ATHENE
LIFE RE

Consolidated Financial Statements
Years ended December 31, 2022 and 2021

ATHENE LIFE RE LTD.
TABLE OF CONTENTS

Deloitte.

Deloitte Ltd.
Corner House
20 Parliament Street
P.O. Box HM 1556
Hamilton HM FX
Bermuda

Tel: + 1 (441) 292 1500
Fax: + 1 (441) 292 0961
www.deloitte.com

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Shareholders of
Athene Life Re Ltd.

Opinion

We have audited the consolidated financial statements of Athene Life Re Ltd. and its subsidiaries (the "Company"), which comprise the Consolidated Balance Sheets as of December 31, 2022, and the related Consolidated Statements of Income (Loss), Comprehensive Income (Loss), Equity, and Cash Flow, for the year then ended, and the related notes to the consolidated financial statements (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022, and the results of its operations and its cash flow for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Predecessor Auditor's Opinion on 2021 Financial Statements

The financial statements of the Company as of and for the year ended December 31, 2021 were audited by another auditor whose report, dated April 27, 2022, expressed an unmodified opinion on those statements.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a period of one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Deloitte Ltd.

April 27, 2023

ATHENE LIFE RE LTD.
Consolidated Balance Sheets

(In millions)	Successor December 31, 2022	Predecessor December 31, 2021
Assets		
Investments		
Available-for-sale securities, at fair value (amortized cost: 2022 – $10,729 and 2021 – $6,920; allowance for credit losses: 2022 – $59 and 2021 – $7)	$ 9,288	$ 6,986
Trading securities, at fair value (consolidated variable interest entities: 2022 – $113 and 2021 – $0)	119	26
Equity securities (portion at fair value: 2022 – $144 and 2021 – $815)	545	814
Mortgage loans (allowance for credit losses: 2022 – $0 and 2021 – $17; portion at fair value: 2022 – $398 and 2021 – $0; consolidated variable interest entities: 2022 – $70 and 2021 – $0)	398	389
Investment funds	—	205
Funds withheld at interest (portion at fair value: 2022 – $(4,847) and 2021 – $840)	32,880	43,907
Derivative assets	314	477
Short-term investments (portion at fair value: 2022 – $40 and 2021 – $0)	40	—
Other investments (consolidated variable interest entities: 2022 – $55 and 2021 – $0)	55	—
Total investments	43,639	52,804
Cash and cash equivalents (consolidated variable interest entities: 2022 – $27 and 2021 – $100)	2,042	1,757
Restricted cash	381	533
Investments in related parties		
Available-for-sale securities, at fair value (amortized cost: 2022 – $454 and 2021 – $641)	406	650
Trading securities, at fair value	129	142
Mortgage loans (allowance for credit losses: 2022 – $0 and 2021 – $1; portion at fair value: 2022 – $342 and 2021 – $0; consolidated variable interest entities: 2022 – $342 and 2021 – $231)	342	384
Investment funds (portion at fair value: 2022 – $561 and 2021 – $251; consolidated variable interest entities: 2022 – $1,855 and 2021 – $251)	2,314	1,612
Funds withheld at interest (portion at fair value: 2022 – $(3,742) and 2021 – $0)	29,582	21,327
Other investments	—	30
Accrued investment income (related party: 2022 – $5 and 2021 – $5)	99	54
Deferred acquisition costs, deferred sales inducements and value of business acquired	286	555
Goodwill	2,789	—
Other assets (consolidated variable interest entities: 2022 – $53 and 2021 – $18)	3,417	1,710
Total assets	$ 85,426	$ 81,558

(Continued)

See accompanying notes to consolidated financial statements

ATHENE LIFE RE LTD.
Consolidated Balance Sheets

(In millions)	Successor December 31, 2022	Predecessor December 31, 2021
Liabilities and Equity		
Liabilities		
Interest sensitive contract liabilities (related party: 2022 – $9,296 and 2021 – $5,269; portion at fair value: 2022 – $941 and 2021 – $2,068)	$ 50,331	$ 49,942
Future policy benefits (related party: 2022 – $23,974 and 2021 – $15,550)	24,366	15,877
Derivative liabilities	75	60
Payables for collateral on derivatives and securities to repurchase	971	1,016
Other liabilities (related party: 2022 – $51 and 2021 – $94; portion at fair value: 2022 – $0 and 2021 – $4,179; consolidated variable interest entities: 2022 – $45 and 2021 – $140)	264	4,936
Total liabilities	76,007	71,831
Equity		
Common stock – par value: 2022 – $0.01 per share and 2021 – $0.01 per share; authorized: 2022 – 300,000,000 shares and 2021 – 3,000,000 shares; issued and outstanding: 2022 – 242,300,000 shares and 2021 –242,300,000 shares	2	2
Additional paid-in capital	12,617	3,726
Retained earnings (accumulated deficit)	(1,668)	3,957
Accumulated other comprehensive income (loss) (related party: 2022 – $86 and 2021 – $11)	(1,107)	63
Total Athene Life Re Ltd. shareholder's equity	9,844	7,748
Noncontrolling interests	(425)	1,979
Total shareholder's equity	9,419	9,727
Total liabilities and equity	$ 85,426	$ 81,558

(Concluded)

See accompanying notes to consolidated financial statements

ATHENE LIFE RE LTD.
Consolidated Statements of Income (Loss)

	Successor	Predecessor
(In millions)	Year Ended December 31, 2022	Year Ended December 31, 2021
Revenues		
Premiums (related party: 2022 – $8,662 and 2021 – $298)	$ 8,762	$ 14,263
Product charges (related party: 2022 – $6 and 2021 – $43)	49	621
Net investment income (related party investment income: 2022 – $12 and 2021 – $1,660; consolidated variable interest entities: 2022 – $15 and 2021 – $77; and related party investment expense: 2022 – $111 and 2021 – $0)	2,987	7,089
Investment related gains (losses) (related party: 2022 – $2 and 2021 – $92; and consolidated variable interest entities: 2022 – $(32) and 2021 – $(27))	(8,259)	4,037
Other revenues	245	64
Total revenues	3,784	26,074
Benefits and expenses		
Interest sensitive contract benefits (related party: 2022 – $154 and 2021 – $392)	414	4,442
Amortization of deferred sales inducements	—	198
Future policy and other policy benefits (related party: 2022 – $9,191 and 2021 – $365)	9,253	15,734
Amortization of deferred acquisition costs and value of business acquired	9	632
Dividends to policyholders	—	27
Policy and other operating expenses (related party: 2022 – $76 and 2021 – $10)	381	870
Total benefits and expenses	10,057	21,903
Income (loss) before income taxes	(6,273)	4,171
Income tax expense (benefit)	(637)	378
Net income (loss)	(5,636)	3,793
Less: Net income (loss) attributable to (from) noncontrolling interests	(3,968)	(120)
Net income (loss) attributable to Athene Life Re Ltd. shareholders	$ (1,668)	$ 3,913

See accompanying notes to consolidated financial statements

ATHENE LIFE RE LTD.
Consolidated Statements of Comprehensive Income (Loss)

	Successor	Predecessor
(In millions)	Year Ended December 31, 2022	Year Ended December 31, 2021
Net income (loss)	$ (5,636)	$ 3,793
Other comprehensive income (loss), before tax		
Unrealized investment gains (losses) on available for sale securities	(4,685)	(2,525)
Unrealized gains (losses) on hedging instruments	3,290	—
Foreign currency translation and other adjustments	(19)	570
Other comprehensive income (loss), before tax	(1,414)	(1,955)
Income tax expense (benefit) related to other comprehensive income (loss)	(12)	(371)
Other comprehensive income (loss)	(1,402)	(1,584)
Comprehensive income (loss)	(7,038)	2,209
Less: Comprehensive income (loss) attributable to noncontrolling interests	(4,263)	(208)
Comprehensive income (loss) attributable to Athene Life Re Ltd. shareholders	$ (2,775)	$ 2,417

See accompanying notes to consolidated financial statements

ATHENE LIFE RE LTD.
Consolidated Statements of Equity

	Predecessor						
(In millions)	Common stock	Additional paid-in capital	Retained earnings	Accumulated other comprehensive income (loss)	Total Athene Life Re Ltd. shareholder's equity	Noncontrolling interests	Total shareholder's equity
Balance at December 31, 2020	2	5,930	8,169	3,909	18,010	1,483	19,493
Net income	—	—	3,913	—	3,913	(120)	3,793
Other comprehensive loss	—	—	—	(1,496)	(1,496)	(88)	(1,584)
Stock-based compensation	—	26	—	—	26	—	26
Dividend to parent	—	—	(450)	—	(450)	—	(450)
Contribution from parent	—	300	—	—	300	—	300
Distributions to parent	—	(2,530)	(7,675)	(2,350)	(12,555)	—	(12,555)
Contributions from noncontrolling interests	—	—	—	—	—	758	758
Other changes in equity of noncontrolling interests	—	—	—	—	—	(54)	(54)
Balance at December 31, 2021	$ 2	$ 3,726	$ 3,957	$ 63	$ 7,748	$ 1,979	$ 9,727
	Successor						
Balance at January 1, 2022	$ 2	$ 8,342	$ —	$ —	$ 8,344	$ 2,205	$ 10,549
Net loss	—	—	(1,668)	—	(1,668)	(3,968)	(5,636)
Other comprehensive loss	—	—	—	(1,107)	(1,107)	(295)	(1,402)
Contribution from parent	—	4,275	—	—	4,275	—	4,275
Contributions from noncontrolling interests	—	—	—	—	—	1,047	1,047
Distributions to noncontrolling interests	—	—	—	—	—	(63)	(63)
Other changes in equity of noncontrolling interests	—	—	—	—	—	649	649
Balance at December 31, 2022	$ 2	$ 12,617	$ (1,668)	$ (1,107)	$ 9,844	$ (425)	$ 9,419

See accompanying notes to consolidated financial statements

ATHENE LIFE RE LTD.
Consolidated Statements of Cash Flows

(In millions)	Successor Year Ended December 31, 2022	Predecessor Year Ended December 31, 2021
Cash flows from operating activities		
Net income	$ (5,636)	$ 3,793
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization of deferred acquisition costs and value of business acquired	9	632
Amortization of deferred sales inducements	—	198
Amortization of net investment premiums, discounts and other (related party: 2022 – $(2) and 2021 – $(18))	(9)	(197)
Net investment (income) loss (related party: 2022 – $(21) and 2021 – $(1,346); consolidated variable interest entities: 2022 – $(1) and 2021 –$(41))	(36)	(1,464)
Net recognized (gains) losses on investments and derivatives (related party: 2022 – $(409) and 2021 – $(148); consolidated variable interest entities: 2022 – $30 and 2021 – $27)	(132)	(3,461)
Policy acquisition costs deferred	(233)	(698)
Changes in operating assets and liabilities:		
Accrued investment income (related party: 2022 – $(29) and 2021 – $(18); consolidated variable interest entities: 2022 – $0 and 2021 – $0)	(46)	(68)
Interest sensitive contract liabilities (related party: 2022 – $322 and 2021 – $398)	290	3,357
Future policy benefits, other policy claims and benefits, dividend payable to policyholders and reinsurance recoverable (related party: 2022 – $(1,469) and 2021 – $246)	(878)	8,743
Funds withheld assets and liabilities (related party: 2022 – $2,264 and 2021 – $(496))	13,344	(723)
Other assets and liabilities (variable interest entities: 2022 – $7 and 2021 – $0)	(1,107)	419
Net cash provided by operating activities	5,567	10,530
Cash flows from investing activities		
Sales, maturities and repayments of:		
Available-for-sale securities (related party: 2022 – $377 and 2021 – $2,040)	$ 2,321	$ 28,582
Trading securities (related party: 2022 – $307 and 2021 – $76)	321	201
Equity securities (related party: 2022 – $0 and 2021 – $12)	294	209
Mortgage loans (related party: 2022 – $153 and 2021 – $16)	223	2,900
Investment funds (related party: 2022 – $464 and 2021 – $1,433)	737	1,823
Derivative instruments and other invested assets (related party: 2022 – $30 and 2021 – $330)	426	5,418
Short term investments (related party: 2022 – $0 and 2021 – $2,732)	35	3,125
Purchases of:		
Available-for-sale securities (related party: 2022 – $(365) and 2021 – $(6,057))	(5,999)	(47,109)
Trading securities (related party: 2022 – $(297) and 2021 – $(267))	(297)	(489)
Equity securities (related party: 2022 – $0 and 2021 – $(46))	(17)	(761)
Mortgage loans (related party: 2022 – $(160) and 2021 – $(918))	(194)	(11,131)
Investment Funds (related party: 2022 – $(723) and 2021 – $(3,134))	(741)	(3,801)
Derivative instruments and other investment assets (related party: 2022 – $0 and 2021 – $(75))	(254)	(3,636)
Short-term investments- (related party: 2022 – $0 and 2021 – $(2.734))	(90)	(3,045)
Disposition of subsidiaries to parent	—	(6,741)
Consolidation of new variable interest entities	125	—
Deconsolidation of previously consolidated VIEs	(218)	—
Origination of note receivable - related party	(798)	(104)
Other investing activities, net	137	(105)
Net cash used in investing activities	(3,990)	(34,664)

(Continued)

See accompanying notes to consolidated financial statements

ATHENE LIFE RE LTD.
Consolidated Statements of Cash Flows

	Successor		Predecessor	
(In millions)	Year Ended December 31, 2022		Year Ended December 31, 2021	
Cash flows from financing activities				
Capital contributions	$	19	$	300
Proceeds from short-term debt		—		(238)
Repayment of short-term debt		—		80
Deposits on investment-type policies and contracts (related party: 2022 – $4,876 and 2021 – $82)		5,303		21,447
Withdrawals on investment-type policies and contracts (related party: 2022 – $(5,108) and 2021 – $(420))		(8,020)		(7,042)
Withdrawals for coinsurance agreements on investment-type contracts		(28)		(84)
Net change in cash collateral posted for derivative transactions		(46)		3,173
Dividends paid		—		(450)
Capital contributions from noncontrolling interests		1,047		758
Capital distributions to noncontrolling interests		(63)		—
Capital contributions from noncontrolling interests of consolidated variable interest entities		21		—
Capital distributions to noncontrolling interests of consolidated variable interest entities		(3)		—
Other financing activities, net		328		510
Net cash provided by financing activities		(1,442)		18,454
Effect of exchange rate changes on cash and cash equivalents		(2)		—
Net increase (decrease) in cash and cash equivalents		133		(5,680)
Cash and cash equivalents at beginning of year[1]		2,290		7,970
Cash and cash equivalents at end of year[1]	$	2,423	$	2,290
Supplementary information				
Cash paid for taxes	$	(7)	$	192
Cash paid for interest		(1)		25
Non-cash transactions				
Deposits on investment-type policies and contracts through reinsurance agreements (related party: 2022 – $4,876 and 2021 – $330)		5,359		2,103
Withdrawals on investment-type policies and contracts through reinsurance agreements (related party: 2022 – $5,120 and 2021 – $1,532)		8,093		8,098
Investments received from settlements on reinsurance agreements		479		124
Investments received from settlements on related party reinsurance agreements		—		41
Investments received from pension risk transfer premiums		—		4,971
Investments exchanged for related party investments		—		139
Reduction in investments and other assets and liabilities relating to recapture of reinsurance agreement		334		—
Investment interests provided in exchange for extinguishment of loan to subsidiary		(525)		(1,206)
Assets contributed to consolidated VIEs		820		169

[1] *Includes cash and cash equivalents, restricted cash, and cash and cash equivalents of consolidated variable interest entities.*

(Concluded)

See accompanying notes to consolidated financial statements

1. Business, Basis of Presentation and Significant Accounting Policies

Athene Life Re Ltd. (ALRe), a Bermuda exempted company, together with its subsidiaries (collectively, we, our, us, or the Company), is a leading retirement services company, registered as a Class E insurer under the Bermuda Insurance Act 1978, as amended (Insurance Act). We conduct business primarily through our non-U.S. reinsurance subsidiaries, to which ALRe's other insurance subsidiaries and third-party ceding companies directly and indirectly reinsure a portion of their liabilities. The Company also reinsures U.S. pension risk transfer business, funding agreement backed notes and retail business from Athene Annuity Re Ltd (AARe), a Bermuda exempted company, registered as a Class E insurer under the Insurance Act,, on a modified coinsurance (modco) basis.

Restructure — On December 20, 2021, the Company transferred its shares in Athene AOG Holding I Ltd. (AOG I), a Bermuda exempted company, to Athene Holding Ltd. (AHL), as part of the repayment of the $1,206 million loan note and capital contribution between the Company and AHL. The pretax profit of AOG I, including its consolidated subsidiaries, was $865 million for the year ended December 31, 2021.

On December 31, 2021, the Company transferred its shares in Athene USA to Athene Asset Holding Ltd. (AAH) in connection with the consummation of an agreement and plan of contribution and exchange ("Contribution Agreement") and as part of the capital contribution between the Company and AAH. The pretax profit of Athene USA, including its consolidated subsidiaries, was $628 million for the year ended December 31, 2021.

On January 3, 2022, following the transactions contemplated by an agreement and plan of contribution and exchange ("Contribution Agreement") and the Agreement and Plan of Merger (merger agreement), Athene Asset Holding Ltd. (AAH), entered into an agreement to undergo a series of restructuring transactions ("Restructure Agreement"), by and among AAH, AUSA, an Iowa corporation, AARe and the Company. Pursuant to the Restructure Agreement, AAH transferred 100% of its shareholding in the Company to AUSA.

On January 4, 2022, immediately following the transfer, AUSA transferred 100% of its shareholding in the Company to AARe. As a result, the Company is wholly owned by AARe.

Subsequently, AARe transferred 100% of its ownership in Athene Annuity Re II Ltd. (AARe II), a Bermuda exempted company, to the Company. As a result, AARe II is a wholly owned subsidiary of the Company.

Consolidation and Basis of Presentation—Our consolidated financial statements include our wholly owned subsidiaries and investees in which we hold a controlling financial interest, including variable interest entities (VIEs). Investees in which we do not hold a controlling financial interest, but have the ability to exercise significant influence over operating and financing decisions, other than investments for which we have elected the fair value option, are accounted for under the equity method. Intercompany balances and transactions have been eliminated.

For entities that are consolidated, but not wholly owned, we allocate a portion of the income or loss and corresponding equity to the owners other than us. We include the aggregate of the income or loss and corresponding equity that is not owned by us in noncontrolling interests in the consolidated financial statements.

We report investments in related parties separately, as further described in the accounting policies that follow.

We have prepared the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP), which requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual experience could materially differ from these estimates and assumptions. Our principal estimates impact:

- fair value of investments;
- impairment of investments and allowances for expected credit losses;
- derivatives valuation, including embedded derivatives;
- deferred acquisition costs (DAC), deferred sales inducements (DSI) and value of business acquired (VOBA);
- future policy benefit reserves; and
- valuation allowances on deferred tax assets.

Additional details around these principal estimates and assumptions are discussed in the significant accounting policies that follow and the related footnote disclosures.

Merger – On January 1, 2022, AHL completed the merger with Apollo Global Management, Inc. (AGM and together with its subsidiaries other than us or our subsidiaries, Apollo) and are now a direct wholly owned subsidiary of AGM. We have elected pushdown accounting in which we use AGM's basis of accounting, which reflects the fair market value of our assets and liabilities at the time of the merger, unless otherwise prescribed by GAAP. Our consolidated financial statements are presented as Predecessor for the periods prior to the merger and Successor for subsequent periods. See *Note 2 – Business Combination* for further information on the merger.

ATHENE LIFE RE LTD.
Notes to Consolidated Financial Statements

Summary of Significant Accounting Policies

Investments

Fixed Maturity Securities – Fixed maturity securities includes bonds, collateralized loan obligations (CLO), asset-backed securities (ABS), residential mortgage-backed securities (RMBS), commercial mortgage-backed securities (CMBS) and redeemable preferred stock. We classify fixed maturity securities as available-for-sale (AFS) or trading at the time of purchase and subsequently carry them at fair value. Fair value hierarchy and valuation methodologies are discussed in *Note 6 – Fair Value*. Classification is dependent on a variety of factors including our expected holding period, election of the fair value option and asset and liability matching.

AFS Securities – AFS securities are held at fair value on the consolidated balance sheets with unrealized gains and losses, net of allowances for expected credit losses, tax and adjustments to DAC, DSI, VOBA and future policy benefits, if applicable, generally reflected in accumulated other comprehensive income (loss) (AOCI) on the consolidated balance sheets. Unrealized gains or losses relating to identified risks within AFS securities in fair value hedging relationships are reflected in investment related gains (losses) on the consolidated statements of income (loss).

Trading Securities – We elected the fair value option for certain fixed maturity securities. These fixed maturity securities are classified as trading, with changes to fair value included in investment related gains (losses) on the consolidated statements of income. Although the securities are classified as trading, the trading activity related to these investments is primarily focused on asset and liability matching activities and is not intended to be an income strategy based on active trading. As such, the activity related to these investments on the consolidated statements of cash flows is classified as investing activities.

We generally record security transactions on a trade date basis, with any unsettled trades recorded in other assets or other liabilities on the consolidated balance sheets. Bank loans, private placements and investment funds are recorded on settlement date basis.

Equity Securities – Equity securities includes common stock, mutual funds and non-redeemable preferred stock. Equity securities with readily determinable fair values are carried at fair value with subsequent changes in fair value recognized in net income. We have elected to account for certain equity securities without readily determinable fair values that do not qualify for the practical expedient to estimate fair values based on net asset value (NAV) per share (or its equivalent) at cost less impairment, subject to adjustments based on observable price changes in orderly transactions for identical or similar investments of the same issuer.

Purchased Credit Deteriorated (PCD) Investments – We purchase certain structured securities, primarily RMBS, which upon our assessment have been determined to meet the definition of PCD investments. Additionally, structured securities classified as beneficial interests follow the initial measurement guidance for PCD investments if there is a significant difference between contractual cash flows adjusted for expected prepayments and expected cash flows at the date of recognition. The initial allowance for credit losses for PCD investments is recorded through a gross-up adjustment to the initial amortized cost. For structured securities classified as beneficial interests, the initial allowance is calculated as the present value of the difference between contractual cash flows adjusted for expected prepayments and expected cash flows at the date of recognition. The non-credit purchase discount or premium is amortized into investment income using the effective interest method. The credit discount, represented by the allowance for expected credit losses, is remeasured each period following the policies for measuring credit losses described in the *Credit Losses – Available-for-Sale Securities* section below.

Mortgage Loans – Effective January 1, 2022, we elected the fair value option on our mortgage loan portfolio. Interest income is accrued on the principal amount of the loan based on its contractual interest rate. We accrue interest on loans until it is probable we will not receive interest, or the loan is 90 days past due unless guaranteed by US government-sponsored agencies. Interest income and prepayment fees are reported in net investment income on the consolidated statements of income (loss). Changes in the fair value of the mortgage loan portfolio are reported in investment related gains (losses) on the consolidated statements of income (loss).

Prior to January 1, 2022, mortgage loans were primarily stated at unpaid principal balance, adjusted for any unamortized premium or discount, and net of allowances for expected credit losses. We recorded amortization of premiums and discounts using the effective yield method and contractual cash flows on the underlying loan. Amortization of premiums and discounts were reported in net investment income on the consolidated statements of income (loss).

Investment Funds – We invest in certain non-fixed income, alternative investments in the form of limited partnerships or similar legal structures (investment funds). For investment funds in which we do not hold a controlling financial interest, and therefore are not required to consolidate, we typically account for these investments using the equity method, where the cost is recorded as an investment in the fund, or we have elected the fair value option. Adjustments to the carrying amount reflect our pro rata ownership percentage of the operating results as indicated by NAV in the investment fund financial statements, which can be on a lag of up to three months when investee information is not received in a timely manner.

We record our proportionate share of investment fund income within net investment income on the consolidated statements of income (loss). Contributions paid or distributions received by us are recorded directly to the investment fund balance as an increase to carrying value or as a return of capital, respectively.

Funds Withheld at Interest – Funds withheld at interest represents a receivable for amounts contractually withheld by ceding companies in accordance with funds withheld coinsurance (funds withheld) and modified coinsurance (modco) reinsurance agreements in which we are the reinsurer. Generally, assets equal to statutory reserves are withheld and legally owned by the ceding company, and any excess or shortfall is settled periodically. The underlying agreements contain embedded derivatives as discussed below.

Short-term Investments – Short-term investments consists of financial instruments with maturities of greater than three months but less than twelve months when purchased. Short-term debt securities are accounted for as trading or AFS consistent with our policies for those investments. Short-term loans are carried at amortized cost. Fair values are determined consistent with methodologies described in *Note 6 – Fair Value* for the respective investment type.

Other Investments – Other investments includes, but is not limited to, term loans collateralized by mortgages on residential and commercial real estate and other uncollateralized loans. Effective January 1, 2022, we elected the fair value option on these loans. Prior to January 1, 2022, mortgage collateralized term and uncollaterialized loans were stated at unpaid principal balance, adjusted for any unamortized premium or discount, and net of allowances for expected credit losses.

Interest income is accrued on the principal amount of the loan based on its contractual interest rate. We accrue interest on loans until it is probable we will not receive interest or the loan is 90 days past due. We recorded amortization of premiums and discounts using the effective interest method and contractual cash flows on the underlying loan. Interest income, amortization of premiums and discounts, and prepayment and other fees are included in net investment income on the consolidated statements of income (loss). Changes in fair value are included in investment related gains (losses) on the consolidated statements of income (loss).

Securities Repurchase and Reverse Repurchase Agreements – Securities repurchase and reverse repurchase transactions involve the temporary exchange of securities for cash or other collateral of equivalent value, with agreement to redeliver a like quantity of the same or similar securities at a future date and at a fixed and determinable price. We evaluate transfers of securities under these agreements to repurchase or resell to determine whether they satisfy the criteria for accounting treatment as secured borrowing or lending arrangements. Agreements not meeting the criteria would require recognition of the transferred securities as sales or purchases, with related forward repurchase or resale commitments. All of our securities repurchase transactions are accounted for as secured borrowings and are included in payables for collateral on derivatives and securities to repurchase on the consolidated balance sheets. Earnings from investing activities related to the cash received under our securities repurchase arrangements are included in net investment income on the consolidated statements of income (loss). The associated borrowing cost is included in policy and other operating expenses on the consolidated statements of income (loss). The investments purchased in reverse repurchase agreements, which represent collateral on a secured lending arrangement, are not reflected in our consolidated balance sheets; however, the secured lending arrangement is recorded as a short-term investment for the principal amount loaned under the agreement.

Investment Income – We recognize investment income as it accrues or is legally due, net of investment management and custody fees. Investment income on fixed maturity securities includes coupon interest, as well as the amortization of any premium and the accretion of any discount. Investment income on equity securities represents dividend income and preferred coupons interest. Realized gains and losses on sales of investments are included in investment related gains (losses) on the consolidated statements of income (loss). Realized gains and losses on investments sold are determined based on a first-in first-out method.

Credit Losses – Assets Held at Amortized Cost and Off-Balance Sheet Credit Exposures – We establish an allowance for expected credit losses at the time of purchase for assets held at amortized cost, which primarily historically included our residential and commercial mortgage loan portfolios, but also includes certain other loans and reinsurance assets. The allowance for expected credit losses represents the portion of the asset's amortized cost basis that we do not expect to collect due to credit losses over the asset's contractual life, considering past events, current conditions, and reasonable and supportable forecasts of future economic conditions or macroeconomic forecasts. We use a quantitative probability of default and loss given default methodology to develop our estimate of expected credit loss. We develop the estimate on a collective basis factoring in the risk characteristics of the assets in the portfolio. If an asset does not share similar risk characteristics with other assets, the asset is individually assessed.

Allowance estimates are highly dependent on expectations of future economic conditions and macroeconomic forecasts, which involve significant judgment and subjectivity. We use quantitative modeling to develop the allowance for expected credit losses. Key inputs into the model include data pertaining to the characteristics of the assets, historical losses and current market conditions. Additionally, the model incorporates management's expectations around future economic conditions and macroeconomic forecasts over a reasonable and supportable forecast period, after which the model reverts to historical averages. These inputs, the reasonable and supportable forecast period, and reversion to historical average technique are subject to a formal governance and review process by management. Additionally, management considers qualitative adjustments to the model output to the extent that any relevant information regarding the collectability of the asset is available and not already considered in the quantitative model. If we determine that a financial asset has become collateral dependent, which we determine to be the point at which foreclosure is probable, the allowance is measured as the difference between amortized cost and the fair value of the collateral, less any expected costs to sell.

The initial allowance for assets held at amortized cost other than for PCD investments, and subsequent changes in the allowance including PCD investments, are recorded through the provision for credit losses within investment related gains (losses) on the consolidated statements of income (loss). The provision for credit losses for reinsurance assets held at amortized cost is recorded through policy and other operating expenses on the consolidated statements of income (loss).

We limit accrued interest income on loans to 90 days of interest. Once a loan becomes 90 days past due, the loan is put on non-accrual status and any accrued interest is written off. Once a loan is on non-accrual status, we first apply any payments received to the principal of the loan, and once the principal is repaid, we include amounts received in net investment income. We have elected to present accrued interest receivable separately in accrued investment income on the consolidated balance sheets. We have also elected the practical expedient to exclude the accrued interest receivable from the amortized cost balance used to calculate the allowance given our policy to write off such balances in a timely manner. Any write-off of accrued interest is recorded through a reversal of net investment income on the consolidated statements of income (loss).

Upon determining that all or a portion of the amortized cost of an asset is uncollectible, which is generally when all efforts for collection are exhausted, the amortized cost is written off against the existing allowance. Any write off in excess of the existing allowance is recorded through the provision for credit losses within investment related gains (losses) on the consolidated statements of income (loss).

We also have certain off-balance sheet credit exposures for which we establish a liability for expected credit losses. These exposures primarily relate to commitments to fund commercial or residential mortgage loans that are not unconditionally cancellable. The methodology for estimating the liability for these credit exposures is consistent with that described above, with the additional consideration pertaining to the probability of funding. At the time the commitment expires or is funded, the liability is reversed and an allowance for expected credit losses is established, as applicable. The liability for off-balance sheet credit exposures is included in other liabilities on the consolidated balance sheets. The establishment of the initial liability and all subsequent changes are recorded through the provision for credit losses within investment related gains (losses) on the consolidated statements of income (loss).

Credit Losses – Available-for-Sale Securities – We evaluate AFS securities with a fair value that has declined below amortized cost to determine how the decline in fair value should be recognized. If we determine, based on the facts and circumstances related to the specific security, that we intend to sell a security or it is more likely than not that we would be required to sell a security before the recovery of its amortized cost, any existing allowance for expected credit losses is reversed and the amortized cost of the security is written down to fair value. If neither of these conditions exist, we evaluate whether the decline in fair value has resulted from a credit loss or other factors.

For non-structured AFS securities, we qualitatively consider relevant facts and circumstances in evaluating whether a decline below fair value is credit-related. Relevant facts and circumstances include but are not limited to: (1) the extent to which the fair value is less than amortized cost; (2) changes in agency credit ratings, (3) adverse conditions related to the security's industry or geographical area, (4) failure to make scheduled payments, and (5) other known changes in the financial condition of the issuer or quality of any underlying collateral or credit enhancements. For structured AFS securities meeting the definition of beneficial interests, the qualitative assessment is bypassed, and any securities having experienced a decline in fair value below amortized cost move directly to a quantitative analysis.

If upon completion of this analysis it is determined that a potential credit loss exists, an allowance for expected credit losses is established equal to the amount by which the present value of expected cash flows is less than amortized cost, limited by the amount by which fair value is less than amortized cost. A non-structured security's cash flow estimates are derived from scenario-based outcomes of expected corporate restructurings or the disposition of assets using security-specific facts and circumstances including timing, security interests and loss severity. A structured security's cash flow estimates are based on security-specific facts and circumstances that may include collateral characteristics, expectations of delinquency and default rates, loss severity, prepayments and structural support, including subordination and guarantees. The expected cash flows are discounted at the effective interest rate implicit to the security at the date of purchase or the current yield to accrete a structured security. For securities with a contractual interest rate that varies based on changes in an independent factor, such as an index or rate, the effective interest rate is calculated based on the factor as it changes over the life of the security. Inherently under the discounted cash flow model, both the timing and amount of expected cash flows affect the measurement of the allowance for expected credit losses.

The allowance for expected credit losses is remeasured each period for the passage of time, any change in expected cash flows, and changes in the fair value of the security. All impairments, whether intent or requirement to sell or credit-related, are recorded through a charge to the provision for credit losses within investment related gains (losses) on the consolidated statements of income (loss). All changes in the allowance for expected credit losses are recorded through the provision for credit losses within investment related gains (losses) on the consolidated statements of income (loss).

We have elected to present accrued interest receivable separately in accrued investment income on the consolidated balance sheets. We have also elected the practical expedient to exclude the accrued interest receivable from the amortized cost balance used to calculate the allowance for expected credit losses, as we have a policy to write off such balances in a timely manner, when they become 90 days past due. Any write-off of accrued interest is recorded through a reversal of net investment income on the consolidated statements of income (loss).

Upon determining that all or a portion of the amortized cost of an asset is uncollectible, which is generally when all efforts for collection are exhausted, the amortized cost is written off against the existing allowance. Any write off in excess of the existing allowance is recorded through the provision for credit losses within investment related gains (losses) on the consolidated statements of income (loss).

Derivative Instruments—We invest in derivatives to hedge the risks experienced in our ongoing operations, such as equity, interest rate and cash flow risks, or for other risk management purposes, which primarily involve managing liability risks associated with our indexed annuity products and reinsurance agreements. Derivatives are financial instruments with values that are derived from interest rates, foreign exchange rates, financial indices or other combinations of an underlying and notional. Derivative assets and liabilities are carried at fair value on the consolidated balance sheets. We elect to present any derivatives subject to master netting provisions as a gross asset or liability and gross of collateral. Disclosures regarding balance sheet presentation of derivatives subject to master netting agreements are discussed in *Note 4 – Derivative Instruments*. We may designate derivatives as cash flow, fair value or net investment hedges.

Hedge Documentation and Hedge Effectiveness – To qualify for hedge accounting, at the inception of the hedging relationship, we formally document our designation of the hedge as a cash flow, fair value or net investment hedge and our risk management objective and strategy for undertaking the hedging transaction. In this documentation, we identify how the hedging instrument is expected to hedge the designated risks related to the hedged item and the method that will be used to retrospectively and prospectively assess the hedge effectiveness and the method which will be used to measure ineffectiveness. A derivative designated as a hedging instrument must be assessed as being highly effective in offsetting the designated risk of the hedged item. Hedge effectiveness is formally assessed at inception and periodically throughout the life of the hedge accounting relationship.

For a cash flow hedge, all changes in the fair value of the hedging derivative are reported within AOCI and the related gains or losses on the derivative are reclassified into the consolidated statements of income (loss) when the cash flows of the hedged item affect earnings.

For a fair value hedge, changes in the fair value of the hedging derivative and changes in the fair value of the hedged item related to the designated risk being hedged are reported on the consolidated statements of income (loss) according to the nature of the risk being hedged. Additionally, changes in the fair value of amounts excluded from the assessment of effectiveness are recorded in AOCI and amortized into income over the life of the hedge accounting relationship.

For a net investment hedge, changes in the fair value of the hedging derivative are reported within AOCI to offset the translation adjustments for subsidiaries with functional currencies other than US dollar.

We discontinue hedge accounting prospectively when: (1) we determine the derivative is no longer highly effective in offsetting changes in the estimated cash flows or fair value of a hedged item; (2) the derivative expires, is sold, terminated, or exercised; or (3) the derivative is de-designated as a hedging instrument. When hedge accounting is discontinued, the derivative continues to be carried on the consolidated balance sheets at fair value, with changes in fair value recognized in investment related gains (losses) on the consolidated statements of income (loss).

For a derivative not designated as a hedge, changes in the derivative's fair value and any income received or paid on derivatives at the settlement date are included in investment related gains (losses) on the consolidated statements of income (loss).

Embedded Derivatives – We issue and reinsure products, primarily indexed annuity products, or purchase investments that contain embedded derivatives. If we determine the embedded derivative has economic characteristics not clearly and closely related to the economic characteristics of the host contract, and a separate instrument with the same terms would qualify as a derivative instrument, the embedded derivative is bifurcated from the host contract and accounted for separately, unless the fair value option is elected on the host contract. Under the fair value option, bifurcation of the embedded derivative is not necessary as the entire contract is carried at fair value with all related gains and losses recognized in investment related gains (losses) on the consolidated statements of income (loss). Embedded derivatives are carried on the consolidated balance sheets at fair value in the same line item as the host contract.

Fixed indexed annuity, index-linked variable annuity and indexed universal life insurance contracts allow the policyholder to elect a fixed interest rate return or an equity market component for which interest credited is based on the performance of certain equity market indices. The equity market option is an embedded derivative. The benefit reserve is equal to the sum of the fair value of the embedded derivative and the host (or guaranteed) component of the contracts. The fair value of the embedded derivatives represents the present value of cash flows attributable to the indexed strategies. The embedded derivative cash flows are based on assumptions for future policy growth, which include assumptions for expected index credits on the next policy anniversary date, future equity option costs, volatility, interest rates and policyholder behavior assumptions including lapses and the use of benefit riders. The embedded derivative cash flows are discounted using a rate that reflects our own credit rating. The host contract is established at contract inception as the initial account value less the initial fair value of the embedded derivative and accreted over the policy's life. Contracts acquired through a business combination which contain an embedded derivative are bifurcated as of the acquisition date. Changes in the fair value of embedded derivatives associated with fixed indexed annuities, index-linked variable annuities and indexed universal life insurance contracts are included in interest sensitive contract benefits on the consolidated statements of income (loss).

Additionally, reinsurance agreements written on a funds withheld or modco basis contain embedded derivatives. We have determined that the right to receive or obligation to pay the total return on the assets supporting the funds withheld at interest or funds withheld liability, respectively, represents a total return swap with a floating rate leg. The fair value of embedded derivatives on funds withheld and modco agreements is computed as the unrealized gain (loss) on the underlying assets and is included within funds withheld at interest for assumed agreements, and for ceded agreements the funds withheld liability is included in other liabilities on the consolidated balance sheets. The change in the fair value of the embedded derivatives is recorded in investment related gains (losses) on the consolidated statements of income (loss). Assumed and ceded earnings from funds withheld at interest, funds withheld liability and changes in the fair value of embedded derivatives are reported in operating activities on the consolidated statements of cash flows. Contributions to and withdrawals from funds withheld at interest and funds withheld liability are reported in operating activities on the consolidated statements of cash flows.

Variable Interest Entities—An entity that does not have sufficient equity to finance its activities without additional financial support, or in which the equity investors, as a group, do not have the characteristics typically afforded to common shareholders is a VIE. The determination as to whether an entity qualifies as a VIE depends on the facts and circumstances surrounding each entity and may require significant judgment. Our investment funds typically qualify as VIEs and are evaluated for consolidation under the VIE model.

We are required to consolidate a VIE if we are the primary beneficiary, defined as the variable interest holder with both the power to direct the activities that most significantly impact the VIE's economic performance and rights to receive benefits or obligations to absorb losses that could be potentially significant to the VIE. We determine whether we are the primary beneficiary of an entity based on a qualitative assessment of the VIE's capital structure, contractual terms, nature of the VIE's operations and purpose and our relative exposure to the related risks of the VIE. Since affiliates of AGM, a related party under common control, are the decision makers in certain of the investment funds and securitization vehicles, we and a member of our related party group may together have the characteristics of the primary beneficiary of an investment fund. In this situation, we have concluded we consolidate the VIE when we have significant economic exposure to the entity. We reassess the VIE and primary beneficiary determinations on an ongoing basis.

For entities that we do not consolidate but can exercise significant influence over the entities' operating and financing decisions, we record our investment under the equity method. If we do not consolidate and do not have significant influence, generally on investment funds in which we own a less than 3% interest, we elect the fair value option.

See *Note 5 – Variable Interest Entities* for discussion of our interest in entities that meet the definition of a VIE.

Goodwill—Goodwill represents the excess of cost over the fair value of identifiable net assets of an acquired business. Goodwill is tested annually for impairment or more frequently if circumstances indicate impairment may have occurred. The impairment test is performed at the reporting unit level. Goodwill on the consolidated balance sheets includes the impacts of foreign currency translation.

We performed our annual goodwill impairment test as of October 1, 2022 and did not identify any impairment. See *Note 2 – Business Combination* for disclosure regarding the goodwill recorded related to our merger with AGM.

Reinsurance—We assume and cede insurance and investment contracts under coinsurance, funds withheld and modco. We follow reinsurance accounting for transactions that provide indemnification against loss or liability relating to insurance risk (risk transfer). To meet risk transfer requirements, a reinsurance agreement must transfer insurance risk arising from uncertainties about both underwriting and timing risks. Cessions under reinsurance do not discharge our obligations as the primary insurer, unless the requirements of assumption reinsurance have been met. We generally have the right of offset on reinsurance contracts, but have elected to present reinsurance settlement amounts due to and from us on a gross basis.

Assets and liabilities assumed or ceded under coinsurance, funds withheld, or modco are presented gross on the consolidated balance sheets. For investment contracts, the change in assumed and ceded reserves are presented net in interest sensitive contract benefits on the consolidated statements of income (loss). For insurance contracts, the change in assumed and ceded reserves and benefits are presented net in future policy and other policy benefits on the consolidated statements of income (loss). Assumed or ceded premiums are included in premiums on the consolidated statements of income (loss).

Accounting for reinsurance requires the use of assumptions, particularly related to the future performance of the underlying business and the potential impact of counterparty credit risks. We attempt to minimize our counterparty credit risk through the structuring of the terms of our reinsurance agreements, including the use of trusts, and we monitor credit ratings of counterparties for signs of declining credit quality. When a ceding company does not report information on a timely basis, we record accruals based on the best available information at the time, which includes the reinsurance agreement terms and historical experience. We periodically compare actual and anticipated experience to the assumptions used to establish reinsurance assets and liabilities. See *Note 7 – Reinsurance* for more information.

Funds Withheld and ModCo – For business assumed or ceded on a funds withheld or modco basis, a funds withheld segregated portfolio, comprised of invested assets and other assets is maintained by the ceding entity, which is sufficient to support the current balance of statutory reserves. The fair value of the funds withheld is recorded as a funds withheld asset or liability and any excess or shortfall in relation to statutory reserves is settled periodically.

Cash and Cash Equivalents—Cash and cash equivalents include deposits and short-term highly liquid investments with an original maturity of less than 90 days from the date of acquisition. Amounts included are readily convertible to known amounts of cash and are subject to an insignificant risk of change in value.

Restricted Cash—Restricted cash primarily consists of cash and cash equivalents held in funds in trust as part of certain coinsurance agreements to secure statutory reserves and liabilities of the coinsured parties. Restricted cash is reported separately on the consolidated balance sheets, but is included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period amounts shown on the consolidated statements of cash flows.

Investments in Related Parties—Investments in related parties and associated earnings, other comprehensive income and cash flows are separately identified on the consolidated financial statements and accounted for consistently with the policies described above for each category of investment. Investments in related parties are primarily comprised of investments over which Apollo can exercise significant influence.

ATHENE LIFE RE LTD.
Notes to Consolidated Financial Statements

Deferred Acquisition Costs, Deferred Sales Inducements and Value of Business Acquired

Deferred Acquisition Costs and Deferred Sales Inducements – Costs related directly to the successful acquisition of new, or renewal of, insurance or investment contracts are deferred to the extent they are recoverable from future premiums or gross profits. These costs consist of commissions and policy issuance costs, as well as sales inducements credited to policyholder account balances, and are included in deferred acquisition costs, deferred sales inducements and value of business acquired on the consolidated balance sheets. We perform periodic tests, including at issuance, to determine if the deferred costs are recoverable. If we determine that the deferred costs are not recoverable, we record a cumulative charge to the current period.

Deferred costs related to universal life-type policies and investment contracts with significant revenue streams from sources other than investment of the policyholder funds are amortized over the lives of the policies, based upon the proportion of the present value of actual and expected deferred costs to the present value of actual and expected gross profits to be earned over the life of the policies. Gross profits include investment spread margins, surrender charge income, policy administration charges and expenses, changes in the guaranteed lifetime withdrawal benefit (GLWB) and guaranteed minimum death benefit (GMDB) reserves and realized gains and losses on investments. Current period gross profits for fixed indexed annuities also include the change in fair value of both freestanding and embedded derivatives. Estimates of the expected gross profits and margins are based on assumptions using accepted actuarial methods related to policyholder behavior, including lapses and the utilization of benefit riders, mortality, yields on investments supporting the liabilities, future interest credited amounts (including indexed related credited amounts on fixed indexed annuity products), and other policy changes as applicable, and the level of expenses necessary to maintain the policies over their expected lives. Each reporting period, we update estimated gross profits with actual gross profits as part of the amortization process and adjust the DAC and DSI balances due to the other comprehensive income (OCI) effects of unrealized investment gains and losses on AFS securities. We also periodically revise the key assumptions used in the amortization calculation, which results in revisions to the estimated future gross profits. The effects of changes in assumptions are recorded as unlocking in the period in which the changes are made.

Deferred costs related to investment contracts without significant revenue streams from sources other than investment of the policyholder funds are amortized using the effective interest method. The effective interest method amortizes the deferred costs by discounting the future liability cash flows at a break-even rate. The break-even rate is solved for such that the present value of future liability cash flows is equal to the net liability at the inception of the contract.

Value of Business Acquired – We establish VOBA for blocks of insurance contracts acquired through the acquisition of insurance entities and through the application of pushdown accounting. We record the fair value of the liabilities assumed in two components: reserves and VOBA. Reserves are established using our best estimate assumptions, plus a provision for adverse deviation where applicable, as of the business combination date. VOBA is the difference between the fair value of the liabilities and the reserves. VOBA can be either positive or negative. Any negative VOBA is recorded to the same financial statement line on the consolidated balance sheets as the associated reserves. Positive VOBA is recorded in deferred acquisition costs, deferred sales inducements and value of business acquired on the consolidated balance sheets. We perform periodic tests to determine if the VOBA remains recoverable. If we determine that VOBA is not recoverable, we record a cumulative charge to the current period.

In connection with the application of pushdown accounting, we changed our VOBA amortization such that all VOBA and negative VOBA balances are amortized in relation to applicable policyholder liabilities. Significant assumptions that impact VOBA and negative VOBA amortization are consistent with those that impact the measurement of policyholder liabilities.

Prior to the application of pushdown accounting, VOBA associated with investment contracts without significant revenue streams from sources other than investment of the policyholder funds was amortized using the effective interest method. VOBA associated with immediate annuity contracts classified as long duration contracts was amortized at a constant rate in relation to net policyholder liabilities. For universal life-type policies and investment contracts with significant revenue streams from sources other than investment of policyholder funds, VOBA was amortized in relation to the present value of estimated gross profits using methods consistent with those used to amortize DAC and DSI. Negative VOBA was amortized at a constant rate in relation to applicable net policyholder liabilities.

See *Note 8 – Deferred Acquisition Costs, Deferred Sales Inducements and Value of Business Acquired* for further discussion.

Investment Contracts Held at Fair Value—For investment contracts, we have elected to apply the fair value option. We used an actuarial appraisal method to measure the fair value of the investment contracts. An actuarial appraisal method is based on the value of projected profits (net of required capital) using market-based assumptions. The significant unobservable inputs used in the actuarial appraisal method are the valuation rate, cost of capital rate, required capital percentage and return on net invested assets. Investment contracts held at fair value are included in other assets on the balance sheets. Investment contracts carried at fair value that were in a liability position were recorded in other liabilities on the balance sheets.

Interest Sensitive Contract Liabilities—Universal life-type policies and investment contracts include fixed indexed and traditional fixed annuities in the accumulation phase, funding agreements, universal life insurance, fixed indexed universal life insurance, and immediate annuities without significant mortality risk (which includes pension group annuities without life contingencies). We carry liabilities for fixed annuities, universal life insurance, and funding agreements at the account balances without reduction for potential surrender or withdrawal charges, except for a block of universal life business ceded to Global Atlantic Financial Group Limited (together with its subsidiaries, Global Atlantic) which we carry at fair value. Liabilities for immediate annuities without significant mortality risk are calculated as the present value of future liability cash flows and policy maintenance expenses discounted at contractual interest rates. For a discussion regarding our indexed products, refer above to the embedded derivative discussion.

Changes in the interest sensitive contract liabilities, excluding deposits and withdrawals, are recorded in interest sensitive contract benefits or product charges on the consolidated statements of income. Interest sensitive contract liabilities are not reduced for amounts ceded under reinsurance agreements which are reported as reinsurance recoverable on the consolidated balance sheets. See the reinsurance accounting policy discussed in *–Reinsurance* above and *Note 7 – Reinsurance* for more information on reinsurance.

Future Policy Benefits—We issue contracts classified as long-duration, which includes term and whole life, accident and health, disability, and deferred and immediate annuities with life contingencies (which includes pension group annuities with life contingencies). Liabilities for nonparticipating long-duration contracts are established using accepted actuarial valuation methods which require the use of assumptions related to expenses, investment yields, mortality, morbidity and persistency, with a provision for adverse deviation, at the date of issue or acquisition. As of December 31, 2022, the reserve investment yield assumptions for non-participating contracts range from 2.3% to 6.6% and are specific to our expected earned rate on the asset portfolio supporting the reserves. We base other key assumptions, such as mortality and morbidity, on industry standard data adjusted to align with actual company experience, if necessary.

For long-duration contracts, the assumptions are locked in at contract inception and only modified if we deem the reserves to be inadequate. We periodically review actual and anticipated experience compared to the assumptions used to establish policy benefits. If the net GAAP liability (gross reserves less DAC, DSI and VOBA) is less than the gross premium liability, impairment is deemed to have occurred, and the DAC, DSI and VOBA asset balances are reduced until the net GAAP liability is equal to the gross premium liability. If the DAC, DSI and VOBA asset balances are completely written off and the net GAAP liability is still less than the gross premium liability, then an additional liability is recorded to arrive at the gross premium liability.

We issue and reinsure deferred annuity contracts which contain GLWB and GMDB riders. We establish future policy benefits for GLWB and GMDB riders by estimating the expected value of withdrawal and death benefits in excess of the projected policyholder account balances. We recognize the excess proportionally over the accumulation period based on total actual and expected assessments. The methods we use to estimate the liabilities have assumptions about policyholder behavior, which includes lapses, withdrawals and utilization of benefit riders; mortality, expected yield on investments supporting the liability; and market conditions affecting the account balance growth.

Future policy benefits includes liabilities for no-lapse guarantees on universal life insurance and fixed indexed universal life insurance. We establish future policy benefits for no-lapse guarantees by estimating the expected value of death benefits paid after policyholder account balances have been exhausted. We recognize these benefits proportionally over the life of the contracts based on total actual and expected assessments. The methods we use to estimate the liabilities have assumptions about policyholder behavior, mortality, expected yield on investments supporting the liability, and market conditions affecting policyholder account balance growth.

For the liabilities associated with GLWB and GMDB riders and no-lapse guarantees, each reporting period, we update expected excess benefits and assessments with actual excess benefits and assessments and adjust the liability balances due to the OCI effects of unrealized investment gains and losses on AFS securities. We also periodically revise the key assumptions used in the calculation of the liabilities which results in revisions to the expected excess benefits and assessments. The effects of changes in assumptions are recorded as unlocking in the period in which the changes are made.

Changes in future policy benefits other than the adjustment for the OCI effects of unrealized investment gains and losses on AFS securities, are recorded in future policy and other policy benefits on the consolidated statements of income (loss). Future policy benefits are not reduced for amounts ceded under reinsurance agreements which are reported as reinsurance recoverable on the consolidated balance sheets. See the reinsurance accounting policy discussed in *–Reinsurance* above and *Note 7 – Reinsurance* for more information on reinsurance.

Closed Block Business—We established closed blocks of policies in connection with the reorganization of two predecessor subsidiaries from mutual companies to stock companies, collectively referred to as the Closed Blocks, and individually referred to as the AmerUs Life Insurance Company (AmerUs) closed block (AmerUs Closed Block) and the Indianapolis Life Insurance Company (ILICO) closed block (ILICO Closed Block). Insurance policies which had a dividend scale in effect as of each closed block establishment date were included in the respective closed block. The Closed Blocks were designed to give reasonable assurance to owners of insurance policies included therein that, after the reorganization, assets would be available to maintain the dividend scales and interest credits in effect prior to the reorganization, if the experience underlying such scales and crediting continued. The assets, including related revenue, allocated to the Closed Blocks will accrue solely to the benefit of the policyholders included in the Closed Blocks until they no longer exist. A policyholder dividend obligation is required to be established for earnings in the Closed Blocks that are not available to the shareholders. We have elected the fair value option for the AmerUs Closed Block and the ILICO Closed Block. See *Note 9 – Closed Block* for more information on the Closed Blocks.

Foreign Currency—The accounts of foreign-based subsidiaries and equity method investments are measured using their functional currency. Revenue and expenses of these subsidiaries are translated into US dollars at the average exchange rate for the period. Assets and liabilities are translated at the exchange rate as of the end of the reporting period. For the equity method investments, our proportionate share of the investee's income is translated into US dollars at the average exchange rate for the period and our investment is translated using the exchange rate as of the end of the reporting period. The resulting translation adjustments are included in equity as a component of AOCI. Gains or losses arising from transactions denominated in a currency other than the functional currency of the entity that is party to the transaction are included in net income. The impacts of any non-US dollar denominated AFS securities are included in AOCI along with the change in its fair value unless in a fair value hedging relationship as discussed in *–Derivative Instruments* above.

Recognition of Revenues and Related Expenses—Revenues for universal life-type policies and investment contracts, including surrender and market value adjustments, costs of insurance, policy administration, GMDB, GLWB and no-lapse guarantee charges, are earned when assessed against policyholder account balances during the period. Interest credited to policyholder account balances and the change in fair value of embedded derivatives within fixed indexed annuity contracts is included in interest sensitive contract benefits on the consolidated statements of income (loss).

Premiums for long-duration contracts, including products with fixed and guaranteed premiums and benefits, are recognized as revenue when due from policyholders. When premiums are due over a significantly shorter period than the period over which benefits are provided, such as immediate annuities with life contingencies (which includes pension group annuities), a deferred profit liability is established equal to the excess of the gross premium over the net premium. The deferred profit liability is recognized in future policy benefits on the consolidated balance sheets and amortized into income in relation to applicable policyholder liabilities through future policy and other policy benefits on the consolidated statements of income (loss).

All insurance related revenue is reported net of reinsurance ceded.

Income Taxes—We compute income taxes using the asset and liability method, under which deferred income taxes are provided for the temporary differences between the financial statement carrying amounts and the tax basis of our assets and liabilities using estimated tax rates expected to be in effect for the year in which the differences are expected to reverse. Such temporary differences are primarily due to the tax basis of reserves, DAC, VOBA, unrealized investment gains/losses, reinsurance related differences, embedded derivatives and net operating loss carryforwards. Changes in deferred income tax assets and liabilities associated with components of OCI are recorded directly to OCI. We evaluate the likelihood of realizing the benefit of our deferred tax assets and may record a valuation allowance if, based on all available evidence, we determine that it is more likely than not that some portion of the tax benefit will not be realized. We adjust the valuation allowance if, based on our evaluation, there is a change in the amount of deferred income tax assets that are deemed more-likely-than-not to be realized. Changes in deferred tax assets and liabilities attributable to changes in enacted income tax rates are recorded through net income in the period of enactment. We recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the relevant taxing authorities, based on the technical merits of our position. For those tax positions that meet the more-likely-than-not recognition threshold, we recognize the largest amount of tax benefit that is more than 50 percent likely to be realized upon ultimate settlement with the related tax authority. We recognize any income tax interest and penalties in income tax expense.

See *Note 12 – Income Taxes* for discussion on withholding taxes for undistributed earnings of subsidiaries.

Reclassifications—Certain reclassifications to prior year balances have been made to conform with current year presentation.

Adopted Accounting Pronouncements

Reference Rate Reform (Topic 848) (Accounting Standards Update (ASU) 2022-06, ASU 2021-01, ASU 2020-04)

We adopted ASU 2020-04 and ASU 2021-01 and elected to apply certain of the practical expedients related to contract modifications, hedge accounting relationships, and derivative modifications pertaining to discounting, margining, or contract price alignment. The main purpose of the practical expedients is to ease the administrative burden of accounting for contracts impacted by reference rate reform, and these elections did not have, and are not expected to have, a material impact on the consolidated financial statements. ASU 2022-06 amended and deferred the sunset date of Topic 848 from December 31, 2022, to December 31, 2024, after which we will no longer be permitted to apply the expedients provided in Topic 848. We will continue to evaluate the impact of reference rate reform on contract modifications and hedging relationships.

Recently Issued Accounting Pronouncements

Insurance – Targeted Improvements to the Accounting for Long-Duration Contracts (ASU 2020-11, ASU 2019-09, ASU 2018-12)
These updates amend four key areas pertaining to the accounting and disclosures for long-duration insurance and investment contracts.

- The update requires cash flow assumptions used to measure the liability for future policy benefits to be updated at least annually and no longer allows a provision for adverse deviation. The remeasurement of the liability associated with the update of assumptions is required to be recognized in net income. Loss recognition testing is eliminated for traditional and limited-payment contracts. The update also requires the discount rate used in measuring the liability to be an upper-medium grade fixed-income instrument yield, which is to be updated at each reporting date. The change in liability due to changes in the discount rate is to be recognized in other comprehensive income.

- The update simplifies the amortization of deferred acquisition costs and other balances amortized in proportion to premiums, gross profits, or gross margins, requiring such balances to be amortized on a constant level basis over the expected term of the contracts. Deferred costs are required to be written off for unexpected contract terminations but are not subject to impairment testing.
- The update requires certain contract features meeting the definition of market risk benefits to be measured at fair value. Among the features included in this definition are the GLWB and GMDB riders attached to our annuity products. The change in fair value of the market risk benefits is to be recognized in net income, excluding the portion attributable to changes in instrument-specific credit risk which is recognized in other comprehensive income.
- The update also introduces disclosure requirements around the liability for future policy benefits, policyholder account balances, market risk benefits, separate account liabilities, and deferred acquisition costs. This includes disaggregated rollforwards of these balances and information about significant inputs, judgments, assumptions and methods used in their measurement.

We were required to adopt these updates on January 1, 2023. Certain provisions of the update are required to be adopted on a fully retrospective basis, while others may be adopted on a modified retrospective basis. Early adoption was permitted. We do not expect that the adoption of this standard will have a material effect on our shareholder's equity as of our transition date, which is January 1, 2022. Subsequent to the transition date, the remeasurement of liabilities for certain products and features that include use of current discount rates can reasonably be expected to have a significant positive impact on our US GAAP shareholder's equity as of December 31, 2022, given the increase in rates for the year then ended. We are continuing to evaluate the quantitative impact of adopting this guidance on our consolidated financial statements for periods subsequent to our transition date.

2. Business Combination

At the closing of the AHL merger with AGM, each issued and outstanding AHL Class A common share (other than shares held by Apollo, the Apollo Operating Group (AOG) or the respective direct or indirect wholly owned subsidiaries of AHL or the AOG) was converted automatically into 1.149 shares of AGM common shares and any cash paid in lieu of fractional AGM common shares. In connection with the merger, AGM issued to AHL Class A common shareholders 158.2 million AGM common shares in exchange for 137.6 million AHL Class A common shares that were issued and outstanding as of the acquisition date, exclusive of the 54.6 million shares previously held by Apollo immediately before the acquisition date.

The consideration was calculated based on historical AGM's December 31, 2021 closing share price multiplied by the AGM common shares issued in the share exchange, as well as the fair value of stock-based compensation awards replaced, fair value of warrants converted to AGM common shares and other equity consideration, and effective settlement of pre-existing relationships and other consideration.

Pushdown accounting

As part of pushdown accounting, the goodwill recorded at AHL was allocated to ALRe based on the Company's net identifiable assets relative to AHL's consolidated net identifiable assets. This has resulted in $2,801 million goodwill recognized at January 1, 2022, and an assumed purchase price allocation of $10,549 million.

Goodwill is primarily attributable to the scale, skill sets, operations, and synergies that can be achieved subsequent to the merger. The goodwill recorded is not expected to be deductible for tax purposes. Goodwill on the consolidated balance sheets includes the impacts of foreign currency translation.

The following represents the calculation of goodwill and fair value amounts recognized:

(In millions)	Fair value and goodwill calculation
Purchase Price	$ 10,549
Assets	
Investments	74,240
Cash and cash equivalents	1,757
Restricted cash	533
Investment in related parties	2,824
VOBA	62
Other assets	1,958
Estimated fair value of total assets acquired by AGM	81,374
Interest sensitive contract liabilities	51,090
Future policy benefits	16,578
Payables for collateral on derivatives and securities to repurchase	1,016
Other liabilities	4,942
Estimated fair value of total liabilities assumed by AGM	73,626
Identifiable net assets	7,748
Goodwill attributable to ALRe	$ 2,801

ATHENE LIFE RE LTD.
Notes to Consolidated Financial Statements

Included within the above are final amounts for (1) VOBA, (2) interest sensitive contract liabilities, (3) future policy benefits, and (4) other assets and other liabilities for the portion of our net assets AGM acquired relating to other identifiable intangible assets and deferred taxes, based on the availability of data as of the date the financial statements were available to be issued.

The fair value and weighted average estimated useful life of VOBA consists of the following:

	Fair value *(in millions)*	**Weighted average useful life** *(in years)*
VOBA	$ 62	8.78
Total	$ 62	

3. Investments

AFS Securities—The following table represents the amortized cost, allowance for credit losses, gross unrealized gains and losses and fair value of our AFS investments by asset type:

	Successor				
	December 31, 2022				
(In millions)	Amortized Cost	Allowance for Credit Losses	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
AFS securities					
US government and agencies	$ 1,237	$ —	$ —	$ (255)	$ 982
US state, municipal and political subdivisions	83	—	—	(26)	57
Foreign governments	98	(22)	—	(15)	61
Corporate	4,607	(14)	17	(783)	3,827
CLO	2,171	(2)	3	(157)	2,015
ABS	890	—	8	(84)	814
CMBS	476	—	2	(21)	457
RMBS	1,167	(21)	12	(83)	1,075
Total AFS securities	10,729	(59)	42	(1,424)	9,288
AFS securities – related party					
Corporate	196	—	—	(23)	173
CLO	171	—	—	(17)	154
ABS	87	—	—	(8)	79
Total AFS securities – related party	454	—	—	(48)	406
Total AFS securities including related party	$ 11,183	$ (59)	$ 42	$ (1,472)	$ 9,694

ATHENE LIFE RE LTD.
Notes to Consolidated Financial Statements

	Predecessor				
	December 31, 2021				
(In millions)	Amortized Cost	Allowance for Credit Losses	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
AFS securities					
US government and agencies	$ 1	$ —	$ —	$ —	$ 1
US state, municipal and political subdivisions	33	—	4	—	37
Foreign governments	91	—	2	(1)	92
Corporate	3,227	—	98	(39)	3,286
CLO	1,829	—	3	(28)	1,804
ABS	642	—	8	(2)	648
CMBS	88	—	3	(1)	90
RMBS	1,009	(7)	35	(9)	1,028
Total AFS securities	6,920	(7)	153	(80)	6,986
AFS securities – related party					
Corporate	186	—	4	—	190
CLO	214	—	—	(4)	210
ABS	241	—	9	—	250
Total AFS securities – related party	641	—	13	(4)	650
Total AFS securities including related party	$ 7,561	$ (7)	$ 166	$ (84)	$ 7,636

The amortized cost and fair value of AFS securities, including related party, are shown by contractual maturity below:

	Successor	
	December 31, 2022	
(In millions)	Amortized Cost	Fair Value
AFS securities		
Due in one year or less	$ 3	$ 3
Due after one year through five years	652	606
Due after five years through ten years	2,161	1,861
Due after ten years	3,209	2,457
CLO, ABS, CMBS and RMBS	4,704	4,361
Total AFS securities	10,729	9,288
AFS securities – related party		
Due after one year through five years	—	—
Due after five years through ten years	42	35
Due after ten years	154	138
CLO and ABS	258	233
Total AFS securities – related party	454	406
Total AFS securities including related party	$ 11,183	$ 9,694

Actual maturities can differ from contractual maturities as borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

ATHENE LIFE RE LTD.
Notes to Consolidated Financial Statements

Unrealized Losses on AFS Securities—The following summarizes the fair value and gross unrealized losses for AFS securities, including related party, for which an allowance for credit losses has not been recorded, aggregated by asset type and length of time the fair value has remained below amortized cost:

	Successor					
	December 31, 2022					
	Less than 12 months		12 months or more		Total	
(In millions)	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
AFS securities						
US government and agencies	$ 952	$ (255)	$ —	$ —	$ 952	$ (255)
US state, municipal and political subdivisions	56	(26)	—	—	56	(26)
Foreign governments	49	(15)	—	—	49	(15)
Corporate	3,637	(782)	—	—	3,637	(782)
CLO	1,754	(153)	—	—	1,754	(153)
ABS	741	(78)	—	—	741	(78)
CMBS	169	(20)	—	—	169	(20)
RMBS	517	(56)	—	—	517	(56)
Total AFS securities	7,875	(1,385)	—	—	7,875	(1,385)
AFS securities – related party						
Corporate	173	(23)	—	—	173	(23)
CLO	154	(17)	—	—	154	(17)
ABS	79	(8)	—	—	79	(8)
Total AFS securities – related party	406	(48)	—	—	406	(48)
Total AFS securities including related party	$ 8,281	$ (1,433)	$ —	$ —	$ 8,281	$ (1,433)

	Predecessor					
	December 31, 2021					
	Less than 12 months		12 months or more		Total	
(In millions)	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
AFS securities						
US state, municipal and political subdivisions	$ 1	$ —	$ —	$ —	$ 1	$ —
Foreign governments	37	(1)	—	—	37	(1)
Corporate	1,431	(36)	22	(1)	1,453	(37)
CLO	921	(19)	386	(8)	1,307	(27)
ABS	265	(1)	16	(1)	281	(2)
CMBS	23	—	5	—	28	—
RMBS	45	—	158	(2)	203	(2)
Total AFS securities	2,723	(57)	587	(12)	3,310	(69)
AFS securities – related party						
CLO	88	(3)	43	(1)	131	(4)
ABS	68	—	—	—	68	—
Total AFS securities – related party	156	(3)	43	(1)	199	(4)
Total AFS securities including related party	$ 2,879	$ (60)	$ 630	$ (13)	$ 3,509	$ (73)

The following summarizes the number of AFS securities that were in an unrealized loss position, including related parties, for which an allowance for credit losses has not been recorded:

ATHENE LIFE RE LTD.
Notes to Consolidated Financial Statements

	December 31, 2022	
	Unrealized loss position	Unrealized loss position 12 months or more
AFS securities	1,420	—
AFS securities – related party	20	—

The unrealized losses on AFS securities can primarily be attributed to changes in market interest rates since application of pushdown accounting or acquisition. We did not recognize the unrealized losses in income, unless as required for hedge accounting, as we intend to hold these securities and it is not more likely than not we will be required to sell a security before the recovery of its amortized cost.

Allowance for Credit Losses—The following table summarizes the activity in the allowance for credit losses for AFS securities by asset type:

	Successor						
	Year Ended December 31, 2022						
		Additions		Reductions			
(In millions)	January 1, 2022	Initial credit losses	Initial credit losses on PCD securities	Securities sold during the period	Securities intended to be sold prior to recovery of amortized cost basis	Additions (reductions) to previously impaired securities	Ending Balance
AFS securities							
Foreign governments	$ —	$ 30	$ —	$ —	$ —	$ (8)	$ 22
Corporate	—	15	—	—	(1)	—	14
CLO	—	6	—	—	—	(4)	2
ABS	—	1	—	—	—	(1)	—
CMBS	—	1	—	(1)	—	—	—
RMBS	16	12	3	(8)	—	(2)	21
Total AFS securities	16	65	3	(9)	(1)	(15)	59
AFS securities – related party, CLO	—	1	—	—	—	(1)	—
Total AFS securities including related party	$ 16	$ 66	$ 3	$ (9)	$ (1)	$ (16)	$ 59

	Predecessor						
	Year Ended December 31, 2021						
		Additions		Reductions			
(In millions)	Beginning balance	Initial credit losses	Initial credit losses on PCD securities	Securities sold during the period	Distributions to parent	Additions (reductions) to previously impaired securities	Ending Balance
AFS securities							
Corporate	$ 6	$ 3	$ —	$ (7)	$ —	$ (2)	$ —
CLO	1	7	—	(1)	—	(7)	—
ABS	6	5	—	(2)	(17)	8	—
CMBS	10	4	—	—	(3)	(11)	—
RMBS	80	2	25	(20)	(96)	16	7
Total AFS securities	103	21	25	(30)	(116)	4	7
AFS securities – related party, CLO	1	5	—	(1)	—	(5)	—
Total AFS securities including related party	$ 104	$ 26	$ 25	$ (31)	$ (116)	$ (1)	$ 7

ATHENE LIFE RE LTD.
Notes to Consolidated Financial Statements

Net Investment Income—Net investment income by asset class consists of the following:

(In millions)	Successor Year Ended December 31, 2022	Predecessor Year Ended December 31, 2021
AFS securities	$ 362	$ 3,639
Trading securities	16	261
Equity securities	18	19
Mortgage loans	27	874
Investment funds	90	1,752
Funds withheld at interest	2,536	795
Other	50	334
Investment revenue	3,099	7,674
Investment expenses	(112)	(585)
Net investment income	$ 2,987	$ 7,089

Investment Related Gains (Losses)—Investment related gains (losses) by asset class consists of the following:

(In millions)	Successor Year Ended December 31, 2022	Predecessor Year Ended December 31, 2021
AFS securities		
Gross realized gains on investment activity	$ 108	$ 920
Gross realized losses on investment activity	(161)	(625)
Net realized investment gains (losses) on AFS securities	(53)	295
Net recognized investment losses on trading securities	(6)	(71)
Net recognized investment gains (losses) on equity securities	(12)	237
Net realized investment gains (losses) on mortgage loans	(26)	—
Derivative gains (losses)	(9,251)	3,382
Provision for credit losses	(49)	53
Other gains (losses)	1,138	141
Investment related gains	$ (8,259)	$ 4,037

Proceeds from sales of AFS securities were $1,645 million and $17,056 million for the years ended December 31, 2022 and 2021, respectively.

The following table summarizes the change in unrealized gains (losses) on trading and equity securities, including related parties we held as of the respective year end:

(In millions)	Successor Year Ended December 31, 2022	Predecessor Year Ended December 31, 2021
Trading securities	$ (3)	$ (3)
Trading securities – related party	—	(11)
Equity securities	(1)	188

Repurchase Agreements—The following table summarizes the maturities of our repurchase agreements:

	Successor					
	December 31, 2022					
	Remaining Contractual Maturity					
(In millions)	Overnight and continuous	Less than 30 days	30-90 days	91 days to 1 year	Greater than 1 year	Total
Payables for repurchase agreements[1]	$ —	$ 608	$ 100	$ —	$ —	$ 708

[1] *Included in payables for collateral on derivatives and securities to repurchase on the consolidated balance sheets.*

ATHENE LIFE RE LTD.
Notes to Consolidated Financial Statements

	Predecessor					
	December 31, 2021					
	Remaining Contractual Maturity					
(In millions)	Overnight and continuous	Less than 30 days	30-90 days	91 days to 1 year	Greater than 1 year	Total
Payables for repurchase agreements[1]	$ —	$ 501	$ —	$ —	$ —	$ 501

[1] *Included in payables for collateral on derivatives and securities to repurchase on the consolidated balance sheets.*

The following table summarizes the securities pledged as collateral for repurchase agreements:

	Successor		Predecessor	
	December 31, 2022		December 31, 2021	
(In millions)	Amortized Cost	Fair Value	Amortized Cost	Fair Value
AFS Securities				
US government and agencies	$ 936	$ 721	$ —	$ —
Corporate	—	—	516	523
Total securities pledged under repurchase agreements	$ 936	$ 721	$ 516	$ 523

Mortgage Loans, including related parties and consolidated VIEs—Mortgage loans includes both commercial and residential loans. In connection with the merger, we elected the fair value option on our mortgage loan portfolio. See *Note 6 – Fair Value* for further fair value option information. The following represents the mortgage loan portfolio, with fair value option loans presented at unpaid principal balance:

	Successor
(In millions)	December 31, 2022
Commercial mortgage loans	$ 422
Commercial mortgage loans under development	—
Total commercial mortgage loans	422
Market to fair value	(21)
Commercial mortgage loans, net of allowances	401
Residential mortgage loans	391
Market to fair value	(52)
Residential mortgage loans	339
Mortgage loans	$ 740

The following represents the mortgage loan portfolio based on amortized cost:

	Predecessor
(In millions)	2021
Commercial mortgage loans	$ 385
Commercial mortgage loans under development	—
Total commercial mortgage loans	385
Allowance for credit losses on commercial mortgage loans	(1)
Commercial mortgage loans, net of allowances	384
Residential mortgage loans	406
Allowance for credit losses on residential mortgage loans	(17)
Residential mortgage loans, net of allowances	389
Mortgage loans, net of allowances	$ 773

We primarily invest in commercial mortgage loans on income producing properties including office and retail buildings, apartments, hotels, and industrial properties. We diversify the commercial mortgage loan portfolio by geographic region and property type to reduce concentration risk. We evaluate mortgage loans based on relevant current information to confirm if properties are performing at a consistent and acceptable level to secure the related debt.

The distribution of commercial mortgage loans, including those under development, net of allowances, by property type and geographic region,

ATHENE LIFE RE LTD.
Notes to Consolidated Financial Statements

is as follows:

	Successor		Predecessor	
	December 31, 2022		December 31, 2021	
(In millions, except for percentages)	Net Carrying Value	Percentage of Total	Net Carrying Value	Percentage of Total
Property type				
Office building	$ —	— %	$ 119	30.9 %
Retail	59	14.7 %	—	— %
Industrial	—	— %	35	9.1 %
Other commercial	342	85.3 %	231	60.0 %
Total commercial mortgage loans	$ 401	100.0 %	$ 385	100.0 %
US region				
South Atlantic	—	— %	119	30.9 %
West South Central	—	— %	35	9.1 %
Total US region	—	— %	154	40.0 %
International region	401	100.0 %	231	60.0 %
Total commercial mortgage loans	$ 401	100.0 %	$ 385	100.0 %

Our residential mortgage loan portfolio includes first lien residential mortgage loans collateralized by properties in various geographic locations and is summarized by proportion of the portfolio in the following table:

	Successor	Predecessor
	December 31, 2022	December 31, 2021
International		
United Kingdom	70.6 %	83.9 %
Ireland	29.4 %	16.1 %
Total International residential mortgage loan percentage	100.0 %	100.0 %
Total residential mortgage loan percentage	100.0 %	100.0 %

Loan Valuation Allowance—The allowances for our mortgage loan portfolio and other loans are summarized as follows:

	Predecessor			
	December 31, 2021			
(In millions)	Commercial Mortgage	Residential Mortgage	Other Investments	Total
Beginning balance	$ 167	$ 79	$ 7	$ 253
Provision (reversal) for expected credit losses	1	(15)	(7)	(21)
Initial credit losses on PCD loans	—	6	—	6
Loans charged-off	—	(1)	—	(1)
Distribution to parent	(167)	(52)	—	(219)
Ending balance	$ 1	$ 17	$ —	$ 18

Commercial mortgage loans – Our allowance model for commercial mortgage loans was based on the characteristics of the loans in our portfolio, historical economic data and loss information, and forecasted economic conditions. Key loan characteristics that may have affected the estimate included, among others: time to maturity, delinquency status, loan-to-value ratios, debt service coverage ratios, etc. Key macroeconomic variables included unemployment rates, London Inter-bank Offered Rate (LIBOR), commercial real estate price index, and market liquidity score. Management reviewed and approved forecasted macroeconomic variables, along with the reasonable and supportable forecasted period and mean reversion technique. Management also evaluated assumptions from independent third parties and those assumptions had a high degree of subjectivity. The mean reversion technique varied by macroeconomic variable and may have varied by geographic location.

Residential mortgage loans – Our allowance model for residential mortgage loans was based on the characteristics of the loans in our portfolio, historical economic data and loss information, and forecasted economic conditions. Key loan characteristics that may have affected the estimate included, among others: time to maturity, delinquency status, original credit scores and loan-to-value ratios. Key macroeconomic variables included unemployment rates and the housing price index. Management reviewed and approved forecasted macroeconomic variables, along with the reasonable and supportable forecasted period and mean reversion technique. Management also evaluated assumptions from independent third parties and those assumptions had a high degree of subjectivity. The mean reversion technique varied by macroeconomic variable and may have varied by geographic location.

Other investments – The allowance model for the loans included in other investments and related party other investments derived an estimate based on historical loss data available for similarly rated unsecured corporate debt obligations, while also incorporating management's expectations around prepayment. See *Note 14 – Related Parties* for further information on the related party loans.

Credit Quality Indicators

Residential mortgage loans – The underwriting process for our residential mortgage loans includes an evaluation of relevant credit information including past loan performance, credit scores, loan-to-value and other relevant information. Subsequent to purchase or origination, we closely monitor economic conditions and loan performance to manage and evaluate our exposure to credit risk in our residential mortgage loan portfolio. The primary credit quality indicator monitored for residential mortgage loans is loan performance. Nonperforming residential mortgage loans are 90 days or more past due and/or are in non-accrual status.

The following represents our residential loan portfolio by origination year and performance status:

	Predecessor						
	December 31, 2021						
(In millions)	2021	2020	2019	2018	2017	Prior	Total
Current (less than 30 days past due)	$ —	$ 66	$ —	$ —	$ —	$ 208	$ 274
30 to 59 days past due	—	—	—	—	—	66	66
60 to 89 days past due	—	—	—	—	—	63	63
90 days or more past due	—	—	—	—	—	3	3
Total residential mortgages	$ —	$ 66	$ —	$ —	$ —	$ 340	$ 406

As of December 31, 2021 we had $3 million of residential mortgage loans that were 90-days or more past due and are accruing interest.

The following represents our residential mortgage loan portfolio in non-accrual status:

	Predecessor
(In millions)	December 31, 2021
Beginning amortized cost of residential mortgage loans in non-accrual status	$ 108
Ending amortized cost of residential mortgage loans in non-accrual status	—
Amortized cost of residential mortgage loans in non-accrual status without a related allowance for credit losses	—

During the year ended December 31, 2021, we recognized $7 million of interest income on residential mortgage loans in non-accrual status.

Commercial mortgage loans – The following represents our commercial mortgage loan portfolio by origination year and loan performance status:

	Predecessor						
	December 31, 2021						
(In millions)	2021	2020	2019	2018	2017	Prior	Total
Current (less than 30 days past due)	$ 385	$ —	$ —	$ —	$ —	$ —	$ 385
30 to 59 days past due	—	—	—	—	—	—	—
90 days or more past due	—	—	—	—	—	—	—
Total commercial mortgages	$ 385	$ —	$ —	$ —	$ —	$ —	$ 385

The following represents our commercial mortgage loan portfolio in non-accrual status:

	Predecessor
(In millions)	December 31, 2021
Beginning amortized cost of commercial mortgage loans in non-accrual status	$ 38
Ending amortized cost of commercial mortgage loans in non-accrual status	—
Amortized cost of commercial mortgage loans in non-accrual status without a related allowance for credit losses	—

During the year ended December 31, 2021, no interest income was recognized on commercial mortgage loans in non-accrual status.

Loan-to-value and debt service coverage ratios are measures we use to assess the risk and quality of commercial mortgage loans other than those under development. Loans under development are not evaluated using these ratios as the properties underlying these loans are generally not yet income-producing and the value of the underlying property significantly fluctuates based on the progress of construction. Therefore, the risk and quality of loans under development are evaluated based on the aging and geographical distribution of such loans as shown above.

ATHENE LIFE RE LTD.
Notes to Consolidated Financial Statements

The loan-to-value ratio is expressed as a percentage of the amount of the loan relative to the value of the underlying property. A loan-to-value ratio in excess of 100% indicates the unpaid loan amount exceeds the value of the underlying collateral. Loan-to-value information is updated annually as part of the re-underwriting process supporting the National Association of Insurance Commissioners (NAIC) risk-based capital rating criteria. The following represents the loan-to-value ratio of the commercial mortgage loan portfolio, excluding those under development, by origination year:

	Predecessor						
	December 31, 2021						
(In millions)	2022	2021	2019	2018	2017	Prior	Total
Less than 50%	$ —	$ —	$ —	$ —	$ —	$ —	$ —
50% to 59%	—	—	—	—	—	—	—
60% to 69%	173	—	—	—	—	—	173
70% to 79%	212	—	—	—	—	—	212
80% to 99%	—	—	—	—	—	—	—
100% or greater	—	—	—	—	—	—	—
Commercial mortgage loans	$ 385	$ —	$ —	$ —	$ —	$ —	$ 385

The debt service coverage ratio is expressed as a percentage of a property's net operating income to its debt service payments. A debt service ratio of less than 1.0 indicates a property's operations do not generate enough income to cover debt payments. Debt service coverage ratios are updated as more recent financial statements become available, at least annually or as frequently as quarterly in some cases. The following represents the debt service coverage ratio of the commercial mortgage loan portfolio, excluding those under development, by origination year:

	Predecessor						
	December 31, 2021						
(In millions)	2022	2021	2019	2018	2017	Prior	Total
Greater than 1.20x	$ 328	$ —	$ —	$ —	$ —	$ —	$ 328
1.00x – 1.20x	57	—	—	—	—	—	57
Less than 1.00x	—	—	—	—	—	—	—
Commercial mortgage loans	$ 385	$ —	$ —	$ —	$ —	$ —	$ 385

Investment Funds—Our investment fund portfolio consists of funds that employ various strategies and include investments in real estate, real assets, credit, equity and natural resources. Investment funds can meet the definition of VIEs, which are discussed further in *Note 5 – Variable Interest Entities*. Our investment funds do not specify timing of distributions on the funds' underlying assets.

ATHENE LIFE RE LTD.
Notes to Consolidated Financial Statements

The following summarizes our investment funds, including related party:

(In millions, except for percentages)	Successor December 31, 2022 Carrying value	Successor December 31, 2022 Percent of total	Predecessor December 31, 2021[1] Carrying value	Predecessor December 31, 2021[1] Percent of total
Investment funds				
Equity	$ —	— %	$ 152	74.1 %
Yield	—	— %	29	14.1 %
Other	—	— %	24	11.8 %
Total investment funds	—	— %	205	100.0 %
Investment funds – related parties				
Strategic insurance investments	$ 300	65.4 %	$ 660	48.5 %
Apollo and other fund investments				
Equity	144	31.4 %	425	31.2 %
Yield	—	— %	11	0.8 %
Other	15	3.2 %	265	19.5 %
Total investment funds — related parties	459	100.0 %	1,361	100.0 %
Investment funds — consolidated VIEs				
Strategic insurance investments	$ 529	28.5 %	$ —	— %
Apollo and other fund investments				
Equity	135	7.3 %	—	— %
Hybrid	30	1.6 %	—	— %
Other	1,161	62.6 %	251	100.0 %
Total investment funds – consolidated VIEs	1,855	100.0 %	251	100.0 %
Total investment funds including related party and funds owned by consolidated VIEs	$ 2,314		$ 1,817	

Note: During 2022, we contributed the majority of our investment funds to Apollo Aligned Alternatives, L.P. (AAA). See Note 14 – Related Parties for further information on AAA.

[1] *Certain reclassifications have been made to conform with current year presentation.*

Summarized Ownership of Investment Funds—The following is the aggregated summarized financial information of equity method investees, including those for which we elected the fair value option and would otherwise be accounted for as an equity method investment, and may be presented on a lag due to the availability of financial information from the investee:

(In millions)	Successor Year Ended December 31, 2022	Predecessor Year Ended December 31, 2021
Assets	$ 13,192	$ 9,241
Liabilities	1,029	514
Equity	12,163	8,727

(In millions)	Successor Year Ended December 31, 2022	Predecessor Year Ended December 31, 2021
Net income	$ 1,681	$ 2,123

The following table presents the carrying value by ownership percentage of equity method investment funds, including related party investment funds:

ATHENE LIFE RE LTD.
Notes to Consolidated Financial Statements

(In millions)	Successor December 31, 2022	Predecessor December 31, 2021
Ownership Percentage		
100%	$ —	$ 70
50% – 99%	—	218
3% – 49%	443	768
Less than 3%	17	—
Equity method investment funds	$ 460	$ 1,056

The following table presents the carrying value by ownership percentage of investment funds held at fair value, either due to election of the fair value option or requirement, including related party investment funds:

(In millions)	Successor December 31, 2022	Predecessor December 31, 2021
Ownership Percentage		
100%	$ —	$ 193
50% - 99%	—	58
3% – 49%	102	—
Fair value investment funds	$ 102	$ 251

Additionally, as of December 31, 2022 and 2021, we do not have any investment funds required to be held at fair value with various ownership percentages.

Non-Consolidated Securities and Investment Funds

Fixed maturity securities – We invest in securitization entities as a debt holder or an investor in the residual interest of the securitization vehicle. These entities are deemed VIEs due to insufficient equity within the structure and lack of control by the equity investors over the activities that significantly impact the economics of the entity. In general, we are a debt investor within these entities and, as such, hold a variable interest; however, due to the debt holders' lack of ability to control the decisions within the trust that significantly impact the entity, and the fact the debt holders are protected from losses due to the subordination of the equity tranche, the debt holders are not deemed the primary beneficiary. Securitization vehicles in which we hold the residual tranche are not consolidated because we do not unilaterally have substantive rights to remove the general partner, or when assessing related party interests, we are not under common control, as defined by GAAP, with the related parties, nor are substantially all of the activities conducted on our behalf; therefore, we are not deemed the primary beneficiary. Debt investments and investments in the residual tranche of securitization entities are considered debt instruments and are held at fair value on the balance sheet and classified as AFS or trading.

Investment funds – Investment funds include non-fixed income, alternative investments in the form of limited partnerships or similar legal structures.

Equity securities – We invest in preferred equity securities issued by entities deemed to be VIEs due to insufficient equity within the structure.

Our risk of loss associated with our non-consolidated investments depends on the investment. Investment funds, equity securities and trading securities are limited to the carrying value plus unfunded commitments. AFS securities are limited to amortized cost plus unfunded commitments.

The following summarizes the carrying value and maximum loss exposure of these non-consolidated investments:

	Successor		**Predecessor**	
	December 31, 2022		December 31, 2021	
(In millions)	Carrying Value	Maximum Loss Exposure	Carrying Value	Maximum Loss Exposure
Investment funds	$ —	$ —	$ 205	$ 279
Investment in related parties – investment funds	459	564	1,612	2,463
Assets of consolidated VIEs – investment funds	1,855	2,224	—	—
Investment in fixed maturity securities	4,367	4,710	3,383	3,382
Investment in related parties – fixed maturity securities	363	387	602	619
Total non-consolidated investments	$ 7,044	$ 7,885	$ 5,802	$ 6,743

ATHENE LIFE RE LTD.
Notes to Consolidated Financial Statements

Funds Withheld at Interest—Funds withheld at interest represents a receivable for amounts contractually withheld by ceding companies in accordance with modco and funds withheld reinsurance agreements in which we act as the reinsurer. Generally, assets equal to statutory reserves are withheld and legally owned by the ceding company.

The funds withheld at interest is comprised of the host contract and an embedded derivative. We are subject to the investment performance on the withheld assets with the total return directly impacting the host contract and the embedded derivative. Interest accrues at a risk free rate on the host receivable and is recorded as net investment income in the consolidated statements of income. The change in the embedded derivative in our reinsurance agreements, which is similar to a total return swap on the income generated by the underlying assets held by the ceding companies, is recorded in investment related gains (losses). Although we do not directly control the underlying investments in the funds withheld at interest, in each instance the ceding company has hired Apollo Insurance Group Solutions LLC (ISG) to manage the withheld assets in accordance with our investment guidelines.

The following summarizes the underlying investment composition of the funds withheld at interest, including related party:

	Successor		**Predecessor**	
	December 31, 2022		December 31, 2021	
(In millions, except percentages)	Carrying value	Percent of total	Carrying value	Percent of total
Fixed maturity securities				
US government and agencies	$ 61	0.1 %	$ 123	0.2 %
US state, municipal and political subdivisions	305	0.5 %	415	0.6 %
Foreign governments	576	0.9 %	713	1.1 %
Corporate	27,313	43.7 %	30,877	47.3 %
CLO	6,526	10.5 %	6,378	9.8 %
ABS	8,589	13.9 %	9,940	15.2 %
CMBS	1,633	2.6 %	1,912	2.9 %
RMBS	1,559	2.5 %	1,648	2.5 %
Equity securities	454	0.7 %	238	0.4 %
Mortgage loans	10,944	17.5 %	9,310	14.3 %
Investment funds	3,104	5.0 %	2,223	3.4 %
Derivative assets	665	1.1 %	369	0.6 %
Short-term investments	267	0.4 %	110	0.2 %
Other Investments	116	0.2 %	99	0.1 %
Cash and cash equivalents	1,498	2.4 %	1,295	2.0 %
Other assets and liabilities	(1,148)	(2.0)%	(416)	(0.6)%
Total funds withheld at interest, including related party	$ 62,462	100.0 %	$ 65,234	100.0 %

4. Derivative Instruments

We use a variety of derivative instruments to manage risks, primarily equity, interest rate, credit, foreign currency and market volatility. See *Note 1 – Business, Basis of Presentation and Significant Accounting Policies* for a description of our accounting policies for derivatives and *Note 6 – Fair Value* for information about the fair value hierarchy for derivatives.

The following table presents the notional amount and fair value of derivative instruments:

	Successor			Predecessor		
	December 31, 2022			December 31, 2021		
		Fair Value			Fair Value	
(In millions)	Notional Amount	Assets	Liabilities	Notional Amount	Assets	Liabilities
Derivatives designated as hedges						
Foreign currency hedges						
Swaps	240	$ 26	$ 3	360	$ 7	$ 4
Forwards	523	39	1	482	13	—
Forwards on net investments	93	1	—	113	—	2
Total derivatives designated as hedges		66	4		20	6
Derivatives not designated as hedges						
Equity options	11,298	113	—	13,300	408	4
Futures	1	3	—	3	11	—
Total return swaps	16	—	—	9	—	—
Foreign currency swaps	213	35	3	358	14	1
Interest rate swaps	20	—	—	471	4	—
Credit default swaps	—	—	—	—	—	—
Foreign currency forwards	4,469	97	68	2,993	20	49
Embedded derivatives						
Funds withheld including related party		(4,847)	—		840	—
Interest sensitive contract liabilities		—	941		—	2,068
Total derivatives not designated as hedges		(4,599)	1,012		1,297	2,122
Total derivatives		$ (4,533)	$ 1,016		$ 1,317	$ 2,128

Derivatives Designated as Hedges

Cash Flow Hedges – We used foreign currency swaps to convert foreign currency denominated cash flows of an investment to US dollars to reduce cash flow fluctuations due to changes in currency exchange rates. Effective January 1, 2022, our foreign currency swaps were redesignated to fair value hedges as they no longer qualified for cash flow hedge accounting. We use interest rate swaps to convert floating-rate interest payments to fixed-rate interest payments to reduce exposure to interest rate changes. The interest rate swaps will expire by July 2027. The following is a summary of the gains (losses) related to cash flow hedges:

	Successor	Predecessor
(In millions)	Year Ended December 31, 2022	Year Ended December 31, 2021
Other comprehensive income		
Interest rate swaps	(105)	—

There were no amounts deemed ineffective during the years ended December 31, 2022 and 2021, respectively. As of December 31, 2022, no amounts are expected to be reclassified to income within the next 12 months.

Fair Value Hedges – We use foreign currency forward contracts, foreign currency swaps, foreign currency interest rate swaps and interest rate swaps that are designated and accounted for as fair value hedges to hedge certain exposures to foreign currency risk and interest rate risk. The foreign currency forward price is agreed upon at the time of the contract and payment is made at a specified future date.

The following represents the carrying amount and the cumulative fair value hedging adjustments included in the hedged assets or liabilities:

ATHENE LIFE RE LTD.
Notes to Consolidated Financial Statements

	Successor		Predecessor	
	December 31, 2022		December 31, 2021	
(In millions)	Carrying amount of the hedged assets or liabilities[1]	Cumulative amount of fair value hedging gains (losses)	Carrying amount of the hedged assets or liabilities[1]	Cumulative amount of fair value hedging gains (losses)
AFS Securities				
Foreign currency forwards	$ 419	$ (39)	$ 4,224	$ (136)
Foreign currency swaps	146	(13)		
Mortgage loans – Foreign currency forwards	—	—	1,686	(44)
Interest sensitive contract liabilities				
Foreign currency interest rate swaps	—	—	2,773	121
Interest rate swaps	—	—	500	—

[1] *The carrying amount disclosed for AFS securities is amortized cost*

The following is a summary of the gains (losses) related to the derivatives and related hedged items in fair value hedge relationships:

				Amounts Excluded	
(In millions)	Derivatives	Hedged Items	Net	Recognized in income through amortization approach	Recognized in income through changes in fair value
Year ended December 31, 2022 (Successor)					
Investment related gains (losses)					
Foreign currency forwards	$ 17	$ (20)	$ (3)	$ 5	$ —
Foreign currency swaps	15	(13)	2	—	—
Year ended December 31, 2021 (Predecessor)					
Investment related gains (losses)					
Foreign currency forwards	426	(444)	(18)	21	16
Foreign currency interest rate swaps	(102)	99	(3)	—	—
Interest rate swaps	(1)	1	—	—	—
Interest sensitive contract liabilities					
Foreign currency interest rate swaps	23	(21)	2	—	—

The following is a summary of the gains (losses) excluded from the assessment of hedge effectiveness that were recognized in OCI:

	Successor	Predecessor
(In millions)	Year Ended December 31, 2022	Year Ended December 31, 2021
Foreign currency forwards	$ (1)	$ —
Forward currency swaps	5	—

Net Investment Hedges – We use foreign currency forwards to hedge the foreign currency exchange rate risk of our investments in subsidiaries that have a reporting currency other than the US dollar. We assess hedge effectiveness based on the changes in forward rates. During the years ended December 31, 2022 and 2021, these derivatives had gains of $15 million and $0 million, respectively. These derivatives are included in foreign currency translation and other adjustments on the consolidated statements of comprehensive income (loss). As of December 31, 2022 and 2021, the cumulative foreign currency translations recorded in AOCI related to these net investment hedges were gains of $15 million and $0 million, respectively. During the years ended December 31, 2022 and 2021, there were no amounts deemed ineffective.

Derivatives Not Designated as Hedges

Equity options – We use equity indexed options to economically hedge fixed indexed annuity products that guarantee the return of principal to the policyholder and credit interest based on a percentage of the gain in a specified market index, primarily the S&P 500. To hedge against adverse changes in equity indices, we enter into contracts to buy equity indexed options. The contracts are net settled in cash based on differentials in the indices at the time of exercise and the strike price.

Futures – Futures contracts are purchased to hedge the growth in interest credited to the customer as a direct result of increases in the related indices. We enter into exchange-traded futures with regulated futures commission clearing brokers who are members of a trading exchange.

Under exchange-traded futures contracts, we agree to purchase a specified number of contracts with other parties and to post variation margin on a daily basis in an amount equal to the difference in the daily fair values of those contracts.

Interest rate swaps – We use interest rate swaps to reduce market risks from interest rate changes and to alter interest rate exposure arising from duration mismatches between assets and liabilities. With an interest rate swap, we agree with another party to exchange the difference between fixed-rate and floating-rate interest amounts tied to an agreed-upon notional principal amount at specified intervals.

Other swaps – Other swaps include total return swaps and credit default swaps. We purchase total rate of return swaps to gain exposure and benefit from a reference asset or index without ownership. Total rate of return swaps are contracts in which one party makes payments based on a set rate, either fixed or variable, while the other party makes payments based on the return of the underlying asset or index, which includes both the income it generates and any capital gains.

Credit default swaps provide a measure of protection against the default of an issuer or allow us to gain credit exposure to an issuer or traded index. We use credit default swaps coupled with a bond to synthetically create the characteristics of a reference bond. These transactions have a lower cost and are generally more liquid relative to the cash market. We receive a periodic premium for these transactions as compensation for accepting credit risk.

Hedging credit risk involves buying protection for existing credit risk. The exposure resulting from the agreements, which is usually the notional amount, is equal to the maximum proceeds that must be paid by a counterparty for a defaulted security. If a credit event occurs on a reference entity, then a counterparty who sold protection is required to pay the buyer the trade notional amount less any recovery value of the security.

Embedded derivatives – We have embedded derivatives which are required to be separated from their host contracts and reported as derivatives. Host contracts include reinsurance agreements structured on modco or funds withheld basis and indexed annuity products.

The following is a summary of the gains (losses) related to derivatives not designated as hedges:

	Successor	Predecessor
(In millions)	Year Ended December 31, 2022	Year Ended December 31, 2021
Equity options	$ (214)	$ 2,452
Futures	(32)	81
Swaps	89	(97)
Foreign currency forwards	178	(26)
Embedded derivatives on funds withheld	(9,310)	597
Amounts recognized in investment related gains (losses)	(9,289)	3,007
Embedded derivatives in indexed annuity products[1]	557	(1,451)
Total net gains on derivatives not designated as hedges	$ (8,732)	$ 1,556

[1] *Included in interest sensitive contract benefits on the consolidated statements of income.*

Credit Risk—We may be exposed to credit-related losses in the event of counterparty nonperformance on derivative financial instruments. Generally, the current credit exposure of our derivative contracts is the fair value at the reporting date less any collateral received from the counterparty.

We manage credit risk related to over-the-counter derivatives by entering into transactions with creditworthy counterparties. Where possible, we maintain collateral arrangements and use master netting agreements that provide for a single net payment from one counterparty to another at each due date and upon termination. We have also established counterparty exposure limits, where possible, in order to evaluate if there is sufficient collateral to support the net exposure.

Collateral arrangements typically require the posting of collateral in connection with its derivative instruments. Collateral agreements often contain posting thresholds, some of which may vary depending on the posting party's financial strength ratings. Additionally, a decrease in our financial strength rating to a specified level can result in settlement of the derivative position.

ATHENE LIFE RE LTD.
Notes to Consolidated Financial Statements

The estimated fair value of our net derivative and other financial assets and liabilities after the application of master netting agreements and collateral were as follows:

		Gross amounts not offset on the consolidated balance sheets				
(In millions)	Gross amount recognized[1]	Financial instruments[2]	Collateral received/ pledged	Net amount	Off-balance sheet securities collateral[3]	Net amount after securities collateral
December 31, 2022 (Successor)						
Derivative assets	$ 314	$ (72)	$ (263)	$ (21)	$ —	$ (21)
Derivative liabilities	(75)	72	3	—	—	—
December 31, 2021 (Predecessor)						
Derivative assets	$ 477	$ (37)	$ (515)	$ (75)	$ —	$ (75)
Derivative liabilities	(60)	37	8	(15)	—	(15)

[1] *The gross amounts of recognized derivative assets and derivative liabilities are reported on the consolidated balance sheets. As of December 31, 2022 and 2021, amounts not subject to master netting or similar agreements were immaterial.*

[2] *Represents amounts offsetting derivative assets and derivative liabilities that are subject to an enforceable master netting agreement or similar agreement that are not netted against the gross derivative assets or gross derivative liabilities for presentation on the consolidated balance sheets.*

[3] *For non-cash collateral received, we do not recognize the collateral on our balance sheet unless the obligor (transferor) has defaulted under the terms of the secured contract and is no longer entitled to redeem the pledged asset. Amounts do not include any excess of collateral pledged or received.*

5. Variable Interest Entities

We determined that we are required to consolidate certain Apollo-managed investment funds and other Apollo-managed structures. Since the criteria for the primary beneficiary are satisfied by our related party group, we are deemed the primary beneficiary. In addition, we consolidate certain securitization entities where we are deemed the primary beneficiary. No arrangement exists requiring us to provide additional funding in excess of our committed capital investment, liquidity, or the funding of losses or an increase to our loss exposure in excess of our investment in any of the consolidated VIEs.

The following summarizes the income statement activity of the consolidated VIEs:

	Successor	**Predecessor**
(In millions)	Year Ended December 31, 2022	Year Ended December 31, 2021
Mortgage loans	$ 12	$ 73
Investment funds	4	4
Other	(1)	—
Net investment income	$ 15	$ 77
Trading securities	$ (2)	$ —
Net recognized investment losses on mortgage loans	(32)	(58)
Investment funds	(26)	31
Other gains (losses)	28	—
Investment related gains (losses)	$ (32)	$ (27)

6. Fair Value

Fair value is the price we would receive to sell an asset or pay to transfer a liability (exit price) in an orderly transaction between market participants. We determine fair value based on the following fair value hierarchy:

Level 1 – Unadjusted quoted prices for identical assets or liabilities in an active market.

Level 2 – Quoted prices for inactive markets or valuation techniques that require observable direct or indirect inputs for substantially the full term of the asset or liability. Level 2 inputs include the following:

- Quoted prices for similar assets or liabilities in active markets,
- Observable inputs other than quoted market prices, and
- Observable inputs derived principally from market data through correlation or other means.

Level 3 – Prices or valuation techniques with unobservable inputs significant to the overall fair value estimate. These valuations use critical assumptions not readily available to market participants. Level 3 valuations are based on market standard valuation methodologies, including discounted cash flows, matrix pricing or other similar techniques.

Net Asset Value (NAV) – Investment funds are typically measured using NAV as a practical expedient in determining fair value and are not classified in the fair value hierarchy. Our carrying value reflects our pro rata ownership percentage as indicated by NAV in the investment fund financial statements, which we may adjust if we determine NAV is not calculated consistent with investment company fair value principles. The underlying investments of the investment funds may have significant unobservable inputs, which may include but are not limited to, comparable multiples and weighted average cost of capital rates applied in valuation models or a discounted cash flow model.

The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure fair value fall within different levels of the hierarchy, the category level is based on the lowest priority level input that is significant to the instrument's fair value measurement.

We use a number of valuation sources to determine fair values. Valuation sources can include quoted market prices; third-party commercial pricing services; third-party brokers; industry-standard, vendor modeling software that uses market observable inputs; and other internal modeling techniques based on projected cash flows. We periodically review the assumptions and inputs of third-party commercial pricing services through internal valuation price variance reviews, comparisons to internal pricing models, back testing to recent trades, or monitoring trading volumes.

ATHENE LIFE RE LTD.
Notes to Consolidated Financial Statements

The following represents the hierarchy for our assets and liabilities measured at fair value on a recurring basis:

	Successor				
	December 31, 2022				
(In millions)	Total	NAV	Level 1	Level 2	Level 3
Assets					
AFS securities					
US government and agencies	$ 982	$ —	$ 982	$ —	$ —
US state, municipal and political subdivisions	57	—	—	57	—
Foreign governments	61	—	—	61	—
Corporate	3,827	—	—	3,731	96
CLO	2,015	—	—	2,015	—
ABS	814	—	—	544	270
CMBS	457	—	—	457	—
RMBS	1,075	—	—	897	178
Total AFS securities	9,288	—	982	7,762	544
Trading securities	119	—	—	119	—
Equity securities	144	—	127	—	17
Mortgage loans	398	—	—	—	398
Funds withheld at interest - embedded derivative	(4,847)	—	—	—	(4,847)
Derivative assets	314	—	3	311	—
Short-term investments	40	—	3	37	—
Other investments	55	—	—	—	55
Cash and cash equivalents	2,042	—	2,042	—	—
Restricted cash	381	—	381	—	—
Investments in related parties					
AFS securities					
Corporate	173	—	—	35	138
CLO	154	—	—	154	—
ABS	79	—	—	1	78
Total AFS securities – related party	406	—	—	190	216
Trading securities	129	—	—	—	129
Mortgage loans	342	—	—	—	342
Investment funds	561	—	—	—	561
Funds withheld at interest - embedded derivative	(3,742)	—	—	—	(3,742)
Investment contracts held at fair value – related party	385	—	—	—	385
Total assets measured at fair value	$ 6,015	$ —	$ 3,538	$ 8,419	$ (5,942)
Liabilities					
Interest sensitive contract liabilities - embedded derivative	$ 941	$ —	$ —	$ —	$ 941
Derivative liabilities	75	—	—	75	—
Total liabilities measured at fair value	$ 1,016	$ —	$ —	$ 75	$ 941

ATHENE LIFE RE LTD.
Notes to Consolidated Financial Statements

	Predecessor				
	December 31, 2021				
(In millions)	Total	NAV	Level 1	Level 2	Level 3
Assets					
AFS securities					
US government and agencies	$ 2	$ —	$ 2	$ —	$ —
US state, municipal and political subdivisions	37	—	—	37	—
Foreign governments	91	—	—	91	—
Corporate	3,286	—	—	3,232	54
CLO	1,803	—	—	1,803	—
ABS	648	—	—	423	225
CMBS	91	—	—	91	—
RMBS	1,028	—	—	1,028	—
Total AFS securities	6,986	—	2	6,705	279
Trading securities	26	—	—	26	—
Equity securities	815	—	49	365	401
Funds withheld at interest – embedded derivative	840	—	—	—	840
Derivative assets	477	—	11	466	—
Cash and cash equivalents	1,757	—	1,757	—	—
Restricted cash	533	—	533	—	—
Investments in related parties					
AFS securities					
Corporate	190	—	—	42	148
CLO	210	—	—	159	51
ABS	250	—	—	24	226
Total AFS securities – related party	650	—	—	225	425
Trading securities	142	—	—	—	142
Investment funds	251	—	—	—	251
Total assets measured at fair value	$ 12,477	$ —	$ 2,352	$ 7,787	$ 2,338
Liabilities					
Interest sensitive contract liabilities - embedded derivative	$ 2,068	$ —	$ —	$ —	$ 2,068
Derivative liabilities	60	—	—	60	—
Financial instruments held at fair value – related party	27	—	—	—	27
Investment contracts held at fair value - related party	4,179	—	—	—	4,179
Total liabilities measured at fair value	$ 6,334	$ —	$ —	$ 60	$ 6,274

Fair Value Valuation Methods—We used the following valuation methods and assumptions to estimate fair value:

AFS and trading securities – We obtain the fair value for most marketable securities without an active market from several commercial pricing services. These are classified as Level 2 assets. The pricing services incorporate a variety of market observable information in their valuation techniques, including benchmark yields, trading activity, credit quality, issuer spreads, bids, offers and other reference data. This category typically includes US and non-US corporate bonds, US agency and government guaranteed securities, CLO, ABS, CMBS and RMBS.

We also have fixed maturity securities priced based on indicative broker quotes or by employing market accepted valuation models. For certain fixed maturity securities, the valuation model uses significant unobservable inputs and are included in Level 3 in our fair value hierarchy. Significant unobservable inputs used include: discount rates, issue specific credit adjustments, material non-public financial information, estimation of future earnings and cash flows, default rate assumptions, liquidity assumptions and indicative quotes from market makers. These inputs are usually considered unobservable, as not all market participants have access to this data.

We value privately placed fixed maturity securities based on the credit quality and duration of comparable marketable securities, which may be securities of another issuer with similar characteristics. In some instances, we use a matrix-based pricing model. These models consider the current level of risk-free interest rates, corporate spreads, credit quality of the issuer and cash flow characteristics of the security. We also consider additional factors such as net worth of the borrower, value of collateral, capital structure of the borrower, presence of guarantees and our evaluation of the borrower's ability to compete in its relevant market. Privately placed fixed maturity securities are classified as Level 2 or 3.

Equity securities – Fair values of publicly traded equity securities are based on quoted market prices and classified as Level 1. Other equity securities, typically private equities or equity securities not traded on an exchange, we value based on other sources, such as commercial pricing services or brokers, and are classified as Level 2 or 3.

Mortgage loans – We estimate fair value on a monthly basis using discounted cash flow analysis and rates being offered for similar loans to borrowers with similar credit ratings. Loans with similar characteristics are aggregated for purposes of the calculations. The discounted cash flow model uses unobservable inputs, including estimates of discount rates and loan prepayments. Mortgage loans are classified as Level 3.

Investment funds – Certain investment funds for which we elected the fair value option are included in Level 3 and are priced based on market accepted valuation models. The valuation models use significant unobservable inputs, which include material non-public financial information, estimation of future distributable earnings and demographic assumptions. These inputs are usually considered unobservable, as not all market participants have access to this data.

Other investments – The fair value of other investments are determined using a discounted cash flow model using discount rates for similar investments.

Funds withheld at interest embedded derivative – We estimate the fair value of the embedded derivative based on the change in the fair value of the assets supporting the funds withheld payable under modco and funds withheld reinsurance agreements. As a result, the fair value of the embedded derivative is classified as Level 2 or 3 based on the valuation methods used for the assets held supporting the reinsurance agreements.

Derivatives – Derivative contracts can be exchange traded or over-the-counter. Exchange-traded derivatives typically fall within Level 1 of the fair value hierarchy depending on trading activity. Over-the-counter derivatives are valued using valuation models or an income approach using third-party broker valuations. Valuation models require a variety of inputs, including contractual terms, market prices, yield curves, credit curves, measures of volatility, prepayment rates and correlation of the inputs. We consider and incorporate counterparty credit risk in the valuation process through counterparty credit rating requirements and monitoring of overall exposure. We also evaluate and include our own nonperformance risk in valuing derivatives. The majority of our derivatives trade in liquid markets; therefore, we can verify model inputs and model selection does not involve significant management judgment. These are typically classified within Level 2 of the fair value hierarchy.

Cash and cash equivalents, including restricted cash – The carrying amount for cash equals fair value. We estimate the fair value for cash equivalents based on quoted market prices. These assets are classified as Level 1.

Interest sensitive contract liabilities embedded derivative – Embedded derivatives related to interest sensitive contract liabilities with fixed indexed annuity products are classified as Level 3. The valuations include significant unobservable inputs associated with economic assumptions and actuarial assumptions for policyholder behavior.

AmerUs Closed Block – We elected the fair value option for the future policy benefits liability in the AmerUs Closed Block. Our valuation technique is to set the fair value of policyholder liabilities equal to the fair value of assets. There is an additional component which captures the fair value of the open block's obligations to the closed block business. This component is the present value of the projected release of required capital and future earnings before income taxes on required capital supporting the AmerUs Closed Block, discounted at a rate which represents a market participant's required rate of return, less the initial required capital. Unobservable inputs include estimates for these items. The AmerUs Closed Block policyholder liabilities and any corresponding reinsurance recoverable are classified as Level 3.

ILICO Closed Block – We elected the fair value option for the ILICO Closed Block. Our valuation technique is to set the fair value of policyholder liabilities equal to the fair value of assets. There is an additional component which captures the fair value of the open block's obligations to the closed block business. This component uses the present value of future cash flows which include commissions, administrative expenses, reinsurance premiums and benefits, and an explicit cost of capital. The discount rate includes a margin to reflect the business and nonperformance risk. Unobservable inputs include estimates for these items. The ILICO Closed Block policyholder liabilities and corresponding reinsurance recoverable are classified as Level 3.

Universal life liabilities and other life benefits – We elected the fair value option for certain blocks of universal and other life business ceded to Global Atlantic. We use a present value of liability cash flows. Unobservable inputs include estimates of mortality, persistency, expenses, premium payments and a risk margin used in the discount rates that reflects the riskiness of the business. These universal life policyholder liabilities and corresponding reinsurance recoverable are classified as Level 3.

Investment Contracts Held at Fair Value – For investment contracts we have elected to apply the fair value option. We used an actuarial appraisal method to measure the fair value of the investment contracts. The valuations include significant unobservable inputs associated with economic assumptions and actuarial assumptions. Investment Contracts Held at Fair Value are classified as Level 3.

Financial Instrument Held at Fair Value – We elected to apply the fair value option to account for certain financial instruments. The fair value was determined using principals consistent with the pricing of a total return swap. The valuations include significant unobservable inputs associated with economic assumptions and actuarial assumptions. Financial Instruments held at fair value are classified as Level 3.

Other liabilities – Other liabilities includes funds withheld liability, as described above in funds withheld at interest embedded derivative, and a ceded modco agreement of certain inforce funding agreement contracts for which we elected the fair value option. We estimate the fair value of the ceded modco agreement by discounting projected cash flows for net settlements and certain periodic and non-periodic payments. Unobservable inputs include estimates for asset portfolio returns and economic inputs used in the discount rate, including risk margin. Depending on the projected cash flows and other assumptions, the contract may be recorded as an asset or liability. The estimate is classified as Level 3.

Fair Value Option—The following represents the gains (losses) recorded for instruments for which we have elected the fair value option, including related parties:

	Successor	Predecessor
(In millions)	December 31, 2022	December 31, 2021
Trading securities	$ (6)	$ (71)
Mortgage loans	(32)	—
Investment funds	50	798
Future policy benefits	—	80
Investment contracts held at fair value	1,014	—
Financial instrument held at fair value	101	—
Total gains (losses)	$ 1,127	$ 807

Gains and losses on trading securities and other liabilities are recorded in investment related gains (losses) on the consolidated statements of income (loss). For fair value option mortgage loans, we record interest income in net investment income and subsequent changes in fair value in investment related gains (losses) on the consolidated statements of income (loss). Gains and losses related to investment funds, including related party investment funds, are recorded in net investment income on the consolidated statements of income (loss). We record the change in fair value of future policy benefits to future policy and other policy benefits on the consolidated statements of income (loss).

The following summarizes information for fair value option mortgage loans, including related parties:

	Successor	Predecessor
(In millions)	December 31, 2022	December 31, 2021
Unpaid principal balance	$ 813	$ —
Mark to fair value	(73)	—
Fair value	$ 740	$ —

As at December 31, 2022 there were no commercial mortgage loan portfolios which were 90 days or more past due and/or in non-accrual status.

ATHENE LIFE RE LTD.
Notes to Consolidated Financial Statements

The following represents our residential mortgage loan portfolio 90 days or more past due and/or in non-accrual status:

	Successor
(in millions)	December 31, 2022
Unpaid principal balance of residential mortgage loans 90 days or more past due and/or in non-accrual status	$ 64
Mark to fair value of residential mortgage loans 90 days or more past due and/or in non-accrual status	(16)
Fair value of residential mortgage loans 90 days or more past due and/or in non-accrual status	$ 48
Fair value of residential mortgage loans 90 days or more past due	$ 48
Fair value of residential mortgage loans in non-accrual status	48

There were no fair value option mortgage loans 90 days or more past due as of December 31, 2021.

The following is the estimated amount of gains (losses) included in earnings during the period attributable to changes in instrument-specific credit risk on our mortgage loan portfolio:

	Successor	Predecessor
(in millions)	December 31, 2022	December 31, 2021
Mortgage loans	$ (1)	$ —

We estimated the portion of gains and losses attributable to changes in instrument-specific credit risk by identifying commercial loans with loan-to-value ratios meeting credit quality criteria, and residential mortgage loans with delinquency status meeting credit quality criteria.

ATHENE LIFE RE LTD.
Notes to Consolidated Financial Statements

Level 3 Financial Instruments—The following are reconciliations for Level 3 assets and liabilities measured at fair value on a recurring basis. Transfers in and out of Level 3 are primarily based on changes in the availability of pricing sources, as described in the valuation methods above.

	Successor							
	Year Ended December 31, 2022							
		Total realized and unrealized gains (losses)						
(In millions)	Balance at January 1, 2022	Included in income	Included in OCI	Net purchases, issuances, sales and settlements	Net transfers in (out)	Ending balance	Total gains (losses) included in earnings[1]	Total gains (losses) included in OCI[1]
Assets								
AFS securities								
Corporate	54	(1)	1	49	(7)	96	—	$ —
ABS	225	—	(26)	(168)	239	270	—	(29)
RMBS	—	—	3	175	—	178	—	3
Trading securities	—	—	—	1	(1)	—	—	—
Equity securities	401	(2)	—	—	(382)	17	(2)	—
Mortgage loans	—	(25)	—	31	392	398	(25)	—
Funds withheld at interest – embedded derivative	—	(4,847)	—	—	—	(4,847)	—	—
Other investments	—	(16)	—	—	71	55	(23)	—
Investments in related parties								
AFS securities								
Corporate	148	—	(16)	(22)	28	138	—	(16)
CLO	51	—	—	(51)	—	—	—	—
ABS	226	(2)	(8)	22	(160)	78	—	(8)
Trading securities	142	(1)	—	(13)	1	129	—	—
Mortgage loans	—	(7)	—	(154)	503	342	(7)	—
Investment funds	251	(2)	—	—	312	561	(2)	—
Funds withheld at interest - embedded derivative	—	(3,742)	—	—	—	(3,742)	—	—
Short-term investments	—	—	—	28	(28)	—	—	—
Investment contracts held at fair value	28	1,014	—	(657)	—	385	—	—
Total Level 3 assets	$ 1,526	$ (7,631)	$ (46)	$ (759)	$ 968	$ (5,942)	$ (59)	$ (50)
Liabilities								
Interest sensitive contract liabilities - Embedded derivative	$ (1,365)	$ 557	$ —	$ (133)	$ —	$ (941)	$ —	$ —
Financial instruments held at fair value – related party[2]	(27)	101		(74)	—	—	—	—
Total Level 3 liabilities	$ (1,392)	$ 658	$ —	$ (207)	$ —	$ (941)	$ —	$ —

[1] *Related to instruments held at end of the period.*

[2] *Opening balance includes a contribution from parent of $4,127*

ATHENE LIFE RE LTD.
Notes to Consolidated Financial Statements

	Predecessor								
	Year ended December 31, 2021								
		Total realized and unrealized gains (losses)							
(In millions)	Beginning balance	Included in income	Included in OCI	Net purchases, issuances, sales and settlements	Net transfers in (out)	Distributions to parent	Ending balance	Total gains (losses) included in earnings[1]	Total gains (losses) included in OCI[1]
Assets									
AFS securities									
US state, municipal and political subdivisions	$ 34	$ —	$ —	$ —	$ —	$ (34)	$ —	$ —	$ —
Foreign governments	2	—	—		—	(2)	—	—	—
Corporate	778	—	—	35	—	(759)	54	—	—
CLO	208	—	—	(1)	—	(207)	—	—	—
ABS	800	—	—	224	(1)	(798)	225	—	—
CMBS	43	—	—	—	—	(43)	—	—	—
Trading securities	86	(3)	—	3	—	(86)	—	—	—
Equity securities	11	—	—	401	—	(11)	401	—	—
Mortgage loans	19	—	—	—	—	(19)	—	—	—
Investment funds	17	(27)	—	148	109	(247)	—	(27)	—
Funds withheld at interest – embedded derivative	1,990	(1,150)	—	—	—	—	840	—	—
Short-term investments	2	—	—	—	—	(2)	—	—	—
Investments in related parties									
AFS securities									
Corporate	195	2	—	146	—	(195)	148	—	—
CLO	—	—	—	51	—	—	51	—	—
ABS	4,109	2	(6)	(294)	—	(3,585)	226	—	37
Trading securities	1,525	(16)	—	28	—	(1,395)	142	(5)	—
Equity securities	72	—	—	—	—	(72)	—	—	—
Investment funds	1,324	825	—	1,031	—	(2,929)	251	825	—
Funds withheld at interest – embedded derivative	862	(284)	—	—	—	(578)	—	—	—
Reinsurance recoverable	2,100	(109)	—	—	—	(1,991)	—	—	—
Total Level 3 assets	$ 14,177	$ (760)	$ (6)	$ 1,772	$ 108	$(12,953)	$ 2,338	$ 793	$ 37
Liabilities									
Interest sensitive contract liabilities									
Embedded derivative	$ (12,873)	$ (1,451)	$ —	$ (583)	$ —	$ 12,839	$ (2,068)	$ —	$ —
Universal life benefits	(1,308)	73	—	—	—	1,235	—	—	—
Future policy benefits									
AmerUs Closed Block	(1,600)	80	—	—	—	1,520	—	—	—
ILICO Closed Block and life benefits	(776)	34	—	—	—	742	—	—	—
Derivative liabilities	(4)	—	—	—	—	4	—	—	—
Financial instrument held at fair value - related party	—	—	—	—	—	(27)	(27)	—	—
Funds withheld liability - embedded derivative	(59)	—	—	—	—	59	—	—	—
Investment contracts held at fair value - related party	—	—	—	—	—	(4,179)	(4,179)	—	—
Total Level 3 liabilities	$ (16,620)	$ (1,264)	$ —	$ (583)	$ —	$ 12,193	$ (6,274)	$ —	$ —

[1] *Related to instruments held at end of period.*

ATHENE LIFE RE LTD.
Notes to Consolidated Financial Statements

The following represents the gross components of purchases, issuances, sales and settlements, net, and net transfers in (out) shown above:

	Successor							
	Year ended December 31, 2022							
(In millions)	Purchases	Issuances	Sales	Settlements	Net purchases, issuances, sales and settlements	Transfers in	Transfers out	Net transfers in (out)
Assets								
AFS securities								
Corporate	$ 50	$ —	$ —	$ (1)	$ 49	$ 37	$ (44)	$ (7)
ABS	51	—	(218)	(1)	(168)	240	(1)	239
RMBS	175	—	—	—	175	—	—	—
Trading securities	1	—	—	—	1	—	(1)	(1)
Equity securities	—	—	—	—	—	20	(402)	(382)
Mortgage loans	101	—	—	(70)	31	392	—	392
Other investments	—	—	—	—	—	71	—	71
Investments in related parties								
AFS securities								
Corporate	10	—	(26)	(6)	(22)	28	—	28
CLO	32	—	(83)	—	(51)	—	—	—
ABS	266	—	(225)	(19)	22	—	(160)	(160)
Trading securities	301	—	(305)	(9)	(13)	1	—	1
Mortgage loans	—	—	(154)	—	(154)	727	(224)	503
Investment funds	—	—	—	—	—	563	(251)	312
Short-term investments	28	—	—	—	28	—	(28)	(28)
Investment contracts held at fair value	—	—	—	657	657	—	—	—
Total Level 3 assets	$ 1,015	$ —	$ (1,011)	$ 551	$ 555	$ 2,079	$ (1,111)	$ 968
Liabilities								
Interest sensitive contract liabilities – embedded derivative	$ —	$ 233	$ —	$ (100)	$ 133	$ —	$ —	$ —
Financial instrument held at fair value - related party	—	—	—	(74)	(74)	—	—	—
Total Level 3 liabilities	$ —	$ 233	$ —	$ (174)	$ 59	$ —	$ —	$ —

ATHENE LIFE RE LTD.
Notes to Consolidated Financial Statements

	Predecessor							
	Year ended December 31, 2021							
(In millions)	Purchases	Issuances	Sales	Settlements	Net purchases, issuances, sales and settlements	Transfers in	Transfers out	Net transfers in (out)
Assets								
AFS securities								
Corporate	$ 35	$ —	$ —	$ —	$ 35	$ —	$ —	$ —
CLO	—	—	—	(1)	(1)	—	—	(1)
ABS	224	—	—	—	224	—	(1)	—
Trading securities	—	—	—	3	3	—	—	—
Equity securities	400	—	—	1	401	—	—	109
Investment funds	285		(137)	—	148	109	—	
Investments in related parties						—	0	
AFS securities						—	—	—
Corporate	146	—	—	—	146	—	—	—
CLO	51	—	—	—	51	—	—	—
ABS	16	—	(308)	(2)	(294)	—	—	—
Trading securities	150	0	(115)	(7)	28	—	—	—
Investment funds	1,031	—	—	—	1,031	—	—	
Total Level 3 assets	$ 2,338	$ —	$ (560)	$ (6)	$ 1,772	$ 109	$ (1)	$ 108
Liabilities								
Interest sensitive contract liabilities – embedded derivative	$ —	$ (1,474)	$ —	$ 891	$ (583)	$ —	$ —	$ —
Total Level 3 liabilities	$ —	$ (1,474)	$ —	$ 891	$ (583)	$ —	$ —	$ —

Significant Unobservable Inputs—Significant unobservable inputs occur when we could not obtain or corroborate the quantitative detail of the inputs. This applies to fixed maturity securities, equity securities, mortgage loans and certain derivatives, as well as embedded derivatives in liabilities. Additional significant unobservable inputs are described below.

AFS and trading securities – We use discounted cash flow models to calculate the fair value for certain fixed maturity and equity securities. The discount rate is a significant unobservable input because the credit spread includes adjustments made to the base rate. The base rate represents a market comparable rate for securities with similar characteristics. This excludes assets for which fair value is provided by independent broker quotes, but includes assets for which fair value is provided by affiliated quotes.

Mortgage loans – We use discounted cash flow models from independent commercial pricing services to calculate the fair value of our mortgage loan portfolio. The discount rate is a significant unobservable input. This approach uses market transaction information and client portfolio-oriented information, such as prepayments or defaults, to support the valuations.

Investment funds – We use various methods for valuing of our investment funds from both independent pricing services and affiliated modeling.

Interest sensitive contract liabilities – embedded derivative – Significant unobservable inputs we use in the fixed indexed annuities embedded derivative of the interest sensitive contract liabilities valuation include:

1. Nonperformance risk – For contracts we issue, we use the credit spread, relative to the US Department of the Treasury (Treasury) curve based on our public credit rating as of the valuation date. This represents our credit risk for use in the estimate of the fair value of embedded derivatives.
2. Option budget – We assume future hedge costs in the derivative's fair value estimate. The level of option budgets determines the future costs of the options and impacts future policyholder account value growth.
3. Policyholder behavior – We regularly review the lapse and withdrawal assumptions (surrender rate). These are based on our initial pricing assumptions updated for actual experience. Actual experience may be limited for recently issued products.

Investment Contracts Held at Fair Value – For investment contracts, we have elected to apply the fair value option. We used an actuarial appraisal method to measure the fair value of the investment contracts. An actuarial appraisal method is based on the value of projected profits (net of required capital) using market-based assumptions. The significant unobservable inputs used in the actuarial appraisal method are the valuation rate, cost of capital rate, required capital percentage and return on net invested assets.

ATHENE LIFE RE LTD.
Notes to Consolidated Financial Statements

Financial Instruments Held at Fair Value — We elected to apply the fair value option to account for certain financial instruments. The fair value was determined using principals consistent with the pricing of a total return swap. The significant unobservable inputs used in the fair value measurement of the financial instrument are valuation rate for the fixed funding agreement portfolio, credited rate for floating rate funding agreement portfolio and book yield on fixed income portion of funding agreement portfolio.

The following summarizes the unobservable inputs for AFS and trading securities, financial instruments held at fair value, the embedded derivatives of fixed indexed annuities, and for investment contracts held at fair value:

	Successor						
	December 31, 2022						
(In millions, except for percentages)	Fair value	Valuation technique	Unobservable inputs	Minimum	Maximum	Weighted average	Impact of an increase in the input on fair value
AFS and trading securities	$ 424	Discounted cash flow	Discount rate	6.1 %	9 %	7.5 % [1]	Decrease
Mortgage loans	$ 740	Discounted cash flow	Discount rate	4.8 %	14.9 %	7.0 % [1]	Decrease
Investment funds	$ 529	Net tangible asset values	Implied multiple	1.26x	1.26x	1.26x	Increase
	$ 32	Reported net asset value	Reported net asset value	N/A	N/A	N/A	Increase
Interest sensitive contract liabilities – fixed indexed annuities embedded derivatives	$ 941	Option budget method	Non-performance risk	0.2 %	1.7 %	1.0% [2]	Decrease
			Option budget	0.5 %	5.3 %	2.0% [3]	Increase
			Surrender rate	7.1 %	14.1 %	10.7% [4]	Decrease
Investment contracts held at fair value - related party	$ 385	Actuarial appraisal method	Discount Rate	4.6 %	4.9 %	4.7 % [1]	Decrease
			Return on Net Invested Assets	4.3 %	4.7 %	4.4 %	Increase
			Required Capital	7.3 %	7.3 %	7.3 %	Decrease
			Hurdle Rate	12.0 %	12.0 %	12.0 %	Decrease

[1] *The discount rate weighted average is calculated based on the relative fair values of the securities or loans.*

[2] *The successor nonperformance risk weighted average is calculated based on the projected cash flows attributable to the embedded derivative.*

[3] *The successor option budget weighted average is calculated based on the projected account values.*

[4] *The surrender rate weighted average is calculated based on projected account values.*

[5] *The predecessor nonperformance risk weighted average is based on the projected excess of benefits of reserves used in the calculation of the embedded derivative.*

[6] *The predecessor option budget weighted average is calculated based on the indexed account values.*

ATHENE LIFE RE LTD.
Notes to Consolidated Financial Statements

	Predecessor						
	December 31, 2021						
(In millions, except for percentages)	Fair value	Valuation technique	Unobservable inputs	Minimum	Maximum	Weighted average	Impact of an increase in the input on fair value
AFS and trading securities	$ 272	Discounted cash flow	Discount	6.4 %	12.0 %	7.4 % [1]	Decrease
Financial instrument held at fair value - related party	$ 104	Discounted cash flows	Valuation rate	1.8 %	4.9 %	3.1 %	Increase
			Credited rate	1.0 %	2.0 %	1.5 %	Increase
			Book yield	0.0 %	12.0 %	3.2 %	Decrease
Interest sensitive contract liabilities – fixed indexed annuities embedded derivatives	$ 2,068	Option budget method	Non-performance risk	0.1 %	1.0 %	0.6 % [5]	Decrease
			Option budget	0.4 %	3.4 %	1.9% [6]	Increase
			Surrender rate	5.9 %	10.7 %	8 % [4]	Decrease
Investment contracts held at fair value - related party	$ 4,179	Actuarial appraisal method	Discount rate	0.7 %	11.3 %	3.6 % [1]	Decrease
			Return on net invested assets	3.6 %	3.9 %	3.8 %	Increase
			Required capital	0.1 %	7.0 %	0.4 %	Decrease
			Hurdle rate	11.0 %	11.0 %	11.0 %	Decrease

[1] *The discount rate weighted average is calculated based on the relative fair values of the securities or loans.*

[2] *The successor nonperformance risk weighted average is calculated based on the projected cash flows attributable to the embedded derivative.*

[3] *The successor option budget weighted average is calculated based on the projected account values.*

[4] *The surrender rate weighted average is calculated based on projected account values.*

[5] *The predecessor nonperformance risk weighted average is based on the projected excess of benefits of reserves used in the calculation of the embedded derivative.*

[6] *The predecessor option budget weighted average is calculated based on the indexed account values.*

Financial Instruments Without Readily Determinable Fair Values—We have elected the measurement alternative for certain equity securities that do not have a readily determinable fair value. As of December 31, 2022 and 2021, the carrying amount of the equity securities was $400 million and $0 million, respectively, with no cumulative recorded impairment.

7. Reinsurance

The following summarizes the effect of reinsurance on premiums and future policy and other policy benefits on the consolidated statements of income (loss):

	Successor	Predecessor
(In millions)	Year Ended December 31, 2022	Year Ended December 31, 2021
Premiums		
Direct	$ —	$ 13,990
Reinsurance assumed	8,762	388
Reinsurance ceded	—	(115)
Total premiums	$ 8,762	$ 14,263
Future policy and other policy benefits		
Direct	$ (2)	$ 15,482
Reinsurance assumed	9,255	503
Reinsurance ceded	—	(251)
Total future policy and other policy benefits	$ 9,253	$ 15,734

Reinsurance typically provides for recapture rights on the part of the ceding company for certain events of default. Additionally, some agreements require us to place assets in trust accounts for the benefit of the ceding entity. The required minimum assets are equal to or greater than statutory reserves, as defined by the agreement, and were $2,823 million and $1,126 million as of December 31, 2022 and 2021, respectively. Although we own the assets placed in trust, their use is restricted based on the trust agreement terms. If the statutory book value of the assets, or in certain cases fair value, in a trust declines because of impairments or other reasons, we may be required to contribute additional assets to the trust. In addition, the assets within a trust may be subject to a pledge in favor of the applicable reinsurance company.

Reinsurance transactions

We have entered into various coinsurance and modco agreements to reinsure blocks of fixed deferred and fixed indexed and pension group annuities. We did not have any block reinsurance transactions during the years ended December 31, 2022 or 2021.

We reinsure new business related to annuities from AARe and Athene Life Re International Ltd. (ALReI) on a modco basis. During 2021, additional policies were added to the existing modco agreement with AARe covering the pensioners from 8 various companies. For 2022, additional policies were added to the existing modco agreement with AARe covering the pensioners from 11 various companies.

As of June 2021, the Company started to reinsure funding agreement backed notes (FABN) from AARe on a modco basis. As of December 31, 2022 and 2021, we reinsured 3 additional FABNs with a principal of $1,516 million and 14 FABNs with principal of $5,301 million, respectively. As of December 2022, the Company started to reinsure secure funding agreement backed repurchase agreements (FABRs) from AARe on a modco basis. One agreement was reinsured in 2022 with a principal of $300 million.

The above transactions are summarized below:

	Successor	Predecessor
(In millions)	Year Ended December 31, 2022	Year Ended December 31, 2021
Liabilities assumed	$ 10,257	$ 15,535
Less: Assets received	10,497	16,111
Ceding commission paid	(21)	(26)
Net cost of reinsurance	$ (219)	$ (550)
Deferred acquisition costs	$ 6	$ 23
Deferred profit liability[1]	(225)	(573)
Net cost of reinsurance	$ (219)	$ (550)

[1] *Included within future policy benefits on the consolidated balance sheets.*

DAC is amortized over the life of the reinsurance agreements on a basis consistent with our DAC amortization policy. The deferred profit liability balance is amortized over the life of the reinsurance agreement on a constant relationship to the benefit reserves.

As of January 1, 2022, the Company started to reinsure retail business from AARe on a modco basis. Total retail inflows received during 2022 was $2,923 million.

8. Deferred Acquisition Costs, Deferred Sales Inducements and Value of Business Acquired

The following represents a rollforward of DAC, DSI and VOBA:

Predecessor				
(In millions)	DAC	DSI	VOBA	Total
Balance at December 31, 2019	$ 3,274	$ 820	$ 914	$ 5,008
Adoption of accounting standard	12	5	5	22
Additions	633	178	—	811
Unlocking	(36)	(13)	(11)	(60)
Amortization	(414)	(53)	(60)	(527)
Impact of unrealized investment (gains) losses	(233)	(80)	(35)	(348)
Balance at December 31, 2020	3,236	857	813	4,906
Additions	698	265	—	963
Unlocking	(18)	(16)	24	(10)
Amortization	(483)	(182)	(155)	(820)
Impact of unrealized investment (gains) losses	182	54	87	323
Distribution of subsidiaries to parent	(3,084)	(954)	(769)	(4,807)
Balance at December 31, 2021	$ 531	$ 24	$ —	$ 555

Successor				
(In millions)	DAC	DSI	VOBA	Total
Balance at January 1, 2022	$ —	$ —	$ 62	$ 62
Additions	173	62	—	235
Amortization	(1)	—	(8)	(9)
Impact of unrealized investment (gains) losses and other	—	—	(2)	(2)
Balance at December 31, 2022	$ 172	$ 62	$ 52	$ 286

The expected amortization of VOBA for the next five years is as follows:

(In millions)	Expected Amortization
2023	$ (6)
2024	(5)
2025	(5)
2026	(4)
2027	(4)

9. Closed Block

We pay guaranteed benefits under all policies included in the Closed Blocks. In the event the performance of the Closed Blocks' assets is insufficient to maintain dividend scales and interest credits, we may reduce the policyholder dividend scales. In the event dividends have been reduced to zero and the Closed Blocks' assets remain insufficient to fund the Closed Blocks' guaranteed benefits, we would use assets supporting open block policies or surplus to meet the contractual benefits of the Closed Blocks' policyholders. The ILICO Closed Block has been ceded to Global Atlantic. Therefore, Global Atlantic would be required to provide funding for any asset insufficiency related to the ILICO Closed Block. Additionally, the AmerUs Closed Block has a letter of credit and tail risk reinsurance agreement in place that limits our exposure to potential asset insufficiency. As part of the restructure noted in *Note 1 – Business, Basis of Presentation and Significant Accounting Policies,* this transaction was deconsolidated in ALRe's consolidated financial statements effective December 31, 2021.

We elected the fair value option for the AmerUs Closed Block. The fair value of liabilities of the AmerUs Closed Block was derived at election as the sum of the fair value of the AmerUs Closed Block assets plus our cost of capital in the AmerUs Closed Block. The cost of capital was then determined to be the present value of the projected release of required capital and future after tax earnings on required capital supporting the AmerUs Closed Block, discounted at a rate which represents a market participant's required rate of return, less the initial required capital. At each reporting period, we record the fair value of the AmerUs Closed Block by adjusting the change in liabilities, exclusive of the cost of capital, to equal the change in assets. We do not record additional policyholder dividend obligations, as there are no future GAAP earnings available to the policyholders.

The excess of the fair value of the liabilities over the fair value of the assets represents our cost of capital in the AmerUs Closed Block. The maximum amount of future earnings from the assets and liabilities of the AmerUs Closed Block is represented by the reduction in the cost of capital in future years based on the operations of the AmerUs Closed Block and recalculation of the cost of capital each reporting period.

Effective December 31, 2021, we distributed AmerUS Closed Block to its parent as part of the restructure outlined in *Note 1 – Business, Basis of Presentation and Significant Accounting Policies.*

10. Debt

Credit Facility—We have a revolving credit agreement with Citibank, N.A. as administrative agent, which matures on December 3, 2024, subject to up to two one-year extensions (Credit Facility). The borrowing capacity under the Credit Facility is $1.25 billion, with potential increases up to $1.75 billion. In connection with the Credit Facility, AHL and AUSA guaranteed all of the obligations of AHL, ALRe, AARe and AUSA under this facility, and ALRe and AARe guaranteed certain of the obligations of AHL, ALRe, AARe and AUSA under this facility. The Credit Facility contains various standard covenants with which we must comply, including the following:

1. Consolidated debt to capitalization ratio of not greater than 35%;
2. Minimum consolidated net worth of no less than $7.3 billion; and
3. Restrictions on our ability to incur debt and liens, in each case with certain exceptions.

As of December 31, 2022 and 2021, we had no amounts outstanding under the Credit Facility and were in compliance with all covenants under the facility.

Interest accrues on outstanding borrowings at either the Eurodollar Rate (as defined in the Credit Facility) plus a margin or a base rate plus a margin, with the applicable margin varying based on AHL’s Debt Rating (as defined in the Credit Facility).

Liquidity Facility—In the third quarter of 2022, we entered into a revolving credit facility with a syndicate of banks, including Wells Fargo Bank, National Association, as administrative agent, which matures on June 30, 2023, subject to additional 364-day extensions (Liquidity Facility). The Liquidity Facility will be used for liquidity and working capital needs to meet short-term cash flow and investment timing differences. The borrowing capacity under the Liquidity Facility is $2.5 billion, with potential increases up to $3.0 billion. The Liquidity Facility contains various standard covenants with which we must comply, including the following:

1. ALRe Minimum Consolidated Net Worth (as defined in the Liquidity Facility) of no less than $9.3 billion; and
2. Restrictions on our ability to incur debt and liens, in each case with certain exceptions.

Interest accrues on outstanding borrowings at either the secured overnight financing rate (Adjusted Term SOFR, as defined in the Liquidity Facility) plus a margin or a base rate plus a margin, with applicable margin varying based on ALRe’s Financial Strength Rating (as defined in the Liquidity Facility).

As of December 31, 2022, we had no amounts outstanding under the Liquidity Facility and were in compliance with all covenants under the facility. On February 7, 2023, we drew $1.0 billion from the Liquidity Facility for short-term cash flow needs.

11. Equity

Common Stock—On February 9, 2021 the Company subdivided its authorised share capital from $3,000,000, comprised of 3,000,000 common shares of par value $1.00 each, into $3,000,000 comprised of 300,000,000 common shares of par value $0.01 each. We have one class of common stock, which represents 100% of the total voting power, and is beneficially owned by AARe as of January 4, 2022. We have an authorised share capital of $3,000,000 comprised of 300,000,000 shares of par value $0.01 each, of which 246,689,000 have been issued to AARe.

ATHENE LIFE RE LTD.
Notes to Consolidated Financial Statements

Accumulated Other Comprehensive Income (Loss)—The following provides the details and changes in AOCI:

	Predecessor					
(In millions)	Unrealized investment gains (losses) on AFS securities	DAC, DSI, VOBA, future policy benefits and dividends payable to policyholders adjustments on AFS securities	Unrealized gains (losses) on hedging instruments	Foreign currency translation and other adjustments	Income tax expense (benefit) related to other comprehensive income (loss)	Accumulated other comprehensive income (loss)
Balance at December 31, 2020	$ 6,603	$ (1,658)	$ (45)	$ 6	$ (997)	$ 3,909
Other comprehensive income (loss) before reclassifications	(6,652)	1,659	61	3	—	(4,929)
Less: Income tax expense (benefit)	—	—	—	—	(995)	(995)
Less: Other comprehensive income attributable to NCI	(814)	226	6	494	—	(88)
Balance at December 31, 2021	$ 765	$ (225)	$ 10	$ (485)	$ (2)	$ 63

	Successor					
(In millions)	Unrealized investment gains (losses) on AFS securities	DAC, DSI, VOBA, future policy benefits and dividends payable to policyholders adjustments on AFS securities	Unrealized gains (losses) on hedging instruments	Foreign currency translation and other adjustments	Income tax expense (benefit) related to other comprehensive income (loss)	Accumulated other comprehensive income (loss)
Balance at January 1, 2022	$ —	$ —	$ —	$ —	$ —	$ —
Other comprehensive income (loss) before reclassifications	(1,399)	—	(659)	(19)	—	(2,077)
Less: Income tax expense (benefit)	—	—	—	—	(676)	(676)
Less: Other comprehensive income (loss) attributable to NCI	(301)	—	3	(4)	8	(294)
Balance at December 31, 2022	$ (1,700)	$ —	$ (656)	$ (23)	$ (668)	$ (1,107)

12. Income Taxes

Income tax expense (benefit) consists of the following:

	Successor	Predecessor
(In millions)	Year Ended December 31, 2022	Year Ended December 31, 2021
Current	$ 3	$ 412
Deferred	(640)	(34)
Income tax expense (benefit)	$ (637)	$ 378

Income tax expense (benefit) was calculated based on the following income (loss) before income taxes by jurisdiction:

	Successor	Predecessor
(In millions)	Year Ended December 31, 2022	Year Ended December 31, 2021
Bermuda	$ (3,244)	$ 2,667
US	(3,051)	774
United Kingdom	22	730
Income (loss) before income taxes	$ (6,273)	$ 4,171

We, along with certain of our non-US subsidiaries, are Bermuda exempted companies that have historically not been subject to US corporate income taxes on earnings. As a result of the merger, our non-US earnings will generally be subject to US corporate income taxes.

ATHENE LIFE RE LTD.
Notes to Consolidated Financial Statements

The expected tax provision computed on pre-tax income at the weighted average tax rate has been calculated as the sum of the pre-tax income in each jurisdiction multiplied by that jurisdiction's applicable statutory tax rate. Statutory tax rates of 0%, 21% and 19% had been used for Bermuda, the US, and the United Kingdom (UK), respectively for the years ended December 31, 2022, and 2021. A reconciliation of the difference between the expected tax provision at the weighted average tax rate and income tax expense (benefit) is as follows:

	Successor	Predecessor
(In millions, except for percentages)	Year Ended December 31, 2022	Year Ended December 31, 2021
Expected tax provision computed on pre-tax income	$ (641)	$ 304
Increase (decrease) in income taxes resulting from:		
Deferred tax valuation allowance	—	(14)
Prior year true-up	4	5
Corporate owned life insurance	—	52
Stock compensation expense	—	2
State taxes and other	—	29
Income tax expense (benefit)	$ (637)	$ 378
Effective tax rate	10 %	9 %

Total income taxes were as follows:

	Successor	Predecessor
(In millions)	Years Ended December 31, 2022	Year Ended, December 31, 2021
Income tax expense (benefit)	$ (637)	$ 378
Income tax expense (benefit) from OCI	(12)	(371)
Total income tax expense (benefit)	$ (649)	$ 7

Current income tax recoverable and deferred tax assets are included in other assets on the consolidated balance sheets, and current income tax payable and deferred tax liabilities are included in other liabilities on the consolidated balance sheets. Current and deferred income tax assets and liabilities were as follows:

	Successor	Predecessor
(In millions)	December 31, 2022	December 31, 2021
Current income tax recoverable	$ 5	$ 14
Current income tax payable	4	2
Net current income tax recoverable (payable)	$ 1	$ 12
Deferred tax assets	$ 757	$ 14
Deferred tax liabilities	45	104
Net deferred tax assets (liabilities)	$ 712	$ (90)

Deferred income tax assets and liabilities consisted of the following:

	Successor	Predecessor
(In millions)	December 31, 2022	December 31, 2021
Deferred tax assets		
Insurance liabilities	$ 684	$ —
Investments, including derivatives	5	1
Net operating and capital loss carryforwards	68	13
Total deferred tax assets	757	14
Valuation allowance	—	—
Deferred tax assets, net of valuation allowance	757	14
Deferred tax liabilities		
Insurance liabilities	—	100
DAC, DSI and VOBA	44	4
Other	1	—
Total deferred tax liabilities	45	104
Net deferred tax assets/(liabilities)	$ 712	$ (90)

As of December 31, 2022, we have gross US federal net operating losses of $322 million, which will begin to expire by 2041.

On August 16, 2022, the US government enacted the Inflation Reduction Act of 2022 (IRA). The IRA contains a number of tax-related provisions including a 15% minimum corporate income tax on certain large corporations as well as an excise tax on stock repurchases. It is unclear how the IRA will be implemented by the US Department of the Treasury through regulation. We are still evaluating the impact of the IRA on our tax liability, which tax liability could also be affected by how the provisions of the IRA are implemented through such regulation. We will continue to evaluate the IRA's impact as further information becomes available.

ALRe and its Bermuda subsidiaries file protective US income tax returns. Athene Co-Invest Reinsurance Affiliate 1B Ltd. (ACRA 1B) files a standalone US federal return. AADE is not subject to US federal and state examinations by tax authorities for years prior to 2013, while Athene Annuity & Life Assurance Company of New York (AANY) is not subject to examinations for years prior to 2015. The Company is not currently under US federal or state examination.

Under current Bermuda law, we are not required to pay any taxes in Bermuda on either income or capital gains. We have received an undertaking from the Bermuda Minister of Finance that, in the event of any such taxes being imposed, the Company will be exempted from taxation until the year 2035.

13. Statutory Requirements

Our insurance and reinsurance subsidiaries are subject to insurance laws and regulations in the jurisdiction in which they operate including Bermuda. Certain regulations include restrictions that limit the dividends or other distributions, such as loans or cash advances, available to shareholders without prior approval of the insurance regulatory authorities. The differences between financial statements prepared for insurance regulatory authorities and GAAP financial statements vary by jurisdiction.

Bermuda statutory requirements—ALRe and Athene Co-Invest Reinsurance Affiliate 1A Ltd. (ACRA 1A) are each licensed by the Bermuda Monetary Authority (BMA) as long-term insurers and are subject to the Insurance Act 1978 and regulations promulgated thereunder. The BMA implemented the Economic Balance Sheet (EBS) framework into the Bermuda Solvency Capital Requirement (BSCR), which was granted equivalence to the European Union’s Directive (2009/138/EC) (Solvency II).

Under the Insurance Act, long-term insurers are required to maintain minimum statutory capital and surplus to meet the minimum margin of solvency (MMS) and minimum economic statutory capital and surplus (EBS capital and surplus) to meet the Enhanced Capital Requirement (ECR). For our Class C reinsurer, ACRA 1A, MMS is equal to the greater of $500,000, 1.5% of the total statutory assets or 25% of ECR. For our Class E reinsurer, ALRe, MMS is equal to the greater of $8 million, 2% of the first $500 million of statutory assets plus 1.5% of statutory assets above $500 million or 25% of ECR. For each class, the ECR is calculated based on a risk-based capital model where risk factor charges are applied to the EBS. The ECR is floored at the MMS. As of December 31, 2022, our Bermuda subsidiaries were in excess of the minimum levels required. For our Bermuda reinsurance subsidiaries, the ECR is the binding regulatory constraint. The following represents the EBS capital and surplus and BSCR ratios:

	Successor		Predecessor	
	December 31, 2022		December 31, 2021	
(In millions)	EBS capital & surplus*	BSCR ratio*	EBS capital & surplus*	BSCR ratio*
ALRe	$ 16,521	252 %	$ 14,630	209 %
ACRA 1A	5,719	252 %	3,872	183 %

Under the EBS framework, statutory financial statements are generally equivalent to GAAP financial statements, with the exception of permitted practices granted by the BMA. Our Bermuda subsidiaries have permission in the statutory financial statements to use amortized cost instead of fair value as the basis for certain investments. Additionally, our Bermuda subsidiaries use US statutory reserving principles for the calculation of insurance reserves instead of GAAP, subject to the reserves being proved adequate based on cash flow testing. The following represents the effect of the permitted practices to the statutory financial statements:

	Successor	
	December 31, 2022	
(In millions)	ALRe	ACRA 1A
Change to capital and surplus due to permitted practices	$ 6,029	$ 8,289
Change to statutory net income due to permitted practices	2,605	5,945

ATHENE LIFE RE LTD.
Notes to Consolidated Financial Statements

Under the Insurance Act, our Bermuda subsidiaries are prohibited from paying a dividend in an amount exceeding 25% of the prior year's statutory capital and surplus, unless at least two members of the companies' respective board of directors and its principal representative in Bermuda sign and submit to the BMA an affidavit attesting that a dividend in excess of this amount would not cause the subsidiary to fail to meet its relevant margins. In certain instances, the Bermuda subsidiary would also be required to provide prior notice to the BMA in advance of the payment of dividends. In the event that such an affidavit is submitted to the BMA, and further subject to meeting the MMS and ECR requirements, a Bermuda subsidiary is permitted to distribute up to the sum of 100% of statutory surplus and an amount less than 15% of statutory capital. Distributions in excess of this amount require the approval of the BMA. The following represents the maximum distribution our Bermuda subsidiaries would be permitted to remit to its parent without the need for prior approval:

	Successor	Predecessor
(In millions)	December 31, 2022	December 31, 2021
ALRe	$ 5,550	$ 7,122
ACRA 1A	1,912	1,933

Statutory capital and surplus and net income (loss)—The following table presents, for each of our primary insurance subsidiaries, the statutory capital and surplus and the statutory net income (loss), based on the most recent statutory financial statements to be filed with insurance regulators:

	Statutory capital & surplus		Statutory net income (loss)	
	Successor	Predecessor	Successor	Predecessor
(In millions)	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
ALRe	$ 13,084	$ 11,823	$ 937	$ 3,278
ACRA 1A	5,637	4,187	(87)	293

14. Related Parties

Unsecured Revolving Notes Receivable—ALRe has unsecured revolving notes agreement with AHL, ALReI, AUSA and AARe.

The unsecured revolving note receivable from AHL has a borrowing capacity of $4 billion, which was increased from $2 billion on September 13, 2022 . As of December 31, 2022 and 2021, the unsecured note receivable had an outstanding balance of $896 million and $158 million, respectively. Interest accrues at a fixed rate of 2.29% per year and has a maturity date of the earlier of December 15, 2028 and the demand repayment date.

The unsecured revolving note receivable from ALReI has a borrowing capacity of $500 million and had an outstanding balance of $79 million and $0 million as of December 31, 2022 and 2021, respectively. Interest accrues at 3 month LIBOR rate on principal plus applicable margin of 41 bps and has a maturity date of the earlier of December 11, 2024 and the demand repayment date.

The unsecured revolving note receivable from AUSA has a borrowing capacity of $4 billion, which was increased from $2 billion on September 22, 2022. As of December 31, 2022 and 2021, the revolving note receivable had an outstanding balance of $393 million and $1,002 million, respectively. Interest accrues at the US short-term applicable federal rate per year and has a maturity date of the earlier of May 15, 2023 and the demand repayment date.

The unsecured revolving note receivable from AARe has a borrowing capacity of $1 billion, which was increased from $250 million on December 13, 2022. As of December 31, 2022 and 2021, the revolving note receivable had an outstanding balance of $853 million and $0 million, respectively. Interest accrues at the US short-term applicable federal rate per year and has a maturity date of the earlier of June 1, 2023 and the demand repayment date.

Unsecured Revolving Note Payable—In addition to the unsecured revolving notes receivable described above, ALRe has an unsecured revolving note agreement with AHL, ALReI and AARe.

The unsecured revolving note payable to AHL permits ALRe to borrow up to $4 billion, which was increased from $2 billion on September 13, 2022, with interest accruing at a fixed rate of 2.29% per year and has a maturity date of the earlier of December 15, 2028 and the demand repayment date. As of December 31, 2022 and 2021, the revolving note payable had no outstanding balance.

The unsecured revolving note payable to ALReI permits ALRe to borrow up to $500 million with interest accruing at 3 month LIBOR rate on principal plus applicable margin of 41 bps and has a maturity date of the earlier of December 11, 2024 and the demand repayment date. As of December 31, 2022 and 2021, the revolving note payable had no outstanding balance.

The unsecured revolving note payable to AARe permits ALRe to borrow up to $1 billion, which was increased from $250 million on December 13, 2022. As of December 31, 2022 and 2021, the revolving note payable had no outstanding balance. Interest accrues at the US short-term applicable federal rate per year and has a maturity date of the earlier of June 1, 2023 and the demand repayment date.

Apollo

Fee structure – Substantially all of our investments are managed by Apollo. Apollo provides us a full suite of services that includes: direct investment management; asset sourcing and allocation; mergers and acquisition sourcing, execution and asset diligence; and strategic support and advice. Apollo also provides certain operational support services for our investment portfolio including investment compliance, tax, legal and risk management support.

Apollo has extensive experience managing our investment portfolio and its knowledge of our liability profile enables it to tailor an asset management strategy to fit our specific needs. This strategy has proven responsive to changing market conditions and focuses on earning incremental yield by taking liquidity risk and complexity risk, rather than assuming solely credit risk. Our partnership has enabled us to take advantage of investment opportunities that would likely not otherwise have been available to us.

Under our fee agreement with Apollo, we pay Apollo a base management fee of (1) 0.225% per year on a monthly basis equal to the lesser of (A) $103.4 billion, which represents the aggregate fair market value of substantially all of the assets in substantially all of the accounts of or relating to us (collectively, the Accounts) as of December 31, 2018 (Backbook Value), and (B) the aggregate book value of substantially all of the assets in the Accounts at the end of the respective month, plus (2) 0.15% per year of the amount, if any, by which the aggregate book value of substantially all of the assets in the Accounts at the end of the respective month exceeds the Backbook Value, subject to certain adjustments. Additionally, we pay a sub-allocation fee based on specified asset class tiers ranging from 0.065% to 0.70% of the book value of such assets, with the higher percentages in this range for asset classes that are designed to have more alpha generating abilities.

For the years ended December 31, 2022 and 2021, we incurred management fees, inclusive of the base and sub-allocation fees, of $111 million, and $592 million, respectively. Management fees are included within net investment income on the consolidated statements of income (loss). As of December 31, 2022 and 2021, management fees payable were $16 million and $59 million, respectively, and are included in other liabilities on the consolidated balance sheets. Such amounts include fees incurred attributable to ACRA (as defined below) including all of the noncontrolling interest in ACRA.

In addition to the assets on our consolidated balance sheets managed by Apollo, Apollo manages the assets underlying our funds withheld receivable. For these assets, the third-party cedants pay Apollo fees based upon the same fee construct we have with Apollo. Such fees directly reduce the settlement payments that we receive from the third-party cedant and, as such, we indirectly pay those fees. Finally, Apollo charges management fees and carried interest on Apollo-managed funds and other entities in which we invest. Neither the fees paid by such third-party cedants nor the fees or carried interest paid by such Apollo-managed funds or other entities are included in the investment management fee amounts noted above.

Termination of ACRA investment management agreements (IMA) – AHL's bye-laws currently provide that, with respect to IMAs covering assets backing reserves and surplus in ACRA (as defined below), whether from internal reinsurance, third-party reinsurance, or inorganic transactions, among us or any of our subsidiaries, on the one hand, and ISG, on the other hand, we may not, and will not cause our subsidiaries to, terminate any such IMA with Apollo other than at specified termination dates and with relevant board approvals of independent directors and written notice.

Governance – AHL has a management investment committee, which includes members of senior management and reports to the risk committee of AHL's board of directors. The committee focuses on strategic decisions involving our investment portfolio, such as approving investment limits, new asset classes and our allocation strategy, reviewing large asset transactions, as well as monitoring our credit risk, and the management of our assets and liabilities.

AGM owns all of AHL's common stock and prior to the merger with AGM on January 1, 2022 a significant voting interest in AHL was held by shareholders who are members of the Apollo Group. Also, James Belardi, AHL's Chief Executive Officer, serves as a member of the board of directors and an executive officer of AGM, and Chief Executive Officer of ISG, which is also a subsidiary of AGM. Mr. Belardi also owns a profit interest in ISG and in connection with such interest receives quarterly distributions equal to 3.35% of base management fees and 4.5% of subadvisory fees, as such fees are defined in our fee agreement with Apollo. Additionally, six of the fourteen members of our board of directors (including Mr. Belardi) are employees of or consultants to Apollo. In order to protect against potential conflicts of interest resulting from transactions into which we have entered and will continue to enter into with the Apollo Group, AHL's bye-laws require them to maintain a conflicts committee comprised solely of directors who are not general partners, directors (other than independent directors of AGM), managers, officers or employees of any member of the Apollo Group. The conflicts committee reviews and approves material transactions between AHL and the Apollo Group, subject to certain exceptions.

Other related party transactions

AAA – In 2022, AHL contributed $8,007 million of certain of AHL's alternative investments to AAA in exchange for limited partnership interests in AAA. ALRe consolidates certain feeder funds of AAA as a VIE through which we contribute assets to AAA. Apollo established AAA for the purpose of providing a single vehicle through which we and third-party investors can participate in a portfolio of alternative investments, which include those managed by Apollo. Additionally, we believe AAA enhances Apollo's ability to increase alternative assets under management by raising capital from third parties, which will allow Athene to achieve greater scale and diversification for alternatives. Third-party investors began to invest in AAA on July 1, 2022.

ATHENE LIFE RE LTD.
Notes to Consolidated Financial Statements

MidCap – We have various investments in MidCap including an investment through AAA, senior unsecured notes and redeemable preferred stock. We previously directly held MidCap profit participating notes until contribution to AAA during the second quarter of 2022. We also hold structured securities issued by MidCap affiliates.

As of December 31, 2022 and December 31, 2021, we held securities issued by MidCap and its affiliates of $82 million and $36 million, respectively, which are included in related party AFS or trading securities on the consolidated balance sheets.

Venerable – We have coinsurance and modco agreements with Venerable Insurance and Annuity Company (VIAC). VIAC is a related party due to our minority equity investment in its holding company's parent, VA Capital, which was $0 million and $219 million as of December 31, 2022 and 2021, respectively. The minority equity investment in VA Capital is included in related party investment funds on the consolidated balance sheets and accounted for as an equity method investment. VA Capital is owned by a consortium of investors, led by affiliates of Apollo, Crestview Partners III Management, LLC and Reverence Capital Partners L.P., and is the parent of Venerable, which is the parent of VIAC.

On June 1, 2021, Apollo Hybrid Value Fund, L.P., AA Direct, L.P. and certain entities affiliated with Athora, collectively through an acquisition vehicle, AP Violet, L.P. (AP Violet), along with Crestview and Reverence agreed to acquire a portion of the minority equity investment in VA Capital from us and Apollo. As a result, during the year ended December 31, 2021, we sold portions of our equity investment for $124 million, of which $25 million was deferred consideration, to Crestview, Reverence and AP Violet.

We also have term loans receivable from Venerable due in 2033, which are included in related party other investments on the consolidated balance sheets. The loans are held at fair value and were $0 million as of December 31, 2022 and previously held at principal balance less allowances and were $222 million as of December 31, 2021. While management views the overall transactions with Venerable as favorable to us, the stated interest rate of 6.257% on the initial term loan to Venerable represented a below-market interest rate, and management considered such rate as part of its evaluation and pricing of the reinsurance transactions

Strategic Partnership – We have an agreement pursuant to which we may invest up to $2.875 billion over three years in funds managed by Apollo entities (Strategic Partnership). This arrangement is intended to permit us to invest across the Apollo alternatives platform into credit-oriented, strategic and other alternative investments in a manner and size that is consistent with our existing investment strategy. Fees for such investments payable by us to Apollo would be more favorable to us than market rates, and consistent with our existing alternative investments, investments made under the Strategic Partnership require approval of ISG and remain subject to our existing governance processes, including approval by our conflicts committee where applicable. During the second quarter of 2022, we contributed the majority of our Strategic Partnership investments to AAA. As of December 31, 2022 and December 31, 2021, we had $0 million and $415 million, respectively, of investments under the Strategic Partnership and these investments are typically included in related party investment funds on the consolidated balance sheets.

PK AirFinance – We have investments in PK AirFinance (PK Air), an aviation lending business with a portfolio of loans (Aviation Loans). The Aviation Loans are generally fully secured by aircraft leases and aircraft and are securitized by a special purpose vehicle (SPV) for which Apollo acts as ABS manager (ABS-SPV). The ABS-SPV issues tranches of senior notes and subordinated notes, which are secured by the Aviation Loans. We have purchased both senior and subordinated notes of PK Air, which are included in related party AFS or trading securities on the consolidated balance sheets. During the first quarter of 2022, we contributed our investment in the subordinated notes to PK Air Holdings, LP (PK Air Holdings) and then contributed PK Air Holdings to AAA during the second quarter of 2022. The following summarizes our investments in PK Air notes:

	Successor	Predecessor
(In millions)	December 31, 2022	December 31, 2021
AFS securities	$ —	$ 1,401

We also have commitments to make additional investments in PK Air of $0 million as of December 31, 2022.

Apollo/Athene Dedicated Investment Program (ADIP) – Our subsidiary, Athene Co-Invest Reinsurance Affiliate Holding Ltd. (together with its subsidiaries, ACRA) is partially owned by ADIP, a series of funds managed by Apollo. ALRe currently holds 36.55% of the economic interests in ACRA and all of ACRA's voting interests, with ADIP holding the remaining 63.45% of the economic interests. During the years ended December 31, 2022 and 2021, we received capital contributions of $1,047 million and $758 million million, respectively, from ADIP and paid dividends of $63 million and $0 million, respectively, to ADIP. Additionally, as of December 31, 2022 and 2021, we had $263 million and $0 million, respectively, of related party payables for contingent investment fees payable by ACRA to Apollo. ACRA is obligated to pay the contingent investment fees on behalf of ADIP and, as such, the balance is attributable to noncontrolling interest.

Apollo Share Exchange and Related Transactions – On February 28, 2020, AHL closed a strategic transaction with AGM and certain affiliates of AGM which collectively comprise the AOG, pursuant to which AHL sold 27,959,184 newly issued Class A common shares to the AOG for an investment in Apollo of 29,154,519 newly issued AOG units valued at $1.1 billion and AHL sold 7,575,758 newly issued Class A common shares to the AOG for $350 million. As of December 31, 2021, the investment in Apollo was $2,112 million, which was included in related party investment funds on the consolidated balance sheets. Subsequent to AHL's merger with AGM, AHL's investment in Apollo was distributed to AGM in the first quarter of 2022.

15. Commitments and Contingencies

Contingent Commitments—We had commitments to make investments, primarily capital contributions to investment funds, inclusive of related party commitments discussed previously, of $678 million as of December 31, 2022. We expect most of our current commitments will be invested over the next five years; however, these commitments could become due any time upon counterparty request.

Pledged Assets and Funds in Trust (Restricted Assets)—The total restricted assets included on the consolidated balance sheets are as follows:

	Successor	Predecessor
(In millions)	December 31, 2022	December 31, 2021
AFS securities	$ 2,592	$ 1,001
Trading securities	1	1
Mortgage loans	20	—
Investment funds	31	—
Derivative assets	—	2
Short-term investments	12	—
Restricted cash	381	533
Total restricted assets	$ 3,037	$ 1,537

The restricted assets are primarily related to reinsurance trusts established in accordance with coinsurance agreements and the FHLB and FABR funding agreements described above.

Letters of Credit—We have undrawn letters of credit totaling $1,353 million as of December 31, 2022. These letters of credit were issued for our reinsurance program and have expirations through July 28, 2025.

Litigation, Claims and Assessments

ALRe has no litigation, claims or assessments outstanding as at the reporting date.

16. Subsequent Events

The Company has evaluated the impact of subsequent events through April 26, 2023, the date at which the financial statements were available to be issued.

There were no subsequent events identified.