

# **Athene Co-Invest Reinsurance Affiliate 1A Ltd.**

## **Consolidated Financial Statements**

Years ended December 31, 2022 and December 31, 2021

**Athene Co-Invest Reinsurance Affiliate 1A Ltd.**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Shareholders of  
Athene Co-Invest Reinsurance Affiliate 1A Ltd.

### Opinion

We have audited the consolidated financial statements of Athene Co-Invest Reinsurance Affiliate 1A Ltd. and its subsidiaries (the "Company"), which comprise the Consolidated Balance Sheets as of December 31, 2022, and the related Consolidated Statements of Income (Loss), Comprehensive Income (Loss), Equity, and Cash Flows, 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 flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

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

### Predecessor Auditor's Opinion on 2021 Financial Statements

The financial statements of the Company as of and for the year ended December 31, 2021 were audited by other auditors whose report, dated April 18, 2022, expressed an unmodified opinion on those statements.

### Responsibilities of Management for the Financial Statements

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

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

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

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

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited ("DTTL"), its global network of member firms, and their related entities (collectively, the "Deloitte organization"). DTTL (also referred to as "Deloitte Global") and each of its member firms and related entities are legally separate and independent entities, which cannot obligate or bind each other in respect of third parties. DTTL and each DTTL member firm and related entity is liable only for its own acts and omissions, and not those of each other. DTTL does not provide services to clients. Please see [www.deloitte.com/about](http://www.deloitte.com/about) to learn more. Deloitte Ltd. is an affiliate of DCB Holding Ltd., a member firm of Deloitte Touche Tohmatsu Limited.

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 18, 2023

**ATHENE CO-INVEST REINSURANCE AFFILIATE 1A LTD.**  
**Consolidated Balance Sheets**

<i>(In thousands)</i>	<b>Successor</b>	<b>Predecessor</b>
	December 31, 2022	December 31, 2021
<b>Assets</b>		
Investments		
Available-for-sale securities, at fair value (amortized cost: 2022 – \$3,585,483 and 2021 – \$1,059,821; allowance for credit losses: 2022 – \$7,161 and 2021 - \$90)	\$ 3,110,525	\$ 1,065,012
Equity securities (portion at fair value: 2022 – \$54,559 and 2021 – \$364,995)	54,559	364,995
Mortgage loans (allowance for credit losses: 2021 – \$0; portion at fair value: 2022 – \$22,096 and 2021 – \$0)	22,096	16,391
Investment funds (portion at fair value: 2022 – \$0 and 2021 – \$38,756)	—	38,756
Derivative assets	146,994	287,243
Short-term investments (portion at fair value: 2022 – \$37,239 and 2021 – \$0)	37,239	—
<b>Total investments</b>	<b>3,371,413</b>	<b>1,772,397</b>
Cash and cash equivalents	968,677	689,640
Restricted cash	254,780	492,084
Investments in related parties		
Available-for-sale securities, at fair value (amortized cost: 2022 – \$131,674 and 2021 – \$179,369; allowance for credit losses: 2022 – \$0 and 2021 - \$0)	114,469	178,465
Trading securities, at fair value	—	13,006
Mortgage loans (allowance for credit losses: 2021 – \$686; portion at fair value: 2022 – \$0 and 2021 – \$0 )	—	154,031
Investment funds (portion at fair value: 2022 – \$363,540 and 2021 – \$390,004)	363,540	390,004
Funds withheld at interest (portion at fair value: 2022 – \$(7,423,854) and 2021 – \$497,129)	52,270,591	51,560,918
Other investments (allowance for credit losses: 2022 – \$0 and 2021 – \$75; portion at fair value: 2022 – \$0 and 2021 – \$30,000)	—	29,925
Accrued investment income (related party: 2022 – \$909 and 2021 – \$880)	34,311	8,986
Deferred acquisition costs, deferred sales inducements and value of business acquired	256,606	224,367
Goodwill	1,124,578	—
Other assets (related party: 2022 – \$3,053 and 2021 – \$3,345)	729,358	65,706
<b>Total assets</b>	<b>\$ 59,488,323</b>	<b>\$ 55,579,529</b>
<b>Liabilities and Equity (Deficit)</b>		
<b>Liabilities</b>		
Interest sensitive contract liabilities (related party: 2022 – \$36,124,828 and 2021 – \$36,207,835; portion at fair value: 2022 – \$737,733 and 2021 – \$1,383,976)	\$ 36,124,828	\$ 36,207,835
Future policy benefits (related party: 2022 – \$24,187,343 and 2021 – \$15,696,487)	24,187,343	15,696,487
Derivative liabilities	10,058	9,838
Payables for collateral on derivatives and securities to repurchase	545,370	246,235
Other liabilities (related party: 2022 – \$144,808 and 2021 – \$114,032)	147,880	211,964
<b>Total liabilities</b>	<b>61,015,479</b>	<b>52,372,359</b>
<b>Commitments and Contingencies (Note 13)</b>		
<b>Equity (Deficit)</b>		
Common stock - par value \$1.00 per share; authorized: 2022 and 2021 - 5,000,000 shares; issued and outstanding: 2022 and 2021 - 264 shares	264	264
Additional paid-in capital	5,070,473	2,440,091
Retained earnings (accumulated deficit)	(6,133,413)	748,396
Accumulated other comprehensive income (loss) (related party: 2022 - \$(105,380) and 2021 - \$2,794)	(464,480)	18,419
<b>Total shareholder's equity (deficit)</b>	<b>(1,527,156)</b>	<b>3,207,170</b>
<b>Total liabilities and equity</b>	<b>\$ 59,488,323</b>	<b>\$ 55,579,529</b>

See accompanying notes to consolidated financial statements

**ATHENE CO-INVEST REINSURANCE AFFILIATE 1A LTD.**  
**Consolidated Statements of Income (Loss)**

<i>(In thousands)</i>	<b>Successor</b>	<b>Predecessor</b>
	Year Ended December 31, 2022	Year Ended December 31, 2021
<b>Revenues</b>		
Premiums (related party: 2022 – \$8,757,348 and 2021 – \$10,817,714)	\$ 8,757,348	\$ 10,817,714
Product charges (related party: 2022 – \$37,752 and 2021 – \$27,589)	37,752	27,589
Net investment income (related party investment income: 2022 – \$2,042,883 and 2021 – \$679,160; and related party investment expense: 2022 – \$32,778 and 2021 – \$3,804)	2,134,502	713,167
Investment related gains (losses) (related party: 2022 – \$(7,951,085) and 2021 – \$(40,315))	(7,704,159)	428,470
Other revenues (related party: 2022 – \$0 and 2021 – \$1,338)	—	1,262
<b>Total revenues</b>	<b>3,225,443</b>	<b>11,988,202</b>
<b>Benefits and expenses</b>		
Interest sensitive contract benefits (related party: 2022 – \$352,373 and 2021 – \$1,004,422)	352,373	1,004,422
Future policy and other policy benefits (related party: 2022 – \$9,268,747 and 2021 – \$11,066,176)	9,268,747	11,066,176
Amortization of deferred acquisition costs, deferred sales inducements and value of business acquired	7,286	(28,439)
Interest expense (related party: 2022 – \$667 and 2021 – \$(777))	22,549	8,140
Policy and other operating expenses (related party: 2022 – \$241,197 and 2021 – \$90,970)	254,563	204,169
<b>Total benefits and expenses</b>	<b>9,905,518</b>	<b>12,254,468</b>
<b>Income (loss) before income taxes</b>	<b>(6,680,075)</b>	<b>(266,266)</b>
Income tax expense (benefit)	(646,662)	39,991
<b>Net income (loss)</b>	<b>\$ (6,033,413)</b>	<b>\$ (306,257)</b>

*See accompanying notes to consolidated financial statements*

**ATHENE CO-INVEST REINSURANCE AFFILIATE 1A LTD.**  
**Consolidated Statements of Comprehensive Income (Loss)**

	<b>Successor</b>	<b>Predecessor</b>
	Year Ended December 31, 2022	Year Ended December 31, 2021
<i>(In thousands)</i>		
Net (loss)	\$ (6,033,413)	\$ (306,257)
Other comprehensive (loss), before tax		
Unrealized investment (losses) on available-for-sale securities, net of offsets	(473,893)	(25,627)
Unrealized gains on hedging instruments	4,145	5,740
Foreign currency translation and other adjustments	(6,932)	(1,707)
Other comprehensive (loss), before tax	(476,680)	(21,594)
Income tax (benefit) related to other comprehensive (loss)	(12,200)	(561)
Other comprehensive (loss)	(464,480)	(21,033)
<b>Comprehensive income (loss)</b>	<b>\$ (6,497,893)</b>	<b>\$ (327,290)</b>

*See accompanying notes to consolidated financial statements*

**ATHENE CO-INVEST REINSURANCE AFFILIATE 1A LTD.**  
**Consolidated Statements of Equity**

**Predecessor**

<i>(In thousands)</i>	<b>Common stock</b>	<b>Additional paid-in capital</b>	<b>Retained earnings</b>	<b>Accumulated other comprehensive income (loss)</b>	<b>Total shareholder's equity (deficit)</b>
<b>Balance at December 31, 2020</b>	\$ 264	\$ 1,245,717	\$ 1,054,653	\$ 39,452	\$ 2,340,086
Net loss	—	—	(306,257)	—	(306,257)
Other comprehensive loss	—	—	—	(21,033)	(21,033)
Capital contributions received	—	1,194,374	—	—	1,194,374
<b>Balance at December 31, 2021</b>	<u>\$ 264</u>	<u>\$ 2,440,091</u>	<u>\$ 748,396</u>	<u>\$ 18,419</u>	<u>\$ 3,207,170</u>

**Successor**

<b>Balance at January 1, 2022</b>	\$ 264	\$ 3,425,281	\$ —	\$ —	\$ 3,425,545
Net loss	—	—	(6,033,413)	—	(6,033,413)
Other comprehensive loss	—	—	—	(464,480)	(464,480)
Stock-based compensation	—	65	—	—	65
Common stock dividends	—	—	(100,000)	—	(100,000)
Capital contributions received	—	1,650,000	—	—	1,650,000
Distributions to parent	—	(4,873)	—	—	(4,873)
<b>Balance at December 31, 2022</b>	<u>\$ 264</u>	<u>\$ 5,070,473</u>	<u>\$ (6,133,413)</u>	<u>\$ (464,480)</u>	<u>\$ (1,527,156)</u>

See accompanying notes to consolidated financial statements

**ATHENE CO-INVEST REINSURANCE AFFILIATE 1A LTD.**  
**Consolidated Statements of Cash Flows**

<i>(In thousands)</i>	<b>Successor</b>	<b>Predecessor</b>
	Year Ended December 31, 2022	Year Ended December 31, 2021
<b>Cash flows from operating activities</b>		
Net loss	\$ (6,033,413)	\$ (306,257)
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Amortization of deferred acquisition costs and value of business acquired	7,268	(28,439)
Net accretion of net investment premiums, discounts and other	(3,371)	183
Net recognized (gains) losses on investments and derivatives (related party: 2022 – \$33,632 and 2021 – \$(8,058))	206,180	(434,319)
Changes in operating assets and liabilities:		
Accrued investment income (related party: 2022 – \$(29) and 2021 – \$0)	(25,325)	(4,185)
Interest sensitive contract liabilities (related party: 2022 – \$(150,085) and 2021 – \$903,382)	(150,085)	903,382
Future policy benefits, other policy claims and benefits, dividends payable to policyholders and reinsurance recoverable (related party: 2022 – \$(855,480) and 2021 – \$(348,443))	(855,480)	(348,443)
Funds withheld assets and liabilities (related party: 2022 – \$7,637,531 and 2021 – \$472,636)	7,637,531	472,636
Deferred acquisition costs and deferred sales inducements	(206,433)	(486)
Other assets and liabilities	(644,015)	194,618
Net cash (used in) provided by operating activities	(67,143)	448,690
<b>Cash flows from investing activities</b>		
Sales, maturities and repayments of:		
Available-for-sale securities (related party: 2022 – \$375,946 and 2021 – \$453,972)	\$ 951,126	\$ 1,474,061
Trading securities (related party: 2022 – \$307,449 and 2021 – \$30,130)	307,449	30,130
Equity securities (related party: 2022 – \$0 and 2021 – \$0)	291,587	41,998
Mortgage loans (related party: 2022 – \$154,717 and 2021 – \$27,427)	154,717	27,927
Investment funds (related party: 2022 – \$410,210 and 2021 – \$167,308)	491,954	222,589
Derivative instruments and other invested assets (related party: 2022 – \$29,925 and 2021 – \$0)	29,925	31,826
Short-term investments (related party: 2022 – \$0 and 2021 – \$0)	32,000	2,063
Purchases of:		
Available-for-sale securities (related party: 2022 – \$(320,629) and 2021 – \$(319,487))	(3,217,859)	(1,920,469)
Trading securities (related party: 2022 – \$(293,262) and 2021 – \$(43,118))	(293,262)	(43,118)
Mortgage loans (related party: 2022 – \$0 and 2021 – \$(181,818))	(3,852)	(195,046)
Investment funds (related party: 2022 – \$(425,064) and 2021 – \$(454,438))	(426,477)	(517,901)
Derivative instruments and other invested assets (related party: 2022 – \$0 and 2021 – \$(29,925))	(144,559)	(196,557)
Short-term investments (related party: 2022 – \$0 and 2021 – \$0)	(68,889)	—
Other investing activities, net	180,782	341,250
Net cash used in investing activities	(1,715,358)	(701,247)

*(Continued)*

*See accompanying notes to consolidated financial statements*

**ATHENE CO-INVEST REINSURANCE AFFILIATE 1A LTD.**  
**Consolidated Statements of Cash Flows**

<i>(In thousands)</i>	<b>Successor</b>	<b>Predecessor</b>
	Year Ended December 31, 2022	Year Ended December 31, 2021
<b>Cash flows from financing activities</b>		
Capital contributions	\$ 1,476,706	\$ 1,063,219
Net change in cash collateral posted for derivative transactions and securities to repurchase	343,746	(88,214)
Common stock dividends	(100,000)	—
Net cash provided by financing activities	1,720,452	975,005
Effect of exchange rate changes on cash and cash equivalents	103,782	8,969
Net increase in cash and cash equivalents	41,733	731,417
Cash and cash equivalents at beginning of year <sup>1</sup>	1,181,724	450,307
Cash and cash equivalents at end of year <sup>1</sup>	<u>\$ 1,223,457</u>	<u>\$ 1,181,724</u>
<b>Supplementary information</b>		
Cash (received) paid for taxes	\$ (7,280)	\$ 8,300
Cash paid for interest	17,217	7,910
<b>Non-cash transactions</b>		
Deposits on investment-type policies and contracts through reinsurance agreements (related party: 2022 – \$3,060,168 and 2021 – \$185,122)	3,060,168	185,122
Withdrawals on investment-type policies and contracts through reinsurance agreements (related party: 2022 – \$(5,102,052) and 2021 – \$(3,742,140))	(5,102,052)	(3,742,140)
Investments received from settlements on related party reinsurance agreements	(59,361)	176,822
Investments exchanged to fund settlements on related party reinsurance agreements	—	(219,207)
Investments exchanged for related party derivative hedge settlements	—	(21,001)
Non-cash capital contributions in the form of securities	173,242	131,155

<sup>1</sup> Includes cash and cash equivalents and restricted cash.

*(Concluded)*

See accompanying notes to consolidated financial statements

## 1. Business, Basis of Presentation and Significant Accounting Policies

Athene Co-Invest Reinsurance Affiliate 1A Ltd. (ACRA 1A), a Bermuda exempted company, together with its subsidiaries (collectively, we, our, us, or the Company), is 100% owned by Athene Co-Invest Reinsurance Affiliate Holding Ltd. (ACRA HoldCo). ACRA 1A was initially formed as a wholly owned subsidiary of Athene Life Re Ltd. (ALRe) with the objective of raising third-party capital for the purpose of pursuing inorganic, pension group annuities and certain flow reinsurance transactions (collectively, Qualifying Transactions). On September 11, 2019, ALRe entered into a framework agreement (Framework Agreement) with ACRA 1A, in which ACRA 1A received capital commitments from ALRe and certain funds managed by Apollo Global Management, Inc. (AGM) referred to collectively as Apollo/Athene Dedicated Investment Program (ADIP). On October 1, 2019, ALRe sold 67% of its economic interests in ACRA 1A to ADIP for \$575 million. In April 2020, additional shares were issued to ALRe for \$65.6 million, resulting in a 36.55% and 63.45% ownership percentage for ALRe and ADIP, respectively. The shares held by ADIP are non-voting and all of the shares held by ALRe represent 100% of the voting power in ACRA 1A. On December 31, 2021, ALRe, through its subsidiary Athene Asset L.P. (AALP), and ADIP contributed all of their shares of ACRA 1A to ACRA HoldCo in exchange for an equal number of shares of ACRA HoldCo.

ACRA 1A reinsures business from various subsidiaries of Athene Holding Ltd. (AHL). See *Note 6 – Reinsurance* for more information.

ACRA 1A was registered as a Class C long-term insurer on December 28, 2018 with the Bermuda Monetary Authority (BMA) under the Insurance Act 1978, as amended (Insurance Act) and is engaged in the business of reinsurance of retirement savings products, primarily fixed indexed annuities and pension group annuities.

ACRA 1A is a UK tax resident company and as such is subject to UK corporation tax on profits. We do not expect taxes paid pursuant to the UK Tax Act to be material to our operations, for further information please see *Note 10 – Income Taxes*.

**Consolidation and Basis of Presentation**—Our consolidated financial statements include our wholly owned subsidiaries. Intercompany balances and transactions have been eliminated.

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, AHL completed the merger with AGM (together with its subsidiaries other than us or our subsidiaries, Apollo) and is 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. Our consolidated financial statements are presented as Predecessor for the periods prior to the merger and Successor for subsequent periods. See *Note 2 – Business Combination* for further information on the merger.

### 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 5 – Fair Value*. Classification is dependent on a variety of factors including our expected holding period, election of the fair value option and asset and liability matching.

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

## ATHENE CO-INVEST REINSURANCE AFFILIATE 1A 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 statements 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 sheets. Bank loans, private placements and investment funds are recorded on settlement date basis.

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

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

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

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

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

*Funds Withheld at Interest* – Funds withheld at interest represents a receivable for amounts contractually withheld by ceding companies in accordance with 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 5 – Fair Value* for the respective investment type.

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

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

*Securities Repurchase and Reverse Repurchase Agreements* – Securities repurchase and reverse repurchase transactions involve the temporary exchange of securities for cash or other collateral of equivalent value, with agreement to redeliver a like quantity of the same or similar securities at a future date and at a fixed and determinable price. We evaluate transfers of securities under these agreements to repurchase or resell to determine whether they satisfy the criteria for accounting treatment as secured borrowing or lending arrangements. Agreements not meeting the criteria would require recognition of the transferred securities as sales or purchases, with related forward repurchase or resale commitments. All of our securities repurchase transactions are accounted for as secured borrowings and are included in payables for collateral

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on derivatives and securities to repurchase on the consolidated balance sheets. Earnings from investing activities related to the cash received under our securities repurchase arrangements are included in net investment income on the consolidated statements of income (loss). The associated borrowing cost is included in policy and other operating expenses on the consolidated statements of income (loss). The investments purchased in reverse repurchase agreements, which represent collateral on a secured lending arrangement, are not reflected in our consolidated balance sheets; however, the secured lending arrangement is recorded as a short-term investment for the principal amount loaned under the agreement.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Fixed indexed annuity 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. Changes in the fair value of embedded derivatives associated with fixed indexed annuities are included in interest sensitive contract benefits on the consolidated statements of income (loss).

Additionally, reinsurance agreements written on a 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, represents a total return swap with a floating rate leg. The fair value of embedded derivatives on modco agreements is computed as the unrealized gain (loss) on the underlying assets and is included within funds withheld at interest on the consolidated balance sheets for assumed agreements. The change in the fair value of the embedded derivatives is recorded in investment related gains (losses) on the consolidated statements of income (loss). Assumed earnings from funds withheld at interest 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 are reported in operating activities on the consolidated statements of cash flows.

**Variable Interest Entities**—An entity that does not have sufficient equity to finance its activities without additional financial support, or in which the equity investors, as a group, do not have the characteristics typically afforded to common shareholders is a Variable Interest Entity (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, are the decision makers in certain of the investment funds, 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 are not under common control, as defined by US GAAP, with the related party, and therefore we do not consolidate because the related party, whom is the decision maker, holds a significant indirect financial interest in the investee through its ownership interest in us. 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.

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

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

**Reinsurance**—We assume insurance and investment contracts under modco reinsurance agreements. 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. 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.

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

Accounting for reinsurance requires the use of assumptions, particularly related to the future performance of the underlying business and the potential impact of counterparty credit risks. We attempt to minimize our counterparty credit risk through the structuring of the terms of our reinsurance agreements, including the use of trusts, and we monitor credit ratings of counterparties for signs of declining credit quality. When a ceding company does not report information on a timely basis, we record accruals based on the best available information at the time, which includes the reinsurance agreement terms and historical experience. We periodically compare actual and anticipated experience to the assumptions used to establish reinsurance assets and liabilities. See *Note 6 – Reinsurance* for more information.

*ModCo* – For business assumed on a 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 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 modco agreements. Restricted cash is reported separately on the consolidated balance sheets but is included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period amounts shown on the consolidated statements of cash flows.

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

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

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

Deferred costs related to 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. 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 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 sheets as the associated reserves. Positive VOBA is recorded in deferred acquisition costs, deferred sales inducements and value of business acquired on the consolidated balance sheets. We perform periodic tests to determine if the VOBA remains recoverable. If we determine that VOBA is not recoverable, we record a cumulative charge to the current period.

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In connection with the application of pushdown accounting, we recognize 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.

See *Note 7 – Deferred Acquisition Costs, Deferred Sales Inducements and Value of Business Acquired* for further discussion.

**Interest Sensitive Contract Liabilities**—Investment contracts include fixed indexed and traditional fixed annuities in the accumulation phase, funding agreements and immediate annuities without significant mortality risk (which includes pension group annuities without life contingencies). We carry liabilities for fixed annuities and funding agreements at the account balances without reduction for potential surrender or withdrawal charges. Liabilities for immediate annuities without significant mortality risk are calculated as the present value of future liability cash flows and policy maintenance expenses discounted at contractual interest rates. For a discussion regarding our indexed products, refer above to the embedded derivative discussion.

Changes in the interest sensitive contract liabilities, excluding deposits and withdrawals, are recorded in interest sensitive contract benefits or product charges on the consolidated statements of income (loss). See the reinsurance accounting policy discussed in *–Reinsurance* above and *Note 6 – Reinsurance* for more information on reinsurance.

**Future Policy Benefits**—We issue contracts classified as long-duration, which includes 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 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.

For the liabilities associated with GLWB and GMDB riders, each reporting period, we update expected excess benefits and assessments with actual excess benefits and assessments and adjust the liability balances due to the 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 are recorded in future policy and other policy benefits on the consolidated statements of income (loss). See the reinsurance accounting policy discussed in above and *Note 6 – Reinsurance* for more information on reinsurance.

**Foreign Currency**—The accounts of foreign-based subsidiaries 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. 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 *Note 4 – Derivative Instruments* above.

**Recognition of Revenues and Related Expenses**—Revenues for investment contracts, including surrender and market value adjustments, costs of insurance, policy administration, GMDB and GLWB, are earned when assessed against policyholder account balances during the period. Interest credited to policyholder account balances and the change in fair value of embedded derivatives within fixed indexed annuity contracts is included in interest sensitive contract benefits on the consolidated statements of income (loss).

Premiums for long-duration contracts 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

**Notes to Consolidated Financial Statements**

liability is recognized in future policy benefits on the consolidated balance sheets and amortized into income in relation to applicable policyholder liabilities through future policy and other policy benefits on the consolidated statements of income (loss).

**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 and embedded derivatives. Changes in deferred income tax assets and liabilities associated with components of OCI are recorded directly to OCI. We evaluate the likelihood of realizing the benefit of our deferred tax assets and may record a valuation allowance if, based on all available evidence, we determine that it is more likely than not that some portion of the tax benefit will not be realized. We adjust the valuation allowance if, based on our evaluation, there is a change in the amount of deferred income tax assets that are deemed more-likely-than-not to be realized. Changes in deferred tax assets and liabilities attributable to changes in enacted income tax rates are recorded through net income in the period of enactment. We recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the relevant taxing authorities, based on the technical merits of our position. For those tax positions that meet the more-likely-than-not recognition threshold, we recognize the largest amount of tax benefit that is more than 50 percent likely to be realized upon ultimate settlement with the related tax authority. We recognize any income tax interest and penalties in income tax expense.

See Note 10 – Income Taxes.

**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 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.

AHL was required to adopt these updates on January 1, 2023; the Company also adopted these updates at this date. Certain provisions of the update are required to be adopted on a fully retrospective basis, while others may be adopted on a modified retrospective basis. Early adoption was permitted. We do not expect that the adoption of this standard will have a material effect on our 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.

**2. Business Combination**

At the closing of the AHL merger with AGM on January 1, 2022, each issued and outstanding AHL Class A common share (other than shares held by Apollo, the Apollo Operating Group (AOG) or the respective direct or indirect wholly owned subsidiaries of AHL or the AOG) was converted automatically into 1.149 shares of AGM common shares and any cash paid in lieu of fractional AGM common shares. In connection with the merger, AGM issued to AHL Class A common shareholders 158.2 million AGM common shares in exchange for 137.6 million AHL Class A common shares that were issued and outstanding as of the acquisition date, exclusive of the 54.6 million shares previously held by Apollo immediately before the acquisition date.

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

**Pushdown accounting**

As part of pushdown accounting, the goodwill recorded was allocated based on net identifiable assets of the Company relative to the net identifiable assets of AHL. This has resulted in \$1,137 million goodwill recognized at January 1, 2022.

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

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

<i>(In thousands)</i>	<b>Fair value and goodwill calculation</b>	
Fair value of the Company previously held by ACRA HoldCo	\$	3,425,490
<b>Total fair value of the Company held by ACRA HoldCo</b>		<b>3,425,490</b>
<b>Assets</b>		
Investments	\$	53,401,433
Cash and cash equivalents		689,640
Restricted cash		492,084
Investment in related parties		768,668
Accrued investment income		8,986
Deferred acquisition costs, deferred sales inducements, and value of business acquired		53,816
Other assets		99,423
<b>Estimated fair value of total assets acquired by AGM</b>		<b>55,514,050</b>
<b>Liabilities</b>		
Interest sensitive contract liabilities		36,500,495
Future policy benefits		16,377,075
Derivative liabilities		9,838
Payables for collateral on derivatives and securities to repurchase		246,236
Other liabilities		91,645
<b>Estimated fair value of total liabilities assumed by AGM</b>		<b>53,225,289</b>
Identifiable net assets		2,288,761
Estimated fair value of net assets acquired by AGM, excluding goodwill		2,288,761
<b>Goodwill attributable to the Company</b>	<b>\$</b>	<b>1,136,729</b>

During the fourth quarter of 2022, we finalized pushdown accounting. Adjustments to provisional amounts were made prospectively as data became available based on facts and circumstances that existed as of the merger date. Included within the above are final amounts for (1) VOBA, (2) interest sensitive contract liabilities, (3) future policy benefits, and (4) other assets and other liabilities for the portion of our net assets AGM acquired relating to other identifiable intangible assets and deferred taxes, based on the availability of data as of the date the financial statements were available to be issued.

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

	<b>Fair value</b> <i>(in thousands)</i>	<b>Weighted average useful life</b> <i>(in years)</i>
VOBA	\$ 53,816	9.21
<b>Total</b>	<b>\$ 53,816</b>	

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**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:

<i>(In thousands)</i>	<b>Successor</b>				
	December 31, 2022				
	Amortized Cost	Allowance for Credit Losses	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
<b>AFS securities</b>					
US government and agencies	\$ 928,333	\$ —	\$ —	\$ (189,839)	\$ 738,494
US state, municipal and political subdivisions	35,804	—	—	(12,982)	22,822
Corporate	1,190,201	(4,633)	10,504	(200,428)	995,644
CLO	641,290	(152)	1,673	(36,793)	606,018
ABS	301,268	(14)	540	(25,653)	276,141
CMBS	307,227	(32)	1,269	(4,162)	304,302
RMBS	181,360	(2,330)	995	(12,921)	167,104
<b>Total AFS securities</b>	<b>3,585,483</b>	<b>(7,161)</b>	<b>14,981</b>	<b>(482,778)</b>	<b>3,110,525</b>
<b>AFS securities – related parties</b>					
Corporate	41,600	—	—	(7,033)	34,567
CLO	51,172	—	—	(6,632)	44,540
ABS	38,902	—	—	(3,540)	35,362
<b>Total AFS securities – related parties</b>	<b>131,674</b>	<b>—</b>	<b>—</b>	<b>(17,205)</b>	<b>114,469</b>
<b>Total AFS securities including related parties</b>	<b>\$ 3,717,157</b>	<b>\$ (7,161)</b>	<b>\$ 14,981</b>	<b>\$ (499,983)</b>	<b>\$ 3,224,994</b>

<i>(In thousands)</i>	<b>Predecessor</b>				
	December 31, 2021				
	Amortized Cost	Allowance for Credit Losses	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
<b>AFS securities</b>					
Foreign governments	\$ 1,342	\$ —	\$ —	\$ (68)	\$ 1,274
Corporate	635,942	—	19,693	(10,250)	645,385
CLO	250,946	(90)	595	(4,955)	246,496
ABS	39,284	—	154	(163)	39,275
CMBS	14,320	—	141	(88)	14,373
RMBS	117,987	—	1,216	(994)	118,209
<b>Total AFS securities</b>	<b>1,059,821</b>	<b>(90)</b>	<b>21,799</b>	<b>(16,518)</b>	<b>1,065,012</b>
<b>AFS securities – related parties</b>					
Corporate	40,000	—	2,025	—	42,025
CLO	121,455	—	149	(3,070)	118,534
ABS	17,914	—	—	(8)	17,906
<b>Total AFS securities – related parties</b>	<b>179,369</b>	<b>—</b>	<b>2,174</b>	<b>(3,078)</b>	<b>178,465</b>
<b>Total AFS securities including related parties</b>	<b>\$ 1,239,190</b>	<b>\$ (90)</b>	<b>\$ 23,973</b>	<b>\$ (19,596)</b>	<b>\$ 1,243,477</b>

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

<i>(In thousands)</i>	<b>Successor</b>	
	December 31, 2022	
	Amortized Cost	Fair Value
<b>AFS securities</b>		
Due after one year through five years	\$ 299,437	\$ 287,446
Due after five years through ten years	597,111	512,292
Due after ten years	1,257,790	957,222
CLO, ABS, CMBS and RMBS	1,431,145	1,353,565
<b>Total AFS securities</b>	<b>3,585,483</b>	<b>3,110,525</b>
<b>AFS securities – related parties</b>		
Due after five years through ten years	41,600	34,567
CLO and ABS	90,074	79,902
<b>Total AFS securities – related parties</b>	<b>131,674</b>	<b>114,469</b>
<b>Total AFS securities including related parties</b>	<b>\$ 3,717,157</b>	<b>\$ 3,224,994</b>

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:

<i>(In thousands)</i>	<b>Successor</b>					
	December 31, 2022					
	Less than 12 months		12 months or more		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
<b>AFS securities</b>						
US government and agencies	\$ 738,495	\$ (189,839)	\$ —	\$ —	\$ 738,495	\$ (189,839)
US state, municipal and political subdivisions	22,821	(12,982)	—	—	22,821	(12,982)
Corporate	898,945	(200,428)	—	—	898,945	(200,428)
CLO	426,313	(36,669)	—	—	426,313	(36,669)
ABS	247,981	(25,437)	—	—	247,981	(25,437)
CMBS	65,101	(3,528)	—	—	65,101	(3,528)
RMBS	96,877	(10,838)	—	—	96,877	(10,838)
<b>Total AFS securities</b>	<b>2,496,533</b>	<b>(479,721)</b>	<b>—</b>	<b>—</b>	<b>2,496,533</b>	<b>(479,721)</b>
<b>AFS securities – related parties</b>						
Corporate	34,567	(7,031)	—	—	34,567	(7,031)
CLO	44,540	(6,632)	—	—	44,540	(6,632)
ABS	35,362	(3,540)	—	—	35,362	(3,540)
<b>Total AFS securities – related parties</b>	<b>114,469</b>	<b>(17,203)</b>	<b>—</b>	<b>—</b>	<b>114,469</b>	<b>(17,203)</b>
<b>Total AFS securities including related parties</b>	<b>\$ 2,611,002</b>	<b>\$ (496,924)</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 2,611,002</b>	<b>\$ (496,924)</b>

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	<b>Predecessor</b>					
	December 31, 2021					
	Less than 12 months		12 months or more		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
<i>(In thousands)</i>						
<b>AFS securities</b>						
Foreign governments	\$ 1,274	\$ (68)	\$ —	\$ —	\$ 1,274	\$ (68)
Corporate	252,065	(7,225)	12,547	(580)	264,612	(7,805)
CLO	152,400	(2,855)	37,504	(1,232)	189,904	(4,087)
ABS	6,333	(149)	176	(12)	6,509	(161)
CMBS	4,718	(53)	960	(35)	5,678	(88)
RMBS	5,086	(45)	15,003	(243)	20,089	(288)
<b>Total AFS securities</b>	<b>421,876</b>	<b>(10,395)</b>	<b>66,190</b>	<b>(2,102)</b>	<b>488,066</b>	<b>(12,497)</b>
<b>AFS securities – related parties</b>						
CLO	49,624	(3,070)	—	—	49,624	(3,070)
ABS	17,906	(8)	—	—	17,906	(8)
<b>Total AFS securities – related parties</b>	<b>67,530</b>	<b>(3,078)</b>	<b>—</b>	<b>—</b>	<b>67,530</b>	<b>(3,078)</b>
<b>Total AFS securities including related parties</b>	<b>\$ 489,406</b>	<b>\$ (13,473)</b>	<b>\$ 66,190</b>	<b>\$ (2,102)</b>	<b>\$ 555,596</b>	<b>\$ (15,575)</b>

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:

	<b>Successor</b>	
	December 31, 2022	
	Unrealized loss position	Unrealized loss position 12 months or more
AFS securities	347	—
AFS securities – related parties	11	—

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

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

	<b>Successor</b>				
	Year Ended December 31, 2022				
	January 1, 2022	Additions	Reductions		Ending Balance
		Initial credit losses	Securities sold during the period	Additions (reductions) to previously impaired securities	
<i>(In thousands)</i>					
<b>AFS securities</b>					
Foreign governments	\$ —	\$ 1,033	\$ (230)	\$ (803)	\$ —
Corporate	—	4,732	—	(99)	4,633
CLO	—	1,485	—	(1,333)	152
ABS	—	15	—	(1)	14
CMBS	—	39	—	(7)	32
RMBS	2,051	2,114	(245)	(1,590)	2,330
<b>Total AFS securities</b>	<b>2,051</b>	<b>9,418</b>	<b>(475)</b>	<b>(3,833)</b>	<b>7,161</b>
<b>Total AFS securities including related parties</b>	<b>\$ 2,051</b>	<b>\$ 9,418</b>	<b>\$ (475)</b>	<b>\$ (3,833)</b>	<b>\$ 7,161</b>

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	<b>Predecessor</b>				
	Year Ended December 31, 2021				
	Beginning balance	Additions	Reductions	Additions (reductions) to previously impaired securities	Ending Balance
Initial credit losses		Securities sold during the period			
<i>(In thousands)</i>					
<b>AFS securities</b>					
CLO	\$ —	\$ 162	\$ (64)	\$ (8)	\$ 90
ABS	—	30	(30)	—	—
<b>Total AFS securities</b>	—	192	(94)	(8)	90
<b>AFS securities – related parties</b>					
CLO	—	424	—	(424)	—
<b>Total AFS securities – related parties</b>	—	424	—	(424)	—
<b>Total AFS securities including related parties</b>	<u>\$ —</u>	<u>\$ 616</u>	<u>\$ (94)</u>	<u>\$ (432)</u>	<u>\$ 90</u>

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

	<b>Successor</b>	<b>Predecessor</b>
	Year Ended December 31, 2022	Year Ended December 31, 2021
<i>(In thousands)</i>		
<b>AFS securities</b>	\$ 101,091	\$ 44,036
Trading securities	1,600	1,095
Equity securities	16,454	—
Mortgage loans	3,013	1,317
Investment funds	3,424	12,826
Funds withheld at interest	2,027,797	654,857
Other	14,034	2,966
Investment revenue	2,167,413	717,097
Investment expenses	(32,911)	(3,930)
<b>Net investment income</b>	<u>\$ 2,134,502</u>	<u>\$ 713,167</u>

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

	<b>Successor</b>	<b>Predecessor</b>
	Year Ended December 31, 2022	Year Ended December 31, 2021
<i>(In thousands)</i>		
<b>AFS securities</b>		
Gross realized gains on investment activity	\$ 46,802	\$ 18,954
Gross realized losses on investment activity	(71,488)	(21,312)
Net realized investment losses on AFS securities	(24,686)	(2,358)
Net recognized investment gains on trading securities	1,302	9
Net recognized investment gains (losses) on equity securities	(17,716)	205,492
Net realized investment gains (losses) on mortgage loans	(2,239)	—
Derivative gains (losses)	(8,074,665)	174,664
Provision for credit losses	(5,212)	(1,698)
Other gains (losses)	419,057	52,361
<b>Investment related gains (losses)</b>	<u>\$ (7,704,159)</u>	<u>\$ 428,470</u>

Proceeds from sales of AFS securities were \$770 million and \$1,474 million for the years ended December 31, 2022 and 2021, respectively.

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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:

	<b>Successor</b>	<b>Predecessor</b>
	Year Ended December 31, 2022	Year Ended December 31, 2021
Trading securities – related parties	\$ —	\$ 26
Equity securities	(6,586)	185,280

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

	<b>Successor</b>					
	December 31, 2022					
	Remaining Contractual Maturity					
<i>(In thousands)</i>	Overnight and continuous	Less than 30 days	30–90 days	91 days to 1 year	Greater than 1 year	Total
Payables for repurchase agreements <sup>1</sup>	\$ —	\$ 533,274	\$ —	\$ —	\$ —	\$ 533,274

<sup>1</sup> Included in payables for collateral on derivatives and securities to repurchase on the consolidated balance sheets.

There were no payables for repurchase agreements for the year ended December 31, 2021.

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

	<b>Successor</b>	
	December 31, 2022	
	Amortized Cost	Fair Value
<i>(In thousands)</i>		
AFS securities		
US government and agencies	\$ 708,887	\$ 539,607
Total securities pledged under repurchase agreements	<u>\$ 708,887</u>	<u>\$ 539,607</u>

There were no securities pledged as collateral for repurchase agreements for the year ended December 31, 2021.

**Mortgage Loans, including related party**—Mortgage loans includes both commercial and residential loans. In connection with the merger, we elected the fair value option on our mortgage loan portfolio. See *Note 5 – 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:

	<b>Successor</b>
	December 31, 2022
<i>(In thousands)</i>	
Residential mortgage loans	\$ 22,276
Mark to fair value	(180)
<b>Residential mortgage loans</b>	<u>22,096</u>
<b>Mortgage loans</b>	<u>\$ 22,096</u>

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

	<b>Predecessor</b>
	December 31, 2021
<i>(In thousands)</i>	
Commercial mortgage loans	\$ 152,810
Total commercial mortgage loans	152,810
Allowance for credit losses on commercial mortgage loans	(686)
<b>Commercial mortgage loans</b>	<u>152,124</u>
Residential mortgage loans	18,298
<b>Residential mortgage loans</b>	<u>18,298</u>
<b>Mortgage loans</b>	<u>\$ 170,422</u>

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Previously, we had primarily invested in commercial mortgage loans on income producing properties including office and industrial properties. We diversified the commercial mortgage loan portfolio by geographic region and property type to reduce concentration risk. We evaluated mortgage loans based on relevant current information to confirm if properties are performing at a consistent and acceptable level to secure the related debt.

There were no commercial mortgage loans as of December 31, 2022.

For 2021, the distribution of commercial mortgage loans, including those under development, net of allowances, by property type and geographic region, is as follows:

	<b>Predecessor</b>	
	December 31, 2021	
	Net Carrying Value	Percentage of Total
<i>(In thousands, except for percentages)</i>		
<b>Property type</b>		
Office building	\$ 116,985	76.9 %
Industrial	35,139	23.1 %
<b>Total commercial mortgage loans</b>	<u>\$ 152,124</u>	<u>100.0 %</u>
<b>US Region</b>		
South Atlantic	\$ 116,985	76.9 %
West South Central	35,139	23.1 %
<b>Total US Region</b>	152,124	100.0 %
<b>Total commercial mortgage loans</b>	<u>\$ 152,124</u>	<u>100.0 %</u>

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:

	<b>Successor</b>	<b>Predecessor</b>
	December 31, 2022	December 31, 2021
<b>International</b>		
International - United Kingdom	100.0 %	100.0 %
Total International residential mortgage loan percentage	100.0 %	100.0 %
<b>Total residential mortgage loan percentage</b>	<u>100.0 %</u>	<u>100.0 %</u>

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

	<b>Predecessor</b>		
	December 31, 2021		
	Commercial Mortgage	Other Investments	Total
<i>(In thousands)</i>			
Beginning balance	\$ —	\$ —	\$ —
Provision (reversal) for expected credit losses	686	75	761
<b>Ending balance</b>	<u>\$ 686</u>	<u>\$ 75</u>	<u>\$ 761</u>

As of December 31, 2021, there was no loan valuation allowance taken on residential mortgage loans held by the Company.

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

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

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*Other investments* – The allowance model for the loans included in other investments and related party other investments derives an estimate based on historical loss data available for similarly rated unsecured corporate debt obligations, while also incorporating management’s expectations around prepayment. See *Note 12 – Related Parties* for further information on the related party loans.

**Credit Quality Indicators**

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

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

<i>(In thousands)</i>	<b>Predecessor</b>				
	December 31, 2021				
	2021	2020	2019	2018	Total
Current (less than 30 days past due)	\$ —	\$ 18,298	\$ —	\$ —	\$ 18,298
<b>Total residential mortgages</b>	<b>\$ —</b>	<b>\$ 18,298</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 18,298</b>

As of December 31, 2021 there were no residential mortgage loans that were 90 days or more past due and are accruing interest.

During the year ended December 31, 2021 none of our residential loan portfolio was in non-accrual status.

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

<i>(In thousands)</i>	<b>Predecessor</b>				
	December 31, 2021				
	2021	2020	2019	2018	Total
Current (less than 30 days past due)	\$ 152,810	\$ —	\$ —	\$ —	\$ 152,810
<b>Total commercial mortgages</b>	<b>\$ 152,810</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 152,810</b>

During the year ended December 31, 2021 none of our commercial loan portfolio was in non-accrual status.

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

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

<i>(In thousands)</i>	<b>Predecessor</b>				
	December 31, 2021				
	2021	2020	2019	2018	Total
70% to 79%	\$ 152,810	\$ —	\$ —	\$ —	\$ 152,810
<b>Commercial mortgage loans</b>	<b>\$ 152,810</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 152,810</b>

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

<i>(In thousands)</i>	<b>Predecessor</b>				
	December 31, 2021				
	2021	2020	2019	2018	Total
Greater than 1.20x	\$ 152,810	\$ —	\$ —	\$ —	\$ 152,810
<b>Commercial mortgage loans</b>	<b>\$ 152,810</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 152,810</b>

**Investment Funds**—Our investment fund portfolio consists of funds that employ various strategies and include investments in origination platforms, insurance platforms, and equity, hybrid, yield and other funds. Our investment funds do not specify timing of distributions on the funds’ underlying assets.

The following summarizes our investment funds, including related parties:

<i>(In thousands, except for percentages)</i>	<b>Successor</b>		<b>Predecessor</b>	
	December 31, 2022		December 31, 2021 <sup>1</sup>	
	Carrying value	Percent of total	Carrying value	Percent of total
<b>Investment funds</b>				
Equity	\$ —	— %	\$ 10,843	28.0 %
Hybrid	—	— %	27,913	72.0 %
Total investment funds	—	— %	38,756	100.0 %
<b>Investment funds – related parties</b>				
Strategic origination platforms	—	— %	87,444	22.4 %
<b>Apollo and other fund investments</b>				
Equity	205,460	56.5 %	184,962	47.4 %
Hybrid	105,878	29.1 %	94,648	24.3 %
Yield	—	— %	10,500	2.7 %
Other	52,202	14.4 %	12,450	3.2 %
Total investment funds – related parties	363,540	100.0 %	390,004	100.0 %
<b>Total investment funds including related parties</b>	<b>\$ 363,540</b>		<b>\$ 428,760</b>	

<sup>1</sup> Certain reclassifications have been made to conform with current year presentation.

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**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:

<i>(In thousands)</i>	<b>Successor</b>	<b>Predecessor</b>
	December 31, 2022	December 31, 2021
Assets	\$ 11,377,199	\$ 1,885,132
Liabilities	1,049,179	142,867
Equity	10,328,020	1,742,265

  

<i>(In thousands)</i>	<b>Successor</b>	<b>Predecessor</b>
	Year Ended December 31, 2022	Year Ended December 31, 2021
Net income	\$ 369,530	\$ 154,775

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

<i>(In thousands)</i>	<b>Successor</b>	<b>Predecessor</b>
	December 31, 2022	December 31, 2021
<b>Ownership Percentage</b>		
100%	\$ 22,953	\$ 25,446
50% – 99%	287,618	132,917
3% – 49%	52,969	270,397
Equity method investment funds	<u>\$ 363,540</u>	<u>\$ 428,760</u>

**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.

Our risk of loss associated with our non-consolidated investments depends on the investment. Investment funds 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:

<i>(In thousands)</i>	<b>Successor</b>		<b>Predecessor</b>	
	December 31, 2022		December 31, 2021	
	Carrying Value	Maximum Loss Exposure	Carrying Value	Maximum Loss Exposure
Investment funds	\$ —	\$ —	\$ 38,756	\$ 43,691
Investment in related parties – investment funds	363,540	609,363	390,004	759,154
Investment in fixed maturity securities	1,353,565	1,431,145	418,353	422,537
Investment in related parties – fixed maturity securities	79,902	90,075	149,446	174,464
Total non-consolidated investments	<u>\$ 1,797,007</u>	<u>\$ 2,130,583</u>	<u>\$ 996,559</u>	<u>\$ 1,399,846</u>

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

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

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

	Successor		Predecessor	
	December 31, 2022		December 31, 2021	
	Carrying Value	Percent of Total	Carrying Value	Percent of Total
<i>(In thousands, except for percentages)</i>				
Fixed maturity securities				
US government and agencies	\$ 60,906	0.1 %	\$ 104,981	0.2 %
US state, municipal, and political subdivisions	234,558	0.4 %	336,481	0.7 %
Foreign governments	518,533	1.0 %	642,180	1.2 %
Corporate	22,762,850	43.6 %	25,027,410	48.6 %
CLOs	5,840,979	11.2 %	5,313,598	10.3 %
ABS	6,921,441	13.2 %	7,720,352	15.0 %
CMBS	1,257,110	2.4 %	1,393,328	2.7 %
RMBS	880,918	1.7 %	674,390	1.3 %
Equity securities	349,129	0.7 %	123,897	0.2 %
Mortgage loans	9,532,833	18.2 %	7,756,514	15.0 %
Investment funds	2,530,004	4.8 %	1,569,391	3.0 %
Derivative Assets	660,569	1.3 %	301,432	0.6 %
Short-term investments	88,373	0.2 %	56,804	0.1 %
Other investments	452,839	0.9 %	98,030	0.2 %
Cash and cash equivalents	1,314,992	2.5 %	873,945	1.7 %
Other assets and liabilities	(1,135,443)	(2.2)%	(431,815)	(0.8)%
Total funds withheld at interest	\$ 52,270,591	100.0 %	\$ 51,560,918	100 %

#### 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 5 – Fair Value* for information about the fair value hierarchy for derivatives.

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

	Successor			Predecessor		
	December 31, 2022			December 31, 2021		
	Notional Amount	Fair Value		Notional Amount	Fair Value	
Assets		Liabilities	Assets		Liabilities	
<i>(In thousands)</i>						
<b>Derivatives designated as hedges</b>						
Foreign currency hedges						
Swaps	\$ 161,260	\$ 22,071	\$ —	\$ 125,270	\$ 6,712	\$ —
Forwards	193,904	12,548	768	179,142	4,705	—
Forwards on net investments	93,141	733	—	113,105	—	2,202
<b>Total derivatives designated as hedges</b>		<b>35,352</b>	<b>768</b>		<b>11,417</b>	<b>2,202</b>
<b>Derivatives not designated as hedges</b>						
Equity options	5,540,844	85,256	—	6,279,562	261,395	—
Foreign currency swaps	56,983	4,148	325	205,217	10,301	536
Foreign currency forwards	604,894	22,238	8,965	769,360	4,130	7,100
Embedded derivatives						
Funds withheld including related party		(7,423,854)	—		497,129	—
Interest sensitive contract liabilities		—	737,733		—	1,383,976
<b>Total derivatives not designated as hedges</b>		<b>(7,312,212)</b>	<b>747,023</b>		<b>772,955</b>	<b>1,391,612</b>
<b>Total derivatives</b>		<b><u>\$(7,276,860)</u></b>	<b><u>\$ 747,791</u></b>		<b><u>\$ 784,372</u></b>	<b><u>\$ 1,393,814</u></b>

#### 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. The following is a summary of the gains (losses) related to cash flow hedges:

	Predecessor
	Year Ended December 31, 2021
<i>(In thousands)</i>	
Foreign currency swaps – Other comprehensive income (loss)	\$ 6,712

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

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

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

	Successor		Predecessor	
	December 31, 2022		December 31, 2021	
	Carrying amount of the hedged assets or liabilities <sup>1</sup>	Cumulative amount of fair value hedging gains (losses)	Carrying amount of the hedged assets or liabilities <sup>1</sup>	Cumulative amount of fair value hedging gains (losses)
<i>(In thousands)</i>				
AFS securities - Foreign currency forwards	\$ 190,998	\$ (22,282)	\$ 168,277	\$ (8,843)
AFS securities - Foreign currency swaps	109,393	(11,947)	—	—

<sup>1</sup>The carrying amount disclosed for AFS securities is amortized cost.

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

<i>(In thousands)</i>	Derivatives	Hedged Items	Net	Amounts Excluded	
				Recognized in income through amortization approach	Recognized in income through changes in fair value
<b>Year ended December 31, 2022 (Successor)</b>					
Investment related gains (losses)					
Foreign currency forwards	\$ (5,129)	\$ 2,750	\$ (2,379)	\$ 1,727	\$ 30
Foreign currency swaps	10,919	(11,947)	(1,028)	—	—
<b>Year ended December 31, 2021 (Predecessor)</b>					
Investment related gains (losses)					
Foreign currency forwards	\$ 10,901	\$ (6,944)	\$ 3,957	\$ 552	\$ 678
Foreign currency swaps	—	—	—	—	—

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

<i>(In thousands)</i>	Successor	Predecessor
	Year Ended December 31, 2022	Year Ended December 31, 2021
Foreign currency forwards	\$ (555)	\$ (971)
Foreign currency swaps	4,700	—

*Net Investment Hedges* – We use foreign currency forwards to hedge the foreign currency exchange rate risk of our investments in subsidiaries that have a reporting currency other than the US dollar. We assess hedge effectiveness based on the changes in forward rates. During the years ended December 31, 2022 and 2021, these derivatives had gains of \$15.2 million and losses of \$(0.1) million, respectively. These derivatives are included in foreign currency translation and other adjustments on the consolidated statements of comprehensive income (loss). As of December 31, 2022, the cumulative foreign currency translation recorded in AOCI related to these net investment hedges were gains of \$15.1 million and losses of \$(0.1) million, respectively. During the years ended December 31, 2022 and 2021, there were no amounts deemed ineffective.

**Derivatives Not Designated as Hedges**

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

*Total return 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.

*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.

*Foreign currency forwards* - We use foreign currency forward contracts to hedge certain exposures to foreign currency risk. The price is agreed upon at the time of the contract and payment is made at a specified future date.

*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.

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

<i>(In thousands)</i>	<u>Successor</u>	<u>Predecessor</u>
	December 31, 2022	December 31, 2021
Equity options	\$ (220,739)	\$ 192,708
Swaps	49,294	11,309
Foreign currency forwards	43,251	3,553
Embedded derivatives on funds withheld	(7,952,261)	(43,806)
<b>Amounts recognized in investment related gains (losses)</b>	<b>(8,080,455)</b>	<b>163,764</b>
Embedded derivatives in indexed annuity products <sup>1</sup>	(452,483)	72,972
<b>Total gains (losses) on derivatives not designated as hedges</b>	<b>\$ (8,532,938)</b>	<b>\$ 236,736</b>

<sup>1</sup> Included in interest sensitive contract benefits on the consolidated statements 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:

<i>(In thousands)</i>	Gross amount recognized <sup>1</sup>	<u>Gross amounts not offset on the consolidated balance sheets</u>		Net amount	Off-balance sheet securities collateral <sup>3</sup>	Net amount after securities collateral
		Financial instruments <sup>2</sup>	Collateral (received)/pledged			
<b>December 31, 2022 (Successor)</b>						
Derivative assets	\$ 146,994	\$ (9,679)	\$ (12,096)	\$ 125,219	\$ —	\$ 125,219
Derivative liabilities	(10,058)	9,679	179	(200)	—	(200)
<b>December 31, 2021 (Predecessor)</b>						
Derivative assets	\$ 287,243	\$ (5,845)	\$ (246,236)	\$ 35,162	\$ —	\$ 35,162
Derivative liabilities	(9,838)	5,845	3,345	(648)	—	(648)

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

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

<sup>3</sup> 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. 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:

<i>(In thousands)</i>	<b>Successor</b>			
	December 31, 2022			
	Total	Level 1	Level 2	Level 3
<b>Assets</b>				
AFS securities				
US government and agencies	\$ 738,494	\$ 738,494	\$ —	\$ —
US state, municipal and political subdivisions	22,822	—	22,822	—
Corporate	995,644	—	930,346	65,298
CLO	606,018	—	606,018	—
ABS	276,141	—	176,640	99,501
CMBS	304,302	—	304,302	—
RMBS	167,104	—	118,301	48,803
Total AFS securities	<u>3,110,525</u>	<u>738,494</u>	<u>2,158,429</u>	<u>213,602</u>
Equity securities	54,559	54,559	—	—
Mortgage loans	22,096	—	—	22,096
Derivative assets	146,994	—	146,994	—
Short-term investments	37,239	—	37,239	—
Cash and cash equivalents	968,677	968,677	—	—
Restricted cash	254,780	254,780	—	—
Investments in related parties				
AFS securities				
Corporate	34,567	—	34,567	—
CLO	44,540	—	44,540	—
ABS	35,362	—	719	34,643
Total AFS securities – related parties	<u>114,469</u>	<u>—</u>	<u>79,826</u>	<u>34,643</u>
Funds withheld at interest – embedded derivative	<u>(7,423,854)</u>	<u>—</u>	<u>—</u>	<u>(7,423,854)</u>
<b>Total assets measured at fair value</b>	<u><u>\$ (2,714,515)</u></u>	<u><u>\$ 2,016,510</u></u>	<u><u>\$ 2,422,488</u></u>	<u><u>\$ (7,153,513)</u></u>
<b>Liabilities</b>				
Interest sensitive contract liabilities				
Embedded derivative	\$ 737,733	\$ —	\$ —	\$ 737,733
Derivative liabilities	10,058	—	10,058	—
<b>Total liabilities measured at fair value</b>	<u><u>\$ 747,791</u></u>	<u><u>\$ —</u></u>	<u><u>\$ 10,058</u></u>	<u><u>\$ 737,733</u></u>

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(In thousands)	<b>Predecessor</b>			
	December 31, 2021			
	Total	Level 1	Level 2	Level 3
<b>Assets</b>				
AFS securities				
Foreign governments	\$ 1,274	\$ —	\$ 1,274	\$ —
Corporate	645,385	—	611,632	33,753
CLO	246,496	—	246,496	—
ABS	39,275	—	8,055	31,220
CMBS	14,373	—	14,373	—
RMBS	118,209	—	118,209	—
Total AFS securities	<u>1,065,012</u>	<u>—</u>	<u>1,000,039</u>	<u>64,973</u>
Trading securities				
Equity securities	364,995	—	364,995	—
Derivative assets	287,243	—	287,243	—
Cash and cash equivalents	689,640	689,640	—	—
Restricted cash	492,084	492,084	—	—
Investments in related parties				
AFS securities				
Corporate	42,025	—	42,025	—
CLO	118,534	—	68,034	50,500
ABS	17,906	—	1,136	16,770
Total AFS securities – related parties	<u>178,465</u>	<u>—</u>	<u>111,195</u>	<u>67,270</u>
Trading securities	13,006	—	—	13,006
Funds withheld at interest – embedded derivative	497,129	—	—	497,129
<b>Total assets measured at fair value</b>	<b><u>\$ 3,587,574</u></b>	<b><u>\$ 1,181,724</u></b>	<b><u>\$ 1,763,472</u></b>	<b><u>\$ 642,378</u></b>
<b>Liabilities</b>				
Interest sensitive contract liabilities				
Embedded derivative	\$ 1,383,976	\$ —	\$ —	\$ 1,383,976
Derivative liabilities	9,838	—	9,838	—
<b>Total liabilities measured at fair value</b>	<b><u>\$ 1,393,814</u></b>	<b><u>\$ —</u></b>	<b><u>\$ 9,838</u></b>	<b><u>\$ 1,383,976</u></b>

**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.

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**Notes to Consolidated Financial Statements**

*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.

*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 receivable 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.

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

	Successor	Predecessor
	December 31, 2022	December 31, 2021
<i>(In thousands)</i>		
Trading securities	\$ 1,302	\$ 9
Mortgage loans	(2,240)	—
<b>Total gains (losses)</b>	<b>\$ (938)</b>	<b>\$ 9</b>

Gains and losses on trading securities are recorded in investment related gains (losses) on the consolidated statements of income (loss). For fair value option mortgage loans, we record interest income in net investment income and subsequent changes in fair value in investment related gains (losses) on the consolidated statements of income (loss).

The following summarizes information for fair value option mortgage loans:

	Successor
	December 31, 2022
<i>(In thousands)</i>	
Unpaid principal balance	\$ 22,276
Mark to fair value	(180)
<b>Fair value</b>	<b>\$ 22,096</b>

There were no fair value option mortgage loans 90 days or more past due as of December 31, 2022 or 2021.

There were no estimated amount of gains (losses) included in earnings during the period attributable to changes in instrument-specific credit risk on our mortgage loan portfolio for the years ended December 31, 2022 and 2021.

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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**Notes to Consolidated Financial Statements**

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

<i>(In thousands)</i>	<b>Successor</b>							
	Year Ended December 31, 2022							
	Balance at January 1, 2022	Total realized and unrealized gains (losses)		Net purchases, issuances, sales and settlements	Net transfers in (out)	Ending balance	Total gains (losses) included in earnings <sup>1</sup>	Total gains (losses) included in OCI <sup>1</sup>
<b>Assets</b>								
AFS securities								
Corporate	\$ 33,753	\$ 178	\$ 370	\$ 36,164	\$ (5,167)	\$ 65,298	\$ —	\$ (158)
ABS	31,220	14	(1,463)	(1,147)	70,877	99,501	—	(4,765)
RMBS	—	—	865	47,937	1	48,803	—	865
Trading securities	—	(1)	—	1	—	—	—	—
Mortgage loans	—	(2,240)	—	6,039	18,297	22,096	(2,240)	—
Investments in related parties								
AFS securities								
CLO	50,500	(7)	—	(50,493)	—	—	—	—
ABS	16,770	(1,712)	(3,459)	39,814	(16,770)	34,643	—	(3,459)
Trading securities	13,006	2,547	—	(15,553)	—	—	—	—
Mortgages Loans	—	—	—	(154,717)	154,717	—	—	—
Funds withheld at interest – embedded derivative	131,673	(7,555,527)	—	—	—	(7,423,854)	—	—
<b>Total Level 3 assets</b>	<u>\$ 276,922</u>	<u>\$ (7,556,748)</u>	<u>\$ (3,687)</u>	<u>\$ (91,955)</u>	<u>\$ 221,955</u>	<u>\$ (7,153,513)</u>	<u>\$ (2,240)</u>	<u>\$ (7,517)</u>
<b>Liabilities</b>								
Interest sensitive contract liabilities								
Embedded derivative	\$ 1,024,727	\$ (452,483)	\$ —	\$ 165,489	\$ —	\$ 737,733	\$ —	\$ —
<b>Total Level 3 liabilities</b>	<u>\$ 1,024,727</u>	<u>\$ (452,483)</u>	<u>\$ —</u>	<u>\$ 165,489</u>	<u>\$ —</u>	<u>\$ 737,733</u>	<u>\$ —</u>	<u>\$ —</u>

<sup>1</sup> Related to instruments held at end of period.

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<i>(In thousands)</i>	<b>Predecessor</b>							
	Year Ended December 31, 2021							
	Beginning balance	Total realized and unrealized gains (losses)		Net purchases, issuances, sales and settlements	Net transfers in (out)	Ending balance	Total gains (losses) included in earnings <sup>1</sup>	Total gains (losses) included in OCI <sup>1</sup>
<b>Assets</b>								
AFS securities								
Corporate	\$ —	\$ 2	\$ 92	\$ 33,659	\$ —	\$ 33,753	\$ —	\$ 92
ABS	—	—	—	31,220	—	31,220	—	—
Investments in related parties								
AFS securities								
CLO	—	—	—	50,500	—	50,500	—	—
AFS securities								
ABS	312,400	883	(4,568)	(291,945)	—	16,770	—	(4,568)
Trading securities	—	26	—	12,980	—	13,006	84	—
Funds withheld at interest – embedded derivative	1,612,120	(1,114,991)	—	—	—	497,129	—	—
<b>Total Level 3 assets</b>	<u>\$ 1,924,520</u>	<u>\$ (1,114,080)</u>	<u>\$ (4,476)</u>	<u>\$ (163,586)</u>	<u>\$ —</u>	<u>\$ 642,378</u>	<u>\$ 84</u>	<u>\$ (4,476)</u>
<b>Liabilities</b>								
Interest sensitive contract liabilities								
Embedded derivative	\$ 821,438	\$ 72,972	—	\$ 489,566	\$ —	\$ 1,383,976	\$ —	\$ —
<b>Total Level 3 liabilities</b>	<u>\$ 821,438</u>	<u>\$ 72,972</u>	<u>\$ —</u>	<u>\$ 489,566</u>	<u>\$ —</u>	<u>\$ 1,383,976</u>	<u>\$ —</u>	<u>\$ —</u>

<sup>1</sup> Related to instruments held at end of period.

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

<i>(In thousands)</i>	<b>Successor</b>							
	Year Ended December 31, 2022							
	Purchases	Issuances	Sales	Settlements	Net purchases, issuances, sales and settlements	Transfers in	Transfers out	Net transfers in (out)
<b>Assets</b>								
AFS securities								
Corporate	\$ 36,727	\$ —	\$ —	\$ (563)	\$ 36,164	7,017	(12,184)	(5,167)
ABS	31,151	—	(32,296)	(2)	(1,147)	70,877	—	70,877
RMBS	47,937	—	—	—	47,937	1	—	1
Trading securities	1	—	—	—	1	—	—	—
Equity securities	—	—	—	—	—	—	—	—
Mortgage loans	6,039	—	—	—	6,039	18,297	—	18,297
Investments in related parties								
AFS securities								
CLO	32,560	—	(83,053)	—	(50,493)	—	—	—
ABS	266,328	—	(212,891)	(13,623)	39,814	—	(16,770)	(16,770)
Trading securities	19,063	—	(25,841)	(8,775)	(15,553)	—	—	—
Mortgages Loans	—	—	(154,717)	—	(154,717)	—	—	—
Short-term investments	32,512	—	(26,471)	(6,041)	—	—	—	—
<b>Total Level 3 assets</b>	<u>\$ 472,318</u>	<u>\$ —</u>	<u>\$ (535,269)</u>	<u>\$ (29,004)</u>	<u>\$ (91,955)</u>	<u>\$ 96,192</u>	<u>\$ (28,954)</u>	<u>\$ 67,238</u>
<b>Liabilities</b>								
Interest sensitive contract liabilities – embedded derivative	\$ —	\$ 233,664	\$ —	\$ (68,175)	\$ 165,489	\$ —	\$ —	\$ —
<b>Total Level 3 liabilities</b>	<u>\$ —</u>	<u>\$ 233,664</u>	<u>\$ —</u>	<u>\$ (68,175)</u>	<u>\$ 165,489</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

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	<b>Predecessor</b>							
	Year Ended December 31, 2021							
<i>(In thousands)</i>	Purchases	Issuances	Sales	Settlements	Net purchases, issuances, sales and settlements	Transfers in	Transfers out	Net transfers in (out)
<b>Assets</b>								
AFS securities								
Corporate	\$ 33,659	\$ —	\$ —	\$ —	\$ 33,659	\$ —	\$ —	\$ —
ABS	31,220	—	—	—	31,220	—	—	—
Investments in related parties								
AFS securities								
CLO	50,500	—	—	—	50,500	—	—	—
ABS	17,501	—	(308,278)	(1,168)	(291,945)	—	—	—
Trading securities	12,980	—	—	—	12,980	—	—	—
<b>Total Level 3 assets</b>	<u>\$ 145,860</u>	<u>\$ —</u>	<u>\$ (308,278)</u>	<u>\$ (1,168)</u>	<u>\$ (163,586)</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
<b>Liabilities</b>								
Interest sensitive contract liabilities – embedded derivative								
	\$ —	\$ 589,723	\$ —	\$ (100,157)	\$ 489,566	\$ —	\$ —	\$ —
<b>Total Level 3 liabilities</b>	<u>\$ —</u>	<u>\$ 589,723</u>	<u>\$ —</u>	<u>\$ (100,157)</u>	<u>\$ 489,566</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

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

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

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

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

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

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The following summarizes the unobservable inputs for AFS securities, mortgage loans and the embedded derivatives of fixed indexed annuities:

<b>Successor</b>							
December 31, 2022							
<i>(In thousands, except for percentages)</i>	Fair value	Valuation technique	Unobservable inputs	Minimum	Maximum	Weighted average	Impact of an increase in the input on fair value
AFS securities	\$ 41,662	Discounted cash flow	Discount rate	6.1 %	7.9 %	6.4 % <sup>1</sup>	Decrease
Mortgage loans	\$ 22,096	Discounted cash flow	Discount rate	5.9 %	5.9 %	6.0 % <sup>1</sup>	Decrease
Interest sensitive contract liabilities – fixed indexed annuities embedded derivatives	\$ 737,733	Option budget method	Nonperformance risk	0.2 %	1.7 %	1.1 % <sup>2</sup>	Decrease
			Option budget	0.5 %	5.3 %	2.0 % <sup>3</sup>	Increase
			Surrender rate	6.9 %	13.7 %	10.5 % <sup>4</sup>	Decrease

  

<b>Predecessor</b>							
December 31, 2021							
<i>(In thousands, except for percentages)</i>	Fair value	Valuation technique	Unobservable inputs	Minimum	Maximum	Weighted average	Impact of an increase in the input on fair value
Interest sensitive contract liabilities – fixed indexed annuities embedded derivatives	\$ 1,383,976	Option budget method	Nonperformance risk	0.2 %	1.1 %	0.5 % <sup>5</sup>	Decrease
			Option budget	1.1 %	3.5 %	2.5 % <sup>6</sup>	Increase
			Surrender rate	1.4 %	70.3 %	16.2 % <sup>4</sup>	Decrease

<sup>1</sup> The discount rate weighted average is calculated based on the relative fair values of the securities or loans.

<sup>2</sup> The successor nonperformance risk weighted average is calculated based on the projected cash flows attributable to the embedded derivative.

<sup>3</sup> The successor option budget weighted average is calculated based on the projected account values.

<sup>4</sup> The surrender rate weighted average is calculated based on projected account values.

<sup>5</sup> The predecessor nonperformance risk weighted average is based on the projected excess benefits of reserves used in the calculation of the embedded derivative.

<sup>6</sup> The predecessor option budget weighted average is calculated based on the indexed account values.

**Fair Value of Financial Instruments Not Carried at Fair Value**—The following represents our financial instruments not carried at fair value on the consolidated balance sheets:

<b>Successor</b>						
December 31, 2022						
<i>(In thousands)</i>	Carrying Value	Fair Value	NAV	Level 1	Level 2	Level 3
<b>Financial assets</b>						
Investments in related parties						
Investment funds	\$ 363,540	\$ 363,540	\$ 363,540	\$ —	\$ —	\$ —
Funds withheld at interest	59,694,445	59,694,445	—	—	—	59,694,445
<b>Total financial assets not carried at fair value</b>	<b>\$ 60,057,985</b>	<b>\$ 60,057,985</b>	<b>\$ 363,540</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 59,694,445</b>
<b>Financial liabilities</b>						
Interest sensitive contract liabilities	\$ 33,409,660	\$ 28,327,805	\$ —	\$ —	\$ —	\$ 28,327,805
Securities to repurchase	533,274	533,274	—	—	533,274	—
<b>Total financial liabilities not carried at fair value</b>	<b>\$ 33,942,934</b>	<b>\$ 28,861,079</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 533,274</b>	<b>\$ 28,327,805</b>

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<i>(In thousands)</i>	<b>Predecessor</b>					
	December 31, 2021					
	Carrying Value	Fair Value	NAV	Level 1	Level 2	Level 3
<b>Financial assets</b>						
Mortgage loans	\$ 16,391	\$ 16,391	\$ —	\$ —	\$ —	\$ 16,391
Investment funds	38,756	38,756	38,756	—	—	—
Investments in related parties						
Mortgage loans	154,031	154,031	—	—	—	154,031
Investment funds	390,004	390,004	390,004	—	—	—
Funds withheld at interest	51,063,789	51,063,789	—	—	—	51,063,789
Other investments	29,925	30,000	—	—	—	30,000
<b>Total financial assets not carried at fair value</b>	<b>\$ 51,692,896</b>	<b>\$ 51,692,971</b>	<b>\$ 428,760</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 51,264,211</b>
<b>Financial liabilities</b>						
Interest sensitive contract liabilities	\$ 32,006,263	\$ 34,018,928	\$ —	\$ —	\$ —	\$ 34,018,928
<b>Total financial liabilities not carried at fair value</b>	<b>\$ 32,006,263</b>	<b>\$ 34,018,928</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 34,018,928</b>

We estimate the fair value for financial instruments not carried at fair value using the same methods and assumptions as those we carry at fair value. The financial instruments presented above are reported at carrying value on the consolidated balance sheets; however, in the case of funds withheld at interest and securities to repurchase, the carrying amount approximates fair value.

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

*Interest sensitive contract liabilities* – The carrying and fair value of interest sensitive contract liabilities above includes fixed indexed and traditional fixed annuities without mortality or morbidity risks, funding agreements and payout annuities without life contingencies. The embedded derivatives within fixed indexed annuities without mortality or morbidity risks are excluded, as they are carried at fair value. The valuation of these investment contracts is based on discounted cash flow methodologies using significant unobservable inputs. The estimated fair value is determined using current market risk-free interest rates, adding a spread to reflect our nonperformance risk and subtracting a risk margin to reflect uncertainty inherent in the projected cash flows.

## 6. Reinsurance

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

<i>(In thousands)</i>	<b>Successor</b>	<b>Predecessor</b>
	Year Ended December 31, 2022	Year Ended December 31, 2021
<b>Premiums</b>		
Reinsurance assumed	\$ 8,757,348	\$ 10,817,714
<b>Total premiums</b>	<b>\$ 8,757,348</b>	<b>\$ 10,817,714</b>
<b>Future policy and other policy benefits</b>		
Reinsurance assumed	\$ 9,268,747	\$ 11,066,176
<b>Total future policy and other policy benefits</b>	<b>\$ 9,268,747</b>	<b>\$ 11,066,176</b>

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 a certain percentage of statutory reserves and certain adjustments, as defined by the agreement, and were \$194 million and \$332 million as of December 31, 2022 and 2021, respectively. Although we own the assets placed in trust, their use is restricted based on the trust agreement terms. If the statutory book value of the assets, or in certain cases fair value, in a trust declines because of impairments or other reasons, we may be required to contribute additional assets to the trust. In addition, the assets within a trust may be subject to a pledge in favor of the applicable reinsurance company.

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**Reinsurance transactions**

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

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

The above transactions are summarized below:

<i>(In thousands)</i>	<b>Successor</b> Year Ended December 31, 2022	<b>Predecessor</b> Year Ended December 31, 2021
Liabilities assumed	\$ 10,256,808	\$ 15,534,747
Less: Assets received	10,497,180	16,110,592
Ceding commission paid	(21,013)	(26,034)
<b>Net cost of reinsurance</b>	<b>\$ (219,359)</b>	<b>\$ (549,811)</b>
Deferred acquisition costs	\$ 5,883	\$ 22,900
Deferred profit liability <sup>1</sup>	(225,242)	(572,711)
<b>Net cost of reinsurance</b>	<b>\$ (219,359)</b>	<b>\$ (549,811)</b>

<sup>1</sup> Included within future policy benefits on the consolidated balance sheets.

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

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

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

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

<b>Predecessor</b>					
<i>(In thousands)</i>	DAC	DSI	VOBA	Total	
Balance at December 31, 2020	\$ 172,542	\$ —	\$ —	\$ 172,542	
Additions	23,386	—	—	23,386	
Unlocking	18,779	—	—	18,779	
Amortization	9,660	—	—	9,660	
CTA	—	—	—	—	
Balance at December 31, 2021	<u>\$ 224,367</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 224,367</u>	
<b>Successor</b>					
<i>(In thousands)</i>	DAC	DSI	VOBA	Total	
Balance at January 1, 2022	\$ —	\$ —	\$ 53,816	\$ 53,816	
Additions	150,349	61,968	—	212,317	
Unlocking	(85)	(65)	(20)	(170)	
Amortization	(810)	91	(6,397)	(7,116)	
CTA	—	—	(2,241)	(2,241)	
Balance at December 31, 2022	<u>\$ 149,454</u>	<u>\$ 61,994</u>	<u>\$ 45,158</u>	<u>\$ 256,606</u>	

**ATHENE CO-INVEST REINSURANCE AFFILIATE 1A LTD.**  
**Notes to Consolidated Financial Statements**

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

<i>(In thousands)</i>	Expected Amortization	
2023	\$	5,123
2024		4,519
2025		3,962
2026		3,416
2027		2,944

**8. Reserves**

The following table summarizes the interest sensitive liability and future policyholder reserves by product:

<i>(in thousands)</i>	Successor	Predecessor
	December 31, 2022	December 31, 2021
Deferred annuities	\$ 12,822,369	\$ 13,056,859
Fixed indexed annuities	16,883,474	17,850,785
Pension group annuities	23,982,360	15,557,292
Payouts (investment contract)	295,617	177,888
Funding agreements	6,328,351	5,261,498
Total	<u>\$ 60,312,171</u>	<u>\$ 51,904,322</u>

**9. Equity**

**Common Stock**—ACRA 1A has two classes of common shares; Class A common shares representing 63.45% of value and Class B common shares representing 36.55% of value and 100% of voting power. As of December 31, 2022 we had 5,000,000,000 shares authorized, of which 264,000 were issued at a par value of \$1.00 each and 4,999,736,000 shares remained undesignated and unissued. As at December 31, 2022, 167,500 Class A common shares and 96,500 Class B common shares were issued and outstanding.

**Dividends**—In December 2022, the Company declared and paid a dividend on common shares on a pro rata basis in the aggregate amount of \$100 million in cash.

**Distributions to Parent**—In the year ended December 31, 2022 we recorded a reestablishment of the liabilities that were considered effectively settled upon merger of \$5 million, as these liabilities were settled during the first quarter of 2022 in the normal course of business as intercompany payables to AGM.

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

Predecessor					
<i>(In thousands)</i>	Unrealized investment gains (losses) on AFS securities	Unrealized gains (losses) on hedging instruments	Foreign currency translation and other adjustments	Income tax expense (benefit) related to other comprehensive income (loss)	Accumulated other comprehensive income (loss)
<b>Balance at December 31, 2020</b>	\$ 30,937	\$ 86	\$ 10,408	\$ 1,979	\$ 39,452
Other comprehensive income (loss)	(25,627)	5,740	(1,707)	—	(21,594)
Less: Income tax expense		—	—	(561)	(561)
<b>Balance at December 31, 2021</b>	<u>\$ 5,310</u>	<u>\$ 5,826</u>	<u>\$ 8,701</u>	<u>\$ 1,418</u>	<u>\$ 18,419</u>
Successor					
<i>(In thousands)</i>	Unrealized investment gains (losses) on AFS securities	Unrealized gains (losses) on hedging instruments	Foreign currency translation and other adjustments	Income tax expense (benefit) related to other comprehensive income (loss)	Accumulated other comprehensive income (loss)
Balance at January 1, 2022	\$ —	\$ —	\$ —	\$ —	\$ —
Other comprehensive income (loss)	(473,893)	4,145	(6,932)	—	(476,680)
Less: Income tax benefit		—	—	(12,200)	(12,200)
<b>Balance at December 31, 2022</b>	<u>\$ (473,893)</u>	<u>\$ 4,145</u>	<u>\$ (6,932)</u>	<u>\$ (12,200)</u>	<u>\$ (464,480)</u>

## 10. Income Taxes

Income tax expense (benefit) consists of the following:

<i>(In thousands)</i>	Successor Year Ended December 31, 2022	Predecessor Year Ended December 31, 2021
Current	\$ 1,851	\$ (1,804)
Deferred	(648,513)	41,795
<b>Income tax expense (benefit)</b>	<u>\$ (646,662)</u>	<u>\$ 39,991</u>

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

<i>(In thousands)</i>	Successor Year Ended December 31, 2022	Predecessor Year Ended December 31, 2021
Bermuda	\$ (3,593,174)	\$ (460,639)
US	(3,088,155)	193,665
United Kingdom	1,254	708
<b>Income (loss) before income taxes</b>	<u>\$ (6,680,075)</u>	<u>\$ (266,266)</u>

As a Bermuda exempted company, we have historically not been subject to US corporate income taxes on earnings. As a result of the merger, our non-US earnings will generally be subject to US corporate income taxes.

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**Notes to Consolidated Financial Statements**

As a result, the post-merger expected tax provision computed on pre-tax income is based upon the statutory US tax rate of 21%. Prior to the merger, the expected tax provision computed on pre-tax income was calculated using a weighted average tax rate as the sum of the pre-tax income in each jurisdiction multiplied by that jurisdiction's applicable statutory tax rate. Statutory tax rates of 0%, 21% and 19% had been used for Bermuda, the US and the United Kingdom (UK), respectively, for the year ended December 31, 2021. A reconciliation of the difference between the expected tax provision at the weighted average tax rate and income tax expense (benefit) is as follows:

	<b>Successor</b>	<b>Predecessor</b>
	Year Ended December 31, 2022	Year Ended December 31, 2021
<i>(In thousands, except for percentages)</i>		
Expected tax provision computed on pre-tax income	\$ (648,513)	\$ 40,804
Increase (decrease) in income taxes resulting from:		
Prior year true-up	616	—
State taxes and other	1,235	(813)
<b>Income tax expense (benefit)</b>	<b>\$ (646,662)</b>	<b>\$ 39,991</b>
<b>Effective tax rate</b>	<b>10 %</b>	<b>(15)%</b>

Total income taxes were as follows:

	<b>Successor</b>	<b>Predecessor</b>
	Year Ended December 31, 2022	Year Ended December 31, 2021
<i>(In thousands)</i>		
Income tax expense (benefit)	\$ (646,662)	\$ 39,991
Income tax expense (benefit) from OCI	(12,200)	(561)
<b>Total income tax expense (benefit)</b>	<b>\$ (658,862)</b>	<b>\$ 39,430</b>

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

	<b>Successor</b>	<b>Predecessor</b>
	December 31, 2022	December 31, 2021
<i>(In thousands)</i>		
Current income tax recoverable	\$ 4,970	\$ 13,534
Current income tax payable	235	—
Net current income tax recoverable	<b>\$ 4,735</b>	<b>\$ 13,534</b>
Deferred tax assets	\$ 719,965	\$ —
Deferred tax liabilities	—	90,058
<b>Net deferred tax assets (liabilities)</b>	<b>\$ 719,965</b>	<b>\$ (90,058)</b>

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Deferred income tax assets and liabilities consisted of the following:

	<b>Successor</b>	<b>Predecessor</b>
	December 31, 2022	December 31, 2021
<i>(In thousands)</i>		
Deferred tax assets		
Insurance liabilities	\$ 692,032	\$ —
Investments, including derivatives	\$ 5,296	\$ 664
Net operating and capital loss carryforwards	67,878	13,453
Total deferred tax assets	765,206	14,117
Deferred tax assets, net of valuation allowance	765,206	14,117
Deferred tax liabilities		
Insurance liabilities	—	99,552
DAC, DSI and VOBA	44,404	4,476
Other	837	147
Total deferred tax liabilities	45,241	104,175
<b>Net deferred tax assets (liabilities)</b>	<b>\$ 719,965</b>	<b>\$ (90,058)</b>

As of December 31, 2022, we have gross deferred tax assets associated with US federal and state net operating losses of \$322 million that will begin to expire in 2041.

On August 16, 2022, the US government enacted the Inflation Reduction Act of 2022 (IRA). The IRA contains a number of tax-related provisions including a 15% minimum corporate income tax on certain large corporations as well as an excise tax on stock repurchases. It is unclear how the IRA will be implemented by the US Department of the Treasury through regulation although the IRS has issued interim guidance relevant to us describing regulations it intends to issue upon which taxpayers are entitled to rely on until the issuance of regulations. 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.

ACRA 1A and Athene Co-Invest Reinsurance Affiliate International Ltd. (ACRAI) each file protective US income tax returns, and Athene Co-Invest Reinsurance Affiliate 1B Ltd. (ACRA 1B) files a standalone US federal return.

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

## 11. Statutory Requirements

The Company, along with its reinsurance subsidiaries (ACRA 1B and ACRA I), is 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 GAAP financial statements vary by jurisdiction.

**Bermuda statutory requirements**— ACRA 1A is licensed by the BMA as a Class C long-term insurer and is subject to the Insurance Act. 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 this framework a Class C insurer must produce three sets of financial statements:

1. **GAAP Financial Statements** - Financial statements prepared in accordance with an internationally recognized comprehensive base of accounting, and for which ACRA 1A has elected to prepare US GAAP financial statements. These financial statements form the basis for the preparation of both the Statutory Financial Statements and the Economic Balance Sheet.
2. **Statutory Financial Statements (SFS)** - Equal to the GAAP financial statements adjusted for:
  - a. Prudential filters that include a) adjustments to eliminate non-admitted assets including goodwill and other similar intangible assets, not considered admissible for solvency purposes, and b) adjustments to include certain assets and liabilities that are generally off-balance sheet under general purpose reporting. These include items such as guarantees and other instruments that do not relate to the insurer's own insurance contracts.
  - b. Directions known as permitted practices as issued by the BMA.
3. **Economic Balance Sheet (EBS)** - A balance sheet where assets are recorded based on GAAP fair values and insurance reserves are based on technical provisions comprised of the sum of a best estimate liability plus a risk margin. The best estimate liability may be

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calculated by applying the standard approach or the scenario based approach. Under the standard approach the discount rate for insurance reserves are rates prescribed by the BMA. Under the scenario based approach the discount rates for insurance reserves is based on the yields on eligible assets owned by the insurer as determined under the worst result of nine prescribed stressed scenarios.

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 Class C insurers, MMS is equal to the greater of \$500,000, 1.5% of the total statutory assets 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, ACRA 1A and its subsidiaries were in excess of the minimum levels required. For ACRA 1A and ACRAI, the ECR is the binding regulatory constraint.

The following tables present the ACRA 1A and its subsidiaries actual and required GAAP, SFS and EBS capital and surplus and net income (loss) as of and for the years ended December 31, 2022 and December 31, 2021:

ACRA 1A (In thousands)	<b>Successor</b>		
	Year ended December 31, 2022		
	GAAP	SFS	EBS <sup>3,5</sup>
Actual Capital and Surplus	\$ (1,527,156)	\$ 5,636,787	\$ 5,719,078
Required Capital <sup>1</sup>	N/A	571,007	2,273,766
BSCR Ratio <sup>2</sup>	N/A	N/A	252 %
Net Income (Loss) <sup>3</sup>	(6,033,413)	(86,657)	N/A
	<b>Predecessor</b>		
	Year ended December 31, 2021		
	GAAP	SFS	EBS <sup>3,6</sup>
Actual Capital and Surplus	\$ 3,207,170	\$ 4,187,298	\$ 3,909,540
Required Capital <sup>1</sup>	N/A	578,850	2,110,543
BSCR Ratio <sup>2</sup>	N/A	N/A	185 %
Net Income (Loss) <sup>3</sup>	(306,257)	292,791	N/A
	<b>Successor</b>		
	Year ended December 31, 2022		
	GAAP	SFS	EBS <sup>3,5</sup>
Actual Capital and Surplus	\$ (3,466,492)	\$ 247,837	\$ 307,570
Required Capital <sup>1</sup>	N/A	N/A	99,870
BSCR Ratio <sup>2</sup>	N/A	N/A	308 %
Net Income (Loss) <sup>3</sup>	(3,013,218)	(160,433)	N/A
	<b>Predecessor</b>		
	Year ended December 31, 2021		
	GAAP	SFS	EBS <sup>3,6</sup>
Actual Capital and Surplus	\$ 161,254	\$ 360,788	\$ 304,136
Required Capital <sup>1</sup>	N/A	316,512	90,358
BSCR Ratio <sup>2</sup>	N/A	N/A	337 %
Net Income (Loss) <sup>3</sup>	(22,139)	(22,603)	N/A
	<b>Successor</b>		
	Year ended December 31, 2022		
	GAAP	SFS	EBS <sup>3,5</sup>
Actual Capital and Surplus	£ (31,570)	£ 81,413	£ 63,389
Required Capital <sup>1</sup>	N/A	12,544	32,948
BSCR Ratio <sup>2</sup>	N/A	N/A	192 %
Net Income (Loss) <sup>3</sup>	(247,473)	5,707	N/A

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ACRA I <sup>4</sup> (In thousands)	Predecessor					
	Year ended December 31, 2021					
	GAAP		SFS <sup>6</sup>		EBS <sup>3,6</sup>	
Actual Capital and Surplus	£	117,660	£	75,769	£	64,026
Required Capital <sup>1</sup>		N/A		12,816		38,293
BSCR Ratio <sup>2</sup>		N/A		N/A		167 %
Net Income (Loss) <sup>3</sup>		16,795		(1,997)		N/A

<sup>1</sup> Represents the MMS for the SFS and the ECR for EBS. There is not a required capital and surplus amount for the GAAP financial statements.

<sup>2</sup> BSCR ratio for the current binding regulatory solvency constraint of EBS is shown.

<sup>3</sup> EBS comprises of only a balance sheet.

<sup>4</sup> ACRAI amounts reported in GBP

<sup>5</sup> Required Capital and the BSCR ratio represent best estimates as at the time of reporting. Changes are expected between disclosed figures and final BSCR as filed.

<sup>6</sup> Previously reported amounts have been updated to the final BSCR as filed.

Under the EBS framework, statutory financial statements are generally equivalent to GAAP financial statements, with the exception of permitted practices granted by the BMA. ACRA 1A and its subsidiaries have permission in the statutory financial statements to use amortized cost instead of fair value as the basis for certain investments. Additionally, ACRA 1A and its subsidiaries use US statutory reserving principles for the calculation of insurance reserves instead of GAAP, subject to the reserves being proved adequate based on cash flow testing. The following represents the effect of the permitted practices to the statutory financial statements:

(In thousands)	Successor					
	December 31, 2022					
	ACRA 1A		ACRA 1B		ACRAI <sup>1</sup>	
Change in capital and surplus due to permitted practices	\$	8,288,521	\$	3,714,329	£	(189,637)
Change in statutory net income due to permitted practices		5,945,052		2,852,785		253,180

<sup>1</sup> ACRAI amounts reported in GBP

Under the Insurance Act, ACRA 1A is 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, ACRA 1A 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, ACRA 1A 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 ACRA 1A and its subsidiaries would be permitted to remit to its parent without the need for prior approval:

(In thousands)	Successor		Predecessor	
	December 31, 2022		December 31, 2021	
ACRA 1A	\$	1,911,986	\$	1,933,357
ACRA 1B		43,936		104,220
ACRA I		30,441		30,544

## 12. Related Parties

See Note 6 – Reinsurance for a description of our reinsurance transactions with related parties.

### Apollo

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

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

## ATHENE CO-INVEST REINSURANCE AFFILIATE 1A LTD.

### Notes to Consolidated Financial Statements

Under our fee agreement with Apollo, we pay Apollo a base management fee of 0.15% per year of the aggregate market value of the assets in substantially all of the investment accounts of or relating to us (collectively, the Accounts), other than any Excluded Assets, as of the end of each month. Additionally, we pay a sub-allocation fee based on specified asset class tiers ranging from 0.065% to 0.70% of the market value, with the higher percentages in this range for asset classes that are designed to have more alpha generating abilities.

For the years ended December 31, 2022 and 2021, we incurred management fees of \$33 million and \$168 million, respectively. Management fees are included within net investment income on the consolidated statements of income (loss). As of December 31, 2022 and 2021, management fees payable were \$7 million and \$21 million, respectively, and are included in other liabilities on the consolidated balance sheets.

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

*Termination of ACRA investment management agreements (IMA)* – AHL’s bye-laws currently provide that, with respect to IMAs covering assets backing reserves and surplus in ACRA, 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.

#### Other related party transactions

*MidCap* – We hold ABS and CLO securities issued by MidCap affiliates of \$42 million and \$20 million as of December 31, 2022 and 2021, respectively, which are included in related party AFS securities on the consolidated balance sheets.

*Venerable* – We had term loans receivable from Venerable due in 2033, which were included in related party other investments on the consolidated balance sheets as of December 31, 2021. As of December 31, 2022 this balance is nil. The loans were previously held at principal balance less allowances and were \$30 million as of 2021.

*Unsecured Revolving Notes Receivable with ALRe* – ACRA 1A has an unsecured revolving promissory note with ALRe which allows ALRe to borrow funds from ACRA 1A. The note has a borrowing capacity of \$10 million. Interest accrues at the 3 month LIBOR rate on principal plus applicable margin and has a maturity date of May 31, 2023. There was no outstanding balance on the note payable as of December 31, 2022 or 2021.

*Unsecured Revolving Notes Payable with ALRe* – ACRA 1A has an unsecured revolving note promissory note with ALRe which allows ACRA 1A to borrow funds from ALRe. The note has a borrowing capacity of \$100 million. Interest accrues at the 3 month LIBOR rate on principal plus applicable margin and has a maturity date of March 31, 2023. As of December 31, 2022 and 2021, the revolving note payable had no outstanding balance.

On September 14, 2022 ACRA 1A entered into an additional unsecured revolving note payable agreement with ALRe which allows ACRA 1A to borrow funds from ALRe. The note has a borrowing capacity of \$2,500 million. Interest accrues at the Secured Overnight Financing Rate (SOFR) rate on principal plus applicable margin of 1.6%. The note has a maturity date of June 30, 2023 and is renewable annually. As of December 31, 2022 the revolving note payable had no outstanding balance.

### 13. Commitments and Contingencies

**Contingent Commitments**—We had commitments to make investments, primarily capital contributions to investment funds, inclusive of related party commitments discussed previously, of \$344 million as of December 31, 2022. We expect most of our current commitments will be invested over the next five years; however, these commitments could become due any time upon counterparty request.

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

(In thousands)	Successor	Predecessor
	December 31, 2022	December 31, 2021
AFS securities	\$ 194,571	\$ 232,960
Derivative assets	85,565	261,395
Restricted cash	254,780	492,084
<b>Total restricted assets</b>	<b>\$ 534,916</b>	<b>\$ 986,439</b>

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### **Notes to Consolidated Financial Statements**

ACRA 1A has established an escrow account of assets equal to a portion of statutory reserves, as a result of the modco agreement with ALRe related to the Lincoln and Jackson blocks of business as described in *Note 6 – Reinsurance*.

**Letter of Credit**—We have undrawn letters of credit totaling \$1,317 million as of December 31, 2022. These letters of credit were issued for our reinsurance program and have expirations through July 28, 2025.

### **Litigation, Claims and Assessments**

ACRA 1A has no litigation, claims or assessments outstanding as at the reporting date.

## **14. Subsequent Events**

The Company has evaluated the impact of subsequent events through April 18, 2023, the date at which the financial statements were available to be issued.

In February 2023, the Company paid a dividend on common shares on a pro rata basis in the aggregate amount of \$200 million in cash.

The Company reinsures U.S. pension risk transfer business from AARe on a modco basis. In March of 2023, we added an additional policy to the existing modco agreement with AARe reinsuring \$12 million.

In addition to our audited results presented in accordance with accounting principles generally accepted in the United States of America (US GAAP), we present certain financial information that includes non-GAAP measures. Management believes the use of these non-GAAP measures, together with the relevant US GAAP measures, provides information that may enhance an investor’s understanding of our business. These non-GAAP measures are intended to remove the impact of market volatility on ACRA1A’s common shareholder equity.

**Adjusted Common Shareholders’ Equity Non-GAAP Reconciliation**

Adjusted ACRA 1A common shareholders’ equity is calculated as the ending ACRA 1A shareholders’ equity excluding AOCI, cumulative changes in fair value of funds withheld and Modified Coinsurance (modco) reinsurance assets and mortgage loan assets. The adjustment for cumulative changes in fair value of funds withheld and modco reinsurance assets includes offsets to tax and reserves. These adjustments fluctuate period to period in a manner inconsistent with our underlying profitability drivers as the majority of such fluctuation is related to the market volatility of the unrealized gains and losses associated with Available for Sale (AFS) securities and reinsurance assets. Except with respect to reinvestment activity relating to acquired blocks of business, we typically buy and hold AFS securities and reinsurance assets to maturity throughout the duration of market fluctuations, therefore, the period-over-period impacts in unrealized gains and losses are not necessarily indicative of current operating fundamentals or future performance. However, we believe the adjustments to shareholders’ equity are significant to gaining an understanding of our capitalization.

The reconciliation of total ACRA 1A shareholders’ equity to total adjusted ACRA 1A common shareholders’ equity is as follows:

<i>(In thousands)</i>	<b>Successor</b>	<b>Predecessor</b>
	Year Ended	Year Ended
	December 31, 2022	December 31, 2021
Total ACRA 1A common shareholders' equity	(1,527,156)	3,207,170
Less: Accumulated other comprehensive income/(loss)	(464,480)	18,419
Less: Accumulated change in fair value of reinsurance assets	(7,165,053)	266,611
Less: Accumulated change in fair value of mortgage loan assets	(143)	-
<b>Total adjusted ACRA common shareholders' equity</b>	<b>\$ 6,102,520</b>	<b>\$ 2,922,140</b>