

# **Athene Co-Invest Reinsurance Affiliate 2B Ltd.**

## **Financial Statements**

Years ended December 31, 2023 and December 31, 2022

**Athene Co-Invest Reinsurance Affiliate 2B Ltd.**

**Table of Contents**

<a href="#"><u>Report of Independent Registered Public Accounting Firm</u></a>	<a href="#"><u>3</u></a>
<a href="#"><u>Balance Sheets</u></a>	<a href="#"><u>5</u></a>
<a href="#"><u>Statements of Income (Loss)</u></a>	<a href="#"><u>6</u></a>
<a href="#"><u>Statements of Comprehensive Income (Loss)</u></a>	<a href="#"><u>7</u></a>
<a href="#"><u>Statements of Equity</u></a>	<a href="#"><u>8</u></a>
<a href="#"><u>Statements of Cash Flows</u></a>	<a href="#"><u>9</u></a>
<a href="#"><u>Notes to Financial Statements</u></a>	<a href="#"><u>9</u></a>
<a href="#"><u>Note 1. Business, Basis of Presentation and Significant Accounting Policies</u></a>	<a href="#"><u>10</u></a>
<a href="#"><u>Note 2. Investments</u></a>	<a href="#"><u>17</u></a>
<a href="#"><u>Note 3. Derivative Instruments</u></a>	<a href="#"><u>19</u></a>
<a href="#"><u>Note 4. Fair Value</u></a>	<a href="#"><u>20</u></a>
<a href="#"><u>Note 5. Reinsurance</u></a>	<a href="#"><u>23</u></a>
<a href="#"><u>Note 6. Deferred Acquisition Costs and Deferred Sales Inducements</u></a>	<a href="#"><u>23</u></a>
<a href="#"><u>Note 7. Long-duration Contracts</u></a>	<a href="#"><u>24</u></a>
<a href="#"><u>Note 8. Equity</u></a>	<a href="#"><u>27</u></a>
<a href="#"><u>Note 9. Income Taxes</u></a>	<a href="#"><u>27</u></a>
<a href="#"><u>Note 10. Statutory Requirements</u></a>	<a href="#"><u>29</u></a>
<a href="#"><u>Note 11. Related Parties</u></a>	<a href="#"><u>30</u></a>
<a href="#"><u>Note 12. Commitments and Contingencies</u></a>	<a href="#"><u>31</u></a>
<a href="#"><u>Note 13. Subsequent Events</u></a>	<a href="#"><u>31</u></a>
<a href="#"><u>Supplemental Information (Unaudited)</u></a>	<a href="#"><u>32</u></a>

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Shareholders of  
Athene Co-Invest Reinsurance Affiliate 2B Ltd.

### Opinion

We have audited the financial statements of Athene Co-Invest Reinsurance Affiliate 2B Ltd. (the "Company"), which comprise the balance sheets as of December 31, 2023 and 2022, and the related statements of income, comprehensive income, stockholders' equity, and cash flows, for the year ended December 31, 2023 and the period from July 27, 2022 through December 31, 2023, and the related notes to the financial statements (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and the results of its operations and its cash flows for the year ended December 31, 2023 and the period from July 27, 2022 through December 31, 2023, 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 19, 2024

**ATHENE CO-INVEST REINSURANCE AFFILIATE 2B LTD.**

**Balance Sheets**

<i>(In thousands)</i>	December 31,	
	2023	2022
<b>Assets</b>		
Investments		
Available-for-sale securities, at fair value (amortized cost: 2023 – \$244,858 and 2022 – \$0; allowance for credit losses: 2023 – \$0 and 2022 – \$0)	\$ 268,560	\$ —
Total investments	268,560	—
Cash and cash equivalents	132,803	86,262
Investments in related parties		
Funds withheld at interest (portion at fair value: 2023 – \$1,021,635 and 2022 – \$0)	28,769,140	—
Accrued investment income	3,436	—
Deferred acquisition costs and deferred sales inducements	1,542,927	—
Other assets (related party: 2023 – \$706 and 2022 – \$0; portion at fair value: 2023 – \$707 and 2022 – \$0)	733	—
<b>Total assets</b>	<b>\$ 30,717,599</b>	<b>\$ 86,262</b>
<b>Liabilities and Equity</b>		
<b>Liabilities</b>		
Interest sensitive contract liabilities (related party: 2023 – \$28,395,984 and 2022 – \$0; portion at fair value: 2023 – \$1,922,236 and 2022 – \$0)	\$ 28,395,984	\$ —
Future policy benefits (related party: 2023 – \$1,153,411 and 2022 – \$0)	1,153,411	—
Market risk benefits (related party: 2023 – \$130,672 and 2022 – \$0)	130,672	—
Intercompany notes payable	380,000	80,000
Other liabilities (related party: 2023 – \$386,586 and 2022 – \$64; portion at fair value: 2023 – \$374,468 and 2022 – \$0)	441,213	64
<b>Total liabilities</b>	<b>30,501,280</b>	<b>80,064</b>
<b>Equity</b>		
Common stock		
Common shares - par value \$1.00 per share; authorized: 2023 and 2022 - 250,000 shares; issued and outstanding: 2023 and 2022 - 1 share	250	250
Additional paid-in capital	6,000	6,000
Retained earnings (accumulated deficit)	235,826	(52)
Accumulated other comprehensive (loss) (related party: 2023 – \$(50,798) and 2022 – \$0)	(25,757)	—
<b>Total shareholders' equity</b>	<b>216,319</b>	<b>6,198</b>
<b>Total liabilities and equity</b>	<b>\$ 30,717,599</b>	<b>\$ 86,262</b>

*See accompanying notes to financial statements*

**ATHENE CO-INVEST REINSURANCE AFFILIATE 2B LTD.**  
**Statements of Income (Loss)**

<i>(In thousands)</i>	Years ended December 31,	
	2023	2022
<b>Revenues</b>		
Premiums (related party: 2023 - \$1,132,205 and 2022 - \$0)	\$ 1,132,205	\$ —
Product charges (related party: 2023 - \$24,239 and 2022 - \$0)	24,239	—
Net investment income (related party investment income: 2023 – \$510,754 and 2022 – \$0); and related party investment expense: 2023 – \$17,541 and 2022 – \$0)	507,212	12
Investment related gains (losses) (related party: 2023 - \$936,250 and 2022 - \$0)	939,255	—
Other revenues (related party: 2023 - \$872,844 and 2022 - \$0)	872,844	—
<b>Total revenues</b>	<b>3,475,755</b>	<b>12</b>
<b>Benefits and expenses</b>		
Interest sensitive contract benefits (related party: 2023 - \$700,003 and 2022 - \$0)	700,003	—
Future policy and other benefits (related party: 2023 – \$1,156,298 and 2022 – \$0)	1,156,298	—
Market risk benefits remeasurement losses (related party: 2023 - \$28,100 and 2022 - \$0)	28,100	—
Amortization of deferred acquisition costs and deferred sales inducements	80,490	—
Interest Expense (related party: 2023 - \$10,950 and 2022 - \$16)	10,950	16
Policy and other operating expenses (related party: 2023 - \$298,093 and 2022 - \$0)	300,319	48
Change in fair value of investment contracts held at fair value (related party: 2023 - \$900,415 and 2022 - \$0)	900,415	—
<b>Total benefits and expenses</b>	<b>3,176,575</b>	<b>64</b>
<b>Income (loss) before income taxes</b>	<b>299,180</b>	<b>(52)</b>
Income tax expense	63,302	—
<b>Net income (loss)</b>	<b>\$ 235,878</b>	<b>\$ (52)</b>

*See accompanying notes to financial statements*

**ATHENE CO-INVEST REINSURANCE AFFILIATE 2B LTD.**  
**Statements of Comprehensive Income (Loss)**

<i>(In thousands)</i>	Years ended December 31,	
	2023	2022
Net income (loss)	\$ 235,878	\$ (52)
Other comprehensive income (loss), before tax		
Unrealized investment gains (losses) on available-for-sale securities	23,702	—
Remeasurement gains (losses) on future policy benefits related to discount rate	(39,790)	—
Remeasurement gains (losses) on market risk benefits related to credit risk	(16,516)	—
Other comprehensive (loss), before tax	(32,604)	—
Income tax benefit related to other comprehensive loss	(6,847)	—
Other comprehensive loss	(25,757)	—
<b>Comprehensive income (loss)</b>	<b>\$ 210,121</b>	<b>\$ (52)</b>

*See accompanying notes to financial statements*

**ATHENE CO-INVEST REINSURANCE AFFILIATE 2B LTD.**

**Statements of Equity**

<i>(In thousands)</i>	Common stock	Additional paid-in capital	Retained earnings (accumulated deficit)	Accumulated other comprehensive income (loss)	Total shareholder's equity (deficit)
<b>Balance at July 27, 2022</b>	\$ —	\$ —	\$ —	\$ —	\$ —
Net loss	—	—	(52)	—	(52)
Issuance of common shares, net of expenses	250	—	—	—	250
Capital contributions received	—	6,000	—	—	6,000
<b>Balance at December 31, 2022</b>	<b>250</b>	<b>6,000</b>	<b>(52)</b>	<b>—</b>	<b>6,198</b>
Net income	—	—	235,878	—	235,878
Other comprehensive loss	—	—	—	(25,757)	(25,757)
<b>Balance at December 31, 2023</b>	<b>\$ 250</b>	<b>\$ 6,000</b>	<b>\$ 235,826</b>	<b>\$ (25,757)</b>	<b>\$ 216,319</b>

*See accompanying notes to financial statements*



**ATHENE CO-INVEST REINSURANCE AFFILIATE 2B LTD.**

**Statements of Cash Flows**

<i>(In thousands)</i>	Year ended December 31,	
	2023	2022
<b>Cash flows from operating activities</b>		
Net income (loss)	\$ 235,878	\$ (52)
Adjustments to reconcile net income (loss) to net cash (used in) provided by operating activities:		
Amortization of deferred acquisition costs and deferred sales inducements	80,490	—
Accretion of net investment premiums, discounts and other (related party: 2023 - \$0 and 2022 - \$0)	(336)	—
Net recognized losses on investments and derivatives (related party: 2023 - \$0 and 2022 - \$0)	1,395	—
Policy acquisition costs deferred	(1,623,417)	—
Changes in operating assets and liabilities:		
Accrued investment income (related party: 2023 - \$0 and 2022 - \$0)	(3,436)	—
Interest sensitive contract liabilities (related party: 2023 - \$1,080,330 and 2022 \$0)	1,080,330	—
Future policy benefits and market risk benefits (related party: 2023 - \$98,066 and 2022 - \$0)	98,066	—
Funds withheld assets and liabilities (related party: 2023 - \$(323,775) and 2022 - \$0)	(323,775)	—
Other assets and liabilities	447,263	64
Net cash (used in) provided by operating activities	\$ (7,542)	\$ 12
<b>Cash flows from investing activities</b>		
Sales, maturities and repayments of:		
Available-for-sale securities (related party: 2023 - \$0 and 2022 - \$0)	\$ 112,418	\$ —
Trading securities (related party: 2023 - \$329,449 and 2022 - \$0)	329,449	—
Purchases of:		
Available-for-sale securities (related party: 2023 - \$0 and 2022 \$0)	(358,909)	—
Trading securities (related party: 2023 - \$(329,449) and 2022 \$0)	(329,449)	—
Other investing activities, net	574	—
Net cash used in investing activities	\$ (245,917)	\$ —
<b>Cash flows from financing activities</b>		
Capital contributions	\$ —	\$ 6,250
Proceeds from intercompany notes payable	300,000	80,000
Net cash provided by financing activities	300,000	86,250
Net increase in cash and cash equivalents	46,541	86,262
Cash and cash equivalents at beginning of year	86,262	—
Cash and cash equivalents at end of year	\$ 132,803	\$ 86,262
<b>Supplementary information</b>		
Cash paid for interest	\$ 7,427	\$ —
Non-cash transactions		
Deposits on investment-type policies and contracts through reinsurance agreements (related party: 2023 - \$27,496,330 and 2022 - \$0)	27,496,330	—
Withdrawals on investment-type policies and contracts through reinsurance agreements (related party: 2023 - -\$216,989 and 2022 \$0)	216,989	—

*(Concluded)*

*See accompanying notes to financial statements*

## ATHENE CO-INVEST REINSURANCE AFFILIATE 2B LTD.

### Notes to Financial Statements

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

Athene Co-Invest Reinsurance Affiliate 2B Ltd. (ACRA 2B, we, our, us or the Company), a Bermuda exempted company incorporated on July 27, 2022, is 100% owned by Athene Co-Invest Reinsurance Affiliate 2A Ltd (ACRA 2A). ACRA 2A is 100% owned by Athene Co-Invest Reinsurance Affiliate Holding 2 Ltd. (ACRA 2 HoldCo). ACRA 2 HoldCo is 40% owned by Athene Life Re Ltd. (ALRe), and 60% owned by certain funds managed by Apollo Global Management, Inc. (AGM, together with its subsidiaries other than us or our subsidiaries, Apollo) referred to collectively as the Apollo/Athene Dedicated Investment Program II (ADIP II). The shares held by ADIP II are non-voting and all of the shares held by ALRe represent 100% of the voting power in ACRA 2 HoldCo.

ACRA 2B was registered as a Class C long-term insurer on July 27, 2022 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 from Athene Annuity Re Ltd (AARe).

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

- fair value of investments;
- impairment of investments and allowances for expected credit losses;
- derivatives valuation, including embedded derivatives;
- liability for investment contracts held at fair value;
- 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.

*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 July 27, 2022, the inception date of ACRA 2, however reinsurance activities only began January 1, 2023, thus no retrospective application required. Our financial statements for the year ended December 31, 2023 incorporate all targeted improvements required by the standard. See *Adopted Accounting Pronouncements* below 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), commercial mortgage-backed securities (CMBS) and redeemable preferred stock. We classify fixed maturity securities as available-for-sale (AFS) or trading at the time of purchase and subsequently carry them at fair value. Fair value hierarchy and valuation methodologies are discussed in *Note 4 – Fair Value*. Classification is dependent on a variety of factors including our expected holding period, election of the fair value option and asset and liability matching.

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

*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.

*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.

## ATHENE CO-INVEST REINSURANCE AFFILIATE 2B LTD.

### Notes to Financial Statements

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

*Credit Losses – 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 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 statements of income (loss). The provision for credit losses for reinsurance assets held at amortized cost is recorded through policy and other operating expenses on the statements of income (loss).

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

We also have certain off-balance sheet credit exposures for which we establish a liability for expected credit losses. The methodology for estimating the liability for these credit exposures is consistent with that described above, with the additional consideration pertaining to the probability of funding. At the time the commitment expires or is funded, the liability is reversed and an allowance for expected credit losses is established, as applicable. The liability for off-balance sheet credit exposures is included in other liabilities on the balance sheets. The establishment of the initial liability and all subsequent changes are recorded through the provision for credit losses within investment related gains (losses) on the statements of income (loss).

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

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

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

## ATHENE CO-INVEST REINSURANCE AFFILIATE 2B LTD.

### Notes to Financial Statements

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

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

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

**Derivative Instruments**—We invest in derivatives to hedge the risks experienced in our ongoing operations, such as equity, interest rate and cash flow risks, or for other risk management purposes, which primarily involve managing liability risks associated with our indexed annuity products and reinsurance agreements. Derivatives are financial instruments with values that are derived from interest rates, foreign exchange rates, financial indices or other combinations of an underlying and notional. Derivative assets and liabilities are carried at fair value on the balance sheets. We elect to present any derivatives subject to master netting provisions as a gross asset or liability and gross of collateral. Disclosures regarding balance sheet presentation of derivatives subject to master netting agreements are discussed in *Note 3 – Derivative Instruments*. We may designate derivatives as cash flow, fair value or net investment hedges.

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

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

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

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

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

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

## ATHENE CO-INVEST REINSURANCE AFFILIATE 2B LTD.

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

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

### Deferred Acquisition Costs and Deferred Sales Inducements

*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 and deferred sales inducements on the 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 and deferred sales inducements on the statements of income (loss).

See *Note 6 – Deferred Acquisition Costs and Deferred Sales Inducements* for further discussion.

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

**Interest Sensitive Contract Liabilities**—Investment contracts include traditional deferred annuities and indexed annuities consisting of fixed indexed and index-linked variable annuities in the accumulation phase. We carry liabilities for fixed annuities 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 the interest sensitive contract liabilities, excluding deposits and withdrawals, are recorded in interest sensitive contract benefits or product charges on the statements of income (loss).

## ATHENE CO-INVEST REINSURANCE AFFILIATE 2B LTD.

### Notes to Financial Statements

**Future Policy Benefits**—We issue contracts classified as long-duration, which includes deferred annuities and 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, which are generally assessed at the group annuity contract level.

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, and other policyholder behavior. We base certain key assumptions, such as longevity, 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 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 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 statements of income (loss).

**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 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 statements of income (loss), excluding portions attributed to changes in instrument-specific credit risk, which are recorded in OCI on the 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**—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 statements of income (loss).

## **ATHENE CO-INVEST REINSURANCE AFFILIATE 2B LTD.**

### **Notes to Financial Statements**

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 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 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 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.

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

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 will be included in the Bermuda Constituent Entity Group return of Athene Annuity Re, Ltd. (“AARE”). Opening deferred taxes were allocated to the Company under the “benefits-for-loss” method. Under this method, the Company is assumed to file a separate return with the taxing authority, thereby reporting its opening tax benefit or expense as if it was a separate taxpayer, except that net operating losses (or other current or deferred tax attributes) are characterized as realized (or realizable) by the Company when those tax attributes are realized (or realizable) by the consolidated return group, even if the Company would not otherwise have realized the attributes on a stand-alone basis.

ACRA 2B intends to make an election under Section 953(d) of the Internal Revenue Code to be treated as a domestic corporation for US federal income tax purposes beginning with the 2023 year.

See *Note 9 – Income Taxes*.

### **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 financial statements.

### **Adopted Accounting Pronouncements**

#### *Insurance – Targeted Improvements to the Accounting for Long-Duration Contracts (ASU 2020-11, ASU 2019-09, ASU 2018-12)*

These updates amend four key areas pertaining to the accounting and disclosures for long-duration insurance and investment contracts.

- The update requires cash flow assumptions used to measure the liability for future policy benefits to be updated at least annually and no longer allows a provision for adverse deviation. The remeasurement of the liability associated with the update of assumptions is required to be recognized in net income. Loss recognition testing is eliminated for traditional and limited-payment contracts. The update also requires the discount rate used in measuring the liability to be an upper-medium grade fixed income instrument yield, which is to be updated at each reporting date. The change in liability due to changes in the discount rate is to be recognized in other comprehensive income.
- The update simplifies the amortization of 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.

## **ATHENE CO-INVEST REINSURANCE AFFILIATE 2B LTD.**

### **Notes to Financial Statements**

- 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, no retrospective accounting is required as ACRA 2B only began reinsurance operations in 2023.

#### *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 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.



**ATHENE CO-INVEST REINSURANCE AFFILIATE 2B LTD.**

**Notes to Financial Statements**

**2. Investments**

**AFS Securities**—The following table represents the amortized cost, gross unrealized gains and fair value of our AFS investments by asset type. There were no AFS securities as at December 31, 2022.

<i>(In thousands)</i>	December 31, 2023		
	Amortized Cost	Gross Unrealized Gains	Fair Value
AFS securities			
Corporate	\$ 242,895	\$ 23,687	\$ 266,582
CLO	1,963	15	1,978
<b>Total AFS securities</b>	<b>\$ 244,858</b>	<b>\$ 23,702</b>	<b>\$ 268,560</b>

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

<i>(In thousands)</i>	December 31, 2023	
	Amortized Cost	Fair Value
AFS securities		
Due after five years through ten years	\$ 59,456	\$ 62,613
Due after ten years	183,439	203,969
CLO	1,963	1,978
<b>Total AFS securities</b>	<b>\$ 244,858</b>	<b>\$ 268,560</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.

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

<i>(In thousands)</i>	Year ended December 31,	
	2023	2022
AFS securities	\$ 4,461	\$ —
Funds withheld at interest	510,753	—
Other	9,694	12
Investment revenue	524,908	12
Investment expenses	(17,696)	—
<b>Net investment income</b>	<b>\$ 507,212</b>	<b>\$ 12</b>

**Investment Related Gains (Losses)** - Investment related gains (losses) by asset class consists of the following, there were no investment related gains (losses) for the year ended December 31, 2022:

<i>(In thousands)</i>	Year ended
	December 31, 2023
AFS securities	
Gross realized gains on investment activity	\$ 1,098
Gross realized losses on investment activity	(3,088)
Net realized investment losses on AFS securities	(1,990)
Derivative gains	936,824
Other gains	4,421
<b>Investment related gains (losses)</b>	<b>\$ 939,255</b>

Proceeds from sales of AFS securities were \$112 million and \$0 million for the years ended December 31, 2023 and 2022, respectively.

**ATHENE CO-INVEST REINSURANCE AFFILIATE 2B LTD.**

**Notes to Financial Statements**

**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.

Our risk of loss associated with our non-consolidated investments depends on the investment. 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. There were no fixed maturity securities at December 31, 2022

	December 31, 2023	
	Carrying Value	Maximum Loss Exposure
<i>(In thousands)</i>		
Investment in fixed maturity securities	\$ 1,978	\$ 1,963
Total non-consolidated investments	\$ 1,978	\$ 1,963

**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.

There was no fund withheld balance at December 31, 2022. The following summarizes the underlying investment composition of the funds withheld at interest, including related party:

	December 31, 2023	
	Carrying Value	Percent of Total
<i>(In thousands, except for percentages)</i>		
Fixed maturity securities		
US government and agencies	\$ 1,509,639	5.2 %
US state, municipal, and political subdivisions	63,175	0.2 %
Foreign governments	7,051	— %
Corporate	6,694,147	23.3 %
CLOs	1,973,401	7.0 %
ABS	3,574,471	12.5 %
CMBS	1,422,549	4.9 %
RMBS	665,089	2.3 %
Equity securities	90,375	0.3 %
Mortgage loans	8,085,269	28.1 %
Investment funds	1,063,837	3.7 %
Derivative assets	599,633	2.1 %
Short-term investments	662,206	2.3 %
Other investments	529,465	1.8 %
Cash and cash equivalents	1,852,566	6.4 %
Other assets and liabilities	(23,733)	(0.1)%
Total funds withheld at interest	\$ 28,769,140	100 %

**ATHENE CO-INVEST REINSURANCE AFFILIATE 2B LTD.**

**Notes to Financial Statements**

**3. Derivative Instruments**

The Company only started using derivative instruments as of January 1, 2023, when reinsurance operations started. Therefore all prior year disclosures are nil and we have only disclosed 2023 information below.

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

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

<i>(In thousands)</i>	December 31, 2023	
	Fair Value	
	Assets	Liabilities
<b>Derivatives not designated as hedges</b>		
Embedded derivatives		
Funds withheld including related parties	\$ 1,021,635	\$ —
Interest sensitive contract liabilities	—	1,922,236
<b>Total derivatives</b>	<b>\$ 1,021,635</b>	<b>\$ 1,922,236</b>

**Derivatives Not Designated as Hedges**

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

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

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

<i>(In thousands)</i>	Year ended December 31, 2023
Foreign currency forwards	\$ 574
Embedded derivatives on funds withheld	936,250
<b>Amounts recognized in investment related gains (losses)</b>	<b>936,824</b>
Embedded derivatives in indexed annuity products <sup>1</sup>	(154,247)
<b>Total gains (losses) on derivatives not designated as hedges</b>	<b>\$ 782,577</b>

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



## ATHENE CO-INVEST REINSURANCE AFFILIATE 2B LTD.

### Notes to Financial Statements

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.

*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.

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

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

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

**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>	Year ended December 31, 2023
Change in fair value of investment contracts held at fair value	\$ 27,571
<b>Total gains</b>	<b>\$ 27,571</b>

Change in fair value of investment contracts held at fair value is presented on the face of the statement of income (loss).

**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. There were no Level 3 assets or liabilities at December 31, 2022.

<i>(In thousands)</i>	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>
<b>Assets</b>								
Investments in related parties								
Funds withheld at interest – embedded derivative	\$ —	\$ 1,021,635	\$ —	\$ —	\$ —	\$ 1,021,635	\$ —	\$ —
<b>Total Level 3 assets</b>	<b>\$ —</b>	<b>\$ 1,021,635</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 1,021,635</b>	<b>\$ —</b>	<b>\$ —</b>
<b>Liabilities</b>								
Interest sensitive contract liabilities								
Embedded derivative	\$ —	\$ (154,247)	\$ —	\$ (1,767,989)	\$ —	\$ (1,922,236)	\$ —	\$ —
Liability for investment contracts held at fair value	—	(27,571)	—	(346,897)	—	(374,468)	—	—
<b>Total Level 3 liabilities</b>	<b>\$ —</b>	<b>\$ (181,818)</b>	<b>\$ —</b>	<b>\$ (2,114,886)</b>	<b>\$ —</b>	<b>\$ (2,296,704)</b>	<b>\$ —</b>	<b>\$ —</b>

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

**ATHENE CO-INVEST REINSURANCE AFFILIATE 2B LTD.**
**Notes to Financial Statements**

The following represents the gross components of purchases, issuances, sales and settlements, net, and net transfers in (out) shown above. There were no Level 3 assets or liabilities at December 31, 2022.

(In thousands)	Year ended December 31, 2023							
	Purchases	Issuances	Sales	Settlements	Net purchases, issuances, sales and settlements	Transfers in	Transfers out	Net transfers in (out)
<b>Assets</b>								
AFS securities								
Corporate	\$ 95,096	\$ —	\$ (95,096)	\$ —	\$ —	\$ —	\$ —	\$ —
ABS	3,067	—	(3,067)	—	—	—	—	—
<b>Total Level 3 assets</b>	<b>\$ 98,163</b>	<b>\$ —</b>	<b>\$ (98,163)</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>
<b>Liabilities</b>								
Interest sensitive contract liabilities – embedded derivative	\$ —	\$ (1,787,580)	\$ —	\$ 19,591	\$ (1,767,989)	\$ —	\$ —	\$ —
Liability for investment contracts held at fair value	—	—	—	(346,897)	(346,897)	—	—	\$ —
<b>Total Level 3 liabilities</b>	<b>\$ —</b>	<b>\$ (1,787,580)</b>	<b>\$ —</b>	<b>\$ (327,306)</b>	<b>\$ (2,114,886)</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>

**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 and certain derivatives, as well as embedded derivatives in liabilities. Additional significant unobservable inputs are described below.

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

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

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

The following summarizes the unobservable inputs for the liability for investment contracts held at fair value and embedded derivatives of fixed indexed annuities. There were no liabilities for investment contracts or embedded derivatives at December 31, 2022.

(In thousands, except for percentages)	December 31, 2023						
	Fair value	Valuation technique	Unobservable inputs	Minimum	Maximum	Weighted average	Impact of an increase in the input on fair value
Liability for investment contracts held at fair value	\$ 374,468	Actuarial Appraisal Method	Discount Rate	4.2 %	6.6 %	5.4 %	Decrease
			Return on Net Invested Assets	4.6 %	6.9 %	5.7 %	Increase
			Required Capital	7.1 %	7.6 %	7.5 %	Decrease
			Hurdle Rate	12.0 %	12.0 %	12.0 %	Decrease
Interest sensitive contract liabilities – fixed indexed annuities embedded derivatives	1,922,236	Option budget method	Nonperformance risk	0.4 %	1.4 %	0.9 %	Decrease <sup>1</sup>
			Option budget	2.5 %	6.0 %	3.3 %	Increase <sup>2</sup>
			Surrender rate	1.0 %	25.2 %	6.6 %	Decrease <sup>2</sup>

<sup>1</sup> The nonperformance risk weighted average is calculated based on the projected cash flows attributable to the embedded derivative.

<sup>2</sup> The option budget and surrender rate weighted average is calculated based on the projected account values.

**ATHENE CO-INVEST REINSURANCE AFFILIATE 2B LTD.**

**Notes to Financial Statements**

**5. Reinsurance**

The following summarizes the effect of reinsurance on premiums and future policy and other policy benefits on the statements of income (loss). ACRA 2 only began reinsurance operations in 2023:

<i>(In thousands)</i>	Year ended December 31, 2023
<b>Premiums</b>	
Reinsurance assumed	\$ 1,132,205
<b>Total premiums</b>	<b>\$ 1,132,205</b>
<b>Future policy and other policy benefits</b>	
Reinsurance assumed	\$ 1,156,298
<b>Total future policy and other policy benefits</b>	<b>\$ 1,156,298</b>

**Reinsurance transactions**

We reinsure new business related to annuities from Athene Annuity Re Ltd. (AARe) on a modco basis. A modco agreement with AARe covering pensioners was completed in 2022, however no policies were added until 2023.

As of January 1, 2023, the Company started to reinsure Athene retail business from AARe on a modco basis. Total retail inflows received during 2023 were \$27,496 million

**6. Deferred Acquisition Costs and Deferred Sales Inducements**

The following represents a rollforward of DAC and DSI. See *Note 7 – Long-duration Contracts* for more information on our products. There was no DAC or DSI at December 31, 2022.

<i>(In thousands)</i>	DAC		DSI		Total DAC and DSI
	Traditional deferred annuities	Indexed annuities	Indexed annuities	Indexed annuities	
Balance at December 31, 2022	\$ —	\$ —	\$ —	\$ —	\$ —
Additions	466,110	655,569	501,738	501,738	1,623,417
Amortization	(35,783)	(24,674)	(20,033)	(20,033)	(80,490)
Balance at December 31, 2023	<u>\$ 430,327</u>	<u>\$ 630,895</u>	<u>\$ 481,705</u>	<u>\$ 481,705</u>	<u>\$ 1,542,927</u>

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.

**ATHENE CO-INVEST REINSURANCE AFFILIATE 2B LTD.**

**Notes to Financial Statements**

**7. Long-duration Contracts**

The company only started reinsurance operations from January 1, 2023 and therefore all disclosures will only comprise of the current years' activity as all prior year reinsurance balances are nil.

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

- traditional deferred annuities, and
- fixed indexed annuities.

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.

	Year ended December 31, 2023		
	Traditional deferred annuities	Indexed annuities	Total
<i>(In thousands, except percentages)</i>			
<b>Balance at December 31, 2022</b>	\$ —	\$ —	\$ —
Deposits	18,802,058	9,194,070	27,996,128
Policy charges	—	(21,726)	(21,726)
Surrenders and withdrawals	(75,967)	(81,967)	(157,934)
Benefit payments	(26,180)	(9,844)	(36,024)
Interest credited	411,847	16,260	428,107
<b>Balance at December 31, 2023</b>	<b>\$ 19,111,758</b>	<b>\$ 9,096,793</b>	<b>\$ 28,208,551</b>
Weighted average crediting rate	5.4 %	4.1 %	
Net amount at risk	\$ 2	\$ 653,180	
Cash surrender value	17,870,120	7,977,225	

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

	December 31, 2023
<i>(in thousands)</i>	
Traditional deferred annuities	\$ 19,111,757
Indexed annuities	9,096,794
Reconciling items <sup>1</sup>	187,433
<b>Interest sensitive contract liabilities</b>	<b>\$ 28,395,984</b>

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

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:

	December 31, 2023			
	At guaranteed minimum	1 basis point – 100 basis points above guaranteed minimum	Greater than 100 basis points above guaranteed minimum	Total
<i>(In thousands)</i>				
< 2.0%	\$ 3,605	\$ 197	\$ 28,051,175	\$ 28,054,977
2.0% - < 4.0%	52,276	74,933	23	127,232
4.0% - < 6.0%	21,739	4,274	—	26,013
6% and greater	329	—	—	329
<b>Total</b>	<b>\$ 77,949</b>	<b>\$ 79,404</b>	<b>\$ 28,051,198</b>	<b>\$ 28,208,551</b>



**ATHENE CO-INVEST REINSURANCE AFFILIATE 2B LTD.**

**Notes to Financial Statements**

*Future policy benefits* – Future policy benefits consist solely of pension group annuities with life contingencies.

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

	Payout annuities with life contingencies
	Year ended December 31, 2023
<i>(In thousands)</i>	
<b>Present value of expected future policy benefits</b>	
Beginning balance	\$ —
Issuances	1,023,559
Interest accrual	28,271
Benefit payments	(42,883)
Ending balance at original discount rate	1,008,947
Effect of changes in discount rate assumptions	39,790
Ending balance	\$ 1,048,737
Weighted-average liability duration <i>(in years)</i>	10.6
Weighted-average interest accretion rate	5.6 %
Weighted-average current discount rate	5.2 %
Expected future benefit payments, undiscounted	\$ 2,074,635

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

	December 31, 2023
<i>(In thousands)</i>	
Payout annuities with life contingencies	\$ 1,048,737
Reconciling items <sup>1</sup>	104,674
<b>Future policy benefits</b>	<b>\$ 1,153,411</b>

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

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

	Year ended December 31, 2023	
	Premiums	Interest expense
<i>(In thousands)</i>		
Payout annuities with life contingencies	\$ 1,132,205	\$ 28,271
Future policy benefits	\$ 1,132,205	\$ 28,271

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 \$1,049 million, which was driven by \$1,024 million of pension group annuities issuances, \$28 million of interest accrual, and \$40 million change in discount rate assumptions related to a decrease in rates, partially offset by \$43 million of benefit payments.

During the year ended December 31, 2023 there was no recorded reserve decreases to the statements of income (loss) as a result of the present value of benefits and expenses exceeding the present value of gross premiums.

## ATHENE CO-INVEST REINSURANCE AFFILIATE 2B LTD.

### Notes to Financial Statements

*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:

	Indexed annuities
	Year ended December 31, 2023
<i>(In thousands)</i>	
<b>Beginning balance</b>	\$ —
Effect of changes in instrument-specific credit risk	—
Balance, beginning of period, before changes in instrument-specific credit risk	—
Issuances	85,352
Interest accrual	1,520
Attributed fees collected	10,519
Benefit payments	83
Effect of changes in interest rates	2,318
Effect of changes in equity	(9,408)
Effect of actual behavior compared to expected behavior	7,079
Effect of changes in future expected policyholder behavior	16,887
Effect of changes in other future expected assumptions	(901)
Balance, end of period, before changes in instrument-specific credit risk	113,449
Effect of changes in instrument-specific credit risk	16,516
<b>Ending balance</b>	<b>\$ 129,965</b>
Net amount at risk	\$ 653,180
Weighted-average attained age of contract holders (in years)	66

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

	December 31, 2023		
<i>(In thousands)</i>	Asset	Liability	Net Liability
Indexed annuities	\$ 707	\$ 130,672	\$ 129,965
<b>Total</b>	<b>\$ 707</b>	<b>\$ 130,672</b>	<b>\$ 129,965</b>

During the year ended December 31, 2023, net market risk benefit liabilities increased by \$130 million, which was primarily driven by \$11 million in fees collected from policyholders, \$17 million from changes to future expected policyholder behavior due to an unlocking of the income rider utilization assumption, a \$17 million change in instrument-specific credit risk related to tightening of credit spreads, and issuances of \$85 million.

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 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.

## ATHENE CO-INVEST REINSURANCE AFFILIATE 2B LTD.

### Notes to Financial Statements

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	\$ 129,965	Discounted cash flow	Non-performance risk	0.4 %	1.4 %	1.2 % <sup>1</sup>	Decrease
			Option budget	2.5 %	6.0 %	2.8 % <sup>2</sup>	Decrease
			Surrender rate	0.8 %	10.4 %	3.3 % <sup>2</sup>	Decrease
			Utilization rate	90.0 %	90.0 %	90.0 % <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.

## 8. Equity

**Common Stock** - ACRA 2B has one class of common shares. As of December 31, 2023 and December 31, 2022, the Company had an authorized share capital of \$250,000 divided into 250,000 common shares with a par value of \$1.00, of which 1 was issued for \$250,000 (par value of \$1.00 and share premium of \$249,999).

**Accumulated Other Comprehensive Income (Loss)** - The following provides the details and changes in AOCI for the year ended December 31, 2023 as there was no AOCI for 2022:

<i>(In thousands)</i>	Unrealized investment gains (losses) on AFS securities without a credit allowance	Remeasurement gains (losses) on future policy benefits related to discount rate	Remeasurement gains (losses) on market risk benefits related to credit risk	Income tax expense (benefit) related to other comprehensive income (loss)	Accumulated other comprehensive income (loss)
<b>Balance at December 31, 2022</b>	\$ —	\$ —	\$ —	\$ —	\$ —
Other comprehensive income (loss)	23,702	(39,790)	(16,516)	—	(32,604)
Less: Income tax expense benefit	—	—	—	(6,847)	(6,847)
<b>Balance at December 31, 2023</b>	\$ 23,702	\$ (39,790)	\$ (16,516)	\$ (6,847)	\$ (25,757)

## 9. Income Taxes

Income tax expense consists of the following:

<i>(In thousands)</i>	Year ended December 31, 2023
Current	\$ —
Deferred	63,302
<b>Income tax expense</b>	<b>\$ 63,302</b>

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

<i>(In thousands)</i>	Years ended December 31,	
	2023	2022
Bermuda	\$ —	\$ (52)
US	299,180	—
<b>Income (loss) before income taxes</b>	<b>\$ 299,180</b>	<b>\$ (52)</b>

## ATHENE CO-INVEST REINSURANCE AFFILIATE 2B LTD.

### Notes to Financial Statements

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

<i>(In thousands, except for percentages)</i>	Year ended December 31, 2023
Expected tax provision computed on pre-tax income (loss)	\$ 62,828
Increase (decrease) in income taxes resulting from:	
Other	474
<b>Income tax expense</b>	<b>\$ 63,302</b>
<b>Effective tax rate</b>	<b>21 %</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. There are no Bermuda CIT balances related to ACRA 2B in the 2023 financial statements.

Total income taxes were as follows:

<i>(In thousands)</i>	Year ended December 31, 2023
Income tax benefit	\$ 63,302
Income tax expense from OCI	(6,847)
<b>Total income tax expense</b>	<b>\$ 56,455</b>

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

<i>(In thousands)</i>	December 31, 2023
Deferred tax liability	\$ (56,455)
Net deferred tax liabilities	<u>\$ (56,455)</u>

Deferred income tax assets and liabilities consisted of the following:

<i>(In thousands)</i>	December 31, 2023
Deferred tax assets	
Insurance liabilities	\$ 271,554
Net operating and capital loss carryforwards	1,722
Total deferred tax assets	<u>273,276</u>
Deferred tax assets, net of valuation allowance	273,276
Deferred tax liabilities	
Investments, including derivatives and unrealized losses on AFS	5,711
DAC and DSI	324,015
Other	5
Total deferred tax liabilities	<u>329,731</u>
<b>Net deferred tax assets (liabilities)</b>	<b><u>\$ (56,455)</u></b>

As of December 31, 2023, we have US federal net operating losses of \$8.2 million that will begin to expire by 2043.

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.

## ATHENE CO-INVEST REINSURANCE AFFILIATE 2B LTD.

### Notes to Financial Statements

Starting in 2023, ACRA 2B and its subsidiary, ACRA 2B US LLC file a consolidated US federal tax return.

ACRA 2B and its subsidiary are not subject to US federal and state examinations by tax authorities for years prior to 2022.

## 10. Statutory Requirements

**Bermuda statutory requirements** - ACRA 2B 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 2B 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 rates for insurance reserves are rates prescribed by the BMA. Under the scenario based approach the discount rates for insurance reserves are based on the yields on eligible assets owned by the insurer as determined under the worst result of nine prescribed stressed scenarios.

Under the Insurance Act, long-term insurers are required to maintain minimum statutory capital and surplus to meet the minimum margin of solvency (MMS) and minimum economic statutory capital and surplus (EBS capital and surplus) to meet the Enhanced Capital Requirement (ECR). For Class C insurers, MMS is equal to the greater of \$500,000, 1.5% of the total statutory assets or 25% of ECR. For each class, the ECR is calculated based on a risk-based capital model where risk factor charges are applied to the EBS. ACRA 2B has a permitted practice from the BMA to remove the MMS floor when calculating the ECR. As of December 31, 2023, ACRA 2B was in excess of the minimum levels required. For ACRA 2B, the ECR is the binding regulatory constraint.

The following tables present the Company's actual and required GAAP, SFS and EBS capital and surplus and net income (loss) as of and for the years ended December 31, 2023 and December 31, 2022:

(In thousands)	Year ended December 31, 2023		
	GAAP	SFS	EBS <sup>3,4</sup>
Actual Capital and Surplus	\$ 216,319	\$ 410,256	\$ 1,390,968
Required Capital <sup>1</sup>	N/A	N/A	51,225
BSCR Ratio <sup>2</sup>	N/A	N/A	2715 %
Net Income (Loss) <sup>3</sup>	235,878	24,085	N/A

  

(In thousands)	Year ended December 31, 2022		
	GAAP	SFS	EBS <sup>3</sup>
Actual Capital and Surplus	\$ 6,198	\$ 86,198	\$ 86,198
Required Capital <sup>1</sup>	N/A	N/A	N/A
BSCR Ratio <sup>2</sup>	N/A	N/A	N/A
Net Income (Loss) <sup>3</sup>	(52)	(52)	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> Required Capital and the BSCR ratio represent best estimates as at the time of reporting. Changes are expected between disclosed figures and final BSCR as filed.

## ATHENE CO-INVEST REINSURANCE AFFILIATE 2B LTD.

### Notes to Financial Statements

Under the Bermuda statutory framework, statutory financial statements are generally equivalent to GAAP financial statements, with the exception of permitted practices granted by the BMA. ACRA 2B has permission in the statutory financial statements to use amortized cost instead of fair value as the basis for certain investments. Additionally, ACRA 2B uses US statutory reserving principles for the calculation of insurance reserves instead of GAAP, subject to the reserves being proved adequate based on cash flow testing. The following represents the effect of the permitted practices to the statutory financial statements:

<i>(In thousands)</i>	December 31, 2023
Change in capital and surplus due to permitted practices	\$ 193,964
Change in statutory net income due to permitted practices	(211,820)

Under the Insurance Act, ACRA 2Bis 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 2B 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 2B 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 2B would be permitted to remit to its parent without the need for prior approval. Given ACRA 2B began operations in July 2022, there is no maximum distribution calculation for 2022.

<i>(In thousands)</i>	December 31, 2023
Maximum distribution	\$ 36,943

## 11. Related Parties

See *Note 5 – 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 book 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 \$17.5 million and \$0 million, respectively. Management fees are included within net investment income on the statements of income (loss). As of December 31, 2023 and 2022, management fees payable were \$2.1 million and \$0 million, respectively and are included in other liabilities on the balance sheets.

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

## **ATHENE CO-INVEST REINSURANCE AFFILIATE 2B LTD.**

### **Notes to Financial Statements**

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

*Unsecured Revolving Notes Receivable with ACRA 2A* — On February 6, 2023 ACRA 2A entered into an unsecured revolving note receivable agreement with ACRA 2A. The unsecured revolving note receivable from ACRA 2A has a borrowing capacity of \$2.5 billion with a maturity date of February 6, 2028, or earlier at ACRA 2B's request. Interest accrues at U.S. mid-term applicable federal rate per year. As of December 31, 2023, the revolving note receivable had no outstanding balance.

*Unsecured Revolving Note Payable with ACRA 2A* — In addition to the unsecured revolving note receivable described above, ACRA 2B has an unsecured revolving notes payable with ACRA 2A. Which permits ACRA 2B to borrow up to \$2.5 billion with US mid-term applicable federal rate per year and has a maturity date of February 6, 2028 or earlier at ACRA 2A's request. As of December 31, 2023, the revolving note payable had no outstanding balance.

Additionally, ACRA 2B has three separate unsecured surplus notes payable to ACRA 2A, comprised of \$200 million and \$80 million where interest accrues at a fixed 3.40% per year and matures on December 31, 2033 and \$100 million where interest accrues at a fixed 4.33% per year and matures on December 31, 2033 respectively. As of December 31, 2023 and 2022, the unsecured surplus notes payable had an outstanding balance of \$380 million and \$80 million, respectively.

In 2022, ACRA 2B had a Subordinated Loan Commitment with ACRA 2A which is a line of credit for up to \$86 million. Interest accrued at U.S. mid-term applicable federal rate per year, and a commitment fee at 0.225% of the undrawn line of credit and had a maturity date of December 31, 2028. The line of credit was terminated as of February 1, 2023 and had an undrawn balance at December 31, 2022.

## **12. Commitments and Contingencies**

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

ACRA 2B has no litigation, claims or assessments outstanding as at the reporting date.

## **13. Subsequent Events**

The Company has evaluated the impact of subsequent events through April 19, 2024, the date at which the financial statements were available to be issued.

As of March 2024, the Company started to reinsure funding agreements (FA) from AARE on a modco basis. On March 27, 2024, one FA transaction was reinsured with a premium of \$500 million.

On April 1, 2024, ACRA 2B US LLC, a subsidiary of the Company, was dissolved. There has been no activity in this legal entity since incorporation.

**ATHENE CO-INVEST REINSURANCE AFFILIATE 2B LTD.**

**Notes to Financial Statements**

**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 ACRA2A’s common shareholder equity.

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

Adjusted ACRA 2B common shareholders’ equity is calculated as the ending ACRA 2B shareholders’ equity excluding AOCI, cumulative changes in fair value of funds withheld and 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 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 2B shareholders’ equity to total adjusted ACRA 2B common shareholders’ equity is as follows:

<i>(In thousands)</i>	Year ended December 31,	
	2023	2022
Total ACRA 2B common shareholder’s equity	\$ 216,319	6,198
Less: Accumulated other comprehensive income/(loss)	(25,757)	—
Less: Accumulated change in fair value of reinsurance assets	842,001	—
Less: Accumulated change in fair value of investment contracts held at fair value	(711,328)	—
Add: Surplus notes	380,000	—
Total adjusted ACRA 2B common shareholder’s equity	<u>\$ 491,403</u>	<u>\$ 6,198</u>