Athene Life Re International Ltd.

Financial Statements
Years ended December 31, 2023 and December 31, 2022

Athene Life Re International Ltd.

Table of Contents

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INDEPENDENT AUDITOR’S REPORT

To the Board of Directors and Shareholders of
Athene Life Re International Ltd.

Opinion

We have audited the consolidated financial statements of Athene Life Re International Ltd. and its subsidiaries (the “Company”), which comprise the consolidated balance sheets as of December 31, 2023 and 2022, and the related consolidated statements of income, comprehensive income, stockholders' equity, and cash flows, for the years then ended, and the related notes to the consolidated financial statements (collectively referred to as the “financial statements”).

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

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor’s Responsibilities for the Audit of the Financial Statements

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

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

In performing an audit in accordance with GAAS, we:

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

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

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

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

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

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

Deloitte Ltd.

April 19, 2024

ATHENE LIFE RE INTERNATIONAL LTD.
Balance Sheets

(In thousands)	Years Ended December 31, 2023		2022	
Assets				
Investments				
Available-for-sale securities, at fair value (amortized cost: 2023 – £638,136 and 2022 – £702,336; allowance for credit losses: 2023 - £9,647 and 2022 - £0)	£	458,995	£	478,601
Derivative assets		56,942		61,385
Total investments		515,937		539,986
Cash and cash equivalents		22,886		72,645
Restricted cash		9,547		6,476
Accrued investment income		6,534		7,193
Reinsurance recoverable (related party: 2023 – £383,514 and 2022 – £360,885)		383,514		360,885
Goodwill		20,775		20,775
Other assets (related party: 2023 – £37,863 and 2022 – £38,133)		37,934		38,591
Total assets	£	997,127	£	1,046,551
Liabilities and Equity				
Liabilities				
Future policy benefits (related party: 2023 – £383,514 and 2022 – £360,885)	£	383,514	£	360,885
Intercompany notes payable		—		65,360
Derivative liabilities		25,743		36,852
Payables for collateral on derivatives		19,246		4,731
Funds withheld liability (related party: 2023 – £468,168 and 2022 – £465,747; portion at fair value: 2023 – £(134,573) and 2022 – £(185,634))		468,168		465,747
Other liabilities (related party: 2023 – £1,331 and 2022 – £1,317)		5,311		4,284
Total liabilities		901,982		937,859
Commitments and Contingencies (Note 12)				
Equity				
Common stock - par value $1.00 per share; authorized: 2023 and 2022 - 250,000 shares; issued and outstanding: 2023 and 2022 - 250,000 shares		206		206
Additional paid-in capital		109,417		109,417
Retained earnings (accumulated deficit)		191,707		261,973
Accumulated other comprehensive loss		(206,185)		(262,904)
Total shareholder's equity		95,145		108,692
Total liabilities and equity	£	997,127	£	1,046,551

See accompanying notes to financial statements

ATHENE LIFE RE INTERNATIONAL LTD.
Statements of Income (Loss)

(In thousands)	Years ended December 31, 2023	2022
Revenues		
Net investment income (related party investment expense 2023 – £1,296 and 2022 – £1,338)	£ 17,492	£ 17,521
Investment related gains (losses) (related party: 2023 – £32,166 and 2022 – £251,801)	(62,431)	267,013
Total revenues	(44,939)	284,534
Benefits and expenses		
Interest expense (related party: 2023 – £12,575 and 2022 – £22,119)	24,942	22,119
Policy and other operating expenses (related party: 2023 – £50 and 2022 – £28)	385	442
Total benefits and expenses	25,327	22,561
Net income (loss)	£ (70,266)	£ 261,973

See accompanying notes to financial statements

ATHENE LIFE RE INTERNATIONAL LTD.
Statements of Comprehensive Income (Loss)

	Years ended December 31,	
(In thousands)	2023	2022
Net income (loss)	£ (70,266)	£ 261,973
Other comprehensive income (loss)		
Unrealized investment gains (losses) on available-for-sale securities	53,094	(244,138)
Unrealized gains (losses) on hedging instruments	3,625	(18,766)
Other comprehensive income (loss)	56,719	(262,904)
Comprehensive loss	£ (13,547)	£ (931)

See accompanying notes to financial statements

ATHENE LIFE RE INTERNATIONAL LTD.
Statements of Equity

(In thousands)	Common stock		Additional paid-in capital		Retained earnings (accumulated deficit)		Accumulated other comprehensive income (loss)		Total shareholder's equity	
Balance at January 1, 2022	£	206	£	109,723	£	—	£	—	£	109,929
Net income		—		—		261,973		—		261,973
Other comprehensive loss		—		—		—		(262,904)		(262,904)
Distributions to parent		—		(306)		—		—		(306)
Balance at December 31, 2022		206		109,417		261,973		(262,904)		108,692
Net loss		—		—		(70,266)		—		(70,266)
Other comprehensive income		—		—		—		56,719		56,719
Balance at December 31, 2023	£	206	£	109,417	£	191,707	£	(206,185)	£	95,145

See accompanying notes to financial statements

ATHENE LIFE RE INTERNATIONAL LTD.
Statements of Cash Flows

(In thousands)	Year Ended December 31, 2023	Year Ended December 31, 2022
Cash flows from operating activities		
Net income (loss)	£ (70,266)	£ 261,973
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Net amortization of net investment premiums, discounts and other	3,041	3,370
Net recognized (gains) losses on investments and derivatives	30,388	(3,030)
Changes in operating assets and liabilities:		
Accrued investment income (loss)	659	(730)
Funds withheld assets and liabilities (related party: 2023 – £29,529 and 2022 – £(319,706))	29,529	(319,706)
Other assets and liabilities	(1,588)	(6,416)
Net cash used in operating activities	(8,237)	(64,539)
Cash flows from investing activities		
Sales, maturities and repayments of:		
Available-for-sale securities (related party: 2023 – £0 and 2022 – £13,399)	£ 13,455	£ 22,141
Available-for-sale securities (related party: 2023 – £0 and 2022 – £(3,838))	—	(79,164)
Other investing activities net	13,454	(16,687)
Net cash (used in) provided by investing activities	26,909	(73,710)
Cash flows from financing activities		
Proceeds from intercompany notes payable	£ —	£ 65,360
Repayment of intercompany notes payable	(65,360)	—
Net cash (used in) provided by financing activities	(65,360)	65,360
Net decrease in cash and cash equivalents	(46,688)	(72,889)
Cash and cash equivalents at beginning of year[1]	79,121	152,010
Cash and cash equivalents at end of year[1]	£ 32,433	£ 79,121
Supplementary information		
Cash paid for interest	£ 1,138	£ 415

[1] *Includes cash and cash equivalents and restricted cash.*

See accompanying notes to financial statements

1. Business, Basis of Presentation and Significant Accounting Policies

Athene Life Re International Ltd. (ALReI, we, our, us or the Company) is a Bermuda exempted company that reinsures UK bulk annuities (pension risk transfer) from third parties, which was incorporated on August 20, 2019. Currently all third party business assumed is retroceded to an affiliate, Athene Co-Invest Reinsurance Affiliate International Ltd. (ACRAI), a Bermuda exempted company.

The Company is wholly owned by Athene Annuity Re Ltd. (AARe), a Bermuda exempted company.

The Company was registered as a Class C long-term insurer effective September 30, 2019 with the Bermuda Monetary Authority (BMA) under the Insurance Act 1978, as amended (Insurance Act)

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; and
- future policy benefit reserves.

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

Merger - On January 1, 2022, Athene Holding Ltd. (AHL) completed the merger with Apollo Global Management, Inc. (AGM, and together with its subsidiaries other than us or our subsidiaries, Apollo) and is now a direct wholly owned subsidiary of AGM. We have elected pushdown accounting in which we use AGM's basis of accounting, which reflects the fair market value of our assets and liabilities at the time of the merger, unless otherwise prescribed by US GAAP. See *Note 3 – Business Combination* for further information on the merger.

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

Summary of Significant Accounting Policies

Investments

Fixed Maturity Securities - Fixed maturity securities is made up solely of bonds. We classify fixed maturity securities as available-for-sale (AFS) at the time of purchase and subsequently carry them at fair value. Fair value hierarchy and valuation methodologies are discussed in *Note 6 – Fair Value*. Classification is dependent on a variety of factors including our expected holding period, election of the fair value option and asset and liability matching.

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, if applicable, generally reflected in accumulated other comprehensive income (loss) (AOCI) on the balance sheets. Unrealized gains or losses relating to identified risks within AFS securities in fair value hedging relationships are reflected in investment related gains (losses) on the statements of income (loss).

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

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

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

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

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

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

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

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

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

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

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

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

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

Embedded Derivatives - Reinsurance agreements written on a modified coinsurance (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 liability, represents a total return swap with a floating rate leg. The fair value of embedded derivatives on modco agreements is computed on the unrealized gain (loss) on the underlying assets and is included in the funds withheld liability lines on the balance sheets for ceded agreements, respectively. The change in the fair value of the embedded derivatives is recorded in investment related gains (losses) on the statements of income (loss). Ceded earnings from funds withheld liability 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 liability are reported in operating activities on the statements of cash flows.

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

We performed our annual goodwill impairment test as of October 1, 2023 and did not identify any impairment. See *Note 3 – Business Combination* for disclosure regarding the goodwill recorded related to our merger with AGM.

Reinsurance - We assume and cede insurance contracts under coinsurance and modco reinsurance agreements, respectively. 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. Cessions under reinsurance do not discharge our obligations as the primary insurer, unless the requirements of assumption reinsurance have been met. 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 or ceded under coinsurance or modco are presented gross on the balance sheets. For insurance contracts, the change in the 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 statement 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.

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

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

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

Future Policy Benefits - We issue contracts classified as long-duration, which include deferred and immediate annuities with life contingencies (which include pension group annuities with life contingencies).

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

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

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

To the extent the present value of future benefits and expenses exceeds the present value of gross premiums, we will cap the net premium ratio at 100% by increasing the corresponding liability and recognizing an immediate loss through the 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).

Future policy benefits are not reduced for amounts ceded under reinsurance agreements which are reported as reinsurance recoverable on the balance sheets. See the reinsurance accounting policy discussed in *–Reinsurance* above and *Note 7 – Reinsurance* for more information on reinsurance.

Foreign Currency - Gains or losses arising from transactions denominated in a currency other than the functional currency of the entity that is party to the transaction are included in net income. The impacts of any non-British pound denominated AFS securities are included in AOCI along with the change in its fair value unless in a fair value hedging relationship as discussed in *–Derivative Instruments* above.

Recognition of Revenues and Related Expenses - Premiums for long-duration contracts are recognized as revenue when due from policyholders. When premiums are due over a significantly shorter period than the period over which benefits are provided, such as immediate annuities with life contingencies (which includes pension group annuities), a deferred profit liability is established equal to the excess of the gross premium over the net premium. The deferred profit liability is recognized in future policy benefits on the balance sheets and amortized into income in a constant relationship to the benefit reserve through future policy and other policy benefits on the statements of income (loss).

All insurance related revenue is reported net of reinsurance ceded.

Income Taxes - We compute income taxes using the asset and liability method, under which deferred income taxes are provided for the temporary differences between the financial statement carrying amounts and the tax basis of our assets and liabilities using estimated tax rates expected to be in effect for the year in which the differences are expected to reverse. Such temporary differences are primarily due to the tax basis of reserves, DAC, VOBA, unrealized investment gains/losses, reinsurance related differences and embedded derivatives. Changes in deferred income tax assets and liabilities associated with components of OCI are recorded directly to OCI. We evaluate the likelihood of realizing the benefit of our deferred tax assets and may record a valuation allowance if, based on all available evidence, we determine that it is more likely than not that some portion of the tax benefit will not be realized. We adjust the valuation allowance if, based on our evaluation, there is a change in the amount of deferred income tax assets that are deemed more-likely-than-not to be realized. Changes in deferred tax assets and liabilities attributable to changes in enacted income tax rates are recorded through net income in the period of enactment. We recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the relevant taxing authorities, based on the technical merits of our position. For those tax positions that meet the more-likely-than-not recognition threshold, we recognize the largest amount of tax benefit that is more than 50 percent likely to be realized upon ultimate settlement with the related tax authority. We recognize any income tax interest and penalties in income tax expense.

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.

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

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

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

We adopted ASU 2020-04 and ASU 2021-01 and elected to apply certain of the practical expedients related to contract modifications, hedge accounting relationships, and derivative modifications pertaining to discounting, margining, or contract price alignment. The main purpose of the practical expedients is to ease the administrative burden of accounting for contracts impacted by reference rate reform, and these elections did not have, and are not expected to have, a material impact on the 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.

2. Adoption of Accounting Pronouncement

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

(In thousands)	Payout annuities	Reconciling items[1]	Total
Balance as of January 1, 2022	£ 611,790	£ —	£ 611,790
Change in discount rate assumptions	(82,712)	—	(82,712)
Adjustment for offsetting balance in negative VOBA	—	67,094	67,094
Adjusted balance as of January 1, 2022	£ 529,078	£ 67,094	£ 596,172
Less: Reinsurance recoverable	529,078	67,094	596,172
Adjusted balance as of January 1, 2022, net of reinsurance	—	—	—

[1] *Reconciling items primarily include negative VOBA associated with our liability for future policy benefits.*

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

The following table summarizes the change in value of business acquired:

(In thousands)	VOBA
Balance as of January 1, 2022	£ 15,618
Change in discount rate assumptions for future policy benefits	(15,618)
Adjusted balance as of January 1, 2022	£ —

3. Business Combination

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

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

Pushdown accounting

As part of pushdown accounting, the goodwill recorded was allocated based on net identifiable assets of the Company relative to the net identifiable assets of AHL. This has resulted in £20.8 million goodwill recognized at January 1, 2022.

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

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

(In thousands)		**Fair value and goodwill calculation**
Purchase Price	£	109,929
Total ALReI equity		**109,929**
Assets		
Investments	£	710,577
Cash and cash equivalents		77,073
Restricted cash		74,938
Reinsurance recoverable		596,172
Accrued investment income		6,463
Receivables for collateral on derivatives and securities to repurchase		6,785
Other assets		882
Estimated fair value of total assets acquired by AGM		1,472,890
Liabilities		
Future policy benefits		596,172
Derivative liabilities		2,631
Funds withheld liability		782,228
Other liabilities		2,705
Estimated fair value of total liabilities assumed to AGM		1,383,736
Identifiable net assets		89,154
Estimated fair value of net assets acquired by AGM, excluding goodwill		89,154
Goodwill attributable to the Company	£	20,775

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

4. Investments

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

	December 31, 2023			
(In thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
AFS securities				
Corporate	£ 638,136	£ 9,315	£ (188,456)	£ 458,995
Total AFS securities	£ 638,136	£ 9,315	£ (188,456)	£ 458,995

	December 31, 2022			
(In thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
AFS securities				
Corporate	£ 702,336	£ 18,097	£ (241,832)	£ 478,601
Total AFS securities	£ 702,336	£ 18,097	£ (241,832)	£ 478,601

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

	December 31, 2023	
(In thousands)	Amortized Cost	Fair Value
AFS securities		
Due in one year or less	£ 2,224	£ 2,167
Due after one year through five years	4,658	4,837
Due after five years through ten years	23,235	19,539
Due after ten years	608,019	432,452
Total AFS securities	£ 638,136	£ 458,995

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

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

	December 31, 2023					
	Less than 12 months		12 months or more		Total	
(In thousands)	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
AFS securities						
Corporate	£ 3,767	£ (1,112)	£ 444,966	£ (187,344)	£ 448,733	£ (188,456)
Total AFS securities	£ 3,767	£ (1,112)	£ 444,966	£ (187,344)	£ 448,733	£ (188,456)

	December 31, 2022					
	Less than 12 months		12 months or more		Total	
(In thousands)	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
AFS securities						
Corporate	£ 474,988	£ (241,575)	£ —	£ —	£ 474,988	£ (241,575)
Total AFS securities	£ 474,988	£ (241,575)	£ —	£ —	£ 474,988	£ (241,575)

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

	December 31, 2023	
	Unrealized loss position	Unrealized loss position 12 months or more
AFS securities	56	55

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

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

	Years ended December 31,	
(In thousands)	2023	2022
AFS securities	£ 19,987	£ 19,715
Other	(1,168)	(799)
Investment revenue	18,819	18,916
Investment expenses	(1,327)	(1,395)
Net investment income	£ 17,492	£ 17,521

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

	Years ended December 31,	
(In thousands)	2023	2022
AFS securities[1]		
Gross realized gains on investment activity	£ 6,624	£ 40,451
Gross realized losses on investment activity	(30,790)	(17,855)
Net realized investment gains (losses) on AFS securities	(24,166)	22,596
Net recognized investment gains on trading securities	45	—
Derivative gains (losses)	(28,374)	238,915
Provision for credit losses	(9,647)	—
Other gains (losses)	(289)	5,502
Investment related gains (losses)	£ (62,431)	£ 267,013

[1] Includes the effects of recognized gains or losses on AFS securities associated with designated hedges.

For the year ended December 31, 2023, proceeds from sales of AFS securities were £13.5 million, (2022 - £22.1 million).

5. Derivative Instruments

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

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

	December 31, 2023			December 31, 2022		
	Notional	Fair Value		Notional	Fair Value	
(In thousands)	Amount	Assets	Liabilities	Amount	Assets	Liabilities
Derivatives designated as hedges						
Foreign currency hedges						
Swaps	138,720	£ 206	£ 25,743	138,720	£ —	£ 36,852
Total derivatives designated as hedges		206	25,743		—	36,852
Derivatives not designated as hedges						
Inflation swaps	329,754	56,736	—	337,014	61,385	—
Embedded derivatives						
Funds withheld including related party		—	(134,573)		—	(185,634)
Total derivatives not designated as hedges		56,736	(134,573)		61,385	(185,634)
Total derivatives		£ 56,942	£ (108,830)		£ 61,385	£ (148,782)

Derivatives Designated as Hedges

Fair Value Hedges - We use foreign currency swaps that are designated and accounted for as fair value hedges to hedge certain exposures to foreign currency risk.

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

	December 31,			
	2023		2022	
(In thousands)	Carrying amount of the hedged assets or liabilities[1]	Cumulative amount of fair value hedging gains (losses)	Carrying amount of the hedged assets or liabilities[1]	Cumulative amount of fair value hedging gains (losses)
AFS securities - Foreign currency swaps	£ 203,617	£ 9,568	£ 194,165	£ 18,972

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

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

(In thousands)	Derivatives	Hedged Items	Net
Year Ended December 31, 2023			
Investment related gains (losses)			
Foreign currency swaps	8,025	(9,404)	(1,379)
Year ended December 31, 2022			
Investment related gains (losses)			
Foreign currency forwards	266	39	305
Foreign currency swaps	(15,960)	18,972	3,012

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

	Years ended December 31,	
(In thousands)	2023	2022
Foreign currency swaps	£ 3,625	£ (18,766)

Derivatives Not Designated as Hedges

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.

Inflation swaps - We use inflation swaps to economically hedge the inflation linked benefits in the liabilities that we underwrite. With an inflation swap, we agree with another party to exchange fixed inflation for variable inflation, locking in the inflation rate we are expected to pay.

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.

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

	Years ended December 31,	
(In thousands)	2023	2022
Inflation swaps	£ (4,034)	£ 3,980
Foreign currency swaps	(192)	(703)
Foreign currency forwards	(7)	(43)
Embedded derivatives on funds withheld	(32,166)	251,375
Amounts recognized in investment related gains (losses)	(36,399)	254,609
Total gains (losses) on derivatives not designated as hedges	£ (36,399)	£ 254,609

Credit Risk - We may be exposed to credit-related losses in the event of counterparty nonperformance on derivative financial instruments. Generally, the current credit exposure of our derivative contracts is the fair value at the reporting date less any collateral received from the counterparty.

We manage credit risk related to over-the-counter derivatives by entering into transactions with creditworthy counterparties. Where possible, we maintain collateral arrangements and use master netting agreements that provide for a single net payment from one counterparty to another at each due date and upon termination. We have also established counterparty exposure limits, where possible, in order to evaluate if there is sufficient collateral to support the net exposure.

Collateral arrangements typically require the posting of collateral in connection with its derivative instruments. Collateral agreements often contain posting thresholds, some of which may vary depending on the posting party's financial strength ratings. Additionally, a decrease in our financial strength rating to a specified level can result in settlement of the derivative position.

The estimated fair value of our net derivative and other financial assets and liabilities after the application of master netting agreements and collateral were as follows:

		Gross amounts not offset on the balance sheets				
(In thousands)	Gross amount recognized[1]	Financial instruments[2]	Collateral (received)/ pledged	Net amount	Off-balance sheet securities collateral[3]	Net amount after securities collateral
December 31, 2023						
Derivative assets	£ 56,942	£ (32,349)	£ 19,246	£ 43,839	£ —	£ 43,839
Derivative liabilities	(25,743)	32,349	415	7,021	—	7,021
December 31, 2022						
Derivative assets	£ 61,385	£ (32,686)	£ (4,731)	£ 23,968	£ —	£ 23,968
Derivative liabilities	(36,852)	32,686	403	(3,763)	—	(3,763)

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

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

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

6. Fair Value

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

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

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

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

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

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

We use a number of valuation sources to determine fair values. Valuation sources can include quoted market prices; third-party commercial pricing services; third-party brokers; industry-standard, vendor modeling software that uses market observable inputs; and other internal modeling techniques based on projected cash flows. We periodically review the assumptions and inputs of third-party commercial pricing services through internal valuation price variance reviews, comparisons to internal pricing models, back testing to recent trades, or monitoring trading volumes.

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

	December 31, 2023		
(In thousands)	Total	Level 1	Level 2
Assets			
AFS securities			
Corporate	£ 458,995	£ —	£ 458,995
Total AFS securities	458,995	—	458,995
Derivative assets	56,942	—	56,942
Cash and cash equivalents	22,886	22,886	—
Restricted cash	9,547	9,547	—
Total assets measured at fair value	£ 548,370	£ 32,433	£ 515,937
Liabilities			
Derivative liabilities	£ 25,743	£ —	£ 25,743
Funds withheld at interest – embedded derivative	(134,573)	—	(134,573)
Total liabilities measured at fair value	£ (108,830)	£ —	£ (108,830)

	December 31, 2022		
(In thousands)	Total	Level 1	Level 2
Assets			
AFS securities			
Corporate	£ 478,601	£ —	£ 478,601
Total AFS securities	478,601	—	478,601
Derivative assets	61,385	—	61,385
Cash and cash equivalents	72,645	72,645	—
Restricted cash	6,476	6,476	—
Total assets measured at fair value	£ 619,107	£ 79,121	£ 539,986
Liabilities			
Derivative liabilities	£ 36,852	£ —	£ 36,852
Funds withheld liability – embedded derivative	(185,634)	—	(185,634)
Total liabilities measured at fair value	£ (148,782)	£ —	£ (148,782)

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

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

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

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

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

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

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

7. Reinsurance

Reinsurance transactions

We entered into a coinsurance agreement to reinsure blocks of pension group annuities in December 2019. The Company retrocedes the business related to pension group annuities to ACRAI on a modco basis. There was no new business reinsured or retroceded by ALReI during the year ended December 31, 2023.

Reinsurance Recoverables - The following summarizes our reinsurance recoverable:

	Years ended December 31,	
(In thousands)	2023	2022
ACRAI	£ 383,514	£ 360,885
Reinsurance recoverable	£ 383,514	£ 360,885

Reinsurance typically provides for recapture rights on the part of the ceding company for certain events of default. Additionally, some agreements require us to place assets in trust accounts for the benefit of the ceding entity. The required minimum assets are equal to or greater than statutory reserves, as defined by the agreement, and were £394 million and £459 million as of December 31, 2023 and 2022, respectively. Although we own the assets placed in trust, their use is restricted based on the trust agreement terms. If balances in the trust declines because of impairments or other reasons, we may be required to contribute additional assets to the trust. In addition, the assets within a trust may be subject to a pledge in favor of the applicable reinsurance company.

8. Long duration Contracts

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	
	Years ended December 31,	
(In thousands)	2023	2022
Present value of expected future policy benefits		
Beginning balance	£ 295,738	£ 529,078
Effect of changes in discount rate assumptions	236,436	—
Beginning balance at original discount rate	532,174	529,078
Interest accrual	12,381	11,584
Benefit payments	(9,951)	(8,488)
Ending balance at original discount rate	534,604	532,174
Effect of changes in discount rate assumptions	(214,425)	(236,436)
Ending balance	£ 320,179	£ 295,738
Net liability for future policy benefits	£ 320,179	£ 296,738
Less: Reinsurance recoverable	(320,179)	(296,738)
Net liability for future policy benefits after reinsurance recoverable	£ —	£ —
Weighted-average liability duration (in years)	19.1	19.8
Weighted-average interest accretion rate	2.2 %	2.2 %
Weighted-average current discount rate	5.3 %	5.6 %
Expected future benefit payments, undiscounted	£ 837,140	£ 846,360

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

(In thousands)	December 31, 2023		2022	
Payout annuities with life contingencies	£	320,179	£	295,738
Reconciling items[1]		63,335		65,147
Future policy benefits	£	383,514	£	360,885

[1] *Reconciling items primarily include negative VOBA associated with our liability for future policy benefits.*

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 £24 million, which was driven by £12 million of interest accrual, £22 million change in discount rate assumptions related to a decrease in rates, partially offset by £10 million of benefit payments. This balance is 100% recoverable from ACRAI.

During the year ended December 31, 2022, the present value of expected future policy benefits for payout annuities with life contingencies decreased by £233 million, which was driven by £12 million of interest accrual, a £236 million change in discount rate assumptions related to an increase in rates, partially offset by £8 million of benefit payments. This balance is 100% recoverable from ACRAI.

9. Equity

Common Stock - We have one class of common stock, which represents 100% of the total voting power, and is beneficially owned by AARe as of December 31, 2023. We have an authorized share capital of US$250,000 comprised of 250,000 shares of par value $1.00 each, of which 250,000 have been issued to AARe.

Distributions to Parent - In the first quarter of 2022, we recorded a reestablishment of the liabilities that were considered effectively settled upon merger of £0.3m, as these liabilities were settled during the first quarter of 2022 in the normal course of business as intercompany payables to AGM.

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

(In thousands)	Unrealized investment gains (losses) on AFS securities without a credit allowance		Unrealized gains (losses) on hedging instruments		Accumulated other comprehensive income (loss)	
Balance at January 1, 2022	£	—	£	—		—
Other comprehensive loss		(244,138)		(18,766)		(262,904)
Balance at December 31, 2022	£	(244,138)	£	(18,766)	£	(262,904)
Other comprehensive income		53,094		3,625	£	56,719
Balance at December 31, 2023	£	(191,044)	£	(15,141)	£	(206,185)

10. Statutory Requirements

Bermuda statutory requirements - ALReI 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 ALReI has elected to prepare US GAAP financial statements. These financial statements form the basis for the preparation of both the Statutory Financial Statements and the Economic Balance Sheet.

2. ***Statutory Financial Statements (SFS)*** - Equal to the GAAP financial statements adjusted for:

   a. Prudential filters that include a) adjustments to eliminate non-admitted assets including goodwill and other similar intangible assets, not considered admissible for solvency purposes, and b) adjustments to include certain assets and liabilities that are generally off-balance sheet under general purpose reporting. These include items such as guarantees and other instruments that do not relate to the insurer's own insurance contracts.

   b. Directions known as permitted practices as issued by the BMA.

3. ***Economic Balance Sheet (EBS)***- A balance sheet where assets are recorded based on GAAP fair values and insurance reserves are based on technical provisions comprised of the sum of a best estimate liability plus a risk margin. The best estimate liability may be calculated by applying the standard approach or the scenario based approach. Under the standard approach the discount rate for insurance reserves are rates prescribed by the BMA. Under the scenario based approach the discount rates for insurance reserves 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. The ECR is flooerd at the MMS. As of December 31, 2023 and 2022, ALReI was in excess of the minimum levels required.

The following tables present the ALReI 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:

	Year ended December 31, 2023		
(In thousands)	GAAP	SFS	EBS[3, 4]
Actual Capital and Surplus	£ 95,145	£ 87,885	£ 74,300
Required Capital[1]	N/A	11,599	11,599
BSCR Ratio[2]	N/A	N/A	641 %
Net Income (Loss)[3]	(70,266)	(13,552)	N/A

	Year ended December 31, 2022		
(In thousands)	GAAP	SFS	EBS[3]
Actual Capital and Surplus	£ 108,692	£ 101,339	£ 87,863
Required Capital[1]	N/A	13,450	13,450
BSCR Ratio[2]	N/A	N/A	653 %
Net Income (Loss)[3]	261,973	11,786	N/A

[1] Represents the MMS for the SFS and the ECR for EBS. There is not a required capital amount for the GAAP financial statements.
[2] BSCR ratio for the current binding regulatory solvency constraint of EBS is shown.
[3] EBS comprises of only a balance sheet.
[4]Required Capital and the BSCR ratio represent best estimates as at the time of reporting.

Under the Bermuda statutory framework, statutory financial statements are generally equivalent to GAAP financial statements, with the exception of prudential filters and permitted practices granted by the BMA. ALReI has permission in the statutory financial statements to use amortized cost instead of fair value as the basis for certain investments. Additionally, ALReI 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:

(In thousands)	December 31, 2023
Change in capital and surplus due to permitted practices	£ 13,515
Change in statutory net income due to permitted practices	56,714

Under the Bermuda Insurance Act, ALReI is prohibited from paying a dividend in an amount exceeding 25% of the prior year's statutory capital and surplus, unless at least two members of the companies' respective board of directors and its principal representative in Bermuda sign and submit to the BMA an affidavit attesting that a dividend in excess of this amount would not cause the subsidiary to fail to meet its relevant margins. In certain instances, ALReI 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, ALReI 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 our Bermuda entities would be permitted to remit to its parent without the need for prior approval:

	December 31,	
(In thousands)	2023	2022
Maximum distribution	£ 42,660	£ 56,114

11. Related Parties

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

Apollo

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

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

Under our fee agreement with Apollo, we pay Apollo a base management fee of (1) 0.225% per year on a monthly basis equal to the lesser of (A) $103.4 billion, which represents the aggregate fair market value of substantially all of the assets in substantially all of the accounts of or relating to us (collectively, the Accounts) as of December 31, 2018 (Backbook Value), and (B) the aggregate book value of substantially all of the assets in the Accounts at the end of the respective month, plus (2) 0.15% per year of the amount, if any, by which the aggregate book value of substantially all of the assets in the Accounts at the end of the respective month exceeds the Backbook Value, subject to certain adjustments. Additionally, we pay a sub-allocation fee based on specified asset class tiers ranging from 0.065% to 0.70% of the book value of such assets, 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 £1.3 million and £1.3 million, respectively. Management fees are included within net investment income on the statements of (loss). As of December 31, 2023 and December 31, 2022, management fees payable were £0.2 million and £0.2 million, respectively, and are included in other liabilities on the balance sheets.

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

Other related party transactions

Unsecured revolving notes payable with AHL - which permits ALReI to borrow up to $100 million with an interest rate equal to the mid-term applicable federal rate and a maturity date of July 1, 2028. As of December 31, 2023 and 2022, there were no outstanding amounts under this agreement.

Unsecured revolving notes payable with ALRe - which permits ALReI to borrow up to $500 million with an interest rate equal to SOFR rate + 1% margin and a maturity date of June 30, 2028. As of December 31, 2023 there were no outstanding amounts under this agreement; as of December 31, 2022, the note had an outstanding balance of $79 million (£65 million).

12. Commitments and Contingencies

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

	December 31,	
(In thousands)	2023	2022
AFS securities	£ 410,591	£ 432,182
Derivative assets	56,942	61,385
Restricted cash	9,547	6,476
Total restricted assets	£ 477,080	£ 500,043

The restricted assets are primarily related to reinsurance trusts established in accordance with the coinsurance agreement.

Letter of Credit - We have undrawn letters of credit totaling £29.6 million as of December 31, 2023. These letters of credit were issued for our reinsurance program and expire May 22, 2024.

Litigation, Claims and Assessments

The Company 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.

Supplemental Information (Unaudited) Schedule I

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

Adjusted Common Shareholder's Equity Non-GAAP Reconciliation

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

The reconciliation of total ALREI shareholder's equity to total adjusted ALREI common shareholder's equity is as follows:

	Years ended December 31,	
(In thousands)	2023	2022
Total ALREI common shareholder's equity	£ 95,145	£ 108,692
Less: Accumulated other comprehensive income/(loss)	(206,185)	(262,904)
Less: Accumulated change in fair value of reinsurance assets	142,789	174,724
Total adjusted ALREI common shareholders' equity	£ 158,541	£ 196,872