

UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-Q

- QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the quarterly period ended June 30, 2021  
or  
 TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission File Number: 001-37963



**ATHENE HOLDING LTD.**

(Exact name of registrant as specified in its charter)

**Bermuda**  
(State or other jurisdiction of  
incorporation or organization)

**98-0630022**  
(I.R.S. Employer  
Identification Number)

**Second Floor, Washington House  
16 Church Street  
Hamilton, HM 11, Bermuda  
(441) 279-8400**

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

Securities registered pursuant to Section 12(b) of the Act:

| Title of each class  | Trading Symbol | Name of each exchange on which registered |
|--|----------------|---|
| Class A common shares, par value \$0.001 per share   | ATH            | New York Stock Exchange                   |
| Depository Shares, each representing a 1/1,000 <sup>th</sup> interest in a<br>6.35% Fixed-to-Floating Rate Perpetual Non-Cumulative Preference Share, Series A | ATHPrA         | New York Stock Exchange                   |
| Depository Shares, each representing a 1/1,000 <sup>th</sup> interest in a<br>5.625% Fixed-Rate Perpetual Non-Cumulative Preference Share, Series B            | ATHPrB         | New York Stock Exchange                   |
| Depository Shares, each representing a 1/1,000 <sup>th</sup> interest in a<br>6.375% Fixed-Rate Reset Perpetual Non-Cumulative Preference Share, Series C      | ATHPrC         | New York Stock Exchange                   |
| Depository Shares, each representing a 1/1,000 <sup>th</sup> interest in a<br>4.875% Fixed-Rate Perpetual Non-Cumulative Preference Share, Series D            | ATHPrD         | New York Stock Exchange                   |

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company or an emerging growth company. See definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

As of July 30, 2021, 191,970,001 of our Class A common shares were outstanding.

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As used in this Quarterly Report on Form 10-Q (report), unless the context otherwise indicates, any reference to “Athene,” “our Company,” “the Company,” “us,” “we” and “our” refer to Athene Holding Ltd. together with its consolidated subsidiaries and any reference to “AHL” refers to Athene Holding Ltd. only.

## Forward-Looking Statements

Certain statements in this report are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, as amended (Securities Act), and Section 21E of the Securities Exchange Act of 1934, as amended (Exchange Act). You can identify forward-looking statements by the fact that they do not relate strictly to historical or current facts. These statements may include words such as “anticipate,” “estimate,” “expect,” “project,” “plan,” “intend,” “seek,” “assume,” “believe,” “may,” “will,” “should,” “could,” “would,” “likely” and other words and terms of similar meaning, including the negative of these or similar words and terms, in connection with any discussion of the timing or nature of future operating or financial performance or other events. However, not all forward-looking statements contain these identifying words. Forward-looking statements appear in a number of places throughout and give our current expectations and projections relating to our business, financial condition, results of operations, plans, strategies, objectives, future performance and other matters.

We caution you that forward-looking statements are not guarantees of future performance and that our actual consolidated financial condition, results of operations, liquidity, cash flows and performance may differ materially from that made in or suggested by the forward-looking statements contained in this report. A number of important factors could cause actual results or conditions to differ materially from those contained or implied by the forward-looking statements, including the risks discussed in *Part II—Item 1A. Risk Factors* included in this report and *Part I—Item 1A. Risk Factors* included in our Annual Report on Form 10-K for the year ended December 31, 2020 (2020 Annual Report). Factors that could cause actual results or conditions to differ from those reflected in the forward-looking statements contained in this report include:

- the accuracy of management’s assumptions and estimates;
- variability in the amount of statutory capital that our insurance and reinsurance subsidiaries have or are required to hold;
- interest rate and/or foreign currency fluctuations;
- our potential need for additional capital in the future and the potential unavailability of such capital to us on favorable terms or at all;
- major public health issues, and specifically the pandemic caused by the effects of the spread of the Coronavirus Disease of 2019 (COVID-19);
- changes in relationships with important parties in our product distribution network;
- the activities of our competitors and our ability to grow our retail business in a highly competitive environment;
- the impact of general economic conditions on our ability to sell our products and on the fair value of our investments;
- our ability to successfully acquire new companies or businesses and/or integrate such acquisitions into our existing framework;
- downgrades, potential downgrades or other negative actions by rating agencies;
- our dependence on key executives and inability to attract qualified personnel, or the potential loss of Bermudian personnel as a result of Bermuda employment restrictions;
- market and credit risks that could diminish the value of our investments;
- changes to the creditworthiness of our reinsurance and derivative counterparties;
- the discontinuation of London Inter-bank Offered Rate (LIBOR);
- changes in consumer perception regarding the desirability of annuities as retirement savings products;
- potential litigation (including class action litigation), enforcement investigations or regulatory scrutiny against us and our subsidiaries, which we may be required to defend against or respond to;
- the impact of new accounting rules or changes to existing accounting rules on our business;
- interruption or other operational failures in telecommunication and information technology and other operating systems, as well as our ability to maintain the security of those systems;
- the termination by Apollo Global Management, Inc. (AGM) or any of its subsidiaries (collectively, AGM together with its subsidiaries, Apollo) of its investment management agreements with us and limitations on our ability to terminate such arrangements;
- Apollo’s dependence on key executives and inability to attract qualified personnel;
- the delay or failure to complete or realize the expected benefits from the proposed merger with AGM;
- the accuracy of our estimates regarding the future performance of our investment portfolio;
- increased regulation or scrutiny of alternative investment advisers and certain trading methods;
- potential changes to laws or regulations affecting, among other things, group supervision and/or group capital requirements, entity-level regulatory capital standards, transactions with our affiliates, the ability of our subsidiaries to make dividend payments or distributions to AHL, acquisitions by or of us, minimum capitalization and statutory reserve requirements for insurance companies and fiduciary obligations on parties who distribute our products;
- the failure to obtain or maintain licenses and/or other regulatory approvals as required for the operation of our insurance subsidiaries;
- increases in our tax liability resulting from the Base Erosion and Anti-Abuse Tax (BEAT);
- AHL or any of its non-United States (US) subsidiaries becoming subject to US federal income taxation;
- adverse changes in US tax law;
- changes in our ability to pay dividends or make distributions;
- the failure to achieve the economic benefits expected to be derived from the Athene Co-Invest Reinsurance Affiliate 1A Ltd. (together with its subsidiaries, ACRA) capital raise or future ACRA capital raises;
- the failure of third-party ACRA investors to fund their capital commitment obligations; and

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- other risks and factors listed in *Part II—Item 1A. Risk Factors* included in this report, *Part I—Item 1A. Risk Factors* included in our 2020 Annual Report and those discussed elsewhere in this report and in our 2020 Annual Report.

We caution you that the important factors referenced above may not be exhaustive. In light of these risks, you should not place undue reliance upon any forward-looking statements contained in this report. Unless an earlier date is specified, the forward-looking statements included in this report are made only as of the date that this report was filed with the US Securities and Exchange Commission (SEC). We undertake no obligation, except as may be required by law, to publicly update or revise any forward-looking statement as a result of new information, future events or otherwise. Comparisons of results for current and any prior periods are not intended to express any future trends, or indications of future performance, unless expressed as such, and should only be viewed as historical data.

## GLOSSARY OF SELECTED TERMS

Unless otherwise indicated in this report, the following terms have the meanings set forth below:

### Entities

| Term or Acronym | Definition  |
|-----------------|---|
| A-A Mortgage    | A-A Mortgage Opportunities, L.P.  |
| AADE            | Athene Annuity & Life Assurance Company   |
| AAIA            | Athene Annuity and Life Company   |
| AARe            | Athene Annuity Re Ltd., a Bermuda reinsurance subsidiary  |
| ACRA            | Athene Co-Invest Reinsurance Affiliate 1A Ltd., together with its subsidiaries  |
| ADIP            | Apollo/Athene Dedicated Investment Program  |
| AGM             | Apollo Global Management, Inc.  |
| AHL             | Athene Holding Ltd.   |
| ALRe            | Athene Life Re Ltd., a Bermuda reinsurance subsidiary   |
| ALReI           | Athene Life Re International Ltd., a Bermuda reinsurance subsidiary   |
| AmeriHome       | AmeriHome Mortgage Company, LLC   |
| AOG             | Apollo Operating Group  |
| Apollo          | Apollo Global Management, Inc., together with its subsidiaries  |
| Apollo Group    | (1) AGM, (2) AAA Guarantor – Athene, L.P. (3) any investment fund or other collective investment vehicle whose general partner or managing member is owned, directly or indirectly, by AGM or one or more of AGM’s subsidiaries, (4) BRH Holdings GP, Ltd. and its shareholders, (5) any executive officer or employee of AGM or AGM’s subsidiaries (6) any shareholder that has granted to AGM or any of its affiliates a valid proxy with respect to all of such shareholder’s Class A common shares pursuant to our bye-laws and (7) any affiliate of any of the foregoing (except that AHL or its subsidiaries are not members of the Apollo Group) |
| AUSA            | Athene USA Corporation  |
| Athora          | Athora Holding Ltd.   |
| BMA             | Bermuda Monetary Authority  |
| ISG             | Apollo Insurance Solutions Group LP, formerly known as Athene Asset Management LLC  |
| Jackson         | Jackson National Life Insurance Company   |
| LIMRA           | Life Insurance and Market Research Association  |
| MidCap          | MidCap FinCo Designated Activity Company  |
| NAIC            | National Association of Insurance Commissioners   |
| NYSDFS          | New York State Department of Financial Services   |
| RLI             | ReliaStar Life Insurance Company  |
| Treasury        | United States Department of the Treasury  |
| VIAC            | Venerable Insurance and Annuity Company, formerly Voya Insurance and Annuity Company  |
| Venerable       | Venerable Holdings, Inc., together with its subsidiaries  |

**Certain Terms & Acronyms**

| <b>Term or Acronym</b>  | <b>Definition</b>   |
|-------------------------|---|
| ABS                     | Asset-backed securities   |
| ACL                     | Authorized control level RBC as defined by the model created by the National Association of Insurance Commissioners   |
| ALM                     | Asset liability management  |
| ALRe RBC                | The risk-based capital ratio using ALRe's Bermuda capital and applying NAIC risk-based capital factors to the statutory financial statements of ALRe and ALRe's non-US reinsurance subsidiaries on an aggregate basis. Adjustments are made to (i) exclude US subsidiaries which are included within our US RBC Ratio, (ii) exclude our interests in the AOG units and other non-insurance subsidiary holding companies from our capital base and (iii) limit RBC concentration charges such that when they are applied to determine target capital, the charges do not exceed 100% of the asset's carrying value.  |
| Alternative investments | Alternative investments, including investment funds, CLO equity positions and certain other debt instruments considered to be equity-like   |
| Base of earnings        | Earnings generated from our results of operations and the underlying profitability drivers of our business  |
| Bermuda capital         | The capital of Athene's non-US reinsurance subsidiaries calculated under US statutory accounting principles, including that for policyholder reserve liabilities which are subjected to US cash flow testing requirements, but (i) excluding certain items that do not exist under our applicable Bermuda requirements, such as interest maintenance reserves and (ii) including certain Bermuda statutory accounting differences, such as marking to market of inception date investment gains or losses relating to reinsurance transactions. Bermuda capital may from time to time materially differ from the calculation of statutory capital under US statutory accounting principles primarily due to the foregoing differences.  |
| Block reinsurance       | A transaction in which the ceding company cedes all or a portion of a block of previously issued annuity contracts through a reinsurance agreement  |
| BSCR                    | Bermuda Solvency Capital Requirement  |
| CAL                     | Company action level risk-based capital as defined by the model created by the National Association of Insurance Commissioners  |
| CLO                     | Collateralized loan obligation  |
| CMBS                    | Commercial mortgage-backed securities   |
| CML                     | Commercial mortgage loans   |
| Cost of crediting       | The interest credited to the policyholders on our fixed annuities, including, with respect to our fixed indexed annuities, option costs, as well as institutional costs related to institutional products, presented on an annualized basis for interim periods   |
| Cost of funds           | Cost of funds includes liability costs related to cost of crediting on both deferred annuities and institutional products, as well as other liability costs. Cost of funds is computed as the total liability costs divided by the average net invested assets for the relevant period. Presented on an annualized basis for interim periods.   |
| DAC                     | Deferred acquisition costs  |
| Deferred annuities      | Fixed indexed annuities, annual reset annuities, multi-year guaranteed annuities and registered index-linked annuities  |
| DSI                     | Deferred sales inducement   |
| Excess capital          | Capital in excess of the level management believes is needed to support our current operating strategy  |
| FIA                     | Fixed indexed annuity, which is an insurance contract that earns interest at a crediting rate based on a specified index on a tax-deferred basis  |
| Fixed annuities         | FIAs together with fixed rate annuities   |
| Fixed rate annuity      | An insurance contract that offers tax-deferred growth and the opportunity to produce a guaranteed stream of retirement income for the lifetime of its policyholder  |
| Flow reinsurance        | A transaction in which the ceding company cedes a portion of newly issued policies to the reinsurer   |
| GAAP                    | Accounting principles generally accepted in the United States of America  |
| GLWB                    | Guaranteed lifetime withdrawal benefit  |
| GMDB                    | Guaranteed minimum death benefit  |
| Gross invested assets   | The sum of (a) total investments on the consolidated balance sheet with available-for-sale securities at amortized cost, excluding derivatives, (b) cash and cash equivalents and restricted cash, (c) investments in related parties, (d) accrued investment income, (e) consolidated variable interest entities' assets, liabilities and noncontrolling interest and (f) policy loans ceded (which offset the direct policy loans in total investments). Gross invested assets includes investments supporting assumed funds withheld and modco agreements and excludes assets associated with funds withheld liabilities related to business exited through reinsurance agreements and derivative collateral (offsetting the related cash positions). Gross invested assets includes the entire investment balance attributable to ACRA as ACRA is 100% consolidated |

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| <b>Term or Acronym</b>                  | <b>Definition</b>   |
|---|---|
| IMA                                     | Investment management agreement   |
| IMO                                     | Independent marketing organization  |
| Investment margin on deferred annuities | Investment margin applies to deferred annuities and is the excess of our net investment earned rate over the cost of crediting to our policyholders, presented on an annualized basis for interim periods   |
| Liability outflows                      | The aggregate of withdrawals on our deferred annuities, maturities of our funding agreements, payments on payout annuities, and pension risk benefit payments   |
| MMS                                     | Minimum margin of solvency  |
| Modco                                   | Modified coinsurance  |
| MVA                                     | Market value adjustment   |
| MYGA                                    | Multi-year guaranteed annuity   |
| Net invested assets                     | The sum of (a) total investments on the consolidated balance sheet with available-for-sale securities at amortized cost, excluding derivatives, (b) cash and cash equivalents and restricted cash, (c) investments in related parties, (d) accrued investment income, (e) consolidated variable interest entities' assets, liabilities and noncontrolling interest and (f) policy loans ceded (which offset the direct policy loans in total investments). Net invested assets includes investments supporting assumed funds withheld and modco agreements and excludes assets associated with funds withheld liabilities related to business exited through reinsurance agreements and derivative collateral (offsetting the related cash positions). Net invested assets includes our economic ownership of ACRA investments but does not include the investments associated with the noncontrolling interest |
| Net investment earned rate              | Income from our net invested assets divided by the average net invested assets for the relevant period, presented on an annualized basis for interim periods  |
| Net investment spread                   | Net investment spread measures our investment performance less the total cost of our liabilities, presented on an annualized basis for interim periods  |
| Net reserve liabilities                 | The sum of (a) interest sensitive contract liabilities, (b) future policy benefits, (c) dividends payable to policyholders, and (d) other policy claims and benefits, offset by reinsurance recoverable, excluding policy loans ceded. Net reserve liabilities also includes the reserves related to assumed modco agreements in order to appropriately match the costs incurred in the consolidated statements of income with the liabilities. Net reserve liabilities is net of the ceded liabilities to third-party reinsurers as the costs of the liabilities are passed to such reinsurers and therefore we have no net economic exposure to such liabilities, assuming our reinsurance counterparties perform under our agreements. Net reserve liabilities is net of the reserve liabilities attributable to the ACRA noncontrolling interest  |
| Other liability costs                   | Other liability costs include DAC, DSI and VOBA amortization, change in rider reserves, the cost of liabilities on products other than deferred annuities and institutional products, excise taxes, as well as offsets for premiums, product charges and other revenues   |
| Payout annuities                        | Annuities with a current cash payment component, which consist primarily of single premium immediate annuities, supplemental contracts and structured settlements   |
| Policy loan                             | A loan to a policyholder under the terms of, and which is secured by, a policyholder's policy   |
| PRT                                     | Pension risk transfer   |
| RBC                                     | Risk-based capital  |
| Rider reserves                          | Guaranteed lifetime withdrawal benefits and guaranteed minimum death benefits reserves  |
| RMBS                                    | Residential mortgage-backed securities  |
| RML                                     | Residential mortgage loan   |
| Sales                                   | All money paid into an individual annuity, including money paid into new contracts with initial purchase occurring in the specified period and existing contracts with initial purchase occurring prior to the specified period (excluding internal transfers)  |
| SPIA                                    | Single premium immediate annuity  |
| Surplus assets                          | Assets in excess of policyholder obligations, determined in accordance with the applicable domiciliary jurisdiction's statutory accounting principles   |
| TAC                                     | Total adjusted capital as defined by the model created by the NAIC  |
| US RBC Ratio                            | The CAL RBC ratio for AADE, our parent US insurance company   |
| VIE                                     | Variable interest entity  |
| VOBA                                    | Value of business acquired  |

**Item 1. Financial Statements**

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**ATHENE HOLDING LTD.**

**Condensed Consolidated Balance Sheets (Unaudited)**

| <i>(In millions)</i>  | June 30, 2021 | December 31, 2020 |
|---|---------------|-------------------|
| <b>Assets</b>   |               |                   |
| <b>Investments</b>  |               |                   |
| Available-for-sale securities, at fair value (amortized cost: 2021 – \$87,340 and 2020 – \$76,100; allowance for credit losses: 2021 – \$107 and 2020 – \$103)  | \$ 92,838     | \$ 82,853         |
| Trading securities, at fair value   | 2,065         | 2,093             |
| Equity securities (portion at fair value: 2021 – \$398 and 2020 – \$330)  | 600           | 532               |
| Mortgage loans (allowance for credit losses: 2021 – \$221 and 2020 – \$232; portion at fair value: 2021 – \$18 and 2020 – \$19; consolidated variable interest entities: 2021 – \$1,829 and 2020 – \$1,880) | 17,390        | 15,264            |
| Investment funds (portion at fair value: 2021 – \$496 and 2020 – \$161; consolidated variable interest entities: 2021 – \$348 and 2020 – \$0)   | 1,159         | 803               |
| Policy loans  | 329           | 369               |
| Funds withheld at interest (portion at fair value: 2021 – \$1,373 and 2020 – \$1,944)   | 45,428        | 48,612            |
| Derivative assets   | 4,151         | 3,523             |
| Short-term investments, at fair value   | 101           | 222               |
| Other investments (allowance for credit losses: 2021 – \$0 and 2020 – \$3; portion at fair value: 2021 – \$105 and 2020 – \$105)  | 1,680         | 572               |
| Total investments   | 165,741       | 154,843           |
| Cash and cash equivalents   | 8,057         | 7,704             |
| Restricted cash   | 669           | 738               |
| <b>Investments in related parties</b>   |               |                   |
| Available-for-sale securities, at fair value (amortized cost: 2021 – \$6,991 and 2020 – \$6,444; allowance for credit losses: 2021 – \$2 and 2020 – \$1)  | 7,047         | 6,520             |
| Trading securities, at fair value   | 1,740         | 1,529             |
| Equity securities, at fair value  | 115           | 72                |
| Mortgage loans (allowance for credit losses: 2021 – \$8 and 2020 – \$14)  | 819           | 674               |
| Investment funds (portion at fair value: 2021 – \$2,616 and 2020 – \$2,119; consolidated variable interest entities: 2021 – \$68 and 2020 – \$0)  | 6,324         | 5,284             |
| Funds withheld at interest (portion at fair value: 2021 – \$752 and 2020 – \$862)   | 12,576        | 13,030            |
| Other investments (allowance for credit losses: 2021 – \$0 and 2020 – \$4)  | 147           | 469               |
| Accrued investment income (related party: 2021 – \$58 and 2020 – \$38)  | 1,010         | 905               |
| Reinsurance recoverable (portion at fair value: 2021 – \$1,946 and 2020 – \$2,100)  | 4,627         | 4,848             |
| Deferred acquisition costs, deferred sales inducements and value of business acquired   | 4,964         | 4,906             |
| Other assets (consolidated variable interest entities: 2021 – \$25 and 2020 – \$1)  | 1,713         | 1,249             |
| <b>Total assets</b>   | \$ 215,549    | \$ 202,771        |

*(Continued)*

*See accompanying notes to the unaudited condensed consolidated financial statements*



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## ATHENE HOLDING LTD.

## Condensed Consolidated Balance Sheets (Unaudited)

*(In millions, except per share data)*

|  | June 30, 2021     | December 31, 2020 |
|--|-------------------|-------------------|
| <b>Liabilities and Equity</b>  |                   |                   |
| <b>Liabilities</b>   |                   |                   |
| Interest sensitive contract liabilities (related party: 2021 – \$13,537 and 2020 – \$14,150; portion at fair value: 2021 – \$14,823 and 2020 – \$14,181) | \$ 150,337        | \$ 144,566        |
| Future policy benefits (related party: 2021 – \$1,750 and 2020 – \$1,610; portion at fair value: 2021 – \$2,294 and 2020 – \$2,376)                      | 33,293            | 29,258            |
| Other policy claims and benefits   | 118               | 130               |
| Dividends payable to policyholders   | 110               | 110               |
| Long-term debt   | 2,468             | 1,976             |
| Derivative liabilities   | 214               | 298               |
| Payables for collateral on derivatives and securities to repurchase  | 4,488             | 3,801             |
| Funds withheld liability (portion at fair value: 2021 – \$49 and 2020 – \$59)  | 437               | 452               |
| Other liabilities (related party: 2021 – \$105 and 2020 – \$112; consolidated variable interest entities: 2021 – \$243 and 2020 – \$134)                 | 2,413             | 2,040             |
| <b>Total liabilities</b>   | <b>193,878</b>    | <b>182,631</b>    |
| <b>Commitments and Contingencies (Note 11)</b>   |                   |                   |
| <b>Equity</b>  |                   |                   |
| Preferred stock  |                   |                   |
| Series A – par value \$1 per share; \$863 aggregate liquidation preference; authorized, issued and outstanding: 2021 and 2020 – 0.0 shares               | —                 | —                 |
| Series B – par value \$1 per share; \$345 aggregate liquidation preference; authorized, issued and outstanding: 2021 and 2020 – 0.0 shares               | —                 | —                 |
| Series C – par value \$1 per share; \$600 aggregate liquidation preference; authorized, issued and outstanding: 2021 and 2020 – 0.0 shares               | —                 | —                 |
| Series D – par value \$1 per share; \$575 aggregate liquidation preference; authorized, issued and outstanding: 2021 and 2020 – 0.0 shares               | —                 | —                 |
| Common stock   |                   |                   |
| Class A – par value \$0.001 per share; authorized: 2021 and 2020 – 425.0 shares; issued and outstanding: 2021 – 191.9 and 2020 – 191.5 shares            | —                 | —                 |
| Additional paid-in capital   | 6,640             | 6,613             |
| Retained earnings  | 10,029            | 8,073             |
| Accumulated other comprehensive income (related party: 2021 – \$60 and 2020 – \$59)  | 3,337             | 3,971             |
| <b>Total Athene Holding Ltd. shareholders' equity</b>  | <b>20,006</b>     | <b>18,657</b>     |
| Noncontrolling interests   | 1,665             | 1,483             |
| <b>Total equity</b>  | <b>21,671</b>     | <b>20,140</b>     |
| <b>Total liabilities and equity</b>  | <b>\$ 215,549</b> | <b>\$ 202,771</b> |

*(Concluded)*

See accompanying notes to the unaudited condensed consolidated financial statements

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**ATHENE HOLDING LTD.**

**Condensed Consolidated Statements of Income (Loss) (Unaudited)**

|  | Three months ended June 30, |               | Six months ended June 30, |                 |
|--|-----------------------------|---------------|---------------------------|-----------------|
|  | 2021                        | 2020          | 2021                      | 2020            |
| <i>(In millions, except per share data)</i>  |                             |               |                           |                 |
| <b>Revenues</b>  |                             |               |                           |                 |
| Premiums (related party of \$78 and \$94 for the three months ended and \$157 and \$163 for the six months ended June 30, 2021 and 2020, respectively)   | \$ 1,598                    | \$ 355        | \$ 4,609                  | \$ 1,495        |
| Product charges (related party of \$12 and \$12 for the three months ended and \$23 and \$28 for the six months ended June 30, 2021 and 2020, respectively)  | 157                         | 141           | 307                       | 281             |
| Net investment income (related party investment income of \$860 and \$490 for the three months ended and \$1,456 and \$276 for the six months ended June 30, 2021 and 2020, respectively; consolidated variable interest entities of \$21 and \$16 for the three months ended and \$56 and \$16 for the six months ended June 30, 2021 and 2020, respectively; and related party investment expense of \$140 and \$123 for the three months ended and \$284 and \$251 for the six months ended June 30, 2021 and 2020, respectively) | 2,038                       | 1,336         | 3,742                     | 2,081           |
| Investment related gains (losses) (related party of \$280 and \$761 for the three months ended and \$141 and \$130 for the six months ended June 30, 2021 and 2020, respectively; and consolidated variable interest entities of \$18 and \$(7) for the three months ended and \$(48) and \$(6) for the six months ended June 30, 2021 and 2020, respectively)   | 2,610                       | 2,548         | 2,122                     | (1,024)         |
| Other revenues (related party of \$15 and \$0 for the three months ended and \$15 and \$0 for the six months ended June 30, 2021 and 2020, respectively)   | 20                          | 18            | 34                        | 16              |
| <b>Total revenues</b>  | <b>6,423</b>                | <b>4,398</b>  | <b>10,814</b>             | <b>2,849</b>    |
| <b>Benefits and expenses</b>   |                             |               |                           |                 |
| Interest sensitive contract benefits (related party of \$135 and \$197 for the three months ended and \$211 and \$100 for the six months ended June 30, 2021 and 2020, respectively)   | 1,979                       | 2,076         | 2,373                     | 757             |
| Amortization of deferred sales inducements   | 22                          | (21)          | 106                       | (11)            |
| Future policy and other policy benefits (related party of \$111 and \$142 for the three months ended and \$200 and \$192 for the six months ended June 30, 2021 and 2020, respectively)  | 1,950                       | 674           | 5,267                     | 2,030           |
| Amortization of deferred acquisition costs and value of business acquired  | 230                         | 361           | 394                       | (52)            |
| Dividends to policyholders   | 10                          | 9             | 20                        | 20              |
| Policy and other operating expenses (related party of \$12 and \$11 for the three months ended and \$24 and \$27 for the six months ended June 30, 2021 and 2020, respectively)  | 242                         | 218           | 525                       | 406             |
| <b>Total benefits and expenses</b>   | <b>4,433</b>                | <b>3,317</b>  | <b>8,685</b>              | <b>3,150</b>    |
| <b>Income (loss) before income taxes</b>   | <b>1,990</b>                | <b>1,081</b>  | <b>2,129</b>              | <b>(301)</b>    |
| Income tax expense (benefit)   | 184                         | 150           | 246                       | (16)            |
| <b>Net income (loss)</b>   | <b>1,806</b>                | <b>931</b>    | <b>1,883</b>              | <b>(285)</b>    |
| Less: Net income (loss) attributable to noncontrolling interests   | 389                         | 88            | (148)                     | (81)            |
| <b>Net income (loss) attributable to Athene Holding Ltd. shareholders</b>  | <b>1,417</b>                | <b>843</b>    | <b>2,031</b>              | <b>(204)</b>    |
| Less: Preferred stock dividends  | 35                          | 19            | 71                        | 37              |
| <b>Net income (loss) available to Athene Holding Ltd. common shareholders</b>  | <b>\$ 1,382</b>             | <b>\$ 824</b> | <b>\$ 1,960</b>           | <b>\$ (241)</b> |
| <b>Earnings (loss) per share</b>   |                             |               |                           |                 |
| Basic – Class A  | \$ 7.21                     | \$ 4.25       | \$ 10.24                  | \$ (0.64)       |
| Basic – Classes B, M-1, M-2, M-3 and M-4   | N/A                         | N/A           | N/A                       | (3.87)          |
| Diluted – Class A  | 6.97                        | 4.19          | 9.92                      | (0.64)          |
| Diluted – Classes B, M-1, M-2, M-3 and M-4   | N/A                         | N/A           | N/A                       | (3.87)          |

N/A – Not applicable. See Note 9 – Earnings Per Share.

See accompanying notes to the unaudited condensed consolidated financial statements

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## ATHENE HOLDING LTD.

## Condensed Consolidated Statements of Comprehensive Income (Loss) (Unaudited)

| <i>(In millions)</i>  | Three months ended June 30, |                 | Six months ended June 30, |                 |
|---|-----------------------------|-----------------|---------------------------|-----------------|
|   | 2021                        | 2020            | 2021                      | 2020            |
| Net income (loss)   | \$ 1,806                    | \$ 931          | \$ 1,883                  | \$ (285)        |
| Other comprehensive income (loss), before tax   |                             |                 |                           |                 |
| Unrealized investment gains (losses) on available-for-sale securities, net of offsets | 1,692                       | 4,506           | (899)                     | (333)           |
| Unrealized gains (losses) on hedging instruments                                      | 92                          | (83)            | 61                        | 318             |
| Foreign currency translation and other adjustments                                    | 1                           | (10)            | 1                         | (1)             |
| Other comprehensive income (loss), before tax   | 1,785                       | 4,413           | (837)                     | (16)            |
| Income tax expense (benefit) related to other comprehensive income (loss)             | 345                         | 805             | (151)                     | 8               |
| Other comprehensive income (loss)   | 1,440                       | 3,608           | (686)                     | (24)            |
| <b>Comprehensive income (loss)</b>  | <b>3,246</b>                | <b>4,539</b>    | <b>1,197</b>              | <b>(309)</b>    |
| Less: Comprehensive income (loss) attributable to noncontrolling interests            | 513                         | 338             | (200)                     | (14)            |
| <b>Comprehensive income (loss) attributable to Athene Holding Ltd. shareholders</b>   | <b>\$ 2,733</b>             | <b>\$ 4,201</b> | <b>\$ 1,397</b>           | <b>\$ (295)</b> |

See accompanying notes to the unaudited condensed consolidated financial statements

**ATHENE HOLDING LTD.**
**Condensed Consolidated Statements of Equity (Unaudited)**

| <i>(In millions)</i>                                | Three months ended |              |                            |                   |   |  |                          |                  |
|---|--------------------|--------------|----------------------------|-------------------|---|--|--------------------------|------------------|
|   | Preferred stock    | Common stock | Additional paid-in capital | Retained earnings | Accumulated other comprehensive income (loss) | Total Athene Holding Ltd. shareholders' equity | Noncontrolling interests | Total equity     |
| <b>Balance at March 31, 2021</b>                    | \$ —               | \$ —         | \$ 6,623                   | \$ 8,647          | \$ 2,021                                      | \$ 17,291                                      | \$ 1,045                 | \$ 18,336        |
| Net income  | —                  | —            | —                          | 1,417             | —   | 1,417  | 389                      | 1,806            |
| Other comprehensive income                          | —                  | —            | —                          | —                 | 1,316   | 1,316  | 124                      | 1,440            |
| Issuance of common shares, net of expenses          | —                  | —            | 6                          | —                 | —   | 6  | —                        | 6                |
| Stock-based compensation                            | —                  | —            | 11                         | —                 | —   | 11   | —                        | 11               |
| Preferred stock dividends                           | —                  | —            | —                          | (35)              | —   | (35)   | —                        | (35)             |
| Contributions from noncontrolling interests         | —                  | —            | —                          | —                 | —   | —  | 85                       | 85               |
| Other changes in equity of noncontrolling interests | —                  | —            | —                          | —                 | —   | —  | 22                       | 22               |
| <b>Balance at June 30, 2021</b>                     | <u>\$ —</u>        | <u>\$ —</u>  | <u>\$ 6,640</u>            | <u>\$ 10,029</u>  | <u>\$ 3,337</u>                               | <u>\$ 20,006</u>                               | <u>\$ 1,665</u>          | <u>\$ 21,671</u> |
| <b>Balance at March 31, 2020</b>                    | \$ —               | \$ —         | \$ 5,501                   | \$ 5,613          | \$ (1,174)                                    | \$ 9,940                                       | \$ 590                   | \$ 10,530        |
| Net income  | —                  | —            | —                          | 843               | —   | 843  | 88                       | 931              |
| Other comprehensive income                          | —                  | —            | —                          | —                 | 3,358   | 3,358  | 250                      | 3,608            |
| Issuance of preferred shares, net of expenses       | —                  | —            | 583                        | —                 | —   | 583  | —                        | 583              |
| Stock-based compensation                            | —                  | —            | 6                          | —                 | —   | 6  | —                        | 6                |
| Preferred stock dividends                           | —                  | —            | —                          | (19)              | —   | (19)   | —                        | (19)             |
| <b>Balance at June 30, 2020</b>                     | <u>\$ —</u>        | <u>\$ —</u>  | <u>\$ 6,090</u>            | <u>\$ 6,437</u>   | <u>\$ 2,184</u>                               | <u>\$ 14,711</u>                               | <u>\$ 928</u>            | <u>\$ 15,639</u> |

See accompanying notes to the unaudited condensed consolidated financial statements

**ATHENE HOLDING LTD.**
**Condensed Consolidated Statements of Equity (Unaudited)**

| <i>(In millions)</i>                                | Six months ended |              |                            |                   |   |  |                          |                  |
|---|------------------|--------------|----------------------------|-------------------|---|--|--------------------------|------------------|
|   | Preferred stock  | Common stock | Additional paid-in capital | Retained earnings | Accumulated other comprehensive income (loss) | Total Athene Holding Ltd. shareholders' equity | Noncontrolling interests | Total equity     |
| <b>Balance at December 31, 2020</b>                 | \$ —             | \$ —         | \$ 6,613                   | \$ 8,073          | \$ 3,971                                      | \$ 18,657                                      | \$ 1,483                 | \$ 20,140        |
| Net income (loss)                                   | —                | —            | —                          | 2,031             | —   | 2,031  | (148)                    | 1,883            |
| Other comprehensive loss                            | —                | —            | —                          | —                 | (634)   | (634)  | (52)                     | (686)            |
| Issuance of common shares, net of expenses          | —                | —            | 7                          | —                 | —   | 7  | —                        | 7                |
| Stock-based compensation                            | —                | —            | 20                         | —                 | —   | 20   | —                        | 20               |
| Retirement or repurchase of shares                  | —                | —            | —                          | (4)               | —   | (4)  | —                        | (4)              |
| Preferred stock dividends                           | —                | —            | —                          | (71)              | —   | (71)   | —                        | (71)             |
| Contributions from noncontrolling interests         | —                | —            | —                          | —                 | —   | —  | 320                      | 320              |
| Other changes in equity of noncontrolling interests | —                | —            | —                          | —                 | —   | —  | 62                       | 62               |
| <b>Balance at June 30, 2021</b>                     | <u>\$ —</u>      | <u>\$ —</u>  | <u>\$ 6,640</u>            | <u>\$ 10,029</u>  | <u>\$ 3,337</u>                               | <u>\$ 20,006</u>                               | <u>\$ 1,665</u>          | <u>\$ 21,671</u> |
| <b>Balance at December 31, 2019</b>                 | \$ —             | \$ —         | \$ 4,171                   | \$ 6,939          | \$ 2,281                                      | \$ 13,391                                      | \$ 750                   | \$ 14,141        |
| Adoption of accounting standards                    | —                | —            | —                          | (117)             | (6)   | (123)  | (2)                      | (125)            |
| Net loss  | —                | —            | —                          | (204)             | —   | (204)  | (81)                     | (285)            |
| Other comprehensive income (loss)                   | —                | —            | —                          | —                 | (91)  | (91)   | 67                       | (24)             |
| Issuance of preferred shares, net of expenses       | —                | —            | 583                        | —                 | —   | 583  | —                        | 583              |
| Issuance of common shares, net of expenses          | —                | —            | 1,509                      | —                 | —   | 1,509  | —                        | 1,509            |
| Stock-based compensation                            | —                | —            | 11                         | —                 | —   | 11   | —                        | 11               |
| Retirement or repurchase of shares                  | —                | —            | (184)                      | (144)             | —   | (328)  | —                        | (328)            |
| Preferred stock dividends                           | —                | —            | —                          | (37)              | —   | (37)   | —                        | (37)             |
| Contributions from noncontrolling interests         | —                | —            | —                          | —                 | —   | —  | 240                      | 240              |
| Distributions to noncontrolling interests           | —                | —            | —                          | —                 | —   | —  | (46)                     | (46)             |
| <b>Balance at June 30, 2020</b>                     | <u>\$ —</u>      | <u>\$ —</u>  | <u>\$ 6,090</u>            | <u>\$ 6,437</u>   | <u>\$ 2,184</u>                               | <u>\$ 14,711</u>                               | <u>\$ 928</u>            | <u>\$ 15,639</u> |

See accompanying notes to the unaudited condensed consolidated financial statements

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**ATHENE HOLDING LTD.**

**Condensed Consolidated Statements of Cash Flows (Unaudited)**

| <i>(In millions)</i>  | Six months ended June 30, |          |
|---|---------------------------|----------|
|   | 2021                      | 2020     |
| <b>Cash flows from operating activities</b>   |                           |          |
| Net income (loss)   | \$ 1,883                  | \$ (285) |
| Adjustments to reconcile net income (loss) to net cash provided by operating activities:  |                           |          |
| Amortization of deferred acquisition costs and value of business acquired   | 394                       | (52)     |
| Amortization of deferred sales inducements  | 106                       | (11)     |
| Accretion of net investment premiums, discounts and other   | (118)                     | (91)     |
| Net investment (income) loss (related party: 2021 – \$(933) and 2020 – \$(12); consolidated variable interest entities: 2021 – \$(15), 2020 – \$(5))                              | (966)                     | (1)      |
| Net recognized (gains) losses on investments and derivatives (related party: 2021 – \$(159) and 2020 – \$75; consolidated variable interest entities: 2021 – \$48 and 2020 – \$7) | (1,908)                   | 1,214    |
| Policy acquisition costs deferred   | (287)                     | (281)    |
| Changes in operating assets and liabilities:  |                           |          |
| Accrued investment income (related party: 2021 – \$(20) and 2020 – \$(26))  | (105)                     | (29)     |
| Interest sensitive contract liabilities (related party: 2021 – \$188 and 2020 – \$102)  | 1,788                     | 611      |
| Future policy benefits, other policy claims and benefits, dividends payable to policyholders and reinsurance recoverable (related party: 2021 – \$141 and 2020 – \$140)           | 1,547                     | 39       |
| Funds withheld assets and liabilities (related party: 2021 – \$(187) and 2020 – \$(325))  | (102)                     | 375      |
| Other assets and liabilities  | 266                       | (87)     |
| Net cash provided by operating activities   | 2,498                     | 1,402    |
| <b>Cash flows from investing activities</b>   |                           |          |
| Sales, maturities and repayments of:  |                           |          |
| Available-for-sale securities (related party: 2021 – \$881 and 2020 – \$209)  | 9,018                     | 6,425    |
| Trading securities (related party: 2021 – \$83 and 2020 – \$31)   | 127                       | 85       |
| Equity securities   | 42                        | 3        |
| Mortgage loans  | 1,363                     | 1,136    |
| Investment funds (related party: 2021 – \$892 and 2020 – \$241; consolidated variable interest entities: 2021 – \$2 and 2020 – \$20)  | 946                       | 313      |
| Derivative instruments and other invested assets (related party: 2021 – \$330 and 2020 – \$0)   | 2,566                     | 765      |
| Short-term investments (related party: 2021 – \$98 and 2020 – \$28)   | 400                       | 650      |
| Purchases of:   |                           |          |
| Available-for-sale securities (related party: 2021 – \$(1,626) and 2020 – \$(611))  | (17,987)                  | (9,624)  |
| Trading securities (related party: 2021 – \$(230) and 2020 – \$(150))   | (318)                     | (152)    |
| Equity securities (related party: 2021 – \$(46) and 2020 – \$(3))   | (123)                     | (16)     |
| Mortgage loans (related party: 2021 – \$(148) and 2020 – \$0)   | (3,596)                   | (2,317)  |
| Investment funds (related party: 2021 – \$(923) and 2020 – \$(807); consolidated variable interest entities: 2021 – \$(124) million and 2020 – \$0 million)                       | (1,056)                   | (831)    |
| Derivative instruments and other invested assets  | (2,247)                   | (1,034)  |
| Short-term investments (related party: 2021 – \$(100) and 2020 – \$(28))  | (278)                     | (412)    |
| Other investing activities, net   | (129)                     | 273      |
| Net cash used in investing activities   | (11,272)                  | (4,736)  |

*(Continued)*

See accompanying notes to the unaudited condensed consolidated financial statements

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## ATHENE HOLDING LTD.

## Condensed Consolidated Statements of Cash Flows (Unaudited)

| (In millions)   | Six months ended June 30, |           |
|---|---------------------------|-----------|
|   | 2021                      | 2020      |
| <b>Cash flows from financing activities</b>   |                           |           |
| Issuance of common stock  | \$ 7                      | \$ 350    |
| Repayment of short-term debt  | —                         | (75)      |
| Proceeds from long-term debt  | 497                       | 499       |
| Deposits on investment-type policies and contracts (related party: 2021 – \$44 and 2020 – \$39)                                     | 11,120                    | 8,398     |
| Withdrawals on investment-type policies and contracts (related party: 2021 – \$(200) and 2020 – \$(210))                            | (3,476)                   | (3,871)   |
| Payments for coinsurance agreements on investment-type contracts, net   | —                         | (11)      |
| Capital contributions from noncontrolling interests   | 320                       | 240       |
| Capital distributions to noncontrolling interests   | —                         | (46)      |
| Net change in cash collateral posted for derivative transactions and securities to repurchase                                       | 687                       | 461       |
| Issuance of preferred stock, net of expenses  | —                         | 583       |
| Preferred stock dividends   | (71)                      | (37)      |
| Repurchase of common stock  | (4)                       | (328)     |
| Other financing activities, net   | (22)                      | 71        |
| Net cash provided by financing activities   | 9,058                     | 6,234     |
| Effect of exchange rate changes on cash and cash equivalents  | —                         | (21)      |
| Net increase in cash and cash equivalents   | 284                       | 2,879     |
| Cash and cash equivalents at beginning of year <sup>1</sup>   | 8,442                     | 4,642     |
| Cash and cash equivalents at end of period <sup>1</sup>   | \$ 8,726                  | \$ 7,521  |
| <b>Supplementary information</b>  |                           |           |
| <b>Non-cash transactions</b>  |                           |           |
| Deposits on investment-type policies and contracts through reinsurance agreements (related party: 2021 – \$177 and 2020 – \$156)    | \$ 449                    | \$ 28,077 |
| Withdrawals on investment-type policies and contracts through reinsurance agreements (related party: 2021 – \$819 and 2020 – \$730) | 4,101                     | 1,895     |
| Investments received from settlements on reinsurance agreements   | 74                        | 53        |
| Investments received from pension risk transfer premiums  | 2,765                     | 829       |
| Related party investments received in exchange for the issuance of Class A common shares  | —                         | 1,147     |
| Assets contributed to consolidated VIEs   | 169                       | —         |

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

(Concluded)

See accompanying notes to the unaudited condensed consolidated financial statements

**ATHENE HOLDING LTD.**

**Notes to Condensed Consolidated Financial Statements (Unaudited)**

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

Athene Holding Ltd. (AHL), a Bermuda exempted company, together with its subsidiaries (collectively, Athene, we, our, us, or the Company), is a leading financial services company specializing in retirement services that issues, reinsures and acquires retirement savings products in the United States (US) and internationally.

We conduct business primarily through the following consolidated subsidiaries:

- Our non-US reinsurance subsidiaries, to which AHL's other insurance subsidiaries and third-party ceding companies directly and indirectly reinsure a portion of their liabilities, including Athene Life Re Ltd. (ALRe), a Bermuda exempted company, and Athene Life Re International Ltd. (ALReI); and
- Athene USA Corporation, an Iowa corporation (together with its subsidiaries, AUSA).

In addition, we consolidate certain variable interest entities (VIEs) for which we have determined we are the primary beneficiary. See *Note 4 – Variable Interest Entities* for further information on VIEs.

**Consolidation and Basis of Presentation**—We have prepared the accompanying condensed consolidated financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP) for interim financial information and the United States Securities and Exchange Commission's rules and regulations for Form 10-Q and Article 10 of Regulation S-X. The accompanying condensed consolidated financial statements are unaudited and reflect all adjustments, consisting only of normal recurring items, considered necessary for fair statement of the results for the interim periods presented. All intercompany accounts and transactions have been eliminated. Interim operating results are not necessarily indicative of the results expected for the entire year.

For entities that are consolidated, but not wholly owned, we allocate a portion of the income or loss and corresponding equity to the owners other than us. We include the aggregate of the income or loss and corresponding equity that is not owned by us in noncontrolling interests in the consolidated financial statements.

The condensed consolidated balance sheet as of December 31, 2020 has been derived from the audited financial statements, but does not include all of the information and footnotes required by GAAP for complete financial statements. Therefore, these condensed consolidated financial statements should be read in conjunction with our audited consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2020. The preparation of financial statements requires the use of management estimates. Actual results may differ from estimates used in preparing the condensed consolidated financial statements.

**Merger**—On March 8, 2021, we entered into an Agreement and Plan of Merger (Merger Agreement), by and among the Company, Apollo Global Management, Inc., a Delaware corporation (AGM), Tango Holdings, Inc., a Delaware corporation and a direct wholly owned subsidiary of AGM (HoldCo), Blue Merger Sub, Ltd., a Bermuda exempted company and a direct wholly owned subsidiary of HoldCo (AHL Merger Sub), and Green Merger Sub, Inc., a Delaware corporation and a direct wholly owned subsidiary of HoldCo (AGM Merger Sub). The Company and AGM have agreed, subject to the terms and conditions of the Merger Agreement, to effect an all-stock merger transaction to combine our respective businesses by: (1) AGM merging with AGM Merger Sub, with AGM surviving such merger as a direct wholly owned subsidiary of HoldCo (AGM Merger), (2) the Company merging with AHL Merger Sub, with the Company surviving such merger as a direct wholly owned subsidiary of HoldCo (AHL Merger and, together with the AGM Merger, Mergers), and (3) as of the effective time of the Mergers, changing the name of HoldCo to be Apollo Global Management, Inc. At the effective time of the Mergers, each AHL Class A common share, subject to certain exceptions, will be converted automatically into the right to receive 1.149 shares of HoldCo common stock. The Mergers are expected to close in January 2022, subject to shareholder and regulatory approvals and other customary closing conditions.

**Adopted Accounting Pronouncements**

*Codification Improvements to Subtopic 310-20, Receivables – Nonrefundable Fees and Other Costs (ASU 2020-08)*

The amendments in this update clarify that callable debt securities should be reevaluated each reporting period to determine if the amortized cost exceeds the amount repayable by the issuer at the next earliest call date and, if so, the excess should be amortized to the next call date. We adopted this update January 1, 2021 on a prospective basis for existing or newly purchased callable debt securities. The adoption of this update did not have a material effect on our condensed consolidated financial statements.



**ATHENE HOLDING LTD.**

**Notes to Condensed Consolidated Financial Statements (Unaudited)**

*Clarifying the Interactions between Topic 321, Topic 323, and Topic 815 (ASU 2020-01)*

The amendments in this update are related to certain equity securities without a readily determinable fair value that apply measurement alternative to measure based on cost, minus impairment, if any, adjusted for any observable price changes in orderly transactions of identical or similar investments of the same issuer. The amendment clarifies that an entity should consider observable transactions that require it to either apply or discontinue the equity method of accounting for the purposes of applying the measurement alternative immediately before applying or upon discontinuing the equity method. The amendment further clarifies that for the purpose of applying accounting for certain forward contracts or purchased options, an entity should not consider whether the underlying securities would be accounted for under the equity method or the fair value option upon settlement or exercise. We adopted this update on a prospective basis effective January 1, 2021. This update did not have a material effect on our condensed consolidated financial statements.

*Income Taxes – Simplifying the Accounting for Income Taxes (ASU 2019-12)*

The amendments in this update simplify the accounting for income taxes by eliminating certain exceptions to the tax accounting guidance related to the approach for intraperiod tax allocation, the methodology for calculating income taxes in an interim period, and the recognition of deferred tax liabilities related to foreign investment ownership changes. It also simplifies aspects of the accounting for franchise taxes and enacted changes in tax laws or rates and clarifies the accounting for transactions that result in a step-up in the tax basis of goodwill and allocating consolidated income taxes to separate financial statements of entities not subject to income tax. We adopted this update January 1, 2021 and applied certain aspects of the update retrospectively while other aspects were applied on a modified retrospective basis. The adoption of this update did not have a material effect on our condensed consolidated financial statements.

**Recently Issued Accounting Pronouncements**

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

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

- The update requires cash flow assumptions used to measure the liability for future policy benefits to be updated at least annually and no longer allows a provision for adverse deviation. The remeasurement of the liability associated with the update of assumptions is required to be recognized in net income. Loss recognition testing is eliminated for traditional and limited-payment contracts. The update also requires the discount rate used in measuring the liability to be an upper-medium grade fixed-income instrument yield, which is to be updated at each reporting date. The change in liability due to changes in the discount rate is to be recognized in other comprehensive income.
- The update simplifies the amortization of deferred acquisition costs and other balances amortized in proportion to premiums, gross profits, or gross margins, requiring such balances to be amortized on a constant level basis over the expected term of the contracts. Deferred costs are required to be written off for unexpected contract terminations but are not subject to impairment testing.
- The update requires certain contract features meeting the definition of market risk benefits to be measured at fair value. Among the features included in this definition are guaranteed lifetime withdrawal benefit (GLWB) and guaranteed minimum death benefit (GMDB) riders attached to our annuity products. The change in fair value of the market risk benefits is to be recognized in net income, excluding the portion attributable to changes in instrument-specific credit risk which is recognized in other comprehensive income.
- The update also introduces disclosure requirements around the liability for future policy benefits, policyholder account balances, market risk benefits, separate account liabilities, and deferred acquisition costs. This includes disaggregated rollforwards of these balances and information about significant inputs, judgments, assumptions and methods used in their measurement.

We are required to adopt these updates on January 1, 2023. Certain provisions of the update are required to be adopted on a fully retrospective basis, while others may be adopted on a modified retrospective basis. Early adoption is permitted. We are currently evaluating the impact of this guidance on our consolidated financial statements.

**ATHENE HOLDING LTD.**

**Notes to Condensed Consolidated Financial Statements (Unaudited)**

**2. Investments**

**AFS Securities**—Our AFS investment portfolio includes bonds, collateralized loan obligations (CLO), asset-backed securities (ABS), commercial mortgage-backed securities (CMBS), residential mortgage-backed securities (RMBS) and redeemable preferred stock. Our AFS investment portfolio includes related party investments that are primarily comprised of investments over which Apollo can exercise significant influence. These investments are presented as investments in related parties on the condensed consolidated balance sheets and are separately disclosed below.

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:

|   | June 30, 2021    |                             |                        |                         |                  |
|---|------------------|-----------------------------|------------------------|-------------------------|------------------|
| <i>(In millions)</i>                                | Amortized Cost   | Allowance for Credit Losses | Gross Unrealized Gains | Gross Unrealized Losses | Fair Value       |
| <b>AFS securities</b>                               |                  |                             |                        |                         |                  |
| US government and agencies                          | \$ 347           | \$ —                        | \$ 2                   | \$ (15)                 | \$ 334           |
| US state, municipal and political subdivisions      | 871              | —                           | 146                    | (1)                     | 1,016            |
| Foreign governments                                 | 393              | —                           | 26                     | (3)                     | 416              |
| Corporate   | 58,832           | (5)                         | 5,179                  | (332)                   | 63,674           |
| CLO   | 13,162           | (3)                         | 108                    | (84)                    | 13,183           |
| ABS   | 5,180            | (10)                        | 185                    | (56)                    | 5,299            |
| CMBS  | 2,420            | (6)                         | 94                     | (54)                    | 2,454            |
| RMBS  | 6,135            | (83)                        | 423                    | (13)                    | 6,462            |
| <b>Total AFS securities</b>                         | <b>87,340</b>    | <b>(107)</b>                | <b>6,163</b>           | <b>(558)</b>            | <b>92,838</b>    |
| <b>AFS securities – related party</b>               |                  |                             |                        |                         |                  |
| Corporate   | 168              | —                           | 9                      | —                       | 177              |
| CLO   | 2,032            | (2)                         | 16                     | (7)                     | 2,039            |
| ABS   | 4,791            | —                           | 76                     | (36)                    | 4,831            |
| <b>Total AFS securities – related party</b>         | <b>6,991</b>     | <b>(2)</b>                  | <b>101</b>             | <b>(43)</b>             | <b>7,047</b>     |
| <b>Total AFS securities including related party</b> | <b>\$ 94,331</b> | <b>\$ (109)</b>             | <b>\$ 6,264</b>        | <b>\$ (601)</b>         | <b>\$ 99,885</b> |

|   | December 31, 2020 |                             |                        |                         |                  |
|---|-------------------|-----------------------------|------------------------|-------------------------|------------------|
| <i>(In millions)</i>                                | Amortized Cost    | Allowance for Credit Losses | Gross Unrealized Gains | Gross Unrealized Losses | Fair Value       |
| <b>AFS securities</b>                               |                   |                             |                        |                         |                  |
| US government and agencies                          | \$ 349            | \$ —                        | \$ 3                   | \$ (1)                  | \$ 351           |
| US state, municipal and political subdivisions      | 864               | —                           | 169                    | —                       | 1,033            |
| Foreign governments                                 | 330               | —                           | 38                     | —                       | 368              |
| Corporate   | 51,934            | (6)                         | 6,368                  | (116)                   | 58,180           |
| CLO   | 9,631             | (1)                         | 145                    | (206)                   | 9,569            |
| ABS   | 4,259             | (6)                         | 140                    | (123)                   | 4,270            |
| CMBS  | 2,165             | (10)                        | 85                     | (71)                    | 2,169            |
| RMBS  | 6,568             | (80)                        | 447                    | (22)                    | 6,913            |
| <b>Total AFS securities</b>                         | <b>76,100</b>     | <b>(103)</b>                | <b>7,395</b>           | <b>(539)</b>            | <b>82,853</b>    |
| <b>AFS securities – related party</b>               |                   |                             |                        |                         |                  |
| Corporate   | 213               | —                           | 2                      | —                       | 215              |
| CLO   | 1,511             | (1)                         | 23                     | (13)                    | 1,520            |
| ABS   | 4,720             | —                           | 95                     | (30)                    | 4,785            |
| <b>Total AFS securities – related party</b>         | <b>6,444</b>      | <b>(1)</b>                  | <b>120</b>             | <b>(43)</b>             | <b>6,520</b>     |
| <b>Total AFS securities including related party</b> | <b>\$ 82,544</b>  | <b>\$ (104)</b>             | <b>\$ 7,515</b>        | <b>\$ (582)</b>         | <b>\$ 89,373</b> |

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

| <i>(In millions)</i>                                | June 30, 2021    |                  |
|---|------------------|------------------|
|   | Amortized Cost   | Fair Value       |
| <b>AFS securities</b>                               |                  |                  |
| Due in one year or less                             | \$ 947           | \$ 961           |
| Due after one year through five years               | 9,550            | 10,063           |
| Due after five years through ten years              | 16,789           | 17,724           |
| Due after ten years                                 | 33,157           | 36,692           |
| CLO, ABS, CMBS and RMBS                             | 26,897           | 27,398           |
| <b>Total AFS securities</b>                         | <b>87,340</b>    | <b>92,838</b>    |
| <b>AFS securities – related party</b>               |                  |                  |
| Due after one year through five years               | 18               | 19               |
| Due after five years through ten years              | 150              | 158              |
| CLO and ABS   | 6,823            | 6,870            |
| <b>Total AFS securities – related party</b>         | <b>6,991</b>     | <b>7,047</b>     |
| <b>Total AFS securities including related party</b> | <b>\$ 94,331</b> | <b>\$ 99,885</b> |

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

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

| <i>(In millions)</i>                                | June 30, 2021       |                         |                   |                         |                  |                         |
|---|---------------------|-------------------------|-------------------|-------------------------|------------------|-------------------------|
|   | Less than 12 months |                         | 12 months or more |                         | Total            |                         |
|   | Fair Value          | Gross Unrealized Losses | Fair Value        | Gross Unrealized Losses | Fair Value       | Gross Unrealized Losses |
| <b>AFS securities</b>                               |                     |                         |                   |                         |                  |                         |
| US government and agencies                          | \$ 243              | \$ (15)                 | \$ —              | \$ —                    | \$ 243           | \$ (15)                 |
| US state, municipal and political subdivisions      | 55                  | (1)                     | 3                 | —                       | 58               | (1)                     |
| Foreign governments                                 | 45                  | (3)                     | 1                 | —                       | 46               | (3)                     |
| Corporate   | 10,055              | (260)                   | 507               | (33)                    | 10,562           | (293)                   |
| CLO   | 3,553               | (12)                    | 2,590             | (57)                    | 6,143            | (69)                    |
| ABS   | 584                 | (13)                    | 275               | (24)                    | 859              | (37)                    |
| CMBS  | 352                 | (11)                    | 149               | (13)                    | 501              | (24)                    |
| RMBS  | 202                 | (3)                     | 363               | (5)                     | 565              | (8)                     |
| <b>Total AFS securities</b>                         | <b>15,089</b>       | <b>(318)</b>            | <b>3,888</b>      | <b>(132)</b>            | <b>18,977</b>    | <b>(450)</b>            |
| <b>AFS securities – related party</b>               |                     |                         |                   |                         |                  |                         |
| CLO   | 525                 | —                       | 184               | (3)                     | 709              | (3)                     |
| ABS   | 2,037               | (35)                    | 14                | —                       | 2,051            | (35)                    |
| <b>Total AFS securities – related party</b>         | <b>2,562</b>        | <b>(35)</b>             | <b>198</b>        | <b>(3)</b>              | <b>2,760</b>     | <b>(38)</b>             |
| <b>Total AFS securities including related party</b> | <b>\$ 17,651</b>    | <b>\$ (353)</b>         | <b>\$ 4,086</b>   | <b>\$ (135)</b>         | <b>\$ 21,737</b> | <b>\$ (488)</b>         |

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| (In millions)                                       | December 31, 2020   |                         |                   |                         |                  |                         |
|---|---------------------|-------------------------|-------------------|-------------------------|------------------|-------------------------|
|   | Less than 12 months |                         | 12 months or more |                         | Total            |                         |
|   | Fair Value          | Gross Unrealized Losses | Fair Value        | Gross Unrealized Losses | Fair Value       | Gross Unrealized Losses |
| <b>AFS securities</b>                               |                     |                         |                   |                         |                  |                         |
| US government and agencies                          | \$ 31               | \$ (1)                  | \$ —              | \$ —                    | \$ 31            | \$ (1)                  |
| US state, municipal and political subdivisions      | 9                   | —                       | 6                 | —                       | 15               | —                       |
| Foreign governments                                 | 2                   | —                       | —                 | —                       | 2                | —                       |
| Corporate   | 2,218               | (66)                    | 248               | (24)                    | 2,466            | (90)                    |
| CLO   | 1,649               | (33)                    | 3,179             | (167)                   | 4,828            | (200)                   |
| ABS   | 1,169               | (73)                    | 84                | (18)                    | 1,253            | (91)                    |
| CMBS  | 710                 | (37)                    | 48                | (13)                    | 758              | (50)                    |
| RMBS  | 548                 | (11)                    | 37                | (2)                     | 585              | (13)                    |
| <b>Total AFS securities</b>                         | <b>6,336</b>        | <b>(221)</b>            | <b>3,602</b>      | <b>(224)</b>            | <b>9,938</b>     | <b>(445)</b>            |
| <b>AFS securities – related party</b>               |                     |                         |                   |                         |                  |                         |
| CLO   | 336                 | (3)                     | 232               | (10)                    | 568              | (13)                    |
| ABS   | 1,012               | (30)                    | —                 | —                       | 1,012            | (30)                    |
| <b>Total AFS securities – related party</b>         | <b>1,348</b>        | <b>(33)</b>             | <b>232</b>        | <b>(10)</b>             | <b>1,580</b>     | <b>(43)</b>             |
| <b>Total AFS securities including related party</b> | <b>\$ 7,684</b>     | <b>\$ (254)</b>         | <b>\$ 3,834</b>   | <b>\$ (234)</b>         | <b>\$ 11,518</b> | <b>\$ (488)</b>         |

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

|                                | June 30, 2021            |  |
|--------------------------------|--------------------------|--|
|                                | Unrealized loss position | Unrealized loss position 12 months or more |
| AFS securities                 | 2,597                    | 439  |
| AFS securities – related party | 45                       | 9  |

The unrealized losses on AFS securities can primarily be attributed to changes in market interest rates since acquisition. We did not recognize the unrealized losses in income 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 Purchase Credit Deteriorated (PCD) securities, by asset type:

| (In millions)                                       | Three months ended June 30, 2021 |                       |   |                                   |  |                |
|---|----------------------------------|-----------------------|---|-----------------------------------|--|----------------|
|   | 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 |                |
| <b>AFS securities</b>                               |                                  |                       |   |                                   |  |                |
| Corporate   | \$ 8                             | \$ 1                  | \$ —                                    | \$ —                              | \$ (4)   | \$ 5           |
| CLO   | —                                | 3                     | —                                       | —                                 | —  | 3              |
| ABS   | 11                               | —                     | —                                       | —                                 | (1)  | 10             |
| CMBS  | 14                               | —                     | —                                       | —                                 | (8)  | 6              |
| RMBS  | 78                               | —                     | 4                                       | (3)                               | 4  | 83             |
| <b>Total AFS securities</b>                         | <b>111</b>                       | <b>4</b>              | <b>4</b>                                | <b>(3)</b>                        | <b>(9)</b>   | <b>107</b>     |
| <b>AFS securities – related party, CLO</b>          | <b>—</b>                         | <b>2</b>              | <b>—</b>                                | <b>—</b>                          | <b>—</b>   | <b>2</b>       |
| <b>Total AFS securities including related party</b> | <b>\$ 111</b>                    | <b>\$ 6</b>           | <b>\$ 4</b>                             | <b>\$ (3)</b>                     | <b>\$ (9)</b>  | <b>\$ 109</b>  |

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| Three months ended June 30, 2020                    |                   |                       |   |                                   |             |  |                |
|---|-------------------|-----------------------|---|-----------------------------------|-------------|--|----------------|
| (In millions)                                       | Beginning balance | Additions             |   | Reductions                        |             | Additions (reductions) to previously impaired securities | Ending Balance |
|   |                   | Initial credit losses | Initial credit losses on PCD securities | Securities sold during the period |             |  |                |
| <b>AFS securities</b>                               |                   |                       |   |                                   |             |  |                |
| Corporate   | \$ 15             | \$ 16                 | \$ —                                    | \$ —                              | \$ —        | \$ —   | \$ 31          |
| CLO   | —                 | 1                     | —                                       | —                                 | —           | —  | 1              |
| ABS   | 5                 | —                     | —                                       | —                                 | —           | (3)  | 2              |
| CMBS  | 4                 | 5                     | —                                       | —                                 | —           | 1  | 10             |
| RMBS  | 54                | 13                    | 60                                      | (1)                               | 3           |  | 129            |
| <b>Total AFS securities</b>                         | <b>78</b>         | <b>35</b>             | <b>60</b>                               | <b>(1)</b>                        | <b>1</b>    |  | <b>173</b>     |
| AFS securities – related party, CLO                 | —                 | 1                     | —                                       | —                                 | 1           |  | 2              |
| <b>Total AFS securities including related party</b> | <b>\$ 78</b>      | <b>\$ 36</b>          | <b>\$ 60</b>                            | <b>\$ (1)</b>                     | <b>\$ 2</b> |  | <b>\$ 175</b>  |

| Six months ended June 30, 2021                      |                   |                       |   |                                   |               |  |                |
|---|-------------------|-----------------------|---|-----------------------------------|---------------|--|----------------|
| (In millions)                                       | Beginning balance | Additions             |   | Reductions                        |               | Additions (reductions) to previously impaired securities | Ending Balance |
|   |                   | Initial credit losses | Initial credit losses on PCD securities | Securities sold during the period |               |  |                |
| <b>AFS securities</b>                               |                   |                       |   |                                   |               |  |                |
| Corporate   | \$ 6              | \$ 3                  | \$ —                                    | \$ (2)                            | \$ (2)        | \$ —   | \$ 5           |
| CLO   | 1                 | 3                     | —                                       | —                                 | (1)           |  | 3              |
| ABS   | 6                 | 5                     | —                                       | —                                 | (1)           |  | 10             |
| CMBS  | 10                | 2                     | —                                       | —                                 | (6)           |  | 6              |
| RMBS  | 80                | —                     | 6                                       | (6)                               | 3             |  | 83             |
| <b>Total AFS securities</b>                         | <b>103</b>        | <b>13</b>             | <b>6</b>                                | <b>(8)</b>                        | <b>(7)</b>    |  | <b>107</b>     |
| AFS securities – related party, CLO                 | 1                 | 2                     | —                                       | (1)                               | —             |  | 2              |
| <b>Total AFS securities including related party</b> | <b>\$ 104</b>     | <b>\$ 15</b>          | <b>\$ 6</b>                             | <b>\$ (9)</b>                     | <b>\$ (7)</b> |  | <b>\$ 109</b>  |

| Six months ended June 30, 2020                      |                   |                       |   |                                   |             |  |                |
|---|-------------------|-----------------------|---|-----------------------------------|-------------|--|----------------|
| (In millions)                                       | Beginning balance | Additions             |   | Reductions                        |             | Additions (reductions) to previously impaired securities | Ending Balance |
|   |                   | Initial credit losses | Initial credit losses on PCD securities | Securities sold during the period |             |  |                |
| <b>AFS securities</b>                               |                   |                       |   |                                   |             |  |                |
| Corporate   | \$ —              | \$ 31                 | \$ —                                    | \$ —                              | \$ —        | \$ —   | \$ 31          |
| CLO   | —                 | 1                     | —                                       | —                                 | —           | —  | 1              |
| ABS   | —                 | 5                     | —                                       | —                                 | (3)         |  | 2              |
| CMBS  | —                 | 9                     | —                                       | —                                 | 1           |  | 10             |
| RMBS  | 17                | 48                    | 61                                      | (2)                               | 5           |  | 129            |
| <b>Total AFS securities</b>                         | <b>17</b>         | <b>94</b>             | <b>61</b>                               | <b>(2)</b>                        | <b>3</b>    |  | <b>173</b>     |
| AFS securities – related party, CLO                 | —                 | 1                     | —                                       | —                                 | 1           |  | 2              |
| <b>Total AFS securities including related party</b> | <b>\$ 17</b>      | <b>\$ 95</b>          | <b>\$ 61</b>                            | <b>\$ (2)</b>                     | <b>\$ 4</b> |  | <b>\$ 175</b>  |

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

| <i>(In millions)</i>         | Three months ended June 30, |                 | Six months ended June 30, |                 |
|------------------------------|-----------------------------|-----------------|---------------------------|-----------------|
|                              | 2021                        | 2020            | 2021                      | 2020            |
| AFS securities               | \$ 939                      | \$ 790          | \$ 1,799                  | \$ 1,627        |
| Trading securities           | 60                          | 42              | 123                       | 90              |
| Equity securities            | 3                           | 2               | 7                         | 6               |
| Mortgage loans               | 203                         | 175             | 395                       | 361             |
| Investment funds             | 708                         | 372             | 1,171                     | 94              |
| Funds withheld at interest   | 172                         | 43              | 378                       | 84              |
| Other                        | 95                          | 38              | 159                       | 75              |
| Investment revenue           | 2,180                       | 1,462           | 4,032                     | 2,337           |
| Investment expenses          | (142)                       | (126)           | (290)                     | (256)           |
| <b>Net investment income</b> | <b>\$ 2,038</b>             | <b>\$ 1,336</b> | <b>\$ 3,742</b>           | <b>\$ 2,081</b> |

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

| <i>(In millions)</i>   | Three months ended June 30, |                 | Six months ended June 30, |                   |
|--|-----------------------------|-----------------|---------------------------|-------------------|
|  | 2021                        | 2020            | 2021                      | 2020              |
| AFS securities   |                             |                 |                           |                   |
| Gross realized gains on investment activity                    | \$ 208                      | \$ 68           | \$ 281                    | \$ 232            |
| Gross realized losses on investment activity                   | (171)                       | (66)            | (314)                     | (200)             |
| Net realized investment gains (losses) on AFS securities       | 37                          | 2               | (33)                      | 32                |
| Net recognized investment gains (losses) on trading securities | 61                          | 191             | (8)                       | (32)              |
| Net recognized investment gains (losses) on equity securities  | 8                           | 30              | 25                        | (20)              |
| Derivative gains (losses)                                      | 2,484                       | 2,330           | 2,046                     | (689)             |
| Provision for credit losses                                    | 20                          | (5)             | 12                        | (289)             |
| Other gains (losses)   | —                           | —               | 80                        | (26)              |
| <b>Investment related gains (losses)</b>                       | <b>\$ 2,610</b>             | <b>\$ 2,548</b> | <b>\$ 2,122</b>           | <b>\$ (1,024)</b> |

Proceeds from sales of AFS securities were \$2,006 million and \$1,778 million for the three months ended June 30, 2021 and 2020, respectively, and \$2,898 million and \$3,585 million for the six months ended June 30, 2021 and 2020, respectively.

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

| <i>(In millions)</i>               | Three months ended June 30, |        | Six months ended June 30, |       |
|------------------------------------|-----------------------------|--------|---------------------------|-------|
|                                    | 2021                        | 2020   | 2021                      | 2020  |
| Trading securities                 | \$ 66                       | \$ 135 | \$ (55)                   | \$ 62 |
| Trading securities – related party | (4)                         | 66     | 54                        | (43)  |
| Equity securities                  | 18                          | 17     | 27                        | (20)  |
| Equity securities – related party  | (5)                         | —      | 1                         | —     |

**Purchased Financial Assets with Credit Deterioration**—The following table summarizes our PCD investment purchases with the following amounts at the time of purchase:

| <i>(In millions)</i>                              | Three months ended June 30, 2021 |                | Six months ended June 30, 2021 |                |
|---|----------------------------------|----------------|--------------------------------|----------------|
|   | Fixed maturity securities        | Mortgage loans | Fixed maturity securities      | Mortgage loans |
| Purchase price                                    | \$ 10                            | \$ —           | \$ 16                          | \$ 335         |
| Allowance for credit losses at acquisition        | 4                                | —              | 6                              | 6              |
| Discount (premiums) attributable to other factors | 3                                | —              | 1                              | (26)           |
| Par value   | \$ 17                            | \$ —           | \$ 23                          | \$ 315         |

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

| (In millions)                                   | June 30, 2021                  |                   |            |                   |                     |        | Total |
|---|--------------------------------|-------------------|------------|-------------------|---------------------|--------|-------|
|   | Remaining Contractual Maturity |                   |            |                   |                     |        |       |
|   | Overnight and continuous       | Less than 30 days | 30-90 days | 91 days to 1 year | Greater than 1 year |        |       |
| Payables for repurchase agreements <sup>1</sup> | \$ —                           | \$ —              | \$ —       | \$ —              | \$ 598              | \$ 598 |       |

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

| (In millions)                                   | December 31, 2020              |                   |            |                   |                     |        | Total |
|---|--------------------------------|-------------------|------------|-------------------|---------------------|--------|-------|
|   | Remaining Contractual Maturity |                   |            |                   |                     |        |       |
|   | Overnight and continuous       | Less than 30 days | 30-90 days | 91 days to 1 year | Greater than 1 year |        |       |
| Payables for repurchase agreements <sup>1</sup> | \$ —                           | \$ —              | \$ —       | \$ —              | \$ 598              | \$ 598 |       |

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

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

| (In millions)              | June 30, 2021  |            | December 31, 2020 |            |
|----------------------------|----------------|------------|-------------------|------------|
|                            | Amortized Cost | Fair Value | Amortized Cost    | Fair Value |
| AFS securities – Corporate | \$ 567         | \$ 628     | \$ 559            | \$ 644     |

**Mortgage Loans, including related party**—Mortgage loans, net of allowances, consists of the following:

| (In millions)   | June 30, 2021    |                  | December 31, 2020 |  |
|---|------------------|------------------|-------------------|--|
| Commercial mortgage loans                                 | \$ 13,244        | \$ 11,383        |                   |  |
| Commercial mortgage loans under development               | 308              | 232              |                   |  |
| <b>Total commercial mortgage loans</b>                    | <b>13,552</b>    | <b>11,615</b>    |                   |  |
| Allowance for credit losses on commercial mortgage loans  | (165)            | (167)            |                   |  |
| <b>Commercial mortgage loans, net of allowances</b>       | <b>13,387</b>    | <b>11,448</b>    |                   |  |
| Residential mortgage loans                                | 4,886            | 4,569            |                   |  |
| Allowance for credit losses on residential mortgage loans | (64)             | (79)             |                   |  |
| <b>Residential mortgage loans, net of allowances</b>      | <b>4,822</b>     | <b>4,490</b>     |                   |  |
| <b>Mortgage loans, net of allowances</b>                  | <b>\$ 18,209</b> | <b>\$ 15,938</b> |                   |  |

We primarily invest in commercial mortgage loans on income producing properties including office and retail buildings, apartments, hotels and industrial properties. We diversify the commercial mortgage loan portfolio by geographic region and property type to reduce concentration risk. We evaluate mortgage loans based on relevant current information to confirm if properties are performing at a consistent and acceptable level to secure the related debt.

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The distribution of commercial mortgage loans, including those under development, net of allowances, by property type and geographic region, is as follows:

| <i>(In millions, except for percentages)</i> | June 30, 2021      |                     | December 31, 2020  |                     |
|--|--------------------|---------------------|--------------------|---------------------|
|  | Net Carrying Value | Percentage of Total | Net Carrying Value | Percentage of Total |
| <b>Property type</b>                         |                    |                     |                    |                     |
| Office building                              | \$ 4,125           | 30.8 %              | \$ 3,589           | 31.4 %              |
| Retail                                       | 2,125              | 15.9 %              | 2,083              | 18.2 %              |
| Apartment                                    | 2,710              | 20.2 %              | 2,441              | 21.3 %              |
| Hotels                                       | 1,392              | 10.4 %              | 1,294              | 11.3 %              |
| Industrial                                   | 1,956              | 14.6 %              | 1,362              | 11.9 %              |
| Other commercial                             | 1,079              | 8.1 %               | 679                | 5.9 %               |
| <b>Total commercial mortgage loans</b>       | <b>\$ 13,387</b>   | <b>100.0 %</b>      | <b>\$ 11,448</b>   | <b>100.0 %</b>      |
| <b>US Region</b>                             |                    |                     |                    |                     |
| East North Central                           | \$ 1,360           | 10.2 %              | \$ 1,209           | 10.5 %              |
| East South Central                           | 422                | 3.2 %               | 402                | 3.5 %               |
| Middle Atlantic                              | 3,222              | 24.1 %              | 3,069              | 26.8 %              |
| Mountain                                     | 465                | 3.5 %               | 487                | 4.2 %               |
| New England                                  | 366                | 2.7 %               | 350                | 3.1 %               |
| Pacific                                      | 3,129              | 23.3 %              | 2,746              | 24.0 %              |
| South Atlantic                               | 1,957              | 14.5 %              | 1,773              | 15.5 %              |
| West North Central                           | 128                | 1.0 %               | 145                | 1.3 %               |
| West South Central                           | 656                | 4.9 %               | 640                | 5.6 %               |
| <b>Total US Region</b>                       | <b>11,705</b>      | <b>87.4 %</b>       | <b>10,821</b>      | <b>94.5 %</b>       |
| <b>International Region</b>                  |                    |                     |                    |                     |
| United Kingdom                               | 827                | 6.2 %               | —                  | — %                 |
| Other International <sup>1</sup>             | 855                | 6.4 %               | 627                | 5.5 %               |
| <b>Total International Region</b>            | <b>1,682</b>       | <b>12.6 %</b>       | <b>627</b>         | <b>5.5 %</b>        |
| <b>Total commercial mortgage loans</b>       | <b>\$ 13,387</b>   | <b>100.0 %</b>      | <b>\$ 11,448</b>   | <b>100.0 %</b>      |

<sup>1</sup> Represents all other countries, with each individual country comprising less than 5% of the portfolio.

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

|  | June 30, 2021  | December 31, 2020 |
|--|----------------|-------------------|
| <b>US States</b>   |                |                   |
| California   | 23.7 %         | 24.8 %            |
| Florida  | 11.9 %         | 13.3 %            |
| New York   | 6.3 %          | 6.2 %             |
| Other <sup>1</sup>                                       | 43.0 %         | 41.1 %            |
| Total US residential mortgage loan percentage            | 84.9 %         | 85.4 %            |
| <b>International</b>                                     |                |                   |
| Ireland  | 11.0 %         | 12.9 %            |
| Other <sup>2</sup>                                       | 4.1 %          | 1.7 %             |
| Total International residential mortgage loan percentage | 15.1 %         | 14.6 %            |
| <b>Total residential mortgage loan percentage</b>        | <b>100.0 %</b> | <b>100.0 %</b>    |

<sup>1</sup> Represents all other states, with each individual state comprising less than 5% of the portfolio.

<sup>2</sup> Represents all other countries, with each individual country comprising less than 5% of the portfolio.



**ATHENE HOLDING LTD.**

**Notes to Condensed Consolidated Financial Statements (Unaudited)**

**Loan Valuation Allowance**—The allowances for our mortgage loan portfolio and other loans is summarized as follows:

| <i>(In millions)</i>                            | Three months ended June 30, 2021 |                      |                   |               | Three months ended June 30, 2020 |                      |                   |               |
|---|----------------------------------|----------------------|-------------------|---------------|----------------------------------|----------------------|-------------------|---------------|
|   | Commercial Mortgage              | Residential Mortgage | Other Investments | Total         | Commercial Mortgage              | Residential Mortgage | Other Investments | Total         |
| Beginning balance                               | \$ 172                           | \$ 78                | \$ 2              | \$ 252        | \$ 343                           | \$ 81                | \$ 12             | \$ 436        |
| Provision (reversal) for expected credit losses | (7)                              | (13)                 | (2)               | (22)          | (49)                             | 5                    | 8                 | (36)          |
| Loans charged-off                               | —                                | (1)                  | —                 | (1)           | —                                | (1)                  | —                 | (1)           |
| <b>Ending balance</b>                           | <b>\$ 165</b>                    | <b>\$ 64</b>         | <b>\$ —</b>       | <b>\$ 229</b> | <b>\$ 294</b>                    | <b>\$ 85</b>         | <b>\$ 20</b>      | <b>\$ 399</b> |

| <i>(In millions)</i>                            | Six months ended June 30, 2021 |                      |                   |               | Six months ended June 30, 2020 |                      |                   |               |
|---|--------------------------------|----------------------|-------------------|---------------|--------------------------------|----------------------|-------------------|---------------|
|   | Commercial Mortgage            | Residential Mortgage | Other Investments | Total         | Commercial Mortgage            | Residential Mortgage | Other Investments | Total         |
| Beginning balance                               | \$ 167                         | \$ 79                | \$ 7              | \$ 253        | \$ 10                          | \$ 1                 | \$ —              | \$ 11         |
| Adoption of accounting standard                 | —                              | —                    | —                 | —             | 167                            | 43                   | 11                | 221           |
| Provision (reversal) for expected credit losses | (2)                            | (20)                 | (7)               | (29)          | 117                            | 42                   | 9                 | 168           |
| Initial credit losses on PCD loans              | —                              | 6                    | —                 | 6             | —                              | —                    | —                 | —             |
| Loans charged-off                               | —                              | (1)                  | —                 | (1)           | —                              | (1)                  | —                 | (1)           |
| <b>Ending balance</b>                           | <b>\$ 165</b>                  | <b>\$ 64</b>         | <b>\$ —</b>       | <b>\$ 229</b> | <b>\$ 294</b>                  | <b>\$ 85</b>         | <b>\$ 20</b>      | <b>\$ 399</b> |

*Commercial mortgage loans* – Our allowance model for commercial mortgage loans is based on the characteristics of the loans in our portfolio, historical economic data and loss information, and current and forecasted economic conditions. Key loan characteristics affecting the estimate include, among others: time to maturity, delinquency status, loan-to-value ratios, debt service coverage ratios, etc. Key macroeconomic variables include unemployment rates, London Inter-bank Offered Rate (LIBOR), commercial real estate price index, and market liquidity score. Management reviews and approves forecasted macroeconomic variables, along with the reasonable and supportable forecast period and mean reversion technique. Management also evaluates assumptions from independent third parties and these assumptions have a high degree of subjectivity. The mean reversion technique varies by macroeconomic variable and may vary by geographic location. As of June 30, 2021, our reasonable and supportable forecast period was one year, after which, we revert to the 20-year or greater historical average over one year.

*Residential mortgage loans* – Our allowance model for residential mortgage loans is based on the characteristics of the loans in our portfolio, historical economic data and loss information, and current and forecasted economic conditions. Key loan characteristics affecting the estimate include, among others: time to maturity, delinquency status, original credit scores and loan-to-value ratios. Key macroeconomic variables include unemployment rates and the housing price index. Management reviews and approves forecasted macroeconomic variables, along with the reasonable and supportable forecast period and mean reversion technique. Management also evaluates assumptions from independent third parties and these assumptions have a high degree of subjectivity. The mean reversion technique varies by macroeconomic variable and may vary by geographic location. As of June 30, 2021, our reasonable and supportable forecast period was one year, after which, we revert to the 30-year or greater historical average over a period of up to one year and then continue at those averages through the contractual life of the loan.

*Other investments* – The allowance model for the loans included in other investments and related party other investments derives an estimate based on historical loss data available for similarly rated unsecured corporate debt obligations, while also incorporating management’s expectations around prepayment. See *Note 10 – Related Parties* for further information on the related party loans.

**Credit Quality Indicators**

*Residential mortgage loans* – The underwriting process for our residential mortgage loans includes an evaluation of relevant credit information including past loan performance, credit scores, loan-to-value and other relevant information. Subsequent to purchase or origination, we closely monitor economic conditions and loan performance to manage and evaluate our exposure to credit risk in our residential mortgage loan portfolio. The primary credit quality indicator monitored for residential mortgage loans is loan performance. Nonperforming residential mortgage loans are 90 days or more past due and/or are in non-accrual status.

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**ATHENE HOLDING LTD.**

**Notes to Condensed Consolidated Financial Statements (Unaudited)**

The following represents our residential loan portfolio by origination year and performance status:

| (In millions)                         | June 30, 2021   |               |               |                 |               |               |                 |
|---------------------------------------|-----------------|---------------|---------------|-----------------|---------------|---------------|-----------------|
|                                       | 2021            | 2020          | 2019          | 2018            | 2017          | Prior         | Total           |
| Current (less than 30 days past due)  | \$ 848          | \$ 855        | \$ 753        | \$ 1,265        | \$ 415        | \$ 112        | \$ 4,248        |
| 30 to 59 days past due                | 26              | 28            | 28            | 18              | 15            | 7             | 122             |
| 60 to 89 days past due                | 30              | 65            | 17            | 6               | 6             | 2             | 126             |
| 90 days or more past due <sup>1</sup> | 181             | 27            | 92            | 33              | 38            | 19            | 390             |
| <b>Total residential mortgages</b>    | <b>\$ 1,085</b> | <b>\$ 975</b> | <b>\$ 890</b> | <b>\$ 1,322</b> | <b>\$ 474</b> | <b>\$ 140</b> | <b>\$ 4,886</b> |

<sup>1</sup> Includes \$179 million of residential mortgage loans that are guaranteed by US government-sponsored agencies.

| (In millions)                        | December 31, 2020 |               |                 |               |               |             |                 |
|--------------------------------------|-------------------|---------------|-----------------|---------------|---------------|-------------|-----------------|
|                                      | 2020              | 2019          | 2018            | 2017          | 2016          | Prior       | Total           |
| Current (less than 30 days past due) | \$ 955            | \$ 942        | \$ 1,730        | \$ 485        | \$ 141        | \$ 6        | \$ 4,259        |
| 30 to 59 days past due               | 68                | 16            | 34              | 26            | 8             | 1           | 153             |
| 60 to 89 days past due               | 15                | 7             | 16              | 9             | 3             | —           | 50              |
| 90 days or more past due             | 3                 | 26            | 22              | 43            | 12            | 1           | 107             |
| <b>Total residential mortgages</b>   | <b>\$ 1,041</b>   | <b>\$ 991</b> | <b>\$ 1,802</b> | <b>\$ 563</b> | <b>\$ 164</b> | <b>\$ 8</b> | <b>\$ 4,569</b> |

The following represents our residential loan portfolio in non-accrual status:

| (In millions)   | June 30, 2021 | December 31, 2020 |
|---|---------------|-------------------|
| Beginning amortized cost of residential mortgage loans in non-accrual status  | \$ 107        | \$ 67             |
| Ending amortized cost of residential mortgage loans in non-accrual status <sup>1</sup>  | 390           | 107               |
| Amortized cost of residential mortgage loans in non-accrual status without a related allowance for credit losses <sup>1</sup> | 262           | 13                |

<sup>1</sup> Includes \$179 million and \$0 million of residential mortgage loans that are guaranteed by US government-sponsored agencies as of June 30, 2021 and December 31, 2020, respectively.

During the three months ended June 30, 2021 and 2020, we recognized \$2 million and \$0 million, respectively, and during the six months ended June 30, 2021 and 2020, we recognized \$4 million and \$1 million, respectively, of interest income on residential mortgage loans in non-accrual status.

**Commercial mortgage loans** – The following represents our commercial mortgage loan portfolio by origination year and loan performance status:

| (In millions)                        | June 30, 2021   |                 |                 |                 |                 |                 |                  |
|--------------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|------------------|
|                                      | 2021            | 2020            | 2019            | 2018            | 2017            | Prior           | Total            |
| Current (less than 30 days past due) | \$ 2,155        | \$ 1,961        | \$ 4,284        | \$ 2,681        | \$ 1,022        | \$ 1,384        | \$ 13,487        |
| 60 to 89 days past due               | —               | —               | —               | 40              | —               | —               | 40               |
| 90 days or more past due             | —               | —               | —               | —               | 25              | —               | 25               |
| <b>Total commercial mortgages</b>    | <b>\$ 2,155</b> | <b>\$ 1,961</b> | <b>\$ 4,284</b> | <b>\$ 2,721</b> | <b>\$ 1,047</b> | <b>\$ 1,384</b> | <b>\$ 13,552</b> |

  

| (In millions)                        | December 31, 2020 |                 |                 |                 |               |                 |                  |
|--------------------------------------|-------------------|-----------------|-----------------|-----------------|---------------|-----------------|------------------|
|                                      | 2020              | 2019            | 2018            | 2017            | 2016          | Prior           | Total            |
| Current (less than 30 days past due) | \$ 1,913          | \$ 4,400        | \$ 2,617        | \$ 987          | \$ 130        | \$ 1,452        | \$ 11,499        |
| 30 to 59 days past due               | —                 | 20              | 45              | 25              | —             | 5               | 95               |
| 90 days or more past due             | —                 | —               | —               | —               | —             | 21              | 21               |
| <b>Total commercial mortgages</b>    | <b>\$ 1,913</b>   | <b>\$ 4,420</b> | <b>\$ 2,662</b> | <b>\$ 1,012</b> | <b>\$ 130</b> | <b>\$ 1,478</b> | <b>\$ 11,615</b> |

As of June 30, 2021 and December 31, 2020, we had \$25 million and \$0 million, respectively, of commercial mortgage loans that were 90 days or more past due and still accruing interest.

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**Notes to Condensed Consolidated Financial Statements (Unaudited)**

The following represents our commercial mortgage loan portfolio in non-accrual status:

| <i>(In millions)</i>  | June 30, 2021 | December 31, 2020 |
|---|---------------|-------------------|
| Beginning amortized cost of commercial mortgage loans in non-accrual status                                     | \$ 38         | \$ —              |
| Ending amortized cost of commercial mortgage loans in non-accrual status  | 37            | 38                |
| Amortized cost of commercial mortgage loans in non-accrual status without a related allowance for credit losses | —             | —                 |

During the three and six months ended June 30, 2021 and 2020, no interest income was recognized on commercial mortgage loans in non-accrual status.

Loan-to-value and debt service coverage ratios are measures we use to assess the risk and quality of commercial mortgage loans other than those under development. Loans under development are not evaluated using these ratios as the properties underlying these loans are generally not yet income-producing and the value of the underlying property significantly fluctuates based on the progress of construction. Therefore, the risk and quality of loans under development are evaluated based on the aging and geographical distribution of such loans as shown above.

The loan-to-value ratio is expressed as a percentage of the amount of the loan relative to the value of the underlying property. A loan-to-value ratio in excess of 100% indicates the unpaid loan amount exceeds the value of the underlying collateral. Loan-to-value information is updated annually as part of the re-underwriting process supporting the National Association of Insurance Commissioners (NAIC) risk-based capital rating criteria. The following represents the loan-to-value ratio of the commercial mortgage loan portfolio, excluding those under development, by origination year:

| <i>(In millions)</i>             | June 30, 2021   |                 |                 |                 |                 |                 |                  | Total |
|----------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|------------------|-------|
|                                  | 2021            | 2020            | 2019            | 2018            | 2017            | Prior           |                  |       |
| Less than 50%                    | \$ 199          | \$ 462          | \$ 617          | \$ 223          | \$ 150          | \$ 1,032        | \$ 2,683         |       |
| 50% to 59%                       | 697             | 298             | 1,335           | 718             | 347             | 184             | 3,579            |       |
| 60% to 69%                       | 901             | 611             | 1,938           | 1,305           | 449             | 115             | 5,319            |       |
| 70% to 79%                       | 280             | 492             | 365             | 372             | 101             | 16              | 1,626            |       |
| 100% or greater                  | —               | —               | —               | —               | —               | 37              | 37               |       |
| <b>Commercial mortgage loans</b> | <b>\$ 2,077</b> | <b>\$ 1,863</b> | <b>\$ 4,255</b> | <b>\$ 2,618</b> | <b>\$ 1,047</b> | <b>\$ 1,384</b> | <b>\$ 13,244</b> |       |

| <i>(In millions)</i>             | December 31, 2020 |                 |                 |                 |               |                 | Total            |
|----------------------------------|-------------------|-----------------|-----------------|-----------------|---------------|-----------------|------------------|
|                                  | 2020              | 2019            | 2018            | 2017            | 2016          | Prior           |                  |
| Less than 50%                    | \$ 431            | \$ 600          | \$ 201          | \$ 152          | \$ 44         | \$ 1,153        | \$ 2,581         |
| 50% to 59%                       | 315               | 1,320           | 765             | 300             | 40            | 147             | 2,887            |
| 60% to 69%                       | 583               | 1,988           | 1,222           | 440             | 46            | 106             | 4,385            |
| 70% to 79%                       | 478               | 485             | 375             | 95              | —             | 13              | 1,446            |
| 80% to 99%                       | —                 | —               | —               | 25              | —             | 21              | 46               |
| 100% or greater                  | —                 | —               | —               | —               | —             | 38              | 38               |
| <b>Commercial mortgage loans</b> | <b>\$ 1,807</b>   | <b>\$ 4,393</b> | <b>\$ 2,563</b> | <b>\$ 1,012</b> | <b>\$ 130</b> | <b>\$ 1,478</b> | <b>\$ 11,383</b> |

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**ATHENE HOLDING LTD.**

**Notes to Condensed Consolidated Financial Statements (Unaudited)**

The debt service coverage ratio is expressed as a percentage of a property's net operating income to its debt service payments. A debt service ratio of less than 1.0 indicates a property's operations do not generate enough income to cover debt payments. Debt service coverage ratios are updated as more recent financial statements become available, at least annually or as frequently as quarterly in some cases. The following represents the debt service coverage ratio of the commercial mortgage loan portfolio, excluding those under development, by origination year:

| (In millions)                    | June 30, 2021   |                 |                 |                 |                 |                 |                  |
|----------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|------------------|
|                                  | 2021            | 2020            | 2019            | 2018            | 2017            | Prior           | Total            |
| Greater than 1.20x               | \$ 1,523        | \$ 1,147        | \$ 2,546        | \$ 2,126        | \$ 797          | \$ 1,259        | \$ 9,398         |
| 1.00x – 1.20x                    | 554             | 546             | 954             | 135             | 30              | 105             | 2,324            |
| Less than 1.00x                  | —               | 170             | 755             | 357             | 220             | 20              | 1,522            |
| <b>Commercial mortgage loans</b> | <b>\$ 2,077</b> | <b>\$ 1,863</b> | <b>\$ 4,255</b> | <b>\$ 2,618</b> | <b>\$ 1,047</b> | <b>\$ 1,384</b> | <b>\$ 13,244</b> |

  

| (In millions)                    | December 31, 2020 |                 |                 |                 |               |                 |                  |
|----------------------------------|-------------------|-----------------|-----------------|-----------------|---------------|-----------------|------------------|
|                                  | 2020              | 2019            | 2018            | 2017            | 2016          | Prior           | Total            |
| Greater than 1.20x               | \$ 1,274          | \$ 2,964        | \$ 2,440        | \$ 846          | \$ 129        | \$ 1,369        | \$ 9,022         |
| 1.00x – 1.20x                    | 533               | 1,122           | 36              | 70              | 1             | 101             | 1,863            |
| Less than 1.00x                  | —                 | 307             | 87              | 96              | —             | 8               | 498              |
| <b>Commercial mortgage loans</b> | <b>\$ 1,807</b>   | <b>\$ 4,393</b> | <b>\$ 2,563</b> | <b>\$ 1,012</b> | <b>\$ 130</b> | <b>\$ 1,478</b> | <b>\$ 11,383</b> |

**Investment Funds**—Our investment fund portfolio consists of funds that employ various strategies and include investments in real estate, real assets, credit, equity and natural resources. Investment funds can meet the definition of VIEs, which are discussed further in *Note 4 – Variable Interest Entities*. Our investment funds do not specify timing of distributions on the funds' underlying assets.

The following summarizes our investment funds, including related party:

| (In millions, except for percentages)                        | June 30, 2021   |                  | December 31, 2020 |                  |
|--|-----------------|------------------|-------------------|------------------|
|  | Carrying value  | Percent of total | Carrying value    | Percent of total |
| <b>Investment funds</b>                                      |                 |                  |                   |                  |
| Real estate  | \$ 510          | 44.0 %           | \$ 348            | 43.3 %           |
| Credit funds   | 96              | 8.3 %            | 107               | 13.3 %           |
| Private equity   | 281             | 24.2 %           | 267               | 33.3 %           |
| Real assets  | 272             | 23.5 %           | 81                | 10.1 %           |
| <b>Total investment funds</b>                                | <b>1,159</b>    | <b>100.0 %</b>   | <b>803</b>        | <b>100.0 %</b>   |
| <b>Investment funds – related parties</b>                    |                 |                  |                   |                  |
| Differentiated investments                                   |                 |                  |                   |                  |
| A-A Mortgage Opportunities, L.P. (A-A Mortgage) <sup>1</sup> | 77              | 1.2 %            | 444               | 8.4 %            |
| Catalina Holdings Ltd. (Catalina)                            | 348             | 5.5 %            | 334               | 6.3 %            |
| Athora Holding Ltd. (Athora) <sup>1</sup>                    | 723             | 11.4 %           | 709               | 13.4 %           |
| Venerable Holdings, Inc. (Venerable) <sup>1</sup>            | 329             | 5.2 %            | 123               | 2.3 %            |
| Other  | 346             | 5.5 %            | 279               | 5.3 %            |
| <b>Total differentiated investments</b>                      | <b>1,823</b>    | <b>28.8 %</b>    | <b>1,889</b>      | <b>35.7 %</b>    |
| Real estate  | 1,269           | 20.1 %           | 828               | 15.7 %           |
| Credit funds   | 417             | 6.6 %            | 375               | 7.1 %            |
| Private equity   | 531             | 8.4 %            | 473               | 8.9 %            |
| Real assets  | 344             | 5.4 %            | 172               | 3.3 %            |
| Natural resources  | 122             | 1.9 %            | 113               | 2.1 %            |
| Public equities  | 88              | 1.4 %            | 110               | 2.1 %            |
| Investment in Apollo <sup>1</sup>                            | 1,730           | 27.4 %           | 1,324             | 25.1 %           |
| <b>Total investment funds – related parties</b>              | <b>6,324</b>    | <b>100.0 %</b>   | <b>5,284</b>      | <b>100.0 %</b>   |
| <b>Total investment funds including related party</b>        | <b>\$ 7,483</b> |                  | <b>\$ 6,087</b>   |                  |

<sup>1</sup> Our Venerable investment is in its parent company, VA Capital Company LLC (VA Capital). See further discussion on this investment and our investments in Apollo, Athora and A-A Mortgage in *Note 10 – Related Parties*.

## ATHENE HOLDING LTD.

## Notes to Condensed Consolidated Financial Statements (Unaudited)

**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 GAAP, with the related party, 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.

*Equity securities* – We invest in preferred equity securities issued by entities deemed to be VIEs due to insufficient equity within the structure.

Our risk of loss associated with our non-consolidated investments depends on the investment. Investment funds, equity securities 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:

| (In millions)   | June 30, 2021  |                       | December 31, 2020 |                       |
|---|----------------|-----------------------|-------------------|-----------------------|
|   | Carrying Value | Maximum Loss Exposure | Carrying Value    | Maximum Loss Exposure |
| Investment funds  | \$ 1,159       | \$ 1,794              | \$ 803            | \$ 1,265              |
| Investment in related parties – investment funds          | 6,324          | 8,927                 | 5,284             | 7,989                 |
| Investment in fixed maturity securities                   | 27,808         | 27,307                | 23,325            | 23,027                |
| Investment in related parties – fixed maturity securities | 8,610          | 10,010                | 7,834             | 8,126                 |
| Investment in related parties – equity securities         | 115            | 115                   | 72                | 72                    |
| Total non-consolidated investments                        | \$ 44,016      | \$ 48,153             | \$ 37,318         | \$ 40,479             |

**ATHENE HOLDING LTD.**

**Notes to Condensed Consolidated Financial Statements (Unaudited)**

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

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

| (In millions)                                     | June 30, 2021   |            |             | December 31, 2020 |            |             |
|---|-----------------|------------|-------------|-------------------|------------|-------------|
|   | Notional Amount | Fair Value |             | Notional Amount   | Fair Value |             |
|   |                 | Assets     | Liabilities |                   | Assets     | Liabilities |
| <b>Derivatives designated as hedges</b>           |                 |            |             |                   |            |             |
| Foreign currency swaps                            | 5,236           | \$ 150     | \$ 112      | 4,417             | \$ 134     | \$ 181      |
| Foreign currency forwards                         | 4,470           | 39         | 3           | 2,038             | 3          | 9           |
| Foreign currency interest rate swaps              | 1,807           | 6          | 59          | —                 | —          | —           |
| Foreign currency forwards on net investments      | 227             | 2          | —           | 173               | —          | 2           |
| <b>Total derivatives designated as hedges</b>     |                 | 197        | 174         |                   | 137        | 192         |
| <b>Derivatives not designated as hedges</b>       |                 |            |             |                   |            |             |
| Equity options                                    | 54,975          | 3,718      | 20          | 53,666            | 3,209      | 22          |
| Futures   | 35              | 52         | —           | 24                | 58         | 2           |
| Total return swaps                                | 219             | 4          | —           | 97                | 6          | —           |
| Foreign currency swaps                            | 1,759           | 70         | —           | 1,510             | 96         | —           |
| Interest rate swaps                               | 492             | 29         | 3           | 803               | —          | 34          |
| Credit default swaps                              | 10              | —          | 4           | 10                | —          | 4           |
| Foreign currency forwards                         | 4,296           | 81         | 13          | 3,595             | 17         | 44          |
| Embedded derivatives                              |                 |            |             |                   |            |             |
| Funds withheld including related party            |                 | 2,125      | 49          |                   | 2,806      | 59          |
| Interest sensitive contract liabilities           |                 | —          | 13,635      |                   | —          | 12,873      |
| <b>Total derivatives not designated as hedges</b> |                 | 6,079      | 13,724      |                   | 6,192      | 13,038      |
| <b>Total derivatives</b>                          |                 | \$ 6,276   | \$ 13,898   |                   | \$ 6,329   | \$ 13,230   |

**Derivatives Designated as Hedges**

*Cash Flow Hedges* – We use foreign currency swaps to convert foreign currency denominated cash flows of investments or liabilities to US dollars to reduce cash flow fluctuations due to changes in currency exchange rates. These swaps will expire by March 2052. The following is a summary of the gains (losses) related to cash flow hedges:

| (In millions)  | Three months ended June 30,                         |       | Six months ended June 30, |       |
|--|---|-------|---------------------------|-------|
|  | 2021  | 2020  | 2021                      | 2020  |
|  | Foreign currency swaps – Other comprehensive income | \$ 88 | \$ (83)                   | \$ 57 |
| Foreign currency swaps – Investment related gains (losses) | 27  | —     | 27                        | —     |

There were no amounts deemed ineffective during the three and six months ended June 30, 2021 and 2020. As of June 30, 2021, no amounts are expected to be reclassified to income within the next 12 months.

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**ATHENE HOLDING LTD.**

**Notes to Condensed Consolidated Financial Statements (Unaudited)**

*Fair Value Hedges* – We use foreign currency forward contracts and foreign currency interest rate swaps that are designated and accounted for as fair value hedges. 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. We use foreign currency interest rate swaps to hedge certain exposures to foreign currency risk and interest rate risk relating to foreign currency denominated funding agreements.

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

| (In millions)                              | June 30, 2021  |  | December 31, 2020  |  |
|--|--|--|--|--|
|  | Carrying amount of the hedged assets or liabilities <sup>1</sup> | Cumulative amount of fair value hedging gains (losses) | Carrying amount of the hedged assets or liabilities <sup>1</sup> | Cumulative amount of fair value hedging gains (losses) |
| AFS securities – Foreign currency forwards | \$ 3,684   | \$ 25  | \$ 1,932   | \$ 117   |
| Interest sensitive contract liabilities    |  |  |  |  |
| Foreign currency forwards                  | 84   | 5  | 65   | (1)  |
| Foreign currency interest rate swaps       | 1,802  | 42   | —  | —  |

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

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

| (In millions)   | Derivatives | Hedged Items | Amount Excluded | Net    |
|---|-------------|--------------|-----------------|--------|
| <b>Three months ended June 30, 2021</b>                       |             |              |                 |        |
| Investment related gains (losses)                             |             |              |                 |        |
| Foreign currency forwards                                     | \$ (13)     | \$ 29        | \$ —            | \$ 16  |
| Foreign currency interest rate swaps                          | 5           | (9)          | —               | (4)    |
| Interest sensitive contract benefits                          |             |              |                 |        |
| Foreign currency interest rate swaps                          | 5           | (4)          | —               | 1      |
| <b>Three months ended June 30, 2020</b>                       |             |              |                 |        |
| Investment related gains (losses) – Foreign currency forwards | \$ (20)     | \$ 17        | \$ —            | \$ (3) |

| (In millions)   | Derivatives | Hedged Items | Amount Excluded | Net   |
|---|-------------|--------------|-----------------|-------|
| <b>Six months ended June 30, 2021</b>                         |             |              |                 |       |
| Investment related gains (losses)                             |             |              |                 |       |
| Foreign currency forwards                                     | \$ 205      | \$ (188)     | \$ —            | \$ 17 |
| Foreign currency interest rate swaps                          | (31)        | 32           | —               | 1     |
| Interest sensitive contract benefits                          |             |              |                 |       |
| Foreign currency interest rate swaps                          | 6           | (5)          | —               | 1     |
| <b>Six months ended June 30, 2020</b>                         |             |              |                 |       |
| Investment related gains (losses) – Foreign currency forwards | \$ (8)      | \$ 9         | \$ —            | \$ 1  |

Foreign currency forward gains and losses excluded from the assessment of hedge effectiveness that were recognized in OCI were gains of \$4 million and \$0 million for the three months ended June 30, 2021 and 2020, respectively, and gains of \$4 million and \$0 million for the six months ended June 30, 2021 and 2020, respectively.

*Net Investment Hedges* – We use foreign currency forwards to hedge the foreign currency exchange rate risk of our investments in subsidiaries that have a reporting currency other than the US dollar. We assess hedge effectiveness based on the changes in forward rates. During the three months ended June 30, 2021 and 2020, these derivatives had losses of \$0 million and \$11 million, respectively. During the six months ended June 30, 2021 and 2020, these derivatives had losses of \$2 million and gains of \$2 million, respectively. These derivatives are included in foreign currency translation and other adjustments on the condensed consolidated statements of comprehensive income (loss). As of June 30, 2021 and December 31, 2020, the cumulative foreign currency translation recorded in accumulated other comprehensive income (AOCI) related to these net investment hedges were losses of \$2 million and \$0 million, respectively. During the three and six months ended June 30, 2021 and 2020, there were no amounts deemed ineffective.

**Derivatives Not Designated as Hedges**

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

**ATHENE HOLDING LTD.**

**Notes to Condensed Consolidated Financial Statements (Unaudited)**

*Futures* – Futures contracts are purchased to hedge the growth in interest credited to the customer as a direct result of increases in the related indices. We enter into exchange-traded futures with regulated futures commission clearing brokers who are members of a trading exchange. Under exchange-traded futures contracts, we agree to purchase a specified number of contracts with other parties and to post variation margin on a daily basis in an amount equal to the difference in the daily fair values of those contracts.

*Total return swaps* – We purchase total rate of return swaps to gain exposure and benefit from a reference asset or index without ownership. Total rate of return swaps are contracts in which one party makes payments based on a set rate, either fixed or variable, while the other party makes payments based on the return of the underlying asset or index, which includes both the income it generates and any capital gains.

*Interest rate swaps* – We use interest rate swaps to reduce market risks from interest rate changes and to alter interest rate exposure arising from duration mismatches between assets and liabilities. With an interest rate swap, we agree with another party to exchange the difference between fixed-rate and floating-rate interest amounts tied to an agreed-upon notional principal amount at specified intervals.

*Credit default swaps* – Credit default swaps provide a measure of protection against the default of an issuer or allow us to gain credit exposure to an issuer or traded index. We use credit default swaps coupled with a bond to synthetically create the characteristics of a reference bond. These transactions have a lower cost and are generally more liquid relative to the cash market. We receive a periodic premium for these transactions as compensation for accepting credit risk.

Hedging credit risk involves buying protection for existing credit risk. The exposure resulting from the agreements, which is usually the notional amount, is equal to the maximum proceeds that must be paid by a counterparty for a defaulted security. If a credit event occurs on a reference entity, then a counterparty who sold protection is required to pay the buyer the trade notional amount less any recovery value of the security.

*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 a modified coinsurance (modco) or funds withheld basis and indexed annuity products.

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

| <i>(In millions)</i>  | Three months ended June 30, |               | Six months ended June 30, |                   |
|---|-----------------------------|---------------|---------------------------|-------------------|
|   | 2021                        | 2020          | 2021                      | 2020              |
| Equity options  | \$ 1,044                    | \$ 672        | \$ 1,546                  | \$ (909)          |
| Futures   | 44                          | (3)           | 55                        | 13                |
| Swaps   | 5                           | 55            | 36                        | (20)              |
| Foreign currency forwards   | (19)                        | (23)          | (50)                      | 44                |
| Embedded derivatives on funds withheld                              | 1,391                       | 1,629         | 258                       | 183               |
| <b>Amounts recognized in investment related gains (losses)</b>      | <b>2,465</b>                | <b>2,330</b>  | <b>1,845</b>              | <b>(689)</b>      |
| Embedded derivatives in indexed annuity products <sup>1</sup>       | (1,183)                     | (1,534)       | (848)                     | (357)             |
| <b>Total gains (losses) on derivatives not designated as hedges</b> | <b>\$ 1,282</b>             | <b>\$ 796</b> | <b>\$ 997</b>             | <b>\$ (1,046)</b> |

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

**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.



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**Notes to Condensed Consolidated Financial Statements (Unaudited)**

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 millions)            | Gross amounts not offset on the condensed consolidated balance sheets |                                    |                               |        |         | Net amount | Off-balance sheet securities collateral <sup>3</sup> | Net amount after securities collateral |
|--------------------------|---|------------------------------------|-------------------------------|--------|---------|------------|--|--|
|                          | Gross amount recognized <sup>1</sup>                                  | Financial instruments <sup>2</sup> | Collateral (received)/pledged |        |         |            |  |  |
| <b>June 30, 2021</b>     |   |                                    |                               |        |         |            |  |  |
| Derivative assets        | \$ 4,151  | \$ (176)                           | \$ (3,890)                    | \$ 85  | \$ —    | \$ 85      |  |  |
| Derivative liabilities   | (214)   | 176                                | 33                            | (5)    | —       | (5)        |  |  |
| <b>December 31, 2020</b> |   |                                    |                               |        |         |            |  |  |
| Derivative assets        | \$ 3,523  | \$ (165)                           | \$ (3,196)                    | \$ 162 | \$ (46) | \$ 116     |  |  |
| Derivative liabilities   | (298)   | 165                                | 144                           | 11     | —       | 11         |  |  |

<sup>1</sup> The gross amounts of recognized derivative assets and derivative liabilities are reported on the condensed consolidated balance sheets. As of June 30, 2021 and December 31, 2020, amounts not subject to master netting or similar agreements were immaterial.

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

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

**4. Variable Interest Entities**

As of June 30, 2021, we consolidate the following VIEs:

- Hamlet Securitization Trust 2020-CRE1 (Hamlet)
- A-A SPN-9 (ASREII - ACRASP), L.P. and A-A SPN-9 (ASREII - ALRESP), L.P. (collectively, A-A SPN-9)
- A-A Offshore 2021-1 (Java), L.P. (Java)
- NNN AGP Opportunities Fund, L.P. and NNN AGP Opportunities Fund II, L.P. (collectively, NNN AGP Opportunities)

Hamlet was formed to securitize a portion of our commercial mortgage loan portfolio as CMBS securities held by AHL subsidiaries and third-party cedant portfolios. Securitization of these commercial mortgage loans allows retention of the full economics of these assets while being able to pledge these assets as collateral to the Federal Home Loan Bank (FHLB) under the funding agreement program. As of June 30, 2021 and December 31, 2020, Hamlet primarily held \$1,812 million and \$1,880 million, respectively, of commercial mortgage loans. As substantially all of the activities and economics of Hamlet are conducted on our behalf, we are the primary beneficiary and consolidate Hamlet and the assets are included in mortgage loans on the condensed consolidated balance sheets. Additionally, as Hamlet is in the form of a trust, the commercial mortgage loan assets are included in the pledged assets and funds in trust table in *Note 11 – Commitments and Contingencies*.

A-A SPN-9 is comprised of limited partnership entities that invest in an underlying investment fund. As of June 30, 2021, A-A SPN-9 primarily held \$163 million of investment funds. We are the only limited partner in these entities and receive all of the economic benefits and losses, other than management fees and carried interest, as applicable, paid to the general partner in each entity which are Apollo affiliates and related parties. We do not have any direct voting rights as a limited partner at the A-A SPN-9 level, but we do have an ability to dissolve the underlying investment that results in dissolution of the entities. Therefore, as we have a unilateral ability to ultimately dissolve the entities and also own all of the economics in each of the entities, we are deemed to be the primary beneficiary of the VIEs.

Java is an investment fund. As of June 30, 2021, Java primarily held \$185 million of investment funds and \$17 million of other assets. We are both the general partner and the only limited partner in this investment fund and receive all of the economic benefits and losses. As the general partner, we hired an Apollo affiliate as the related party investment manager who receives management fees and service fees, as applicable. We hold both the power, as a general partner, and significant economics, as a limited partner, satisfying the primary beneficiary criteria.

NNN AGP Opportunities is an investment fund formed to purchase US-based net lease properties. As of June 30, 2021, NNN AGP Opportunities primarily held \$68 million of related party investment funds. We are both the general partner and a limited partner of the fund. As the general partner, we hired an Apollo affiliate as the related party investment manager who receives management fees and service fees, as applicable. We hold both the power, as a general partner, and significant economics, as a limited partner, satisfying the primary beneficiary criteria.

No arrangement exists requiring us to provide additional funding in excess of our committed capital investment, liquidity, or the funding of losses or an increase to our loss exposure in excess of our investment in any of the consolidated VIEs.

**ATHENE HOLDING LTD.**

**Notes to Condensed Consolidated Financial Statements (Unaudited)**

**5. 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.

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.

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**Notes to Condensed Consolidated Financial Statements (Unaudited)**

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

| (In millions)  | June 30, 2021     |               |                 |                  |                  |
|--|-------------------|---------------|-----------------|------------------|------------------|
|  | Total             | NAV           | Level 1         | Level 2          | Level 3          |
| <b>Assets</b>  |                   |               |                 |                  |                  |
| AFS securities   |                   |               |                 |                  |                  |
| US government and agencies   | \$ 334            | \$ —          | \$ 324          | \$ 10            | \$ —             |
| US state, municipal and political subdivisions                             | 1,016             | —             | —               | 1,016            | —                |
| Foreign governments  | 416               | —             | —               | 414              | 2                |
| Corporate  | 63,674            | —             | —               | 62,691           | 983              |
| CLO  | 13,183            | —             | —               | 12,907           | 276              |
| ABS  | 5,299             | —             | —               | 3,818            | 1,481            |
| CMBS   | 2,454             | —             | —               | 2,403            | 51               |
| RMBS   | 6,462             | —             | —               | 6,462            | —                |
| Total AFS securities   | 92,838            | —             | 324             | 89,721           | 2,793            |
| Trading securities   |                   |               |                 |                  |                  |
| US government and agencies   | 6                 | —             | 3               | 3                | —                |
| US state, municipal and political subdivisions                             | 105               | —             | —               | 105              | —                |
| Corporate  | 1,544             | —             | —               | 1,544            | —                |
| CLO  | 3                 | —             | —               | —                | 3                |
| ABS  | 132               | —             | —               | 94               | 38               |
| CMBS   | 90                | —             | —               | 88               | 2                |
| RMBS   | 185               | —             | —               | 129              | 56               |
| Total trading securities   | 2,065             | —             | 3               | 1,963            | 99               |
| Equity securities  | 398               | —             | 76              | 300              | 22               |
| Mortgage loans   | 18                | —             | —               | —                | 18               |
| Investment funds   | 496               | 130           | —               | —                | 366              |
| Funds withheld at interest – embedded derivative                           | 1,373             | —             | —               | —                | 1,373            |
| Derivative assets  | 4,151             | —             | 52              | 4,099            | —                |
| Short-term investments   | 101               | —             | 58              | 43               | —                |
| Other investments  | 105               | —             | —               | 105              | —                |
| Cash and cash equivalents  | 8,057             | —             | 8,057           | —                | —                |
| Restricted cash  | 669               | —             | 669             | —                | —                |
| Investments in related parties   |                   |               |                 |                  |                  |
| AFS securities   |                   |               |                 |                  |                  |
| Corporate  | 177               | —             | —               | 177              | —                |
| CLO  | 2,039             | —             | —               | 2,039            | —                |
| ABS  | 4,831             | —             | —               | 594              | 4,237            |
| Total AFS securities – related party                                       | 7,047             | —             | —               | 2,810            | 4,237            |
| Trading securities   |                   |               |                 |                  |                  |
| CLO  | 60                | —             | —               | 30               | 30               |
| ABS  | 1,680             | —             | —               | —                | 1,680            |
| Total trading securities – related party                                   | 1,740             | —             | —               | 30               | 1,710            |
| Equity securities  | 115               | —             | —               | —                | 115              |
| Investment funds   | 2,616             | 95            | —               | —                | 2,521            |
| Funds withheld at interest – embedded derivative                           | 752               | —             | —               | —                | 752              |
| Reinsurance recoverable  | 1,946             | —             | —               | —                | 1,946            |
| <b>Total assets measured at fair value</b>                                 | <b>\$ 124,487</b> | <b>\$ 225</b> | <b>\$ 9,239</b> | <b>\$ 99,071</b> | <b>\$ 15,952</b> |
| <b>Liabilities</b>   |                   |               |                 |                  |                  |
| Interest sensitive contract liabilities                                    |                   |               |                 |                  |                  |
| Embedded derivative  | \$ 13,635         | \$ —          | \$ —            | \$ —             | \$ 13,635        |
| Universal life benefits  | 1,188             | —             | —               | —                | 1,188            |
| Future policy benefits   |                   |               |                 |                  |                  |
| AmerUs Life Insurance Company (AmerUs) Closed Block                        | 1,551             | —             | —               | —                | 1,551            |
| Indianapolis Life Insurance Company (ILICO) Closed Block and life benefits | 743               | —             | —               | —                | 743              |
| Derivative liabilities   | 214               | —             | —               | 210              | 4                |
| Funds withheld liability – embedded derivative                             | 49                | —             | —               | 49               | —                |
| <b>Total liabilities measured at fair value</b>                            | <b>\$ 17,380</b>  | <b>\$ —</b>   | <b>\$ —</b>     | <b>\$ 259</b>    | <b>\$ 17,121</b> |

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**Notes to Condensed Consolidated Financial Statements (Unaudited)**

| (In millions)                                    | December 31, 2020 |               |                 |                  |                  |
|--|-------------------|---------------|-----------------|------------------|------------------|
|  | Total             | NAV           | Level 1         | Level 2          | Level 3          |
| <b>Assets</b>                                    |                   |               |                 |                  |                  |
| <b>AFS securities</b>                            |                   |               |                 |                  |                  |
| US government and agencies                       | \$ 351            | \$ —          | \$ 332          | \$ 19            | \$ —             |
| US state, municipal and political subdivisions   | 1,033             | —             | —               | 999              | 34               |
| Foreign governments                              | 368               | —             | —               | 366              | 2                |
| Corporate  | 58,180            | —             | —               | 57,402           | 778              |
| CLO  | 9,569             | —             | —               | 9,361            | 208              |
| ABS  | 4,270             | —             | —               | 3,470            | 800              |
| CMBS   | 2,169             | —             | —               | 2,126            | 43               |
| RMBS   | 6,913             | —             | —               | 6,913            | —                |
| Total AFS securities                             | 82,853            | —             | 332             | 80,656           | 1,865            |
| <b>Trading securities</b>                        |                   |               |                 |                  |                  |
| US government and agencies                       | 6                 | —             | 3               | 3                | —                |
| US state, municipal and political subdivisions   | 106               | —             | —               | 106              | —                |
| Corporate  | 1,577             | —             | —               | 1,577            | —                |
| CLO  | 4                 | —             | —               | —                | 4                |
| ABS  | 128               | —             | —               | 93               | 35               |
| CMBS   | 52                | —             | —               | 52               | —                |
| RMBS   | 220               | —             | —               | 173              | 47               |
| Total trading securities                         | 2,093             | —             | 3               | 2,004            | 86               |
| Equity securities                                | 330               | —             | 57              | 262              | 11               |
| Mortgage loans                                   | 19                | —             | —               | —                | 19               |
| Investment funds                                 | 161               | 144           | —               | —                | 17               |
| Funds withheld at interest – embedded derivative | 1,944             | —             | —               | —                | 1,944            |
| Derivative assets                                | 3,523             | —             | 58              | 3,465            | —                |
| Short-term investments                           | 222               | —             | 146             | 74               | 2                |
| Other investments                                | 105               | —             | —               | 105              | —                |
| Cash and cash equivalents                        | 7,704             | —             | 7,704           | —                | —                |
| Restricted cash                                  | 738               | —             | 738             | —                | —                |
| <b>Investments in related parties</b>            |                   |               |                 |                  |                  |
| <b>AFS securities</b>                            |                   |               |                 |                  |                  |
| Corporate  | 215               | —             | —               | 20               | 195              |
| CLO  | 1,520             | —             | —               | 1,520            | —                |
| ABS  | 4,785             | —             | —               | 676              | 4,109            |
| Total AFS securities – related party             | 6,520             | —             | —               | 2,216            | 4,304            |
| <b>Trading securities</b>                        |                   |               |                 |                  |                  |
| CLO  | 54                | —             | —               | 4                | 50               |
| ABS  | 1,475             | —             | —               | —                | 1,475            |
| Total trading securities – related party         | 1,529             | —             | —               | 4                | 1,525            |
| Equity securities                                | 72                | —             | —               | —                | 72               |
| Investment funds                                 | 2,119             | 86            | —               | —                | 2,033            |
| Funds withheld at interest – embedded derivative | 862               | —             | —               | —                | 862              |
| Reinsurance recoverable                          | 2,100             | —             | —               | —                | 2,100            |
| <b>Total assets measured at fair value</b>       | <b>\$ 112,894</b> | <b>\$ 230</b> | <b>\$ 9,038</b> | <b>\$ 88,786</b> | <b>\$ 14,840</b> |
| <b>Liabilities</b>                               |                   |               |                 |                  |                  |
| <b>Interest sensitive contract liabilities</b>   |                   |               |                 |                  |                  |
| Embedded derivative                              | \$ 12,873         | \$ —          | \$ —            | \$ —             | \$ 12,873        |
| Universal life benefits                          | 1,308             | —             | —               | —                | 1,308            |
| <b>Future policy benefits</b>                    |                   |               |                 |                  |                  |
| AmerUs Closed Block                              | 1,600             | —             | —               | —                | 1,600            |
| ILICO Closed Block and life benefits             | 776               | —             | —               | —                | 776              |
| Derivative liabilities                           | 298               | —             | 2               | 292              | 4                |
| Funds withheld liability – embedded derivative   | 59                | —             | —               | 59               | —                |
| <b>Total liabilities measured at fair value</b>  | <b>\$ 16,914</b>  | <b>\$ —</b>   | <b>\$ 2</b>     | <b>\$ 351</b>    | <b>\$ 16,561</b> |

**ATHENE HOLDING LTD.**

**Notes to Condensed Consolidated Financial Statements (Unaudited)**

**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.

*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* – Mortgage loans for which we have elected the fair value option or those held for sale are carried at fair value. 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.

*Investment funds* – Certain investment funds for which we elected the fair value option are included in Level 3 and are priced based on market accepted valuation models. The valuation models use significant unobservable inputs, which include material non-public financial information, estimation of future distributable earnings and demographic assumptions. These inputs are usually considered unobservable, as not all market participants have access to this data.

*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 payable under modco and funds withheld reinsurance agreements. As a result, the fair value of the embedded derivative is classified as Level 2 or 3 based on the valuation methods used for the assets held supporting the reinsurance agreements.

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

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

*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.

*AmerUs Closed Block* – We elected the fair value option for the future policy benefits liability in the AmerUs Closed Block. Our valuation technique is to set the fair value of policyholder liabilities equal to the fair value of assets. There is an additional component which captures the fair value of the open block's obligations to the closed block business. This component is the present value of the projected release of required capital and future earnings before income taxes on required capital supporting the AmerUs Closed Block, discounted at a rate which represents a market participant's required rate of return, less the initial required capital. Unobservable inputs include estimates for these items. The AmerUs Closed Block policyholder liabilities and any corresponding reinsurance recoverable are classified as Level 3.

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*ILICO Closed Block* – We elected the fair value option for the ILICO Closed Block. Our valuation technique is to set the fair value of policyholder liabilities equal to the fair value of assets. There is an additional component which captures the fair value of the open block's obligations to the closed block business. This component uses the present value of future cash flows which include commissions, administrative expenses, reinsurance premiums and benefits, and an explicit cost of capital. The discount rate includes a margin to reflect the business and nonperformance risk. Unobservable inputs include estimates for these items. The ILICO Closed Block policyholder liabilities and corresponding reinsurance recoverable are classified as Level 3.

*Universal life liabilities and other life benefits* – We elected the fair value option for certain blocks of universal and other life business ceded to Global Atlantic. We use a present value of liability cash flows. Unobservable inputs include estimates of mortality, persistency, expenses, premium payments and a risk margin used in the discount rates that reflects the riskiness of the business. These universal life policyholder liabilities and corresponding reinsurance recoverable are classified as Level 3.

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

| <i>(In millions)</i>        | Three months ended June 30, |               | Six months ended June 30, |               |
|-----------------------------|-----------------------------|---------------|---------------------------|---------------|
|                             | 2021                        | 2020          | 2021                      | 2020          |
| Trading securities          | \$ 61                       | \$ 191        | \$ (8)                    | \$ (32)       |
| Investment funds            | 495                         | 466           | 435                       | 166           |
| Future policy benefits      | (54)                        | (92)          | 49                        | (27)          |
| <b>Total gains (losses)</b> | <b>\$ 502</b>               | <b>\$ 565</b> | <b>\$ 476</b>             | <b>\$ 107</b> |

Gains and losses on trading securities are recorded in investment related gains (losses) on the condensed consolidated statements of income (loss). For fair value option mortgage loans, we record interest income in net investment income and subsequent changes in fair value in investment related gains (losses) on the condensed consolidated statements of income (loss). Gains and losses related to investment funds, including related party investment funds, are recorded in net investment income on the condensed consolidated statements of income (loss). We record the change in fair value of future policy benefits to future policy and other policy benefits on the condensed consolidated statements of income (loss).

The following summarizes information for fair value option mortgage loans:

| <i>(In millions)</i>     | June 30, 2021 | December 31, 2020 |
|--------------------------|---------------|-------------------|
| Unpaid principal balance | \$ 16         | \$ 17             |
| Mark to fair value       | 2             | 2                 |
| <b>Fair value</b>        | <b>\$ 18</b>  | <b>\$ 19</b>      |

There were no fair value option mortgage loans 90 days or more past due as of June 30, 2021 and December 31, 2020.

**ATHENE HOLDING LTD.**

**Notes to Condensed Consolidated Financial Statements (Unaudited)**

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

| (In millions)                                    | Three months ended June 30, 2021 |  |                 |   |                        |                    |  |   |
|--|----------------------------------|--|-----------------|---|------------------------|--------------------|--|---|
|  | Beginning balance                | Total realized and unrealized gains (losses) |                 | Net purchases, issuances, sales and settlements | Net transfers in (out) | Ending balance     | Total gains (losses) included in earnings <sup>1</sup> | Total gains (losses) included in OCI <sup>1</sup> |
|  |                                  | Included in income                           | Included in OCI |   |                        |                    |  |   |
| <b>Assets</b>                                    |                                  |  |                 |   |                        |                    |  |   |
| AFS securities                                   |                                  |  |                 |   |                        |                    |  |   |
| Foreign governments                              | \$ 2                             | \$ —   | \$ —            | \$ —  | \$ —                   | \$ 2               | \$ —   | \$ —  |
| Corporate  | 782                              | 4  | 6               | 74  | 117                    | 983                | —  | 6   |
| CLO  | 174                              | —  | —               | 102   | —                      | 276                | —  | —   |
| ABS  | 1,207                            | 16   | (5)             | 304   | (41)                   | 1,481              | —  | (5)   |
| CMBS   | 48                               | 1  | —               | 2   | —                      | 51                 | —  | 1   |
| Trading securities                               |                                  |  |                 |   |                        |                    |  |   |
| CLO  | —                                | —  | —               | 3   | —                      | 3                  | —  | —   |
| ABS  | 35                               | —  | —               | —   | 3                      | 38                 | —  | —   |
| CMBS   | —                                | —  | —               | 2   | —                      | 2                  | —  | —   |
| RMBS   | 59                               | (5)  | —               | —   | 2                      | 56                 | (1)  | —   |
| Equity securities                                | 14                               | 8  | —               | —   | —                      | 22                 | 7  | —   |
| Mortgage loans                                   | 18                               | —  | —               | —   | —                      | 18                 | —  | —   |
| Investment funds                                 | 171                              | 13   | —               | 182   | —                      | 366                | 13   | —   |
| Funds withheld at interest – embedded derivative | 636                              | 737  | —               | —   | —                      | 1,373              | —  | —   |
| Investments in related parties                   |                                  |  |                 |   |                        |                    |  |   |
| AFS securities                                   |                                  |  |                 |   |                        |                    |  |   |
| Corporate  | 201                              | —  | —               | —   | (201)                  | —                  | —  | —   |
| ABS  | 4,131                            | 5  | 2               | 99  | —                      | 4,237              | —  | 2   |
| Trading securities                               |                                  |  |                 |   |                        |                    |  |   |
| CLO  | 44                               | (7)  | —               | —   | (7)                    | 30                 | (7)  | —   |
| ABS  | 1,641                            | 8  | —               | 31  | —                      | 1,680              | 7  | —   |
| Equity securities                                | 114                              | (8)  | —               | 9   | —                      | 115                | (8)  | —   |
| Investment funds                                 | 1,970                            | 483  | —               | 68  | —                      | 2,521              | 483  | —   |
| Funds withheld at interest – embedded derivative | 580                              | 172  | —               | —   | —                      | 752                | —  | —   |
| Reinsurance recoverable                          | 1,880                            | 66   | —               | —   | —                      | 1,946              | —  | —   |
| <b>Total Level 3 assets</b>                      | <b>\$ 13,707</b>                 | <b>\$ 1,493</b>                              | <b>\$ 3</b>     | <b>\$ 876</b>                                   | <b>\$ (127)</b>        | <b>\$ 15,952</b>   | <b>\$ 494</b>  | <b>\$ 4</b>                                       |
| <b>Liabilities</b>                               |                                  |  |                 |   |                        |                    |  |   |
| Interest sensitive contract liabilities          |                                  |  |                 |   |                        |                    |  |   |
| Embedded derivative                              | \$ (12,473)                      | \$ (1,183)                                   | \$ —            | \$ 21   | \$ —                   | \$ (13,635)        | \$ —   | \$ —  |
| Universal life benefits                          | (1,108)                          | (80)   | —               | —   | —                      | (1,188)            | —  | —   |
| Future policy benefits                           |                                  |  |                 |   |                        |                    |  |   |
| AmerUs Closed Block                              | (1,497)                          | (54)   | —               | —   | —                      | (1,551)            | —  | —   |
| ILICO Closed Block and life benefits             | (757)                            | 14   | —               | —   | —                      | (743)              | —  | —   |
| Derivative liabilities                           | (5)                              | 1  | —               | —   | —                      | (4)                | 1  | —   |
| <b>Total Level 3 liabilities</b>                 | <b>\$ (15,840)</b>               | <b>\$ (1,302)</b>                            | <b>\$ —</b>     | <b>\$ 21</b>                                    | <b>\$ —</b>            | <b>\$ (17,121)</b> | <b>\$ 1</b>  | <b>\$ —</b>                                       |

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

**ATHENE HOLDING LTD.**

**Notes to Condensed Consolidated Financial Statements (Unaudited)**

Three months ended June 30, 2020

| (In millions)                                    | Beginning balance  | Total realized and unrealized gains (losses) |                 | Net purchases, issuances, sales and settlements | Net transfers in (out) | Ending balance     | Total gains (losses) included in earnings <sup>1</sup> | Total gains (losses) included in OCI <sup>1</sup> |
|--|--------------------|--|-----------------|---|------------------------|--------------------|--|---|
|  |                    | Included in income                           | Included in OCI |   |                        |                    |  |   |
| <b>Assets</b>                                    |                    |  |                 |   |                        |                    |  |   |
| <b>AFS securities</b>                            |                    |  |                 |   |                        |                    |  |   |
| US state, municipal and political subdivisions   | \$ 37              | \$ —   | \$ 3            | \$ —  | \$ —                   | \$ 40              | \$ —   | \$ 3  |
| Corporate  | 1,233              | —  | 41              | (32)  | (368)                  | 874                | —  | 41  |
| CLO  | 122                | —  | 2               | 39  | (3)                    | 160                | —  | 2   |
| ABS  | 917                | 1  | 9               | (39)  | (20)                   | 868                | —  | 10  |
| CMBS   | 45                 | (5)  | (1)             | (4)   | 14                     | 49                 | —  | (1)   |
| RMBS   | 42                 | —  | 2               | 1   | (29)                   | 16                 | —  | —   |
| <b>Trading securities</b>                        |                    |  |                 |   |                        |                    |  |   |
| Corporate  | 32                 | 4  | —               | —   | (30)                   | 6                  | 4  | —   |
| CLO  | 3                  | —  | —               | —   | —                      | 3                  | —  | —   |
| ABS  | 14                 | —  | —               | (14)  | —                      | —                  | —  | —   |
| RMBS   | 70                 | 2  | —               | —   | (17)                   | 55                 | 7  | —   |
| Equity securities                                | 7                  | (1)  | —               | —   | —                      | 6                  | (1)  | —   |
| Mortgage loans                                   | 26                 | —  | —               | (1)   | —                      | 25                 | (1)  | —   |
| Investment funds                                 | 21                 | (4)  | —               | —   | —                      | 17                 | (4)  | —   |
| Funds withheld at interest – embedded derivative | (374)              | 1,137  | —               | —   | —                      | 763                | —  | —   |
| Short-term investments                           | 67                 | —  | (1)             | 53  | (5)                    | 114                | —  | —   |
| <b>Investments in related parties</b>            |                    |  |                 |   |                        |                    |  |   |
| AFS securities, ABS                              | 1,887              | 4  | 169             | 1   | —                      | 2,061              | —  | 169   |
| <b>Trading securities</b>                        |                    |  |                 |   |                        |                    |  |   |
| CLO  | 32                 | 5  | —               | —   | 8                      | 45                 | 4  | —   |
| ABS  | 676                | 74   | —               | 74  | —                      | 824                | 74   | —   |
| Equity securities                                | 49                 | 4  | —               | (1)   | —                      | 52                 | 4  | —   |
| Investment funds                                 | 979                | 470  | —               | 361   | —                      | 1,810              | 470  | —   |
| Funds withheld at interest – embedded derivative | (15)               | 575  | —               | —   | —                      | 560                | —  | —   |
| Reinsurance recoverable                          | 2,115              | (16)   | —               | —   | —                      | 2,099              | —  | —   |
| <b>Total Level 3 assets</b>                      | <u>\$ 7,985</u>    | <u>\$ 2,250</u>                              | <u>\$ 224</u>   | <u>\$ 438</u>                                   | <u>\$ (450)</u>        | <u>\$ 10,447</u>   | <u>\$ 557</u>  | <u>\$ 224</u>                                     |
| <b>Liabilities</b>                               |                    |  |                 |   |                        |                    |  |   |
| <b>Interest sensitive contract liabilities</b>   |                    |  |                 |   |                        |                    |  |   |
| Embedded derivative                              | \$ (9,089)         | \$ (1,534)                                   | \$ —            | \$ (517)  | \$ —                   | \$ (11,140)        | \$ —   | \$ —  |
| Universal life benefits                          | (1,322)            | (1)  | —               | —   | —                      | (1,323)            | —  | —   |
| <b>Future policy benefits</b>                    |                    |  |                 |   |                        |                    |  |   |
| AmerUs Closed Block                              | (1,481)            | (92)   | —               | —   | —                      | (1,573)            | —  | —   |
| ILICO Closed Block and life benefits             | (778)              | 17   | —               | —   | —                      | (761)              | —  | —   |
| Derivative liabilities                           | (7)                | 2  | —               | —   | —                      | (5)                | 2  | —   |
| <b>Total Level 3 liabilities</b>                 | <u>\$ (12,677)</u> | <u>\$ (1,608)</u>                            | <u>\$ —</u>     | <u>\$ (517)</u>                                 | <u>\$ —</u>            | <u>\$ (14,802)</u> | <u>\$ 2</u>  | <u>\$ —</u>                                       |

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



**ATHENE HOLDING LTD.**

**Notes to Condensed Consolidated Financial Statements (Unaudited)**

Six months ended June 30, 2021

| (In millions)                                    | Total realized and unrealized gains<br>(losses) |                       | Net purchases,<br>issuances, sales and<br>settlements | Net transfers in<br>(out) | Ending balance  | Total gains<br>(losses) included<br>in earnings <sup>1</sup> | Total gains<br>(losses) included<br>in OCI <sup>1</sup> |                 |
|--|---|-----------------------|---|---------------------------|-----------------|--|---|-----------------|
|  | Beginning<br>balance                            | Included in<br>income |   |                           |                 |  |   | Included in OCI |
| <b>Assets</b>                                    |   |                       |   |                           |                 |  |   |                 |
| <b>AFS securities</b>                            |   |                       |   |                           |                 |  |   |                 |
| US state, municipal and political subdivisions   | \$ 34   | \$ —                  | \$ (1)  | \$ (1)                    | \$ (32)         | \$ —   | \$ (1)  |                 |
| Foreign governments                              | 2   | —                     | —   | —                         | —               | 2  | —   |                 |
| Corporate  | 778   | 8                     | 21  | 56                        | 120             | 983  | 22  |                 |
| CLO  | 208   | —                     | 1   | 67                        | —               | 276  | 1   |                 |
| ABS  | 800   | 1                     | 27  | 743                       | (90)            | 1,481  | 35  |                 |
| CMBS   | 43  | —                     | 5   | 3                         | —               | 51   | 4   |                 |
| <b>Trading securities</b>                        |   |                       |   |                           |                 |  |   |                 |
| CLO  | 4   | —                     | —   | (1)                       | —               | 3  | —   |                 |
| ABS  | 35  | —                     | —   | —                         | 3               | 38   | —   |                 |
| CMBS   | —   | —                     | —   | 2                         | —               | 2  | —   |                 |
| RMBS   | 47  | (8)                   | —   | —                         | 17              | 56   | (3)   |                 |
| Equity securities                                | 11  | 11                    | —   | —                         | —               | 22   | 11  |                 |
| Mortgage loans                                   | 19  | —                     | —   | (1)                       | —               | 18   | —   |                 |
| Investment funds                                 | 17  | 16                    | —   | 224                       | 109             | 366  | 16  |                 |
| Funds withheld at interest – embedded derivative | 1,944   | (571)                 | —   | —                         | —               | 1,373  | —   |                 |
| Short-term investments                           | 2   | —                     | —   | —                         | (2)             | —  | —   |                 |
| <b>Investments in related parties</b>            |   |                       |   |                           |                 |  |   |                 |
| <b>AFS securities</b>                            |   |                       |   |                           |                 |  |   |                 |
| Corporate  | 195   | —                     | 6   | —                         | (201)           | —  | —   |                 |
| ABS  | 4,109   | —                     | (25)  | 214                       | (61)            | 4,237  | (25)  |                 |
| <b>Trading securities</b>                        |   |                       |   |                           |                 |  |   |                 |
| CLO  | 50  | 9                     | —   | —                         | (29)            | 30   | 13  |                 |
| ABS  | 1,475   | 43                    | —   | 162                       | —               | 1,680  | 45  |                 |
| Equity securities                                | 72  | 1                     | —   | 42                        | —               | 115  | 1   |                 |
| Investment funds                                 | 2,033   | 419                   | —   | 69                        | —               | 2,521  | 419   |                 |
| Funds withheld at interest – embedded derivative | 862   | (110)                 | —   | —                         | —               | 752  | —   |                 |
| Reinsurance recoverable                          | 2,100   | (154)                 | —   | —                         | —               | 1,946  | —   |                 |
| <b>Total Level 3 assets</b>                      | <b>\$ 14,840</b>                                | <b>\$ (335)</b>       | <b>\$ 34</b>  | <b>\$ 1,579</b>           | <b>\$ (166)</b> | <b>\$ 15,952</b>   | <b>\$ 502</b>   | <b>\$ 36</b>    |
| <b>Liabilities</b>                               |   |                       |   |                           |                 |  |   |                 |
| <b>Interest sensitive contract liabilities</b>   |   |                       |   |                           |                 |  |   |                 |
| Embedded derivative                              | \$ (12,873)                                     | \$ (848)              | \$ —  | \$ 86                     | \$ —            | \$ (13,635)  | \$ —  | \$ —            |
| Universal life benefits                          | (1,308)   | 120                   | —   | —                         | —               | (1,188)  | —   | —               |
| <b>Future policy benefits</b>                    |   |                       |   |                           |                 |  |   |                 |
| AmerUs Closed Block                              | (1,600)   | 49                    | —   | —                         | —               | (1,551)  | —   | —               |
| ILICO Closed Block and life benefits             | (776)   | 33                    | —   | —                         | —               | (743)  | —   | —               |
| Derivative liabilities                           | (4)   | —                     | —   | —                         | —               | (4)  | —   | —               |
| <b>Total Level 3 liabilities</b>                 | <b>\$ (16,561)</b>                              | <b>\$ (646)</b>       | <b>\$ —</b>   | <b>\$ 86</b>              | <b>\$ —</b>     | <b>\$ (17,121)</b>   | <b>\$ —</b>   | <b>\$ —</b>     |

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

**ATHENE HOLDING LTD.**

**Notes to Condensed Consolidated Financial Statements (Unaudited)**

Six months ended June 30, 2020

| (In millions)                                    | Total realized and unrealized gains (losses) |                    |                 |   |                        |                    | Ending balance | Total gains (losses) included in earnings <sup>1</sup> | Total gains (losses) included in OCI <sup>1</sup> |
|--|--|--------------------|-----------------|---|------------------------|--------------------|----------------|--|---|
|  | Beginning balance                            | Included in income | Included in OCI | Net purchases, issuances, sales and settlements | Net transfers in (out) |                    |                |  |   |
| <b>Assets</b>                                    |  |                    |                 |   |                        |                    |                |  |   |
| <b>AFS securities</b>                            |  |                    |                 |   |                        |                    |                |  |   |
| US state, municipal and political subdivisions   | \$ 40  | \$ —               | \$ —            | \$ —  | \$ —                   | \$ —               | \$ 40          | \$ —   | \$ —  |
| Corporate  | 725  | (4)                | (8)             | (10)  | 171                    | 874                | —              | (8)  |   |
| CLO  | 121  | —                  | (4)             | 69  | (26)                   | 160                | —              | (4)  |   |
| ABS  | 1,374  | 23                 | (102)           | (246)   | (181)                  | 868                | —              | (101)  |   |
| CMBS   | 46   | (4)                | (7)             | (4)   | 18                     | 49                 | —              | (6)  |   |
| RMBS   | —  | —                  | —               | —   | 16                     | 16                 | —              | —  |   |
| <b>Trading securities</b>                        |  |                    |                 |   |                        |                    |                |  |   |
| Corporate  | —  | —                  | —               | —   | 6                      | 6                  | —              | —  |   |
| CLO  | 6  | (3)                | —               | —   | —                      | 3                  | (1)            | —  |   |
| ABS  | 16   | —                  | —               | (16)  | —                      | —                  | —              | —  |   |
| RMBS   | 52   | (1)                | —               | —   | 4                      | 55                 | 5              | —  |   |
| Equity securities                                | 3  | 3                  | —               | —   | —                      | 6                  | 3              | —  |   |
| Mortgage loans                                   | 27   | —                  | —               | (2)   | —                      | 25                 | —              | —  |   |
| Investment funds                                 | 22   | (5)                | —               | —   | —                      | 17                 | (5)            | —  |   |
| Funds withheld at interest – embedded derivative | 801  | (38)               | —               | —   | —                      | 763                | —              | —  |   |
| Short-term investments                           | 41   | —                  | (1)             | 74  | —                      | 114                | —              | —  |   |
| <b>Investments in related parties</b>            |  |                    |                 |   |                        |                    |                |  |   |
| AFS securities, ABS                              | 2,324  | 1                  | (53)            | (49)  | (162)                  | 2,061              | —              | (53)   |   |
| <b>Trading securities</b>                        |  |                    |                 |   |                        |                    |                |  |   |
| CLO  | 38   | (17)               | —               | 14  | 10                     | 45                 | (23)           | —  |   |
| ABS  | 711  | (27)               | —               | 140   | —                      | 824                | (27)           | —  |   |
| Equity securities                                | 64   | (6)                | —               | —   | (6)                    | 52                 | (6)            | —  |   |
| Investment funds                                 | 132  | 170                | —               | 1,508   | —                      | 1,810              | 170            | —  |   |
| Funds withheld at interest – embedded derivative | 594  | (34)               | —               | —   | —                      | 560                | —              | —  |   |
| Reinsurance recoverable                          | 1,821  | 278                | —               | —   | —                      | 2,099              | —              | —  |   |
| <b>Total Level 3 assets</b>                      | <b>\$ 8,958</b>                              | <b>\$ 336</b>      | <b>\$ (175)</b> | <b>\$ 1,478</b>                                 | <b>\$ (150)</b>        | <b>\$ 10,447</b>   | <b>\$ 116</b>  | <b>\$ (172)</b>  |   |
| <b>Liabilities</b>                               |  |                    |                 |   |                        |                    |                |  |   |
| <b>Interest sensitive contract liabilities</b>   |  |                    |                 |   |                        |                    |                |  |   |
| Embedded derivative                              | \$ (10,942)                                  | \$ (357)           | \$ —            | \$ 159  | \$ —                   | \$ (11,140)        | \$ —           | \$ —   |   |
| Universal life benefits                          | (1,050)                                      | (273)              | —               | —   | —                      | (1,323)            | —              | —  |   |
| <b>Future policy benefits</b>                    |  |                    |                 |   |                        |                    |                |  |   |
| AmerUs Closed Block                              | (1,546)                                      | (27)               | —               | —   | —                      | (1,573)            | —              | —  |   |
| ILICO Closed Block and life benefits             | (755)  | (6)                | —               | —   | —                      | (761)              | —              | —  |   |
| Derivative liabilities                           | (3)  | (2)                | —               | —   | —                      | (5)                | (2)            | —  |   |
| <b>Total Level 3 liabilities</b>                 | <b>\$ (14,296)</b>                           | <b>\$ (665)</b>    | <b>\$ —</b>     | <b>\$ 159</b>                                   | <b>\$ —</b>            | <b>\$ (14,802)</b> | <b>\$ (2)</b>  | <b>\$ —</b>  |   |

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

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**ATHENE HOLDING LTD.**

**Notes to Condensed Consolidated Financial Statements (Unaudited)**

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

|   | Three months ended June 30, 2021 |                 |                |                   |   |               |                 |                           |
|---|----------------------------------|-----------------|----------------|-------------------|---|---------------|-----------------|---------------------------|
| (In millions)   | Purchases                        | Issuances       | Sales          | Settlements       | Net purchases,<br>issuances, sales and<br>settlements | Transfers in  | Transfers out   | Net transfers in<br>(out) |
| <b>Assets</b>   |                                  |                 |                |                   |   |               |                 |                           |
| AFS securities  |                                  |                 |                |                   |   |               |                 |                           |
| Foreign governments   | \$ 1                             | \$ —            | \$ —           | \$ (1)            | \$ —  | \$ —          | \$ —            | \$ —                      |
| Corporate   | 132                              | —               | (8)            | (50)              | 74  | 203           | (86)            | 117                       |
| CLO   | 110                              | —               | —              | (8)               | 102   | —             | —               | —                         |
| ABS   | 1,128                            | —               | (20)           | (804)             | 304   | 3             | (44)            | (41)                      |
| CMBS  | 3                                | —               | —              | (1)               | 2   | —             | —               | —                         |
| Trading securities  |                                  |                 |                |                   |   |               |                 |                           |
| CLO   | 3                                | —               | —              | —                 | 3   | —             | —               | —                         |
| ABS   | 35                               | —               | (35)           | —                 | —   | 3             | —               | 3                         |
| CMBS  | 2                                | —               | —              | —                 | 2   | —             | —               | —                         |
| RMBS  | —                                | —               | —              | —                 | —   | 4             | (2)             | 2                         |
| Investment funds  | 182                              | —               | —              | —                 | 182   | —             | —               | —                         |
| Investments in related parties                                |                                  |                 |                |                   |   |               |                 |                           |
| AFS securities  |                                  |                 |                |                   |   |               |                 |                           |
| Corporate   | —                                | —               | —              | —                 | —   | —             | (201)           | (201)                     |
| ABS   | 365                              | —               | —              | (266)             | 99  | —             | —               | —                         |
| Trading securities  |                                  |                 |                |                   |   |               |                 |                           |
| CLO   | 4                                | —               | —              | (4)               | —   | 12            | (19)            | (7)                       |
| ABS   | 109                              | —               | —              | (78)              | 31  | —             | —               | —                         |
| Equity securities   | 11                               | —               | —              | (2)               | 9   | —             | —               | —                         |
| Investment funds  | 68                               | —               | —              | —                 | 68  | —             | —               | —                         |
| <b>Total Level 3 assets</b>                                   | <b>\$ 2,153</b>                  | <b>\$ —</b>     | <b>\$ (63)</b> | <b>\$ (1,214)</b> | <b>\$ 876</b>   | <b>\$ 225</b> | <b>\$ (352)</b> | <b>\$ (127)</b>           |
| <b>Liabilities</b>  |                                  |                 |                |                   |   |               |                 |                           |
| Interest sensitive contract liabilities – embedded derivative |                                  |                 |                |                   |   |               |                 |                           |
|   | \$ —                             | \$ (197)        | \$ —           | \$ 218            | \$ 21   | \$ —          | \$ —            | \$ —                      |
| <b>Total Level 3 liabilities</b>                              | <b>\$ —</b>                      | <b>\$ (197)</b> | <b>\$ —</b>    | <b>\$ 218</b>     | <b>\$ 21</b>  | <b>\$ —</b>   | <b>\$ —</b>     | <b>\$ —</b>               |

**ATHENE HOLDING LTD.**
**Notes to Condensed Consolidated Financial Statements (Unaudited)**

|  | Three months ended June 30, 2020 |                 |                |                |   |               |                 |                           |
|--|----------------------------------|-----------------|----------------|----------------|---|---------------|-----------------|---------------------------|
| <i>(In millions)</i>   | Purchases                        | Issuances       | Sales          | Settlements    | Net purchases,<br>issuances, sales and<br>settlements | Transfers in  | Transfers out   | Net transfers in<br>(out) |
| <b>Assets</b>  |                                  |                 |                |                |   |               |                 |                           |
| <b>AFS securities</b>  |                                  |                 |                |                |   |               |                 |                           |
| Corporate  | \$ —                             | \$ —            | \$ —           | \$ (32)        | \$ (32)   | \$ 122        | \$ (490)        | \$ (368)                  |
| CLO  | 44                               | —               | —              | (5)            | 39  | —             | (3)             | (3)                       |
| ABS  | 1                                | —               | —              | (40)           | (39)  | 31            | (51)            | (20)                      |
| CMBS   | —                                | —               | (4)            | —              | (4)   | 18            | (4)             | 14                        |
| RMBS   | 1                                | —               | —              | —              | 1   | —             | (29)            | (29)                      |
| <b>Trading securities</b>  |                                  |                 |                |                |   |               |                 |                           |
| Corporate  | —                                | —               | —              | —              | —   | 6             | (36)            | (30)                      |
| ABS  | —                                | —               | (14)           | —              | (14)  | —             | —               | —                         |
| RMBS   | —                                | —               | —              | —              | —   | 4             | (21)            | (17)                      |
| Mortgage loans   | —                                | —               | —              | (1)            | (1)   | —             | —               | —                         |
| Short-term investments   | 53                               | —               | —              | —              | 53  | —             | (5)             | (5)                       |
| <b>Investments in related parties</b>                                |                                  |                 |                |                |   |               |                 |                           |
| AFS securities, ABS  | 1                                | —               | —              | —              | 1   | —             | —               | —                         |
| <b>Trading securities</b>  |                                  |                 |                |                |   |               |                 |                           |
| CLO  | —                                | —               | —              | —              | —   | 11            | (3)             | 8                         |
| ABS  | 88                               | —               | —              | (14)           | 74  | —             | —               | —                         |
| Equity securities  | —                                | —               | —              | (1)            | (1)   | —             | —               | —                         |
| Investment funds   | 361                              | —               | —              | —              | 361   | —             | —               | —                         |
| <b>Total Level 3 assets</b>  | <b>\$ 549</b>                    | <b>\$ —</b>     | <b>\$ (18)</b> | <b>\$ (93)</b> | <b>\$ 438</b>   | <b>\$ 192</b> | <b>\$ (642)</b> | <b>\$ (450)</b>           |
| <b>Liabilities</b>   |                                  |                 |                |                |   |               |                 |                           |
| <b>Interest sensitive contract liabilities – embedded derivative</b> |                                  |                 |                |                |   |               |                 |                           |
|  | \$ —                             | \$ (646)        | \$ —           | \$ 129         | \$ (517)  | \$ —          | \$ —            | \$ —                      |
| <b>Total Level 3 liabilities</b>                                     | <b>\$ —</b>                      | <b>\$ (646)</b> | <b>\$ —</b>    | <b>\$ 129</b>  | <b>\$ (517)</b>                                       | <b>\$ —</b>   | <b>\$ —</b>     | <b>\$ —</b>               |

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**ATHENE HOLDING LTD.**

**Notes to Condensed Consolidated Financial Statements (Unaudited)**

|  | Six months ended June 30, 2021 |                 |                 |                 |   |               |                 |                           |
|--|--------------------------------|-----------------|-----------------|-----------------|---|---------------|-----------------|---------------------------|
| <i>(In millions)</i>   | Purchases                      | Issuances       | Sales           | Settlements     | Net purchases,<br>issuances, sales and<br>settlements | Transfers in  | Transfers out   | Net transfers in<br>(out) |
| <b>Assets</b>  |                                |                 |                 |                 |   |               |                 |                           |
| <b>AFS securities</b>  |                                |                 |                 |                 |   |               |                 |                           |
| US state, municipal and political subdivisions                       | \$ —                           | \$ —            | \$ —            | \$ (1)          | \$ (1)  | \$ —          | \$ (32)         | \$ (32)                   |
| Foreign governments  | 1                              | —               | —               | (1)             | —   | —             | —               | —                         |
| Corporate  | 110                            | —               | (9)             | (45)            | 56  | 235           | (115)           | 120                       |
| CLO  | 110                            | —               | —               | (43)            | 67  | —             | —               | —                         |
| ABS  | 935                            | —               | —               | (192)           | 743   | 57            | (147)           | (90)                      |
| CMBS   | 3                              | —               | —               | —               | 3   | —             | —               | —                         |
| <b>Trading securities</b>  |                                |                 |                 |                 |   |               |                 |                           |
| CLO  | 3                              | —               | (4)             | —               | (1)   | —             | —               | —                         |
| ABS  | 35                             | —               | (35)            | —               | —   | 3             | —               | 3                         |
| CMBS   | 2                              | —               | —               | —               | 2   | —             | —               | —                         |
| RMBS   | —                              | —               | —               | —               | —   | 20            | (3)             | 17                        |
| Mortgage loans   | —                              | —               | —               | (1)             | (1)   | —             | —               | —                         |
| Investment funds   | 224                            | —               | —               | —               | 224   | 109           | —               | 109                       |
| Short-term investments   | —                              | —               | —               | —               | —   | —             | (2)             | (2)                       |
| <b>Investments in related parties</b>                                |                                |                 |                 |                 |   |               |                 |                           |
| <b>AFS securities</b>  |                                |                 |                 |                 |   |               |                 |                           |
| Corporate  | —                              | —               | —               | —               | —   | —             | (201)           | (201)                     |
| ABS  | 1,026                          | —               | (751)           | (61)            | 214   | —             | (61)            | (61)                      |
| <b>Trading securities</b>  |                                |                 |                 |                 |   |               |                 |                           |
| CLO  | 8                              | —               | (1)             | (7)             | —   | —             | (29)            | (29)                      |
| ABS  | 228                            | —               | —               | (66)            | 162   | —             | —               | —                         |
| Equity securities  | 45                             | —               | —               | (3)             | 42  | —             | —               | —                         |
| Investment funds   | 69                             | —               | —               | —               | 69  | —             | —               | —                         |
| <b>Total Level 3 assets</b>  | <b>\$ 2,799</b>                | <b>\$ —</b>     | <b>\$ (800)</b> | <b>\$ (420)</b> | <b>\$ 1,579</b>                                       | <b>\$ 424</b> | <b>\$ (590)</b> | <b>\$ (166)</b>           |
| <b>Liabilities</b>   |                                |                 |                 |                 |   |               |                 |                           |
| <b>Interest sensitive contract liabilities – embedded derivative</b> |                                |                 |                 |                 |   |               |                 |                           |
|  | \$ —                           | \$ (372)        | \$ —            | \$ 458          | \$ 86   | \$ —          | \$ —            | \$ —                      |
| <b>Total Level 3 liabilities</b>                                     | <b>\$ —</b>                    | <b>\$ (372)</b> | <b>\$ —</b>     | <b>\$ 458</b>   | <b>\$ 86</b>  | <b>\$ —</b>   | <b>\$ —</b>     | <b>\$ —</b>               |

**ATHENE HOLDING LTD.**

**Notes to Condensed Consolidated Financial Statements (Unaudited)**

Six months ended June 30, 2020

| <i>(In millions)</i>   | Purchases       | Issuances       | Sales          | Settlements     | Net purchases,<br>issuances, sales and<br>settlements | Transfers in  | Transfers out   | Net transfers in<br>(out) |
|--|-----------------|-----------------|----------------|-----------------|---|---------------|-----------------|---------------------------|
| <b>Assets</b>  |                 |                 |                |                 |   |               |                 |                           |
| <b>AFS securities</b>  |                 |                 |                |                 |   |               |                 |                           |
| Corporate  | \$ 62           | \$ —            | \$ (10)        | \$ (62)         | \$ (10)   | \$ 209        | \$ (38)         | \$ 171                    |
| CLO  | 78              | —               | —              | (9)             | 69  | —             | (26)            | (26)                      |
| ABS  | 48              | —               | (13)           | (281)           | (246)   | 44            | (225)           | (181)                     |
| CMBS   | —               | —               | (4)            | —               | (4)   | 18            | —               | 18                        |
| RMBS   | —               | —               | —              | —               | —   | 16            | —               | 16                        |
| <b>Trading securities</b>  |                 |                 |                |                 |   |               |                 |                           |
| Corporate  | —               | —               | —              | —               | —   | 6             | —               | 6                         |
| ABS  | —               | —               | (16)           | —               | (16)  | —             | —               | —                         |
| RMBS   | —               | —               | —              | —               | —   | 6             | (2)             | 4                         |
| Mortgage loans   | —               | —               | —              | (2)             | (2)   | —             | —               | —                         |
| Short-term investments   | 89              | —               | —              | (15)            | 74  | —             | —               | —                         |
| <b>Investments in related parties</b>                                |                 |                 |                |                 |   |               |                 |                           |
| AFS securities, ABS  | 5               | —               | —              | (54)            | (49)  | —             | (162)           | (162)                     |
| <b>Trading securities</b>  |                 |                 |                |                 |   |               |                 |                           |
| CLO  | 27              | —               | (13)           | —               | 14  | 13            | (3)             | 10                        |
| ABS  | 154             | —               | —              | (14)            | 140   | —             | —               | —                         |
| Equity securities  | 3               | —               | —              | (3)             | —   | —             | (6)             | (6)                       |
| Investment funds   | 1,508           | —               | —              | —               | 1,508   | —             | —               | —                         |
| <b>Total Level 3 assets</b>  | <b>\$ 1,974</b> | <b>\$ —</b>     | <b>\$ (56)</b> | <b>\$ (440)</b> | <b>\$ 1,478</b>                                       | <b>\$ 312</b> | <b>\$ (462)</b> | <b>\$ (150)</b>           |
| <b>Liabilities</b>   |                 |                 |                |                 |   |               |                 |                           |
| <b>Interest sensitive contract liabilities – embedded derivative</b> |                 |                 |                |                 |   |               |                 |                           |
|  | \$ —            | \$ (762)        | \$ —           | \$ 921          | \$ 159  | \$ —          | \$ —            | \$ —                      |
| <b>Total Level 3 liabilities</b>                                     | <b>\$ —</b>     | <b>\$ (762)</b> | <b>\$ —</b>    | <b>\$ 921</b>   | <b>\$ 159</b>   | <b>\$ —</b>   | <b>\$ —</b>     | <b>\$ —</b>               |

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

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

*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 Treasury curve based on our public credit rating as of the valuation date. This represents our credit risk for use in the estimate of the fair value of embedded derivatives.
2. Option budget – We assume future hedge costs in the derivative’s fair value estimate. The level of option budgets determines the future costs of the options and impacts future policyholder account value growth.
3. Policyholder behavior – We regularly review the lapse and withdrawal assumptions (surrender rate). These are based on our initial pricing assumptions updated for actual experience. Actual experience may be limited for recently issued products.

**ATHENE HOLDING LTD.**

**Notes to Condensed Consolidated Financial Statements (Unaudited)**

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

|  |            | June 30, 2021        |                     |         |         |                    |  |  |
|--|------------|----------------------|---------------------|---------|---------|--------------------|--|--|
| <i>(In millions, except for percentages)</i>   | Fair value | Valuation technique  | Unobservable inputs | Minimum | Maximum | Weighted average   | Impact of an increase in the input on fair value |  |
| AFS and trading securities   | \$ 4,796   | Discounted cash flow | Discount rate       | 1.4 %   | 18.0 %  | 4.9 % <sup>1</sup> | Decrease   |  |
| Interest sensitive contract liabilities – fixed indexed annuities embedded derivatives | \$ 13,635  | Option budget method | Nonperformance risk | 0.0 %   | 0.8 %   | 0.5 % <sup>2</sup> | Decrease   |  |
|  |            |                      | Option budget       | 0.5 %   | 3.4 %   | 1.8 % <sup>3</sup> | Increase   |  |
|  |            |                      | Surrender rate      | 5.1 %   | 9.7 %   | 7.1 % <sup>4</sup> | Decrease   |  |

  

|  |            | December 31, 2020    |                     |         |         |                    |  |  |
|--|------------|----------------------|---------------------|---------|---------|--------------------|--|--|
| <i>(In millions, except for percentages)</i>   | Fair value | Valuation technique  | Unobservable inputs | Minimum | Maximum | Weighted average   | Impact of an increase in the input on fair value |  |
| AFS and trading securities   | \$ 5,858   | Discounted cash flow | Discount rate       | 1.7 %   | 35.0 %  | 4.6 % <sup>1</sup> | Decrease   |  |
| Interest sensitive contract liabilities – fixed indexed annuities embedded derivatives | \$ 12,873  | Option budget method | Nonperformance risk | 0.0 %   | 1.1 %   | 0.5 % <sup>2</sup> | Decrease   |  |
|  |            |                      | Option budget       | 0.6 %   | 3.5 %   | 1.9 % <sup>3</sup> | Increase   |  |
|  |            |                      | Surrender rate      | 5.3 %   | 9.5 %   | 7.1 % <sup>4</sup> | Decrease   |  |

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

<sup>2</sup> The nonperformance risk weighted average is based on the projected excess benefits of reserves used in the calculation of the embedded derivative.

<sup>3</sup> The option budget weighted average is calculated based on the indexed account values.

<sup>4</sup> The surrender rate weighted average is calculated based on projected account values.

**Financial Instruments Without Readily Determinable Fair Values**—We have elected the measurement alternative for certain equity securities that do not have a readily determinable fair value. The carrying amount of the equity securities was \$202 million, with a cumulative recorded impairment of \$231 million as of June 30, 2021 and December 31, 2020.

**Fair Value of Financial Instruments Not Carried at Fair Value**—The following represents our financial instruments not carried at fair value on the condensed consolidated balance sheets:

|  |                   | June 30, 2021     |                 |             |                 |                   |  |
|--|-------------------|-------------------|-----------------|-------------|-----------------|-------------------|--|
| <i>(In millions)</i>   | Carrying Value    | Fair Value        | NAV             | Level 1     | Level 2         | Level 3           |  |
| <b>Financial assets</b>                                      |                   |                   |                 |             |                 |                   |  |
| Mortgage loans   | \$ 17,372         | \$ 17,883         | \$ —            | \$ —        | \$ —            | \$ 17,883         |  |
| Investment funds   | 663               | 663               | 663             | —           | —               | —                 |  |
| Policy loans   | 329               | 329               | —               | —           | 329             | —                 |  |
| Funds withheld at interest                                   | 44,055            | 44,055            | —               | —           | —               | 44,055            |  |
| Other investments  | 1,575             | 1,575             | —               | —           | —               | 1,575             |  |
| <b>Investments in related parties</b>                        |                   |                   |                 |             |                 |                   |  |
| Mortgage loans   | 819               | 831               | —               | —           | —               | 831               |  |
| Investment funds   | 3,708             | 3,708             | 3,708           | —           | —               | —                 |  |
| Funds withheld at interest                                   | 11,824            | 11,824            | —               | —           | —               | 11,824            |  |
| Other investments  | 147               | 151               | —               | —           | —               | 151               |  |
| <b>Total financial assets not carried at fair value</b>      | <b>\$ 80,492</b>  | <b>\$ 81,019</b>  | <b>\$ 4,371</b> | <b>\$ —</b> | <b>\$ 329</b>   | <b>\$ 76,319</b>  |  |
| <b>Financial liabilities</b>                                 |                   |                   |                 |             |                 |                   |  |
| Interest sensitive contract liabilities                      | \$ 100,445        | \$ 103,416        | \$ —            | \$ —        | \$ —            | \$ 103,416        |  |
| Long-term debt   | 2,468             | 2,820             | —               | —           | 2,820           | —                 |  |
| Securities to repurchase                                     | 598               | 598               | —               | —           | 598             | —                 |  |
| Funds withheld liability                                     | 388               | 388               | —               | —           | 388             | —                 |  |
| <b>Total financial liabilities not carried at fair value</b> | <b>\$ 103,899</b> | <b>\$ 107,222</b> | <b>\$ —</b>     | <b>\$ —</b> | <b>\$ 3,806</b> | <b>\$ 103,416</b> |  |

**ATHENE HOLDING LTD.**

**Notes to Condensed Consolidated Financial Statements (Unaudited)**

| <i>(In millions)</i>   | December 31, 2020 |                   |                 |             |                 |                  |
|--|-------------------|-------------------|-----------------|-------------|-----------------|------------------|
|  | Carrying Value    | Fair Value        | NAV             | Level 1     | Level 2         | Level 3          |
| <b>Financial assets</b>                                      |                   |                   |                 |             |                 |                  |
| Mortgage loans   | \$ 15,245         | \$ 15,811         | \$ —            | \$ —        | \$ —            | \$ 15,811        |
| Investment funds   | 642               | 642               | 642             | —           | —               | —                |
| Policy loans   | 369               | 369               | —               | —           | 369             | —                |
| Funds withheld at interest                                   | 46,668            | 46,668            | —               | —           | —               | 46,668           |
| Other investments  | 467               | 471               | —               | —           | —               | 471              |
| <b>Investments in related parties</b>                        |                   |                   |                 |             |                 |                  |
| Mortgage loans   | 674               | 694               | —               | —           | —               | 694              |
| Investment funds   | 3,165             | 3,165             | 3,165           | —           | —               | —                |
| Funds withheld at interest                                   | 12,168            | 12,168            | —               | —           | —               | 12,168           |
| Other investments  | 469               | 499               | —               | —           | —               | 499              |
| <b>Total financial assets not carried at fair value</b>      | <u>\$ 79,867</u>  | <u>\$ 80,487</u>  | <u>\$ 3,807</u> | <u>\$ —</u> | <u>\$ 369</u>   | <u>\$ 76,311</u> |
| <b>Financial liabilities</b>                                 |                   |                   |                 |             |                 |                  |
| Interest sensitive contract liabilities                      | \$ 94,685         | \$ 98,945         | \$ —            | \$ —        | \$ —            | \$ 98,945        |
| Long-term debt   | 1,976             | 2,259             | —               | —           | 2,259           | —                |
| Securities to repurchase                                     | 598               | 598               | —               | —           | 598             | —                |
| Funds withheld liability                                     | 393               | 393               | —               | —           | 393             | —                |
| <b>Total financial liabilities not carried at fair value</b> | <u>\$ 97,652</u>  | <u>\$ 102,195</u> | <u>\$ —</u>     | <u>\$ —</u> | <u>\$ 3,250</u> | <u>\$ 98,945</u> |

We estimate the fair value for financial instruments not carried at fair value using the same methods and assumptions as those we carry at fair value. The financial instruments presented above are reported at carrying value on the condensed consolidated balance sheets; however, in the case of policy loans, funds withheld at interest and liability, short-term investments, and securities to repurchase, the carrying amount approximates fair value.

*Other investments* – The fair value of other investments is determined using a discounted cash flow model using discount rates for similar investments.

*Interest sensitive contract liabilities* – The carrying and fair value of interest sensitive contract liabilities above includes fixed indexed and traditional fixed annuities without mortality or morbidity risks, funding agreements and payout annuities without life contingencies. The embedded derivatives within fixed indexed annuities without mortality or morbidity risks are excluded, as they are carried at fair value. The valuation of these investment contracts is based on discounted cash flow methodologies using significant unobservable inputs. The estimated fair value is determined using current market risk-free interest rates, adding a spread to reflect our nonperformance risk and subtracting a risk margin to reflect uncertainty inherent in the projected cash flows.

*Long-term debt* – We obtain the fair value of long-term debt from commercial pricing services. These are classified as Level 2. 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.



**ATHENE HOLDING LTD.**

**Notes to Condensed Consolidated Financial Statements (Unaudited)**

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

The following represents a rollforward of deferred acquisition costs (DAC), deferred sales inducements (DSI) and value of business acquired (VOBA):

| <i>(In millions)</i>                           | DAC             | DSI           | VOBA          | Total           |
|--|-----------------|---------------|---------------|-----------------|
| Balance at December 31, 2020                   | \$ 3,236        | \$ 857        | \$ 813        | \$ 4,906        |
| Additions                                      | 287             | 115           | —             | 402             |
| Amortization                                   | (303)           | (106)         | (91)          | (500)           |
| Impact of unrealized investment (gains) losses | 85              | 27            | 44            | 156             |
| <b>Balance at June 30, 2021</b>                | <b>\$ 3,305</b> | <b>\$ 893</b> | <b>\$ 766</b> | <b>\$ 4,964</b> |

  

| <i>(In millions)</i>                           | DAC             | DSI           | VOBA          | Total           |
|--|-----------------|---------------|---------------|-----------------|
| Balance at December 31, 2019                   | \$ 3,274        | \$ 820        | \$ 914        | \$ 5,008        |
| Adoption of accounting standard                | 12              | 5             | 5             | 22              |
| Additions                                      | 281             | 83            | —             | 364             |
| Amortization                                   | 56              | 11            | (4)           | 63              |
| Impact of unrealized investment (gains) losses | —               | (4)           | 15            | 11              |
| <b>Balance at June 30, 2020</b>                | <b>\$ 3,623</b> | <b>\$ 915</b> | <b>\$ 930</b> | <b>\$ 5,468</b> |

**7. Debt**

**Senior Notes**—The following is a summary of our senior notes:

| Issue date                             | January 12, 2018 | April 3, 2020 | October 8, 2020  | May 25, 2021 |
|--|------------------|---------------|------------------|--------------|
| Principal balance <i>(in millions)</i> | \$ 1,000         | \$ 500        | \$ 500           | \$ 500       |
| Interest rate                          | 4.125 %          | 6.150 %       | 3.500 %          | 3.950 %      |
| Maturity date                          | January 12, 2028 | April 3, 2030 | January 15, 2031 | May 25, 2051 |

The senior notes are callable by AHL at any time. If called prior to three months before the scheduled maturity date, the price is equal to the greater of (1) 100% of the principal and any accrued and unpaid interest and (2) an amount equal to the sum of the present values of remaining scheduled payments, discounted from the scheduled payment date to the redemption date treasury rate plus a spread as defined in the applicable prospectus supplement and any accrued and unpaid interest.

Interest expense on long-term debt was \$25 million and \$18 million for the three months ended June 30, 2021 and 2020, respectively, and \$48 million and \$29 million for the six months ended June 30, 2021 and 2020, respectively.

## ATHENE HOLDING LTD.

## Notes to Condensed Consolidated Financial Statements (Unaudited)

## 8. Equity

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

| <i>(In millions)</i>   | Unrealized investment gains (losses) on AFS securities without a credit allowance <sup>2</sup> | Unrealized investment gains (losses) on AFS securities with a credit allowance <sup>2</sup> | DAC, DSI, VOBA and future policy benefits adjustments on AFS securities | Unrealized gains (losses) on hedging instruments | Foreign currency translation and other adjustments | Accumulated other comprehensive income (loss) |
|--|--|---|---|--|--|---|
| Balance at March 31, 2021  | \$ 2,808   | \$ (29)   | \$ (717)  | \$ (49)  | \$ 8   | \$ 2,021                                      |
| Other comprehensive income (loss) before reclassifications                       | 2,152  | (15)  | (459)   | 119  | 1  | 1,798   |
| Less: Reclassification adjustments for gains (losses) realized <sup>1</sup>      | (14)   | (3)   | 3   | 27   | —  | 13  |
| Less: Income tax expense (benefit)   | 421  | (2)   | (97)  | 23   | —  | 345   |
| Less: Other comprehensive income (loss) attributable to noncontrolling interests | 130  | (3)   | —   | (3)  | —  | 124   |
| <b>Balance at June 30, 2021</b>  | <b>\$ 4,423</b>  | <b>\$ (36)</b>  | <b>\$ (1,082)</b>   | <b>\$ 23</b>                                     | <b>\$ 9</b>  | <b>\$ 3,337</b>                               |

<sup>1</sup> Recognized in investment related gains (losses) on the condensed consolidated statements of income (loss).

<sup>2</sup> Previously reported amounts have been revised to correct a misstatement, which was not material, in the classification of balances and changes attributable to AFS securities with and without credit allowances.

| <i>(In millions)</i>   | Unrealized investment gains (losses) on AFS securities without a credit allowance <sup>2</sup> | Unrealized investment gains (losses) on AFS securities with a credit allowance <sup>2</sup> | DAC, DSI, VOBA and future policy benefits adjustments on AFS securities | Unrealized gains (losses) on hedging instruments | Foreign currency translation and other adjustments | Accumulated other comprehensive income (loss) |
|--|--|---|---|--|--|---|
| Balance at March 31, 2020  | \$ (1,505)   | \$ (259)  | \$ 195  | \$ 395   | \$ —   | \$ (1,174)                                    |
| Other comprehensive income (loss) before reclassifications                       | 5,637  | 271   | (1,404)   | (83)   | (10)   | 4,411   |
| Less: Reclassification adjustments for gains (losses) realized <sup>1</sup>      | 50   | —   | (52)  | —  | —  | (2)   |
| Less: Income tax expense (benefit)   | 1,060  | 51  | (284)   | (22)   | —  | 805   |
| Less: Other comprehensive income (loss) attributable to noncontrolling interests | 246  | (5)   | —   | 14   | (5)  | 250   |
| <b>Balance at June 30, 2020</b>  | <b>\$ 2,776</b>  | <b>\$ (34)</b>  | <b>\$ (873)</b>   | <b>\$ 320</b>                                    | <b>\$ (5)</b>                                      | <b>\$ 2,184</b>                               |

<sup>1</sup> Recognized in investment related gains (losses) on the condensed consolidated statements of income (loss).

<sup>2</sup> Previously reported amounts have been revised to correct a misstatement, which was not material, in the classification of balances and changes attributable to AFS securities with and without credit allowances.

| <i>(In millions)</i>  | Unrealized investment gains (losses) on AFS securities without a credit allowance <sup>2</sup> | Unrealized investment gains (losses) on AFS securities with a credit allowance <sup>2</sup> | DAC, DSI, VOBA and future policy benefits adjustments on AFS securities | Unrealized gains (losses) on hedging instruments | Foreign currency translation and other adjustments | Accumulated other comprehensive income (loss) |
|---|--|---|---|--|--|---|
| Balance at December 31, 2020  | \$ 5,352   | \$ (53)   | \$ (1,310)  | \$ (26)  | \$ 8   | \$ 3,971                                      |
| Other comprehensive income (loss) before reclassifications                  | (1,232)  | 17  | 294   | 88   | 1  | (832)   |
| Less: Reclassification adjustments for gains (losses) realized <sup>1</sup> | (24)   | (3)   | 5   | 27   | —  | 5   |
| Less: Income tax expense (benefit)  | (232)  | 4   | 61  | 16   | —  | (151)   |
| Less: Other comprehensive loss attributable to noncontrolling interests     | (47)   | (1)   | —   | (4)  | —  | (52)  |
| <b>Balance at June 30, 2021</b>   | <b>\$ 4,423</b>  | <b>\$ (36)</b>  | <b>\$ (1,082)</b>   | <b>\$ 23</b>                                     | <b>\$ 9</b>  | <b>\$ 3,337</b>                               |

<sup>1</sup> Recognized in investment related gains (losses) on the condensed consolidated statements of income (loss).

<sup>2</sup> Previously reported amounts have been revised to correct a misstatement, which was not material, in the classification of balances and changes attributable to AFS securities with and without credit allowances.

**ATHENE HOLDING LTD.**

**Notes to Condensed Consolidated Financial Statements (Unaudited)**

| <i>(In millions)</i>   | Unrealized investment gains (losses) on AFS securities without a credit allowance <sup>2</sup> | Unrealized investment gains (losses) on AFS securities with a credit allowance <sup>2</sup> | DAC, DSI, VOBA and future policy benefits adjustments on AFS securities | Unrealized gains (losses) on hedging instruments | Foreign currency translation and other adjustments | Accumulated other comprehensive income (loss) |
|--|--|---|---|--|--|---|
| Balance at December 31, 2019   | \$ 3,102   | \$ —  | \$ (879)  | \$ 61  | \$ (3)   | \$ 2,281                                      |
| Adoption of accounting standards   | 4  | (4)   | (6)   | —  | —  | (6)   |
| Other comprehensive income (loss) before reclassifications                       | (83)   | (44)  | (52)  | 318  | (1)  | 138   |
| Less: Reclassification adjustments for gains (losses) realized <sup>1</sup>      | 221  | —   | (67)  | —  | —  | 154   |
| Less: Income tax expense (benefit)   | (61)   | (9)   | 3   | 75   | —  | 8   |
| Less: Other comprehensive income (loss) attributable to noncontrolling interests | 87   | (5)   | —   | (16)   | 1  | 67  |
| <b>Balance at June 30, 2020</b>  | <b>\$ 2,776</b>  | <b>\$ (34)</b>  | <b>\$ (873)</b>   | <b>\$ 320</b>                                    | <b>\$ (5)</b>                                      | <b>\$ 2,184</b>                               |

<sup>1</sup> Recognized in investment related gains (losses) on the condensed consolidated statements of income (loss).

<sup>2</sup> Previously reported amounts have been revised to correct a misstatement, which was not material, in the classification of balances and changes attributable to AFS securities with and without credit allowances.

**9. Earnings Per Share**

The following represents our basic and diluted earnings per share (EPS) calculations, which are calculated using unrounded amounts:

| <i>(In millions, except per share data)</i>   | Class A            |               |                  |
|---|--------------------|---------------|------------------|
|   | Three months ended |               | Six months ended |
|   | June 30, 2021      | June 30, 2020 | June 30, 2021    |
| Net income available to Athene Holding Ltd. common shareholders – basic and diluted | \$ 1,382           | \$ 824        | \$ 1,960         |
| Basic weighted average shares outstanding   | 191.5              | 193.9         | 191.4            |
| Dilutive effect of stock compensation plans and warrants                            | 6.7                | 3.0           | 6.2              |
| Diluted weighted average shares outstanding   | 198.2              | 196.9         | 197.6            |
| <b>Earnings per share</b>   |                    |               |                  |
| Basic   | \$ 7.21            | \$ 4.25       | \$ 10.24         |
| Diluted   | \$ 6.97            | \$ 4.19       | \$ 9.92          |

| <i>(In millions, except per share data)</i>                                       | Six months ended June 30, 2020 |           |           |           |           |           |
|---|--------------------------------|-----------|-----------|-----------|-----------|-----------|
|   | Class A                        | Class B   | Class M-1 | Class M-2 | Class M-3 | Class M-4 |
| Net loss available to Athene Holding Ltd. common shareholders – basic and diluted | \$ (114)                       | \$ (98)   | \$ (13)   | \$ (3)    | \$ (4)    | \$ (9)    |
| Basic weighted average shares outstanding   | 177.6                          | 25.4      | 3.3       | 0.8       | 1.0       | 2.4       |
| Dilutive effect of stock compensation plans and warrants <sup>1</sup>             | —                              | —         | —         | —         | —         | —         |
| Diluted weighted average shares outstanding                                       | 177.6                          | 25.4      | 3.3       | 0.8       | 1.0       | 2.4       |
| <b>Earnings per share</b>   |                                |           |           |           |           |           |
| Basic   | \$ (0.64)                      | \$ (3.87) | \$ (3.87) | \$ (3.87) | \$ (3.87) | \$ (3.87) |
| Diluted   | \$ (0.64)                      | \$ (3.87) | \$ (3.87) | \$ (3.87) | \$ (3.87) | \$ (3.87) |

<sup>1</sup> The dilutive effective of stock compensation plans and warrants is antidilutive as a result of the net loss available to Athene Holding Ltd. common shareholders for the six months ended June 30, 2020.

**ATHENE HOLDING LTD.**

**Notes to Condensed Consolidated Financial Statements (Unaudited)**

For the periods in which we had multiple classes of stock participating in earnings, we used the two-class method for allocating net income available to Athene Holding Ltd. common shareholders to each class of our common stock. During the first quarter of 2020, as a result of the closing of the share transaction discussed further in *Note 10 – Related Parties*, we converted outstanding Class B shares to Class A shares and Class M shares were converted to Class A shares and warrants. As a result, the EPS calculation for the six months ended June 30, 2020 allocated all net income for the second quarter 2020 to Class A shares and, for the first quarter of 2020, used only the weighted average shares for the first quarter to allocate first quarter net loss to Class B and Class M shares; however, for Class B and Class M shares, the weighted average shares outstanding represented only that period of time that the shares were outstanding. The warrants issued as part of the conversion of the Class M shares are included within the dilutive effect of stock compensation plans and warrants above if dilutive.

Dilutive shares are calculated using the treasury stock method. For Class A shares, this method takes into account shares that can be settled into Class A shares, net of a conversion price. The diluted EPS calculations for Class A shares excluded 0.6 million and 3.3 million shares, restricted stock units, options and warrants as of June 30, 2021 and 2020, respectively, for the three months ended and excluded 0.6 million and 11.2 million as of June 30, 2021 and 2020, respectively, for the six months ended.

**10. Related Parties**

**Apollo**

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

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

Under the Seventh Amended and Restated Fee Agreement between us and AGM's subsidiary, Apollo Insurance Solutions Group LP (ISG) (Fee Agreement), we pay Apollo:

- (1) a base management fee equal to the sum of (i) 0.225% per year of the lesser of (A) the aggregate market value of substantially all of the assets in substantially all of the investment accounts of or relating to us (collectively, the Accounts) on December 31, 2018 of \$103.4 billion (Backbook Value) and (B) the aggregate market value of substantially all of the assets in the Accounts at the end of the respective month, plus (ii) 0.15% per year of the amount, if any (Incremental Value), by which the aggregate market value of substantially all of the assets in the Accounts at the end of the respective month exceeds the Backbook Value; plus
- (2) with respect to each asset in an Account, subject to certain exceptions, that is managed by Apollo and that belongs to a specified asset class tier (Core, Core Plus, Yield, and High Alpha), a sub-allocation fee as follows, which will, in the case of assets acquired after January 1, 2019, be subject to a cap of 10% of the applicable asset's gross book yield:
  - (i) 0.065% of the market value of Core assets, which include public investment grade corporate bonds, municipal securities, agency RMBS or CMBS, and obligations of governmental agencies or government sponsored entities that are not expressly backed by the US government;
  - (ii) 0.13% of the market value of Core Plus assets, which include private investment grade corporate bonds, fixed rate first lien commercial mortgage loans (CML), and certain obligations issued or assumed by financial institutions and determined by Apollo to be "Tier 2 Capital" under Basel III, a set of recommendations for international banking regulations developed by the Bank for International Settlements;
  - (iii) 0.375% of the market value of Yield assets, which include non-agency RMBS, investment grade CLO, CMBS and other ABS (other than RMBS and CLO), emerging market investments, below investment grade corporate bonds, subordinated debt obligations, hybrid securities or surplus notes issued or assumed by a financial institution, rated preferred equity, residential mortgage loans (RML), bank loans, investment grade infrastructure debt, and floating rate CMLs on slightly transitional or stabilized traditional real estate;
  - (iv) 0.70% of the market value of High Alpha assets, which include subordinated CML, below investment grade CLO, unrated preferred equity, debt obligations originated by MidCap, CMLs for redevelopment or construction loans or secured by non-traditional real estate, below investment grade infrastructure debt, certain loans originated directly by Apollo (other than MidCap loans), and agency mortgage derivatives; and
  - (v) 0.00% of the market value of cash and cash equivalents, US treasuries, non-preferred equities and alternatives.

**ATHENE HOLDING LTD.**

**Notes to Condensed Consolidated Financial Statements (Unaudited)**

The following represents assets based on the above sub-allocation structure:

| <i>(In millions, except percentages)</i> | June 30, 2021     | Percent of Total | December 31, 2020 | Percent of Total |
|--|-------------------|------------------|-------------------|------------------|
| Core                                     | \$ 47,764         | 25.0 %           | \$ 49,392         | 27.3 %           |
| Core Plus                                | 43,428            | 22.8 %           | 41,516            | 23.0 %           |
| Yield                                    | 73,999            | 38.8 %           | 64,693            | 35.8 %           |
| High Alpha                               | 7,343             | 3.8 %            | 6,200             | 3.4 %            |
| Other                                    | 18,257            | 9.6 %            | 19,088            | 10.5 %           |
| <b>Total sub-allocation assets</b>       | <b>\$ 190,791</b> | <b>100.0 %</b>   | <b>\$ 180,889</b> | <b>100.0 %</b>   |

Additionally, the Fee Agreement provides for a possible payment by Apollo to us, or a possible payment by us to Apollo, equal to 0.025% of the Incremental Value as of the end of each year, beginning on December 31, 2019, depending upon the percentage of our investments that consist of Core and Core Plus assets. If more than 60% of our invested assets that are subject to the sub-allocation fees are invested in Core and Core Plus assets, we will receive a 0.025% fee reduction on the Incremental Value. If less than 50% of our invested assets that are subject to the sub-allocation fee are invested in Core and Core Plus assets, we will pay an additional fee of 0.025% on Incremental Value.

During the three months ended June 30, 2021 and 2020, we incurred management fees, inclusive of the base and sub-allocation fees, of \$140 million and \$123 million, respectively. During the six months ended June 30, 2021 and 2020, we incurred management fees, inclusive of the base and sub-allocation fees, of \$284 million and \$251 million, respectively. Management fees are included within net investment income on the condensed consolidated statements of income (loss). As of June 30, 2021 and December 31, 2020, management fees payable were \$50 million and \$41 million, respectively, and are included in other liabilities on the condensed consolidated balance sheets. Such amounts include fees incurred attributable to ACRA including all of the noncontrolling interest in ACRA.

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

*Investment management agreement (IMA) termination* – Our bye-laws currently provide that we may not, and will cause our subsidiaries not to, terminate any IMA among us or any of our subsidiaries, on the one hand, and a member of the Apollo Group (as defined in our bye-laws), on the other hand, other than on June 4, 2023 or any two year anniversary of such date (each such date, an IMA Termination Election Date) and any termination on an IMA Termination Election Date requires (i) the approval of two-thirds of our Independent Directors (as defined in the bye-laws) and (ii) prior written notice to the applicable Apollo subsidiary of such termination at least 30 days, but not more than 90 days, prior to an IMA Termination Election Date. If our Independent Directors make such election to terminate and notice of such termination is delivered, the termination will be effective no earlier than the second anniversary of the applicable IMA Termination Election Date (IMA Termination Effective Date). Notwithstanding the foregoing, (A) except as set forth in clause (B) below, our board of directors may only elect to terminate an IMA on an IMA Termination Election Date if two-thirds of our Independent Directors determine, in their sole discretion and acting in good faith, that either (i) there has been unsatisfactory long-term performance materially detrimental to us by the applicable Apollo subsidiary or (ii) the fees being charged by the applicable Apollo subsidiary are unfair and excessive compared to a comparable asset manager (provided, that in either case such Independent Directors must deliver notice of any such determination to the applicable Apollo subsidiary and the applicable Apollo subsidiary will have until the applicable IMA Termination Effective Date to address such concerns, and provided, further, that in the case of such a determination that the fees being charged by the applicable Apollo subsidiary are unfair and excessive, the applicable Apollo subsidiary has the right to lower its fees to match the fees of such comparable asset manager) and (B) upon the determination by two-thirds of our Independent Directors, we or our subsidiaries may also terminate an IMA with the applicable Apollo subsidiary, on a date other than an IMA Termination Effective Date, as a result of either (i) a material violation of law relating to the applicable Apollo subsidiary’s advisory business, or (ii) the applicable Apollo subsidiary’s gross negligence, willful misconduct or reckless disregard of its obligations under the relevant agreement, in each case of this clause (B), that is materially detrimental to us, and in either case of this clause (B), subject to the delivery of written notice at least 30 days prior to such termination; provided, that in connection with an event described in clause (B)(i) or (B)(ii), the applicable Apollo subsidiary shall have the right to dispute such determination of the Independent Directors within 30 days after receiving notice from us of such determination, in which case the matter will be submitted to binding arbitration and such IMA shall continue to remain in effect during the period of the arbitration (the events described in the foregoing clauses (A) and (B) are referred to in more detail in our bye-laws as “AHL Cause”).

*Governance* – We have a management investment committee, which includes members of our senior management and reports to the risk committee of our board of directors. The committee focuses on strategic decisions involving our investment portfolio, such as approving investment limits, new asset classes and our allocation strategy, reviewing large asset transactions, as well as monitoring our credit risk, and the management of our assets and liabilities.

**ATHENE HOLDING LTD.****Notes to Condensed Consolidated Financial Statements (Unaudited)**

A significant voting interest in the Company is held by shareholders who are members of the Apollo Group. Also, James Belardi, our Chief Executive Officer, is an employee of ISG and receives remuneration from acting as Chief Executive Officer of ISG. Mr. Belardi also owns a 5% profit interest in ISG and in connection with such interest receives distributions in respect of ISG and sub-allocation fees earned by Apollo. Additionally, six of the sixteen members of our board of directors are employees of or consultants to Apollo (including Mr. Belardi). In order to protect against potential conflicts of interest resulting from transactions into which we have entered and will continue to enter into with the Apollo Group, our bye-laws require us to maintain a conflicts committee comprised solely of directors who are not officers or employees of any member of the Apollo Group. The conflicts committee reviews and approves material transactions between us and the Apollo Group, subject to certain exceptions.

**Other related party transactions**

*A-A Mortgage* – We have an equity method investment of \$77 million and \$444 million as of June 30, 2021 and December 31, 2020, respectively, in A-A Mortgage, which previously held an investment in AmeriHome. On February 16, 2021, Apollo, Athene and AmeriHome announced the sale of AmeriHome to a subsidiary of Western Alliance Bancorporation. This transaction closed on April 7, 2021 and we recognized \$182 million of revenue from the premium of the platform sale, net of carry and transaction expenses. Of the total, \$174 million was recognized during the first quarter of 2021 as a result of the underlying investment being held at fair value. We have a loan purchase agreement with AmeriHome, which survived the sale. The agreement allows us to purchase residential mortgage loans which AmeriHome has purchased from correspondent sellers and pooled for sale in the secondary market. AmeriHome retains the servicing rights to the sold loans. We purchased no residential mortgage loans under this agreement during the three months ended June 30, 2021 or 2020. We purchased \$0 million and \$169 million of residential mortgage loans under this agreement during the six months ended June 30, 2021 and 2020, respectively. Additionally, as of December 31, 2020, we held \$360 million of investments issued by AmeriHome or AmeriHome affiliates as related party AFS securities on the condensed consolidated balance sheets.

*MidCap* – We have multiple investments in MidCap including profit participating notes, senior unsecured notes and redeemable preferred stock, which are included in related party AFS or trading securities on the condensed consolidated balance sheets. We also had advanced amounts to MidCap under a subordinated debt facility, which was included in related party other investments on the condensed consolidated balance sheets. During the second quarter 2021, the principal balance of the MidCap subordinated debt facility of \$330 million was repaid and we received \$19 million as a result of the early repayment.

The following summarizes our investments in MidCap:

| <i>(In millions)</i>              | June 30, 2021 | December 31, 2020 |
|-----------------------------------|---------------|-------------------|
| Profit participating notes        | \$ 614        | \$ 534            |
| Senior unsecured notes            | 157           | —                 |
| Redeemable preferred stock        | 8             | 77                |
| Subordinated debt facility        | —             | 328               |
| <b>Total investment in MidCap</b> | <b>\$ 779</b> | <b>\$ 939</b>     |

Additionally, we hold ABS and CLO securities issued by MidCap affiliates of \$805 million and \$630 million as of June 30, 2021 and December 31, 2020, respectively, which are included in related party AFS securities on the condensed consolidated balance sheets.

*Athora* – We have a cooperation agreement with Athora, pursuant to which, among other things, (1) for a period of 30 days from the receipt of notice of a cession, we have the right of first refusal to reinsure (i) up to 50% of the liabilities ceded from Athora’s reinsurance subsidiaries to Athora Life Re Ltd. and (ii) up to 20% of the liabilities ceded from a third party to any of Athora’s insurance subsidiaries, subject to a limitation in the aggregate of 20% of Athora’s liabilities, (2) Athora agreed to cause its insurance subsidiaries to consider the purchase of certain funding agreements and/or other spread instruments issued by our insurance subsidiaries, subject to a limitation that the fair market value of such funding agreements purchased by any of Athora’s insurance subsidiaries may generally not exceed 3% of the fair market value of such subsidiary’s total assets, (3) we provide Athora with a right of first refusal to pursue acquisition and reinsurance transactions in Europe (other than the United Kingdom (UK)) and (4) Athora provides us and our subsidiaries with a right of first refusal to pursue acquisition and reinsurance transactions in North America and the UK. Notwithstanding the foregoing, pursuant to the cooperation agreement, Athora is only required to use its reasonable best efforts to cause its subsidiaries to adhere to the provisions set forth in the cooperation agreement and therefore Athora’s ability to cause its subsidiaries to act pursuant to the cooperation agreement may be limited by, among other things, legal prohibitions or the inability to obtain the approval of the board of directors or other applicable governing body of the applicable subsidiary, which approval is solely at the discretion of such governing body. As of June 30, 2021, we have not exercised our right of first refusal to reinsure liabilities ceded to Athora’s insurance or reinsurance subsidiaries.

Our investment in Athora, which is included in related party investment funds on the condensed consolidated balance sheets, was \$723 million and \$709 million as of June 30, 2021 and December 31, 2020, respectively. Additionally, as of June 30, 2021 and December 31, 2020, we had \$119 million and \$122 million, respectively, of funding agreements outstanding to Athora. We also have commitments to make additional equity investments in Athora of \$296 million as of June 30, 2021.

**ATHENE HOLDING LTD.**

**Notes to Condensed Consolidated Financial Statements (Unaudited)**

*Venerable* – We have coinsurance and modco agreements with Venerable Insurance and Annuity Company (VIAC). VIAC is a related party due to our minority equity investment in its holding company's parent, VA Capital, which was \$329 million and \$123 million as of June 30, 2021 and December 31, 2020, respectively. The minority equity investment in VA Capital is included in related party investment funds on the condensed consolidated balance sheets and accounted for as an equity method investment. VA Capital is owned by a consortium of investors, led by affiliates of AGM, Crestview Partners III Management, LLC (Crestview) and Reverence Capital Partners L.P. (Reverence), and is the parent of Venerable, which is the parent of VIAC.

On June 1, 2021, Apollo Hybrid Value Fund, L.P., AA Direct, L.P. and certain entities affiliated with Athora, collectively through an acquisition vehicle, AP Violet, L.P. (AP Violet), along with Crestview and Reverence agreed to acquire a portion of the minority equity investment in VA Capital from us and Apollo. In the second quarter of 2021, we sold a portion of our equity investment for \$24 million to Crestview and Reverence. In July 2021, we sold an additional \$66 million of the equity investment to AP Violet. Subject to certain regulatory approval, we will sell an additional \$13 million to AP Violet later in the third quarter of 2021. Additionally, the sales to AP Violet also include \$21 million of deferred consideration.

Additionally, we have a 15-year term loan receivable from Venerable due in 2033, which is included in related party other investments on the condensed consolidated balance sheets. The loan is held at the principal balance less allowances and was \$147 million and \$145 million as of June 30, 2021 and December 31, 2020, respectively. While management views the overall transactions with Venerable as favorable to us, the stated interest rate of 6.257% on the term loan to Venerable represents a below-market interest rate, and management considered such rate as part of its evaluation and pricing of the reinsurance transactions.

*Strategic Partnership* – We have an agreement pursuant to which we may invest up to \$2.5 billion over three years in funds managed by Apollo entities (Strategic Partnership). This arrangement is intended to permit us to invest across the Apollo alternatives platform into credit-oriented, strategic and other alternative investments in a manner and size that is consistent with our existing investment strategy. Fees for such investments payable by us to Apollo would be more favorable to us than market rates, and consistent with our existing alternative investments, investments made under the Strategic Partnership require approval of ISG and remain subject to our existing governance processes, including approval by our conflicts committee where applicable. As of June 30, 2021 and December 31, 2020, we had \$274 million and \$214 million, respectively, of investments under the Strategic Partnership and these investments are typically included in related party investment funds on the condensed consolidated balance sheets.

*PK AirFinance* – We have an investment in PK AirFinance (PK), an aviation lending business with a portfolio of loans (Aviation Loans). The Aviation Loans are generally fully secured by aircraft leases and aircraft. Apollo owns the PK loan origination platform, including personnel and systems and, pursuant to certain agreements entered into between us, Apollo, and certain entities managed by Apollo, the Aviation Loans are securitized by an SPV for which Apollo acts as ABS manager (ABS-SPV). The ABS-SPV issues tranches of senior notes and subordinated notes, which are secured by the Aviation Loans. As of June 30, 2021 and December 31, 2020, our investment in securitizations of loans originated by PK was \$1,358 million and \$1,373 million, respectively, and are included in related party AFS or trading securities on the condensed consolidated balance sheets. We also have commitments to make additional investment in securitizations of loans originated by PK of \$1,265 million as of June 30, 2021.

*Apollo/Athene Dedicated Investment Program (ADIP)* – Our subsidiary, Athene Co-Invest Reinsurance Affiliate 1A Ltd. (together with its subsidiaries, ACRA) is partially owned by ADIP, which is managed by AGM. ALRe currently holds 36.55% of the economic interests in ACRA, with ADIP holding the remaining 63.45%. During the three months ended June 30, 2021 and 2020, we received capital contributions of \$85 million and \$0 million, respectively, from ADIP and paid dividends of \$0 million and \$0 million, respectively, to ADIP. During the six months ended June 30, 2021 and 2020, we received capital contributions of \$320 million and \$240 million, respectively, from ADIP and paid dividends of \$0 million and \$46 million, respectively, to ADIP.

*Apollo Share Exchange and Related Transactions* – On February 28, 2020, we closed a strategic transaction with AGM and certain affiliates of AGM which collectively comprise the Apollo Operating Group (AOG), pursuant to which we sold 27,959,184 newly issued Class A common shares to the AOG for an investment in Apollo of 29,154,519 newly issued AOG units valued at \$1.1 billion and we sold 7,575,758 newly issued Class A common shares to the AOG for \$350 million. Additionally, Apollo Management Holdings, L.P. (AMH) has the right to purchase up to that number of Class A common shares that would increase by 5 percentage points the percentage of the issued and outstanding Class A common shares beneficially owned by the AOG and certain affiliates, employees and consultants of AGM (inclusive of Class A common shares over which any such persons have a valid proxy), calculated on a fully diluted basis. In connection with the closing of the transaction, we made certain amendments to our bye-laws which, among other things, eliminated our multi-class common share structure.

Concurrent with our entry into the transaction agreements, AMH, James Belardi, our Chief Executive Officer, and William Wheeler, our President (each an Other Shareholder), entered into a voting agreement, pursuant to which each Other Shareholder irrevocably appointed AMH as its proxy and attorney-in-fact (Proxy) to vote all of such Other Shareholder's Class A common shares at any meeting of our shareholders occurring following the closing date and in connection with any written consent of our shareholders following the closing date. The Proxy will be of no force and effect if Apollo and certain affiliates thereof cease to hold some minimum level of ownership not to exceed 7.5% of our Class A common shares.

## ATHENE HOLDING LTD.

## Notes to Condensed Consolidated Financial Statements (Unaudited)

**11. 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 \$11,449 million and \$7,472 million as of June 30, 2021 and December 31, 2020, respectively. 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.

**Funding Agreements**—We are a member of the FHLB and, through membership, we have issued funding agreements to the FHLB in exchange for cash advances. As of June 30, 2021 and December 31, 2020, we had \$2,001 million and \$2,002 million, respectively, of FHLB funding agreements outstanding. We are required to provide collateral in excess of the funding agreement amounts outstanding, considering any discounts to the securities posted and prepayment penalties.

We have a funding agreement backed notes (FABN) program, which allows Athene Global Funding, a special-purpose, unaffiliated statutory trust, to offer its senior secured medium-term notes. Athene Global Funding uses the net proceeds from each sale to purchase one or more funding agreements from us. As of June 30, 2021 and December 31, 2020, we had \$16,069 million and \$8,822 million, respectively, of FABN funding agreements outstanding. We had \$8,985 million of FABN capacity remaining as of June 30, 2021.

During the third quarter of 2020, we established a secured funding agreement backed repurchase agreement (FABR) program, in which a special-purpose, unaffiliated entity entered into repurchase agreements with a bank and the proceeds of the repurchase agreements were used by the special purpose entity to purchase funding agreements from us. As of June 30, 2021 and December 31, 2020, we had \$1,000 million of FABR funding agreements outstanding.

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

| <i>(In millions)</i>           | June 30, 2021    | December 31, 2020 |
|--------------------------------|------------------|-------------------|
| AFS securities                 | \$ 9,272         | \$ 9,884          |
| Trading securities             | 70               | 60                |
| Equity securities              | 27               | 26                |
| Mortgage loans                 | 4,813            | 5,028             |
| Investment funds               | 166              | 68                |
| Derivative assets              | 105              | 107               |
| Short-term investments         | —                | 52                |
| Other investments              | 105              | 105               |
| Restricted cash                | 669              | 738               |
| <b>Total restricted assets</b> | <b>\$ 15,227</b> | <b>\$ 16,068</b>  |

The restricted assets are primarily related to reinsurance trusts established in accordance with coinsurance agreements and the FHLB and FABR funding agreements described above.

**Letters of Credit**—We have undrawn letters of credit totaling \$1,397 million as of June 30, 2021. These letters of credit were issued for our reinsurance program and expire between December 10, 2021 and June 19, 2023.



**ATHENE HOLDING LTD.**

**Notes to Condensed Consolidated Financial Statements (Unaudited)**

**Litigation, Claims and Assessments**

*Corporate-owned Life Insurance (COLI) Matter* – In 2000 and 2001, two insurance companies, which were subsequently merged into Athene Annuity and Life Company (AAIA), purchased broad based variable COLI policies from American General Life Insurance Company (American General) that, as of June 30, 2021, had an asset value of \$421 million, and is included in other assets on the condensed consolidated balance sheets. In January 2012, the COLI policy administrator delivered to AAIA a supplement to the existing COLI policies and advised that American General and ZC Resource Investment Trust (ZC Trust) had unilaterally implemented changes set forth in the supplement that, if effective, would: (1) potentially negatively impact the crediting rate for the policies and (2) change the exit and surrender protocols set forth in the policies. In March 2013, AAIA filed suit against American General, ZC Trust, and ZC Resource LLC in Chancery Court in Delaware, seeking, among other relief, a declaration that the changes set forth in the supplement were ineffectual and in breach of the parties' agreement. The parties filed cross motions for judgment as a matter of law, and the court granted defendants' motion and dismissed without prejudice on ripeness grounds. The issue that negatively impacts the crediting rate for one of the COLI policies has subsequently been triggered and, on April 3, 2018, we filed suit against the same defendants in Chancery Court in Delaware seeking substantially similar relief. Defendants moved to dismiss and the court heard oral arguments on February 13, 2019. The court issued an opinion on July 31, 2019 that did not address the merits, but found that the Chancery Court did not have jurisdiction over our claims and directed us to either amend our complaint or transfer the matter to Delaware Superior Court. The matter has been transferred to the Delaware Superior Court. Defendants renewed their motion to dismiss and the Superior Court heard oral arguments on December 18, 2019. The Superior Court issued an opinion on May 18, 2020 in which it granted in part and denied in part defendants' motion. The Superior Court denied defendants' motion with respect to the issue that negatively impacts the crediting rate for one of the COLI policies, which issue will proceed to discovery. The Superior Court granted defendants' motion and dismissed without prejudice on ripeness grounds claims related to the exit and surrender protocols set forth in the policies, and dismissed defendant ZC Resource LLC. If the supplement is ultimately deemed to be effective, the purported changes to the policies could impair AAIA's ability to access the value of guarantees associated with the policies. The Superior Court issued a scheduling order providing for a July 2022 trial and the parties are currently engaged in discovery. The value of the guarantees included within the asset value reflected above is \$195 million as of June 30, 2021.

*Regulatory Matters* – Beginning in 2015, our US insurance subsidiaries have experienced increased complaints related to the conversion and administration of the block of life insurance business acquired in connection with our acquisition of Aviva USA and reinsured to affiliates of Global Atlantic. The life insurance policies included in this block have been and are currently being administered by AllianceOne Inc. (AllianceOne), a subsidiary of DXC Technology Company, which was retained by such Global Atlantic affiliates to provide third party administration services on such policies. AllianceOne also administers a small block of annuity policies that were on Aviva USA's legacy policy administration systems that were also converted in connection with the acquisition of Aviva USA and have experienced some similar service and administration issues, but to a lesser degree.

As a result of the difficulties experienced with respect to the administration of such policies, we have received notifications from several state regulators, including but not limited to New York State Department of Financial Services (NYSDFS), the California Department of Insurance (CDI) and the Texas Department of Insurance (TDI), indicating, in each case, that the respective regulator planned to undertake a market conduct examination or enforcement proceeding of the applicable US insurance subsidiary relating to the treatment of policyholders subject to our reinsurance agreements with affiliates of Global Atlantic and the conversion of the life and annuity policies, including the administration of such blocks by AllianceOne. We entered into consent orders with several state regulators, including the NYSDFS, the CDI and the TDI, to resolve underlying matters in the respective states. All fines and costs, including those associated with remediation plans, paid in connection with the consent orders are subject to indemnification by Global Atlantic or affiliates of Global Atlantic.

Pursuant to the terms of the reinsurance agreements between us and the relevant affiliates of Global Atlantic, the applicable affiliates of Global Atlantic have financial responsibility for the ceded life block and are subject to significant administrative service requirements, including compliance with applicable law. The agreements also provide for indemnification to us, including for administration issues.

In addition to the examinations and proceedings initiated to date, it is possible that other regulators may pursue similar formal examinations, inquiries or enforcement proceedings and that any examinations, inquiries and/or enforcement proceedings may result in fines, administrative penalties and payments to policyholders. While we do not expect the amount of any such fines, penalties or payments arising from these matters to be material to our financial condition, results of operations or cash flows, it is possible that such amounts could be material.

**12. Segment Information**

We operate our core business strategies out of one reportable segment, Retirement Services. In addition to Retirement Services, we report certain other operations in Corporate and Other.

**Retirement Services**—Retirement Services is comprised of our US and Bermuda operations, which issue and reinsure retirement savings products and institutional products. Retirement Services has retail operations, which provide annuity retirement solutions to our policyholders. Retirement Services also has reinsurance operations, which reinsure multi-year guaranteed annuities, fixed indexed annuities, traditional one-year guarantee fixed deferred annuities, immediate annuities and institutional products from our reinsurance partners. In addition, our institutional operations, including funding agreements and group annuities, are included in our Retirement Services segment.

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**ATHENE HOLDING LTD.**

**Notes to Condensed Consolidated Financial Statements (Unaudited)**

**Corporate and Other**—Corporate and Other includes certain other operations related to our corporate activities such as corporate allocated expenses, merger and acquisition costs, debt costs, preferred stock dividends, certain integration and restructuring costs, certain stock-based compensation and intersegment eliminations. In addition, we also hold capital in excess of the level of capital we hold in Retirement Services to support our operating strategy.

**Financial Measures**—Segment adjusted operating income available to common shareholders is an internal measure used by the chief operating decision maker to evaluate and assess the results of our segments.

Adjusted operating revenue is a component of adjusted operating income available to common shareholders and excludes market volatility and adjustments for other non-operating activity. Our adjusted operating revenue equals our total revenue, adjusted to eliminate the impact of the following non-operating adjustments:

- Change in fair values of derivatives and embedded derivatives – index annuities, net of offsets;
- Investment gains (losses), net of offsets; and
- Noncontrolling interests, VIE expenses and other adjustments to revenues.

The table below reconciles segment adjusted operating revenues to total revenues presented on the condensed consolidated statements of income (loss):

| <i>(In millions)</i>  | Three months ended June 30, |                 | Six months ended June 30, |                 |
|---|-----------------------------|-----------------|---------------------------|-----------------|
|   | 2021                        | 2020            | 2021                      | 2020            |
| Retirement Services   | \$ 2,690                    | \$ 1,589        | \$ 6,327                  | \$ 4,058        |
| Corporate and Other   | 539                         | 446             | 577                       | 116             |
| <b>Non-operating adjustments</b>  |                             |                 |                           |                 |
| Change in fair values of derivatives and embedded derivatives – index annuities, net of offsets | 1,092                       | 754             | 1,585                     | (917)           |
| Investment gains (losses), net of offsets   | 685                         | 1,246           | (172)                     | (439)           |
| Noncontrolling interests, VIE expenses and other adjustments to revenues                        | 1,417                       | 363             | 2,497                     | 31              |
| <b>Total revenues</b>   | <b>\$ 6,423</b>             | <b>\$ 4,398</b> | <b>\$ 10,814</b>          | <b>\$ 2,849</b> |

Adjusted operating income available to common shareholders is an internal measure used to evaluate our financial performance excluding market volatility and expenses related to integration, restructuring, stock compensation and certain other expenses. Our adjusted operating income available to common shareholders equals net income available to Athene Holding Ltd. common shareholders adjusted to eliminate the impact of the following non-operating adjustments:

- Investment gains (losses), net of offsets;
- Change in fair values of derivatives and embedded derivatives – index annuities, net of offsets;
- Integration, restructuring and other non-operating expenses;
- Stock-based compensation, excluding the long-term incentive plan (LTIP); and
- Income tax (expense) benefit – non-operating.

The table below reconciles segment adjusted operating income available to common shareholders to net income available to Athene Holding Ltd. common shareholders presented on the condensed consolidated statements of income (loss):

| <i>(In millions)</i>  | Three months ended June 30, |               | Six months ended June 30, |                 |
|---|-----------------------------|---------------|---------------------------|-----------------|
|   | 2021                        | 2020          | 2021                      | 2020            |
| Retirement Services   | \$ 634                      | \$ 208        | \$ 1,418                  | \$ 412          |
| Corporate and Other   | 366                         | 282           | 330                       | (30)            |
| <b>Non-operating adjustments</b>  |                             |               |                           |                 |
| Investment gains (losses), net of offsets   | 517                         | 775           | (88)                      | (364)           |
| Change in fair values of derivatives and embedded derivatives – index annuities, net of offsets | (68)                        | (405)         | 420                       | (340)           |
| Integration, restructuring and other non-operating expenses                                     | (11)                        | (9)           | (56)                      | (13)            |
| Stock-based compensation, excluding LTIP  | (1)                         | —             | (1)                       | (10)            |
| Income tax (expense) benefit – non-operating  | (55)                        | (27)          | (63)                      | 104             |
| <b>Net income (loss) available to Athene Holding Ltd. common shareholders</b>                   | <b>\$ 1,382</b>             | <b>\$ 824</b> | <b>\$ 1,960</b>           | <b>\$ (241)</b> |

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## ATHENE HOLDING LTD.

## Notes to Condensed Consolidated Financial Statements (Unaudited)

The following represents total assets by segment:

| <i>(In millions)</i> | June 30, 2021     | December 31, 2020 |
|----------------------|-------------------|-------------------|
| Retirement Services  | \$ 209,081        | \$ 197,295        |
| Corporate and Other  | 6,468             | 5,476             |
| <b>Total assets</b>  | <b>\$ 215,549</b> | <b>\$ 202,771</b> |

Deposits and premiums by the geographical location are as follows:

| <i>(In millions)</i>                             | Six months ended June 30, |                  | Years ended December 31, |                   |
|--|---------------------------|------------------|--------------------------|-------------------|
|  | 2021                      | 2020             | 2020 <sup>1</sup>        | 2019 <sup>1</sup> |
| United States                                    | \$ 12,614                 | \$ 10,384        | \$ 19,187                | \$ 16,614         |
| Bermuda  | 3,520                     | 27,536           | 35,692                   | 1,893             |
| <b>Total premiums and deposits, net of ceded</b> | <b>\$ 16,134</b>          | <b>\$ 37,920</b> | <b>\$ 54,879</b>         | <b>\$ 18,507</b>  |

<sup>1</sup> Previously reported amounts have been revised to correct a misstatement, which was not material, in the classification between the United States and Bermuda geographical locations.

**Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations**

**Index to Management’s Discussion and Analysis of Financial Condition and Results of Operations**

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**Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations**

**Overview**

We are a leading financial services company specializing in retirement services that issues, reinsures and acquires retirement savings products designed for the increasing number of individuals and institutions seeking to fund retirement needs. We generate attractive financial results for our policyholders and shareholders by combining our two core competencies of (1) sourcing long-term, generally illiquid liabilities and (2) investing in a high-quality investment portfolio, which takes advantage of the illiquid nature of our liabilities. Our steady and significant base of earnings generates capital that we opportunistically invest across our business to source attractively-priced liabilities and capitalize on opportunities.

We have established a significant base of earnings and, as of June 30, 2021, have an expected annual net investment spread for our Retirement Services segment, which measures our investment performance less the total cost of our liabilities, of 1–2% over the 8.8 year weighted-average life of our reserve liabilities. The weighted-average life includes deferred annuities, PRT group annuities, funding agreements, payout annuities and other products.

We operate our core business strategies out of one reportable segment, Retirement Services. In addition to Retirement Services, we report certain other operations in Corporate and Other. Retirement Services is comprised of our US and Bermuda operations which issue and reinsure retirement savings products and institutional products. Corporate and Other includes certain other operations related to our corporate activities.

Our total assets have grown to \$215.5 billion as of June 30, 2021. Our book value per common share as of June 30, 2021 was \$92.33. Our adjusted book value per common share was \$67.46 as of June 30, 2021. Our consolidated annualized ROE for the six months ended June 30, 2021 and the year ended December 31, 2020 was 21.0% and 10.0%, respectively, and our consolidated annualized adjusted operating ROE was 28.2% and 12.1%, respectively. For the six months ended June 30, 2021 and the year ended December 31, 2020, in our Retirement Services segment, we generated an annualized net investment spread of 2.18% and 1.31%, respectively, and an annualized adjusted operating ROE of 32.6% and 16.9%, respectively. Our Retirement Services segment generated an annualized investment margin on deferred annuities of 2.85% and 2.09% for the six months ended June 30, 2021 and the year ended December 31, 2020, respectively. As of June 30, 2021, our deferred annuities had a weighted-average life of 8.6 years and made up a significant portion of our reserve liabilities.

The following table presents the inflows generated from our organic and inorganic channels:

|  | Three months ended June 30, |            | Six months ended June 30, |            |
|--|-----------------------------|------------|---------------------------|------------|
|  | 2021                        | 2020       | 2021                      | 2020       |
| <i>(In millions, except percentages)</i>                     |                             |            |                           |            |
| Retail   | \$ 1,749                    | \$ 1,791   | \$ 3,506                  | \$ 3,037   |
| Flow reinsurance   | 279                         | 2,265      | 578                       | 3,126      |
| Funding agreements <sup>1</sup>                              | 4,074                       | 2,636      | 7,300                     | 3,459      |
| Pension risk transfer  | 1,474                       | 229        | 4,367                     | 1,246      |
| Gross organic inflows  | 7,576                       | 6,921      | 15,751                    | 10,868     |
| Gross inorganic inflows                                      | —                           | 28,792     | —                         | 28,792     |
| Total gross inflows  | 7,576                       | 35,713     | 15,751                    | 39,660     |
| Inflows attributable to ACRA noncontrolling interest         | (1,681)                     | (18,268)   | (3,151)                   | (18,268)   |
| Net outflows <sup>2</sup>                                    | (3,941)                     | (3,282)    | (7,422)                   | (6,022)    |
| Net flows  | \$ 1,954                    | \$ 14,163  | \$ 5,178                  | \$ 15,370  |
| Gross organic inflows  | \$ 7,576                    | \$ 6,921   | \$ 15,751                 | \$ 10,868  |
| Organic inflows attributable to ACRA noncontrolling interest | (1,681)                     | —          | (3,151)                   | —          |
| Net organic inflows  | 5,895                       | 6,921      | 12,600                    | 10,868     |
| Net outflows <sup>2</sup>                                    | (3,941)                     | (3,282)    | (7,422)                   | (6,022)    |
| Net organic flows  | \$ 1,954                    | \$ 3,639   | \$ 5,178                  | \$ 4,846   |
| Net organic growth rate <sup>3</sup>                         | 4.9 %                       | 11.4 %     | 6.7 %                     | 7.8 %      |
| Average net invested assets                                  | \$ 158,259                  | \$ 127,591 | \$ 155,570                | \$ 123,646 |

<sup>1</sup> Funding agreements are comprised of funding agreements issued under our FABN and FABR programs, funding agreements issued to the FHLB and long-term repurchase agreements. <sup>2</sup> Net outflows consist of full and partial policyholder withdrawals on deferred annuities, death benefits, pension risk transfer benefit payments, payments on payout annuities and funding agreement maturities net of the ACRA noncontrolling interest. In 2021 we revised the net outflows metric, for all periods presented, to include all outflows while previously this metric excluded inorganic business. <sup>3</sup> Net organic growth rate is calculated as net organic flows divided by average net invested assets, on an annualized basis. In 2021, we revised the net organic growth rate and average net invested assets metrics, for all periods presented, to include all outflows and net invested assets while previously these metrics excluded inorganic business.

**Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations**

Our organic channels, including retail, flow reinsurance and institutional products, provided gross inflows of \$15.8 billion and \$10.9 billion for the six months ended June 30, 2021 and 2020, respectively, which were underwritten to attractive, above target returns despite the historically low interest rate environment. Organic inflows increased \$4.9 billion, or 45%, reflecting the strength of our multi-channel distribution platform and our ability to quickly pivot into the optimal and profitable channels as opportunities arise. Withdrawals on our deferred annuities, maturities of our funding agreements, payments on payout annuities and pension risk benefit payments (collectively, liability outflows), in the aggregate, were \$7.4 billion and \$6.0 billion for the six months ended June 30, 2021 and 2020, respectively. The increase in outflows compared to the prior year was consistent with our expectations and pricing assumptions, primarily related to a large number of 5 year MYGA contracts issued in 2016 through our flow reinsurance channel, which are coming out of surrender charge period in 2021. Net organic growth rate of 6.7% and 7.8% for the six months ended June 30, 2021 and 2020, respectively, decreased mainly due to an increase in organic inflows ceded to ACRA resulting in higher noncontrolling interests and the significant growth in our average net invested assets. We believe that our credit profile, our current product offerings and product design capabilities as well as our growing reputation as both a seasoned funding agreement issuer and a reliable PRT counterparty will continue to enable us to grow our existing organic channels and allow us to source additional volumes of profitably underwritten liabilities in various market environments. We plan to continue to grow organically by expanding each of our retail, flow reinsurance and institutional distribution channels. We believe that we have the right people, infrastructure, scale and capital discipline to position us for continued growth.

Within our retail channel, we had fixed annuity sales of \$3.5 billion and \$3.0 billion for the six months ended June 30, 2021 and 2020, respectively. The increase in our retail channel was primarily driven by the strong performance of our FIA products in the IMO and broker-dealer channels, and exhibits strong sales execution despite the challenging sales environment. Despite the significant headwinds, we have maintained our disciplined approach to pricing, including with respect to targeted underwritten returns. We aim to grow our retail channel by deepening our relationships with our approximately 54 independent marketing organizations (IMO); approximately 62,000 independent agents; and our growing network of 18 banks and 110 regional broker-dealers. Our strong financial position and diverse, capital efficient products allow us to be dependable partners with IMOs, banks and broker-dealers as well as consistently write new business. We expect our retail channel to continue to benefit from our credit profile and recent product launches. We believe this should support growth in sales at our desired cost of funds through increased volumes via current IMOs, while also allowing us to continue to expand our bank and broker-dealer channels. Additionally, we are focusing on hiring and training a specialized sales force and creating products to capture new potential distribution opportunities.

In our flow reinsurance channel, we target reinsurance business consistent with our preferred liability characteristics and, as such, flow reinsurance provides another opportunistic channel for us to source liabilities with attractive crediting rates. We generated inflows through our flow reinsurance channel of \$578 million and \$3.1 billion for the six months ended June 30, 2021 and 2020, respectively. The decrease in our flow reinsurance channel from prior year was driven by maintaining our rate discipline in the lower interest rate environment amid a very competitive market. We expect that our credit profile and our reputation as a solutions provider will help us continue to source additional reinsurance partners, which will further diversify our flow reinsurance channel.

Within our institutional channel, we generated inflows of \$11.7 billion and \$4.7 billion for the six months ended June 30, 2021 and 2020, respectively. The increase in our institutional channel was driven by higher funding agreement inflows as well as higher PRT inflows. We issued funding agreements in the aggregate principal amount of \$7.3 billion and \$3.5 billion for the six months ended June 30, 2021 and 2020, respectively, which included fourteen issuances in six different currencies in 2021. Funding agreements are comprised of funding agreements issued under our FABN and FABR programs, funding agreements issued to the FHLB and repurchase agreements with maturities exceeding one year at issuance, with inflows in the aggregate principal amount of \$7.3 billion under our FABN program for the six months ended June 30, 2021. During the six months ended June 30, 2021, we closed three PRT transactions and issued annuity contracts in the aggregate principal amount of \$4.4 billion, compared to \$1.3 billion during the six months ended June 30, 2020. Since entering the PRT channel in 2017 through June 30, 2021, we have closed 27 deals involving more than 305,000 plan participants resulting in the issuance or reinsurance of group annuities of \$20.7 billion. We expect to grow our institutional channel by continuing to engage in PRT transactions and programmatic issuances of funding agreements.

Our inorganic channel has contributed significantly to our growth through both acquisitions and block reinsurance transactions. On June 18, 2020, we entered into an agreement with Jackson, effective June 1, 2020, pursuant to which we agreed to reinsure a block of fixed and fixed indexed annuities on a funds withheld coinsurance basis providing \$28.8 billion of gross inflows. Utilizing the strategic benefits of ACRA, approximately 63% of the total capital deployment for the transaction will be funded by third-party investors and approximately 37% will be funded by ALRe. As part of the Jackson reinsurance transaction, ACRA made an equity investment in Jackson Financial Inc. (JFI), an indirect parent of Jackson, which closed on July 17, 2020. On January 28, 2021, Prudential plc announced its intent to reduce its controlling interest in JFI through a direct dividend demerger, which is expected to occur in the second half of 2021. We expect that our inorganic channel will continue to be an important source of profitable growth in the future. We believe our internal transactions team, with support from Apollo, has an industry-leading ability to source, underwrite and expeditiously close transactions. With support from Apollo, we are a solutions provider with a proven track record of closing transactions, which we believe makes us the ideal partner to insurance companies seeking to restructure their business.

Executing our growth strategy requires that we have sufficient capital available to deploy. We believe that we have significant capital available to us to support our growth aspirations. As of June 30, 2021, we estimate that we have approximately \$8.3 billion in capital available to deploy, consisting of approximately \$4.0 billion in excess capital, \$2.8 billion in untapped debt capacity (assuming a peer average adjusted debt to capitalization ratio of 25%) and \$1.5 billion in available uncalled capital at ACRA, subject, in the case of debt capacity, to favorable market conditions and general availability.

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In order to support our growth strategies and capital deployment opportunities, we established ACRA as a long-duration, on-demand capital vehicle. Effective April 1, 2020, ALRe purchased additional shares in ACRA increasing our ownership from 33% to 36.55% of the economic interests, with the remaining 63.45% of the economic interests being owned by ADIP, a series of funds managed by an affiliate of Apollo. ACRA is expected to participate 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. This shareholder-friendly, strategic capital solution is expected to allow us the flexibility to simultaneously deploy capital across multiple accretive avenues, while maintaining a strong financial position.

### *Strategic Transaction with Apollo*

On February 28, 2020, we closed a transaction with Apollo in which Apollo acquired an incremental stake in us for AOG units valued at \$1.1 billion, upon close, and \$350 million of cash. Additionally, we converted our Class B common shares to Class A common shares and our Class M common shares to Class A common shares and warrants, eliminating our multi-class share structure. Changes in the value of the AOG units are reflected within the change in fair value of Apollo investment, net of tax line item and may present future volatility in our results of operations due to changes in the valuation of the AOG units. See *Note 10 – Related Parties* to the condensed consolidated financial statements for further discussion.

### *Merger with Apollo*

On March 8, 2021, we entered into a Merger Agreement, by and among the Company, AGM, HoldCo, AHL Merger Sub, and AGM Merger Sub. The Company and AGM have agreed, subject to the terms and conditions of the Merger Agreement, to effect an all-stock merger transaction to combine our respective businesses by: (1) AGM merging with AGM Merger Sub, with AGM surviving such merger as a direct wholly owned subsidiary of HoldCo, (2) the Company merging with AHL Merger Sub, with the Company surviving such merger as a direct wholly owned subsidiary of HoldCo, and (3) as of the effective time of the Mergers, changing the name of HoldCo to be Apollo Global Management, Inc. At the effective time of the Mergers, each AHL Class A common share, subject to certain exceptions, will be converted automatically into the right to receive 1.149 shares of HoldCo common stock. The Mergers are expected to close in January 2022, subject to shareholder and regulatory approvals and other customary closing conditions.

## Industry Trends and Competition

### *Market Conditions*

Market activity in the second quarter of 2021 was defined by relatively low volatility, continued low spreads, and robust equity markets. The economic growth story in the US continued to look positive, despite concerns earlier in the year, as COVID-19 related restrictions were removed across most of the country. Continued improvements in employment metrics and an extremely strong real estate market boosted consumer confidence, which in turn lifted retail sales and a wide variety of other metrics. Equity markets responded to this growing enthusiasm by continuing their strong performance more or less throughout the quarter, registering all-time highs. Inflation concerns, which had been a primary driver of higher interest rates in the first quarter, diminished somewhat as most market participants looked through numbers distorted by comparison to 2020 levels impacted by COVID-19. The US Federal Reserve (Fed) did little to add clarity to the inflation picture, describing higher inflation as transitory, but remaining comfortable allowing inflation to drift towards and above its stated 2% goal.

Partially due to this lack of clarity, as well as some further mixed messaging from the Fed around the timing of a potential taper of its bond buying program and some minor rate changes in shorter dated maturities, rates decreased toward the end of the quarter. This trend continued well into July, with the net impact being an almost 50% retracement of the increase in rates which occurred in the first quarter of 2021. This had the predictable impact of attracting yield-focused buyers to the markets, and spreads tightened across almost all sectors of fixed income. Spreads in many sectors were already as low as post-2008 financial crisis levels, and some tightened further. New issue volume in almost all sectors was well absorbed.

COVID-19 related concerns played a smaller role than in recent quarters in terms of market impact – restrictions were rolled back in the US, as well as in select countries in Europe, but a troubling resurgence of COVID-19 linked to the Delta variant seems poised to potentially reverse that trend. Already, cities across Asia and Australia have returned to lockdown, and other countries could potentially do the same. Should the Delta variant continue to spread and impact unvaccinated communities, it is likely that markets would react.

### *Interest Rate Environment*

Even if we dismiss the potential for a Delta variant-related flight to quality trade developing in short order, it is unlikely there will be a sustained move to higher rates in the short term. Inflation concerns could increase, but sustained yield buying tends to keep the rates from moving higher. With an increasingly uncertain COVID-19 impact and a growth story that is currently strong but fragile, rates are likely to remain range bound, if not drift further lower. At the same time, yields globally remain very close to all-time lows, if not outright negative, and the global hunt for yield continues. Even if COVID-19 concerns cease completely, a difficult (and differentiated) growth story in various parts of the world is likely to keep rates low and the need for yield significant.

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Our investment portfolio consists predominantly of fixed maturity investments. See *–Consolidated Investment Portfolio*. If prevailing interest rates were to rise, we believe the yield on our new investment purchases may also rise and our investment income from floating rate investments would increase, while the value of our existing investments may decline. If prevailing interest rates were to decline, it is likely that the yield on our new investment purchases may decline and our investment income from floating rate investments would decrease, while the value of our existing investments may increase. Recent trends of decreasing interest rates, as expected, have led to a decrease in our investment income from floating rate investments, an overall decrease in asset yields and an increase in the value of our existing investments, though we observed a slight reversal of this trend during the first half of 2021.

We address interest rate risk through managing the duration of the liabilities we source with assets we acquire through ALM modeling. As part of our investment strategy, we purchase floating rate investments, which we expect would perform well in a rising interest rate environment and which we expect would underperform in a declining rate environment, which was experienced in the prior year. Our investment portfolio includes \$31.9 billion of floating rate investments, or 20% of our net invested assets as of June 30, 2021.

If prevailing interest rates were to rise, we believe our products would be more attractive to consumers and our sales would likely increase. If prevailing interest rates were to decline, it is likely that our products would be less attractive to consumers and our sales would likely decrease. In periods of prolonged low interest rates, the net investment spread may be negatively impacted by reduced investment income to the extent that we are unable to adequately reduce policyholder crediting rates due to policyholder guarantees in the form of minimum crediting rates or otherwise due to market conditions. As of June 30, 2021, most of our products were deferred annuities with 22% of our FIAs at the minimum guarantees and 38% of our fixed rate annuities at the minimum crediting rates. As of June 30, 2021, minimum guarantees on all of our deferred annuities, including those with crediting rates already at their minimum guarantees, were, on average, greater than 95 basis points below the crediting rates on such deferred annuities, allowing us room to reduce rates before reaching the minimum guarantees. Our remaining liabilities are associated with immediate annuities, pension risk transfer obligations, funding agreements and life contracts for which we have little to no discretionary ability to change the rates of interest payable to the respective policyholder. A significant majority of our deferred annuity products have crediting rates that we may reset annually upon renewal, following the expiration of the current guaranteed period. While we have the contractual ability to lower these crediting rates to the guaranteed minimum levels, our willingness to do so may be limited by competitive pressures.

See *Part I—Item 3. Quantitative and Qualitative Disclosures About Market Risks* to this report and *Part II—Item 7A. Quantitative and Qualitative Disclosures About Market Risks* in our 2020 Annual Report, which includes a discussion regarding interest rate and other significant risks and our strategies for managing these risks.

### **Discontinuation of LIBOR**

On December 4, 2020, the Intercontinental Exchange Benchmark Administrator (IBA), the party that administers the publication of LIBOR, published a consultation on its intention to cease publication of 1-week and 2-month US Dollar (USD) LIBOR (as well as all other non-USD LIBOR settings) immediately following the LIBOR publication on December 31, 2021 and the overnight and 1-, 3-, 6- and 12-month USD LIBOR settings immediately following the LIBOR publication on June 30, 2023. The consultation closed on January 25, 2021 and on March 5, 2021, the IBA announced that in the absence of sufficient panel bank support and without the intervention of the UK Financial Conduct Authority (FCA) to compel continued panel bank contribution to LIBOR, it will not be possible for the IBA to publish the relevant LIBOR settings on a representative basis beyond the dates previously specified for such settings. On the same date, the FCA stated that, subject to the establishment of new proposed enhanced powers by the UK Government to manage an orderly transition away from LIBOR benchmarks, all USD and non-USD LIBOR settings will either cease to be provided by any administrator or will no longer be representative as of the dates specified by the IBA. In April 2021, the UK Financial Services Act 2021 was enacted to give the FCA enhanced powers, which include designating certain benchmarks as critical, and requiring administrators of such benchmarks to change the benchmarks' methodologies (for example, to allow a change so LIBOR is no longer reliant on panel bank submissions and to allow it to become in effect a so-called "synthetic LIBOR"). In June 2021, the FCA issued a consultation on the use of its powers to compel the publication of a synthetic LIBOR. The consultation details the agency's proposal to only require the continued publication of the 1-, 3- and 6-month settings of GBP and JPY LIBOR. Absent use of the FCA's enhanced powers with respect to any of the remaining LIBOR settings beyond June 30, 2023, LIBOR will cease publication after June 30, 2023.

The discontinuation of LIBOR could have a significant impact on the financial markets and represents a material uncertainty to our business. To manage the uncertainty surrounding the discontinuation of LIBOR we have established a LIBOR transition team and a transition plan. We have created an Executive Steering Committee composed of senior executives to coordinate and oversee the execution of our plan. It is difficult to predict the full impact of the transition away from LIBOR on our contracts whose value is tied to LIBOR. The value or profitability of these contracts may be adversely affected.



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As of June 30, 2021, we had contracts tied to LIBOR in the notional amounts set forth in the table below:

| <i>(In millions)</i>                             | <b>Total Exposure</b> | <b>Extending Beyond June 30, 2023</b> |
|--|-----------------------|---------------------------------------|
| Investments                                      | \$ 31,249             | \$ 24,971                             |
| Product Liabilities                              | 15,451                | 208                                   |
| Derivatives Hedging Product Liabilities          | 18,907                | 1,269                                 |
| Other Derivatives                                | 2,068                 | 2,068                                 |
| Other Contracts                                  | 1,963                 | 1,113                                 |
| <b>Total notional of contracts tied to LIBOR</b> | <b>\$ 69,638</b>      | <b>\$ 29,629</b>                      |

*Investments*

As of June 30, 2021, our investments tied to LIBOR were in the following asset classes:

| <i>(In millions)</i>                    | <b>Total Exposure</b> | <b>Extending Beyond June 30, 2023</b> |
|---|-----------------------|---------------------------------------|
| <b>Multi-lateral Arrangements</b>       |                       |                                       |
| Corporates                              | \$ 676                | \$ 360                                |
| RMBS                                    | 3,483                 | 3,120                                 |
| CMBS                                    | 494                   | 99                                    |
| CLO                                     | 15,298                | 15,087                                |
| ABS                                     | 3,620                 | 2,763                                 |
| Bank Loans                              | 694                   | 316                                   |
| <b>Total Multi-lateral Arrangements</b> | <b>24,265</b>         | <b>21,745</b>                         |
| <b>Bi-lateral Arrangements</b>          |                       |                                       |
| CML                                     | 6,850                 | 3,092                                 |
| RML                                     | 134                   | 134                                   |
| <b>Total Bi-lateral Arrangements</b>    | <b>6,984</b>          | <b>3,226</b>                          |
| <b>Total investments tied to LIBOR</b>  | <b>\$ 31,249</b>      | <b>\$ 24,971</b>                      |

Of the total notional value of investment-related contracts tied to LIBOR extending beyond June 30, 2023, \$21.7 billion or 87.1% relate to multi-lateral arrangements. These arrangements are typically characterized by a large, diverse set of unrelated holders, the majority or all of whom must consent to amendments to the terms of the underlying investment instrument. Generally, when the amendments concern a material term such as the determination of interest, consent must be unanimous. Given the collective action issues inherent in such structures, such consent is typically impracticable and beyond our control. The existence and character of fallback provisions affected by the discontinuation of LIBOR vary widely from instrument to instrument. Many of our legacy contracts may not contemplate the permanent discontinuation of LIBOR and upon LIBOR’s discontinuation may result in the conversion of the instrument from a floating- to a fixed-rate instrument or may involve a significant degree of uncertainty as to the method of determining interest. To the extent that such legacy arrangements do not contemplate the permanent discontinuation of LIBOR, we would most likely look to some broad-based solution, such as the recently adopted New York LIBOR transition law, to rectify such deficiency. To the extent that such a solution is ineffective, for example as a result of being ruled unconstitutional, we would likely be required to undertake a re-evaluation of affected investments, which might result in the disposition of individual positions. To the extent that individual positions are retained, we may incur adverse financial consequences, including any mark-to-market impacts resulting from those investments that convert from a floating to a fixed rate. To the extent that the fallback rates ultimately used to determine interest payable on structured securities do not align with the fallback rates used to determine interest payable on the underlying assets, economic losses could be sustained on the overall structure.

The remaining notional value of investment-related contracts tied to LIBOR extending beyond June 30, 2023 of \$3.2 billion or 12.9% relates to bi-lateral arrangements that are capable of being amended through negotiation with the relevant counterparty.

As our investment manager, Apollo maintains the documentation associated with the assets in our investment portfolio. We are therefore dependent upon Apollo for the successful completion of our LIBOR transition efforts relating to our investment portfolio. See *Part I–Item 1A. Risk Factors–Uncertainty relating to the LIBOR Calculation process and the phasing out of LIBOR after a future date may adversely affect the value of our investment portfolio, our ability to achieve our hedging objectives and our ability to issue funding agreements bearing a floating rate of interest* included in our 2020 Annual Report. Apollo’s failure to fulfill its responsibilities could have an adverse impact on our results of operations and ability to timely report accurate financial information.

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### *Product Liabilities and Associated Hedging Instruments*

As of June 30, 2021, we had product liabilities with a notional value of approximately \$15.5 billion for which LIBOR is a component in the determination of interest credited, of which we expect \$208 million to have a current crediting term that extends beyond June 30, 2023. For purposes of evaluating our exposure to LIBOR, we only consider our exposure to the current crediting term, which is typically one to two years. Upon renewal of the crediting term, we have the ability to migrate policyholders into new strategies not involving LIBOR. Generally, there are two categories of indices that use LIBOR in the determination of interest credited, "excess return" indices (return of index in excess of LIBOR) and indices that use LIBOR as a means to control volatility. The indices to which these products are tied are primarily proprietary indices for which key inputs are determined by the index sponsor. The index sponsor generally has the right to unilaterally change the reference rate upon the discontinuation of LIBOR. As a result, we do not anticipate any administrative concerns in connection with the transition from LIBOR to a replacement rate with respect to these products.

As of June 30, 2021, we held derivatives with a notional value of approximately \$18.9 billion to hedge our exposure to these product liabilities, of which we expect \$1.3 billion to extend beyond June 30, 2023. Included within this category are \$3.9 billion of Eurodollar futures, of which we expect \$1.1 billion to extend beyond June 30, 2023. Exchange traded products, such as Eurodollar futures, will follow the CME Group Inc.'s approach regarding the discontinuation of LIBOR. The remaining derivatives in this category are primarily purchased to hedge the current crediting period. We will be required to purchase new derivatives in future periods to hedge future crediting periods associated with the related existing product liabilities, which will expose us to potential basis mismatch to the extent that the reference rate for the product liability is not the same as the reference rate for the derivative instrument. These derivatives are entered into pursuant to an ISDA Master Agreement and will transition to SOFR in accordance with the process described below under the caption *Other Derivatives*.

### *Other Derivatives*

Our other derivative contracts tied to LIBOR are generally entered into pursuant to an ISDA Master Agreement. ISDA published the ISDA 2020 IBOR Fallbacks Protocol (Protocol) and released Supplement 70 to the 2006 ISDA Definitions (Supplement) on October 23, 2020. The Protocol and Supplement include appropriate fallbacks that contemplate the permanent discontinuation of LIBOR. In January 2021, we joined industry peers by adhering to the Protocol and terms of the Supplement, each of which became effective on January 25, 2021. With respect to future transactions, we anticipate adoption of the 2021 ISDA Interest Rate Definitions. To the extent that the fallbacks incorporated into our other derivative contracts result in the use of a replacement rate that differs from that employed in the contract being hedged, we may experience basis mismatch. The Protocol contains templates for possible bilateral amendments to legacy contracts for situations in which the fallbacks contemplated by the Protocol give rise to potential basis risk. We intend to evaluate whether and the extent to which we are subject to such basis risk, as well as the possibility of using the available templates to mitigate such risk.

### *Other Contracts and Other Sources of Exposure*

The "Other Contracts" category is comprised of our LIBOR-based floating rate funding agreements, fixed-to-float Series A preference shares, and our credit agreement, if any amounts were to be outstanding, all of which contemplate the permanent discontinuation of LIBOR, are tied to LIBOR in a manner that is not expected to have a significant impact upon LIBOR's discontinuation or have fallback provisions in place that provide for the determination of interest after the discontinuation of LIBOR. In addition to the other contracts for which we have quantified our exposure, we are party to contracts that are tied to LIBOR based upon the occurrence of some remote contingency, such as the accrual of penalty interest, or for which LIBOR is otherwise not a material term of the contract. These contracts do not lend themselves to quantification and are lower in priority in our LIBOR remediation efforts. Finally, LIBOR is used as a component in our internal derivative valuation models. We have begun to transition the benchmark yield curve in such models from LIBOR to the Secured Overnight Financing Rate and we expect to complete the transition prior to the discontinuation of LIBOR. Such transition may affect the valuation of our derivative instruments.

We can provide no assurance that we will be successful at fully implementing our plan prior to the discontinuation of LIBOR. Completion of certain components of our plan are contingent upon market developments and are therefore not fully within our control. To the extent management effort and attention is focused on other matters, such as responding to the risks posed by COVID-19, the timely completion of our plan could become more difficult. Failure to fully implement our plan prior to the discontinuation of LIBOR may have a material adverse effect on our business, financial position, results of operations and cash flows and on our ability to timely report accurate financial information.

### *Demographics*

Over the next four decades, the retirement-age population is expected to experience unprecedented growth. Technological advances and improvements in healthcare are projected to continue to contribute to increasing average life expectancy, and aging individuals must be prepared to fund retirement periods that will last longer than ever before. Further, many working households in the United States do not have adequate retirement savings. As a tool for addressing the unmet need for retirement planning, we believe that many Americans have begun to look to tax-efficient savings products with low-risk or guaranteed return features and potential equity market upside. Our tax-efficient savings products are well positioned to meet this increasing customer demand.

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### Competition

We operate in highly competitive markets. We face a variety of large and small industry participants, including diversified financial institutions and insurance and reinsurance companies. These companies compete in one form or another for the growing pool of retirement assets driven by a number of external factors such as the continued aging of the population and the reduction in safety nets provided by governments and private employers. In the markets in which we operate, scale and the ability to provide value-added services and build long-term relationships are important factors to compete effectively. We believe that our leading presence in the retirement market, diverse range of capabilities and broad distribution network uniquely position us to effectively serve consumers' increasing demand for retirement solutions, particularly in the FIA market.

According to LIMRA, total fixed annuity market sales in the United States were \$31.0 billion for the three months ended March 31, 2021, a 3.9% increase from the same time period in 2020 as a rise in interest rates and continued market gains driven by the economic recovery spurred growth in the U.S. annuity market. In the total fixed annuity market, for the three months ended March 31, 2021 (the most recent period for which specific market share data is available), we were the 5th largest company based on sales of \$1.7 billion, translating to a 5.4% market share. For the three months ended March 31, 2020, our market share was 4.1% with sales of \$1.2 billion.

According to LIMRA, total fixed-indexed annuity market sales in the United States were \$13.5 billion for the three months ended March 31, 2021, a 16.7% decrease from the same time period in 2020. For the three months ended March 31, 2021 (the most recent period for which specific market share data is available), we were the largest provider of FIAs based on sales of \$1.6 billion, and our market share for the same period was 12.1%. For the three months ended March 31, 2020, we were the 4th largest provider of FIAs based on sales of \$1.1 billion, translating to a 6.7% market share.

### Key Operating and Non-GAAP Measures

In addition to our results presented in accordance with GAAP, we present certain financial information that includes non-GAAP measures. Management believes the use of these non-GAAP measures, together with the relevant GAAP measures, provides information that may enhance an investor's understanding of our results of operations and the underlying profitability drivers of our business. The majority of these non-GAAP measures are intended to remove from the results of operations the impact of market volatility (other than with respect to alternative investments) as well as integration, restructuring and certain other expenses which are not part of our underlying profitability drivers, as such items fluctuate from period to period in a manner inconsistent with these drivers. These measures should be considered supplementary to our results in accordance with GAAP and should not be viewed as a substitute for the corresponding GAAP measures.

#### *Adjusted Operating Income (Loss) Available to Common Shareholders*

Adjusted operating income (loss) available to common shareholders is a non-GAAP measure used to evaluate our financial performance excluding market volatility and expenses related to integration, restructuring, stock compensation and other expenses. Our adjusted operating income (loss) available to common shareholders equals net income (loss) available to AHL common shareholders adjusted to eliminate the impact of the following (collectively, the non-operating adjustments):

- **Investment Gains (Losses), Net of Offsets**—Consists of the realized gains and losses on the sale of AFS securities, the change in fair value of reinsurance assets, unrealized gains and losses, changes in the credit loss allowance, and other investment gains and losses. Unrealized, allowances and other investment gains and losses are comprised of the fair value adjustments of trading securities (other than CLOs) and investments held under the fair value option, derivative gains and losses not hedging FIA index credits, and the change in credit loss allowances recognized in operations net of the change in AmerUs Closed Block fair value reserve related to the corresponding change in fair value of investments and the change in unit-linked reserves related to the corresponding trading securities. Investment gains and losses are net of offsets related to DAC, DSI, and VOBA amortization and changes to guaranteed lifetime withdrawal benefit (GLWB) and guaranteed minimum death benefit (GMDB) reserves (together, GLWB and GMDB reserves represent rider reserves) as well as the market value adjustments (MVA) associated with surrenders or terminations of contracts.
- **Change in Fair Values of Derivatives and Embedded Derivatives – FIAs, Net of Offsets**—Consists of impacts related to the fair value accounting for derivatives hedging the FIA index credits and the related embedded derivative liability fluctuations from period to period. The index reserve is measured at fair value for the current period and all periods beyond the current policyholder index term. However, the FIA hedging derivatives are purchased to hedge only the current index period. Upon policyholder renewal at the end of the period, new FIA hedging derivatives are purchased to align with the new term. The difference in duration between the FIA hedging derivatives and the index credit reserves creates a timing difference in earnings. This timing difference of the FIA hedging derivatives and index credit reserves is included as a non-operating adjustment, net of offsets related to DAC, DSI, and VOBA amortization and changes to rider reserves.

We primarily hedge with options that align with the index terms of our FIA products (typically 1–2 years). On an economic basis, we believe this is suitable because policyholder accounts are credited with index performance at the end of each index term. However, because the term of an embedded derivative in an FIA contract is longer-dated, there is a duration mismatch which may lead to mismatches for accounting purposes.

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- **Integration, Restructuring, and Other Non-operating Expenses**—Consists of restructuring and integration expenses related to acquisitions and block reinsurance costs as well as certain other expenses, which are not predictable or related to our underlying profitability drivers.
- **Stock Compensation Expense**—Consists of stock compensation expenses associated with our share incentive plans, excluding our long-term incentive plan, which are not related to our underlying profitability drivers and fluctuate from time to time due to the structure of our plans.
- **Income Tax (Expense) Benefit – Non-operating**—Consists of the income tax effect of non-operating adjustments and is computed by applying the appropriate jurisdiction's tax rate to the non-operating adjustments that are subject to income tax.

We consider these non-operating adjustments to be meaningful adjustments to net income (loss) available to AHL common shareholders for the reasons discussed in greater detail above. Accordingly, we believe using a measure which excludes the impact of these items is useful in analyzing our business performance and the trends in our results of operations. Together with net income (loss) available to AHL common shareholders, we believe adjusted operating income (loss) available to common shareholders provides a meaningful financial metric that helps investors understand our underlying results and profitability. Adjusted operating income (loss) available to common shareholders should not be used as a substitute for net income (loss) available to AHL common shareholders.

***Adjusted Operating ROE***

Adjusted operating ROE is a non-GAAP measure used to evaluate our financial performance excluding the impacts of AOCI and the cumulative change in fair value of funds withheld and modco reinsurance assets, net of DAC, DSI, rider reserve and tax offsets. Adjusted AHL common shareholders' equity is calculated as the ending AHL shareholders' equity excluding AOCI, the cumulative change in fair value of funds withheld and modco reinsurance assets and preferred stock. Adjusted operating ROE is calculated as the adjusted operating income (loss) available to common shareholders, divided by average adjusted AHL common shareholders' equity. 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 our AFS securities. Except with respect to reinvestment activity relating to acquired blocks of businesses, we typically buy and hold AFS investments 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. Accordingly, we believe using measures which exclude AOCI and the cumulative change in fair value of funds withheld and modco reinsurance assets are useful in analyzing trends in our operating results. To enhance the ability to analyze these measures across periods, interim periods are annualized. Adjusted operating ROE should not be used as a substitute for ROE. However, we believe the adjustments to net income (loss) available to AHL common shareholders and AHL common shareholders' equity are significant to gaining an understanding of our overall financial performance.

**Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations*****Adjusted Operating Earnings (Loss) Per Common Share, Weighted Average Common Shares Outstanding – Adjusted Operating and Adjusted Book Value Per Common Share***

Adjusted operating earnings (loss) per common share, weighted average common shares outstanding – adjusted operating and adjusted book value per common share are non-GAAP measures used to evaluate our financial performance and financial condition. The non-GAAP measures adjust the number of shares included in the corresponding GAAP measures to reflect the conversion or settlement of all shares and other stock-based awards outstanding. We believe these measures represent an economic view of our share counts and provide a simplified and consistent view of our outstanding shares. Adjusted operating earnings (loss) per common share is calculated as the adjusted operating income (loss) available to common shareholders, over the weighted average common shares outstanding – adjusted operating. Adjusted book value per common share is calculated as the adjusted AHL common shareholders' equity divided by the adjusted operating common shares outstanding. Effective February 28, 2020, all Class B common shares were converted into Class A common shares and all Class M common shares were converted into warrants and Class A common shares. Our Class B common shares were economically equivalent to Class A common shares and were convertible to Class A common shares on a one-for-one basis at any time. Our Class M common shares were in the legal form of shares but economically functioned as options as they were convertible into Class A common shares after vesting and payment of the conversion price. In calculating Class A diluted earnings (loss) per share on a GAAP basis, we are required to apply sequencing rules to determine the dilutive impacts, if any, of our Class B common shares, Class M common shares and any other stock-based awards. To the extent our Class B common shares, Class M common shares and/or any other stock-based awards were not dilutive, after considering the dilutive effects of the more dilutive securities in the sequence, they were excluded. Weighted average common shares outstanding – adjusted operating and adjusted operating common shares outstanding assume conversion or settlement of all outstanding items that are able to be converted to or settled in Class A common shares, including the impacts of Class B common shares on a one-for-one basis, the impacts of all Class M common shares net of the conversion price and any other stock-based awards, but excluding any awards for which the exercise or conversion price exceeds the market value of our Class A common shares on the applicable measurement date. For certain historical periods, Class M shares were not included due to issuance restrictions which were contingent upon our IPO. Adjusted operating earnings (loss) per common share, weighted average common shares outstanding – adjusted operating and adjusted book value per common share should not be used as a substitute for basic earnings (loss) per share – Class A common shares, basic weighted average common shares outstanding – Class A or book value per common share. However, we believe the adjustments to the shares and equity are significant to gaining an understanding of our overall results of operations and financial condition.

***Adjusted Debt to Capital Ratio***

Adjusted debt to capital ratio is a non-GAAP measure used to evaluate our capital structure excluding the impacts of AOCI and the cumulative change in fair value of funds withheld and modco reinsurance assets, net of DAC, DSI, rider reserve and tax offsets. Adjusted debt to capital ratio is calculated as total debt divided by adjusted AHL shareholders' equity. Adjusted debt to capital ratio should not be used as a substitute for the debt to capital ratio. However, we believe the adjustments to shareholders' equity are significant to gaining an understanding of our capitalization, debt utilization and debt capacity.

***Retirement Services Net Investment Spread, Investment Margin on Deferred Annuities and Operating Expenses***

Net investment spread is a key measure of the profitability of our Retirement Services segment. Net investment spread measures our investment performance less the total cost of our liabilities. Net investment earned rate is a key measure of our investment performance, while cost of funds is a key measure of the cost of our policyholder benefits and liabilities. Investment margin on our deferred annuities measures our investment performance less the cost of crediting for our deferred annuities, which make up a significant portion of our net reserve liabilities.

Net investment earned rate is a non-GAAP measure we use to evaluate the performance of our net invested assets that does not correspond to GAAP net investment income. Net investment earned rate is computed as the income from our net invested assets divided by the average net invested assets, excluding the impacts of our investment in Apollo, for the relevant period. To enhance the ability to analyze these measures across periods, interim periods are annualized. The adjustments to net investment income to arrive at our net investment earned rate add (a) alternative investment gains and losses, (b) gains and losses related to trading securities for CLOs, (c) net VIE impacts (revenues, expenses and noncontrolling interest), (d) forward points gains and losses on foreign exchange derivative hedges and (e) the change in fair value of reinsurance assets, and removes the proportionate share of the ACRA net investment income associated with the ACRA noncontrolling interest as well as the gain or loss on our investment in Apollo. We include the income and assets supporting our change in fair value of reinsurance assets by evaluating the underlying investments of the funds withheld at interest receivables and we include the net investment income from those underlying investments which does not correspond to the GAAP presentation of change in fair value of reinsurance assets. We exclude the income and assets supporting business that we have exited through ceded reinsurance including funds withheld agreements. We believe the adjustments for reinsurance provide a net investment earned rate on the assets for which we have economic exposure.

Cost of funds includes liability costs related to cost of crediting on both deferred annuities and institutional products as well as other liability costs, but does not include the proportionate share of the ACRA cost of funds associated with the noncontrolling interest. Cost of funds is computed as the total liability costs divided by the average net invested assets, excluding our investment in Apollo, for the relevant period. To enhance the ability to analyze these measures across periods, interim periods are annualized.

## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Cost of crediting includes the costs for both deferred annuities and institutional products. Cost of crediting on deferred annuities is the interest credited to the policyholders on our fixed strategies as well as the option costs on the indexed annuity strategies. With respect to FIAs, the cost of providing index credits includes the expenses incurred to fund the annual index credits, and where applicable, minimum guaranteed interest credited. Cost of crediting on institutional products is comprised of (i) PRT costs, including interest credited, benefit payments and other reserve changes, net of premiums received when issued, and (ii) funding agreement costs, including the interest payments and other reserve changes. Cost of crediting is computed as the cost of crediting for deferred annuities and institutional products divided by the average net invested assets, excluding the investment in Apollo, for the relevant periods. Cost of crediting on deferred annuities is computed as the net interest credited on fixed strategies and option costs on indexed annuity strategies divided by the average net account value of our deferred annuities. Cost of crediting on institutional products is computed as the PRT and funding agreement costs divided by the average net institutional reserve liabilities. Our average net invested assets, excluding our investment in Apollo, net account values and net institutional reserve liabilities are averaged over the number of quarters in the relevant period to obtain our associated cost of crediting for such period. To enhance the ability to analyze these measures across periods, interim periods are annualized.

Other liability costs include DAC, DSI and VOBA amortization, change in rider reserves, the cost of liabilities on products other than deferred annuities and institutional products, excise taxes, premiums, product charges and other revenues. We believe a measure like other liability costs is useful in analyzing the trends of our core business operations and profitability. While we believe other liability costs is a meaningful financial metric and enhances our understanding of the underlying profitability drivers of our business, it should not be used as a substitute for total benefits and expenses presented under GAAP.

Net investment earned rate, cost of funds, net investment spread and investment margin on deferred annuities are non-GAAP measures we use to evaluate the profitability of our business. We believe these metrics are useful in analyzing the trends of our business operations, profitability and pricing discipline. While we believe each of these metrics are meaningful financial metrics and enhance our understanding of the underlying profitability drivers of our business, they should not be used as a substitute for net investment income, interest sensitive contract benefits or total benefits and expenses presented under GAAP.

Operating expenses excludes integration, restructuring and other non-operating expenses, stock compensation expense, interest expense and policy acquisition expenses. We believe a measure like operating expenses is useful in analyzing the trends of our core business operations and profitability. While we believe operating expenses is a meaningful financial metric and enhances our understanding of the underlying profitability drivers of our business, it should not be used as a substitute for policy and other operating expenses presented under GAAP.

### *Net Invested Assets*

In managing our business, we analyze net invested assets, which does not correspond to total investments, including investments in related parties, as disclosed in our consolidated financial statements and notes thereto. Net invested assets represents the investments that directly back our net reserve liabilities as well as surplus assets. Net invested assets, excluding our investment in Apollo, is used in the computation of net investment earned rate, which allows us to analyze the profitability of our investment portfolio. Net invested assets includes (a) total investments on the consolidated balance sheets with AFS securities at cost or amortized cost, excluding derivatives, (b) cash and cash equivalents and restricted cash, (c) investments in related parties, (d) accrued investment income, (e) VIE assets, liabilities and noncontrolling interest adjustments, (f) net investment payables and receivables, (g) policy loans ceded (which offset the direct policy loans in total investments) and (h) an allowance for credit losses. Net invested assets also excludes assets associated with funds withheld liabilities related to business exited through reinsurance agreements and derivative collateral (offsetting the related cash positions). We include the underlying investments supporting our assumed funds withheld and modco agreements in our net invested assets calculation in order to match the assets with the income received. We believe the adjustments for reinsurance provide a view of the assets for which we have economic exposure. Net invested assets includes our proportionate share of ACRA investments, based on our economic ownership, but does not include the proportionate share of investments associated with the noncontrolling interest. Net invested assets also includes our investment in Apollo. Our net invested assets, excluding our investment in Apollo, are averaged over the number of quarters in the relevant period to compute our net investment earned rate for such period. While we believe net invested assets is a meaningful financial metric and enhances our understanding of the underlying drivers of our investment portfolio, it should not be used as a substitute for total investments, including related parties, presented under GAAP.

### *Net Reserve Liabilities*

In managing our business, we also analyze net reserve liabilities, which does not correspond to total liabilities as disclosed in our consolidated financial statements and notes thereto. Net reserve liabilities represent our policyholder liability obligations net of reinsurance and is used to analyze the costs of our liabilities. Net reserve liabilities include (a) the interest sensitive contract liabilities, (b) future policy benefits, (c) dividends payable to policyholders, and (d) other policy claims and benefits, offset by reinsurance recoverable, excluding policy loans ceded. Net reserve liabilities include our proportionate share of ACRA reserve liabilities, based on our economic ownership, but does not include the proportionate share of reserve liabilities associated with the noncontrolling interest. Net reserve liabilities is net of the ceded liabilities to third-party reinsurers as the costs of the liabilities are passed to such reinsurers and, therefore, we have no net economic exposure to such liabilities, assuming our reinsurance counterparties perform under our agreements. The majority of our ceded reinsurance is a result of reinsuring large blocks of life business following acquisitions. For such transactions, GAAP requires the ceded liabilities and related reinsurance recoverables to continue to be recorded in our consolidated financial statements despite the transfer of economic risk to the counterparty in connection with the reinsurance transaction. While we believe net reserve liabilities is a meaningful financial metric and enhances our understanding of the underlying profitability drivers of our business, it should not be used as a substitute for total liabilities presented under GAAP.

**Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations**
**Sales**

Sales statistics do not correspond to revenues under GAAP but are used as relevant measures to understand our business performance as it relates to inflows generated during a specific period of time. Our sales statistics include inflows for fixed rate annuities and FIAs and align with the LIMRA definition of all money paid into an individual annuity, including money paid into new contracts with initial purchase occurring in the specified period and existing contracts with initial purchase occurring prior to the specified period (excluding internal transfers). While we believe sales is a meaningful metric and enhances our understanding of our business performance, it should not be used as a substitute for premiums presented under GAAP.

**Net Organic Growth Rate**

Net organic growth rate is calculated as the net organic flows divided by average net invested assets. Net organic flows are comprised of net organic inflows less net outflows. Organic inflows are the deposits generated from our organic channels, which include retail, flow reinsurance and institutional. Net outflows are total liability outflows, including full and partial withdrawals on our deferred annuities, death benefits, pension risk transfer benefit payments, payments on payout annuities and maturities of our funding agreements, net of outflows attributable to the ACRA noncontrolling interest. To enhance the ability to analyze these measures across periods, interim periods are annualized. We believe net organic growth rate provides a meaningful financial metric that enables investors to assess our growth from the channels that provide recurring inflows. Management uses net organic growth rate to monitor our business performance and the underlying profitability drivers of our business.

**Consolidated Results of Operations**

The following summarizes the consolidated results of operations:

|  | Three months ended June 30, |               | Six months ended June 30, |                 |
|--|-----------------------------|---------------|---------------------------|-----------------|
|  | 2021                        | 2020          | 2021                      | 2020            |
| <i>(In millions, except per share data and percentages)</i>      |                             |               |                           |                 |
| Revenues   | \$ 6,423                    | \$ 4,398      | \$ 10,814                 | \$ 2,849        |
| Benefits and expenses  | 4,433                       | 3,317         | 8,685                     | 3,150           |
| <b>Income (loss) before income taxes</b>                         | <b>1,990</b>                | <b>1,081</b>  | <b>2,129</b>              | <b>(301)</b>    |
| Income tax expense (benefit)                                     | 184                         | 150           | 246                       | (16)            |
| <b>Net income (loss)</b>   | <b>1,806</b>                | <b>931</b>    | <b>1,883</b>              | <b>(285)</b>    |
| Less: Net income (loss) attributable to noncontrolling interests | 389                         | 88            | (148)                     | (81)            |
| <b>Net income (loss) attributable to Athene Holding Ltd.</b>     | <b>1,417</b>                | <b>843</b>    | <b>2,031</b>              | <b>(204)</b>    |
| Less: Preferred stock dividends                                  | 35                          | 19            | 71                        | 37              |
| <b>Net income (loss) available to AHL common shareholders</b>    | <b>\$ 1,382</b>             | <b>\$ 824</b> | <b>\$ 1,960</b>           | <b>\$ (241)</b> |
| Earnings (loss) per common share - basic Class A                 | \$ 7.21                     | \$ 4.25       | \$ 10.24                  | \$ (0.64)       |
| Earnings (loss) per common share - diluted Class A <sup>1</sup>  | \$ 6.97                     | \$ 4.19       | \$ 9.92                   | \$ (0.64)       |
| ROE  | 29.6 %                      | 26.8 %        | 21.0 %                    | (3.4)%          |

<sup>1</sup> Diluted earnings (loss) per common share on a GAAP basis for Class A common shares, including diluted Class A weighted average common shares outstanding, includes the dilutive impacts, if any, for all stock-based awards, and for the six months ended June 30, 2020, the dilutive impacts, if any, of Class B and Class M common shares.

**Three Months Ended June 30, 2021 Compared to the Three Months Ended June 30, 2020**

In this section, references to 2021 refer to the three months ended June 30, 2021 and references to 2020 refer to the three months ended June 30, 2020.

**Net Income Available to AHL Common Shareholders**

Net income available to AHL common shareholders increased by \$558 million, or 68%, to \$1.4 billion in 2021 from \$824 million in 2020. ROE increased to 29.6% from 26.8% in 2020. The increase in net income available to AHL common shareholders was driven by a \$2.0 billion increase in revenues, partially offset by an increase of \$1.1 billion in benefits and expenses, a \$301 million increase in noncontrolling interests and a \$34 million increase in income tax expense.

**Revenues**

Revenues increased by \$2.0 billion to \$6.4 billion in 2021 from \$4.4 billion in 2020. The increase was driven by an increase in premiums, an increase in net investment income and an increase in investment related gains and losses.

## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Premiums increased by \$1.2 billion to \$1.6 billion in 2021 from \$355 million in the prior year, driven by higher PRT premiums compared to the prior year.

Net investment income increased by \$702 million to \$2.0 billion in 2021 from \$1.3 billion in the prior year, primarily driven by favorable alternative investment performance, growth in our investment portfolio attributed to strong net flows during the previous twelve months and the Jackson reinsurance transaction, the early redemptions of two loans, higher bond call income and mortgage prepayments and higher RMBS returns, partially offset by lower new money rates reflecting the prolonged lower interest rate environment and lower floating rate investment income due to the lower interest rate environment.

Investment related gains and (losses) increased by \$62 million to \$2.6 billion in 2021 from \$2.5 billion in the prior year, primarily due to the change in fair value of FIA hedging derivatives, partially offset by the change in fair value of reinsurance assets and the change in fair value of trading securities. The change in fair value of FIA hedging derivatives increased \$419 million primarily driven by the increase in derivatives hedging our FIA products resulting from strong growth in our FIA block of business over the previous twelve months benefiting from the favorable performance of the indices upon which our call options are based. The majority of our call options are based on the S&P 500 index which increased 8.2% in 2021, compared to an increase of 20.0% in 2020. The change in fair value of reinsurance assets decreased \$238 million primarily driven by the change in the value of the underlying assets related to less favorable credit spread tightening and changes in US Treasury rates compared to the prior year, partially offset by growth in our reinsurance asset portfolio as a result of the Jackson reinsurance transaction. The unfavorable change in fair value of trading securities of \$130 million was mainly due to less favorable credit spread tightening and changes in US Treasury rates compared to the prior year.

### *Benefits and Expenses*

Benefits and expenses increased by \$1.1 billion to \$4.4 billion in 2021 from \$3.3 billion in 2020. The increase was driven by an increase in future policy and other policy benefits, partially offset by a decrease in interest sensitive contract benefits and a decrease in DAC, DSI and VOBA amortization.

Future policy and other policy benefits increased by \$1.3 billion to \$2.0 billion in 2021 from \$674 million in 2020, primarily attributable to higher PRT obligations and an increase in the change in rider reserves. The change in rider reserves of \$38 million was primarily driven by a favorable net change in FIA derivatives, growth in the block of business and higher gross profits, partially offset by the favorable change in actuarial experience and market impacts.

Interest sensitive contract benefits decreased by \$97 million to \$2.0 billion in 2021 from \$2.1 billion in 2020, driven by a decrease in the change in FIA fair value embedded derivatives of \$221 million, partially offset by growth in the block of business. The change in the FIA fair value embedded derivatives was primarily due to the favorable change in discount rates used in our embedded derivative calculations as the current year experienced less of a decrease in discount rates compared to 2020, partially offset by the unfavorable equity market impacts as a result of higher FIA derivative balances in the current year benefiting from the performance of the equity indices to which our FIA policies are linked, primarily the S&P 500 index.

DAC, DSI and VOBA amortization decreased by \$88 million to \$252 million in 2021 from \$340 million in 2020, primarily due to the unfavorable changes in investment related gains and losses as a result of an unfavorable change in fair value of reinsurance assets and the favorable change in actuarial experience and market impacts, partially offset by the favorable change in net FIA derivatives as a result of a favorable change in discount rates as well as higher gross profits and growth in the block of business.

### *Taxes*

Income tax expense increased by \$34 million to \$184 million in 2021 from \$150 million in 2020. The income tax expense for 2021 was primarily driven by higher income before tax as a result of an increase in net investment income and a favorable change in net FIA derivatives.

Our effective tax rate in the second quarter of 2021 was 9% and 14% in 2020. Our effective tax rates may vary period to period depending upon the relationship of income and loss subject to tax compared to consolidated income and loss before income taxes.

### *Noncontrolling Interest*

Noncontrolling interest increased by \$301 million to \$389 million in 2021 from \$88 million in 2020, primarily due to growth in business reinsured to ACRA including the Jackson reinsurance transaction driving a favorable change in the fair value of reinsurance assets as a result of favorable credit spread tightening and changes in US Treasury rates in the current quarter.

### ***Six Months Ended June 30, 2021 Compared to the Six Months Ended June 30, 2020***

In this section, references to 2021 refer to the six months ended June 30, 2021 and references to 2020 refer to the six months ended June 30, 2020.



## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

### *Net Income (Loss) Available to AHL Common Shareholders*

Net income (loss) available to AHL common shareholders increased by \$2.2 billion, or 913%, to \$2.0 billion in 2021 from \$(241) million in 2020. ROE increased to 21.0% from (3.4)% in 2020. The increase in net income (loss) available to AHL common shareholders was driven by an \$8.0 billion increase in revenues and a \$67 million decrease in noncontrolling interests, partially offset by an increase of \$5.5 billion in benefits and expenses, a \$262 million increase in income tax expense and a \$34 million increase in preferred stock dividends.

### *Revenues*

Revenues increased by \$8.0 billion to \$10.8 billion in 2021 from \$2.8 billion in 2020. The increase was driven by an increase in investment related gains and losses, an increase in premiums and an increase in net investment income.

Investment related gains and (losses) increased by \$3.1 billion to \$2.1 billion in 2021 from \$(1.0) billion in the prior year, primarily due to the change in fair value of FIA hedging derivatives, the change in the provision for credit losses, the change in fair value of reinsurance assets and an increase in equity securities reflecting the prior year decline in financial markets. The change in fair value of FIA hedging derivatives increased \$2.5 billion driven by the favorable performance of the indices upon which our call options are based and an increase in derivatives hedging our FIA products resulting from strong growth in our FIA block of business over the previous twelve months. The majority of our call options are based on the S&P 500 index which increased 14.4% in 2021, compared to a decrease of 4.0% in 2020. The favorable change in the provision for credit losses of \$301 million was primarily due to the initial establishment of the allowance in the first quarter of 2020 and the unfavorable prior year impacts reflecting the economic downturn from the spread of COVID-19. The change in fair value of reinsurance assets increased \$75 million primarily driven by growth in our reinsurance asset portfolio as a result of the Jackson reinsurance transaction, partially offset by the change in the value of the underlying assets related to the increase in US Treasury rates compared to a decrease in the prior year.

Premiums increased by \$3.1 billion to \$4.6 billion in 2021 from \$1.5 billion in the prior year, driven by higher PRT premiums compared to prior year.

Net investment income increased by \$1.6 billion to \$3.7 billion in 2021 from \$2.1 billion in the prior year, primarily driven by favorable alternative investment performance, growth in our investment portfolio attributed to strong net flows during the previous twelve months and the Jackson reinsurance transaction, the favorable change in the fair value of our investment in Apollo of \$263 million mainly attributable to the change in valuation price compared to prior year, the early redemptions of two loans, higher bond call income and mortgage prepayments and higher RMBS returns, partially offset by lower new money rates reflecting the prolonged lower interest rate environment and lower floating rate investment income due to the lower interest rate environment.

### *Benefits and Expenses*

Benefits and expenses increased by \$5.5 billion to \$8.7 billion in 2021 from \$3.1 billion in 2020. The increase was driven by an increase in future policy and other policy benefits, an increase in interest sensitive contract benefits, an increase in DAC, DSI and VOBA amortization and an increase policy and other operating expenses.

Future policy and other policy benefits increased by \$3.2 billion to \$5.3 billion in 2021 from \$2.0 billion in 2020, primarily attributable to higher PRT obligations as well as an increase in the change in rider reserves. The change in rider reserves of \$154 million was primarily driven by a favorable net change in FIA derivatives and higher gross profits, partially offset by the favorable change in actuarial experience and market impacts.

Interest sensitive contract benefits increased by \$1.6 billion to \$2.4 billion in 2021 from \$757 million in 2020, driven by an increase in the change in FIA fair value embedded derivatives of \$1.3 billion and growth in the block of business, including the Jackson reinsurance transaction. The change in the FIA fair value embedded derivatives was primarily due to the performance of the equity indices to which our FIA policies are linked, primarily the S&P 500 index, which experienced an increase of 14.4% in 2021, compared to a decrease of 4% in 2020, partially offset by a favorable change in discount rates used in our embedded derivative calculations as the current year experienced an increase in discount rates compared to a decrease in rates in 2020.

DAC, DSI and VOBA amortization increased by \$563 million to \$500 million in 2021 from \$(63) million in 2020, primarily due to the favorable changes in net FIA derivatives and higher gross profits, partially offset by the favorable change in actuarial experience and market impacts.

Policy and other operating expenses increased by \$119 million to \$525 million in 2021 from \$406 million in 2020, primarily driven by the significant growth in the business and the accrual of costs associated with the previously announced merger with Apollo.

### *Taxes*

Income tax expense (benefit) increased by \$262 million to \$246 million in 2021 from \$(16) million in 2020. The income tax expense for 2021 was primarily driven by higher income before tax due to the favorable change in net FIA derivatives, an increase in net investment income, and unrealized gains on our investment in Apollo.

**Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations**

Our effective tax rate in 2021 was 12% and 5% in 2020. Our effective tax rates may vary period to period depending upon the relationship of income and loss subject to tax compared to consolidated income and loss before income taxes.

**Noncontrolling Interest**

Noncontrolling interest decreased by \$67 million to \$(148) million in 2021 from \$(81) million in 2020, driven by the net loss related to noncontrolling interests in ACRA. The net loss attributable to noncontrolling interests was primarily due to an unfavorable change in fair value of reinsurance assets as a result of more unrealized losses within reinsurance investment portfolios, magnified by the Jackson reinsurance transaction.

**Preferred Stock Dividends**

Preferred stock dividends increased by \$34 million to \$71 million in 2021 from \$37 million in 2020, driven by dividends paid on recent preferred stock issuances.

**Results of Operations by Segment**

The following summarizes our adjusted operating income (loss) available to common shareholders by segment:

| <i>(In millions, except per share data and percentages)</i>                          | Three months ended June 30, |               | Six months ended June 30, |               |
|--|-----------------------------|---------------|---------------------------|---------------|
|  | 2021                        | 2020          | 2021                      | 2020          |
| <b>Net income (loss) available to AHL common shareholders</b>                        | \$ 1,382                    | \$ 824        | \$ 1,960                  | \$ (241)      |
| <b>Non-operating adjustments</b>   |                             |               |                           |               |
| Realized gains (losses) on sale of AFS securities                                    | 57                          | (11)          | 76                        | 1             |
| Unrealized, allowances and other investment gains (losses)                           | 32                          | 52            | 132                       | (317)         |
| Change in fair value of reinsurance assets   | 554                         | 1,113         | (311)                     | (164)         |
| Offsets to investment gains (losses)   | (126)                       | (379)         | 15                        | 116           |
| Investment gains (losses), net of offsets  | 517                         | 775           | (88)                      | (364)         |
| Change in fair values of derivatives and embedded derivatives – FIAs, net of offsets | (68)                        | (405)         | 420                       | (340)         |
| Integration, restructuring and other non-operating expenses                          | (11)                        | (9)           | (56)                      | (13)          |
| Stock compensation expense   | (1)                         | —             | (1)                       | (10)          |
| Income tax (expense) benefit – non-operating   | (55)                        | (27)          | (63)                      | 104           |
| <b>Less: Total non-operating adjustments</b>   | <b>382</b>                  | <b>334</b>    | <b>212</b>                | <b>(623)</b>  |
| <b>Adjusted operating income available to common shareholders</b>                    | <b>\$ 1,000</b>             | <b>\$ 490</b> | <b>\$ 1,748</b>           | <b>\$ 382</b> |
| <b>Adjusted operating income (loss) available to common shareholders by segment</b>  |                             |               |                           |               |
| Retirement Services  | \$ 634                      | \$ 208        | \$ 1,418                  | \$ 412        |
| Corporate and Other  | 366                         | 282           | 330                       | (30)          |
| <b>Adjusted operating income available to common shareholders</b>                    | <b>\$ 1,000</b>             | <b>\$ 490</b> | <b>\$ 1,748</b>           | <b>\$ 382</b> |
| Adjusted operating earnings per common share <sup>1</sup>                            | \$ 5.04                     | \$ 2.49       | \$ 8.84                   | \$ 2.01       |
| Adjusted operating ROE   | 30.8 %                      | 19.4 %        | 28.2 %                    | 7.8 %         |
| Retirement Services adjusted operating ROE   | 27.6 %                      | 11.1 %        | 32.6 %                    | 11.4 %        |

<sup>1</sup> Represents Class A common shares outstanding or weighted average common shares outstanding assuming conversion or settlement of all outstanding items that are able to be converted to or settled in Class A common shares, including the dilutive impacts, if any, for all stock-based awards, and for the six months ended June 30, 2020, the dilutive impacts, if any, of Class B and Class M common shares, but excluding any awards for which the exercise or conversion price exceeds the market value of our Class A common shares on the applicable measurement date.

**Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations*****Three Months Ended June 30, 2021 Compared to the Three Months Ended June 30, 2020****Adjusted Operating Income Available to Common Shareholders*

Adjusted operating income available to common shareholders increased by \$510 million, or 104%, to \$1.0 billion in 2021 from \$490 million in 2020. Adjusted operating ROE was 30.8%, up from 19.4% in 2020. Adjusted operating income available to common shareholders excluding the investment in Apollo, net of tax increased by \$509 million, or 431%, to \$627 million in 2021 from \$118 million in 2020. The increase in adjusted operating income available to common shareholders was driven by an increase in our Retirement Services segment of \$426 million and an increase in our Corporate and Other segment of \$84 million.

Our consolidated net investment earned rate was 4.40% in 2021, an increase from 3.29% in 2020, primarily due to the favorable performance in our alternative investment portfolio, partially offset by slightly lower returns in our fixed and other investment portfolio. Alternative net investment earned rate was 16.73% in 2021, an increase from (6.75)% in 2020, primarily driven by higher Venerable returns and the prior year reflecting the unfavorable performance of alternatives reported on a lag attributed to the economic downturn from the spread of COVID-19, partially offset by the sale of AmeriHome in 2021, which experienced favorable returns in the prior year. Fixed and other net investment earned rate was 3.75% in 2021, a decrease from 3.78% in 2020, primarily driven by lower new money rates reflecting the prolonged lower interest rate environment and lower floating rate investment income, partially offset by the early redemptions of two loans, higher bond call income and mortgage prepayments and higher RMBS returns.

*Non-operating Adjustments*

Non-operating adjustments increased by \$48 million to \$382 million in 2021 from \$334 million in 2020. The increase in non-operating adjustments was primarily driven by the change in net FIA derivatives and an increase in realized gains on the sale of AFS securities, partially offset by the change in fair value of reinsurance assets. Net FIA derivatives were favorable by \$337 million primarily due to the favorable change in discount rates used in our embedded derivative calculations as well as the favorable performance of the equity indices to which our FIA policies are linked, primarily the S&P 500 index, with the current year results amplified by strong growth in our FIA block over the previous twelve months. The increase in realized gains on AFS securities of \$68 million was primarily due to redeploying the Jackson reinsurance portfolio. The change in fair value of reinsurance assets was unfavorable by \$559 million primarily due to the less favorable credit spread tightening and the less favorable change in US Treasury rates compared to the prior year.

***Six Months Ended June 30, 2021 Compared to the Six Months Ended June 30, 2020****Adjusted Operating Income Available to Common Shareholders*

Adjusted operating income available to common shareholders increased by \$1.4 billion, or 358%, to \$1.7 billion in 2021 from \$382 million in 2020. Adjusted operating ROE was 28.2%, up from 7.8% in 2020. Adjusted operating income available to common shareholders excluding the investment in Apollo, net of tax increased by \$1.1 billion, or 460%, to \$1.4 billion in 2021 from \$249 million in 2020. The increase in adjusted operating income available to common shareholders was driven by an increase in our Retirement Services segment of \$1.0 billion and an increase in our Corporate and Other segment of \$360 million.

Our consolidated net investment earned rate was 4.83% in 2021, an increase from 3.56% in 2020, primarily due to the favorable performance in our alternative investment portfolio, partially offset by lower returns in our fixed and other investment portfolio. Alternative net investment earned rate was 27.67% in 2021, an increase from (4.70)% in 2020, primarily driven by higher Venerable and MidCap returns, higher AmeriHome returns attributed to the sale in April and the increase in the market value of our equity position in OneMain. Additionally, the prior year experienced unfavorable performance of alternative investments reported on a lag attributed to the economic downturn from the spread of COVID-19. Fixed and other net investment earned rate was 3.66% in 2021, a decrease from 3.97% in 2020, primarily driven by lower new money rates reflecting the prolonged lower interest rate environment, lower floating rate investment income and lower returns on the assets from the Jackson reinsurance transaction, partially offset by the early redemptions of two loans, higher bond call income and mortgage prepayments and higher RMBS returns.

*Non-operating Adjustments*

Non-operating adjustments increased by \$835 million to \$212 million in 2021 from \$(623) million in 2020. The increase in non-operating adjustments was primarily driven by the change in net FIA derivatives and a change in the provision for credit losses, partially offset by the change in fair value of reinsurance assets and higher non-operating expenses related to the accrual of costs associated with the previously announced merger with Apollo. Net FIA derivatives were favorable by \$760 million primarily due to the favorable change in discount rates used in our embedded derivative calculations and the favorable performance of the equity indices to which our FIA policies are linked. The favorable change in the provision for credit losses of \$294 million (net of noncontrolling interests) was primarily due to the initial establishment of the allowance in the first quarter of 2020 as well as unfavorable prior year impacts reflecting the economic downturn from the spread of COVID-19. The change in fair value of reinsurance assets was unfavorable by \$147 million primarily driven by the increase in US Treasury rates in the current year compared to a decrease in the prior year, partially offset by favorable credit spread tightening in the current year compared to credit spread widening in the prior year.

**Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations****Retirement Services**

Retirement Services is comprised of our United States and Bermuda operations which issue and reinsure retirement savings products and institutional products. Retirement Services has retail operations, which provide annuity retirement solutions to our policyholders. Retirement Services also has reinsurance operations, which reinsure FIAs, MYGAs, traditional one year guarantee fixed deferred annuities, immediate annuities and institutional products from our reinsurance partners. In addition, our institutional operations, including funding agreements and PRT obligations, are included in our Retirement Services segment.

**Three Months Ended June 30, 2021 Compared to the Three Months Ended June 30, 2020***Adjusted Operating Income Available to Common Shareholders*

Adjusted operating income available to common shareholders increased by \$426 million, or 205%, to \$634 million in 2021, from \$208 million in 2020. Adjusted operating ROE was 27.6%, up from 11.1% in the prior period. The increase in adjusted operating income available to common shareholders was driven by higher net investment earnings, partially offset by higher cost of funds. Net investment earnings increased \$584 million primarily driven by favorable alternative investment performance, \$29.5 billion of growth in our average net invested assets attributed to a strong growth in inflows and the Jackson reinsurance transaction, the early redemptions of two loans, higher bond call income and mortgage prepayments and higher RMBS income, partially offset by lower new money rates reflecting the prolonged lower interest rate environment and lower floating rate investment income. Cost of funds were \$150 million higher primarily related to an increase in cost of crediting as a result of growth in the block of business. Other liability costs were slightly higher than prior year driven by higher gross profits and growth in the block of business, partially offset by the favorable change in actuarial experience and market impacts.

*Net Investment Spread*

|                            | Three months ended June 30, |        |
|----------------------------|-----------------------------|--------|
|                            | 2021                        | 2020   |
| Net investment earned rate | 4.30 %                      | 3.44 % |
| Cost of funds              | 2.40 %                      | 2.48 % |
| Net investment spread      | 1.90 %                      | 0.96 % |

Net investment spread, which measures the spread on our investment performance less the total cost of our liabilities, increased 94 basis points to 1.90% in 2021 from 0.96% in 2020. Net investment earned rate increased 86 basis points due to a higher alternative net investment earned rate, partially offset by the decline in the fixed and other net investment earned rate. The alternative net investments earned rate increased in 2021 to 16.27% from (4.38)% in 2020, primarily driven by higher Venerable returns mainly due to a valuation increase related to the announced reinsurance agreement with Equitable Financial Life Insurance Company and the prior year reflecting the unfavorable performance of alternatives reported on a lag attributed to the economic downturn from the spread of COVID-19, partially offset by the sale of AmeriHome in 2021, which experienced favorable returns in the prior year. The fixed and other net investment earned rate decreased in 2021 to 3.75% from 3.78% in 2020, primarily attributed to lower new money rates reflecting the prolonged lower interest rate environment and lower floating rate investment income, partially offset by the early redemptions of two loans, higher bond call income and mortgage prepayments and higher RMBS returns and lower levels of cash during the current quarter.

Cost of funds decreased by 8 basis points to 2.40% in 2021, from 2.48% in 2020, due to lower other liability costs and cost of crediting. Other liability costs decreased 5 basis points primarily driven by the favorable change in rider reserves and DAC amortization related to the change in actuarial experience and market impacts as well as favorable other liability costs from the Jackson reinsurance transaction, partially offset by higher gross profits. Cost of crediting decreased 3 basis points primarily driven by lower rates on recent funding agreement issuances and PRT transactions and the favorable decrease in deferred annuity rates mainly due to favorable rate actions and lower option costs, partially offset by an increase in the institutional block of business at higher crediting rates.

*Investment Margin on Deferred Annuities*

|   | Three months ended June 30, |        |
|---|-----------------------------|--------|
|   | 2021                        | 2020   |
| Net investment earned rate              | 4.30 %                      | 3.44 % |
| Cost of crediting on deferred annuities | 1.87 %                      | 1.94 % |
| Investment margin on deferred annuities | 2.43 %                      | 1.50 % |

Investment margin on deferred annuities, which measures our investment performance less the cost of crediting for our deferred annuities, increased by 93 basis points to 2.43% in 2021, from 1.50% in 2020, driven by an increase in the net investment earned rate and a decrease in the cost of crediting on deferred annuities from the prior year related to favorable rate actions and lower option costs, as we continue to focus on pricing discipline, managing interest rates credited to policyholders and managing the cost of options to fund the annual index credits on our FIA products.

**Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations**

***Six Months Ended June 30, 2021 Compared to the Six Months Ended June 30, 2020***

*Adjusted Operating Income Available to Common Shareholders*

Adjusted operating income available to common shareholders increased by \$1.0 billion, or 244%, to \$1.4 billion in 2021, from \$412 million in 2020. Adjusted operating ROE was 32.6%, up from 11.4% in the prior year. The increase in adjusted operating income available to common shareholders was driven by higher net investment earnings, partially offset by higher cost of funds and higher operating tax expense related to higher taxable earnings in 2021. Net investment earnings increased \$1.3 billion primarily driven by the favorable alternative investment performance, \$30.7 billion of growth in our average net invested assets from prior year attributed to a strong growth in inflows and the Jackson reinsurance transaction, the early redemptions of two loans, higher bond call income and mortgage prepayments and higher RMBS income, partially offset by lower new money rates reflecting the prolonged lower interest rate environment and lower floating rate income. Cost of funds were \$278 million higher primarily related to an increase in cost of crediting as a result of growth in the block of business, including the Jackson reinsurance transaction. Other liability costs were higher than prior year primarily driven by higher rider reserves and DAC amortization as a result of higher gross profits, partially offset by the favorable change in actuarial experience and market impacts.

*Net Investment Spread*

|                            | Six months ended June 30, |        |
|----------------------------|---------------------------|--------|
|                            | 2021                      | 2020   |
| Net investment earned rate | 4.73 %                    | 3.73 % |
| Cost of funds              | 2.55 %                    | 2.73 % |
| Net investment spread      | 2.18 %                    | 1.00 % |

Net investment spread, which measures the spread on our investment performance less the total cost of our liabilities, increased 118 basis points to 2.18% in 2021 from 1.00% in 2020. Net investment earned rate increased 100 basis points due to a higher alternative net investment earned rate, partially offset by the decline in the fixed and other net investment earned rate. The alternative net investments earned rate increased in 2021 to 29.30% from (1.95)% in 2020, primarily driven by higher Venerable returns attributed to a valuation increase related to the announced reinsurance agreement with Equitable Financial Life Insurance Company, higher AmeriHome returns attributed to the sale in April and higher MidCap returns as a result of a valuation increase in the year relating to a capital raise price at a premium compared to a decrease in valuation in the prior year. Additionally, the prior year experienced unfavorable performance of alternative investments reported on a lag attributed to the economic downturn from the spread of COVID-19. The fixed and other net investment earned rate decreased in 2021 to 3.66% from 3.98% in 2020, primarily attributed to lower new money rates reflecting the prolonged lower interest rate environment, lower floating rate investment income and lower returns on the assets from the Jackson reinsurance transaction, partially offset by the early redemptions of two loans, higher bond call income and mortgage prepayments and higher RMBS returns.

Cost of funds decreased by 18 basis points to 2.55% in 2021, from 2.73% in 2020, due to lower other liability costs and cost of crediting. Other liability costs decreased 14 basis points primarily driven by the favorable change in rider reserves and DAC amortization related to the change in actuarial experience and market impacts as well as favorable other liability costs from the Jackson reinsurance transaction, partially offset by higher gross profits. Cost of crediting decreased 4 basis points primarily driven by lower rates on recent funding agreement issuances and PRT transactions and favorable deferred annuity rates due to favorable rate actions and lower option costs, partially offset by an increase in the institutional block of business at higher crediting rates.

*Investment Margin on Deferred Annuities*

|   | Six months ended June 30, |        |
|---|---------------------------|--------|
|   | 2021                      | 2020   |
| Net investment earned rate              | 4.73 %                    | 3.73 % |
| Cost of crediting on deferred annuities | 1.88 %                    | 1.92 % |
| Investment margin on deferred annuities | 2.85 %                    | 1.81 % |

Investment margin on deferred annuities, which measures our investment performance less the cost of crediting for our deferred annuities, increased by 104 basis points to 2.85% in 2021, from 1.81% in 2020, driven by an increase in the net investment earned rate and a decrease in the cost of crediting on deferred annuities from the prior year related to favorable rate actions and lower option costs, as we continue to focus on pricing discipline, managing interest rates credited to policyholders and managing the cost of options to fund the annual index credits on our FIA products.

## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

### Corporate and Other

Corporate and Other includes certain other operations related to our corporate activities such as corporate allocated expenses, merger and acquisition costs, debt costs, preferred stock dividends, certain integration and restructuring costs, certain stock-based compensation and intersegment eliminations. In addition, we also hold capital in excess of the level of capital we hold in Retirement Services to support our operating strategy.

#### *Adjusted Operating Income (Loss) Available to Common Shareholders*

Adjusted operating income available to common shareholders increased by \$84 million to \$366 million from \$282 million for the three months ended June 30, 2021 and 2020, respectively. The increase in adjusted operating income available to common shareholders was primarily driven by favorable alternative investment performance due to higher natural resources income as a result of unfavorable economic conditions in the prior period and higher Athora income. These items were partially offset by higher preferred stock dividends and interest expense due to recent preferred share and senior debt issuances.

Adjusted operating income (loss) available to common shareholders increased by \$360 million to \$330 million from \$(30) million for the six months ended June 30, 2021 and 2020, respectively. The increase in adjusted operating income (loss) available to common shareholders was primarily driven by a favorable change of \$221 million on our investment in Apollo, net of tax, as well as favorable alternative investment performance from an increase in the market value of our equity position in OneMain, higher credit fund income due to the decline in CLO equities in the prior year related to the unfavorable economic conditions, and higher Athora income. These items were partially offset by higher preferred stock dividends and interest expense due to recent preferred share and senior debt issuances.

### Consolidated Investment Portfolio

We had consolidated investments, including related parties, of \$194.5 billion and \$182.4 billion as of June 30, 2021 and December 31, 2020, respectively. Our investment strategy seeks to achieve sustainable risk-adjusted returns through the disciplined management of our investment portfolio against our long-duration liabilities, coupled with the diversification of risk. The investment strategies utilized by our investment manager focuses primarily on a buy and hold asset allocation strategy that may be adjusted periodically in response to changing market conditions and the nature of our liability profile. Substantially all of our investment portfolio is managed by Apollo, which provides a full suite of services, 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. Our relationship with Apollo allows us to take advantage of our generally illiquid liability profile by identifying investment opportunities with an emphasis on earning incremental yield by taking liquidity and complexity risk rather than assuming solely credit risk. Apollo's investment team and credit portfolio managers utilize their deep experience to assist us in sourcing and underwriting complex asset classes. Apollo has selected a diverse array of corporate bonds and more structured, but highly rated asset classes. We also maintain holdings in floating rate and less rate-sensitive instruments, including CLOs, non-agency RMBS and various types of structured products. In addition to our fixed income portfolio, we opportunistically allocate approximately 5% of our portfolio to alternative investments where we primarily focus on fixed income-like, cash flow-based investments.

**Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations**

Net investment income on the condensed consolidated statements of income (loss) included management fees under our investment management arrangements with Apollo, inclusive of base and sub-allocation fees, of \$140 million and \$123 million, respectively, during the three months ended June 30, 2021 and 2020, and \$284 million and \$251 million, respectively, during the six months ended June 30, 2021 and 2020. The total amounts we have incurred, directly and indirectly, from Apollo and its affiliates were as follows:

| (In millions)                                   | Three months ended June 30, |        | Six months ended June 30, |        |
|---|-----------------------------|--------|---------------------------|--------|
|   | 2021                        | 2020   | 2021                      | 2020   |
| Investment management agreements <sup>1,2</sup> | \$ 192                      | \$ 139 | \$ 387                    | \$ 291 |
| Fund investments <sup>3</sup>                   | 51                          | 29     | 111                       | 11     |
| Other <sup>4</sup>                              | 2                           | 13     | 13                        | 22     |
| Gross fees                                      | 245                         | 181    | 511                       | 324    |
| ACRA noncontrolling interest <sup>5</sup>       | 23                          | 9      | 48                        | 14     |
| Net fees  | \$ 222                      | \$ 172 | \$ 463                    | \$ 310 |

<sup>1</sup> Excludes \$1 million of sub-advisory fees paid to ISG for the benefit of third-party sub-advisors for each of the three months ended June 30, 2021 and 2020, respectively, and excludes \$2 million and \$1 million for the six months ended June 30, 2021 and 2020, respectively.

<sup>2</sup> Includes \$53 million and \$24 million of fees charged by Apollo to third-party cedants for the three months ended June 30, 2021 and 2020, respectively, and \$108 million and \$48 million for the six months ended June 30, 2021 and 2020, respectively, with respect to assets supporting obligations reinsured to us. Third-party cedants bear legal responsibility for payment of the investment management fees charged; however, we are the beneficiaries of the services performed and the fees ultimately reduce the settlement payments received from such third-party cedants.

<sup>3</sup> Includes total management fees, carried interest (including unrealized but accrued carried interest fees) and other fees, including with respect to those investments we hold as equity method investments.

<sup>4</sup> Other primarily relates to fees resulting from shared services, advisory and other agreements with Apollo or its affiliates.

<sup>5</sup> Represents those fees incurred directly and indirectly attributable to ACRA, based upon the economic ownership of the noncontrolling interest in ACRA.

Our net invested assets, which are those that directly back our net reserve liabilities as well as surplus assets, were \$160.8 billion and \$150.2 billion as of June 30, 2021 and December 31, 2020, respectively. Apollo’s knowledge of our funding structure and regulatory requirements allows it to design customized strategies and investments for our portfolio. Apollo manages our asset portfolio within the limits and constraints set forth in our Investment and Credit Risk Policy. Under this policy, we set limits on investments in our portfolio by asset class, such as corporate bonds, emerging markets securities, municipal bonds, non-agency RMBS, CMBS, CLOs, commercial mortgage whole loans and mezzanine loans and investment funds. We also set credit risk limits for exposure to a single issuer that vary based on the issuer’s ratings. In addition, our investment portfolio is constrained by its scenario-based capital ratio limit and its stressed liquidity limit.

**Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations**

The following table presents the carrying values of our total investments and investments in related parties:

| <i>(In millions, except percentages)</i>         | June 30, 2021     |                  | December 31, 2020 |                  |
|--|-------------------|------------------|-------------------|------------------|
|  | Carrying Value    | Percent of Total | Carrying Value    | Percent of Total |
| AFS securities, at fair value                    | \$ 92,838         | 47.7 %           | \$ 82,853         | 45.4 %           |
| Trading securities, at fair value                | 2,065             | 1.1 %            | 2,093             | 1.2 %            |
| Equity securities                                | 600               | 0.3 %            | 532               | 0.3 %            |
| Mortgage loans, net of allowances                | 17,390            | 8.9 %            | 15,264            | 8.4 %            |
| Investment funds                                 | 1,159             | 0.6 %            | 803               | 0.4 %            |
| Policy loans                                     | 329               | 0.2 %            | 369               | 0.2 %            |
| Funds withheld at interest                       | 45,428            | 23.4 %           | 48,612            | 26.7 %           |
| Derivative assets                                | 4,151             | 2.1 %            | 3,523             | 1.9 %            |
| Short-term investments                           | 101               | 0.1 %            | 222               | 0.1 %            |
| Other investments, net of allowances             | 1,680             | 0.8 %            | 572               | 0.3 %            |
| <b>Total investments</b>                         | <b>165,741</b>    | <b>85.2 %</b>    | <b>154,843</b>    | <b>84.9 %</b>    |
| Investments in related parties                   |                   |                  |                   |                  |
| AFS securities, at fair value                    | 7,047             | 3.6 %            | 6,520             | 3.6 %            |
| Trading securities, at fair value                | 1,740             | 0.9 %            | 1,529             | 0.8 %            |
| Equity securities, at fair value                 | 115               | 0.1 %            | 72                | — %              |
| Mortgage loans, net of allowances                | 819               | 0.4 %            | 674               | 0.4 %            |
| Investment funds                                 | 6,324             | 3.2 %            | 5,284             | 2.9 %            |
| Funds withheld at interest                       | 12,576            | 6.5 %            | 13,030            | 7.1 %            |
| Other investments, net of allowances             | 147               | 0.1 %            | 469               | 0.3 %            |
| <b>Total related party investments</b>           | <b>28,768</b>     | <b>14.8 %</b>    | <b>27,578</b>     | <b>15.1 %</b>    |
| <b>Total investments including related party</b> | <b>\$ 194,509</b> | <b>100.0 %</b>   | <b>\$ 182,421</b> | <b>100.0 %</b>   |

The increase in our total investments, including related party, as of June 30, 2021 of \$12.1 billion compared to December 31, 2020 was primarily driven by growth from gross organic inflows of \$15.8 billion in excess of liability outflows of \$7.4 billion and an increase in the market valuation of several investment funds. These increases were partially offset by unrealized losses on AFS securities in the six months ended June 30, 2021 of \$1.2 billion and funds withheld at interest portfolios, both of which were attributed to an increase in US Treasury rates, partially offset by credit spreads tightening.

Our investment portfolio consists largely of high quality fixed maturity securities, loans and short-term investments, as well as additional opportunistic holdings in investment funds and other instruments, including equity holdings. Fixed maturity securities and loans include publicly issued corporate bonds, government and other sovereign bonds, privately placed corporate bonds and loans, mortgage loans, CMBS, RMBS, CLOs and ABS.

While the substantial majority of our investment portfolio has been allocated to corporate bonds and structured credit products, a key component of our investment strategy is the opportunistic acquisition of investment funds with attractive risk and return profiles. Our investment fund portfolio consists of funds that employ various strategies including real estate and other real asset funds, credit funds and private equity funds. We have a strong preference for assets that have some or all of the following characteristics, among others: (1) investments that constitute a direct investment or an investment in a fund with a high degree of co-investment; (2) investments with credit- or debt-like characteristics (for example, a stipulated maturity and par value), or alternatively, investments with reduced volatility when compared to pure equity; or (3) investments that we believe have less downside risk.

We hold derivatives for economic hedging purposes to reduce our exposure to the cash flow variability of assets and liabilities, equity market risk, interest rate risk, credit risk and foreign exchange risk. Our primary use of derivative instruments relates to providing the income needed to fund the annual indexed credits on our FIA products. We primarily use fixed indexed options to economically hedge FIA products that guarantee the return of principal to the policyholder and credit interest based on a percentage of the gain in a specific market index.

With respect to derivative positions, we transact with highly rated counterparties, and expect the counterparties to fulfill their obligations under the contracts. We generally use industry standard agreements and annexes with bilateral collateral provisions to further reduce counterparty credit exposure.



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***Related Party Investments***

We hold investments in related party assets primarily comprised of AFS securities, trading securities, investment funds and funds withheld at interest reinsurance receivables which are primarily a result of investments over which Apollo can exercise influence. As of June 30, 2021, these investments totaled \$28.8 billion, or 13.3% of our total assets. Related party AFS and trading securities primarily consist of structured securities for which Apollo is the manager of the underlying securitization vehicle and securities issued by Apollo direct origination platforms including PK AirFinance, MidCap and, until its sale in April 2021, AmeriHome. In each case, the underlying collateral, borrower or other credit party is generally unaffiliated with us. Related party investment funds include strategic investments in direct origination platforms and insurance companies, investments in Apollo managed funds and our investment in Apollo. The funds withheld at interest related party amounts are primarily comprised of the Venerable reinsurance portfolios, which are considered related party even though a significant majority of the underlying assets within the investment portfolios do not have a related party affiliation.

A summary of our related party investments reflecting the nature of the affiliation is as follows:

| <i>(In millions, except percentages)</i>                       | June 30, 2021    |                         | December 31, 2020 |                         |
|--|------------------|-------------------------|-------------------|-------------------------|
|  | Carrying Value   | Percent of Total Assets | Carrying Value    | Percent of Total Assets |
| Venerable funds withheld reinsurance portfolio                 | \$ 12,576        | 5.8 %                   | \$ 13,030         | 6.4 %                   |
| Securitizations of unaffiliated assets where Apollo is manager | 9,079            | 4.2 %                   | 8,156             | 4.0 %                   |
| Investments in Apollo funds                                    | 2,771            | 1.3 %                   | 2,071             | 1.0 %                   |
| Strategic investments in Apollo direct origination platforms   | 1,045            | 0.5 %                   | 1,664             | 0.8 %                   |
| Strategic investment in Apollo                                 | 1,730            | 0.8 %                   | 1,324             | 0.7 %                   |
| Strategic investments in insurance companies                   | 1,548            | 0.7 %                   | 1,314             | 0.6 %                   |
| Other  | 19               | — %                     | 19                | — %                     |
| <b>Total related party investments</b>                         | <b>\$ 28,768</b> | <b>13.3 %</b>           | <b>\$ 27,578</b>  | <b>13.5 %</b>           |

As of June 30, 2021, the majority of the related party investments, or 10.0% of our total assets, were related to the Venerable reinsurance portfolio and securities for which Apollo is the manager of the securitization vehicle, but the underlying collateral, borrower or other credit party is unaffiliated with us. Approximately 3.3% of total assets were comprised of strategic investments in affiliated companies or Apollo funds. The related party net invested assets, which look through to the underlying assets of the funds withheld and modco reinsurance portfolios’ investments, were \$21.9 billion, or 13.5% of our total net invested assets as of June 30, 2021. Approximately 8.4% of net invested assets were comprised of securitizations where Apollo was the manager of the securitization vehicle but the underlying collateral, borrower or other credit party is unaffiliated with us, while 5.1% was comprised of strategic investments in affiliated companies or Apollo funds.

***AFS Securities***

We invest in AFS securities and attempt to source investments that match our future cash flow needs. However, we may sell any of our investments in advance of maturity to timely satisfy our liabilities as they become due or in order to respond to a change in the credit profile or other characteristics of the particular investment.

AFS securities are carried at fair value, less allowances for expected credit losses, on our condensed consolidated balance sheets. Changes in fair value of our AFS securities, net of related DAC, DSI and VOBA amortization and the change in rider reserves, are charged or credited to other comprehensive income, net of tax. All changes in the allowance for expected credit losses, whether due to passage of time, change in expected cash flows, or change in fair value are recorded through credit loss expense within investment related gains (losses) on the condensed consolidated statements of income (loss).

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The distribution of our AFS securities, including related parties, by type is as follows:

|   | June 30, 2021     |                             |                  |                   |                  |                  |
|---|-------------------|-----------------------------|------------------|-------------------|------------------|------------------|
| <i>(In millions, except percentages)</i>            | Amortized Cost    | Allowance for Credit Losses | Unrealized Gains | Unrealized Losses | Fair Value       | Percent of Total |
| <b>AFS securities</b>                               |                   |                             |                  |                   |                  |                  |
| US government and agencies                          | \$ 347            | \$ —                        | \$ 2             | \$ (15)           | \$ 334           | 0.3 %            |
| US state, municipal and political subdivisions      | 871               | —                           | 146              | (1)               | 1,016            | 1.0 %            |
| Foreign governments                                 | 393               | —                           | 26               | (3)               | 416              | 0.4 %            |
| Corporate   | 58,832            | (5)                         | 5,179            | (332)             | 63,674           | 63.8 %           |
| CLO   | 13,162            | (3)                         | 108              | (84)              | 13,183           | 13.2 %           |
| ABS   | 5,180             | (10)                        | 185              | (56)              | 5,299            | 5.3 %            |
| CMBS  | 2,420             | (6)                         | 94               | (54)              | 2,454            | 2.5 %            |
| RMBS  | 6,135             | (83)                        | 423              | (13)              | 6,462            | 6.5 %            |
| <b>Total AFS securities</b>                         | <b>87,340</b>     | <b>(107)</b>                | <b>6,163</b>     | <b>(558)</b>      | <b>92,838</b>    | <b>93.0 %</b>    |
| <b>AFS securities – related party</b>               |                   |                             |                  |                   |                  |                  |
| Corporate   | 168               | —                           | 9                | —                 | 177              | 0.2 %            |
| CLO   | 2,032             | (2)                         | 16               | (7)               | 2,039            | 2.0 %            |
| ABS   | 4,791             | —                           | 76               | (36)              | 4,831            | 4.8 %            |
| <b>Total AFS securities – related party</b>         | <b>6,991</b>      | <b>(2)</b>                  | <b>101</b>       | <b>(43)</b>       | <b>7,047</b>     | <b>7.0 %</b>     |
| <b>Total AFS securities including related party</b> | <b>\$ 94,331</b>  | <b>\$ (109)</b>             | <b>\$ 6,264</b>  | <b>\$ (601)</b>   | <b>\$ 99,885</b> | <b>100.0 %</b>   |
|   | December 31, 2020 |                             |                  |                   |                  |                  |
| <i>(In millions, except percentages)</i>            | Amortized Cost    | Allowance for Credit Losses | Unrealized Gains | Unrealized Losses | Fair Value       | Percent of Total |
| <b>AFS securities</b>                               |                   |                             |                  |                   |                  |                  |
| US government and agencies                          | \$ 349            | \$ —                        | \$ 3             | \$ (1)            | \$ 351           | 0.4 %            |
| US state, municipal and political subdivisions      | 864               | —                           | 169              | —                 | 1,033            | 1.2 %            |
| Foreign governments                                 | 330               | —                           | 38               | —                 | 368              | 0.4 %            |
| Corporate   | 51,934            | (6)                         | 6,368            | (116)             | 58,180           | 65.1 %           |
| CLO   | 9,631             | (1)                         | 145              | (206)             | 9,569            | 10.7 %           |
| ABS   | 4,259             | (6)                         | 140              | (123)             | 4,270            | 4.8 %            |
| CMBS  | 2,165             | (10)                        | 85               | (71)              | 2,169            | 2.4 %            |
| RMBS  | 6,568             | (80)                        | 447              | (22)              | 6,913            | 7.7 %            |
| <b>Total AFS securities</b>                         | <b>76,100</b>     | <b>(103)</b>                | <b>7,395</b>     | <b>(539)</b>      | <b>82,853</b>    | <b>92.7 %</b>    |
| <b>AFS securities – related party</b>               |                   |                             |                  |                   |                  |                  |
| Corporate   | 213               | —                           | 2                | —                 | 215              | 0.2 %            |
| CLO   | 1,511             | (1)                         | 23               | (13)              | 1,520            | 1.7 %            |
| ABS   | 4,720             | —                           | 95               | (30)              | 4,785            | 5.4 %            |
| <b>Total AFS securities – related party</b>         | <b>6,444</b>      | <b>(1)</b>                  | <b>120</b>       | <b>(43)</b>       | <b>6,520</b>     | <b>7.3 %</b>     |
| <b>Total AFS securities including related party</b> | <b>\$ 82,544</b>  | <b>\$ (104)</b>             | <b>\$ 7,515</b>  | <b>\$ (582)</b>   | <b>\$ 89,373</b> | <b>100.0 %</b>   |

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We maintain a diversified AFS portfolio of corporate fixed maturity securities across industries and issuers, and a diversified portfolio of structured securities. The composition of our AFS securities, including related parties, is as follows:

| (In millions, except percentages)                   | June 30, 2021    |                  | December 31, 2020 |                  |
|---|------------------|------------------|-------------------|------------------|
|   | Fair Value       | Percent of Total | Fair Value        | Percent of Total |
| <b>Corporate</b>                                    |                  |                  |                   |                  |
| Industrial other <sup>1</sup>                       | \$ 21,508        | 21.5 %           | \$ 20,637         | 23.1 %           |
| Financial   | 21,043           | 21.1 %           | 17,759            | 19.9 %           |
| Utilities   | 14,145           | 14.2 %           | 13,471            | 15.1 %           |
| Communication                                       | 3,566            | 3.6 %            | 3,155             | 3.5 %            |
| Transportation                                      | 3,589            | 3.6 %            | 3,373             | 3.8 %            |
| <b>Total corporate</b>                              | <b>63,851</b>    | <b>64.0 %</b>    | <b>58,395</b>     | <b>65.4 %</b>    |
| <b>Other government-related securities</b>          |                  |                  |                   |                  |
| US state, municipal and political subdivisions      | 1,016            | 1.0 %            | 1,033             | 1.2 %            |
| Foreign governments                                 | 416              | 0.4 %            | 368               | 0.4 %            |
| US government and agencies                          | 334              | 0.3 %            | 351               | 0.4 %            |
| <b>Total non-structured securities</b>              | <b>65,617</b>    | <b>65.7 %</b>    | <b>60,147</b>     | <b>67.4 %</b>    |
| <b>Structured securities</b>                        |                  |                  |                   |                  |
| CLO   | 15,222           | 15.2 %           | 11,089            | 12.4 %           |
| ABS   | 10,130           | 10.1 %           | 9,055             | 10.1 %           |
| CMBS  | 2,454            | 2.6 %            | 2,169             | 2.4 %            |
| <b>RMBS</b>   |                  |                  |                   |                  |
| Agency  | 26               | — %              | 29                | — %              |
| Non-agency  | 6,436            | 6.4 %            | 6,884             | 7.7 %            |
| <b>Total structured securities</b>                  | <b>34,268</b>    | <b>34.3 %</b>    | <b>29,226</b>     | <b>32.6 %</b>    |
| <b>Total AFS securities including related party</b> | <b>\$ 99,885</b> | <b>100.0 %</b>   | <b>\$ 89,373</b>  | <b>100.0 %</b>   |

<sup>1</sup> Includes securities within various industry segments including capital goods, basic industry, consumer cyclical, consumer non-cyclical, industrial and technology.

The fair value of our AFS securities, including related parties, was \$99.9 billion and \$89.4 billion as of June 30, 2021 and December 31, 2020, respectively. The increase was mainly driven by strong growth from organic inflows in excess of liability outflows, partially offset by unrealized losses on AFS securities in the six months ended June 30, 2021 of \$1.2 billion. The decrease in unrealized gains and losses was attributed to an increase in US Treasury rates, partially offset by credit spreads tightening.

The Securities Valuation Office (SVO) of the NAIC is responsible for the credit quality assessment and valuation of securities owned by state regulated insurance companies. Insurance companies report ownership of securities to the SVO when such securities are eligible for filing on the relevant schedule of the NAIC Financial Statement. The SVO conducts credit analysis on these securities for the purpose of assigning an NAIC designation and/or unit price. Generally, the process for assigning an NAIC designation varies based upon whether a security is considered “filing exempt” (General Designation Process). Subject to certain exceptions, a security is typically considered “filing exempt” if it has been rated by a Nationally Recognized Statistical Rating Organization (NRSRO). For securities that are not “filing exempt,” insurance companies assign temporary designations based upon a subjective evaluation of credit quality. The insurance company generally must then submit the securities to the SVO within 120 days of acquisition to receive an NAIC designation. For securities considered “filing exempt,” the SVO utilizes the NRSRO rating and assigns an NAIC designation based upon the following system:

| NAIC designation <sup>1</sup> | NRSRO equivalent rating |
|-------------------------------|-------------------------|
| 1                             | AAA/AA/A                |
| 2                             | BBB                     |
| 3                             | BB                      |
| 4                             | B                       |
| 5                             | CCC                     |
| 6                             | CC and lower            |

<sup>1</sup> As of December 31, 2020, the NAIC had introduced 20 NAIC designation modifiers that will be applied to each NAIC designation to determine a security’s NAIC designation category (i.e., NAIC 1.A through 1.G, NAIC 2.A through 2.C, NAIC 3.A through 3.C, NAIC 4.A through 4.C, NAIC 5.A through 5.C and NAIC 6). The NAIC has approved new unique risk-based capital charges for each of the 20 designated categories for reporting effective December 31, 2021.

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An important exception to the General Designation Process occurs in the case of certain loan-backed and structured securities (LBaSS). The NRSRO ratings methodology is focused on the likelihood of recovery of all contractual payments, including principal at par, regardless of an investor’s carrying value. In effect, the NRSRO rating assumes that the holder is the original purchaser at par. In contrast, the SVO’s LBaSS methodology is focused on determining the risk associated with the recovery of the amortized cost of each security. Because the NAIC’s methodology explicitly considers amortized cost and the likelihood of recovery of such amount, we view the NAIC’s methodology as the most appropriate means of evaluating the credit quality of our fixed maturity portfolio since a large portion of our holdings were purchased and are carried at significant discounts to par.

The SVO has developed a designation process and provides instruction on modeled LBaSS. For modeled LBaSS, the process is specific to the non-agency RMBS and CMBS asset classes. In order to establish ratings at the individual security level, the SVO obtains loan-level analysis of each RMBS and CMBS using a selected vendor’s proprietary financial model. The SVO ensures that the vendor has extensive internal quality-control processes in place and the SVO conducts its own quality-control checks of the selected vendor’s valuation process. The SVO has retained the services of Blackrock, Inc. (Blackrock) to model non-agency RMBS and CMBS owned by US insurers for all years presented herein. Blackrock provides five prices (breakpoints), based on each US insurer’s statutory book value price, to utilize in determining the NAIC designation for each modeled LBaSS.

The NAIC designation determines the associated level of risk-based capital that an insurer is required to hold for all securities owned by the insurer. In general, under the modeled LBaSS process, the larger the discount to par value at the time of determination, the higher the NAIC designation the LBaSS will have.

A summary of our AFS securities, including related parties, by NAIC designation is as follows:

| <i>(In millions, except percentages)</i>            | June 30, 2021    |                  |                  | December 31, 2020 |                  |                  |
|---|------------------|------------------|------------------|-------------------|------------------|------------------|
|   | Amortized Cost   | Fair Value       | Percent of Total | Amortized Cost    | Fair Value       | Percent of Total |
| <b>NAIC designation</b>                             |                  |                  |                  |                   |                  |                  |
| 1   | \$ 42,865        | \$ 45,430        | 45.5 %           | \$ 38,171         | \$ 41,532        | 46.5 %           |
| 2   | 45,102           | 47,979           | 48.0 %           | 38,231            | 41,704           | 46.7 %           |
| Total investment grade                              | 87,967           | 93,409           | 93.5 %           | 76,402            | 83,236           | 93.2 %           |
| 3   | 4,878            | 5,033            | 5.0 %            | 4,777             | 4,853            | 5.4 %            |
| 4   | 1,280            | 1,257            | 1.3 %            | 1,191             | 1,145            | 1.3 %            |
| 5   | 138              | 118              | 0.1 %            | 149               | 114              | 0.1 %            |
| 6   | 68               | 68               | 0.1 %            | 25                | 25               | — %              |
| Total below investment grade                        | 6,364            | 6,476            | 6.5 %            | 6,142             | 6,137            | 6.8 %            |
| <b>Total AFS securities including related party</b> | <b>\$ 94,331</b> | <b>\$ 99,885</b> | <b>100.0 %</b>   | <b>\$ 82,544</b>  | <b>\$ 89,373</b> | <b>100.0 %</b>   |

A significant majority of our AFS portfolio, 93.5% and 93.2% as of June 30, 2021 and December 31, 2020, respectively, was invested in assets considered investment grade with a NAIC designation of 1 or 2.

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A summary of our AFS securities, including related parties, by NRSRO ratings is set forth below:

| <i>(In millions, except percentages)</i>            | June 30, 2021    |                  | December 31, 2020 |                  |
|---|------------------|------------------|-------------------|------------------|
|   | Fair Value       | Percent of Total | Fair Value        | Percent of Total |
| <b>NRSRO rating agency designation</b>              |                  |                  |                   |                  |
| AAA/AA/A  | \$ 38,530        | 38.5 %           | \$ 33,553         | 37.5 %           |
| BBB   | 41,725           | 41.8 %           | 34,404            | 38.5 %           |
| Non-rated <sup>1</sup>                              | 11,353           | 11.4 %           | 12,732            | 14.3 %           |
| <b>Total investment grade</b>                       | <b>91,608</b>    | <b>91.7 %</b>    | <b>80,689</b>     | <b>90.3 %</b>    |
| BB  | 4,114            | 4.1 %            | 4,020             | 4.5 %            |
| B   | 1,183            | 1.2 %            | 1,030             | 1.2 %            |
| CCC   | 1,448            | 1.4 %            | 1,557             | 1.7 %            |
| CC and lower  | 881              | 0.9 %            | 973               | 1.1 %            |
| Non-rated <sup>1</sup>                              | 651              | 0.7 %            | 1,104             | 1.2 %            |
| <b>Total below investment grade</b>                 | <b>8,277</b>     | <b>8.3 %</b>     | <b>8,684</b>      | <b>9.7 %</b>     |
| <b>Total AFS securities including related party</b> | <b>\$ 99,885</b> | <b>100.0 %</b>   | <b>\$ 89,373</b>  | <b>100.0 %</b>   |

<sup>1</sup> Securities denoted as non-rated by the NRSRO were classified as investment or non-investment grade according to the security’s respective NAIC designation. With respect to modeled LBAAS, the NAIC designation methodology differs in significant respects from the NRSRO rating methodology.

Consistent with the NAIC Process and Procedures Manual, an NRSRO rating was assigned based on the following criteria: (a) the equivalent S&P rating when the security is rated by one NRSRO; (b) the equivalent S&P rating of the lowest NRSRO when the security is rated by two NRSROs; and (c) the equivalent S&P rating of the second lowest NRSRO when the security is rated by three or more NRSROs. If the lowest two NRSRO ratings are equal, then such rating will be the assigned rating. NRSRO ratings available for the periods presented were S&P, Fitch, Moody’s Investor Service, DBRS, and Kroll Bond Rating Agency, Inc.

The portion of our AFS portfolio that was considered below investment grade based on NRSRO ratings was 8.3% and 9.7% as of June 30, 2021 and December 31, 2020, respectively. The primary driver of the difference in the percentage of securities considered below investment grade by NRSROs as compared to the securities considered below investment grade by the NAIC is the difference in methodologies between the NRSRO and NAIC for RMBS due to investments acquired and/or carried at a discount to par value, as discussed above.

As of June 30, 2021 and December 31, 2020, non-rated securities were comprised of 64% and 54%, respectively, of corporate private placement securities for which we have not sought individual ratings from the NRSRO, and 19% and 18%, respectively, of RMBS, many of which were acquired at a significant discount to par. We rely on internal analysis and designations assigned by the NAIC to evaluate the credit risk of our portfolio. As of June 30, 2021 and December 31, 2020, 95% and 92%, respectively, of the non-rated securities were designated NAIC 1 or 2.

**Asset-backed Securities** – We invest in ABS which are securitized by pools of assets such as consumer loans, automobile loans, student loans, insurance-linked securities, operating cash flows of corporations and cash flows from various types of business equipment. Our ABS holdings were \$10.1 billion and \$9.1 billion as of June 30, 2021 and December 31, 2020, respectively. The increase in our ABS portfolio was primarily driven by the deployment of strong inflows. As of June 30, 2021 and December 31, 2020, our ABS portfolio included \$9.0 billion (89% of the total) and \$8.1 billion (89% of the total), respectively, of securities that are considered investment grade based on NAIC designations, while \$9.2 billion (91% of the total) and \$8.0 billion (88% of the total), respectively, of securities were considered investment grade based on NRSRO ratings.

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**Collateralized Loan Obligations** – We also invest in CLOs which pay principal and interest from cash flows received from underlying corporate loans. These holdings were \$15.2 billion and \$11.1 billion as of June 30, 2021 and December 31, 2020, respectively.

A summary of our AFS CLO portfolio, including related parties, by NAIC designations and NRSRO quality ratings is as follows:

| <i>(In millions, except percentages)</i>     | June 30, 2021    |                  | December 31, 2020 |                  |
|--|------------------|------------------|-------------------|------------------|
|  | Fair Value       | Percent of Total | Fair Value        | Percent of Total |
| <b>NAIC designation</b>                      |                  |                  |                   |                  |
| 1  | \$ 9,662         | 63.5 %           | \$ 6,786          | 61.2 %           |
| 2  | 5,305            | 34.9 %           | 3,934             | 35.5 %           |
| Total investment grade                       | 14,967           | 98.4 %           | 10,720            | 96.7 %           |
| 3  | 248              | 1.6 %            | 356               | 3.2 %            |
| 4  | 7                | — %              | 9                 | 0.1 %            |
| 5  | —                | — %              | 4                 | — %              |
| 6  | —                | — %              | —                 | — %              |
| Total below investment grade                 | 255              | 1.6 %            | 369               | 3.3 %            |
| <b>Total AFS CLO including related party</b> | <b>\$ 15,222</b> | <b>100.0 %</b>   | <b>\$ 11,089</b>  | <b>100.0 %</b>   |
| <b>NRSRO rating agency designation</b>       |                  |                  |                   |                  |
| AAA/AA/A                                     | \$ 9,502         | 62.4 %           | \$ 6,781          | 61.2 %           |
| BBB  | 5,287            | 34.7 %           | 3,930             | 35.4 %           |
| Non-rated                                    | 177              | 1.2 %            | 9                 | 0.1 %            |
| Total investment grade                       | 14,966           | 98.3 %           | 10,720            | 96.7 %           |
| BB   | 248              | 1.6 %            | 356               | 3.2 %            |
| B  | 8                | 0.1 %            | 9                 | 0.1 %            |
| CCC  | —                | — %              | 4                 | — %              |
| CC and lower                                 | —                | — %              | —                 | — %              |
| Non-rated                                    | —                | — %              | —                 | — %              |
| Total below investment grade                 | 256              | 1.7 %            | 369               | 3.3 %            |
| <b>Total AFS CLO including related party</b> | <b>\$ 15,222</b> | <b>100.0 %</b>   | <b>\$ 11,089</b>  | <b>100.0 %</b>   |

As of June 30, 2021 and December 31, 2020, a substantial majority of our AFS CLO portfolio, 98.4% and 96.7%, respectively, was invested in assets considered to be investment grade based upon application of the NAIC's methodology. The increase in our CLO portfolio was mainly driven by the deployment of strong inflows in the current year.

**Commercial Mortgage-backed Securities** – A portion of our AFS portfolio is invested in CMBS. CMBS are constructed from pools of commercial mortgages. These holdings were \$2.5 billion and \$2.2 billion as of June 30, 2021 and December 31, 2020, respectively. As of June 30, 2021 and December 31, 2020, our CMBS portfolio included \$1.8 billion (72% of the total) and \$1.6 billion (72% of the total), respectively, of securities that are considered investment grade based on NAIC designations, while \$1.9 billion (78% of the total) and \$1.6 billion (75% of the total), respectively, of securities were considered investment grade based on NRSRO ratings.

**Residential Mortgage-backed Securities** – A portion of our AFS portfolio is invested in RMBS, which are securities constructed from pools of residential mortgages. These holdings were \$6.5 billion and \$6.9 billion as of June 30, 2021 and December 31, 2020, respectively.

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A summary of our AFS RMBS portfolio by NAIC designations and NRSRO quality ratings is as follows:

| <i>(In millions, except percentages)</i> | June 30, 2021   |                  | December 31, 2020 |                  |
|--|-----------------|------------------|-------------------|------------------|
|  | Fair Value      | Percent of Total | Fair Value        | Percent of Total |
| <b>NAIC designation</b>                  |                 |                  |                   |                  |
| 1  | \$ 5,692        | 88.1 %           | \$ 6,196          | 89.6 %           |
| 2  | 328             | 5.1 %            | 232               | 3.4 %            |
| Total investment grade                   | 6,020           | 93.2 %           | 6,428             | 93.0 %           |
| 3  | 257             | 4.0 %            | 323               | 4.7 %            |
| 4  | 113             | 1.7 %            | 120               | 1.7 %            |
| 5  | 27              | 0.4 %            | 37                | 0.5 %            |
| 6  | 45              | 0.7 %            | 5                 | 0.1 %            |
| Total below investment grade             | 442             | 6.8 %            | 485               | 7.0 %            |
| <b>Total AFS RMBS</b>                    | <b>\$ 6,462</b> | <b>100.0 %</b>   | <b>\$ 6,913</b>   | <b>100.0 %</b>   |
| <b>NRSRO rating agency designation</b>   |                 |                  |                   |                  |
| AAA/AA/A                                 | \$ 922          | 14.3 %           | \$ 872            | 12.6 %           |
| BBB                                      | 648             | 10.0 %           | 635               | 9.2 %            |
| Non-rated <sup>1</sup>                   | 2,074           | 32.1 %           | 2,187             | 31.6 %           |
| Total investment grade                   | 3,644           | 56.4 %           | 3,694             | 53.4 %           |
| BB                                       | 128             | 2.0 %            | 233               | 3.4 %            |
| B  | 221             | 3.4 %            | 261               | 3.8 %            |
| CCC                                      | 1,364           | 21.1 %           | 1,509             | 21.8 %           |
| CC and lower                             | 881             | 13.6 %           | 971               | 14.1 %           |
| Non-rated <sup>1</sup>                   | 224             | 3.5 %            | 245               | 3.5 %            |
| Total below investment grade             | 2,818           | 43.6 %           | 3,219             | 46.6 %           |
| <b>Total AFS RMBS</b>                    | <b>\$ 6,462</b> | <b>100.0 %</b>   | <b>\$ 6,913</b>   | <b>100.0 %</b>   |

<sup>1</sup> Securities denoted as non-rated by the NRSRO were classified as investment or non-investment grade according to the security’s respective NAIC designations. The NAIC designation methodology differs in significant respects from the NRSRO rating methodology.

A significant majority of our RMBS portfolio, 93.2% and 93.0% as of June 30, 2021 and December 31, 2020, respectively, was invested in assets considered to be investment grade based upon an application of the NAIC designations. The NAIC’s methodology with respect to RMBS gives explicit effect to the amortized cost at which an insurance company carries each such investment. Because we invested in RMBS after the stresses related to US housing had caused significant downward pressure on prices of RMBS, we carry most of our investments in RMBS at significant discounts to par value, which results in an investment grade NAIC designation. In contrast, our understanding is that in setting ratings, NRSROs focus on the likelihood of recovering all contractual payments including principal at par value. As a result of a fundamental difference in approach, as of June 30, 2021 and December 31, 2020, NRSRO characterized 56.4% and 53.4%, respectively, of our RMBS portfolio as investment grade.

**Unrealized Losses**

Our investments in AFS securities, including related parties, are reported at fair value with changes in fair value recorded in other comprehensive income. Certain of our AFS securities, including related parties, have experienced declines in fair value that we consider temporary in nature. These investments are held to support our product liabilities, and we currently have the intent and ability to hold these securities until recovery of the amortized cost basis prior to sale or maturity. As of June 30, 2021, our AFS securities, including related party, had a fair value of \$99.9 billion, which was 5.9% above amortized cost of \$94.3 billion. As of December 31, 2020, our AFS securities, including related party, had a fair value of \$89.4 billion, which was 8.3% above amortized cost of \$82.5 billion.

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The following tables reflect the unrealized losses on the AFS portfolio, including related parties, for which an allowance for credit losses has not been recorded, by NAIC designations:

| June 30, 2021                     |   |                         |   |                                    |                                    |   |
|-----------------------------------|---|-------------------------|---|------------------------------------|------------------------------------|---|
| (In millions, except percentages) | Amortized Cost of AFS Securities with Unrealized Loss | Gross Unrealized Losses | Fair Value of AFS Securities with Unrealized Loss | Fair Value to Amortized Cost Ratio | Fair Value of Total AFS Securities | Gross Unrealized Losses to Total AFS Fair Value |
| <b>NAIC designation</b>           |   |                         |   |                                    |                                    |   |
| 1                                 | \$ 10,044   | \$ (162)                | \$ 9,882  | 98.4 %                             | \$ 45,430                          | (0.4)%  |
| 2                                 | 10,149  | (239)                   | 9,910   | 97.6 %                             | 47,979                             | (0.5)%  |
| Total investment grade            | 20,193  | (401)                   | 19,792  | 98.0 %                             | 93,409                             | (0.4)%  |
| 3                                 | 1,496   | (45)                    | 1,451   | 97.0 %                             | 5,033                              | (0.9)%  |
| 4                                 | 420   | (29)                    | 391   | 93.1 %                             | 1,257                              | (2.3)%  |
| 5                                 | 75  | (12)                    | 63  | 84.0 %                             | 118                                | (10.2)%   |
| 6                                 | 41  | (1)                     | 40  | 97.6 %                             | 68                                 | (1.5)%  |
| Total below investment grade      | 2,032   | (87)                    | 1,945   | 95.7 %                             | 6,476                              | (1.3)%  |
| <b>Total</b>                      | <b>\$ 22,225</b>                                      | <b>\$ (488)</b>         | <b>\$ 21,737</b>                                  | <b>97.8 %</b>                      | <b>\$ 99,885</b>                   | <b>(0.5)%</b>                                   |

| December 31, 2020                 |   |                         |   |                                    |                                    |   |
|-----------------------------------|---|-------------------------|---|------------------------------------|------------------------------------|---|
| (In millions, except percentages) | Amortized Cost of AFS Securities with Unrealized Loss | Gross Unrealized Losses | Fair Value of AFS Securities with Unrealized Loss | Fair Value to Amortized Cost Ratio | Fair Value of Total AFS Securities | Gross Unrealized Losses to Total AFS Fair Value |
| <b>NAIC designation</b>           |   |                         |   |                                    |                                    |   |
| 1                                 | \$ 5,010  | \$ (129)                | \$ 4,881  | 97.4 %                             | \$ 41,532                          | (0.3)%  |
| 2                                 | 4,732   | (168)                   | 4,564   | 96.4 %                             | 41,704                             | (0.4)%  |
| Total investment grade            | 9,742   | (297)                   | 9,445   | 97.0 %                             | 83,236                             | (0.4)%  |
| 3                                 | 1,646   | (119)                   | 1,527   | 92.8 %                             | 4,853                              | (2.5)%  |
| 4                                 | 563   | (61)                    | 502   | 89.2 %                             | 1,145                              | (5.3)%  |
| 5                                 | 54  | (11)                    | 43  | 79.6 %                             | 114                                | (9.6)%  |
| 6                                 | 1   | —                       | 1   | 100.0 %                            | 25                                 | — %   |
| Total below investment grade      | 2,264   | (191)                   | 2,073   | 91.6 %                             | 6,137                              | (3.1)%  |
| <b>Total</b>                      | <b>\$ 12,006</b>                                      | <b>\$ (488)</b>         | <b>\$ 11,518</b>                                  | <b>95.9 %</b>                      | <b>\$ 89,373</b>                   | <b>(0.5)%</b>                                   |

The gross unrealized losses on AFS securities, including related parties, was \$488 million as of each of June 30, 2021 and December 31, 2020, respectively.

As of June 30, 2021 and December 31, 2020, we held \$6.9 billion and \$6.9 billion, respectively, in energy sector fixed maturity securities, or 7% and 8%, respectively, of the total fixed maturity securities, including related parties. The gross unrealized capital losses on these securities were \$23 million and \$28 million, or 5% and 6% of the total unrealized losses, respectively.

**Provision for Credit Losses**

For our credit loss accounting policies and the assumptions used in the allowances, see *Note 1 – Business, Basis of Presentation and Significant Accounting Policies* and *Note 2 – Investments to the condensed consolidated financial statements*, as well as *Critical Accounting Estimates and Judgments*.

As of June 30, 2021 and December 31, 2020, we held an allowance for credit losses on AFS securities of \$109 million and \$104 million, respectively. During the six months ended June 30, 2021, we recorded a change in provision for credit losses on AFS securities of \$5 million, of which all \$5 million had an income statement impact. During the six months ended June 30, 2020, we recorded a change in provision of \$158 million, of which \$96 million had an income statement impact. These changes were primarily driven by the establishment of the allowance for credit losses in the first quarter of 2020 as well as an increase in RMBS and corporate allowances in the prior year as a result of the spread of COVID-19. The intent-to-sell impairments for the six months ended June 30, 2021 and 2020 were \$3 million and \$15 million, respectively. The decrease was primarily a result of the continued recovery from the economic downturn experienced in the prior year.



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***International Exposure***

A portion of our AFS securities are invested in securities with international exposure. As of June 30, 2021 and December 31, 2020, 35% and 34% of the carrying value of our AFS securities, including related parties, was comprised of securities of issuers based outside of the United States and debt securities of foreign governments. These securities are either denominated in US dollars or do not expose us to significant foreign currency risk as a result of foreign currency swap arrangements.

The following table presents our international exposure in our AFS portfolio, including related parties, by country or region:

| <i>(In millions, except percentages)</i>                      | June 30, 2021  |            |                  | December 31, 2020 |            |                  |
|---|----------------|------------|------------------|-------------------|------------|------------------|
|   | Amortized Cost | Fair Value | Percent of Total | Amortized Cost    | Fair Value | Percent of Total |
| Country of risk   |                |            |                  |                   |            |                  |
| Ireland   | \$ 3,585       | \$ 3,672   | 10.4 %           | \$ 2,407          | \$ 2,597   | 8.6 %            |
| Italy   | 6              | 8          | — %              | 6                 | 8          | — %              |
| Spain   | 54             | 60         | 0.2 %            | 51                | 59         | 0.2 %            |
| Total Ireland, Italy, Greece, Spain and Portugal <sup>1</sup> | 3,645          | 3,740      | 10.6 %           | 2,464             | 2,664      | 8.8 %            |
| Other Europe  | 8,538          | 9,197      | 26.4 %           | 7,991             | 8,925      | 29.6 %           |
| Total Europe  | 12,183         | 12,937     | 37.0 %           | 10,455            | 11,589     | 38.4 %           |
| Non-US North America  | 15,579         | 15,857     | 45.5 %           | 13,188            | 13,335     | 44.3 %           |
| Australia & New Zealand                                       | 2,231          | 2,401      | 6.9 %            | 1,925             | 2,143      | 7.1 %            |
| Central & South America                                       | 843            | 858        | 2.5 %            | 620               | 666        | 2.2 %            |
| Africa & Middle East  | 1,734          | 1,779      | 5.1 %            | 1,599             | 1,680      | 5.6 %            |
| Asia/Pacific  | 1,021          | 1,046      | 3.0 %            | 661               | 712        | 2.4 %            |
| Supranational   | 1              | 1          | — %              | 1                 | 1          | — %              |
| Total   | \$ 33,592      | \$ 34,879  | 100.0 %          | \$ 28,449         | \$ 30,126  | 100.0 %          |

<sup>1</sup> As of each of the respective periods, we had no holdings in Greece or Portugal.

Approximately 95.8% and 94.8% of these securities are investment grade by NAIC designation as of June 30, 2021 and December 31, 2020. As of June 30, 2021, 11% of our AFS securities, including related parties, were invested in CLOs of Cayman Islands issuers (included in Non-US North America) for which underlying investments are largely loans to US issuers and 24% were invested in securities of other non-US issuers.

Portugal, Ireland, Italy, Greece and Spain continue to represent credit risk as economic conditions in these countries continue to be volatile, especially within the financial and banking sectors. We had \$3.7 billion and \$2.7 billion of exposure in these countries as of June 30, 2021 and December 31, 2020, respectively. A significant majority of these assets relate to Ireland and are primarily made up of Euro denominated CLOs, for which the SPV is domiciled in Ireland, but the underlying leveraged loans involve borrowers from the broader European region.

As of June 30, 2021, we held United Kingdom and Channel Islands AFS securities of \$3.6 billion, or 3.6% of our AFS securities, including related parties. As of June 30, 2021, these securities were in a net unrealized gain position of \$249 million. Our investment managers analyze each holding for credit risk by economic and other factors of each country and industry.

***Trading Securities***

Trading securities, including related parties, were \$3.8 billion and \$3.6 billion as of June 30, 2021 and December 31, 2020. Trading securities are primarily comprised of AmerUs Closed Block securities for which we have elected the fair value option valuation, CLO and ABS equity tranche securities, MidCap profit participating notes, structured securities with embedded derivatives and investments which support various reinsurance arrangements.

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***Mortgage Loans***

The following is a summary of our mortgage loan portfolio by collateral type:

| <i>(In millions, except percentages)</i>       | June 30, 2021      |                  | December 31, 2020  |                  |
|--|--------------------|------------------|--------------------|------------------|
|  | Net Carrying Value | Percent of Total | Net Carrying Value | Percent of Total |
| Property type                                  |                    |                  |                    |                  |
| Office building                                | \$ 4,125           | 22.7 %           | \$ 3,589           | 22.5 %           |
| Retail   | 2,125              | 11.7 %           | 2,083              | 13.1 %           |
| Apartment                                      | 2,710              | 14.9 %           | 2,441              | 15.3 %           |
| Hotels   | 1,392              | 7.6 %            | 1,294              | 8.1 %            |
| Industrial                                     | 1,956              | 10.7 %           | 1,362              | 8.5 %            |
| Other commercial <sup>1</sup>                  | 1,079              | 5.9 %            | 679                | 4.3 %            |
| Total net commercial mortgage loans            | 13,387             | 73.5 %           | 11,448             | 71.8 %           |
| Residential loans                              | 4,822              | 26.5 %           | 4,490              | 28.2 %           |
| <b>Total mortgage loans, net of allowances</b> | <b>\$ 18,209</b>   | <b>100.0 %</b>   | <b>\$ 15,938</b>   | <b>100.0 %</b>   |

<sup>1</sup> Other commercial loans include investments in nursing homes, other healthcare institutions, parking garages, storage facilities and other commercial properties.

We invest a portion of our investment portfolio in mortgage loans, which are generally comprised of high quality commercial first lien and mezzanine real estate loans. Our mortgage loan holdings were \$18.2 billion and \$15.9 billion as of June 30, 2021 and December 31, 2020, respectively. This included \$2.0 billion and \$1.9 billion of mezzanine mortgage loans as of June 30, 2021 and December 31, 2020, respectively. We have acquired mortgage loans through acquisitions and reinsurance arrangements, as well as through an active program to invest in new mortgage loans. We invest in CMLs on income producing properties including hotels, apartments, retail and office buildings, and other commercial and industrial properties. Our RML portfolio primarily consists of first lien RMLs collateralized by properties located in the US. Loan-to-value ratios at the time of loan approval are generally 75% or less.

Our mortgage loans are primarily stated at unpaid principal balance, adjusted for any unamortized premium or discount, and net of credit loss allowances. Interest income is accrued on the principal amount of the loan based on the loan’s contractual interest rate. Amortization of premiums and discounts is recorded using the effective interest method. Interest income, amortization of premiums and discounts, and prepayment fees are reported in net investment income.

It is our policy to cease to accrue interest on loans that are over 90 days delinquent. For loans less than 90 days delinquent, interest is accrued unless it is determined that the accrued interest is not collectible. If a loan becomes over 90 days delinquent, it is our general policy to initiate foreclosure proceedings unless a workout arrangement to bring the loan current is in place. As of June 30, 2021 and December 31, 2020, we had \$415 million and \$128 million, respectively, of mortgage loans that were 90 days past due, of which \$32 million and \$38 million, respectively, were in the process of foreclosure. We will continue to evaluate these policies with regard to the economic downturn brought about by the spread of COVID-19. Our ability to initiate foreclosure proceedings may be limited by legislation passed and executive orders issued in response to the spread of COVID-19.

See Note 2 – Investments to the condensed consolidated financial statements for information regarding credit loss allowance for collection loss, loan-to-value, and debt service coverage.

As of June 30, 2021, we had a mortgage loan valuation allowance of \$229 million comprised of \$165 million of CML and \$64 million of RML allowances. As of December 31, 2020, we had a mortgage loan valuation allowance of \$246 million comprised of \$167 million of CML and \$79 million of RML allowances. During the six months ended June 30, 2021, we recorded a change in provision for credit losses on CMLs of \$(2) million and RMLs of \$(14) million. During the six months ended June 30, 2020, we recorded a change in provision for credit losses on CMLs of \$117 million and RMLs of \$43 million. The decrease in provision for credit losses was primarily a result of the continued recovery from the economic downturn experienced in the prior year.

***Investment Funds***

Our investment funds investment strategy primarily focuses on funds with core holdings of credit assets, real assets, real estate, preferred equity and income producing assets. Our investment funds generally meet the definition of a VIE, and in certain cases these investment funds are consolidated in our financial statements because we meet the criteria of the primary beneficiary.

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The following table illustrates our investment funds, including related party:

| <i>(In millions, except percentages)</i>                | June 30, 2021   |                  | December 31, 2020 |                  |
|---|-----------------|------------------|-------------------|------------------|
|   | Carrying Value  | Percent of Total | Carrying Value    | Percent of Total |
| <b>Investment funds</b>                                 |                 |                  |                   |                  |
| Real estate   | \$ 510          | 6.8 %            | \$ 348            | 5.7 %            |
| Credit funds  | 96              | 1.3 %            | 107               | 1.8 %            |
| Private equity  | 281             | 3.8 %            | 267               | 4.4 %            |
| Real assets   | 272             | 3.6 %            | 81                | 1.3 %            |
| Natural resources                                       | —               | — %              | —                 | — %              |
| Other   | —               | — %              | —                 | — %              |
| <b>Total investment funds</b>                           | <b>1,159</b>    | <b>15.5 %</b>    | <b>803</b>        | <b>13.2 %</b>    |
| <b>Investment funds – related parties</b>               |                 |                  |                   |                  |
| Differentiated investments                              |                 |                  |                   |                  |
| A-A Mortgage <sup>1</sup>                               | 77              | 1.0 %            | 444               | 7.3 %            |
| Catalina  | 348             | 4.7 %            | 334               | 5.5 %            |
| Athora  | 723             | 9.7 %            | 709               | 11.6 %           |
| Venerable   | 329             | 4.4 %            | 123               | 2.0 %            |
| Other   | 346             | 4.6 %            | 279               | 4.6 %            |
| <b>Total differentiated investments</b>                 | <b>1,823</b>    | <b>24.4 %</b>    | <b>1,889</b>      | <b>31.0 %</b>    |
| Real estate   | 1,269           | 17.0 %           | 828               | 13.5 %           |
| Credit funds  | 417             | 5.5 %            | 375               | 6.2 %            |
| Private equity  | 531             | 7.1 %            | 473               | 7.8 %            |
| Real assets   | 344             | 4.6 %            | 172               | 2.8 %            |
| Natural resources                                       | 122             | 1.6 %            | 113               | 1.9 %            |
| Public equities   | 88              | 1.2 %            | 110               | 1.8 %            |
| Investment in Apollo                                    | 1,730           | 23.1 %           | 1,324             | 21.8 %           |
| <b>Total investment funds – related parties</b>         | <b>6,324</b>    | <b>84.5 %</b>    | <b>5,284</b>      | <b>86.8 %</b>    |
| <b>Total investment funds including related parties</b> | <b>\$ 7,483</b> | <b>100.0 %</b>   | <b>\$ 6,087</b>   | <b>100.0 %</b>   |

<sup>1</sup> In April of 2021, we sold our investment in AmeriHome which is held by A-A Mortgage. Following the sale of AmeriHome, A-A Mortgage distributed the majority of the proceeds, with the remaining residual investment expected to be distributed within the next year.

Overall, the total investment funds, including related party, were \$7.5 billion and \$6.1 billion, respectively, as of June 30, 2021 and December 31, 2020. See Note 2 – Investments to the condensed consolidated financial statements for further discussion regarding how we account for our investment funds. Our investment fund portfolio is subject to a number of market related risks including interest rate risk and equity market risk. Interest rate risk represents the potential for changes in the investment fund’s net asset values resulting from changes in the general level of interest rates. Equity market risk represents potential for changes in the investment fund’s net asset values resulting from changes in equity markets or from other external factors which influence equity markets. These risks expose us to potential volatility in our earnings period-over-period. We actively monitor our exposure to these risks. The increase in investment funds, including related party, was primarily driven by deployment into real estate funds and an increase in the valuations of our investments in Apollo and Venerable, partially offset by the sale of AmeriHome.

**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. We hold funds withheld at interest receivables, including those held with VIAC, Lincoln and Jackson. As of June 30, 2021, the majority of the ceding companies holding the assets pursuant to such reinsurance agreements had a financial strength rating of A or better (based on an A.M. Best scale).

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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 condensed 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). Although we do not legally own 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 parties:

| <i>(In millions, except percentages)</i>                        | June 30, 2021    |                  | December 31, 2020 |                  |
|---|------------------|------------------|-------------------|------------------|
|   | Carrying Value   | Percent of Total | Carrying Value    | Percent of Total |
| <b>Fixed maturity securities</b>                                |                  |                  |                   |                  |
| US state, municipal and political subdivisions                  | \$ 381           | 0.6 %            | \$ 513            | 0.8 %            |
| Foreign governments   | 271              | 0.5 %            | 301               | 0.5 %            |
| Corporate   | 29,621           | 51.1 %           | 34,057            | 55.2 %           |
| CLO   | 5,148            | 8.9 %            | 5,912             | 9.6 %            |
| ABS   | 6,257            | 10.8 %           | 5,212             | 8.5 %            |
| CMBS  | 2,319            | 4.0 %            | 2,374             | 3.8 %            |
| RMBS  | 1,900            | 3.3 %            | 2,270             | 3.7 %            |
| <b>Equity securities</b>  | 146              | 0.3 %            | 119               | 0.2 %            |
| Mortgage loans  | 9,446            | 16.3 %           | 8,201             | 13.3 %           |
| Investment funds  | 1,586            | 2.6 %            | 1,155             | 1.9 %            |
| Derivative assets   | 209              | 0.4 %            | 200               | 0.3 %            |
| Short-term investments  | 11               | — %              | 608               | 1.0 %            |
| Other investments   | —                | — %              | 15                | — %              |
| Cash and cash equivalents                                       | 1,016            | 1.7 %            | 906               | 1.5 %            |
| Other assets and liabilities                                    | (307)            | (0.5)%           | (201)             | (0.3)%           |
| <b>Total funds withheld at interest including related party</b> | <b>\$ 58,004</b> | <b>100.0 %</b>   | <b>\$ 61,642</b>  | <b>100.0 %</b>   |

As of June 30, 2021 and December 31, 2020, we held \$58.0 billion and \$61.6 billion, respectively, of funds withheld at interest receivables, including related party. Approximately 93.7% and 94.1% of the fixed maturity securities within the funds withheld at interest are investment grade by NAIC designation as of June 30, 2021 and December 31, 2020, respectively. The decrease in funds withheld at interest, including related party, was primarily driven by run-off of the underlying blocks of business and unrealized losses in the six months ended June 30, 2021 attributed to an increase in US Treasury rates, partially offset by credit spreads tightening.

**Derivative Instruments**

We hold derivative instruments for economic hedging purposes to reduce our exposure to cash flow variability of assets and liabilities, equity market risk, interest rate risk, credit risk and foreign exchange risk. The types of derivatives we may use include interest rate swaps, foreign currency swaps and forward contracts, total return swaps, credit default swaps, variance swaps, futures and equity options.

A discussion regarding our derivative instruments and how such instruments are used to manage risk is included in *Note 3 – Derivative Instruments* to the condensed consolidated financial statements.

As part of our risk management strategies, management continually evaluates our derivative instrument holdings and the effectiveness of such holdings in addressing risks identified in our operations.

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***Net Invested Assets***

The following summarizes our net invested assets:

| <i>(In millions, except percentages)</i>                        | June 30, 2021                         |                  | December 31, 2020                     |                  |
|---|---------------------------------------|------------------|---------------------------------------|------------------|
|   | Net Invested Asset Value <sup>1</sup> | Percent of Total | Net Invested Asset Value <sup>1</sup> | Percent of Total |
| Corporate   | \$ 75,413                             | 46.9 %           | \$ 71,040                             | 47.3 %           |
| CLO   | 17,245                                | 10.7 %           | 14,609                                | 9.7 %            |
| Credit  | 92,658                                | 57.6 %           | 85,649                                | 57.0 %           |
| RMBS  | 7,585                                 | 4.7 %            | 8,337                                 | 5.6 %            |
| CML   | 18,898                                | 11.8 %           | 16,778                                | 11.2 %           |
| RML   | 5,510                                 | 3.4 %            | 4,774                                 | 3.2 %            |
| CMBS  | 3,452                                 | 2.1 %            | 3,227                                 | 2.1 %            |
| Real estate   | 35,445                                | 22.0 %           | 33,116                                | 22.1 %           |
| ABS   | 14,542                                | 9.0 %            | 13,137                                | 8.7 %            |
| Alternative investments   | 7,831                                 | 4.9 %            | 6,793                                 | 4.5 %            |
| State, municipal, political subdivisions and foreign government | 2,054                                 | 1.3 %            | 2,136                                 | 1.4 %            |
| Equity securities   | 525                                   | 0.3 %            | 478                                   | 0.3 %            |
| Short-term investments  | 52                                    | — %              | 479                                   | 0.3 %            |
| US government and agencies                                      | 241                                   | 0.2 %            | 206                                   | 0.2 %            |
| Other investments   | 25,245                                | 15.7 %           | 23,229                                | 15.4 %           |
| Cash and equivalents  | 4,342                                 | 2.7 %            | 5,417                                 | 3.6 %            |
| Policy loans and other  | 1,394                                 | 0.9 %            | 1,455                                 | 1.0 %            |
| Net invested assets excluding investment in Apollo              | 159,084                               | 98.9 %           | 148,866                               | 99.1 %           |
| Investment in Apollo  | 1,730                                 | 1.1 %            | 1,324                                 | 0.9 %            |
| <b>Net invested assets</b>                                      | <b>\$ 160,814</b>                     | <b>100.0 %</b>   | <b>\$ 150,190</b>                     | <b>100.0 %</b>   |

<sup>1</sup> See *Key Operating and Non-GAAP Measures for the definition of net invested assets.*

Our net invested assets were \$160.8 billion and \$150.2 billion as of June 30, 2021 and December 31, 2020, respectively. As of June 30, 2021, our net invested assets were mainly comprised of 46.9% of corporate securities, 26.5% of structured securities, 15.2% of mortgage loans and 4.9% of alternative investments. Corporate securities included \$18.9 billion of private placements, which represented 11.8% of our net invested assets. The increase in net invested assets as of June 30, 2021 from December 31, 2020 was primarily driven by growth from net organic inflows over liability outflows and reinvestment of earnings.

In managing our business we utilize net invested assets as presented in the above table. Net invested assets do not correspond to total investments, including related parties, on our condensed consolidated balance sheets, as discussed previously in *Key Operating and Non-GAAP Measures*. Net invested assets represent the investments that directly back our net reserve liabilities and surplus assets. We believe this view of our portfolio provides a view of the assets for which we have economic exposure. We adjust the presentation for funds withheld and modco transactions to include or exclude the underlying investments based upon the contractual transfer of economic exposure to such underlying investments. We also adjust for VIEs to show the net investment in the funds, which are included in the alternative investments line above as well as adjust for the allowance for credit losses. Net invested assets includes our proportionate share of ACRA investments, based on our economic ownership, but excludes the proportionate share of investments associated with the noncontrolling interest.

Net invested assets is utilized by management to evaluate our investment portfolio. Net invested assets, excluding our strategic investment in Apollo, is used in the computation of net investment earned rate, which allows us to analyze the profitability of our investment portfolio. Net invested assets is also used in our risk management processes for asset purchases, product design and underwriting, stress scenarios, liquidity, and ALM.

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**Net Alternative Investments**

The following summarizes our alternative investments:

| <i>(In millions, except percentages)</i>          | June 30, 2021            |                  | December 31, 2020        |                  |
|---|--------------------------|------------------|--------------------------|------------------|
|   | Net Invested Asset Value | Percent of Total | Net Invested Asset Value | Percent of Total |
| <b>Retirement Services</b>                        |                          |                  |                          |                  |
| Differentiated investments                        |                          |                  |                          |                  |
| A-A Mortgage <sup>1</sup>                         | \$ 96                    | 1.2 %            | \$ 546                   | 8.0 %            |
| MidCap  | 639                      | 8.2 %            | 611                      | 9.0 %            |
| Catalina  | 347                      | 4.4 %            | 334                      | 4.9 %            |
| Venerable   | 329                      | 4.2 %            | 123                      | 1.8 %            |
| Other   | 395                      | 5.0 %            | 339                      | 5.0 %            |
| Total differentiated investments                  | 1,806                    | 23.0 %           | 1,953                    | 28.7 %           |
| Real estate                                       | 1,997                    | 25.5 %           | 1,537                    | 22.6 %           |
| Credit  | 1,100                    | 14.0 %           | 941                      | 13.9 %           |
| Private equity                                    | 1,352                    | 17.3 %           | 831                      | 12.2 %           |
| Real assets                                       | 325                      | 4.2 %            | 296                      | 4.4 %            |
| Natural resources                                 | 73                       | 0.9 %            | 60                       | 0.9 %            |
| Other   | 8                        | 0.1 %            | —                        | — %              |
| Total Retirement Services alternative investments | 6,661                    | 85.0 %           | 5,618                    | 82.7 %           |
| <b>Corporate and Other</b>                        |                          |                  |                          |                  |
| Athora  | 695                      | 8.9 %            | 661                      | 9.7 %            |
| Credit  | 85                       | 1.1 %            | 93                       | 1.4 %            |
| Natural resources                                 | 228                      | 2.9 %            | 238                      | 3.5 %            |
| Equities <sup>2</sup>                             | 162                      | 2.1 %            | 183                      | 2.7 %            |
| Total Corporate and Other alternative investments | 1,170                    | 15.0 %           | 1,175                    | 17.3 %           |
| <b>Net alternative investments</b>                | <b>\$ 7,831</b>          | <b>100.0 %</b>   | <b>\$ 6,793</b>          | <b>100.0 %</b>   |

<sup>1</sup> In April of 2021, we sold our investment in AmeriHome which is held by A-A Mortgage. Following the sale of AmeriHome, A-A Mortgage distributed the majority of the proceeds, with the remaining residual investment expected to be distributed within the next year.

<sup>2</sup> As of June 30, 2021 and December 31, 2020, equities includes our private equity investment in Jackson and a public equity position in OneMain Holdings, Inc. (ticker: OMF).

Net alternative investments were \$7.8 billion and \$6.8 billion as of June 30, 2021 and December 31, 2020, respectively, representing 4.9% and 4.5% of our net invested assets portfolio as of June 30, 2021 and December 31, 2020, respectively. The increase in net alternative investments was primarily driven by deployment into real estate and private equity funds, an increase in the valuations of Venerable and MidCap and an increase in CLO equities due to the tightening of credit spreads, partially offset by the sale of AmeriHome.

Net alternative investments do not correspond to the total investment funds, including related parties, on our condensed consolidated balance sheets. As discussed above in the net invested assets section, we adjust the GAAP presentation for funds withheld, modco and VIEs. The investment in Apollo is excluded from our alternative investments, while we include CLO and ABS equity tranche securities in alternative investments due to their underlying characteristics and equity-like features.

Through our relationship with Apollo, we have indirectly invested in companies that meet the key characteristics we look for in net alternative investments. Our two largest alternative investments are MidCap and Athora. MidCap is an asset originator which, from time to time, provides us with access to assets for our investment portfolio, while Athora is a strategic investment. We previously held a stake in AmeriHome, which was also an asset originator which provided access to assets for our investment portfolio.

**Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations***MidCap*

MidCap is a commercial finance company that provides various financial products to middle-market businesses in multiple industries, primarily located in the US. MidCap primarily originates and invests in commercial and industrial loans, including senior secured corporate loans, working capital loans collateralized mainly by accounts receivable and inventory, senior secured loans collateralized by portfolios of commercial and consumer loans and related products and secured loans to highly capitalized pharmaceutical and medical device companies, and commercial real estate loans, including multifamily independent-living properties, assisted living, skilled nursing and medical office properties, warehouse, office building, hotel and other commercial use properties and multifamily properties. MidCap originates and acquires loans using borrowings under financing arrangements that it has in place with numerous financial institutions. MidCap's earnings are primarily driven by the difference between the interest earned on its loan portfolio and the interest accrued under its outstanding borrowings. As a result, MidCap is primarily exposed to the credit risk of its loan counterparties and prepayment risk. Additionally, financial results are influenced by related levels of middle-market business investment and interest rates.

Our alternative investment in MidCap had a carrying value of \$639 million and \$611 million as of June 30, 2021 and December 31, 2020, respectively. As of June 30, 2021 and December 31, 2020, this alternative investment is comprised of our investment in MidCap, of \$631 million and \$534 million, respectively, and redeemable preferred stock of \$8 million and \$77 million, respectively. MidCap returned a net investment earned rate of 5.28% and 6.95% for the three months ended June 30, 2021 and 2020, respectively, and 20.64% and (4.68)% for the six months ended June 30, 2021 and 2020, respectively. Alternative investment income (loss) from MidCap was \$9 million and \$10 million for the three months ended June 30, 2021 and 2020, respectively, and \$61 million and \$(11) million for the six months ended June 30, 2021 and 2020, respectively. The increase in alternative investment income for the six months ended June 30, 2021 compared to 2020 was mainly driven by an increase in valuation associated with a capital raise priced at a slight premium and the decrease in valuation in the prior year reflecting an increase in loan loss assumptions and lower origination volumes due to the economic environment. The redeemable preferred stock returned a net investment earned rate of 19.76% and 112.01% for the three months ended June 30, 2021 and 2020, respectively, and 26.98% and 84.05% for the six months ended June 30, 2021 and 2020, respectively. Alternative investment income from the redeemable preferred stock was \$2 million and \$11 million for the three months ended June 30, 2021 and 2020, respectively, and \$7 million and \$11 million for the six months ended June 30, 2021 and 2020, respectively. The decrease in both periods was primarily driven by the redemption of the preferred stock in the second quarter of 2021.

*AmeriHome*

Our equity investment in AmeriHome was held indirectly through A-A Mortgage, of which AmeriHome was the fund's only investment. AmeriHome is a mortgage origination platform and an aggregator of mortgage servicing rights. AmeriHome acquires mortgage loans from retail originators and re-sells the loans to the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation, the Government National Mortgage Association and other investors. AmeriHome retains the mortgage servicing rights on the loans that it sells and employs a servicer to perform servicing operations, including payment collection. AmeriHome's earnings are primarily driven by two sources: gains or losses on the sale of mortgage loans and the difference between the fee that it charges for mortgage servicing and the fee charged by the servicer. As a result, AmeriHome's financial results are influenced by interest rates and related housing demand. AmeriHome is primarily exposed to credit risk related to the accuracy of the representations and warranties in the loans that AmeriHome acquires and prepayment risk, which prematurely terminates fees related to mortgage servicing.

On February 16, 2021, Apollo, Athene and AmeriHome announced the sale of AmeriHome to a subsidiary of Western Alliance Bancorporation and the transaction closed on April 7, 2021. Our alternative investment in A-A Mortgage had a carrying value of \$96 million and \$546 million as of June 30, 2021 and December 31, 2020, respectively. Our investment in A-A Mortgage represents our proportionate share of its net asset value, which largely reflects any contributions to and distributions from A-A Mortgage and, prior to the sale, the fair value of AmeriHome. Following the sale of AmeriHome, A-A Mortgage distributed the majority of the proceeds, with the remaining residual investment expected to be distributed within the next year. A-A Mortgage returned a net investment earned rate of 7.59% and 63.57% for the three months ended June 30, 2021 and 2020, respectively, and 79.94% and 41.04% for the six months ended June 30, 2021 and 2020, respectively. Alternative investment income from A-A Mortgage was \$8 million and \$109 million for the three months ended June 30, 2021 and 2020, respectively, and \$182 million and \$135 million for the six months ended June 30, 2021 and 2020, respectively. The decrease in alternative investment income for the three months ended June 30, 2021 compared to 2020 was primarily due to the sale of AmeriHome in April as well as strong investment performance in the second quarter of 2020. The increase in alternative investment income for the six months ended June 30, 2021 compared to 2020 was primarily due to an increase in valuation resulting from the April sale reflecting a premium of the platform sale, net of carry and transaction expenses.

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*Athora*

Athora is a specialized insurance and reinsurance group fully focused on the European market. Athora's principal operational subsidiaries are Athora Netherlands N.V. in the Netherlands, Athora Belgium SA in Belgium, Athora Lebensversicherung AG in Germany, Athora Ireland plc in Ireland, and Athora Life Re Ltd in Bermuda. Athora deploys capital and resources to further its mission to build a stand-alone independent and integrated insurance and reinsurance business. Athora's growth is achieved primarily through acquisitions, portfolio transfers and reinsurance. Athora is building a European insurance brand and has successfully acquired, integrated, and transformed four insurance companies: Delta Lloyd Deutschland AG (2015), Aegon Ireland plc (2018), Generali Belgium SA (2019) and VIVAT NV (2020).

Our alternative investment in Athora had a carrying value of \$695 million and \$661 million as of June 30, 2021 and December 31, 2020, respectively. Our investment in Athora represents our proportionate share of its net asset value, which largely reflects any contributions to and distributions from Athora and changes in its fair value. Athora returned a net investment earned rate of 14.34% and 0.00% for the three months ended June 30, 2021 and 2020, respectively, and 9.39% and 0.00% for the six months ended June 30, 2021 and 2020, respectively. Alternative investment income from Athora was \$25 million and \$0 million for the three months ended June 30, 2021 and 2020, respectively, and \$33 million and \$0 million for the six months ended June 30, 2021 and 2020, respectively. The increase in alternative investment income for both periods was primarily due to an increase in share price.

*Public Equity*

We indirectly hold a public equity position in OneMain through our equity investment in an alternative investment. Although the net invested asset value of the security is minor, it has resulted in volatility in our statements of income. As of June 30, 2021 and December 31, 2020, we indirectly held approximately 1.9 million and 2.8 million shares of OneMain with a market value of \$88 million and \$110 million, respectively. Alternative investment income from OneMain was \$12 million and \$16 million for the three months ended June 30, 2021 and 2020, respectively. Alternative investment income (loss) from OneMain was \$35 million and \$(41) million for the six months ended June 30, 2021 and 2020, respectively. The decrease in alternative investment income for the three months ended June 30, 2021 compared to 2020 was primarily due to strong investment performance in the second quarter of 2020. The increase in alternative investment income for the six months ended June 30, 2021 compared to 2020 was primarily due to an increase in share price in the current year compared to a decline in share price in the prior year.



**Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations**
**Non-GAAP Measure Reconciliations**

The reconciliations to the nearest GAAP measure for adjusted operating income available to common shareholders is included in the *Consolidated Results of Operations* section.

The reconciliation of basic earnings (loss) per Class A common share to adjusted operating earnings per common share is as follows:

|  | Three months ended June 30, |         | Six months ended June 30, |           |
|--|-----------------------------|---------|---------------------------|-----------|
|  | 2021                        | 2020    | 2021                      | 2020      |
| Basic earnings (loss) per share - Class A common shares                              | \$ 7.21                     | \$ 4.25 | \$ 10.24                  | \$ (0.64) |
| Non-operating adjustments  |                             |         |                           |           |
| Realized gains (losses) on sale of AFS securities                                    | 0.28                        | (0.06)  | 0.38                      | —         |
| Unrealized, allowances and other investment gains (losses)                           | 0.17                        | 0.26    | 0.67                      | (1.67)    |
| Change in fair value of reinsurance assets   | 2.80                        | 5.66    | (1.57)                    | (0.86)    |
| Offsets to investment gains (losses)   | (0.64)                      | (1.93)  | 0.08                      | 0.61      |
| Investment gains (losses), net of offsets  | 2.61                        | 3.93    | (0.44)                    | (1.92)    |
| Change in fair values of derivatives and embedded derivatives – FIAs, net of offsets | (0.34)                      | (2.06)  | 2.12                      | (1.79)    |
| Integration, restructuring and other non-operating expenses                          | (0.06)                      | (0.04)  | (0.28)                    | (0.06)    |
| Stock compensation expense   | —                           | —       | (0.01)                    | (0.05)    |
| Income tax (expense) benefit - non-operating   | (0.28)                      | (0.14)  | (0.32)                    | 0.55      |
| Less: Total non-operating adjustments  | 1.93                        | 1.69    | 1.07                      | (3.27)    |
| Less: Effect of items convertible to or settled in Class A common shares             | 0.24                        | 0.07    | 0.33                      | 0.62      |
| Adjusted operating earnings per common share   | \$ 5.04                     | \$ 2.49 | \$ 8.84                   | \$ 2.01   |

The reconciliation of basic weighted average common shares outstanding - Class A to weighted average common shares outstanding - adjusted operating, which is included in adjusted operating earnings per common share, is as follows:

| <i>(In millions)</i>  | Three months ended June 30, |       | Six months ended June 30, |       |
|---|-----------------------------|-------|---------------------------|-------|
|   | 2021                        | 2020  | 2021                      | 2020  |
| Basic weighted average common shares outstanding – Class A      | 191.5                       | 193.9 | 191.4                     | 177.6 |
| Conversion of Class B common shares to Class A common shares    | —                           | —     | —                         | 8.5   |
| Conversion of Class M common shares to Class A common shares    | —                           | —     | —                         | 1.3   |
| Effect of other stock compensation plans                        | 6.7                         | 3.0   | 6.2                       | 2.8   |
| Weighted average common shares outstanding – adjusted operating | 198.2                       | 196.9 | 197.6                     | 190.2 |

The reconciliation of total AHL shareholders' equity to total adjusted AHL common shareholders' equity, which is included in adjusted book value per common share, adjusted debt to capital ratio and adjusted operating ROE, is as follows:

| <i>(In millions)</i>   | June 30, 2021 | December 31, 2020 |
|--|---------------|-------------------|
| Total AHL shareholders' equity                               | \$ 20,006     | \$ 18,657         |
| Less: Preferred stock  | 2,312         | 2,312             |
| Total AHL common shareholders' equity                        | 17,694        | 16,345            |
| Less: AOCI   | 3,337         | 3,971             |
| Less: Accumulated change in fair value of reinsurance assets | 886           | 1,142             |
| Total adjusted AHL common shareholders' equity               | \$ 13,471     | \$ 11,232         |
| Segment adjusted AHL common shareholders' equity             |               |                   |
| Retirement Services  | \$ 9,471      | \$ 7,732          |
| Corporate and Other  | 4,000         | 3,500             |
| Total adjusted AHL common shareholders' equity               | \$ 13,471     | \$ 11,232         |

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The reconciliation of average AHL shareholders' equity to average adjusted AHL common shareholders' equity, which is included in adjusted operating ROE is as follows:

| <i>(In millions)</i>   | Three months ended June 30, |           | Six months ended June 30, |           |
|--|-----------------------------|-----------|---------------------------|-----------|
|  | 2021                        | 2020      | 2021                      | 2020      |
| Average AHL shareholders' equity                                     | \$ 18,649                   | \$ 12,326 | \$ 18,651                 | \$ 14,051 |
| Less: Average preferred stock  | 2,312                       | 1,464     | 2,312                     | 1,464     |
| Less: Average AOCI   | 2,679                       | 505       | 3,110                     | 2,233     |
| Less: Average accumulated change in fair value of reinsurance assets | 687                         | 230       | 839                       | 554       |
| Average adjusted AHL common shareholders' equity                     | \$ 12,971                   | \$ 10,127 | \$ 12,390                 | \$ 9,800  |
| Segment average adjusted AHL common shareholders' equity             |                             |           |                           |           |
| Retirement Services  | \$ 9,171                    | \$ 7,480  | \$ 8,690                  | \$ 7,199  |
| Corporate and Other  | 3,800                       | 2,647     | 3,700                     | 2,601     |
| Average adjusted AHL common shareholders' equity                     | \$ 12,971                   | \$ 10,127 | \$ 12,390                 | \$ 9,800  |

The reconciliation of Class A common shares outstanding to adjusted operating common shares outstanding, which is included in adjusted book value per common share, is as follows:

| <i>(In millions)</i>                         | June 30, 2021 | December 31, 2020 |
|--|---------------|-------------------|
| Class A common shares outstanding            | 191.6         | 191.2             |
| Effect of other stock compensation plans     | 8.1           | 6.0               |
| Adjusted operating common shares outstanding | 199.7         | 197.2             |

The reconciliation of book value per common share to adjusted book value per common share is as follows:

|  | June 30, 2021 | December 31, 2020 |
|--|---------------|-------------------|
| Book value per common share  | \$ 92.33      | \$ 85.51          |
| AOCI   | (17.41)       | (20.77)           |
| Accumulated change in fair value of reinsurance assets             | (4.62)        | (5.98)            |
| Effect of items convertible to or settled in Class A common shares | (2.84)        | (1.81)            |
| Adjusted book value per common share                               | \$ 67.46      | \$ 56.95          |

The reconciliation of net investment income to net investment earnings and earned rate is as follows:

| <i>(In millions, except percentages)</i>                              | Three months ended June 30, |         |            |         | Six months ended June 30, |         |            |         |
|---|-----------------------------|---------|------------|---------|---------------------------|---------|------------|---------|
|   | 2021                        |         | 2020       |         | 2021                      |         | 2020       |         |
|   | Dollar                      | Rate    | Dollar     | Rate    | Dollar                    | Rate    | Dollar     | Rate    |
| GAAP net investment income  | \$ 2,038                    | 5.20 %  | \$ 1,336   | 4.22 %  | \$ 3,742                  | 4.86 %  | \$ 2,081   | 3.39 %  |
| Change in fair value of reinsurance assets                            | 388                         | 0.99 %  | 218        | 0.69 %  | 754                       | 0.98 %  | 488        | 0.79 %  |
| Alternative gains (losses)  | (18)                        | (0.05)% | 56         | 0.18 %  | 51                        | 0.06 %  | (45)       | (0.08)% |
| ACRA noncontrolling interest  | (219)                       | (0.56)% | (81)       | (0.26)% | (417)                     | (0.54)% | (153)      | (0.25)% |
| Apollo investment gain  | (472)                       | (1.20)% | (481)      | (1.52)% | (447)                     | (0.58)% | (184)      | (0.30)% |
| Held for trading amortization and other                               | 9                           | 0.02 %  | (8)        | (0.02)% | 41                        | 0.05 %  | 4          | 0.01 %  |
| Total adjustments to arrive at net investment earnings/earned rate    | (312)                       | (0.80)% | (296)      | (0.93)% | (18)                      | (0.03)% | 110        | 0.17 %  |
| Total net investment earnings/earned rate                             | \$ 1,726                    | 4.40 %  | \$ 1,040   | 3.29 %  | \$ 3,724                  | 4.83 %  | \$ 2,191   | 3.56 %  |
| Retirement Services   | \$ 1,659                    | 4.30 %  | \$ 1,075   | 3.44 %  | \$ 3,594                  | 4.73 %  | \$ 2,259   | 3.73 %  |
| Corporate and Other   | 67                          | 11.72 % | (35)       | (8.91)% | 130                       | 11.56 % | (68)       | (7.94)% |
| Total net investment earnings/earned rate                             | \$ 1,726                    | 4.40 %  | \$ 1,040   | 3.29 %  | \$ 3,724                  | 4.83 %  | \$ 2,191   | 3.56 %  |
| Retirement Services average net invested assets                       | \$ 154,459                  |         | \$ 124,943 |         | \$ 151,870                |         | \$ 121,213 |         |
| Corporate and Other average net invested assets ex. Apollo investment | 2,294                       |         | 1,567      |         | 2,255                     |         | 1,712      |         |
| Consolidated average net invested assets ex. Apollo investment        | \$ 156,753                  |         | \$ 126,510 |         | \$ 154,125                |         | \$ 122,925 |         |

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The reconciliation of interest sensitive contract benefits to Retirement Services’ cost of crediting, and the respective rates, is as follows:

| <i>(In millions, except percentages)</i>                                   | Three months ended June 30, |         |            |         | Six months ended June 30, |         |            |         |
|--|-----------------------------|---------|------------|---------|---------------------------|---------|------------|---------|
|  | 2021                        |         | 2020       |         | 2021                      |         | 2020       |         |
|  | Dollar                      | Rate    | Dollar     | Rate    | Dollar                    | Rate    | Dollar     | Rate    |
| GAAP interest sensitive contract benefits                                  | \$ 1,979                    | 5.12 %  | \$ 2,076   | 6.65 %  | \$ 2,373                  | 3.13 %  | \$ 757     | 1.25 %  |
| Interest credited other than deferred annuities and institutional products | 94                          | 0.25 %  | 75         | 0.24 %  | 191                       | 0.25 %  | 138        | 0.22 %  |
| FIA option costs   | 278                         | 0.72 %  | 271        | 0.86 %  | 557                       | 0.73 %  | 537        | 0.88 %  |
| Product charges (strategy fees)  | (40)                        | (0.10)% | (34)       | (0.11)% | (78)                      | (0.10)% | (66)       | (0.11)% |
| Reinsurance embedded derivative impacts                                    | 12                          | 0.03 %  | 15         | 0.05 %  | 26                        | 0.03 %  | 29         | 0.05 %  |
| Change in fair value of embedded derivatives – FIAs                        | (1,480)                     | (3.83)% | (1,734)    | (5.55)% | (1,437)                   | (1.89)% | (230)      | (0.38)% |
| Negative VOBA amortization   | 5                           | 0.01 %  | 5          | 0.02 %  | 8                         | 0.01 %  | 12         | 0.02 %  |
| ACRA noncontrolling interest   | (180)                       | (0.47)% | (113)      | (0.37)% | (308)                     | (0.41)% | (75)       | (0.12)% |
| Other changes in interest sensitive contract liabilities                   | 10                          | 0.03 %  | (1)        | — %     | 14                        | 0.02 %  | (2)        | — %     |
| Total adjustments to arrive at cost of crediting                           | (1,301)                     | (3.36)% | (1,516)    | (4.86)% | (1,027)                   | (1.36)% | 343        | 0.56 %  |
| Retirement Services cost of crediting                                      | \$ 678                      | 1.76 %  | \$ 560     | 1.79 %  | \$ 1,346                  | 1.77 %  | \$ 1,100   | 1.81 %  |
| Retirement Services cost of crediting on deferred annuities                | \$ 486                      | 1.87 %  | \$ 451     | 1.94 %  | \$ 979                    | 1.88 %  | \$ 873     | 1.92 %  |
| Retirement Services cost of crediting on institutional products            | 192                         | 2.49 %  | 109        | 2.87 %  | 367                       | 2.54 %  | 227        | 3.08 %  |
| Retirement Services cost of crediting                                      | \$ 678                      | 1.76 %  | \$ 560     | 1.79 %  | \$ 1,346                  | 1.77 %  | \$ 1,100   | 1.81 %  |
| Retirement Services average net invested assets                            | \$ 154,459                  |         | \$ 124,943 |         | \$ 151,870                |         | \$ 121,213 |         |
| Average account value on deferred annuities                                | 104,107                     |         | 92,814     |         | 104,200                   |         | 90,654     |         |
| Average net institutional reserve liabilities                              | 30,863                      |         | 15,233     |         | 28,946                    |         | 14,742     |         |

**Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations**

The reconciliation of GAAP benefits and expenses to other liability costs is as follows:

| <i>(In millions)</i>   | Three months ended June 30, |          | Six months ended June 30, |          |
|--|-----------------------------|----------|---------------------------|----------|
|  | 2021                        | 2020     | 2021                      | 2020     |
| GAAP benefits and expenses   | \$ 4,433                    | \$ 3,317 | \$ 8,685                  | \$ 3,150 |
| Premiums   | (1,598)                     | (355)    | (4,609)                   | (1,495)  |
| Product charges  | (157)                       | (141)    | (307)                     | (281)    |
| Other revenues   | (20)                        | (18)     | (34)                      | (16)     |
| Cost of crediting  | (388)                       | (275)    | (763)                     | (534)    |
| Change in fair value of embedded derivatives – FIA, net of offsets         | (1,450)                     | (1,445)  | (1,748)                   | 11       |
| DAC, DSI and VOBA amortization related to investment gains and losses      | (94)                        | (323)    | 45                        | 102      |
| Rider reserves related to investment gains and losses                      | (20)                        | (46)     | 1                         | 30       |
| Policy and other operating expenses, excluding policy acquisition expenses | (168)                       | (145)    | (369)                     | (262)    |
| AmerUs closed block fair value liability                                   | (54)                        | (100)    | 39                        | (55)     |
| ACRA noncontrolling interest   | (242)                       | (241)    | (349)                     | (76)     |
| Other changes in benefits and expenses                                     | 5                           | (13)     | (2)                       | (17)     |
| Total adjustments to arrive at other liability costs                       | (4,186)                     | (3,102)  | (8,096)                   | (2,593)  |
| Other liability costs  | \$ 247                      | \$ 215   | \$ 589                    | \$ 557   |
| Retirement Services  | \$ 247                      | \$ 215   | \$ 589                    | \$ 557   |
| Corporate and Other  | —                           | —        | —                         | —        |
| Consolidated other liability costs   | \$ 247                      | \$ 215   | \$ 589                    | \$ 557   |

The reconciliation of policy and other operating expenses to operating expenses is as follows:

| <i>(In millions)</i>  | Three months ended June 30, |        | Six months ended June 30, |        |
|---|-----------------------------|--------|---------------------------|--------|
|   | 2021                        | 2020   | 2021                      | 2020   |
| GAAP policy and other operating expenses                    | \$ 242                      | \$ 218 | \$ 525                    | \$ 406 |
| Interest expense  | (34)                        | (29)   | (66)                      | (49)   |
| Policy acquisition expenses, net of deferrals               | (74)                        | (73)   | (156)                     | (144)  |
| Integration, restructuring and other non-operating expenses | (11)                        | (9)    | (56)                      | (13)   |
| Stock compensation expenses                                 | (1)                         | —      | (1)                       | (10)   |
| ACRA noncontrolling interest                                | (19)                        | (19)   | (40)                      | (23)   |
| Other changes in policy and other operating expenses        | (8)                         | —      | (13)                      | —      |
| Total adjustments to arrive at operating expenses           | (147)                       | (130)  | (332)                     | (239)  |
| Operating expenses  | \$ 95                       | \$ 88  | \$ 193                    | \$ 167 |
| Retirement Services   | \$ 81                       | \$ 71  | \$ 159                    | \$ 139 |
| Corporate and Other   | 14                          | 17     | 34                        | 28     |
| Consolidated operating expenses                             | \$ 95                       | \$ 88  | \$ 193                    | \$ 167 |

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The reconciliation of total investments, including related parties, to net invested assets is as follows:

| <i>(In millions)</i>  | June 30, 2021 | December 31, 2020 |
|---|---------------|-------------------|
| Total investments, including related parties                | \$ 194,509    | \$ 182,421        |
| Derivative assets   | (4,151)       | (3,523)           |
| Cash and cash equivalents (including restricted cash)       | 8,726         | 8,442             |
| Accrued investment income                                   | 1,010         | 905               |
| Payables for collateral on derivatives                      | (3,890)       | (3,203)           |
| Reinsurance funds withheld and modified coinsurance         | (1,699)       | (2,459)           |
| VIE and VOE assets, liabilities and noncontrolling interest | (281)         | (136)             |
| Unrealized (gains) losses                                   | (5,960)       | (7,275)           |
| Ceded policy loans  | (179)         | (204)             |
| Net investment receivables (payables)                       | 328           | 99                |
| Allowance for credit losses                                 | 338           | 357               |
| Total adjustments to arrive at gross invested assets        | (5,758)       | (6,997)           |
| Gross invested assets                                       | 188,751       | 175,424           |
| ACRA noncontrolling interest                                | (27,937)      | (25,234)          |
| Net invested assets   | \$ 160,814    | \$ 150,190        |

The reconciliation of total investment funds, including related parties, to net alternative investments within net invested assets is as follows:

| <i>(In millions)</i>                                     | June 30, 2021 | December 31, 2020 |
|--|---------------|-------------------|
| Investment funds, including related parties              | \$ 7,483      | \$ 6,087          |
| Equity securities  | 226           | 165               |
| CLO and ABS equities included in trading securities      | 1,021         | 971               |
| Investment in Apollo                                     | (1,730)       | (1,324)           |
| Investment funds within funds withheld at interest       | 1,586         | 1,155             |
| Royalties and other assets included in other investments | (76)          | 66                |
| Unrealized (gains) losses and other adjustments          | (32)          | (44)              |
| ACRA noncontrolling interest                             | (647)         | (283)             |
| Total adjustments to arrive at alternative investments   | 348           | 706               |
| Net alternative investments                              | \$ 7,831      | \$ 6,793          |

The reconciliation of total liabilities to net reserve liabilities is as follows:

| <i>(In millions)</i>                                   | June 30, 2021 | December 31, 2020 |
|--|---------------|-------------------|
| Total liabilities                                      | \$ 193,878    | \$ 182,631        |
| Long-term debt   | (2,468)       | (1,976)           |
| Derivative liabilities                                 | (214)         | (298)             |
| Payables for collateral on derivatives                 | (3,890)       | (3,203)           |
| Funds withheld liability                               | (437)         | (452)             |
| Other liabilities                                      | (2,413)       | (2,040)           |
| Reinsurance ceded receivables                          | (4,627)       | (4,848)           |
| Policy loans ceded                                     | (179)         | (204)             |
| ACRA noncontrolling interest                           | (26,871)      | (24,618)          |
| Other  | (7)           | (3)               |
| Total adjustments to arrive at net reserve liabilities | (41,106)      | (37,642)          |
| Net reserve liabilities                                | \$ 152,772    | \$ 144,989        |

## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

### Liquidity and Capital Resources

There are two forms of liquidity relevant to our business, funding liquidity and balance sheet liquidity. Funding liquidity relates to the ability to fund operations. Balance sheet liquidity relates to our ability to liquidate or rebalance our balance sheet without incurring significant costs from fees, bid-offer spreads, or market impact. We manage our liquidity position by matching projected cash demands with adequate sources of cash and other liquid assets. Our principal sources of liquidity, in the ordinary course of business, are operating cash flows and holdings of cash, cash equivalents and other readily marketable assets.

Our investment portfolio is structured to ensure a strong liquidity position over time in order to permit timely payment of policy and contract benefits without requiring asset sales at inopportune times or at depressed prices. In general, liquid assets include cash and cash equivalents, highly rated corporate bonds, unaffiliated preferred stock and unaffiliated public common stock, all of which generally have liquid markets with a large number of buyers. The carrying value of these assets, excluding assets within modified coinsurance and funds withheld portfolios, as of June 30, 2021 was \$81.3 billion. Assets included in modified coinsurance and funds withheld portfolios are available to fund the benefits for the associated obligations but are restricted from other uses. The carrying value of the underlying assets in these modified coinsurance and funds withheld portfolios that we consider liquid as of June 30, 2021 was \$32.8 billion. Although our investment portfolio does contain assets that are generally considered illiquid for liquidity monitoring purposes (primarily mortgage loans, policy loans, real estate, investment funds, and affiliated common stock), there is some ability to raise cash from these assets if needed. In periods of economic downturn, such as the one brought about by the spread of COVID-19, we may maintain higher cash balances than required to manage our liquidity risk and to take advantage of market dislocations as they arise. We have access to additional liquidity through our \$1.25 billion credit agreement, which was undrawn as of June 30, 2021 and had a remaining term of more than three years, subject to up to two one-year extensions. We also have access to more than a \$1.0 billion of committed repurchase facility. Our registration statement on Form S-3 ASR (Shelf Registration Statement) provides us access to the capital markets, subject to market conditions and other factors. We are also party to repurchase agreements with several different financial institutions, pursuant to which we may obtain short-term liquidity, to the extent available. In addition, through our membership in the FHLB, we are eligible to borrow under variable rate short-term federal funds arrangements to provide additional liquidity.

We proactively manage our liquidity position to meet cash needs while minimizing adverse impacts on investment returns. We analyze our cash-flow liquidity over the upcoming 12 months by modeling potential demands on liquidity under a variety of scenarios, taking into account the provisions of our policies and contracts in force, our cash flow position, and the volume of cash and readily marketable securities in our portfolio. We also monitor our liquidity profile under more severe scenarios.

We perform a number of stress tests and analyses to assess our ability to meet our cash flow requirements, as well as the ability of our reinsurance and insurance subsidiaries to meet their collateral obligations. Among these analyses, we manage to the following ALM limits:

- our projected net cumulative cash flows, including both new business and target levels of new investments under a “plan scenario” and a “moderately severe scenario” event, are non-negative over a rolling 12-month horizon;
- we hold enough cash, cash equivalents and other discounted liquid limit assets to cover 12 months of AHL's and AUSA's projected obligations, including debt servicing costs:
  - minimum of 50% of expenses and 100% of debt servicing to be held in cash and cash equivalents at AHL operating accounts
  - minimum of 50% of any required AHL – AUSA inter-company loan commitments to be held in cash and cash equivalents by AHL
  - dividends from ALRe sufficient to support the ongoing operations of AHL must be available under moderate and substantial stress scenarios
  - for purposes of administering this test, liquid limit assets are discounted by 25% and include public corporate bonds rated A- or above, liquid ABS (defined as prime auto, auto floorplan, Tier 1 subprime auto, auto lease, prime credit cards, equipment lease or utility stranded assets); RMBS with weighted average lives less than three years rated A- or above and CMBS with weighted average lives less than three years rated AAA- or above
- we seek to maintain sufficient capital and surplus at ALRe to meet the following collateral and capital maintenance calls under a substantial stress event, such as the failure of a major financial institution (Lehman event):
  - collateral calls from modco and third-party reinsurance contracts
  - AARE capital maintenance calls arising from AARE collateral calls from modco reinsurance contracts; and
  - US regulated entity capital maintenance calls from nonmodco activity.

### Insurance Subsidiaries' Liquidity

#### Operations

The primary cash flow sources for our insurance subsidiaries include retirement services product inflows (premiums), investment income, principal repayments on our investments, net transfers from separate accounts and financial product inflows. Uses of cash include investment purchases, payments to policyholders for surrenders, withdrawals and payout benefits, interest and principal payments on funding agreements, payments to satisfy PRT obligations, policy acquisition costs and general operating costs.

## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Our policyholder obligations are generally long-term in nature. However, one liquidity risk is an extraordinary level of early policyholder withdrawals. We include provisions within our annuity policies, such as surrender charges and MVAs, which are intended to protect us from early withdrawals. As of June 30, 2021 and December 31, 2020, approximately 74% and 75%, respectively, of our deferred annuity liabilities were subject to penalty upon surrender. In addition, as of June 30, 2021 and December 31, 2020, approximately 55% and 56%, respectively, of policies contained MVAs that may also have the effect of limiting early withdrawals if interest rates increase, but may encourage early withdrawals by effectively subsidizing a portion of surrender charges when interest rates decrease. Although interest rates rose during the six months ended June 30, 2021, given the sharp decline in interest rates that occurred during 2020, our MVAs may reduce the surrender charge otherwise required to be paid upon early withdrawal. Our funding agreements, group annuities and payout annuities are generally non-surrenderable.

### *Membership in Federal Home Loan Bank*

Through our membership in the FHLB, we are eligible to borrow under variable rate short-term federal funds arrangements to provide additional liquidity. The borrowings must be secured by eligible collateral such as mortgage loans, eligible CMBS or RMBS, government or agency securities and guaranteed loans. As of each of June 30, 2021 and December 31, 2020, we had \$0 million of outstanding borrowings under these arrangements.

We have issued funding agreements to the FHLB. These funding agreements were issued in an investment spread strategy, consistent with other investment spread operations. As of each of June 30, 2021 and December 31, 2020, we had funding agreements outstanding with the FHLB in the aggregate principal amount of \$2.0 billion.

The maximum FHLB indebtedness by a member is determined by the amount of collateral pledged, and cannot exceed a specified percentage of the member's total statutory assets dependent on the internal credit rating assigned to the member by the FHLB. As of June 30, 2021, the total maximum borrowings under the FHLB facilities were limited to \$35.3 billion. However, our ability to borrow under the facilities is constrained by the availability of assets that qualify as eligible collateral under the facilities and certain other limitations. Considering these limitations, we estimate that as of June 30, 2021 we had the ability to draw up to a total of approximately \$3.9 billion, inclusive of borrowings then outstanding. This estimate is based on our internal analysis and assumptions, and may not accurately measure collateral which is ultimately acceptable to the FHLB. Drawing such amounts would have an adverse impact on AADE's and/or AAIA's RBC ratio, which may further restrict our ability or willingness to draw up to our estimated capacity.

### *Securities Repurchase Agreements*

We engage in repurchase transactions whereby we sell fixed income securities to third parties, primarily major brokerage firms or commercial banks, with a concurrent agreement to repurchase such securities at a determined future date. We require that, at all times during the term of the repurchase agreements, we maintain sufficient cash or other liquid assets sufficient to allow us to fund substantially all of the repurchase price. Proceeds received from the sale of securities pursuant to these arrangements are generally invested in short-term investments, with the offsetting obligation to repurchase the security included within payables for collateral on derivatives and securities to repurchase on the condensed consolidated balance sheets. As per the terms of the repurchase agreements, we monitor the market value of the securities sold and may be required to deliver additional collateral (which may be in the form of cash or additional securities) to the extent that the value of the securities sold decreases prior to the repurchase date.

As of June 30, 2021, the fair value of securities and collateral held by counterparties and payables for repurchase agreements was \$628 million and \$598 million, respectively.

On May 1, 2020, we signed a \$1.0 billion committed repurchase facility with BNP Paribas. The facility has an initial commitment period of 12 months and automatically renews for successive 12-month periods until terminated by either party. During the commitment period, we may sell and BNP Paribas is required to purchase eligible investment grade corporate bonds pursuant to repurchase transactions at pre-agreed discounts in exchange for a commitment fee. As of June 30, 2021, we had no outstanding payables under this facility.

On July 26, 2021, we entered into a \$1.0 billion committed repurchase facility with Societe Generale. The facility has a commitment term of 5 years, however, either party may terminate the facility upon 24-months' notice, in which case the facility will end upon the earlier of (i) such designated termination date, or (ii) July 26, 2026. During the commitment period, we may sell and Societe Generale is required to purchase eligible investment grade corporate bonds pursuant to repurchase transactions at pre-agreed rates in exchange for an ongoing commitment fee for the facility.

**Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations**
**Cash Flows**

Our cash flows were as follows:

| <i>(In millions)</i>  | Six months ended June 30, |          |
|---|---------------------------|----------|
|   | 2021                      | 2020     |
| Net income (loss)   | \$ 1,883                  | \$ (285) |
| Non-cash revenues and expenses  | 615                       | 1,687    |
| Net cash provided by operating activities   | 2,498                     | 1,402    |
| Sales, maturities and repayments of investments   | 14,461                    | 9,377    |
| Purchases of investments  | (25,604)                  | (14,386) |
| Other investing activities  | (129)                     | 273      |
| Net cash used in investing activities   | (11,272)                  | (4,736)  |
| Issuance of common stock  | 7                         | 350      |
| Net proceeds and repayments of debt   | 497                       | 424      |
| Inflows on investment-type policies and contracts   | 11,120                    | 8,398    |
| Withdrawals on investment-type policies and contracts   | (3,476)                   | (3,871)  |
| Net capital contributions and distributions to/from noncontrolling interests                  | 320                       | 194      |
| Net change in cash collateral posted for derivative transactions and securities to repurchase | 687                       | 461      |
| Issuance of preferred stock, net of expenses  | —                         | 583      |
| Preferred stock dividends   | (71)                      | (37)     |
| Repurchase of common stock  | (4)                       | (328)    |
| Other financing activities  | (22)                      | 60       |
| Net cash provided by financing activities   | 9,058                     | 6,234    |
| Effect of exchange rate changes on cash and cash equivalents                                  | —                         | (21)     |
| Net increase in cash and cash equivalents <sup>1</sup>  | \$ 284                    | \$ 2,879 |

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

**Cash flows from operating activities**

The primary cash inflows from operating activities include net investment income, annuity considerations and insurance premiums. The primary cash outflows from operating activities are comprised of benefit payments and operating expenses. Our operating activities generated cash flows totaling \$2.5 billion and \$1.4 billion for the six months ended June 30, 2021 and 2020, respectively. The increase in cash provided by operating activities was primarily driven by higher cash received from PRT transactions.

**Cash flows from investing activities**

The primary cash inflows from investing activities are the sales, maturities and repayments of investments. The primary cash outflows from investing activities are the purchases and acquisitions of new investments. Our investing activities used cash flows totaling \$11.3 billion and \$4.7 billion for the six months ended June 30, 2021 and 2020, respectively. The increase in cash used in investing activities was primarily attributed to an increase in purchases of investments due to the deployment of significant cash inflows from organic growth over the previous twelve months as well as the redeployment of the Jackson reinsurance investment portfolio.

**Cash flows from financing activities**

The primary cash inflows from financing activities are inflows on our investment-type policies, changes of cash collateral posted for derivative transactions, capital contributions and proceeds from borrowing activities. The primary cash outflows from financing activities are withdrawals on our investment-type policies, changes of cash collateral posted for derivative transactions, repayments of outstanding borrowings, repurchases of common stock and payment of preferred stock dividends. Our financing activities provided cash flows totaling \$9.1 billion and \$6.2 billion for the six months ended June 30, 2021 and 2020, respectively. The increase in cash provided by financing activities was primarily attributed to higher organic inflows from retail and funding agreements net of withdrawals. Additionally, other drivers of the increase include a decrease in repurchases of common stock, the change in cash collateral posted for derivative transactions reflecting favorable equity market performance in the current year compared to unfavorable performance in the prior year and an increase in net capital contributions from noncontrolling interests, partially offset by the issuance of common stock in connection with the strategic transaction with Apollo in the prior year and the issuance of preferred stock in the prior year.



## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

### *Holding Company Liquidity*

#### *Dividends from Subsidiaries*

AHL is a holding company whose primary liquidity needs include the cash-flow requirements relating to its corporate activities, including its day-to-day operations, debt servicing, preferred stock dividend payments and strategic transactions, such as acquisitions. The primary source of AHL's cash flow is dividends from its subsidiaries, which are expected to be adequate to fund cash flow requirements based on current estimates of future obligations.

The ability of AHL's insurance subsidiaries to pay dividends is limited by applicable laws and regulations of the jurisdictions where the subsidiaries are domiciled, as well as agreements entered into with regulators. These laws and regulations require, among other things, the insurance subsidiaries to maintain minimum solvency requirements and limit the amount of dividends these subsidiaries can pay.

Subject to these limitations and prior notification to the appropriate regulatory agency, the US insurance subsidiaries are permitted to pay ordinary dividends based on calculations specified under insurance laws of the relevant state of domicile. Any distributions above the amount permitted by statute in any twelve month period are considered to be extraordinary dividends, and require the approval of the appropriate regulator prior to payment. AHL does not currently plan on having the US subsidiaries pay any dividends to ALRe.

Dividends from ALRe are projected to be the primary source of AHL's liquidity. Under the Bermuda Insurance Act, ALRe is prohibited from paying a dividend in an amount exceeding 25% of the prior year's statutory capital and surplus, unless at least two members of ALRe's board of directors and its principal representative in Bermuda sign and submit to the Bermuda Monetary Authority (BMA) an affidavit attesting that a dividend in excess of this amount would not cause ALRe to fail to meet its relevant margins. In certain instances, ALRe would also be required to provide prior notice to the BMA in advance of the payment of dividends. In the event that such an affidavit is submitted to the BMA in accordance with the Bermuda Insurance Act, and further subject to ALRe meeting its relevant margins, ALRe is permitted to distribute up to the sum of 100% of statutory surplus and an amount less than 15% of its total statutory capital. Distributions in excess of this amount require the approval of the BMA.

The maximum distribution permitted by law or contract is not necessarily indicative of our actual ability to pay such distributions, which may be further restricted by business and other considerations, such as the impact of such distributions on surplus, which could affect our ratings or competitive position and the amount of premiums that can be written. Specifically, the level of capital needed to maintain desired financial strength ratings from rating agencies, including S&P, A.M. Best and Fitch, is of particular concern when determining the amount of capital available for distributions. AHL believes its insurance subsidiaries have sufficient statutory capital and surplus, combined with additional capital available to be provided by AHL, to meet their financial strength ratings objectives. Finally, state insurance laws and regulations require that the statutory surplus of our insurance subsidiaries following any dividend or distribution must be reasonable in relation to their outstanding liabilities and adequate for the insurance subsidiaries' financial needs.

#### *Other Sources of Funding*

We may seek to secure additional funding at the holding company level by means other than dividends from subsidiaries, such as by drawing on our undrawn \$1.25 billion credit agreement or by pursuing future issuances of debt or equity securities to third-party investors. Certain other sources of liquidity potentially available at the holding company level are discussed below. Certain covenants in our credit agreement prohibit us from maintaining debt in excess of specified thresholds. Specifically, our credit agreement prohibits us from permitting the Consolidated Debt to Capitalization Ratio (as such term is defined in the credit agreement) to exceed 35% as of the end of any quarter.

*Shelf Registration* – Under our Shelf Registration Statement, subject to market conditions, we have the ability to issue, in indeterminate amounts, debt securities, preference shares, depositary shares, Class A common shares, warrants and units.

*Debt* – On January 12, 2018, we issued \$1.0 billion in aggregate principal amount of 4.125% senior notes due 2028 (2028 Notes). On April 3, 2020, we issued \$500 million in aggregate principal amount of 6.150% senior unsecured notes due 2030 (2030 Notes). On October 8, 2020, we issued \$500 million in aggregate principal amount of 3.500% senior unsecured notes due 2031 (2031 Notes). On May 25, 2021, we issued \$500 million in aggregate principal amount of 3.950% senior unsecured notes due 2051 (2051 Notes).

*Preferred Stock* – On June 10, 2019, we issued 34,500 6.35% Fixed-to-Floating Rate Perpetual Non-Cumulative Preference Shares, Series A, par value of \$1.00 per share with a liquidation preference of \$25,000 per share, for aggregate proceeds of \$839 million, net of the underwriters' discount and estimated expenses.

On September 19, 2019, we issued 13,800 5.625% Fixed-Rate Perpetual Non-Cumulative Preference shares, Series B, par value of \$1.00 per share with a liquidation preference of \$25,000 per share, for aggregate proceeds of \$333 million, net of the underwriters' discount and estimated expenses.

On June 11, 2020, we issued 24,000 6.375% Fixed-Rate Reset Perpetual Non-Cumulative Preference shares, Series C, par value of \$1.00 per share with a liquidation preference of \$25,000 per share, for aggregate proceeds of \$583 million, net of the underwriters' discount and estimated expenses.

## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

On December 18, 2020, we issued 23,000 4.875% Fixed-Rate Perpetual Non-Cumulative Preference shares, Series D, par value of \$1.00 per share with a liquidation preference of \$25,000 per share, for aggregate proceeds of \$557 million, net of the underwriters' discount and estimated expenses. See *Note 8 – Equity* to the condensed consolidated financial statements for further information.

*Intercompany Note* – AHL has an unsecured revolving note payable with ALRe, which permits AHL to borrow up to \$1 billion with a fixed interest rate of 1.25% and a maturity date of March 31, 2024. As of June 30, 2021 and December 31, 2020, the revolving note payable had an outstanding balance of \$49 million and \$0 million, respectively.

### *Capital Resources*

We believe that we have a strong capital position and that we are well positioned to meet policyholder and other obligations. We measure capital sufficiency using an internal capital model which reflects management's view on the various risks inherent to our business, the amount of capital required to support our core operating strategies and the amount of capital necessary to maintain our current ratings in a recessionary environment. The amount of capital required to support our core operating strategies is determined based upon internal modeling and analysis of economic risk, as well as inputs from rating agency capital models and consideration of NAIC RBC requirements. Capital in excess of this required amount is considered excess equity capital, which is available to deploy.

As of December 31, 2020 and 2019, our US insurance companies' TAC, as defined by the NAIC, was \$2.7 billion and \$2.4 billion, respectively, and our US RBC ratio was 425% and 429%, respectively. Each US domestic insurance subsidiary's state of domicile imposes minimum RBC requirements that were developed by the NAIC. The formulas for determining the amount of RBC specify various weighting factors that are applied to financial balances or various levels of activity based on the perceived degree of risk. Regulatory compliance is determined by a ratio of TAC to its authorized control level RBC (ACL). Our TAC was significantly in excess of all regulatory standards as of December 31, 2020 and 2019, respectively.

Bermuda statutory capital and surplus for ALRe was \$13.5 billion and \$11.0 billion as of December 31, 2020 and 2019, respectively. ALRe adheres to BMA regulatory capital requirements to maintain statutory capital and surplus to meet the minimum margin of solvency and maintain minimum economic balance sheet (EBS) capital and surplus to meet the enhanced capital requirement. Under the EBS framework, ALRe's assets are recorded at market value and its insurance reserves are determined by reference to nine prescribed scenarios, with the scenario resulting in the highest reserve balance being ultimately required to be selected. ALRe's EBS capital and surplus was \$17.2 billion and \$14.1 billion, resulting in a BSCR ratio of 254% and 310% as of December 31, 2020 and 2019, respectively. ALRe's BSCR ratio includes the capital and surplus of ALRe and all of ALRe's subsidiaries, including AUSA and AOG subsidiaries. An insurer must have a BSCR ratio of 100% or greater to be considered solvent by the BMA. As of December 31, 2020 and 2019, ALRe held the appropriate capital to adhere to these regulatory standards. Prior to the implementation of our internal capital model, we also utilized an ALRe RBC ratio to analyze and determine the amount of capital necessary to support our core operating strategies. As of December 31, 2020 and 2019, our ALRe RBC was 460% and 443%, respectively. The ALRe RBC ratio is calculated by applying the NAIC RBC factors to the statutory financial statements of ALRe and ALRe's non-U.S. reinsurance subsidiaries on an aggregate basis with certain adjustments made by management as described in the glossary. We exclude our interests in the AOG units and other subsidiary holding companies from our capital base for purposes of calculating ALRe RBC, but do reflect such interests within our capital analysis, net of risk charges.

### *Repurchase of Securities*

#### *Share Repurchase Program*

In December of 2018, our board of directors established a share repurchase program with an initial authorization for the repurchase of up to \$250 million of our Class A common shares. In 2019, our board of directors approved four additional authorizations under our share repurchase program for the purchase of up to an additional \$1.3 billion of our Class A common shares, in the aggregate, for a total authorization of \$1.6 billion. As of August 5, 2021, we have repurchased, in the aggregate, 35.6 million Class A common shares for \$1.3 billion since inception of our share repurchase program and have \$221 million of repurchase authorization remaining. The timing and amount of share repurchases, if any, will be determined by management in accordance with the authority delegated by our board of directors.

#### *Repurchase of Other Securities*

We may from time to time seek to retire or purchase our other outstanding debt or equity securities through cash purchases and/or exchanges for other securities, purchases in the open market, privately negotiated transactions or otherwise. Any such repurchases will be dependent upon several factors, including our liquidity requirements, contractual restrictions, general market conditions and applicable regulatory, legal and accounting factors. Whether or not we repurchase any of our other securities and the size and timing of any such repurchases will be determined at our discretion.

## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

### Balance Sheet and Other Arrangements

#### *Balance Sheet Arrangements*

##### *Contractual Obligations*

There have been no material changes to our contractual obligations from those previously disclosed in our 2020 Annual Report.

##### *Off Balance Sheet Arrangements*

None.

### Critical Accounting Estimates and Judgments

The preparation of consolidated financial statements in conformity with GAAP requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of any contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Amounts based on such estimates involve numerous assumptions subject to varying and potentially significant degrees of judgment and uncertainty, particularly related to the future performance of the underlying business, and will likely change in the future as additional information becomes available. Critical estimates and assumptions are evaluated on an ongoing basis based on historical developments, market conditions, industry trends and other information that is reasonable under the circumstances. There can be no assurance that actual results will conform to estimates and assumptions and that reported results of operations will not be materially affected by the need to make future accounting adjustments to reflect periodic changes in these estimates and assumptions. Critical accounting estimates are impacted significantly by our methods, judgments and assumptions used in the preparation of the consolidated financial statements and should be read in conjunction with our significant accounting policies described in *Note 1 – Business, Basis of Presentation and Significant Accounting Policies* to the consolidated financial statements of our 2020 Annual Report. The most critical accounting estimates and judgments include those used in determining:

- fair value of investments;
- credit loss allowances;
- future policy benefit reserves;
- derivatives valuation, including embedded derivatives;
- deferred acquisition costs, deferred sales inducements and value of business acquired;
- consolidation of VIEs; and
- valuation allowances on deferred tax assets.

The above critical accounting estimates and judgments are discussed in detail in *Part II—Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Estimates and Judgments* of our 2020 Annual Report.

See *Note 1 – Business, Basis of Presentation and Significant Accounting Policies* to the condensed consolidated financial statements for adoption of new and future accounting pronouncements.

### Item 3. Quantitative and Qualitative Disclosures About Market Risks

We regularly analyze our exposure to market risks, which reflect potential losses in value due to credit and counterparty risk, interest rate risk, currency risk, commodity price risk and equity price risk. As a result of that analysis, we have determined that we are primarily exposed to credit risk, interest rate risk and equity price risk. A description of our market risk exposures, including strategies used to manage our exposure to market risk, may be found under *Part II—Item 7A. Quantitative and Qualitative Disclosures About Market Risk* of our 2020 Annual Report. There have been no material changes to our market risk exposures from those previously disclosed in our 2020 Annual Report, except as described below. The following updates and replaces the information provided in the 2020 Annual Report.

#### Sensitivities

##### *Interest Rate Risk*

We assess interest rate exposure for financial assets and financial liabilities using hypothetical stress tests and exposure analyses. Assuming all other factors are constant, if there was an immediate parallel increase in interest rates of 25 basis points from levels as of June 30, 2021, we estimate a net decrease to our point-in-time pre-tax income from changes in the fair value of these financial instruments of \$603 million. The net change in fair value for these financial instruments would directly impact the current period gross profits and assessments used in the calculations of DAC, DSI, and VOBA amortization and changes to rider reserves, resulting in an offsetting increase to our pre-tax income of \$36 million. If there were a similar parallel increase in interest rates from as of December 31, 2020, we estimate a net decrease to our point-in-time pre-tax income from changes in the fair value of these financial instruments of \$691 million with an offsetting increase to pre-tax income of \$35 million from DAC, DSI, and VOBA amortization and changes in rider reserves. The financial instruments included in the sensitivity analysis are carried at fair value and changes in fair value are recognized in earnings. These financial instruments include derivative instruments, embedded derivatives and certain fixed maturity securities. The sensitivity analysis excludes those financial instruments carried at fair value for which changes in fair value are recognized in equity, such as AFS fixed maturity securities.

Assuming a 25 basis point increase in interest rates that persists for a 12-month period, the estimated impact to adjusted operating income would be an increase of approximately \$25 – \$35 million, and a 25 basis point decrease would generally result in a similar decrease. This is driven by the change in operating income from floating rate assets and liabilities, offset by the change in DAC, DSI, and VOBA amortization and rider reserve change, all calculated without regard to future changes to assumptions. We are unable to make forward-looking estimates regarding the impact on net income of changes in interest rates that persist for a period of time as a result of an inability to determine how such changes will affect certain of the items that we characterize as “non-operating adjustments” in our reconciliation between net income available to AHL common shareholders and adjusted operating income available to common shareholders. See *Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations—Results of Operations by Segment* for the reconciliation of net income available to AHL common shareholders to adjusted operating income available to common shareholders. The impact of changing rates on these non-operating adjustments is likely to be significant. See above for a discussion regarding the estimated impact on net income of an immediate, parallel increase in interest rates of 25 basis points from levels as of June 30, 2021, which discussion encompasses the impact of such an increase on certain of the non-operating adjustment items.

The models used to estimate the impact of a 25 basis point change in market interest rates incorporate numerous assumptions, require significant estimates and assume an immediate change in interest rates without any discretionary management action to counteract such a change. Consequently, potential changes in our valuations indicated by these simulations will likely be different from the actual changes experienced under any given interest rate scenarios and these differences may be material. Because we actively manage our assets and liabilities, the net exposure to interest rates can vary over time. However, any such decreases in the fair value of fixed maturity securities, unless related to credit concerns of the issuer requiring recognition of credit losses, would generally be realized only if we were required to sell such securities at losses to meet liquidity needs.

##### *Public Equity Risk*

Assuming all other factors are constant, we estimate that a decline in public equity market prices of 10% would be relatively unchanged from the sensitivities shown in *Part II—Item 7A. Quantitative and Qualitative Disclosures About Market Risk* of the 2020 Annual Report.

## **Item 4. Controls and Procedures**

### **Evaluation of Disclosure Controls and Procedures**

We maintain disclosure controls and procedures as such term is defined under Exchange Act Rule 13a-15(e), that are designed to ensure that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosures. In designing and evaluating the disclosure controls and procedures, our management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives and our management necessarily is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. We have carried out an evaluation, as of the end of the period covered by this report, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures. Based on this evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures were effective at attaining the level of reasonable assurance noted above.

### **Changes in Internal Control Over Financial Reporting**

There were no changes to our internal control over financial reporting as defined in Exchange Act Rule 13a-15(f) during the quarter ended June 30, 2021, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## PART II—OTHER INFORMATION

### Item 1. Legal Proceedings

We are subject to litigation arising in the ordinary course of our business, including litigation principally relating to our FIA business. We cannot assure you that our insurance coverage will be adequate to cover all liabilities arising out of such claims. The outcomes of legal proceedings and claims brought against us are subject to significant uncertainty. There is significant judgment required in assessing both the probability of an adverse outcome and the determination as to whether an exposure can be reasonably estimated. In management's opinion, the ultimate disposition of any current legal proceeding or claim brought against us will not have a material effect on our financial condition, results of operations or cash flows. Litigation is, however, inherently uncertain and an adverse outcome from such litigation could have a material effect on the operating results of a particular reporting period.

From time to time, in the ordinary course of business and like others in the insurance and financial services industries, we receive requests for information from government agencies in connection with such agencies' regulatory or investigatory authority. Such requests can include financial or market conduct examinations, subpoenas or demand letters for documents to assist the government in audits or investigations. We and each of our US insurance subsidiaries review such requests and notices and take appropriate action. We have been subject to certain requests for information and investigations in the past and could be subject to them in the future.

For a description of certain legal proceedings affecting us, see *Note 11 – Commitments and Contingencies – Litigation, Claims and Assessments* to the condensed consolidated financial statements.

### Item 1A. Risk Factors

The following should be read in conjunction with, and supplement and amend, the factors that may affect our business or operations described in *Part I—Item 1A. Risk Factors* of our 2020 Annual Report. Other than as described in this Item 1A, there have been no material changes to our risk factors from the risk factors previously disclosed in our 2020 Annual Report.

The following updates and supplements the risk factors described in our 2020 Annual Report:

#### ***Risks Relating to the Proposed Merger between Us and AGM***

***There are a number of required approvals and other closing conditions in addition to shareholder approvals which may prevent or delay completion of the mergers.***

The mergers are subject to a number of conditions to closing as specified in the merger agreement. These closing conditions include, among others, (i) receipt of the required approval of the (a) AGM merger agreement proposal and (b) AHL merger agreement proposal; (ii) the authorizations, consents, orders or approvals of, or declarations or filings with, and the expiration of waiting periods required from, certain governmental authorities having been obtained and being in full force and effect; (iii) there being in effect no injunction, judgment, ruling or law enacted, promulgated, issued, entered, amended or enforced by any governmental authority enjoining, restraining or otherwise making illegal or prohibiting the consummation of the mergers; (iv) the SEC having declared the registration statement on Form S-4 effective under the Securities Act, there being no stop order in effect by the SEC suspending the effectiveness of the registration statement and there being no pending proceedings for that purpose; (v) the accuracy of the representations and warranties of the other party to the extent required under the merger agreement; (vi) in the case of each of AGM, AHL and HoldCo's compliance with, in all material respects, each of the covenants, obligations and agreements it is required to comply with or perform at or prior to the effective times of the mergers and issuance to the other party or parties, as applicable, of a certificate signed by an executive officer of the party to such effect; and (vii) since the date of the merger agreement there must not have occurred and be continuing any (a) state of facts, circumstance, condition, event, change, development, occurrence, result, effect, action or omission that has had or would reasonably be expected to have, individually in the aggregate, a material adverse effect with respect to the other party or (b) material adverse effect with respect to the other party. In addition, the obligations of HoldCo to effect the mergers are subject to:

- AGM and AHL having received a written tax opinion from AGM's counsel and AHL's counsel, respectively, or a nationally recognized accounting firm or law firm reasonably acceptable to AGM or AHL, as applicable, in form and substance reasonably satisfactory to AGM and AHL, respectively, dated as of the closing date, to the effect that, based on the AGM tax representation letter and the AHL tax representation letter, the mergers and the exchange of the AOG units, taken together, will be treated as a transaction described in Section 351 of the Internal Revenue Code of 1986 (Code), dated as of the closing date; and
- the completion, or the completion concurrently with the closing, in all respects of the restructuring involving AGM and its subsidiaries, among others, pursuant to which (i) all AOG units held of record or beneficially by persons other than AGM, AHL and their respective subsidiaries will be exchanged, in a series of steps, for shares of common stock of HoldCo (HoldCo Shares) or other consideration and (ii) the only outstanding class of common stock outstanding upon consummation of the restructuring shall be AGM's Class A common stock or the HoldCo Shares.

No assurance can be given that the required stockholder and shareholder consents and approvals, as applicable, will be obtained or that the required conditions to closing will be satisfied, and, if all required consents and approvals are obtained and the conditions are satisfied, no assurance can be given as to the terms, conditions and timing of the consents and approvals. Any delay in completing the mergers could cause HoldCo not to realize, or to be delayed in realizing, some or all of the benefits that we expect to achieve if the mergers are successfully completed within their expected time frame.

***Regulatory approvals may not be received, may take longer than expected or may impose conditions that are not presently anticipated or cannot be met.***

Before the transactions contemplated by the merger agreement and the corporate governance updates can be completed, various approvals must be obtained from regulatory agencies in the United States and other countries. In deciding whether to grant these approvals, the relevant governmental entities will consider a variety of factors, including the regulatory standing of each of the parties. An adverse development in either party's regulatory standing or other factors could result in an inability to obtain one or more of the required regulatory approvals or delay receipt of required approvals.

The terms of the approvals that are granted may impose conditions, limitations, obligations or costs, or place restrictions on the conduct of AGM's or AHL's business or require changes to the terms of the transactions contemplated by the merger agreement and the corporate governance updates. There can be no assurance that regulators will not impose any such conditions, limitations, obligations or restrictions and that such conditions, limitations, obligations or restrictions will not have the effect of delaying the completion of any of the transactions contemplated by the merger agreement and the corporate governance updates, imposing additional material costs on or otherwise reducing the anticipated benefits of the mergers if the mergers were consummated successfully within the expected timeframe. Nor can there be any assurance that any such conditions, terms, obligations or restrictions will not result in the delay or abandonment of the transaction. Additionally, the completion of the mergers is conditioned on the absence of certain orders or injunctions issued by any court of competent jurisdiction or other legal restraints that would prohibit or make illegal the consummation of any of the transactions contemplated by the merger agreement.

***The mergers, including uncertainty regarding the mergers, may cause strategic partners to delay or defer decisions concerning us and could adversely affect our ability to effectively manage our business.***

The mergers will happen only if the stated conditions are met, including the adoption of the merger agreement by AGM's stockholders and the approval of the AHL merger agreement proposal by AHL's shareholders, among other conditions. Many of the conditions are outside our control, and both parties also have certain rights to terminate the merger agreement. Accordingly, there may be uncertainty regarding the completion of the mergers. This uncertainty may cause strategic partners or others that deal with us to delay or defer entering into contracts with us or making other decisions concerning us or seek to change or cancel existing business relationships with us, which could negatively affect our business. Any delay or deferral of those decisions or changes in existing agreements could have a material adverse effect on our business, regardless of whether the mergers are ultimately completed.

In addition, the merger agreement restricts us from making certain acquisitions and taking other specified actions until the mergers occur without the consent of the other parties (such consent not to be unreasonably withheld, conditioned or delayed). These restrictions may prevent us from pursuing attractive business opportunities or strategic transactions that may arise prior to the completion of the mergers.

***The merger agreement may be terminated in accordance with its terms, the mergers may not be consummated and we could be negatively impacted.***

Either AGM or AHL may terminate the merger agreement under certain circumstances, including, among other reasons, if the mergers are not completed by June 30, 2022. In addition, if the merger agreement is terminated under certain circumstances specified in the merger agreement, AGM may be required to pay AHL a termination fee of \$81,900,000, including certain circumstances in which the AGM board of directors makes or publicly proposes to make a change in its recommendation in support of the transaction, amongst other things.

If the mergers are not completed for any reason, including as a result of AGM stockholders or holders of AHL common shares and AHL preferred shares failing to adopt the merger agreement, our ongoing business may be adversely affected and, without realizing any of the benefits of having completed the mergers, we would be subject to a number of risks, including the following:

- we may experience negative reactions from the financial markets, including negative impacts on our share price;
- we may experience negative reactions from our business partners, regulators and employees;
- we will be required to pay certain legal, financing and accounting costs and associated fees and expenses relating to the mergers, whether or not the mergers are completed; and
- matters relating to the mergers require substantial commitments of time and resources by our management, which would otherwise have been devoted to day-to-day operations and other opportunities that may have been beneficial to us as an independent company.

***Litigation filed in connection with the mergers could prevent or delay the consummation of the mergers or result in the payment of damages following completion of the mergers.***

Lawsuits in connection with the mergers may be filed against AGM, AHL, HoldCo, AGM Merger Sub, AHL Merger Sub and/or their respective directors and officers, which could prevent or delay the consummation of the mergers and result in additional costs to us. The ultimate resolution of any lawsuits cannot be predicted with certainty, and an adverse ruling in any such lawsuit may cause the mergers to be delayed or not to be completed, which could cause us not to realize some or all of the anticipated benefits of the mergers. The defense or settlement of any lawsuit or claim that remains unresolved at the time the mergers is consummated may adversely affect HoldCo's business, financial condition, results of operations and cash flows. We cannot currently predict the outcome of or reasonably estimate the possible loss or range of loss from any such lawsuits or claims.

***Coordinating the businesses of AGM and AHL may be more difficult, costly or time-consuming than expected and HoldCo may fail to realize the anticipated benefits of the mergers, which may adversely affect HoldCo's business results and negatively affect the value of HoldCo's Shares following the mergers.***

The success of the mergers will depend on, among other things, the ability of AGM and AHL to coordinate their businesses under HoldCo in a manner that facilitates growth opportunities. However, AGM and AHL may not be able to successfully coordinate their respective businesses in a manner that permits anticipated growth to be realized, without adversely affecting current revenues and investments. If the combined company is not able to successfully achieve these objectives, the anticipated benefits of the merger may not be realized fully, or at all, or may take longer to realize than expected. Specifically, the following issues, among others, must be addressed in order to realize the anticipated benefits of the mergers so the combined company performs as expected:

- coordinating the businesses of AGM and AHL and meeting the capital requirements of the combined company, in a manner that permits the combined company to achieve the growth anticipated to result from the mergers;
- coordinating the companies' technologies;
- coordinating the companies' operating practices, internal controls and other policies, procedures and processes;
- addressing possible differences in business backgrounds and corporate cultures;
- coordinating geographically dispersed organizations; and
- effecting actions that may be required in connection with obtaining regulatory approvals.

In addition, at times the attention of certain members of either company's or both companies' management and resources may be focused on completion of the mergers and the coordination of the AGM and AHL businesses under HoldCo and diverted from day-to-day business operations, which may disrupt each company's ongoing business and the business of the combined company.

Furthermore, the board of directors of HoldCo will consist of the current directors of AGM and certain directors of AHL. Combining the boards of directors of each company into a single HoldCo board could require the reconciliation of differing priorities and philosophies.

An inability to realize the full extent of the anticipated benefits of the mergers and the other transactions contemplated by the merger agreement, as well as any delays encountered in the combination process, could have an adverse effect upon the revenues, level of expenses and operating results of the combined company, which may adversely affect the value of the common stock of the combined company after the completion of the mergers. In addition, the actual coordination of the AGM and AHL businesses under HoldCo may result in additional and unforeseen expenses, and the anticipated benefits of the coordination plan may not be realized. If AGM and AHL are not able to adequately address coordination challenges, they may be unable to successfully coordinate their operations or realize the anticipated benefits of the coordination of the two companies.

***Risks Relating to Taxation***

***The impact of the Organisation for Economic Co-operation and Development's recommendations on base erosion and profit shifting is uncertain and could impose adverse tax consequences on us.***

In 2015, the Organisation for Economic Co-operation and Development (OECD) published its final recommendations on base erosion and profit shifting (BEPS). These BEPS recommendations propose the development of rules directed at counteracting the effects of tax havens and preferential tax regimes in countries around the world.

Several of the areas of tax law on which the BEPS project has focused have led or will lead to changes in the domestic law of individual OECD jurisdictions. These changes include (amongst others) restrictions on interest and other deductions for tax purposes, the introduction of broad anti-hybrid regimes and reform of controlled foreign company rules. Changes are also expected to arise in the application of certain double tax treaties as a result of the implementation and adoption of the OECD's Multilateral Instrument, which may restrict our ability to rely on the terms of relevant double tax treaties in certain circumstances. Further, recent BEPS developments include proposals for new profit allocation and nexus rules and for rules to ensure that the profits of multinational enterprises are subject to a minimum rate of tax, and the OECD/G20 Inclusive Framework (IF) has adopted a two-pillar approach as the basis for this ongoing project. In October 2020, the OECD released "Blueprints" for the so-called Pillar One and Pillar Two, which set out the status with respect to current proposals for consultation. The IF's stated aim was to resolve outstanding issues by mid-2021, following which implementation of the final recommendations of the project could lead to further amendment of domestic tax laws and bilateral tax treaties; however, this process remains ongoing at present.



In June 2021, the finance ministers of the G7 nations announced an agreement on the principles of the two pillar solution to tackle the challenges of BEPS. Following the G7 announcement, the IF announced on July 1, 2021 broad agreement on the two pillars. The announcement provided that regulated financial services are excluded from the application of Pillar One. The announcement also provided that the proposals under Pillar Two would apply to multinational groups with revenues exceeding €750 million and would consist of a globally coordinated set of rules, including an Income Inclusion Rule and an Undertaxed Payment Rule, which would operate with reference to a minimum tax rate of at least 15% (determined on a country by country basis). However, the ultimate impact of the proposals remains subject to agreement on certain design elements of the two pillars which the IF aims to complete by October 2021. The IF will work towards an agreement and the release of an implementation plan, which will contemplate bringing Pillar Two into law in 2022 with an effective date in 2023. To date, the proposal has been written broadly enough to potentially apply to our group's activities, and we are unable to determine at this time whether it would have a material adverse impact on our business and results of operations.

Changes of law in individual jurisdictions which may arise as a result of the BEPS project (including in connection with future final recommendations around Pillar One and Pillar Two) may ultimately increase the tax base of our subsidiaries in certain jurisdictions or our worldwide tax exposure. Those changes of law are also potentially relevant to our ability to efficiently fund and realize investments or repatriate income or capital gains from relevant jurisdictions, and could ultimately necessitate some restructuring of our subsidiaries or business operations. The changes of law resulting from the BEPS project also include revisions to the definition of a "permanent establishment" and the rules for attributing profit to a permanent establishment.

Other BEPS-related changes focus on the goal of ensuring that transfer pricing outcomes are in line with value creation. Changes to tax laws resulting from the BEPS project could increase their complexity and the burden and costs of compliance. Additionally, such changes could also result in significant modifications to existing transfer pricing rules and could potentially have an impact on our taxable profits in various jurisdictions.

Since 2017 (and in consequence of the BEPS project), some countries in which we do business, including Bermuda, have required certain multinational enterprises, including ours, to report detailed information regarding allocation of revenue, profit, and other information, on a country-by-country basis. The information we are required to report pursuant to this country-by-country reporting (as well as information we are required to report pursuant to certain other exchange of information regimes (for example, pursuant to the Common Reporting Standard)) could ultimately result in certain tax authorities having greater access to information enabling them to challenge our tax positions in a number of different areas, transfer pricing in particular.

## Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

### Recent Sales of Unregistered Securities

None.

### Issuer Purchases of Securities

Purchases of common stock made by or on behalf of us or our affiliates during the three months ended June 30, 2021 are set forth below:

| Period                   | (a) Total number of shares purchased | (b) Average price paid per share | (c) Total number of shares purchased as part of publicly announced programs <sup>1</sup> | (d) Maximum number (or approximate dollar value) of shares that may yet be purchased under the plans or programs <sup>1</sup> |
|--------------------------|--------------------------------------|----------------------------------|--|---|
| April 1 – April 30, 2021 | 57,884                               | \$ 44.49                         | —  | \$ 221,408,041  |
| May 1 – May 31, 2021     | 9,327                                | \$ 61.52                         | —  | \$ 221,408,041  |
| June 1 – June 30, 2021   | 9,785                                | \$ 62.69                         | —  | \$ 221,408,041  |

<sup>1</sup> Prior to October 28, 2019, we had announced approvals by our board of directors for \$967 million of aggregate repurchases under our share repurchase program. Amounts authorized for repurchase under those approvals had been fully used prior to March 31, 2021. On October 28, 2019, we announced that our board of directors had approved an additional \$600 million authorization for the repurchase of our Class A common shares. The remaining authorization does not have a definitive expiration date, but may be terminated at any time at the sole discretion of our board of directors.

EXHIBIT INDEX

| <b>Exhibit No.</b> | <b>Description</b>   |
|--------------------|--|
| 4.1                | <a href="#">Fourth Supplemental Indenture, dated May 25, 2021, by and between Athene Holding Ltd. and U.S. Bank National Association, as trustee (incorporated by reference to Exhibit 4.2 to the Form 8-K filed on May 25, 2021).</a> |
| 4.2                | <a href="#">Form of 3.950% Senior Notes due 2051 (included in Exhibit 4.1).</a>  |
| 31.1               | <a href="#">Principal Executive Officer Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>   |
| 31.2               | <a href="#">Principal Financial Officer Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>   |
| 32.1               | <a href="#">Principal Executive Officer Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>   |
| 32.2               | <a href="#">Principal Financial Officer Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>   |
| 101.INS            | XBRL Instance Document – the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.  |
| 101.SCH            | XBRL Taxonomy Extension Schema.  |
| 101.CAL            | XBRL Taxonomy Extension Calculation Linkbase.  |
| 101.LAB            | XBRL Taxonomy Extension Label Linkbase.  |
| 101.PRE            | XBRL Taxonomy Extension Presentation Linkbase.   |
| 101.DEF            | XBRL Taxonomy Extension Definition Linkbase.   |
| 104                | Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)   |

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

**ATHENE HOLDING LTD.**

Date: August 5, 2021

/s/ Martin P. Klein

\_\_\_\_\_  
Martin P. Klein

Executive Vice President and Chief Financial Officer  
(principal financial officer and duly authorized signatory)

**CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY OF 2002**

I, James R. Belardi, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Athene Holding Ltd.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 5, 2021

/s/ James R. Belardi  
\_\_\_\_\_  
James R. Belardi  
Chairman, Chief Executive Officer and Chief Investment Officer  
(principal executive officer)

**CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY OF 2002**

I, Martin P. Klein, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Athene Holding Ltd.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 5, 2021

/s/ Martin P. Klein

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Martin P. Klein  
Executive Vice President and Chief Financial Officer  
(principal financial officer)

**CERTIFICATION PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY OF 2002**

I, James R. Belardi, certify that Athene Holding Ltd.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2021 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Athene Holding Ltd.

Date: August 5, 2021

/s/ James R. Belardi

James R. Belardi

Chairman, Chief Executive Officer and Chief Investment Officer  
(principal executive officer)

The foregoing certification is being furnished solely pursuant to 18 U.S.C. § 1350 and is not being filed as part of the Report or as a separate disclosure document.

**CERTIFICATION PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY OF 2002**

I, Martin P. Klein, certify that Athene Holding Ltd.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2021 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Athene Holding Ltd.

Date: August 5, 2021

/s/ Martin P. Klein

Martin P. Klein

Executive Vice President and Chief Financial Officer  
(principal financial officer)

The foregoing certification is being furnished solely pursuant to 18 U.S.C. § 1350 and is not being filed as part of the Report or as a separate disclosure document.