Athene Co-Invest Reinsurance Affiliate International Ltd.

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

Athene Co-Invest Reinsurance Affiliate International Ltd.

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the financial statements of Athene Co-Invest Reinsurance Affiliate International Ltd. (the "Company"), which comprise the Balance Sheet as of December 31, 2022, and the related Statements 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 April 22, 2022, expressed an unmodified opinion on those statements.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

In performing an audit in accordance with GAAS, we:

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

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

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

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

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

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

Deloitte Ltd.

April 25, 2023

ATHENE CO-INVEST REINSURANCE AFFILIATE INTERNATIONAL LTD.
Balance Sheets

	Successor	Predecessor
(In thousands)	December 31, 2022	December 31, 2021
Assets		
Investments		
Available-for-sale securities, at fair value (amortized cost: 2022 – £100,167 and 2021 – £51,696)	£ 89,650	£ 52,257
Derivative assets	—	851
Total investments	89,650	53,108
Cash and cash equivalents	19,376	19,840
Funds withheld at interest (portion at fair value: 2022 - £(185,634); 2021 - £57,510)	465,747	781,986
Accrued investment income	1,769	747
Value of business acquired	14,994	—
Goodwill	76,612	—
Other assets (related party: 2022 – £928 and 2021 – £285)	1,084	1,221
Total assets	£ 669,232	£ 856,902
Liabilities and Equity (Deficit)		
Liabilities		
Future policy benefits (related party: 2022 – £612,458 and 2021 – £632,175)	£ 612,458	£ 632,175
Intercompany Notes Payable	49,185	43,929
Derivative liabilities	280	—
Other liabilities (related party: 2022 – £38,680 and 2021 – £62,956)	38,879	63,138
Total liabilities	700,802	739,242
Equity (Deficit)		
Common stock - par value $1.00 per share; authorized: 2022 and 2021 - 250,000 shares; issued and outstanding: 2022 and 2021 - 250,000 shares	206	206
Additional paid-in capital	230,560	53,000
Retained earnings (accumulated deficit)	(247,473)	64,457
Accumulated other comprehensive loss	(14,863)	(3)
Total shareholder's equity (deficit)	(31,570)	117,660
Total liabilities and equity (deficit)	£ 669,232	£ 856,902

See accompanying notes to financial statements

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

	Successor	Predecessor
(In thousands)	Year Ended December 31, 2022	Year Ended December 31, 2021
Revenues		
Net investment income (related party investment income: 2022 – £21,745 and 2021 – £8,386; and related party investment expense: 2022 - £776 and 2021 - £303)	£ 23,620	£ 8,787
Investment related gains (losses) (related party: 2022 – £(251,801) and 2021 – £20,430)	(257,140)	19,765
Total revenues	(233,520)	28,552
Benefits and expenses		
Future policy and other policy benefits (related party: 2022 – £9,155 and 2021 – £9,036)	9,155	9,036
Amortization of value of business acquired	624	—
Interest expense (related party: 2022 – £1,850 and 2021 – £414)	2,249	988
Policy and other operating expenses (related party: 2022 – £1,406 and 2021 – £1,378)	1,925	1,733
Total benefits and expenses	13,953	11,757
Net income (loss)	£ (247,473)	£ 16,795

See accompanying notes to financial statements

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

(In thousands)	Successor Year Ended December 31, 2022	Predecessor Year Ended December 31, 2021
Net income (loss)	£ (247,473)	£ 16,795
Other comprehensive (loss)		
Unrealized (losses) on available-for-sale securities, net of offsets	(14,863)	(63)
Other comprehensive (loss)	(14,863)	(63)
Comprehensive income (loss)	£ (262,336)	£ 16,732

See accompanying notes to financial statements

ATHENE CO-INVEST REINSURANCE AFFILIATE INTERNATIONAL LTD.
Statements of Equity

	Predecessor									
(In thousands)		Common stock		Additional paid-in capital		Retained earnings (deficit)		Accumulated other comprehensive loss		Total shareholder's equity (deficit)
Balance at December 31, 2020	£	206	£	53,000	£	47,662	£	60	£	100,928
Net income		—		—		16,795		—		16,795
Other comprehensive loss		—		—		—		(63)		(63)
Balance at December 31, 2021	£	206	£	53,000	£	64,457	£	(3)	£	117,660
	Successor									
Balance as of January 1, 2022	£	206	£	230,678	£	—	£	—	£	230,884
Net loss		—		—		(247,473)		—		(247,473)
Other comprehensive loss		—		—		—		(14,863)		(14,863)
Distributions to parent		—		(118)		—		—		(118)
Balance at December 31, 2022	£	206	£	230,560	£	(247,473)	£	(14,863)	£	(31,570)

See accompanying notes to financial statements

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

(In thousands)	Successor Year Ended December 31, 2022	Predecessor Year Ended December 31, 2021
Cash flows from operating activities		
Net income (loss)	£ (247,473)	£ 16,795
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Amortization of value of business acquired	624	—
Amortization of net investment premiums, discounts and other	746	460
Net recognized (gains) losses on investments and derivatives	489	98
Changes in operating assets and liabilities:		
Accrued investment income	(1,022)	(607)
Future policy benefits, other policy claims and benefits, dividends payable to policyholders and reinsurance recoverable (related party: 2022 – £668 and 2021 – £1,390)	668	1,390
Funds withheld assets and liabilities (related party: 2022 – £304,284 and 2021 – £(57,380))	304,284	(57,380)
Other assets and liabilities	(10,635)	45,490
Net cash provided by operating activities	47,681	6,246
Cash flows from investing activities		
Sales, maturities and repayments of:		
Available-for-sale securities (related party: 2022 – £3,838 and 2021 – £100)	£ 4,751	£ 100
Purchases of:		
Available-for-sale securities (related party: 2022 – £(5,287) and 2021 – £(10,136))	(53,847)	(10,136)
Other investing activities, net	(4,306)	(1,808)
Net cash used in investing activities	(53,402)	(11,844)
Cash flows from financing activities		
Net cash provided by financing activities	—	—
Effect of exchange rate changes on cash and cash equivalents	5,256	449
Net increase (decrease) in cash and cash equivalents	(465)	(5,149)
Cash and cash equivalents at beginning of year	19,840	24,989
Cash and cash equivalents at end of year	£ 19,375	£ 19,840
Supplementary information		
Cash paid for interest	£ 1,329	£ 1,036
Non-cash transactions		
Investments received from settlements on reinsurance agreements	(1,042)	29,374

See accompanying notes to financial statements

1. Business, Basis of Presentation and Significant Accounting Policies

Athene Co-Invest Reinsurance Affiliate International Ltd. (ACRAI, we, our, us or the Company), a Bermuda exempted company incorporated on August 20, 2019, is 100% owned by Athene Co-Invest Reinsurance Affiliate 1A Ltd. (ACRA 1A). 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 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 ACRAI 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.

The Company was registered as a Class C long-term insurer on September 30, 2019 under the Insurance Act 1978, as amended (Insurance Act). The Company is engaged in the business of reinsuring pension risk transfer business from Athene Life Re International Ltd. (ALReI).

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;
- value of business acquired (VOBA); and
- future policy benefit reserves.

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 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 is made up solely of bonds. We classify fixed maturity securities as available-for-sale (AFS) 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 and adjustments to VOBA, 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).

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.

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. 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 - 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 - 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.

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

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

Reinsurance - We assume insurance 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 the Company on a gross basis.

Assets and liabilities assumed under modco are presented gross on the balance sheets. 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.

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 value of business acquired on the balance sheets. We perform periodic tests to determine if the VOBA remains recoverable. If we determine that VOBA is not recoverable, we record a cumulative charge to the current period.

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

See Note 7 – Value of Business Acquired for further discussion.

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 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 and 2021 the reserve investment yield assumption is 2.25% and 2.26%, respectively, 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 VOBA) is less than the gross premium liability, impairment is deemed to have occurred, and the VOBA asset balances are reduced until the net US GAAP liability is equal to the gross premium liability. If the 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.

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 in *–Reinsurance* 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-British pound denominated AFS securities are included in AOCI along with the change in its fair value unless in a fair value hedging relationship as discussed in *–Derivative Instruments* above.

Recognition of Revenues and Related Expenses - 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 a constant relationship to the benefit reserve through future policy and other policy benefits on the statements of income (loss).

Income Taxes - Under current Bermuda law, we are not required to pay 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.

Reclassifications - Certain reclassifications have been made to conform with current year presentation.

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. 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 shareholder's 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 relative to the net identifiable assets of ACRA 1A. This has resulted in £76.6 million goodwill recognized at January 1, 2022.

Goodwill is primarily attributable to the scale, skill sets, operations, and synergies that can be achieved subsequent to the merger. The goodwill recorded is not expected to be deductible for tax purposes.

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

(In thousands)		**Fair value and goodwill calculation**
Purchase Price	£	230,884
Total ACRAI equity		**230,884**
Assets		
Investments		835,587
Cash and cash equivalents		19,840
Accrued investment income		747
Value of business acquired		15,618
Other assets		753
Estimated fair value of total assets acquired by AGM		872,545
Liabilities		
Future policy benefits		611,790
Intercompany Notes Payable		43,929
Payables for collateral on derivatives and securities to repurchase		59,442
Other liabilities		3,112
Estimated fair value of total liabilities assumed by AGM		718,273
Identifiable net assets		154,272
Estimated fair value of net assets acquired by AGM, excluding goodwill		154,272
Goodwill attributable to the Company		76,612

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

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

		Fair value *(in thousands)*	**Weighted average useful life** *(in years)*
VOBA	£	15,618	11.24
Total	£	15,618	

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	£ 100,167	£ 4,346	£ (14,863)	£ 89,650
Total AFS securities	£ 100,167	£ 4,346	£ (14,863)	£ 89,650

	Predecessor			
	December 31, 2021			
(In thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
AFS securities				
Corporate	£ 51,696	£ 1,346	£ (785)	£ 52,257
Total AFS securities	£ 51,696	£ 1,346	£ (785)	£ 52,257

The amortized cost and fair value of AFS securities, 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	£ 20,165	£ 20,262
Due after five years through ten years	14,027	12,384
Due after ten years	65,975	57,004
Total AFS securities	£ 100,167	£ 89,650

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, 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	£ 89,650	£ (14,863)	£ —	£ —	£ 89,650	£ (14,863)
Total AFS securities	£ 89,650	£ (14,863)	£ —	£ —	£ 89,650	£ (14,863)

	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	£ 32,367	£ (266)	£ 5,129	£ (293)	£ 37,496	£ (559)
Total AFS securities	£ 32,367	£ (266)	£ 5,129	£ (293)	£ 37,496	£ (559)

The following summarizes the number of AFS securities that were in an unrealized loss position 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	27	—

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.

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	£ 2,586	£ 721
Funds withheld at interest	21,745	8,385
Other	75	(16)
Investment revenue	24,406	9,090
Investment expenses	(786)	(303)
Net investment income	£ 23,620	£ 8,787

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	£ 11,868	£ 4,648
Gross realized losses on investment activity	(6,513)	(3,591)
Net realized investment gains on AFS securities	5,355	1,057
Derivative gains (losses)	(257,239)	19,241
Other gains (losses)	(5,256)	(533)
Investment related gains (losses)	£ (257,140)	£ 19,765

Proceeds from sales of AFS securities were £4.6 million and £0.1 million for the years ended December 31, 2022 and 2021, respectively.

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 party:

	Successor		Predecessor	
	December 31, 2022		December 31, 2021	
(In thousands, except percentages)	Carrying Value	Percent of Total	Carrying Value	Percent of Total
Fixed maturity securities				
Corporate	£ 432,182	92.8 %	£ 649,036	83.0 %
Derivative assets	61,385	13.2 %	57,307	7.3 %
Cash and cash equivalents	6,476	1.4 %	74,938	9.6 %
Other assets and liabilities	(34,296)	(7.4)%	705	0.1 %
Total funds withheld at interest	£ 465,747	100 %	£ 781,986	100 %

4. Derivative Instruments

We use a variety of derivative instruments primarily to manage foreign currency risk. See *Note 1 – Business, Basis of Presentation and Significant Accounting Policies* for a description of our accounting policies for derivatives and *Note 5 – Fair Value* for information about the fair value hierarchy for derivatives.

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

	Successor			Predecessor		
	December 31, 2022			December 31, 2021		
	Notional Amount	Fair Value		Notional Amount	Fair Value	
(In thousands)		Assets	Liabilities		Assets	Liabilities
Derivatives designated as hedges						
Foreign currency forwards	35,304	£ —	£ 280	43,180	£ 851	£ —
Total derivatives designated as hedges		—	280		851	—
Derivatives not designated as hedges						
Embedded derivatives						
Funds withheld including related party		(185,634)	—		57,510	—
Total derivatives not designated as hedges		(185,634)	—		57,510	—
Total derivatives		£ (185,634)	£ 280		£ 58,361	£ —

Derivatives Designated as Hedges

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. 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	£ 71,899	£ (12,297)	£ 42,132	£ (2,560)

[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)	£ (4,590)	£ 4,006	£ (584)
Year ended December 31, 2021 (Predecessor)			
Investment related gains (losses)	884	1,616	2,500

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.

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.

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

	Successor	**Predecessor**
(In thousands)	Year Ended December 31, 2022	Year Ended December 31, 2021
Foreign currency forwards	£ (848)	£ (2,073)
Embedded derivatives on funds withheld	(251,801)	20,430
Amounts recognized in investment related gains (losses)	(252,649)	18,357
Total gains (losses) on derivatives not designated as hedges	£ (252,649)	£ 18,357

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	£ —	£ —	£ 483	£ 483	£ —	£ 483
Derivative liabilities	(280)	—	115	(165)	—	(165)
December 31, 2021 (Predecessor)						
Derivative assets	£ 851	£ —	£ 712	£ 1,563	£ —	£ 1,563
Derivative liabilities	—	—	11	11	—	11

[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.

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
Assets			
AFS securities			
Corporate	£ 89,650	£ —	£ 89,650
Total AFS securities	89,650	—	89,650
Funds withheld at interest – embedded derivative	(185,634)	—	(185,634)
Cash and cash equivalents	19,376	19,376	—
Total assets measured at fair value	£ (76,608)	£ 19,376	£ (95,984)
Liabilities			
Derivative liabilities	280	—	280
Total liabilities measured at fair value	£ 280	£ —	£ 280

	Predecessor		
	December 31, 2021		
(In thousands)	Total	Level 1	Level 2
Assets			
AFS securities			
Corporate	£ 52,257	£ —	£ 52,257
Total AFS securities	52,257	—	52,257
Funds withheld at interest – embedded derivative	57,510	—	57,510
Derivative assets	851	—	851
Cash and cash equivalents	19,840	19,840	—
Total assets measured at fair value	£ 130,458	£ 19,840	£ 110,618

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

AFS 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.

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.

Funds withheld at interest embedded derivative - We estimate the fair value of the embedded derivative based on the change in the fair value of the assets supporting the funds withheld receivable under modco reinsurance agreements. As a result, the fair value of the embedded derivative is classified as Level 2 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.

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

	Successor			
	December 31, 2022			
(In thousands)	Carrying Value	Fair Value	Level 1	Level 2
Financial assets				
Funds withheld at interest	£ 651,381	£ 651,381	£ —	£ 651,381
Total financial assets not carried at fair value	£ 651,381	£ 651,381	£ —	£ 651,381

	Predecessor			
	December 31, 2021			
(In thousands)	Carrying Value	Fair Value	Level 1	Level 2
Financial assets				
Funds withheld at interest	£ 57,510	£ 57,510	£ —	£ 57,510
Total financial assets not carried at fair value	£ 57,510	£ 57,510	£ —	£ 57,510

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

6. Reinsurance

The following summarizes the effect of reinsurance transactions on the statements of income:

(In thousands)	Successor Year Ended December 31, 2022	Predecessor Year Ended December 31, 2021
Future policy and other policy benefits		
Reinsurance assumed	£ 9,155	£ 9,036
Total future policy and other policy benefits	£ 9,155	£ 9,036

Reinsurance transactions

The Company reinsures new business related to annuities from ALReI on a modco basis. There was no new business reinsured by ACRAI during the year ended December 31, 2022.

7. Value of Business Acquired

The following represents a rollforward of VOBA:

(In thousands)	Successor VOBA
Balance at January 1, 2022	£ 15,618
Amortization	(624)
Balance at December 31, 2022	£ 14,994

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

(In thousands)	Expected Amortization
2023	£ 616
2024	609
2025	602
2026	595
2027	587

8. Reserves

The following table summarizes the future policyholder reserves by product:

(In thousands)	Successor Year Ended December 31, 2022	Predecessor Year Ended December 31, 2021
Pension group annuities	612,458	632,175
Total	£ 612,458	£ 632,175

9. Equity

Common Stock - We have one class of common stock, which represents 100% of the total voting power, and is beneficially owned by ACRA 1A as of December 31, 2022. We have an authorized share capital of US$250,000 comprised of 250,000 shares of par value $1.00 each, of which 250,000 have been issued to ACRA 1A.

Distributions to Parent - We recorded a reestablishment of the liabilities that were considered effectively settled upon merger of £0.1m, as these liabilities were settled during the first quarter of 2022 in the normal course of business as intercompany payables to AGM.

10. Statutory Requirements

ACRAI is licensed by the Bermuda Monetary Authority (BMA) as a Class C long-term insurer and is subject to the Insurance Act and regulations promulgated thereunder. The BMA implemented the Economic Balance Sheet (EBS) framework into the Bermuda Solvency Capital Requirement (BSCR), which was granted equivalence to the European Union's Directive (2009/138/EC) (Solvency II). Under 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 ACRAI 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, 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 reinsurers, MMS is equal to the greater of $500,000, 1.5% of the total statutory assets, or 25% of the ECR. The ECR is calculated based on a risk-based capital model where risk factor charges are applied to the EBS. As of December 31, 2022 and 2021, ACRAI was in excess of the minimum levels required.

The following tables present the ACRAI actual and required GAAP, SFS and EBS capital and surplus and net income amounts 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	£ (31,570)	£ 81,413	£ 63,389
Required Capital[1]	N/A	12,544	32,948
BSCR Ratio[2]	N/A	N/A	192 %
Net Income (Loss)[3]	(247,473)	5,707	N/A

	Predecessor		
	Year Ended December 31, 2021		
(In thousands)	GAAP	SFS	EBS[3, 5]
Actual Capital and Surplus	£ 117,660	£ 75,769	£ 64,026
Required Capital[1]	N/A	12,816	38,293
BSCR Ratio[2]	N/A	N/A	167 %
Net Income (Loss)[3]	16,795	(1,997)	N/A

[1] Represents the MMS for the SFS and the ECR for EBS. There is not a required capital 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.
[5]Previously reported amounts have been updated to the final BSCR as filed.

Under the EBS framework, SFS are generally equivalent to GAAP financial statements, with the exception of permitted practices granted by the BMA. ACRAI has permission in the SFS to use amortized cost instead of fair value as the basis for certain investments. Additionally, ACRAI uses U.S. 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 SFS:

	Successor
(In thousands)	December 31, 2022
Change in capital and surplus due to permitted practices	£ (189,637)
Change in statutory net income due to permitted practices	£ 253,180

Under the Insurance Act, ACRAI 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, ACRAI 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, ACRAI 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 ACRAI 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	£ 30,441	£ 30,544

11. Related Parties

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

Unsecured Revolving Note Payable - We have an unsecured revolving note with ACRA 1A with a borrowing or lending capacity of $250 million. The note has a maturity date of December 5, 2024, or earlier at ACRA 1A's request. Interest accrues at the U.S. mid-term applicable federal rate in effect each day there is a principal balance. As of December 31, 2022, the note had an outstanding balance of $59 million (£49 million). As of December 31, 2021, the note had an outstanding balance of $59 million (£44 million).

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 £0.8 million and £0.3 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 £0.1 million and £0.1 million, respectively, and are included in other liabilities on the balance sheets.

Investment management agreement (IMA) termination - AHL's bye-laws currently provide that any new or existing investment management agreements(s) among us or any of its subsidiaries, on the one hand, and the applicable Apollo subsidiary, on the other hand, will terminate in the event that AHL exercises its right to terminate its IMA with the applicable Apollo subsidiary that is a party to such IMA(s) under the bye-laws of AHL, as may be supplemented, amended and restated from time to time. However, such IMA shall not terminate in the event that our Conflicts Committee, by a majority vote of our Independent Directors determines, in their sole discretion and acting in good faith, that such IMA shall continue in effect.

12. Commitments and Contingencies

Litigation, Claims and Assessments

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

13. 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.

ATHENE CO-INVEST REINSURANCE AFFILIATE INTERNATIONAL 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 ACRAI’s common shareholder equity.

Adjusted Common Shareholder’s Equity Non-GAAP Reconciliation

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

The reconciliation of total ACRAI shareholder’s equity to total adjusted ACRAI common shareholder’s equity is as follows:

	Successor	Predecessor
(In thousands)	Year Ended December 31, 2022	Year Ended December 31, 2021
Total ACRAI common shareholder's equity (deficit)	-£ 31,570.00	£ 117,660.00
Less: Accumulated other comprehensive income/(loss)	(14,863)	(3)
Less: Accumulated change in fair value of reinsurance assets	(210,053)	(2,702)
Total adjusted ACRAI common shareholder's equity	£ 193,345.90	£ 120,364.74