the former subsidiary was remeasured to fair value on 1 April 2023 and the investment is thereafter presented as a fair value through profit and loss (FVTPL) financial asset. See **note H3** for further details.

E. Financial assets and liabilities (continued)

E4. Financial assets held in respect of investment contract liabilities and third parties

Financial assets held in respect of investment contract liabilities (Fair value through profit or loss)

Financial assets held in respect of investment contract liabilities are classified at initial recognition as fair value through profit or loss. These investments are held to cover investment contracts where the investment risk is borne by contract holders. Dividends, coupons, adjustments in the fair value of investments and gains and losses on the sale of investments are recognised in the income statement as income on financial assets held in respect of investment contract liabilities (see **note C2**).

Investment assets for the account of third parties (Fair value through profit or loss)

These investments relate to the third parties' share in the investments of investment funds with opposite daily redeemable financial obligations to these third parties at the same amount and are measured at fair value through profit or loss. Any related gains and losses are recognised in the income statement as gains and losses on financial instruments. These investment funds are consolidated since the Group controls these funds and is exposed to their gross variable results, which are mainly attributable to investments held in respect of investment contract liabilities. The Group's exposure to risks arising from these financial instruments is limited since the beneficial ownership rests with these third parties and participants. The value of corresponding liabilities equals the fair value of the underlying investments. See details included in **note E9**.

€m	Note	2023	2022 Restated
Equities		15	9
Investment fund units	1	2,032	1,786
Financial assets held in respect of investment contract liabilities		2,047	1,795
Investment fund units		7,560	4,108
Investments attributable to third parties	2	7,560	4,108
		9,607	5,903

Notes

- Investment fund units held in respect of investment contract liabilities relate to policies with insignificant insurance risk and no participation features. Financial assets held in respect of investment contract liabilities are directly matched by the corresponding liabilities attributable to investment contracts (see **note E9**).
- These investments largely consist of Index Funds and investments for the account of third-party participants. Investment assets for the account of third parties are directly matched by a corresponding liability (see **note E9**).

The investments attributable to third parties amount to €7,560m (2022: €4,108m) and largely consist of Cardano funds and investments for the account of participants of Zwitterleven PPI. Cardano acquired Athora Netherlands's former investment manager Actiam in Jan 2022 and continues to provide asset management services to the unit-linked business of Athora Netherlands as part of a long-term strategic partnership. The increase of third party investments in 2023 is due to positive valuation movements and an increase in investment by external parties in Cardano funds where Athora has control.

E. Financial assets and liabilities (continued)

E5. Derivatives

The derivative financial instruments are classified as held for trading and are typically entered into with the intention to settle in the near future. These instruments are initially recorded at fair value. Subsequent to initial recognition, these instruments are re-measured at fair value. Fair value adjustments and realised gains and losses are recognised in the income statement.

All derivatives are presented as assets when the fair values are positive and as liabilities when the fair values are negative.

Embedded derivatives are treated as separate derivatives and are recorded at fair value if their economic characteristics and risks are not closely related to those of the related host contract and the host contract is not itself recorded at fair value through profit or loss. Embedded derivatives that meet the definition of insurance contracts are treated and measured as insurance contracts.

The Group uses derivative financial instruments in line with its strategy for risk mitigation. The Group purchases derivative financial instruments principally in connection with the management of its insurance contract and investment contract liabilities based on the principles of reduction of risk and efficient portfolio management. The Group does not typically hold derivatives for the purpose of selling or repurchasing in the near term or with the objective of generating a profit from short-term fluctuations in price or margin. The Group also holds derivatives to hedge financial liabilities denominated in foreign currency.

The Group has resolved not to apply hedge accounting under IFRS 9.

	2023		2022	
	Assets	Liabilities	Assets	Liabilities
	€m	€m	€m	€m
Interest rate swaps	6,080	8,665	10,583	15,290
Swaptions	316	22	305	89
Futures	—	53	5	—
Forwards	531	274	1,029	77
Foreign currency swaps	—	—	1	6
Inflation linked swaps	411	79	411	54
	7,338	9,093	12,334	15,516

E6. Collateral arrangements

The Group receives collateral in the form of cash and other investment securities in respect of derivative contracts and reinsurance contracts. Where cash collateral is available to the Group for investment purposes it is recognised as received collateral (see **note G6**) and the collateral repayable is recognised as cash collateral held (see **note E8**) in the statement of financial position. Pledged collateral that has been paid to banks is classified within Financial assets - Loans & Receivables (see **note E3**). The 'obligations for repayment of collateral received' are measured at amortised cost, which in the case of cash is equivalent to cost. Only collateral received where the Group has the risks and rewards of ownership, is accounted for in this way. Non-cash collateral received, where the Group bears no risk or reward, is not included in these financial statements. Where the Group enters into reinsurance transactions, either as cedant or reinsurer, where funds are withheld, these assets are received/pledged as collateral to mitigate against counterparty default risk. Management monitors the market value of the collateral, requests/provides additional collateral when needed and performs an impairment valuation when applicable.

E. Financial assets and liabilities (continued)

E6. Collateral arrangements (continued)

E6.1 Financial instrument collateral arrangements

The Group has no financial assets and financial liabilities that have been offset in the statement of consolidated financial position as at 31 December 2023 (2022: none).

The disclosures set out below relate to financial assets and financial liabilities recognised in the statement of consolidated financial position that are subject to enforceable master netting arrangements or similar agreements. Such agreements do not meet the criteria for offsetting in the statement of consolidated financial position as the Group has no current legally enforceable right to offset recognised financial instruments. Furthermore, certain related assets received as collateral under the netting arrangements will not be recognised in the statement of consolidated financial position as the Group does not have permission to sell or re-pledge, except in the case of default.

The pledged collateral included in “Financial assets - Loans & Receivables” amounts to €3,154m (2022: €5,133m). As stated in **note E8**, the cash collateral included in “Other financial liabilities” amounts to €1,228m (2022: €1,658m). These collateral balances mature on demand.

E6.2 Derivative collateral arrangements

The Group enters into derivative transactions under ISDA master netting agreements.

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

The derivative financial assets and liabilities are offset and the net amount reported in the statement of financial position only when 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 asset and settle the liability simultaneously. When financial assets and liabilities are offset any related interest income and expense is offset in the income statement.

The following table sets out the carrying amounts of recognised financial instruments that are subject to the above agreements that are stated gross and those that offset and are therefore stated net. These collateral balances mature on demand.

2023	Amounts of financial instruments presented in the statement of financial position	Related amounts not offset in the statement of financial position			Net exposure
		Recognised financial instruments	Cash collateral	Securities collateral	
		asset/(liability)	(received)/pledged		
€m					
Financial assets					
<i>Derivative assets</i>	7,338	(6,243)	(1,120)	—	(25)
<i>Reverse repurchase agreements</i>	571	—	—	(599)	(28)
Financial liabilities					
<i>Derivative liabilities</i>	(9,093)	6,243	3,145	127	422
<i>Repurchase agreements</i>	(2,041)	—	(99)	2,007	(133)
	(3,225)	—	1,926	1,535	236

Included in the above table are net assets of €1,666m (gross: €7,909m) and net liabilities of €(4,891)m (gross: €11,134m) before any collateral is considered. The fair value of securities pledged as collateral was €2,134m.

E. Financial assets and liabilities (continued)

E6. Collateral arrangements (continued)

E6.2 Derivative collateral arrangements (continued)

2022	Restated*				
	Amounts of financial instruments presented in the statement of financial position	Related amounts not offset in the statement of financial position			Net exposure
		Recognised financial instrument	Cash collateral	Securities collateral	
€m					
Financial assets					
<i>Derivative assets</i>	12,334	(10,222)	(1,660)	157	609
Financial liabilities					—
<i>Derivative liabilities</i>	(15,516)	10,222	5,169	155	30
<i>Repurchase agreements</i>	(2,155)	—	79	2,072	(4)
	(5,337)	—	3,588	2,384	635

* Following the adoption of IFRS 17 and IFRS 9 (see **note A3**), the Group reviewed the parameters, processes and procedures used in the determination of the disclosures set out in the financial statements as a whole, including the collateral disclosure set out above. As a result of this review the disclosures of offsetting financial assets and liabilities have been changed to improve insight in derivative exposures and better align with the IFRS disclosure requirements. The table shows a net exposure of derivatives and related cash and securities collateral amounts, which are netted based on separate ISDA agreements, as opposed to gross amounts based on single derivative values. The comparatives have been restated to conform with the current year presentation.

Included in the above table are net assets of €2,112m (gross: €12,334m) and net liabilities of €(7,449)m (gross: €17,671m) before any collateral is considered. The fair value of securities pledged as collateral was €2,384m.

E6.3 Stock lending arrangements

Securities lending and borrowing transactions are usually collateralised by securities or cash in order to mitigate significant counterparty exposure. The transfer of the securities to counterparties is only reflected on the statement of financial position if the risks and rewards of ownership are also transferred. Cash advanced or received as collateral is recorded as an asset or liability.

The Group enters into stock lending transactions for the purpose of generating additional income. The lending periods associated with these arrangements are open ended and can be terminated on request. The assets transferred under the stock loan agreements are secured by the receipt of collateral which is only accepted in the form of equity and fixed income securities, with restrictions on its quality. Although collateral is at the disposal of the Group, it has not been used for trading given the open-ended nature of the initial securities lent in the transactions.

The following table shows the assets within the Group that have been transferred under stock loan agreements and the related collateral received.

€m	2023	2022 Restated
Stock loan arrangements:		
Corporate bonds	1	2
Government bonds	—	500
Total	1	502
Collateral received	—	542

E. Financial assets and liabilities (continued)

E7. Borrowings

On initial recognition borrowings are recorded at fair value net of transaction costs incurred. These instruments are subsequently measured at amortised cost, using the effective interest rate method. The fair value of borrowings is disclosed in **note E2**.

€m	Note	2023	2022 Restated
Subordinated debt	E7.1	992	985
Senior debt	E7.2	1,274	907
		2,266	1,892

Borrowings increased in the year ended 2023 primarily due to a Athora Holding Ltd. €600m Tier 3 Senior Bond issuance partially offset by repayment of a Athora Holding Ltd. €250m Tier 3 Senior Bank Loan. In February 2023, the Athora Holding Ltd. €450m Senior Bank Loan and the Athora Europe Holding (Bermuda) Ltd. €150m Senior Bank Loan were refinanced by a €600m Senior Bank Loan at Athora Holding Ltd at a more favourable interest rate and to continue centralising financing at the holding company.

The Group did not have any defaults of principal or interest or other breaches with respect to its borrowings during the years ended 31 December 2023 and 2022.

E7.1 Subordinated debt

€m	Issuer	Maturity	Note	2023	2022 Restated
Euro subordinated bonds	Athora Netherlands N.V.	2031	E7.1.1	299	298
Euro subordinated bonds	Athora Netherlands N.V.	2032	E7.1.2	498	497
Swiss franc perpetual bonds	SRLEV N.V.	Perpetual	E7.1.3	113	107
Euro subordinated bonds	Athora Italia S.p.A	2031	E7.1.4	82	83
				992	985

E7.1.1 €300m subordinated bonds, with a first call date in 2026 and a maturity date in 2031. The bonds are classified as Tier 2 regulatory capital. The coupon is fixed at 2.250%.

E7.1.2 €500m subordinated bonds, with a first call date in 2027 and a maturity date in 2032. The bonds are classified as Tier 2 regulatory capital. The coupon is fixed at 5.375% until its first call date.

E7.1.3 CHF105m subordinated perpetual bonds, which are callable annually. The coupon is fixed until 2026 at 5.334%. The bonds qualify as Tier 2 regulatory capital for Group Solvency and qualifies as Restricted Tier 1 for Athora Netherlands under Solvency II.

E7.1.4 €80m subordinated bonds, with a first call date in 2026 and a maturity date in 2031. The coupon is fixed until 2026 at 7.000%. The bonds qualify as Tier 2 regulatory capital.

E. Financial assets and liabilities (continued)

E7. Borrowings (continued)

E7.2 Senior debt

Issuer	Maturity	Note	2023	2022 (Restated)
Athora Holding Ltd.	16-6-2028	E7.2.1	616	—
Athora Holding Ltd.	20-2-2026	E7.2.2	597	—
Athora Holding Ltd.	-	E7.2.3	—	253
Athora Holding Ltd.	-	E7.2.4	—	445
Athora Europe Holding (Bermuda) Ltd.	-	E7.2.5	—	148
Athora Netherlands N.V.	17-5-2024	E7.2.6	61	61
			1,274	907

E7.2.1 In June 2023, Athora Holding Ltd. accessed the public capital markets for the first time and successfully issued a €600m senior unsecured fixed rate note. The note qualifies as Tier 3 ancillary capital under the Bermuda Monetary Authority rules and carries a fixed coupon rate of 6.625% with a 5-year maturity. The proceeds were used to refinance the existing €250m Tier 3 Bank Loan and to provide appropriate debt capital funding for the expected closing of the AXA Germany acquisition.

E7.2.2 A 3-year €600m Term Loan was drawn in February 2023 to refinance AHL's €450m Term Loan and the €150m Term Loan of Athora Europe Holding Bermuda Ltd. The transaction materially reduced interest cost, furthers Athora's aim to consolidate financing at Athora Holding Ltd. whilst having no impact on financial leverage.

E7.2.3 In April 2022, Athora Holding Ltd. borrowed €250m from a group of credit institutions. The loan was classified as Tier 3 regulatory capital. In June 2023 the loan was repaid in full as described above.

E7.2.4 In 2020, AHL issued €500m 5-year floating rate senior debt to a group of credit institutions as part of the acquisition of Athora Netherlands. €50m of this debt was repaid in 2022. In February 2023 the remaining balance was repaid in full, see also E7.2.2 below.

E7.2.5 In 2019 Athora Europe Holding (Bermuda) Ltd. borrowed €175m from a group of credit institutions as part of the financing for the Group's acquisition of Athora Belgium. In 2021, an amount of €25m was repaid. In February 2023 the remaining balance was repaid in full, see also E7.2.2 above.

E7.2.6 In 2020, the Group acquired Athora Netherlands and consolidated €650m of senior notes issued by Athora Netherlands NV. An amount of €584 million was redeemed in April 2020, as a result of the successful tender offer on the notes. The remaining €61 million senior notes have a fixed coupon at 2.375% per annum and mature during 2024.

Maturity profile of senior debt

All of the above senior debt balances are due to be settled within 1 to 5 years after the balance sheet date. See further details in **note E10**.

Revolving credit facilities

In February 2023, the Group entered into a new €500m senior unsecured revolving credit facility with a group of credit institutions, which provides material liquidity resources to the Group. No drawdowns of the facility were made. In February 2024, this facility was refinanced and increased to €1bn (see **note I6** for details).

E. Financial assets and liabilities (continued)

E8. Other financial liabilities

On initial recognition other financial liabilities, except derivative liabilities, are recorded at fair value net of transaction costs incurred. These instruments are subsequently measured at amortised cost, using the effective interest rate method. For measurement of derivative liabilities see **note E5**.

€m	Note	2023	2022 Restated
<i>Other private loans due to banks</i>		1	620
<i>Repurchase agreements</i>		2,041	2,155
<i>Other private loans</i>		9	185
Loans linked to operating activities		2,051	2,960
Derivative liabilities	E5	9,093	15,516
Deposits received from reinsurers		50	45
Lease liabilities	E8.1	33	17
Cash collateral held	E6	1,228	1,658
Customer deposits		14	(4)
		12,469	20,192

The Group did not have any defaults of principal or interest or other breaches with respect to its loans linked to operating activities during the years ended 31 December 2023 and 2022.

Securities sold subject to repurchase agreements (repos) continue to be recognised on the statement of financial position where substantially all risks and rewards are retained. Funds received under these arrangements are included in liabilities. Conversely, securities purchased under agreements to resell (reverse repos), where the Group does not acquire substantially all risks and rewards of ownership, are recorded as loans and receivables. The difference between sale and repurchase price is treated as interest and accrued over the life of the agreements using the effective interest rate method. For collateral arrangements on repos and reverse repos, see **Note E6**.

The reduction in other private loans and other private loans due to banks is a result of the deconsolidation of Hemingway Real Estate (Lux) SCSp (see **note H3**).

E8.1 Lease liabilities

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

€m	< 1 year	1 to 5 years	> 5 years	Discounting effect	Total
2023	4	18	20	(9)	33
2022	3	9	8	(3)	17

Lease liabilities are carried at the present value of the outstanding lease payments. For details of the accounting policy on leases see **note G2**.

E. Financial assets and liabilities (continued)

E9. Investment contract liabilities and liabilities for third parties

Contracts under which the transfer of insurance risk to the Group from the holder is not significant are classified as investment contracts and accounted for as financial liabilities.

Investment contracts without discretionary participating features (DPF) and that do not have a significant insurance risk, mainly include unit/index-linked policies and non-linked investment contracts. These products are accounted for as follows:

- The products are recognised as financial liabilities at fair value or at amortised cost. In detail, linked products classified as investment contracts are fair valued through the income statement, while non-linked investment contracts are generally valued at amortised cost.
- Fee and commission income and expenses are recognised in the income statement over the period in which the related services are performed, along with incremental costs of non-linked investment contracts without DPF (other than administration costs and other non-incremental costs).
- Fee and commission income and incremental costs of non-linked investment contracts without DPF (other than administration costs and other non-incremental costs) are included in the amortised cost measurement.

Investment contract liabilities are recognised when contracts are entered into and premiums are receivable. These liabilities are initially recognised at fair value, this being the transaction price excluding any transaction costs directly attributable to the issue of the contract. The liability is the sum of the unit-linked liabilities plus an additional amount to cover the present value of the excess of future policy costs over future charges. Subsequent to initial recognition, the investment contract liabilities are measured at fair value through profit or loss. Deposits and withdrawals are recorded directly as an adjustment to the liability in the statement of financial position and are not recognised as gross premium and claims in the income statement. Fair values are determined at each reporting date and fair value adjustments are recognised in the income statement. The liability is derecognised when the contract expires, is discharged or is cancelled. For a contract that can be cancelled by the holder, the fair value of the contract cannot be less than the surrender value. The fair value of these liabilities is the amount payable on demand, and changes in the credit risk of these liabilities do not have any impact on their fair value.

Investment contract holders and third parties are charged for policy administration services, investment management services, surrenders and other contract fees. These fees are recognised as revenue over the period in which the related services are performed. If the fees are for services provided in future periods, then they are deferred and recognised over those periods. 'Front end' fees are charged on some non-participating investment contracts. Where the non-participating investment contract is measured at fair value, such fees which relate to the provision of investment management services are deferred and recognised as the services are provided.

€m	Investment contract liabilities		Liabilities for account of third parties	
	2023	2022 Restated	2023	2022 Restated
At 1 January	1,795	1,617	4,108	3,353
Acquired in business combinations	—	213	—	—
Contributions received	256	301	5,802	1,677
Benefits paid	(170)	(87)	(3,171)	(336)
Amounts recognised in P&L	166	(249)	821	(591)
Other movements	—	—	—	5
At 31 December	2,047	1,795	7,560	4,108

The above liabilities do not include risk mitigation through reinsurance.

E. Financial assets and liabilities (continued)

E10. Risk management – financial risks

The use of financial instruments naturally exposes the group to the risks associated with them, mainly credit risk, market risk, and liquidity risk. The Group also has exposure to underwriting risk as part of its insurance activities which are covered in **note F3**.

E10.1 Risk management framework

The Company's board of directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The board of directors has established the Board Risk Committee, which is responsible for developing and monitoring the Group's risk management policies. The committee reports regularly to the board of directors on its activities.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its internal processes, management standards and governance aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

Refer to risk management section for further details.

E10.2 Sensitivity analyses

The sensitivity analyses performed for financial risks are set out in the table below. These sensitivities are based on single point in time (instantaneous) shocks to the market value of assets included in the IFRS 17/9 Balance Sheet. These shocks are applied through direct changes in market prices or through changes in the level of interest rates. Where affected, the value of the insurance contract liabilities have been recalculated to reflect the impact of these shocks.

For insurance contracts that are valued under the IFRS 17 General Measurement Model ("GMM"), economic impacts do not affect the CSM and instead directly impact Profit or Loss. Changes in the proportion of the Group's contracts valued under the GMM will cause variations in the sensitivity of Profit or Loss and Equity to economic impacts over time. The sensitivity analyses performed in respect of underwriting risks can be found in **note F3.3**. There have been no changes to the sensitivity methodology in the current year.

€m	2023			
	Financial assets, before tax	Insurance and reinsurance contracts, before tax*	Profit or loss, net of tax	Equity, net of tax
Credit risk				
Credit spreads +50bp	(792)	(496)	(239)	(239)
Market risk				
Interest rates +50bp	(2,318)	(1,808)	(398)	(373)
Interest rates -50bp	2,592	2,015	447	419
Equity/property prices -10%	(447)	(31)	(210)	(211)

E. Financial assets and liabilities (continued)**E10. Risk management – financial risks (continued)****E10.2 Sensitivity analyses (continued)**

€m	2022 Restated			
	Financial assets, before tax	Insurance and reinsurance contracts, before tax*	Profit or loss, net of tax	Equity, net of tax
Credit risk				
Credit spreads +50bp	(665)	(546)	(106)	(106)
Market risk				
Interest rates +50bp	(1,905)	(1,805)	(71)	(45)
Interest rates -50bp	2,111	2,026	62	33
Equity/property prices -10%	(417)	(36)	(201)	(204)

*net of reinsurance held

Overall, impacts on Equity, net of tax arising from financial risk sensitivities have experienced large increases in absolute terms in 2023 for all scenarios aside from the 'equity/property - 10%' sensitivity, which has remained comparable with 2022. These increases have been driven by an increase in the impact on financial assets in interest rate and credit spread scenarios, while the sensitivity of the liabilities to these scenarios has remained largely consistent with 2022. Movements in financial risk exposures over the year, arising due to hedging adjustments and changes in the composition of the underlying portfolio of assets, have increased the sensitivity of financial assets to credit spread and interest rate scenarios when compared to the financial assets held in 2022. The hedging strategies implemented for business units are designed to mitigate financial risks in the context of solvency frameworks, such as Solvency II. Differences in methodology between IFRS and these solvency frameworks (such as the calculation of discount rates, for example) results in an over-hedge position arising on an IFRS Equity basis. Changes in interest rates and credit spreads have a larger impact on assets than liabilities, due to the existence of this over-hedge position on the IFRS basis.

The 'credit spread +50bps' sensitivity assumes a 50bps increase in the level of credit spreads over the short term. This directly results in a short-term increase in the IFRS 17 illiquidity premium and therefore an increase in the discount rates, after which these discount rates decrease back to best estimate levels. Increasing discount rates cause an overall reduction in the insurance and reinsurance contract liabilities and for GMM contracts, this decrease in liabilities directly impacts the Profit or Loss and Equity, net of tax. Similarly, short term increases in credit spreads result in an overall decrease in the value of Athora's financial assets, which more than offsets the decrease in liabilities due the existence of the over-hedge position. Compared to 2022, the credit spread impact on Profit or Loss and Equity, net of tax has increased due to higher impacts on the financial assets in 2023.

Unlike the credit spread sensitivity, the 'interest rates +50bps' and 'interest rates -50bps' sensitivities result in long term, level changes in the IFRS 17 discount rates. This causes significantly larger impacts on financial assets and the insurance and reinsurance contract liabilities, when compared to the credit spread sensitivity. Of all the financial risk sensitivities provided, the interest rate sensitivities have the most significant impact on Profit or Loss, net of tax in 2023. It should be noted that the impact of these interest rate sensitivities on Equity, net of tax also includes an additional impact due to a resulting change in the value of defined benefit pension obligations held by Athora Netherlands. (Impacts on the value of the defined benefit pension obligation are reflected through Other Comprehensive Income and therefore do not affect Profit or Loss).

At present, the insurance and reinsurance contract liabilities only have a limited exposure to changes in the market price of equity and property. Although the impact on financial assets arising from the 'equity/property prices -10%' sensitivity is considerably smaller than that seen in response to the other sensitivities, the lack of significant offsetting impacts on the insurance and reinsurance contract liabilities results in a comparable decrease in Equity, net of tax. Differences in the impacts arising on Profit or Loss and Equity are attributed to changes in the value of property held for own use, which impact Other Comprehensive Income, rather than Profit or Loss.

E. Financial assets and liabilities (continued)

E10. Risk management – financial risks (continued)

E10.3 Financial risks

Credit risk

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

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

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

Asset quality

The ratings employed by the Group consider predominantly the ratings from the three main rating agencies (Standard & Poor's, Fitch and Moody's) as well as internal credit assessments assigned by Athora Group Risk to private credit assets, which are used as inputs for the BMA-approved BSCR internal credit assessment.

The table below provides information regarding the maximum credit risk exposure of the Group by classifying assets according to the Standard & Poor's credit ratings of the counterparties. AAA is the highest possible rating. Assets that fall outside the range of AAA to BBB are classified as speculative grade.

31 December 2023					
€m	Fixed-income securities	Reinsurance contract assets	Cash and cash equivalents	Loans & Receivables	Total
AAA	6,810	—	1,183	159	8,152
AA	8,760	5	129	57	8,951
A	5,617	39	1,149	3,907	10,712
BBB	2,296	—	9	351	2,656
BB	203	—	1	5	209
B or lower	226	—	—	115	341
NR	1,208	3	13	13,152	14,376
	25,120	47	2,484	17,746	45,397

E. Financial assets and liabilities (continued)**E10. Risk management – financial risks (continued)****E10.3 Financial risks (continued)**

31 December 2022

Restated

€m	Fixed-income securities	Reinsurance contract assets	Cash and cash equivalents	Loans & Receivables	Total
AAA	8,409	—	—	437	8,846
AA	7,021	9	51	942	8,023
A	4,634	—	979	1,081	6,694
BBB	3,057	—	277	3,746	7,080
BB	271	—	1	—	272
B or lower	429	—	—	58	487
NR	1,144	3	7	12,907	14,061
	24,965	12	1,315	19,171	45,463

The asset quality table excludes investments attributable to investment contracts and third parties of €9,607m (2022 Restated: €5,903m) as the risk is not borne by the Group.

Loans & Receivables largely comprises of Mortgages, Private loans linked to saving mortgages, Private Credit and Pledged Collateral.

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

The Group maintains accurate and consistent risk ratings across its asset portfolio. This enables management to focus on the applicable risks and to compare credit exposures across all lines of business, geographical regions and products. The rating system is supported by a variety of financial analytics combined with market information to provide the main inputs for the measurement of counterparty risk. All risk ratings are tailored to the various categories of assets and are assessed and updated regularly.

The Group operates an Internal Credit Assessment Forum to perform oversight and monitoring of internally credit rated assets. Internally rated assets are those that do not have a public rating from an external credit assessment institution. The internal credit ratings used by the Group for Bermudian Capital purposes are determined by the Credit Assessment Forum. The Group Risk Committee reviews the policies, processes, and practices to ensure the appropriateness of the internal ratings assigned to asset classes, in line with regulatory requirements.

Reinsurance credit risk

Credit risk is the risk of financial loss resulting from a counterparty's failure to meet their contractual obligations. The Group has credit risk arising from reinsurance contract assets. Other credit risks arising from insurance operations are not considered to be material.

The Group structures the levels of credit risk arising from reinsurance it accepts by placing limits on its exposure to a single counterparty or groups of counterparties and to geographical and industry segments, if relevant. Such risks are subject to a review annually or more frequently. Limits on the level of credit risk by category and territory are approved annually by the Risk Committee.

Reinsurance is used to manage insurance risk. This does not, however, discharge the Group's liability as the primary insurer. If a reinsurer fails to pay a claim for any reason, the Group remains liable for the payment to the policyholder.

E. Financial assets and liabilities (continued)

E10. Risk management – financial risks (continued)

E10.3 Financial risks (continued)

The creditworthiness of reinsurers is considered by reviewing their financial strength prior to the finalisation of any contract. The financial analysis of reinsurers that is conducted at the Group level produces an assessment categorised by the Group's credit risk grading, based on the external credit ratings provided by ratings agencies, other publicly available financial information, and internal reviews. The policy is to accept only low credit risk.

At 31 December 2023, the Reinsurance contract assets were neither past due nor impaired (2022: Nil).

Other receivables

For other receivables the determination of forward-looking economic scenarios is less significant given that over the short credit risk exposure period, a significant change in economic conditions is unlikely. Consequently, the historical loss rates are considered to be an appropriate basis for the estimate of expected future credit losses. The Group uses the simplified ECL provision matrix approach that applies the historical loss rates to the trade receivable balances depending on the number of days that a trade receivable is past due.

At 31 December 2023, Receivables and other assets, were neither past due nor impaired (2022: Nil).

Derivatives and collateral

As at 31 December 2023, the Group has received:

- cash collateral with a fair value of €(1,120)m (2022: €(1,660)m) for derivatives assets.
- securities collateral, not recognised, with fair value of €(599)m in respect to reverse repurchase agreements. (2022: nil). There was no securities collateral pledged or received in respect of derivative assets in 2023 (2022: €157m).

For further details, see **Note E6**.

The Group's counterparties for interest rate swaps and foreign currency swaps are all investment graded banks or centrally cleared counterparties. The Group has the necessary Credit Support Annex agreements (CSA) and International Swap and Derivative Association agreements (ISDA) in place. The Group maintains daily collateral exchange with external counterparties. Given the above, the Group's counterparty risk remains within risk appetite.

Concentrations of credit risk

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

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

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

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

E. Financial assets and liabilities (continued)

E10. Risk management – financial risks (continued)

E10.3 Financial risks (continued)

€m	Government	Financial services	Real estate	Other	Total
2023					
<i>Fixed-income securities</i>	16,106	5,376	700	2,938	25,120
<i>Loans & Receivables</i>	129	8,997	4,338	4,282	17,746
<i>Derivative assets</i>	—	7,338	—	—	7,338
Financial assets	16,235	21,711	5,038	7,220	50,204
Reinsurance contract assets	—	47	—	—	47
Receivables and other assets	119	210	11	574	914
Cash and cash equivalents	—	2,484	—	—	2,484
	16,354	24,452	5,049	7,794	53,649

€m	Government	Financial services	Real estate	Other	Total
2022 (Restated)					
<i>Fixed-income securities</i>	16,781	4,237	393	3,554	24,965
<i>Loans & Receivables</i>	131	10,257	5,102	3,681	19,171
<i>Derivative assets</i>	—	12,334	—	—	12,334
Financial assets	16,912	26,828	5,495	7,235	56,470
Reinsurance contract assets	—	12	—	—	12
Receivables and other assets	120	56	2	863	1,041
Cash and cash equivalents	—	1,315	—	—	1,315
	17,032	28,211	5,497	8,098	58,838

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet all cash outflow obligations as they come due. The Group ensures that a sufficient liquidity buffer is maintained to meet liquidity demands, even in times of stressed market conditions. Exposure to liquidity risk is managed through several measures that include risk limits, standardised approach to liquidity measurement, sensitivity testing and stress and scenario testing and liquidity plans.

Liquidity risk at insurance entities within the Group is measured by a Liquidity Coverage Ratio, whereby entities assess liquidity resources (i.e. liquid assets after appropriate haircuts) relative to liquidity requirements under certain stresses over various time periods. The Group has committed borrowing and capital facilities that can be called upon to support the Group's liquidity position. The Group has assessed the concentration of risk with respect to refinancing its debt and concluded it to be low and there are no material debt maturities within 12 months.

The tables below summarise the remaining contractual maturity of financial liabilities and insurance contract liabilities at 31 December 2023 and 31 December 2022. The amounts are gross and undiscounted and include contractual interest payments and exclude the impact of netting agreements. For insurance contracts liabilities, maturity profiles are determined based on estimated timing of the cash outflows from the recognised insurance liabilities.

€m	Undiscounted contractual cashflows						Discounting effect	Total
	< 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	> 5 years		
2023								
Insurance contract liabilities	4,510	3,605	3,434	3,528	3,434	63,169	(27,519)	54,161
Net insurance contracts	4,510	3,605	3,434	3,528	3,434	63,169	(27,519)	54,161
Reinsurance contract liabilities	23	20	21	21	22	829	(1,447)	(511)
Reinsurance contract assets	41	—	—	—	—	1	—	42
Net reinsurance contracts	64	20	21	21	22	830	(1,447)	(469)

E. Financial assets and liabilities (continued)

E10. Risk management – financial risks (continued)

E10.3 Financial risks (continued)

€m	Undiscounted contractual cashflows						Discounting effect	Total
	< 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	> 5 years		
2022 (Restated)								
Insurance contract liabilities	4,026	3,666	3,406	3,355	3,322	63,856	(28,926)	52,705
Net insurance contracts	4,026	3,666	3,406	3,355	3,322	63,856	(28,926)	52,705
Reinsurance contract liabilities	(25)	(27)	(29)	(29)	(30)	(1,246)	666	(720)
Reinsurance contract assets	7	1	1	—	1	2	—	12
Net reinsurance contracts	(18)	(26)	(28)	(29)	(29)	(1,244)	666	(708)

Net insurance contracts slightly increased by 2% over 2023, with the cashflow maturity pattern remaining consistent with 2022. Changes observed in the reinsurance contracts are mainly attributed to a beneficial longevity reinsurance premium review that was completed during the year.

Life insurance contracts issued have €41,982m payable on demand as at 31 December 2023 (2022: €47,549m). The carrying amount of the respective groups of contracts as at 31 December 2023 is €57,506m (2022: €56,551m). All these amounts relate to insurance contracts issued that are liabilities (no groups of contracts were in an asset position as at 31 December 2023 and 2022).

€m	Carrying amount	Undiscounted contractual cashflows					Total
		<1 year	1 to 5 years	>5 years	Unit-linked		
2023							
Investment contract liabilities and liabilities for account of third parties	9,607	—	—	—	9,607	9,607	
Other financial liabilities	3,376	3,047	206	132	—	3,385	
Other liabilities and accruals	619	530	86	3	—	619	
Non-derivative financial liabilities	13,602	3,577	292	135	9,607	13,611	
Derivative liabilities	9,093	287	506	8,300	—	9,093	

€m	Carrying amount	Undiscounted contractual cashflows					Total
		<1 year	1 to 5 years	>5 years	Unit-linked		
2022 (Restated)							
Investment contract liabilities and liabilities for account of third parties	5,903	—	—	—	5,903	5,903	
Other financial liabilities	4,676	3,800	810	69	—	4,679	
Other liabilities and accruals	622	585	29	8	—	622	
Non-derivative financial liabilities	11,201	4,385	839	77	5,903	11,204	
Derivative liabilities	15,516	375	1,018	14,123	—	15,516	

As set out in **note E7.1**, of the total subordinated debt of €992m (2022: €985m), €879m (2022: €878m) is payable after more than five years and the rest is perpetual debt. As set out in **note E7.2**, of the total senior debt of €1,274m (2022: €907m) €61m is payable within 1 year and the remainder of €1,213 is payable within 2 to 5 years.

E. Financial assets and liabilities (continued)

E10. Risk management – financial risks (continued)

E10.3 Financial risks (continued)

Additionally, the liquidity profile of the Group's financial investments at 31 December 2023 and 31 December 2022 are shown in the tables below:

€m	Carrying amount	<1 year	1 to 5 years	>5 years	Unit-linked
2023					
Fixed-income securities	25,120	5,345	5,709	14,066	—
Loans & Receivables	17,746	4,988	5,187	7,571	—
Derivative assets	7,338	460	885	5,993	—
Other financial assets	5	—	2	3	—
Financial assets	50,209	10,793	11,783	27,633	—
Investments held in respect of investment contract liabilities and third parties	9,607	—	—	—	9,607
	59,816	10,793	11,783	27,633	9,607

Reverse repo investments are used as an alternative to invest short term cash.

€m	Carrying amount	<1 year	1 to 5 years	>5 years	Unit-linked
2022 (Restated)					
Fixed-income securities	24,965	5,375	5,578	14,012	—
Loans & Receivables	19,171	5,966	3,104	10,101	—
Derivative assets	12,334	748	1,276	10,310	—
Other financial assets	17	9	1	7	—
Financial assets	56,487	12,098	9,959	34,430	—
Investments held in respect of investment contract liabilities and third parties	5,903	—	—	—	5,903
	62,390	12,098	9,959	34,430	5,903

Market risk

Market risk includes the risk of loss or of adverse change in the financial situation resulting, directly or indirectly, from fluctuations in the level and in the volatility of market prices of financial instruments. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk, such as equity risk. Sensitivities performed on these risks are disclosed in **note E10.2**.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's variable rate loan portfolio, its debt securities classified at FVTPL and its long-term debt obligations with floating interest rates.

The Group does not seek to take interest rate risk, as it is not core to its business strategy and it believes the return for keeping this risk on the statement of financial position is very low. The Group manages interest rate risk through its Group ALM Risk Policy. The ALM risk strategy seeks to mitigate and manage the interest rate risk exposure stemming from the variable rate asset and liability exposures. Within the context of the Group ALM Risk Policy, the Group uses derivative financial instruments to manage interest rate risk.

E. Financial assets and liabilities (continued)

E10. Risk management – financial risks (continued)

E10.3 Financial risks (continued)

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

Exposure to interest rate risk is monitored through several measures that include duration, capital modelling, sensitivity testing and stress and scenario testing. The Group define plausible interest rate stresses for different confidence levels based on statistical analysis and expert judgement which cover a range of interest rate curve changes. The Group develops and maintains risk models to validate the results prepared locally, and to monitor the exposure consistently across all statements of financial position in the Group.

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

Equity risk and property risk

Athora is exposed to the risk of reductions in the valuation of equities (or changes in their volatility) or property investments which could result in reductions in asset values and losses. The Group seeks to minimise equity risk while selectively takes on property risks conditional to appropriate valuation framework and solid underwriting features, including compelling idiosyncratic risk-return profile and downside protection.

Property assets include direct property investment, shares in property companies, property collectives and structured property assets. Equity and property price risk is managed through monitoring of financial risk profiles according to diversification and underwriting criteria as per Athora Investment Universe and Athora Group Credit Concentration and Counterparty Risk policy.

As at 31 December 2023 the Group held investment in quoted equities of €114m (2022: €148m), investment in unquoted equities of €670m (2022: €1,102m) and investment properties of €1,077m (2022: €2,214m).

Currency risk

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

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

As part of its investment strategy, the Group is potentially exposed to currency exchange rates emerging from non-euro denominated assets and it is expected to have very limited currency exposure from its regulatory and market-consistent liabilities; as a consequence, investments in currencies other than euro are the main source of currency risk. The Group manages currency risk by matching assets and liabilities and hedging non-euro denominated investments executed with financial derivatives (e.g. foreign currency swaps or FX forwards) in compliance with the Athora Policy on Use of Derivatives.

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

E. Financial assets and liabilities (continued)**E10. Risk management – financial risks (continued)****E10.3 Financial risks (continued)**

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

€m	GBP	USD	JPY	Other
2023				
Investment properties	–	–	–	127
Financial assets	1,184	7,978	1,259	328
Investments held in respect of investment contract liabilities and third parties	1	23	2	–
Receivables and other assets	7	41	–	–
Cash and cash equivalents	7	61	–	3
Total assets	1,199	8,103	1,261	458
Liabilities attributable to investment contracts	1	23	2	–
Borrowings	–	–	–	113
Other financial liabilities	–	1	–	–
Other liabilities and accruals	(4)	1	–	–
Total liabilities	(3)	25	2	113
Net financial exposure	1,202	8,078	1,259	345
Forward exchange contracts	(1,194)	(7,957)	(1,255)	(316)
Net exposure	8	121	4	29

€m	GBP	USD	JPY	Other
2022 (Restated)				
Investment properties	–	–	–	88
Financial assets	1,167	7,416	1,115	267
Investments held in respect of investment contract liabilities and third parties	–	–	–	–
Receivables and other assets	–	–	–	–
Cash and cash equivalents	5	52	–	1
Total assets	1,172	7,468	1,115	356
Borrowings	–	–	–	105
Other financial liabilities	–	61	–	–
Total liabilities	–	61	–	105
Net financial exposure	1,172	7,407	1,115	251
Forward exchange contracts	(1,192)	(7,295)	(1,105)	(220)
Net exposure	(20)	112	10	31

F. Insurance contracts, investment contracts with discretionary participation features and reinsurance contracts held

In the statement of financial position, (i) insurance contracts and investment contracts with discretionary participation features issued and (ii) reinsurance contracts held are aggregated by portfolios and presented separately, depending on their balances at the end of the reporting period, leading to the four following categories:

- the carrying amount of portfolios of insurance contracts and investment contracts with discretionary participation features that are assets;
- the carrying amount of portfolios of insurance contracts and investment contracts with discretionary participation features that are liabilities;
- the carrying amount of portfolios of reinsurance contracts held that are assets; and
- the carrying amount of portfolios of reinsurance contracts held that are liabilities.

IFRS 17 – Insurance Contracts applies to these contracts, such as set out in this note. Significant judgements and estimates are made by the Group in applying IFRS 17. The judgements that have the most significant effects on the amounts recognised in the consolidated financial statements relate to the classification of contracts, their level of aggregation and their measurement.

In particular, the Group makes significant judgments regarding inputs, assumptions concerning the future and other sources of uncertainty at the reporting date and uses estimation techniques to measure the insurance contracts. These assumptions and estimates are reviewed on an ongoing basis, based on changes in facts and circumstances (including market changes), which leads to adjustments in the measurement of contracts.

The Group uses assumptions to project future cash flows and ensures to design them to adequately reflect any uncertainty underlying the cash flows. Non-market assumptions, based on latest best estimate assumptions (historical data and expert judgment), include the following information: loss ratios, best estimate schedule of lapses, policyholder behaviour (e.g. surrender rates, election to guaranteed annuity), and management actions (e.g. discretionary benefits distribution policy).

In respect of estimation techniques used to measure the Life contracts, they are based on projections of the key components of statutory financial statements, namely income or expenses that relate to policyholders, beneficiary obligations and assets backing those liabilities.

The main assumptions that may generate material changes in the estimate of the future cash flows relate to (i) mortality, morbidity, and longevity rates, (ii) policyholder behaviour (due to surrender), (iii) participation percentages and crediting rates, and (iv) overhead expenses.

More specifically, assumptions made about the discount rates, the confidence level for risk adjustment for non-financial risk and the pattern of the CSM release for direct participating contracts are explained in **note F4** including disclosure of quantitative information about these assumptions.

Definition and classification

An insurance contract is a contract under which an issuer accepts significant insurance risk from a policyholder by agreeing to compensate the policyholder if a specified uncertain future event (an “insured event”) adversely affects this policyholder. The assessment of whether a contract transfers a significant insurance risk considers all substantive rights and obligations (including those arising from law or regulation) and is based on the use of judgement. In substance, insurance contract services provided to a policyholder include the insurance coverage and may also include an investment-return service which corresponds to

- the generation of an investment return for the policyholder having underwritten an insurance contract without direct participation features; and
- the management of underlying items on behalf of the policyholder having underwritten an insurance contracts with direct participation features.

F. Insurance contracts, investment contracts with discretionary participation features and reinsurance contracts held (continued)

Insurance contracts without direct participation features

The Group classifies as an insurance contract without direct participation features an insurance contract that is:

- an insurance contract with indirect participation features (i.e. indirect participating contract) because the payment to policyholders depends upon the return on underlying items, without meeting the criteria defined for insurance contracts with direct participation features; or
- an insurance contract without any participation features (i.e. non-participating contract) as the payment to policyholders does not depend upon the return on underlying items.

Insurance contracts with direct participation features

The Group classifies as an insurance contract with direct participation features (i.e. direct participating contract) a contract for which:

- the contractual terms specify that the policyholder participates in a share of a clearly identified pool of underlying items,
- the Group expects to pay to the policyholder an amount equal to a substantial share of the fair value returns on the underlying items; and
- the Group expects a substantial proportion of any change in the amounts to be paid to the policyholder to vary with the change in fair value of the underlying items.

In addition to the transfer of significant insurance risk to the issuer, a direct participating contract is therefore based on a substantially investment-related service under which an entity promises an investment return on underlying items (the link must be enforceable), as well as on a contractually specified participation. The underlying items determine some of the amounts payable to a policyholder and can comprise any items (e.g. a reference portfolio of assets, the net assets of the entity, or a specified subset of the net assets of the entity). The nature of underlying items mainly depends on local regulation and products' features. The Group assesses whether the conditions above are met using its expectations at inception of the contract and must not reassess the conditions afterwards unless the contract is modified.

For measurement and presentation purposes, the Group does not distinguish between those participating insurance contracts that have discretionary features and those insurance contracts which do not have discretionary features.

Investment contracts with discretionary participation features

The Group classifies as an investment contract with discretionary participation features a financial instrument that provides a particular investor with the contractual right to receive both an amount not subject to the discretion of the issuer (usually the account value or the value of the underlying unit-linked fund) and an additional amount subject to the discretion of the issuer, which is expected to be a significant portion of the total contractual benefits.

Even though these contracts do not meet the definition of an insurance contract (as they do not include a transfer of significant insurance risk), IFRS 17 applies to those contracts as the Group also issues insurance contracts.

Furthermore, as described below in this note, the Group holds investments contracts with no discretionary participation features for which IFRS 9 – Financial Instruments applies.

F. Insurance contracts, investment contracts with discretionary participation features and reinsurance contracts held (continued)

Separating components from insurance contracts

The following components are separated from contracts:

- i. distinct embedded derivatives, if they meet certain specified criteria,
- ii. distinct investment components, and
- iii. distinct performance obligations to provide non-insurance goods and services. These components are accounted for separately by the group in accordance with the related standards.

After having performed this separation, the group applies IFRS 17 to all remaining components of the host insurance contract. All these remaining components, including embedded derivatives and investment components that have not been separated from the host contract, are considered as a single insurance contract in substance. There were no significant distinct components that required separation from the host contract.

Level of aggregation of insurance contracts

The level of aggregation of contracts is the basis for measuring the contracts and their corresponding profitability. To define the level of aggregation to be used, each entity within the Group applies the following process:

- i. first, portfolios of contracts are identified, each of them only comprising contracts that are subject to similar risks and managed together;
- ii. then, these portfolios are broken down by quarterly cohort; and
- iii. finally, a further split is performed depending on the level of profitability, with notably a separate group for contracts that are onerous at initial recognition.

Initial recognition

The groups of insurance contracts issued are recognised from the earliest of (i) the beginning of the coverage period of the group of contracts, which is the general case, (ii) the date when the first payment from a policyholder in the group becomes due, and (iii) for a group of onerous contracts, the date when this group becomes onerous.

For investment contracts with discretionary participation features, the date of initial recognition is the date when the group becomes party to the contract.

Subsequent measurement

Liability for Remaining Coverage ("LRC") and Liability for Incurred Claims ("LIC")

After initial recognition of a group of insurance contracts, the carrying amount of the Group at each reporting date is the sum of two different components: the liability for remaining coverage ("LRC") and the liability for incurred claims ("LIC").

The LIC includes the fulfilment cash flows for incurred claims and expenses that have not yet been paid, including claims that have been incurred but not yet reported. The LIC reflects the Group's obligation to investigate and pay valid claims for insured events that have already occurred, including events that have occurred but for which claims have not been reported or settled, and other incurred insurance expenses, as well as to pay amounts relating to other insurance contract services already provided or any investment components or other amounts that are not related to the provision of insurance contract services and that are not in the LRC.

The LRC comprises (a) the fulfilment cash flows that relate to services that will be provided under the contracts in future periods and (b) any remaining CSM at that date.

F. Insurance contracts, investment contracts with discretionary participation features and reinsurance contracts held (continued)

The fulfilment cash flows of groups of insurance contracts are measured at the reporting date using current estimates of future cash flows, current discount rates and current estimates of the risk adjustment for non-financial risk. The Group applies two measurement models, the General Measurement Model ("GMM") and the Variable Fee Approach ("VFA").

The General Measurement Model

IFRS 17 requires applying by default the General Measurement Model ("GMM") of insurance contracts, also called the "Building Block Approach" ("BBA") as it is based on the following building blocks.

Fulfilment Cash Flows ("FCF")

This comprises:

- probability-weighted estimates of future cash flows;
- an adjustment to reflect the time value of money (i.e. discounting) and the financial risks associated with those future cash flows; and
- a risk adjustment for non-financial risk.

Contractual Service Margin ("CSM")

This represents the unearned profit that the Group expects to earn as it provides services. It is measured at initial recognition for a group of contracts as the excess of the expected present value of cash inflows over cash outflows, within the boundary of the contract (including acquisition costs), after adjustment for non-financial risk. If there is no excess of inflows over outflows at inception, the contract is onerous, no CSM is established and a loss component is calculated at the time of initial recognition.

The Group has adopted a "period-to-period" approach, which consists, for the annual reporting period, in not changing the treatment of accounting estimates made in its previous interim financial statements.

Insurance acquisition cash flows ("IACF")

The insurance acquisition cash flows arise from the costs of selling, underwriting and starting a group of insurance contracts. When these IACF are incurred prior to the date of initial recognition of the group of insurance contracts, such IACF are recognised as an asset, which is deducted from the carrying amounts of insurance contracts. IACF paid after the related group of insurance contracts is initially recognised are adjusted to the liability for remaining coverage.

The recoverability of assets for IACF is assessed at the end of each reporting period, if facts and circumstances indicate that the asset may be impaired. If an impairment loss is identified, the carrying amount of the asset for IACF is adjusted and the impairment loss is recognised in the statement of profit or loss. When the group of insurance contracts is recognised, the corresponding asset for IACF is derecognised and included in the measurement of that group.

Estimates of future cash flows

The FCF include all the probability-weighted estimates of future cash flows within the boundary of each contract already recognised. Cash flows are within the boundary of an insurance contract if they arise from substantive rights and obligations that exist during the reporting period in which the group can compel the policyholder to pay the premiums or in which the entity has a substantive obligation to provide the policyholder with services. A substantive obligation to provide services ends notably when the Group has the practical ability to reassess the risks of the policyholder and, as a result, can set a price or level of benefits that fully reflects those risks.

The unbiased estimate of the expected future cash flows within the boundary of insurance contracts, including the cost of options and guarantees, is based on a probability-weighted mean of the full range of possible outcomes to factor the uncertainty about the timing and amounts of the cash flows, determined from the perspective of the Group, provided that the estimates are consistent with observable market prices for market variables reflecting conditions existing at the measurement date.

F. Insurance contracts, investment contracts with discretionary participation features and reinsurance contracts held (continued)

The cash flows attributable to the group of insurance contracts include premiums from the policyholders, claim payments (including reported, incurred and all the future claims for which the Group has a substantive obligation net of recoveries from claims), profit sharing to policyholders, as well as payments arising from the policyholders exercising options, expenses and commissions, costs related to investment activities performed for the benefit of policyholders (i.e. including investment-return services and investment-related services).

The following cash flows are not included in the contract boundary: investment returns as they are recognised, measured and presented separately under other applicable IFRSs, costs of investment activities performed for the benefit of shareholders, payments or receipts that arise under reinsurance contracts held (as they are accounted for separately), those that may arise from future insurance contracts, overheads that do not provide any economic benefits to fulfilling insurance contracts, income tax payments and receipts the Group does not pay or receive in a fiduciary capacity and flows arising from components separated from the insurance contracts and accounted for using other applicable IFRSs.

If insurance premiums are first collected by an intermediary and then transferred to the Group at a later date, the premium receivables from the intermediary are generally accounted for as future cash flows within the boundary of insurance contracts included in the measurement of the corresponding group of insurance contracts applying IFRS 17.

Discount rate

The Group has defined a group methodology for the calibration and the generation of “IFRS 17 yield curves” used to discount the estimate of future cash flows within the boundary of contracts, consistent with the IFRS 17 requirements and applied homogeneously across all the group entities.

As the standard does not impose a particular estimation technique to determine the yield curves, the Group has chosen to adopt a top-down approach which has the advantage that the illiquidity premium in the valuation of the assets can be mirrored in the insurance liabilities.

A top-down approach starts with the yield of an appropriate reference portfolio and then adjusts this downwards to allow for credit risk and any other market risk premium, if applicable. Products with different illiquidity characteristics have different reference portfolios to capture these characteristics. The return on financial instruments in the reference portfolio is stated as a spread above the swap rate.

The yield curves used by the Group for main currencies are summarised in **note F4**. The Group has chosen to recognise the impact of changes in discount rates through the income statement, for the GMM business.

Risk adjustment for non-financial risk (“RA”)

The measurement of the risk adjustment reflects the compensation required by the Group for bearing the uncertainty around the amount and timing of the future cash flows that arise from non-financial risk as the Group fulfils insurance contracts.

The determination of the risk adjustment follows a cost of capital approach based on local solvency requirements. The applicable solvency requirement at a local business unit level is predominantly the Solvency II Standard Formula. The cost of capital technique requires estimates of the additional capital that is required at each future date in the cash flow projection to comply with capital requirements. In projecting the required capitals per risk type, the same risk drivers as used for solvency calculations are used for IFRS 17. Then, diversification benefits between risks implicit to the entity’s portfolio are considered by applying correlation factors between risks that are consistent with the Solvency II Standard Formula or BMA correlation matrices.

The changes in the risk adjustment for non-financial risk are presented in the insurance service result (i.e. they are not disaggregated into an insurance service component and an insurance finance component).

F. Insurance contracts, investment contracts with discretionary participation features and reinsurance contracts held (continued)

Contractual Service Margin (“CSM”)

For a group of insurance contracts, the CSM represents the unearned profit. At inception, the CSM is the amount that offsets the FCF, less the derecognition of any IACF (see above), and it is the value of the Group’s rights in excess of the value of its obligations under the insurance contracts. The CSM for insurance contracts cannot be negative. Consequently, if the expected cash outflows exceed the expected cash inflows, the group of contracts is onerous and the loss, which corresponds to the expected net cash outflow, is expensed immediately in the statement of profit or loss.

At the end of each subsequent reporting period, the Group remeasures the liability for remaining coverage (“LRC”), which comprises the FCF related to future services and the CSM of the group of contracts at that date. Hence, the CSM is adjusted at each subsequent reporting period for changes in expected future cash flows driven by changes in technical assumptions (death, morbidity, longevity, surrenders, expenses, future premiums, etc.). Interest is also accreted on the CSM at rates locked in at initial recognition of a contract for the GMM business (i.e. discount rate used at inception to determine the present value of the estimated cash flows).

Moreover, the CSM is progressively recognised and included in insurance revenue in the consolidated statement of profit or loss over the coverage period of insurance contracts (refer to **Note F1.4**). The portion of the CSM to be released as part of insurance revenue for a reporting period, which reflects the performance of insurance contract services, is based on coverage units. In practice, the Group:

- identifies the total number of coverage units for each group of contracts, which is the quantity of services provided for the insurance contracts belonging to the group over the expected coverage period;
- allocates the CSM at the end of the reporting period (before having recognised any amounts in the statement of profit or loss to reflect the services provided in the period) equally to each coverage unit provided in the current reporting period and expected to be provided in the future; and
- recognises the amount of CSM allocated to the coverage units provided in the current reporting period in the statement of profit or loss.

Given the variety of insurance contracts, the Group exercises its judgment to define coverage units, considering both the level of coverage defined within the contract (e.g. a death benefit over a fixed term, the policyholders’ account value, or a combination of guarantees) and the expected coverage duration of the contract.

However, this release of the CSM is not applicable if there are adverse changes in future cash flows greater than the remaining CSM. In this case, the group of contracts becomes onerous, and the loss is immediately recognised in the statement of profit or loss.

When a group of insurance contracts is onerous, on initial recognition or subsequently, the LRC includes a loss component reflecting the loss recognised in the statement of profit or loss. As long as the group of contracts remains onerous, subsequent changes in the amount of loss component are immediately allocated to the statement of profit or loss.

Expenses

Operating expenses assumptions reflect the projected costs of maintaining and servicing in-force policies and associated overhead expenses. The current level of expenses is taken as an appropriate expense base, adjusted for expected expense inflation if appropriate.

An increase in the expected level of expenses will reduce future expected profits of the Group. The cash flows within the contract boundary include an allocation of fixed and variable overheads directly attributable to fulfilling insurance contracts. Such overheads are allocated to groups of contracts using methods that are systematic and rational, and are consistently applied to all costs that have similar characteristics.

F. Insurance contracts, investment contracts with discretionary participation features and reinsurance contracts held (continued)

Measurement with the Variable Fee Approach (“VFA”)

The VFA applies to Unit-Linked contracts, as well as insurance contracts which include participating features. This measurement model is mandatory for the groups of insurance contracts with direct participation features and investment contracts with discretionary participation features and aims at adjusting the Contractual Service Margin (“CSM”) to reflect the variable nature of the fee. The adjustment is equal to the entity’s share of the change in fair value of the underlying items as explained below.

The VFA is derived from the GMM to the extent that it is also based on the same building block approach meaning that the liabilities are also made of FCF and a CSM. At initial recognition, there are no differences between the GMM and the VFA. However, the methodology is different for subsequent measurement since the CSM under the VFA absorbs:

- the experience variance of the period generated by underlying items, including the variance on commissions based on these underlying items;
- the consequences of changes in both technical and financial assumptions; and
- the effect of changes in financial risks not arising from underlying items (such as options and guarantees).

In order to allow an appropriate pattern of the CSM release in the statement of profit or loss over the coverage period, consistently with the IFRS 17 definition of the investment-related service, the number of coverage units is determined on the basis of policyholders’ mathematical reserves, which are adjusted by considering the expected return of underlying items resulting from current IFRS 17 discount rate assumptions. The main discount rate assumptions used by the Group are summarised in **note F4**.

The Group does not apply the risk mitigation option, which allows for mitigation of an accounting mismatch between the presentation of the impact of financial risks on underlying instruments versus the impact of financial risks on the related insurance products.

Derecognition of insurance contracts

An insurance contract is derecognised from the group of contracts to which it belongs in case of extinguishment, transfer, or a modification of its terms in a such a way that a new contract is recognised in a new group. The derecognition of insurance contracts leads to the elimination of their Fulfilment Cash Flows (“FCF”) and an adjustment to the Contractual Service Margin (“CSM”) of the group of contracts instead of generating a direct and immediate effect in the statement of profit or loss, unless the group of contracts becomes onerous or empty. Depending on the cause of derecognition, the CSM of the group of contracts is adjusted:

- in case of extinguishment of an insurance contract, by the same amount eliminated from the FCF;
- in case of a portfolio transfer to a third party, by the difference between the amount eliminated from the FCF and the premium charged by the third party; and
- in case of a modification of insurance contracts (requiring a derecognition followed by a recognition in a new group of contracts), by the difference between the amount eliminated from the FCF and any additional premium charged to the policyholder as a result of the modification. In practice, this means that the global adjustments of CSM generated by the modification is split between the initial group of contracts and the new one, depending on the hypothetical premium that the entity would have charged had it entered into a contract with equivalent terms as the new contract at the date of the contract modification.

F. Insurance contracts, investment contracts with discretionary participation features and reinsurance contracts held (continued)

Reinsurance contracts

The Group assumes and cedes reinsurance in the normal course of business. Assumed reinsurance refers to the group's acceptance of certain insurance risks that other companies have underwritten leading to the recognition of groups of reinsurance contracts issued. Ceded reinsurance refers to the transfer of insurance risks, along with the related premiums, to other reinsurers who will assume the risks as the group seeks to reduce the potential amount of loss arising from claims events by reinsuring certain levels of risk underwritten, leading to the recognition of groups of reinsurance contracts held.

Both groups of reinsurance contracts issued, and groups of reinsurance contracts held are subject to the GMM/ Building Block Approach ("BBA") described in the previous paragraphs provided that there is a transfer of significant insurance risk; in any case, they are not eligible to the Variable Fee Approach as they are not insurance contracts with direct participation features. As the specificities of the treaties can affect their classification, each reinsurance contract is subject to a detailed analysis by the group in order to determine the appropriate accounting treatment.

Whereas the recognition and measurement of reinsurance contracts issued is similar to insurance contracts issued, the reinsurance contracts held have some specificities which are described hereafter.

Date of initial recognition

The recognition of groups of reinsurance contracts held depends on the type of coverage. When the reinsurance contract held provides proportionate coverage, the date of recognition is the later of the beginning of the coverage period or the initial recognition of the underlying contract. When the reinsurance contract held does not provide proportionate coverage, the group of reinsurance contracts is recognised at the earliest of the beginning of the coverage period of the group of underlying insurance contracts and the date when the entity recognises an onerous group of underlying insurance contracts.

Boundary of contract

For reinsurance contracts held, the cash flows are within the boundary of the reinsurance contract if the Group has a substantive right to receive services from the reinsurer or a substantive obligation to pay premiums to the reinsurer. Depending on the relationship between the contract boundary of the direct insurance contracts and that of the reinsurance contracts held, in some cases, the reinsurance treaty might offer protection for underlying insurance contracts that the Group has not issued yet. However, the carrying amount of a reinsurance contract held is nil before any cash flows occur or any service is received.

Measurement

Similarly to underlying insurance contracts long term coverages are measured with the GMM.

The measurement of reinsurance contracts held follows a mirroring principle of the underlying insurance contracts leading to estimate the present value of the future cash flows of the reinsurance contract held using assumptions consistent with those used for the underlying insurance contracts. Thus, the reinsurance asset is derived using the same assumptions as those used by the Group for the underlying insurance contracts as these are the ones used to determine the expected reinsurance recoveries. In practice, some reinsurance contracts held by the Group provide cover for underlying contracts that are included in different groups.

However, using consistent assumptions does not imply the use of the same assumptions as those used for measuring the underlying contracts if those assumptions are not valid for the reinsurance contract held. In practice, the use of the same discount rate might not be appropriate, especially if the reinsurance contract is entered into during the coverage period of the underlying contracts. In addition, the cash flows from the reinsurance contract held include an adjustment for the effect of any risk of non-performance by the issuer of the reinsurance contract, including the effects of collateral and losses from disputes.

F. Insurance contracts, investment contracts with discretionary participation features and reinsurance contracts held (continued)

The risk adjustment for non-financial risk is the amount of risk being transferred by the Group to the reinsurer.

At inception, the reinsurance coverage, in exchange of a reinsurance premium, is measured as:

- the reinsurer's share of the expected present value of the cash flows generated under the underlying insurance contracts, including an adjustment to reflect the fact that the reinsurer might dispute coverage or fail to satisfy its obligations under the contract (risk of non-performance / counterparty risk) ; and
- typically a "net cost" (a "net gain" can however occur in some cases), which is in substance a negative Contractual Service Margin ("CSM") corresponding to the cost paid to the reinsurer, depending on the pricing of the reinsurance contract held and assessed independently to the CSM arising from the underlying insurance contracts.

The mechanics of the measurement models are the same for the underlying insurance contracts with the difference that the concept of CSM is replaced by the concept of net cost / net gain. This net loss or net gain is deferred and released in profit or loss throughout the coverage period, in line with the provision of reinsurance services.

However, if the net cost of purchasing reinsurance relates to past events, i.e. retrospective reinsurance contracts such as adverse developments covers for incurred claims, any net cost occurring at inception is immediately recognised in the statement of profit or loss.

Subsequently, at the end of each reporting period, the carrying amount of the net deferred cost or gain for reinsurance contracts held is adjusted to reflect changes in estimates. However, if the Group recognises losses in the statement of profit or loss on underlying contracts because of adverse changes in estimates of fulfilment cash flows, the corresponding changes in cash inflows for reinsurance contracts held are also recognised in profit or loss and therefore do not adjust the net deferred loss or gain of the group of reinsurance contracts held. As a result, there is no net effect in the profit or loss for the period to the extent that the change in the fulfilment cash flows of the underlying contracts is matched with a change in the fulfilment cash flows on the reinsurance contracts held.

Investment contracts with no discretionary participation features

Liabilities arising from these contracts are financial liabilities within the scope of IFRS 9. They mainly include unit-linked contracts that do not meet the definition of insurance contracts or investment contracts with discretionary participation features. For these unit-linked contracts, the liabilities are measured at current unit value, i.e. on the basis of the fair value of the financial investments backing those contracts at the end of the reporting period together with rights to future management fees, also known as Deferred Origination Costs ("DOC") (refer to **note E9**).

In accordance with IFRS 9, these contracts are accounted for using "deposit accounting" (refer to **note E9**). Fees received at inception to cover future services are recognised as liabilities and accounted for in the statement of profit or loss based on the same amortisation pattern as the one used for DOC.

Level of aggregation used in disclosures relating to (re)insurance contracts

Under IFRS the management is required to apply judgement as to how, or even whether, the IFRS 17 disclosures should be disaggregated so that useful information is not obscured through aggregation of items that have different characteristics. The Group operates in life insurance business. Further, all the business is conducted in Western Europe.

The management has therefore concluded that a further breakdown of IFRS 17 disclosures into separate product lines within the life insurance business or countries within Western Europe, would result in the presentation of a large amount of detail that may result in obscuring relevant information. Consequently, this would make it more difficult for users to find the key information about the performance of the business and its prospects for the long-term success.

F. Insurance contracts, investment contracts with discretionary participation features and reinsurance contracts held (continued)

F1. Insurance contracts and reinsurance contracts issued

Following the adoption of IFRS 17 (see **note A3**), the Group continues to appraise the parameters, processes and procedures used in the measurement and disclosures of net insurance liabilities. As a result of this appraisal, a number of improvements and updates were made during the year based off of management decisions, more recent demographic experience, and reviews of processes and procedures (Please refer to **note F4.2** for further information on Actuarial assumptions).

The following tables show the breakdown of insurance and reinsurance assets and liabilities issued by General Measurement Model (GMM) and Variable Fee Approach (VFA) for the year ended 31 December 2023 and the year ended 31 December 2022.

Insurance and reinsurance contracts issued

€m	2023		2022 (Restated)	
	Insurance contract liabilities	Of which assets for insurance acquisition cash flow	Insurance contract liabilities	Of which assets for insurance acquisition cash flow
Life General Model	36,248	14	36,173	8
Life Variable Fee Approach	21,258	—	20,378	—
	57,506	14	56,551	8

Further details on assets for insurance acquisition cashflows are included in **note F1.5**.

F. Insurance contracts, investment contracts with discretionary participation features and reinsurance contracts held (continued)

F1. Insurance contracts and reinsurance contracts issued (continued)

F1.1 Movements in insurance and reinsurance contracts issued - Reconciliation of remaining coverage and incurred claims

The roll-forward of the net asset or liability for life insurance and reinsurance contracts issued, showing the liability for remaining coverage and the liability for incurred claims is disclosed in the table below for year ended 31 December 2023.

€m	Liabilities for remaining coverage		Liabilities for incurred claims	Total
	Excluding loss component	Loss component		
Life insurance contracts as at 1 January 2023	55,908	50	593	56,551
Insurance revenue: fair value approach on transition to IFRS 17	(2,003)	—	—	(2,003)
Insurance revenue: other - post transition	(225)	—	—	(225)
Insurance revenue	(2,228)	—	—	(2,228)
Incurred claims and other directly attributable expenses	—	(6)	1,953	1,947
Amortisation of insurance acquisition cash flows	5	—	—	5
Losses and reversal of losses on onerous contracts	—	38	—	38
Changes to liabilities for incurred claims - past service	—	—	11	11
Insurance service expenses	5	32	1,964	2,001
Investment components and premium refunds	(2,927)	—	2,927	—
Insurance service result	(5,150)	32	4,891	(227)
Insurance finance expenses	3,404	—	—	3,404
Total changes in the statement of profit or loss	(1,746)	32	4,891	3,177
Premiums received*	2,649	—	—	2,649
Claims/other expenses paid	—	—	(4,857)	(4,857)
Insurance acquisition cash flows	(14)	—	—	(14)
Total cash flows	2,635	—	(4,857)	(2,222)
Life insurance contracts as at 31 December 2023	56,797	82	627	57,506

*'Premiums received' includes the fair value of contracts acquired in 2023, insurance liabilities assumed comprises €241m on acquisition of the Pillar II pension portfolio transfer in Athora Netherlands. See **note H2** for further details.

Insurance contract liabilities increased over 2023, driven primarily by the effect of decreasing interest rates on the liability for remaining coverage. This compares to a decrease in insurance contract liabilities during 2022, due to the effect of significant increases in interest rates.

Premiums received also increased the insurance contract liabilities considerably during the year, however, this was partially offset by the claims incurred.

F. Insurance contracts, investment contracts with discretionary participation features and reinsurance contracts held (continued)

F1. Insurance contracts and reinsurance contracts issued (continued)

F1.1 Movements in insurance and reinsurance contracts issued - Reconciliation of remaining coverage and incurred claims (continued)

The roll-forward of the net asset or liability for life insurance and reinsurance contracts issued, showing the liability for remaining coverage and the liability for incurred claims is disclosed in the table below for year ended 31 December 2022.

€m (restated)	Liabilities for remaining coverage		Liabilities for incurred claims	Total
	Excluding loss component	Loss component		
Life insurance contracts as at 1 January 2022	62,017	—	407	62,424
Insurance revenue: fair value approach on transition to IFRS 17	(2,152)	—	—	(2,152)
Insurance revenue other: post transition	(77)	—	—	(77)
Insurance revenue	(2,229)	—	—	(2,229)
Incurred claims and other directly attributable expenses	—	(2)	1,943	1,941
Amortisation of insurance acquisition cash flows	5	—	—	5
Losses on onerous contracts and reversals of those losses	—	52	—	52
Changes to liabilities for incurred claims - past service	—	—	(5)	(5)
Insurance service expenses	5	50	1,938	1,993
Investment components and premium refunds	(2,104)	—	2,104	—
Insurance service result	(4,328)	50	4,042	(236)
Insurance finance expenses	(13,222)	—	—	(13,222)
Total changes in the statement of profit or loss	(17,550)	50	4,042	(13,458)
Premiums received*	11,470	—	—	11,470
Claims/other expenses paid	—	—	(3,856)	(3,856)
Insurance acquisition cash flows	(29)	—	—	(29)
Total cash flows	11,441	—	(3,856)	7,585
Life insurance contracts as at 31 December 2022	55,908	50	593	56,551

*'Premiums received' includes the fair value of contracts acquired: in 2022, insurance liabilities assumed comprises €6,747m on acquisition of Athora Italia and €2,387m on acquisition of the closed-book individual life portfolio in Athora Belgium. See **note H2** for further details.

F. Insurance contracts, investment contracts with discretionary participation features and reinsurance contracts held (continued)

F1. Insurance contracts and reinsurance contracts issued (continued)

F1.2 Movements in insurance and reinsurance contracts issued - Reconciliation of measurement components

The roll-forward of the net asset or liability for life insurance and reinsurance contracts issued, showing estimates of the present value of future cash flows, risk adjustment and CSM is disclosed in the table below for the year ended 31 December 2023.

€m	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	CSM		Total
			Contracts under FV transition approach	Other contracts : post transition	
Life insurance contracts as at 1 January 2023	52,705	1,141	2,405	300	56,551
Contracts initially recognised in the period	(102)	34	—	78	10
Changes in estimates that adjust the CSM	286	33	(389)	70	—
Changes that do not adjust the CSM	81	(53)	—	—	28
Changes that relate to future services	265	14	(389)	148	38
CSM recognised for services provided	—	—	(182)	(27)	(209)
Change in risk adjustment for non-financial risk	—	(47)	—	—	(47)
Experience adjustments	(20)	—	—	—	(20)
Changes that relate to current services	(20)	(47)	(182)	(27)	(276)
Changes to liabilities for incurred claims	11	—	—	—	11
Changes that relate to past services	11	—	—	—	11
Insurance service result	256	(33)	(571)	121	(227)
Insurance finance expenses	3,422	—	165	(183)	3,404
Total changes in the statement of profit or loss	3,678	(33)	(406)	(62)	3,177
Premiums received*	2,649	—	—	—	2,649
Claims/other expenses paid	(4,857)	—	—	—	(4,857)
Insurance acquisition cash flows	(14)	—	—	—	(14)
Total cash flows	(2,222)	—	—	—	(2,222)
Life insurance contracts as at 31 December 2023	54,161	1,108	1,999	238	57,506

*'Premiums received' includes the fair value of contracts acquired in 2023, insurance liabilities assumed comprises €241m on acquisition of the Pillar II pension portfolio transfer in Athora Netherlands. See **note H2** for further details.

The value of the life insurance contract liabilities increased by €955m over the course of 2023. Over the same period, the total Present Value of Future Cashflows ("PVFC") increased €1,456m, largely as a result of the effect of decreasing discount rates, changes in estimates and the receipt of premiums during the year. This was partially offset by the payment of claims and the recognition of profitable new business during the year, which commenced with a negative PVFC. The risk adjustment decreased by €(33)m in 2023 due to a combination of the risk adjustment release and changes in estimates, although this was offset by the issuance of new insurance contracts and experience adjustments. Non-financial changes related to future services on the PVFC adjust the CSM and these changes in estimates drove a decrease over the year, along with the regular release of the CSM. However, these decreases were partially offset by the sale of new business contracts and the allowance for positive market variances on the contracts valued using the Variable Fee Approach.

F. Insurance contracts, investment contracts with discretionary participation features and reinsurance contracts held (continued)

F1. Insurance contracts and reinsurance contracts issued (continued)

F1.2 Movements in insurance and reinsurance contracts issued - Reconciliation of measurement components (continued)

During 2022, significant increases in discount rates resulted in a decrease of €(5,873)m in the life insurance contract liabilities over the year. This was partially offset by the acquisitions of the Athora Italia and Athora Belgium business, which increased the insurance contract liabilities.

The roll-forward of the net asset or liability for life insurance and reinsurance contracts issued, showing estimates of the present value of future cash flows, risk adjustment and CSM is disclosed in the table below for the year ended 31 December 2022.

€m (restated)	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	CSM		Total
			Contracts under FV transition approach	Other contracts : post transition	
Life insurance contracts as at 1 January 2022	58,538	1,443	2,443	—	62,424
Contracts initially recognised in the period	(480)	93	—	399	12
Changes in estimates that adjust the CSM	340	(413)	160	(87)	—
Changes that do not adjust the CSM	(50)	90	—	—	40
Changes that relate to future services	(190)	(230)	160	312	52
CSM recognised for services provided	—	—	(188)	(12)	(200)
Change in risk adjustment for non-financial risk	—	(72)	—	—	(72)
Experience adjustments	(11)	—	—	—	(11)
Changes that relate to current services	(11)	(72)	(188)	(12)	(283)
Changes to liabilities for incurred claims	(5)	—	—	—	(5)
Changes that relate to past services	(5)	—	—	—	(5)
Insurance service result	(206)	(302)	(28)	300	(236)
Insurance finance expenses	(13,212)	—	(10)	—	(13,222)
Total changes in the statement of profit or loss	(13,418)	(302)	(38)	300	(13,458)
Premiums received*	11,470	—	—	—	11,470
Claims/other expenses paid	(3,856)	—	—	—	(3,856)
Insurance acquisition cash flows	(29)	—	—	—	(29)
Total cash flows	7,585	—	—	—	7,585
Life insurance contracts as at 31 December 2022	52,705	1,141	2,405	300	56,551

*'Premiums received' includes the fair value of contracts acquired: in 2022, insurance liabilities assumed comprises €6,747m on acquisition of Athora Italia and €2,387m on acquisition of the closed-book individual life portfolio in Athora Belgium. See **note H2** for further details.

F. Insurance contracts, investment contracts with discretionary participation features and reinsurance contracts held (continued)

F1. Insurance contracts and reinsurance contracts issued (continued)

F1.3 Impact of new insurance and reinsurance contracts issued and recognised during the year

The following tables summarise the effect on the measurement components arising from the initial recognition of insurance and reinsurance contracts issued for the years ended 31 December 2023 and 31 December 2022.

31 December 2023

€m	Issued		Acquired		Total
	Profitable	Onerous	Profitable	Onerous	
Insurance acquisition cash flows	10	4	—	—	14
Claims and other insurance service expenses payable	1,224	456	210	—	1,890
Estimates of present value of cash outflows	1,234	460	210	—	1,904
Estimates of present value of cash inflows*	(1,307)	(458)	(241)	—	(2,006)
Risk adjustment for non-financial risk	18	8	8	—	34
CSM	55	—	23	—	78
Losses recognised on initial recognition	—	10	—	—	10

31 December 2022 (Restated)

€m (restated)	Issued		Acquired		Total
	Profitable	Onerous	Profitable	Onerous	
Insurance acquisition cash flows	9	11	—	—	20
Claims and other insurance service expenses payable	808	125	10,363	—	11,296
Estimates of present value of cash outflows	817	136	10,363	—	11,316
Estimates of present value of cash inflows*	(914)	(125)	(10,757)	—	(11,796)
Risk adjustment for non-financial risk	22	1	70	—	93
CSM	75	—	324	—	399
Losses recognised on initial recognition	—	12	—	—	12

*Included in estimates of present value of cash inflows relating to acquired contracts is the fair value of liabilities acquired (2023: €241m; 2022: €9,134m). For further details see [note H2](#).

Profitable insurance contracts issued in 2023 generated a CSM at initial recognition of €55m (2022: €75m), while losses arising on contracts issued during the year reduced to €10m (2022: €12m). Acquisitions during 2023 generated €23m in CSM (2022: €324) and no losses arose from the acquisition of new contracts over the same period.

F. Insurance contracts, investment contracts with discretionary participation features and reinsurance contracts held (continued)

F1.4 Release of Contractual Service Margin - Insurance contracts issued

An analysis of the expected recognition of the CSM for insurance contracts issued and remaining at the end of the reporting period in profit or loss is provided in the following table:

31 December 2023	< 1 year	1 to 5 years	5 to 10 years	10 to 15 years	15 to 20 years	> 20 years	Total
€m							
Insurance contracts	166	564	467	335	236	469	2,237
31 December 2022 (Restated)	< 1 year	1 to 5 years	5 to 10 years	10 to 15 years	15 to 20 years	> 20 years	Total
€m							
Insurance contracts	182	613	573	412	291	634	2,705

The decrease in CSM during 2023 is reflected in the lower level of expected CSM recognition for future years at 31 December 2023. However, the pattern of recognition in future years has remained stable (**note F4.5** amortisation of CSM).

F1.5 Assets for insurance acquisition cash flows

€m	2023	2022 (Restated)
Balance at 1 January	8	21
Acquisitions through business combinations	—	—
Other amounts incurred during the year	26	27
Amounts derecognised and included in the measurement of insurance contracts	(12)	(27)
Impairment losses and reversals	(8)	(13)
Balance at 31 December	14	8

The Group expects to derecognise assets for insurance acquisition cash flows of €14m (2022: €8m) within one year after the reporting date.

F2. Reinsurance contracts held

The following tables show the breakdown of reinsurance assets and liabilities held for the year ended 31 December 2023 and the year ended 31 December 2022. For recoverability of reinsurance contract assets see **note E10.3**.

Reinsurance contracts held

31 December 2023

€m	Reinsurance contract assets	Reinsurance contract liabilities	Net reinsurance contracts
Life General Model	47	(210)	(163)

31 December 2022
(Restated)

€m	Reinsurance contract assets	Reinsurance contract liabilities	Net reinsurance contracts
Life General Model	12	(97)	(85)

F. Insurance contracts, investment contracts with discretionary participation features and reinsurance contracts held (continued)

F2. Reinsurance contracts held (continued)

F2.1 Movements in reinsurance contracts held - Reconciliation of remaining coverage and incurred claims

The roll-forward of the net asset or liability for reinsurance contracts held showing assets for remaining coverage and amounts recoverable on incurred claims arising on business ceded to reinsurers is disclosed in the table below for the year ended 31 December 2023.

€m	Asset for remaining coverage			Total
	Excluding loss-recovery component	Loss-recovery component	Amounts recoverable: Incurred claims	
Reinsurance contract assets as at 1 January 2023	11	—	1	12
Reinsurance contract liabilities as at 1 January 2023	(243)	1	145	(97)
Net reinsurance contracts held as at 1 January 2023	(232)	1	146	(85)
Amounts relating to the changes in the assets for remaining coverage	(561)	—	—	(561)
Allocation of reinsurance premiums	(561)	—	—	(561)
Claims and benefits recovered from reinsurers	—	—	580	580
Amounts recoverable from reinsurers	—	—	580	580
Reinsurance investment components	(1)	—	1	—
Net income or expense from reinsurance contracts held	(562)	—	581	19
Reinsurance finance expense	(137)	—	—	(137)
Total changes in the statement of profit or loss	(699)	—	581	(118)
Premiums and similar expenses paid	591	—	—	591
Amounts received	—	—	(551)	(551)
Total cash flows	591	—	(551)	40
Reinsurance contract assets as at 31 December 2023	16	—	31	47
Reinsurance contract liabilities as at 31 December 2023	(356)	1	145	(210)
Net reinsurance contracts held as at 31 December 2023	(340)	1	176	(163)

The key driver of the increase in the net reinsurance liability over 2023 is the net reinsurance finance expense of €(137)m. This expense arises primarily due to the following two key impacts:

- A reinsurance premium reduction secured on an external longevity reinsurance treaty. The reinsurance treaty relates to GMM business, therefore, the impact from the delta between locked-in and current rates on this premium change led to a loss in 2023.
- Decreases in the level of discount rates during the year, which resulted in an increase in the size of the net reinsurance liability.

The reinsurance finance expense was partially offset by higher than expected claims and benefits recoveries and the payment of reinsurance premiums during the year.

In 2022, reinsurance finance income decreased the value of the net reinsurance liability considerably, due to significant increases in the level of discount rates.

F. Insurance contracts, investment contracts with discretionary participation features and reinsurance contracts held (continued)

F2. Reinsurance contracts held (continued)

F2.1 Movements in reinsurance contracts held - Reconciliation of remaining coverage and incurred claims (continued)

The roll-forward of the net asset or liability for reinsurance contracts held showing assets for remaining coverage and amounts recoverable on incurred claims arising on business ceded to reinsurers is disclosed in the table below for the year ended 31 December 2022.

€m (Restated)	Asset for remaining coverage			Total
	Excluding loss-recovery component	Loss-recovery component	Recoverable amounts: incurred claims	
Reinsurance contract assets as at 1 January 2022	14	—	—	14
Reinsurance contract liabilities as at 1 January 2022	(567)	—	130	(437)
Net life reinsurance contracts as at 1 January 2022	(553)	—	130	(423)
Amounts relating to the changes in the assets for remaining coverage	(596)	—	—	(596)
Allocation of reinsurance premiums	(596)	—	—	(596)
Claims and benefits recovered from reinsurers	—	—	561	561
Changes in fulfilment cash flows related to onerous underlying contracts	—	1	—	1
Amounts recoverable from reinsurers	—	1	561	562
Reinsurance investment components	(1)	—	1	—
Net income or expense from reinsurance contracts held	(597)	1	562	(34)
Reinsurance finance income	347	—	—	347
Total changes in the statement of profit or loss	(250)	1	562	313
Premiums and similar expenses paid	571	—	—	571
Amounts received	—	—	(546)	(546)
Total cash flows	571	—	(546)	25
Reinsurance contract assets as at 31 December 2022	11	—	1	12
Reinsurance contract liabilities as at 31 December 2022	(243)	1	145	(97)
Net reinsurance contracts as at 31 December 2022	(232)	1	146	(85)

F. Insurance contracts, investment contracts with discretionary participation features and reinsurance contracts held (continued)

F2. Reinsurance contracts held (continued)

F2.2 Movements in reinsurance contracts held - Reconciliation of measurement components

The roll-forward of the net asset or liability for reinsurance contracts held, showing estimates of the present value of future cash flows, risk adjustment and CSM is disclosed in the table below for the year ended 31 December 2023

€m	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	CSM		Total
			Contract assets FV at transition	Other contracts: post transition	
Reinsurance contract assets as at 1 January 2023	12	—	—	—	12
Reinsurance contract liabilities as at 1 January 2023	(720)	348	278	(3)	(97)
Net reinsurance contracts as at 1 January 2023	(708)	348	278	(3)	(85)
Contracts initially recognised in the period	(10)	6	—	4	—
Changes in estimates that adjust the CSM	317	(3)	(318)	4	—
Changes that relate to future services	307	3	(318)	8	—
CSM recognised for services provided	—	—	(4)	(3)	(7)
Change in risk adjustment for non-financial risk	—	(3)	—	—	(3)
Experience adjustments	29	—	—	—	29
Changes that relate to current services	29	(3)	(4)	(3)	19
Reinsurance held service result	336	—	(322)	5	19
Net finance income from reinsurance contracts	(137)	—	—	—	(137)
Total changes in the statement of profit or loss	199	—	(322)	5	(118)
Premiums paid	591	—	—	—	591
Amounts received	(551)	—	—	—	(551)
Total cash flows	40	—	—	—	40
Reinsurance contract assets as at 31 December 2023	42	1	—	4	47
Reinsurance contract liabilities as at 31 December 2023	(511)	347	(44)	(2)	(210)
Net reinsurance contracts as at 31 December 2023	(469)	348	(44)	2	(163)

During 2023, the major driver of movements in the PVFC and CSM came from a beneficial reinsurance premium reduction, which was secured on an external longevity reinsurance treaty. This change was the primary reason of the CSM switching from a deferral of future reinsurance expenses to a deferral of future reinsurance income.

Decreasing interest rates caused a partially offsetting increase in the reinsurance liability during 2023. The decrease in the reinsurance liability during 2022 was mostly as a result of a significant increase in interest rates seen in that period.

F. Insurance contracts, investment contracts with discretionary participation features and reinsurance contracts held (continued)

F2. Reinsurance contracts held (continued)

F2.2 Movements in reinsurance contracts held - Reconciliation of measurement components (continued)

The roll-forward of the net asset or liability for reinsurance contracts held, showing estimates of the present value of future cash flows, risk adjustment and CSM is disclosed in the table below for the year ended 31 December 2022.

€m (restated)	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	CSM		Total
			Contract assets FV at transition	Other contracts: post transition	
Reinsurance contract assets as at 1 January 2022	14	—	—	—	14
Reinsurance contract liabilities as at 1 January 2022	(1,250)	623	190	—	(437)
Net reinsurance contracts as at 1 January 2022	(1,236)	623	190	—	(423)
Contracts initially recognised in the period	(4)	—	—	4	—
Changes in estimates that adjust the CSM	155	(255)	104	(4)	—
Changes in estimates that relate to losses and reversals of losses on onerous underlying contracts	—	—	—	—	—
Changes that relate to future services	151	(255)	104	—	—
CSM recognised for services provided	—	—	(16)	(3)	(19)
Change in risk adjustment for non-financial risk	—	(20)	—	—	(20)
Experience adjustments	5	—	—	—	5
Changes that relate to current services	5	(20)	(16)	(3)	(34)
Reinsurance held service result	156	(275)	88	(3)	(34)
Net finance income from reinsurance contracts	347	—	—	—	347
Total changes in the statement of profit or loss	503	(275)	88	(3)	313
Premiums and similar expenses paid	571	—	—	—	571
Amounts received	(546)	—	—	—	(546)
Total cash flows	25	—	—	—	25
Reinsurance contract assets as at 31 December 2022	12	—	—	—	12
Reinsurance contract liabilities as at 31 December 2022	(720)	348	278	(3)	(97)
Net reinsurance contracts as at 31 December 2022	(708)	348	278	(3)	(85)

F. Insurance contracts, investment contracts with discretionary participation features and reinsurance contracts held (continued)

F2. Reinsurance contracts held (continued)

F2.3 Impact of new reinsurance contracts held and recognised during the year

The following tables summarise the effect on the measurement components arising from the initial recognition of reinsurance contracts held for the years ended 31 December 2023 and 31 December 2022.

31 December 2023

€m	Contracts initiated:		Contracts acquired:		Total
	Without a loss recovery component	With a loss recovery component	Without a loss recovery component	With a loss recovery component	
Estimates of present value of cash inflows	16	—	—	—	16
Estimates of present value of cash outflows	(26)	—	—	—	(26)
Risk Adjustment	6	—	—	—	6
CSM	4	—	—	—	4
Total on initial recognition	—	—	—	—	—

31 December 2022 (Restated)

€m	Contracts initiated:		Contracts acquired:		Total
	Without a loss recovery component	With a loss recovery component	Without a loss recovery component	With a loss recovery component	
Estimates of present value of cash inflows	17	—	3	—	20
Estimates of present value of cash outflows	(21)	—	(3)	—	(24)
Risk Adjustment	—	—	—	—	—
CSM	4	—	—	—	4
Total on initial recognition	—	—	—	—	—

New reinsurance contracts issued attracted a CSM of €4m in 2023. (2022: €4m)

F2.4 Release of Contractual Service Margin - Reinsurance contracts held

An analysis of the expected recognition of the CSM for reinsurance contracts held and remaining at the end of the reporting period in profit or loss is provided in the following table:

31 December 2023	< 1 year	1 to 5 years	5 to 10 years	10 to 15 years	15 to 20 years	> 20 years	Total
€m							
Reinsurance contracts held	—	3	8	6	6	19	42
31 December 2022 (Restated)	< 1 year	1 to 5 years	5 to 10 years	10 to 15 years	15 to 20 years	> 20 years	Total
€m							
Reinsurance contracts held	(11)	(44)	(51)	(43)	(36)	(90)	(275)

F. Insurance contracts, investment contracts with discretionary participation features and reinsurance contracts held (continued)

F2. Reinsurance contracts held (continued)

F2.4 Release of Contractual Service Margin - Reinsurance contracts held (continued)

The expected timeline for the CSM recognition for reinsurance contracts held is in line with the duration of the contracts projected under IFRS 17.

Recognition of the CSM in future years is expected to result in a release of profit income. This is a reversal of the expected recognition pattern at 31 December 2022.

F3. Risk management – insurance risk

An overview of the Group's approach to risk management and the Group's management of financial and other risks is detailed in **note E10**.

Insurance risk refers to the risk of reductions in earnings and/or value, through financial or reputational loss, due to fluctuations in the timing, frequency and severity of insured/underwritten events and to fluctuations in the timing and amount of claim settlements. This includes fluctuations in profits due to customer behaviour.

The Life businesses are exposed to the following elements of insurance risk:

Mortality/ Longevity	The risk most typically associated with life insurance policies is mortality and longevity risk. These risks mainly affect the duration and timing of the payment of the insured cash flows. Mortality risk indicates the risk for the Group of the policyholder dying earlier than expected. In the case of annuity business, the longevity risk is that the policyholder might live longer than expected. Mortality and longevity risks are mitigated by use of reinsurance. Mortality and longevity risks are monitored using internal experience analysis against the latest external industry data and emerging trends.
Morbidity/ Disability	Another insurance risk that affects the life insurance portfolio is the risk of being (partly) unable to work for a period or on a permanent basis. The financial impact is mostly dependent on the age, the sum insured and the disability percentage of the policyholder. Disability risks are mitigated by use of reinsurance. In the case of annuity business, the disability/morbidity risk is that the policyholder might fall sick and be unable to work. Disability risks and internal experience analysis are monitored against the latest external industry data, and emerging trends.
Expenses	Risk of loss due to expense experience being different to that estimated within pricing and valuation. Expense risk is primarily managed through the assessment of business unit profitability and frequent monitoring of expense levels.
Persistency	Other insurance risks that affect the life insurance portfolio are risks associated with policyholders' behaviour, such as early surrender (the policyholder terminates the policy before the maturity date) or conversion to a paid-up status (the policyholder terminates the regular premium payment before the maturity date). In the case of annuity business, persistency risk is that the policyholder surrenders their policy earlier than has been assumed. Persistency risk is managed at a local level through frequent monitoring of company experience and benchmarked against local market information.
Catastrophe	In the event of a catastrophe the risks will be concentrated primarily in the group insurance portfolio. Participants in a group contract often work at the same location or undertake joint activities, which brings about a concentration of risk. Such concentrations of risks have been partly offset through the use of reinsurance.

F. Insurance contracts, investment contracts with discretionary participation features and reinsurance contracts held (continued)

F3. Risk management – insurance risk (continued)

F3.1 Objectives and policies for mitigating insurance risk

Life insurance risk in the Group arises through its exposure to mortality, longevity and morbidity risks and exposure to worse than anticipated operating experience on factors such as persistency levels, exercising of policyholder options and administration expenses.

The assumption and management of life insurance risks is governed by the group-wide business standards covering underwriting, pricing, product design and management, in-force management, claims handling, and reinsurance. The objective of the Group is to mitigate its exposure to risk arising from these contracts through product design and selection; product, geographical, and individual risk diversification; thorough underwriting, and through reinsurance. The Group business units assess underwriting risks by following the Product Approval and Review Process (PARP) for new or adjusted products and management of the existing portfolio.

The Group business units use several methods to assess and monitor insurance risk exposures both for individual types of risks insured and overall risks. These methods include internal risk measurement models, experience analyses, external data comparisons, sensitivity analyses, scenario analyses and stress testing.

The Group uses reinsurance as a means to mitigate insurance risk exposures and bring them in line with its Risk Appetite & Strategy, and to create free surplus that can be used to improve capital position, finance sales growth or invest in acquisitions. Reinsurance is also used to support pricing and underwriting capacity, where appropriate terms and secure counterparties are available, group entities may also reinsure or retrocede risks to other companies within the Group, in order to optimally allocate and redirect capital in line with the business strategy. Athora Bermuda and Athora Ireland serve as internal reinsurance risk carriers to centralise the risk management of certain risk exposures and optimise diversification benefits.

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

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

Life insurance contracts

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

F. Insurance contracts, investment contracts with discretionary participation features and reinsurance contracts held (continued)

F3. Risk management – insurance risk (continued)

F3.1 Objectives and policies for mitigating insurance risk (continued)

The life corporate portfolio consists of both traditional contracts where the investment risk is borne by the insurer, investment insurance (unit-linked and universal life with insurance elements) and separate accounts, where the investment risk is borne by the customer. Interest rate guarantees on separate accounts returns have been granted for a limited number of these contracts.

The following tables set out the insurance contract liabilities, and the related reinsurance contracts held by geographical area. Apart from the Group's reinsurance business in Bermuda, Athora operates within the European Union. In these jurisdictions, Athora's insurance business is characterised by similar economic attributes such as nature of products, customers and services as well as regulatory, political and operating environment.

€m	2023			2022 (Restated)		
	Insurance & reinsurance issued	Reinsurance held	Net	Insurance & reinsurance issued	Reinsurance held	Net
Belgium	6,155	(30)	6,125	6,149	—	6,149
Bermuda	281	—	281	215	—	215
Germany	3,782	—	3,782	3,757	2	3,759
Netherlands	41,712	197	41,909	40,364	86	40,450
Italy	5,576	(4)	5,572	6,066	(3)	6,063
Total	57,506	163	57,669	56,551	85	56,636

F3.2 Assumptions

Material judgement is required in determining the liabilities and choice of assumptions for underwriting risks. Assumptions in use are based on past experience, current internal data, external market indices and benchmarks which reflect current observable market prices and other published information. Mortality, longevity and disability/morbidity assumptions are based on standard industry and national tables, according to the type of contract written and the territory in which the insured person resides. Assumptions are differentiated by contract type, sex and underwriting class.

An allowance is made for future mortality improvements. Operating expenses assumptions reflect the projected costs of maintaining and servicing in-force policies and associated overhead expenses.

For further details on actuarial assumptions see also **note F4.2**.

F3.3 Underwriting sensitivities

The Group has performed underwriting sensitivities, which have been selected to measure sensitivity to the significant underwriting risks that the Group is exposed to.

Impacts for each of the sensitivities have been calculated using the same methods outlined in **note F4**. The sensitivity calculations have assumed an instantaneous and permanent change in individual best estimate assumptions. The correlation between assumptions will have a significant effect in determining the ultimate liabilities, but to demonstrate the impact due to changes in assumptions, these assumptions had to be changed on an individual basis. It should be noted that movements in these assumptions are non-linear. Sensitivity information will also vary according to the current economic assumptions and any differences between current and locked in discount rates.

The impact of the sensitivities on the CSM, Profit or Loss and Equity are shown in the table below.

No changes have been made to the sensitivity calculation methodology during the current year.

F. Insurance contracts, investment contracts with discretionary participation features and reinsurance contracts held (continued)

F3. Risk management – insurance risk (continued)

F3.3 Underwriting sensitivities (continued)

€m	2023			2022 (Restated)		
	Impact on CSM before tax	Profit or loss, net of tax	Equity, net of tax	Impact on CSM before tax	Profit or loss, net of tax	Equity, net of tax
Lapse rates: 10% increase						
Gross of reinsurance	6	(25)	(25)	(12)	(17)	(17)
Net of reinsurance	6	(25)	(25)	(15)	(17)	(17)
Mortality: 10% decrease						
Gross of reinsurance	(586)	160	160	(587)	180	180
Net of reinsurance	(177)	60	60	(144)	53	53
Expenses/Inflation: 10%/1% increase						
Gross of reinsurance	(393)	(137)	(137)	(375)	(126)	(126)
Net of reinsurance	(393)	(137)	(137)	(375)	(126)	(126)

The impact on Equity from an increase in lapses rates has increased slightly in 2023, but still remained consistent with 2022. The movement in the CSM due to this sensitivity changed from a negative impact in 2022 to a positive impact in 2023, due to slight changes in the size of offsetting positive and negative CSM movements on underlying products.

Impacts arising from decreases in mortality rates have remained consistent with the impacts seen in 2022. On a gross basis, the CSM reduces in response to decreasing mortality rates due to a net exposure to longevity risk. This gross CSM impact is mostly offset by existing longevity reinsurance arrangements that absorb most of the decrease in the gross CSM. A profit arises in Profit or Loss and in Equity, due to the decrease in CSM from this sensitivity being larger than the equivalent increase in the Present Value of Fulfilment Cashflows ("PVFC"). This difference arises on contracts valued using the General Measurement Model ("GMM"), where impacts on the CSM are valued at locked-in discount rates, which are much lower than the current discount rates used to calculate impacts on the PVFC.

The combined increase in the level of expenses and inflation results in a decrease in the CSM of €(393)m (2022 €(375)m). While the 10% increase in the level of expenses adjusts the CSM downwards by €(393)m, impacts arising from the 1% increase in inflation are considered to be financial and therefore impact Profit or Loss and Equity, rather than the CSM. The key driver of the decrease in equity seen in both 2022 and 2023 is the effect of a 1% increase in inflation, although this is partially offset due to positive differences between impacts calculated on current and locked-in discount rates for the level 10% increase in expenses.

For market risk sensitivities, including their impact on insurance contract liabilities, see **note E10.2**.

F. Insurance contracts, investment contracts with discretionary participation features and reinsurance contracts held (continued)

F4. Critical accounting estimates and judgements made in relation to insurance and reinsurance contracts

F4.1 Methods used to measure insurance contracts

The Company uses a mix of deterministic and stochastic modelling techniques depending on the nature of the underlying business to estimate the present value of future cash flows. A stochastic model is a tool for estimating probability distributions of potential outcomes by allowing for variation in one or more inputs, typically economic inputs, over time. It is necessary for the valuation of contracts with options and guarantees, in order to allow for the time value of those options and guarantees due to their non-linear dependency on economic variables. Discretionary cashflows are modelled in accordance with applicable management rules and actual practice, where appropriate.

Product assessments are carried out at a business unit level in order to identify whether insurance contracts contain investment components. It is important to identify investment components for both measurement and presentational purposes. The Group has developed decision trees for this purpose in order to ensure consistency in the application of judgement across business units. These decision trees are used to both identify investment components and to differentiate between distinct and non-distinct investment components. Any investment components which are considered distinct would then be unbundled and measured separately under IFRS 9. At the present time, none of the Group's products currently have distinct investment components.

The Group uses the variable fee approach for some portfolios of insurance contracts in Germany, Italy and the Netherlands, and the general measurement model for the remainder of the insurance contracts and all reinsurance contracts. The premium allocation approach is not used.

There have been no changes in methods and processes for estimating inputs used to measure insurance contracts in this period.

F4.2 Actuarial assumptions

Management uses judgement to determine and evaluate the actuarial assumptions. Such assumptions where management uses judgement include expenses, interest rates, inflation, policyholder behaviour, mortality and morbidity of policyholders. The judgements used in the valuation of insurance and reinsurance contract liabilities are based on historic company experience, aggregate experience data for the insurance industry and current capital market conditions. Company, industry and market expectations of future developments are also considered along with fiscal policy. Where data is limited, the available data is supplemented with expert judgement to set the assumptions. The assumptions outlined below are used for the calculation of the insurance and reinsurance contract liabilities within scope of IFRS 17.

Mortality rates

The following table summarises the mortality tables used for the in-force products within the Group, along with details of any adjustments made to these tables.

Mortality tables	2023	2022
Individual Retail Protection, Endowments and Annuities	Assuralia, ISTAT SIM/SIF 2010, AG 2022, DAV2008T and DAV2004R tables are used, with adjustments to reflect company specific selection factors and future mortality improvements, where appropriate	Assuralia, ISTAT SIM/SIF 2010, AG 2022, DAV2008T and DAV2004R tables are used, with adjustments to reflect company specific selection factors and future mortality improvements, where appropriate.
Group Protection and Pensions	Assuralia, ISTAT SIM/SIF 2010 and AG 2022 tables are used, with adjustments to reflect company specific selection factors and future mortality improvements, where appropriate.	Assuralia, ISTAT SIM/SIF 2010 and AG 2022 tables are used, with adjustments to reflect company specific selection factors and future mortality improvements, where appropriate.

F. Insurance contracts, investment contracts with discretionary participation features and reinsurance contracts held (continued)

F4. Critical accounting estimates and judgements made in relation to insurance and reinsurance contracts (continued)

F4.2 Actuarial assumptions (continued)

Mortality investigations were performed during the year and these have resulted in changes to the aforementioned adjustments in some cases, in order to reflect the most up to date mortality experience. However, no changes have been made to the underlying mortality tables used by individual business units in 2023.

Lapse rates

The following table contains the lapse rates used for the in-force products within the Group.

Lapse rates	2023	2022
Individual Retail Protection, Endowments and Annuities	0.0% to 12.0%	0.0% to 9.0%
Group Protection and Pensions	0.0% to 13.0%	0.0% to 13.0%

Updates to lapse rates have been made across the various business units in 2023, to reflect the most up to date lapse experience. The range of lapse rates in respect of the 'Individual Retail Protection, Endowments and Annuities' category has increased by 2.0% in 2023, due to an increase in the maximum lapse rates seen on Belgian products. The lapse rates applicable to the 'Group Protection and Pensions' category have remained within the same range as 2022, after allowance for updates made during the year.

Expenses

IFRS 17 requires the inclusion of expense cashflows in the valuation of insurance and reinsurance contracts liabilities. A distinction is clearly made between expenses that are directly attributable to the fulfilment of these contracts and those expenses that are not attributable. Furthermore, a further distinction is required between recurring expenses and initial insurance acquisition expenses. Expense cashflows should be part of the measurement of (re)insurance contracts if they are:

- directly attributable to fulfilling the (re)insurance contract; and
- the expense cashflow is within the contract boundary of the contract.

Annual expense investigations are performed by the business units and the Group to determine the level of expenses that are attributable to the various insurance contracts under IFRS 17. All attributable expenses are captured in the IFRS 17 present value of future cashflows and are either explicitly modelled or are estimated using per policy expense assumptions. All attributable operating expenses increase in line with appropriate expense inflation assumptions and are run-off over time in line with the in-force liabilities.

F4.3 Discount rates

Life insurance contract liabilities are calculated by discounting expected future cash flows using a discount curve that varies by the duration of the cash flows. These IFRS 17 curves are constructed using a top-down approach that starts with the yield of an appropriate reference portfolio, where the yield is constructed as a risk free rate plus a portfolio specific spread. The portfolio specific spread component is then adjusted downwards to allow for credit risk and any other market risk premium, if applicable. This adjusted portfolio specific spread is called the illiquidity premium ("ILP").

The reference portfolio only includes assets held for the purpose of backing the insurance contract liabilities and products with different illiquidity characteristics have different reference portfolios to capture these characteristics. A short term ILP is determined using a reference portfolio based on current asset allocations. This short term ILP is then assumed to converge to a long term ILP where the reference portfolio is the strategic asset allocation.

The annualised discount rates for 2023 and 2022 are illustrated in the table below. The group level discount rates below have been disclosed on a weighted average basis that accounts for the various curves produced by the Group.

F. Insurance contracts, investment contracts with discretionary participation features and reinsurance contracts held (continued)

F4. Critical accounting estimates and judgements made in relation to insurance and reinsurance contracts (continued)

F4.3 Discount rates (continued)

Athora Group generally determines the risk-free rates using the observed mid-price swap yield curve. The yield curve is interpolated between the Last Liquid Point (“LLP”) of 30 years and an ultimate forward rate which reflects long-term real interest rate and inflation expectations. Athora Group does not consider market information past the LLP for longer maturities. Although the ultimate forward rate is subject to revision, it is expected to be stable and would change only in the event of significant changes to long-term expectations.

Discount Rates	Currency	1 year	5 years	10 years	20 years	30 years	50 years
2023	EUR	4.51 %	3.50 %	3.60 %	3.64 %	3.41 %	3.28 %
2022 (restated)	EUR	4.13 %	4.10 %	4.10 %	3.79 %	3.32 %	3.05 %

The movements in the discount rate over the year have been driven by a decrease in risk-free discount rates. Risk Free discount rates for all tenors, aside from the 1-Year, have decreased when compared to 31 December 2022. This has been partially offset by increases in the weighted-average ILP, which increases the discount rate. The increase in the weighted-average ILP was primarily due to increased exposures to more illiquid, higher spread assets in the reference portfolio.

F4.4 Risk adjustment for non-financial risk

The risk adjustment for non-financial risk represents the compensation that the Group requires for bearing the uncertainty about the amount and timing of the cash flows of groups of insurance contracts. It covers underwriting risk (including insurance, lapse and expense risk) and counterparty default risk linked to insurance contracts (if any). The risk adjustment reflects an amount that an insurer would theoretically pay to remove the uncertainty that future cash flows will exceed the best estimate amount. The risk adjustment is calculated for both insurance and reinsurance contracts.

The Group has estimated the risk adjustment using a cost of capital technique based on local solvency requirements. The applicable solvency requirement at a local business unit level is predominantly the Solvency II Standard Formula. The cost of capital technique requires estimates of the additional capital that is required at each future date in the cash flow projection to comply with capital requirements. In projecting the required capital amount per risk type, the same risk drivers as used for solvency calculations are used.

The required capital amounts for each future year are discounted using the same discount rate as described in the discount rate **section F4.3** above.

Changes in the risk adjustment for non-financial risk are not disaggregated into an insurance service component and an insurance finance component, so are presented in full in the insurance service result.

Athora does not make allowance for any diversification benefit arising between the business units when calculating the consolidated risk adjustment.

The risk adjustment for non-financial risk corresponds to a multi-year confidence level of 69%, net of reinsurance (2022: 69%).

F. Insurance contracts, investment contracts with discretionary participation features and reinsurance contracts held (continued)

F4. Critical accounting estimates and judgements made in relation to insurance and reinsurance contracts (continued)

F4.5 Amortisation of the contractual service margin

The CSM is a component of the asset or liability for each group of insurance contracts or reinsurance contracts. It is the unearned profit from in-force contracts that an entity will recognise if it provides services over the period. An amount of the CSM for each group of insurance contracts is recognised in profit or loss as insurance revenue in each period to reflect the services provided under the group of insurance contracts in that period. The amount is determined by:

- Identifying the coverage units in the group.
- Allocating the CSM at the end of the period (before recognising any amounts in profit or loss to reflect the services provided in the period) equally to each coverage unit provided in the current period and expected to be provided in the future.
- Recognising in profit or loss the amount allocated to coverage units provided in the period.
- The number of coverage units in a group is the quantity of coverage provided by the contracts in the group, which is determined by considering the quantity of the benefits provided and the expected coverage duration.

Different coverage units are used for different groups of contracts. These are chosen to most appropriately reflect the provision of services for each group of contracts. A product assessment to identify suitable coverage units is carried out at local level and coverage units are selected to ensure that insurance services and any investment-related or investment-return services are appropriately reflected, where applicable.

While coverage units do vary across products and locations based on the considerations noted above, some examples of the coverage units used for material lines of business include:

- Annuity amounts, for the majority of annuity products; and
- Sum assured values, on products such as Savings Based Mortgages, Separate Accounts, Savings Insurance and Unit-Linked.

G. Other statement of consolidated financial position notes

G1. Intangible assets

Present value of in-force (PVIF)

For details on the accounting policy on PVIF see **note H2**.

Other intangible assets

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

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

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

€m	Note	Goodwill	PVIF	Other	Total
Cost					
1 January 2022 (Restated)		—	98	24	122
Acquired in business combinations (Restated)		29	—	3	32
31 December 2022 (Restated)		29	98	27	154
Acquired in business combinations	H2	—	—	5	5
Additions		—	—	5	5
31 December 2023		29	98	37	164
Accumulated amortisation					
1 January 2022 (Restated)		—	(21)	(6)	(27)
Amortisation	C5	—	(6)	(3)	(9)
31 December 2022 (Restated)		—	(27)	(9)	(36)
Amortisation	C5	—	(6)	(4)	(10)
31 December 2023		—	(33)	(13)	(46)
Net book value at 1 January 2023		29	71	18	118
Net book value at 31 December 2023		29	65	24	118

Intangible assets recognised primarily consist of present value of in-force business acquired (PVIF) which was derived from the acquisition of Athora Belgium in 2019 (€98m) and relates to unit-linked investment contracts in scope of IFRS 9. The expected useful life of the PVIF asset is in line with the expected run-off of future earnings of the acquired business as at the acquisition date, which was 35 years. The PVIF asset is amortised annually in line with its remaining useful life, which was 30 years at 31 December 2023 (2022: 31 years).

Other intangibles primarily relates to brands recognised on the acquisition of Athora Netherlands in 2020. The value of these brands is being amortised over an expected useful life of 7 years at 31 December 2023 (2022: 8 years). For goodwill see **note H2** and **note A3.1.4**.

Other intangibles acquired in business combinations of €5m relates to the acquisition of Stichting LifeSight (SLS) by Athora Netherlands on 4 April 2023 (**note H2**).

G. Other statement of consolidated financial position notes (continued)

G2. Property and equipment

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes all expenses directly attributable to the acquisition of the assets.

Depreciation is calculated to write-off the cost less estimated residual value of property and equipment on a straight-line basis over their expected useful lives as follows:

- Buildings (50 years)
- Computer hardware (3 years)
- Motor vehicles (3 years)
- Other (3 to 7 years)

Buildings refers to owner-occupied properties only. A full month of depreciation is charged in the income statement in the month of acquisition.

Repair and maintenance expenses of owner-occupied property are recognised within other operating expenses as incurred. Expenses incurred after the acquisition of an asset that increase or extend the future economic benefits of owner-occupied property in relation to their original use are capitalised and then depreciated.

€m	Note	Land and buildings	Office equipment and vehicles	Total
Cost				
At 1 January 2022 (Restated)		82	26	108
Acquisition from business combinations		1	1	2
Additions		4	1	5
Disposals		—	(2)	(2)
At 31 December 2022 (Restated)		87	26	113
Additions		21	5	26
Disposals		—	—	—
Deconsolidation	H3	(21)	—	(21)
Reclassification		(5)	5	—
Transfer to Investment Property	G3	(31)	—	(31)
At 31 December 2023		51	36	87
Accumulated depreciation				
At 1 January 2022 (Restated)		(15)	(16)	(31)
Disposals		—	1	1
Depreciation charge for the year	C5	(3)	(4)	(7)
Impairments		(4)	—	(4)
At 31 December 2022 (Restated)		(22)	(19)	(41)
Disposals		—	—	—
Depreciation charge for the year	C5	(3)	(5)	(8)
Impairment		1	—	1
Transfer to Investment Property	G3	14	—	14
At 31 December 2023		(10)	(24)	(34)
Net book value at 1 January 2023		65	7	72
Net book value at 31 December 2023		41	12	53

Deconsolidation

The portion of a building that was occupied for own use of €21m was derecognised on 1 April 2023 following the deconsolidation of the Group's former subsidiary Hemingway Real Estate (Lux) SCSp (for further details, see **note H3**).

G. Other statement of consolidated financial position notes (continued)

G2. Property and equipment (continued)

Impairments

During 2023 the Group recognised a reversal of an impairment on properties for own use of €1m (2022: €(4)m). The properties for own use that are impaired have a carrying amount of €25m (2022: €32m).

Right-of-use assets as lessee

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

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

Lease payments are allocated between the liability and finance cost. The finance cost is charged to the income statement over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period and is included within other finance costs (**note C6**).

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

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

Variable lease payments

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

Extension and termination options

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

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

Residual value guarantees

The Group may, on occasion, provide residual value guarantees in relation to leases. On 31 December 2023 and 31 December 2022, there were no residual value guarantees in place.

G. Other statement of consolidated financial position notes (continued)

G2. Property and equipment (continued)

Lessor arrangements

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

The net book value of right-of-use assets comprising owner-occupied properties and motor vehicles held under lease arrangements and their depreciation charge for the year, included in the table above, are analysed below:

€m	2023	2022 Restated
Land and buildings	27	11
Motor vehicles	1	1
	28	12

During the year, the Group signed two new leases for owner-occupied properties. The net book value of leases at the end of the year was €16m. (London €5m and Amsterdam €11m).

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

€m	2023	2022 Restated
Depreciation charge on right-of-use assets	(3)	(2)
Interest expense on lease liabilities	(2)	(1)
	(5)	(3)

The liability in respect of right-of-use assets as lessee is recognised in **note E8**. Interest expense on lease liabilities is included in **note C6**. Total cash outflows recognised in the period in relation to leases were €1m (2022: €1m). There were no sale and leaseback transactions.

G3. Investment properties

Investment properties, principally retail properties, offices, residential properties, and land are held for long-term rental yields and are not occupied by the Group. Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included within investment income in the income statement in the year in which they arise, including corresponding tax effect. Fair values are evaluated annually by an accredited external, independent valuer, applying a valuation model recommended by the International Valuation Standards Council. Investment properties are derecognised either when they have been disposed of, or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the income statement in the year of retirement or disposal.

G. Other statement of consolidated financial position notes (continued)

G3. Investment properties (continued)

G3.1 Reconciliation of carrying amount

€m	Note	2023	2022 Restated
At 1 January		2,214	1,994
Additions acquired through business combinations	H2	—	95
Fair value losses		(86)	(77)
Additions		68	317
Deconsolidation		(1,119)	—
Transfers from property, plant and equipment	G2	17	—
Disposals		(20)	(105)
FX translation gain/(loss)		3	(10)
At 31 December		1,077	2,214

The Group holds portfolios of investment properties, covering Dutch and Italian commercial and mixed-use properties.

The Netherlands invested in a number of properties across Europe at a market value of €26m (2022: €308m) and a further €42m expenditure was capitalised across the Group (2022: €9m).

Reclassification of €17m relates to a property of Amstelveen Netherlands office. As Athora Netherlands moved out of the Amstelveen office in 2023, the property has been reclassified from property and equipment to investment properties.

Investment properties of €1,119m were derecognised on 1 April 2023 following the deconsolidation of the Group's former subsidiary Hemingway Real Estate (Lux) SCSp (for further details, see **note H3**).

G3.2 Amounts recognised in profit or loss

Total rental income from investment properties recognised in the income statement is €69m (2022: €99m). Direct operating expenses (offset against rental income in the consolidated income statement), including repairs and maintenance, arising from investment properties that generated rental income during the period is €20m (2022: €23m). For any properties undergoing renovations, there is a contractual obligation with the tenants to perform the construction.

G3.3 Fair value measurement

Details of the measurement approach for investment properties are outlined in **note A2** and **note E2**.

G3.4 Future minimum lease payments receivables

€m	2023	2022 Restated
Within one year	53	238
After one year but less than five years	158	1,294
After five years	45	1,416
	256	2,948

G. Other statement of consolidated financial position notes (continued)

G4. Investments in associates

An associated company is an entity in which the parent (investor) has significant influence but it is neither a subsidiary nor a joint venture of the parent. Significant influence is presumed when the Group directly or indirectly holds 20% or more of the voting rights. Significant influence can also be exercised through an agreement with other shareholders. Investments in associated companies are accounted for using the equity method of accounting.

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

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

The share of profits of equity accounted investees comprises the Group's share of profits after taxation arising from investments in associated companies.

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

€m	2023	2022 Restated
At 1 January	41	123
Associate profit	2	10
Realised gains	–	2
Disposal	–	(92)
Unrealised (losses)/gains	–	(2)
At 31 December	43	41

Associates are initially measured at cost and are subsequently measured using the equity method. The statutory year end for each associate is 31 December. No associates are considered to be material from a Group perspective (2022: none). All investments in associates are held by subsidiary companies.

The disposal of €92m in 2022 relates primarily to the divestment of the Group's 30% share in Apollo Strategic Origination Partners.

The associates have no contingent liabilities to which the Group is exposed, and the Group has no commitments to provide funding to any of the associates.

The Group's associates are as follows:

Name	Principal activity	Country of incorporation	Proportion of ownership
Group GVA-BC Assurance	Insurance broker	Belgium	100%
CBRE Property Fund Central and Eastern Europe (CBRE PFCEE)	Real estate investment	Netherlands	30%

G. Other statement of consolidated financial position notes (continued)

G4. Investments in associates (continued)

Belgium

The Belgian entity was acquired as part of the acquisition of Athora Belgium in 2019. Whilst the Group owns 100% of the shares of the Belgian entity above, these shares have protective rights only without any participative rights. Protective rights are designed to protect the interest of the party holding these rights without giving that party power over the entity to which those rights relate. As such, the Group has concluded that it does not control, but rather has significant influence over these entities and so has accounted for them as equity accounted investees in accordance with IAS 28. In 2022, Webbroker SA/NV was merged with Group GVA-BC and Athora Belgium disposed of 100% of their share in Verzekeringkantoor Soenen. At 31 December 2023, Athora Belgium had a 100% ownership in Group GVA-BC.

Netherlands

The Netherlands entity was acquired as part of the acquisition of Athora Netherlands in 2020. CBRE PFCEE invests in commercial real estate in Central and Eastern Europe with the objective of investing in real estate directly or indirectly with the main focus on maximising the rental income. Athora Netherlands disposed their entire share in Apollo Strategic Origination Partners in 2022.

G5. Receivables and other assets

Receivables and other assets are recognised when due. The carrying value of receivables is reviewed for impairment using the simplified approach allowed under IFRS 9, with the impairment loss recorded in the income statement. Due to their short-term nature therefore the carrying amount equals fair value.

€m	Note	2023	2022 Restated
Due related to investments		158	142
Due related to properties		1	5
Accrued income		463	437
Prepayments and other		292	457
		914	1,041

For credit risk analysis see **note E10.3**.

G6. Cash and cash equivalents

Cash and cash equivalents include short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of credit losses or change in fair value. Money market investments that are held for investment purposes (backing insurance liabilities or equity based on asset liability management considerations) are not included in cash and cash equivalents but are presented as investments.

€m	2023	2022 Restated
Cash at bank	893	835
Money market funds classified as cash equivalents	1,550	368
Positive margin and collateral cash	41	112
	2,484	1,315

Cash at bank includes additions through business combinations (see **note H2**).

The increase in money market funds classified as cash relates to investment fund units, which were previously classified as Financial assets at fair value through profit or loss. This change has been made to align the classification with their operational use. In previous years, Money Market Funds were used to reduce risk exposure, but are currently used to manage liquidity.

G. Other statement of consolidated financial position notes (continued)

G7. Deferred tax

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

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

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

€m			Presented as:		
	Assets	Liabilities	Total (net)	Net deferred tax asset	Net deferred tax liability
2023					
Losses and unused credits brought forward	55	—	55	46	9
Property and equipment	2	—	2	2	—
Capitalised acquisition costs	59	—	59	59	—
Derivatives	552	—	552	552	—
Other financial assets	399	—	399	348	51
Investment properties	—	(68)	(68)	(68)	—
Pension obligations	14	—	14	15	(1)
Intangible assets	—	(13)	(13)	(13)	—
Insurance provisions	—	(270)	(270)	(200)	(70)
Provisions and other payables	32	—	32	30	2
	1,113	(351)	762	771	(9)

€m			Presented as:		
	Assets	Liabilities	Total (net)	Net deferred tax asset	Net deferred tax liability
2022					
<i>Restated</i>					
Losses and unused credits brought forward	20	—	20	15	5
Capitalised acquisition costs	20	—	20	20	—
Derivatives	847	—	847	847	—
Other financial assets	917	—	917	690	227
Investment properties	—	(105)	(105)	(78)	(27)
Pension obligations	27	—	27	28	(1)
Intangible assets	—	(14)	(14)	(14)	—
Insurance provisions	—	(672)	(672)	(432)	(240)
Provisions and other payables	8	—	8	3	5
	1,839	(791)	1,048	1,079	(31)

G. Other statement of consolidated financial position notes (continued)

G7. Deferred tax (continued)

Changes in accounting for deferred tax following changes in other accounting standards

Comparative information for 2022 has been restated due to changes in accounting standards. Although changes in accounting standards have no effect on the charges for current tax of prior periods, the implementation of IFRS 17 and IFRS 9 has resulted in changes in the classification and measurement of deferred tax as at 1 January 2022 and 31 December 2022.

The most significant presentational effect of the changes in accounting policies is that some deferred tax charges and deferred tax credits previously recognised in OCI under IFRS 4 and IAS 39 are now recognised in the income statement under IFRS 9 and IFRS 17.

IAS 12 requires that current and deferred tax expense be recognised in the income statement except to the extent that the tax relates to items or events that are recognised outside profit or loss. The implementation of IFRS 17 and IFRS 9 has resulted in a change in the classification of unrealised gains and losses on certain financial assets and also the classification of some charges in respect of insurance provisions. Changes in the measurement of insurance provisions and certain financial assets have also impacted the amount of temporary differences on which deferred tax is calculated.

Under IAS 39, the Group previously accounted for unrealised gains and losses on available for sale financial assets and cash-flow hedge designated derivatives in OCI, with recycling of the gains and losses to the income statement upon realisation or as required by that standard. Under IFRS 9, the Group is accounting for those gains and losses in the income statement. Under IFRS 17, the Group is recognising all changes in insurance provisions in the income statement, whereas under IFRS 4, some shadow accounting for insurance expense was recognised in OCI.

As explained in **note A3.1.4**, as of 31 December 2022, net deferred tax assets are €1,048m under IFRS 17/9 compared with €968m under IFRS 4/IAS 39, an accumulated net increase of €80m. The corresponding positions at 1 January 2022, the transition date, show an increase in deferred tax assets of €207m after applying the new accounting standards. The decrease of €(127)m over the course of 2022 is explained by IFRS 17/9 measurement changes during 2022, leading to an additional deferred tax charge of €(131)m and an increase in deferred tax assets acquired in business combinations of €4m.

The deferred tax credit of €404m for 2022 shown in the restated information included in **note C7.1** above compares with a deferred tax charge in the income statement of €(100)m presented in the original 2022 information under IFRS 4/IAS 39. This net difference of €504m reflects the reclassification of tax credits of €635m previously recognised in OCI, less the 2022 tax charge on 2022 IFRS 17/9 remeasurements of €(131)m.

Analysis of movements in deferred tax for the year

During 2023, the Group recognised a reduction in deferred tax assets for unrealised losses on derivatives and financial assets, reflecting revaluations and realisations. That reduction exceeded the decrease in deferred tax liabilities arising from the increased insurance provisions year on year. Taken together, these changes resulted in an overall net decrease in the deferred tax asset position on the statement of financial position, with a deferred tax charge of €344m (2022: -€404m) being recognised in the consolidated income statement as per **note C7.1**. Deferred Tax liabilities of €25m in respect of unrealised gains within investment property subsidiaries (2022: €Nil) were also derecognised when the Group lost control of its 100% equity interest in its subsidiary Hemingway Real Estate (Lux) SCSp (HREL) following the appointment of Apollo Hemingway Real Estate (Lux) as general partner to HREL - see **note H3**.

G. Other statement of consolidated financial position notes (continued)

G7. Deferred tax (continued)

Enactment of legislation giving effect to the OECD's Pillar Two Global 15% Minimum Tax

EU countries in which the Group operates enacted legislation giving effect to the OECD's Pillar Two minimum 15% corporate income tax framework during 2023. Similar legislation has been enacted in the UK and has or will be enacted by other OECD countries. The Group expects to be within scope of the legislation for the foreseeable future, but may be able to avail of transitional safe harbour exemptions in the short term.

The Group has applied the mandatory temporary exception issued by the IASB in May 2023 from the accounting requirements for Pillar Two deferred taxes in IAS 12. Accordingly, the Group neither recognises nor discloses information about deferred tax assets and liabilities related to Pillar Two income taxes. The Group is continuing to assess the impact of the Pillar Two income taxes legislation on its future financial performance.

The Group's subsidiaries are currently subject to corporate income tax at headline rates in excess of 15%, with the exception of those established in Ireland and Bermuda. The Group's initial analysis of the impact of Pillar Two is that no additional taxes are expected to arise in those countries where the headline rate is already in excess of 15% (i.e. Belgium, Germany, Italy, Netherlands, United Kingdom). Due to the complexities in applying the legislation and calculating Pillar Two income, the quantitative impact of the enacted legislation is not yet reasonably estimable. Therefore, even for those entities with an accounting effective tax rate above 15%, there may still be Pillar Two tax implications. The Group is currently engaged with tax specialists to assist with applying the legislation.

However, one of the expected consequences of the enactment of Pillar Two's qualifying domestic top-up tax by Ireland, is that the effective tax rate applicable to the Group's profits in Ireland will be 15% from 1 January 2024. Heretofore, the headline rate of tax applicable to the Group's profits in Ireland has been 12.5%. Also, the Group's Irish reinsurance subsidiary, Athora Ireland plc, has incurred losses in the recent past which it has not yet fully utilised, and which are expected to be available for deduction against future profits.

No Pillar Two tax is expected to be payable in respect of Athora's Bermuda operations due to the enactment of the Bermuda Corporate Income Tax Act 2023.

Enactment of Bermuda CIT Legislation and Deferred Tax Position as at 31 December 2023

In response to Pillar Two, during December 2023, the Government of Bermuda has enacted a 15% corporate income tax regime effective from 1 January 2025.

The primary basis for taxation of Athora's Bermuda operations will be the combined IFRS Profit before Tax of its Bermuda constituent entities for each year as measured in the consolidated financial statements of Athora Holding Ltd. (the Group).

Importantly, the Government of Bermuda has taken steps to ensure that accounting profits arising from 1 January 2025 may be relieved from taxation to the extent that eligible deductions are available via, amongst other things, a pre-implementation loss carryforward provision or a pre-implementation fair value assessment known as the Economic Transition Adjustment ("ETA"), undertaken as of 30 September 2023. No election in respect of the available options is required until 2026, when the Group makes its CIT filing in respect of 2025. The Group currently expects to opt for the loss carryforward rather than the ETA.

The Group has identified net Bermuda losses of €957m arising in the period from 1 January 2020 to 31 December 2023 which it expects would represent a tax loss carryforward, with an effective tax value of €144m at 15%. However, no deferred tax asset has been recognised as at 31 December 2023 due to the historic loss-making position of the Group's Bermuda Constituent Entities, uncertainty regarding future profits, expected future expenses and the ongoing evaluation of the options available under the new legislation.

G. Other statement of consolidated financial position notes (continued)

G7. Deferred tax (continued)

As a result of the expected availability of net losses to be carried forward, as well as administration and interest costs being incurred by the parent company on an ongoing basis, no immediate cash tax impact from the implementation of Bermuda tax legislation is anticipated.

The recoverability of recognised deferred tax assets and unrecognised deferred tax assets

The recognition of all deferred tax assets is re-assessed at the end of each reporting period. The assessments require detailed forecasting of future taxable profits based on reasonable and supportable assumptions, including market-based assumptions over time horizons sometimes beyond the scope of approved business plans.

Having evaluated these forecasts at 31 December 2023, the Group has not recognised deferred tax assets in respect of deductible temporary differences totalling approximately €223m (2022: €189m). This is comprised of €133m (2022: €133m) from Athora Germany, which would equate to a potential tax benefit of €42m at the future standard German corporation and trade tax rate of 31.92% (2022: €42m), €48m (2022: €56m) of deductible temporary differences in Italy on insurance provisions with a potential tax benefit of €12m (2022: €13m) at the Italian IRES rate of 24% (2022: 24%), and €42m (2022: €Nil) of deductible inside basis temporary differences of property subsidiaries with a tax value of €11m (2022: €Nil) at an average tax rate of 25.8%. No deferred tax assets are currently recognised for these amounts due to uncertainty in respect of the timing of future profits and related deductions.

Separately, net deferred tax assets totalling €6m (2022: €9m) are recognised as of the date of the Statement of Financial Position in respect of net deductible temporary differences relating to the Group's Irish subsidiary, Athora Ireland plc, mainly arising from losses carried forward. On the basis of the latest business plans and future profit projections, the Group expects sufficient taxable profits to be generated by Athora Ireland plc in future years to realise the deferred tax asset recognised at the date of the Statement of Financial Position.

G. Other statement of consolidated financial position notes (continued)

G7. Deferred tax (continued)

€m	At 1 January	Recognised in income statement Credit/ (charge) for continuing operations	Reclassified from Income Tax Receivable	Recognised in OCI	Disposals	At 31 December
2023						
Losses and unused credits brought forward	20	22	14	(1)	—	55
Property and equipment		2	—		—	2
Capitalised acquisition costs	20	39	—	—	—	59
Derivatives	847	(295)	—	—	—	552
Other financial assets	917	(518)	—	—	—	399
Investment property	(105)	12	—	—	25	(68)
Pension obligations	27	(10)	—	(3)	—	14
Intangible assets	(14)	1	—	—	—	(13)
Insurance provisions	(672)	402	—	—	—	(270)
Provisions and other payables	8	24	—	—	—	32
Total net deferred tax asset/(liability)	1,048	(321)	14	(4)	25	762

G. Other statement of consolidated financial position notes (continued)

G7. Deferred tax (continued)

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

€m	At 1 January	Arising from business combination	Recognised in income statement Credit/ (charge) for continuing operations	Reclassified from Income Tax Receivable	Recognised in OCI	At 31 December
2022						
<i>Restated</i>						
Losses brought forward	15	19	(14)	—	—	20
Capitalised acquisition costs	19	—	1	—	—	20
Derivatives	(624)	(10)	1,481	—	—	847
Other financial assets	(1,110)	133	1,894	—	—	917
Investment property	(126)	3	17	—	1	(105)
Pension obligations	73	—	9	—	(55)	27
Intangible assets	(20)	—	6	—	—	(14)
Insurance provisions	2,461	(108)	(3,025)	—	—	(672)
Provisions and other payables	2	(29)	35	—	—	8
Total net deferred tax asset/(liability)	690	8	404	—	(54)	1,048

G8. Other liabilities and accruals

Accruals and deferred income mainly relate to accrued interest on borrowings on financial instruments that are measured at amortised cost and payroll expenses. Other liabilities include creditors and amounts payable to reinsurers.

€m	2023	2022 Restated
Outstanding settlements on investment portfolios	177	153
Payroll and other taxes	25	55
Accruals and deferred income	219	174
Other liabilities	198	240
	619	622

G. Other statement of consolidated financial position notes (continued)

G9. Pension scheme liabilities

The Group contributes to both defined benefit and defined contribution elements of the pension schemes. A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, dependent on one or more factors such as age, years of service and pensionable salary. A defined contribution plan is a pension plan under which the Group pays fixed contributions; there is no legal or constructive obligation to provide a specific benefit outcome.

Defined contribution schemes

Contributions made by the Group to defined contribution arrangements are recognised in the income statement as an employee benefit expense when they are due, within other expenses.

Defined benefit schemes

A full actuarial valuation of defined benefit schemes is carried out at least every three years with interim reviews in the intervening years; the valuation is updated to 31 December each year by a qualified actuary. For the purposes of these annual updates scheme assets are included at their fair value and scheme liabilities are measured on an actuarial basis using the projected unit credit method by an independent, qualified actuary.

The amount recognised in the statement of financial position in respect of the defined benefit element of the pension scheme is the present value of the defined benefit obligation at the reporting date less the fair value of plan assets. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates equivalent to the market yields at the reporting date on high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity that are approximate to the terms of the related pension asset/liability.

A surplus is only recognised to the extent that it is recoverable through a right to make reduced contributions in the future or to receive a refund from the scheme. The Group recognises any change in the effect of the surplus that can be recognised in other comprehensive income within remeasurements of the retirement benefit asset.

The Group recognises in the income statement the current service cost of providing pension benefits and the net interest on the net defined benefit obligation. The current service cost is recognised within other expenses.

The net interest on the net defined benefit obligation is recognised within interest expenses and is determined by applying the discount rate used to measure the net defined benefit obligation at the beginning of the period to the net defined benefit obligation at that date, taking account of changes in the net defined benefit obligation during the period as a result of contributions and benefit payments.

Past service costs are changes in the defined benefit obligation arising from plan amendments or curtailments and are recognised immediately in the income statement, within other expenses, when the plan amendment or curtailment occurs. The Group recognises the gain or loss on a settlement of the defined benefit obligation immediately in the income statement when the settlement occurs.

The Group recognises in other comprehensive income, within actuarial gains or losses arising from defined benefit plans, net of tax, gains and losses arising from experience adjustments and changes in the actuarial assumptions, and the return on plan assets excluding the net interest on the net defined benefit obligation that is recognised in the income statement.

G. Other statement of consolidated financial position notes (continued)

G9. Pension scheme liabilities (continued)

G9.1 Defined contribution pension plans

The Group provides defined contribution pension plans to its employees across a number of entities in the Group. Employees can make additional voluntary payments to the defined contribution pension plans.

The Group's expense for the defined contribution pension plans in 2023 was €17m (2022: €18m) which is included in other expenses (**note C5**), any outstanding amounts are included in accruals (**note G8**).

G9.2 Defined benefit pension plans

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

Athora Netherlands operates a number of legacy defined benefit schemes which provide pension benefits for current and former employees. Most of these schemes are insured by SRLEV (an Athora Netherlands subsidiary) while some are insured through third parties. Investments relating to pension schemes that are included in a separate investment account are offset against the present value of defined benefit obligations. Non-separated investments are recognised within investments in the statement of financial position. These assets are held to cover the deficit.

Assets held to cover the defined benefit pension liabilities of plans administered by Athora Belgium of €49m (2022: €47m) are dedicated and maintained in a pooled pension asset portfolio. However, these assets are not held by an entity that is legally separate from Athora Belgium, so do not meet the definition of 'plan assets' under IAS 19. Instead, they are recognised as investment assets in the statement of financial position, for the benefit of policyholders and cannot be offset against the corresponding defined benefit pension obligation.

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

In determining the level of contributions required to be made to the schemes and the relevant charges to the consolidated income statement, the Group has been advised by independent actuaries. These defined benefit plans expose the Group to actuarial risks, such as longevity risk, interest risk, inflation risk and market (investment) risk. Independent actuarial valuation of the liabilities of the Group's defined benefit pension plans is carried out annually to determine the financial position and to ensure that benefit obligations are adequately funded. The latest full actuarial valuation was carried out as at 31 December 2023 using generally accepted actuarial techniques. The Group's total contribution to these defined benefit schemes is expected to be approximately €20m in 2024.

€m	2023				2022			
	Netherlands	Belgium	Germany	Total	Netherlands	Belgium	Germany	Total
<i>Funded schemes</i>								
Defined benefit obligation	(60)	—	(6)	(66)	(57)	—	(6)	(63)
Fair value of plan assets	60	—	7	67	57	—	7	64
Net surplus arising in funded schemes	—	—	1	1	—	—	1	1
Liabilities arising from unfunded schemes	(445)	(49)	(31)	(525)	(462)	(48)	(33)	(543)
Net deficit	(445)	(49)	(30)	(524)	(462)	(48)	(32)	(542)

G. Other statement of consolidated financial position notes (continued)

G9. Pension scheme liabilities (continued)

G9.2 Defined benefit pension plans (continued)

€m	2023			2022 Restated		
	Present value of obligation	Fair value of plan assets	Net deficit	Present value of obligation	Fair value of plan assets	Net deficit
At 1 January	(606)	64	(542)	(843)	80	(763)
<i>Costs recognised in the income statement</i>						
Interest income/(expense)	(22)	2	(20)	(8)	1	(7)
Service cost (including past service cost)	(1)	—	(1)	(2)	—	(2)
	(23)	2	(21)	(10)	1	(9)
<i>Remeasurement recognised in OCI</i>						
Return on plan assets	—	4	4	—	(15)	(15)
Changes in demographic assumptions	(6)	—	(6)	(7)	—	(7)
Changes in financial assumptions	13	—	13	226	—	226
Experience gains and losses	7	—	7	7	—	7
	14	4	18	226	(15)	211
<i>Other movements</i>						
Transfers in	—	—	—	(1)	—	(1)
Contributions to the scheme	—	18	18	—	18	18
Benefits paid	24	(21)	3	22	(20)	2
At 31 December	(591)	67	(524)	(606)	64	(542)

The actuarial gains recognised in other comprehensive income, net of deferred tax, is €10m (2022 Restated: €157m). This is on a total remeasurement of €18m (2022: €211m).

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

€m	2023	2022 Restated
Cash and cash equivalents	14	14
Equity instruments	—	10
Debt instruments	46	33
Asset-backed securities	7	7
	67	64

Plan assets, excluding cash, of €67m (2022: €64m) are all quoted in an active market.

G. Other statement of consolidated financial position notes (continued)

G9. Pension scheme liabilities (continued)

G9.2 Defined benefit pension plans (continued)

G9.2.1 Key assumptions and sensitivities

The weighted average key actuarial assumptions to calculate the scheme assets are shown below:

%	2023			2022		
	Netherlands	Belgium	Germany	Netherlands	Belgium	Germany
Discount rate	3.16	3.46	3.70	3.69	3.10	3.45
Inflation rate	2.25	3.30	2.00	2.25	1.80	2.00
Pension payment increase	2.25	n/a	1.0 - 2.0	2.17	n/a	1.0-2.0

The most significant non-financial assumption is the assumed rate of mortality. The table below shows the average life expectancy assumption of a pensioner retiring at 65:

Years	2023			2022		
	Netherlands	Belgium	Germany	Netherlands	Belgium	Germany
Male	22.0	18.0	20.9	21.9	18.0	21.0
Female	23.8	21.0	24.3	23.6	21.0	24.0

Under the Belgium scheme, retirement benefits are paid in the form of a lump sum payment and the obligation is fully extinguished at the employee's retirement date.

The weighted average duration of the defined benefit obligation is 11 years (2022: 12 years).

The sensitivity of the defined benefit obligation to changes in the key assumptions is shown in the table below.

€m	Increase/(decrease) in defined benefit obligation	
	2023	2022
1% increase in discount rate	(68)	(71)
1% decrease in discount rate	87	89
1% increase in inflation rate	68	58
1% decrease in inflation rate	(56)	(51)
1 year increase in life expectancy	33	35

G10. Provisions

General provisions are recognised if there is a legally enforceable or constructive obligation arising from events in the past, the settlement of which is likely to require an outflow of assets, and a reliable estimate of the obligation can be made. Provisions are measured at the present value of the expected future cash flows. Additions and any subsequent releases are recognised in the income statement.

The movement in provisions during the year is shown in the following table:

€m	Restructuring	Other	Total
At 1 January 2023 (restated)	21	15	36
Provisions used	(8)	(4)	(12)
Additional provisions created	1	100	101
Provisions released	(1)	1	—
At 31 December 2023	13	112	125

G. Other statement of consolidated financial position notes (continued)

G10. Provisions (continued)

- Restructuring provisions represents amounts provided for the reorganisation of Athora Germany and Athora Netherlands in line with the new Athora target operating model. The remaining provision is expected to be utilised over the next three years.
- Other provisions at 1 January 2023 primarily relate to employees' early retirement and long service costs with the remaining provision expected to be utilised over the next one to five years. Additional provisions created during the year of c€5m relate to Athora Germany and Athora Belgium.
- Athora Netherlands has set up a total provision for €95m in the financial year 2023 to cover the costs of the settlement of disputes relating to unit-linked products. Further details are set out in **note A2.1**.

H. Interests in subsidiaries

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it has power over the entity, is exposed to, or has rights to, variable returns from its involvement with the entity, and has the ability to affect those returns through the exercise of its power. This generally accompanies a shareholding of more than one half of the voting rights although in certain circumstances a holding of less than one half of the voting rights may still result in the ability of the Group to exercise control. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. The Group reassesses whether or not it controls an entity if facts and circumstances indicate that there are changes to any of the above elements.

Subsidiaries are fully consolidated from the date on which effective control is transferred to the Group; they are deconsolidated from the date that control ceases. For subsidiaries disposed of during the year, any difference between the net proceeds, plus the fair value of any retained interest, and the carrying amount of the subsidiary including non-controlling interests, is recognised in the consolidated income statement.

The Group consolidates collective investment vehicles if its beneficial ownership interests give it substantive rights to remove the external fund manager over the investment activities of the fund. Where a subsidiary of the Group is the fund manager of a collective investment vehicle, the Group considers a number of factors in determining whether it acts as principal, and therefore controls the collective investment vehicle, including: an assessment of the scope of the Group's decision making authority over the investment vehicle; the rights held by other parties including substantive removal rights without cause over the Group acting as fund manager; the remuneration to which the Group is entitled in its capacity as decision maker; and the Group's exposure to variable returns from the beneficial interest it holds in the investment vehicle.

For further details, refer to **note A1**, basis of consolidation.

Acquisition method

The Group uses the acquisition method to account for the acquisition of subsidiaries. The cost of an acquisition is measured at the fair value of the consideration. Any excess of the cost of acquisition over the fair value of the net assets acquired is recognised as goodwill. In certain acquisitions an excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities, contingent liabilities and non-controlling interests over cost may arise. Where this occurs, the surplus of the fair value of net assets acquired over the fair value of the consideration is recognised in the consolidated income statement.

Directly attributable acquisition costs are included within administrative expenses. Costs directly related to the issuing of debt or equity securities are included within the initial carrying amount of debt or equity securities where these are not carried at fair value.

H. Interests in subsidiaries (continued)

Portfolio transfers

When completing an acquisition, the Group first considers whether the acquisition meets the definition of a business combination under IFRS 3 Business Combinations. IFRS 3, and the use of acquisition accounting, does not apply in circumstances where the acquisition of an asset or a group of assets does not constitute a business, and is instead a portfolio of assets and liabilities.

Structured entities

These are entities that are designed so that their activities are not governed by way of voting rights. In assessing whether the Group has power over such entities in which it has an interest, the Group considers factors such as the purpose and design of the entity; its practical ability to direct the relevant activities of the entity; the nature of the relationship with the entity; and the size of its exposure to the variability of returns of the entity.

Non-controlling interests

The treatment of transactions with non-controlling interests depends on whether, as a result of the transaction, the Group loses control of the subsidiary. Changes in the parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions; any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the parent entity. Where the Group loses control of the subsidiary, at the date when control is lost the amount of any non-controlling interest in that former subsidiary is derecognised and any investment retained in the former subsidiary is remeasured to its fair value; the gain or loss that is recognised in profit or loss on the partial disposal of the subsidiary includes the gain or loss on the remeasurement of the retained interest.

H. Interests in subsidiaries (continued)

H1. Subsidiaries and structured entities

H1.1 Subsidiaries

The principal subsidiaries of the Group as at 31 December 2023 were:

Name	Principal activity	Country of incorporation	Statutory year end
Athora Europe Holding Ltd.	Holding company	Ireland	31 December
Athora Deutschland Verwaltungs GmbH	Holding company	Germany	31 December
Athora Deutschland GmbH Holding & Co KG	Holding company	Germany	31 December
Athora Deutschland GmbH	Holding company	Germany	31 December
Athora Netherlands Holding Limited	Holding company	Ireland	31 December
Athora Netherlands N.V.	Holding company	Netherlands	31 December
Athora Italy Holding DAC	Holding Company	Ireland	31 December
Athora Life Re Ltd.	Reinsurance	Bermuda	31 December
Athora Ireland plc	Insurance	Ireland	31 December
Athora Pensionskasse AG	Insurance	Germany	31 December
Athora Lebensversicherung AG	Insurance	Germany	31 December
Athora Belgium SA	Insurance	Belgium	31 December
SRLEV N.V.	Insurance	Netherlands	31 December
Proteq Levensverzekeringen N.V.	Insurance	Netherlands	31 December
Athora Italia S.p.A	Insurance	Italy	31 December
Athora Europe Investments DAC	Investment	Ireland	31 December
Athora Lux Invest SCSp	Investment	Luxembourg	31 December
Athora Lux Invest NL SCSp	Investment	Luxembourg	31 December
Zwitserleven PPI N.V.	Pension	Netherlands	31 December
N.V. Pensioen ESC	Pension	Netherlands	31 December
Athora Ireland Services Ltd.	Reinsurance intermediary	Ireland	31 December
Athora Bermuda Services Ltd.	Management services	Bermuda	31 December
Athora Deutschland Service GmbH	Management services	Germany	31 December
Athora Lux Invest Management S.à r.l.	Management services	Luxembourg	31 December
Athora UK Services Ltd.	Management services	England	31 December
Athora Netherlands Services B.V.	Management services	Netherlands	31 December
Athora Services Belgium S.A./N.V.	Management services	Belgium	31 December

Unless otherwise stated, the Group owns 100% of the equity and 100% of the voting shares of all the above subsidiaries.

On 15 December 2023, the former subsidiary Athora Europe Holding (Bermuda) Ltd. ("AEHB") merged with its parent company Athora Holding Ltd. ("AHL") whereby AHL continued as the surviving company in accordance with the Companies Act 1981 of Bermuda. On that same date, AEHB being the non-surviving company of the merger, was struck off the Bermuda register of companies.

H1.2 Structured entities

The Group has a 100% ownership interest in Athora Europe Investments DAC, an unconsolidated structured entity, that issues profit participating notes (PPN) to clients. It also ring-fences the corresponding investments in deemed separate entities (silos). The risks and reward of the silos are borne by the respective PPN holders. In accordance with IFRS 12, the silos are consolidated by the PPN holders Athora Life Re Ltd. and Athora Ireland plc. Consequently, there are no assets or liabilities recognised by the Group other than in relation to the consolidation of the two silos mentioned above and the fee of €1,000 charged to the PPN holder. There is no current intention of the Group to provide any financial or other support to the unconsolidated structured entity.

H. Interests in subsidiaries (continued)

H2. Acquisitions and portfolio transfers

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

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

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

Present value of in-force (PVIF) relating to investment contracts

The fair value of acquired business in-force relating to "investment contracts" without DPFs in scope of IFRS 9, acquired either directly or through the purchase of a subsidiary, is recognised as an asset (PVIF) corresponding to the present value of future after tax profits emerging on acquired business at the date of acquisition.

PVIF is amortised over the lifetime of the related contracts in the portfolio on a systematic basis. The rate of amortisation is chosen by considering the profile of the additional value of in-force business acquired and the expected depletion in its value. The Group tests PVIF for impairment annually. See also **note G1** and **note E9**.

Goodwill

Goodwill arises on business combinations and represents the excess of the cost of an acquisition over the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired.

Goodwill is recognised as an asset at cost and allocated to cash generated units (CGUs) based on each CGU or Groups of CGUs that are expected to benefit from the synergies of acquisition. After initial recognition it is tested at least annually for impairment or when circumstances or events indicate there may be uncertainty over this value. Goodwill impairment is assessed at the CGU level.

A CGU for goodwill is the lowest level at which the goodwill is monitored for internal management purposes, which is the Reporting Unit level. If an impairment is identified the carrying value of the goodwill is written down immediately through the income statement and is not subsequently reversed.

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

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

H. Interests in subsidiaries (continued)

H2. Acquisitions and portfolio transfers (continued)

H2.1 Summary of acquisitions and portfolio transfers

In accordance with its business model of expansion through acquisitions, the Group completed two acquisitions during the year, as set out below.

€m	PPI business Fair value 1 April 2023
Intangibles	5
Receivables and other assets	1
Cash and short-term deposits	6
Total assets	12
Other liabilities and accruals	4
Total liabilities	4
Net assets	8
Fair value of consideration transferred	8
Goodwill arising on acquisition	—

Acquisition of Premium Pension Institution (PPI) business

On 1 April 2023 Athora Netherlands N.V. acquired the business of WTW's Dutch Premium Pension Institution (PPI) - *Stichting LifeSight* (SLS). On 1 December 2023, SLS was converted to a private company and merged with Zwitserleven PPI N.V. (ZL). From that date, ZL acquired all of the assets and liabilities of SLS by universal succession of title and SLS ceased to exist.

The acquisition costs, which were immaterial, are expensed as incurred and included in the statement of comprehensive income.

The revenue and profit consolidated subsequent to the acquisition of SLS is €4.7m and €0m, respectively. If the acquisition had taken place on 1 January 2023, the incremental revenue and profit recognised would be €1.7m and €0m respectively.

Investments totalling €1,195m, and related investment contract liabilities of €(1,195)m within SLS have been ring-fenced from other assets and liabilities in a "silo". Athora NL and the Group have treated this silo as a deemed separate entity over which it has no control. Consequently, the investments and liabilities attributable to the silo have not been consolidated.

Acquisition of Pillar II pension portfolio

In August 2023 Athora Netherlands acquired a pillar II pension portfolio and a closed pension plan of the employees from Onderlinge Levensverzekering-Maatschappij's-Gravenhage UA (OG) and of the Levensverzekeringsmaatschappij de Hoop. This investment is accounted for as an asset acquisition. The pillar II pension portfolio consists of collective pension schemes for small and medium enterprises that offer employees and director shareholder a guaranteed capital at retirement which can be used to buy an annuity. The purchase price of the pillar II pension portfolio and the closed pension arrangement amounted to €1. The invested pension assets relating to acquired insurance portfolio were transferred, as a consideration of €241m, from OG to Athora Netherlands.

For the initial recognition of the acquired insurance portfolio, groups of insurance contracts were identified and a contractual service margin of €23m calculated, using the consideration received of €241m as a proxy for the received premiums. For further details see **note F1.3**.

Acquisition of a closed-book individual life portfolio

On 3 October, 2022, Athora Belgium NV/SA (Athora Belgium), a wholly owned subsidiary, acquired a closed-book individual life portfolio (Portfolio) from NN Insurance Belgium NV/SA. The purchase consideration was paid in cash. The fair value of assets and liabilities acquired, the purchase consideration, and the goodwill on acquisition is set out below.

H. Interests in subsidiaries (continued)

H2. Acquisitions and portfolio transfers (continued)

H2.1 Summary of acquisitions and portfolio transfers (continued)

Acquisition of Italian life insurer, Amissima Vita S.p.A.

On 1 August 2022, Athora Group acquired a 100% interest in an Italian life insurer, Amissima Vita s.p.a. (Amissima), a company incorporated in Italy, through its wholly owned subsidiary Athora Italy Holding ("AIH"), a company incorporated in Ireland (the "Purchaser"); from Primavera Intermediate Holdings S.à r.l., (PIH) a company incorporated in Luxembourg ("Seller"). The Seller is a subsidiary of a related party (Apollo), and the transaction was undertaken on commercial terms and conditions (refer **note 13**). Subsequent to acquisition, Amissima's name was changed to Athora Italia s.p.a (AIT). The fair value of assets and liabilities acquired, the purchase consideration which was paid in cash, and the goodwill on acquisition is set out below.

€m	Closed book individual life portfolio Fair value at 1 October 2022 <i>Restated</i>	Amissima Vita Fair value at 1 August 2022 <i>Restated</i>	Total <i>Restated</i>
Intangibles	—	3	3
Investment properties	—	95	95
Financial assets	2,570	6,630	9,200
Deferred tax assets	6	2	8
Reinsurance contract assets	—	4	4
Receivables and other assets	6	285	291
Cash and short-term deposits	—	342	342
Total assets	2,582	7,361	9,943
Insurance contract liabilities	2,387	6,747	9,134
Investment contract liabilities	—	213	213
Other financial liabilities	—	169	169
Other payables and accruals	6	48	54
Total liabilities	2,393	7,177	9,570
Net assets	189	184	373
Fair value of consideration transferred	198	204	402
Goodwill arising on acquisition	9	20	29

The restated fair value of assets and liabilities acquired as at the acquisition date reflects measurement period adjustments arising from new information obtained about facts and circumstances that existed as of the acquisition date. Further breakdown is in **note A3.1.4**.

The accumulated costs to end December 2022 relating to acquisitions of the Portfolio and Amissima are c€3m and c€5m, respectively; of which c€2m and c€2m were incurred during the year ended 31 December 2022. These costs are expensed as incurred and were included in the statement of comprehensive income.

Subsequent to the acquisition of Amissima Vita, the insurance contract revenue and profit after tax consolidated in the comparatives restated on transition to IFRS 17 and IFRS 9 for the year ended 31 December 2022, are €28m and €28m, respectively. The calculation of annualised restated revenue and loss figures is considered impracticable and therefore not made.

H. Interests in subsidiaries (continued)

H2. Acquisitions and portfolio transfers (continued)

H2.1 Summary of acquisitions and portfolio transfers (continued)

This is because:

- a. the seller did not maintain standalone financial information in respect to the acquired portfolio;
- b. the seller maintains its books and records under Belgian GAAP,
- c. any conversion to IFRS to determine revenue and profit for the period 1 January 2022 to 30 September 2022, requires significant estimates in regard to:
 - i. assumptions about what management's intent would have been in the period; and
 - ii. amounts based on circumstances that existed during the period in which those amounts are to be recognised, measured or disclosed.

Goodwill arising on both acquisitions represents future synergies expected to arise in the combined operations, the value of new business from new distribution channels and customers going forward, and the value of the workforce and management.

Following initial recognition, goodwill is stated at cost less any accumulated impairment losses. For impairment testing, goodwill is allocated to relevant cash generating units. Goodwill is impaired when the recoverable amount is less than the carrying value. The carrying value of goodwill has been tested for impairment at the year end. The management does not believe goodwill to be impaired.

H. Interests in subsidiaries (continued)

H3. Disposals and non-current assets held-for-sale

The Group classifies disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of the disposal group, excluding finance costs and income tax expense. Assets and liabilities classified as held for sale are presented separately in the statement of consolidated financial position.

Non-current assets are classified as held-for-sale if the Group will recover the carrying amount principally through a sale transaction rather than through continuing use and a sale is considered highly probable. Non-current assets classified as held-for-sale are measured at the lower of carrying amount and fair value less costs to sell. Assets and liabilities classified as held-for-sale are shown separately on the face of the statement of financial position.

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

Disposal due to dilution of interests

On 1 April 2023, the Group lost control of its 100% equity interest in its subsidiary Hemingway Real Estate (Lux) SCSp (HREL) following the appointment of Apollo Hemingway Real Estate (Lux) as general partner to HREL (see also **note I3**). As a limited partner in HREL, the Group retains only protective rights designed to protect the Group's interests. Despite losing control, the Group retains its 100% equity ownership in HREL. No consideration was received by the Group for the loss of control and no gain or loss was recognised.

The loss of control of the subsidiary was recognised by derecognising the assets and liabilities of HREL at their carrying values at 1 April 2023. Non-controlling interest of €19m representing a minority share held by a third party in Athora Real Estate S.a.r.l (which forms part of the HREL investment) was also derecognised at that date. See also **note D3**.

The Group's equity investment retained in the former subsidiary was remeasured to fair value on 1 April 2023 and the investment is thereafter presented as a fair value through profit and loss (FVTPL) financial asset.

H. Interests in subsidiaries (continued)

H3. Disposals and non-current assets held-for-sale (continued)

At the date of the loss of control on 1 April 2023, the carrying amounts of HREL's net assets were as follows:

€m	HREL 1 April 2023
Investment properties	1,119
Property and equipment	21
Financial assets	9
Income tax receivable	1
Receivables and other assets	11
Cash and cash equivalents	76
Total assets	1,237
Financial liabilities	
<i>Borrowings</i>	9
<i>Other financial liabilities</i>	798
Deferred taxation liabilities	25
Income tax payable	9
Other liabilities and accruals	50
Total liabilities	891
Net assets	346
Less: Non-controlling interests before disposal	(19)
Group's share of net assets disposed	327

H3.1 Non-current assets held-for-sale

Sale of German investment property

During the preceding year, an investment property was classified as held-for-sale and was subsequently sold by 31 December 2022 with a sales price of €18m and broker fees and other expenses incurred of €1m. Prior to sale the property was held at a fair value of €17m.

Sale of United Kingdom investment properties

During the preceding year, two investment properties were classified as held-for-sale and were subsequently sold by 31 December 2022 with a sales price of €112m and broker fees and other expenses incurred of €1m. Prior to sale the properties were held at a fair value of €86m.

I. Other notes

I1. Share-based payments

Cash-settled schemes

The Group has issued share-based plans that entitle certain employees to receive cash payments based on the value of the Company's common shares. For cash-settled share-based payment transactions, the Group measures the liability incurred as the fair value of the liability. Until the liability is settled, the Group remeasures the fair value of the liability at the end of each reporting period and at the date of settlement, with any changes in value recognised in the income statement for the period. The approach used to account for vesting conditions when measuring equity-settled transactions also applies to cash-settled transactions.

Equity-settled schemes

The Group offers share awards over the Company's common shares, representing equity-settled share-based payment transactions. The Group measures the cost of providing these awards at the fair value of the share awards at date of grant, which is recognised in the income statement over the expected vesting period of the related employees and credited to the share-based payment reserve, which is part of shareholders' funds. When shares awarded are issued, the amount recognised at the grant date, net of any transaction costs, is credited to share capital (par value) and the balance to share premium, with the relevant amount in the share-based payment reserve then credited to retained earnings.

This note describes the various equity compensation plans operated by the Group and how the Group values the options and awards of shares in the Company.

I1.1 Description of plans

The Group maintains a number of active share plans and schemes, as follows:

- Athora Management Equity Plan (MEP)** is designed to align management and shareholders' interests. The MEP is an equity-settled share-based payment scheme, has no vesting requirements and allows management to share in the financial success of the Group in the event there is a change of control occurrence.
- Athora Long-Term Incentive Plan (LTIP)** is designed to align the material interests of the Group's senior management with those of shareholders, whilst also contributing to the maintenance of a competitive total reward offer for its top talent. The LTIP is a cash-settled share-based scheme and has vesting period of up to five years.
- Athora Equity Awards (AEA)** are made to various individuals in the Group as part of their contractual compensation. These awards are equity-settled, with vesting over a period between two and three years.
- Phantom Shares** were awarded on 1 January 2023. The award of 100 phantom shares per eligible employee is subject to certain vesting conditions and has a restricted vesting period of 18 months. As the plan involves payment of an amount based on the Company's share price, rather than awarding actual shares, the plan is a cash-settled share-based scheme.

I1.2 Outstanding options and awards

- Share options:** there were no share options outstanding on the shares of the Company at 31 December 2023 or 31 December 2022.
- Share awards:** during the year, 27,380 shares were awarded under the AEA (2022: 29,297 shares). The maximum term over which these awards vest is two years (2022: 2 years).

At 31 December 2023 share awards issued were outstanding as follows:

Athora Equity Awards

Year of vesting / No. of shares	2024	199,191
Year of vesting / No. of shares	2025	10,714

I. Other notes (continued)

I1. Share-based payment (continued)

I1.3 Determination of fair value of equity instruments

MEP

Management subscribes up-front in the MEP, paying fair market value for the subscription. The fair market valuation is prepared by an independent third party, based on the estimated present value of future economic benefits from participation in the MEP scheme.

LTIP, AEA and Phantom Shares

The fair value attributable to the LTIP, AEA and Phantom Shares is determined with reference to the fair value of the Company's 'A' shares at the grant date of the awards. The Group has developed a fair value methodology for valuation of the shares. The methodology balances the objectives of reflecting the underlying value in the existing insurance entities, as well as franchise value potential from future inorganic growth activity.

The model for valuing the existing insurance entities is based on projecting the dividend paying capacity of those entities. The model inputs include the following parameters for projecting the business:

- Best estimate demographic assumptions used to project policyholder liabilities.
- Real world investment returns on the assets backing the liabilities.
- Required capital for the entity, based on SII or applicable local capital requirement.
- Strategic solvency target for the entity, which reflects the amount in excess of required capital that the entity holds.
- Expected tax payments on future cashflows.

I1.4 Expense charged to the consolidated income statement

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

€m	2023	2022 Restated
Equity-settled expense	–	5
Cash-settled expense	5	6
	5	11

I1.5 Liabilities arising from share-based payment transactions

€m	2023	2022 Restated
Cash-settled liability	14	10

I. Other notes (continued)

I2. Cash flows from operating activities

I2.1 Adjustments for non-cash items

€m	2023	2022 Restated
Amortisation of premium / discount on investments	(5)	9
Change in other provisions	89	(33)
Impairment charges	(1)	5
Depreciation and amortisation of non-current assets	17	16
Amortisation/accretion of borrowings and other financial liabilities	22	(11)
Revaluations gains and losses	(3,741)	7,675
Other	(261)	642
Total	(3,880)	8,303

I2.2 Net change in operational assets and liabilities

	2023	2022 Restated
Net change in investments held in respect of investment contract liabilities and third parties	(2,745)	(1,025)
Changes in investment assets		
Purchases of financial investments and derivatives*	(75,363)	(93,971)
Proceeds from sales of financial investments and derivatives*	80,573	89,965
Changes in investment properties		
Purchase of investment property	(68)	(317)
Proceeds from the sale of investment properties*	20	130
Net change in other receivables	111	(80)
Net change in other assets	480	(18)
Net change in operational assets	3,008	(5,316)
Net change in other financial liabilities (excluding derivatives)	(504)	290
Net change in other financial liabilities (derivatives)	(2,176)	2,567
Net change in insurance and reinsurance contracts	1,033	(6,208)
Net change in investment contract liabilities and liabilities for account of third parties	2,717	1,306
Net change in provision for employee benefits	(3)	(8)
Net change in other payables	(88)	(74)
Net change in other liabilities	(147)	(75)
Net change in operational liabilities	832	(2,202)
Total	3,840	(7,518)

* Purchases and proceeds from sales of investments, derivatives and investment properties have been reclassified from investing to operational activities in light of the broadened definition of operating activities of insurance entities in cash flow statements on introduction of IFRS 17 as the majority these assets are held to back insurance contracts.

The Group's borrowings arising from financing activities predominantly include the subordinated debt of €992m (2022: €985m) and senior debt of €1,274m (2022: €907m). The net increase of €7m and €367m, respectively, is attributable to:

- proceeds of borrowing of nil (2022: €497m), €1,195m (2022: €250m), respectively;
- acquired through business combinations nil (2022: €83m), nil, respectively;
- repayment of borrowings of nil (2022: €542m) and €850m (2022: €50m), respectively;
- non-cash increase due to net change in amortised cost nil (2022: €40m) and €22m (€7m), respectively; and
- non-cash increase due to foreign currency translation €7m (2022: €9m) and nil (2022: nil), respectively.

I. Other notes (continued)

13. Related party transactions

This note gives details of the transactions between group companies and related parties, which are undertaken in the normal course of business and at normal terms and conditions.

13.1 Ultimate parent

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

13.2 Key minority shareholders

The Group has three key minority shareholders: Apollo Global Management, Inc. and its subsidiaries (Apollo), Athene Holding Ltd and its affiliates (Athene), and the Abu Dhabi Investment Authority and its affiliates (ADIA). Athene, Apollo and ADIA are considered to have significant influence over the Group due to representation on Athora's board of directors and are therefore related parties of the Group.

On 3 January 2022, Athene and Apollo (excluding Athene) completed a merger under Apollo Global Management, Inc. Apollo Global Management, Inc. has two principal subsidiaries:

- Apollo Asset Management, (formerly Apollo Global Management, Inc.), its alternative asset management business, and
- Athene, its retirement services business.

Athora was a subsidiary of Athene until 1 January 2018, when Athene deconsolidated Athora through a private offering of equity securities. As cofounders of Athora, Athene and Apollo retain a strategic relationship with Athora. At 31 December 2023, Athene and Apollo have five members on Athora's board of directors and a combined 24.57% (2022: 23.25%) economic interest and 29.90% (2022: 29.90%) vote holding in Athora's common share capital.

At 31 December 2023, ADIA had a 19.17% (2022 18.63%) economic interest and 9.9% vote (2022: 9.9%) holding in Athora. ADIA has the right to select one member to Athora's board of directors and has exercised its right.

At 31 December 2023, Apollo Global Management, Inc. through its subsidiaries, Athene and Apollo, have the following undrawn commitments. All commitments are at an arm's length basis and are based on normal commercial terms and conditions.

- | | |
|---------------|--|
| Athene | <ul style="list-style-type: none"> • €250m equity capital commitment (common shares) (Equity Commitment Letter dated 9 March 2020) • €235m equity capital commitment (common shares) (Subscription Agreement dated 1 October 2022) |
| Apollo | <ul style="list-style-type: none"> • €250m equity capital commitment (common shares) (Equity Commitment Letter dated 9 March 2020) • €70m equity capital commitment (common shares) (Subscription Agreement dated 1 October 2022) |

It is expected that all but €9m of draws under Athene's 1 October 2022 Subscription Agreement will be funded by crediting the redemption proceeds due to Athene upon the redemption of certain Series B preferred shares towards payment of the common shares.

I. Other notes (continued)

13. Related party transactions (continued)

13.3 Transactions with key minority shareholders

Transactions are set on an arm's length basis in a manner similar to transactions with third parties. The table below summarises the amount of the other material transactions with Athene and Apollo during the year and the outstanding balances at the end of the year:

€m	2023				2022			
	Income	Expenses	Payable	Receivable	Income	Expenses	Payable	Receivable
Apollo	—	121	33	—	1	108	25	—
Athene	1	1	1	—	1	2	—	—
	1	122	34	—	2	110	25	—

During the year ended 31 December 2023:

- Athene redeemed 1,151,562 Series B Preferred for €117m, including accrued dividends of €1.5m. This was part of the 1,181,237 Series B Preferred Shares redemption as described in **note D1**;
- Athene was paid dividends of €10.9m on their Series B Preferred Shares; and
- Athene acquired 7,526,548 Class B-2 Common Shares.

Apollo provides the Group with investment management, advisory and sub-advisory services through its subsidiary, Apollo Asset Management Europe LLP.

Athene has a cooperation agreement with Athora. Under this agreement, which excludes Athora Netherlands, Athene and Athora have certain rights of first refusal relating to certain reinsurance and acquisition transactions. As at 31 December 2023, Athene has not exercised its right of first refusal to reinsure liabilities ceded to Athora. In addition, Athora's subsidiaries may from time to time purchase certain funding agreements and/or other spread instruments issued by Athene's insurance subsidiaries. At 31 December 2023 the value of Athene funding agreements held by the Group was €55m (2022: €55m).

Until April 2023, the Group leased office space in the United Kingdom. Under a sub-licence agreement, Apollo rented a floor of this space, with total rent payable, including service and similar costs, of €0.2m for the first 4 months of 2023 (2022 annual lease: €1m) excluding VAT.

From May 2023, the Group entered into a new lease agreement with Apollo whereby Apollo is sub-letting a floor in their new office to the Group, with total annual rent payable by the Group of €0.3m excluding VAT up to March 2027, and then increased to an annual rent payable of €0.5m excluding VAT. See **notes C2, G3, C5 and E8**.

On 1 April 2023, the Group lost control of its 100% equity interest in its subsidiary Hemingway Real Estate (Lux) SCSp (HREL) following the appointment of Apollo Hemingway Real Estate (Lux) as general partner to HREL. Before the deconsolidation of Hemingway in Q223, (see **note H3**), management fees were paid to Oxenwood in the first half of 2023 of €0.3m (2022: €2m). OXW Catalina UK Limited and Oxenwood Catalina III Limited, are subsidiaries of Catalina Holdings (Bermuda) Ltd., a fund investment managed by an Apollo controlled general partner.

On 1 August 2022, Athora acquired Amissima Vita, an Italian life insurer, from Apollo. For details of the acquisition see **note H2**.

A €300m share buyback from various investors occurred in February 2023, some of whom were related parties. The transaction was at a predetermined arm's length price (See **note D1**) and the shares were held as Treasury Shares.

In January 2023 there was a call on undrawn capital commitments of €210m (common share capital) that was funded in February 2023. This call was made to fund the share buyback referred to above.

As stated in **note H3**, on 1 April 2023 Apollo Hemingway Real Estate (Lux) was appointed as general partner of Hemingway Real Estate (Lux) SCSp (HREL).

I. Other notes (continued)

13. Related party transactions (continued)

13.4 Transactions with key management personnel

The compensation of the Group's key management personnel (i.e. those having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly), which comprises the members of the Management Committee (MC) and the Board of Directors of Athora, is as follows:

€m	2023	2022
Salaries and other short-term benefits	8	10
Share-based payments	2	4
Termination benefits	1	—
	11	14

Receivables from key management personnel at 31 December 2023 were €2m (2022: €3m) and relate to management equity plan loans entered into under normal commercial terms.

During 2022, Class A shares owned by a member of key management were bought back by the Group for €1m. See further details in **note D1**.

14. Commitments and guarantees

14.1 Commitments

As at 31 December 2023, Athora Lux Invest S.C.Sp. had committed, on an unfunded basis, to make various investments across its compartments totalling €507m (2022: €545m).

As at 31 December 2023, SRLEV N.V. committed to invest €1,799m in investment funds (2022: €1,631m). These funds may in due course call these commitments (capital calls) when specific conditions are met.

As at 31 December 2023, entities of the Athora Life Re Ltd group had committed, on an unfunded basis, to make investments of €32m (2022: €nil) into Cervus LO II LP SCSp.

In 2021, SRLEV entered into a long-term contract with Cardano with regard to asset management activities. The future contractual payments amount to approximately €187m (2022: €202m), of which €26m (2022: €25m) will be due within 1 year and €98m (2022: €95m) in the period between 1 and 5 years. Early termination of the contract will result in the additional fees linked to the remaining duration of the contract.

14.2 Guarantees

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount recognised less cumulative amortisation.

I. Other notes (continued)

14. Commitments and guarantees (continued)

14.2 Guarantees (continued)

German guarantees

In Germany, the insurance guarantee scheme for life insurers levies annual contributions and, under certain circumstances, special contributions on German life insurers. Athora Lebensversicherung AG and Athora Pensionskasse AG have assumed a contractual obligation to provide, if required, further funds to the protection funds of Protektor Lebensversicherungs-AG ('Protektor'), a life insurance company that has assumed the task of the mandatory insurance guarantee scheme for life insurers. Such obligation is, in principle, based on a maximum of 1% of the sum of the net underwriting reserves with deduction of payments already provided to the insurance guarantee scheme. The protection fund may also levy special contributions amounting to a further 1% of the sum of the net technical provisions; this corresponds to a maximum obligation of €3.7m (2022: €3.8m).

As at 31 December 2023, the total commitments of Athora Lebensversicherung AG and Athora Pensionskasse AG to Protektor are €32.7m (2022: €33.1m) which includes the contributions to the mandatory insurance scheme (as noted above) and will continue while Athora is a member of this scheme. This assumes that no other life insurer is exempted from payments.

Netherlands guarantee schemes

In Netherlands, Athora Netherlands NV through its subsidiary SRLEV NV, has guaranteed obligations arising under an insurance contract between NV Pensioen ESC, a subsidiary of SRLEV NV, and a third party related to the defined benefit plan of that party for the term of the contract. The financial position of NV Pensioen ESC, including the indexation reserves, will be guaranteed by Athora Netherlands NV if the Solvency II ratio of SRLEV NV should fall below 100%. SRLEV NV's solvency ratio was 217% as at 31 December 2023. Given that the fair value of the separated assets exceeds the technical claims and benefits, this contract does not give rise to any additional technical claims and benefits in the statement of financial position.

Netherlands guarantees received and granted

The notional amount of the mortgages guaranteed under the National Mortgage Guarantee Fund (in Dutch: NHG) amounted to €250m at year-end 2023 (2022: €577m).

The fair value of the collateral of the mortgages was €7,362m at year-end 2023 (2022: €12,854m). The fair value of the mortgages was €3,367m at year-end 2023 (restated 2022: €4,325m).

For saving mortgages, arrangements were made between SRLEV and several credit institutions. The credit risk concerning saving premiums is covered by received cession warranties amounting to €2,993m (2022: €3,123m), deeds of assignment amounting to €226m (2022: €231m) or clearance amounting to €125m (2022: €149m). At year-end 2023, an amount of €30m was unsecured (2022: €34m).

Under the 'Fortuinplan' arrangement mortgage receivables have been pledged to policyholders for the equivalent value of insurance contract liabilities. The value of these insurance contract liabilities at year-end 2023 was €39m (2022: €42m).

General

In Athora's efforts to ensure compliance with applicable laws and regulations, instances of non-compliance occurred in Athora Netherlands during 2023 which have since been satisfactorily resolved. These included anti-money laundering regulation non-compliance, which was shared with the regulators together with a timely action plan to address and resolve these instances and prevent future instances of non-compliance occurring. Athora Netherlands has now amended the scope of its governance protocol to track the implementation of legislative requirements in order to be in control of this and other such compliance risks.

I. Other notes (continued)

15. Contingent liabilities

The Group discloses as a contingent liability, where material, possible future obligation resulting from a past event, or a present legal or constructive obligation, when it is not probable that there will be an outflow of resources to settle the obligation or the amount cannot be reliably estimated.

There are no material contingent liabilities to disclose for the period.

16. Events after the reporting period

The financial statements are adjusted to reflect significant events that have a material effect on the financial results and that have occurred between the period end and the date when the financial statements are authorised for issue, provided they give evidence of conditions that existed at the period end. Events that are indicative of conditions that arise after the period end that do not result in an adjustment to the financial statements are disclosed.

Acquisition of a closed life insurance portfolio

On 14 July 2022, the Group announced Athora Germany's acquisition of a €19bn closed traditional life insurance portfolio comprising 900,000 policyholders, from AXA Germany. The transaction is expected to close in 2024.

Debt refinancing

A €1.0bn Revolving Credit Facility ("RCF") was signed in February 2024 with a group of leading credit institutions to refinance the existing €500m RCF and extend the tenor to 2027. In February 2024, the Group drew down €250m of the new facility to prepay part of the €600m term loan due in February 2026. (see also **note E7.2.2**). €750m of the RCF remains undrawn. The transaction materially increases Athora's undrawn resources and reduces interest cost whilst having no impact on financial leverage.

Dividend declared

On 13 March 2024, AHL declared a dividend of €20m (2022: €18m) on its Series A preferred shares, which will be paid in kind by the pro rata issuance of 197,383 (2022: 182,491) Series A preferred shares, based on their stated value on the date of declaration.

On 26 March 2024, AHL declared a dividend of €9.5m (2022: €9.5m) on its Series B preferred shares, which will be paid in cash on 03 May 2024.

Settlement Unit-linked Insurance Policies

On 22 March 2024, Athora Netherlands announced that it reached a settlement agreement with interest groups regarding unit-linked insurance policies. For details, see **notes A2.1 and G10**.

17. Capital management

17.1 Objectives

The main objective of the Group's capital management policy is at all times to appropriately capitalise the operating entities and the Group itself, to ensure the interests of policyholders, regulators, shareholders, and other stakeholders can be met. The capital management policy is designed based on regulatory, economic and rating agency requirements.

The aim of the capital management strategy is four-fold:

1. Ensure a robust capitalisation of the Group and operating units;
2. Ensure sufficient capital is available to support investment strategies and drive future capital generation;
3. Enable financial flexibility to pursue opportunities as they arise; and
4. Ensure the efficient allocation of capital across the Group to deliver expected returns.

I. Other notes (continued)

17. Capital management (continued)

17.2 Approach to capital management (unaudited)

The Group Capital Management policy is adopted by each operating unit to ensure a cohesive approach to capital management across the Group, with appropriate amendments to reflect the specifics of each jurisdiction.

Target capital levels at both group and local level are set to reflect the risk profiles of the business and the strategic outlook. An Integrated Management Plan is produced annually to assess capital adequacy and optimisation across the Group over the business planning period.

On 7 April 2020, the BMA notified the Group of the BMA's determination and approval to be group supervisor of the Group. Pursuant to Section 27B(5) of the Bermuda Insurance Act 1978, the BMA designated Athora Life Re as the 'Designated Insurer' for the purposes of the Insurance Act. Group Supervision of the Group was effective from 1 January 2020.

On 24 February 2023, the Bermuda Monetary Authority (BMA) published a consultation paper which covers proposed changes to the calculation of the technical provisions and capital requirements which will apply to Bermuda-based commercial (re)insurers in 2024. We are working closely with the BMA to assess the impacts.

17.3 Estimated unaudited group capital indicators

	Unaudited	
	2023	2022
Group Own Funds* (€m)	5,382	5,204
Group BSCR (€m)	2,958	2,848
Group BSCR ratio	182%	183%

*"Group Own Funds" refers to "Available Statutory Economic Capital and Surplus" as defined by the BMA

Own funds refers to a 'buffer' or excess margin that insurers hold to cover the risk of their assets being insufficient to meet their liabilities. Thus, own funds is capital that already exists and it is split into Tiers 1 to 3 based on their permanence and loss absorbency. Tier 1 funds are highest quality, which are basic own funds. Tier 2 and Tier 3 can be ancillary own funds. Please see **note 17.5** below for a breakdown of the Group's own funds.

The Bermuda Solvency Capital Requirement (BSCR) model calculates a risk-based capital measure by applying capital factors to capital and solvency return elements, including investments and other assets, operational risk, and long-term insurance risks, in order to establish an overall measure of capital and surplus for statutory solvency purposes. The Target Capital Level set by the BMA is equal to 120% of the Group Enhanced Capital Requirement. The capital factor established for each risk element, when applied to that element, produces a required capital and surplus amount. The individual capital amounts generated for each risk element are then summed. Covariance adjustments are made to arrive at the BSCR. The Group has complied with all capital requirements throughout 2023 and 2022.

I. Other notes (continued)

17. Capital management (continued)

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

€m	Note	Unaudited	
		2023	2022
IFRS equity per financial statements	1	4,629	4,020
Non-admitted assets			
Elimination of prudential filters	2	(128)	(130)
Net deferred tax on elimination of prudential filters	3	25	24
Estimated Statutory Capital and Surplus		4,526	3,914
Adjustment to Economic Balance Sheet (EBS)			
Insurance assets and liabilities valuation differences	4	(700)	338
Financial asset and liabilities valuation differences	5	(2)	68
Reclassification of borrowings eligible as regulatory capital	6	1,602	1,161
Net deferred tax on valuation differences	7	(44)	(277)
Estimated Statutory Economic Capital and Surplus		5,382	5,204

Notes:

- IFRS equity has been restated for the 2022 comparative period to reflect the transition to IFRS 9/17 accounting standards. Estimated statutory economic capital and surplus has not been impacted by the transition to IFRS 9/17 and the 2022 figure remains as published. As a result the reconciling items have been re-presented.
- Includes €119m (2022: €126m) of intangible assets, €(1)m (2022: €(2)m) of deferred expenses and prepaid expenses €10m (2022: €6m) which are not considered admissible under the BMA regulatory framework.
- Net deferred tax includes the tax effect on the elimination of prudential filters in the table above which are shown gross of tax.
- EBS adjustments of the IFRS balances utilising projections of future cash flows and discounting to determine technical provisions comprised of best estimate premium provisions, best estimate loss provisions and risk margins. Includes valuation adjustments to reflect insurance assets and liabilities valued on a best estimate basis using market-implied assumptions. Also includes insurance related items which comprise balances that are modelled in the IFRS 17 fulfilment cash flows and thus included within the IFRS insurance contract amount, while being excluded from the calculation of the EBS insurance liabilities.
- Includes valuation adjustments to reflect financial assets and liabilities valued on a best estimate basis using market-implied assumptions.
- The borrowings eligible as regulatory capital of €1,602m (2022: €1,161m) comprises subordinated debt issued by Athora Netherlands N.V. (€888m), Athora Italia S.p.A. (€77m) and senior debt issued by Athora Holding Ltd (€637m) - see **note E7**. The Athora Holding Ltd borrowing eligible as regulatory capital is a senior debt instrument which is listed on Dublin Euronext exchange and is classified as Tier 3 capital for Group regulatory reporting. All other debt issued is classified as Tier 2.
- Net deferred tax includes the tax effect of all other reconciling items in the table above which are shown gross of tax.

17.5 Estimated Unaudited Statutory Economic Capital and Surplus

€m	Unaudited	
	2023	2022
Tier 1	3,780	4,043
Tier 2	965	911
Tier 3	637	250
Estimated Statutory Capital and Surplus	5,382	5,204

18. Approval of financial statements

The Board of Directors approved these consolidated financial statements on 27 March 2024.

Other information

Athora Deutschland Group (Athora Germany)

The management information in this section is disclosed pursuant to Section 292 of the HGB (Handelsgesetzbuch) – exemption from preparing consolidated financial statements and a separate Group management report

Key financial highlights - Athora Germany

In 2023, Athora Germany reported a net consolidated IFRS result of €5 million:

- At 31 December 2023, Athora Germany's IFRS shareholders' equity (without non-controlling interests) increased to €185 million (2022: €181 million). In 2023, the performance of Athora Germany was in line with plan and the expected investment result was achieved. Expenses were largely in line with plan.
- Net earned premiums decreased by €9 million, or 8%, to €108 million (2022: €117 million). This development reflects the natural decrease due to the run-off business model.

In 2023, Athora Germany presented a positive German GAAP surplus of €21 million. More than €30 million was transferred to the RfB (provision for policyholder bonus) or paid as a direct bonus resulting in a German GAAP consolidated result of €(8.6) million. The negative result reflects the expenses relating to the planned acquisition project discussed below. Overall, after a turbulent 2022, Athora Germany was able to achieve, and in some cases exceed, its targets in 2023, particularly in terms of investment and risk results. As a result, the RfB increased again to almost €200 million. Accordingly, Athora Lebensversicherung has been able to maintain its high profit declaration for more than 3 years.

Outlook

Rising interest rates will make life insurance products more attractive, however, falling inflation may cause real incomes to rise. This could lead to an increase in premium income this year.

In line with the run-off nature of its business, Athora Germany forecasts net earned premium to decrease to c. €100 million in 2024.

As previously announced, Athora Germany has agreed to acquire a closed book portfolio of deferred annuities and endowments from AXA Germany (representing €13.1 billion¹ in assets under management and administration), which remains subject to closing.

¹ AuMA at 31 December 2023.

Risks, opportunities and challenges

Athora Germany is closed to new business. The main risks to which the business is exposed, are interest rate risk, credit risk (spread risk), equity risk (investments in alternatives and strategic participations) and underwriting risk (lapse risk depending on the interest rate level and expense risk). Further details of the Company's risks are presented in the table below.

Athora Germany has significant investments via Reserved Alternative Investment Funds (RAIF) in Luxembourg. Athora ensures that its investment activity and resulting credit and equity risks are managed to provide long-term value creation first and foremost for our policyholders, while also complying with regulatory requirements, the Prudent Person Principle, the Group's risk appetite and Strategy and internal financial risk related policies.

Athora Germany is committed to maintaining resilient financial strength under Solvency II, servicing our existing customers, and delivering attractive policyholder returns. Athora Germany will continue to strategically assess growth opportunities in the German life insurance market.

Financial risk: Underwriting

Type	Relevance	Description
Mortality risk	Low	The mortality risk relates to endowment, term and unit-linked products. In accordance with the risk strategy, it is of minor relevance and is mitigated by means of reinsurance cover with reinsurers with a high credit rating, in particular through a reinsurance contract concluded with SwissRe. There were no fundamental changes to the Company's mortality risk in the 2023 financial year.
Longevity risk	Medium	The longevity risk affects all annuity insurance products of which a portion is reinsured. It is therefore of medium significance and is reduced in line with the portfolio reduction. In the 2023 financial year, the longevity risk is virtually unchanged due to the interest rate trend.
Lapse risk	Medium	The relevant lapse risk for the Company is the risk of a decline in cancellation rates, as new business was discontinued in 2010 and the portfolio therefore contains a large proportion of endowment and pension insurance policies with high guaranteed interest rates. The cancellation risk is highly sensitive to interest rates. In the 2023 financial year, the lapse risk increased slightly due to interest rate movements, while lapse behaviour remained almost unchanged.
Disability/ morbidity risk	Low	The disability/morbidity risk is of low relevance and is co-insured in accordance with the risk strategy by means of reinsurance cover with reinsurers with a high credit rating, in particular through a reinsurance contract concluded with SwissRe. There was no significant change in disability/morbidity risk in the 2023 financial year.
Expense risk	High	Expense risk is of high relevance. Athora Germany is closed to new business and the run-off of the book leads to an increase in fixed costs. Athora Germany remains committed to the efficient management of its in-force portfolio by increasing the proportion of variable costs in the overall cost base. This comprises tight cost controls, aided by outsourcing of capabilities where appropriate, and efficient capital management. The Company expects, following the acquisition announced in 2022, slightly lower impact from expense risk, notwithstanding the fact that inflation may increase the expense risk going forward.
Catastrophe risk	Low	The catastrophe risk is of low relevance and is largely reduced in accordance with the risk strategy, in particular through a reinsurance contract concluded with SwissRe. There was no significant change in catastrophe risk in the 2023 financial year.

Financial risk: Credit		
Type	Relevance	Description
Spread risk	High	The Company assumes spread risk through its holdings of non-government fixed income investments, including corporate bonds, private debt, and collateralised loan obligations. The Company's securities portfolio is principally managed by Apollo, a global leader in sourcing and managing private credit. The Company's appetite for these risks is strong as their risk/return profile is considered attractive and a good fit with the Company's long-dated guaranteed life insurance liabilities. The profitability of the portfolio remains at a very good level. The spread risk increased throughout 2023 and remains high overall. Due to its particular significance, the spread risk is monitored closely and actively managed.
Concentration risk	Medium	In accordance with the Prudent Person Principle, the Company's investments are sufficiently diversified, both between the asset classes (mix) and within the asset classes (across counterparties), so that excessive credit exposure concentrations are avoided. The mix of investments balances the risk between the various investments. To mitigate and manage concentration risk, credit concentration limits are set, monitored and managed for obligors (i.e. issuers) and obligor groups, asset classes, industries, countries, rating classes. Credit concentration limits at single obligor and obligor group level are defined depending on the credit rating of the obligor and the ultimate parent, respectively. In addition, the creditworthiness of all issuers is regularly monitored.
Default risk	Low	The Company is exposed to counterparty default risk in relation to reinsurance contracts, cash deposits, mortgage loans and claims from derivatives. The risk is mitigated by the choice of high-quality reinsurers and collateral requirements for derivatives.
Interest rate risk	Medium	The interest rate risk arises if the changes in the market value of all interest-sensitive assets and liabilities do not offset each other. For life insurance companies, there is also the risk that investment income will not be sufficient to finance future interest rate guarantees. The Company has obligations with long-term guarantees, meaning that it is exposed to the risk of interest rate changes. The interest rate risk is currently managed as part of the stabilisation of the solvency II balance sheet with the help of derivatives. This approach is flanked by a comprehensive limit system that protects liquidity and the Local GAAP balance sheet in addition to the solvency II balance sheet.

Financial risk: Market		
Type	Relevance	Description
Equity risk	Medium	In line with the Company's overall risk appetite, Athora Germany currently invests in strategic equity and alternative investments. The Company's exposure to alternative investments is significant as these asset types provide attractive returns and use market opportunities.
Property risk	Low	The property risk remained almost unchanged in 2023. Overall, the direct property risk is immaterial.
Foreign exchange risk	Low	The vast majority of foreign currency investments are made in US dollars and in some cases pounds sterling. These investments are made in special funds, whereby the currency risk is hedged, almost entirely, through currency derivatives. The effectiveness of the hedging is continuously monitored so that the Company is not exposed to any significant currency risk.
Liquidity risk	Medium	<p>Liquidity risk is inherent to every life insurer and is actively managed by the Company so that it does not result in any capital requirements. Overall, the Company has low appetite for liquidity risk and therefore sets strict limits regarding available liquidity. The Company actively assesses, monitors and manages liquidity risk relying on:</p> <ul style="list-style-type: none"> • The cash flow on the liabilities side can be forecast very well. Possible fluctuations in underwriting are almost completely reduced by the comprehensive reinsurance cover. • Suitable scenarios are used to regularly assess whether all liquidity requirements are covered, even in extreme scenarios. <p>Due to thorough liquidity planning, liquidity reporting and liquidity stress, liquidity risk is of minor relevance to the Company.</p>
Operational risk	Medium	Athora Germany has limited appetite for operational risks and seeks to minimise them to a low level as is commercially sensible. Operational risks are an unavoidable part of day-to-day business activities. They are a direct consequence of business operations and cannot be diversified or completely mitigated. Operational risk identification is based on the Athora Group-wide risk universe. Operational risks currently in focus for the Company are model risk, operational resilience risk, business process risk, information security risk, data risk, and third-party risk. The Company actively monitors and manages its operational risks and assures that mitigation plans are in place and executed for all risks nearing or exceeding risk appetite.

Non-financial risks

Type	Relevance	Description
Compliance risk	Medium	Compliance risk includes, in particular, the areas of corruption, bribery and money laundering and data privacy, which are not tolerated at Athora (zero tolerance limit). Regulatory requirements are monitored and integrated into the Company's processes. Employees and managers are obliged to take part in regular training on the Code of Conduct for the prevention of money laundering and terrorist financing, on compliance with data protection requirements, in person or by means of online learning programmes.
Reputational risk	Medium	All of the risks described above, particularly operational and compliance risks, may have an adverse impact on the Company's reputation. To avoid any damage to its reputation, Athora Germany closely manages all underlying risks.

Alternative performance measures

Athora assesses and discusses financial performance using a number of measures. Some measures are non-GAAP measures that are not defined or specified in accordance with other regulations such as International Financial Reporting Standards (IFRS). These measures are known as alternative performance measures (APMs).

APMs are disclosed to provide stakeholders with additional helpful information to enhance an understanding of our performance and should be viewed as complementary to, rather than a substitute for, the measures determined according to IFRS or other regulations. Athora's APMs may not be comparable to similarly titled measures or disclosures reported by other companies.

A list of the APMs used in our results, as well as their definitions and the reasons why they are used, is provided below. Further discussion of these measures can be found in the Chief Financial Officer's report.

APM	Definition	Why is it relevant
Assets under management administration (AuMA)	<p>The value of invested assets administered, by or on behalf of Athora, including both policyholder funds and shareholder assets.</p> <p>Calculated by Athora as the sum of investment properties, financial assets, cash and cash equivalents, investments attributable to policyholders and third parties, net of derivative liabilities. Adjustments are made for consolidated third-party funds where no fee is earned by the Group to remove them from AuMA, and off-balance sheet AUA where the Group earns fees on unconsolidated funds, are included in AuMA.</p>	<p>AuMA is a measure of the size and scale of the Group and enables an assessment of our potential earnings capability arising from investment returns and fees.</p> <p>A reconciliation to the amounts shown in the consolidated statement of financial position is shown in the CFO report.</p>
Financial leverage ratio	<p>The financial leverage ratio is defined consistent with the revised Fitch Ratings methodology. The ratio is calculated as Debt over Debt + Equity. Debt generally includes Senior and Tier 2 Debt. Equity generally includes Common Shareholders' Equity, Preferred Shares and Restricted Tier 1 Debt, CSM (net of tax) and other loss-absorbing sources of capital. Debt, Preferred Shares and Restricted Tier 1 Debt are accounted for at their notional value and where applicable, adjustments for the FX rate at the end of the period are made.</p>	<p>We have a medium-term financial leverage target of 25%, which is consistent with our 'A' range financial strength rating target. Athora manages its financial leverage ratio given the importance it has to our ratings, which in turn are critical to Athora's reinsurance proposition, our funding costs and our ability to maintain financial flexibility.</p>
Group BSCR ratio	<p>Available statutory capital divided by the Bermuda Solvency Capital Requirement (BSCR) and expressed as a percentage.</p>	<p>The Group BSCR ratio is an indicator of our financial strength.</p>
Operating capital generation (OCG)	<p>Operating Capital Generation ("OCG") is defined as the expected return on investments, less the cost of liabilities (including the Ultimate Forward Rate ("UFR") drag), expense / experience variances (including profit-sharing impacts), Solvency Capital Requirement ("SCR") unwinds, risk margin unwinds, new business impacts and resulting tiering impacts. It excludes the UFR stepdown.</p>	<p>Athora considers this measure meaningful to stakeholders as it enhances an understanding of the Group's operating performance.</p> <p>By focusing on sustainable growth in OCG, Athora can deliver better returns for our customers and drive sustainable long-term cash generation.</p>

Glossary

Term	Definition
AHL	Athora Holding Ltd. (also referred to as the Company) is domiciled in Bermuda.
APMs	Alternative Performance Measures.
Apollo	Apollo Global Management, Inc. and its subsidiaries.
Athora	AHL together with its subsidiaries (also referred to as the Group).
BMA	Bermuda Monetary Authority, which became the Group's regulatory supervisor from 1 January 2020.
BSCR	Bermuda Solvency Capital Requirement.
CISSA	Commercial Insurers' Solvency Self-Assessment. A Bermuda-specific requirement similar to an ORSA.
ECR	Enhanced Capital Requirement.
ERM	Enterprise Risk Management.
ESG	Environmental, Social and Governance.
GSSA	Group Solvency Self-Assessment. A Bermuda-specific requirement similar to a group ORSA.
ICF	Internal Control Framework.
Investment Universe	This document provides descriptions of the asset classes within Athora's company-wide investment universe and is fundamental for the implementation of Athora's risk appetite and strategy. Athora consistently applies the asset classification, investment rationale, return and risk assessment as outlined in the document throughout the group-wide investment, risk assessment and business planning cycle and as guidance for its subsidiaries.
IG	Investment Grade.
MC	Management Committee.
M&A	Mergers and Acquisitions.
ORSA	Own Risk and Solvency Assessment. A requirement under Solvency II.
PRT	Pension Risk Transfer. Pension buy-outs are a type of PRT.
RCF	Revolving Credit Facility.
SAA	Strategic Asset Allocation.
SCR	Solvency Capital Requirement.
Solvency II	The regime for the prudential regulation of European insurance companies that came into force on 1 January 2016.
SRLEV	SRLEV N.V. is a regulated insurance company and wholly owned subsidiary of Athora Netherlands.
UFR	Ultimate Forward Rate.
VIVAT	The Group's Dutch insurance subsidiary, which was acquired in April 2020 and subsequently renamed Athora Netherlands. VIVAT's non-life business was sold to NN Group following completion of the acquisition.

Declaration

This document has been prepared and issued by Athora Holding Ltd. (together with its subsidiaries, 'Athora', also referred to as 'the Group'), and must not be interpreted as a recommendation, inducement, invitation or offer to purchase, transfer or sell any securities issued by Athora.

This document contains certain forward-looking statements that reflect Athora's intentions, beliefs, assumptions or current expectations about and targets for the Group's future result of operations, financial condition, liquidity, performance, prospects, anticipated growth, strategies and opportunities and the markets in which Athora operates, taking into account all information currently available, and are not necessarily indicative or guarantees of future performance and results. You should not place undue reliance on the forward-looking statements in this document. Athora does not guarantee that the assumptions underlying the forward-looking statements in this document are free from errors, does not accept any responsibility for the future accuracy of the opinions expressed in this document and does not undertake any obligation to update the statements in this document to reflect subsequent events. No responsibility, obligation or liability (whether direct or indirect, in contract, tort or otherwise) is or will be accepted in relation to this document by any member of the Group or any member's respective directors, officers, employees, advisers or agents. No representation or warranty, express or implied, is made as to the truth, fullness, accuracy, reasonableness or completeness of the information contained herein (or whether any information has been omitted from this document) or any other information relating to Athora, whether written, oral or in a visual or electronic form, and howsoever transmitted or made available by Athora or any of its directors, officers, employees, advisers or agents.



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