

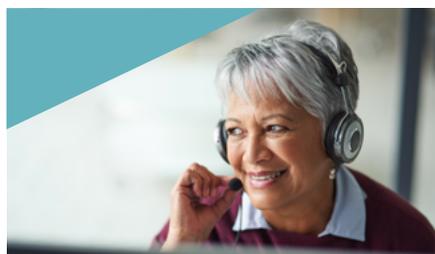
Breathing new life into life insurance

Annual Report 2021

Resolution Life

Who we are

Resolution Life is a global life insurance group focusing on the acquisition, reinsurance, and ongoing management of portfolios of life insurance policies. We serve over 3 million policyholders across our core markets.



The Resolution Life story

A known and trusted name

See **Page 03**



Operational review

Dedicated approach

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Financial review

Starting strong and ending stronger

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Risk report

Trusted and resolute

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The Resolution Life story

A known and trusted name

The Resolution Life story

The Resolution Life proposition

Resolution Life is a life insurance company with some important differences. Rather than selling new policies directly to customers, we acquire large portfolios of existing policies from the companies that originally sold them. Those policyholders become our customers, their promises become our promises. We assume the responsibility to make sure the commitments are honoured over the long term. In addition, we support other life insurers through reinsurance transactions whereby we take on the risks and financial responsibilities created by those companies.

Everyone benefits:



Our customers Because we don't sell new policies, we focus our energy and best ideas to serve our customers more efficiently.



The industry We believe that life insurance is a societal good, and we're proud to play a role in securing its future. By selling their life and savings portfolios to us, insurance companies in mature markets can use our capital, and their advisers' time, to expand into new, faster-growing territories.



Our investors We buy portfolios with a known history, and predictable cash flows stretching into the future. This enables us to generate value through cost savings, synergies and investment returns, and to reward our investors by paying stable, steady dividends.

We've grown quickly, across the world, thanks to our industry knowledge and reputation as a safe and reliable home for life insurance risk. Since we started in 2018, we've raised almost \$5bn in equity from nearly 50 well-known investors, and deployed it all. Today we're a financially mature business managing over \$90bn in assets. The market is attractive, and we're well-placed to grow through selective, complementary acquisitions in the lead-up to an initial public offering by 2025.

Where we're coming from

Since the 1990s, we recognised changes in the life insurance industry and determined a new approach could support existing life carriers and keep the industry vibrant. In mature markets, like the US and the UK, there were too many life companies chasing too few potential new customers. The policies already sold had decades to run. For many big insurers, managing these portfolios was a drag on performance, tying up capital and advisers' time, and preventing them from innovating and pursuing growth in untapped markets.

These large companies could benefit by partnering with a specialist insurer to look after those existing policies. A new type of life insurance company whose business model was to manage and generate value from existing policies, without the distraction of chasing new customers and the cost of paying advisers and commissions. A company that was determined, purposeful and...resolute. In the UK, our chairman Clive Cowdery pioneered that business, establishing the Resolution brand in 2003 (read more in the box on page 7, 'A trusted name').

As when any industry is disrupted, there were sceptics. It didn't take long to prove that we were breathing life into the sector, and helping it grow, while providing customers with better service. By the time Clive prepared to start Resolution Life 15 years later, the case for an insurance company serving only existing policyholders had been made.

The Resolution Life story (continued)

Where we started

A global business model

We launched Resolution Life in the summer of 2018. Our goal was to establish an international company by acquiring life insurance portfolios in various mature markets. There were two benefits to this strategy: we'd hold highly diversified risk, in terms of geography as well as the type and duration of our policies; and have greater opportunities for acquisitions, synergies and economies of scale.

During this initial phase of our journey we created three businesses. Our business in Bermuda, where we have our headquarters, leads our reinsurance transactions, in which we assume the financial assets and liabilities of a portfolio, but not the customers. Our life businesses, where we take on another company's policyholders as well as their financial responsibilities, are in Australasia and the US.

We signed our first reinsurance agreement in Bermuda in September 2018, with Symetra Life Insurance Company for a portfolio of its annuity contracts. Next, we purchased AMP Life in Australia and New Zealand, followed by the Voya Financial, Inc. life business in the US. In 2021 and early 2022, we undertook further transactions in each business, including one of the industry's biggest-ever reinsurance agreements, with Allianz Life, lifting our assets under management to c.\$90bn.

We're a strong, globally-diversified company, looking after the risks associated with 3m policyholders on three continents. We recently opened a representative office in Singapore, targeting the mature insurance market there and in Japan, Hong Kong, and South Korea.

How we create value with better technology and a better customer service

We're creating value in our businesses in three main ways: by reducing the costs of managing our policies using the latest technology, by giving customers a better service, and increasing the returns on our assets.

In many life insurance companies, administering existing policies that mature well into the future isn't a priority. For us it's the biggest one. Technology and data are at the heart of everything we do. One of our first steps is to convert all the customer policy information we acquire into more readable and organised digital formats. We will then feed this into our IT systems which are powered by AI technology and machine learning. When implemented, this will enable our employees to quickly serve our customers with care and empathy while processing claims accurately and efficiently. That means we'll save time, and so will our customers. Our online portals enable fast and seamless self service, which is the preference for many. Together with the investments we're making in our people, including implementing the "agile" method of working to empower teams to make decisions quickly, our investments in technology are resulting in better customer service and retention. The costs of building and rolling out these technology systems are largely one-off. Any new portfolios we buy can be integrated into our existing systems, at marginal cost.

How we create value with better investor returns

We use our financial acumen, and active rotation of our assets under management, to achieve targeted returns. Unlike some insurance companies, and some of our direct competitors, we aren't tied to a single asset

manager. This allows us to spread our investments across the best managers, and the best ideas. Because our liabilities are predictable over time, we can diversify our holdings by matching our longer duration liabilities with longer duration assets, thus achieving increased investment returns.

The value we generate allows us to buy more life insurance portfolios, and also to pay regular dividends to our investors.

Our responsibilities as an asset owner

We're conscious of our broader responsibilities to the world, especially environmental and social matters. The weight of assets under our stewardship gives us influence, and though we don't invest directly, we carefully select and review the asset managers we work with. We want to do what's right, both for the world today and for future generations. We're constantly evaluating our approach, but in general prefer to work with asset managers to influence their decisions on how and where to invest.

c.\$5bn
of equity capital raised

c.\$90bn
assets under management

The Resolution Life story (continued)

Why insurers partner with us

As the supply of life insurance portfolios for sale has grown in recent years, so has the competition. Private asset managers from the US in particular have entered the sector. As an insurance company first and foremost, we believe that we're different, in ways that appeal to established life insurers looking for partners.



We're experiencing once-in-a-generation market conditions and we need to focus on competing for transactions that best fit our growth strategy."

Clive Cowdery

Resolution Founder and Executive Chairman of Resolution Life

Our purpose

Everything we do is guided by the original long-term promises made to our customers. We're a most reliable custodian of policies sold by other life insurance businesses, however far they have to run.

Our long-term commitment to the industry

We believe in the societal value of life insurance, and are committed to helping the primary market grow and thrive across the world.

Our name

The Resolution brand is recognised and respected as one of the industry pioneers. We're trusted by companies and regulators.

Our people

Our depth of experience in life insurance is one of our biggest strengths. But we're not standing still. We're hiring innovative and experienced people in insurance to propel our business.

Our flexibility

We're flexible and innovative in our approach to acquisitions, reinsurance and joint venture relationships with our partners.

Our track record

We've successfully completed numerous complex transactions, in different markets.

Our scale and stability

We operate in Bermuda, the US and Australasia, with diversified risk and income streams. We're well-capitalised, group regulated, and have an investment grade rating from Moody's.

Our unique offering



[Watch the video](#)

The Resolution Life story (continued)

We believe that life insurance is a societal good, and we're proud to play a role in securing its future.

A market full of opportunities

We're witnessing an exceptional moment in the market for portfolio transactions. The COVID-19 pandemic, coupled with low interest rates, low birth rates, and investor pressure for returns, has persuaded established life insurers in the US, Europe, and the Asia-Pacific region of the need to free up capital by selling some of their existing portfolios. With record supply, market activity in 2021 was the highest ever.

Resolution Life is well-positioned to take advantage of the opportunities. We are building our company to be IPO ready and aim to create a \$10bn company. We'll do this through carefully considered deals at the right price, in the right regions, to lower our overall risk and diversify our cash flows.



Resolution: a trusted name

The Resolution name is known and trusted in the life insurance industry. Clive Cowdery created the brand in 2003 when he launched Resolution plc to buy and consolidate UK life insurance companies. These businesses were closed to new customers, with the focus shifting towards serving policyholders more efficiently. Resolution plc listed on the FTSE 100 in 2005, through a reverse takeover of Britannic. Three years later the business was sold for £5bn, representing a substantial gain for shareholders.

Clive kept the rights to the brand and in 2008 launched Resolution Limited, with a similar strategy. Over seven years, Resolution Limited deployed more than £4bn in capital, before merging in a deal worth nearly £6bn. A third company, Resolution USA, launched in the US in 2013.

2003

The year Clive Cowdery creates the Resolution Group

Operational review

Dedicated approach

Chairman's statement

Resolution Life

Delivering strong growth in uncertain times



Clive Cowdery
Resolution Founder and Executive
Chairman of Resolution Life

Chairman's statement

We're living in uncertain and unsettling times. Just when the world seemed to be getting over the worst of the COVID-19 pandemic, war broke out in Europe. Commodity prices have soared and inflation is rising. These social, geopolitical and macroeconomic shocks are a reminder of why insurance exists, and the importance of life companies whose purpose is to honour our promises to customers over the long term.

Reaching financial maturity

I'm pleased to report that Resolution Life has pushed through the headwinds. When we launched in the summer of 2018, we wanted to invest around \$5bn of shareholder capital in life insurance portfolios over seven years. At the end of 2021 we achieved that goal – more than three years ahead of target. We're now a financially mature, globally diversified life insurance company, managing c.\$90bn in assets, and are well positioned for further growth. The Board and I are grateful to all our colleagues for their hard work during these difficult times, and for looking out for each other, and our customers, with decency and dedication.

Reviewing the past 24 months, since COVID-19 emerged and threatened our ambitions, I can see that Resolution Life went through three stages. We demonstrated our solvency. Then we executed the plans drawn up when we launched, buying businesses in the US and Australasia, and investing in people and technology so we could serve our new customers better. At the start of 2021, having established the foundations of our company, we set out to fight back. We needed to answer two questions. Could we raise growth capital, and if so, could we deploy it on acquisitions that fit our business, in a competitive market?

A year of selective acquisitions

In the first half of the year, we raised \$1.6bn in equity from well-known investors. Over the following six months we selectively invested it in new portfolios in Australia, the US and Europe. This included two landmark reinsurance transactions. Our agreement with Allianz Suisse was the first Switzerland-to-Bermuda life reinsurance transaction, while the agreement with Allianz Life, in North America, was one of the biggest in the industry's history. It involved our teams in New York, London and Bermuda, demonstrating the benefits of our international footprint. I want to thank our strategic partners, and our investors, who helped make all our acquisitions happen. Our ongoing business, meanwhile, performed ahead of expectations, allowing us to pay a dividend of \$76m in December.

Our plan from here

The pandemic and low interest rates have increased pressure on primary life insurance companies to restructure. So, despite the competition, we view the market as favourable, with supply exceeding demand, especially in the US. We expect that trend to continue in mature markets for a few years, including in Asia, where we've opened a representative office. We also bolstered our Executive Committee, to drive the Company forward and take advantage of the attractive market window.

But we aren't complacent. As Russia's attack on Ukraine has shown, the world and its interlinked economies are not as stable as we'd all believed. The financial market volatility caused by the conflict may continue for some time.

In the year ahead, we will stay vigilant to the uncertainties of the world around us, and despite these I am confident that we'll continue to meet our targets, and keep providing solutions to the life insurance industry.



Clive Cowdery

Resolution Founder and Executive Chairman of Resolution Life



With so many primary life insurance companies under pressure to restructure, the market for deals is highly favourable.”

Clive Cowdery

Our business model

How we create value for our stakeholders



For investors
We generate cash by improving returns on assets through active management and rotation, and by using technology to manage policies more efficiently for the benefit of customers. This allows us to pay predictable, steady dividends.



For the life insurance industry
We release capital for primary life insurance companies to innovate and expand into new markets.



For customers
We invest in people and systems to give customers a better, faster service, and the peace of mind that we'll always be there for them.



For regulators
We provide certainty and comfort to regulators through our deep experience and strong track record in the industry, and our measured approach to risk management.



For our employees
We're committed to the wellbeing and growth of our employees, empowering them to make decisions and fulfil their potential in a positive, motivating workplace.



For the community
Through careful stewardship of our assets under management, and engagement with investment managers, we promote responsible, sustainable investment.

What makes us different

- We don't sell insurance. Instead of spending on attracting new customers, we invest in systems, technology, and people. Our 'agile' model of working breaks down hierarchies and empowers teams to make decisions.
- Many of our private competitors are owned or controlled by private asset managers. We're life insurance people running a life insurance company.
- We helped pioneer the sector, and we're here for the long term.
- We're a trusted brand with relationships and businesses across the world.

Watch our pioneering business model

[Watch the video](#)



We're here to be a safe and reliable partner for life insurers as they restructure, to give policyholders peace of mind for the long term, and to help economies grow.

An attractive market

The market for existing life insurance portfolios has never been busier, with the pandemic, low interest rates and low birth rates convincing more and more life companies in mature markets to restructure.



In 2021, mergers and acquisitions (“M&A”) activity in the life insurance sector reached \$70bn, easily the highest ever. The biggest transactions occurred in the United States, with the market for reinsurance deals increasing. Though Europe offered fewer opportunities, the market is opening up. The number of deals in Australasia and Asia also grew.

Growing competition

Our early success as pioneers in the sector, along with the growing opportunities and low barriers to entry, attracted numerous competitors. Besides other life insurance companies, North American private asset managers with deep pools of capital have aggressively entered the market. Competition for deals is now fierce, not only in the US, but in Europe, Australasia and Asia.

The gap between Resolution Life and our competitors has narrowed. We’re confident our expertise, reputation, and purpose – as a life company that keeps promises, for the long term – continues to make us an attractive partner for primary insurance businesses looking to sell existing policy portfolios.

Achieving our strategic goals

Investing new capital and transforming our business

We had two primary goals for 2021: to grow our assets under management by raising and investing capital, and to continue the digital transformation of our businesses.

In April 2021, we raised \$1.6bn, increasing our total equity to nearly \$5bn, and our number of investors to almost 50. We needed to be selective when investing this money, only competing for deals with cash flows and risks that complemented our existing portfolios, and offered opportunities for Group-wide synergies. The pandemic made travel and in-person meetings difficult. Thanks to the acumen and commitment of our global teams, we deployed all our new capital by the year end, adding assets to each of our three businesses:

- **In Australasia**, we bought out AMP Limited's minority stake in the business (subject to regulatory approval).

- **In the US**, we signed a reinsurance deal with Lincoln Financial Group.
- **In two separate reinsurance transactions**, Resolution Re took over the financial assets and liabilities for some portfolios from Allianz Suisse and Allianz Life.

At the same time, our teams in the US and Australasia continue to integrate our systems from Voya and AMP Limited respectively, which were acquired in previous years. The work is being done in tandem with our investments in digital and AI technology. The positive results from these efforts will benefit our current and future acquisitions.

Business highlights

\$1.6bn

Raised in equity capital in April 2021 and deployed by the end of the year.



Successfully closed deals in each of our three businesses.



Made significant progress in separating the Voya and AMP Life businesses from the previous owners.

Managing our operations

Committed to our employees



Committed to identifying and developing emerging talent within the company.



The impact of COVID-19

When the pandemic hit in March 2020, we closed our offices, giving our employees the tools and help they needed to safely work from home. This support continued in 2021, with regular checks on employee wellbeing and mental health, and advice on burnout and stress.

In line with government policies where our businesses are based, we began a phased return to the office. But we've taken lessons from the positive experiences of remote working, for our people and for our company as a whole. We're establishing our working arrangements locally in each our businesses, with Australasia and Group policies already in place.

Our skilled, committed team

Our people are experts at what they do. They also believe in what we do – keeping the promises made to our policyholders. From launching with a team of 20 in 2018 we now have nearly 2,000 employees across our businesses.

As we progressed from a 'start-up' culture into that of a settled company in 2021, we've been filling gaps to make sure our teams are not stretched too thin during our day-to-day operations. With an IPO in mind, we're strengthening our financial reporting teams and systems.

The Board has prioritised succession planning, looking for the leaders to take Resolution Life into the next decade. Despite strong competition in the industry, we proved we can attract some of the best insurance talent. In 2021, we welcomed our newest Executive Committee members:

- Nardeep Sangha joined as Chief Executive Officer for New Markets. He was previously Global Head of Life & Health Structured Solutions at Swiss Re.
- Simon Woods joined as Group Chief Financial Officer from EY where he was a partner in the financial services group. Highly experienced, Simon has advised many significant global insurance groups on strategy, M&A and debt and equity financing.

We're also committed to identifying and developing emerging talent within the company. We want our people to have an exciting career path, with the opportunity to move between our global operations, and we want them to feel empowered. That's why, in our Australasia and US businesses, we've implemented the 'agile' model of working. Pioneered by technology companies, agile working does away with the idea of rigid structures and siloed hierarchies, in favour of networks of self-sufficient teams that learn using data and make decisions rapidly. We're one of the first life insurance companies to adopt this methodology, and believe it gives us a competitive edge.

We want our people to reflect the societies in which they operate. Our businesses continue to build on their local plans and successes and in 2021 we made progress on plans for improving diversity, equity and inclusion ("DEI") at a global level. After the Board approved our proposal for a bottom-up approach, we established a DEI team comprising 15 people from across the business. The team is now writing our DEI policy and will present recommendations on implementation to the Board in 2022. We're developing a scorecard to track our ethnic and gender diversity and equity, employee retention, employee involvement, and community involvement.

Managing our assets

Active management and rotation of our assets helps us generate better returns. We don't invest in the markets directly, but through 'top tier' asset managers. This gives us wider choice, and more flexibility than some of our competitors who are tied to in-house managers.



We're not materially exposed to the equity markets, nor do we chase interest rates or credit risks. Our risk appetite is set to limit exposure to key market risks.



We're also able to invest in more illiquid, long-term asset classes, offering higher returns, because many of the liabilities will only mature far in the future. Our asset management approach demonstrated strong results in 2021, especially in the US.

Challenges and risks

With our assets under management, we employ a mostly defensive strategy that protects us against market fluctuations caused by external shocks, such as the pandemic and, in early 2022, the war in Ukraine. Since we're not materially exposed to the equity markets, and are cautiously positioned relative to interest rates with a predominantly investment grade bond portfolio, the overall effect of COVID-19 on our portfolio has been small relative to the impact on economies and society.

Wider responsibility

Our responsibilities as a life insurer don't end with the policyholders we serve. As an owner of a significant asset portfolio, we have a much wider responsibility through the influence of our investments to present and future generations, especially regarding climate change and our social impact. We believe the most effective approach is to influence the investment decisions of the asset managers we work with. We aim to establish a firmer policy for investing our assets in the coming year.

Governance

Our industry is highly regulated to protect customers and investors from exposure to unnecessary risk. We have a good reputation with regulators, and our commitment to governance goes beyond what's legally required.



We can only achieve our purpose with a strong, experienced and independent board which makes sure we always act in the best interests of our stakeholders.

Our Group Board is made up of 12 people, including five independent non-executive directors. The Board sets the tone for the Group's culture of integrity, accountability, and transparency. It meets at least four times a year to make decisions, amongst other things, on our strategy and financial objectives.

Our Executive Committee is made up of 11 members of Resolution Life. They are empowered by the Board to lead the Group strategy. The Executive Committee members are: Clive Cowdery, Resolution Founder and Executive Chairman of Resolution Life; W. Weldon Wilson, Vice Chair; John Hele, President and COO; Jonathan Moss, Group Chief Risk Officer; Simon Woods, Group Chief Financial Officer; Megan Beer, CEO Australasia;

Matt Grove, CEO US; Steve Hales, CEO Resolution Re; Nardeep Sangha, CEO New Markets; Clarie Singleton, Group General Counsel; and Karl Happe, Group Chief Investment Officer.

We have strong local boards, including an all-female board in New Zealand. These boards ensure that our subsidiary companies meet local regulatory requirements, maintain sufficient capital and risk management protocols, and manage customer relationships appropriately.

Environmental, social and governance issues

For the businesses, and the Group, we use a scorecard to track a set of key governance indicators, including risk and supplier management, employee benefits, lobbying, and the independence and diversity of the boards. In early 2021, the Board signed off our new environmental, social and governance ("ESG") policy, strengthening our commitment to being a sustainable business in all of our markets. We also formed an ESG committee to share learning across the Group, support target setting, and make sure the policy is implemented. For our people, it's about looking after their wellbeing, providing training and career advancement opportunities, and making sure everyone feels included and welcome in the workplace, regardless of background. We also have a wider societal responsibility across all ESG issues as an asset owner, through the impact of our investments.

We have also done the groundwork to join the UN's Principles for Responsible Investment. We aim to complete this in the first half of 2022, and will then look to join the UN's Global Compact.

Financial review

**Starting strong,
ending stronger**

Chief Financial Officer's introduction



I am delighted to have joined Resolution Life at such a pivotal time for the Group and such an exciting time for the industry. We have long believed that the primary life industry needs to restructure and have never seen such demand for companies that can provide safe homes for existing life policies, with 2021 being an active deal market. I believe Resolution Life is uniquely positioned to succeed: through our global scale, our strong risk focus, operational excellence, and ultimately by putting the customer at the centre of our proposition.

Having joined shortly before the year end, I'm pleased to be reporting on a very strong year. We raised \$1.6bn in capital in the first half of 2021, on top of the \$3.3bn already raised. By the end of the year, we'd invested this new capital, plus over \$300m of our organic capital generation, into four new transactions, in line with our strategy of scaling our platforms, consistent with our risk appetite and in a highly competitive market.

Each of our businesses made acquisitions, in the US, in Australasia and in Bermuda, where we signed two major reinsurance agreements. The agreement with Allianz Suisse was the first ever third-party Europe to Bermuda funded life reinsurance transaction, while the transaction with Allianz Life was complex and very large by industry standards. Today, the Group has c.\$90bn of AUM, and the businesses are now each at operational scale, an important milestone for us.

In the US and Australasia, our teams made significant progress in integrating into their systems the Voya and AMP Life businesses we bought in previous years. Our digital transformation programme, which uses Artificial Intelligence and Natural Language Programming to improve customer service and operational efficiency, also gathered

speed. These investments will help drive our future performance and provide strong foundations for further in-market growth.

Financially, the Group performed well, exceeding our targets and generating over \$850m of free cash flow in the year, significantly ahead of plan. Our US GAAP earnings also reflect this strong performance with reported net profits attributable to shareholders of \$747m and normalised earnings of \$452m. This was in part due to the markets performing well, but also because of our businesses delivering on their plans. We were pleased to pay a dividend of \$76m in December.

We improved our financial reporting capabilities. In 2021, we became group regulated in Bermuda and reported consolidated accounts for the first time following the completion of Resolution Life USA in January 2021. We restructured the Group under a single holding company and this laid the foundation for our A3 group financial strength rating from Moody's. In December, we restructured our bank debt facilities into a term loan of \$1.5bn and an undrawn revolving credit facility of \$500m. This allowed us to reduce the interest cost significantly and extend the tenor of the debt with fewer covenants.

Looking ahead, our priority is on growing the company profitably ahead of our planned IPO by 2025. This includes looking at new markets across Europe and Asia. In 2021, we opened a representative office in Singapore, giving us greater proximity to target mature life insurance markets in Japan and SE Asia.

We will continue to focus on managing each of our businesses for growth, delivering on our plans to reduce costs, and to achieve better returns on our assets through active portfolio management. At a Group level, we are looking to evolve our capital structure, preparing for upcoming US GAAP accounting changes and continuing to build out our operational maturity consistent with being a public company.

Simon Woods
Group Chief Financial Officer

Summary of Resolution Life Group Holdings Ltd financial results

\$ millions	2021	2020
Income	7,780	1,652
Expenses	7,124	1,640
Income tax	(240)	80
Net income	896	(68)
Total Assets	120,150	36,080
Total Liabilities	114,687	33,608
Total Shareholders' Equity	5,463	2,472

Our businesses

Operating globally and locally



We launched Resolution Life with the clear aim of making it a global business. We wanted to target life insurance sectors in mature markets around the world, including North America, Europe and Australasia. We decided the best way to do this was to establish separate, local businesses that could acquire life portfolios or sign reinsurance deals.

Resolution Re

What we do

Resolution Re is the Group's main reinsurance business, based in Bermuda. We take over the financial responsibilities related to existing portfolios of policies sold by established life insurers in other parts of the world, including the US and Europe. This means we invest the assets that come with the portfolio, and make pay-outs when there is a claim or a policy that matures. But the customer administration remains with the company that originally sold the insurance.

Our transactions

The business was launched in 2018, with a \$7.5bn reinsurance agreement with Symetra Life, in the US. In September 2021, we added \$4.3bn in assets and liabilities, related to endowment and annuity policies, from Allianz Suisse. And in December, in a transaction with Allianz Life in North America, we added a net \$14bn of fixed annuity assets and liabilities. We now have a diversified portfolio of assets under management of around \$28bn.

Our year

“We had an exceptional year, growing our assets under management from \$7.5bn in \$28bn in a little over three months.”
Steve Hales, CEO, Resolution Re

Our business highlights included:

- Closing the two reinsurance agreements with Allianz Suisse and Allianz Life North America, which were highly complex and required extensive negotiation.
- Using technology to automate processes, and improve our data analysis and predictive capabilities; our benchmark is 80% automation of processes.
- Retaining and adding staff in a highly competitive market for insurance talent in Bermuda.

One of the main challenges for our people was the heavy workload, especially given the pandemic. We closely monitored our employees' wellbeing, ensuring they took breaks when needed, and hired more people as the business grew.

Looking ahead

With a record number of insurance deals done in 2021, and many more in the pipeline, the outlook in the life and annuity market is extremely attractive for our business, and we are pursuing opportunities that fit our financial and risk profiles.

Our businesses (continued)

Resolution Life Australasia

What we do

At Resolution Life Australasia we serve the mature life insurance markets of Australia and New Zealand, buying large portfolios of existing life and savings policies from established insurers seeking to free up capital. As part of the acquisitions, we assume responsibility for the customers.

Our transactions

We created the business when acquiring AMP Life in 2018, taking on A\$30bn of assets and liabilities. In November 2021, we agreed to buy out AMP Group’s retained minority stake and by the end of the year, our 1,500 employees were serving more than 1.1m customers.

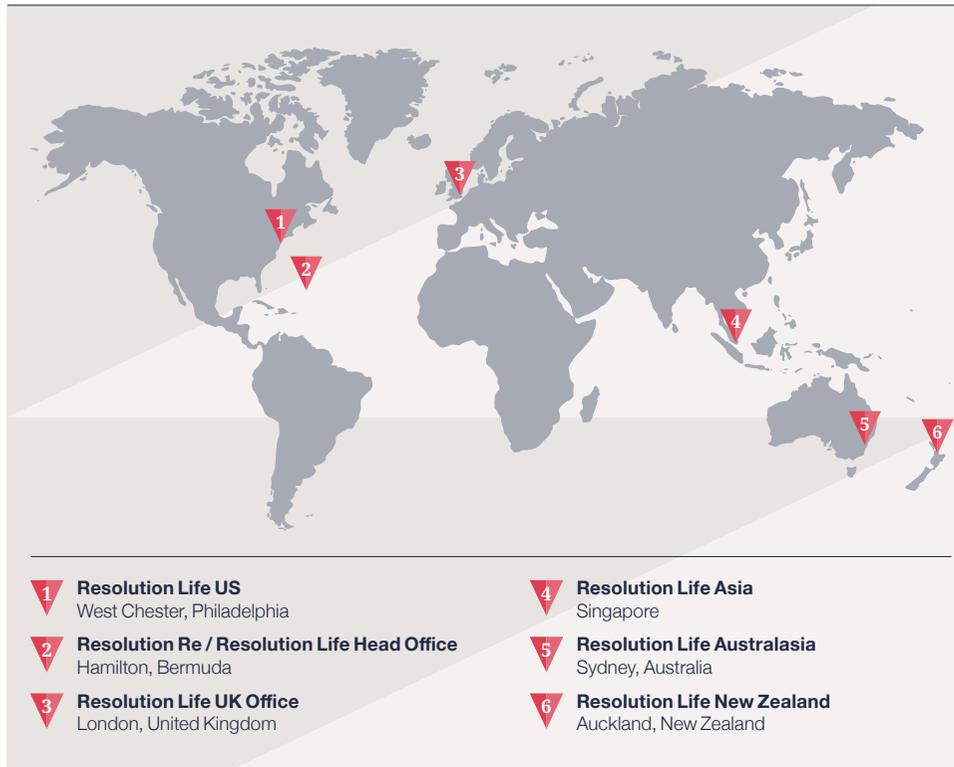
In February 2022, we signed an agreement to acquire AIA Australia’s Superannuation & Investments business. We’ll take on 200 employees and 162,000 customers, and add A\$6bn in assets under management and A\$2bn in assets under administration, strengthening our position as the largest life insurance company in Australasia by assets. The deal is subject to regulatory approval and is expected to close in 12 to 18 months.

Our year

“For us, 2021 was a year of laying the foundations with new technology and data systems that will underpin the business for years to come.”

Megan Beer, CEO Resolution Life Australasia

Where we operate



Our business highlights included:

- Integrating the AMP Life systems into our business – the work is on schedule and will be completed in the first half of 2022. Not only will this remove one of our key business risks, but it will also enable us to use our technology to give better service to customers.
- Improving our customer focus – we cut the time taken to manage and process claims, and now we’re an industry leader on that metric. We also launched a digital portal for our customers with self-service functions.

Nearly 30,000 people registered for, and used, the portal in the early months, and more customers are being added every day. We also rebranded AMP Life to Resolution Life Australasia.

- Enabling our employees to operate in a smarter, more nimble manner by embracing the ‘agile’ way of working – it’s a mindset shift, that’ll take time to be fully achieved, but is already resulting in more efficient service to policyholders.

- Significantly progressing the establishment of our investment management function so that we can operate independently from AMP Capital, and commenced the review to appoint best in class asset managers.

Among our biggest challenges – and one we successfully overcame – was keeping the business operating smoothly despite the very strict COVID-19 lockdowns in Australia and New Zealand which prevented people from going to the office. We’re proud of the way they responded to the challenges of remote working.

Looking ahead

In 2022 we’ll focus on completing the AIA deal, and making preparations for its integration in our business. We’re also pushing on with our digital transformation work and establishing a best-in-class multi-asset-manager model to ensure our assets are optimally invested. Our AI-enabled claims management system will further improve service to our policyholders, and we’ll expand access to our new customer portal. There will be more functionality for customers and financial advisors to self serve.

The Australasian market remains highly favourable for more acquisitions, and we’ll assess whether there are deals that complement our risk profile, and offer attractive returns.

Our businesses (continued)

Resolution Life USA

What we do

We buy existing life and annuity portfolios from US insurance companies, acquiring the assets and liabilities via both reinsurance and the purchase of legal entities. Our head office is in West Chester, Pennsylvania, and we have offices in New York, Atlanta, Georgia, and in Minneapolis, Minnesota. Our c.1,000 employees and contractors serve 1.1m customers.

Our transactions

Resolution Life USA was established in January 2021 with the purchase of Voya Life Inc.'s individual life business, taking on \$25bn of assets and liabilities. In October, we added a further \$9bn through a reinsurance deal with Lincoln Financial.

Our year

“We’re the first life insurer in the US to use the ‘agile’ working method, and we can see how it has driven results and makes our employees feel more valued.”

Matt Grove, CEO Resolution Life USA

Our business highlights included:

- Delivering c.\$250bn in distributable earnings, versus c.\$25bn in our plan; this was mainly due to strong investment results and an array of management actions.
- Improving customer service through a \$150m digitisation programme – we’re working towards giving our employees instant access to customer data through an online portal, for quicker service, and building portals to allow customers to access their own policy data.

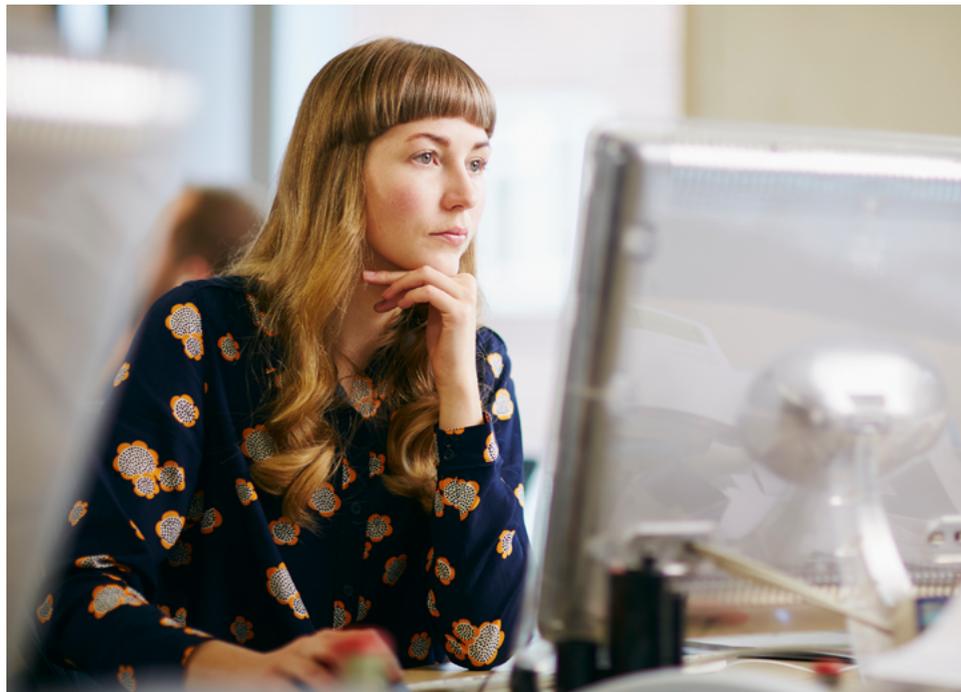
- Empowering our employees, through the ‘agile’ model – through our surveys, we’ve already noted that people feel more engaged, and more valued at work.

One of the challenges in 2021 was employees being pulled in too many directions, as we focused on growing the business, so we hired more people to ease the load.

Looking ahead

The outlook in the US life and annuity market is extremely attractive for our business, and we are pursuing opportunities that fit our financial and risk profiles.

For our existing business, we will expand our digital capabilities and offerings to customers, and recruit new talent to bolster areas where we still have gaps. We also aim to generate cash through efficiencies in the way we manage our administration systems, and our assets under management.



Our acquisitions

Since 2018, we've raised nearly \$5bn and invested it across seven deals, helping us to grow quickly into a large, global life insurance company. In line with our business model, which calls for a wide diversity of risk by geography and policy type, the acquisitions are spread across three continents. They comprise life savings and policies, as well as reinsurance deals.

September 2018

Resolution Re

entered into a reinsurance agreement with **Symetra Life Insurance Company** to reinsure its US statutory pay-out annuity liabilities, which are mainly structured settlements.

January 2021

Resolution Life US

completed the acquisition of substantially all the in-force individual life business of **Voya Financial, Inc.**

September 2021

Resolution Re

entered into a reinsurance treaty agreement with **Allianz Suisse** that transfers a quota share of 80% of the liabilities of Allianz Suisse's Traditional Individual Life Business.

November 2021

Resolution Life Australasia

announced the acquisition of **AMP Limited's** minority equity interest in Resolution Life Australasia.

June 2020

Resolution Life Australasia

completed the acquisition of the Australian and New Zealand wealth protection and mature life insurance businesses of **AMP Holdings Ltd.**

September 2021

Resolution Life US

announced the signing of a reinsurance treaty between its insurance subsidiary, **Security Life of Denver Insurance Company** and Lincoln National Corporation's insurance subsidiary, **The Lincoln National Life Insurance Company.**

December 2021

Resolution Re

entered into a reinsurance treaty agreement with **Allianz Life Insurance Company of North America.**

Other financial information

Equity

\$4.8bn from 47 investors

The Group has \$4.8bn of commitments from 47 investors. Our investor base is global and includes sovereign investment funds, superannuation funds, asset managers, family offices, financial institutions and insurers.

In April 2021 we raised \$1.6bn, broken down as follows:

- \$900m from existing investors
- \$700m of commitments from new investor relationships which include several superannuation funds, a family office and an endowment

Debt

\$2bn debt facility

In December 2021, the Group executed a new \$2bn debt facility at RLGH Finance Bermuda Ltd., comprising:

- a \$750m senior unsecured term loan maturing in 2025
- a \$750m senior unsecured term loan maturing in December 2026
- a \$500m committed Revolving Credit Facility maturing in December 2026 (currently undrawn)

The proceeds of this debt facility were used to repay the existing \$600m senior secured amortising loan facility at Resolution Life Finance (Bermuda) Ltd maturing in 2023, the \$320m senior secured term loan facility at Resolution Life U.S. Holdings Inc. maturing in 2025, and to capitalise Resolution Life US and Resolution Re in connection with supporting the reinsurance agreements with Lincoln Financial Group and Allianz Life Insurance Company of North America.

The Group also has three regulatory debt capital instruments in issue:

- an A\$300m Tier 2 instrument issued by AMP Life Limited in 2020 with a term of 15 years and a non-call period of five years
- \$123m Surplus Notes issued by Security Life of Denver Insurance Company with a term of 15 years maturing in 2036 and a non-call period of five years
- a \$251.26m tier 3 Bridge Facility Agreement at Resolution Re Finance (Bermuda) Ltd entered into in 2021 with a term of three years

Current trading

In February 2022, the Australasia platform announced that it has entered into an agreement with AIA Australia Limited to acquire its superannuation and investments business of approximately A\$8bn. The Australasia Platform operating subsidiary declared a dividend of A\$232m in February 2022. The dividend is being held locally to partially fund the AIA transaction and acquisition of AMP Group's minority equity interest in Resolution Life Australasia.

The Bermuda platform has ended the quarter with a significant surplus to its capital needs. The dividend is expected to partially fund a transaction expected to be signed before 30 June 2022.

Risk report

Trusted and resolute

Risk overview

Risk management is central to everything we do as a life insurance company. It informs how we grow and manage the business, and how we give comfort to our customers, investors and other stakeholders that we are a safe, responsible insurer that honours promises, and delivers stable returns, over the long term.

We have a conservative approach to risk that differentiates us from many of our competitors, especially private asset managers seeking higher returns over a shorter time. We manage risk through a clearly defined risk strategy – the choices we make when dealing with risk; and risk appetite which is the level of risk we are prepared to accept in the business.

Our risk strategy can be summarised as follows:

- We will only make acquisitions and do reinsurance deals that are aligned with our business strategy, and where the risk and potential returns are within our risk appetite
- We will manage the businesses we acquire according to those same standards of risk and potential returns

Our business model is made up of several factors which also form part of our risk management strategy and are important for reducing our overall risk including:

- A geographic focus where we limit ourselves to investments in mature markets: US, Europe, Australia and New Zealand and parts of Asia
- A sector focus where we only buy or reinsure existing life insurance or related portfolios with established histories and highly predictable cash flows
- We avoid concentrated risk, where a single event could cause big losses
- We avoid long-term risks linked to variable payouts
- We stick to things we understand and have expertise in

Risk overview (continued)

Our highly experienced Board sets the risk appetite and approves the risk strategy annually. We express our risk appetite by reference to a number of qualitative statements which capture the outcomes we expect to deliver under different circumstances. These are then re-expressed as tangible limits, set to ensure that actual financial performance is in line with those qualitative statements. These limits determine the target surplus capital we expect within each of our insurance subsidiaries, as well as the acceptable range of value we would expect to deliver to investors in the circumstances of material stress events.

The following considerations underpin our risk appetite:

- Our business plans, which includes our medium-term objectives to grow and transform the business before a public listing
- Focusing on existing customers and growth through M&A and reinsurance, rather than by new retail sales
- Policyholder and regulatory expectations – delivering policyholder benefits in a secure, well capitalised environment
- Shareholder expectations and risk preferences – we aim to return capital over time to institutional investors through a steady dividend yield and building a global business through acquiring complementary risks
- Debt holder/rating agency expectations – maintaining appropriate capital levels to support our target rating

Across all risk categories, we identify emerging risks and threats as part of our risk identification process. This includes new risks and changes to previously known risks that could increase or create new risk exposures.

We apply and communicate our risk strategy, appetite and policies consistently across the business. Rigorous controls and stress and scenario testing ensure we stay within our defined risks limits. At Group level we're regulated by the Bermuda Monetary Authority ("BMA"), and we have good relations with them, as we do with regulators in the US, Europe and Australasia.

Changes during the year

Our risk profile changed in 2021 due to new transactions and the integration of life companies acquired in previous years. While our overall risk exposure, and its geographical spread, has increased, our capital held against it has also grown, such that we remain within our risk preferences and appetite. In general, we've increased our exposure to the broad risk types that already existed within our risk preferences, achieving a better balance across them, rather than exposing the group to new risks. We have a diversified risk profile, with a good split between insurance and market risk, and within each between the different types of risk considered below. All of our businesses maintained surplus capital consistent with the conservative ranges we set to make sure we stay well capitalised throughout the economic cycle.

External events also affected the risk environment. The direct impact of the COVID-19 pandemic, including US mortality, has gradually reduced but there are continuing aftershocks. The recovery of the global supply chain has been sporadic. This has caused inflation to rise, and a turn in the interest rate

cycle. Most central banks have started to increase rates, and we anticipate further rate rises.

The war in Ukraine is a tragic event first and foremost, for all those affected. We have no direct material asset exposure to the Russian or Belarusian markets via our strategic business partners. But war and the sanctions against Russia are having an impact on the global economy. Commodity prices have already spiked, and there may be more economic effects in the medium term. We'll continue to closely monitor these events.

All of these internal and external factors are broadly captured within our stress and scenario process, which ensures we set our surplus capital at a level that continues to support the financial strength of the business.

Principal risk types

Resolution Life is exposed to a broad landscape of risks. These include three main types of risks:

- Risks that are actively taken as part of insurance or asset management operations
- Risks that we don't explicitly hold capital for but that we monitor and control given their significance
- Reputational risks that may be possible consequences of any risk type, in addition to the potential financial and compliance impact

Risk overview (continued)

Insurance and asset management risks

Our risk appetite allocation specifically identifies insurance risk, financial market risk and counterparty and investment credit risks as measurable and quantifiable. These risks are defined as follows:

Insurance and asset management risks

Risk type	Risk preference	Mitigation
<p>Insurance risk arises from coverage provided for mortality (death), longevity (annuity) and morbidity (illness and disability) in acquired closed books of business. In addition to potential shock events (such as a severe pandemic), it includes underlying risks inherent in life and health contracts that arise because mortality, morbidity or lapse experience deviates from expectations.</p>	<p>Resolution Life accepts insurance risks as these are risks that are inherent in building an insurance book. We set target risk preferences measured as prospective value at risk according to our skills in underwriting and pricing. Limits that have been set reflect the Group's preferences for not having significant risk concentrations. As such, the Group does not have appetite to be disproportionately exposed to any individual insurance risk type.</p>	<ul style="list-style-type: none"> • Underwriting books of life insurance businesses prior to acquisition. • Recruitment and investment in the skills and modelling capabilities which understand insurance risk. • Insurance risk is managed at business level in accordance with the Group insurance risk policy. • The Group does not have any concentration of demographic risk across its businesses, given geographic diversification and expected diversification between mortality and longevity risks. • Regular risk exposure monitoring, reporting and escalation processes are in place, allowing for potential remediation actions to be undertaken if required. • In addition, strong claims management and reinsurance are a standard element of our risk framework. • At Group level, diversification between different types and geographic locations of insurance risk is expected to increase as the Group continues to grow.
<p>Financial market risk represents the potential impact on assets or liabilities that may arise from movements in financial market prices or rates, such as equity prices, interest rates, credit spreads, hedge fund prices, real estate prices, commodity prices or foreign exchange rates. Financial market risk originates from two main sources: investment activities and the sensitivity of the economic value of liabilities to financial market fluctuations.</p>	<p>We actively seek some market risks as part of insurance and asset management operations. We set target risk preferences measured as prospective value at risk.</p>	<ul style="list-style-type: none"> • Risk appetites set to limit exposures to key market risks. • Active asset management and use of derivatives to hedge portfolios against adverse market movements (for example, protective puts) or to reduce the reinvestment risk (for example, by using forwards, swaps, forward starting swaps or swaptions). • Active asset and liability duration matching.
<p>Financial market risk – Interest rate levels and volatility: The long-dated liabilities in the portfolios contribute to interest rate risk, in particular when they cannot be fully matched by available investments due to long maturities. However, we cannot eliminate the risk entirely and the Group's profitability may be adversely affected by interest rate levels and volatility. The Group may be required to reinvest assets in securities bearing lower interest rates, which in turn could compress its interest margins and decrease profitability.</p> <p>Conversely, the Group may be required to liquidate fixed income investments at a time when market prices for those assets are depressed because of increases in interest rates.</p>	<p>The Group has a low appetite for interest rate risk.</p>	<ul style="list-style-type: none"> • Imposition of constraints on the amount of investment risk that can be taken. Those constraints operate at different levels, and will have been developed on a bottom-up basis, but which is also tested top-down to make sure implications at an entity level are well understood. • Each business will operate within defined investment guidelines ("IGs") which reflect the particular circumstances of the business it has written historically, or which has been added by way of transactions. For example, for Resolution Re, it will have agreed IGs for the collateral accounts with each of the counterparties under their respective re-insurance agreements. Each collateral account will then be monitored to ensure compliance with the IGs. • The Group has set a 'Capital at Risk' appetite for each entity to ensure that there is sufficient capital to deliver an appropriate buffer over regulatory solvency requirements when considered in isolation.

Risk overview (continued)

Insurance and asset management risks (continued)

Risk type	Risk preference	Mitigation
<p>Counterparty credit risk reflects the potential financial loss that may arise due to the diminished creditworthiness or default of counterparties of Resolution Life or of third parties.</p>	<p>Resolution Life works with strongly rated and stable counterparties, and diversifies counterparty exposures where appropriate.</p>	<ul style="list-style-type: none"> • Concentration risk exposure to counterparties through investment assets is limited through the investment guidelines. • Reinsurance counterparty exposure is limited under the counterparty risk exposure policies of each of the businesses. • Derivative counterparty risk exposures are limited by the operation of central clearing and daily settlement.
<p>Investment credit risk arises from investment and treasury activities, structured transactions and reinsurance.</p>	<p>Resolution Life seeks investment credit risk as it is a natural part of building up an asset portfolio to support life insurance liabilities. Our investment managers actively leverage the structural investment advantages credit portfolios confer against long-dated, relatively illiquid liabilities enabling us to earn investment returns. We set target risk preferences measured as prospective value at risk.</p>	<ul style="list-style-type: none"> • Fixed-income portfolios should be diversified across different issuers, asset types, industries, maturities, credit ratings and geographies. • Maximum limits will be set around the level of permitted concentration to single entities, individual asset classes, individual industries and credit ratings to ensure a well-balanced and diversified portfolio. • Credit risk hedging. • Working closely with outsourced investment management partners to make investments in order to generate an adequate risk-adjusted return. • Credit risk management to monitor and assess credit risk.

Risk overview (continued)

Operational risks

Resolution Life holds capital against operational risks:

Operational risks

Risk type	Mitigation
<p>Operational risk arises from unintended effects, either financial or non-financial such as additional regulatory oversight, resulting from inadequate or failed internal processes, people and systems or from external events. This includes legal risk. Resolution Life has no direct operational exposure to the Russian and Belarusian market via its strategic business partners.</p>	<ul style="list-style-type: none"> • Maintenance of a strong control environment to limit these risks as far as possible. • Where Resolution Life outsources some of its operations, it undertakes thorough due diligence in advance of appointment and then has a strong oversight programme. • Preparation for potential operational risk events is regularly carried out through both tabletop and drill exercises.
<p>Cyber security risks: These arise from unauthorised access to, disruption of or misuse of Resolution Life's electronic systems or information contained on such systems.</p>	<ul style="list-style-type: none"> • We mitigate these risks through robust processes and controls including data protection, penetration testing and staff training. • Resolution Life either maintains ISO27001:2013 accreditation or is seeking NIST alignment in its regulated entities.

Risk overview (continued)

Other significant risks

We're also exposed to other risks that we don't explicitly hold capital for but that we monitor and control given their significance. These are set out in the table below.

Other significant risks

Risk type	Mitigation
<p>Liquidity risk represents the possibility that Resolution Life will not be able to meet expected and unexpected cash flow and collateral needs without affecting either daily operations or our financial condition.</p>	<p>Liquidity capital buffers are held throughout the Group. Each legal entity of the Resolution Group manages liquidity risk locally and Group head office manages the overall holding company liquidity risk.</p> <ul style="list-style-type: none"> • The minimum requirements for managing and mitigating liquidity risk take into account the following: <ul style="list-style-type: none"> ○ Maintenance of minimum liquidity coverage ratios and minimum levels of liquid assets to deliver financial obligations to all stakeholders even under stress scenarios ○ Compliance with regulatory requirements ○ Rating agency requirements ○ Short-term and longer-term liquidity needs of the business • Maintaining committed borrowing facilities from banks. • Commercial paper issuance. • Conservative management in aligning asset and liability cash flows.
<p>Strategic risk represents the possibility that poor strategic decision-making, execution or response to industry changes or competitor actions could harm our competitive position and thus our franchise value.</p>	<ul style="list-style-type: none"> • Robust annual strategic planning process. • Strong governance and gatekeeping surrounding key business decisions and investments. • Group-wide enterprise risk management processes considering strategic and emerging risks on a regular basis.
<p>Regulatory and compliance risk arises from non-compliance with existing laws, regulatory and legal requirements or lack of preparation on future changes to laws (including tax) and regulations in the jurisdictions in which we operate.</p>	<ul style="list-style-type: none"> • Open, transparent and regular dialogue with regulators and advisors together with investment in order to ensure compliance with regulatory and legal requirements and expectations. • Participation in regulatory and industry working groups. • Compliance with all laws, standards and regulations that apply to our business, including the BMA Group Supervision Rules 2011 and related regulations. • Providing the businesses clear guidance on the requirements and principles they should adopt in their own local compliance frameworks and policies. • Embedding compliance management into business processes and controls. • Exercising effective oversight of all Group functions.
<p>M&A risk: Given the nature of Resolution Life's business model, acquisitions and reinsurance transactions are effectively Resolution Life's new business. The Group is exposed to M&A and transaction risk which includes uncertainty or loss arising from not fully understanding or appreciating the size, scope and complexities of the business we acquire. The risk relates to transactions and is short term in nature. After acquisition, the risk migrates to strategic and/or operational execution risk.</p>	<ul style="list-style-type: none"> • This activity is run as a centre of excellence by highly skilled staff supported by leading advisory teams. • The Group has very low appetite for material reputational and financial risk arising from M&A activity.

Risk overview (continued)

Other significant risks (continued)

Risk type	Mitigation
<p>Sustainability risk comprises the environmental, social and ethical risks that may arise from individual business transactions or the way Resolution Life conducts its operations.</p>	<ul style="list-style-type: none"> Resolution Life takes ESG seriously and has established an ESG Working Group to focus on improving the way in which we manage this risk. ESG is owned by the Group Executive Committee and overseen by the Board.
<p>Currency risk: The capital accounts are denominated in U.S. dollars and distributions will be made in U.S. dollars. However, the investment in AMP Life will result in the generation of dividends from Resolution Life Australasia denominated in Australian dollars. Changes in the rates of exchange between the U.S. dollar and the Australian dollar may have an adverse effect on the performance of the Group and amounts available for distribution by the Partnership. Future transactions may also involve mismatches between currencies of income and liabilities.</p>	<ul style="list-style-type: none"> The Group has little appetite for currency mismatch risk and only incidental currency risk is accepted. The Group accepts currency translation risk as a natural part of its global strategy as it increases diversification. As a general rule, the Group does not implement currency hedges, apart from potentially hedging known cash flows in the near-term. For example, hedging of approved remittances from entities to Group where currency volatility is high. The Group expects to hedge its acquisition funding in foreign currencies to reduce the volatility of its sources and uses of capital.

Risk overview (continued)

Reputational risk

Reputational risk is not considered a separate risk category but rather represents a possible consequence of any risk type in addition to the potential financial and compliance impact.

Reputational risk

Risk type	Mitigation
<p>Breach of Regulatory capital requirements: There is a risk that Resolution Life breaches regulatory capital requirements and that if that occurred it would be damaging to our reputation with key stakeholders such as regulators/policyholders ratings agencies, lenders etc. The level of statutory capital that our subsidiaries are required to hold is influenced by their statutory earnings and changes in reserving requirements, interest rates, the market value of the investment portfolio, policyholder behaviour and operational resilience.</p>	<p>Resolution Life seeks to be sufficiently well capitalised throughout the economic cycle to ensure:</p> <ul style="list-style-type: none"> • Achievement and maintenance of investment grade credit rating • That regulatory capital requirements are always met • That we can continue to deliver the Group's M&A strategy

Financial Statements

Financial Statements

As of and Year Ended 31 December 2021

Financial Statements (continued)

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Financial Statements (continued)



Independent Auditors' Report

To the Audit Committee of the Board of Directors and Shareholder of Resolution Life Group Holdings Ltd.

Opinion

We have audited the consolidated financial statements of Resolution Life Group Holdings Ltd and subsidiaries (the "Company"), which comprise the consolidated balance sheets as of December 31, 2021 and 2020, and the related consolidated statements of operations, comprehensive income (loss), shareholders' 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, 2021 and 2020, 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 audits 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 audits. 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 one year after the date that the financial statements are issued.

Auditors' 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 judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgement 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 judgement, 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 + Touche LLP

30 April 2022

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Financial Statements (continued)

Consolidated Balance Sheets – 31 December 2021 and 2020 (\$'s in thousands, except par value and share value amounts)

Consolidated Balance Sheets

	31 December 2021	31 December 2020
Assets		
Investments:		
Fixed maturity securities, available-for-sale, at fair value (amortised cost of \$35,263,388 and \$9,280,576, respectively)	\$ 34,816,824	\$ 9,486,880
Fixed maturity securities, fair value option	411,734	–
Equity securities	3,616,132	2,989,830
Investment funds	4,788,707	4,248,995
Commercial mortgage loans	2,562,727	–
Policy loans	1,642,093	104,161
Short-term investments	2,029,808	2,076,989
Other invested assets	944,195	1,406,416
Total investments	50,812,220	20,313,271
Cash and cash equivalents	3,137,701	2,561,436
Accrued investment income	275,439	69,841
Funds withheld asset	38,717,952	6,237,082
Reinsurance recoverable, net	17,103,549	1,790,097
Value of business acquired and deferred acquisition costs	3,034,067	1,194,101
Goodwill	71,409	61,835
Other assets	2,003,550	496,804
Separate account assets	4,994,239	3,355,375
Total Assets	\$ 120,150,126	\$ 36,079,842

The accompanying notes are an integral part to these consolidated financial statements.

Financial Statements (continued)

Consolidated Balance Sheets – 31 December 2021 and 2020

(\$'s in thousands, except par value and share value amounts)

Consolidated Balance Sheets (continued)

	31 December 2021	31 December 2020
Liabilities and Equity		
Future policy benefits and other policyholder liabilities	\$ 33,725,696	\$ 14,791,481
Policyholder liabilities, at estimated fair value	6,511,136	7,086,618
Policyholder account balances	51,998,488	5,281,013
Funds withheld payables	12,853,141	–
Current maturities of long-term debt	–	72,000
Long-term debt	2,104,248	747,896
Accrued expenses and other liabilities	2,499,987	2,273,955
Separate account liabilities	4,994,239	3,355,375
Total Liabilities	\$ 114,686,935	\$ 33,608,338
Commitments and Contingencies (Note 15)		
Shareholders' Equity		
Common stock, \$1.00 par value, 6,500 and 3,002 shares authorized, issued and outstanding, respectively	\$ 7	\$ 3
Additional paid in capital	4,154,172	1,829,802
Retained earnings (deficit)	434,615	(312,712)
Accumulated other comprehensive income (loss)	(104,334)	383,192
Total RLGH Ltd. Shareholders' Equity	\$ 4,484,460	\$ 1,900,285
Non-controlling interest	978,731	571,219
Total Shareholders' Equity	\$ 5,463,191	\$ 2,471,504
Total Liabilities and Shareholders' Equity	\$ 120,150,126	\$ 36,079,842

The accompanying notes are an integral part to these consolidated financial statements.

Financial Statements (continued)

Consolidated Statements of Operations – for the Years Ended 31 December 2021 and 2020

(\$'s in thousands)

Consolidated Statements of Operations

	2021	2020
Revenues		
Premiums earned	\$ 4,612,412	\$ 278,098
Fee income	1,284,480	33,007
Net investment income	1,872,384	881,847
Investment-related gains (losses), net	10,335	459,108
Total revenues	\$ 7,779,611	\$ 1,652,060
Benefits and Expenses		
Policyholder benefits	5,449,696	413,983
Change in policyholder liabilities at estimated fair value	(60,642)	816,070
Interest credited	832,515	107,074
Amortisation of value of business acquired and deferred acquisition costs	140,726	48,970
Other operating expenses	761,890	253,758
Total benefits and expenses	7,124,185	1,639,855
Income (Loss) before income tax	\$ 655,426	\$ 12,205
Income tax expense (benefit)		
Current tax	(3,557)	45,392
Deferred tax	(236,612)	34,570
Total income tax expense (benefit)	\$ (240,169)	\$ 79,962
Net income (loss)	895,595	(67,757)
Less: Net income (loss) attributable to non-controlling interests	148,268	31,094
Net income (loss) attributable to RLGH Ltd. shareholders	\$ 747,327	\$ (98,851)

The accompanying notes are an integral part to these consolidated financial statements.

Financial Statements (continued)

Consolidated Statements of Comprehensive Income (Loss) – for the Years Ended 31 December 2021 and 2020 (\$'s in thousands)

Consolidated Statements of Comprehensive Income (Loss)

	2021	2020
Net Income (Loss)	\$ 895,595	\$ (67,757)
Other Comprehensive Income (Loss)		
Change in unrealised investment gains (losses) on available-for-sale securities	(652,868)	134,423
Policy reserves and value of business acquired adjustment	199,757	(6,843)
Currency translation adjustment	(133,157)	202,979
Other comprehensive income (loss), before income tax	\$ (586,268)	\$ 330,559
Tax expense (benefit) related to other comprehensive income (loss)	73,363	6,742
Other comprehensive income (loss), net of income tax	\$ (512,905)	\$ 323,817
Less: Other comprehensive income (loss) attributable to non-controlling interests	(25,379)	9,222
Total Other comprehensive income (loss) attributable to RLGH Ltd. shareholders	\$ (487,526)	\$ 314,595
Total Comprehensive income (loss)	\$ 382,690	\$ 256,060
Less: Comprehensive income (loss) attributable to non-controlling interests	122,889	40,316
Total Comprehensive income (loss) attributable to RLGH Ltd. shareholders	\$ 259,801	\$ 215,744

The accompanying notes are an integral part to these consolidated financial statements.

Financial Statements (continued)

Consolidated Statements of Shareholders' Equity – for the Years Ended 31 December 2021 and 2020

(\$'s in thousands, except par value and share value amounts)

Consolidated Statements of Shareholders' Equity

	Common Shares			Retained Earnings (Deficit)	Accumulated Other Comprehensive Income (Loss)	Total RLGH Ltd. Shareholders' Equity	Non-controlling interest	Total Shareholders' Equity
	Shares	Amount	Additional Paid-in Capital					
Balance, 31 December 2019	1,002	\$ 1	\$ 872,685	\$ (213,111)	\$ 68,597	\$ 728,172	–	\$ 728,172
Issuance of capital stock	2,000	2	–	–	–	2	–	2
Capital contributions	–	–	957,117	–	–	957,117	–	957,117
Net income (loss)	–	–	–	(98,851)	–	(98,851)	31,094	(67,757)
Other comprehensive income	–	–	–	–	314,595	314,595	9,222	323,817
Changes in equity of non-controlling interest	–	–	–	–	–	–	530,903	530,903
Dividends paid	–	–	–	(750)	–	(750)	–	(750)
Balance, 31 December 2020	3,002	\$ 3	\$ 1,829,802	\$ (312,712)	\$ 383,192	\$ 1,900,285	\$ 571,219	\$ 2,471,504
Issuance of capital stock	3,498	4	81,802	–	–	81,806	–	81,806
Capital contributions	–	–	2,242,568	–	–	2,242,568	–	2,242,568
Net income (loss)	–	–	–	747,327	–	747,327	148,268	895,595
Other comprehensive income	–	–	–	–	(487,526)	(487,526)	(25,379)	(512,905)
Changes in equity of non-controlling interest	–	–	–	–	–	–	296,891	296,891
Distributions to non-controlling interest	–	–	–	–	–	–	(12,268)	(12,268)
Balance, 31 December 2021	6,500	\$ 7	\$ 4,154,172	\$ 434,615	\$ (104,334)	\$ 4,484,460	\$ 978,731	\$ 5,463,191

The accompanying notes are an integral part to these consolidated financial statements.

Financial Statements (continued)

Consolidated Statements of Cash Flows – for the Years Ended 31 December 2021 and 2020

(\$'s in thousands)

Consolidated Statements of Cash Flows

	2021	2020
Cash flows from operating activities		
Net income (loss)	\$ 895,595	\$ (67,757)
<i>Adjustments to reconcile net income (loss) to net cash provided by operating activities:</i>		
Policy charges and fee income	(1,128,166)	(17,191)
Interest credited	832,515	107,074
Amortisation/accretion of net investment premium and discount	319,428	60,263
Net investment-related (gain) loss, net	(173,667)	(459,108)
Net investment income on limited partnerships	(142,729)	–
Foreign exchange (gains) losses not related to cash	(428)	–
Change in fixed maturities, fair value option investments	23,550	–
Premiums	(68,291)	(128)
Net investment income on funds withheld assets	(224,500)	(245,844)
Policy and other operating expenses	8,602	1,139
Cash settlement of modified coinsurance agreements	123,312	30,910
Decrease (increase) in accrued investment income	(17,578)	(2,068)
Decrease (increase) in other assets and liabilities	(110,895)	(292,538)
Change in deferred acquisition costs and VOBA	129,689	45,167
Ceding commission paid	(858,034)	–
Deferred income tax expense (benefit)	(305,401)	16,094
Change in reserves	(590,654)	(72,235)
Net cash (used in) provided by operating activities	\$ (1,287,652)	\$ (896,222)

The accompanying notes are an integral part to these consolidated financial statements.

Financial Statements (continued)

Consolidated Statements of Cash Flows – for the Years Ended 31 December 2021 and 2020

(\$'s in thousands)

Consolidated Statements of Cash Flows (continued)

	2021	2020
Cash flows from investing activities		
Proceeds from sales, maturities and repayment of:		
Fixed maturities, available-for-sale	13,815,095	1,673,065
Fixed maturities, fair value option	167,215	–
Equity securities	1,531,061	528,852
Investment funds	428,430	874,596
Commercial mortgage loans	318,221	–
Purchases of:		
Fixed maturities, available-for-sale	(15,017,025)	(1,624,525)
Fixed maturities, fair value option	(81,424)	–
Equity securities	(1,287,945)	(446,160)
Investment funds	(862,563)	(1,306,068)
Commercial mortgage loans	(238,633)	–
Net purchases, sales, maturities of derivatives	(145,141)	283,821
Net purchases, sales, maturities of other investments	135,891	(977,792)
Purchase of subsidiaries, net of cash, cash equivalents and restricted cash acquired	(99,185)	1,639,309
Net cash provided by (used in) investing activities	\$ (1,336,003)	\$ 645,098

The accompanying notes are an integral part to these consolidated financial statements.

Financial Statements (continued)

Consolidated Statements of Cash Flows – for the Years Ended 31 December 2021 and 2020 (\$'s in thousands)

Consolidated Statements of Cash Flows (continued)

	2021	2020
Cash flows from financing activities		
Issuance of common stock	81,806	2
Capital contributions	2,242,568	957,117
Proceeds from Long-term debt	2,064,465	818,384
Proceeds from Short-term debt	3,930	155,019
Repayment of Long-term debt	(920,030)	–
Repayment of Short-term debt	(5,152)	(167,614)
Repayment of deferred and contingent consideration	(95,065)	–
Net funds received/(paid) on policyholder liabilities at fair value	(60,642)	816,070
Net funds received/(paid) on policyholder account balances	(67,877)	(231,903)
Contributions from (distributions to) consolidated investment entities	88,909	(7,377)
Effect of foreign currency on financing activities	(14,626)	12,595
Net cash provided from financing activities	3,318,286	2,352,293
Foreign currency effect on cash, cash equivalents and restricted cash	(118,366)	236,255
Net increase/(decrease) in cash, cash equivalents and restricted cash	576,265	2,337,424
Cash, cash equivalents and restricted cash, beginning of year	\$ 2,561,436	\$ 224,012
Cash, cash equivalents and restricted cash, end of year	\$ 3,137,701	\$ 2,561,436

The accompanying notes are an integral part to these consolidated financial statements.

Financial Statements (continued)

Consolidated Statements of Cash Flows – for the Years Ended 31 December 2021 and 2020 (\$'s in thousands)

Consolidated Statements of Cash Flows (continued)

	2021	2020
Supplemental schedule of cash flow information		
Net cash paid (received) for:		
Interest paid	\$ 47,697	\$ 11,468
Tax paid (recovered)	\$ 253,328	\$ 97,621
Non-cash transactions		
Minority shares issued	\$ 100,000	\$ 344,487
Issuance of long-term debt	\$ 148,000	\$ –
Issuance of contingent consideration	\$ 100,000	\$ –
Issuance of deferred purchase consideration	\$ 27,950	\$ –
Premiums assumed on reinsurance contracts	\$ 3,589,412	\$ –
Reserves assumed on reinsurance contracts	\$ 3,589,412	\$ –
Assets acquired through reinsurance agreements on a funds withheld basis	\$ 37,804,563	\$ –
Assets ceded through reinsurance agreements on a funds withheld basis	\$ 12,546,358	\$ –

The accompanying notes are an integral part to these consolidated financial statements.

Financial Statements (continued)

Notes to the Consolidated Financial Statements (\$'s in thousands)

1. General

Resolution Life Group Holdings Ltd. (individually referred to as “HoldCo”, “RLGH Ltd.” or together with its subsidiaries referred to as the “Company”) was formed on 11 May 2017 in Bermuda and is a wholly-owned subsidiary of Resolution Life Group Holdings L.P. (“Parent” or “Group”). The Group’s purpose is to consolidate in-force life insurance companies and portfolios in mature markets globally.

The Company’s subsidiaries are listed in Note 17. RLGH’s operating subsidiaries are Resolution Re Ltd. (“RRL”), Resolution Life NOHC Pty Ltd (“NOHC”) and Resolution Life U.S. Holdings Ltd (“RLUSH”).

RRL was incorporated as a Bermuda exempt company in 2017. RRL is a wholesale provider of reinsurance and other risk transfer solutions to both third parties and affiliates.

The main operating subsidiary of the NOHC is Resolution Life Australia Pty Ltd (“RLA”). On 30 June 2020, the NOHC acquired AMP Financial Services Holding Ltd. (see Note 3). RLA’s main operating subsidiary is Resolution Life Australasia Limited (“RLAL”).

In December 2019, the Parent authorised the formation and incorporation of three US domiciled entities: Resolution Life U.S. Holdings L.P. (“RLUSH L.P.”), Resolution Life U.S. Parent Inc. (“RLUSP”), and RLUSH. In 2020, a new US parent corporation, Resolution Life US Intermediate Holdings Ltd (“RLUSIH”) was authorised and incorporated by RLUSH LP, and the US direct and indirect subsidiaries were transferred to it. In addition, in 2020 RLGH Ltd. created a new subsidiary, RLGH Finance Bermuda Limited (“RLGH FB”), which became the new intermediate holding company for the Bermuda (and indirectly Australasia) sub-groups.

In January 2021, RLUSH (through its wholly-owned Colorado life insurance subsidiary, Resolution Life Colorado, Inc. (“RLCO”)), acquired the in-force individual life insurance and legacy nonretirement annuity business of Voya Financial, Inc. (see Note 3). In July 2021, RLUSH LP was dissolved and the ordinary shares in RLUSIH (and its subsidiaries) were transferred to HoldCo, which transferred them to a new UK holding company, RL UK Holdings, a subsidiary of RLGH FB. In October 2021, ownership of Resolution Life Group Services Ltd (“RLGS”) was transferred to RLGH FB.

Effective 30 December 2021, the Company entered into a reinsurance transaction with Allianz Life Insurance Company of North America to reinsure fixed indexed annuity reserves of approximately \$28 billion. The Company retroceded approximately 45% of the assumed reserves to an unaffiliated entity. The reinsurance transaction is structured as a modified coinsurance arrangement where assets are withheld by the ceding insurer. The retrocession arrangement follows a similar structuring, with assets being withheld. The assumed and ceded reserves are presented gross on our balance sheet in line with our accounting policies in Note 2.

Basis of Presentation

The Company’s consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States (“US GAAP”). The principal accounting policies applied in the preparation of these consolidated financial statements are set out below and in Note 2.

Consolidation

The accompanying consolidated financial statements include the accounts of the Company and its subsidiaries as well as partnerships and joint ventures in which the Company has control, and variable interest entities (“VIE”) for which the Company is the primary beneficiary. Intercompany accounts and transactions have been eliminated.

Use of Estimates

The consolidated financial statements, in accordance with US GAAP, 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. The Company’s principal estimates impact:

- Fair value of investments
- Value of business acquired (“VOBA”)
- Goodwill
- Reserves for future policy benefit and policyholder account balances
- Valuation allowances on deferred tax assets; and
- Provisions and contingencies

Business Combinations

The Company uses the acquisition method of accounting for all business combination transactions and, accordingly, recognises the fair values of assets acquired, liabilities assumed and any non-controlling interests in the consolidated financial statements. The allocation of fair values may be subject to adjustment after the initial allocation for up to a one-year period as more information becomes available relative to the fair values as of the acquisition date. The consolidated financial statements include the results of operations of any acquired company since the acquisition date.

Financial Statements (continued)

Notes to the Consolidated Financial Statements (\$'s in thousands)

2. Significant Accounting Policies

Cash and Cash Equivalents

Cash includes cash on hand, amounts due from banks, and certain money market securities, held in the ordinary course of business with maturities of three months or less when purchased.

Restricted Cash

Restricted cash consists of cash and cash equivalents (i) held in funds in trust as part of modified coinsurance ("modco") agreements to secure reserves and liabilities and (ii) amounts posted as collateral for derivative contracts and is presented within cash and cash equivalents on the face of the Consolidated Balance Sheets.

Investments

Fixed maturity securities include bonds, asset-backed securities ("ABS"), residential mortgage-backed securities ("RMBS"), commercial mortgage-backed securities ("CMBS") and mortgage loans. Fixed maturity securities are designated as available-for-sale ("AFS") except those accounted for using the fair value option ("FVO"), as they may be sold prior to their contractual maturity, and are carried at fair value. Unrealised gains and losses on AFS securities are reflected in accumulated other comprehensive income (loss) on the Consolidated Balance Sheets. Cash received from calls, principal payments and make-whole payments and cash received from maturities and pay-downs are reflected as a component of proceeds from sales and maturities within the Consolidated Statements of Cash Flows.

Equity securities include perpetual preferred stock and common stock investments. Equity investments are accounted for at fair value. Changes in estimated fair value of these securities are included in Investment-related gains (losses), net, on the Consolidated Statements of Operations.

Investment funds include certain non-fixed income, alternative investments in the form of limited partnerships or similar legal structures (investment funds). Investment funds can meet the definition of VIEs, which are discussed further in Note 7 – Variable Interest Entities. These are consolidated when the Company has determined it is the primary beneficiary of the investment fund. Alternatively, certain entities are consolidated under the voting interest entity ("VOE") guidance when control is obtained through voting rights (refer to the Consolidated Balance Sheets for the assets and liabilities of the Company's consolidated investment entities).

For unconsolidated investment funds, the Company uses either the equity method of accounting or elects the FVO. For equity method investments, the Company records its proportionate share of investment fund income within net investment income on the Consolidated Statements of Operations which can be on a lag of up to three months when investee information is not received in a timely manner.

Where the fair value option has been elected the change in the fair value is reflected in Investment-related gains (losses), net on the Consolidated Statements of Operations.

The Company records security transactions on a trade date basis, with any unsettled trades recorded in other assets or other liabilities on the Consolidated Balance Sheets.

The Company recognises other-than-temporary impairments ("OTTI") for fixed income securities classified as AFS in accordance with Accounting Standards Codification ("ASC") 320, *Investments-Debt and Equity Securities*. At least quarterly, management reviews impaired securities for OTTI. The Company considers several factors when determining if a security is OTTI, including but not limited to: its intent and ability to hold the impaired security until an anticipated recovery in value; the issuer's ability to meet current and future principal and interest obligations for fixed maturity securities; the length and severity of the impairment; the financial condition and near-term and long-term prospects for the issuer. In making these evaluations, the Company exercises considerable judgement.

If the Company intends to sell, or if it is more likely than not that it will be required to sell, an impaired AFS security prior to recovery of its cost, then the Company recognises a charge to earnings for the full amount of the impairment (the difference between the amortised cost and fair value of the security). For fixed maturity securities that are considered OTTI and that the Company does not intend to sell and will not be required to sell, the Company separates the impairment into two components: credit loss and non-credit loss. Credit losses are charged to net realised investment losses and non-credit losses are charged to other comprehensive income. The credit loss component is the difference between the security's amortised cost and the present value of its expected future cash flows discounted at the current effective rate. The remaining difference between the security's fair value and the present value of its expected future cash flows is the non-credit loss. For corporate bonds, historical default (by rating) data is used as a proxy for the probability of default, and loss given default (by issuer) projections are applied to the par amount of the bond. Potential losses incurred on structured securities are based on expected loss models rather than incurred loss models. Expected cash flows include assumptions about key systematic risks (e.g., unemployment rates, housing prices) and loan-specific information (e.g., delinquency rates, loan-to-value ratios). Estimating future cash flows is a quantitative and qualitative process that incorporates information received from third parties, along with assumptions and judgements about the future performance of the underlying collateral.

Policy loans represent loans the Company issues to policyholders in return for a claim on the policyholder's account value. Policy loans are reported at the unpaid principal balance. Interest income is recorded as earned using the contract interest rate and is reported in net investment income on the Consolidated Statements of Operations.

Financial Statements (continued)

Notes to the Consolidated Financial Statements (\$'s in thousands)

Short-term investments include securities and certain money market funds with remaining maturities of one year or less, but greater than three months, at the time of purchase and are stated at estimated fair value or amortised cost, which approximates fair value.

Commercial mortgage loans (“CMLs”) acquired at fair value are carried at amortised cost using the effective interest rate method. CMLs currently held by the Company are diversified by property type and geographic area throughout the United States. CMLs are considered impaired when it is probable that the Company will not collect amounts due according to the terms of the original loan agreement. The Company assesses the impairment of loans individually for all loans in the portfolio. The Company estimates the fair value of the underlying collateral using internal valuations generally based on discounted cash flow analyses. The Company estimates an allowance for loan and lease losses (“ALL”) representing potential credit losses embedded in the CML portfolio. The estimate is based on a consistently applied analysis of the loan portfolio and takes into consideration all available information, including industry, geographical, economic and political factors.

Fair value option securities are stated at estimated fair value and include investments for which the fair value option has been elected and investments that are actively purchased and sold (“Actively traded securities”). Actively traded securities principally include U.S. Treasury securities and U.S. Government authorities’ and agencies’ securities. Changes in estimated fair value of these securities are included in Investment-related gains (losses), net on the Interim Condensed Consolidated Statements of Operations.

Other invested assets comprised primarily of derivatives, Federal Home Loan Bank of Topeka (“FHLB”) common stock and investment property.

Investment Income and Investment Realised Gains and Losses

Investment income primarily consists of interest and is recognised on an accrual basis using the effective yield method. Actual prepayment experience is periodically reviewed, and effective yields are recalculated when differences arise between the prepayments originally anticipated and the actual prepayments received. The effective yield is recalculated on a prospective basis. Accrual of income is suspended for OTTI fixed maturities when the timing and amount of cash flows expected to be received is not reasonably estimable. It is the Company’s policy to cease to carry accrued interest on debt securities that are over 90 days delinquent or where collection of interest is improbable and commercial mortgage loans in default if deemed uncollectable or over 180 days past due. The Company held no investments in non-accrual status as of 31 December 2021 and 2020. The Company held no commercial mortgage loans that was delinquent as of 31 December 2021 and 2020.

Recognition of alternative investment income is delayed due to the availability of the related financial statements, which are generally obtained from the partnerships’ general partners. As a result, our private equity investments are generally on a three-month delay and our hedge funds are on a one-month delay. In addition, the impact of audit adjustments related to completion of calendar-year financial statement

audits of the investees are typically received during the second quarter of each calendar year. Accordingly, our investment income from alternative investments for any calendar-year period may not include the complete impact of the change in the underlying net assets for the partnership for that calendar-year period.

Investment-related gains (losses), net, include gains and losses on investment sales and write-downs in value due to other-than-temporary declines in fair value. Realised capital gains and losses on investment sales, including principal payments, are determined on a first in first out (“FIFO”) basis.

Portfolio Monitoring

The Company has a comprehensive portfolio monitoring process to identify and evaluate each fixed maturity security whose carrying value may be other-than-temporarily impaired.

For each fixed maturity security in an unrealised loss position, the Company assesses whether management with the appropriate authority has made the decision to sell or whether it is more likely than not the Company will be required to sell the security before recovery of the amortised cost for reasons such as liquidity, contractual or regulatory purposes. If a security meets either of these criteria, the security’s decline in fair value is considered other than temporary and is recorded in earnings.

If the Company has not made the decision to sell the fixed maturity security and it is not more likely than not the Company will be required to sell the fixed maturity security before recovery of its amortised cost, the Company evaluates whether it expects to receive cash flows sufficient to recover the entire amortised cost of the security. The Company calculates the estimated recovery value by discounting the best estimate of future cash flows at the security’s original or current effective rate, as appropriate, and compares this to the amortised cost of the security. If the Company does not expect to receive cash flows sufficient to recover the entire amortised cost of the fixed maturity security, the credit loss component of the impairment is recorded in earnings, with the remaining amount of the unrealised loss related to other factors recognised in other comprehensive income.

The Company’s portfolio monitoring process includes a quarterly review of all securities to identify instances where the fair value of a security compared to its amortised cost is below established thresholds. The process also includes the monitoring of other impairment indicators such as ratings, ratings downgrades and payment defaults. The securities identified, in addition to other securities for which the Company may have a concern, are evaluated for potential other-than-temporary impairment using all reasonably available information relevant to the collectability or recovery of the security. Inherent in the Company’s evaluation of other-than-temporary impairment for these fixed maturity securities are assumptions and estimates about the financial condition and future earnings potential of the issue or issuer. Some of the factors that may be considered in evaluating whether a decline in fair value is other than temporary are: 1) the financial condition, near-term and long-term prospects of the issue or issuer, including relevant industry specific market conditions and trends, geographic location and implications of

Financial Statements (continued)

Notes to the Consolidated Financial Statements (\$'s in thousands)

rating agency actions and offering prices; 2) the specific reasons that a security is in an unrealised loss position, including overall market conditions which could affect liquidity; and 3) the length of time and extent to which the fair value has been less than amortised cost.

Derivatives

Derivatives are financial instruments whose values are derived from interest rates, foreign exchange rates, financial indices, values of securities or commodities, credit spreads, market volatility, expected returns, and liquidity. Values can also be affected by changes in estimates and assumptions, including those related to counterparty behaviour and non-performance risk ("NPR") used in valuation models. Derivative financial instruments generally used by the Company include swaps, forwards, futures and options and may be exchange-traded or contracted in the over-the-counter ("OTC") market. Certain of the Company's OTC derivatives are cleared and settled through central clearing counterparties, while others are bilateral contracts between two counterparties. Derivative positions are carried at fair value, generally by obtaining quoted market prices or through the use of valuation models.

Derivatives are used to manage the interest rate and currency characteristics of assets or liabilities. Additionally, derivatives may be used to seek to reduce exposure to interest rate and foreign currency risks associated with assets held or expected to be purchased or sold, and liabilities incurred or expected to be incurred.

As discussed in detail below and in Note 5, all realised and unrealised changes in fair value of derivatives are recorded in current earnings, with the exception of certain foreign currency hedges. Cash flows from derivatives are reported in the operating, investing or financing activities sections in the Consolidated Statements of Cash Flows based on the nature and purpose of the derivative. Derivatives are recorded either as assets, within Other invested assets, or as liabilities, within Accrued expenses and other liabilities, except for embedded derivatives which are recorded with the associated host contract. The Company nets the fair value of all derivative financial instruments with counterparties for which a master netting arrangement has been executed.

The Company designates derivatives as either (i) a hedge of a forecasted transaction; or (ii) a derivative that does not qualify for hedge accounting. To qualify for hedge accounting treatment, a derivative must be highly effective in mitigating the designated risk of the hedged item. Effectiveness of the hedge is formally assessed at inception and throughout the life of the hedging relationship. The Company formally documents at inception all relationships between hedging instruments and hedged items, as well as, its risk-management objective and strategy for undertaking various hedge transactions. This process includes linking all derivatives designated as hedges to specific assets and liabilities on the balance sheet or to specific firm commitments or forecasted transactions.

When a derivative is designated as a hedge and is determined to be highly effective, changes in its fair value are recorded in AOCI until earnings are affected by the variability of cash flows being hedged

(e.g., when periodic settlements on a variable-rate asset or liability are recorded in earnings). At that time, the related portion of deferred gains or losses on the derivative instrument is reclassified and reported in the Consolidated Statements of Operations line item associated with the hedged item. If it is determined that a derivative no longer qualifies as an effective hedge or management removes the hedge designation, the derivative will continue to be carried on the balance sheet at its fair value, with changes in fair value recognised currently in Investment-related gains (losses), net.

When hedge accounting is discontinued because the hedged item no longer meets the definition of a firm commitment, or because it is probable that the forecasted transaction will not occur by the end of the specified time period, the derivative will continue to be carried on the balance sheet at its fair value, with changes in fair value recognised currently in Investment-related gains (losses), net. Any asset or liability that was recorded pursuant to recognition of the firm commitment is removed from the balance sheet and recognised currently in Investment-related gains (losses), net. Gains and losses that were in AOCI pursuant to the hedge of a forecasted transaction are recognised immediately in Investment-related gains (losses), net.

If a derivative does not qualify for hedge accounting, all changes in its fair value, including net receipts and payments, are included in Investment-related gains (losses), net, without considering changes in the fair value of the economically associated assets or liabilities.

An embedded derivative is a derivative instrument that is embedded in another contract, the 'host contract'. If it is determined that the characteristics of the embedded derivative is not clearly related to the host contract and a separate instrument with the same terms would qualify as a derivative instrument, it is bifurcated from the host contract and accounted for separately, unless the fair value option is elected for the host contract. Under the fair value option, bifurcation of the embedded derivative is not necessary as all related gains and losses on the host contract and derivative are included within Investment-related gains (losses), net on the Consolidated Statements of Operations. Embedded derivatives are carried on the Consolidated Balance Sheets at fair value in the same line item as the host contract.

Funds Withheld Assets and Liabilities

Funds withheld by ceding companies, including those withheld under modco contracts, consist mainly of amounts retained by the ceding company for business written on a funds withheld basis. Funds withheld assets are assets that would normally be paid to the Company but are withheld by the cedant to reduce the potential credit risk.

Funds withheld assets and liabilities represents the receivable or payable for the amounts withheld in accordance with the reinsurance agreement in which the Company acts as the reinsurer or the cedant. While the assets in modco trusts are legally owned by the ceding company, the assets are legally segregated from the general accounts of the cedants and all economic rights and obligations on the assets accrue to the Company. The Company periodically settles interest accruing to those assets and

Financial Statements (continued)

Notes to the Consolidated Financial Statements (\$'s in thousands)

investment gains, as defined by the terms of the agreements. The underlying agreements contain embedded derivatives as defined by the ASC 815, *Derivatives and Hedging*, and as a result the carrying value of the funds withheld assets and liabilities are equal to the fair value of the underlying assets. The change in the fair value of the embedded derivatives related to the change in unrealised gain or loss on the underlying securities is recorded in net investment income on the Consolidated Statements of Operations.

Reinsurance

Reinsurance accounting is applied to business ceded and assumed where the risk transfer provisions of ASC 944-40 *Accounting and Reporting for Reinsurance of Short-Duration and Long-Duration Contracts* have been met. To meet risk transfer requirements, a long-duration reinsurance contract must transfer mortality or morbidity risks and subject the reinsurer to a reasonable possibility of a significant loss. Those contracts that do not meet risk transfer requirements are accounted for using deposit accounting. The fair value of the consideration received for business assumed which meets risk transfer requirements is included in the premiums line of the Consolidated Statements of Operations. Changes to assumed reserves and benefits paid are presented net in the policyholder benefits line on the Consolidated Statements of Operations. With respect to ceded reinsurance, the Company values reinsurance recoverables on reported claims at the time the underlying claim is recognised in accordance with contract terms. For future policy benefits, the Company estimates the amount of reinsurance recoverables based on the terms of the reinsurance contracts and historical reinsurance recovery information. The reinsurance recoverables are based on what the Company believes are reasonable estimates and the balance is reported as an asset in the Consolidated Balance Sheets. However, the ultimate amount of the reinsurance recoverable is not known until all claims are settled.

Reinsurance contracts do not relieve the Company from its obligations to policyholders, and failure of reinsurers to honour their obligations could result in losses to the Company; consequently, allowances are established for amounts deemed uncollectible.

Value of Business Acquired and Deferred Acquisition Costs

VOBA represents the outstanding value of in-force business acquired, and is subject to amortisation. Certain product lines accrue interest. The value is based on the present value of estimated net cash flows embedded in the insurance contracts at the time of the acquisition and increased for subsequent deferrable expenses on purchased policies.

VOBA is reviewed periodically for loss recognition to ensure that the unamortised balance is recoverable from future earnings from the business. The carrying amount of VOBA is adjusted for the effects of realised and unrealised gains and losses on debt securities classified as AFS.

The Company incurs costs, generally, in connection with renewal insurance business. Costs that are related directly to the successful issuance or renewal of insurance contracts are capitalised as DAC. Such costs include:

- incremental direct costs of contract acquisition, such as commissions;
- the portion of an employee's total compensation and benefits related to time spent underwriting or processing the issuance of new and renewal insurance business only with respect to actual policies acquired or renewed; and
- other essential direct costs that would not have been incurred had a policy not been acquired or renewed.

All other acquisition-related costs, including those related to general advertising and solicitation, market research, agent training, product development, and underwriting efforts, as well as all indirect costs, are expensed as incurred.

Where the fair value of the consideration received for reinsurance transactions does not equal the liabilities reinsured, the difference is recognised on the Consolidated Balance Sheets as either a deferred acquisition cost ("DAC") or as a deferred profit liability ("DPL"). The consideration received is calculated as the fair value of any assets received, inclusive of any ceding commission paid or payable. DAC is recognised with value of business acquired ("VOBA") as a separate line of the Consolidated Balance Sheet and DPL is included within the applicable reserves balance to which it relates.

Goodwill

The Company recognises the excess of the purchase price, plus the fair value of any non-controlling interest in the acquiree, over the fair value of identifiable net assets acquired as goodwill. Goodwill is not amortised, but is reviewed for impairment annually as of 1 October and more frequently if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying value.

The Company performs a quantitative goodwill impairment test where the fair value of the reporting unit is determined and compared to the carrying value of the reporting unit. If the carrying value of the reporting unit is greater than the reporting unit's fair value, goodwill is impaired and written down to the reporting unit's fair value; and a charge is reported in impairment of intangibles on the Consolidated Statements of Operations.

Financial Statements (continued)

Notes to the Consolidated Financial Statements (\$'s in thousands)

Future Policy Benefit Reserve

The Company's insurance contracts include life insurance, disability income insurance, and single premium immediate annuities with significant mortality risk. Life insurance and disability income insurance include both individual and group bases, classified as long-duration and short-duration, respectively.

Policy liabilities are established for future policy benefits and not in a claims-paying status, to meet the estimated future obligations of these policies. Changes in policy and contract claims are recorded in policyholder benefits in the Consolidated Statements of Operations.

The Company holds additional liabilities for its no lapse and secondary guarantees (associated with universal life), guaranteed lifetime withdrawal benefits ("GLWB") (associated with fixed indexed annuities), guaranteed minimum income benefits ("GMIB") (associated with variable annuities) and guaranteed minimum death benefits ("GMDBs"). GLWB is a non-optional benefit where the policyholder is entitled to withdraw up to a specified amount of their benefit base each year. Additional liabilities for no lapse and secondary guarantees on universal life products, GLWB, GMIB and GMDB are calculated based on the application of a benefit ratio (the present value of total expected benefit payments over the life of the contract divided by the present value of total expected assessments over the life of the contract). The level and direction of the change in reserves will vary over time based on the emergence of actual experience and revisions to future assumptions.

The reserves for certain living benefit features, including guaranteed minimum withdrawal benefits ("GMWB") and guaranteed minimum withdrawal benefits with life payouts ("GMWBL") are accounted for as embedded derivatives, with fair values calculated as the present value of expected future benefit payments to contract holders less the present value of assessed rider fees attributable to the embedded derivative feature. This methodology could result in either a liability or contra-liability balance, given changing capital market conditions and various actuarial assumptions.

Policy liabilities and accruals are based on the various estimates discussed above. Although the adequacy of these amounts cannot be assured, the Company believes that policy liabilities and accruals will be sufficient to meet future obligations of policies in-force. The amount of liabilities and accruals, however, could be revised if the estimates discussed above are revised.

For ASC 944-20 *Financial Services – Insurance Activities* products categorised as long-duration contracts (individual life and disability income products, as well as payout contracts with life contingencies), reserves are computed using the net level premium method and are based on estimates as to future investment yields and as well as mortality, morbidity, and other key assumptions that are based on the Company's initial determination of best estimate expected experience and include provisions for adverse deviation as at the date of acquisition or underwriting. Contracts categorised as short-duration result in the establishment of a reserve based upon unearned premium.

Profit or losses generated within RLAL's participating funds are allocated between shareholders and participating policyholders in accordance with the Australia Life Insurance Act 1995. Profits or losses allocated to participating policyholders are recognised as a change in Policyholder benefits in the Consolidated Statements of Operations. Profits or losses allocated to shareholders are recognised as they are earned in the Consolidated Statements of Operations.

The policyholder liabilities are calculated based on the estimates and assumptions discussed above and the amount of the policyholder liabilities could be revised if these estimates and assumptions are revised to reflect current experience.

Policyholder Liabilities, at Estimated Fair Value

The Company has made an election under ASC 825, *Financial Instruments* to hold reserves for policyholder liabilities at fair value for certain structured settlements, single premium immediate and deferred annuities assumed by RRL. The fair value reserve estimate is based on a discounted liability cash flow methodology. The discount rates are determined using current market risk-free interest rates, including a spread to reflect the illiquidity of the liabilities. The discounted liability cash flow methodology also includes assumptions about future mortality rates of policyholders, updated on an ongoing basis to reflect recent credible experience. Changes to the assumed reserves, benefits paid and deposits and withdraws are presented net in the changes in policyholder liabilities at fair value line the Consolidated Statements of Operations.

Policy liabilities and accruals are based on the various estimates discussed above. Although the adequacy of these amounts cannot be assured, the Company believes that policy liabilities and accruals will be sufficient to meet future obligations of policies in-force. The amount of liabilities and accruals, however, could be revised if the estimates and assumptions discussed above are revised.

Unpaid Claims Liabilities

Policy liabilities are established for unpaid claims, to meet the estimated future obligations of policies in-force and in claims-paying status. Changes in policy and contract claims are recorded in policyholder benefits in the Consolidated Statements of Operations.

Under ASC 944-20 *Financial Services – Insurance Activities*, liabilities are computed using estimates as to future investment yields as well as mortality, morbidity, and other key assumptions as of the reporting date. Mortality, morbidity, and other key assumptions are based on the Company's initial determination of best estimate expected experience without provisions for adverse deviation. Liabilities are held for policies with a known claims-paying event as well as an estimate of policies for which a claims-paying event has been incurred but not yet reported.

Financial Statements (continued)

Notes to the Consolidated Financial Statements (\$'s in thousands)

Policyholders' Account Balances

Policyholders' account balances represent interest-bearing liabilities arising from the sale of products such as participating investment contracts, fixed annuities, and life contracts. Policyholders' account balances primarily comprise cumulative deposits received and interest credited to the contractholder less cumulative contract benefits, surrenders, withdrawals and contract charges for mortality or administrative expenses.

Policyholders' account balances for fixed indexed life and annuity policies with returns linked to the performance of a specified market index are equal to the excess of the sum of the fair value of the embedded derivatives and the host (or guaranteed) component over the policyholder account balance. The change in the fair value of the embedded derivative is linked to the performance of the equity option. The host value is established as of the date of acquisition and is equal to the account value, plus the value of the unexpired options at the date of acquisition, less the embedded derivative, and accreted over the policy's life at a constant rate of interest.

Recognition of Premium Revenues and Fees, and Related Policyholders' Benefits

Life insurance and disability income products consist principally of products whereby the premiums and benefits are fixed by the Company. Premiums from these products are recognised as revenue when due from policyholders. Surrenders on traditional life and death benefits are reflected in policyholder benefits.

Immediate annuities with significant mortality risk provide insurance protection over a period that extends beyond the period during which premiums are collected. Premiums from these products are recognised as revenue when received at the inception of the contract. Benefits and expenses are recognised in relation to premiums. Interest-sensitive life contracts, such as universal life and single premium life, are insurance contracts whose terms are not fixed and guaranteed. The terms that may be changed include premiums paid by the policyholder, interest credited to the policyholder account balance and contract charges assessed against the policyholder account balance. Premiums from these contracts are reported as policyholder account balances. Fee income from policyholders consist of fees assessed against the policyholder account balance for the cost of insurance (mortality risk), contract administration and surrender of the policy prior to contractually specified dates. These charges are recognised as revenue when assessed against the policyholder account balance. Policyholder benefits include life-contingent benefit payments in excess of the policyholder account balance.

Contracts that do not subject the Company to significant risk arising from mortality or morbidity are referred to as investment contracts. Investment accounts and annuities without significant mortality risk are considered investment contracts. Consideration received for such contracts is reported as policyholder account balance deposits. Policy fees for investment contracts consist of fees assessed against the contractholder account balance for maintenance, administration and surrender of the contract prior to contractually specified dates and are recognised when assessed against the policyholder account balance.

Leases

The Company, as a lessee, where appropriate has elected the short-term lease recognition exemption for all classes of underlying assets. This exemption allows the Company to not recognise a right-of-use asset and lease liability for leases with a term of 12 months or less. The Company has also elected the practical expedient under which it does not need to separate lease components from non-lease components for all classes of underlying assets.

As of 31 December 2021, the Company had a right of use asset of \$22.2 million and a lease liability of \$22.7 million. The Company recognised lease expenses of \$7.1 million and \$1.0 million during years ended 31 December 2021 and 2020, respectively in relation to the leases held by its subsidiaries.

Other Assets, Accrued Expenses and Other Liabilities

Other assets consist primarily of receivables resulting from sales of securities that had not yet settled at the balance sheet date, receivables from affiliates, accounts and premium receivable, current income taxes receivable, deferred tax assets, intangibles, property, plant and equipment and right of use lease assets. Accrued expenses and other liabilities consist primarily of accrued expenses, derivative liabilities, current income taxes payable, deferred tax liabilities, deferred purchase consideration, reinsurance and commissions payable, lease liabilities and payables resulting from purchases of securities that had not yet been settled at the balance sheet date.

Foreign Exchange

Monetary assets and liabilities denominated in a currency other than the functional currency of the Company's subsidiaries in which those monetary assets and liabilities reside are revalued into such subsidiary's functional currency at the prevailing exchange rate on the balance sheet date. Revenues and expenses denominated in a currency other than the functional currency of the Company's subsidiaries, are valued at the exchange rate on the date on which the underlying revenue or expense transaction occurred. The net effect of these revaluation adjustments are recognised in the Company's Consolidated Statements of Operations as part of net foreign exchange (gains) losses.

Financial Statements (continued)

Notes to the Consolidated Financial Statements (\$'s in thousands)

The Company's functional currency is the U.S. dollar. Certain of the Company's subsidiaries have a functional currency other than the U.S. dollar. Assets and liabilities of foreign operations whose functional currency is not the U.S. dollar are translated into the Company's U.S. dollar reporting currency at prevailing balance sheet-date exchange rates, while revenue and expenses of such foreign operations are translated into the Company's U.S. dollar functional currency at monthly average exchange rates during the year. The net effect of these translation adjustments, as well as any gains or losses on intercompany balances for which settlement is not planned or anticipated in the foreseeable future is included in the Company's Consolidated Balance Sheet as currency translation adjustments and reflected within accumulated other comprehensive income (loss).

Income Taxes

The Company's income taxes are provided for using the asset and liability method under which deferred tax assets and liabilities are recognised for temporary differences between the financial statement and income tax bases of assets and liabilities.

The Company's deferred tax assets and liabilities resulting from temporary differences between financial reporting and tax bases of assets and liabilities are measured at the balance sheet date using enacted tax rates expected to apply to taxable income in the years the temporary differences are expected to reverse. Deferred tax assets represent the tax benefit of future deductible temporary differences, net operating loss carryforwards and tax credit carryforwards. The Company evaluates and tests the recoverability of its deferred tax assets. Deferred tax assets are reduced by a valuation allowance if, based on the weight of evidence, it is more likely than not that some portion, or all, of the deferred tax assets will not be realised. Considerable judgement and the use of estimates are required in determining whether a valuation allowance is necessary and, if so, the amount of such valuation allowance.

In evaluating the need for a valuation allowance, the Company considers many factors, including: (i) the nature, frequency and severity of book income or losses in recent years; (ii) the nature and character of the deferred tax assets and liabilities; (iii) the nature and character of income by life and non-life subgroups; (iv) the recent cumulative book income (loss) position after adjustment for permanent differences; (v) taxable income in prior carryback years; (vi) projected future taxable income, exclusive of reversing temporary differences and carryforwards; (vii) projected future reversals of existing temporary differences; (viii) the length of time carryforwards can be utilised; (ix) prudent and feasible tax planning strategies the Company would employ to avoid a tax benefit from expiring unused; and (x) tax rules that would impact the utilisation of the deferred tax assets. In establishing unrecognised tax benefits, the Company determines whether a tax position is more likely than not to be sustained under examination by the appropriate taxing authority.

The effect on deferred tax assets and liabilities of a change in tax rates is recognised in income in the period that includes the enactment date.

Reclassifications

Certain prior year amounts have been reclassified to conform with current year financial statement presentation. The transfer of ownership of RLUSIH as discussed in Note 1 has been reflected as if the transfer occurred on 1 January 2021. Prior periods have been updated retrospectively.

Financial Statements (continued)

Notes to the Consolidated Financial Statements (\$'s in thousands)

Recently Adopted Accounting Standards:

Accounting Standards Codification (ASC)	Description	Date of Adoption	Impact on Financial Statements
ASC 810 "Consolidation"	<p>The amendments affect reporting entities that are required to determine whether they should consolidate a legal entity under the guidance within the Variable Interest Entities.</p> <p>Private Companies are provided with an accounting alternative whereby we can elect not to apply VIE guidance to legal entities under common control (including common control leasing arrangements) if both the parent and the legal entity being evaluated for consolidation are not public business entities. The accounting alternative provides an accounting policy election that a private company will apply to all current and future legal entities under common control that meet the criteria for applying this alternative. If the alternative is elected, the Company should continue to apply other consolidation guidance, particularly the voting interest entity guidance, unless another scope exception applies.</p>	1 January 2021	The adoption of this standard did not have an impact on our financial statements.
ASC 350 "Intangibles – Goodwill and Other"	Requires customer in a cloud computing arrangement that is a service contract to follow the internal-use software guidance in determining which implementation costs to capitalise as assets or expense as incurred.	1 January 2021	The adoption of this standard did not have an impact on our financial statements.
ASC 815 "Derivatives and Hedging"	<p>The amendments expand and refine hedge accounting for both non-financial and financial risk components and align the recognition and presentation of the effects of the hedging instrument and the hedged item in the financial statements.</p> <p>The amendments also make certain targeted improvements to simplify the application of hedge accounting guidance and ease the administrative burden of hedge documentation requirements and assessing hedge effectiveness.</p>	1 January 2021	The adoption of this standard did not have an impact on our financial statements.
ASC 350 "Goodwill and Other"	<p>Amendment to guidance remove the second step of the test (step 2 compares the implied fair value of goodwill with the carrying amount of that goodwill for that reporting unit).</p> <p>The Company is required to apply a one-step quantitative test and record the amount of goodwill impairment as the excess of a reporting unit's carrying amount over its fair value, not to exceed the total amount of goodwill allocated to the reporting unit. The new guidance does not amend the optional qualitative assessment of goodwill impairment.</p>	1 January 2022	The Company elected to early adopt this update as of 1 January 2021. The impact of adoption did not have an impact on our financial statements.

Financial Statements (continued)

Notes to the Consolidated Financial Statements (\$'s in thousands)

Recently Issued Accounting Standards:

Accounting Standards Codification (ASC)	Description	Date of Adoption	Impact on Financial Statements
ASC 740 "Income Taxes"	The new guidance simplifies the accounting for income taxes by removing certain exceptions to the tax accounting guidance and providing clarification to other specific tax accounting guidance to eliminate variations in practice. Specifically, it removes the exceptions related to the (a) incremental approach for intraperiod tax allocation when there is a loss from continuing operations and income or a gain from other items, (b) recognition of a deferred tax liability when foreign investment ownership changes from equity method investment to consolidated subsidiary and vice versa and (c) use of interim period tax accounting for year-to-date losses that exceed anticipated losses. The guidance also simplifies the application of the income tax guidance for franchise taxes that are partially based on income and the accounting for tax law changes during interim periods, clarifies the accounting for transactions that result in a step-up in tax basis of goodwill, provides for the option to elect allocation of consolidated income taxes to entities disregarded by taxing authorities for their stand-alone reporting, and requires that an entity reflect the effect of an enacted change in tax laws or rates in the annual effective tax rate computation in the interim period that includes the enactment date. prospective method for all other changes.	1 January 2022	The new guidance will not have a material impact on the Company's consolidated financial statements and will be adopted on a prospective basis.
ASC 848 "Reference Rate Reform"	The guidance provides temporary guidance to ease the potential burden in accounting for, or recognising the effects of, reference rate reform, which includes the transition away from the London Interbank Offered Rate ("LIBOR") and other interbank offered rates to alternative reference rates, such as the Secured Overnight Financing Rate. This new guidance provides optional practical expedients and exceptions for applying generally accepted accounting principles to investments, derivatives or other transactions affected by reference rate reform such as those that impact the assessment of derivative hedge effectiveness and contract modifications, to include continuing hedge accounting when certain critical terms of a hedging relationship change and modifying certain effectiveness assessments to exclude certain potential sources of ineffectiveness. The new guidance was updated to clarify that the optional practical expedients and exceptions can be applied to derivatives that use an interest rate for margining, discounting, or contract price alignment. In addition to the optional practical expedients, the guidance includes a general principle that permits an entity to consider contract modifications due to reference rate reform to be an event that does not require contract remeasurement at the modification date or reassessment of a previous accounting determination.	Adoption is permitted as of the beginning of the interim period that includes 12 March 2020 (the issuance date of the update), or any date thereafter, through to 31 December 2022, at which point the guidance will sunset	The Company adopted this guidance prospectively and it did not have a significant impact on the consolidated financial statements or disclosures. However, the amendments in this guidance may be elected over time through to 31 December 2022 as reference rate reform activities occur and therefore, this guidance may impact the Company's procedures as the Company implements measures to transition away from LIBOR.
ASC 326 "Financial Instruments – Credit Losses"	This update amended the guidance on the impairment of financial instruments. The update added an impairment model known as the current expected credit loss model that is based on expected losses rather than incurred losses and will generally result in earlier recognition of allowances for losses. The current expected credit loss model applies to financial instruments such as mortgage loans, fixed maturity securities classified as held-to-maturity, and certain receivables. The update also modified the other-than-temporary impairment model used for available-for-sale fixed maturity securities such that credit losses are recognised as an allowance rather than as a reduction in the amortised cost of the security. The reversal of previously recognised credit losses on available-for-sale fixed maturity securities is allowed under specified circumstances. Additional disclosures are also required, including information used to develop the allowance for losses. The guidance will be using a modified retrospective approach through a cumulative effect adjustment to retained earnings as of the beginning of the period of adoption. For available-for-sale fixed maturity securities, the update will be applied prospectively. Other-than-temporary impairment losses recognised on available-for-sale fixed maturity securities prior to adoption of the update cannot be reversed. This guidance will be applied in the period of adoption.	1 January 2023	The Company has assessed the asset classes impacted by the new guidance and is currently assessing the accounting and reporting system changes that will be required to comply with the new guidance. The Company believes that the most significant impact upon adoption will be to its reinsurance recoverable and asset-backed fixed maturity investments. The Company is continuing to evaluate the overall impact of the new guidance on its consolidated financial statements.

Financial Statements (continued)

Notes to the Consolidated Financial Statements (\$'s in thousands)

Accounting Standards Codification (ASC)	Description	Date of Adoption	Impact on Financial Statements
ASC 944 "Financial Services – Insurance"	<p>This update revises key elements of the measurement model used to estimate the liability for future policy benefits for traditional and limited-payment contracts as well as disclosure requirements. These key elements are:</p> <p>The cash flow assumptions used to measure the liability for future policy benefits are required to be updated at least annually, which differs to the current 'locked-in' approach, and no longer allows a provision for adverse deviation. The remeasurement of the liability due to the update of assumptions is required to be recognised in net income.</p> <p>The discount rate used to measure the liability for future policy benefits is required to be discounted using an upper-medium grade fixed-income instrument yield that reflects the characteristics of the liability, rather than the invested assets that supports the liability. The discount rate is required to be updated quarterly with the impact to the benefit liability being recognised in other comprehensive income.</p> <p>Simplification of the amortisation of deferred acquisition costs and other balances amortised in proportion to premiums, gross profits or gross premiums, requiring such balances to be amortised on a constant level basis over the expected life of the contract. Deferred costs are not subject to impairment testing but instead will be amortised as long as the related contracts remain outstanding.</p> <p>Extensive additional disclosures of the liability for future policy benefits, policyholder account balances and deferred acquisition costs. This includes disaggregated rollforwards of these balances and information about significant inputs, judgements, assumptions and methods used in their measurement.</p>	1 January 2025	The Company is currently evaluating the impact on the consolidated financial statements and evaluating an implementation date.

Financial Statements (continued)

Notes to the Consolidated Financial Statements (\$'s in thousands)

3. Acquisitions

Voya Transaction

On 4 January 2021, RLUSH, an indirect subsidiary of RLUSH LP, acquired the in-force individual life business of Voya Financial, Inc. for a total consideration of \$1.25 billion (the "Voya Transaction"), which included contingent and deferred consideration of approximately \$130 million. The acquisition expanded the scale and capabilities of the Group's life business and provides the Group with a strong platform to capitalise on future growth opportunities in the US market.

Under the acquisition method of accounting, the assets acquired and liabilities assumed are recorded at fair value at the date of acquisition. The measurement period is open until 4 January 2022. The following table summarises the fair values of assets acquired and liabilities as of 4 January 2021:

(\$'s in thousands)	4 January 2021
Assets	
Fixed maturity securities, available for sale	\$ 21,541,836
Fixed maturity securities, fair value option	564,838
Equity securities	4,820
Investment funds	570,850
Commercial mortgage loans	2,670,078
Policy loans	1,282,994
Short-term investments	200,597
Other invested assets	444,390
Cash and cash equivalents	707,064
Accrued investment income	190,984
Funds withheld assets	138,049
Reinsurance recoverable	2,913,978
Value of business acquired and deferred acquisition costs	408,732
Goodwill	13,104
Other assets	380,388
Separate account assets	1,625,019
Total assets acquired	\$ 33,657,721

(\$'s in thousands)	4 January 2021
Liabilities and Equity	
Future policy benefits and other policyholder liabilities	\$ 15,509,904
Policyholder account balances	14,690,831
Accrued expenses and other liabilities	572,153
Separate account liabilities	1,625,019
Total liabilities assumed	\$ 32,397,907
Net assets acquired	\$ 1,259,814

The assessment of fair value in accordance with ASC 805-20-25, *Business Combinations*, included the establishment of goodwill and intangible assets for VOBA and state insurance licences.

AMP Transaction

On 30 June 2020, the Company completed the indirect acquisition from AMP Holdings Limited ("AMP") of 80% of capital stock of AMP Life Financial Services Holdings Limited, which houses Australian and New Zealand wealth protection and mature business (the "AMP Transaction"). The acquisition expanded the scale and capabilities of the Company's life business, provided the Company with a strategic platform for further consolidation in the Australian and New Zealand markets while further diversifying the Company's sources of earnings.

In conjunction with the acquisition, the Company incurred \$77.0 million of acquisition-related costs, of which \$25.5 million was incurred during the year ended 31 December 2020. These costs were included in other expenses on the Consolidated Statements of Operations.

The AMP Life transaction was comprised of A\$2.5 billion (\$1.8 billion) of cash from the Group, which included the acquisition of Alternative Tier 1 notes issued by AMP Limited for A\$308 million (\$212 million) and, a A\$500 million (\$344 million) vendor stake in the NOHC.

Under the acquisition agreement, AMP Holdings Limited has agreed to indemnify the Company for certain liabilities related to the pre-closing activities of the acquired business (i.e. income tax liabilities/contingencies, certain losses relating to the pre-acquisition restructure, certain losses relating to regulatory actions or breaches of law, litigation or remediation programmes).

Financial Statements (continued)

Notes to the Consolidated Financial Statements (\$'s in thousands)

Under the acquisition method of accounting, the assets acquired, and liabilities assumed are recorded at fair value at the date of acquisition. The following table summarises the fair values of assets acquired and liabilities as of 30 June 2020:

(\$'s in thousands)	30 June 2020
Assets	
Fixed maturities	\$ 7,444,483
Investment funds	3,551,061
Common stock	2,580,947
Policy loans	92,309
Short-term investments	1,114,953
Other invested assets	802,361
Cash and cash equivalents	3,127,694
Accrued investment income	47,922
Reinsurance recoverable	1,630,370
Value of business acquired and deferred acquisition costs	1,112,439
Goodwill	55,271
Other assets	416,565
Separate account assets	2,932,347
Total assets acquired	\$ 24,908,722
Liabilities and Equity	
Future policy benefits and other policyholder liabilities	\$ 13,352,433
Policyholders' account balances	4,862,543
Deferred tax liability	321,730
Short-term debt	212,112
Accrued expenses and other liabilities	1,177,948
Unitholders' contributed funds	237,057
Separate account liabilities	2,932,347
Total liabilities assumed	\$ 23,096,170
Net assets acquired	\$ 1,812,552

The assessment of fair value in accordance with ASC 805-20-25, *Business Combinations*, included the establishment of goodwill and intangible assets for VOBA and rights related to the use of trade name and system software under the purchase agreement.

In November 2021, the Company entered into an agreement to acquire AMP's minority equity interest in the NOHC for a total consideration of A\$524 million. The acquisition includes settlement of a number of warranty and indemnity claims with AMP. It is subject to regulatory approvals and expected to complete in the first half of 2022.

4. Investments

The amortised cost, gross unrealised gains, gross unrealised losses and fair value for AFS investments by asset type as of 31 December 2021 and 2020 were as follows:

31 December 2021 (\$'s in thousands)	Amortised Cost	Gross Unrealised Gains	Gross Unrealised Losses	Fair Value
Fixed maturity securities – AFS				
U.S. government and agencies	\$ 1,222,195	\$ 3,135	\$ (58,367)	\$ 1,166,963
U.S. municipal	1,212,390	14,647	(13,901)	1,213,136
Foreign government	4,201,087	26,791	(195,719)	4,032,159
Corporate	22,994,357	326,031	(490,344)	22,830,044
Asset-backed securities	1,407,008	1,790	(8,095)	1,400,703
Residential mortgage-backed securities	2,009,603	8,558	(31,085)	1,987,076
Commercial mortgage-backed securities	2,216,748	14,230	(44,235)	2,186,743
Total fixed maturity securities – AFS	\$ 35,263,388	\$ 395,182	\$ (841,746)	\$ 34,816,824

Financial Statements (continued)

Notes to the Consolidated Financial Statements
(\$'s in thousands)

31 December 2020 (\$'s in thousands)	Amortised Cost	Gross Unrealised Gains	Gross Unrealised Losses	Fair Value
Fixed maturity securities – AFS				
U.S. Government and agencies	\$ 7,739	\$ 1,751	\$ –	\$ 9,490
U.S. municipal	59,410	7,478	–	66,888
Foreign government	4,314,195	38,595	(34,801)	4,317,989
Corporate	4,162,973	189,197	(1,507)	4,350,663
Asset-backed securities	90,337	209	(169)	90,377
Residential mortgage-backed securities	595,813	2,752	(155)	598,410
Commercial mortgage-backed securities	50,109	2,958	(4)	53,063
Total fixed maturity securities – AFS	\$ 9,280,576	\$ 242,940	\$ (36,636)	\$ 9,486,880

The changes in unrealised gains and losses and cumulative translation adjustment included in accumulated other comprehensive income (loss) ("AOCI") were as follows for the years ended 31 December 2021 and 2020:

(\$'s in thousands)	Net Unrealised Gain (Losses) on Investments	Cumulative Translation Adjustment	VOBA	Future Policy Benefits and Policyholders' Account balances	Accumulated Other Comprehensive Income (Loss)
Balance, 31 December 2019	\$ 64,837	\$ 3,760	\$ –	\$ –	\$ 68,597
Net investment gains and losses on investments arising during the period	143,001	–	–	–	143,001
Reclassification adjustment for gains and losses included in net income	(8,579)	(46,602)	–	–	(55,181)
Impact of net unrealised investment gains and losses on future policy benefits and policyholders' account balances	–	692	–	(6,843)	(6,151)
Deferred income tax (expense) benefit	(8,581)	–	–	1,839	(6,742)
Accumulated other comprehensive (income)/loss attributable to NCI	(10,296)	78	–	996	(9,222)
Effect of foreign currency translation on consolidation	–	248,890	–	–	248,890
Balance, 31 December 2020	\$ 180,382	\$ 206,818	\$ –	\$ (4,008)	\$ 383,192
Net investment gains and losses on investments arising during the period	(666,831)	–	–	–	(666,831)
Reclassification adjustment for gains and losses included in net income	13,963	12,906	–	–	26,869
Impact of net unrealised investment gains and losses on future policy benefits, policyholders' account balances, and VOBA	–	1,334	5,164	194,593	201,091
Deferred income tax (expense) benefit	107,188	–	(898)	(32,927)	73,363
Accumulated other comprehensive (income)/loss attributable to NCI	35,827	(254)	–	(10,194)	25,379
Effect of foreign currency translation on consolidation	–	(147,397)	–	–	(147,397)
Balance, 31 December 2021	\$ (329,471)	73,407	\$ 4,266	147,464	(104,334)

Financial Statements (continued)

Notes to the Consolidated Financial Statements
(\$'s in thousands)

Unrealised Investment Gains and Losses

The gross unrealised losses and fair value of fixed maturities, available for sale, by the length of time that individual securities have been in a continuous unrealised loss position were as follows as of 31 December 2021 and 2020:

31 December 2021 (\$'s in thousands)	Less than 12 months		Greater than 12 months		Fair Value	Gross Unrealised Losses
	Fair Value	Gross Unrealised Losses	Fair Value	Gross Unrealised Losses		
Fixed maturity securities						
U.S. Government and agencies	\$ 1,030,486	\$ (58,367)	\$ –	\$ –	\$ 1,030,486	\$ (58,367)
U.S. municipal	705,350	(13,901)	–	–	705,350	(13,901)
Foreign government	1,870,332	(68,720)	1,196,643	(126,999)	3,066,975	(195,719)
Corporate	13,773,641	(484,757)	117,710	(5,587)	13,891,351	(490,344)
Asset-backed securities	1,004,771	(8,095)	–	–	1,004,771	(8,095)
Residential mortgage-backed securities	1,541,812	(30,930)	1,177	(155)	1,542,989	(31,085)
Commercial mortgage-backed securities	1,664,319	(44,235)	–	–	1,664,319	(44,235)
Total fixed maturity securities	\$ 21,590,711	\$ (709,005)	\$ 1,315,530	\$ (132,741)	\$ 22,906,241	\$ (841,746)

31 December 2020 (\$'s in thousands)	Less than 12 months		Greater than 12 months		Fair Value	Gross Unrealised Losses
	Fair Value	Gross Unrealised Losses	Fair Value	Gross Unrealised Losses		
Fixed maturity securities						
U.S. Government and agencies	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –
U.S. municipal	–	–	–	–	–	–
Foreign government	2,148,347	(34,801)	–	–	2,148,347	(34,801)
Corporate	178,363	(1,468)	9,945	(39)	188,308	(1,507)
Asset-backed securities	15,638	(169)	–	–	15,638	(169)
Residential mortgage-backed securities	98,823	(155)	–	–	98,823	(155)
Commercial mortgage-backed securities	8,246	(2)	2,397	(2)	10,643	(4)
Total fixed maturity securities	\$ 2,449,417	\$ (36,595)	\$ 12,342	\$ (41)	\$ 2,461,759	\$ (36,636)

Financial Statements (continued)

Notes to the Consolidated Financial Statements (\$'s in thousands)

The Company did not recognise an allowance for credit losses on securities in an unrealised loss position included in the tables above. Based on a qualitative and quantitative review of the issuers of the securities, the Company believes the decline in fair value is largely due to recent market volatility and is not indicative of credit losses. The issuers continue to make timely principal and interest payments. For all securities in an unrealised loss position, the Company expects to recover the amortised cost based on management's estimate of the amount and timing of cash flows to be collected. The Company does not intend to sell nor does it expect that it will be required to sell these securities prior to recovering its amortised cost.

Scheduled Maturities

The scheduled maturities for fixed maturity securities AFS as of 31 December 2021 were as follows:

(\$'s in thousands)	Amortised Cost	Fair Value
Fixed maturity securities – AFS		
Due within one year	\$ 586,069	\$ 586,748
Due after one year through five years	2,942,764	2,930,007
Due after five years through ten years	4,597,599	4,535,930
Due after ten years	21,503,597	21,189,617
Subtotal	29,630,029	29,242,302
Structured securities (ABS, RMBS, CMBS)	5,633,359	5,574,522
Total fixed maturities – AFS	\$ 35,263,388	\$ 34,816,824

Actual maturities may differ from contractual maturities because issuers may have the right to call or prepay obligations. Asset-backed, commercial mortgage-backed and residential mortgage-backed securities are shown separately in the table above, as they do not have a single maturity date.

Commercial Mortgage Loans

The Company diversifies its commercial mortgage loan portfolio by geographical region to reduce concentration risk. The Company's commercial mortgage loan portfolio by geographical region as of 31 December 2021 were as follows:

(\$'s in thousands)	31 December 2021	
Pacific	\$	697,927
South Atlantic		494,377
Middle Atlantic		383,116
West South Central		217,280
Mountain		307,306
East North Central		282,002
New England		53,666
West North Central		89,534
East South Central		37,519
General allowance for loan loss		–
Total commercial mortgage loans	\$	2,562,727

The Company did not hold any commercial mortgage loans as of 31 December 2020.

Financial Statements (continued)

Notes to the Consolidated Financial Statements
(\$'s in thousands)

Credit Quality of Commercial Mortgage Loans

The credit quality of commercial mortgage loans held-for-investment as of 31 December 2021 were as follows:

31 December 2021 (\$'s in thousands)	Recorded Investment				Commercial mortgage loans secured by land or construction loans	Total	% of Total	Estimated Fair Value	% of Total
	Debt Service Coverage Ratios								
	>1.5x	>1.25x–1.5x	>1.0x–1.25x	<1.0x					
Loan-to-Value Ratios									
0%–50%	\$ 2,063,254	\$ 219,581	\$ 13,412	\$ 4,833	\$ 2,703	\$ 2,303,783	90%	\$ 2,308,641	90%
>50%–60%	64,311	78,233	44,672	7,651	–	194,867	8%	194,806	8%
>60%–70%	12,649	25,109	–	–	–	37,758	1%	38,661	1%
>70%–80%	4,900	1,793	5,225	14,401	–	26,319	1%	25,718	1%
>80% and above	–	–	–	–	–	–	0%	–	0%
Total	\$ 2,145,114	\$ 324,716	\$ 63,309	\$ 26,885	\$ 2,703	\$ 2,562,727	100%	\$ 2,567,826	100%

As of 31 December 2021 the Company had no allowance for credit losses for commercial mortgage loans. As of 31 December 2021 all commercial mortgage and other loans were in current status with no commercial mortgage or other loans classified as past due. There were no payment defaults on commercial mortgages.

The Company invests in high quality, well performing portfolios of commercial mortgage loans and private placements. Under certain circumstances, modifications are granted to these contracts. Each modification is evaluated as to whether a troubled debt restructuring has occurred. A modification is a troubled debt restructuring when the borrower is in financial difficulty and the creditor makes concessions. Generally, the types of concessions may include reducing the face amount or maturity amount of the debt as originally stated, reducing the contractual interest rate, extending the maturity date at an interest rate lower than current market interest rates and/or reducing accrued interest. The Company considers the amount, timing and extent of the concession granted in determining any impairment or changes in the specific valuation allowance recorded in connection with the troubled debt restructuring. A valuation allowance may have been recorded prior to the quarter when the loan is modified in a troubled debt restructuring. Accordingly, the carrying value (net of the valuation allowance) before and after modification through a troubled debt restructuring may not change significantly, or may increase if the expected recovery is higher than the pre-modification recovery assessment. As of 31 December 2021, the Company held five private placement troubled debt restructuring loans with a carrying value of \$25.3 million.

Investment Funds

The investment fund portfolio consists of funds that employ various strategies and include investments in real estate, real assets, credit, equity and natural resources. Investment funds can meet the definition of VIEs, which are discussed further in Note 7 – Variable Interest Entities.

The following table presents the carrying value by ownership percentage of investment funds held at fair value as of 31 December 2021 and 2020:

(\$'s in thousands)	31 December 2021	
	Carrying Value	Maximum Loss Exposure
Ownership Percentage		
3%–49%	\$ 1,412,824	\$ 1,412,824
Less than 3%	2,602,922	2,602,922
Fair value investment funds	\$ 4,015,746	\$ 4,015,746

Financial Statements (continued)

Notes to the Consolidated Financial Statements (\$'s in thousands)

(\$'s in thousands)	31 December 2020	
	Carrying Value	Maximum Loss Exposure
Ownership Percentage		
3%–49%	\$ 4,100,742	\$ 4,100,742
Less than 3%	148,253	148,253
Fair value investment funds	\$ 4,248,995	\$ 4,248,995

The following table presents the carrying value by ownership percentage of equity method investment funds as of 31 December 2021:

(\$'s in thousands)	31 December 2021	
	Carrying Value	Maximum Loss Exposure
Ownership Percentage		
50%–99%	\$ 6,883	\$ 6,883
3%–49%	88,380	88,380
Less than 3%	677,698	677,698
Equity method investment funds	\$ 772,961	\$ 772,961

There were no equity method investment funds held as of 31 December 2020.

Net Investment Income

Net investment income for the years ended 31 December 2021 and 2020 were as follows:

(\$'s in thousands)	2021	2020
Fixed maturity securities, available for sale	\$ 820,664	\$ 98,166
Fixed maturity securities, fair value option	59,089	–
Equity securities	118,661	27,663
Investment funds	568,873	508,900
Short-term investments	28,162	16,106
Commercial mortgage loans	84,355	–
Derivatives	(1,372)	12,290
Funds withheld assets	224,500	245,844
Policy loans	77,259	5,370
Other investment income	1,199	55
Investment expenses	(109,006)	(32,547)
Net investment income	\$ 1,872,384	\$ 881,847

Financial Statements (continued)

Notes to the Consolidated Financial Statements (\$'s in thousands)

Investment-Related Gains (Losses), Net

Investment-related gains (losses) for the years ended 31 December 2021 and 2020 were as follows:

(\$'s in thousands)	2021	2020
Fixed maturity securities, available for sale	\$ (149,488)	\$ 26,687
Fixed maturity securities, fair value option		
Net gains (losses) on sales and disposals	(48,052)	–
Change in estimated fair value	(23,550)	–
Total gains (losses) on fixed maturity securities, fair value option	(71,602)	–
Equity securities		
Net gains (losses) on sales and disposals	458,508	52,016
Change in estimated fair value	21,043	244,219
Total gains (losses) on equity securities	479,551	296,235
Investment funds		
Net gains (losses) on sales and disposals	77,594	17,131
Change in estimated fair value	237,043	(260,743)
Total gains (losses) on investment funds	314,637	(243,612)
Short-term investments	(5,798)	(8,545)
Commercial mortgage loans	103	–
Derivatives	(558,750)	64,788
Funds withheld assets		
Realised gains on trading activity	106,555	102,782
Change in embedded derivative	(128,038)	218,829
Investment property	23,165	1,944
Investment-related gains (losses), net	\$ 10,335	\$ 459,108

Proceeds from sales of fixed maturities and gross realised investment gains and losses for the years ended 31 December 2021 and 2020 were as follows:

(\$'s in thousands)	2021	2020
Fixed maturity securities, available for sale		
Proceeds from sales	\$ 13,864,862	1,673,065
Gross investment gains from sales	131,261	38,452
Gross investment losses from sales	(274,976)	(11,765)

Other-Than-Temporary Impairment

For the year ended 31 December 2021, the Company recognised credit impairments of \$5.7 million in the Consolidated Statements of Operations relating to fixed maturity securities. Approximately \$2.9 million related to private corporate bonds and the remainder relating to RMBS securities. None of these securities were held as of 31 December 2021 or 2020. For the year ended 31 December 2020, there were no other-than-temporary impairment losses.

5. Derivative Instruments

The Company is exposed to various risks relating to its ongoing business operations, including interest rate, foreign currency exchange rate, credit and equity market. The Company uses a variety of derivative instruments to manage risks, primarily interest rate, foreign currency, equity and market volatility. See Note 2 – Significant Accounting Policies for a description of the Company's accounting policies for derivatives and Note 6 – Fair Value for information about the fair value hierarchy for derivatives.

Interest Rate Contracts

The Company uses forward starting interest rate swaps to reduce its future reinvestment risk. Under the terms of these swaps, the Company agrees to exchange the difference between a fixed and a floating interest rate calculated on a notional amount at a specified future date.

Interest rate swaps are used by the Company to reduce risks from changes in interest rates, manage interest rate exposures arising from mismatches between assets and liabilities and to hedge against changes in their values it owns or anticipates acquiring or selling.

Swaps may be attributed to specific assets or liabilities or to a portfolio of assets or liabilities. Under interest rate swaps, the Company agrees with counterparties to exchange, at specified intervals, the difference between fixed-rate and floating-rate interest amounts calculated by reference to an agreed upon notional principal amount.

Where appropriate the Company treats outstanding interest rate swaps as settled to market and therefore, has no open fair value at the balance sheet date. As at 31 December 2021 and 2020, swaps with a notional value of \$1,317 million and \$749 million, respectively, were treated as settled to market.

Foreign Exchange Contracts

Currency derivatives, including currency swaps and forwards, are used by the Company to reduce risks from changes in currency exchange rates with respect to investments denominated in foreign currencies that the Company either holds or intends to acquire or sell.

Financial Statements (continued)

Notes to the Consolidated Financial Statements (\$'s in thousands)

Under currency forwards, the Company agrees with counterparties to deliver a specified amount of an identified currency at a specified future date. Typically, the price is agreed upon at the time of the contract and payment for such a contract is made at the specified future date. The Company executes forward sales of the hedged currency in exchange for U.S. dollars at a specified exchange rate. The maturities of these forwards correspond with the future periods in which the non-U.S. dollar-denominated earnings are expected to be generated.

Under currency swaps, the Company agrees with counterparties to exchange, at specified intervals, the difference between one currency and another at an exchange rate and calculated by reference to an agreed principal amount. Generally, the principal amount of each currency is exchanged at the beginning and termination of the currency swap by each party.

Equity Contracts

Equity derivatives, including options and variance swaps, are used by the Company in its investment portfolio from time-to-time to either assume equity risk or hedge its equity exposure. The fair value of the Company's equity derivatives is determined using market-based prices from pricing vendors.

The Company uses options to hedge against changes in the value of the benefit contained in the indexed universal life products. The Company pays an upfront premium to purchase these options. The Company utilises these options in non-qualifying hedging relationships.

Under variance swaps, the contract provides exposure to the future volatility of an underlying asset, without taking directional exposure to that asset. The contracts are entered into at no cost and the payoff is the difference between the realised variance rate of an underlying index and the fixed variance rate determined as of inception of the contract.

Under call options, the contract gives the right, but not an obligation, to exercise the option to obtain shares at a fixed price before the expiry date of the option

Under equity index options, the contract gives the holder the right, but not the obligation to buy or sell the value of an underlying equity index at the stated exercise price before the expiry date of the option. The options are used to provide additional exposure to the index while also providing downside protection.

Other Derivative Contracts

Other derivatives, including commodity futures, inflation index swap and credit default swap, are used by the Company in its investment portfolio from time-to-time to hedge against inflation risk or to take advantage of current or expected future market conditions.

Under commodity futures, the Company agrees with counterparties to buy a specified amount of a commodity at a specific price at a specific date in the future. The future is used to protect against adverse movements in the price of the commodity.

Under inflation index swaps, the Company agrees with counterparties to swap fixed rate payments on a notional principal amount for floating rate payments linked to an inflation index, such as the Consumer price index ("CPI"). The swap is used by the Company to transfer inflation risk.

Credit default swaps are used by the Company as a type of insurance to hedge against the risk of defaults.

The Company uses total rate return swaps to hedge the cash flow variability associated with its assets. Under total rate of return swaps, the Company pays total return on its underlying assets in exchange for payments based on a set rate, either fixed or variable.

Financial Statements (continued)

Notes to the Consolidated Financial Statements
(\$'s in thousands)

The table below provides a summary of the gross notional amount and fair value of derivative contracts, excluding embedded derivatives and associated reinsurance recoverables. The fair value amounts below represent the value of derivative contracts prior to taking into account the netting effects of master netting agreements and cash collateral.

(\$'s in thousands)	31 December 2021		
	Notional	Gross Fair Value	
		Assets	Liabilities
Derivatives Designated as Hedging Instruments			
Foreign currency forwards	\$ 254,379	\$ –	\$ (33,696)
Total derivatives designated as hedging instruments	\$ 254,379	\$ –	\$ (33,696)
Derivatives Not Designated as Hedging Instruments			
Foreign currency forwards	\$ 1,839,092	\$ 9,173	\$ (10,328)
Foreign currency swaps	47,009	3,924	(523)
Interest rate swaps	6,688,886	30,395	(283,440)
Interest rate forwards	3,360,391	980	(4,455)
Equity contracts	6,081,077	734,495	(45,032)
Other derivative contracts	466,970	857	(4,142)
Embedded derivatives			
Funds withheld assets	–	550,205	–
Other liabilities	–	–	(8,530)
Equity index life contracts	–	–	(446,293)
Fixed indexed annuity contracts	–	–	(2,791,507)
GMWB/GMWBL	–	–	(10,802)
Guaranteed premium rate benefits	–	86,600	–
Total derivatives not designated as hedging instruments	\$ 18,483,425	\$ 1,416,629	\$ (3,605,052)
Total Derivatives	\$ 18,737,804	\$ 1,416,629	\$ (3,638,748)

(\$'s in thousands)	31 December 2020		
	Notional	Gross Fair Value	
		Assets	Liabilities
Derivatives Designated as Hedging Instruments			
Foreign currency forwards	\$ 269,778	\$ –	\$ (46,602)
Total derivatives designated as hedging instruments	\$ 269,778	\$ –	\$ (46,602)
Derivatives Not Designated as Hedging Instruments			
Foreign currency forwards	\$ 2,382,318	\$ 81,222	\$ (6,471)
Foreign currency swaps	38,801	27,325	(28,832)
Interest rate swaps	12,270,816	909,107	(899,127)
Interest rate forwards	6,438,934	32,614	(869)
Equity contracts	3,549,528	276,125	(11,419)
Other derivative contracts	212,019	–	(7,557)
Embedded derivatives			
Funds withheld assets	–	685,522	–
Total derivatives not designated as hedging instruments	\$ 24,892,416	\$ 2,011,915	\$ (954,275)
Total Derivatives	\$ 25,162,194	\$ 2,011,915	\$ (1,000,877)

Derivative Instruments Designated as Hedging Instruments

The table below provides a summary of derivative instrument designated as a hedge of a net investment in a foreign operation and the resulting derivative loss that was recorded in foreign currency translation adjustments, within accumulated other comprehensive income (loss) on the Company's Consolidated Statements of Changes in Shareholders' Equity:

(\$'s in thousands)	Statement of Changes in Shareholders' Equity line	2021	2020
Foreign currency forward	Accumulated other comprehensive income (loss)	\$ (33,696)	\$ (46,602)

Financial Statements (continued)

Notes to the Consolidated Financial Statements (\$'s in thousands)

Derivative Instruments Not Designated as Hedging Instruments

The cumulative net gains (losses) in the Consolidated Statements of Operations for changes in the fair value of derivative instruments and the location of any gains or losses in the Consolidated Statements of Operations line for the years ended 31 December 2021 and 2020 were as follows:

(\$'s in thousands) Derivative Instruments	Statements of Operations line	2021	2020
Foreign currency forwards	Investment-related gains (losses), net	\$ (26,056)	\$ 114,104
Foreign currency swaps	Investment-related gains (losses), net	(7,843)	977
Interest rate swaps	Net investment income	(1,372)	12,290
Interest rate swaps	Investment-related gains (losses), net	(157,770)	(30,160)
Interest rate forwards	Investment-related gains (losses), net	(300,784)	(19,546)
Equity contracts	Investment-related gains (losses), net	177,829	(6,967)
Other derivative contracts	Investment-related gains (losses), net	(244,126)	6,380
		\$ (560,122)	\$ 77,078

As of 31 December 2021 and 2020, the Company owed \$6.6 million and \$5.3 million, respectively, for cash it is required to post in relation to margin calls in connection with the interest rate swaps. These amounts are included within other liabilities or other assets on the Consolidated Balance Sheets.

Embedded Derivatives on Funds Withheld Assets

Embedded derivatives arising on modco contracts are bifurcated from the host contract and carried at fair value within funds withheld assets on the Consolidated Balance Sheets. Changes in fair value are recorded within net investment income on the Consolidated Statements of Operations.

The estimated fair value and Consolidated Balance Sheets location of the Company's embedded derivatives as of 31 December 2021 and 2020 were as follows:

(\$'s in thousands) Derivative Instruments	Balance Sheet Line	31 December 2021	31 December 2020
Derivatives embedded in			
Modco reinsurance contracts	Funds withheld asset	\$ 550,205	\$ 685,522
Funds withheld assets	Other liabilities	(8,530)	–
Guaranteed premium rate benefits	Other assets	86,600	–
Derivatives embedded in life and annuity contracts			
Fixed indexed annuity contracts	Policyholder account balances	(2,791,507)	–
Equity indexed life contracts	Policyholder account balances	(446,293)	–
GMWB/GMWBL	Future policy benefits and other policy liabilities	(10,802)	–
		\$ (2,620,327)	\$ 685,522

The change in the value of the embedded derivatives recorded within Consolidated Statements of Operations for the years ended 31 December 2021 and 2020 were as follows:

(\$'s in thousands) Derivative Instruments	Statements of Operations Line	2021	2020
Derivatives embedded in life and annuity contracts			
Fixed indexed annuity contracts	Policyholder benefits	\$ 1,063	\$ –
Equity indexed life contracts	Policyholder benefits	(138,408)	–
Guaranteed accumulation benefits	Policyholder benefits	–	–
GMWB	Policyholder benefits	342	–
GMWBL	Policyholder benefits	6,034	–
Change in embedded derivatives on modco reinsurance contracts	Investment-related gains (losses), net	(135,317)	218,829
Change in embedded on funds withheld	Investment-related gains (losses), net	7,279	–
Change in embedded on guaranteed premium rate benefits	Investment-related gains (losses), net	(180)	–
		\$ (259,187)	\$ 218,829

Financial Statements (continued)

Notes to the Consolidated Financial Statements (\$'s in thousands)

6. Fair Value Measurement

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The hierarchy for inputs used in determining fair value maximises the use of observable inputs and minimises the use of unobservable inputs by requiring that observable inputs be used when available. Assets and liabilities recorded on the Consolidated Balance Sheets at fair value are categorised in the fair value hierarchy based on the observability of inputs to the valuation techniques as follows:

Level 1 Assets and liabilities whose values are based on unadjusted quoted prices for identical assets or liabilities in an active market that the Company can access.

Level 2 Assets and liabilities whose values are based on the following:

- (a) Quoted prices for similar assets or liabilities in active markets;
- (b) Quoted prices for identical or similar assets or liabilities in markets that are not active; or
- (c) Valuation models whose inputs are observable, directly or indirectly, for substantially the full term of the asset or liability.

Level 3 Assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. Unobservable inputs reflect the Company's estimates of the assumptions that market participants would use in valuing the assets and liabilities.

The availability of observable inputs varies by instrument. In situations where fair value is based on internally developed pricing models or inputs that are unobservable in the market, the determination of fair value requires more judgement. The degree of judgement exercised by the Company in determining fair value is typically greatest for instruments categorised in Level 3. In many instances, valuation inputs used to measure fair value fall into different levels of the fair value hierarchy. The category level in the fair value hierarchy is determined based on the lowest level input that is significant to the fair value measurement in its entirety. The Company uses prices and inputs that are current as of the measurement date, including during periods of market disruption. In periods of market disruption, the ability to observe prices and inputs may be reduced for many instruments.

The Company is responsible for the determination of fair value and the supporting assumptions and methodologies. The Company gains assurance that assets and liabilities are appropriately valued through the execution of various processes and controls designed to ensure the overall reasonableness and consistent application of valuation methodologies, including inputs and assumptions, and compliance with accounting standards. For fair values received from third parties or internally estimated, the Company's processes and controls are designed to ensure that the valuation methodologies are appropriate and consistently applied, the inputs and assumptions are reasonable and consistent with the objective of determining fair value, and the fair values are accurately recorded. For example, the Company assesses the reasonableness of individual fair values provided by investment managers which, when compared to fair values received from third party valuation service providers or derived from internal models, exceed certain thresholds. The Company performs procedures to understand and assess the methodologies, processes and controls of valuation service providers.

When fair value determinations are expected to be more variable, the Company validates them through reviews by members of management who have relevant expertise and who are independent of those charged with executing investment transactions.

Financial Statements (continued)

Notes to the Consolidated Financial Statements
(\$'s in thousands)

The Company's assets and liabilities measured at fair value on a recurring basis as of 31 December 2021 and 2020 were as follows:

31 December 2021 (\$'s in thousands)	Level 1	Level 2	Level 3	Total
Fixed maturity securities, available for sale				
U.S. government and agencies	\$ 684,042	\$ 482,921	\$ –	\$ 1,166,963
U.S. municipal	–	1,213,136	–	1,213,136
Foreign government	–	4,032,159	–	4,032,159
Corporate	–	21,777,138	1,052,906	22,830,044
Asset-backed securities	–	1,282,806	117,897	1,400,703
Residential mortgage-backed securities	–	1,987,076	–	1,987,076
Commercial mortgage-backed securities	–	2,186,743	–	2,186,743
Total fixed maturity securities, available for sale	\$ 684,042	\$ 32,961,979	\$ 1,170,803	\$ 34,816,824
Fixed maturity securities, fair value option	\$ –	\$ 411,714	\$ 20	\$ 411,734
Equity securities	2,934,434	123,293	558,405	3,616,132
Investment funds measured at net asset value ⁽¹⁾	–	–	–	4,788,707
Short-term investments	–	2,029,808	–	2,029,808
Derivative assets	1,356	341,134	437,334	779,824
Investment property	–	–	98,280	98,280
Cash and cash equivalents	3,137,701	–	–	3,137,701
Funds withheld assets	118,382	–	38,599,570	38,717,952
Guaranteed premium rate benefits	–	86,600	–	86,600
Separate account assets	1,770,280	3,223,959	–	4,994,239
Total assets measured at fair value	\$ 8,646,195	\$ 39,178,487	\$ 40,864,412	\$ 93,477,801
Liabilities				
Policyholder liabilities, at estimated fair value	\$ –	\$ –	\$ 6,511,136	\$ 6,511,136
Future policy benefits and other policyholder liabilities				
GMWB/GMWBL	–	–	10,802	10,802
Policyholder account balances				
Fixed indexed annuity contracts	–	–	2,791,507	2,791,507
Equity indexed life contracts	–	–	446,293	446,293
Derivative liabilities	6,542	375,074	–	381,616
Other liabilities	–	8,530	–	8,530
Funds withheld liabilities	–	–	12,853,141	12,853,141
Separate account liabilities	1,770,280	3,223,959	–	4,994,239
Total liabilities measured at fair value	\$ 1,776,822	\$ 3,607,563	\$ 22,612,879	\$ 27,997,264

Financial Statements (continued)

Notes to the Consolidated Financial Statements
(\$'s in thousands)

31 December 2020 (\$'s in thousands)	Level 1	Level 2	Level 3	Total
Fixed maturity securities				
U.S. government and agencies	\$ 9,490	\$ –	\$ –	\$ 9,490
U.S. municipal	–	66,888	–	66,888
Foreign government	–	4,317,989	–	4,317,989
Corporate	–	4,350,663	–	4,350,663
Asset-backed securities	–	89,302	1,075	90,377
Residential mortgage-backed securities	–	598,410	–	598,410
Commercial mortgage-backed securities	–	53,063	–	53,063
Total fixed maturity securities	\$ 9,490	\$ 9,476,315	\$ 1,075	\$ 9,486,880
Equity securities				
Equity securities	\$ 2,434,204	\$ 22,829	\$ 532,797	\$ 2,989,830
Investment funds measured at net asset value ⁽¹⁾	–	–	–	4,248,995
Short-term investments	–	2,076,989	–	2,076,989
Derivative assets	36,429	1,289,964	–	1,326,393
Investment property	–	–	80,023	80,023
Funds withheld assets	–	–	6,237,082	6,237,082
Cash and cash equivalents	2,561,436	–	–	2,561,436
Separate account assets	–	3,355,375	–	3,355,375
Total assets measured at fair value	\$ 5,051,559	\$ 16,221,472	\$ 6,850,977	\$ 32,363,003
Liabilities				
Policyholder liabilities, at estimated fair value	\$ –	\$ –	\$ 7,086,618	\$ 7,086,618
Derivative liabilities	–	1,000,877	–	1,000,877
Separate account liabilities	–	3,355,375	–	3,355,375
Total liabilities measured at fair value	\$ –	\$ 4,356,252	\$ 7,086,618	\$ 11,442,870

(1) In accordance with Subtopic 820-10, certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the Consolidated Balance Sheets.

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

Financial Statements (continued)

Notes to the Consolidated Financial Statements (\$'s in thousands)

Publicly traded fixed maturity securities

The fair values of the Company's public fixed maturity securities are generally based on prices obtained from independent pricing services. Prices for each security are generally sourced from multiple pricing vendors, and a vendor hierarchy is maintained by asset type based on historical pricing experience and vendor expertise. The Company ultimately uses the price from the pricing service highest in the vendor hierarchy based on the respective asset type. The pricing hierarchy is updated for new financial products and recent pricing experience with various vendors. Consistent with the fair value hierarchy described above, securities with validated quotes from pricing services are generally reflected within Level 2, as they are primarily based on observable pricing for similar assets and/or other market observable inputs. U.S. Treasury securities are included within Level 1 due to the market activity. Typical inputs used by these pricing services include but are not limited to, reported trades, benchmark yields, issuer spreads, bids, offers, and/or estimated cash flow, prepayment speeds, and default rates. If the pricing information received from third party pricing services is deemed not reflective of market activity or other inputs observable in the market, the Company may challenge the price through a formal process with the pricing service or classify the securities as Level 3. If the pricing service updates the price to be more consistent with the presented market observations, the security remains within Level 2.

Indicative broker quotes are also used to determine fair value in circumstances where vendor pricing is not available, or where the Company ultimately concludes that pricing information received from independent pricing services is not reflective of market activity. If the Company concludes the values from both pricing services and brokers are not reflective of market activity, it may override the information with an internally-developed valuation. Pricing service overrides, internally-developed valuations and indicative broker quotes are generally included in Level 3 in the fair value hierarchy.

Non-publicly traded fixed maturity securities

Privately placed fixed maturity securities are priced based on the credit quality and duration of comparable marketable securities, which may be securities of another issuer with similar characteristics. The valuation models used by the investment managers to price these securities consider the current level of risk-free interest rates, corporate spreads, credit quality of the issuer and cash flow characteristics of the security, the net worth of the borrower and value of the collateral.

Derivative assets

The fair value of financial instruments traded in active markets (such as publicly traded derivatives) is based on quoted market prices (current bid price or current offer price) and classified as Level 1. The fair value of financial instruments not traded in an active market (e.g. over-the-counter derivatives) is determined using valuation techniques and are classified as Level 2. Valuation techniques include net present value techniques, option pricing models, discounted cash flow methods and comparison to quoted market prices or dealer quotes for similar instruments. The models use a number of inputs, including the credit quality of counterparties, foreign exchange spot and forward rates, yield curves of the

respective currencies, currency basis spreads between the respective currencies, interest rate curves and forward rate curves of the underlying instruments. Some derivative contracts are significantly cash collateralised, thereby minimising both counterparty risk and Group's own non-performance risk.

Equity securities

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

Short-term investments

The fair value of unlisted debt securities are priced using interest rate yields obtainable on comparable listed investments. These assets are classified as Level 2.

Investment property

The fair value of investment properties are priced using discounted cash flow, capitalisation and comparisons with similar investment properties. These assets are classified as Level 3.

Funds withheld assets and liabilities (embedded derivative)

The Company estimates the fair value of the embedded derivative based on the fair value of the underlying assets supporting the funds withheld receivable under the modco agreements. The majority of the fair value is classified as Level 3 as more than an insignificant amount of the underlying assets supporting this balance are classified as Level 3 based on the valuation methods used. These primarily consists of commercial mortgage loans and other invested assets.

Cash and cash equivalents, including restricted cash

The carrying amount for cash and cash equivalents equals fair value, which has been determined based on quoted market prices. These assets are classified as Level 1.

Separate account assets and liabilities

The assets and liabilities held in separate accounts are reported at the fair values of the underlying investments in the separate accounts. The underlying investments include short-term investments, cash and fixed maturities. The underlying assets are classified as Level 2, as they are primarily based on observable pricing for similar assets and/or other market observable inputs.

Financial Statements (continued)

Notes to the Consolidated Financial Statements (\$'s in thousands)

Policyholder liabilities, at fair value

The fair value reserve estimate is based on a discounted liability cash flow methodology. The discount rates are determined using current market risk-free interest rates, including a spread to reflect the illiquidity of the liabilities (“illiquidity premium”). The Company has quantified this by assessing a replicating investment portfolio that the Company believes a reasonable third party would use in pricing the business. The discounted liability cash flow methodology also includes assumptions about future mortality rates of policyholders, updated on an ongoing basis to reflect recent credible experience.

Guaranteed premium rate benefits

The Company estimates the fair value of the embedded derivative based on the fair value of the underlying assets supporting the funds withheld receivable under the modified coinsurance agreements. The fair value is classified as Level 2 as more than an insignificant amount of the underlying assets are classified as Level 2 based on the valuation methods used.

Future policy benefits and other policyholder liabilities and Policyholders’ account balances – guaranteed benefit derivatives

The Company records reserves for annuity contracts containing GMWBL and GMWB riders. The guarantee is an embedded derivative and is required to be accounted for separately from the host variable annuity contract. The fair value of the obligation is calculated based on actuarial and capital market assumptions related to the projected cash flows, including benefits and related contract charges, over the anticipated life of the related contracts. The cash flow estimates are produced by using stochastic techniques under a variety of market return scenarios and other market implied assumptions. These derivatives are classified as Level 3 liabilities in the fair value hierarchy.

The index-crediting feature in the Company’s indexed annuity and life contracts is an embedded derivative that is required to be accounted for separately from the host contract. The fair value of the obligation is calculated based on actuarial and capital market assumptions related to the projected cash flows, including benefits and related contract charges, over the anticipated life of the related contracts for fixed indexed annuities and over the current indexed term for indexed life contracts. The cash flow estimates are produced by market implied assumptions. These derivatives are classified as Level 3 liabilities in the fair value hierarchy.

The Company records reserves for certain contracts containing guaranteed credited rates. The guarantee is treated as an embedded derivative or a stand-alone derivative (depending on the underlying product) and is required to be reported at fair value. The estimated fair value is determined based on the present value of projected future claims, minus the present value of future guaranteed premiums. At inception of the contract, the Company projects a guaranteed premium to be equal to the present value of the projected future claims. The income associated with the contracts is projected using relevant actuarial and capital market assumptions, including benefits and related contract charges, over the anticipated life of the related contracts. The cash flow estimates are produced by using stochastic techniques under a variety of risk neutral scenarios and other market implied assumptions. These derivatives are classified as Level 3 liabilities.

The discount rate used to determine the fair value of the Company’s GMWBL, GMWB, indexed annuity and life contracts, embedded derivative liabilities and the stand-alone derivative includes an adjustment to reflect the risk that these obligations will not be fulfilled (“non-performance risk”). The non-performance risk adjustment incorporates a blend of observable, similarly.

Financial Statements (continued)

Notes to the Consolidated Financial Statements
(\$'s in thousands)

Level 3 Fair Value Measurements

The change in fair value measurement of assets and liabilities categorised with Level 3 of the fair value hierarchy during the years ended 31 December 2021 and 2020 were as follows:

31 December 2021 (\$'s in thousands)	Beginning Balance	Transfers to Level 3	Transfers out of Level 3	Purchases	Investment-Related Gains (Losses) Included in:		Issues	Settlements	Ending Balance	
					Net income	OCI				
Assets										
Fixed income securities	\$ –	\$ 11,753	\$ (81,502)	\$ 1,166,389	\$ (2,208)	\$ 6,528	\$ –	\$ (48,054)	\$ 1,052,906	
Asset-backed securities	1,075	4,467	–	118,438	(447)	(365)	–	(5,271)	117,897	
Residential mortgage-backed securities	–	–	–	–	–	–	–	–	–	
Fixed maturities, fair value option	–	–	–	20	–	–	–	–	20	
Equity securities	532,797	–	–	2,597	23,011	–	–	–	558,405	
Investment properties	80,023	–	–	–	18,257	–	–	–	98,280	
Short-term investments	–	–	–	10,460	2,949	–	–	(13,409)	–	
Funds withheld asset	6,237,082	–	–	32,841,462	(355,430)	–	–	(123,544)	38,599,570	
Derivative assets	–	–	(54,291)	468,617	239,362	–	–	(216,354)	437,334	
Total Level 3 assets	\$ 6,850,977	\$ 16,220	\$ (135,793)	\$ 34,607,983	\$ (74,506)	\$ 6,163	\$ –	\$ (406,632)	\$ 40,864,412	
Liabilities										
Fixed index annuity contracts	\$ –	\$ –	\$ –	\$ 2,792,570	\$ (4,704)	\$ –	\$ 5,489	\$ (1,848)	\$ 2,791,507	
Equity indexed life contracts	–	–	–	307,885	248,977	–	87,641	(198,210)	446,293	
GMWB/GMWBL	–	–	–	17,179	(7,725)	–	1,348	–	10,802	
Derivative liabilities	–	–	(61,922)	61,922	–	–	–	–	–	
Funds withheld liability	–	–	–	12,853,141	–	–	–	–	12,853,141	
Policyholder liabilities at estimated fair value	7,086,618	–	–	–	(60,642)	–	–	(514,840)	6,511,136	
Total Level 3 liabilities	\$ 7,086,618	\$ –	\$ (61,922)	\$ 16,032,697	\$ 175,906	\$ –	\$ 94,478	\$ (714,898)	\$ 22,612,879	

Financial Statements (continued)

Notes to the Consolidated Financial Statements
(\$'s in thousands)

31 December 2020 (\$'s in thousands)	Beginning balance	Purchases	Investment-Related Gains (Losses) Included in:			Ending balance
			Net income	OCI	Settlements	
Assets						
Funds withheld assets	\$ 6,281,888	–	(13,896)	–	(30,910)	\$ 6,237,082
Asset-backed securities	–	961	–	114	–	1,075
Equity securities	–	448,773	84,024	–	–	532,797
Investment property	–	69,588	10,435	–	–	80,023
Total Level 3 Assets	\$ 6,281,888	519,322	80,563	114	(30,910)	\$ 6,850,977
Liabilities						
Policyholder liabilities at fair value	\$ 6,850,883	–	816,070	–	(580,335)	\$ 7,086,618
Total Level 3 Liabilities	\$ 6,850,883	–	816,070	–	(580,335)	\$ 7,086,618

Significant Unobservable Inputs

Significant unobservable inputs occur when the Company could not obtain or corroborate the quantitative detail of the inputs. This applies to certain fixed maturity securities, equity securities, investment funds, investment property and funds withheld assets. Additional significant unobservable inputs are described below.

(\$'s in thousands)	Fair value	Valuation Technique	Unobservable Input	Range	Weighted Average
Equity-indexed life contracts	\$ (446,293)	Option Pricing Technique	Lapses	2.00% to 10.00%	6.00%
GMWB/GMWBL	\$ (10,802)	Stochastic cash flow model	Long-term equity volatility	18% to 29%	20.97%
			Long-term implied interest rate volatility	0.1% to 15%	4.91%
			Non-performance risk	0.25% to 0.75%	0.69%
			Withdrawal Utilisation Delay	0 to 99	9.75
			Benefit Utilisation	90% to 100%	90.70%
			Lapses	0.15% to 14.51%	6.50%
Fixed Indexed Annuities	\$ (2,791,507)	Option Budget Method	Non-performance risk	0.25% to 0.75%	0.69%
			Withdrawal Utilisation Delay	0 to 60	15.60
			Benefit Utilisation	0% to 100%	81.48%
			Partial Withdrawals	0% to 4.5%	1.8%
			Lapses	0.5% to 25%	2.2%

Financial Statements (continued)

Notes to the Consolidated Financial Statements (\$'s in thousands)

AFS securities: For certain fixed maturity securities, internal models are used to calculate the fair value. The Company uses a discounted cash flow approach. The discount rate is the significant unobservable input due to the determined credit spread being internally developed, illiquid, or as a result of other adjustments made to the base rate. The base rate represents a market comparable rate for securities with similar characteristics. This excludes assets for which significant unobservable inputs are not developed internally, primarily consisting of broker quotes.

Policyholder liabilities at fair value: Significant unobservable inputs included within the calculation of policyholder liabilities include:

- 1) Illiquidity premium – quantified by assessing a replicating investment portfolio that we believe a reasonable third party would use in pricing the business
- 2) Mortality assumptions – we regularly review the assumptions for future mortality rates of policyholders in line with credible experience, industry data, and/or other factors, in the pricing of the reinsurance transaction

Fixed indexed annuity contracts: Significant unobservable inputs used in the valuation of fixed indexed annuity embedded derivatives include:

- 1) 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
- 2) Policyholder behaviour – The liabilities cash flows are projected using actuarial determined assumptions based on Company's and cedant historical experiences. The more significant assumptions include partial and full surrenders, mortality, future rider unitisation

Fair Value of Financial Instruments Not Carried at Fair Value

The following represents the fair value of the Company's financial instruments which are not reported at fair value on the Consolidated Balance Sheets as at 31 December 2021 and 2020:

31 December 2021 (\$'s in thousands)	Carrying Value	Fair Value	Level 1	Level 2	Level 3
Assets					
Commercial mortgage loans	\$ 2,562,727	2,567,826	\$ –	\$ –	\$ 2,567,826
Policy loans	1,642,093	1,642,093	–	1,547,846	94,247
FHLB common stock	66,091	66,091	–	66,091	–
Total Assets	\$ 4,270,911	4,276,010	\$ –	\$ 1,613,937	\$ 2,662,073
Liabilities					
Policyholders' account balances – investment contracts	\$ 33,202,964	32,683,408	\$ –	\$ –	\$ 32,683,408
Long-term debt	2,104,248	2,104,248	–	–	2,104,248
Deferred purchase consideration	10,500	10,500	–	10,500	–
Total Liabilities	\$ 35,317,712	34,798,156	\$ –	\$ 10,500	\$ 34,787,656

Financial Statements (continued)

Notes to the Consolidated Financial Statements (\$'s in thousands)

31 December 2020 (\$'s in thousands)	Carrying Value	Fair Value	Level 1	Level 2	Level 3
Assets					
Policy loans	\$ 104,161	\$ 104,161	\$ –	\$ 104,161	\$ –
Total Assets	\$ 104,161	\$ 104,161	\$ –	\$ 104,161	\$ –
Liabilities					
Policyholders' account balances – investment contracts	\$ 5,281,015	\$ 4,737,410	\$ –	\$ 6,530	\$ 4,730,880
Long-term debt	747,896	747,048	–	–	747,048
Total Liabilities	\$ 6,028,911	\$ 5,484,458	\$ –	\$ 6,530	\$ 5,477,928

The Company estimates the fair value for financial instruments not carried at fair value using the same methods and assumptions as those the Company carry at fair value. The financial instruments presented above are reported at carrying value on the Consolidated Balance Sheets; however, in the case of policy loans and FHLB common stock, the carrying amount approximates fair value.

Commercial Mortgage Loans

The fair value of most commercial mortgage loans is based upon the present value of the expected future cash flows discounted at the appropriate U.S. Treasury rate plus an appropriate credit spread for similar quality loans.

Policy Loans

The fair value of policy loans was determined by discounting expected cash flows at the current loan coupon rate. As a result, the carrying value of the policy loans approximates the fair value.

FHLB common stock

The FHLB common stock is carried at cost, and periodically evaluated for impairment based on ultimate recovery of par value. As a result, the carrying value of the FHLB common stock approximates the fair value.

Policyholders' Account Balances – Investment Contracts

The fair value measurement of the future policy benefit and other policyholder liabilities and the policyholders' account balances is based on discounted cash flow techniques using significant unobservable inputs. The estimated fair value is determined using current market risk-free interest rates, adding a spread to reflect the investment non-performance risk, a risk margin to reflect uncertainty inherent in the projected cash flows and an illiquidity premium to reflect the long-dated nature of the liabilities.

Long-Term Debt

The carrying values of the RRFB Facility Agreement and the New Facility Agreement (as defined in Note 18) are deemed to approximate fair value due to the proximity of the issuance and the balance sheet date.

Financial Statements (continued)

Notes to the Consolidated Financial Statements (\$'s in thousands)

7. Variable Interest Entities (“VIEs”)

The Company has invested in legal entities that are VIEs. The VIEs were formed to make investments, including co-investments alongside other investors, in private equity, infrastructure, real estate and credit assets. In certain instances, the Company holds both the power to direct the most significant activities of the entity, as well as an economic interest in the entity and, as such, is deemed to be the primary beneficiary or consolidator of the entity. The determination of the VIE's primary beneficiary requires an evaluation of the contractual and implied rights and obligations associated with each party's relationship with or involvement in the entity, an estimate of the entity's expected losses and expected residual returns and the allocation of such estimates to each party involved in the entity.

Consolidated VIEs

Creditors or beneficial interest holders of VIEs where the Company is the primary beneficiary have no recourse to the general credit of the Company, as the Company's obligation to the VIEs is limited to the amount of its committed investment. The following table presents the total assets and total liabilities relating to investment-related VIEs for which the Company has concluded that it is the primary beneficiary and which are consolidated at:

31 December 2021 (\$'s in thousands)	Carrying Value	Total Assets	Total Liabilities
Investment funds	\$ 1,235,553	\$ 1,240,023	\$ (4,471)
Total Consolidated VIEs	\$ 1,235,553	\$ 1,240,023	\$ (4,471)

31 December 2020 (\$'s in thousands)	Carrying Value	Total Assets	Total Liabilities
Investment funds	\$ 1,336,339	\$ 2,205,387	\$ (869,048)
Total Consolidated VIEs	\$ 1,336,339	\$ 2,205,387	\$ (869,048)

Non-consolidated VIEs

The carrying amount and maximum exposure to loss relating to VIEs in which the Company holds a significant variable interest but is not the primary beneficiary and which have not been consolidated were as follows at:

31 December 2021 (\$'s in thousands)	Balance Sheet Line	Carrying Value	Maximum Loss Exposure
Other investments	Investment funds	\$ 994,502	\$ \$994,502
Total non-consolidated VIEs		\$ 994,502	\$ 994,502

31 December 2020 (\$'s in thousands)	Balance Sheet Line	Carrying Value	Maximum Loss Exposure
Other investments	Investment funds	\$ 219,308	\$ 219,308
Total non-consolidated VIEs		\$ 219,308	\$ 219,308

There are no arrangements which would require the Company to provide financial support to the VIEs in excess of the committed capital investment. The Company has not provided financial or other support during the year to the VIEs that it was not previously contractually required to provide.

8. Income Taxes

Under current Bermuda law, the HoldCo and any other Bermuda domiciled companies in the Group are not required to pay any taxes in Bermuda on either income or capital gains. The Company has received an undertaking from the Bermuda Minister of Finance that, in the event of any such taxes being imposed, the Company will be exempt from taxation until the year 2035.

The Group has subsidiaries with operations in the United Kingdom, Australia, New Zealand, Canada and the United States, which subjects the Company to income tax filing requirements in these jurisdictions.

Current income tax recoverable and deferred tax assets are included in other assets on the consolidated balance sheets, and current income tax payable and deferred tax liabilities are included in other liabilities on the consolidated balance sheets. Current income tax assets and liabilities as of 31 December 2021 and 2020 were as follows:

(\$'s in thousands)	2021	2020
Current income tax recoverable	\$ 202,863	\$ 74,510
Current income tax payable	(24,646)	(1,608)
Net current income tax recoverable (payable)	\$ 178,217	\$ 72,902

Financial Statements (continued)

Notes to the Consolidated Financial Statements (\$'s in thousands)

Deferred income taxes are calculated to account for the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's deferred tax assets and liabilities as of 31 December 2021 and 2020 were as follows:

(\$'s in thousands)	2021	2020
Deferred tax assets		
Policyholder reserves	\$ 404,932	\$ 464,546
Tax credit estimates	51,299	147,759
Deferred acquisition costs	510,813	–
Net operating loss carryforward	44,240	(6)
Net unrealised investment losses	48,330	–
Other expense-related accruals	48,934	25,526
Other investment-related accruals	4,400	12,281
Other	44,048	3,613
Gross deferred tax assets	1,156,996	653,719
Valuation allowance adjustment	–	–
Total Deferred tax assets	1,156,996	653,719
Deferred tax liabilities		
Investments	\$ (404,117)	\$ (546,072)
Value of business acquired	(299,492)	(351,567)
Premium and claims accruals	(140,678)	(151,863)
Intangibles	(2,344)	(4,143)
Other	(4,937)	(6,339)
Total Deferred tax liabilities	(851,568)	(1,059,984)
Net deferred tax assets (liabilities)	\$ 305,428	\$ (406,265)

The Company evaluates the recoverability of deferred tax assets and establishes a valuation allowance if necessary to reduce the deferred tax asset to an amount that is more likely than not expected to be realised. Considerable judgement is required in determining whether a valuation allowance is necessary, and if so, the amount of such valuation allowance. In evaluating the need for a valuation allowance the Company considers many factors, including: (1) the nature of the deferred tax assets and liabilities; (2) whether they are ordinary or capital; (3) in which tax jurisdictions they were generated and the timing of their reversal; (4) taxable income in prior carryback years as well as projected taxable earnings exclusive of reversing temporary differences and carryforwards; (5) the length of time that any tax attribute carryovers can be utilised in the various taxing jurisdictions; (6) any unique tax rules that would impact the utilisation of the deferred tax assets; and (7) prudent and feasible tax planning strategies that the Company would employ to avoid a tax benefit from expiring unused. Although realisation is not assured, management believes it is more likely than not that the deferred tax assets will be realised as of 31 December 2021.

The Company does not believe it has any uncertain tax positions for its federal income tax return that would be material to its financial condition, results of income, or cash flows. Therefore, the Company did not record a liability for unrecognised tax contingencies/benefits as of 31 December 2021 and 2020. As of 31 December 2021, there were no uncertain tax positions for which management believes it is reasonably possible that the total amounts of tax contingencies will significantly increase within 12 months of the reporting date. No amounts have been accrued for interest or penalties.

The expected tax provision computed on pre-tax income at the weighted average tax rate has been calculated as the sum of the pre-tax income in each jurisdiction (assumed to be nil in loss-making jurisdictions) multiplied by that jurisdiction's applicable statutory tax rate. Statutory tax rates of 0%, 21%, 19%, 28% and 30% have been used for Bermuda, the United States ("US"), the United Kingdom ("UK"), New Zealand and Australia, respectively, for the years ended 31 December 2021 and 2020.

Financial Statements (continued)

Notes to the Consolidated Financial Statements (\$'s in thousands)

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

(\$'s in thousands)	2021	2020
Profit (loss) before tax	\$ 655,426	\$ 12,205
Tax attributable to policyholders' returns	13,579	(59,377)
Profit (loss) before tax attributable to stockholders' profits	669,005	(47,172)
Expected tax provision computed on pre-tax income at weighted average income tax rate	200,702	(14,027)
<i>Reconciling items</i>		
<i>Difference in foreign tax rates</i>	(64,383)	34,164
<i>Expenses not deductible for tax purposes</i>	1,973	7,366
<i>Non-assessable capital gains (losses) – New Zealand</i>	(15,511)	(5,725)
<i>Other non-assessable income</i>	(7,271)	–
<i>Shareholder impact of life insurance tax treatment</i>	(7,486)	(4,546)
<i>NOHC tax consolidation election</i>	(292,621)	–
<i>Amounts treated as equity for tax purposes</i>	376	1,356
<i>Investment income (franking credits etc.)</i>	(239)	(5,217)
<i>AMP Transaction purchase price adjustments</i>	(16,896)	–
<i>Minority interest in subsidiaries</i>	(7,671)	(4,895)
<i>Concessional tax treatment of investment income</i>	(14,116)	10,654
<i>Tax attributable to policyholders returns</i>	(13,579)	59,377
<i>Tax valuation allowance reversal</i>	(5,788)	–
<i>Dividends received deduction</i>	(846)	–
<i>State income tax benefit</i>	(1,419)	–
<i>Other</i>	4,608	1,455
Income tax expense (benefit)	\$ (240,169)	\$ 79,962

During the current reporting period, the NOHC and its Australian subsidiaries elected to form a tax consolidated group, effective 30 June 2020. Each member of this tax consolidated group has entered into a tax funding and tax sharing agreement, whereby members will continue to calculate tax liabilities on the basis of pre-consolidation tax bases, and the NOHC will calculate and account for tax liabilities for the tax consolidated group to the Australian Tax Office on the consolidated tax base. For the year ended 31 December 2021, a deferred tax asset of \$292.6 million has been recognised, being the increase in tax

basis in investments as a result of the tax rules which govern the creation of the new tax consolidated group. The Company's net operating loss carryforwards of \$44 million primarily relate to policyholder tax losses, which have no expiry and can be carried forward indefinitely to offset against future policyholder taxable income.

9. Certain Non-traditional Long-Duration Contracts

The Company's contracts with guarantees may offer more than one type of guarantee in each contract; therefore, the amounts listed may not be mutually exclusive. The liabilities related to the net amount at risk are reflected within Future policy benefits and other policyholder liabilities or Policyholders' account balances. As of 31 December 2021, the Company had the following guarantees associated with these contracts, by product and guarantee type:

(in thousands)	31 December 2021		
	In the Event of Death	At Annuitisation/Accumulation	For Cumulative Periodic Withdrawals
Variable Annuity Contracts			
Separate account value	\$ 1,445,512	\$ 153,410	\$ 197,814
Net amount at risk	\$ 33,988	\$ 16,391	\$ 4,262
Average attained age of contract holders	71 years	66 years	75 years
Weighted average waiting period until guarantee date	N/A		
Universal Life Contracts and Fixed Annuities			
<i>No Lapse Guarantees</i>			
General account value	\$ 2,639,386		
Net amount at risk	13,685,331		
Average attained age of contract holders	68 years		
<i>GLWB</i>			
General account value	\$14,978,434		
Net amount at risk	2,630,855		
Average attained age of contract holders	66 years		

The Company had no guarantees associated with these contracts as of 31 December 2020.

Financial Statements (continued)

Notes to the Consolidated Financial Statements (\$'s in thousands)

Liabilities for Guarantee Benefits

The liabilities for guaranteed minimum death benefits ("GMDB"), guaranteed minimum income benefits ("GMIB"), and secondary guarantees on interest-sensitive life and fixed annuities are included in Future policy benefits and other policyholder liabilities on the Consolidated Balance Sheets and the related changes in the liabilities are included in Policyholder benefits in the Consolidated Statements of Operations for the year ended 31 December 2021. Guaranteed minimum withdrawal benefits ("GMWB") and guaranteed minimum withdrawal benefits with life payouts ("GMWBL"), are accounted for as bifurcated embedded derivatives and are recorded at fair value within Policyholders' account balances on the Consolidated Balance Sheets.

The changes in general account liabilities for guarantees were as follows:

(in thousands)	GMDB	GMIB	GMWB	GMWBL	GLWB	Secondary Guarantees	Total
	Variable Annuity	Variable Annuity	Variable Annuity	Variable Annuity	Fixed Annuity	Interest-Sensitive Life	
Balance as of 1 January 2021	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Less: reinsurance recoverable	-	-	-	-	-	-	-
Net balance as of 1 January 2021	-	-	-	-	-	-	-
Liabilities acquired	24,242	11,930	739	16,440	956,232	524,962	1,534,545
Incurred guarantee benefits	(1,397)	(5,894)	(342)	(6,034)	-	358,445	344,778
Paid guarantee benefits	-	-	-	-	-	(229,253)	(229,253)
Net change	22,845	6,036	397	10,406	956,232	654,154	1,650,070
Net balance as of 31 December 2021	22,845	6,036	397	10,406	956,232	654,154	1,650,070
Plus reinsurance recoverable	-	-	-	-	764,986	3,266,278	4,031,264
Balance as of 31 December 2021	\$ 22,845	6,036	397	10,406	1,721,218	3,920,432	5,681,334

Financial Statements (continued)

Notes to the Consolidated Financial Statements (\$'s in thousands)

10. Reinsurance

The Company has agreements that provide for reinsurance of certain policy-related risks. Under the agreements, premiums, contract charges, interest credited to policyholder funds, policy benefits and substantially all expenses are reinsured. The Company purchases reinsurance to limit aggregate and single losses on large risks.

The Company also assumes risk through reinsurance treaties with third parties on a modified coinsurance and funds withheld basis. The assets held by the cedents supporting these contracts are held in trust and do not form part of their general accounts.

Collectability of reinsurance balances are evaluated by monitoring ratings and evaluating the financial strength of its reinsurers. Large counterparty exposure risk is mitigated by requiring collateral in various forms including funds withheld accounts. As of 31 December 2021, approximately 75% of the Company's reinsurance recoverable asset was with a single unrated counterparty which was collateralised 100% through a funds withheld arrangement. Of the remaining reinsurance recoverable balance, approximately 99% was with counterparties rated Standard and Poor's ("S&P") A and above or equivalent.

The effects of reinsurance on premiums earned and fee income from policyholders for the years ended 31 December 2021 and 2020 were as follows:

(\$'s in thousands)	2021	2020
Premiums		
Direct	\$ 2,061,190	\$ 651,630
Reinsurance assumed	5,142,472	128
Reinsurance ceded	(1,306,770)	(340,653)
Total premiums and fee income, net of reinsurance	\$ 5,896,892	\$ 311,105

The effects of reinsurance on changes in policyholder liabilities, return credited to policyholders' account balances and policyholder benefits for the years ended 31 December 2021 and 2020 were as follows:

(\$'s in thousands)	2021	2020
Future policy and other policy benefits		
Direct	\$ (1,784,584)	\$ (649,659)
Reinsurance assumed	(5,079,193)	(816,070)
Reinsurance ceded	642,208	128,602
Total future policy and other policy benefits, net of reinsurance	\$ (6,221,569)	\$ (1,337,127)

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 Company was party to coinsurance with funds withheld treaties with external reinsurers under which risk on certain universal life and fixed annuity products is transferred. No portion of the assets constituting the consideration has been transferred to the reinsurer. The agreements were structured to finance reserves on certain universal life and fixed annuity products, in exchange for a fee based on those reserves. The profit to the reinsurers expected on the treaties is returned through an experience refund. The Company has determined that these agreements do not fulfil the requirements of risk transfer under general accepted accounting principles and are accounted for on a deposit method of accounting. As of 31 December 2021 the Company had modified coinsurance receivables and payables of \$2.6 billion related to these respective treaties.

Financial Statements (continued)

Notes to the Consolidated Financial Statements (\$'s in thousands)

11. Future Policy Benefits and Other Policyholder Liabilities

Life insurance liabilities include reserves for death benefits and other policy benefits. As of 31 December 2021 and 2020, future policy benefits and other policyholder liabilities consisted of the following:

(\$'s in thousands)	2021	2020
Deferred annuities	\$ 159,743	\$ 7,575
Traditional life insurance	18,410,542	11,414,690
Accident and health insurance	2,338,352	2,601,042
Single premium immediate annuities	982,426	768,174
Structured settlements	296,217	–
Individual and Group Life insurance	6,640,065	–
Guaranteed benefits on annuity contracts, and payout contracts with life contingencies	4,023,454	–
Other	874,897	–
Total	\$ 33,725,696	\$ 14,791,481

Future policy benefits are generally equal to the present value of future benefit payments and related expenses, less the present value of future net premiums. Assumptions as to mortality, morbidity and persistency are based on the Company's experience, industry data, and/or other factors, when the basis of the reserve is established. Interest rates used in the determination of present values range from 0.37% to 6.1% for setting reserves.

Traditional life insurance future policy benefit reserves includes unpaid claim reserves of \$285 million and \$313 million as of 31 December 2021 and 2020, respectively. Accident and health insurance future policy benefit reserves include unpaid claim reserves of \$1,848 million and \$1,986 million as of 31 December 2021 and 2020, respectively. These amounts are net of reinsurance, ceded amounts of unpaid claim reserves for traditional life insurance, and accident and health insurance are \$152 million and \$738 million, respectively.

12. Policyholder Liabilities, at Estimated Fair Value

Policyholder liabilities at fair value include reserves for death benefits, other policy benefits, and policyholder account balances where the fair value election has been taken. As of 31 December 2021 and 2020, policyholder liabilities at estimated fair value consisted of the following:

(\$'s in thousands)	2021	2020
Deferred annuities	\$ 111,157	\$ 120,782
Single premium immediate annuities	587,880	710,752
Structured settlements	5,812,099	6,255,084
Total	\$ 6,511,136	\$ 7,086,618

For certain contracts, the Company has made the election to hold the associated policyholder liabilities on the Consolidated Balance Sheets at fair value. Assumptions as to mortality, morbidity and persistency are based on the Company's experience, industry data, and/or other factors, in the pricing of the reinsurance transaction.

The discount rates are determined using current market risk-free interest rates, including a spread to reflect the illiquidity of the liabilities.

13. Policyholders' Account Balances

As of 31 December 2021 and 2020, policyholders' account balances consisted of the following:

(\$'s in thousands)	2021	2020
Interest-sensitive life contracts	\$ 5,866,628	\$ 5,242,537
Single premium immediate annuities	262,402	38,476
Structured settlements	52,773	–
Universal life contracts	15,479,647	–
Fixed annuities and payout	28,700,043	–
Other	1,636,995	–
Total	\$ 51,998,488	\$ 5,281,013

Policyholders' account balances represent an accumulation of deposits plus accumulated credit interest less withdrawals, expenses, mortality, and administration charges, if applicable. Interest crediting rates ranged from 0.0% to 7.1% for interest sensitive contracts. Interest crediting rates for individual annuities ranged from 0.0% to 6.0%. Interest crediting rates for funding agreements ranged from 0.5% to 1.0%.

Financial Statements (continued)

Notes to the Consolidated Financial Statements (\$'s in thousands)

14. Value of Business Acquired (“VOBA”) and Deferred Acquisition Costs (“DAC”)

The following reflects the changes to the VOBA and DAC assets during the years ended 31 December 2021 and 2020:

(\$'s in thousands)	VOBA	DAC
Balance, 1 January 2021	\$ 1,191,335	\$ 2,766
Business acquired	408,732	–
Cost of reinsurance	–	1,619,362
DAC capitalisation	–	11,037
Interest accretion	9,671	6,887
Amortised to expense during the year	(153,669)	(3,615)
Adjustment for unrealised investment losses during the year	–	5,164
Effect of foreign currency translation and other	(63,353)	(250)
Balance, 31 December 2021	\$ 1,392,716	\$ 1,641,351

(\$'s in thousands)	VOBA	DAC
Balance, 1 January 2020	\$ –	\$ –
Business acquired	1,112,439	–
DAC capitalisation	–	4,453
Interest accretion	17,591	–
Amortised to expense during the year	(64,585)	(1,977)
Effect of foreign currency translation and other	125,890	290
Balance, 31 December 2020	\$ 1,191,335	\$ 2,766

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

(\$'s in thousands)	Expected Amortisation
2022	7.80%
2023	7.32%
2024	6.83%
2025	6.39%
2026 and thereafter	71.66%

15. Commitments and Contingencies

Commitments

On 19 December 2019, RLUSH entered into a \$25 million revolving credit commitment with Wells Fargo. The facility was terminated 30 December 2021.

RLUSH became a member of the FHLB in 2021 and is required to pledge collateral to back funding agreements issued to the FHLB. As of 31 December 2021, RLUSH had \$1,445 million in funding agreements, which are included in Policyholder account balances on the Consolidated Balance Sheets. As of 31 December 2021, assets with a market value of approximately \$2,249 million collateralised the FHLB funding agreements. Assets pledged to the FHLB are included in Fixed maturities, available-for-sale, at fair value on the Consolidated Balance Sheets.

RLUSH established a payable of \$8.4 million as a preferred stock dividend as of 31 December 2021 associated with \$100 million of Series A Preferred Shares issued to Voya Special Investments Inc, as part of the Voya Transaction. These are recorded as non-controlling interests in the Consolidated Balance Sheets as of 31 December 2021.

RRL has commitments to make investments, primarily capital contributions to investment funds, of \$188.8 million and \$272.1 million as of 31 December 2021 and 2020, respectively. These commitments will be funded from the funds withheld assets over the next three years but could become due any time upon counterparty request due to market conditions and other factors.

Regulation and Compliance

As with many financial services companies, the Company's subsidiaries periodically receive information and formal requests for information from various governmental agencies and self-regulatory organisations in connection with examinations, inquiries, investigations and audits of the products and practices of the Company or the financial services industry. Some of the investigations, examinations,

Financial Statements (continued)

Notes to the Consolidated Financial Statements (\$'s in thousands)

audits and inquiries could result in regulatory action against the Company. The potential outcome of such regulatory action is difficult to predict, but could subject the Company to adverse consequences, including, but not limited to, additional payments to beneficiaries, settlement payments, penalties, fines and other financial liability, and changes to the Company's policies and procedures. The potential economic consequences cannot be predicted, but management does not believe that the outcome of any such action will have a material adverse effect on the Company's financial position. It is the practice of the Company to cooperate fully in these matters.

Litigation

RLAL is currently named as a respondent in two class actions against certain AMP entities that were lodged in the Federal Court of Australia. The first class action names both RLAL and RLNM Limited as respondents and relates to the superannuation fees. It is consolidation of two class action proceedings commenced in May and June 2019. The second class action (which is also a consolidation of two separate proceedings) relates to financial advice and certain RLAL products. Both class actions are subject to certain indemnities under the AMP Transaction agreement.

The life insurance industry, including SLD, has experienced litigation alleging, for example, that insurance companies have breached terms of their life insurance policies by increasing the insurance rates of the application policies inappropriately or by factoring into rate adjustments elements not disclosed under the terms of the applicable policies, and, consequently, unjustly enriched themselves. This litigation is generally known as cost insurance litigation. While it is not possible to forecast the outcome of such lawsuits/arbitrations, in light of existing insurance, reinsurance and established reserves, it is the opinion of management that the disposition of such lawsuits/arbitrations will not have a material adverse effect on the Company's operations or financial position. This litigation includes *Advance Trust & Life Escrow services, LTA v. Security Life of Denver*, a putative class action in which the Plaintiff alleges that two specific types of universal life insurance policies only permitted the Company to rely upon the policyholder's expected future mortality experience to establish and increase the cost of insurance, but the Company instead relied upon other, non-disclosed factors not only in the administration of the policies over time, but also in the decision to increase insurance costs beginning in approximately October 2015. The Plaintiff alleges a breach of contract and seeks class certification. The Company denies the allegations in the complaint, believes the complaint to be without merit, and intends to defend the lawsuit vigorously.

Pledged or Restricted Assets

The Company has restricted cash and restricted cash equivalents, shown within the Cash and cash equivalents line, which has been pledged as part of the derivative arrangements.

The Company has restricted investments, shown within the Fixed maturity securities, equity securities and investment funds lines, which have been secured as part of the modco arrangement.

The carrying value of the restricted assets as of 31 December 2021 and 2020 were as follows:

(\$'s in thousands)	2021	2020
Fixed maturities	\$ 2,710,470	\$ 660,497
Equity securities	44,266	–
Investment funds	14,876,688	–
Other investments	1,629,473	–
Cash, cash equivalents and restricted cash	236,990	147,453
Total	\$ 19,497,887	\$ 807,950

16. Regulatory

The funding of the cash dividends and operating expenses of the Company is primarily provided by cash dividends from the Company's operating subsidiaries. The statutory capital and surplus, or net assets, of the Company's insurance subsidiaries are subject to regulatory restrictions except to the extent that dividends are allowed to be paid in a given year without prior regulatory approval. Dividends exceeding these limitations can generally be made subject to regulatory approval.

RRL is licensed by the Bermuda Monetary Authority ("BMA") as a Class E insurer and is subject to the Insurance Act 1978, as amended (Bermuda Insurance Act) and regulations promulgated thereunder. In accordance with BMA regulations, the RRL is required to submit an annual filing with the BMA. As of 31 December 2021 and 2020, RRL's Statutory Capital and Surplus was \$3.7 billion and \$1.3 billion, and the Company has met all minimum regulatory requirements. The BMA has granted the Company a modification in which the Company is not required to record the effect of DIG B36 and is permitted to record the fixed income securities within the funds withheld receivable at amortised cost in the unconsolidated Statutory Financial Statements. For the years ended 31 December 2021 and 2020, the effect of this modification on the Company's Statutory Capital and Surplus was \$455.9 million and \$685.5 million.

RRL is prohibited from declaring or paying a dividend if its Class E statutory capital and surplus is less than its ECR or if it is in breach of its solvency margin or if the declaration or payment of such dividend would cause such breach. Further as a Class E insurer, RRL is prohibited from declaring or paying any dividend of more than 25% of its total statutory capital and surplus unless it files with the BMA an affidavit stating that it will continue to meet its relevant margins. RRL must obtain the BMA's prior approval for a reduction by 15% or more of the total statutory capital as set forth in its previous year's financial statements.

Financial Statements (continued)

Notes to the Consolidated Financial Statements (\$'s in thousands)

Resolution Operations LLP is regulated by the Financial Conduct Authority in the United Kingdom. RLAL, RLNZ and RLNM Limited (“RLNM”) are the three registered life insurance companies within Australia and are regulated by the Australian Prudential Regulation Authority (“APRA”) and the Reserve Bank of New Zealand (“RBNZ”).

Controlled entities of RLAL also include APRA regulated approved superannuation trustees (“RSE”) and companies that hold Australian Financial Services Licenses (“AFSL”). The Minimum Regulatory Capital Requirement (“MRR”) is the amount of shareholder capital required by each of the Company’s Australian and New Zealand regulated businesses to meet their capital requirements as set by the appropriate regulator. These requirements are as follows:

- Capital adequacy requirements as specified under the Life Act and APRA Life Insurance Prudential Standards. This applies to each life insurance company as a whole, and each statutory fund of the life insurers.
- Controlled entities that hold an AFSL and RSE licence – capital and liquidity requirements under the appropriate AFSL and APRA Superannuation Prudential Standards.

As of 31 December 2021, the Company’s Australian and New Zealand regulated subsidiaries complied with the applicable externally imposed capital requirements. As of 31 December 2021 and 2020 the combined Statutory Capital and Surplus of RLAL and RLNM was A\$1.8 billion and A\$1.7 billion respectively, which includes A\$1.6 billion of restricted capital related to the RLAL’s participating business under the Australia Life Act.

SLD and RLCO prepare their statutory-basis financial statements in conformity with accounting practices prescribed or permitted by the State of Colorado Division of Insurance. Prescribed statutory accounting practices include a variety of publications of the National Association of Insurance Commissioners (“NAIC”), as well as state laws, regulations and general administrative rules. Permitted statutory accounting practices encompass all accounting practices not so prescribed.

The State of Colorado Division of Insurance requires insurance companies domiciled in its state to prepare statutory-basis financial statements in conformity with the NAIC Accounting Practices and Procedures Manual, subject to any deviations prescribed or permitted by the State of Colorado Insurance Commissioner. Statutory accounting practices differ from GAAP primarily since they require establishing life insurance reserves based on different actuarial assumptions, and valuing certain investments at amortised cost. Statutory accounting practices do not give recognition to purchase accounting adjustments.

SLD’s and RLCO’s statutory net loss for the year ended 31 December 2021 were \$598.7 million and \$9.7 million, respectively. SLD’s and RLCO’s statutory capital and surplus was \$1.2 billion and \$1.3 billion as of 31 December 2021, respectively.

17. Related Parties

The subsidiaries of RLGH Ltd. as of 31 December 2021 are comprised of the following entities:

- RLGH Finance Bermuda Ltd.

Resolution Life Group Services Ltd. (“RLGS”)

Resolution Life Services Canada, Inc.
Resolution (Brands) Limited
Resolution Operations LLP
Resolution Life IP Limited

Resolution Life UK Holdings Ltd

Resolution Life U.S. Intermediate Holdings Ltd (“RLUSIH”)

Resolution Life U.S. Parent Inc.
Resolution Life U.S. Holdings Inc. (“RLUSH”)
Resolution Life Services (US) Inc (“RLS US”)
RL Payroll Management Company LLC
Resolution Life Funding US LLC
Resolution Life Colorado Inc.
Security Life of Denver Insurance Company (“SLD”)
Security Life of Denver International Limited
SLD America Equities, Inc
Midwestern United Life Insurance Company
Roaring River II, Inc

Resolution Life Group Finance (Bermuda) Ltd. (“RLGFB”)

Resolution Life Finance (Bermuda) Ltd. (“RLFB”)
Resolution Re Finance (Bermuda) Ltd. (“RRFB”)

Resolution Re Ltd. (“RRL”)

Resolution Life Group Holdings (Australia) Pty Ltd (“RLGHA”)
Resolution Life NOHC Pty Ltd (“NOHC”)

Resolution Life Australia Pty Ltd. (“RLA”)

Resolution Life New Zealand Ltd. (“RLNZ”)
Resolution Life Services NZ Limited
Resolution Life Financial Services Holdings Limited
Resolution Life Services Australia Pty Ltd.
Resolution Life Australasia Limited
Resolution Life Remuneration Reward Plans Nominees Pty Ltd.
Resolution Life Personal Investment Services Pty Ltd.
Principal Healthcare Holding Pty Limited
Resolution Life Global Property Investments Pty Ltd.
Glendenning Pty Ltd.
Collins Place Pty Ltd.
Collins Place No. 2 Pty Ltd.
Resolution Life Ergo Mortgage and Savings Ltd.
Resolution Life (NZ) Investments Holding Limited
Resolution Life (NZ) Investments Limited
Resolution Life AAPH Ltd.
RLNM Limited

Financial Statements (continued)

Notes to the Consolidated Financial Statements (\$'s in thousands)

The Company reported the following amounts due from affiliates and due to affiliates as of 31 December 2021 and 2020:

(\$'s in thousands)	2021	2020
Receivables		
Resolution Life Group Holdings L.P.	\$ 3,961	\$ –
Resolution Life Group Holdings GP Ltd.	10	5
Total due from affiliates	\$ 3,971	\$ 5

(\$'s in thousands)	2021	2020
Payables		
Resolution Life Group Holdings L.P.	\$ 1	\$ 12
Total due to affiliates	\$ 1	\$ 12

Intercompany receivable and payable balances are evaluated on an individual company basis. Intercompany balances are generally settled quarterly.

The Company has an agreement with J.P. Morgan Investment Management Inc. (“JPIM”), an affiliate of JPMC Strategic Investments I Corp, to manage AFS securities. For the years ended 31 December 2021 and 2020, \$3.0 million and \$3.9 million of fees were expensed in relation to this agreement, respectively. As of 31 December 2021, \$2.3 million remains payable to JPIM in relation to the investment management services.

The Company has an agreement with Kohlberg Kravis Roberts & Co. LP (“KKR”), an affiliate of KKR Radar LLC, to manage assets supporting the funds withheld assets. For the years ended 31 December 2021 and 2020, management fees of \$2.1 million and \$1.2 million were incurred in relation to this agreement, respectively. As of 31 December 2021, \$2.1 million remains payable to KKR in relation to this agreement.

18. Long-Term Debt

On 30 June 2020, RLFB entered into a senior secured loan facility agreement (“Facility Agreement”) for \$600 million, with a contractual scheduled amortisation rate of 12% annually and the principal balance due three years from the date of drawdown. The interest rate applicable to the outstanding principal balance was LIBOR plus 3.40%. The Facility Agreement was repaid on 30 December 2021. Interest expense incurred for the year ended 31 December 2021 was \$21.1 million.

On 9 December 2020, RLAL issued \$223 million (A\$300 million) of subordinated notes with a maturity date of 9 December 2035 (“Subordinated Notes”). There is also an optional early redemption of 9 December 2025, which is subject to APRA approval. The subordinated notes bear interest equal to the Bank Bill Swap rate (“BBSW”) plus 3.3%, which was 3.37% as of 31 December 2021. Interest expense incurred for the year ended 31 December 2021 was \$11.9 million.

In January 2021, RLUSH issued a floating rate term loan of \$320 million (“Term Loan”) and capitalised debt issuance costs of \$5.5 million. Principal and interest were payable in instalments on the last Business Day of each calendar quarter, commencing with the fifth calendar quarter ended after 1 April 2021, up to and including the term loan maturity date. The floating rate term loan was repaid on 30 December 2021.

In January 2021, RLUSH through its indirect subsidiaries issued one surplus note with an aggregate principal of \$123 million, fixed interest rates of 5.0% and maturity date of 4 January 2036. Principal is payable at maturity and interest is payable semiannually. Payments of interest and principal may be made only with the prior approval of the insurance department of the State of Colorado. Interest expense incurred for the year ended 31 December 2021 was \$8.0 million.

Financial Statements (continued)

Notes to the Consolidated Financial Statements (\$'s in thousands)

In January 2021, in conjunction with the Voya Transaction, Resolution Life U.S. Intermediate Holdings Ltd., the parent of RLUSH, issued 12.5 million mandatory redeemable shares of 8.5% Series B Cumulative Preferred Stock, par value \$1.00 per share, for \$12.5 million and 12.5 million shares of 8.5% Series C Cumulative Preferred Stock, par value 1.00 per share, for \$12.5 million. The Series B Cumulative Preferred Stock is redeemable after 5 years and the Series C Cumulative Preferred Stock is redeemable after 10 years. The Series B Cumulative Preferred Stock and Series C Cumulative Preferred Stock are recorded as a liability in accordance with ASC 480, *Distinguishing Liabilities from Equity*, which states that mandatorily-redeemable financial instruments should be classified as liabilities. In addition, the related dividend payments are treated similar to interest expense. RLUSH established a payable of \$8.4 million as of 31 December 2021.

On September 23, 2021, RRFB entered into a bridge facility agreement (“RRFB Facility Agreement”) for \$251.3 million with the principal balance due three years from the date of drawdown. The interest rate applicable to the outstanding principal balance is LIBOR plus 2.25%. As of 31 December 2021, the interest rate applied to the principal balance was 2.38%. For the year ended 31 December 2021, the Company incurred interest expense of \$1.6 million under the Facility Agreement.

Financing and underwriting costs associated with the Facility Agreement have been deferred and are presented net in Long-term Debt on the Consolidated Balance Sheets. These costs will be amortised over the duration of the loan. For year ended 31 December 2021, the Company incurred amortisation expense of \$0.1 million under the Facility Agreement. No amortisation expense was incurred in the prior year.

In December 2021, the Company entered into a new facility arrangement (“New Facility”) for \$1.5 billion and a revolving credit facility of \$500 million. Approximately \$500 million still remains undrawn as of 31 December 2021. The New Facility agreement consists of two tranches with a principal amount of \$750 million per tranche. The first tranche has an attached interest rate of the secured overnight financing rate (“SOFR”) plus 1.6%, with a maturity of December 2025. The second tranche has an attached rate of SOFR plus 1.7% and a maturity of December 2026. SOFR as of 31 December 2021 was 0.05%. The outstanding balances of the Facility Agreement and the Term Loan were repaid by proceeds from the New Facility. No principal payments are due until maturity for both tranches. Financing and underwriting costs associated with the New Facility of \$6.6 million have been deferred and are presented net in Long-term Debt on the Consolidated Balance Sheets. These costs will be amortised over the duration of the applicable borrowing. As of 31 December 2021, no interest expense was incurred under the New Facility.

The principal repayments for the next five years is as follows:

(\$'s in thousands)	
2022	–
2023	–
2024	251,256
2025	750,000
2026	750,000

19. Goodwill

The changes in the carrying amount of goodwill for the years ended 31 December 2021 and 2020 were as follows:

(\$'s in thousands)	2021	2020
Goodwill, beginning of period	\$ 61,835	\$ –
Business acquired	13,104	55,271
Effect of foreign currency translation	(3,530)	6,564
Goodwill, end of period	\$ 71,409	\$ 61,835

20. Subsequent Events

The Company has evaluated subsequent events for recognition or disclosure through 30 April 2022, date these financial statements were available for issuance.

In February 2022, RLA announced that it has entered into an agreement with AIA Australia Limited to acquire its superannuation and investments business. The transaction will increase RLA's funds under management and administration by approximately A\$8 billion.

On 24 February 2022, Russia launched a military invasion of Ukraine. The Russia-Ukraine war is resulting in increased geopolitical and economic uncertainty. The Company had immaterial exposure in its investment portfolio to Russia (approximately \$37 million) and to Ukraine (approximately \$6 million) as at 31 December 2021. The Company has concluded that the specific impact is not readily determinable as of the date of the balance sheet.

There were no other material events that occurred subsequent to 31 December 2021.



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This document, together with the content referred to therein, (the “Document”) is intended to provide stakeholders in the Resolution Life Group with a high-level overview of the business, activities and aspirations of the corporate group known as Resolution Life Group and is strictly for informational purposes only. The Document comprises the audited consolidated financial statements of Resolution Life Group Holdings Limited and, for additional context, background to, and an operational and financial review of, Resolution Life Group.

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