

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

## **Consolidated Financial Statements**

Years ended December 31, 2023 and December 31, 2022

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

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## INDEPENDENT AUDITOR'S REPORT

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

### Opinion

We have audited the consolidated financial statements of Athene Co-Invest Reinsurance Affiliate 1A Ltd. and its subsidiaries (the "Company"), which comprise the consolidated balance sheets as of December 31, 2023 and 2022, and the related consolidated statements of income, comprehensive income, stockholders' equity, and cash flows, for the years then ended, and the related notes to the consolidated financial statements (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

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

### Responsibilities of Management for the Financial Statements

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

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

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

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

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

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

**Debitte Ltd.**

April 15, 2024

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

(In thousands)	December 31,	
	2023	2022
<b>Assets</b>		
Investments		
Available-for-sale securities, at fair value (amortized cost: 2023 – \$2,693,506 and 2022 – \$3,585,483; allowance for credit losses: 2023 – \$21,405 and 2022 - \$7,161)	\$ 2,354,989	\$ 3,110,525
Trading securities, at fair value	5,011	—
Equity securities (portion at fair value: 2023 – \$0 and 2022 – \$54,559)	—	54,559
Mortgage loans, at fair value	24,076	22,096
Derivative assets	220,354	146,994
Short-term investments (portion at fair value: 2023 – \$797 and 2022 – \$37,239)	797	37,239
<b>Total investments</b>	<b>2,605,227</b>	<b>3,371,413</b>
Cash and cash equivalents	468,435	968,677
Restricted cash	225,335	254,780
Investments in related parties		
Available-for-sale securities, at fair value (amortized cost: 2023 – \$220,354 and 2022 – \$131,674; allowance for credit losses: 2023 – \$0 and 2022 - \$0)	210,866	114,469
Investment funds	312,369	363,540
Funds withheld at interest (portion at fair value: 2023 – \$(5,715,288) and 2022 – \$(7,423,854))	55,216,417	52,270,591
Accrued investment income (related party: 2023 – \$1,646 and 2022 – \$909)	26,229	34,311
Deferred acquisition costs, deferred sales inducements and value of business acquired	201,502	231,059
Goodwill	1,130,569	1,125,535
Other assets (related party: 2023 – \$35,761 and 2022 – \$43,157)	44,168	49,499
<b>Total assets</b>	<b>\$ 60,441,117</b>	<b>\$ 58,783,874</b>
<b>Liabilities and Equity</b>		
<b>Liabilities</b>		
Interest sensitive contract liabilities (related party: 2023 – \$32,010,572 and 2022 – \$36,142,881; portion at fair value: 2023 – \$749,894 and 2022 – \$737,733)	\$ 32,010,572	\$ 36,142,881
Future policy benefits (related party: 2023 – \$26,161,896 and 2022 – \$20,408,480)	26,161,896	20,408,480
Market risk benefits (related party: 2023 - \$29,597 and 2022 - \$16,352)	29,597	16,352
Derivative liabilities	17,311	10,058
Payables for collateral on derivatives and securities to repurchase	68,744	545,370
Other liabilities (related party: 2023 – \$153,332 and 2022 – \$144,808)	166,265	150,972
<b>Total liabilities</b>	<b>58,454,385</b>	<b>57,274,113</b>
<b>Commitments and Contingencies (Note 14)</b>		
<b>Equity</b>		
Common stock - par value \$1.00 per share; authorized: 2023 and 2022 - 5,000,000,000 shares; issued and outstanding: 2023 and 2022 - 264 shares	264	264
Additional paid-in capital	5,070,645	5,070,525
Retained earnings (accumulated deficit)	(5,109,166)	(6,157,991)
Accumulated other comprehensive income (related party: 2023 - \$2,797,493 and 2022 - \$3,697,863)	2,024,989	2,596,963
<b>Total shareholder's equity</b>	<b>1,986,732</b>	<b>1,509,761</b>
<b>Total liabilities and equity</b>	<b>\$ 60,441,117</b>	<b>\$ 58,783,874</b>

See accompanying notes to consolidated financial statements

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

<i>(In thousands)</i>	Years ended December 31,	
	2023	2022
<b>Revenues</b>		
Premiums (related party: 2023 - \$5,996,617 and 2022 - \$8,757,348)	\$ 5,996,617	\$ 8,757,348
Product charges (related party: 2023 - \$51,486 and 2022 - \$37,752)	51,486	37,752
Net investment income (related party investment income: 2023 - \$2,463,759 and 2022 - \$2,042,883; and related party investment expense: 2023 - \$57,768 and 2022 - \$32,778)	2,629,399	2,134,502
Investment related gains (losses) (related party: 2023 - \$1,850,316 and 2022 - \$(7,839,333))	1,764,823	(7,704,159)
<b>Total revenues</b>	<b>10,442,325</b>	<b>3,225,443</b>
<b>Benefits and expenses</b>		
Interest sensitive contract benefits (related party: 2023 - \$1,092,938 and 2022 - \$349,603)	1,092,938	349,603
Future policy and other policy benefits (related party: 2023 - \$6,938,270 and 2022 - \$9,316,520; and remeasurement (gains) losses: 2023 - \$(32,706) and 2022 - \$(7,643))	6,938,270	9,316,520
Market risk benefits remeasurement (gains) losses (related party: 2023 - \$16,228 and 2022 - \$(20,553))	16,228	(20,553)
Amortization of deferred acquisition costs, deferred sales inducements and value of business acquired	29,634	13,953
Interest expense (related party: 2023 - \$9,548 and 2022 - \$667)	52,368	22,549
Policy and other operating expenses (related party: 2023 - \$218,134 and 2022 - \$241,369)	229,406	254,563
<b>Total benefits and expenses</b>	<b>8,358,844</b>	<b>9,936,635</b>
<b>Income (loss) before income taxes</b>	<b>2,083,481</b>	<b>(6,711,192)</b>
Income tax expense (benefit)	184,656	(653,201)
<b>Net income (loss)</b>	<b>\$ 1,898,825</b>	<b>\$ (6,057,991)</b>

*See accompanying notes to consolidated financial statements*

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

<i>(In thousands)</i>	Years ended December 31,	
	2023	2022
Net income (loss)	\$ 1,898,825	\$ (6,057,991)
Other comprehensive income (loss), before tax		
Unrealized investment gains (losses) on available-for-sale securities	155,016	(473,893)
Unrealized gains (losses) on hedging instruments	(4,896)	4,145
Remeasurement gains (losses) on future policy benefits related to discount rate	(903,103)	3,797,085
Remeasurement gains (losses) on market risk benefits related to credit risk	(10,233)	6,158
Foreign currency translation and other adjustments	13,469	(19,076)
Other comprehensive income (loss), before tax	(749,747)	3,314,419
Income tax expense (benefit) related to other comprehensive income (loss)	(177,773)	717,456
Other comprehensive income (loss)	(571,974)	2,596,963
<b>Comprehensive income (loss)</b>	<b>\$ 1,326,851</b>	<b>\$ (3,461,028)</b>

*See accompanying notes to consolidated financial statements*

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

<i>(In thousands)</i>	Common stock	Additional paid-in capital	Retained earnings (accumulated loss)	Accumulated other comprehensive income (loss)	Total shareholder's equity
<b>Balance at January 1, 2022</b>	\$ 264	\$ 3,425,333	\$ —	\$ —	\$ 3,425,597
Net loss	—	—	(6,057,991)	—	(6,057,991)
Other comprehensive income	—	—	—	2,596,963	2,596,963
Stock-based compensation	—	65	—	—	65
Capital contributions received	—	1,650,000	—	—	1,650,000
Common stock dividends	—	—	(100,000)	—	(100,000)
Distributions to parent	—	(4,873)	—	—	(4,873)
<b>Balance at December 31, 2022</b>	264	5,070,525	(6,157,991)	2,596,963	1,509,761
Net income	—	—	1,898,825	—	1,898,825
Other comprehensive loss	—	—	—	(571,974)	(571,974)
Stock-based compensation	—	120	—	—	120
Common stock dividends	—	—	(850,000)	—	(850,000)
<b>Balance at December 31, 2023</b>	<u>\$ 264</u>	<u>\$ 5,070,645</u>	<u>\$ (5,109,166)</u>	<u>\$ 2,024,989</u>	<u>\$ 1,986,732</u>

*See accompanying notes to consolidated financial statements*



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

(In thousands)	Years ended December 31,	
	2023	2022
<b>Cash flows from operating activities</b>		
Net income (loss)	\$ 1,898,825	\$ (6,057,991)
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Amortization of deferred acquisition costs, deferred sales inducements and value of business acquired	29,634	13,953
Net accretion of net investment premiums, discounts and other	(15,184)	(3,371)
Net investment income (related party: 2023 – \$(477) and 2022 – \$0)	(2,183)	—
Net recognized (gains) losses on investments and derivatives (related party: 2023 – \$(1,063) and 2022 – \$33,632)	(27,710)	206,180
Stock-based compensation	120	—
Policy acquisition costs deferred	(290)	(206,447)
Changes in operating assets and liabilities:		
Accrued investment income (related party: 2023 – \$(737) and 2022 – \$(29))	8,082	(25,325)
Interest sensitive contract liabilities (related party: 2023 – \$1,124,961 and 2022 – \$(131,991))	1,124,961	(131,991)
Future policy benefits and market risk benefits (related party: 2023 – \$(1,037,315) and 2022 – \$(792,316))	(1,037,315)	(792,316)
Funds withheld assets and liabilities (related party: 2023 – \$(2,023,404) and 2022 – \$7,637,489)	(2,023,404)	7,637,489
Other assets and liabilities	208,733	(681,708)
Net cash (used in) provided by operating activities	164,269	(41,527)
<b>Cash flows from investing activities</b>		
Sales, maturities and repayments of:		
Available-for-sale securities (related party: 2023 – \$116,773 and 2022 – \$375,946)	\$ 1,598,740	\$ 951,126
Trading securities (related party: 2023 – \$41,181 and 2022 – \$307,449)	46,446	307,449
Equity securities (related party: 2023 – \$0 and 2022 – \$0)	56,026	291,587
Mortgage loans (related party: 2023 – \$0 and 2022 – \$154,717)	—	154,717
Investment funds (related party: 2023 – \$62,953 and 2022 – \$410,210)	62,953	491,954
Derivative instruments and other investments (related party: 2023 – \$0 and 2022 – \$29,925)	—	29,925
Short-term investments (related party: 2023 – \$0 and 2022 – \$0)	114,503	32,000
Purchases of:		
Available-for-sale securities (related party: 2023 – \$(209,635) and 2022 – \$(320,629))	(1,259,225)	(3,217,859)
Trading securities (related party: 2023 – \$(41,181) and 2022 – \$(293,262))	(50,237)	(293,262)
Mortgage loans (related party: 2023 – \$0 and 2022 – \$0)	(1,487)	(3,852)
Investment funds (related party: 2023 – \$(8,189) and 2022 – \$(425,064))	(8,189)	(426,477)
Derivative instruments and other investments (related party: 2023 – \$0 and 2022 – \$0)	(127,366)	(144,559)
Short-term investments (related party: 2023 – \$0 and 2022 – \$0)	(76,932)	(68,889)
Other investing activities, net	158,769	180,782
Net cash (used in) provided by investing activities	514,001	(1,715,358)
<b>Cash flows from financing activities</b>		
Capital contributions	\$ —	\$ 1,476,706
Net change in cash collateral posted for derivative transactions and securities to repurchase	(336,908)	343,746
Common stock dividends	(850,000)	(100,000)
Net cash (used in) provided by financing activities	(1,186,908)	1,720,452
Effect of exchange rate changes on cash and cash equivalents	(21,049)	78,166
Net increase in cash and cash equivalents	(529,687)	41,733
Cash and cash equivalents at beginning of year <sup>1</sup>	1,223,457	1,181,724
Cash and cash equivalents at end of year <sup>1</sup>	\$ 693,770	\$ 1,223,457

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

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

	Years ended December 31,	
	2023	2022
<i>(In thousands)</i>		
		<i>(Continued)</i>
<i>See accompanying notes to consolidated financial statements</i>		
<b>Supplementary information</b>		
Cash received for taxes	\$ (1,720)	\$ (7,280)
Cash paid for interest	49,557	17,217
<b>Non-cash transactions</b>		
Deposits on investment-type policies and contracts through reinsurance agreements (related party: 2023 – \$64,816 and 2022 – \$3,060,168)	64,816	3,060,168
Withdrawals on investment-type policies and contracts through reinsurance agreements (related party: 2023 – \$5,650,533 and 2022 – \$5,102,052)	5,650,533	5,102,052
Investments received from settlements on related party reinsurance agreements	299,897	59,361
Non-cash capital contributions in the form of securities	—	173,242
		<i>(Concluded)</i>

*See accompanying notes to consolidated financial statements*

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

Athene Co-Invest Reinsurance Affiliate 1A Ltd. (ACRA 1A), a Bermuda exempted company, together with its subsidiaries (collectively, we, our, us, or the Company), is 100% owned by Athene Co-Invest Reinsurance Affiliate Holding Ltd. (ACRA HoldCo). ACRA 1A was initially formed as a wholly owned subsidiary of Athene Life Re Ltd. (ALRe) with the objective of raising third-party capital for the purpose of pursuing inorganic, pension group annuities and certain flow reinsurance transactions (collectively, Qualifying Transactions). On September 11, 2019, ALRe entered into a framework agreement (Framework Agreement) with ACRA 1A, in which ACRA 1A received capital commitments from ALRe and certain funds managed by Apollo Global Management, Inc. (AGM) referred to collectively as Apollo/Athene Dedicated Investment Program (ADIP). On October 1, 2019, ALRe sold 67% of its economic interests in ACRA 1A to ADIP for \$575 million. In April 2020, additional shares were issued to ALRe for \$65.6 million, resulting in a 36.55% and 63.45% ownership percentage for ALRe and ADIP, respectively. The shares held by ADIP are non-voting and all of the shares held by ALRe represent 100% of the voting power in ACRA 1A. On December 31, 2021, ALRe, through its subsidiary Athene Asset L.P. (AALP), and ADIP contributed all of their shares of ACRA 1A to ACRA HoldCo, in exchange for an equal number of shares of ACRA HoldCo. During the commitment period, ACRA HoldCo together with its subsidiaries participated in certain transactions by drawing a portion of the required capital for such transactions from third-party investors equal to ADIP's proportionate economic interest in ACRA HoldCo. The commitment period expired in August 2023.

ACRA 1A reinsures business from various subsidiaries of Athene Holding Ltd. (AHL). See *Note 7 – Reinsurance* for more information.

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

ACRA 1A is a UK tax resident company and as such is subject to UK corporation tax on profits. We do not expect taxes paid pursuant to the UK Tax Act to be material to our operations, for further information please see *Note 11 – Income Taxes*.

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

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

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

- fair value of investments;
- impairment of investments and allowances for expected credit losses;
- derivatives valuation, including embedded derivatives;
- future policy benefit reserves;
- market risk benefit assets and liabilities; 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, together with its subsidiaries other than us or our subsidiaries, Apollo) and is now a direct subsidiary of AGM. We have elected pushdown accounting in which we use AGM's basis of accounting, which reflects the fair market value of our assets and liabilities at the time of the merger, unless otherwise prescribed by US GAAP. See *Note 3 – Business Combination* for further information on the merger.

*Long-duration targeted improvements (LDTI)* - Effective January 1, 2023, we adopted Accounting Standards Update (ASU) 2018-12, *Financial Services - Insurance (Topic 944): Targeted Improvements to the Accounting for Long-Duration Contracts*. All provisions of the update were applied using a retrospective transition approach, with a transition date of January 1, 2022, the date of the merger with AGM. Our financial statements for the years ended December 31, 2023 and 2022 incorporate all targeted improvements required by the standard. See *Adopted Accounting Pronouncements* below and *Note 2 – Adoption of Accounting Pronouncement* for further details.

### 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) and commercial mortgage-backed securities (CMBS). We classify fixed maturity securities as available-for-sale (AFS) or trading at the time of purchase and subsequently carry them at fair value. Fair value hierarchy and valuation methodologies are discussed in *Note 6 – Fair Value*. Classification is dependent on a variety of factors including our expected holding period, election of the fair value option and asset and liability matching.

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

### Notes to Consolidated Financial Statements

*AFS Securities* - AFS securities are held at fair value on the consolidated balance sheets, with unrealized gains and losses, exclusive of allowances for expected credit losses, generally reflected in accumulated other comprehensive income (loss) (AOCI) on the consolidated balance sheets. Unrealized gains or losses relating to identified risks within AFS securities in fair value hedging relationships are reflected in investment related gains (losses) on the consolidated statements of income (loss).

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

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

*Equity Securities* - Equity securities includes common stock, mutual funds and non-redeemable preferred stock. Equity securities with readily determinable fair values are carried at fair value with subsequent changes in fair value recognized in net income.

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

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

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

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

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

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

*Other Investments* - Other investments include, but are not limited to, term loans collateralized by mortgages on residential and commercial real estate and other uncollateralized loans. We elect the fair value option on these loans.

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

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

### Notes to Consolidated Financial Statements

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

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

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

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

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

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

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

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

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

### Notes to Consolidated Financial Statements

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

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

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

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

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

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

**Derivative Instruments** - We invest in derivatives to hedge the risks experienced in our ongoing operations, such as equity, interest rate and cash flow risks, or for other risk management purposes, which primarily involve managing liability risks associated with our indexed annuity products and reinsurance agreements. Derivatives are financial instruments with values that are derived from interest rates, foreign exchange rates, financial indices or other combinations of an underlying and notional. Derivative assets and liabilities are carried at fair value on the consolidated balance sheets. We elect to present any derivatives subject to master netting provisions as a gross asset or liability and gross of collateral. Disclosures regarding balance sheet presentation of derivatives subject to master netting agreements are discussed in *Note 5 – Derivative Instruments*. We may designate derivatives as cash flow, fair value or net investment hedges.

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

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

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

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### Notes to Consolidated Financial Statements

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

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

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

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

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

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

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

We are required to consolidate a VIE if we are the primary beneficiary, defined as the variable interest holder with both the power to direct the activities that most significantly impact the VIE's economic performance and rights to receive benefits or obligations to absorb losses that could be potentially significant to the VIE. We determine whether we are the primary beneficiary of an entity based on a qualitative assessment of the VIE's capital structure, contractual terms, nature of the VIE's operations and purpose and our relative exposure to the related risks of the VIE. Since affiliates of AGM, a related party under common control, are the decision makers in certain of the investment funds, we and a member of our related party group may together have the characteristics of the primary beneficiary of an investment fund. In this situation, we have concluded we are not under common control, as defined by US GAAP, with the related party, and therefore we do not consolidate because the related party, whom is the decision maker, holds a significant indirect financial interest in the investee through its ownership interest in us. We reassess the VIE and primary beneficiary determinations on an ongoing basis.

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

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

We performed our annual goodwill impairment test as of October 1, 2022 and did not identify any impairment. See *Note 3 – Business Combination* for disclosure regarding the goodwill recorded related to our merger with AGM.

**Notes to Consolidated Financial Statements**

**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 consolidated balance sheets. For investment contracts, the change in assumed reserves are presented net in interest sensitive contract benefits on the consolidated statements of income (loss). For insurance contracts, the change in the assumed reserves and benefits are presented net in future policy and other policy benefits on the consolidated statements of income (loss), any changes related to the discount rate are presented net in other comprehensive income (loss) (OCI) on the consolidated statements of comprehensive income (loss). For market risk benefits, the change in the assumed reserves are presented net in market risk benefits remeasurement (gains) losses on the consolidated statements of income (loss), except for changes related to instrument-specific credit risk on assumed contracts which are presented net in OCI on the consolidated statements of comprehensive income (loss).

For the reinsurance of existing in-force blocks that transfer significant insurance risk, the difference between the assets received or paid and the liabilities assumed or ceded represents the net cost of reinsurance at the inception of the reinsurance agreement. The net cost of reinsurance is amortized on a basis consistent with the methodologies and assumptions used to amortize deferred acquisition costs (DAC) and deferred sales inducements (DSI), or on a consistent basis with deferred profit liability dependent upon the nature of the underlying contract.

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

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

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

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

**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 the renewal of existing, insurance or investment contracts are deferred. These costs consist of commissions and policy issuance costs, as well as sales inducements credited to policyholder account balances, and are included in deferred acquisition costs, deferred sales inducements and value of business acquired on the consolidated balance sheets. These costs are not capitalized until they are incurred.

Deferred costs related to investment contracts with significant revenue streams from sources other than investment of the policyholder funds are grouped into cohorts based on issue year and contract type and amortized on a constant level basis over the expected term of the related contracts. The cohorts and assumptions used for the amortization of deferred costs are consistent with those used in estimating the related liabilities for these contracts. The constant level basis generally is the initial premium or deposit and is projected based on assumptions related to policyholder behavior, including lapses and mortality, over the expected term of the contracts. Each reporting period, we replace expected experience with actual experience to determine the related amortization expense. Changes to projected experience are recognized in amortization expense prospectively over the remaining contract term. Amortization of DAC and DSI is included in amortization of deferred acquisition costs, deferred sales inducements and value of business acquired on the consolidated statements of income (loss).

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. The deferred costs represent the difference between the net and gross liability and the change relates to amortization for the period.



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*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 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 and is amortized in relation to respective policyholder liabilities. Significant assumptions that impact VOBA amortization are consistent with those that impact the measurement of policyholder liabilities. We perform periodic tests to determine if positive VOBA remains recoverable. If we determine that positive VOBA is not recoverable, we would record a cumulative charge to the current period. Any negative VOBA is recorded to the same financial statement line on the consolidated balance sheets as the associated reserves. Positive VOBA is recorded in deferred acquisition costs, deferred sales inducements and value of business acquired on the consolidated balance sheets.

See *Note 3 - Business Combination & Note 8 – Deferred Acquisition Costs, Deferred Sales Inducements and Value of Business Acquired* for further discussion.

**Interest Sensitive Contract Liabilities** - Investment contracts include traditional deferred annuities, indexed annuities consisting of fixed indexed and index-linked variable annuities in the accumulation phase, funding agreements, immediate annuities without significant mortality risk (which include pension group annuities without life contingencies). We carry liabilities for traditional deferred annuities, indexed 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. Certain of our contracts are offered with additional contract features that meet the definition of a market risk benefit. See - *Market Risk Benefits* below for further information.

Changes in interest sensitive contract liabilities, excluding deposits and withdrawals, are recorded in interest sensitive contract benefits or product charges on the consolidated statements of income (loss).

**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 as the estimated present value of benefits we expect to pay to or on behalf of the policyholder and related expenses less the present value of the net premiums to be collected, referred to as the net premium ratio. The contracts are grouped into cohorts based on issue year and contract type, with an exception for pension group annuities, which are generally assessed at the group annuity contract level. Contracts with different issuance years are not combined.

Liabilities for nonparticipating long-duration contracts are established using accepted actuarial valuation methods which require the use of assumptions related to discount rate, expenses, longevity, mortality, morbidity, persistency and other policyholder behavior. We base certain key assumptions, such as longevity, mortality and morbidity, on industry standard data adjusted to align with actual company experience, if needed. We have elected to use expense assumptions that are locked in at issuance for each cohort. All other cash flow assumptions are established at contract issuance and reviewed annually or more frequently if actual experience suggests a revision is necessary. The effects of changes in cash flow assumptions impacting the net premium ratio are recorded as remeasurement changes in the period in which they are made. As cash flow assumptions are reviewed at least annually, there is no provision for adverse deviation included within the liability.

Actual experience is recognized in the period in which the experience arises. Actual experience is then incorporated into the net premium ratio for all products and cohorts on a quarterly basis. When the net premium ratio is revised, whether to incorporate actual experience each reporting period or for the review of cash flow assumptions, the liability is recalculated as of the beginning of the period, discounted at the original contract issuance discount rate, and compared with the carrying amount of the liability as of the same date to determine the current period change. The current period change in the liability is recognized as a remeasurement gain or loss.

To the extent the present value of future benefits and expenses exceeds the present value of gross premiums, we will cap the net premium ratio at 100% by increasing the corresponding liability and recognizing an immediate loss through the consolidated statements of income (loss). The liability is never recorded at an amount less than zero for the cohort.

The liability for nonparticipating long-duration contracts is discounted using an upper-medium grade fixed income instrument yield aligned to the characteristics of the liability, including the duration and currency of the underlying cash flows. In determining reference portfolio of instruments, we have used a single A equivalent level rate and maximized the use of observable data to the extent possible for the duration of our liabilities. The discount rate is required to be updated at the end of each reporting period for the remeasurement of the liability but is locked-in for each cohort for the purpose of interest accretion expense.

Changes in the value of the liability for nonparticipating long-duration contracts due to changes in the discount rate are recognized as a component of OCI on the consolidated statements of comprehensive income (loss). Changes in the liability for the remeasurement gains or losses and all other changes in the liability are recorded in future policy and other policy benefits on the consolidated statements of income (loss).

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**Market Risk Benefits** - Represent contracts or contract features that both provide protection to the contract holder from, and expose the insurance entity to, other-than-nominal capital market risk. Our deferred annuity contracts contain GLWB and GMDB riders that meet the criteria for, and are classified as, market risk benefits.

Market risk benefits are measured at fair value at the contract level and may be recorded as a liability or an asset, which are included in market risk benefits or other assets, respectively, on the consolidated balance sheets. Multiple market risk benefits on a contract are treated as a single, compound market risk benefit. At contract inception, we assess the fees and assessments that are collectible from the policyholder and allocate them to the extent they are attributable to the market risk benefit. These attributed fees are used in the valuation of the market risk benefits and are never negative or exceed total explicit fees collectible from the policyholder. If the fees are sufficient to cover the projected benefits, a non-option based valuation model is used. If the fees are insufficient to cover the projected benefits, an option-based valuation model is used to compute the market risk benefit liability at contract inception, with an equal and offsetting adjustment recognized in interest sensitive contract liabilities.

Changes in fair value of market risk benefits are recorded in market risk benefits remeasurement (gains) losses on the consolidated statements of income (loss), excluding portions attributed to changes in instrument-specific credit risk, which are recorded in OCI on the consolidated statements of comprehensive income (loss).

Upon annuitization of the contract or the extinguishment of the account balance, the market risk benefit, related annuity contract and unamortized deferred costs are derecognized, including amounts within AOCI. A payout annuity is then established for GLWBs.

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

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

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

When the net premium ratio for the corresponding future policy benefit is updated for actual experience and changes to projected cash flow assumptions, the deferred profit liability is retrospectively recalculated from the contract issuance date through the beginning of the current reporting period. The revised deferred profit liability is compared to the beginning of the period carrying amount to determine the change to be recognized as a remeasurement gain or loss within future policy and other policy benefits on the consolidated statements of income (loss). Unlike the related future policy benefit, the deferred profit liability will not be remeasured for changes in discount rates each reporting period. Negative VOBA balances associated with payout contracts involving life contingencies, including pension group annuities, are accounted for in a manner similar to the deferred profit liability.

**Income Taxes** - We compute income taxes using the asset and liability method, under which deferred income taxes are provided for the temporary differences between the financial statement carrying amounts and the tax basis of our assets and liabilities using estimated tax rates expected to be in effect for the year in which the differences are expected to reverse. Such temporary differences are primarily due to the tax basis of reserves, DAC, VOBA, unrealized investment gains/losses, reinsurance related differences, embedded derivatives and net operating loss carry forwards. 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.

Bermuda enacted a corporate income tax ("CIT") on December 27, 2023. Under US GAAP Accounting Standard Codification ("ASC") 740, the effects of new tax legislation must be recognized as a component of income tax expense in the period in which the law is enacted. Beginning in 2025, the Company and all its Bermuda subsidiaries will be included in the Bermuda Constituent Entity Group return of Athene Annuity Re, Ltd. ("AARE"). Opening deferred taxes were allocated to the Company and its Bermuda subsidiaries under the "benefits-for-loss" method. Under this method, the Company and all its Bermuda subsidiaries are assumed to file a separate return with the taxing authority, thereby

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### Notes to Consolidated Financial Statements

reporting their opening tax benefit or expense as if the Company and its Bermuda subsidiaries were each a separate taxpayer, except that net operating losses (or other current or deferred tax attributes) are characterized as realized (or realizable) by the Company and its Bermuda subsidiaries when those tax attributes are realized (or realizable) by the consolidated return group, even if the Company or its Bermuda subsidiaries would not otherwise have realized the attributes on a stand-alone basis.

See *Note 11 – Income Taxes*.

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

### Recently Issued Accounting Pronouncements

#### *Income Taxes - Improvements to Income Tax Disclosures (ASU 2023-09)*

The amendments in this update revise certain disclosures on income taxes including rate reconciliation, income taxes paid, and certain amendments on disaggregation by federal, state and foreign taxes. The guidance is effective for us for annual periods beginning in 2025. Early adoption is permitted. We are currently evaluating the impact of this guidance on our consolidated financial statements.

### Adopted Accounting Pronouncements

#### *Investments - Equity Method and Joint Ventures (Accounting Standards Update (ASU) 2023-02)*

The amendments in this update introduce the option of applying the proportional amortization method (PAM) to account for investments made primarily for the purpose of receiving income tax credits or other income tax benefits when certain requirements are met. Currently, PAM only applies to low-income housing tax credit (LIHTC) investments. We early adopted this guidance on October 1, 2023, and there was no impact on our consolidated financial statements upon adoption.

#### *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 DAC 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 GLWB and GMDB riders attached to our annuity products. The change in fair value of the market risk benefits is to be recognized in net income, excluding the portion attributable to changes in instrument-specific credit risk which is recognized in other comprehensive income.
- The update also introduces disclosure requirements around the liability for future policy benefits, policyholder account balances, market risk benefits, separate account liabilities and deferred acquisition costs. This includes disaggregated rollforwards of these balances and information about significant inputs, judgments, assumptions and methods used in their measurement.

We adopted LDTI as of January 1, 2023 and, for all provisions of the update, applied a retrospective transition approach using a transition date of January 1, 2022, the date of our merger with AGM. At the merger date, VOBA balances were established as the difference between the fair value of the liabilities and the reserves established as of this date. Upon transition to LDTI, the liability for future policy benefits and contractual features that meet the criteria for market risk benefits were adjusted to conform to LDTI, with an offsetting adjustment made to positive or negative VOBA. No adjustments were recorded to AOCI or retained earnings (accumulated deficit) as of the transition date. See *Note 2 - Adoption of Accounting Pronouncement* for the effects of LDTI adoption on our 2022 consolidated financial statements.

#### *Reference Rate Reform (Topic 848) (ASU 2022-06, ASU 2021-01, ASU 2020-04)*

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

#### *Fair Value Measurement - Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions (ASU 2022-03)*

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This amendment clarifies guidance that a restriction that is a characteristic of the holding entity, rather than a characteristic of the equity security itself, should not be considered in its fair value measurement. As a result, we are required to measure the fair value of equity securities subject to contractual restrictions attributable to the holding entity on the basis of the market price of the same equity security without those contractual restrictions. Companies are not permitted to recognize a contractual sale restriction attributable to the holding entity as a separate unit of account. The guidance also requires disclosures for these equity securities. We early adopted this update effective July 1, 2023. The adoption of this update was applied on a prospective basis and did not have a material effect on our consolidated financial statements.

**2. Adoption of Accounting Pronouncement**

The schedules following provide the transition disclosures and effect of our LDTI adoption on the 2022 consolidated financial statements. See *Note 9 – Long-duration Contracts* for further disclosures.

The following table summarizes future policy benefits and changes to the liability:

<i>(In thousands)</i>	Indexed annuities	Payout annuities	Reconciling items <sup>1</sup>	Total
<b>Balance as of January 1, 2022</b>	\$ 23,808	\$ 14,528,652	\$ 1,824,615	\$ 16,377,075
Change in discount rate assumptions	—	897,685	—	897,685
Adjustment for removal of balances related to market risk benefits	(23,808)	—	—	(23,808)
Adjustment for offsetting balance in negative VOBA <sup>2</sup>	—	—	(918,819)	(918,819)
<b>Adjusted balance as of January 1, 2022</b>	<u>\$ —</u>	<u>\$ 15,426,337</u>	<u>\$ 905,796</u>	<u>\$ 16,332,133</u>

<sup>1</sup> Reconciling items primarily include negative VOBA associated with our liability for future policy benefits.

<sup>2</sup> Uneliminated adjustments were recorded to positive VOBA within deferred acquisition costs, deferred sales inducements and value of business acquired on the consolidated balance sheets.

Adjustments to the deferred profit liability were not required as these balances were set to zero on the merger date. Since the liability for future policy benefits was measured at fair value on the merger date, there were no instances upon transition in which net premiums exceeded gross premiums which would have required an immediate loss to be recognized in net income.

The following table presents the net asset position of market risk benefits:

<i>(In thousands)</i>	Indexed annuities
<b>Balance as of January 1, 2022</b>	\$ —
Adjustment for addition of existing balances <sup>1</sup>	23,806
Adjustment to positive VOBA due to fair value adjustment for market risk benefits <sup>2</sup>	14
Adjustment to negative VOBA due to fair value adjustment for market risk benefits <sup>3</sup>	(30,130)
<b>Adjusted balance as of January 1, 2022</b>	<u>\$ (6,311)</u>

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

<sup>2</sup> Previously recorded within deferred acquisition costs, deferred sales inducements and value of business acquired on the consolidated balance sheets.

<sup>3</sup> Previously recorded within interest sensitive contract liabilities on the consolidated balance sheets.

The following table represents market risk benefits by asset and liability positions:

<i>(In thousands)</i>	Asset <sup>1</sup>	Liability	Net asset
Indexed annuities	30,211	23,900	(6,311)
<b>Adjusted balance as of January 1, 2022</b>	<u>\$ 30,211</u>	<u>\$ 23,900</u>	<u>\$ (6,311)</u>

<sup>1</sup> Included in other assets on the consolidated balance sheets.

The following table summarizes the change in deferred acquisition costs, deferred sales inducements and value of business acquired:

<i>(In thousands)</i>	VOBA
<b>Balance as of January 1, 2022</b>	\$ 53,816
Change in discount rate assumptions for future policy benefits	(21,135)
Fair value adjustment of market risk benefits	14
<b>Adjusted balance as of January 1, 2022</b>	<u>\$ 32,695</u>

**3. Business Combination**

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

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

**Pushdown accounting**

As part of pushdown accounting, the goodwill recorded was allocated based on net identifiable assets of the Company relative to the net identifiable assets of AHL. This has resulted in \$1,132 million goodwill recognized at January 1, 2022.

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

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

	<b>Fair value and goodwill calculation</b>	
<i>(In thousands)</i>		
Fair value of the Company previously held by ACRA HoldCo	\$	3,425,490
<b>Total fair value of the Company held by ACRA HoldCo</b>		<b>3,425,490</b>
<b>Assets</b>		
Investments	\$	53,401,433
Cash and cash equivalents		689,640
Restricted cash		492,084
Investment in related parties		768,668
Accrued investment income		8,986
Deferred acquisition costs, deferred sales inducements, and value of business acquired		32,695
Other assets		134,616
<b>Estimated fair value of total assets acquired by AGM</b>		<b>55,528,122</b>
<b>Liabilities</b>		
Interest sensitive contract liabilities		36,530,572
Future policy benefits		16,332,133
Derivative liabilities		9,838
Payables for collateral on derivatives and securities to repurchase		246,236
Market risk benefits		23,900
Other liabilities		91,645
<b>Estimated fair value of total liabilities assumed by AGM</b>		<b>53,234,324</b>
Identifiable net assets		2,293,798
Estimated fair value of net assets acquired by AGM, excluding goodwill		2,293,798
<b>Goodwill attributable to the Company</b>	<b>\$</b>	<b>1,131,692</b>

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

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

	<b>Fair value</b> <i>(in thousands)</i>	<b>Weighted average useful life</b> <i>(in years)</i>
VOBA	\$ 32,696	5.99
<b>Total</b>	<b>\$ 32,696</b>	

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**4. Investments**

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

<i>(In thousands)</i>	December 31, 2023				
	Amortized Cost	Allowance for Credit Losses	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
<b>AFS securities</b>					
US government and agencies	\$ 931,765	\$ —	\$ —	\$ (185,473)	\$ 746,292
US state, municipal and political subdivisions	35,827	—	—	(10,066)	25,761
Foreign governments	3,878	—	237	—	4,115
Corporate	855,889	(8,891)	12,500	(122,932)	736,566
CLO	407,607	(122)	2,026	(12,041)	397,470
ABS	163,307	(266)	1,092	(11,955)	152,178
CMBS	19,956	(136)	—	(2,548)	17,272
RMBS	275,277	(11,990)	18,189	(6,141)	275,335
<b>Total AFS securities</b>	<b>2,693,506</b>	<b>(21,405)</b>	<b>34,044</b>	<b>(351,156)</b>	<b>2,354,989</b>
<b>AFS securities – related parties</b>					
Corporate	109,232	—	—	(3,724)	105,508
CLO	73,920	—	839	(3,155)	71,604
ABS	37,202	—	—	(3,448)	33,754
<b>Total AFS securities – related parties</b>	<b>220,354</b>	<b>—</b>	<b>839</b>	<b>(10,327)</b>	<b>210,866</b>
<b>Total AFS securities including related parties</b>	<b>\$ 2,913,860</b>	<b>\$ (21,405)</b>	<b>\$ 34,883</b>	<b>\$ (361,483)</b>	<b>\$ 2,565,855</b>

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

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

<i>(In thousands)</i>	December 31, 2023	
	Amortized Cost	Fair Value
<b>AFS securities</b>		
Due in one year or less	\$ 11,926	\$ 11,855
Due after one year through five years	185,007	174,156
Due after five years through ten years	549,194	471,703
Due after ten years	1,081,232	855,020
CLO, ABS, CMBS and RMBS	866,147	842,255
<b>Total AFS securities</b>	<b>2,693,506</b>	<b>2,354,989</b>
<b>AFS securities – related parties</b>		
Due after one year through five years	109,232	105,508
CLO and ABS	111,122	105,358
<b>Total AFS securities – related parties</b>	<b>220,354</b>	<b>210,866</b>
<b>Total AFS securities including related parties</b>	<b>\$ 2,913,860</b>	<b>\$ 2,565,855</b>

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

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

<i>(In thousands)</i>	December 31, 2023					
	Less than 12 months		12 months or more		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
<b>AFS securities</b>						
US government and agencies	\$ 149,779	\$ (6,766)	\$ 596,512	\$ (178,707)	\$ 746,291	\$ (185,473)
US state, municipal and political subdivisions	—	—	25,761	(10,066)	25,761	(10,066)
Corporate	144,541	(25,114)	472,298	(97,713)	616,839	(122,827)
CLO	11,270	(1)	269,292	(11,921)	280,562	(11,922)
ABS	48,080	(1,946)	57,383	(9,508)	105,463	(11,454)
CMBS	—	—	13,305	(1,541)	13,305	(1,541)
RMBS	12,528	(804)	47,924	(3,157)	60,452	(3,961)
<b>Total AFS securities</b>	<b>366,198</b>	<b>(34,631)</b>	<b>1,482,475</b>	<b>(312,613)</b>	<b>1,848,673</b>	<b>(347,244)</b>
<b>AFS securities – related parties</b>						
Corporate	68,057	(27)	37,450	(3,697)	105,507	(3,724)
CLO	—	—	48,046	(3,155)	48,046	(3,155)
ABS	—	—	33,754	(3,448)	33,754	(3,448)
<b>Total AFS securities – related parties</b>	<b>68,057</b>	<b>(27)</b>	<b>119,250</b>	<b>(10,300)</b>	<b>187,307</b>	<b>(10,327)</b>
<b>Total AFS securities including related parties</b>	<b>\$ 434,255</b>	<b>\$ (34,658)</b>	<b>\$ 1,601,725</b>	<b>\$ (322,913)</b>	<b>\$ 2,035,980</b>	<b>\$ (357,571)</b>

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

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

	December 31, 2023	
	Unrealized loss position	Unrealized loss position 12 months or more
AFS securities	294	207
AFS securities – related parties	12	11

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

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

	Year ended December 31, 2023					
	Beginning Balance	Additions		Reductions		Ending Balance
		Initial credit losses	Initial credit losses on PCD securities	Securities sold during the period	Additions (reductions) to previously impaired securities	
<i>(In thousands)</i>						
<b>AFS securities</b>						
Corporate	\$ 4,633	\$ 3,308	\$ —	\$ —	\$ 950	\$ 8,891
CLO	152	58	—	(1)	(87)	122
ABS	14	173	—	(120)	199	266
CMBS	32	2,224	—	(13)	(2,107)	136
RMBS	2,330	249	10,011	(275)	(325)	11,990
<b>Total AFS securities</b>	<b>7,161</b>	<b>6,012</b>	<b>10,011</b>	<b>(409)</b>	<b>(1,370)</b>	<b>21,405</b>
<b>Total AFS securities including related parties</b>	<b>\$ 7,161</b>	<b>\$ 6,012</b>	<b>\$ 10,011</b>	<b>\$ (409)</b>	<b>\$ (1,370)</b>	<b>\$ 21,405</b>



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

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

<i>(In thousands)</i>	Year ended December 31,	
	2023	2022
<b>AFS securities</b>	\$ 210,690	\$ 101,091
Trading securities	1,267	1,600
Equity securities	(1)	16,454
Mortgage loans	1,914	3,013
Investment funds	18,772	3,424
Funds withheld at interest	2,428,562	2,027,797
Other	26,742	14,034
Investment revenue	2,687,946	2,167,413
Investment expenses	(58,547)	(32,911)
<b>Net investment income</b>	<u>\$ 2,629,399</u>	<u>\$ 2,134,502</u>

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

<i>(In thousands)</i>	Year ended December 31,	
	2023	2022
<b>AFS securities<sup>1</sup></b>		
Gross realized gains on investment activity	\$ 35,263	\$ 46,802
Gross realized losses on investment activity	(107,761)	(71,488)
Net realized investment losses on AFS securities	(72,498)	(24,686)
Net recognized investment gains on trading securities	1,262	1,302
Net recognized investment gains (losses) on equity securities	1,467	(17,716)
Net realized investment gains (losses) on mortgage loans	(869)	(2,239)
Derivative gains (losses)	1,991,063	(8,074,665)
Provision for credit losses	(4,444)	(5,212)
Other gains (losses)	(151,158)	419,057
<b>Investment related gains (losses)</b>	<u>\$ 1,764,823</u>	<u>\$ (7,704,159)</u>

<sup>1</sup> Includes the effects of recognized gains or losses on AFS securities associated with designated hedges.

Proceeds from sales of AFS securities were \$1,442 million and \$770 million for the years ended December 31, 2023 and 2022, respectively.

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**Notes to Consolidated Financial Statements**

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

	Years ended December 31,	
	2023	2022
<i>(In thousands)</i>		
Trading securities	\$ 1,291	\$ —
Equity securities	—	(6,586)

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

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

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

There were no payables for repurchase agreements as at December 31, 2023.

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

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

There were no securities pledged as collateral for repurchase agreements as at December 31, 2023.

**Mortgage Loans, including related party** - Mortgage loans comprise of residential loans. In connection with the merger, we elected the fair value option on our mortgage loan portfolio. See *Note 6 – Fair Value* for further fair value option information. The following represents the mortgage loan portfolio, with fair value option loans presented at unpaid principal balance:

	December 31,	
	2023	2022
<i>(In thousands)</i>		
Residential mortgage loans	\$ 24,880	\$ 22,276
Mark to fair value	(804)	(180)
<b>Residential mortgage loans</b>	<b>24,076</b>	<b>22,096</b>
<b>Mortgage loans</b>	<b>\$ 24,076</b>	<b>\$ 22,096</b>

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

	December 31,	
	2023	2022
<b>International</b>		
United Kingdom	100.0 %	100.0 %
Total International residential mortgage loan percentage	100.0 %	100.0 %
<b>Total residential mortgage loan percentage</b>	<b>100.0 %</b>	<b>100.0 %</b>

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

The following summarizes our investment funds, including related parties:

	December 31,			
	2023		2022	
	Carrying value	Percent of total	Carrying value	Percent of total
<i>(In thousands, except for percentages)</i>				
Investment funds – related parties				
Apollo and other fund investments				
Equity	\$ 139,461	44.6 %	\$ 205,460	56.5 %
Hybrid	115,880	37.1 %	105,878	29.1 %
Yield	—	— %	—	— %
Other	57,028	18.3 %	52,202	14.4 %
Total investment funds – related parties	312,369	100.0 %	363,540	100.0 %
<b>Total investment funds including related parties</b>	<b>\$ 312,369</b>		<b>\$ 363,540</b>	

**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:

	December 31,	
	2023	2022
<i>(In thousands)</i>		
Assets	\$ 2,806,086	\$ 11,377,199
Liabilities	50,056	1,049,179
Equity	2,756,030	10,328,020
<i>(In thousands)</i>		
	Year ended December 31,	
	2023	2022
Net income	\$ (18,799)	\$ 369,530

**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:

	December 31,			
	2023		2022	
	Carrying Value	Maximum Loss Exposure	Carrying Value	Maximum Loss Exposure
<i>(In thousands)</i>				
Investment in related parties – investment funds	\$ 312,369	\$ 379,520	\$ 363,540	\$ 609,363
Investment in fixed maturity securities	847,266	866,147	1,353,565	1,431,145
Investment in related parties – fixed maturity securities	105,358	111,122	79,902	90,075
Total non-consolidated investments	\$ 1,264,993	\$ 1,356,789	\$ 1,797,007	\$ 2,130,583

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

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

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

	December 31,			
	2023		2022	
	Carrying Value	Percent of Total	Carrying Value	Percent of Total
<i>(In thousands, except for percentages)</i>				
Fixed maturity securities				
US government and agencies	\$ 927,743	1.7 %	\$ 60,906	0.1 %
US state, municipal, and political subdivisions	313,132	0.6 %	234,558	0.4 %
Foreign governments	544,183	1.0 %	518,533	1.0 %
Corporate	24,485,786	44.3 %	22,762,850	43.6 %
CLOs	6,358,585	11.5 %	5,840,979	11.2 %
ABS	6,404,946	11.6 %	6,921,441	13.2 %
CMBS	1,609,428	2.9 %	1,257,110	2.4 %
RMBS	662,791	1.2 %	880,918	1.7 %
Equity securities	309,023	0.6 %	349,129	0.7 %
Mortgage loans	9,361,176	17.0 %	9,532,833	18.2 %
Investment funds	2,915,909	5.3 %	2,530,004	4.8 %
Derivative Assets	555,770	1.0 %	660,569	1.3 %
Short-term investments	76,681	0.1 %	88,373	0.2 %
Other investments	94,097	0.2 %	452,839	0.9 %
Cash and cash equivalents	1,371,443	2.5 %	1,314,992	2.5 %
Other assets and liabilities <sup>1</sup>	(774,276)	(1.5)%	(1,135,443)	(2.2)%
Total funds withheld at interest	<u>\$ 55,216,417</u>	<u>100.0 %</u>	<u>\$ 52,270,591</u>	<u>100 %</u>

<sup>1</sup> Primarily consists of derivative liabilities and long term repurchase agreements.

## 5. Derivative Instruments

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

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

	December 31,					
	2023			2022		
	Notional Amount	Fair Value		Notional Amount	Fair Value	
Assets		Liabilities	Assets		Liabilities	
<i>(In thousands)</i>						
<b>Derivatives designated as hedges</b>						
Foreign currency hedges						
Swaps	181,448	\$ 12,450	\$ 1,531	\$ 161,260	\$ 22,071	\$ —
Forwards	180,176	10,033	351	193,904	12,548	768
Forwards on net investments	94,624	—	2,648	93,141	733	—
<b>Total derivatives designated as hedges</b>		<b>22,483</b>	<b>4,530</b>		<b>35,352</b>	<b>768</b>
<b>Derivatives not designated as hedges</b>						
Equity options	4,744,394	178,943	—	5,540,844	85,256	—
Foreign currency swaps	80,353	7,060	1,105	56,983	4,148	325
Foreign currency forwards	582,553	11,868	11,676	604,894	22,238	8,965
Embedded derivatives						
Funds withheld including related parties		(5,715,288)	—		(7,423,854)	—
Interest sensitive contract liabilities		—	749,894		—	737,733
<b>Total derivatives not designated as hedges</b>		<b>(5,517,417)</b>	<b>762,675</b>		<b>(7,312,212)</b>	<b>747,023</b>
<b>Total derivatives</b>		<b>\$(5,494,934)</b>	<b>\$ 767,205</b>		<b>\$(7,276,860)</b>	<b>\$ 747,791</b>

### Derivatives Designated as Hedges

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

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

	December 31,			
	2023		2022	
	Carrying amount of the hedged assets or liabilities <sup>1</sup>	Cumulative amount of fair value hedging gains (losses)	Carrying amount of the hedged assets or liabilities <sup>1</sup>	Cumulative amount of fair value hedging gains (losses)
<i>(In thousands)</i>				
AFS securities - Foreign currency forwards	\$ 138,988	\$ (313)	\$ 190,998	\$ (22,282)
AFS securities - Foreign currency swaps	402,373	6,723	109,393	(11,947)

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

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

(In thousands)	Derivatives	Hedged Items	Net	Amounts Excluded	
				Recognized in income through amortization approach	Recognized in income through changes in fair value
<b>Year ended December 31, 2023</b>					
Investment related gains (losses)					
Foreign currency forwards	\$ 3,284	\$ 732	\$ 4,016	\$ 1,725	\$ 415
Foreign currency swaps	2,897	(4,262)	(1,365)	—	—
<b>Year ended December 31, 2022</b>					
Investment related gains (losses)					
Foreign currency forwards	\$ (5,129)	\$ 2,750	\$ (2,379)	\$ 1,727	\$ 30
Foreign currency swaps	10,919	(11,947)	(1,028)	—	—

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

(In thousands)	Years ended December 31,	
	2023	2022
Foreign currency forwards	\$ (211)	\$ (555)
Foreign currency swaps	(4,685)	4,700

*Net Investment Hedges* - We use foreign currency forwards to hedge the foreign currency exchange rate risk of our investments in subsidiary that have a reporting currency other than the US dollar. We assess hedge effectiveness based on the changes in forward rates. During the years ended December 31, 2023 and 2022, these derivatives had losses of \$1.8 million and gains of \$15.2 million, respectively. These derivatives are included in foreign currency translation and other adjustments on the consolidated statements of comprehensive income (loss). As of December 31, 2023, the cumulative foreign currency translation recorded in AOCI related to these net investment hedges were gains of \$13.3 million and gains of \$15.1 million, respectively. During the years ended December 31, 2023 and 2022, there were no amounts deemed ineffective.

**Derivatives Not Designated as Hedges**

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

*Foreign Currency Swaps* - We use foreign currency swaps as fair value hedges for our exposures to changes in fair value attributable to changes in foreign currency rates on our foreign debt securities.

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

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

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

(In thousands)	Years ended December 31,	
	2023	2022
Equity options	\$ 118,870	\$ (220,739)
Swaps	(6,130)	49,294
Foreign currency forwards	(14,407)	43,251
Embedded derivatives on funds withheld	1,933,723	(7,952,261)
<b>Amounts recognized in investment related gains (losses)</b>	<b>2,032,056</b>	<b>(8,080,455)</b>
Embedded derivatives in indexed annuity products <sup>1</sup>	(84,920)	(429,095)
<b>Total gains (losses) on derivatives not designated as hedges</b>	<b>\$ 1,947,136</b>	<b>\$ (8,509,550)</b>

<sup>1</sup> Included in interest sensitive contract benefits on the consolidated statements of income (loss).

Notes to Consolidated Financial Statements

**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:

(In thousands)	Gross amount recognized <sup>1</sup>	Gross amounts not offset on the consolidated balance sheets		Net amount	Off-balance sheet securities collateral <sup>3</sup>	Net amount after securities collateral
		Financial instruments <sup>2</sup>	Collateral (received)/pledged			
<b>December 31, 2023</b>						
Derivative assets	\$ 220,354	\$ (15,450)	\$ (68,744)	\$ 136,160	\$ —	\$ 136,160
Derivative liabilities	(17,311)	15,450	1,793	(68)	—	(68)
<b>December 31, 2022</b>						
Derivative assets	\$ 146,994	\$ (9,679)	\$ (12,096)	\$ 125,219	\$ —	\$ 125,219
Derivative liabilities	(10,058)	9,679	179	(200)	—	(200)

<sup>1</sup> The gross amounts of recognized derivative assets and derivative liabilities are reported on the consolidated balance sheets. As of December 31, 2023 and 2022, amounts not subject to master netting or similar agreements were immaterial.

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

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

## 6. Fair Value

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

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

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

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

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

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

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

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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:

<i>(In thousands)</i>	December 31, 2023			
	Total	Level 1	Level 2	Level 3
<b>Assets</b>				
AFS securities				
US government and agencies	\$ 746,292	\$ 746,292	\$ —	\$ —
US state, municipal and political subdivisions	25,761	—	25,761	—
Foreign governments	4,115	—	4,115	—
Corporate	736,566	—	658,344	78,222
CLO	397,470	—	397,470	—
ABS	152,178	—	107,868	44,310
CMBS	17,272	—	17,272	—
RMBS	275,335	—	275,328	7
Total AFS securities	<u>2,354,989</u>	<u>746,292</u>	<u>1,486,158</u>	<u>122,539</u>
Trading securities	5,011	—	5,011	—
Mortgage loans	24,076	—	—	24,076
Derivative assets	220,354	—	220,354	—
Short-term investments	797	—	797	—
Cash and cash equivalents	468,435	468,435	—	—
Restricted cash	225,335	225,335	—	—
Other assets	26,867	—	—	26,867
Investments in related parties				
AFS securities				
Corporate	105,508	—	37,451	68,057
CLO	71,604	—	71,604	—
ABS	33,754	—	466	33,288
Total AFS securities – related parties	<u>210,866</u>	<u>—</u>	<u>109,521</u>	<u>101,345</u>
Funds withheld at interest – embedded derivative	(5,715,288)	—	—	(5,715,288)
<b>Total assets measured at fair value</b>	<u>\$ (2,178,558)</u>	<u>\$ 1,440,062</u>	<u>\$ 1,821,841</u>	<u>\$ (5,440,461)</u>
<b>Liabilities</b>				
Interest sensitive contract liabilities				
Embedded derivative	749,894	—	—	749,894
Market risk benefits	29,597	—	—	29,597
Derivative liabilities	17,311	—	17,311	—
<b>Total liabilities measured at fair value</b>	<u>\$ 796,802</u>	<u>\$ —</u>	<u>\$ 17,311</u>	<u>\$ 779,491</u>



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(In thousands)	December 31, 2022			
	Total	Level 1	Level 2	Level 3
<b>Assets</b>				
AFS securities				
US government and agencies	\$ 738,494	\$ 738,494	\$ —	\$ —
US state, municipal and political subdivisions	22,822	—	22,822	—
Corporate	995,644	—	930,346	65,298
CLO	606,018	—	606,018	—
ABS	276,141	—	176,640	99,501
CMBS	304,302	—	304,302	—
RMBS	167,104	—	118,301	48,803
Total AFS securities	3,110,525	738,494	2,158,429	213,602
Equity securities	54,559	54,559	—	—
Mortgage loans	22,096	—	—	22,096
Derivative assets	146,994	—	146,994	—
Short-term investments	37,239	—	37,239	—
Cash and cash equivalents	968,677	968,677	—	—
Restricted cash	254,780	254,780	—	—
Other assets	40,104	—	—	40,104
Investments in related parties				
AFS securities				
Corporate	34,567	—	34,567	—
CLO	44,540	—	44,540	—
ABS	35,362	—	719	34,643
Total AFS securities – related parties	114,469	—	79,826	34,643
Funds withheld at interest – embedded derivative	(7,423,854)	—	—	(7,423,854)
<b>Total assets measured at fair value</b>	<b>\$ (2,674,411)</b>	<b>\$ 2,016,510</b>	<b>\$ 2,422,488</b>	<b>\$ (7,113,409)</b>
<b>Liabilities</b>				
Interest sensitive contract liabilities				
Embedded derivative	\$ 737,733	\$ —	\$ —	\$ 737,733
Market risk benefits	16,352	—	—	16,352
Derivative liabilities	10,058	—	10,058	—
<b>Total liabilities measured at fair value</b>	<b>\$ 764,143</b>	<b>\$ —</b>	<b>\$ 10,058</b>	<b>\$ 754,085</b>

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

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

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

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

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### Notes to Consolidated Financial Statements

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

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

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

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

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

*Other assets and market risk benefits liability* - Other assets at fair value consists of market risk benefit assets. See *Note 9 - Long-duration Contracts* for additional information on market risk benefits valuation methodology and additional fair value disclosures. The estimates are classified as Level 3.

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

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

<i>(In thousands)</i>	Years ended December 31,	
	2023	2022
Trading securities	\$ 1,262	\$ 1,302
Mortgage loans	(870)	(2,240)
<b>Total gains (losses)</b>	<b>\$ 392</b>	<b>\$ (938)</b>

Gains and losses on trading securities and mortgage loans are recorded in investment related gains (losses) on the consolidated statements of income (loss).

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

<i>(In thousands)</i>	December 31,	
	2023	2022
Unpaid principal balance	\$ 24,880	\$ 22,276
Mark to fair value	(804)	(180)
<b>Fair value</b>	<b>\$ 24,076</b>	<b>\$ 22,096</b>

There were no fair value option mortgage loans 90 days or more past due as of December 31, 2023 or 2022.

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, 2023 and 2022.

**ATHENE CO-INVEST REINSURANCE AFFILIATE 1A LTD.**  
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**Level 3 Financial Instruments** - The following are reconciliations for Level 3 assets and liabilities measured at fair value on a recurring basis. Transfers in and out of Level 3 are primarily based on changes in the availability of pricing sources, as described in the valuation methods above.

	Year ended December 31, 2023							
	Beginning balance	Total realized and unrealized gains (losses)		Net purchases, issuances, sales and settlements	Net transfers in (out)	Ending balance	Total gains (losses) included in earnings <sup>1</sup>	Total gains (losses) included in OCI <sup>1</sup>
<i>(In thousands)</i>								
<b>Assets</b>								
AFS securities								
Corporate	\$ 65,298	\$ (2,275)	\$ (296)	\$ 15,496	\$ (1)	\$ 78,222	\$ —	\$ (301)
ABS	99,501	(2,018)	1,417	(47,701)	(6,889)	44,310	—	(315)
RMBS	48,803	1,366	289	(716)	(49,735)	7	—	—
Mortgage loans	22,096	(870)	—	2,851	(1)	24,076	(870)	—
Investments in related parties								
AFS securities								
Corporate	—	—	(27)	68,084	—	68,057	—	(27)
ABS	34,643	150	60	(1,566)	1	33,288	—	(67)
Funds withheld at interest – embedded derivative	(7,423,854)	1,708,566	—	—	—	(5,715,288)	—	—
<b>Total Level 3 assets</b>	<u><u>\$ (7,153,513)</u></u>	<u><u>\$ 1,704,919</u></u>	<u><u>\$ 1,443</u></u>	<u><u>\$ 36,448</u></u>	<u><u>\$ (56,625)</u></u>	<u><u>\$ (5,467,328)</u></u>	<u><u>\$ (870)</u></u>	<u><u>\$ (710)</u></u>
<b>Liabilities</b>								
Interest sensitive contract liabilities								
Embedded derivative	\$ (737,733)	\$ (84,920)	\$ —	\$ 72,759	\$ —	\$ (749,894)	\$ —	\$ —
<b>Total Level 3 liabilities</b>	<u><u>\$ (737,733)</u></u>	<u><u>\$ (84,920)</u></u>	<u><u>\$ —</u></u>	<u><u>\$ 72,759</u></u>	<u><u>\$ —</u></u>	<u><u>\$ (749,894)</u></u>	<u><u>\$ —</u></u>	<u><u>\$ —</u></u>

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

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Year ended December 31, 2022

(In thousands)	Total realized and unrealized gains (losses)		Net purchases, issuances, sales and settlements	Net transfers in (out)	Ending balance	Total gains (losses) included in earnings <sup>1</sup>	Total gains (losses) included in OCI <sup>1</sup>	
	January 1, 2022	Included in income						Included in OCI
<b>Assets</b>								
AFS securities								
Corporate	\$ 33,753	\$ 178	\$ 370	\$ 36,164	\$ (5,167)	\$ 65,298	\$ —	\$ (158)
ABS	31,220	14	(1,463)	(1,147)	70,877	99,501	—	(4,765)
RMBS	—	—	865	47,937	1	48,803	—	865
Trading securities	—	(1)	—	1	—	—	—	—
Mortgage loans	—	(2,240)	—	6,039	18,297	22,096	(2,240)	—
Investments in related parties								
AFS securities								
CLO	50,500	(7)	—	(50,493)	—	—	—	—
ABS	16,770	(1,712)	(3,459)	39,814	(16,770)	34,643	—	(3,459)
Trading securities	13,006	2,547	—	(15,553)	—	—	—	—
Mortgage Loans	—	—	—	(154,717)	154,717	—	—	—
Funds withheld at interest – embedded derivative	131,673	(7,555,527)	—	—	—	(7,423,854)	—	—
<b>Total Level 3 assets</b>	<b>\$ 276,922</b>	<b>\$ (7,556,748)</b>	<b>\$ (3,687)</b>	<b>\$ (91,955)</b>	<b>\$ 221,955</b>	<b>\$ (7,153,513)</b>	<b>\$ (2,240)</b>	<b>\$ (7,517)</b>
<b>Liabilities</b>								
Interest sensitive contract liabilities								
Embedded derivative	\$ (1,006,833)	\$ 429,095	\$ —	\$ (159,995)	\$ —	\$ (737,733)	\$ —	\$ —
<b>Total Level 3 liabilities</b>	<b>\$ (1,006,833)</b>	<b>\$ 429,095</b>	<b>\$ —</b>	<b>\$ (159,995)</b>	<b>\$ —</b>	<b>\$ (737,733)</b>	<b>\$ —</b>	<b>\$ —</b>

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

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

Year ended December 31, 2023

(In thousands)	Purchases	Issuances	Sales	Settlements	Net purchases, issuances, sales and settlements	Transfers in	Transfers out	Net transfers in (out)
AFS securities								
Corporate	\$ 24,603	\$ —	\$ —	\$ (9,107)	\$ 15,496	(1)	—	(1)
ABS	6,738	—	(46,189)	(8,250)	(47,701)	22,458	(29,347)	(6,889)
RMBS	31	—	—	(747)	(716)	(1)	(49,734)	(49,735)
Mortgage loans	2,851	—	—	—	2,851	(1)	—	(1)
Investments in related parties								
AFS securities								
Corporate	68,779	—	—	(695)	68,084	—	—	—
CLO	46,289	—	(46,289)	—	—	—	—	—
ABS	58,659	—	(58,831)	(1,394)	(1,566)	1	—	1
<b>Total Level 3 assets</b>	<b>\$ 207,950</b>	<b>\$ —</b>	<b>\$ (151,309)</b>	<b>\$ (20,193)</b>	<b>\$ 36,448</b>	<b>\$ 22,456</b>	<b>\$ (79,081)</b>	<b>\$ (56,625)</b>
<b>Liabilities</b>								
Interest sensitive contract liabilities – embedded derivative								
Derivative liabilities	—	—	—	—	—	—	—	—
<b>Total Level 3 liabilities</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 72,759</b>	<b>\$ 72,759</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>

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Year ended December 31, 2022

<i>(In thousands)</i>	Purchases	Issuances	Sales	Settlements	Net purchases, issuances, sales and settlements	Transfers in	Transfers out	Net transfers in (out)
<b>Assets</b>								
AFS securities								
Corporate	\$ 36,727	\$ —	\$ —	\$ (563)	\$ 36,164	\$ 7,017	\$ (12,184)	\$ (5,167)
ABS	31,151	—	(32,296)	(2)	(1,147)	70,877	—	70,877
RMBS	47,937	—	—	—	47,937	1	—	1
Trading securities	1	—	—	—	1	—	—	—
Mortgage loans	6,039	—	—	—	6,039	18,297	—	18,297
Short-term investments	32,512	—	(26,471)	(6,041)	—	—	—	—
AFS securities								
CLO	32,560	—	(83,053)	—	(50,493)	—	—	—
ABS	266,328	—	(212,891)	(13,623)	39,814	—	(16,770)	(16,770)
Trading securities	19,063	—	(25,841)	(8,775)	(15,553)	—	—	—
Mortgage Loans	—	—	(154,717)	—	(154,717)	154,717	—	154,717
<b>Total Level 3 assets</b>	<u>\$ 472,318</u>	<u>\$ —</u>	<u>\$ (535,269)</u>	<u>\$ (29,004)</u>	<u>\$ (91,955)</u>	<u>\$ 250,909</u>	<u>\$ (28,954)</u>	<u>\$ 221,955</u>
<b>Liabilities</b>								
Interest sensitive contract liabilities – embedded derivative	\$ —	\$ (228,394)	\$ —	\$ 68,399	\$ (159,995)	\$ —	\$ —	\$ —
<b>Total Level 3 liabilities</b>	<u>\$ —</u>	<u>\$ (228,394)</u>	<u>\$ —</u>	<u>\$ 68,399</u>	<u>\$ (159,995)</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

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

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

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

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

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

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

December 31, 2023							
<i>(In thousands, except for percentages)</i>	Fair value	Valuation technique	Unobservable inputs	Minimum	Maximum	Weighted average	Impact of an increase in the input on fair value
AFS securities	\$ 132,858	Discounted cash flow	Discount rate	5.1 %	13.0 %	6.9 % <sup>1</sup>	Decrease
Mortgage loans	24,076	Discounted cash flow	Discount rate	6.1 %	6.1 %	6.1 % <sup>1</sup>	Decrease
Interest sensitive contract liabilities – fixed indexed annuities embedded derivatives	749,894	Option budget method	Nonperformance risk	0.4 %	1.4 %	0.8 % <sup>2</sup>	Decrease
			Option budget	0.5 %	6.0 %	2.0 % <sup>3</sup>	Increase
			Surrender rate	7.9 %	17.0 %	13.3 % <sup>3</sup>	Decrease
December 31, 2022							
<i>(In thousands, except for percentages)</i>	Fair value	Valuation technique	Unobservable inputs	Minimum	Maximum	Weighted average	Impact of an increase in the input on fair value
AFS securities	\$ 41,662	Discounted cash flow	Discount rate	6.1 %	7.9 %	6.4 % <sup>1</sup>	Decrease
Mortgage loans	22,096	Discounted cash flow	Discount rate	5.9 %	5.9 %	5.9 % <sup>1</sup>	Decrease
Interest sensitive contract liabilities – fixed indexed annuities embedded derivatives	737,733	Option budget method	Nonperformance risk	0.3 %	1.9 %	1.1 % <sup>2</sup>	Decrease
			Option budget	0.7 %	5.3 %	2.0 % <sup>3</sup>	Increase
			Surrender rate	6.9 %	13.7 %	10.5 % <sup>3</sup>	Decrease

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

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

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

## 7. Reinsurance

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

(In thousands)	Years ended December 31,	
	2023	2022
<b>Premiums</b>		
Reinsurance assumed	\$ 5,996,617	\$ 8,757,348
<b>Total premiums</b>	<b>\$ 5,996,617</b>	<b>\$ 8,757,348</b>
<b>Future policy and other policy benefits</b>		
Reinsurance assumed	\$ 6,938,270	\$ 9,316,520
<b>Total future policy and other policy benefits</b>	<b>\$ 6,938,270</b>	<b>\$ 9,316,520</b>

Reinsurance typically provides for recapture rights on the part of the ceding company for certain events of default. Additionally, some agreements require us to place assets in trust accounts for the benefit of the ceding entity. The required minimum assets are equal to or greater than a certain percentage of statutory reserves and certain adjustments, as defined by the agreement, and were \$75 million and \$194 million as of December 31, 2023 and 2022, respectively. If the statutory book value of the assets, or in certain cases fair value, in a trust declines because of impairments or other reasons, we may be required to contribute additional assets to the trust. In addition, the assets within a trust may be subject to a pledge in favor of the applicable reinsurance company.

### Reinsurance transactions

We reinsure new business related to annuities from ALRe, Athene Annuity Re Ltd. (AARe) and Athene Life Re International Ltd. (ALReI) on a modco basis. During 2023 and 2022, additional policies were added to the existing modco agreement with AARe covering pensioners from various companies.

In June 2021, we entered into a modified coinsurance agreement with AARe to reinsure funding agreements (FA). As of December 31, 2023 and 2022, we reinsured additional FAs with principals of \$300 million and \$1,816 million, respectively.

As of January 1, 2022, the Company started to reinsure Athene retail business from AARe on a modco basis. Total retail inflows received during 2023 and 2022 were \$9 million and \$2,923 million, respectively.

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

The following represents a rollforward of DAC and DSI by product, and a rollforward of VOBA. See *Note 9 - Long-duration Contracts* for more information on our products.

(In thousands)	DAC			DSI		VOBA	Total DAC, DSI, and VOBA
	Traditional deferred annuities	Indexed annuities	Funding agreements	Indexed annuities			
Balance at January 1, 2022	\$ —	\$ —	\$ —	\$ —	\$ 32,696	\$ 32,696	
Additions	34,009	110,456	5,883	61,968	—	212,316	
Amortization	(1,633)	(3,795)	(896)	(2,019)	(5,610)	(13,953)	
Balance at December 31, 2022	32,376	106,661	4,987	59,949	27,086	231,059	
Additions	(189)	(42)	212	96	—	77	
Amortization	(6,570)	(9,651)	(1,087)	(5,601)	(6,725)	(29,634)	
Balance at December 31, 2023	<b>\$ 25,617</b>	<b>\$ 96,968</b>	<b>\$ 4,112</b>	<b>\$ 54,444</b>	<b>\$ 20,361</b>	<b>\$ 201,502</b>	

Deferred costs related to investment contracts with significant revenue streams from sources other than investment of the policyholder funds, including traditional deferred annuities and indexed annuities, are amortized on a constant-level basis for a cohort of contracts using initial premium or deposit. Significant inputs and assumptions are required for determining the expected duration of the cohort and involves using accepted actuarial methods to determine decrement rates related to policyholder behavior for lapses, withdrawals (surrenders) and mortality. The assumptions used to determine the amortization of DAC and DSI are consistent with those used to estimate the related liability balance.

Deferred costs related to investment contracts without significant revenue streams from sources other than investment of policyholder funds are amortized using the effective interest method, which primarily includes funding agreements. The effective interest method requires inputs to project future cash flows, which for funding agreements includes contractual terms of notional value, periodic interest payments based on either fixed or floating interest rates, and duration.

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

<i>(In thousands)</i>	Expected Amortization
2024	\$ 3,817
2025	3,009
2026	2,455
2027	2,038
2028	1,654

**9. Long-duration Contracts**

*Interest sensitive contract liabilities* - Interest sensitive contract liabilities primarily include:

- traditional deferred annuities,
- indexed annuities consisting of fixed indexed,
- funding agreements, and
- other investment-type contracts comprising of immediate annuities without significant mortality risk (which includes pension group annuities without life contingencies).

The following represents a rollforward of the policyholder account balance by product within interest sensitive contract liabilities. Where explicit policyholder account balances do not exist, the disaggregated rollforward represents the recorded reserve.

<i>(In thousands, except percentages)</i>	Year ended December 31, 2023				
	Traditional deferred annuities	Indexed annuities	Funding agreements	Other investment-type	Total
<b>Balance at December 31, 2022</b>	\$ 12,019,007	\$ 16,630,504	\$ 6,312,918	\$ 91,765	\$ 35,054,194
Deposits	45,618	4,446	300,000	44,030	394,094
Policy charges	—	(31,747)	—	—	(31,747)
Surrenders and withdrawals	(1,981,146)	(2,797,587)	(40,213)	—	(4,818,946)
Benefit payments	(382,290)	(372,244)	(165,414)	(25,334)	(945,282)
Interest credited	345,505	364,587	150,787	2,835	863,714
Foreign exchange	—	—	41,886	—	41,886
Other	129,506	81,360	115,727	(543)	326,050
<b>Balance at December 31, 2023</b>	<u>\$ 10,176,200</u>	<u>\$ 13,879,319</u>	<u>\$ 6,715,691</u>	<u>\$ 112,753</u>	<u>\$ 30,883,963</u>
Weighted average crediting rate	3.3 %	2.5 %	2.4 %	3.0 %	
Net amount at risk	\$ 4	\$ 170,858	\$ —	\$ —	
Cash surrender value	9,974,556	13,394,576	—	—	

<i>(In thousands, except percentages)</i>	Year ended December 31, 2022				
	Traditional deferred annuities	Indexed annuities	Funding agreements	Other investment-type	Total
<b>Balance at January 1, 2022</b>	\$ 12,243,052	\$ 17,317,797	\$ 5,271,091	\$ 64,131	\$ 34,896,071
Deposits	1,496,208	1,579,215	1,816,303	45,501	4,937,227
Policy charges	—	(25,783)	—	—	(25,783)
Surrenders and withdrawals	(1,635,146)	(2,192,049)	(345,939)	—	(4,173,134)
Benefit payments	(443,980)	(407,994)	(106,019)	(16,064)	(974,057)
Interest credited	358,873	359,318	125,227	1,761	845,179
Foreign exchange	—	—	(111,744)	—	(111,744)
Other	—	—	(336,001)	(3,564)	(339,565)
<b>Balance at December 31, 2022</b>	<u>\$ 12,019,007</u>	<u>\$ 16,630,504</u>	<u>\$ 6,312,918</u>	<u>\$ 91,765</u>	<u>\$ 35,054,194</u>
Weighted average crediting rate	3.1 %	2.5 %	2.1 %	2.4 %	
Net amount at risk	\$ 2	\$ 160,510	\$ —	\$ —	
Cash surrender value	11,766,173	16,033,151	—	—	



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The following is a reconciliation of interest sensitive contract liabilities to the consolidated balance sheets:

<i>(In thousands)</i>	December 31,	
	2023	2022
Traditional deferred annuities	\$ 10,176,200	\$ 12,019,007
Indexed annuities	13,879,319	16,630,504
Funding agreements	6,715,691	6,312,918
Other investment-type	112,753	91,765
Reconciling items <sup>1</sup>	1,126,609	1,088,687
<b>Interest sensitive contract liabilities</b>	<b>\$ 32,010,572</b>	<b>\$ 36,142,881</b>

<sup>1</sup> Reconciling items primarily include embedded derivatives in indexed annuities, unaccreted host contract adjustments on indexed annuities and negative VOBA.

The following represents policyholder account balances by range of guaranteed minimum crediting rates, as well as the related range of the difference between rates being credited to policyholders and the respective guaranteed minimums:

<i>(In thousands)</i>	December 31, 2023			
	At guaranteed minimum	1 basis point – 100 basis points above guaranteed minimum	Greater than 100 basis points above guaranteed minimum	Total
< 2.0%	\$ 5,420,621	\$ 3,647,893	\$ 6,419,822	\$ 15,488,336
2.0% – < 4.0%	11,710,860	982,046	388,221	13,081,127
4.0% – < 6.0%	1,707,468	463	—	1,707,931
6.0% and greater	606,569	—	—	606,569
<b>Total</b>	<b>\$ 19,445,518</b>	<b>\$ 4,630,402</b>	<b>\$ 6,808,043</b>	<b>\$ 30,883,963</b>

<i>(In thousands)</i>	December 31, 2022			
	At guaranteed minimum	1 basis point – 100 basis points above guaranteed minimum	Greater than 100 basis points above guaranteed minimum	Total
< 2.0%	\$ 5,736,591	\$ 5,566,424	\$ 7,621,292	\$ 18,924,307
2.0% – < 4.0%	13,434,596	577,196	24,494	14,036,286
4.0% – < 6.0%	1,784,744	—	—	1,784,744
6.0% and greater	308,857	—	—	308,857
<b>Total</b>	<b>\$ 21,264,788</b>	<b>\$ 6,143,620</b>	<b>\$ 7,645,786</b>	<b>\$ 35,054,194</b>

*Future policy benefits* - Future policy benefits consist primarily of payout annuities, including single premium immediate annuities with life contingencies (which include pension group annuities with life contingencies).

The following is a rollforward of the expected value of future policy benefits:

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(In thousands)	Payout annuities with life contingencies	
	Year ended December 31,	
	2023	2022
<b>Present value of expected future policy benefits</b>		
Beginning balance	\$ 19,445,901	\$ 15,426,337
Effect of changes in discount rate assumptions	3,797,085	—
Effect of foreign exchange on the changes in discount rate assumptions	(13,101)	—
Beginning balance at original discount rate	23,229,885	15,426,337
Effect of changes in cash flow assumptions	(183,154)	—
Effect of actual experience compared to expected experience	(1,800)	(22,508)
Adjusted balance	23,044,931	15,403,829
Issuances	6,053,019	8,697,910
Interest accrual	953,216	578,222
Benefit payments	(2,110,324)	(1,373,470)
Foreign exchange	35,046	(76,606)
Ending balance at original discount rate	27,975,888	23,229,885
Effect of changes in discount rate assumptions	(2,893,982)	(3,797,085)
Effect of foreign exchange on the changes in discount rate assumptions	(871)	13,101
Ending balance	\$ 25,081,035	\$ 19,445,901
Weighted-average liability duration ( <i>in years</i> )	8.7	9.5
Weighted-average interest accretion rate	3.8 %	3.4 %
Weighted-average current discount rate	5.1 %	5.5 %
Expected future benefit payments, undiscounted	\$ 39,954,530	\$ 33,109,800

The following is a reconciliation of future policy benefits to the consolidated balance sheets:

(In thousands)	December 31,	
	2023	2022
	Payout annuities with life contingencies	\$ 25,081,035
Reconciling items <sup>1</sup>	1,080,861	962,579
<b>Future policy benefits</b>	<b>\$ 26,161,896</b>	<b>\$ 20,408,480</b>

<sup>1</sup> Reconciling items primarily include the deferred profit liability and negative VOBA associated with our liability for future policy benefits.

The following is a reconciliation of premiums and interest expense to the consolidated statements of income (loss):

(In thousands)	Premiums		Interest expense	
	Year ended December 31,		Year ended December 31,	
	2023	2022	2023	2022
Payout annuities with life contingencies	\$ 5,996,617	\$ 8,757,348	\$ 953,216	\$ 578,222
Reconciling items	—	—	—	—
<b>Future policy benefits</b>	<b>\$ 5,996,617</b>	<b>\$ 8,757,348</b>	<b>\$ 953,216</b>	<b>\$ 578,222</b>

Significant assumptions and inputs to the calculation of future policy benefits for payout annuities with life contingencies include policyholder demographic data, assumptions for policyholder longevity and policyholder utilization for contracts with deferred lives, and discount rates.

We base certain key assumptions related to policyholder behavior on industry standard data adjusted to align with actual company experience, if necessary. At least annually, we review all significant cash flow assumptions and update as necessary, unless emerging experience indicates a more frequent review is necessary. The discount rate reflects market observable inputs from upper-medium grade fixed income instrument yields and is interpolated, where necessary, to conform to the duration of our liabilities.

During the year ended December 31, 2023, future policy benefits for payout annuities with life contingencies increased by \$5,635 million, which was driven by \$6,053 million of issuances, primarily pension group annuities, \$953 million of interest accrual, and \$903 million change in discount rate assumptions related to a decrease in rates. This was partially offset by \$2,110 million of benefit payments and \$183 million reduction in reserve from favorable unlocking of assumptions, primarily related to higher interest rates and favorable mortality experience lowering future benefit payments.

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During the year ended December 31, 2022, future policy benefits for payout annuities with life contingencies increased by \$4,020 million, which was driven by \$8,698 million of issuances, primarily pension group annuities, and \$578 million of interest accrual, partially offset by a \$3,797 million change in discount rate assumptions related to an increase in rates and \$1,373 million of benefit payments.

The following is a summary of remeasurement gains (losses) included within future policy and other policy benefits on the consolidated statements of income (loss):

<i>(In thousands)</i>	Year ended December 31,	
	2023	2022
Reserves	\$ 184,954	\$ 22,508
Deferred profit liability	(120,476)	(30,071)
Negative VOBA	(31,772)	15,206
<b>Total remeasurement gains (losses)</b>	<b>\$ 32,706</b>	<b>\$ 7,643</b>

During the years ended December 31, 2023 and 2022, we recorded reserve increases of \$118 million and \$50 million, respectively, to the consolidated statements of income (loss) as a result of the present value of benefits and expenses exceeding the present value of gross premiums.

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*Market risk benefits* - We issue and reinsure indexed annuity products that contain GLWB and GMDB riders that meet the criteria to be classified as market risk benefits.

The following is a rollforward of net market risk benefit liabilities by product:

<i>(In thousands)</i>	Indexed annuities	
	December 31,	
	2023	2022
<b>Beginning balance</b>	\$ (23,752)	\$ (6,311)
Effect of changes in instrument-specific credit risk	6,158	—
Balance, beginning of period, before changes in instrument-specific credit risk	(17,594)	(6,311)
Issuances	24	9,091
Interest accrual	(493)	(450)
Attributed fees collected	22,141	21,653
Benefit payments	322	209
Effect of changes in interest rates	(3,189)	(41,756)
Effect of changes in equity	(6,151)	(624)
Effect of actual behavior compared to expected behavior	1,250	683
Effect of changes in future expected policyholder behavior	2,957	—
Effect of changes in other future expected assumptions	(612)	(89)
Balance, end of period, before changes in instrument-specific credit risk	(1,345)	(17,594)
Effect of changes in instrument-specific credit risk	4,075	(6,158)
<b>Ending balance</b>	<b>\$ 2,730</b>	<b>\$ (23,752)</b>
Net amount at risk	\$ 170,858	\$ 160,510
Weighted-average attained age of contract holders <i>(in years)</i>	70.0	68.8

The following is a reconciliation of market risk benefits to the consolidated balance sheets. Market risk benefit assets are included in other assets on the consolidated balance sheets.

<i>(In thousands)</i>	December 31, 2023			December 31, 2022		
	Asset	Liability	Net liability	Asset	Liability	Net asset
Indexed annuities	26,867	29,597	2,730	40,104	16,352	(23,752)
Total	<u>\$ 26,867</u>	<u>\$ 29,597</u>	<u>\$ 2,730</u>	<u>\$ 40,104</u>	<u>\$ 16,352</u>	<u>\$ (23,752)</u>

During the year ended December 31, 2023, net market risk benefit liabilities increased by \$26 million, which was primarily driven by \$22 million in fees collected from policyholders, a \$10 million change in instrument-specific credit risk related to tightening of credit spreads, partially offset by \$6 million of changes related to equity market performance and \$3 million related to changes in the risk-free discount rate across the curve.

During the year ended December 31, 2022, net market risk benefit liabilities decreased by \$17 million, which was primarily driven by a decrease of \$42 million related to changes in the risk-free discount rate across the curve and a \$6 million change in instrument-specific credit risk related to widening of credit spreads, partially offset by \$22 million of fees collected from policyholders and \$9 million of issuances.

The determination of the fair value of market risk benefits requires the use of inputs related to fees and assessments and assumptions in determining the projected benefits in excess of the projected account balance. Judgment is required for both economic and actuarial assumptions, which can be either observable or unobservable, that impact future policyholder account growth.

Economic assumptions include interest rates and implied volatilities throughout the duration of the liability. For indexed annuities, assumptions also include projected equity returns which impact cash flows attributable to indexed strategies, implied equity volatilities, expected index credits on the next policy anniversary date and future equity option costs. Assumptions related to the level of option budgets used for determining the future equity option costs and the impact on future policyholder account value growth are considered unobservable inputs.

Policyholder behavior assumptions are unobservable inputs and are established using accepted actuarial valuation methods to estimate withdrawals (surrender rate) and income rider utilization. Assumptions are generally based on industry data and pricing assumptions which are updated for actual experience, if necessary. Actual experience may be limited for recently issued products.

All inputs are used to project excess benefits and fees over a range of risk-neutral, stochastic interest rate scenarios. For indexed annuities, stochastic equity return scenarios are also included within the range. A risk margin is incorporated within the discount rate to reflect uncertainty in the projected cash flows such as variations in policyholder behavior, as well as a credit spread to reflect our nonperformance risk, which is

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considered an unobservable input. We use the credit spread, relative to the US Treasury curve based on our public credit rating as of the valuation date, as the credit spread to reflect our nonperformance risk in the estimate of the fair value of market risk benefits.

The following summarizes the unobservable inputs for market risk benefits:

December 31, 2023							
<i>(In thousands, except for percentages)</i>	Fair value	Valuation technique	Unobservable inputs	Minimum	Maximum	Weighted average	Impact of an increase in the input on fair value
Market risk benefits, net	\$ 2,730	Discounted cash flow	Non-performance risk	0.4 %	1.4 %	1.1 % <sup>1</sup>	Decrease
			Option budget	0.5 %	6.0 %	2.0 % <sup>2</sup>	Decrease
			Surrender rate	2.1 %	11.1 %	5.9 % <sup>2</sup>	Decrease
			Utilization rate	80.0 %	95.0 %	90.1 % <sup>3</sup>	Increase
December 31, 2022							
Market risk benefits, net	\$(23,752)	Discounted cash flow	Non-performance risk	0.3 %	1.9 %	1.5 % <sup>1</sup>	Decrease
			Option budget	0.7 %	5.3 %	1.9 % <sup>2</sup>	Decrease
			Surrender rate	1.4 %	10.1 %	5.0 % <sup>2</sup>	Decrease
			Utilization rate	80.0 %	95.0 %	90.1 % <sup>3</sup>	Increase

<sup>1</sup> The nonperformance risk weighted average is based on the cash flows underlying the market risk benefit reserve.

<sup>2</sup> The option budget and surrender rate weighted averages are calculated based on projected account values.

<sup>3</sup> The utilization of GLWB withdrawals represents the estimated percentage of policyholders that are expected to use their income rider over the duration of the contract, with the weighted average based on current account values.

**10. Equity**

**Common Stock** - ACRA 1A has two classes of common shares; Class A common shares representing 63.45% of value and Class B common shares representing 36.55% of value and 100% of voting power. As of December 31, 2023 we had 5,000,000,000 shares authorized, of which 264,000 were issued at a par value of \$1.00 each and 4,999,736,000 shares remained undesignated and unissued. As at December 31, 2023, 167,500 Class A common shares and 96,500 Class B common shares were issued and outstanding.

**Dividends** - The Company declared and paid cash dividends on common shares on a pro rata basis in 2023 and 2022 in the aggregate amount of \$850 million and \$100 million respectively.

**Distributions to Parent** - In the year ended December 31, 2022 we recorded a reestablishment of the liabilities that were considered effectively settled upon merger of \$5 million, as these liabilities were settled during the first quarter of 2022 in the normal course of business as intercompany payables to AGM. Balance is nil as of December 31, 2023.

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

<i>(In thousands)</i>	Unrealized investment gains (losses) on AFS securities	Unrealized gains (losses) on hedging instruments	Remeasurement gains (losses) on market risk benefits related to credit risk	Remeasurement gains (losses) on future policy benefits related to discount rate	Foreign currency translation and other adjustments	Income tax expense (benefit) related to other comprehensive income (loss)	Accumulated other comprehensive income (loss)
<b>Balance at January 1, 2022</b>	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Other comprehensive income (loss)	(473,893)	4,145	6,158	3,797,085	(19,076)	—	3,314,419
Less: Income tax expense	—	—	—	—	—	717,456	717,456
<b>Balance at December 31, 2022</b>	\$ (473,893)	\$ 4,145	\$ 6,158	\$ 3,797,085	\$ (19,076)	\$ 717,456	\$ 2,596,963
Other comprehensive income (loss)	155,016	(4,896)	(10,233)	(903,103)	13,469	—	(749,747)
Less: Income tax benefit	—	—	—	—	—	(177,773)	(177,773)
<b>Balance at December 31, 2023</b>	\$ (318,877)	\$ (751)	\$ (4,075)	\$ 2,893,982	\$ (5,607)	\$ 539,683	\$ 2,024,989

## 11. Income Taxes

Income tax expense (benefit) consists of the following:

<i>(In thousands)</i>	Years ended December 31,	
	2023	2022
Current	\$ 501	\$ 1,851
Deferred	184,155	(655,052)
<b>Income tax expense (benefit)</b>	<b>\$ 184,656</b>	<b>\$ (653,201)</b>

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

<i>(In thousands)</i>	Years ended December 31,	
	2023	2022
Bermuda	\$ 1,826,301	\$ (3,593,153)
US	255,016	(3,119,293)
United Kingdom	2,164	1,254
<b>Income (loss) before income taxes</b>	<b>\$ 2,083,481</b>	<b>\$ (6,711,192)</b>

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

<i>(In thousands, except for percentages)</i>	Years ended December 31,	
	2023	2022
Expected tax provision computed on pre-tax income (loss)	\$ 54,062	\$ (655,052)
Increase (decrease) in income taxes resulting from:		
Prior year true-up	6	616
Other	(13)	1,235
Bermuda tax	130,601	—
<b>Income tax expense (benefit)</b>	<b>\$ 184,656</b>	<b>\$ (653,201)</b>
<b>Effective tax rate</b>	<b>9 %</b>	<b>10 %</b>

On December 27, 2023, the Government of Bermuda enacted the Corporate Income Tax Act of 2023 (Bermuda CIT). Commencing on January 1, 2025, the Bermuda CIT generally will impose a 15% corporate income tax on in-scope entities that are resident in Bermuda or have a Bermuda permanent establishment, without regard to any assurances that have been given pursuant to the Exempted Undertakings Tax protection Act 1966. We recorded material deferred tax liabilities as a result of the passage of the Bermuda CIT and recognized a material impact (increase) to our consolidated effective tax rate upon recording the deferred tax liabilities.

Total income taxes were as follows:

<i>(In thousands)</i>	Years ended December 31,	
	2023	2022
Income tax expense (benefit)	\$ 184,656	\$ (653,201)
Income tax expense (benefit) from OCI	(177,773)	717,456
<b>Total income tax expense (benefit)</b>	<b>\$ 6,883</b>	<b>\$ 64,255</b>

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

<i>(In thousands)</i>	Years ended December 31,	
	2023	2022
Current income tax recoverable	\$ 3,840	\$ 4,970
Current income tax payable	749	237
Net current income tax recoverable	<b>\$ 3,091</b>	<b>\$ 4,733</b>
Deferred tax liabilities	\$ 9,470	\$ 3,088
<b>Net deferred tax liabilities</b>	<b>\$ (9,470)</b>	<b>\$ (3,088)</b>

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Deferred income tax assets and liabilities consisted of the following:

<i>(In thousands)</i>	Years ended December 31,	
	2023	2022
<b>Deferred tax assets</b>		
Investments, including derivatives and unrealized losses on AFS	\$ 5,515	\$ 5,062
Net operating and capital loss carryforwards	222,204	67,878
Total deferred tax assets	227,719	72,940
Deferred tax assets, net of valuation allowance	227,719	72,940
<b>Deferred tax liabilities</b>		
Insurance liabilities	67,507	32,420
Bermuda tax	130,601	—
DAC, DSI and VOBA	38,040	42,834
Other	1,041	774
Total deferred tax liabilities	237,189	76,028
<b>Net deferred tax assets (liabilities)</b>	<b>\$ (9,470)</b>	<b>\$ (3,088)</b>

As of December 31, 2023, we have US federal net operating losses of \$1,046 million that will begin to expire in 2041.

The UK enacted legislation in July 2023 implementing certain provisions of the Organisation for Economic Cooperation and Development’s “Pillar Two” global minimum tax initiative (Pillar Two) that will apply to multinational enterprises for accounting periods beginning on or after December 31, 2023. On November 29, 2023, a bill was introduced to UK Parliament which proposes certain amendments to the previously enacted Pillar Two legislation and which would include new Pillar Two provisions for accounting periods beginning on or after December 31, 2024. We are continuing to evaluate the potential impact on future periods of Pillar Two, pending legislative adoption by individual countries, as such legislative changes could result in changes to our effective tax rate.

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 (CAMT) as well as an excise tax on stock repurchases. Based on interpretations and assumptions we have made regarding the CAMT provisions of the IRA, which may change once further regulatory guidance is issued, CAMT as well as the excise tax on stock repurchases had no impact on our financial statement.

ACRA 1A and Athene Co-Invest Reinsurance Affiliate International Ltd. (ACRAI) each file protective US income tax returns, and Athene Co-Invest Reinsurance Affiliate 1B Ltd. (ACRA 1B) files a standalone US federal return. ACRA 1A and its subsidiaries are not subject to US federal and state examinations by tax authorities for years prior to 2020.

## 12. Statutory Requirements

The Company, along with its reinsurance subsidiaries (ACRA 1B and ACRA I), is subject to insurance laws and regulations in the jurisdictions in which they operate including Bermuda and the US. Certain regulations include restrictions that limit the dividends or other distributions, such as loans or cash advances, available to shareholders without prior approval of the insurance regulatory authorities. The differences between financial statements prepared for insurance regulatory authorities and GAAP financial statements vary by jurisdiction.

**Bermuda statutory requirements** - ACRA 1A is licensed by the BMA as a Class C long-term insurer and is subject to the Insurance Act. The BMA implemented the Economic Balance Sheet (EBS) framework into the Bermuda Solvency Capital Requirement (BSCR), which was granted equivalence to the European Union’s Directive (2009/138/EC) (Solvency II). Under this framework a Class C insurer must produce three sets of financial statements:

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

Under the Insurance Act, long-term insurers are required to maintain minimum statutory capital and surplus to meet the minimum margin of solvency (MMS) and minimum economic statutory capital and surplus (EBS capital and surplus) to meet the Enhanced Capital Requirement (ECR). For Class C insurers, MMS is equal to the greater of \$500,000, 1.5% of the total statutory assets or 25% of ECR. For each class, the ECR is calculated based on a risk-based capital model where risk factor charges are applied to the EBS. The ECR is floored at the MMS. As of December 31, 2023, ACRA 1A and its subsidiaries were in excess of the minimum levels required. For ACRA 1A, ACRA 1B and ACRA I, the ECR is the binding regulatory constraint, ACRA 1B has a permitted practice from the BMA to remove the MMS floor when calculating the ECR.

The following tables present the ACRA 1A and its subsidiaries actual and required GAAP, unconsolidated SFS and EBS capital and surplus and net income (loss) as of and for the years ended December 31, 2023 and December 31, 2022:

ACRA 1A (In thousands)	Year ended December 31, 2023		
	GAAP	SFS	EBS <sup>3,5</sup>
Actual Capital and Surplus	\$ 1,986,732	\$ 5,091,716	\$ 5,013,100
Required Capital <sup>1</sup>	N/A	605,308	2,421,233
BSCR Ratio <sup>2</sup>	N/A	N/A	207 %
Net Income (Loss) <sup>3</sup>	1,898,825	297,379	N/A

ACRA 1A (In thousands)	Year ended December 31, 2022		
	GAAP	SFS	EBS <sup>3,6</sup>
Actual Capital and Surplus	\$ 1,509,761	\$ 5,636,787	\$ 5,719,078
Required Capital <sup>1</sup>	N/A	571,007	2,273,766
BSCR Ratio <sup>2</sup>	N/A	N/A	252 %
Net Income (Loss) <sup>3</sup>	(6,057,991)	(86,657)	N/A

ACRA 1B (In thousands)	Year ended December 31, 2023		
	GAAP	SFS	EBS <sup>3,5</sup>
Actual Capital and Surplus	\$ (1,170,729)	\$ 78,221	\$ 286,079
Required Capital <sup>1</sup>	N/A	N/A	114,753
BSCR Ratio <sup>2</sup>	N/A	N/A	249 %
Net Income (Loss) <sup>3</sup>	244,171	(168,118)	N/A



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(In thousands)	Year ended December 31, 2022		
	GAAP	SFS	EBS <sup>3,6</sup>
Actual Capital and Surplus	\$ (746,133)	\$ 247,837	\$ 307,570
Required Capital <sup>1</sup>	N/A	N/A	99,870
BSCR Ratio <sup>2</sup>	N/A	N/A	308 %
Net Income (Loss) <sup>3</sup>	(3,037,818)	(160,433)	N/A

(In thousands)	Year ended December 31, 2023		
	GAAP	SFS	EBS <sup>3,5</sup>
Actual Capital and Surplus	£ 236,895	£ 76,801	£ 73,445
Required Capital <sup>1</sup>	N/A	12,406	31,248
BSCR Ratio <sup>2</sup>	N/A	N/A	235 %
Net Income (Loss) <sup>3</sup>	47,699	(4,628)	N/A

(In thousands)	Year ended December 31, 2022		
	GAAP	SFS <sup>6</sup>	EBS <sup>3,6</sup>
Actual Capital and Surplus	£ 205,009	£ 81,413	£ 63,389
Required Capital <sup>1</sup>	N/A	12,544	32,948
BSCR Ratio <sup>2</sup>	N/A	N/A	192 %
Net Income (Loss) <sup>3</sup>	(247,330)	5,707	N/A

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

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

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

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

<sup>5</sup> Required Capital and the BSCR ratio represent best estimates as at the time of reporting and exclude the impact of any deferred taxes that may be recorded on a statutory basis as a result of the enactment of the Bermuda CIT. Changes are expected between disclosed figures and final BSCR as filed.

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

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

(In thousands)	December 31, 2023		
	ACRA 1A	ACRA 1B	ACRAI <sup>1</sup>
Change in capital and surplus due to permitted practices	\$ 4,105,160	\$ 1,370,952	£ (83,482)
Change in statutory net income due to permitted practices	(1,471,053)	(534,291)	(52,327)

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

Under the Insurance Act, ACRA 1A is prohibited from paying a dividend in an amount exceeding 25% of the prior year's statutory capital and surplus, unless at least two members of the companies' respective board of directors and its principal representative in Bermuda sign and submit to the BMA an affidavit attesting that a dividend in excess of this amount would not cause the subsidiary to fail to meet its relevant margins. In certain instances, ACRA 1A would also be required to provide prior notice to the BMA in advance of the payment of dividends. In the event that such an affidavit is submitted to the BMA, and further subject to meeting the MMS and ECR requirements, ACRA 1A is permitted to distribute up to the sum of 100% of statutory surplus and an amount less than 15% of statutory capital. Distributions in excess of this amount require the approval of the BMA. The following represents the maximum distribution ACRA 1A and its subsidiaries would be permitted to remit to its parent without the need for prior approval:

(In thousands)	December 31,	
	2023	2022
ACRA 1A	\$ 1,614,295	\$ 1,911,986
ACRA 1B	51,436	43,936
ACRA I	31,576	30,441

### **13. Related Parties**

See *Note 7 – Reinsurance* for a description of our reinsurance transactions with related parties.

#### **Apollo**

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

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

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, 2023 and 2022, we incurred management fees of \$58 million and \$33 million, respectively. Management fees are included within net investment income on the consolidated statements of income (loss). As of December 31, 2023 and 2022, management fees payable were \$10 million and \$7 million, respectively, and are included in other liabilities on the consolidated balance sheets.

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

#### **Other related party transactions**

*FinCo Designated Activity Company (MidCap Financial)* - We hold ABS and CLO securities issued by MidCap of \$45 million and \$42 million as of December 31, 2023 and 2022, respectively, which are included in related party AFS securities on the consolidated balance sheets.

*Redding Ridge* - We hold CLO securities issued by Redding Ridge of \$64 million and \$0 million as of December 31, 2023 and 2022, respectively, which are included in related party AFS securities on the consolidated balance sheets.

*Wheels* - We contributed our limited partnership investment in Athene Freedom Parent, LP (Athene Freedom), for which an Apollo affiliate is the general partner, to AAA during the second quarter of 2022. Athene Freedom indirectly invests in Wheels, Inc. (Wheels). We own securities issued by Wheels of \$68 million and \$0 million as of December 31, 2023 and 2022, respectively, which are held as related party AFS securities on the consolidated balance sheets.

*Unsecured Revolving Notes Receivable with ALRe* - ACRA 1A has an unsecured revolving promissory note with ALRe which allows ALRe to borrow funds from ACRA 1A. The note has a borrowing capacity of \$10 million. Interest accrues at the Secured Overnight Financing Rate (SOFR) rate on principal plus applicable margin of 0.1% and has a maturity date of May 31, 2024. There was no outstanding balance on the note payable as of December 31, 2023 or 2022.

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

On September 14, 2022 ACRA 1A entered into an additional unsecured revolving note payable agreement with ALRe which allows ACRA 1A to borrow funds from ALRe. The note has a borrowing capacity of \$2,500 million. Interest accrues at the Secured Overnight Financing Rate (SOFR) rate on principal plus applicable margin of 1.6%. The note has a maturity date of June 30, 2024 and is renewable annually. As of December 31, 2023 and 2022 the revolving note payable had no outstanding balance.

#### 14. 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 \$131 million as of December 31, 2023. We expect most of our current commitments will be invested over the next five years; however, these commitments could become due any time upon counterparty request.

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

<i>(In thousands)</i>	Year ended December 31,	
	2023	2022
AFS securities	\$ 161,968	\$ 194,571
Derivative assets	180,445	85,565
Restricted cash	225,335	254,780
<b>Total restricted assets</b>	<b>\$ 567,748</b>	<b>\$ 534,916</b>

ACRA 1A has established an escrow account of assets equal to a portion of statutory reserves, as a result of the modco agreement with ALRe related to blocks of business as described in *Note 7 – Reinsurance*.

**Letter of Credit** - We have undrawn letters of credit totaling \$1,283 million as of December 31, 2023. These letters of credit were issued for our reinsurance program and have expirations through June 19, 2026.

#### Litigation, Claims and Assessments

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

#### 15. Subsequent Events

The Company has evaluated the impact of subsequent events through April 15, 2024, the date at which the financial statements were available to be issued.

In February and March 2024, the Company paid dividends on common shares on a pro rata basis in the aggregate amount of \$150 million and \$250 million in cash, respectively.

Supplemental Information (Unaudited)

Schedule 1

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

Adjusted Common Shareholders' Equity Non-GAAP Reconciliation

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

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

<i>(In thousands)</i>	Years ended December 31,	
	2023	2022
Total ACRA 1A common shareholders' equity	1,986,732	1,509,761
Less: Accumulated other comprehensive income/(loss)	2,024,989	2,596,963
Less: Accumulated change in fair value of reinsurance assets	(5,503,368)	(7,202,932)
Less: Accumulated change in fair value of mortgage loan assets	(1,761)	(143)
Total adjusted ACRA common shareholders' equity	\$ 5,466,872	\$ 6,115,873