

Athene Co-Invest Reinsurance Affiliate 1A Ltd.

Consolidated Financial Statements

Years ended December 31, 2024 and December 31, 2023

Athene Co-Invest Reinsurance Affiliate 1A Ltd.

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the consolidated financial statements of Athene Co-Invest Reinsurance Affiliate 1A Ltd. and its subsidiaries (the "Company"), which comprise the consolidated balance sheets as of December 31, 2024 and 2023, and the related consolidated statements of income, comprehensive income, stockholders' equity, and cash flows, for the years then ended, and the related notes to the consolidated financial statements (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2024 and 2023, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

INDEPENDENT AUDITOR'S REPORT (Cont'd)

In performing an audit in accordance with GAAS, we:

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

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

Debitte Ltd.

April 25, 2025

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

(In thousands)	December 31,	
	2024	2023
Assets		
Investments		
Available-for-sale securities, at fair value (amortized cost: 2024 – \$2,868,964 and 2023 – \$2,693,506; allowance for credit losses: 2024 – \$21,127 and 2023 - \$21,405)	\$ 2,483,619	\$ 2,354,989
Trading securities, at fair value	4,573	5,011
Equity securities (portion at fair value: 2024 – \$32,736 and 2023 – \$0)	32,736	—
Mortgage loans, at fair value	26,356	24,076
Derivative assets	185,333	220,354
Short-term investments (portion at fair value: 2024 – \$0 and 2023 – \$797)	—	797
Total investments	2,732,617	2,605,227
Cash and cash equivalents	194,658	468,435
Restricted cash	169,238	225,335
Investments in related parties		
Available-for-sale securities, at fair value (amortized cost: 2024 – \$199,345 and 2023 – \$220,354; allowance for credit losses: 2024 – \$0 and 2023 - \$0)	191,475	210,866
Investment funds	271,935	312,369
Funds withheld at interest (portion at fair value: 2024 – \$(5,873,561) and 2023 – \$(5,715,288))	47,616,453	55,216,417
Accrued investment income (related party: 2024 – \$1,028 and 2023 – \$1,646)	29,580	26,229
Deferred acquisition costs, deferred sales inducements and value of business acquired	174,419	201,502
Goodwill	1,128,830	1,130,569
Other assets (related party: 2024 – \$25,716 and 2023 – \$35,761)	51,683	44,168
Total assets	\$ 52,560,888	\$ 60,441,117
Liabilities and Equity		
Liabilities		
Interest sensitive contract liabilities (related party: 2024 – \$26,421,682 and 2023 – \$32,010,572; portion at fair value: 2024 – \$539,767 and 2023 – \$749,894)	\$ 26,421,682	\$ 32,010,572
Future policy benefits (related party: 2024 – \$24,030,123 and 2023 – \$26,161,896)	24,030,123	26,161,896
Market risk benefits (related party: 2024 - \$33,260 and 2023 - \$29,597)	33,260	29,597
Derivative liabilities	10,520	17,311
Payables for collateral on derivatives and securities to repurchase	—	68,744
Other liabilities (related party: 2024 – \$146,396 and 2023 – \$153,332)	292,349	166,265
Total liabilities	50,787,934	58,454,385
Equity		
Common stock - par value \$1.00 per share; authorized: 2024 and 2023 - 5,000,000,000 shares; issued and outstanding: 2024 and 2023 - 264,000 shares	264	264
Additional paid-in capital	5,070,830	5,070,645
Accumulated deficit	(5,806,847)	(5,109,166)
Accumulated other comprehensive income (related party: 2024 - \$3,482,790 and 2023 - \$2,797,493)	2,508,707	2,024,989
Total shareholder's equity	1,772,954	1,986,732
Total liabilities and equity	\$ 52,560,888	\$ 60,441,117

See accompanying notes to consolidated financial statements

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

<i>(In thousands)</i>	Years ended December 31,	
	2024	2023
Revenues		
Premiums (related party: 2024 - \$72,129 and 2023 - \$5,996,617)	\$ 72,129	\$ 5,996,617
Product charges (related party: 2024 - \$52,499 and 2023 - \$51,486)	52,499	51,486
Net investment income (related party investment income: 2024 – \$2,394,743 and 2023 – \$2,463,759; and related party investment expense: 2024 – \$52,680 and 2023 – \$57,768)	2,499,087	2,629,399
Investment related gains (losses) (related party: 2024 – \$308,415 and 2023 – \$1,850,316)	355,659	1,764,823
Total revenues	2,979,374	10,442,325
Benefits and expenses		
Interest sensitive contract benefits (related party: 2024 - \$901,487 and 2023 - \$1,092,938)	901,487	1,092,938
Future policy and other policy benefits (related party: 2024 - \$1,041,949 and 2023 - \$6,938,270); and remeasurement (gains) losses: 2024 - \$16,608 and 2023 - \$(32,706))	1,041,949	6,938,270
Market risk benefits remeasurement (gains) losses (related party: 2024 - \$7,927 and 2023 - \$16,228)	7,927	16,228
Amortization of deferred acquisition costs, deferred sales inducements and value of business acquired	26,923	29,634
Interest expense (related party: 2024 - \$14,490 and 2023 - \$9,548)	59,112	52,368
Policy and other operating expenses (related party: 2024 - \$219,213 and 2023 - \$218,134)	230,400	229,406
Total benefits and expenses	2,267,798	8,358,844
Income (loss) before income taxes	711,576	2,083,481
Income tax expense (benefit)	(40,743)	184,656
Net income (loss)	\$ 752,319	\$ 1,898,825

See accompanying notes to consolidated financial statements

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

<i>(In thousands)</i>	Years ended December 31,	
	2024	2023
Net income	\$ 752,319	\$ 1,898,825
Other comprehensive income (loss), before tax		
Unrealized investment gains (losses) on available-for-sale securities	(37,615)	155,016
Unrealized investment (losses) on hedging instruments	(1,098)	(4,896)
Remeasurement gains (losses) on future policy benefits related to discount rate	647,200	(903,103)
Remeasurement gains (losses) on market risk benefits related to credit risk	(2,593)	(10,233)
Foreign currency translation and other adjustments	(3,833)	13,469
Other comprehensive income (loss), before tax	602,061	(749,747)
Income tax expense (benefit) related to other comprehensive income (loss)	118,343	(177,773)
Other comprehensive income (loss)	483,718	(571,974)
Comprehensive income (loss)	\$ 1,236,037	\$ 1,326,851

See accompanying notes to consolidated financial statements

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

<i>(In thousands)</i>	Common stock	Additional paid-in capital	Retained earnings (accumulated deficit)	Accumulated other comprehensive income (loss)	Total shareholder's equity
Balance at December 31, 2022	\$ 264	\$ 5,070,525	\$ (6,157,991)	\$ 2,596,963	\$ 1,509,761
Net income	—	—	1,898,825	—	1,898,825
Other comprehensive loss	—	—	—	(571,974)	(571,974)
Stock-based compensation	—	120	—	—	120
Common stock dividends	—	—	(850,000)	—	(850,000)
Balance at December 31, 2023	264	5,070,645	(5,109,166)	2,024,989	1,986,732
Net income	—	—	752,319	—	752,319
Other comprehensive income	—	—	—	483,718	483,718
Stock-based compensation	—	185	—	—	185
Common stock dividends	—	—	(1,450,000)	—	(1,450,000)
Balance at December 31, 2024	<u>\$ 264</u>	<u>\$ 5,070,830</u>	<u>\$ (5,806,847)</u>	<u>\$ 2,508,707</u>	<u>\$ 1,772,954</u>

See accompanying notes to consolidated financial statements

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

(In thousands)	Years ended December 31,	
	2024	2023
Cash flows from operating activities		
Net income	\$ 752,319	\$ 1,898,825
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Amortization of deferred acquisition costs and deferred sales inducements, and value of business acquired	26,923	29,634
Net amortization (accretion) of net investment premiums, discounts and other	(12,160)	(15,184)
Net investment income (related party: 2024 – \$21,362 and 2023 – \$(477))	20,272	(2,183)
Net recognized (gains) losses on investments and derivatives (related party: 2024 – \$3,676 and 2023 – \$(1,063))	(165,305)	(27,710)
Stock-based compensation	—	120
Policy acquisition costs deferred	157	(290)
Changes in operating assets and liabilities:		
Accrued investment income (related party: 2024 – \$618 and 2023 – \$(737))	(7,621)	8,082
Interest sensitive contract liabilities (related party: 2024 – \$522,910 and 2023 – \$1,124,961)	522,910	1,124,961
Future policy benefits and market risk benefits (related party: 2024 – \$(1,475,916) and 2023 – \$(1,037,315))	(1,475,916)	(1,037,315)
Funds withheld assets (related party: 2024 – \$1,215,132 and 2023 – \$(2,023,404))	1,215,132	(2,023,404)
Other assets and liabilities	(27,022)	208,733
Net cash provided by operating activities	849,689	164,269
Cash flows from investing activities		
Sales, maturities and repayments of:		
Available-for-sale securities (related party: 2024 – \$37,860 and 2023 – \$116,773)	\$ 531,999	\$ 1,598,740
Trading securities (related party: 2024 – \$0 and 2023 – \$41,181)	84	46,446
Equity securities (related party: 2024 – \$0 and 2023 – \$0)	—	56,026
Investment funds (related party: 2024 – \$41,136 and 2023 – \$62,953)	41,137	62,953
Short-term investments (related party: 2024 – \$0 and 2023 – \$0)	117,600	114,503
Purchases of:		
Available-for-sale securities (related party: 2024 – \$(16,333) and 2023 – \$(209,635))	(748,783)	(1,259,225)
Trading securities (related party: 2024 – \$0 and 2023 – \$(41,181))	—	(50,237)
Mortgage loans (related party: 2024 – \$0 and 2023 – \$0)	(241)	(1,487)
Investment funds (related party: 2024 – \$(29,793) and 2023 – \$(8,189))	(29,793)	(8,189)
Derivative instruments and other investments (related party: 2024 – \$0 and 2023 – \$0)	(91,715)	(127,366)
Short-term investments (related party: 2024 – \$0 and 2023 – \$0)	(115,392)	(76,932)
Other investing activities, net	214,291	158,769
Net cash (used in) provided by investing activities	(80,813)	514,001
Cash flows from financing activities		
Net change in cash collateral posted for derivative transactions and securities to repurchase	(33,263)	(336,908)
Common stock dividends	(1,068,123)	(850,000)
Net cash used in financing activities	(1,101,386)	(1,186,908)
Effect of exchange rate changes on cash and cash equivalents	2,636	(21,049)
Net (decrease) increase in cash and cash equivalents	(329,874)	(529,687)
Cash and cash equivalents at beginning of year ¹	693,770	1,223,457
Cash and cash equivalents at end of year ¹	\$ 363,896	\$ 693,770

¹ Includes cash and cash equivalents and restricted cash.

(Continued)

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

	Years ended December 31,	
	2024	2023
<i>(In thousands)</i>		
Supplementary information		
Cash paid (received) for taxes	\$ —	\$ (1,720)
Cash paid for interest	55,711	49,557
Non-cash transactions		
Deposits on investment-type policies and contracts through reinsurance agreements (related party: 2024 – \$68,488 and 2023 – \$64,816)	68,488	64,816
Withdrawals on investment-type policies and contracts through reinsurance agreements (related party: 2024 – \$6,094,779 and 2023 – \$5,650,533)	6,094,779	5,650,533
Investments received from settlements on related party reinsurance agreements	339,799	299,897
Non-cash dividends in the form of securities	381,877	—

(Concluded)

See accompanying notes to consolidated financial statements

1. Business, Basis of Presentation and Significant Accounting Policies

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

ACRA 1A reinsures business from various subsidiaries of Athene Holding Ltd. (AHL). See *Note 5 – Reinsurance* for more information.

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

ACRA 1A is a UK tax resident company and as such is subject to UK corporation tax on profits. We do not expect taxes paid pursuant to the UK Tax Act to be material to our operations, for further information please see *Note 9 – Income Taxes*.

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

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

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

- fair value of investments;
- impairment of investments and allowances for expected credit losses;
- derivatives valuation, including embedded derivatives;
- future policy benefit reserves;
- market risk benefit assets and liabilities; and
- valuation allowances on deferred tax assets.

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

Merger - On January 1, 2022, AHL completed the merger with Apollo and is now a direct subsidiary of AGM. We have elected pushdown accounting in which we use AGM's basis of accounting, which reflects the fair market value of our assets and liabilities at the time of the merger, unless otherwise prescribed by US GAAP.

Summary of Significant Accounting Policies

Investments

Fixed Maturity Securities - Fixed maturity securities includes bonds, collateralized loan obligations (CLO), asset-backed securities (ABS), residential mortgage-backed securities (RMBS) and commercial mortgage-backed securities (CMBS). We classify fixed maturity securities as available-for-sale (AFS) or trading at the time of purchase and subsequently carry them at fair value. Fair value hierarchy and valuation methodologies are discussed in *Note 4 – Fair Value*. Classification is dependent on a variety of factors including our expected holding period, election of the fair value option and asset and liability matching.

ATHENE CO-INVEST REINSURANCE AFFILIATE 1A LTD.

Notes to Consolidated Financial Statements

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

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

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

Equity Securities - Equity securities includes common stock, mutual funds and non-redeemable preferred stock. Equity securities with readily determinable fair values are carried at fair value with subsequent changes in fair value recognized in net income. We elected to account for certain equity securities without readily determinable fair values that did not qualify for the practical expedient to estimate fair values based on net asset value (NAV) per share (or its equivalent) at cost less impairment, subject to adjustments based on observable price changes in orderly transactions for identical or similar investments of the same issuer.

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

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

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

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

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

Short-term Investments - Short-term investments consist of financial instruments with maturities of greater than three months but less than twelve months when purchased. Short-term debt securities are accounted for as trading or AFS consistent with our policies for those investments. Short-term loans are carried at amortized cost. Fair values are determined consistent with methodologies described in *Note 4 – Fair Value* for the respective investment type.

Securities Repurchase and Reverse Repurchase Agreements - Securities repurchase and reverse repurchase transactions involve the temporary exchange of securities for cash or other collateral of equivalent value, with agreement to redeliver a like quantity of the same or similar securities at a future date and at a fixed and determinable price. We evaluate transfers of securities under these agreements to repurchase or resell to determine whether they satisfy the criteria for accounting treatment as secured borrowing or lending arrangements. Agreements not meeting the criteria would require recognition of the transferred securities as sales or purchases, with related forward repurchase or resale commitments. All of our securities repurchase transactions are accounted for as secured borrowings and are included in payables for collateral on derivatives and securities to repurchase on the consolidated balance sheets. Earnings from investing activities related to the cash received

under our securities repurchase arrangements are included in net investment income on the consolidated statements of income (loss). The associated borrowing cost is included in policy and other operating expenses on the consolidated statements of income (loss). The investments purchased in reverse repurchase agreements, which represent collateral on a secured lending arrangement, are not reflected in our consolidated balance sheets; however, the secured lending arrangement is recorded as a short-term investment for the principal amount loaned under the agreement.

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

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

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

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

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

We also establish an allowance for expected credit losses for assets held at amortized cost at the time of purchase, which includes certain other loans and reinsurance assets. The allowance for expected credit losses considers past events, current conditions, and reasonable and supportable forecasts of future economic conditions or macroeconomic forecasts. We use a quantitative probability of default and loss given default methodology to develop our estimate of expected credit loss. The provision for credit losses for reinsurance assets held at amortized cost is recorded through policy and other operating expenses on the consolidated statements of income (loss).

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

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

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

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

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

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

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

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

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

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

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

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

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

We are required to consolidate a VIE if we are the primary beneficiary, defined as the variable interest holder with both the power to direct the activities that most significantly impact the VIE's economic performance and rights to receive benefits or obligations to absorb losses that could be potentially significant to the VIE. We determine whether we are the primary beneficiary of an entity based on a qualitative assessment of the VIE's capital structure, contractual terms, nature of the VIE's operations and purpose and our relative exposure to the related risks of the VIE.

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Since affiliates of AGM, a related party under common control, are the decision makers in certain of the investment funds, we and a member of our related party group may together have the characteristics of the primary beneficiary of an investment fund. In this situation, we have concluded we are not under common control, as defined by US GAAP, with the related party, and therefore we do not consolidate because the related party, whom is the decision maker, holds a significant indirect financial interest in the investee through its ownership interest in us. We reassess the VIE and primary beneficiary determinations on an ongoing basis.

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

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

We performed our annual goodwill impairment test as of October 1, 2024 and did not identify any impairment.

Reinsurance - We assume insurance and investment contracts under modco reinsurance agreements. We follow reinsurance accounting for transactions that provide indemnification against loss or liability relating to insurance risk (risk transfer). To meet risk transfer requirements, a reinsurance agreement must transfer insurance risk arising from uncertainties about both underwriting and timing risks. We generally have the right of offset on reinsurance contracts but have elected to present reinsurance settlement amounts due to and from us on a gross basis.

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

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

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

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

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

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

Deferred Acquisition Costs, Deferred Sales Inducements and Value of Business Acquired

Deferred Acquisition Costs and Deferred Sales Inducements - Costs related directly to the successful acquisition of new, or the renewal of existing, insurance or investment contracts are deferred. These costs consist of commissions and policy issuance costs, as well as sales inducements credited to policyholder account balances, and are included in deferred acquisition costs, deferred sales inducements and value of business acquired on the consolidated balance sheets. These costs are not capitalized until they are incurred.

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

Deferred costs related to investment contracts without significant revenue streams from sources other than investment of the policyholder funds are amortized using the effective interest method. The effective interest method amortizes the deferred costs by discounting the future liability cash flows at a break-even rate. The break-even rate is solved for such that the present value of future liability cash flows is equal to the net liability at the inception of the contract. The deferred costs represent the difference between the net and gross liability and the change relates to amortization for the period.

Value of Business Acquired -We establish VOBA through application of pushdown accounting. We record the fair value of the liabilities assumed in two components: reserves and VOBA. Reserves are established using our best estimate assumptions as of the business combination date. VOBA is the difference between the fair value of the liabilities and the reserves. VOBA can be either positive or negative and is amortized in relation to respective policyholder liabilities. Significant assumptions that impact VOBA amortization are consistent with those that impact the measurement of policyholder liabilities. We perform periodic tests to determine if positive VOBA remains recoverable. If we determine that positive VOBA is not recoverable, we would record a cumulative charge to the current period. Any negative VOBA is recorded to the same financial statement line on the consolidated balance sheets as the associated reserves. Positive VOBA is recorded in deferred acquisition costs, deferred sales inducements and value of business acquired on the consolidated balance sheets.

See Note 6 – *Deferred Acquisition Costs, Deferred Sales Inducements and Value of Business Acquired* for further discussion.

Interest Sensitive Contract Liabilities - Investment contracts include traditional deferred annuities, indexed annuities consisting of fixed indexed, funding agreements, immediate annuities without significant mortality risk (which include pension group annuities without life contingencies). We carry liabilities for traditional deferred annuities, indexed annuities and funding agreements at the account balances without reduction for potential surrender or withdrawal charges. Liabilities for immediate annuities without significant mortality risk are calculated as the present value of future liability cash flows and policy maintenance expenses discounted at contractual interest rates. For a discussion regarding our indexed products, refer above to the embedded derivative discussion. Certain of our contracts are offered with additional contract features that meet the definition of a market risk benefit. See - *Market Risk Benefits* below for further information.

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

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

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

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

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

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

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

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

Market Risk Benefits - Market risk benefits represent contracts or contract features that both provide protection to the contract holder from, and expose the insurance entity to, other-than-nominal capital market risk. Our deferred annuity contracts contain guaranteed lifetime withdrawal benefit (GLWB) and guaranteed minimum death benefit (GMDB) riders that meet the criteria for, and are classified as, market risk benefits.

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

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

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

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

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

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

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

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

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We evaluate the likelihood of realizing the benefit of our deferred tax assets and may record a valuation allowance if, based on all available evidence, we determine that it is more likely than not that some portion of the tax benefit will not be realized. We adjust the valuation allowance if, based on our evaluation, there is a change in the amount of deferred income tax assets that are deemed more-likely-than-not to be realized.

Changes in deferred tax assets and liabilities attributable to changes in enacted income tax rates are recorded through net income in the period of enactment. We recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the relevant taxing authorities, based on the technical merits of our position. For those tax positions that meet the more-likely-than-not recognition threshold, we recognize the largest amount of tax benefit that is more than 50 percent likely to be realized upon ultimate settlement with the related tax authority. We recognize any income tax interest and penalties in income tax expense.

Bermuda enacted a corporate income tax (CIT) on December 27, 2023. Under US GAAP Accounting Standard Codification (ASC) 740, the effects of new tax legislation must be recognized as a component of income tax expense in the period in which the law is enacted. Beginning in 2025, the Company and its Bermuda subsidiaries are included in the Bermuda Constituent Entity Group return of Athene Annuity Re Ltd. (AARE). Opening deferred taxes were allocated to the Company and its Bermuda subsidiaries under the “benefit-for-loss” method. Under this method, the Company and all its Bermuda subsidiaries are assumed to file a separate return with the taxing authority, thereby reporting their opening tax benefit or expense as if the Company and its Bermuda subsidiaries were each a separate taxpayer, except that net operating losses (or other current or deferred tax attributes) are characterized as realized (or realizable) by the Company and its Bermuda subsidiaries when those tax attributes are realized (or realizable) by the consolidated return group, even if the Company or its Bermuda subsidiaries would not otherwise have realized the attributes on a stand-alone basis.

See *Note 9 – Income Taxes*.

Recently Issued Accounting Pronouncements

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

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

Income Statement – Reporting Comprehensive Income – Expense Disaggregation Disclosures (ASU 2024-03)

The amendments in this update require disaggregation of certain expense captions into specified categories in disclosures within the footnotes to the financial statements. The ASU requires tabular presentation of each relevant expense caption on the face of the income statement including employee compensation, depreciation, intangible asset amortization and certain other expenses, when applicable.

The guidance is effective for us for the 2027 annual period and in interim periods in 2028; early adoption is permitted. We are currently evaluating the impact of this new guidance on our consolidated financial statements.

Adopted Accounting Pronouncements

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

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

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Notes to Consolidated Financial Statements

2. Investments

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

(In thousands)	December 31, 2024				
	Amortized Cost	Allowance for Credit Losses	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
AFS securities					
US government and agencies	\$ 933,063	\$ —	\$ —	\$ (235,857)	\$ 697,206
US state, municipal and political subdivisions	35,851	—	—	(12,040)	23,811
Foreign governments	14,123	—	—	(236)	13,887
Corporate	981,793	(8,760)	6,348	(122,039)	857,342
CLO	521,580	—	3,365	(8,056)	516,889
ABS	210,493	(667)	1,559	(7,157)	204,228
CMBS	31,959	(165)	1	(1,731)	30,064
RMBS	140,102	(11,535)	17,621	(5,996)	140,192
Total AFS securities	2,868,964	(21,127)	28,894	(393,112)	2,483,619
AFS securities – related parties					
Corporate	108,062	—	1,212	(1,577)	107,697
CLO	39,661	—	181	(3,578)	36,264
ABS	51,622	—	—	(4,108)	47,514
Total AFS securities – related parties	199,345	—	1,393	(9,263)	191,475
Total AFS securities, including related parties	\$ 3,068,309	\$ (21,127)	\$ 30,287	\$ (402,375)	\$ 2,675,094

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

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Notes to Consolidated Financial Statements

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

(In thousands)	December 31, 2024	
	Amortized Cost	Fair Value
AFS securities		
Due in one year or less	\$ 56,416	\$ 54,674
Due after one year through five years	212,098	199,720
Due after five years through ten years	540,940	473,695
Due after ten years	1,155,376	864,157
CLO, ABS, CMBS and RMBS	904,134	891,373
Total AFS securities	2,868,964	2,483,619
AFS securities – related parties		
Due after one year through five years	40,672	39,096
Due after five years through ten years	67,390	68,601
CLO and ABS	91,283	83,778
Total AFS securities – related parties	199,345	191,475
Total AFS securities, including related parties	\$ 3,068,309	\$ 2,675,094

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

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

(In thousands)	December 31, 2024					
	Less than 12 months		12 months or more		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
AFS securities						
US government and agencies	\$ 54,046	\$ (861)	\$ 643,160	\$ (234,996)	\$ 697,206	\$ (235,857)
US state, municipal and political subdivisions	—	—	23,811	(12,040)	23,811	(12,040)
Foreign governments	13,887	(235)	—	—	13,887	(235)
Corporate	337,690	(7,766)	459,411	(114,219)	797,101	(121,985)
CLO	33,761	(354)	24,308	(2,787)	58,069	(3,141)
ABS	16,795	(464)	46,474	(5,779)	63,269	(6,243)
CMBS	—	—	5,919	(987)	5,919	(987)
RMBS	17,422	(387)	8,668	(856)	26,090	(1,243)
Total AFS securities	473,601	(10,067)	1,211,751	(371,664)	1,685,352	(381,731)
AFS securities – related parties						
Corporate	—	—	39,095	(1,577)	39,095	(1,577)
CLO	—	—	—	—	—	—
ABS	2,287	(5)	31,181	(4,103)	33,468	(4,108)
Total AFS securities – related parties	2,287	(5)	70,276	(5,680)	72,563	(5,685)
Total AFS securities, including related parties	\$ 475,888	\$ (10,072)	\$ 1,282,027	\$ (377,344)	\$ 1,757,915	\$ (387,416)

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

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

	December 31, 2024	
	Unrealized loss position	Unrealized loss position 12 months or more
AFS securities	296	139
AFS securities – related parties	4	3

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

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

(In thousands)	Year ended December 31, 2024					
	Additions			Reductions		Ending Balance
	Beginning Balance	Initial credit losses	Initial credit losses on PCD securities	Securities sold during the period	Additions (reductions) to previously impaired securities	
AFS securities						
Corporate	\$ 8,891	\$ —	\$ —	\$ —	\$ (131)	\$ 8,760
CLO	122	—	—	(56)	(66)	—
ABS	266	592	31	(9)	(213)	667
CMBS	136	—	—	—	29	165
RMBS	11,990	200	3,254	(3,456)	(453)	11,535
Total AFS securities	21,405	792	3,285	(3,521)	(834)	21,127
Total AFS securities, including related parties	\$ 21,405	\$ 792	\$ 3,285	\$ (3,521)	\$ (834)	\$ 21,127

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

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

	Years ended December 31,	
	2024	2023
<i>(In thousands)</i>		
AFS securities	\$ 142,729	\$ 210,690
Trading securities	283	1,267
Equity securities	511	(1)
Mortgage loans	1,740	1,914
Investment funds	(4,152)	18,772
Funds withheld at interest	2,384,358	2,428,562
Other	26,551	26,742
Investment revenue	2,552,020	2,687,946
Investment expenses	(52,933)	(58,547)
Net investment income	\$ 2,499,087	\$ 2,629,399

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

	Years ended December 31,	
	2024	2023
<i>(In thousands)</i>		
AFS securities¹		
Gross realized gains on investment activity	\$ 20,120	\$ 35,263
Gross realized losses on investment activity	(35,246)	(107,761)
Net realized investment gains (losses) on AFS securities	(15,126)	(72,498)
Net recognized investment gains (losses) on trading securities	(559)	1,262
Net recognized investment gains (losses) on equity securities	92	1,467
Net realized investment gains (losses) on mortgage loans	1,238	(869)
Derivative gains (losses)	285,484	1,991,063
Provision for credit losses	161	(4,444)
Other gains (losses)	84,369	(151,158)
Investment related gains (losses)	\$ 355,659	\$ 1,764,823

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

Proceeds from sales of AFS securities were \$291 million and \$1,442 million for the years ended December 31, 2024 and 2023, respectively.

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

	Years ended December 31,	
	2024	2023
<i>(In thousands)</i>		
Trading securities	\$ (173)	\$ 1,291
Equity securities	92	—

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Mortgage Loans, including related party - Mortgage loans comprise of residential loans. We elected the fair value option on our mortgage loan portfolio. See *Note 4 – Fair Value* for further fair value option information. The following represents the mortgage loan portfolio, with fair value option loans presented at unpaid principal balance:

	December 31,	
	2024	2023
<i>(In thousands)</i>		
Residential mortgage loans	\$ 25,457	\$ 24,880
Mark to fair value	899	(804)
Residential mortgage loans	26,356	24,076
Mortgage loans	\$ 26,356	\$ 24,076

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

	December 31,	
	2024	2023
International		
United Kingdom	100.0 %	100.0 %
Total International residential mortgage loan percentage	100.0 %	100.0 %
Total residential mortgage loan percentage	100.0 %	100.0 %

Investment Funds - Our investment fund portfolio consists of funds that employ various strategies and include other funds. Our equity strategy comprises private equity, hybrid value, secondaries equity, real estate equity, impact investing, infrastructure and clean transition equity funds that raise capital from investors to pursue control-oriented investments across the universe of private assets. Our investment funds do not specify timing of distributions on the funds' underlying assets.

The following summarizes our investment funds, including related parties:

	December 31,			
	2024		2023 ¹	
	Carrying value	Percent of total	Carrying value	Percent of total
<i>(In thousands, except for percentages)</i>				
Investment funds – related parties				
Apollo and other fund investments				
Equity	\$ 271,935	100.0 %	\$ 312,368	100.0 %
Total investment funds – related parties	271,935	100.0 %	312,368	100.0 %
Total investment funds including related parties	\$ 271,935		\$ 312,368	

¹ Prior year amounts have been reclassified to conform with the current year presentation as a result of aligning our investment fund categories to reflect our updated investment strategies.

Non-Consolidated Securities and Investment Funds

Fixed maturity securities - We invest in securitization entities as a debt holder or an investor in the residual interest of the securitization vehicle. These entities are deemed VIEs due to insufficient equity within the structure and lack of control by the equity investors over the activities that significantly impact the economics of the entity. In general, we are a debt investor within these entities and, as such, hold a variable interest; however, due to the debt holders' lack of ability to control the decisions within the trust that significantly impact the entity, and the fact the debt holders are protected from losses due to the subordination of the equity tranche, the debt holders are not deemed the primary beneficiary. Securitization vehicles in which we hold the residual tranche are not consolidated because we do not unilaterally have substantive rights to remove the general partner, or when assessing related party interests, we are not under common control, as defined by US GAAP, with the related parties, nor are substantially all of the activities conducted on our behalf; therefore, we are not deemed the primary beneficiary. Debt investments and investments in the residual tranche of securitization entities are considered debt instruments and are held at fair value on the balance sheet and classified as AFS or trading.

Investment funds - Investment funds include non-fixed income, alternative investments in the form of limited partnerships or similar legal structures.

Our risk of loss associated with our non-consolidated investments depends on the investment. Investment funds and trading securities are limited to the carrying value plus unfunded commitments. AFS securities are limited to amortized cost plus unfunded commitments.

The following summarizes the carrying value and maximum loss exposure of these non-consolidated investments:

	December 31,			
	2024		2023	
	Carrying Value	Maximum Loss Exposure	Carrying Value	Maximum Loss Exposure
<i>(In thousands)</i>				
Investment in related parties – investment funds	\$ 271,935	\$ 354,340	\$ 312,368	\$ 379,520
Investment in fixed maturity securities	895,946	908,707	847,266	866,147
Investment in related parties – fixed maturity securities	83,778	91,283	105,358	111,122
Total non-consolidated investments	<u>\$ 1,251,659</u>	<u>\$ 1,354,330</u>	<u>\$ 1,264,992</u>	<u>\$ 1,356,789</u>

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

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

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

	December 31,			
	2024		2023	
	Carrying Value	Percent of Total	Carrying Value	Percent of Total
<i>(In thousands, except for percentages)</i>				
Fixed maturity securities				
US government and agencies	\$ 848,702	1.8 %	\$ 927,743	1.7 %
US state, municipal, and political subdivisions	281,589	0.6 %	313,132	0.6 %
Foreign governments	471,838	1.0 %	544,183	1.0 %
Corporate	20,121,331	42.3 %	24,485,786	44.3 %
CLOs	4,506,433	9.5 %	6,358,585	11.5 %
ABS	6,329,339	13.3 %	6,404,946	11.6 %
CMBS	1,552,860	3.3 %	1,609,428	2.9 %
RMBS	669,298	1.4 %	662,791	1.2 %
Equity securities	265,583	0.5 %	309,023	0.6 %
Mortgage loans	8,495,950	17.8 %	9,361,176	17.0 %
Investment funds	3,081,194	6.5 %	2,915,909	5.3 %
Derivative Assets	713,451	1.5 %	555,770	1.0 %
Short-term investments	80,106	0.2 %	76,681	0.1 %
Other investments	90,944	0.2 %	94,097	0.2 %
Cash and cash equivalents	846,212	1.8 %	1,371,443	2.5 %
Other assets and liabilities ¹	(738,377)	(1.7)%	(774,276)	(1.5)%
Total funds withheld at interest	<u>\$ 47,616,453</u>	<u>100.0 %</u>	<u>\$ 55,216,417</u>	<u>100 %</u>

¹ Primarily consists of derivative liabilities and long term repurchase agreements.

3. Derivative Instruments

We use a variety of derivative instruments to manage risks, primarily equity, interest rate, credit, foreign currency and market volatility. See *Note 1 – Business, Basis of Presentation and Significant Accounting Policies* for a description of our accounting policies for derivatives and *Note 4 – Fair Value* for information about the fair value hierarchy for derivatives.

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

	December 31,					
	2024			2023		
	Notional Amount	Fair Value		Notional Amount	Fair Value	
(In thousands)		Assets	Liabilities		Assets	Liabilities
Derivatives designated as hedges						
Foreign currency hedges						
Swaps	230,627	\$ 20,966	\$ 247	181,448	\$ 12,450	\$ 1,531
Forwards	66,534	5,696	397	180,176	10,033	351
Forwards on net investments	102,228	5,338	—	94,624	—	2,648
Total derivatives designated as hedges		32,000	644		22,483	4,530
Derivatives not designated as hedges						
Equity options	3,697,756	116,560	—	4,744,394	178,943	—
Foreign currency swaps	118,223	12,109	—	80,353	7,060	1,105
Foreign currency forwards	515,498	24,664	9,876	582,553	11,868	11,676
Embedded derivatives						
Funds withheld including related parties		(5,873,561)	—		(5,715,288)	—
Interest sensitive contract liabilities		—	539,767		—	749,894
Total derivatives not designated as hedges		(5,720,228)	549,643		(5,517,417)	762,675
Total derivatives		<u><u>\$(5,688,228)</u></u>	<u><u>\$ 550,287</u></u>		<u><u>\$(5,494,934)</u></u>	<u><u>\$ 767,205</u></u>

Derivatives Designated as Hedges

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

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

	December 31,			
	2024		2023	
	Carrying amount of the hedged assets or liabilities ¹	Cumulative amount of fair value hedging gains (losses)	Carrying amount of the hedged assets or liabilities ¹	Cumulative amount of fair value hedging gains (losses)
(In thousands)				
AFS securities - Foreign currency forwards	\$ 66,300	\$ (2,266)	\$ 138,988	\$ (313)
AFS securities - Foreign currency swaps	231,369	(18,690)	402,373	6,723

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

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

(In thousands)	Derivatives	Hedged Items	Net	Amounts Excluded	
				Recognized in income through amortization approach	Recognized in income through changes in fair value
Year ended December 31, 2024					
Investment related gains (losses)					
Foreign currency forwards	\$ 270	\$ (1,998)	\$ (1,728)	\$ 640	\$ 228
Foreign currency swaps	10,630	(11,123)	(493)	—	—
Year ended December 31, 2023					
Investment related gains (losses)					
Foreign currency forwards	\$ 3,284	\$ 732	\$ 4,016	\$ 1,725	\$ 415
Foreign currency swaps	2,897	(4,262)	(1,365)	—	—

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

(In thousands)	Years ended December 31,	
	2024	2023
Foreign currency forwards	\$ 189	\$ (211)
Foreign currency swaps	(1,287)	(4,685)

Net Investment Hedges - We use foreign currency forwards to hedge the foreign currency exchange rate risk of our investments in subsidiary that have a reporting currency other than the US dollar. We assess hedge effectiveness based on the changes in forward rates. During the years ended December 31, 2024 and 2023, these derivatives had gains of \$0.6 million and losses of \$1.8 million, respectively. These derivatives are included in foreign currency translation and other adjustments on the consolidated statements of comprehensive income (loss). As of December 31, 2024, and 2023, the cumulative foreign currency translation recorded in AOCI related to these net investment hedges were gains of \$13.9 million and gains of \$13.3 million, respectively. During the years ended December 31, 2024 and 2023, there were no amounts deemed ineffective.

Derivatives Not Designated as Hedges

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

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

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

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

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

(In thousands)	Years ended December 31,	
	2024	2023
Equity options	\$ 66,068	\$ 118,870
Swaps	7,311	(6,130)
Foreign currency forwards	11,065	(14,407)
Embedded derivatives on funds withheld	190,140	1,933,723
Amounts recognized in investment related gains (losses)	274,584	2,032,056
Embedded derivatives in indexed annuity products ¹	98,331	(84,920)
Total gains (losses) on derivatives not designated as hedges	\$ 372,915	\$ 1,947,136

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

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

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

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

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

(In thousands)	Gross amount recognized ¹	Gross amounts not offset on the consolidated balance sheets		Net amount	Off-balance sheet securities collateral ³	Net amount after securities collateral
		Financial instruments ²	Collateral (received)/pledged			
December 31, 2024						
Derivative assets	\$ 185,333	\$ (9,791)	\$ 4,179	\$ 179,721	\$ —	\$ 179,721
Derivative liabilities	(10,520)	9,791	668	(61)	—	(61)
December 31, 2023						
Derivative assets	\$ 220,354	\$ (15,450)	\$ (68,744)	\$ 136,160	\$ —	\$ 136,160
Derivative liabilities	(17,311)	15,450	1,793	(68)	—	(68)

¹ The gross amounts of recognized derivative assets and derivative liabilities are reported on the consolidated balance sheets. As of December 31, 2024 and 2023, amounts not subject to master netting or similar agreements were immaterial.

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

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

4. Fair Value

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

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

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

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

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

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

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

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

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

(In thousands)	December 31, 2024			
	Total	Level 1	Level 2	Level 3
Assets				
AFS securities				
US government and agencies	\$ 697,206	\$ 697,206	\$ —	\$ —
US state, municipal and political subdivisions	23,811	—	23,811	—
Foreign governments	13,887	—	13,887	—
Corporate	857,342	—	777,041	80,301
CLO	516,889	—	516,889	—
ABS	204,228	—	128,864	75,364
CMBS	30,064	—	30,064	—
RMBS	140,192	—	140,180	12
Total AFS securities	2,483,619	697,206	1,630,736	155,677
Trading securities	4,573	—	4,573	—
Equity securities	32,736	—	32,736	—
Mortgage loans	26,356	—	—	26,356
Derivative assets	185,333	—	185,333	—
Cash and cash equivalents	194,658	194,658	—	—
Restricted cash	169,238	169,238	—	—
Other assets	19,280	—	—	19,280
Investments in related parties				
AFS securities				
Corporate	107,697	—	39,096	68,601
CLO	36,264	—	36,264	—
ABS	47,514	—	336	47,178
Total AFS securities – related parties	191,475	—	75,696	115,779
Funds withheld at interest – embedded derivative	(5,873,561)	—	—	(5,873,561)
Total assets measured at fair value	\$ (2,566,293)	\$ 1,061,102	\$ 1,929,074	\$ (5,556,469)
Liabilities				
Interest sensitive contract liabilities				
Embedded derivative	539,767	—	—	539,767
Market risk benefits	33,260	—	—	33,260
Derivative liabilities	10,520	—	10,520	—
Total liabilities measured at fair value	\$ 583,547	\$ —	\$ 10,520	\$ 573,027

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

(Concluded)

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

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

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

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

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

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

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

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

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

Other assets and market risk benefits liability - Other assets at fair value consists of market risk benefit assets. See Note 7 – Long-duration Contracts for additional information on market risk benefits valuation methodology and additional fair value disclosures. The estimates are classified as Level 3.

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

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

(In thousands)	Years ended December 31,	
	2024	2023
Trading securities	\$ (559)	\$ 1,262
Mortgage loans	1,238	(870)
Total gains (losses)	\$ 679	\$ 392

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

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

(In thousands)	December 31,	
	2024	2023
Unpaid principal balance	\$ 25,457	\$ 24,880
Mark to fair value	899	(804)
Fair value	\$ 26,356	\$ 24,076

There were no fair value option mortgage loans 90 days or more past due and/or in non-accrual status as of December 31, 2024 or 2023.

There were no estimated amount of gains (losses) included in earnings during the period attributable to changes in instrument-specific credit risk on our mortgage loan portfolio for the years ended December 31, 2024 and 2023.

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

	Year ended December 31, 2024									
		Total realized and unrealized gains (losses)								
(In thousands)	Beginning balance	Included in income	Included in OCI	Net purchases, issuances, sales and settlements	Net transfers in (out)	Ending balance	Total gains (losses) included in earnings ¹	Total gains (losses) included in OCI ¹		
Assets										
AFS securities										
Corporate	\$ 78,222	\$ 521	\$ 340	\$ (32,781)	\$ 33,999	\$ 80,301	\$ —	\$ 9,731		
ABS	44,310	501	2,775	17,635	10,143	75,364	—	2,081		
RMBS	7	5	—	—	—	12	—	—		
Mortgage loans	24,076	1,238	—	1,041	1	26,356	—	—		
Investments in related parties										
AFS securities										
Corporate	68,057	—	1,239	(695)	—	68,601	—	1,212		
ABS	33,288	(22)	(693)	14,604	1	47,178	—	(854)		
Funds withheld at interest – embedded derivative	(5,715,288)	(158,273)	—	—	—	(5,873,561)	—	—		
Total Level 3 assets	<u><u>\$(5,467,328)</u></u>	<u><u>\$ (156,030)</u></u>	<u><u>\$ 3,661</u></u>	<u><u>\$ (196)</u></u>	<u><u>\$ 44,144</u></u>	<u><u>\$(5,575,749)</u></u>	<u><u>\$ —</u></u>	<u><u>\$ 12,170</u></u>		
Liabilities										
Interest sensitive contract liabilities										
Embedded derivative	\$ (749,894)	\$ 98,331	\$ —	\$ 111,796	\$ —	\$ (539,767)	\$ —	\$ —		
Total Level 3 liabilities	<u><u>\$ (749,894)</u></u>	<u><u>\$ 98,331</u></u>	<u><u>\$ —</u></u>	<u><u>\$ 111,796</u></u>	<u><u>\$ —</u></u>	<u><u>\$ (539,767)</u></u>	<u><u>\$ —</u></u>	<u><u>\$ —</u></u>		

¹ Related to instruments held at end of year.

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

¹ Related to instruments held at end of year.

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

(In thousands)	Year ended December 31, 2024							
	Purchases	Issuances	Sales	Settlements	Net purchases, issuances, sales and settlements	Transfers in	Transfers out	Net transfers in (out)
Assets								
AFS securities								
Corporate	\$ —	\$ —	\$ (31,595)	\$ (1,186)	\$ (32,781)	33,999	—	33,999
ABS	28,735	—	(4,808)	(6,292)	17,635	42,472	(32,329)	10,143
Mortgage loans	1,041	—	—	—	1,041	1	—	1
Investments in related parties								
AFS securities								
Corporate	—	—	—	(695)	(695)	—	—	—
ABS	16,333	—	—	(1,729)	14,604	1	—	1
Total Level 3 assets	<u>\$ 46,109</u>	<u>\$ —</u>	<u>\$ (36,403)</u>	<u>\$ (9,902)</u>	<u>\$ (196)</u>	<u>\$ 76,473</u>	<u>\$ (32,329)</u>	<u>\$ 44,144</u>
Liabilities								
Interest sensitive contract liabilities – embedded derivative								
	\$ —	\$ (228)	\$ —	\$ 112,024	\$ 111,796	\$ —	\$ —	\$ —
Total Level 3 liabilities	<u>\$ —</u>	<u>\$ (228)</u>	<u>\$ —</u>	<u>\$ 112,024</u>	<u>\$ 111,796</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

(In thousands)	Year ended December 31, 2023							
	Purchases	Issuances	Sales	Settlements	Net purchases, issuances, sales and settlements	Transfers in	Transfers out	Net transfers in (out)
Assets								
AFS securities								
Corporate	\$ 24,603	\$ —	\$ —	\$ (9,107)	\$ 15,496	\$ (1)	—	\$ (1)
ABS	6,738	—	(46,189)	(8,250)	(47,701)	22,458	(29,347)	(6,889)
RMBS	31	—	—	(747)	(716)	(1)	(49,734)	(49,735)
Mortgage loans	2,851	—	—	—	2,851	(1)	—	(1)
AFS securities								
Corporate	68,779	—	—	(695)	68,084	—	—	—
CLO	46,289	—	(46,289)	—	—	—	—	—
ABS	58,659	—	(58,831)	(1,394)	(1,566)	1	—	1
Total Level 3 assets	<u>\$ 207,950</u>	<u>\$ —</u>	<u>\$ (151,309)</u>	<u>\$ (20,193)</u>	<u>\$ 36,448</u>	<u>\$ 22,456</u>	<u>\$ (79,081)</u>	<u>\$ (56,625)</u>
Liabilities								
Interest sensitive contract liabilities – embedded derivative								
	\$ —	\$ —	\$ —	\$ 72,759	\$ 72,759	\$ —	\$ —	\$ —
Total Level 3 liabilities	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 72,759</u>	<u>\$ 72,759</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

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

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

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

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

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

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

	December 31, 2024						
(In thousands, except for percentages)	Fair value	Valuation technique	Unobservable inputs	Minimum	Maximum	Weighted average	Impact of an increase in the input on fair value
AFS, trading and equity securities	\$ 99,446	Discounted cash flow	Discount rate	5.6 %	6.8 %	6.4 % ¹	Decrease
Mortgage loans	26,356	Discounted cash flow	Discount rate	5.3 %	5.3 %	5.3 % ¹	Decrease
Interest sensitive contract liabilities – fixed indexed annuities embedded derivatives	539,767	Option budget method	Nonperformance risk	0.4 %	1.1 %	0.6 % ²	Decrease
			Option budget	0.7 %	5.9 %	2.0 % ³	Increase
			Surrender rate	8.8 %	18.5 %	13.6 % ³	Decrease
	December 31, 2023						
(In thousands, except for percentages)	Fair value	Valuation technique	Unobservable inputs	Minimum	Maximum	Weighted average	Impact of an increase in the input on fair value
AFS, trading and equity securities	\$ 132,858	Discounted cash flow	Discount rate	5.1 %	13.0 %	6.9 % ¹	Decrease
Mortgage loans	24,076	Discounted cash flow	Discount rate	6.1 %	6.1 %	6.1 % ¹	Decrease
Interest sensitive contract liabilities – fixed indexed annuities embedded derivatives	749,894	Option budget method	Nonperformance risk	0.4 %	1.4 %	0.8 % ²	Decrease
			Option budget	0.5 %	6.0 %	2.0 % ³	Increase
			Surrender rate	7.9 %	17.0 %	13.3 % ³	Decrease

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

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

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

5. Reinsurance

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

(In thousands)	Years ended December 31,	
	2024	2023
Premiums		
Reinsurance assumed	\$ 72,129	\$ 5,996,617
Total premiums	<u>\$ 72,129</u>	<u>\$ 5,996,617</u>
Future policy and other policy benefits		
Reinsurance assumed	\$ 1,041,949	\$ 6,938,270
Total future policy and other policy benefits	<u>\$ 1,041,949</u>	<u>\$ 6,938,270</u>

Reinsurance typically provides for recapture rights on the part of the ceding company for certain events of default. Additionally, some agreements require us to place assets in trust accounts for the benefit of the ceding entity. The required minimum assets are equal to or greater than a certain percentage of statutory reserves and certain adjustments, as defined by the agreement, and were \$62 million and \$75 million as of December 31, 2024 and 2023, respectively. If the statutory book value of the assets, or in certain cases fair value, in a trust declines because of impairments or other reasons, we may be required to contribute additional assets to the trust. In addition, the assets within a trust may be subject to a pledge in favor of the applicable reinsurance company.

Certain of our modified coinsurance agreements that include retail annuities underwritten in the U.S. require us to pay reinsurance settlements for our proportionate share of assessments levied by state guaranty associations. State guaranty associations may require member insurers to cover contractual obligations of insurance companies which become impaired or insolvent. Bankers Life Insurance Company and Colorado Bankers Life Insurance Company became subject to a liquidation order in the state of North Carolina effective November 30, 2024. State guaranty associations began levying assessments and we expect those assessments to continue for the foreseeable future. Our proportionate share of assessments levied to date for these liquidations was \$35 million for the year ended December 31, 2024 and has been recorded to policy and other operating expenses.

Reinsurance transactions

We reinsure new business related to annuities from ALRe, AARE and Athene Life Re International Ltd. (ALReI) on a modco basis. For the year ended December 31, 2024, no additional policies were added to the existing modco agreements. For the year ended December 31, 2023, additional policies were added to the existing modco agreement with AARE covering pensioners from various companies.

In June 2021, we entered into a modified coinsurance agreement with AARE to reinsure funding agreements (FA). As of December 31, 2024, no additional FAs were reinsured. As of December 31, 2023, we reinsured additional FAs with principals of \$300 million.

As of January 1, 2022, the Company started to reinsure Athene retail business from AARE on a modco basis. Total retail inflows received during 2024 and 2023 were \$0.4 million and \$9.2 million, respectively.

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

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

(In thousands)	DAC			DSI		Total DAC, DSI, and VOBA
	Traditional deferred annuities	Indexed annuities	Funding agreements	Indexed annuities	VOBA	
Balance at December 31, 2022	\$ 32,376	\$ 106,661	\$ 4,987	\$ 59,949	\$ 27,086	\$ 231,059
Additions	(189)	(42)	212	96	—	77
Amortization	(6,570)	(9,651)	(1,087)	(5,601)	(6,725)	(29,634)
Balance at December 31, 2023	25,617	96,968	4,112	54,444	20,361	201,502
Additions	(24)	(133)	—	(3)	—	(160)
Amortization	(6,812)	(9,179)	(1,113)	(5,558)	(4,261)	(26,923)
Balance at December 31, 2024	<u>\$ 18,781</u>	<u>\$ 87,656</u>	<u>\$ 2,999</u>	<u>\$ 48,883</u>	<u>\$ 16,100</u>	<u>\$ 174,419</u>

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

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

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

<i>(In thousands)</i>	Expected Amortization
2025	\$ 3,071
2026	2,484
2027	2,047
2028	1,636
2029	1,313

7. Long-duration Contracts

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

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

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

<i>(In thousands, except percentages)</i>	Year ended December 31, 2024				
	Traditional deferred annuities	Indexed annuities	Funding agreements	Other investment-type	Total
Balance at December 31, 2023	\$ 10,176,200	\$ 13,879,319	\$ 6,715,691	\$ 112,753	\$ 30,883,963
Deposits	27,102	1,972	—	39,173	68,247
Policy charges	—	(30,661)	—	—	(30,661)
Surrenders and withdrawals	(1,419,182)	(2,781,452)	—	—	(4,200,634)
Benefit payments	(348,850)	(345,245)	(1,318,277)	(33,460)	(2,045,832)
Interest credited	301,894	504,693	141,281	3,674	951,542
Foreign exchange	—	—	(118,267)	—	(118,267)
Other	—	—	33,026	(1,283)	31,743
Balance at December 31, 2024	<u>\$ 8,737,164</u>	<u>\$ 11,228,626</u>	<u>\$ 5,453,454</u>	<u>\$ 120,857</u>	<u>\$ 25,540,101</u>
Weighted average crediting rate	3.4 %	2.5 %	2.3 %	3.2 %	
Net amount at risk	\$ 1	\$ 171,836	\$ —	\$ —	
Cash surrender value	8,583,926	10,720,699	—	—	

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

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

(In thousands)	December 31,	
	2024	2023
Traditional deferred annuities	\$ 8,737,164	\$ 10,176,200
Indexed annuities	11,228,626	13,879,319
Funding agreements	5,453,454	6,715,691
Other investment-type	120,857	112,753
Reconciling items ¹	881,581	1,126,609
Interest sensitive contract liabilities	<u>\$ 26,421,682</u>	<u>\$ 32,010,572</u>

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

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

(In thousands)	December 31, 2024			
	At guaranteed minimum	1 basis point – 100 basis points above guaranteed minimum	Greater than 100 basis points above guaranteed minimum	Total
< 2.0%	\$ 4,555,065	\$ 3,158,987	\$ 4,715,348	\$ 12,429,400
2.0% – < 4.0%	9,776,342	1,012,677	126,405	10,915,424
4.0% – < 6.0%	1,593,656	1,010	—	1,594,666
6.0% and greater	600,611	—	—	600,611
Total	<u>\$ 16,525,674</u>	<u>\$ 4,172,674</u>	<u>\$ 4,841,753</u>	<u>\$ 25,540,101</u>

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

ATHENE CO-INVEST REINSURANCE AFFILIATE 1A LTD.
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Future policy benefits - Future policy benefits consist primarily of payout annuities, including single premium immediate annuities with life contingencies (which include pension group annuities with life contingencies).

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

(In thousands)	Payout annuities with life contingencies	
	December 31,	
	2024	2023
Present value of expected future policy benefits		
Beginning balance	\$ 25,081,035	\$ 19,445,901
Effect of changes in discount rate assumptions	2,893,982	3,797,085
Effect of foreign exchange on the changes in discount rate assumptions	871	(13,101)
Beginning balance at original discount rate	27,975,888	23,229,885
Effect of changes in cash flow assumptions	(47,434)	(183,154)
Effect of actual experience compared to expected experience	141,374	(1,800)
Adjusted balance	28,069,828	23,044,931
Issuances	90,078	6,053,019
Interest accrual	1,010,158	953,216
Benefit payments	(2,514,386)	(2,110,324)
Foreign exchange	(15,646)	35,046
Ending balance at original discount rate	26,640,032	27,975,888
Effect of changes in discount rate assumptions	(3,541,251)	(2,893,982)
Effect of foreign exchange on the changes in discount rate assumptions	5,429	(871)
Ending balance	\$ 23,104,210	\$ 25,081,035
Weighted-average liability duration (in years)	8.7	8.7
Weighted-average interest accretion rate	3.8 %	3.8 %
Weighted-average current discount rate	5.6 %	5.1 %
Expected future benefit payments, undiscounted	\$ 37,807,974	\$ 39,954,530

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

(In thousands)	December 31,	
	2024	2023
Payout annuities with life contingencies	\$ 23,104,210	\$ 25,081,035
Reconciling items ¹	925,913	1,080,861
Future policy benefits	\$ 24,030,123	\$ 26,161,896

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

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

(In thousands)	Premiums		Interest expense	
	Year ended December 31,		Year ended December 31,	
	2024	2023	2024	2023
Payout annuities with life contingencies	\$ 72,129	\$ 5,996,617	\$ 1,010,158	\$ 953,216
Reconciling items	—	—	—	—
Future policy benefits	\$ 72,129	\$ 5,996,617	\$ 1,010,158	\$ 953,216

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

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

During the year ended December 31, 2024, future policy benefits for payout annuities with life contingencies decreased by \$1,977 million, which was driven by \$2,514 million of benefit payments and a \$647 million change in discount rate assumptions related to an increase in rates, partially offset by \$1,010 million of interest accrual.

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

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

(In thousands)	Year ended December 31,	
	2024	2023
Reserves	\$ (93,940)	\$ 184,954
Deferred profit liability	10,539	(120,476)
Negative VOBA	66,793	(31,772)
Total remeasurement gains (losses)	\$ (16,608)	\$ 32,706

During the year ended December 31, 2023, we recorded reserve increases of \$118 million, to the consolidated statements of income (loss) as a result of the present value of benefits and expenses exceeding the present value of gross premiums. There were no recorded reserve increases during the year ended December 31, 2024.

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

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

(In thousands)	Indexed annuities December 31,	
	2024	2023
Beginning balance	\$ 2,730	\$ (23,752)
Effect of changes in instrument-specific credit risk	(4,075)	6,158
Balance, beginning of period, before changes in instrument-specific credit risk	(1,345)	(17,594)
Issuances	653	24
Interest accrual	904	(493)
Attributed fees collected	21,620	22,141
Benefit payments	46	322
Effect of changes in interest rates	(16,365)	(3,189)
Effect of changes in equity	(3,369)	(6,151)
Effect of actual behavior compared to expected behavior	881	1,250
Effect of changes in future expected policyholder behavior	5,491	2,957
Effect of changes in other future expected assumptions	(1,204)	(612)
Balance, end of period, before changes in instrument-specific credit risk	7,312	(1,345)
Effect of changes in instrument-specific credit risk	6,668	4,075
Ending balance	\$ 13,980	\$ 2,730
Net amount at risk	\$ 171,836	\$ 170,858
Weighted-average attained age of contract holders (in years)	72	70

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

(In thousands)	December 31, 2024			December 31, 2023		
	Asset	Liability	Net liability	Asset	Liability	Net liability
Indexed annuities	19,280	33,260	13,980	26,867	29,597	2,730
Total	\$ 19,280	\$ 33,260	\$ 13,980	\$ 26,867	\$ 29,597	\$ 2,730

During the year ended December 31, 2024, net market risk benefit liabilities increased by \$11 million, which was primarily driven by \$22 million in fees collected from policyholders and \$5 million from changes to future expected policyholder behavior due to an unlocking of the income rider utilization assumption. This was partially offset by a decrease of \$16 million related to changes in the risk free rate across the curve.

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

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

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

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

All inputs are used to project excess benefits and fees over a range of risk-neutral, stochastic interest rate scenarios. For indexed annuities, stochastic equity return scenarios are also included within the range. A risk margin is incorporated within the discount rate to reflect uncertainty in the projected cash flows such as variations in policyholder behavior, as well as a credit spread to reflect our nonperformance risk, which is considered an unobservable input. We use the credit spread, relative to the US Treasury curve based on our public credit rating as of the valuation date, as the credit spread to reflect our nonperformance risk in the estimate of the fair value of market risk benefits.

The following summarizes the unobservable inputs for market risk benefits:

December 31, 2024							
(In thousands, except for percentages)	Fair value	Valuation technique	Unobservable inputs	Minimum	Maximum	Weighted average	Impact of an increase in the input on fair value
Market risk benefits, net	\$ 13,980	Discounted cash flow	Non-performance risk	0.4 %	1.1 %	0.9 % ¹	Decrease
			Option budget	0.7 %	5.9 %	2.0 % ²	Decrease
			Surrender rate	2.5 %	11.4 %	6.7 % ²	Decrease
			Utilization rate	80.0 %	95.0 %	90.1 % ³	Increase
December 31, 2023							
Market risk benefits, net	\$ 2,730	Discounted cash flow	Non-performance risk	0.4 %	1.4 %	1.1 % ¹	Decrease
			Option budget	0.5 %	6.0 %	2.0 % ²	Decrease
			Surrender rate	2.1 %	11.1 %	5.9 % ²	Decrease
			Utilization rate	80.0 %	95.0 %	90.1 % ³	Increase

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

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

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

8. Equity

Common Stock - ACRA 1A has two classes of common shares; Class A common shares representing 63.45% of value and Class B common shares representing 36.55% of value and 100% of voting power. As of December 31, 2024 we had 5,000,000,000 shares authorized, of which 264,000 were issued at a par value of \$1.00 each and 4,999,736,000 shares remained undesignated and unissued. As at December 31, 2024, 167,500 Class A common shares and 96,500 Class B common shares were issued and outstanding.

Dividends - The Company declared and paid cash dividends on common shares on a pro rata basis in 2024 and 2023 in the aggregate amount of \$1,450 million and \$850 million respectively.

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

(In thousands)	Unrealized investment gains (losses) on AFS securities	Unrealized gains (losses) on hedging instruments	Remeasurement gains (losses) on market risk benefits related to credit risk	Remeasurement gains (losses) on future policy benefits related to discount rate	Foreign currency translation and other adjustments	Income tax expense (benefit) related to other comprehensive income (loss)	Accumulated other comprehensive income (loss)
Balance at December 31, 2022	\$ (473,893)	\$ 4,145	\$ 6,158	\$ 3,797,085	\$ (19,076)	\$ (717,456)	2,596,963
Other comprehensive income (loss)	155,016	(4,896)	(10,233)	(903,103)	13,469	—	(749,747)
Less: Income tax expense (benefit)	—	—	—	—	—	(177,773)	(177,773)
Balance at December 31, 2023	(318,877)	(751)	(4,075)	2,893,982	(5,607)	(539,683)	2,024,989
Other comprehensive income (loss)	(37,615)	(1,098)	(2,593)	647,200	(3,833)	—	602,061
Less: Income tax expense (benefit)	—	—	—	—	—	118,343	118,343
Balance at December 31, 2024	\$ (356,492)	\$ (1,849)	\$ (6,668)	\$ 3,541,182	\$ (9,440)	\$ (658,026)	\$ 2,508,707

¹ Recognized in investment related gains (losses) on the consolidated statements of income (loss).

9. Income Taxes

Income tax expense (benefit) consists of the following:

(In thousands)	Years ended December 31,	
	2024	2023
Current	\$ (15)	\$ 501
Deferred	(40,728)	184,155
Income tax expense (benefit)	\$ (40,743)	\$ 184,656

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

(In thousands)	Years ended December 31,	
	2024	2023
Bermuda	\$ 776,131	\$ 1,826,301
US	(65,592)	255,016
United Kingdom	1,037	2,164
Income (loss) before income taxes	\$ 711,576	\$ 2,083,481

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

(In thousands, except for percentages)	Years ended December 31,	
	2024	2023
Expected tax provision computed on pre-tax income (loss)	\$ (13,515)	\$ 54,062
Increase (decrease) in income taxes resulting from:		
Prior year true-up	(274)	6
Other	(954)	(13)
Bermuda tax	(26,000)	130,601
Income tax expense (benefit)	\$ (40,743)	\$ 184,656
Effective tax rate	(6)%	9 %

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On December 27, 2023, the Government of Bermuda enacted the Corporate Income Tax Act 2023 (Bermuda CIT). Commencing on January 1, 2025, the Bermuda CIT generally imposes a 15% corporate income tax on entities that are tax residents in Bermuda or have a Bermuda permanent establishment, without regard to any assurances that have been given pursuant to the Exempted Undertakings Tax Protection Act 1966. Our results as of December 31, 2024 include material deferred tax liabilities resulting from the passage of the Bermuda CIT. Although these deferred tax liabilities resulted in an increase in our tax rate, we do not expect an increase in cash tax cost of the Bermuda CIT due to deferred tax assets at other members of the Bermuda Constituent Entity Group that are available to mitigate cash tax impacts of the Bermuda CIT.

Total income taxes were as follows:

(In thousands)	Years ended December 31,	
	2024	2023
Income tax expense (benefit)	\$ (40,743)	\$ 184,656
Income tax expense (benefit) from OCI	118,343	(177,773)
Total income tax expense (benefit)	\$ 77,600	\$ 6,883

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

(In thousands)	December 31,	
	2024	2023
Current income tax recoverable	\$ 3,840	\$ 3,840
Current income tax payable	734	749
Net current income tax recoverable/(payable)	\$ 3,106	\$ 3,091
Deferred tax assets	\$ 17,516	\$ —
Deferred tax liabilities	\$ 104,601	\$ 9,470
Net deferred tax assets (liabilities)	\$ (87,085)	\$ (9,470)

Deferred income tax assets and liabilities consisted of the following:

(In thousands)	December 31,	
	2024	2023
Deferred tax assets		
Investments, including derivatives and unrealized losses on AFS	\$ 18,162	\$ 5,515
Net operating and capital loss carryforwards	95,136	222,204
Total deferred tax assets	113,298	227,719
Deferred tax assets, net of valuation allowance	113,298	227,719
Deferred tax liabilities		
Insurance liabilities	62,568	67,507
Bermuda tax	104,601	130,601
DAC, DSI and VOBA	33,208	38,040
Other	6	1,041
Total deferred tax liabilities	200,383	237,189
Net deferred tax assets (liabilities)	\$ (87,085)	\$ (9,470)

As of December 31, 2024, we have US federal net operating losses of \$453 million which will begin to expire in 2043.

The UK enacted legislation in July 2023 implementing certain provisions of the Organisation for Economic Cooperation and Development's "Pillar Two" global minimum tax initiative (Pillar Two) that applies to multinational enterprises for accounting periods beginning on or after December 31, 2023. On February 22, 2024, the UK enacted certain amendments to its Pillar Two legislation which similarly took effect for accounting periods beginning on or after December 31, 2024. We are continuing to evaluate the potential impact on future periods of Pillar Two, pending legislative adoption by individual countries, as such legislative changes could result in changes to our effective tax rate. We evaluated the enacted legislation and concluded there was no material impact to the effective tax rate for the year ended December 31, 2024.

On August 16, 2022, the US government enacted the Inflation Reduction Act of 2022 (IRA). The IRA contains a number of tax-related provisions including a 15% minimum corporate income tax on certain large corporations (CAMT) as well as an excise tax on stock repurchases. Based on interpretations and assumptions we have made regarding the CAMT provisions of the IRA, which may change once further regulatory guidance is issued, CAMT as well as the excise tax on stock repurchases had no impact on our financial statements.

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ACRA 1A and Athene Co-Invest Reinsurance Affiliate International Ltd. (ACRAI) file protective US federal income tax returns, and Athene Co-Invest Reinsurance Affiliate 1B Ltd. (ACRA 1B) files a standalone US federal income tax return. ACRA 1A and its subsidiaries are not subject to US federal income tax examinations for years prior to 2021. ACRA 1A and its subsidiaries are not currently under audit.

10. Statutory Requirements

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

Bermuda statutory requirements - ACRA 1A is licensed by the BMA as a Class C insurer and is subject to the Insurance Act. The BMA implemented the Economic Balance Sheet (EBS) framework into the Bermuda Solvency Capital Requirement (BSCR), which was granted equivalence to the European Union's Directive (2009/138/EC) (Solvency II). Amounts reported for Bermuda entities within these statutory disclosures exclude the impact of any deferred taxes on the EBS or statutory bases resulting from the enactment of Bermuda CIT. Under this framework a Class C insurer must produce three sets of financial statements:

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

Under the Insurance Act, insurers carrying on long-term business are required to maintain minimum statutory capital and surplus to meet the minimum margin of solvency (MMS) and minimum economic statutory capital and surplus (EBS capital and surplus) to meet the Enhanced Capital Requirement (ECR). For Class C insurers, MMS is equal to the greater of \$500,000, 1.5% of the total statutory assets or 25% of ECR. For each class, the ECR is calculated based on a risk-based capital model where risk factor charges are applied to the EBS. The ECR is floored at the MMS. As of December 31, 2024, ACRA 1A and its subsidiaries were in excess of the minimum levels required. For ACRA 1A, ACRA 1B and ACRAI, the ECR is the binding regulatory constraint, ACRA 1B has a permitted practice from the BMA to remove the MMS floor when calculating the ECR.

The following tables present the ACRA 1A and its subsidiaries actual GAAP and unconsolidated SFS capital and surplus and net income (loss) as of and for the years ended December 31, 2024 and December 31, 2023:

ACRA 1A (In thousands)	Year ended December 31, 2024	
	GAAP	SFS
Actual Capital and Surplus	\$ 1,772,954	\$ 4,521,389
Net Income (Loss)	752,319	840,834

ACRA 1A (In thousands)	Year ended December 31, 2023	
	GAAP	SFS
Actual Capital and Surplus	\$ 1,986,732	\$ 5,091,716
Net Income (Loss)	1,898,825	297,379

ACRA 1B (In thousands)	Year ended December 31, 2024	
	GAAP	SFS
Actual Capital and Surplus	\$ (199,564)	\$ 489,158
Net Income (Loss)	525,968	246,165

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ACRA 1B (In thousands)	Year ended December 31, 2023	
	GAAP	SFS
Actual Capital and Surplus	\$ (1,170,729)	\$ 78,221
Net Income (Loss)	244,171	(168,118)

ACRAI ¹ (In thousands)	Year ended December 31, 2024	
	GAAP	SFS
Actual Capital and Surplus	£ 176,598	£ 81,643
Net Income (Loss)	(118,532)	4,838

ACRAI ¹ (In thousands)	Year ended December 31, 2023	
	GAAP ²	SFS
Actual Capital and Surplus	£ 229,369	£ 76,801
Net Income (Loss)	40,173	(4,628)

¹ACRAI amounts reported in GBP.

² Previously reported amounts have been updated to the final GAAP financial statements as filed.

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

(In thousands)	December 31, 2024		
	ACRA 1A	ACRA 1B	ACRAI ¹
Change in capital and surplus due to permitted practices	\$ 3,772,648	\$ 810,685	£ (46,210)
Change in statutory net income due to permitted practices	62,531	(279,797)	103,101

¹ACRAI amounts reported in GBP

Under the Insurance Act, ACRA 1A, ACRA 1B and ACRAI are prohibited from paying a dividend in an amount exceeding 25% of the prior year's statutory capital and surplus, unless at least two members of the companies' respective board of directors and its principal representative in Bermuda sign and submit to the BMA an affidavit attesting that a dividend in excess of this amount would not cause the relevant company to fail to meet its relevant margins. In certain instances, ACRA 1A, ACRA 1B and ACRAI would also be required to provide prior notice to the BMA in advance of the payment of dividends. In December 2024, ACRA 1A notified the BMA of its intention to pay a dividend exceeding 25% of its previous year's statutory capital and surplus, to which the BMA confirmed it has no objection to. In the event that such an affidavit is submitted to the BMA, and further subject to meeting the MMS and ECR requirements, ACRA 1A, ACRA 1B and ACRAI are permitted to distribute up to the sum of 100% of statutory surplus and an amount less than 15% of statutory capital. Distributions in excess of this amount require the approval of the BMA.

11. Related Parties

See Note 5 – Reinsurance for a description of our reinsurance transactions with related parties.

Apollo

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

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

Under our fee agreement with Apollo, we pay Apollo a base management fee of 0.15% per year of the aggregate market value of the assets in substantially all of the investment accounts of or relating to us (collectively, the Accounts), other than any Excluded Assets, as of the end of each month. Additionally, we pay a sub-allocation fee based on specified asset class tiers ranging from 0.065% to 0.70% of the market value, with the higher percentages in this range for asset classes that are designed to have more alpha generating abilities.

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For the years ended December 31, 2024 and 2023, we incurred management fees of \$53 million and \$58 million, respectively. Management fees are included within net investment income on the consolidated statements of income (loss). As of December 31, 2024 and 2023, management fees payable were \$11 million and \$10 million, respectively, and are included in other liabilities on the consolidated balance sheets.

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

Other related party transactions

FinCo Designated Activity Company (MidCap Financial) - We hold ABS and CLO securities issued by MidCap of \$39 million and \$45 million as of December 31, 2024 and 2023, respectively, which are included in related party AFS securities on the consolidated balance sheets.

Redding Ridge - We hold CLO securities issued by Redding Ridge of \$36 million and \$64 million as of December 31, 2024 and 2023, respectively, which are included in related party AFS securities on the consolidated balance sheets.

Wheels - We contributed our limited partnership investment in Athene Freedom Parent, LP (Athene Freedom), for which an Apollo affiliate is the general partner, to AAA during the second quarter of 2022. Athene Freedom indirectly invests in Wheels, Inc. (Wheels). We own securities issued by Wheels of \$69 million and \$68 million as of December 31, 2024 and 2023, respectively, which are held as related party AFS securities on the consolidated balance sheets.

Unsecured Revolving Notes Receivable with ALRe - ACRA 1A has an unsecured revolving promissory note with ALRe which allows ALRe to borrow funds from ACRA 1A. The note has a borrowing capacity of \$10 million. On May 31, 2023, the interest rate was amended from a 3 month LIBOR rate on principal plus applicable margin of 0.25% to a Secured Overnight Financing Rate (SOFR) rate on principal plus applicable margin of 0.1%. The maturity date was amended on May 31, 2024 from May 31, 2024 to the earlier of May 31, 2025 and the demand repayment date. As of December 31, 2024 and 2023, the revolving note receivable has no outstanding balance.

Unsecured Revolving Note Payable with ALRe - ACRA 1A has an unsecured revolving note payable agreement with ALRe which allows ACRA 1A to borrow funds from ALRe. The note has a borrowing capacity of \$2.6 billion which was increased from \$2.5 billion on June 1, 2024. Interest accrues at the Secured Overnight Financing Rate (SOFR) rate for a tenor of one or three months at the lender's election on principal plus applicable margin of 1.6%. The maturity date was amended on June 1, 2024 from June 30, 2024 to the earlier of June 28, 2025 and the demand repayment date. As of December 31, 2024 and 2023 the revolving note payable had no outstanding balance.

12. Commitments and Contingencies

Contingent Commitments - We had commitments to make investments, primarily capital contributions to investment funds, inclusive of related party commitments discussed previously, of \$89 million as of December 31, 2024. We expect most of our current commitments will be invested over the next five years; however, these commitments could become due any time upon counterparty request.

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

(In thousands)	Year ended December 31,	
	2024	2023
AFS securities	\$ 79,550	\$ 161,968
Derivative assets	116,560	180,445
Restricted cash	169,238	225,335
Total restricted assets	\$ 365,348	\$ 567,748

ACRA 1A has established an escrow account of assets equal to a portion of statutory reserves, as a result of the modco agreement with ALRe related to blocks of business as described in *Note 5 – Reinsurance*.

Letter of Credit - We have undrawn letters of credit totaling \$1,264 million as of December 31, 2024. These letters of credit were issued for our reinsurance program and have expirations through June 19, 2027.

Litigation, Claims and Assessments

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

13. Subsequent Events

The Company has evaluated the impact of subsequent events through April 25, 2025, the date at which the financial statements were available to be issued.

In February 2025, the Company paid dividends on common shares on a pro rata basis in the aggregate amount of \$150 million in cash.

Supplemental Information (Unaudited)

Schedule 1

In addition to our audited results presented in accordance with accounting principles generally accepted in the United States of America (US GAAP), we present certain financial information that includes non-GAAP measures. Management believes the use of these non-GAAP measures, together with the relevant US GAAP measures, provides information that may enhance an investor's understanding of our business. These non-GAAP measures are intended to remove the impact of market volatility on ACRA 1A's common shareholder equity.

Adjusted Common Shareholder's Equity Non-GAAP Reconciliation

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

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

<i>(In thousands)</i>	Years ended December 31,	
	2024	2023
Total ACRA 1A common shareholder's equity	\$ 1,772,954	\$ 1,986,732
Less: Accumulated other comprehensive income/(loss)	2,508,707	2,024,989
Less: Accumulated change in fair value of reinsurance assets, net of tax	(5,221,574)	(4,972,593)
Less: Accumulated change in fair value of mortgage loan assets, net of tax	877	(784)
Less: Accumulated tax impact on change in Financial Instruments held at fair value	33,047	81,643
Total adjusted ACRA common shareholder's equity	<u>\$ 4,451,897</u>	<u>\$ 4,853,477</u>