Solvency and Financial Condition Report
Athora Ireland plc
(formerly Aegon Ireland plc)

For the financial year ended 31 December 2018

Contents

Scope of the report

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

Under Solvency II, the Solvency and Financial Condition Report is an annual regulatory public disclosure requirement. This report is Athora Ireland plc's ("Athora Ireland", "the Company") Solvency and Financial Condition Report for the year ended 31 December 2018. It informs Athora Ireland's stakeholders about the Company's:

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

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

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

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

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

Note that within this report all figures are presented as rounded to the nearest GBP thousand, unless it is stated otherwise.

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

Summary

Athora Ireland is a public limited company incorporated under Irish law which commenced trading in July 2002 and is authorised and regulated by the Central Bank of Ireland to transact cross-border life assurance and reinsurance business in the European Union. On 3 April 2018, Athora Life Re Ltd (ARE), a Bermuda exempted company limited by shares, acquired 100% of the share capital of the Company from Aegon N.V and from that date the ultimate parent became Athora Holding Ltd (AHL).

The Company's strategy changed during 2018 from one focused on [unit-linked guarantees (ULG) and consumer investment products] to writing long-term life reinsurance for the European marketplace. Together with its parent Athora Life Re, the Company now provides innovative and creative capital optimisation and risk management solutions to European life insurers. Despite the change in strategy, the Company continues to manage ULGs for the policyholders in the UK, Germany, France and the Netherlands.

Business and Performance

2018 was a year of significant change for the Company's strategy, most notably following completion of the transfer of ownership from Aegon N.V. to Athora Life Re Ltd, a subsidiary of the Athora Group.

The Company focused on executing that strategy, with the following key actions having been completed during the year:

- The Company closed all existing product lines to new business and rebranded from Aegon Ireland to Athora Ireland.
- The hedging of the ULG business was terminated and in April the Company signed a reinsurance treaty with a highly rated reinsurer covering all the risks of the ULG business with the exception of longevity risk and expenses.
- On 31 December the Company successfully concluded the sale and transfer of its Offshore Bond ("OSB") portfolio to Utmost Ireland DAC.
- The Company appointed Apollo Asset Management Europe (AAME) as its investment manager and implemented a new strategic asset allocation for its shareholder assets.
- A significant re-organisation took place, with a large number of staff moving to Athora Ireland Services Ltd (AIS), which now provides a significant range of services to the Company on an outsourced basis.

The Company is now fully focused on its new strategy which is to provide, together with Athora Life Re, innovative and creative capital optimisation and risk management solutions to European life insurers. It also continues to manage its back book of ULG business for policyholders in the UK, Germany, France and the Netherlands.

The Company produces its financial statements in accordance with International Financial Reporting Standards ("IFRS"), as adopted by the EU, and reported a pre-tax loss (including discontinued operations) of £46,443k at 31 December 2018, compared to a profit of £10,655k in 2017. This loss has been further segregated into an underwriting loss of £31,267k (FY2017: profit of £7,685k) and investment loss of £15,176k (FY2017: profit of £2,970k). The main drivers of this performance in 2018 were due to the Company entering into the outward reinsurance agreement for the ULG book of business, which was somewhat offset by the portfolio transfer of the OSB business.

System of Governance

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

A number of changes have been made to the governance framework of the Company over the reporting period, including changes to the structure and charters of Board and Management Committees (see section B for further details).

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

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

Risk Profile

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

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

The Company's risk profile changed considerably over the reporting period, with the following being the key changes:

- Closure of all existing product lines to new business in 2018 and reinsurance of the risks associated with the Company's ULG portfolio.
- Closure of all existing product lines to new business in 2018 and sale to Utmost Ireland DAC of the Company's OSB portfolio.
- Appointment of AAME as investment manager and implementation of a new strategic asset allocation.

- Implementation of a new operating model, with outsourcing of most operating activities to AIS.

At the end of 2018, the most significant risk exposures of the Company are to Currency Risk, Longevity and Spread risks.

Valuation for Solvency Purposes

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

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

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

Capital Management

The Company's approach to capital management and how it manages available own funds is outlined in the Company's Capital Management Policy. This policy was revised in April 2018 to reflect the new risk appetite of Athora Group and changes to the Company's investment strategy. Key objectives of the policy are to be compliant with all applicable laws, rules and regulations governing the management of capital and to maintain, at all times, sufficient own funds to cover both the Solvency Capital Requirement and Minimum Capital Requirement. The policy and associated processes help to protect the financial strength of the Company, by identifying various capital management zones, and requiring appropriate actions depending on the current level of capital.

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

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

The key Solvency II figures for Athora Ireland as at 31 December 2018 and the previous year are presented below:

Solvency Ratio *(GBP thousands)*	**FY2018**	**FY2017**
Own funds	190,312	214,687
Minimum Capital Requirement	19,981	35,941
Solvency Capital Requirement	79,924	143,765
Solvency Ratio	**238%**	**149%**

As at 31 December 2018, Athora Ireland's available own funds comprises £181,568k Tier 1 capital (95.4%) and £8,744k Tier 3 capital (4.6%). The total own funds are eligible to meet the Solvency Capital Requirement and the Tier 1 own funds are eligible to meet the Minimum Capital Requirement.

A. Business and Performance

A.1 Business

A.1.1 Overview

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

A.1.2 Regulators and auditor

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

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

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

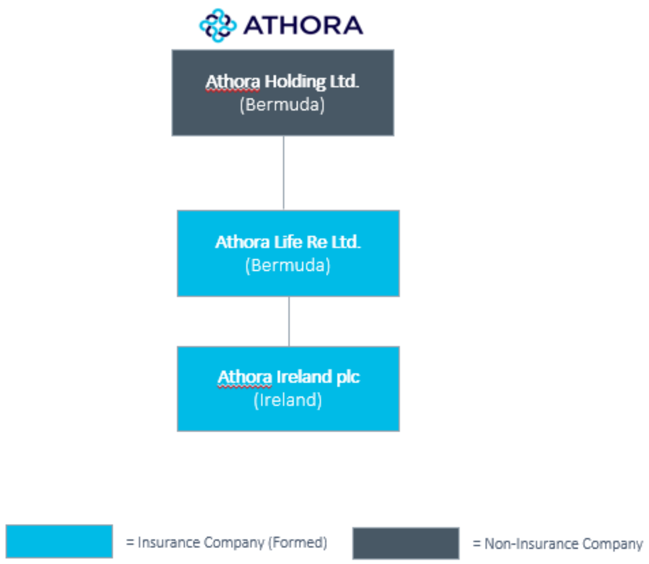
Athora Ireland appointed PricewaterhouseCoopers Ireland as external auditors for the year ending 31 December 2018. The contact details for PricewaterhouseCoopers Ireland are as follows:

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

A.1.3 Major Shareholders

As at 31 December 2018, Athora Ireland's ultimate parent company is Athora Holding Ltd. All of the shares of Athora Ireland are beneficially owned by Athora Life Re Ltd which is a subsidiary of Athora Holding Ltd. The issued share capital of Athora Ireland at this date was £90,152k. A simplified group structure is shown below.

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



A.1.4 List of material related undertakings

Athora Ireland is based in Dublin and has established a branch office in Wiesbaden, Germany (the branch transferred from Frankfurt during the year).

The Company holds 100% of the shares of Athora Europe Investment DAC (AEI), which is a private company with an authorised share capital of €100K. As holder of the shares, the Company can appoint and recall the board of management/directors of AEI, who in turn appoint an investment manager to execute the day-to-day operations and decision making subject to the board of management oversight. As the Company has insignificant exposure to the variable returns within AEI under IFRS 12 (para 24 – 31), the Company is not required to consolidate AEI.

A.1.5 Related party transactions

During 2018, material transactions between Athora Ireland and related parties of the Athora Group included the following:

- A loan from Athora Ireland plc to Athora Holdings Ltd of £14,826k.

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

A.1.6 Material lines of business and material geographical areas

Lines of Business

As at year-end 2018, Athora Ireland's material lines of business are (i) Index-linked and unit-linked insurance; and (ii) Life reinsurance. Following the transfer of the OSB portfolio, the remaining lines of business all relate to contracts with options or guarantees i.e. Unit Linked Guarantee (ULG) products.

Material geographical areas

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

A.1.7 Material events over the reporting period

A summary is provided below of the material events that have occurred over 2018:

Sale of Athora Ireland

On 3 April 2018 the sale of Athora Ireland (formally known as Aegon Ireland) to Athora Life Re Ltd was completed.

Market and political uncertainty

2018 was a poor year for equity performance, with the FTSE100 falling 12.5% and the Eurostoxx falling 15%. UK interest rates were raised by 0.25% in August, while Euro interest rates remained broadly unchanged. The key driver of market and political uncertainty during 2018 was Brexit, with markets reacting negatively to the continuing lack of clarity about the terms on which the UK would exit the EU, and at year-end the prospect of a no-deal Brexit appeared to be more likely. During the first quarter of the year, the Company's dynamic hedging programme provided protection against the financial impact of adverse market movements, and since the completion of ULG reinsurance in April, the Company's exposure to market risks has reduced significantly.

Changes to product offerings

During 2018 Athora Ireland announced that they were closing all product lines to new business. This decision was taken to align with the strategic plans of Athora Group.

In February 2018, Aegon UK announced the closure of the Secure Retirement Income product. Athora Ireland continues to reinsure the guarantees attaching to this product for in-force policies.

Risk and capital management actions

Prior to the completion of the ULG reinsurance in April, management of the Company's solvency and capital position in respect of the ULG book was achieved using its dynamic hedging program. Thereafter the focus has been to adapt the Company's risk framework to the new business strategy and risk appetite of Athora, and to deploy shareholder capital in line with that strategy.

A.2 Underwriting performance

The Company's underwriting performance for 2018 and 2017 is shown in the table below, combining figures for both ULGs and OSBs which are classified differently under Solvency II and IFRS:

Underwriting performance *(GBP thousands)*	FY2018	FY2017
Premium income	5,373	82,536
Reinsurance income	7,311	7,450
Claims & Withdrawal Payments	(278,544)	(323,236)
Movement in unit-linked funds	273,134	240,711
Fee and other income	54,522	35,855
Expenses and other costs	(93,063)	(35,631)
Total performance	**(31,267)**	**7,865**

Underwriting performance has decreased over the period. This is mainly driven by the Company entering into an outward reinsurance agreement with a highly rated counterparty, offset by the proceeds in relation to the portfolio transfer of the OSB book.

The fall in premium income (including reinsurance income) was due to the closure of the Athora Ireland products to new business.

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

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

The 'Fee and other income" increase reflects the proceeds in relation to the portfolio transfer of the OSB book.

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

A geographical split of premiums, claims and expenses for 2017 and 2018 are shown below.

Premiums, claims and expenses	FY2018			
(GBP thousands)	United Kingdom	Germany	Other	**Total**
Premiums	11,408	1,277	0	**12,685**
Claims	276,744	1,755	44	**278,544**
Expenses	21,514	6,648	0	**28,162**

Premiums, claims and expenses	FY2017			
(GBP thousands)	United Kingdom	Germany	Other	**Total**
Premiums	76,087	11,368	2,531	**89,986**

Claims	321,766	1,427	43	**323,236**
Expenses	27,042	8,411	178	**35,631**

Premiums and expenses reduced across all geographical areas in 2018, whilst claims reduced in the UK but increased in Germany. The table for FY2108 is consistent with the information presented in the Quantitative Reporting Template included in the Appendix (S.05.02.01).

A.3 Investment performance

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

The shareholder investment performance for 2018 and 2017 is shown in the tables below:

FY2018 Investment Performance *(GBP thousands)*	**Income**	**Movements in Fair Value**	**Total Performance**
Embedded Derivative	-	(21,088)	(21,088)
Derivative financial instruments	3,044	-	3,044
Shareholder Investments	2,035	833	2,868
Total	**5,079**	**(20,255)**	**(15,176)**

FY2017 Investment Performance *(GBP thousands)*	**Income**	**Movements in Fair Value**	**Total Performance**
Embedded Derivative	-	29,262	29,262
Derivative financial instruments	-	(28,009)	(28,009)
Shareholder Investments	1,446	271	1,717
Total	1,446	1,524	**2,970**

Under IFRS, a liability is held to reflect the derivatives embedded within the ULG insurance contracts. The movement in the 'Embedded Derivative' reflects the change in fair value of this IFRS ULG reserve, which reflects the value of the guarantees underlying these products. The change in the 'Derivative financial instruments' reflects the realised and unrealised gains and losses on the derivatives that were held in the hedging programme, which mitigated the exposure to market risks associated with these guarantees. The Company ceased its hedging program as a result of entering into the reinsurance agreement.

'Shareholder investments' changed over the period in line with the Athora strategy and currently consist of government bonds, cash accounts and collective investment funds. The portfolio is managed under its direction of the Company by AAME. In 2018 this yielded £2,868k in interest earned on deposit accounts, liquidity funds and gains on assets held.

Investment performance over 2018 is primarily driven by shareholder income received.

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

A.4 Performance of other activities

The Company's only activity is life insurance and reinsurance and there are no other material activities to disclose. Currently the Company has one operating lease. The Company has renewed its property lease with IFSC South Block Limited in respect of the second floor of IFSC house, this is a non-cancellable lease for 15 years and the cost for 2018 is included above in 'Expenses and other costs'.

A.5 Any other information

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

B. System of Governance

B.1 General Information on the System of Governance

Athora Ireland's system of governance was reassessed, and restructured as appropriate during 2018 following the transfer of ownership to Athora.

B.1.1 Corporate Governance

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

The Board is responsible for the overall governance of Athora Ireland's business and strategic objectives. The Company recognises the critical importance of having efficient and effective risk management systems in place. To this end, as at 31 December 2018, the Company has a governance framework that includes:

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

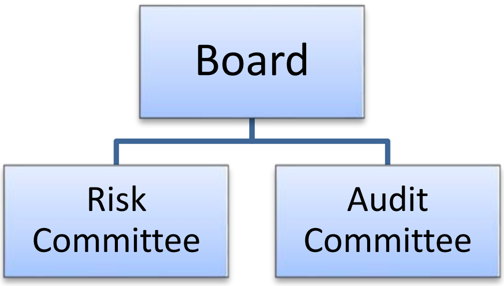
Board of Directors

The Board is responsible for the overall governance of Athora Ireland's business and strategic objectives. As at 31 December 2018, the Board has six directors. As a subsidiary of a Group, the Board has a majority of Non-Executive Directors. During 2018 the Board of Athora Ireland was responsible for:

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

- A remuneration framework that is in line with the risk strategies of Athora Ireland; and
- An adequate and effective internal control framework that includes well-functioning Risk Management, Compliance, and Internal Audit Functions as well as an appropriate financial reporting and accounting framework.

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



Risk Committee

The Risk Committee is responsible for advising the Board on risk appetite and risk tolerances based on the current and future strategy. The Risk Committee also oversees the Risk Management Function.

Audit Committee

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

Senior Management Team

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

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

Lines of defence and key functions

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

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

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

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

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

B.1.2 Remuneration policy

Remuneration Principles

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

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

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

General compensation practices

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

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

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

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

Board Remuneration

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

Non-Executive Directors are employees of Athora Group and are remunerated in line with the Group Remuneration Policy and any country specific terms and conditions. The Chief Executive Officer is an Identified Staff member within Athora Ireland and is remunerated as outlined above.

Supplementary Pension/Early Retirement Schemes

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

B.2 Fit and proper requirements

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

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

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

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

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

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

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

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

B.3.1 Risk management system

Introduction to Enterprise Risk Management Framework

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

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

Risk Strategy

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

Risk Appetite & Tolerance

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

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

Risk Identification

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

Athora Ireland Risk Universe				
Counterparty Default Risk	Market Risk	Operational Risk	Underwriting Risk	Other Risk
Counterparty Default Risk	Interest Rates	Business Risk	Mortality	Interest Rate Volatility
	Spread	Legal & Compliance Risk	Mortality Catastrophe Risk	Equity Volatility
	Currency	Tax Risk	Morbidity/Disability Risk	Liquidity
	Concentration	Financial Crime Risk	Longevity Risk	Strategic
	Equity	Processing Risk	Lapse Risk	Reputational & Asset Complexity
	Property	Systems & Business Disruption Risk	Expense Risk	
		People & Facilities Risk		

Risk Assessment

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

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

Risk Response

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

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

Risk Reporting

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

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

Risk Monitoring

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

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

Continuity related statements and liquidity risks are tested quarterly. Furthermore, compliance with the culture related statements and pricing risk tolerances are reported on a quarterly basis.

Risk Control

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

B.3.2 Own Risk and Solvency Assessment

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

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

The full ORSA process must be performed annually, or more often when the Board deems necessary. In 2018, an ORSA report was produced in June, reflecting the significant changes to the risk profile and strategy following the sale of the Company to Athora Life Re Ltd.

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

A summary of the process is as follows:

- The business strategy is clearly set.
- The financial strategy for the Company is clearly set to support the business strategy.
- The business plan combines the business and financial strategy to calculate key results.
- The risk & capital assessment includes the identification, measurement, management and monitoring of risk. The capital needs of the business are considered taking account of the proposed strategy and the acceptable level of the associated risks in pursuit of that strategy. The assessment takes into account both the present and the future.
- The output from the business strategy, financial strategy, business plan and the risk and capital assessments are used in the decision making process.
- All of the above are evidenced.
- The process is iterative and subject to on-going monitoring to ensure the ORSA responds to changes impacting the business.

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

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

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

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

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

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

B.4 Internal Control system

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

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

General principles of Athora's Internal Control Framework

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

- All employees must comply with the Code of Conduct. The Code of Conduct states that all employees will conduct their work in an ethical manner;
- If employees become aware of or observe fraud, questionable accounting practices, or other unethical behaviour they should report it to a member of management, Head of Compliance or to the local ethics hotline;
- All departments must develop a system of internal control to ensure that the assets and records of the Company are adequately protected from loss, theft, alteration or unauthorised access;
- All departments establish and maintain adequate segregation of duties. Where adequate segregation cannot be achieved, other compensating controls must be established and documented;
- All departments have business continuity plans in place with a regular update process; and
- Records of the Company must be maintained in compliance with record retention policies and local regulatory requirements.

Operational & Conduct Risk Management Framework

A key element of the Internal Control System is the Operational & Conduct Risk Management framework. This framework facilitates action planning and embeds continuous improvement regarding the internal control environment throughout the organisation. The fundamental building blocks for this framework include process documentation, periodic risk and control self-assessments, scenario analysis, risk monitoring and key risk indicators, risk validation (the analysis of operational loss events and the effectiveness of controls), risk response and action plans, and regular risk reporting.

Compliance Function

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

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

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

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

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

B.5 Internal Audit Function

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

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

Internal Audit's main tasks and responsibilities are:

- Prepare and execute a risk based audit plan which is approved by the Board Audit Committee.
- Identify, and agree with management, opportunities to improve internal controls, risk management and governance processes and verify that such improvements are implemented within a reasonable period of time.
- Assist in the investigation of any significant suspected fraudulent activities within the Company or conduct special reviews or consulting which may not usually be included in the scope of the Internal Audit and notify the regulator, if appropriate, of the results of these activities.
- Issue periodic reports to management and the Board Audit Committee, summarising the progress and results of the annual audit plan, as well as on the sufficiency of Internal Audit resources.
- Assemble and maintain a professional audit staff with sufficient knowledge, skills, experience, and professional certifications.
- Ensure the Board Audit Committee and Senior Management Team are kept informed of emerging trends and successful practices in internal auditing.
- Consider the scope of work of the external auditors, regulators, and internal compliance and risk management teams, as appropriate, for the purpose of providing optimal audit coverage to the organisation at a reasonable overall cost.
- Coordinate and work together with other control and monitoring functions (e.g. Risk Management, Compliance and external auditors).
- Execute audits on the functioning of the first and second line of defence.

Independence and objectivity of the Internal Audit function

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

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

B.6 Actuarial Function

The Board are responsible for providing an effective Actuarial Function as part of the overall system of governance. As a result of the Central Bank of Ireland's Domestic Actuarial Regime, the Board must also appoint a Head of Actuarial Function. During 2018 the Company continued to outsource the Head of Actuarial Function role to Milliman, an actuarial consulting firm.

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

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

B.7 Outsourcing

Outsourcing & Supplier Risk Policy

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

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

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

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

Critical & Important outsourcing arrangements

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

- An intra-group agreement with AIS, for the provision of services relating to policy administration, customer service, IT, HR, Finance, Actuarial, Risk Management, Internal Audit and Corporate

Communications. Functional reporting is completed on a monthly basis and service level reporting on a quarterly basis.

- An arrangement with AAME who provide investment management and related services to the Company.
- An arrangement with Kames Capital for the management of assets within the Company's ULG fund range.
- An external agreement with LAB Group, a company based in Luxembourg. LAB provide document scanning and storage services to the Company.
- An external agreement with Milliman, an actuarial consulting firm based in Ireland, for the provision of services to fulfil the role of the Head of Actuarial Function.

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

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

B.8 Any other information

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

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

There is no further material information to note regarding Athora Ireland's system of governance.

C. Risk Profile

General

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

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

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

The sensitivities involve recalculating the solvency position at points throughout the year and as at 31 December 2018 following adverse stresses. The sensitivity impacts are calculated using the Company's standard reporting process in so far as possible.

The most significant exposures at year end 2018 are to Currency, Longevity and Spread Risks.

Prudent Person Principle

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

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

The Company also invests in Sovereign Bonds, Private/Multi-Credit assets, liquidity funds, cash deposits and absolute return funds. These investments take account of applicable internal risk policies including the Credit Name Limit Policy and Investment and Counterparty Risk Policy.

The Company identifies and measures the risks associated with its asset investments by receiving regular investment reports, which provide detailed information on the assets underlying the investment, as well as their performance. Where a policyholder chooses to invest in alternative assets, the Company has met the prudent person principle by requiring that these policyholders have received independent financial advice before proceeding with any investments.

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

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

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

Off-balance sheet positions and Special Purpose Vehicles

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

C.1 Underwriting risk

At 31 December 2018, Underwriting Risks comprise 24% of the pre-diversified reported Basic Solvency Capital Requirement. The key underwriting risks which the Company is exposed to are set out below:

Longevity Risk

The Company is exposed to longevity rates - i.e. the length of time its customers live, being higher or lower than expected. In particular lower than expected mortality rates (i.e. policyholders living longer) on the ULG book could lead to a higher incidence of guarantee claims.

On its ULG book, the Company's exposure to mortality risk generally increases when the fund values of underlying policies decline, and decreases when fund values rise.

The annual mortality experience investigation resulted in changes to expected future mortality rates which were implemented during 2017, and no further changes have been made in 2018.

Policyholder Behaviour Risk

The main policyholder behaviour risk which Athora Ireland is exposed to is the risk of lapse rates being higher or lower than expected. It is also exposed to mass lapse – an instantaneous one-off shock lapse event. For the ULG business, there is a risk from lower lapses than expected, which could lead to higher future expenses arising from the higher number of policies in force.

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

The policyholder behaviour experience investigation resulted in minor changes to expected future lapse rates which were implemented during 2017, and no further changes have been made in 2018.

Expense Risk

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

The annual expense analysis resulted in no change to the current expense assumptions.

Assessment & mitigation

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

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

There have been no material changes to how underwriting risk is assessed over 2018.

Risk concentration

The geographical concentration of the Company's life insurance liabilities is predominantly within the UK, e.g. Athora Ireland is exposed to changes in UK mortality rates due to medical advances or pandemics.

Risk sensitivity

The solvency position at 31 December 2018 has been re-calculated following adverse stresses for the material underwriting risks. For each of these sensitivities, the table below shows the estimated impact on the reported solvency ratio:

Sensitivity	Change in Solvency Ratio (Post Stress - Pre Stress)
Lapse rates +20%	+5%
Lapse rates -20%	-5%
Mortality +10%	+12%
Mortality -10%	-14%

The results of the analysis demonstrate that changes in lapse risk or longevity risk have a relatively modest impact on the Company’s solvency ratio, both driven by the exposure of the ULG book whereby lower lapses or lower mortality would result in a significant increase in the projected withdrawal income payments made to policyholders. Expense risk could have a material impact, however, expenses are largely within management control. The analysis indicates that based on the current strategy and business model the Company's underwriting risk profile can withstand severe shocks and is within the Board's risk appetite.

As part of the ORSA, combined shocks are also considered. These indicated that the impact of reductions in mortality and lapse is heightened in times of low interest rates.

C.2 Market risk

At 31 December 2018, market risks comprise 56% of the pre-diversified reported Basic Solvency Capital Requirement. The key market risks to which the Company is exposed are set out below:

Currency Risk

At year end the Company carried a significant exposure to currency risk, due to the fact that the reporting currency is Sterling (due to this previously being the main functional currency for the Company's activities and income), whereas the majority of its expenses are in Euro due to the Company's location in Ireland. During 2018 the Company also rebalanced its shareholder assets to convert unmatched Sterling exposures to Euro, in line with the Athora Group's risk desire not to carry any non-essential Sterling exposures in its consolidated Balance Sheet (Euro being the reporting currency for the Group). The currency risk arises from a weakening or strengthening of Euro against Sterling. The Company changed its functional and reporting currency to Euro on 1 January 2019, and this will largely remove the risk currently carried.

Spread Risk

The Company carries spread risk through its holdings of non-Sovereign fixed income assets, including Corporate Bonds, Multi-Credit and Collateralised Loan Obligations. Spread Risk associated with the ULG portfolio is reinsured, so the risk arises in relation to holdings of fixed income assets within shareholder investments.

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

Equity Volatility Risk

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

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

As previously noted there were significant changes to the Company's exposures to Market Risks over the reporting period, resulting from the reinsurance of the ULG portfolio, the sale of the OSB portfolio, and the adaption of a new strategic asset allocation for shareholder assets.

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

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

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

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

The largest concentration in the Company's shareholder assets is to UK Gilts, comprising circa 25% of assets, and thereafter to a number of Banks, each rated BBB or higher. Within the Company's wider credit holdings there is no exposure to any single issuer that exceeds 3% of invested assets.

Risk sensitivity
The solvency position at 31 December 2018 has been re-calculated following adverse stresses for the material market risks. For each of these sensitivities, the table below shows the estimated impact on the reported solvency ratio:

Sensitivity	Change in Solvency Ratio (Post Stress – Pre Stress)
Equity markets +20%	2%
Equity markets -20%	-4%
Interest Rates +50bps	4%
Interest Rates -50bps	-6%
Adverse Equity, Spreads Default Scenario	-22%

The results of the analysis demonstrates that the most material risk to Athora Ireland's solvency ratio is a scenario where a significant fall in equity markets leads to a widening of spreads and increases in defaults on credit assets. While the Company's reporting currency remained Sterling, the Company's solvency position would also have been materially impacted by a fall in the value of the Euro against Sterling, although the change of reporting currency to Euro has significantly reduced this sensitivity.

The analysis above indicates that the Company's market risk profile could withstand severe shocks and is within the Board's risk appetite.

C.3 Credit Risk

At 31 December 2018 Counterparty Default risk comprised 20% of the pre-diversified reported Basic Solvency Capital Requirement.

Credit risk can result from changes in the rating category of the obligor, fluctuation of spreads associated with each credit rating over time, and potentially default, being the lowest possible rating assigned to a fixed income investment.

Athora Ireland is exposed to credit risk in respect of its holdings in fixed income assets and cash deposits. It is also exposed to counterparty default risk in respect of its ULG reinsurance treaty.

Assessment & mitigation

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

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

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

Risk concentration

The reinsurance treaty represents the most significant individual counterparty exposure held by the Company.

Risk sensitivity

The solvency position at 31 December 2018 has been re-calculated following adverse stresses for material counterparty defaults. For each of these sensitivities, the table below shows the estimated impact on the reported solvency ratio:

Sensitivity	Change in Solvency Ratio (Post Stress – Pre Stress)
Counterparty 1 BBB > BB	-4%
Counterparty 2 A > BBB	-5%
Counterparty 3 A > BBB	-3%

The credit sensitivities are calculated using information on past credit market history to estimate the likelihood of the event occurring. The analysis indicated that based on the current strategy and business model the Company's credit risk profile could withstand severe shocks and is within the Board's risk appetite.

The counterparty stress sensitivity shown above is based on each of the Company's 3 largest counterparties suffering a one-step downgrade in its rating (e.g. from A to BBB). As can be seen, such a stress would have a relatively minor impact on the solvency position.

C.4 Liquidity risk

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

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

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

Assessment & mitigation

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

- The Liquidity Risk Policy is designed to ensure a prudent liquidity profile is maintained. This is characterised by asset liquidity that is sufficient to meet cash demands under not only expected conditions but also under extreme conditions. This policy defines the methodology to ensure that liquidity is being measured and tested consistently.
- Stressed Liquidity Scenarios are assessed quarterly and the Company must maintain enough liquidity in order to meet all cash needs under these extreme scenarios.

During 2018 the Company has implemented a new model for the assessment and testing of liquidity requirements, taking into account the new cash flow requirements and investment strategy implemented following acquisition by Athora.

Risk concentration

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

Risk sensitivity

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

C.5 Operational risk

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

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

The Company's operating risks have reduced since the disposal during the year of the OSB business. The remaining operational risks primarily relate to the services which have been outsourced to Athora Ireland Services.

Assessment & mitigation

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

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

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

Risk concentration

Athora Ireland has identified seven operational risk event categories which are: Business, Legal & Compliance, Tax, People and Facilities, Financial Crime, Processing and Systems & Business Disruption.

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

Risk sensitivity

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

However, the operational risk capital process calculates the 1-in-200 operational risk capital amount and includes a full spectrum of plausible operational risk scenarios to produce the capital requirement. This acts as sensitivity-type testing, which is assessed and analysed by management and leads to management actions, when relevant. The operational risk capital is relatively stable.

C.6 Other material risks

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

C.7 Any other information

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

D. Valuation for Solvency Purposes

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

D.1 Assets

The table below shows assets held on the Solvency II balance sheet and the comparative IFRS values as at 31 December 2018:

Assets *(GBP thousands)*	**Solvency II**	**IFRS**	**Difference**
Assets held for index/unit-linked contracts	861,742	861,742	-
Bonds	124,841	124,525	316
Deposits other than cash equivalents	3,141	-	3,141
Cash and cash equivalents	99,289	101,959	(2,670)
Collective investments undertakings	266,644	52,528	214,116
Investment in associates	-	214,116	(214,116)
Loans and mortgages	14,826	14,826	-
Insurance and intermediaries receivables	1,039,847	1,094,779	(54,932)
Other	9,625	6,094	3,531
Total	**2,419,955**	**2,470,569**	**(50,614)**

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

Assets held for index-linked and unit-linked contracts

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

Assets held for index-linked and unit-linked contracts of £861,742k are valued at fair value under both IFRS and Solvency II and are presented differently as:

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

Investments (other than assets held for index-linked and unit-linked contracts)

Solvency II requires that assets presented in this category are valued at fair value. Under IFRS, four categories of financial instruments are defined, with financial assets held-to-maturity and loans and receivables measured at amortised cost, while assets categorised as fair value through profit or loss or available-for-sale are measured at fair value.

Deposits

Term deposits of £3,141k are classified as 'Deposits other than cash equivalents' under Solvency II, and 'Cash and Cash Equivalents' in the Financial Statements.

Cash and cash equivalents

Under IFRS, 'Cash and cash equivalents' of £101,959k are valued at fair value. However for the purposes of Solvency II this is split between 'Deposits' (£3,141k as noted above) and 'Cash and Cash Equivalents' £99,289k, depending on the term of the deposit. The valuation method is the same under Solvency II, but a difference of £471k arises due to overdraft accounts.

Collective Investments Undertakings

There is no difference in the valuation of 'Collective Investments Undertakings' of £52,528k under IFRS and Solvency II, however in the Financial Statements this is presented as 'Shareholder investments at fair value through profit and loss'.

Investments in associates

In 2018 the Company invested in 3 Athora Luxembourg Funds through Apollo Asset Management Europe (AAME). For Athora Ireland all investments are in excess of 20% of the total fund value and the Company is considered to exert significant influence over the funds. As such investments in these funds have been classified as 'Investment in associates' in the financial statements and have been accounted for using the equity method. There is no difference in the valuation of 'Investment in associates' of £214,116k under IFRS and Solvency II, however under Solvency II this is presented as 'Collective investments undertakings'.

Loans and mortgages

The £14,826k presented as 'Loans and mortgages' under Solvency II, represents a loan from Athora Ireland to Athora Holding Limited. There are no differences in the valuation of this under IFRS and Solvency II.

Insurance and intermediaries receivables

The difference of £54,932k relates to the IFRS reinsurance recoverable asset which is reported under payables in Solvency II.

Other

The main difference between the total Solvency II and IFRS value for this category is driven by the different magnitude of the deferred tax asset under the two bases. A deferred tax asset of £8,744k is recognised under Solvency II whereas the IFRS valuation is £5,726k. The difference is attributable to the differing valuation of the underlying items for which deferred tax is applicable.

D.2 Technical provisions

The technical provisions comprise of the Best Estimate Liability and the Risk Margin. The table below summarises the technical provisions, split by Solvency II lines of business[1], for all life insurance obligations as at 31 December 2018:

Technical Provisions *(GBP thousands)*	**Index-linked and unit-linked insurance**	**Life reinsurance**	**Total**
Best Estimate Liabilities (Gross of reinsurance)	**1,044,667**	**31,284**	**1,075,951**
Recoverables from reinsurance	(23,752)	20,154	(3,598)
Best Estimate Liabilities (Net of reinsurance)	1,068,419	11,131	1,079,550
Risk Margin	**13,841**	**9,966**	**23,807**
Technical Provisions (Gross of reinsurance)	**1,058,508**	**41,250**	**1,099,759**

As at 31 December 2018 the Company does not have any special purpose vehicles in place. Given the Company entered into an outward reinsurance agreement for the ULG business during 2018, this has led to the creation of a reinsurance recoverable. No significant simplified methods were used to calculate the technical provisions. The Company has not applied any matching adjustment, volatility adjustment, transitional risk-free interest rate term structures or the transitional deduction.

Best Estimate Liability

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

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

Recoverables from reinsurance contracts

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

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

No allowance is made for counterparty default in the technical provisions in respect of the ULG reinsurance agreement, noting that there is currently a liability to the reinsurer rather than an asset. Therefore, there is no exposure, and an allowance for default would reduce the liability.

Risk Margin

The Risk Margin serves to reflect the price that would be charged by another insurance company to take on the uncertainty associated with the insurance risks inherent in a portfolio of insurance liabilities.

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

The Risk Margin is re-calibrated annually. The methodology used to project the future Solvency Capital Requirements remains unchanged from the 2017 calibration.

Assumptions

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

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

During 2018, there was a review of the current mortality assumptions based on experience data as at year-end 2017. The current assumptions were considered appropriate and no changes were implemented.

A number of persistency investigations were carried out during 2018, which resulted in no updates to the existing persistency assumptions.

Athora Ireland completed their annual expense analysis during 2018 and assessed the expense assumptions for sufficiency. At year-end 2018 the Company used the same level of expense assumptions as used for calculating the technical provisions at year-end 2017.

Uncertainty associated with technical provisions

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

A robust assumption setting process is followed in order to ensure this uncertainty is well understood and variances against assumptions are regularly monitored. There are also a number of stress and scenario tests performed as part of the ORSA process which helps the Company to understand their sensitivity to various assumptions. For ULG products, the uncertainty of the timing, frequency and amount of claims is taken account of through the stochastic modelling of the Best Estimate Liability. The use of dynamic functions also allows for dependencies between market movements, policyholder behaviour and associated cash flows.

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

The main area of uncertainty in the Risk Margin calculation is the inherent difficulty in projecting the Solvency Capital Requirement over the projected future lifetime of the Company's obligations, noting that this is also dependent on the projection of economics over that time period.

Material differences between Solvency II and the financial statements

The table below highlights the material differences between the gross technical provisions under Solvency II and the equivalent reserves in the financial statements (i.e. before allowance for the impact of reinsurance). The equivalent valuation of "technical provisions" under IFRS at 31 December 2018 is c. £30,028k more than that under Solvency II. The table is presented based on Solvency II lines of business[2]:

Gross SII Technical provisions to IFRS contract liabilities (GBP thousands)	Index linked and unit -linked insurance	Life reinsurance	Total	Note
Solvency II Technical Provisions	1,058,508	41,250	1,099,759	
Less Risk Margin	(13,841)	(9,966)	(23,807)	1
Solvency II Best Estimate Liability	1,044,667	31,284	1,075,951	
Methodology & assumption changes	48,456	5,379	53,835	2

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

IFRS contract liabilities	1,093,123	36,664	1,129,787

Note 1: There is no Risk Margin required under IFRS. The removal of the Risk Margin decreases the index-linked and unit-linked insurance business by £13,841k and life reinsurance business by £9,966k respectively.

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

D.3 Other liabilities

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

Other liabilities *(GBP thousands)*	**Solvency II**	**IFRS**	**Difference**
Financial liabilities other than debts owed to credit institutions	15,356	15,356	-
Payables	1,114,058	1,162,579	(48,521)
Other provisions	-	1,707	(1,707)
Debts owed to credit institutions	471	-	471
Total Other liabilities	**1,129,885**	**1,179,642**	**(49,757)**

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

Financial liabilities other than debts owed to credit institutions

As at 31 December 2018, Athora Ireland had a collateral obligation (liability payable) of £15,356k to the reinsurer as a result of the ULG reinsurance agreement entered into during 2018. Under IFRS this is presented as 'Collateral Obligations' and as 'Reinsurance payables' under Solvency II.

Payables

This line item consists of reinsurance liabilities, payables and sundry creditors. The difference between the Solvency II and IFRS values (£48,521k) relates primarily to IFRS reinsurance recoverable asset which is reclassified from 'Insurance and intermediaries receivables' under Solvency II.

Other provisions

In the financial statements, provisions are established under IFRS when it is probable that a past event has given rise to a present obligation or loss and the amount can be reasonably estimated. As at 31 December 2018, the Company has established provisions of £1,707k for potential liabilities. Under Solvency II these provisions have been included within 'Payables'.

Debts owed to credit institutions

This reflects a bank overdraft of £471k which is presented as 'Debts owed to credit institutions' under Solvency II. There is no difference in valuation under IFRS, however in the Financial Statements it is netted against the 'Cash & Cash Equivalents' balance within the Assets.

D.4 Alternative methods for valuation

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

D.5 Any other information

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

E. Capital Management

E.1 Own funds

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

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

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

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

Tiering of own funds

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

Own funds *(GBP thousands)*	**FY2018**	**FY2017**	**Movement**
Ordinary share capital	90,152	90,152	-
Share premium account	15,226	15,226	-
Capital contributions	-	185,968	(185,968)
Reconciliation reserve	76,190	(82,005)	158,195
Amount equal to the value of net deferred tax assets	8,744	5,347	3,397
Available own funds	**190,312**	**214,687**	**(24,375)**
Eligible own funds to meet Solvency Capital Requirement	190,312	214,687	(24,375)
Eligible own funds to meet Minimum Capital Requirement	181,568	209,341	(27,773)

Following the sale of Athora Ireland (formerly Aegon Ireland plc) to Athora Life Re Ltd, the Company transferred all capital contributions into retained earnings as approved by the Board on 18 April 2018.

As shown below, the majority of the Company's available own funds consist of Tier 1 capital. The Deferred Tax Asset of £8,744k remains the only lower tier asset and is classified as Tier 3 representing 4.6% of own funds at year end 2018.

Own funds summary by tier	**FY2018**		**FY2017**	
(GBP thousands)	**Tier 1**	**Tier 3**	**Tier 1**	**Tier 3**
Ordinary share capital	90,152	-	90,152	-
Share premium account	15,226	-	15,226	-
Capital contributions	-	-	185,968	-
Reconciliation reserve	76,190	-	(82,005)	-
Amount equal to the value of net deferred tax assets	-	8,744	-	5,347
Available own funds	**181,568**	**8,744**	**209,341**	**5,347**

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

As at 31 December 2018, 'Ordinary share capital' comprises 105,660,001 ordinary shares of €1 each, which equates to a Sterling value of £90,152k. The 'Share premium account' of £15,226k related to share capital issued at a premium and held by the Company's direct parent, Athora Life Re Ltd.

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

Reconciliation reserve *(GBP thousands)*	**FY2018**	**FY2017**
Available own funds / Excess of assets over liabilities	190,312	214,687
Other basic own fund items	(114,122)	(296,692)
Reconciliation reserve	**76,190**	**(82,005)**

Difference between own funds and IFRS Shareholders Equity

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

The table below provides a reconciliation from IFRS Equity to total own funds for both year-end 2018 and the prior period:

IFRS Equity to own funds *(GBP thousands)*	**FY2018**	**FY2017**
Total IFRS equity	211,438	247,798
Difference in technical provisions	30,028	(40,203)
Removal of deferred income & expenses	-	2,943
Removal of software	(276)	(580)
Deferred tax adjustment	3,018	4,730
Reinsurance recoverable asset	(53,896)	-
Total own funds	**190,312**	**214,687**

Description of items deducted from own funds

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

E.2 Solvency Capital Requirement and Minimum Capital Requirement

Solvency Capital Requirement

The own funds, net Solvency Capital Requirement and solvency ratio as at 31 December 2018 and the prior period are presented below:

Solvency II key figures *(GBP thousands)*	**FY2018**	**FY2017**
Own funds	190,312	214,687
Solvency Capital Requirement	79,924	143,765
Solvency Ratio	238%	149%

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

Solvency Capital Requirement split by risk module

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

Solvency Capital Requirement by risk module (GBP thousands)	**FY2018**	**FY2017**
Market risk	64,603	76,294
Counterparty default risk	9,695	9,489
Life underwriting risk	22,970	66,216
Diversification	(20,056)	(24,058)
Basic Solvency Capital Requirement	**77,212**	**127,940**
Operational risk	2,713	15,825
Loss-absorbing capacity of technical provisions	0	0
Loss-absorbing capacity of deferred taxes	0	0
Solvency Capital Requirement	**79,924**	**143,765**

The net Solvency Capital Requirement reduced by £63,841k (c. 45%) over 2018. The main driver of this change was a large reduction in the Life Underwriting risk module, as well as smaller decreases in both the Market and Operational risk modules, as outlined below:

- *Life Underwriting risk Solvency Capital Requirement:* This reduced by £43,246k primarily due to the decrease in the Lapse and Expense capital requirements following the transfer of the OSB business. The new reinsurance arrangement further decreased the Longevity and Lapse capital requirements for the remaining ULG business.
- *Market risk Solvency Capital Requirement:* The reduction of £11,691k was primarily caused by a reduction in Equity and Spread capital requirements due to the application of the new reinsurance arrangement, which was somewhat offset by an increase in Currency capital requirements following the strategic decision to reduce exposure to GBP.
- *Operational risk Solvency Capital Requirement:* Both the implementation of the new reinsurance arrangement and transfer of the OSB business contributed to the reduction of £13,112k.

Minimum Capital Requirement

The Minimum Capital Requirement figure has reduced by £15,960k, from £35,941k at the previous year-end to £19,981k as at 31 December 2018.

Minimum Capital Requirement (GBP thousands)	FY2018	FY2017
Linear Minimum Capital Requirement	7,557	30,335
Solvency Capital Requirement	79,924	143,765
Minimum Capital Requirement cap	35,966	64,694
Minimum Capital Requirement floor	19,981	35,941
Combined Minimum Capital Requirement	19,981	35,941
Absolute Floor	3,288	3,251
Minimum Capital Requirement	**19,981**	**35,941**

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

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

The Minimum Capital Requirement reduced by c. 45% over the reporting period, driven by the same factors that caused the change in the Solvency Capital Requirement.

Simplified calculations

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

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

The Central Bank of Ireland have chosen to implement the option provided in Article 51(2) of Directive 2009/138/EC.E.3

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

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

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

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

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

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

E.6 Any other information

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

Appendix – Quantitative Reporting Templates

All values are in £000's

S.02.01.02 - Balance sheet

	Solvency II
	C0010
Assets	
Goodwill	
Deferred acquisition costs	
Intangible assets	0
Deferred tax assets	8,744
Pension benefit surplus	0
Property, plant & equipment held for own use	92
Investments (other than assets held for index-linked and unit-linked	394,626
Property (other than for own use)	0
Holdings in related undertakings, including participations	0
Equities	0
Equities - listed	0
Equities - unlisted	0
Bonds	124,841
Government Bonds	124,841
Corporate Bonds	0
Structured notes	0
Collateralised securities	0
Collective Investments Undertakings	266,644
Derivatives	0
Deposits other than cash equivalents	3,141
Other investments	0
Assets held for index-linked and unit-linked contracts	861,742
Loans and mortgages	14,826
Loans on policies	0
Loans and mortgages to individuals	0
Other loans and mortgages	14,826
Reinsurance recoverables from:	(3,598)
Non-life and health similar to non-life	0
Non-life excluding health	0
Health similar to non-life	0
Life and health similar to life, excluding health and index-linked and	0
Health similar to life	0
Life excluding health and index-linked and unit-linked	0
Life index-linked and unit-linked	(3,598)
Deposits to cedants	0
Insurance and intermediaries receivables	1,039,847
Reinsurance receivables	0
Receivables (trade, not insurance)	4,388
Own shares (held directly)	0
Amounts due in respect of own fund items or initial fund called up but	0
Cash and cash equivalents	99,289
Any other assets, not elsewhere shown	0
Total assets	2,419,955

	Solvency II value
	C0010
Liabilities	
Technical provisions – non-life	0
Technical provisions – non-life (excluding health)	0
Technical provisions calculated as a whole	0
Best Estimate	0
Risk margin	0
Technical provisions - health (similar to non-life)	0
Technical provisions calculated as a whole	0
Best Estimate	0
Risk margin	0
Technical provisions - life (excluding index-linked and unit-linked)	0
Technical provisions - health (similar to life)	0
Technical provisions calculated as a whole	0
Best Estimate	0
Risk margin	0
Technical provisions – life (excluding health and index-linked and unit-	0
Technical provisions calculated as a whole	0
Best Estimate	0
Risk margin	0
Technical provisions – index-linked and unit-linked	1,099,759
Technical provisions calculated as a whole	0
Best Estimate	1,075,951
Risk margin	23,807
Other technical provisions	0
Contingent liabilities	0
Provisions other than technical provisions	0
Pension benefit obligations	0
Deposits from reinsurers	0
Deferred tax liabilities	0
Derivatives	0
Debts owed to credit institutions	471
Financial liabilities other than debts owed to credit institutions	15,356
Insurance & intermediaries payables	15,589
Reinsurance payables	0
Payables (trade, not insurance)	1,094,803
Subordinated liabilities	0
Subordinated liabilities not in Basic Own Funds	0
Subordinated liabilities in Basic Own Funds	0
Any other liabilities, not elsewhere shown	3,666
Total liabilities	2,229,644
Excess of assets over liabilities	190,312

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

Columns containing no data have been excluded

All values are in £000's

Life	Line of Business for: life insurance obligations	Life reinsurance obligations	Total
	Index-linked and unit-linked insurance	Life-reinsurance	
	C0230	C0280	C0300
Premiums written			
Gross	5,373	7,311	12,685
Reinsurers' share	67,924	5,415	73,339
Net	(62,550)	1,896	(60,654)
Premiums earned			
Gross	5,373	7,311	12,685
Reinsurers' share	67,924	5,415	73,339
Net	(62,550)	1,896	(60,654)
Claims incurred			
Gross	278,544	0	278,544
Reinsurers' share	25	0	25
Net	278,518	0	278,518
Changes in other technical provisions			
Gross	0	0	0
Reinsurers' share	0	0	0
Net	0	0	0
Expenses incurred	21,478	6,684	28,162
Other expenses			0
Total expenses			28,162

S.05.02.01 - Premiums, claims and expenses by country

Columns containing no data have been excluded

All values are in £000's

Life	Home Country	Top 5 countries (by amount of gross written premiums) - Life					Total Top 5 and home country
		GB	DE	FR	NL	CH	
Premiums written							
Gross	0	11,408	1,277	0	0	0	12,685
Reinsurers' share	0	12,840	113	1,710	4	58,673	73,339
Net	0	(1,432)	1,164	(1,710)	(4)	(58,673)	(60,654)
Premiums earned							
Gross	0	11,408	1,277	0	0	0	12,685
Reinsurers' share	0	12,840	113	1,710	4	58,673	73,339
Net	0	(1,432)	1,164	(1,710)	(4)	(58,673)	(60,654)
Claims incurred							
Gross	0	276,744	1,755	0	44	0	278,544
Reinsurers' share	0	25	0	0	0	0	25
Net	0	276,719	1,755	0	44	0	278,518
Changes in other technical provisions							
Gross	0	0	0	0	0	0	0
Reinsurers' share	0	0	0	0	0	0	0
Net	0	0	0	0	0	0	0
Expenses incurred	0	21,514	6,648	0	0	0	28,162
Other expenses							0
Total expenses							28,162

S.12.01.02 - Life and Health SLT Technical Provisions

Columns containing no data have been excluded

	Index-linked and unit-linked insurance			Accepted reinsurance	Total (Life other than health insurance, incl. Unit-Linked)
		Contracts without options and	Contracts with options or guarantees		
Technical provisions calculated as a whole	0			0	0
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole	0			0	0
Technical provisions calculated as a sum of BE and RM					
Best Estimate					
Gross Best Estimate		0	1,044,667	31,284	1,075,951
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default		0	(23,752)	20,154	(3,598)
Best estimate minus recoverables from reinsurance/SPV and Finite Re - total		0	1,068,419	11,131	1,079,550
Risk Margin	13,841			9,966	23,807
Amount of the transitional on Technical Provisions					
Technical Provisions calculated as a whole	0			0	0
Best estimate		0	0	0	0
Risk margin	0			0	0
Technical provisions - total	1,058,508			41,250	1,099,759

S.23.01.01 - Own funds

	Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
	C0010	C0020	C0030	C0040	C0050
Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35					
Ordinary share capital (gross of own shares)	90,152	90,152		0	
Share premium account related to ordinary share capital	15,226	15,226		0	
Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	0	0		0	
Subordinated mutual member accounts	0		0	0	0
Surplus funds	0	0			
Preference shares	0		0	0	0
Share premium account related to preference shares	0		0	0	0
Reconciliation reserve	76,190	76,190			
Subordinated liabilities	0		0	0	0
An amount equal to the value of net deferred tax assets	8,744				8,744
Other own fund items approved by the supervisory authority as basic own funds not specified above	0	0	0	0	0
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds					
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	0				
Deductions					
Deductions for participations in financial and credit institutions	0	0	0	0	0
Total basic own funds after deductions	190,312	181,568	0	0	8,744

Ancillary own funds					
Unpaid and uncalled ordinary share capital callable on demand	0			0	
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	0			0	
Unpaid and uncalled preference shares callable on demand	0			0	0
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	0			0	0
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	0			0	
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	0			0	0
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0			0	
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0			0	0
Other ancillary own funds	0			0	0
Total ancillary own funds	0			0	0
Available and eligible own funds					
Total available own funds to meet the SCR	190,312	181,568	0	0	8,744
Total available own funds to meet the MCR	181,568	181,568	0	0	
Total eligible own funds to meet the SCR	190,312	181,568	0	0	8,744
Total eligible own funds to meet the MCR	181,568	181,568	0	0	
SCR	79,924				
MCR	19,981				
Ratio of Eligible own funds to SCR	238.11%				
Ratio of Eligible own funds to MCR	908.70%				

	C0060
Reconciliation reserve	
Excess of assets over liabilities	190,312
Own shares (held directly and indirectly)	0
Foreseeable dividends, distributions and charges	0
Other basic own fund items	114,122
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ri	0
Reconciliation reserve	76,190
Expected profits	
Expected profits included in future premiums (EPIFP) - Life business	0
Expected profits included in future premiums (EPIFP) - Non-life business	0
Total Expected profits included in future premiums (EPIFP)	0

S.25.01.21 - Solvency Capital Requirement

	Gross solvency capital requirement	Simplifications
Market risk	64,603	None
Counterparty default risk	9,695	
Life underwriting risk	22,970	None
Health underwriting risk	0	None
Non-life underwriting risk	0	None
Diversification	(20,056)	
Intangible asset risk	0	
Basic Solvency Capital Requirement	77,212	

Basic Solvency Capital Requirement (USP)

	USP
Life underwriting risk	None
Health underwriting risk	None
Non-life underwriting risk	None

Calculation of Solvency Capital Requirement

	Value
Operational risk	2,713
Loss-absorbing capacity of technical provisions	0
Loss-absorbing capacity of deferred taxes	0
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	0
Solvency Capital Requirement excluding capital add-on	79,924
Capital add-on already set	0
Solvency capital requirement	79,924
Other information on SCR	
Capital requirement for duration-based equity risk sub-module	0
Total amount of Notional Solvency Capital Requirements for remaining part	0
Total amount of Notional Solvency Capital Requirements for ring fenced funds	0
Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	0
Diversification effects due to RFF nSCR aggregation for article 304	0

S.28.01.01 - Minimum Capital Requirement

Columns containing no data have been excluded

	C0040
MCR_L Result	7,557

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

	Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
	C0050	C0060
Obligations with profit participation - guaranteed benefits	0	
Obligations with profit participation - future discretionary benefits	0	
Index-linked and unit-linked insurance obligations	1,079,550	
Other life (re)insurance and health (re)insurance obligations	0	
Total capital at risk for all life (re)insurance obligations		0

Overall MCR calculation

	C0070
Linear MCR	7,557
SCR	79,924
MCR cap	35,966
MCR floor	19,981
Combined MCR	19,981
Absolute floor of the MCR	3,288
Minimum Capital Requirement	19,981