ATHENE
ANNUITY RE

Consolidated Financial Statements
Year ended 2022

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the consolidated financial statements of Athene Annuity Re Ltd. and its subsidiaries (the "Company"), which comprise the Consolidated Balance Sheet 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.

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 26, 2023

ATHENE ANNUITY RE LTD.
Consolidated Balance Sheet

(In millions)	December 31, 2022
Assets	
Investments	
Available-for-sale securities, at fair value (amortized cost: 2022 – $120,971; allowance for credit losses: 2022 – $458)	$ 102,393
Trading securities, at fair value	1,595
Equity securities (portion at fair value: 2022 – $1,087)	1,487
Mortgage loans (allowance for credit losses: 2022 – $0; portion at fair value: 2022 – $27,454)	27,543
Investment funds (portion at fair value: 2022 – $0)	79
Policy loans	347
Funds withheld at interest (portion at fair value: 2022 – $(4,847))	32,880
Derivative assets	3,309
Short-term investments (portion at fair value: 2022 – $521)	2,160
Other investments (portion at fair value: 2022 – $611)	773
Total investments	172,566
Cash and cash equivalents	6,909
Restricted cash	628
Investments in related parties	
Available-for-sale securities, at fair value (amortized cost: 2022 – $10,440; allowance for credit losses: 2022 – $1)	9,821
Trading securities, at fair value	878
Mortgage loans (allowance for credit losses: 2022 – $0; portion at fair value: 2022 – $1,302)	1,302
Investment funds (portion at fair value: 2022 – $0)	609
Funds withheld at interest (portion at fair value: 2022 – $(1,425))	9,808
Other investments (portion at fair value: 2022 – $303)	303
Intercompany notes receivable	1,289
Accrued investment income (related party: 2022 – $104)	1,328
Reinsurance recoverable (portion at fair value: 2022 – $1,388)	4,367
Deferred acquisition costs, deferred sales inducements and value of business acquired	5,576
Goodwill	4,058
Other assets (related party: 2022 – $0)	9,278
Assets of consolidated variable interest entities	
Investments	
Trading securities, at fair value	1,063
Mortgage loans (related party: 2022 – $342; allowance for credit losses: 2022 – $78; portion at fair value: 2022 – $2,055)	2,055
Investment funds (related party: 2022 – $10,068)	12,480
Other investments, at fair value	101
Cash and cash equivalents	312
Other assets	112
Total assets	$ 244,843

(Continued)

See accompanying notes to consolidated financial statements

ATHENE ANNUITY RE LTD.
Consolidated Balance Sheet

(In millions)		December 31, 2022
Liabilities and Equity		
Liabilities		
Interest sensitive contract liabilities (related party: 2022 – $11,889; portion at fair value: 2022 – $6,670)	$	173,653
Future policy benefits (related party: 2022 – $2,148; portion at fair value: 2022 – $1,712)		55,328
Derivative liabilities		1,642
Payables for collateral on derivatives and securities to repurchase		6,707
Other liabilities (related party: 2022 – $686)		1,929
Liabilities of consolidated variable interest entities (related party: 2022 – $292)		815
Total liabilities		240,074
Commitments and Contingencies (Note 15)		
Equity		
Common stock - par value: 2022 - $1 per share; authorized: 2022 - 250,000; issued and outstanding: 2022 - 250,000		—
Additional paid-in capital		19,602
Retained earnings (accumulated deficit)		(3,970)
Accumulated other comprehensive income (loss) (related party: 2022 – $(902))		(12,327)
Total Athene Annuity Re Ltd. shareholders' equity		3,305
Noncontrolling interests		1,464
Total equity		4,769
Total liabilities and equity	$	244,843

(Concluded)

See accompanying notes to consolidated financial statements

ATHENE ANNUITY RE LTD.
Consolidated Statement of Income (Loss)

(In millions)	Year Ended December 31, 2022
Revenues	
Premiums (related party: 2022 – $261)	$ 11,638
Product charges (related party: 2022 – $41)	718
Net investment income (related party investment income: 2022 – $1,250; and related party investment expense: 2022 – $707)	7,482
Investment related gains (losses) (related party: 2022 – $(1,670))	(12,734)
Other revenues	(29)
Revenues of consolidated variable interest entities	
Net investment income (related party investment income: 2022 – $19)	111
Investment related gains (related party: 2022 – $542)	319
Total revenues	7,505
Benefits and expenses	
Interest sensitive contract benefits (related party: 2022 – $18)	541
Future policy and other policy benefits (related party: 2022 – $286)	12,310
Amortization of deferred acquisition costs and value of business acquired	509
Policy and other operating expenses (related party: 2022 – $159)	1,211
Total benefits and expenses	14,571
Income (loss) before income taxes	(7,066)
Income tax expense (benefit)	(1,004)
Net income (loss)	(6,062)
Less: Net income (loss) attributable to noncontrolling interests	(2,092)
Net income (loss) attributable to Athene Annuity Re Ltd. shareholders	$ (3,970)

See accompanying notes to consolidated financial statements

ATHENE ANNUITY RE LTD.
Consolidated Statement of Comprehensive Income (Loss)

(In millions)	Year Ended December 31, 2022
Net income (loss)	$ (6,062)
Other comprehensive income (loss), before tax	
Unrealized investment gains (losses) on available-for-sale securities, net of offsets	(17,457)
Unrealized gains (losses) on hedging instruments	2
Foreign currency translation and other adjustments	(32)
Other comprehensive income (loss), before tax	(17,487)
Income tax expense (benefit) related to other comprehensive income (loss)	(3,083)
Other comprehensive income (loss)	(14,404)
Comprehensive income (loss)	(20,466)
Less: Comprehensive income (loss) attributable to noncontrolling interests	(4,169)
Comprehensive income (loss) attributable to Athene Annuity Re Ltd. shareholders	$ (16,297)

See accompanying notes to consolidated financial statements

ATHENE ANNUITY RE LTD.
Consolidated Statement of Equity

(In millions)	Common stock	Additional paid-in capital	Retained earnings (accumulated deficit)	Accumulated other comprehensive income (loss)	Total Athene Annuity Re Ltd. shareholders' equity	Noncontrolling interests	Total equity
Balance at January 1, 2022	$ —	$ 19,231	$ —	$ —	$ 19,231	$ 2,276	$ 21,507
Net loss	—	—	(3,970)	—	(3,970)	(2,092)	(6,062)
Other comprehensive loss	—	—	—	(12,327)	(12,327)	(2,077)	(14,404)
Stock-based compensation allocation from parent	—	34	—	—	34	—	34
Contributions from parent	—	337	—	—	337	—	337
Contributions from noncontrolling interests	—	—	—	—	—	1,047	1,047
Distributions to noncontrolling interests	—	—	—	—	—	(63)	(63)
Contributions from noncontrolling interests of consolidated variable interest entities and other	—	—	—	—	—	2,457	2,457
Other changes in equity of noncontrolling interests	—	—	—	—	—	(84)	(84)
Balance at December 31, 2022	$ —	$ 19,602	$ (3,970)	$ (12,327)	$ 3,305	$ 1,464	$ 4,769

See accompanying notes to consolidated financial statements

ATHENE ANNUITY RE LTD.
Consolidated Statement of Cash Flows

(In millions)	Year Ended December 31, 2022
Cash flows from operating activities	
Net income (loss)	$ (6,062)
Adjustments to reconcile net income to net cash provided by operating activities:	
Amortization of deferred acquisition costs and value of business acquired	509
Amortization of deferred sales inducements	—
Net amortization (accretion) of net investment premiums, discounts and other	267
Payment at inception or recapture of reinsurance agreements, net (related party: 2022 – $0)	—
Net investment income (related party: 2022 – $(136))	(348)
Net recognized (gains) losses on investments and derivatives (related party: 2022 – $(1,347))	6,009
Policy acquisition costs deferred	(1,127)
Changes in operating assets and liabilities:	
Accrued investment income (related party: 2022 – $15)	(366)
Interest sensitive contract liabilities (related party: 2020 – $(23))	(1,269)
Future policy benefits and reinsurance recoverable (related party: 2022 – $157)	5,339
Funds withheld assets (related party: 2022 – $1,184)	5,229
Other assets and liabilities	(1,990)
Net cash provided by operating activities	6,191
Cash flows from investing activities	
Sales, maturities and repayments of:	
Available-for-sale securities (related party: 2022 – $4,039)	$ 18,458
Trading securities (related party: 2022 – $72)	216
Equity securities (related party: 2022 – $11)	392
Mortgage loans (related party: 2022 – $25)	3,536
Investment funds (related party: 2022 – $1,405)	1,613
Derivative instruments and other invested assets (related party: 2022 – $165)	3,140
Short-term investments (related party: 2022 – $0)	604
Purchases of:	
Available-for-sale securities (related party: 2022 – $(4,532))	(36,813)
Trading securities (related party: 2022 – $(197))	(950)
Equity securities (related party: 2022 – $(13))	(246)
Mortgage loans (related party: 2022 – $(596))	(13,178)
Investment funds (related party: 2022 – $(4,783))	(5,758)
Derivative instruments and other invested assets (related party: 2022 – $(266))	(2,963)
Short-term investments (related party: 2022 – $(19))	(2,617)
Consolidation of new variable interest entities	393
Deconsolidation of previously consolidated entities	(393)
Other investing activities, net	67
Net cash used in investing activities	(34,499)

See accompanying notes to consolidated financial statements

ATHENE ANNUITY RE LTD.
Consolidated Statement of Cash Flows

(In millions)	Year Ended December 31, 2022
Cash flows from financing activities	
Contributions from parent	$ 337
Deposits on investment-type policies and contracts (related party: 2022 – $68)	33,920
Withdrawals on investment-type policies and contracts (related party: 2022 – $(1,843))	(10,209)
Capital contributions from noncontrolling interests	1,047
Capital distributions to noncontrolling interests	(63)
Capital contributions from noncontrolling interests of consolidated variable interest entities	2,164
Net change in cash collateral posted for derivative transactions and securities to repurchase	(330)
Issuance of preferred stock, net of expenses	—
Preferred stock dividends	—
Repurchase of common stock	—
Other financing activities, net	322
Net cash provided by financing activities	27,188
Effect of exchange rate changes on cash and cash equivalents	(15)
Net increase in cash and cash equivalents	(1,135)
Cash and cash equivalents at beginning of year[1]	8,984
Cash and cash equivalents at end of year[1]	$ 7,849
Supplementary information	
Cash paid for taxes	$ (5)
Cash paid for interest	121
Non-cash transactions	
Deposits on investment-type policies and contracts through reinsurance agreements (related party: 2022 – $270)	878
Withdrawals on investment-type policies and contracts through reinsurance agreements (related party: 2022 – $1,493)	9,131
Investments received from settlements on reinsurance agreements	36
Investments received from pension group annuity premiums	4,185
Investments exchanged with third-party cedants	612
Assets contributed to consolidated VIEs	8,007

[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 Annuity Re Ltd. (AARe), a Bermuda exempted company, registered as a Class E insurer under the Bermuda Insurance Act 1978, as amended (Insurance Act), together with its subsidiaries (collectively, we, our, us, or the Company), is a leading financial services company that specializes in issuing, reinsuring and acquiring retirement savings products in the United States (US) and internationally. We conduct business primarily through the following consolidated subsidiaries:

- Our non-US reinsurance subsidiaries, to which AARe's other insurance subsidiaries and third-party ceding companies directly and indirectly reinsure a portion of their liabilities, including Athene Life Re Ltd. (ALRe), a Bermuda exempted company, registered as a Class E insurer under the Insurance Act and Athene Life Re International Ltd. (ALReI), a Bermuda exempted company registered as a Class C insurer under the Insurance Act; and
- Our US reinsurance subsidiaries, which primarily issues retirement savings products.

AARe is wholly owned by Athene USA Corporation (AUSA), an Iowa Corporation, and its ultimate parent is Apollo Global Management, Inc (AGM, and together with its subsidiaries other than us or our subsidiaries, Apollo).

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 (US 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, Athene Holding Ltd. (AHL) completed the merger with AGM. 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 US GAAP. See *Note 2 – Business Combination* for further information on the merger.

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 sheet 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 sheet. 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 statement of income (loss).

ATHENE ANNUITY RE LTD.
Notes to Consolidated Financial Statements

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 statement of income (loss). 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 sheet. 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 statement of income (loss). Changes in the fair value of the mortgage loan portfolio are reported in investment related gains (losses) on the consolidated statement of income (loss). Intercompany mortgage loans are held at amortized cost.

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 statement 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.

Policy Loans - Policy loans are funds provided to policyholders in return for a claim on the policyholder’s account balance. The funds provided are limited to a specified percentage of the account balance. The majority of policy loans do not have a stated maturity and the balances and accrued interest are repaid with proceeds from the policyholder’s account balance. Policy loans are reported at the unpaid principal balance. Interest income is recorded as earned using the contract interest rate and is reported in net investment income on the consolidated statement of income (loss).

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.

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 statement of income (loss). Changes in fair value are included in investment related gains (losses) on the consolidated statement 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 sheet. Earnings from investing activities related to the cash received under our securities repurchase arrangements are included in net investment income on the consolidated statement of income (loss). The associated borrowing cost is included in policy and other operating expenses on the consolidated statement 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 sheet; 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 statement 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 includes certain 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 a charge to credit loss expense within investment related gains (losses) on the consolidated statement 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 statement 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 sheet. 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 statement 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 credit loss expense within investment related gains (losses) on the consolidated statement 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 sheet. 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 statement 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 statement 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 statement of income (loss).

We have elected to present accrued interest receivable separately in accrued investment income on the consolidated balance sheet. 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 statement 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 credit loss expense within investment related gains (losses) on the consolidated statement 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 sheet. 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.

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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 statement 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 statement 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 sheet at fair value, with changes in fair value recognized in investment related gains (losses) on the consolidated statement 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 statement 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 statement of income (loss). Embedded derivatives are carried on the consolidated balance sheet 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 re-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 statement 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 sheet. The change in the fair value of the embedded derivatives is recorded in investment related gains (losses) on the consolidated statement 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 (VIE) - 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 sheet 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 AHL's 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 sheet. For investment contracts, the change in assumed and ceded reserves are presented net in interest sensitive contract benefits on the consolidated statement 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 statement of income (loss). Assumed or ceded premiums are included in premiums on the consolidated statement 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 sheet, 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.

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 sheet. 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 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 sheet as the associated reserves. Positive VOBA is recorded in deferred acquisition costs, deferred sales inducements and value of business acquired on the consolidated balance sheet. 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 information.

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 statement of income (loss). Interest sensitive contract liabilities are not reduced for amounts ceded under reinsurance agreements which are reported as reinsurance recoverable on the consolidated balance sheet. 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 nonparticipating 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 US 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 US GAAP liability is equal to the gross premium liability. If the DAC, DSI and VOBA asset balances are completely written off and the net US 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 statement 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 sheet. 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 statement 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 sheet and amortized into income in relation to applicable policyholder liabilities through future policy and other policy benefits on the consolidated statement 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. Deferred income taxes related to investments in our corporate foreign subsidiaries are computed using an outside basis approach. We record deferred taxes for those components of the outside basis difference, which are expected to reverse in the foreseeable future, without limitation to the overall outside basis difference. 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 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 is permitted. We do not expect that the adoption of this standard will have a material effect on our shareholders' equity as of our transition date, which was 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 shareholders' equity as of December 31, 2022, given the increase in rates during 2022. We are continuing to evaluate the quantitative impact of adopting this guidance on our consolidated financial statements for periods subsequent to our transition date.

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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 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

We have elected pushdown accounting in which we used AGM's basis of accounting that reflects the fair market value of our assets and liabilities as of the date of the merger. As part of pushdown accounting, the goodwill recorded at AHL was allocated to AARe based on AARe's consolidated net identifiable assets relative AHL's consolidated net identifiable assets. This has resulted in $4,073 million goodwill recognized at January 1, 2022, and an assumed purchase price allocation of $21,560.

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 sheet 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	$ 21,560
Assets	
Investments	$ 176,029
Cash and cash equivalents	8,035
Restricted cash	796
Investment in related parties	29,942
Accrued investment income	962
Reinsurance recoverable	4,977
VOBA	4,527
Other assets	5,502
Assets of consolidated variable interest entities	3,635
Estimated fair value of total assets acquired by AGM	234,405
Liabilities	
Interest sensitive contract liabilities	160,211
Future policy benefits	47,114
Derivative liabilities	462
Payables for collateral on derivatives and securities to repurchase	7,044
Other liabilities	1,626
Liabilities of consolidated variable interest entities	461
Estimated fair value of total liabilities assumed by AGM	216,918
Identifiable net assets	17,487
Goodwill attributable to AARe	$ 4,073

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.

We also recorded VOBA and other identifiable intangible assets. Other identifiable intangible assets are included in other assets on the condensed consolidated balance sheet, as follows:

Distribution channels	These assets are valued using the excess earnings method, which derives value based on the present value of the cash flow attributable to the distribution channels, less returns for contributory assets.
Insurance licenses	Licenses are protected through registration and were valued using the market approach based on third-party market transactions from which the prices paid for state insurance licenses could be derived.

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The fair value and weighted average estimated useful life of identifiable intangible assets as of January 1, 2022 consists of the following:

	Fair value *(in millions)*	Weighted average useful life *(in years)*
VOBA	$ 4,527	7
Distribution channels	1,870	18
Insurance licenses	26	Indefinite
Total	$ 6,423	

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:

	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	$ 3,333	$ —	$ —	$ (756)	$ 2,577
US state, municipal and political subdivisions	1,218	—	—	(291)	927
Foreign governments	1,207	(27)	3	(276)	907
Corporate	74,644	(61)	92	(13,774)	60,901
CLO	17,721	(7)	115	(1,337)	16,492
ABS	11,437	(29)	15	(906)	10,517
CMBS	4,636	(5)	6	(479)	4,158
RMBS	6,775	(329)	64	(596)	5,914
Total AFS securities	120,971	(458)	295	(18,415)	102,393
AFS securities – related party					
Corporate	1,028	—	1	(47)	982
CLO	3,346	(1)	10	(276)	3,079
ABS	6,066	—	3	(309)	5,760
Total AFS securities – related party	10,440	(1)	14	(632)	9,821
Total AFS securities including related party	$ 131,411	$ (459)	$ 309	$ (19,047)	$ 112,214

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

	December 31, 2022	
(In millions)	Amortized Cost	Fair Value
AFS securities		
Due in one year or less	$ 1,077	$ 1,048
Due after one year through five years	12,653	11,695
Due after five years through ten years	21,348	18,084
Due after ten years	45,324	34,485
CLO, ABS, CMBS and RMBS	40,569	37,081
Total AFS securities	120,971	102,393
AFS securities – related party		
Due in one year or less	1	1
Due after one year through five years	23	21
Due after five years through ten years	851	823
Due after ten years	153	137
CLO and ABS	9,412	8,839
Total AFS securities – related party	10,440	9,821
Total AFS securities including related party	$ 131,411	$ 112,214

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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.

Unrealized Losses on AFS Securities - The following summarizes the fair value and gross unrealized losses for AFS securities, including related parties, 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:

	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	$ 2,539	$ (756)	$ —	$ —	$ 2,539	$ (756)
US state, municipal and political subdivisions	911	(291)	—	—	911	(291)
Foreign governments	891	(275)	—	—	891	(275)
Corporate	58,256	(13,773)	—	—	58,256	(13,773)
CLO	13,486	(1,277)	—	—	13,486	(1,277)
ABS	8,119	(801)	—	—	8,119	(801)
CMBS	2,650	(427)	—	—	2,650	(427)
RMBS	2,621	(365)	—	—	2,621	(365)
Total AFS securities	89,473	(17,965)	—	—	89,473	(17,965)
AFS securities – related party						
Corporate	619	(47)	—	—	619	(47)
CLO	2,752	(273)	—	—	2,752	(273)
ABS	5,487	(308)	—	—	5,487	(308)
Total AFS securities – related party	8,858	(628)	—	—	8,858	(628)
Total AFS securities including related party	$ 98,331	$ (18,593)	$ —	$ —	$ 98,331	$ (18,593)

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:

	December 31, 2022	
	Unrealized loss position	Unrealized loss position 12 months or more
AFS securities	8,921	—
AFS securities – related party	178	—

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.

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

	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	$ —	$ 66	$ —	$ (28)	$ —	$ (11)	$ 27
Corporate	—	70	—	—	(6)	(3)	61
CLO	—	29	—	—	—	(22)	7
ABS	5	28	—	(3)	—	(1)	29
CMBS	—	15	—	—	—	(10)	5
RMBS	306	41	7	(29)	—	4	329
Total AFS securities	311	249	7	(60)	(6)	(43)	458
AFS securities – related party							
CLO	—	4	—	—	—	(3)	1
ABS	—	17	—	—	—	(17)	—
Total AFS securities – related party	—	21	—	—	—	(20)	1
Total AFS securities including related party	$ 311	$ 270	$ 7	$ (60)	$ (6)	$ (63)	$ 459

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

(In millions)	Year Ended December 31, 2022
AFS securities	$ 4,176
Trading securities	194
Equity securities	56
Mortgage loans	1,266
Investment funds	389
Funds withheld at interest	1,844
Other	288
Investment revenue	8,213
Investment expenses	(731)
Net investment income	$ 7,482

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

(In millions)	Year Ended December 31, 2022
AFS securities	
Gross realized gains on investment activity	$ 1,288
Gross realized losses on investment activity	(2,105)
Net realized investment gains (losses) on AFS securities	(817)
Net recognized investment gains (losses) on trading securities	(423)
Net recognized investment gains (losses) on equity securities	(150)
Net recognized investment gains (losses) on mortgage loans	(2,974)
Derivative gains (losses)	(9,204)
Provision for credit losses	(228)
Other gains (losses)	1,062
Investment related gains (losses)	$ (12,734)

Proceeds from sales of AFS securities were $9,330 million, for the year ended December 31, 2022.

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

(In millions)	Year Ended December 31, 2022
Trading securities	$ (415)
Trading securities – related party	1
Equity securities	(146)
Equity securities – related party	—

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

	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	$ 1,268	$ —	$ 2,866	$ 4,742

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

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

	December 31, 2022	
(In millions)	Amortized Cost	Fair Value
AFS securities		
US government and agencies	$ 2,559	$ 1,941
Foreign governments	146	107
Corporate	1,940	1,605
CLO	273	261
ABS	1,243	1,082
Total securities pledged under repurchase agreements	$ 6,161	$ 4,996

Reverse Repurchase Agreements - As of December 31, 2022, amounts loaned under reverse repurchase agreements were $1,640 million and the fair value of the collateral was $1,753 million, primarily comprised of commercial and residential mortgage loans.

Mortgage Loans, including related party 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, however intercompany mortgage loans are held at amortized cost. 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:

(In millions)	December 31, 2022
Commercial mortgage loans	$ 21,061
Commercial mortgage loans under development	790
Total commercial mortgage loans	21,851
Mark to fair value	(1,743)
Commercial mortgage loans, at amortized cost	89
Commercial mortgage loans	20,197
Residential mortgage loans	11,802
Mark to fair value	(1,099)
Residential mortgage loans	10,703
Mortgage loans	$ 30,900

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.

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

	December 31, 2022	
(In millions, except for percentages)	Net Carrying Value	Percentage of Total
Property type		
Office building	$ 4,740	23.5 %
Retail	1,454	7.2 %
Apartment	6,692	33.1 %
Hotels	1,855	9.2 %
Industrial	2,047	10.1 %
Other commercial	3,409	16.9 %
Total commercial mortgage loans	$ 20,197	100.0 %
US Region		
East North Central	$ 1,437	7.1 %
East South Central	413	2.0 %
Middle Atlantic	5,183	25.7 %
Mountain	898	4.4 %
New England	1,076	5.3 %
Pacific	3,781	18.7 %
South Atlantic	2,756	13.6 %
West North Central	320	1.6 %
West South Central	1,085	5.4 %
Total US Region	16,949	83.9 %
International Region		
United Kingdom	1,898	9.4 %
Other International[1]	1,350	6.7 %
Total International Region	3,248	16.1 %
Total commercial mortgage loans	$ 20,197	100.0 %

[1]*Represents all other countries, with each individual country comprising less than 5% of the portfolio*

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:

	December 31, 2022
US States	
California	28.9 %
Florida	9.7 %
New York	5.6 %
New Jersey	5.3 %
Arizona	5.1 %
Other[1]	31.7 %
Total US residential mortgage loan percentage	86.3 %
International	
United Kingdom	5.4 %
Ireland	3.0 %
Other[2]	5.3 %
Total International residential mortgage loan percentage	13.7 %
Total residential mortgage loan percentage	100.0 %

[1] *Represents all other states, with each individual state comprising less than 5% of the portfolio.*

[2] *Represents all other countries, with each individual country comprising less than 5% of the portfolio.*

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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.

The following summarizes our investment funds, including related party:

	December 31, 2022	
(In millions, except for percentages)	Carrying value	Percent of total
Investment funds		
Equity	$ 46	58.2 %
Hybrid	32	40.5 %
Yield	—	— %
Other	1	1.3 %
Total investment funds	79	100.0 %
Investment funds – related parties		
Strategic origination platforms	34	5.6 %
Strategic insurance platforms	300	49.2 %
Apollo and other fund investments		
Equity	246	40.4 %
Hybrid	—	— %
Yield	4	0.7 %
Other[2]	25	4.1 %
Total investment funds – related parties	609	100.0 %
Investment funds owned by consolidated VIEs		
Strategic origination platforms	4,829	38.7 %
Strategic insurance platforms	529	4.2 %
Apollo and other fund investments		
Equity	2,640	21.2 %
Hybrid	3,113	24.9 %
Yield	1,048	8.4 %
Other	321	2.6 %
Total investment funds owned by consolidated VIEs	12,480	100 %
Total investment funds including related party and funds owned by consolidated VIEs	$ 13,168	

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

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)	December 31, 2022
Assets	$ 3,321
Liabilities	124
Equity	3,197

(In millions)	Year Ended December 31, 2022
Net income	$ 460

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

(In millions)	December 31, 2022
Ownership Percentage	
100%	$ 23
50% – 99%	—
3% – 49%	541
Less than 3%	122
Equity method investment funds	$ 686

The following table presents the carrying value by ownership percentage of investment funds held at fair value due to election of the fair value option, including related party investment funds and investment funds owned by consolidated VIEs:

(In millions)	December 31, 2022
Ownership Percentage	
3% – 49%	617
Less than 3%	2
Fair value investment funds	$ 619

Additionally, as of December 31, 2022, we have $11,861 million of 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 US 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:

	December 31, 2022	
(In millions)	Carrying Value	Maximum Loss Exposure
Investment funds	$ 79	$ 340
Investment in related parties – investment funds	609	743
Assets of consolidated VIEs – investment funds	12,480	20,279
Investment in fixed maturity securities	37,444	40,982
Investment in related parties – fixed maturity securities	9,716	10,290
Total non-consolidated investments	$ 60,328	$ 72,634

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Funds Withheld at Interest - Funds withheld at interest represent 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. As of December 31, 2022, the majority of the ceding companies holding the assets pursuant to such reinsurance agreements had a financial strength rating of A or better (based on an A.M. Best scale).

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 statement of income (loss). The embedded derivative in our reinsurance agreements is similar to a total return swap on the income generated by the underlying assets held by the ceding companies. The change in the embedded derivative is recorded in investment related gains (losses). Although we do not legally own the underlying investments in the funds withheld at interest, in each instance the ceding company has hired Apollo 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 parties:

	December 31, 2022	
(In millions, except percentages)	Carrying value	Percent of total
Fixed maturity securities		
US state, municipal and political subdivisions	263	0.6 %
Foreign governments	401	1.0 %
Corporate	19,944	46.7 %
CLO	3,875	9.1 %
ABS	5,977	14.0 %
CMBS	1,122	2.6 %
RMBS	1,138	2.7 %
Equity securities	373	0.9 %
Mortgage loans	8,025	18.8 %
Investment funds	1,126	2.6 %
Derivative assets	141	0.3 %
Short-term investments	184	0.4 %
Cash and cash equivalents	557	1.3 %
Other assets and liabilities	(438)	(1.0)%
Total funds withheld at interest, including related party	$ 42,688	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:

	December 31, 2022		
	Notional Amount	Fair Value	
(In millions)		Assets	Liabilities
Derivatives designated as hedges			
Foreign currency hedges			
Swaps	6,677	$ 747	$ 154
Forwards	6,283	406	52
Interest rate swaps	4,468	—	803
Forwards on net investments	216	2	—
Interest rate swaps	9,332	9	150
Total derivatives designated as hedges		1,164	1,159
Derivatives not designated as hedges			
Equity options	65,089	1,374	114
Futures	18	33	—
Total return swaps	79	—	3
Foreign currency swaps	3,563	251	112
Interest rate swaps	488	74	—
Credit default swaps	10	—	2
Foreign currency forwards	15,127	413	252
Embedded derivatives			
Funds withheld including related party		(6,272)	(77)
Interest sensitive contract liabilities		—	5,841
Total derivatives not designated as hedges		(4,127)	6,247
Total derivatives		$ (2,963)	$ 7,406

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:

(In millions)	Year Ended December 31, 2022
Investment related gains (losses)	
Foreign currency swaps	$ —
Interest rate swaps	—
Other comprehensive income	
Foreign currency swaps	—
Interest rate swaps	(105)

There were no amounts deemed ineffective during the year ended December 31, 2022. 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.

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

	December 31, 2022	
(In millions)	Carrying amount of the hedged assets or liabilities[1]	Cumulative amount of fair value hedging gains (losses)
AFS securities		
Foreign currency forwards	$ 5,259	$ (217)
Foreign currency swaps	4,797	(398)
Mortgage loans – Foreign currency forwards	—	—
Interest sensitive contract liabilities		
Foreign currency forwards	—	—
Foreign currency swaps	1,081	88
Foreign currency interest rate swaps	4,348	632
Interest rate swaps	6,577	323

[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					
Investment related gains (losses)					
Foreign currency forwards	$ 183	$ (190)	$ (7)	$ 67	$ 9
Foreign curreny swaps	286	(310)	(24)		
Foreign currency interest rate swaps	(622)	632	10	—	—
Interest rate swaps	(332)	323	(9)	—	—
Interest sensitive contract benefits					
Foreign currency interest rate swaps	52	(53)	(1)	—	—

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

(In millions)	Year Ended December 31, 2022
Foreign currency forwards	$ 20
Foreign currency swaps	88
Foreign currency interest rate swaps	—

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 year ended December 31, 2022 these derivatives had gains of $30 million. These derivatives are included in foreign currency translation and other adjustments on the consolidated statements of comprehensive income (loss). As of December 31, 2022, the cumulative foreign currency translations recorded in AOCI related to these net investment hedges were gains of $30 million. During the year ended December 31, 2022, 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.

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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.

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:

(In millions)	Year Ended December 31, 2022
Equity options	$ (2,647)
Futures	(144)
Swaps	57
Foreign currency forwards	474
Embedded derivatives on funds withheld	(6,534)
Amounts recognized in investment related gains (losses)	(8,794)
Embedded derivatives in indexed annuity products[1]	2,934
Total gains (losses) on derivatives not designated as hedges	$ (5,860)

[1] *Included in interest sensitive contract benefits on the consolidated statement of income (loss).*

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.

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 sheet				
(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						
Derivative assets	$ 3,309	$ (1,477)	$ (1,952)	$ (120)	$ —	$ (120)
Derivative liabilities	(1,642)	1,477	478	313	—	313

[1] *The gross amounts of recognized derivative assets and derivative liabilities are reported on the consolidated balance sheet. As of December 31, 2022, 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 sheet.*

[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:

(In millions)	Year Ended December 31, 2022
Trading securities	$ 34
Equity securities	13
Mortgage loans	88
Investment funds	9
Other investments	(33)
Net investment income	$ 111
Trading securities	$ (66)
Net recognized investment losses on mortgage loans	(250)
Provision for credit losses	—
Investment funds	552
Other gains (losses)	83
Investment related gains (losses)	$ 319

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.

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

	December 31, 2022				
(In millions)	Total	NAV	Level 1	Level 2	Level 3
AFS securities					
US government and agencies	$ 2,577	$ —	$ 2,570	$ 7	$ —
US state, municipal and political subdivisions	926	—	—	926	—
Foreign governments	907	—	—	906	1
Corporate	60,901	—	—	59,236	1,665
CLO	16,493	—	—	16,493	—
ABS	10,517	—	—	5,660	4,857
CMBS	4,158	—	—	4,158	—
RMBS	5,914	—	—	5,682	232
Total AFS securities	102,393	—	2,570	93,068	6,755
Trading securities	1,595	—	23	1,519	53
Equity securities	1,087	—	150	845	92
Mortgage loans	27,454	—	—	—	27,454
Funds withheld at interest – embedded derivative	(4,847)	—	—	—	(4,847)
Derivative assets	3,308	—	42	3,266	—
Short-term investments	521	—	29	456	36
Other investments	611	—	—	170	441
Cash and cash equivalents	6,909	—	6,909	—	—
Restricted cash	628	—	628	—	—
Investments in related parties					
AFS securities					
Corporate	982	—	—	170	812
CLO	3,079	—	—	2,776	303
ABS	5,760	—	—	218	5,542
Total AFS securities – related party	9,821	—	—	3,164	6,657
Trading securities	878	—	—	—	878
Mortgage loans	1,302				1,302
Funds withheld at interest – embedded derivative	(1,425)	—	—	—	(1,425)
Other investments	303	—	—	—	303
Reinsurance recoverable	1,388	—	—	—	1,388
Assets of consolidated VIEs					
Trading securities	1,063	—	5	436	622
Mortgage loans	2,055	—	—	—	2,055
Investment funds	12,480	10,009	—	—	2,471
Other investments	101	—	—	2	99
Cash and cash equivalents	312	—	312	—	—
Total assets measured at fair value	$ 167,937	$ 10,009	$ 10,668	$ 102,926	$ 44,334
Liabilities					
Interest sensitive contract liabilities					
Embedded derivative	$ 5,841	$ —	$ —	$ —	$ 5,841
Universal life benefits	829	—	—	—	829
Future policy benefits					
AmerUs Closed Block	1,164	—	—	—	1,164
ILICO Closed Block and life benefits	548	—	—	—	548
Derivative liabilities	1,641	—	38	1,602	1
Other liabilities	494	—	—	(77)	571
Total liabilities measured at fair value	$ 10,517	$ —	$ 38	$ 1,525	$ 8,954

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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.

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 and consolidated VIEs:

(In millions)	Year Ended December 31, 2022
Trading securities	$ (423)
Mortgage loans	(3,213)
Investment funds	91
Future policy benefits	356
Other liabilities	(23)
Total gains (losses)	$ (3,212)

Gains and losses on trading securities are recorded in investment related gains (losses) on the consolidated statement 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 statement of income (loss). Gains and losses related to investment funds, including related party investment funds, are recorded in net investment income on the consolidated statement of income (loss). We record the change in fair value of future policy benefits to future policy and other policy benefits on the consolidated statement of income (loss).

The following summarizes information for fair value option mortgage loans, including related party and consolidated VIEs:

(In millions)	December 31, 2022
Unpaid principal balance	$ 33,653
Mark to fair value	(2,842)
Fair value	$ 30,811

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

(In millions)	December 31, 2022
Unpaid principal balance of commercial mortgage loans 90 days or more past due and/or in non-accrual status	$ 74
Mark to fair value of commercial mortgage loans 90 days or more past due and/or in non-accrual status	(55)
Fair value of commercial mortgage loans 90 days or more past due and/or in non-accrual status	$ 19
Fair value of commercial mortgage loans 90 days or more past due	$ 2
Fair value of commercial mortgage loans in non-accrual status	19

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

(In millions)	December 31, 2022
Unpaid principal balance of residential mortgage loans 90 days or more past due and/or in non-accrual status	$ 522
Mark to fair value of residential mortgage loans 90 days or more past due and/or in non-accrual status	(50)
Fair value of residential mortgage loans 90 days or more past due and/or in non-accrual status	$ 472
Fair value of residential mortgage loans 90 days or more past due[1]	$ 472
Fair value of residential mortgage loans in non-accrual status	360

[1] *Includes $221 million of residential mortgage loans that are guaranteed by US government-sponsored agencies.*

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:

(In millions)	Year Ended December 31, 2022
Mortgage loans	$ (41)

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.

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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.

	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								
Foreign governments	2	(1)	—	—	—	1	—	—
Corporate	1,339	(16)	(123)	364	101	1,665	—	(119)
CLO	14	(2)	—	(9)	(3)	—	—	—
ABS	3,619	1	(183)	778	642	4,857	—	(216)
CMBS	43	—	(17)	—	(26)	—	—	—
RMBS	—	—	3	295	(66)	232	—	4
Trading securities	69	(9)	—	(10)	3	53	(5)	—
Equity securities	429	26	—	(4)	(359)	92	22	—
Mortgage loans	21,154	(2,761)	—	9,061	—	27,454	(2,747)	—
Investment funds	18	1	—	—	(19)	—	1	—
Funds withheld at interest – embedded derivative	—	(4,847)	—	—	—	(4,847)	—	—
Short-term investments	29	—	—	7	—	36	—	—
Other investments	—	(91)	—	36	496	441	(92)	—
Investments in related parties								
AFS securities								
Corporate	670	(3)	(16)	202	(41)	812	—	(16)
CLO	51	—	(29)	281	—	303	—	(29)
ABS	6,445	16	(256)	(807)	144	5,542	(11)	(259)
Trading securities	1,771	3	—	(1,084)	188	878	1	—
Equity securities	113	—	—	(120)	7	—	—	—
Mortgage loans	1,369	(225)	—	158	—	1,302	(225)	—
Funds withheld at interest – embedded derivative	—	(1,425)	—	—	—	(1,425)	—	—
Short-term investments	—	—	—	31	(31)	—	—	—
Other investments	—	14	—	15	274	303	14	—
Reinsurance recoverable	1,991	(603)	—	—	—	1,388	—	—
Assets of consolidated VIEs								
Trading securities	—	49	—	530	44	623	11	—
Mortgage loans	2,151	(227)	—	(30)	161	2,055	(226)	—
Investment funds	1,297	72	—	1,862	(760)	2,471	58	—
Other investments	—	(17)	—	31	85	99	(24)	—
Total Level 3 assets	$ 42,574	$ (10,045)	$ (621)	$ 11,587	$ 840	$ 44,335	$ (3,223)	$ (635)
Liabilities								
Interest sensitive contract liabilities								
Embedded derivative	$ (7,559)	$ 2,934	$ —	$ (1,216)	$ —	$ (5,841)	$ —	$ —
Universal life benefits	(1,235)	406	—	—	—	(829)	—	—
Future policy benefits								
AmerUs Closed Block	(1,520)	356	—	—	—	(1,164)	—	—
ILICO Closed Block and life benefits	(742)	194	—	—	—	(548)	—	—
Derivative liabilities	(1)	—	—	—	—	(1)	—	—
Other liabilities	—	(23)	—	(105)	415	287	—	—
Total Level 3 liabilities	$ (11,057)	$ 3,867	$ —	$ (1,321)	$ 415	$ (8,096)	$ —	$ —

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

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

	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	684	—	(177)	(143)	364	393	(292)	101
CLO	3	—	—	(12)	(9)	—	(3)	(3)
ABS	3,297	—	(1,792)	(727)	778	1,089	(447)	642
CMBS	—	—	—	—	—	—	(26)	(26)
RMBS	296	—	—	(1)	295	—	(66)	(66)
Trading securities	8	—	(9)	(9)	(10)	56	(53)	3
Equity securities	—	—	(4)	—	(4)	41	(400)	(359)
Mortgage loans	12,367	—	(198)	(3,108)	9,061	—	—	—
Investment funds	—	—	—	—	—	—	(19)	(19)
Short-term investments	59	—	—	(52)	7	—	—	—
Other investments	48	—	(12)	—	36	496	—	496
Investments in related parties								
AFS securities								
Corporate	483	—	(263)	(18)	202	53	(94)	(41)
CLO	281	—	—	—	281	—	—	—
ABS	2,786	—	(94)	(3,499)	(807)	2,008	(1,864)	144
Trading securities	44	—	(1,082)	(46)	(1,084)	1,448	(1,260)	188
Equity securities	—	—	(119)	(1)	(120)	120	(113)	7
Mortgage loans	182	—	—	(24)	158	—	—	—
Short-term investments	31	—	—	—	31	—	(31)	(31)
Other investments	31	—	(16)	—	15	274	—	274
Assets of consolidated VIEs								
Trading securities	531	—	(1)	—	530	430	(386)	44
Equity securities	—	—	—	—	—	15	(15)	—
Mortgage loans	177	—	—	(207)	(30)	384	(223)	161
Investment funds	2,014	—	(152)	—	1,862	11,550	(12,310)	(760)
Other investments	33	—	(2)	—	31	116	(31)	85
Total Level 3 assets	$ 23,355	$ —	$ (3,921)	$ (7,847)	$ 11,587	$ 18,473	$ (17,633)	$ 840
Liabilities								
Interest sensitive contract liabilities – embedded derivative	$ —	$ (1,722)	$ —	$ 506	$ (1,216)	$ —	$ —	$ —
Other liabilities	—	—	—	(105)	(105)	—	—	—
Total Level 3 liabilities	$ —	$ (1,722)	$ —	$ 401	$ (1,321)	$ —	$ —	$ —

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 investment funds, as well as embedded derivatives in liabilities. Additional significant unobservable inputs are described below.

AFS, trading securities and equity - 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 modelling.

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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 (US 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.

The following summarizes the unobservable inputs for AFS, trading and equity securities, mortgage loans, investment funds and the embedded derivatives of fixed indexed annuities, including those of consolidated VIEs:

	December 31, 2022						
(In millions, except for percentages and multiples)	Fair value	Valuation technique	Unobservable inputs	Minimum	Maximum	Weighted average	Impact of an increase in the input on fair value
AFS, trading and equity securities	$ 10,397	Discounted cash flow	Discount rate	2.2 %	18.8 %	6.6 % [1]	Decrease
Mortgage loans	$ 30,811	Discounted cash flow	Discount rate	1.5 %	22.1 %	6.3 % [1]	Decrease
Investment funds	$ 506	Discounted cash flow	Discount rate	6.4 %	6.4 %	6.4 %	Decrease
	$ 873	Discounted cashflow/ Guideline public equity	Discount rate/ P/E	16.5% / 9x	16.5% / 9x	16.5% / 9x	Decrease / Increase
	$ 529	Net tangible asset values	Implied multiple	1.26x	1.26x	1.26x	Increase
	$ 563	Reported net asset value	Reported net asset value	N/A	N/A	N/A	N/A
Interest sensitive contract liabilities – fixed indexed annuities embedded derivatives	$ 5,841	Discounted cash flow	Nonperformance risk	0.1 %	1.7 %	1.0 % [2]	Decrease
			Option budget	0.5 %	5.3 %	1.9 % [3]	Increase
			Surrender rate	5.1 %	11.5 %	8.1 % [4]	Decrease

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

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

[3] *The 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.*

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, the carrying amount of the equity securities was $400 million, 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 statement of income (loss):

(In millions)	Year Ended December 31, 2022
Premiums	
Direct	$ 11,373
Reinsurance assumed	377
Reinsurance ceded	(112)
Total premiums	$ 11,638
Future policy and other policy benefits	
Direct	$ 12,018
Reinsurance assumed	398
Reinsurance ceded	(106)
Total future policy and other policy benefits	$ 12,310

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 $12,643 million as of December 31, 2022. 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 year ended December 31, 2022.

Effective July 1, 2020, we restructured our reinsurance agreement with Mass Mutual Life Insurance Company (MassMutual). MassMutual recaptured the existing coinsurance agreement and we immediately entered into a new funds withheld coinsurance agreement with our ALRe subsidiary. As a result, we recorded a $5,021 million increase in funds withheld at interest and a corresponding decrease in assets, primarily consisting of investments and cash.

Global Atlantic - We have a 100% coinsurance and assumption agreement with Global Atlantic. The agreement ceded all existing open block life insurance business issued by Athene Annuity and Life Company (AAIA), with the exception of enhanced guarantee universal life insurance products. We also entered into a 100% coinsurance agreement with Global Atlantic to cede all policy liabilities of the ILICO Closed Block. The ILICO Closed Block consists primarily of participating whole life insurance policies. We also have an excess of loss arrangement with Global Atlantic to reimburse us for any payments required from our general assets to meet the contractual obligations of the AmerUs Closed Block not covered by existing reinsurance through Athene Re USA IV. The AmerUs Closed Block consists primarily of participating whole life insurance policies. Since all liabilities were covered by the existing reinsurance at close, no reinsurance premiums were ceded. The assets backing the AmerUs Closed Block are managed, on AAIA's behalf, by Goldman Sachs Asset Management.

As of December 31, 2022, Global Atlantic maintained a series of trust and custody accounts under the terms of these agreements with assets equal to or greater than a required aggregate statutory balance of $2,745 million.

Protective Life Insurance Company (Protective) - We reinsured substantially all of the existing life and health business of Athene Annuity & Life Assurance Company (AADE) to Protective under a coinsurance agreement in 2011. As of December 31, 2022, Protective maintained a trust for our benefit with assets having a fair value of $1,203 million.

Reinsurance Recoverables - The following summarizes our reinsurance recoverable from the following:

(In millions)	December 31, 2022
Global Atlantic	$ 2,461
Protective	1,581
Brighthouse Financial	226
Other[1]	99
Reinsurance recoverable	$ 4,367

[1] *Represents all other reinsurers, with no single reinsurer having a carrying value in excess of 5% of total recoverable.*

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

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

(In millions)	DAC	DSI	VOBA	Total
Balance at January 1, 2022	$ —	$ —	$ 4,527	$ 4,527
Additions	1,127	413	—	1,540
Unlocking	—	—	4	4
Amortization	(25)	—	(488)	(513)
Impact of unrealized investment (gains) losses and other	21	—	(3)	18
Balance at December 31, 2022	$ 1,123	$ 413	$ 4,040	$ 5,576

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

(In millions)	Expected Amortization
2023	$ 440
2024	402
2025	370
2026	336
2027	301

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 are 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.

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 US 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.

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Summarized financial information of the AmerUs Closed Block is presented below.

(In millions)	December 31, 2022
Liabilities	
Future policy benefits	$ 1,164
Other policy claims and benefits	16
Dividends payable to policyholders	73
Other liabilities	9
Total liabilities	1,262
Assets	
Trading securities	1,016
Mortgage loans	14
Policy loans	134
Total investments	1,164
Cash and cash equivalents	42
Accrued investment income	14
Reinsurance recoverable	13
Other assets	2
Total assets	1,235
Maximum future earnings to be recognized from AmerUs Closed Block	$ 27

The following represents the contribution from AmerUs Closed Block.

(In millions)	Year Ended December 31, 2022
Revenues	
Premiums	$ 29
Net investment income	67
Investment related gains (losses)	(310)
Total revenues	(214)
Benefits and Expenses	
Future policy and other policy benefits	(242)
Dividends to policyholders	22
Total benefits and expenses	(220)
Contribution from (to) AmerUs Closed Block before income taxes	6
Income tax expense (benefit)	1
Contribution from (to) AmerUs Closed Block, net of income taxes	$ 5

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, 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).

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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 Liquidity Facility. On February 7, 2023, we drew $1.0 billion from the Liquidity Facility for short-term cash flow needs.

11. Equity

Common Stock - We have one class of common stock, which represents 100% of the total voting power, and is beneficially owned by Athene USA Corporation ("AUSA") effective December 31, 2018. We have an authorised share capital of $250,000, comprised of 250,000 common shares of par value $1.00 each, of which 250,000 have been issued to AUSA.

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

(In millions)	Unrealized investment gains (losses) on AFS securities	DAC, DSI, VOBA and future policy benefits adjustments on AFS securities	Unrealized gains (losses) on hedging instruments	Foreign currency translation and other adjustments	Accumulated other comprehensive income (loss)
Balance at January 1, 2022	$ —	$ —	$ —	$ —	$ —
Other comprehensive income (loss) before reclassifications	(18,156)	698	2	(31)	(17,487)
Less: Income tax expense (benefit)	(3,240)	147	12	(2)	(3,083)
Less: Other comprehensive income attributable to NCI	(2,017)	1	(57)	(4)	(2,077)
Balance at December 31, 2022	$ (12,899)	$ 550	$ 47	$ (25)	$ (12,327)

12. Income Taxes

Income tax expense (benefit) consists of the following:

(In millions)	Year Ended December 31, 2022
Current	$ 386
Deferred	(1,390)
Income tax expense (benefit)	$ (1,004)

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

(In millions)	Year Ended December 31, 2022
Bermuda	$ (3,449)
US	(3,639)
United Kingdom	22
Income (loss) before income taxes	$ (7,066)

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A reconciliation of the difference between the expected tax provision at the US statutory tax rate and income tax expense (benefit) is as follows:

(In millions, except for percentages)	Year Ended December 31, 2022
Expected tax provision computed on pre-tax income	$ (1,483)
(Decrease) increase in income taxes resulting from:	
Deferred tax valuation allowance	—
Non-deductible expenses	1
Prior year true-up	47
Non-controlling interest	443
Stock compensation expense	5
Change in statutory tax rates	—
Other	(17)
Income tax expense (benefit)	$ (1,004)
Effective tax rate	14 %

Total income taxes were as follows:

(In millions)	Year Ended December 31, 2022
Income tax expense	$ (1,004)
Income tax expense (benefit) from OCI	(3,083)
Total income tax expense (benefit)	$ (4,087)

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

(In millions)	December 31, 2022
Current income tax recoverable	$ 266
Current income tax payable	
Net current income tax recoverable (payable)	$ 266
Deferred tax assets	$ 5,902
Deferred tax liabilities	34
Net deferred tax assets (liabilities)	$ 5,868

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Deferred income tax assets and liabilities consisted of the following:

(In millions)	December 31, 2022
Deferred tax assets	
Insurance liabilities	$ 2,668
Net unrealized losses on AFS	3,083
Net operating and capital loss carryforwards	68
Investments, including derivatives	298
Tax credits	—
VOBA	—
Fixed assets	—
Employee benefits	2
Investment in foreign subsidiares	1,011
Other	62
Total deferred tax assets	7,192
Valuation allowance	—
Deferred tax assets, net of valuation allowance	7,192
Deferred tax liabilities	
Investments, including derivatives	—
Intangible assets	378
Net unrealized gains on AFS	—
DAC, DSI and VOBA	946
Other	—
Total deferred tax liabilities	1,324
Net deferred tax assets (liabilities)	$ 5,868

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

The valuation allowance consists of the following:

(In millions)	December 31, 2022
US federal and state net operating losses and other deferred tax assets	$ —
UK net operating losses and other deferred tax assets	—
Total valuation allowance	$ —

The primary jurisdictions in which we operate and incur income taxes are the US and the UK. We have accumulated undistributed earnings generated by certain foreign subsidiaries, which we intend to indefinitely reinvest. As such, we have not recorded deferred taxes related to the accumulated undistributed earnings. We determined that estimating the unrecognized tax liability is not practicable.

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.

AARe and its US subsidiaries file as members of the US federal consolidated tax return and various state governments. AARe's Bermuda subsidiaries file protective US income tax returns and 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, we 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 jurisdictions in which they operate including Bermuda and the US. 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 US GAAP financial statements vary by jurisdiction.

Bermuda statutory requirements - AARe, 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 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 reinsurers, ALRe and AARe, 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:

	December 31, 2022	
(In millions, except percentages)	EBS capital & surplus	BSCR ratio
ALRe	$ 16,521	252 %
AARe	21,735	275 %
ACRA 1A	5,719	252 %

Under the EBS framework, statutory financial statements are generally equivalent to US 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 US 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:

	December 31, 2022		
(In millions)	ALRe	AARe	ACRA 1A
Increase (decrease) to capital and surplus due to permitted practices	$ 6,029	$ 19,671	$ 8,289
Increase (decrease) to statutory net income due to permitted practices	2,605	5,299	5,945

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:

(In millions)	December 31, 2022
ALRe	$ 5,550
AARe	7,050
ACRA 1A	1,912

US statutory requirements—Our regulated US subsidiaries and the corresponding insurance regulatory authorities are as follows:

Subsidiary	Regulatory Authority
AADE	Delaware Department of Insurance
AAIA	Iowa Insurance Division
AANY	New York Department of Financial Services
Athene Re USA IV	State of Vermont Department of Financial Regulation

Each entity's statutory statements are presented on the basis of accounting practices determined by the respective regulatory authority. The regulatory authority recognizes only statutory accounting practices prescribed or permitted by the corresponding state for determining and reporting the financial condition and results of operations of an insurance company and for determining its solvency under insurance law.

The maximum dividend these subsidiaries can pay to shareholders, without prior approval of the respective state insurance department, is subject to restrictions relating to statutory surplus or net gain from operations. The maximum dividend payment over a twelve-month period may not, without prior approval, be paid from a source other than earned surplus and may not exceed the greater of (1) the prior year's net gain from operations or (2) 10% of prior year's policyholders' surplus. Based on these restrictions, the maximum dividend AADE could pay to AUSA absent regulatory approval was $0 million as of December 31, 2022. Any dividends from AHL's other US statutory entities in excess of the amounts allowed for AADE would not be able to be remitted to AUSA without regulatory approval from the Delaware Department of Insurance.

As of December 31, 2022, our US subsidiaries' solvency, liquidity and risk-based capital amounts were significantly in excess of the minimum levels required.

In some instances, the states of domicile of our US subsidiaries have adopted prescribed accounting practices that differ from the required accounting outlined in NAIC Statutory Accounting Principles (SAP). These subsidiaries also have certain accounting practices permitted by the states of domicile that differ from those found in NAIC SAP. These prescribed and permitted practices are described as follows:

AAIA – Among the products issued by AAIA are indexed universal life insurance and fixed indexed annuities. These products allow a portion of the premium to earn interest based on certain indices, primarily the S&P 500. We purchase call options, futures and variance swaps to hedge the growth in interest credited to the customer as a direct result of increases in the related index. The Iowa Insurance Division allows an insurer to elect (1) to use an amortized cost method to account for certain derivative instruments, such as call options, purchased to hedge the growth in interest credited to the customer on indexed insurance products and (2) to use an indexed annuity reserve calculation methodology under which call options associated with the current index interest crediting term are valued at zero. AAIA has elected to apply this option to its over-the-counter call options and reserve liabilities. As a result, AAIA's statutory surplus increased by $62 million as of December 31, 2022.

Athene Re USA IV – AAIA has ceded the AmerUs Closed Block to Athene Re USA IV on a 100% funds withheld basis. A permitted practice in the State of Vermont allows Athene Re USA IV to include as admitted assets the face amount of all issued and outstanding letters of credit used to fund its reinsurance obligations to AAIA in its statutory financial statements. If Athene Re USA IV had not followed this permitted practice, then it would not have exceeded authorized control level risk based capital requirements. As of December 31, 2022, Athene Re USA IV included as admitted assets $112 million, related to the outstanding letters of credit.

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)
(In millions)	December 31, 2022	Year Ended December 31, 2022
ALRe	$ 13,084	$ 937
AARe	17,126	1,329
ACRA 1A	5,637	(87)
AADE	2,298	—
AAIA	2,067	—
AANY	284	—

14. Related Parties

Unsecured Revolving Notes Receivable - AARe and its wholly owned subsidiaries have unsecured revolving notes agreement with AHL and AUSA.

The unsecured revolving note receivable from AHL to ALRe has a borrowing capacity of $4 billion, which was increased from $2 billion on September 13, 2022 . As of December 31, 2022, the unsecured note receivable had an outstanding balance of $896 million. 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 AUSA to ALRe has a borrowing capacity of $4 billion, which was increased from $2 billion on September 22, 2022. As of December 31, 2022, the revolving note receivable had an outstanding balance of $393 million. 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.

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The unsecured revolving note receivable from AUSA to AARe has a borrowing capacity of $1 billion, which was increased from $250 million on December 16, 2022. As of December 31, 2022, the revolving note receivable had no outstanding balance. Interest accrues at the US short-term applicable federal rate per year and has a maturity date of July 1, 2024, or earlier at AARe's request.

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

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 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. As of December 31, 2022, the revolving note payable had no outstanding balance.

The unsecured revolving note payable to AUSA permits AARe to borrow up to $1 billion, which was increase from $250 million on December 16, 2022. As of December 31, 2022, the revolving note payable had an outstanding balance of $199.8 million. Interest accrues at the US short-term applicable federal rate per year and has a maturity date of July 1, 2024, or earlier at AUSA's request.

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 incremental 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.

During the year ended December 31, 2022, we incurred management fees, inclusive of the base and sub-allocation fees, of $706 million. Management fees are included within net investment income on the consolidated statement of income (loss). As of December 31, 2022, management fees payable were $70 million, and are included in other liabilities on the consolidated balance sheet. 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 sheet 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) – Our bye-laws currently provide that, with respect to IMAs covering assets backing reserves and surplus in ACRA, whether from internal reinsurance, third-party reinsurance, or inorganic transactions, among us or any of our subsidiaries, on the one hand, and Apollo Insurance Solutions Group LP (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 our 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, we contributed $8,007 million of certain of our alternative investments to AAA in exchange for limited partnership interests in AAA. We consolidate AAA as a VIE. 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. Additionally, we believe AAA enhances Apollo's ability to increase alternative assets under management (AUM) 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.

Wheels Donlen – We contributed our limited partnership investment in Athene Freedom Parent, LP (Athene Freedom), for which an Apollo affiliate is the general partner, to AAA during the second quarter of 2022. Athene Freedom indirectly invests in both Wheels, Inc. (Wheels) and Donlen, LLC (Donlen). During the fourth quarter of 2022, Athene Freedom also invested in LeasePlan USA, Inc. (LeasePlan).We own ABS and corporate debt securities issued by Wheels, Donlen and LeasePlan of $1,024 million as of December 31, 2022, which are held as related party AFS securities on the consolidated balance sheet. During the second quarter 2022, we received redemptions on Wheels securities of $1,479 million.

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, we held securities issued by MidCap and its affiliates of $1,262 million, which are included in related party AFS or trading securities on the consolidated balance sheet.

Catalina – We have an investment in Apollo Rose II (B) (Apollo Rose) which we consolidate as a VIE in 2022. Apollo Rose has equity interests in Catalina Holdings (Bermuda) Ltd. (Catalina) which we hold as a consolidated VIE related party investment fund on the consolidated balance sheet. During the fourth quarter of 2022, we entered into a strategic modco reinsurance agreement with Catalina General Insurance Ltd., which is a subsidiary of Catalina, to cede certain inforce funding agreements. We elected the fair value option on this agreement and recognized a $142 million liability as of December 31, 2022.

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 Company LLC (VA Capital), which was $240 million as of December 31, 2022. The minority equity investment in VA Capital is included in related party investment funds on the consolidated balance sheet 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.

We also have term loans receivable from Venerable due in 2033, which are included in related party other investments on the consolidated balance sheet. The loans are held at fair value and were $303 million as of December 31, 2022 and previously held at principal balance less allowances. 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, we had $1,032 million, of investments under the Strategic Partnership and these investments are typically included as consolidated VIEs or related party investment funds on the consolidated balance sheet.

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 sheet. 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:

(In millions)	December 31, 2022
AFS or trading securities	$ 1,183

We also have commitments to make additional investments in PK Air of $1,205 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 year ended December 31, 2022, we received capital contributions of $1,047 million, from ADIP and paid dividends of $(63) million, to ADIP. Additionally, as of December 31, 2022, we had $202 million, 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.

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 and those of consolidated VIEs, of $17.8 billion 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.

Funding Agreements - We are a member of the Federal Home Loan Bank of Des Moines (FHLB) and, through membership, we have issued funding agreements to the FHLB in exchange for cash advances. As of December 31, 2022, we had $3.7 billion, of FHLB funding agreements outstanding. We are required to provide collateral in excess of the funding agreement amounts outstanding, considering any discounts to the securities posted and prepayment penalties.

We have a funding agreement backed notes (FABN) program, which allows Athene Global Funding, a special-purpose, unaffiliated statutory trust, to offer its senior secured medium-term notes. Athene Global Funding uses the net proceeds from each sale to purchase one or more funding agreements from us. As of December 31, 2022, we had $21.0 billion, of board-authorized FABN funding agreements outstanding. We had $13.5 billion of board-authorized FABN capacity remaining as of December 31, 2022.

We also established a secured funding agreement backed repurchase agreement (FABR) program, in which a special-purpose, unaffiliated entity enters into repurchase agreements with a bank and the proceeds of the repurchase agreements are used by the special purpose entity to purchase funding agreements from us. As of December 31, 2022, we had $3.0 billion, of FABR funding agreements outstanding.

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

(In millions)	December 31, 2022
AFS securities	$ 15,366
Trading securities	55
Equity securities	38
Mortgage loans	8,849
Investment funds	103
Derivative assets	65
Short-term investments	120
Other investments	170
Restricted cash	628
Total restricted assets	$ 25,394

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.

Assurance Letter - On February 8, 2023 and February 23, 2023, the Company, Apollo and Credit Suisse AG (CS) undertook the first two closes on a previously announced transaction whereby Atlas Securitized Products Holdings LP (Atlas), which is owned by AAA, acquired certain assets of the CS Securitized Products Group. Under terms of the transaction, Atlas has agreed to pay CS $3.3 billion, of which $0.4 billion is deferred until February 8, 2026, and$2.9 billion is deferred until February 8, 2028. This deferred purchase price is an obligation first of Atlas, and (as a result of additional guarantees provided by AAA, Apollo Asset Management, Inc. (AAM) and AHL) second of AAA, third of AAM, fourth of AHL and fifth of AARe, which has issued an assurance letter to CS to guarantee the full amount of $3.3 billion. The fair values of our guarantees related to this transaction are not material to the consolidated financial statements.

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Notes to Consolidated Financial Statements

Litigation, Claims and Assessments

Corporate-owned Life Insurance (COLI) Matter – In 2000 and 2001, two insurance companies which were subsequently merged into AAIA, purchased broad based variable COLI policies from American General Life Insurance Company (American General). In January 2012, the COLI policy administrator delivered to AAIA a supplement to the existing COLI policies and advised that American General and ZC Resource Investment Trust (ZC Trust) had unilaterally implemented changes set forth in the supplement that, if effective, would: (1) potentially negatively impact the crediting rate for the policies and (2) change the exit and surrender protocols set forth in the policies. In March 2013, AAIA filed suit against American General, ZC Trust, and ZC Resource LLC in the Chancery Court in Delaware, seeking, among other relief, a declaration that the changes set forth in the supplement were ineffectual and in breach of the parties' agreement. The parties filed cross motions for judgment as a matter of law, and the court granted defendants' motion and dismissed without prejudice on ripeness grounds. The issue that negatively impacts the crediting rate for one of the COLI policies has subsequently been triggered and, on April 3, 2018, we filed suit against the same defendants in Chancery Court in Delaware seeking substantially similar relief. Defendants moved to dismiss and the court heard oral arguments on February 13, 2019. The court issued an opinion on July 31, 2019 that did not address the merits, but found that the Chancery Court did not have jurisdiction over our claims and directed us to either amend our complaint or transfer the matter to Delaware Superior Court. The matter was transferred to the Delaware Superior Court. Defendants renewed their motion to dismiss and the Superior Court heard oral arguments on December 18, 2019. The Superior Court issued an opinion on May 18, 2020 in which it granted in part and denied in part defendants' motion. The Superior Court denied defendants' motion with respect to the issue that negatively impacts the crediting rate for one of the COLI policies, which issue proceeded to discovery. The Superior Court granted defendants' motion and dismissed without prejudice on ripeness grounds claims related to the exit and surrender protocols set forth in the policies, and dismissed defendant ZC Resource LLC. If the supplement were to have been deemed effective, the purported changes to the policies could have impaired AAIA's ability to access the value of guarantees associated with the policies. The parties engaged in discovery as well as discussions concerning whether the matter could be resolved without further litigation and, at the request of the parties, on August 11, 2021, the court entered an Amended Scheduling Order setting the trial date for June 2023. On December 27, 2021, the parties agreed in principle to a settlement, pursuant to which we will be able to surrender the policies at any time and receive proceeds within six months. During the year ended December 31, 2021, we recorded an impairment of the COLI asset of $53 million, and an adjustment to deferred tax liabilities of $47 million, to reflect the terms of the settlement. The Superior Court formally dismissed the matter on December 28, 2022. We surrendered the policies effective December 30, 2022.