Athene Co-Invest Reinsurance Affiliate 1B Ltd.

Financial Statements
Years ended December 31, 2022 and December 31, 2021

Athene Co-Invest Reinsurance Affiliate 1B Ltd.

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the financial statements of Athene Co-Invest Reinsurance Affiliate 1B Ltd. (the "Company"), which comprise the Balance sheet as of December 31, 2022, and the related Statement of Income (Loss), Comprehensive Income (Loss), Equity, and Cash Flow, for the year then ended, and the related notes to the financial statements (collectively referred to as the "financial statements").

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

Basis for Opinion

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

Predecessor Auditor's Opinion on 2021 Financial Statements

The financial statements of the Company as of and for the year ended December 31, 2021 were audited by another auditor whose report, dated May 5, 2022, expressed an unmodified opinion on those statements.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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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 25, 2023

ATHENE CO-INVEST REINSURANCE AFFILIATE 1B LTD.
Balance Sheets

(In thousands)	Successor December 31, 2022	Predecessor December 31, 2021
Assets		
Investments		
Available-for-sale securities, at fair value (amortized cost: 2022 – $327,669 and 2021 – $226,747)	$ 269,403	$ 226,823
Mortgage loans (portion at fair value: 2022 – $2,599 and 2021 – $0)	2,599	246
Derivative assets	13,515	7,162
Total investments	285,517	234,231
Cash and cash equivalents	194,520	132,606
Investments in related parties		
Available-for-sale securities, at fair value (amortized cost: 2022 – $41,599 and 2021 – $107,271)	34,568	109,295
Mortgage loans, net of allowances (allowance for credit losses: 2022 – $0 and 2021 – $686; portion at fair value: 2022 - $0 and 2021 - $0)	—	154,031
Investment funds (amortized cost: 2022 – $767 and 2021 – $121,173)	767	121,173
Funds withheld at interest (portion at fair value: 2022 – $(3,514,198) and 2021 – $(12,837))	29,022,664	20,276,350
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 – $433 and 2021 – $441)	3,556	1,973
Deferred acquisition costs and deferred sales inducements	211,447	21,313
Other assets (related party: 2022 – $ 75,808 and 2021 – $128,515; portion at fair value: 2022 – $36,608 and 2021 – $125,489)	972,276	187,020
Total assets	$ 30,725,315	$ 21,267,917
Liabilities and Equity (Deficit)		
Liabilities		
Interest sensitive contract liabilities (related party: 2022 – $9,295,901 and 2021 – $5,268,748; portion at fair value: 2022 – $207,904 and 2021 – $0)	$ 9,295,901	$ 5,268,748
Future policy benefits (related party: 2022 – $23,233,380 and 2021 – $14,694,515)	23,233,380	14,694,515
Intercompany notes payable	389,100	655,212
Derivative liabilities	—	185
Payables for collateral on derivatives	14,100	6,770
Other liabilities (related party: 2022 – $1,257,911 and 2021 – $443,939; portion at fair value: 2022 – $989,756 and 2021 – $263,799)	1,259,326	481,233
Total liabilities	34,191,807	21,106,663
Commitments and Contingencies (Note 13)		
Equity (Deficit)		
Common shares - par value $1.00 per share; authorized: 2022 and 2021 - 250,000 shares; issued and outstanding: 2022 and 2021 - 250,000 shares	250	250
Additional paid-in capital	(407,629)	26,656
Retained earnings (accumulated deficit)	(3,013,218)	129,010
Accumulated other comprehensive income (loss) (related party: 2022 – $(97,592) and 2021 – $2,996)	(45,895)	5,338
Total shareholders' equity (deficit)	(3,466,492)	161,254
Total liabilities and equity	$ 30,725,315	$ 21,267,917

See accompanying notes to financial statements

ATHENE CO-INVEST REINSURANCE AFFILIATE 1B LTD.
Statements of Income (Loss)

(In thousands)	Successor Year Ended December 31, 2022	Predecessor Year Ended December 31, 2021
Revenues		
Premiums (related party: 2022 – $8,661,632 and 2021 – $10,744,675)	$ 8,661,632	$ 10,744,675
Product charges (related party: 2022 – $5,581 and 2021 – $0)	5,581	—
Net investment income (related party investment income: 2022 – $1,067,824 and 2021 – $193,218; and related party investment expense: 2022 – $22,190 and 2021 – $5,428)	1,060,530	189,858
Investment related gains (losses) (related party: 2022 – $(3,681,716) and 2021 – $(133,738))	(3,430,090)	98,609
Other revenues (related party: 2022 – $96,547 and 2021 – $240,964)	96,547	240,964
Total revenues	6,394,200	11,274,106
Benefits and expenses		
Interest sensitive contract benefits (related party: 2022 – $155,136 and 2021 – $33,125)	155,136	33,125
Future policy and other policy benefits (related party: 2022 – $9,179,717 and 2021 – $10,974,683)	9,179,717	10,974,683
Amortization of deferred acquisition costs and deferred sales inducements	870	1,586
Interest expense (related party: 2022 – $11,776 and 2021 – $7,286)	16,097	7,310
Policy and other operating expenses (related party: 2022 – $129,781 and 2021 – $56,896)	130,534	63,737
Change in fair value of investment contracts held at fair value (related party: 2022 – $724,001 and 2021 – $222,629)	724,001	222,629
Total benefits and expenses	10,206,355	11,303,070
Loss before income taxes	(3,812,155)	(28,964)
Income tax expense (benefit)	(798,937)	(6,825)
Net loss	$ (3,013,218)	$ (22,139)

See accompanying notes to financial statements

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

(In thousands)	Successor Year Ended December 31, 2022	Predecessor Year Ended December 31, 2021
Net loss	$ (3,013,218)	$ (22,139)
Other comprehensive loss, before tax		
Unrealized investment losses on available-for-sale securities, net of offsets	(59,675)	(7,327)
Unrealized gains on hedging instruments	1,580	4,657
Other comprehensive loss, before tax	(58,095)	(2,670)
Income tax benefit related to other comprehensive loss	(12,200)	(561)
Other comprehensive loss	(45,895)	(2,109)
Comprehensive loss	$ (3,059,113)	$ (24,248)

See accompanying notes to financial statements

ATHENE CO-INVEST REINSURANCE AFFILIATE 1B LTD.
Statements of Equity

(In thousands)	Common stock	Additional paid-in capital	Retained earnings (accumulated deficit)	Accumulated other comprehensive income (loss)	Total shareholder's equity (deficit)
	Predecessor				
Balance at December 31, 2020	$ 250	$ 26,000	$ 151,149	$ 7,447	$ 184,846
Capital contributions received	—	656	—	—	656
Net loss	—	—	(22,139)	—	(22,139)
Other comprehensive loss	—	—	—	(2,109)	(2,109)
Balance at December 31, 2021	$ 250	$ 26,656	$ 129,010	$ 5,338	$ 161,254
	Successor				
Balance at January 1, 2022	$ 250	$ (406,603)	$ —	$ —	$ (406,353)
Net loss	—	—	(3,013,218)	—	(3,013,218)
Other comprehensive loss	—	—	—	(45,895)	(45,895)
Distribution to parent	—	(1,026)	—	—	(1,026)
Balance at December 31, 2022	$ 250	$ (407,629)	$ (3,013,218)	$ (45,895)	$ (3,466,492)

See accompanying notes to financial statements

ATHENE CO-INVEST REINSURANCE AFFILIATE 1B LTD.
Statements of Cash Flows

	Successor		Predecessor	
(In thousands)	Year Ended December 31, 2022		Year Ended December 31, 2021	
Cash flows from operating activities				
Net loss	$	(3,013,218)	$	(22,139)
Adjustments to reconcile net income to net cash (used in) provided by operating activities:				
Amortization of deferred acquisition costs and deferred sales inducements		870		1,586
Net accretion of net investment premiums, discounts and other		703		(476)
Net recognized (gains) losses on investments and derivatives (related party: 2022 – $2,159 and 2021 – $(2,184))		3,027		(3,771)
Changes in operating assets and liabilities:				
Accrued investment income (related party: 2022 – $8 and 2021 – $(441))		(1,583)		(669)
Interest sensitive contract liabilities (related party: 2022 – $(361,564) and 2021 – $(36,321))		(361,564)		(36,321)
Future policy benefits, other policy claims and benefits, dividends payable to policyholders and reinsurance recoverable (related party: 2022 – $(824,643) and 2021 – $(404,316))		(824,643)		(404,316)
Funds withheld assets and liabilities (related party: 2022 – $4,279,475 and 2021 – $445,006)		4,279,475		445,006
Deferred acquisition costs and deferred sales inducements		(206,433)		—
Other assets and liabilities		(12,069)		94,978
Net cash (used in) provided by operating activities	$	(135,435)	$	73,878
Cash flows from investing activities				
Sales, maturities and repayments of:				
Available-for-sale securities (related party: 2022 – $356,766 and 2021 – $412,928)	$	399,811	$	415,806
Trading securities (related party: 2022 – $272,832 and 2021 – $20,525)		272,832		20,525
Mortgage loans (related party: 2022 – $154,717 and 2021 – $27,427)		154,717		27,486
Investment funds (related party: 2022 – $187,588 and 2021 – $80,275)		232,276		134,271
Derivative instruments and other invested assets (related party: 2022 – $29,925 and 2021 – $0)		29,925		—
Short-term investments		—		2,063
Purchases of:				
Available-for-sale securities (related party: 2022 – $(280,320) and 2021 – $(250,814))		(281,396)		(392,955)
Trading securities (related party: 2022 – $(274,199) and 2021 – $(20,304))		(274,199)		(20,304)
Mortgage loans (related party: 2022 – $0 and 2021 – $(181,818))		(710)		(183,374)
Investment funds (related party: 2022 – $(77,195) and 2021 – $(158,702))		(77,195)		(212,007)
Derivative instruments and other invested assets (related party: 2022 – $0 and 2021 –$(30,000))		—		(30,000)
Other investing activities, net		70		705
Net cash (used in) provided by investing activities	$	456,131	$	(237,784)
Cash flows from financing activities				
Repayment of intercompany notes payable		(266,112)		—
Net change in cash collateral posted for derivative transactions and securities to repurchase		7,330		6,770
Proceeds from intercompany notes payable		—		277,212
Net cash (used in) provided by financing activities		(258,782)		283,982
Net increase (decrease) in cash and cash equivalents		61,914		120,076
Cash and cash equivalents at beginning of year		132,606		12,530
Cash and cash equivalents at end of year	$	194,520	$	132,606

(Continued)

See accompanying notes to financial statements

ATHENE CO-INVEST REINSURANCE AFFILIATE 1B LTD.
Statements of Cash Flows

	Successor		Predecessor	
(In thousands)	Year Ended December 31, 2022		Year Ended December 31, 2021	
Supplementary information				
Cash (received) paid for taxes	$	(7,280)	$	8,300
Cash paid for interest		11,022		7,310
Non-cash transactions				
Deposits on investment-type policies and contracts through reinsurance agreements (related party: 2022 – $2,925,475 and 2021 – $2,827)		2,925,475		2,827
Withdrawals on investment-type policies and contracts through reinsurance agreements (related party: 2022 – $(383,030) and 2021 – $(867))		(383,030)		(867)
Intercompany note settled in investments		—		(219,207)
Investments received from settlements on related party reinsurance agreements		(20,454)		185,708
Non-cash capital contributions		—		(656)
Increase in invested assets and other assets and liabilities relating to reinsurance		(122,638)		(7,999)

(Concluded)

See accompanying notes to financial statements

1. Business, Basis of Presentation and Significant Accounting Policies

Athene Co-Invest Reinsurance Affiliate 1B Ltd. (ACRA 1B, we, our, us or the Company), a Bermuda exempted company incorporated on November 9, 2018, is 100% owned by Athene Co-Invest Reinsurance Affiliate L.P. (ACRA LP), a Delaware limited partnership. Athene Co-Invest Reinsurance Affiliate 1A Ltd. (ACRA 1A) owns 99% of the economic interest and 100% of the voting power in ACRA LP. ACRA 1A is 100% owned by Athene Co-Invest Reinsurance Affiliate Holding Ltd. (ACRA HoldCo). Prior to December 31, 2021, ACRA 1A was 36.55% owned by Athene Life Re Ltd. (ALRe), and 63.45% owned by the Apollo/Athene Dedicated Investment Program (ADIP). On December 31, 2021, Athene Asset L.P. (AALP) and ADIP entered into a certain contribution and exchange agreement whereby all the issued and outstanding shares of ACRA 1A were contributed to ACRA HoldCo in exchange for an equal number of shares in ACRA HoldCo. ACRA HoldCo is 36.55% owned by AALP and 63.45% owned by ADIP. The shares held by ADIP are non-voting and all of the shares held by AALP represent 100% of the voting power in ACRA HoldCo. ACRA 1A and ACRA 1B reinsure business from various subsidiaries of Athene Holding Ltd. (AHL), a Bermuda exempted company, whose preference shares are traded on the New York Stock Exchange. See *Note 6 - Reinsurance* for more information.

ACRA 1B was registered as a Class C long-term insurer on July 30, 2019 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, pension group annuities, and funding agreements business from Athene Annuity Re Ltd (AARe).

Basis of Presentation - We have prepared the 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;
- liability for investment contracts held at fair value;
- financial instruments held at fair value;
- deferred acquisition costs (DAC), deferred sales inducements (DSI) and value of business acquired (VOBA);
- future policy benefit reserves; and
- valuation allowances on deferred tax assets.

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

Merger - On January 1, 2022, AHL completed the merger with Apollo Global Management, Inc (AGM, and together with its subsidiaries other than us or our subsidiaries, Apollo) and 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 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 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 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 statements of income (loss).

Trading Securities - We elected the fair value option for certain fixed maturity securities. These fixed maturity securities are classified as trading, with changes to fair value included in investment related gains (losses) on the 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 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 balance sheets. Bank loans, private placements and investment funds are recorded on settlement date basis.

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 statements of income (loss). Changes in the fair value of the mortgage loan portfolio are reported in investment related gains (losses) on the 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 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 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.

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

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

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 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 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 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 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 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 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 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 statements of income (loss).

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

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

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

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

We have elected to present accrued interest receivable separately in accrued investment income on the 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 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 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 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 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 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 balance sheets at fair value, with changes in fair value recognized in investment related gains (losses) on the statements of income (loss).

For a derivative not designated as a hedge, changes in the derivative's fair value and any income received or paid on derivatives at the settlement date are included in investment related gains (losses) on the 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 statements of income (loss). Embedded derivatives are carried on the 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 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 balance sheets for assumed agreements. The change in the fair value of the embedded derivatives is recorded in investment related gains (losses) on the 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 statements of cash flows. Contributions to and withdrawals from funds withheld at interest are reported in operating activities on the 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.

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.

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

Investments in Related Parties - Investments in related parties and associated earnings, other comprehensive income and cash flows are separately identified on the 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 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 balance sheets as the associated reserves. Positive VOBA is recorded in deferred acquisition costs, deferred sales inducements and value of business acquired on the balance sheets.

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* for further discussion.

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

Financial Instruments Held at Fair Value - We elected to apply the fair value option to account for certain financial instruments. The fair value was determined using principals consistent with the pricing of a total return swap. The significant unobservable inputs used in the fair value measurement of the financial instrument are valuation rate for the fixed funding agreement portfolio, credited rate for floating rate funding agreement portfolio and book yield on fixed income portion of funding agreement portfolio. Financial instruments held at fair value are recorded in other assets on the balance sheets. The change in fair value of financial instruments held at fair value is recorded in investment related gains (losses) on the statements of income (loss).

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 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 4.0% 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 statements of income (loss). See the reinsurance accounting policy discussed above and *Note 6 – Reinsurance* for more information on reinsurance.

Foreign Currency - 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 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 liability is recognized in future policy benefits on the balance sheets and amortized into income in relation to applicable policyholder liabilities through future policy and other policy benefits on the 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 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 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 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. Due to negative net identifiable assets, there was no 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. Furthermore, no goodwill was pushed down to ACRA 1B because ACRA 1B will cede out merger synergies to ACRA 1A.

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

(In thousands)		**Fair value and goodwill calculation**
Purchase Price	$	(406,353)
Total ACRA 1B equity (deficit)		**(406,353)**
Assets		
Investments		20,540,118
Cash and cash equivalents		132,606
Investment in related parties		415,074
Accrued investment income		1,973
Estimated fair value of total assets acquired by AGM		21,089,771
Liabilities		
Interest sensitive contract liabilities		5,298,717
Future policy benefits		15,392,276
Derivative liabilities		185
Payables for collateral on derivatives and securities to repurchase		6,770
Related Party Notes Payable		655,212
Other liabilities		142,964
Estimated fair value of total liabilities assumed by AGM		21,496,124
Identifiable net assets		(406,353)
Estimated fair value of net assets acquired, excluding goodwill		(406,353)
Goodwill attributable to ACRA 1B		—

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.

3. Investments

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

	Successor			
	December 31, 2022			
(In thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
AFS securities				
Corporate	$ 147,455	$ —	$ (38,875)	$ 108,580
CLO	131,537	—	(9,091)	122,446
ABS	48,677	—	(10,300)	38,377
Total AFS securities	327,669	—	(58,266)	269,403
AFS securities – related parties				
Corporate	41,599	—	(7,031)	34,568
Total AFS securities – related parties	41,599	—	(7,031)	34,568
Total AFS securities including related parties	$ 369,268	$ —	$ (65,297)	$ 303,971

	Predecessor			
	December 31, 2021			
(In thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
AFS securities				
Corporate	$ 148,071	$ 3,794	$ (3,696)	$ 148,169
CLO	47,456	2	(24)	47,434
ABS	31,220	—	—	31,220
Total AFS securities	226,747	3,796	(3,720)	226,823
AFS securities – related parties				
Corporate	40,000	2,025	—	42,025
CLO	50,500	—	—	50,500
ABS	16,771	—	(1)	16,770
Total AFS securities – related parties	107,271	2,025	(1)	109,295
Total AFS securities including related parties	$ 334,018	$ 5,821	$ (3,721)	$ 336,118

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

	Successor	
	December 31, 2022	
(In thousands)	Amortized Cost	Fair Value
AFS securities		
Due after one year through five years	$ 2,444	$ 2,071
Due after five years through ten years	58,682	46,765
Due after ten years	86,329	59,744
CLO, ABS, CMBS and RMBS	180,214	160,823
Total AFS securities	327,669	269,403
AFS securities – related parties		
Due after five years through ten years	41,599	34,568
Total AFS securities – related parties	41,599	34,568
Total AFS securities including related parties	$ 369,268	$ 303,971

	Predecessor	
	December 31, 2021	
(In thousands)	Amortized Cost	Fair Value
AFS securities		
Due after one year through five years	$ 2,383	$ 2,456
Due after five years through ten years	57,646	59,379
Due after ten years	88,042	86,334
CLO, ABS, CMBS and RMBS	78,676	78,654
Total AFS securities	226,747	226,823
AFS securities – related parties		
Due after five years through ten years	40,000	42,025
CLO and ABS	67,271	67,270
Total AFS securities – related parties	107,271	109,295
Total AFS securities including related parties	$ 334,018	$ 336,118

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:

	Successor					
	December 31, 2022					
	Less than 12 months		12 months or more		Total	
(In thousands)	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
AFS securities						
Corporate	$ 108,580	$ (38,875)	$ —	$ —	$ 108,580	$ (38,875)
CLO	122,446	(9,091)	—	—	122,446	(9,091)
ABS	38,377	(10,300)	—	—	38,377	(10,300)
Total AFS securities	269,403	(58,266)	—	—	269,403	(58,266)
AFS securities – related parties						
Corporate	34,568	(7,031)	—	—	34,568	(7,031)
Total AFS securities – related parties	34,568	(7,031)	—	—	34,568	(7,031)
Total AFS securities including related parties	$ 303,971	$ (65,297)	$ —	$ —	$ 303,971	$ (65,297)

	Predecessor					
	December 31, 2021					
	Less than 12 months		12 months or more		Total	
(In thousands)	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
AFS securities						
Corporate	$ 69,536	$ (2,621)	$ 4,939	$ (165)	$ 74,475	$ (2,786)
CLO	43,430	(24)	—	—	43,430	(24)
Total AFS securities	112,966	(2,645)	4,939	(165)	117,905	(2,810)
AFS securities – related parties						
ABS	16,770	(1)	—	—	16,770	(1)
Total AFS securities – related parties	16,770	(1)	—	—	16,770	(1)
Total AFS securities including related parties	$ 129,736	$ (2,646)	$ 4,939	$ (165)	$ 134,675	$ (2,811)

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:

	Successor	
	December 31, 2022	
	Unrealized loss position	Unrealized loss position 12 months or more
AFS securities	32	—
AFS securities – related parties	1	—

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

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

	Successor			
	Year Ended December 31, 2022			
		Additions	Reductions	
(In thousands)	January 1, 2022	Initial credit losses	Additions (reductions) to previously impaired securities	Ending Balance
AFS securities				
CLO	$ —	$ 13	$ (13)	$ —
Total AFS securities	—	13	(13)	—
Total AFS securities including related parties	$ —	$ 13	$ (13)	$ —

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

	Successor	Predecessor
(In thousands)	Year Ended December 31, 2022	Year Ended December 31, 2021
AFS securities	$ 19,743	$ 12,056
Trading securities	977	215
Mortgage loans	668	758
Investment funds	809	(2,759)
Funds withheld at interest	1,056,842	182,552
Other	3,693	2,464
Investment revenue	1,082,732	195,286
Investment expenses	(22,202)	(5,428)
Net investment income	$ 1,060,530	$ 189,858

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

	Successor	Predecessor
(In thousands)	Year Ended December 31, 2022	Year Ended December 31, 2021
AFS securities		
Gross realized gains on investment activity	$ 5,964	$ 4,105
Gross realized losses on investment activity	(11,960)	(2,704)
Net realized investment gains (losses) on AFS securities	(5,996)	1,401
Net recognized investment gains (losses) on trading securities	(1,344)	220
Net realized investment gains (losses) on mortgage loans	(263)	—
Derivative losses	(3,786,346)	(90,033)
Provision for credit losses	—	(1,665)
Other gains	363,859	188,686
Investment related gains (losses)	$ (3,430,090)	$ 98,609

Proceeds from sales of AFS securities were $367 million and $416 million for the years ended December 31, 2022 and 2021, respectively.

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:

	Successor
(In thousands)	December 31, 2022
Residential mortgage loans	$ 2,621
Mark to fair value	(22)
Residential mortgage loans	2,599
Mortgage loans	$ 2,599

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

	Predecessor
(In thousands)	December 31, 2021
Commercial mortgage loans	$ 152,810
Allowance for credit losses on commercial mortgage loans	(686)
Commercial mortgage loans, net of allowances	152,124
Residential mortgage loans	2,153
Allowance for credit losses on residential mortgage loans	—
Residential mortgage loans, net of allowances	2,153
Mortgage loans, net of allowances	$ 154,277

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:

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

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

	Successor	Predecessor
	December 31, 2022	December 31, 2021
International		
International - United Kingdom	100.0 %	100.0 %
Total International residential mortgage loan percentage	100.0 %	100.0 %
Total residential mortgage loan percentage	100.0 %	100.0 %

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

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

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.

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:

	Predecessor			
	December 31, 2021			
(In thousands)	2021	2020	2019	Total
Current (less than 30 days past due)	$ —	$ 2,153	$ —	$ 2,153
Total residential mortgages	$ —	$ 2,153	$ —	$ 2,153

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:

	Predecessor			
	December 31, 2021			
(In thousands)	2021	2020	2019	Total
Current (less than 30 days past due)	$ 152,810	$ —	$ —	$ 152,810
Total commercial mortgages	$ 152,810	$ —	$ —	$ 152,810

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:

	Predecessor			
	December 31, 2021			
(In thousands)	2021	2020	2019	Total
70% to 79%	$ 152,810	$ —	$ —	$ 152,810
Commercial mortgage loans	$ 152,810	$ —	$ —	$ 152,810

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

	Predecessor			
	December 31, 2021			
(In thousands)	2021	2020	2019	Total
Greater than 1.20x	$ 152,810	$ —	$ —	$ 152,810
Commercial mortgage loans	$ 152,810	$ —	$ —	$ 152,810

Investment Funds - Our investment fund portfolio consists of funds that employ various strategies and include investments in origination platforms, 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:

	Successor		**Predecessor**	
	December 31, 2022		December 31, 2021[1]	
(In thousands, except for percentages)	Carrying value	Percent of total	Carrying value	Percent of total
Investment funds – related parties				
Strategic origination platforms	$ —	— %	$ 87,444	72.2 %
Apollo and other fund investments				
Equity	767	100.0 %	—	— %
Hybrid	—	— %	10,779	8.9 %
Yield	—	— %	10,500	8.7 %
Other	—	— %	12,450	10.2 %
Total investment funds – related parties	767	100.0 %	121,173	100.0 %
Total investment funds including related parties	$ 767		$ 121,173	

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

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Notes to Financial Statements

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:

	Successor	Predecessor
(In thousands)	December 31, 2022	December 31, 2021
Assets	$ 11,377,199	$ 1,206,502
Liabilities	1,049,179	128,570
Equity	10,328,020	1,077,932

	Successor	Predecessor
(In thousands)	Year Ended December 31, 2022	Year Ended December 31, 2021
Net income	$ 369,530	$ 98,266

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

	Successor	Predecessor
(In thousands)	December 31, 2022	December 31, 2021
Ownership Percentage		
50% – 99%	$ —	$ 21,986
3% – 49%	—	99,187
Less than 3%	767	—
Equity method investment funds	$ 767	$ 121,173

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:

	Successor		Predecessor	
	December 31, 2022		December 31, 2021	
(In thousands)	Carrying Value	Maximum Loss Exposure	Carrying Value	Maximum Loss Exposure
Investment in related parties – investment funds	$ 767	$ 767	$ 121,173	$ 247,900
Investment in fixed maturity securities	160,823	180,261	78,654	78,676
Investment in related parties – fixed maturity securities	—	—	67,270	67,271
Total non-consolidated investments	$ 161,590	$ 181,028	$ 267,097	$ 393,847

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 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 parties:

	Successor		Predecessor	
	December 31, 2022		December 31, 2021	
(In thousands, except for percentages)	Carrying Value	Percent of Total	Carrying Value[1]	Percent of Total
Fixed maturity securities				
U.S. government and agencies	$ 60,906	0.2 %	$ 73,051	0.4 %
U.S. state, municipal, and political subdivisions	133,755	0.5 %	189,951	0.9 %
Foreign governments	228,754	0.8 %	231,898	1.1 %
Corporate	11,778,387	40.5 %	10,053,962	49.6 %
CLOs	3,861,560	13.3 %	2,547,598	12.6 %
ABS	3,859,054	13.3 %	3,155,171	15.6 %
CMBS	684,903	2.4 %	446,946	2.2 %
RMBS	583,407	2.0 %	247,094	1.2 %
Equity securities	129,978	0.4 %	25,253	0.1 %
Mortgage loans	4,608,210	15.9 %	2,164,598	10.7 %
Investment funds	1,724,275	5.9 %	704,619	3.5 %
Derivative Assets	450,010	1.6 %	76,107	0.4 %
Short-term investments	82,876	0.3 %	55,688	0.3 %
Other investments	438,638	1.5 %	82,575	0.4 %
Cash and cash equivalents	1,011,564	3.5 %	253,006	1.2 %
Other assets and liabilities	(613,613)	(2.1)%	(31,167)	(0.2)%
Total funds withheld at interest	$ 29,022,664	100 %	$ 20,276,350	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		
		Fair Value			Fair Value	
(In thousands)	Notional Amount	Assets	Liabilities	Notional Amount	Assets	Liabilities
Derivatives designated as hedges						
Foreign currency swaps	61,847	$ 11,890	$ —	61,847	$ 4,657	$ —
Total derivatives designated as hedges		11,890	—		4,657	—
Derivatives not designated as hedges						
Foreign currency swaps	21,025	1,593	—	21,025	2,505	—
Foreign currency forwards	3,379	32	—	10,043	—	185
Embedded derivatives						
Funds withheld including related parties		(3,514,198)	—		(12,837)	—
Interest sensitive contract liabilities		—	207,904		—	—
Total derivatives not designated as hedges		(3,512,573)	207,904		(10,332)	185
Total derivatives		$ (3,500,683)	$ 207,904		$ (5,675)	$ 185

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
(In thousands)	Year Ended December 31, 2021
Foreign currency swaps – Other comprehensive income (loss)	$ 4,657

There were no amounts deemed ineffective during the years ended December 31, 2022, or 2021. 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	
(In thousands)	Carrying amount of the hedged assets or liabilities[1]	Cumulative amount of fair value hedging gains (losses)	Carrying amount of the hedged assets or liabilities[1]	Cumulative amount of fair value hedging gains (losses)
AFS securities - Foreign currency forwards	$ 39,046	$ (5,623)	$ —	$ —

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

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

(In thousands)	Derivatives	Hedged Items	Net
Year ended December 31, 2022 (Successor)			
Investment related gains (losses)			
Foreign currency interest rate swaps	$ 5,758	$ (5,623)	$ 135
Year ended December 31, 2021 (Predecessor)			
Investment related gains (losses)			
Foreign currency interest rate swaps	$ —	$ —	$ —

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

	Successor	**Predecessor**
(In thousands)	Year Ended December 31, 2022	Year Ended December 31, 2021
Foreign currency swaps	$ 1,580	$ —

Derivatives Not Designated as Hedges

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.

Foreign currency swaps – We use foreign currency swaps to convert foreign currency denominated cash flows of investments or liabilities to US dollars to reduce cash flow fluctuations due to changes in currency exchange rates.

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

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

	Successor	**Predecessor**
(In thousands)	December 31, 2022	December 31, 2021
Swaps	$ (400)	$ 3,433
Foreign currency forwards	163	(55)
Embedded derivatives on funds withheld	(3,791,868)	(93,411)
Amounts recognized in investment related gains (losses)	(3,792,105)	(90,033)
Embedded derivatives in indexed annuity products[1]	(23,959)	—
Total gains (losses) on derivatives not designated as hedges	$ (3,816,064)	$ (90,033)

[1] *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:

		Gross amounts not offset on the balance sheets				
(In thousands)	Gross amount recognized[1]	Financial instruments[2]	Collateral (received)/ pledged	Net amount	Off-balance sheet securities collateral[3]	Net amount after securities collateral
December 31, 2022 (Successor)						
Derivative assets	$ 13,515	$ —	$ (14,100)	$ (585)	$ —	$ (585)
Derivative liabilities	—	—	—	—	—	—
December 31, 2021 (Predecessor)						
Derivative assets	$ 7,162	$ (185)	$ (6,770)	$ 207	$ —	$ 207
Derivative liabilities	(185)	185	—	—	—	—

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

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

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

5. 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.

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

	Successor			
	December 31, 2022			
(In thousands)	Total	Level 1	Level 2	Level 3
Assets				
AFS securities				
Corporate	$ 108,580	$ —	$ 108,580	$ —
CLO	122,446	—	122,446	—
ABS	38,377	—	38,377	—
Total AFS securities	269,403	—	269,403	—
Mortgage loans	2,599	—	—	2,599
Derivative assets	13,515	—	13,515	—
Cash and cash equivalents	194,520	194,520	—	—
Investments in related parties				
AFS securities				
Corporate	34,568	—	34,568	—
Total AFS securities – related parties	34,568	—	34,568	—
Funds withheld at interest – embedded derivative	(3,514,198)	—	—	(3,514,198)
Financial Instruments held at fair value – related parties	36,608	—	—	36,608
Total assets measured at fair value	$ (2,962,985)	$ 194,520	$ 317,486	$ (3,474,991)
Liabilities				
Interest sensitive contract liabilities				
Embedded derivative	$ 207,904	$ —	$ —	$ 207,904
Liability for investment contracts held at fair value – related parties	989,756	—	—	989,756
Total liabilities measured at fair value	$ 1,197,660	$ —	$ —	$ 1,197,660

	Predecessor			
	December 31, 2021			
(In thousands)	Total	Level 1	Level 2	Level 3
Assets				
AFS securities				
Corporate	$ 148,169	$ —	$ 148,169	$ —
CLO	47,434	—	47,434	—
ABS	31,220	—	—	31,220
Total AFS securities	226,823	—	195,603	31,220
Derivative assets	7,162	—	7,162	—
Cash and cash equivalents	132,606	132,606	—	—
Investments in related parties				
AFS securities				
Corporate	42,025	—	42,025	—
CLO	50,500	—	—	50,500
ABS	16,770	—	—	16,770
Total AFS securities – related parties	109,295	—	42,025	67,270
Funds withheld at interest – embedded derivative	(12,837)	—	—	(12,837)
Total investment funds - related parties	125,489	—	—	125,489
Total assets measured at fair value	$ 588,538	$ 132,606	$ 244,790	$ 211,142
Liabilities				
Derivative liabilities	$ 185	$ —	$ 185	$ —
Liability for investment contracts held at fair value – related parties	263,799	—	—	263,799
Total liabilities measured at fair value	$ 263,984	$ —	$ 185	$ 263,799

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.

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

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

Cash and cash equivalents - 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.

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

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

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

	Successor	Predecessor
(In thousands)	Year Ended December 31, 2022	Year Ended December 31, 2021
Change in fair value of investment contracts held at fair value	$ (627,538)	$ 222,629
Change in fair value of financial instruments held at fair value	(85,003)	125,489
Trading securities	(1,344)	220
Mortgage loans	(264)	—
Total gains (losses)	$ (714,149)	$ 348,338

Gains and losses on trading securities are recorded in investment related gains (losses) on the statements of income (loss). Change in fair value of investment contracts held at fair value is presented on the face of the statement of income (loss). The change in fair value of financial instruments held at fair value is recorded in investment related gains (losses) on the statements of income (loss).

The following summarizes information for fair value option mortgage loans:

	Successor
(In thousands)	December 31, 2022
Unpaid principal balance	$ 2,621
Mark to fair value	(22)
Fair value	$ 2,599

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 Financial Statements

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

	Successor							
	Year ended December 31, 2022							
		Total realized and unrealized gains (losses)						
(In thousands)	Balance at January 1, 2022	Included in income	Included in OCI	Net purchases, issuances, sales and settlements	Net transfers in (out)	Ending balance	Total gains (losses) included in earnings[1]	Total gains (losses) included in OCI[1]
Assets								
AFS securities								
ABS	$ 31,220	$ —	$ —	$ (31,220)	$ —	$ —	$ —	$ —
Mortgage loans	—	(264)	—	710	2,153	2,599		
Investments in related parties								
AFS securities								
Corporate	—	—	—	(28,287)	28,287	—	—	—
CLO	50,500	(7)	—	(50,493)	—	—	—	—
ABS	16,770	(1,580)	—	(15,190)	—	—	—	—
Trading securities	—	(1,363)	—	1,363	—	—	—	—
Mortgage Loans		—	—	(154,717)	154,717	—	—	—
Funds withheld at interest – embedded derivative	(12,837)	(3,501,361)	—	—	—	(3,514,198)	—	—
Short-term investments	—	—	—	28,287	(28,287)	—	—	—
Financial Instruments held at fair value	127,082	(85,003)	—	(5,471)		36,608		—
Total Level 3 assets	$ 212,735	$(3,589,578)	$ —	$ (255,018)	$ 156,870	$(3,474,991)	$ —	$ —
Liabilities								
Interest sensitive contract liabilities								
Embedded derivative	$ —	$ (23,959)	$ —	$ 231,863	$ —	$ 207,904	$ —	$ —
Liability for investment contracts held at fair value	111,051	627,538	—	251,167	—	989,756	—	—
Total Level 3 liabilities	$ 111,051	$ 603,579	$ —	$ 483,030	$ —	$ 1,197,660	$ —	$ —

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

	Predecessor							
	Year ended December 31, 2021							
		Total realized and unrealized gains (losses)						
(In thousands)	Beginning balance	Included in income	Included in OCI	Net purchases, issuances, sales and settlements	Net transfers in (out)	Ending balance	Total gains (losses) included in earnings[1]	Total gains (losses) included in OCI[1]
Assets								
AFS securities								
ABS	$ —	$ —	$ —	$ 31,220	$ —	$ 31,220	$ —	$ —
Investments in related parties								
AFS securities								
CLO	—	—	—	50,500	—	50,500	—	—
ABS	312,400	882	(4,567)	(291,945)	—	16,770	—	(4,567)
Funds withheld at interest – embedded derivative	200,329	(213,166)	—	—	—	(12,837)	—	—
Financial Instruments held at fair value	—	125,489	—	—	—	125,489	—	—
Total Level 3 assets	$ 512,729	$ (86,795)	$ (4,567)	$ (210,225)	$ —	$ 211,142	$ —	$ (4,567)
Liabilities								
Liability for investment contracts held at fair value	$ 41,170	$ 222,629	$ —	$ —	$ —	$ 263,799	$ —	$ —
Total Level 3 liabilities	$ 41,170	$ 222,629	$ —	$ —	$ —	$ 263,799	$ —	$ —

[1] *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:

	Successor							
	Year ended December 31, 2022							
(In thousands)	Purchases	Issuances	Sales	Settlements	Net purchases, issuances, sales and settlements	Transfers in	Transfers out	Net transfers in (out)
Assets								
AFS securities								
ABS	$ 1,076	$ —	$ (32,296)	$ —	$ (31,220)	$ —	$ —	$ —
Mortgage loans	710	—	—	—	710	2,153	—	2,153
Investments in related parties								
AFS securities								
Corporate	4,226	—	(26,471)	(6,042)	(28,287)	28,287	—	28,287
CLO	32,560	—	(83,053)	—	(50,493)	—	—	—
ABS	226,019	—	(224,381)	(16,828)	(15,190)	—	—	—
Trading securities	274,195	—	(272,832)	—	1,363	—	—	—
Mortgage Loans	—	—	(154,717)	—	(154,717)	154,717	—	154,717
Short-term investments	28,287	—	—	—	28,287	—	(28,287)	(28,287)
Total Level 3 assets	$ 567,073	$ —	$ (793,750)	$ (22,870)	$ (249,547)	$ 185,157	$ (28,287)	$ 156,870
Liabilities								
Interest sensitive contract liabilities – embedded derivative	$ —	$ 233,664	$ —	$ (1,801)	$ 231,863	$ —	$ —	$ —
Total Level 3 liabilities	$ —	$ 233,664	$ —	$ (1,801)	$ 231,863	$ —	$ —	$ —

	Predecessor							
	Year ended December 31, 2021							
(In thousands)	Purchases	Issuances	Sales	Settlements	Net purchases, issuances, sales and settlements	Transfers in	Transfers out	Net transfers in (out)
Assets								
AFS securities								
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)	—	—	—
Total Level 3 assets	$ 99,221	$ —	$ (308,278)	$ (1,168)	$ (210,225)	$ —	$ —	$ —

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

AFS and trading securities – We use discounted cash flow models to calculate the fair value for certain fixed maturity 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.

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

Financial Instruments Held at Fair Value **-** We elected to apply the fair value option to account for certain financial instruments. The fair value was determined using principals consistent with the pricing of a total return swap. The significant unobservable inputs used in the fair value measurement of the financial instrument are the liability crediting rate to the funding agreement reserve, the asset book yield on the funding agreement portfolio, and the discount rate used to discount the projected cashflows.

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

	Successor						
	December 31, 2022						
(In thousands, except for percentages)	Fair value	Valuation technique	Unobservable inputs	Minimum	Maximum	Weighted average	Impact of an increase in the input on fair value
Mortgage Loans	$ 2,599	Discounted cash flow	Discount rate	5.88 %	5.88 %	5.88 % [1]	Decrease
Liability for investment contracts held at fair value	$ 989,756	Actuarial Appraisal Method	Discount Rate	1.79 %	3.62 %	3.09 %	Decrease
			Return on Net Invested Assets	4.13 %	6.00 %	4.83 %	Increase
			Required Capital	7.16 %	7.52 %	7.43 %	Decrease
			Hurdle Rate	12.00 %	12.00 %	12.00 %	Decrease
Interest sensitive contract liabilities – fixed indexed annuities embedded derivatives	$ 207,904	Option budget method	Nonperformance risk	0.20 %	1.70 %	1.20 % [2]	Decrease
			Option budget	0.50 %	5.30 %	2.60 % [3]	Increase
			Surrender rate	0.90 %	20.40 %	6.50 % [4]	Decrease
Financial Instrument Held at Fair Value	$ 36,608	Discounted cash flows	Discount rate	3.80 %	5.20 %	4.50 %	Decrease
			Liability Crediting Rate	1.80 %	7.10 %	3.20 %	Increase
			Asset Book Yield	1.00 %	10.00 %	3.80 %	Decrease

	Predecessor						
	December 31, 2021						
(In thousands, except for percentages)	Fair value	Valuation technique	Unobservable inputs	Minimum	Maximum	Weighted average	Impact of an increase in the input on fair value
Liability for investment contracts held at fair value	$ 263,799	Actuarial Appraisal Method	Discount Rate	1.8 %	3.1 %	2.4 %	Decrease
			Return on Net Invested Assets	3.4 %	4.0 %	3.7 %	Increase
			Required Capital	6.5 %	6.5 %	6.5 %	Decrease
			Hurdle Rate	12.0 %	12.0 %	12.0 %	Decrease
Financial Instrument Held at Fair Value	125,489	Discounted cash flows	Discount rate	1.8 %	3.2 %	2.7 %	Increase
			Liability Crediting Rate	1.0 %	1.0 %	1.2 %	Increase
			Asset Book Yield	0.0 %	8.5 %	2.8 %	Decrease

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

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

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

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

6. Reinsurance

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

	Successor	Predecessor
(In thousands)	Year Ended December 31, 2022	Year Ended December 31, 2021
Premiums		
Reinsurance assumed	$ 8,661,632	$ 10,744,675
Total premiums	$ 8,661,632	$ 10,744,675
Future policy and other policy benefits		
Reinsurance assumed	$ 9,179,717	$ 10,974,683
Total future policy and other policy benefits	$ 9,179,717	$ 10,974,683

Reinsurance transactions

The Company reinsures US pension group annuity business from AARe on a modco basis. During 2021, additional policies were added to the existing modco agreement with AARe covering the pensioners from 8 various companies. For 2022, additional policies were added to the existing modco agreement with AARe covering the pensioners from 11 various companies.

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

The above transactions are summarized below:

	Successor	Predecessor
(In thousands)	Year Ended December 31, 2022	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)
Net cost of reinsurance	$ (219,359)	$ (549,811)
Deferred acquisition costs	$ 5,883	$ 22,899
Deferred profit liability[1]	(225,242)	(572,710)
Net cost of reinsurance	$ (219,359)	$ (549,811)

[1] *Included within future policy benefits on the 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

The following represents a rollforward of DAC and DSI:

Predecessor			
(In thousands)	DAC	DSI	Total
Balance at December 31, 2020	$ —	$ —	$ —
Additions	22,899	—	22,899
Amortization	(1,586)	—	(1,586)
Balance at December 31, 2021	$ 21,313	$ —	$ 21,313

Successor			
(In thousands)	DAC	DSI	Total
Balance at January 1, 2022	$ —	$ —	$ —
Additions	150,349	61,968	212,317
Unlocking	(85)	(65)	(150)
Amortization	(811)	91	(720)
Balance at December 31, 2022	$ 149,453	$ 61,994	$ 211,447

8. Reserves

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

	Successor	Predecessor
(in thousands)	December 31, 2022	December 31, 2021
Deferred annuities	$ 1,866,973	$ —
Fixed indexed annuities	1,091,870	—
Pension group annuities	23,242,087	14,701,765
Funding agreements	6,328,351	5,261,498
Total	$ 32,529,281	$ 19,963,263

9. Equity

Common Stock - ACRA 1B has one class of common shares. As of December 31, 2022 and December 31, 2021, the Company had 250,000 common shares authorized, of which 250,000 were issued and outstanding at a par value of $1.00 each.

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 $1 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			
(In thousands)	**Unrealized investment gains (losses) on AFS securities without a credit allowance**	**Unrealized gains (losses) on hedging instruments**	**Income tax expense (benefit) related to other comprehensive income (loss)**	**Accumulated other comprehensive income (loss)**
Balance at December 31, 2020	$ 9,426	$ —	$ (1,979)	$ 7,447
Other comprehensive income (loss)	(7,327)	4,657	—	(2,670)
Less: Income tax benefit	—	—	(561)	(561)
Balance at December 31, 2021	$ 2,099	$ 4,657	$ (1,418)	$ 5,338

	Successor			
(In thousands)	**Unrealized investment gains (losses) on AFS securities without a credit allowance**	**Unrealized gains (losses) on hedging instruments**	**Income tax expense (benefit) related to other comprehensive income (loss)**	**Accumulated other comprehensive income (loss)**
Balance at January 1, 2022	$ —	$ —	$ —	$ —
Other comprehensive income (loss)	(59,675)	1,580	—	(58,095)
Less: Income tax expense benefit	—	—	(12,200)	(12,200)
Balance at December 31, 2022	$ (59,675)	$ 1,580	$ 12,200	$ (45,895)

10. Income Taxes

Income tax (benefit) consists of the following:

	Successor	Predecessor
(In thousands)	Year Ended December 31, 2022	Year Ended December 31, 2021
Current	$ 1,616	$ (1,868)
Deferred	(800,553)	(4,957)
Income tax expense (benefit)	$ (798,937)	$ (6,825)

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

	Successor	Predecessor
(In thousands)	Year Ended December 31, 2022	Year Ended December 31, 2021
US	$ (3,812,155)	$ (28,964)
Income (loss) before income taxes	$ (3,812,155)	$ (28,964)

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

	Successor	Predecessor
(In thousands, except for percentages)	Year Ended December 31, 2022	Year Ended December 31, 2021
Expected tax provision computed on pre-tax income	$ (800,553)	$ (6,083)
Increase (decrease) in income taxes resulting from:		
Prior year true-up	1,616	—
Other	—	(742)
Income tax expense (benefit)	$ (798,937)	$ (6,825)
Effective tax rate	21 %	24 %

Total income taxes were as follows:

	Successor	Predecessor
(In thousands)	Year Ended December 31, 2022	Year Ended December 31, 2021
Income tax (benefit)	$ (798,937)	$ (6,825)
Income tax (benefit) from OCI	(12,200)	(561)
Total income tax expense (benefit)	$ (811,137)	$ (7,386)

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

	Successor	Predecessor
(In thousands)	December 31, 2022	December 31, 2021
Current income tax recoverable	$ 4,720	$ 13,522
Current income tax payable	—	—
Net current income tax recoverable	$ 4,720	$ 13,522
Deferred tax assets	$ 927,403	$ —
Deferred tax liabilities	—	34,660
Net deferred tax liabilities	$ 927,403	$ (34,660)

Deferred income tax assets and liabilities consisted of the following:

	Successor	Predecessor
(In thousands)	December 31, 2022	December 31, 2021
Deferred tax assets		
Insurance liabilities	$ 899,469	$ —
Investments, including derivatives	5,296	664
Net operating and capital loss carryforwards	67,878	13,453
Total deferred tax assets	972,643	14,117
Deferred tax liabilities		
Insurance liabilities	—	12,330
DAC and DSI	44,404	4,476
Other	836	31,971
Total deferred tax liabilities	45,240	48,777
Net deferred tax assets (liabilities)	$ 927,403	$ (34,660)

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

On August 16, 2022, the US government enacted the Inflation Reduction Act of 2022 (IRA). The IRA contains a number of tax-related provisions including a 15% minimum corporate income tax on certain large corporations as well as an excise tax on stock repurchases. It is unclear how the IRA will be implemented by the US Department of the Treasury through regulation although the Internal Revenue Service (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 1B files a standalone US federal tax 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

Bermuda statutory requirements - ACRA 1B is licensed by the Bermuda Monetary Authority (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 1B has elected to prepare US GAAP financial statements. These financial statements form the basis for the preparation of both the Statutory Financial Statements (SFS) and the EBS.

2. ***Statutory Financial Statements*** - 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*** - 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 calculated by applying the standard approach or the scenario based approach. Under the standard approach the discount rates for insurance reserves are rates prescribed by the BMA. Under the scenario based approach the discount rates for insurance reserves are 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. ACRA 1B has a permitted practice from

the BMA to remove the MMS floor when calculating the ECR. As of December 31, 2022, ACRA 1B was in excess of the minimum levels required. For ACRA 1B, the ECR is the binding regulatory constraint.

The following tables present the Company's actual and required GAAP, SFS and EBS capital and surplus and net income as of and for the year ended December 31, 2022 and December 31, 2021:

	Successor		
	Year ended December 31, 2022		
(In thousands)	GAAP	SFS	EBS[3,4]
Actual Capital and Surplus	$ (3,466,492)	$ 247,837	$ 307,570
Required Capital[1]	N/A	N/A	99,870
BSCR Ratio[2]	N/A	N/A	308 %
Net Income (Loss)[3]	(3,013,218)	(160,433)	N/A

	Predecessor		
	Year ended December 31, 2021		
(In thousands)	GAAP	SFS	EBS[3,5]
Actual Capital and Surplus	$ 161,254	$ 360,788	$ 304,136
Required Capital[1]	N/A	316,512	90,358
BSCR Ratio[2]	N/A	N/A	337 %
Net Income (Loss)[3]	(22,139)	(22,603)	N/A

[1] 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.
[2]BSCR ratio for the current binding regulatory solvency constraint of EBS is shown.
[3] EBS comprises of only a balance sheet.
[4]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.
[5]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 1B has permission in the statutory financial statements to use amortized cost instead of fair value as the basis for certain investments. Additionally, ACRA 1B uses US statutory reserving principles for the calculation of insurance reserves instead of GAAP, subject to the reserves being proved adequate based on cash flow testing. The following represents the effect of the permitted practices to the statutory financial statements:

	Successor
(In thousands)	December 31, 2022
Change in capital and surplus due to permitted practices	$ 3,714,329
Change in statutory net income due to permitted practices	2,852,785

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

	Successor	Predecessor
(In thousands)	December 31, 2022	December 31, 2021
Maximum distribution	$ 43,936	$ 104,220

12. Related Parties

See *Note 6 – Reinsurance* for a description of our reinsurance transactions with related parties. See *4. Fair Value* for a description of our investment contracts held at fair value and financial instruments held at fair value with related parties.

Unsecured Revolving Notes Receivable - ACRA 1B has an unsecured revolving note agreement with ACRA 1A.

The unsecured revolving note receivable from ACRA 1A has a borrowing capacity of $2.5 billion with a maturity date of December 15, 2026, or earlier at ACRA 1B's request. Interest accrues at U.S. mid-term applicable federal rate per year. As of December 31, 2022 and 2021, the revolving note receivable had no outstanding balance.

Unsecured Revolving Note Payable — In addition to the unsecured revolving note receivable described above, ACRA 1B has an unsecured revolving notes payable with ACRA 1A.

The unsecured revolving note payable to ACRA 1A permits ACRA 1B to borrow up to $2.5 billion with US mid-term applicable federal rate per year and has a maturity date of December 15, 2026, or earlier at ACRA 1A's request. As of December 31, 2022 and 2021, the revolving note payable had an outstanding balance of $81 million and $397 million, respectively.

Additionally, ACRA 1B has four separate unsecured surplus notes payable to ACRA 1A, comprised of $200 million and $50 million where interest accrues at a fixed 2.163% per year and matures on December 31, 2031, $50 million where interest accrues at a fixed 3.400% per year and matures on December 31, 2032, $8 million with interest accruing at the U.S. long-term applicable federal rate per year and matures on December 31, 2030. As of December 31, 2022 and 2021, the unsecured surplus notes payable had an outstanding balance of $308 million and $258 million, respectively.

ACRA 1B has a Subordinated Loan Commitment with ACRA 1A which is a line of credit for up to $8 million. Interest accrues at U.S. mid-term applicable federal rate per year, and a commitment fee at 0.225% of the undrawn line of credit and has a maturity date of December 31, 2025. The line of credit remains undrawn as of December 31, 2022 and 2021.

Apollo

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

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

Under our fee agreement with Apollo, we pay Apollo a base management fee of 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 $22.2 million and $5.4 million, respectively. Management fees are included within net investment income on the statements of income. As of December 31, 2022 and 2021, management fees payable were $3.1 million and receivable of $1.3 million, respectively, and are included in other liabilities and other assets, respectively, on the balance sheets.

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 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 securities issued by MidCap affiliates of $35 million and $42 million as of December 31, 2022 and 2021, respectively, which are included in related party AFS securities on the balance sheets.

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 $96 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.

Litigation, Claims and Assessments

ACRA 1B 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 25, 2023, the date at which the financial statements were available to be issued.

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.

ATHENE CO-INVEST REINSURANCE AFFILIATE 1B LTD.

Supplemental Information (Unaudited) **Schedule I**

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 ACRA 1B's common shareholder equity.

Adjusted Common Shareholder's Equity Non-GAAP Reconciliation

i. Market Value Adjustments:

Adjusted ACRA 1B common shareholder's equity is calculated as the ending ACRA 1B shareholder's equity excluding AOCI, cumulative changes in fair value of funds withheld and Modified Coinsurance (modco) reinsurance assets, investment contracts held at fair value, financial instruments held at fair value and mortgage loan assets. The adjustments include 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, investment and financial instruments held at fair value 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.

ii. Surplus Notes Adjustment

ACRA 1B maintains surplus notes with its parent company, ACRA 1A, which is treated as equity for regulatory purposes. This treatment is different from U.S. generally accepted accounting principles (GAAP) where these instruments are treated as debt and reported as a liability on the balance sheet.

We believe the adjustments to shareholder's equity are significant to gaining an understanding of our capitalization.

The reconciliation of total ACRA 1B shareholder's equity to total adjusted ACRA 1B common shareholder's equity is as follows:

	Successor	Predecessor
(In thousands)	Year Ended December 31, 2022	Year Ended December 31, 2021
Total ACRA 1B common shareholder's equity (deficit)	$ (3,466,492)	$ 161,254
Less: Accumulated other comprehensive income/(loss)	(45,895)	5,338
Less: Accumulated change in fair value of reinsurance assets	(2,691,733)	(8,492)
Less: Accumulated change in fair value of mortgage loan assets	(17)	-
Less: Accumulated change in fair value of investment contracts held at fair value	(780,363)	(208,401)
Less: Accumulated change in Financial Instruments held at fair value	28,205	99,136
Add: Surplus notes	308,000	258,000
Total adjusted ACRA 1B common shareholder's equity	$ 331,311	$ 531,673