

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 September 30, 2022
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
Depository Shares, each representing a 1/1,000 th interest in a 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 th interest in a 5.625% Fixed-Rate Perpetual Non-Cumulative Preference Share, Series B	ATHPrB	New York Stock Exchange
Depository Shares, each representing a 1/1,000 th interest in a 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 th interest in a 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, a smaller reporting company or an emerging growth company. See the 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 October 31, 2022, 203,805,432 of our Class A common shares were outstanding, all of which are held by Apollo Global Management, Inc.

TABLE OF CONTENTS

PART I—FINANCIAL INFORMATION

Item 1.	Financial Statements	7
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	61
Item 3.	Quantitative and Qualitative Disclosures About Market Risks	109
Item 4.	Controls and Procedures	110

PART II—OTHER INFORMATION

Item 1.	Legal Proceedings	111
Item 1A.	Risk Factors	111
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	113
Item 6.	Exhibits	113
Exhibit Index		113
Signatures		114

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, 2021 (2021 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 certain Inter-bank Offered Rates (IBORs), including the 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 certain limitations on our ability to terminate such arrangements;
- Apollo’s dependence on key executives and inability to attract qualified personnel;
- the failure to realize the expected benefits from our 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) or otherwise;
- 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 Holding 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

[Table of Contents](#)

- 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 2021 Annual Report and those discussed elsewhere in this report and in our 2021 Annual Report.

We caution you that the important factors referenced above may not be exhaustive. In addition, we cannot assure you that we will realize the results or developments we expect or anticipate or, even if substantially realized, that they will result in the consequences or affect us or our operations in the way we expect or anticipate. 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
AADE	Athene Annuity & Life Assurance Company
AAIA	Athene Annuity and Life Company
AAM	Apollo Asset Management, Inc., formerly known as Apollo Global Management, Inc.
AARe	Athene Annuity Re Ltd., a Bermuda reinsurance subsidiary
ACRA	Athene Co-Invest Reinsurance Affiliate Holding Ltd., together with its subsidiaries
ACRA HoldCo	Athene Co-Invest Reinsurance Affiliate Holding Ltd.
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
AOG	Apollo Operating Group
Apollo	Apollo Global Management, Inc., together with its subsidiaries (other than us or our subsidiaries)
Apollo Group	(1) AGM and AGM's subsidiaries, including AAM, (2) any investment fund or other collective investment vehicle whose general partner or managing member is owned, directly or indirectly, by clause (1), (3) BRH Holdings GP, Ltd. and each of its shareholders, (4) any executive officer or employee of AGM or AGM's subsidiaries, and (5) any affiliate of a person described in clauses (1), (2), (3) or (4) above; provided none of AHL or its subsidiaries (other than ACRA HoldCo and ACRA HoldCo's subsidiaries) will be deemed to be a member of the Apollo Group
AUSA	Athene USA Corporation
Athora	Athora Holding Ltd.
BMA	Bermuda Monetary Authority
ISG	Apollo Insurance Solutions Group LP
Jackson	Jackson Financial, Inc., together with its subsidiaries
LIMRA	Life Insurance and Market Research Association
MidCap Financial	MidCap FinCo Designated Activity Company
NAIC	National Association of Insurance Commissioners
NYSDFS	New York State Department of Financial Services
US Treasury	United States Department of the Treasury
VIAC	Venerable Insurance and Annuity Company
Venerable	Venerable Holdings, Inc., together with its subsidiaries
Wheels Donlen	Wheels, Inc. (Wheels), merged with Donlen LLC (Donlen)

Certain Terms & Acronyms

Term or Acronym	Definition
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
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.
Bermuda RBC	The risk-based capital ratio of our non-US reinsurance subsidiaries by applying NAIC risk-based capital factors to the statutory financial statements 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.
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
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 group annuity benefit payments
MCR	Minimum capital requirements
MMS	Minimum margin of solvency
Modco	Modified coinsurance
MVA	Market value adjustment
MYGA	Multi-year guaranteed annuity

[Table of Contents](#)

Term or Acronym	Definition
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 (loss) 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
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

Index to Condensed Consolidated Financial Statements (unaudited)

Condensed Consolidated Balance Sheets (unaudited)	8
Condensed Consolidated Statements of Income (Loss) (unaudited)	10
Condensed Consolidated Statements of Comprehensive Income (Loss) (unaudited)	11
Condensed Consolidated Statements of Equity (unaudited)	12
Condensed Consolidated Statements of Cash Flows (unaudited)	14
Notes to Condensed Consolidated Financial Statements (unaudited)	16
Note 1. Business, Basis of Presentation and Significant Accounting Policies	16
Note 2. Business Combination	16
Note 3. Investments	21
Note 4. Derivative Instruments	32
Note 5. Variable Interest Entities	36
Note 6. Fair Value	37
Note 7. Deferred Acquisition Costs, Deferred Sales Inducements and Value of Business Acquired	53
Note 8. Debt	54
Note 9. Equity	54
Note 10. Income Taxes	55
Note 11. Related Parties	56
Note 12. Commitments and Contingencies	59

[Table of Contents](#)

ATHENE HOLDING LTD.

Condensed Consolidated Balance Sheets (Unaudited)

(In millions)	Successor		Predecessor	
	September 30, 2022		December 31, 2021	
Assets				
Investments				
Available-for-sale securities, at fair value (amortized cost: 2022 – \$114,846 and 2021 – \$96,458; allowance for credit losses: 2022 – \$435 and 2021 – \$123)	\$	93,593	\$	100,159
Trading securities, at fair value		1,590		2,056
Equity securities (portion at fair value: 2022 – \$1,207 and 2021 – \$1,170)		1,607		1,170
Mortgage loans (allowance for credit losses: 2021 – \$154; portion at fair value: 2022 – \$25,145 and 2021 – \$17)		25,145		20,748
Investment funds (portion at fair value: 2022 – \$0 and 2021 – \$183)		29		1,178
Policy loans		353		312
Funds withheld at interest (portion at fair value: 2022 – \$(5,259) and 2021 – \$782)		34,706		43,907
Derivative assets		4,065		4,387
Short-term investments (portion at fair value: 2022 – \$292 and 2021 – \$139)		318		139
Other investments (portion at fair value: 2022 – \$666 and 2021 – \$130)		682		1,473
Total investments		162,088		175,529
Cash and cash equivalents		9,823		9,479
Restricted cash		1,024		796
Investments in related parties				
Available-for-sale securities, at fair value (amortized cost: 2022 – \$9,948 and 2021 – \$10,401; allowance for credit losses: 2022 – \$1 and 2021 – \$0)		9,205		10,402
Trading securities, at fair value		905		1,781
Equity securities, at fair value		340		284
Mortgage loans (allowance for credit losses: 2021 – \$5; portion at fair value: 2022 – \$1,331 and 2021 – \$0)		1,331		1,360
Investment funds (portion at fair value: 2022 – \$789 and 2021 – \$2,958)		1,272		7,391
Funds withheld at interest (portion at fair value: 2022 – \$(1,571) and 2021 – \$578)		9,961		12,207
Other investments (portion at fair value: 2022 – \$274 and 2021 – \$0)		274		222
Accrued investment income (related party: 2022 – \$77 and 2021 – \$54)		1,226		962
Reinsurance recoverable (portion at fair value: 2022 – \$1,476 and 2021 – \$1,991)		4,356		4,594
Deferred acquisition costs, deferred sales inducements and value of business acquired		5,191		5,362
Goodwill		4,058		—
Other assets (related party: 2022 – \$88 and 2021 – \$0)		10,094		1,257
Assets of consolidated variable interest entities				
Investments				
Trading securities, at fair value (related party: 2022 – \$7 and 2021 – \$0)		988		—
Equity securities, at fair value		15		—
Mortgage loans (related party: 2022 – \$337 and 2021 – \$231; allowance for credit losses: 2021 – \$78; portion at fair value: 2022 – \$1,663 and 2021 – \$0)		2,000		2,040
Investment funds, at fair value (related party: 2022 – \$10,921 and 2021 – \$1,068)		11,885		1,297
Other investments, at fair value		152		—
Cash and cash equivalents		418		154
Other assets		94		32
Total assets	\$	236,700	\$	235,149

(Continued)

See accompanying notes to the unaudited condensed consolidated financial statements

[Table of Contents](#)

ATHENE HOLDING LTD.

Condensed Consolidated Balance Sheets (Unaudited)

<i>(In millions, except per share data)</i>	<u>Successor</u>	<u>Predecessor</u>
	September 30, 2022	December 31, 2021
Liabilities and Equity		
Liabilities		
Interest sensitive contract liabilities (related party: 2022 – \$12,284 and 2021 – \$12,948; portion at fair value: 2022 – \$5,850 and 2021 – \$16,142)	\$ 166,894	\$ 156,325
Future policy benefits (related party: 2022 – \$2,107 and 2021 – \$1,853; portion at fair value: 2022 – \$1,769 and 2021 – \$2,262)	54,709	42,488
Debt	3,271	2,964
Derivative liabilities	2,222	472
Payables for collateral on derivatives and securities to repurchase	7,015	7,044
Other liabilities (related party: 2022 – \$265 and 2021 – \$936)	3,054	3,214
Liabilities of consolidated variable interest entities (related party: 2022 – \$794 and 2021 – \$0)	1,401	461
Total liabilities	238,566	212,968
Commitments and Contingencies (Note 12)		
Equity (deficit)		
Preferred stock		
Series A – par value \$1 per share; \$863 aggregate liquidation preference; authorized, issued and outstanding: 2022 and 2021 – 0.0 shares	—	—
Series B – par value \$1 per share; \$345 aggregate liquidation preference; authorized, issued and outstanding: 2022 and 2021 – 0.0 shares	—	—
Series C – par value \$1 per share; \$600 aggregate liquidation preference; authorized, issued and outstanding: 2022 and 2021 – 0.0 shares	—	—
Series D – par value \$1 per share; \$575 aggregate liquidation preference; authorized, issued and outstanding: 2022 and 2021 – 0.0 shares	—	—
Common stock		
Class A – par value \$0.001 per share; authorized: 2022 and 2021 – 425.0 shares; issued and outstanding: 2022 – 203.8 and 2021 – 192.2 shares	—	—
Additional paid-in capital	17,607	6,667
Retained earnings (accumulated deficit)	(5,198)	11,033
Accumulated other comprehensive income (loss) (related party: 2022 – \$(506) and 2021 – \$33)	(13,755)	2,430
Total Athene Holding Ltd. shareholders' equity (deficit)	(1,346)	20,130
Noncontrolling interests	(520)	2,051
Total equity (deficit)	(1,866)	22,181
Total liabilities and equity (deficit)	\$ 236,700	\$ 235,149

(Concluded)

See accompanying notes to the unaudited condensed consolidated financial statements

[Table of Contents](#)
ATHENE HOLDING LTD.
Condensed Consolidated Statements of Income (Loss) (Unaudited)

	Successor	Predecessor	Successor	Predecessor
	Three months ended September 30, 2022	Three months ended September 30, 2021	Nine months ended September 30, 2022	Nine months ended September 30, 2021
<i>(In millions)</i>				
Revenues				
Premiums (related party of \$61 and \$69 for the three months ended and \$208 and \$226 for the nine months ended September 30, 2022 and 2021, respectively)	\$ 3,045	\$ 6,686	\$ 10,769	\$ 11,295
Product charges (related party of \$11 and \$10 for the three months ended and \$31 and \$33 for the nine months ended September 30, 2022 and 2021, respectively)	184	154	525	461
Net investment income (related party investment income of \$234 and \$314 for the three months ended and \$959 and \$1,770 for the nine months ended September 30, 2022 and 2021, respectively; and related party investment expense of \$195 and \$146 for the three months ended and \$563 and \$430 for the nine months ended September 30, 2022 and 2021, respectively)	1,843	1,472	5,252	5,158
Investment related gains (losses) (related party of \$(541) and \$71 for the three months ended and \$(1,751) and \$212 for the nine months ended September 30, 2022 and 2021, respectively)	(2,849)	385	(12,812)	2,555
Other revenues (related party of \$(18) and \$2 for the three months ended and \$0 and \$17 for the nine months ended September 30, 2022 and 2021, respectively)	(26)	24	(38)	58
Revenues of consolidated variable interest entities				
Net investment income (related party of \$15 and \$0 for the three months ended and \$15 and \$0 for the nine months ended September 30, 2022 and 2021, respectively)	33	2	80	58
Investment related gains (losses) (related party of \$171 and \$15 for the three months ended and \$230 and \$15 for the nine months ended September 30, 2022 and 2021, respectively)	79	1	59	(47)
Total revenues	2,309	8,724	3,835	19,538
Benefits and expenses				
Interest sensitive contract benefits (related party of \$11 and \$58 for the three months ended and \$(36) and \$269 for the nine months ended September 30, 2022 and 2021, respectively)	89	572	(573)	2,945
Amortization of deferred sales inducements	—	32	—	138
Future policy and other policy benefits (related party of \$70 and \$85 for the three months ended and \$204 and \$285 for the nine months ended September 30, 2022 and 2021, respectively)	3,294	7,014	10,988	12,281
Amortization of deferred acquisition costs and value of business acquired	125	136	375	530
Policy and other operating expenses (related party of \$77 and \$12 for the three months ended and \$193 and \$36 for the nine months ended September 30, 2022 and 2021, respectively)	388	250	1,081	795
Total benefits and expenses	3,896	8,004	11,871	16,689
Income (loss) before income taxes	(1,587)	720	(8,036)	2,849
Income tax expense (benefit)	(210)	(50)	(1,101)	196
Net income (loss)	(1,377)	770	(6,935)	2,653
Less: Net income (loss) attributable to noncontrolling interests	(476)	37	(2,431)	(111)
Net income (loss) attributable to Athene Holding Ltd. shareholders	(901)	733	(4,504)	2,764
Less: Preferred stock dividends	35	35	105	106
Net income (loss) available to Athene Holding Ltd. common shareholder	\$ (936)	\$ 698	\$ (4,609)	\$ 2,658

See accompanying notes to the unaudited condensed consolidated financial statements

[Table of Contents](#)

ATHENE HOLDING LTD.

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

	Successor	Predecessor	Successor	Predecessor
	Three months ended September 30, 2022	Three months ended September 30, 2021	Nine months ended September 30, 2022	Nine months ended September 30, 2021
<i>(In millions)</i>				
Net income (loss)	\$ (1,377)	\$ 770	\$ (6,935)	\$ 2,653
Other comprehensive income (loss), before tax				
Unrealized investment gains (losses) on available-for-sale securities, net of offsets	(5,711)	(684)	(19,414)	(1,583)
Unrealized gains (losses) on hedging instruments	(80)	200	(128)	261
Foreign currency translation and other adjustments	41	(6)	(13)	(5)
Other comprehensive loss, before tax	(5,750)	(490)	(19,555)	(1,327)
Income tax benefit related to other comprehensive loss	(991)	(88)	(3,444)	(239)
Other comprehensive loss	(4,759)	(402)	(16,111)	(1,088)
Comprehensive income (loss)	(6,136)	368	(23,046)	1,565
Less: Comprehensive loss attributable to noncontrolling interests	(1,267)	(39)	(4,787)	(239)
Comprehensive income (loss) attributable to Athene Holding Ltd. shareholders	\$ (4,869)	\$ 407	\$ (18,259)	\$ 1,804

See accompanying notes to the unaudited condensed consolidated financial statements

ATHENE HOLDING LTD.

Condensed Consolidated Statements of Equity (Deficit) (Unaudited)

	Successor							
	Three months ended							
	Preferred stock	Common stock	Additional paid-in capital	Retained earnings (accumulated deficit)	Accumulated other comprehensive income (loss)	Total Athene Holding Ltd. shareholders' equity (deficit)	Noncontrolling interests	Total equity (deficit)
<i>(In millions)</i>								
Balance at June 30, 2022	\$ —	\$ —	\$ 17,586	\$ (4,074)	\$ (9,787)	\$ 3,725	\$ (336)	\$ 3,389
Net loss	—	—	—	(901)	—	(901)	(476)	(1,377)
Other comprehensive loss	—	—	—	—	(3,968)	(3,968)	(791)	(4,759)
Stock-based compensation allocation from parent	—	—	14	—	—	14	—	14
Preferred stock dividends	—	—	—	(35)	—	(35)	—	(35)
Common stock dividends	—	—	—	(188)	—	(188)	—	(188)
Contributions from parent	—	—	7	—	—	7	—	7
Contributions from noncontrolling interests	—	—	—	—	—	—	336	336
Contributions from noncontrolling interests of consolidated variable interest entities and other	—	—	—	—	—	—	747	747
Balance at September 30, 2022	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 17,607</u>	<u>\$ (5,198)</u>	<u>\$ (13,755)</u>	<u>\$ (1,346)</u>	<u>\$ (520)</u>	<u>\$ (1,866)</u>
	Predecessor							
	Three months ended							
Balance at June 30, 2021	\$ —	\$ —	\$ 6,640	\$ 10,029	\$ 3,337	\$ 20,006	\$ 1,665	\$ 21,671
Net income	—	—	—	733	—	733	37	770
Other comprehensive loss	—	—	—	—	(326)	(326)	(76)	(402)
Issuance of common shares, net of expenses	—	—	3	—	—	3	—	3
Stock-based compensation	—	—	8	—	—	8	—	8
Preferred stock dividends	—	—	—	(35)	—	(35)	—	(35)
Contributions from noncontrolling interests	—	—	—	—	—	—	328	328
Other changes in equity of noncontrolling interests	—	—	—	—	—	—	29	29
Balance at September 30, 2021	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 6,651</u>	<u>\$ 10,727</u>	<u>\$ 3,011</u>	<u>\$ 20,389</u>	<u>\$ 1,983</u>	<u>\$ 22,372</u>

ATHENE HOLDING LTD.

Condensed Consolidated Statements of Equity (Deficit) (Unaudited)

<i>(In millions)</i>	Successor							
	Nine months ended							
	Preferred stock	Common stock	Additional paid-in capital	Retained earnings (accumulated deficit)	Accumulated other comprehensive income (loss)	Total Athene Holding Ltd. shareholders' equity (deficit)	Noncontrolling interests	Total equity (deficit)
Balance as of January 1, 2022	\$ —	\$ —	\$ 20,270	\$ —	\$ —	\$ 20,270	\$ 2,276	\$ 22,546
Net loss	—	—	—	(4,504)	—	(4,504)	(2,431)	(6,935)
Other comprehensive loss	—	—	—	—	(13,755)	(13,755)	(2,356)	(16,111)
Stock-based compensation allocation from parent	—	—	37	—	—	37	—	37
Preferred stock dividends	—	—	—	(105)	—	(105)	—	(105)
Common stock dividends	—	—	—	(563)	—	(563)	—	(563)
Contributions from parent	—	—	26	—	—	26	—	26
Distributions to parent	—	—	(2,726)	(26)	—	(2,752)	—	(2,752)
Contributions from noncontrolling interests	—	—	—	—	—	—	1,047	1,047
Contributions from noncontrolling interests of consolidated variable interest entities and other	—	—	—	—	—	—	1,028	1,028
Other changes in equity of noncontrolling interests	—	—	—	—	—	—	(84)	(84)
Balance at September 30, 2022	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 17,607</u>	<u>\$ (5,198)</u>	<u>\$ (13,755)</u>	<u>\$ (1,346)</u>	<u>\$ (520)</u>	<u>\$ (1,866)</u>
	Predecessor							
	Nine months ended							
Balance at December 31, 2020	\$ —	\$ —	\$ 6,613	\$ 8,073	\$ 3,971	\$ 18,657	\$ 1,483	\$ 20,140
Net income (loss)	—	—	—	2,764	—	2,764	(111)	2,653
Other comprehensive loss	—	—	—	—	(960)	(960)	(128)	(1,088)
Issuance of common shares, net of expenses	—	—	10	—	—	10	—	10
Stock-based compensation	—	—	28	—	—	28	—	28
Retirement or repurchase of shares	—	—	—	(4)	—	(4)	—	(4)
Preferred stock dividends	—	—	—	(106)	—	(106)	—	(106)
Contributions from noncontrolling interests	—	—	—	—	—	—	648	648
Other changes in equity of noncontrolling interests	—	—	—	—	—	—	91	91
Balance at September 30, 2021	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 6,651</u>	<u>\$ 10,727</u>	<u>\$ 3,011</u>	<u>\$ 20,389</u>	<u>\$ 1,983</u>	<u>\$ 22,372</u>

See accompanying notes to the unaudited condensed consolidated financial statements

ATHENE HOLDING LTD.

Condensed Consolidated Statements of Cash Flows (Unaudited)

<i>(In millions)</i>	Successor	Predecessor
	Nine months ended September 30, 2022	Nine months ended September 30, 2021
Cash flows from operating activities		
Net income (loss)	\$ (6,935)	\$ 2,653
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Amortization of deferred acquisition costs and value of business acquired	375	530
Amortization of deferred sales inducements	—	138
Net amortization (accretion) of net investment premiums, discounts and other	234	(169)
Net investment (income) loss (related party: 2022 – \$(119) and 2021 – \$(986))	(311)	(1,070)
Net recognized (gains) losses on investments and derivatives (related party: 2022 – \$427 and 2021 – \$(162))	5,958	(2,027)
Policy acquisition costs deferred	(750)	(471)
Changes in operating assets and liabilities:		
Accrued investment income (related party: 2022 – \$(20) and 2021 – \$(5))	(264)	(111)
Interest sensitive contract liabilities (related party: 2022 – \$(66) and 2021 – \$237)	(2,002)	2,095
Future policy benefits and reinsurance recoverable (related party: 2022 – \$115 and 2021 – \$196)	5,240	5,872
Funds withheld assets (related party: 2022 – \$1,389 and 2021 – \$(332))	6,118	(430)
Other assets and liabilities	(1,586)	251
Net cash provided by operating activities	6,077	7,261
Cash flows from investing activities		
Sales, maturities and repayments of:		
Available-for-sale securities (related party: 2022 – \$3,657 and 2021 – \$1,228)	16,858	13,955
Trading securities (related party: 2022 – \$79 and 2021 – \$66)	167	151
Equity securities	152	226
Mortgage loans (related party: 2022 – \$36 and 2021 – \$16)	2,695	1,917
Investment funds (related party: 2022 – \$1,733 and 2021 – \$1,142)	1,971	1,332
Derivative instruments and other investments (related party: 2022 – \$160 and 2021 – \$330)	2,739	3,879
Short-term investments (related party: 2022 – \$0 and 2021 – \$98)	172	448
Purchases of:		
Available-for-sale securities (related party: 2022 – \$(3,008) and 2021 – \$(2,091))	(28,050)	(28,994)
Trading securities (related party: 2022 – \$(156) and 2021 – \$(207))	(874)	(422)
Equity securities (related party: 2022 – \$(208) and 2021 – \$(46))	(406)	(326)
Mortgage loans (related party: 2022 – \$(364) and 2021 – \$(440))	(9,824)	(6,794)
Investment funds (related party: 2022 – \$(5,243) and 2021 – \$(1,192))	(6,204)	(1,876)
Derivative instruments and other investments (related party: 2022 – \$(226) and 2021 – \$(31))	(2,235)	(3,042)
Short-term investments (related party: 2022 – \$(33) and 2021 – \$(100))	(384)	(350)
Consolidation of new variable interest entities	393	—
Deconsolidation of previously consolidated entities	(377)	—
Other investing activities, net	869	447
Net cash used in investing activities	(22,338)	(19,449)

(Continued)

See accompanying notes to the unaudited condensed consolidated financial statements

ATHENE HOLDING LTD.

Condensed Consolidated Statements of Cash Flows (Unaudited)

<i>(In millions)</i>	Successor	Predecessor
	Nine months ended September 30, 2022	Nine months ended September 30, 2021
Cash flows from financing activities		
Issuance of common stock	\$ —	\$ 10
Proceeds from debt	—	497
Deposits on investment-type policies and contracts (related party: 2022 – \$55 and 2021 – \$64)	23,329	16,030
Withdrawals on investment-type policies and contracts (related party: 2022 – \$(253) and 2021 – \$(287))	(7,903)	(5,272)
Payments for coinsurance agreements on investment-type contracts, net	(23)	(5)
Capital contributions from noncontrolling interests	1,047	648
Capital contributions from noncontrolling interests of consolidated variable interest entities	735	—
Net change in cash collateral posted for derivative transactions and securities to repurchase	(22)	328
Preferred stock dividends	(105)	(106)
Common stock dividends	(1,313)	—
Repurchase of common stock	—	(4)
Other financing activities, net	1,370	133
Net cash provided by financing activities	17,115	12,259
Effect of exchange rate changes on cash and cash equivalents	(18)	(3)
Net increase in cash and cash equivalents	836	68
Cash and cash equivalents at beginning of year ¹	10,429	8,442
Cash and cash equivalents at end of period ¹	\$ 11,265	\$ 8,510
Supplementary information		
Non-cash transactions		
Deposits on investment-type policies and contracts through reinsurance agreements (related party: 2022 – \$221 and 2021 – \$258)	\$ 808	\$ 980
Withdrawals on investment-type policies and contracts through reinsurance agreements (related party: 2022 – \$1,085 and 2021 – \$1,179)	6,190	6,144
Investments received from settlements on reinsurance agreements	36	104
Investments received from pension group annuity premiums	3,812	4,971
Assets contributed to consolidated VIEs	8,007	169
Distributions to parent	2,145	—

¹ Includes cash and cash equivalents, restricted cash and cash and cash equivalents of consolidated variable interest entities.

(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, Athene Annuity Re Ltd. (AARE) 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 5 – 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 condensed consolidated financial statements.

The condensed consolidated balance sheet as of December 31, 2021 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, 2021. 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 January 1, 2022, we completed our merger with Apollo Global Management, Inc. (AGM, and together with its subsidiaries other than us or our subsidiaries, Apollo) and are now a direct wholly owned subsidiary of AGM. We have elected pushdown accounting in which we use AGM's basis of accounting, which reflects the fair market value of our assets and liabilities at the time of the merger, unless otherwise prescribed by GAAP. Our condensed consolidated financial statements are presented as Predecessor for the periods prior to the merger and Successor for subsequent periods. We, along with certain of our non-US subsidiaries, are Bermuda exempted companies that have historically not been subject to US corporate income taxes on earnings. Due to the merger, our non-US earnings will generally be subject to US corporate income taxes. See *Note 2 – Business Combination* for further information on the merger.

Segments—We operate our core business strategies out of one reportable segment. As a wholly owned subsidiary of AGM, we no longer report certain other operations in a corporate and other segment.

Significant Accounting Policies

Mortgage loans—Effective January 1, 2022, we elected the fair value option on our mortgage loan portfolio. Interest income is accrued on the principal amount of the loan based on its contractual interest rate. We accrue interest on loans until it is probable we will not receive interest, or the loan is 90 days past due unless guaranteed by US government-sponsored agencies. Interest income and prepayment fees are reported in net investment income on the condensed consolidated statements of income (loss). Changes in the fair value of the mortgage loan portfolio are reported in investment related gains (losses) on the condensed consolidated statements of income (loss).

Derivative Instruments

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

ATHENE HOLDING LTD.

Notes to Condensed Consolidated Financial Statements (Unaudited)

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

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

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

We are required to consolidate a VIE if we are the primary beneficiary, defined as the variable interest holder with both the power to direct the activities that most significantly impact the VIE's economic performance and rights to receive benefits or obligations to absorb losses that could be potentially significant to the VIE. We determine whether we are the primary beneficiary of an entity based on a qualitative assessment of the VIE's capital structure, contractual terms, nature of the VIE's operations and purpose and our relative exposure to the related risks of the VIE. Since affiliates of AGM, a related party under common control, are the decision makers in certain of the investment funds and securitization vehicles, we and a member of our related party group may together have the characteristics of the primary beneficiary in a VIE. In this situation, we have concluded we must consolidate the VIE when we have significant economic exposure to the entity. We reassess the VIE and primary beneficiary determinations on an ongoing basis.

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

Deferred Acquisition Costs and Deferred Sales Inducements – Costs related directly to the successful acquisition of new, or renewal of, insurance or investment contracts are deferred to the extent they are recoverable from future premiums or gross profits. These costs consist of commissions and policy issuance costs, as well as sales inducements credited to policyholder account balances, and are included in deferred acquisition costs (DAC), deferred sales inducements (DSI) and value of business acquired (VOBA) on the condensed consolidated balance sheets. We perform periodic tests, including at issuance, to determine if the deferred costs are recoverable. If we determine that the deferred costs are not recoverable, we record a cumulative charge to the current period.

Deferred costs related to universal life-type policies and investment contracts with significant revenue streams from sources other than investment of the policyholder funds are amortized over the lives of the policies, based upon the proportion of the present value of actual and expected deferred costs to the present value of actual and expected gross profits to be earned over the life of the policies. Gross profits include investment spread margins, surrender charge income, policy administration charges and expenses, changes in the guaranteed lifetime withdrawal benefit (GLWB) and guaranteed minimum death benefit (GMDB) reserves and realized gains and losses on investments. Current period gross profits for fixed indexed annuities also include the change in fair value of both freestanding and embedded derivatives. Estimates of the expected gross profits and margins are based on assumptions using accepted actuarial methods related to policyholder behavior, including lapses and the utilization of benefit riders, mortality, yields on investments supporting the liabilities, future interest credited amounts (including indexed related credited amounts on fixed indexed annuity products), and other policy changes as applicable, and the level of expenses necessary to maintain the policies over their expected lives. Each reporting period, we update estimated gross profits with actual gross profits as part of the amortization process and adjust the DAC and DSI balances due to the other comprehensive income (OCI) effects of unrealized investment gains and losses on AFS securities. We also periodically revise the key assumptions used in the amortization calculation, which results in revisions to the estimated future gross profits. The effects of changes in assumptions are recorded as unlocking in the period in which the changes are made.

ATHENE HOLDING LTD.

Notes to Condensed Consolidated Financial Statements (Unaudited)

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

Value of Business Acquired – We establish VOBA for blocks of insurance contracts acquired through the acquisition of insurance entities and through application of pushdown accounting. We record the fair value of the liabilities assumed in two components: reserves and VOBA. Reserves are established using our best estimate assumptions, plus a provision for adverse deviation where applicable, as of the business combination date. VOBA is the difference between the fair value of the liabilities and the reserves. VOBA can be either positive or negative. Any negative VOBA is recorded to the same financial statement line on the condensed consolidated balance sheets as the associated reserves. Positive VOBA is recorded in deferred acquisition costs, deferred sales inducements and value of business acquired on the condensed consolidated balance sheets. We perform periodic tests to determine if the VOBA remains recoverable. If we determine that VOBA is not recoverable, we record a cumulative charge to the current period.

In connection with the application of pushdown accounting, we changed our VOBA amortization method such that all VOBA and negative VOBA balances are amortized in relation to applicable policyholder liabilities. Significant assumptions that impact VOBA and negative VOBA amortization are consistent with those that impact the measurement of policyholder liabilities. See *Note 7 – Deferred Acquisition Costs, Deferred Sales Inducements and Value of Business Acquired* for further information.

Recognition of Revenues and Related Expenses—Revenues for universal life-type policies and investment contracts, including surrender and market value adjustments, costs of insurance, policy administration, GMDB, GLWB and no-lapse guarantee charges, are earned when assessed against policyholder account balances during the period. Interest credited to policyholder account balances and the change in fair value of embedded derivatives within fixed indexed annuity contracts is included in interest sensitive contract benefits on the condensed consolidated statements of income (loss).

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

All insurance related revenue is reported net of reinsurance ceded.

Reclassifications—Certain reclassifications have been made to conform with current year presentation.

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

We 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 do not expect that the adoption of this standard will have a material effect on our shareholders' equity as of our transition date, which is January 1, 2022. Subsequent to the transition date, the remeasurement of liabilities for certain products and features that include use of current discount rates can reasonably be expected to have a significant positive impact on our US GAAP shareholders' equity as of September 30, 2022, given the increase in rates for the nine months then ended. We are continuing to evaluate the quantitative impact of adopting this guidance on our consolidated financial statements for periods subsequent to our transition date.

ATHENE HOLDING LTD.**Notes to Condensed Consolidated Financial Statements (Unaudited)****2. Business Combination**

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

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

The following represents the calculation of consideration:

(In millions, except exchange ratio and share price data)

	Consideration
AHL common shares purchased	138
Exchange ratio	1.149
Shares of common stock issued in exchange	158
AGM Class A shares closing price	\$ 72.43
Total merger consideration at closing	\$ 11,455
Fair value of estimated RSUs, options and warrants assumed and other equity consideration	699
Effective settlement of pre-existing relationships	896
Total merger consideration	13,050
Fair value of AHL common shares previously held by Apollo and other adjustments	4,554
Total AHL equity value held by AGM	17,604
Fair value of preferred stock	2,666
Noncontrolling interest	2,276
Total AHL equity value	\$ 22,546

[Table of Contents](#)

ATHENE HOLDING LTD.

Notes to Condensed Consolidated Financial Statements (Unaudited)

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

<i>(In millions)</i>	Fair value and goodwill calculation	
Merger consideration	\$	13,050
Fair value of AHL common shares previously held by Apollo and other adjustments		4,554
Total AHL equity value held by AGM		17,604
Assets		
Investments	\$	176,015
Cash and cash equivalents		9,479
Restricted cash		796
Investment in related parties		33,863
Reinsurance recoverable		4,977
VOBA		4,547
Other assets		5,729
Assets of consolidated variable interest entities		3,635
Estimated fair value of total assets acquired by AGM		239,041
Liabilities		
Interest sensitive contract liabilities		160,205
Future policy benefits		47,105
Debt		3,295
Payables for collateral on derivatives and securities to repurchase		7,044
Other liabilities		2,443
Liabilities of consolidated variable interest entities		461
Estimated fair value of total liabilities assumed by AGM		220,553
Identifiable net assets		18,488
Less: Fair value of preferred stock		2,666
Less: Fair value of noncontrolling interests		2,276
Estimated fair value of net assets acquired by AGM, excluding goodwill		13,546
Goodwill attributable to AHL	\$	4,058

Included within the above are provisional amounts for (1) VOBA, (2) interest sensitive contract liabilities, (3) future policy benefits, and (4) other assets and other liabilities for the portion of our net assets AGM acquired relating to other identifiable intangible assets and deferred taxes, based on the availability of data as of the date the financial statements were available to be issued. Adjustments to provisional amounts are made prospectively as data becomes available. The income effects from changes to provisional amounts are recorded in the period the adjustment is made, as if the adjustment had been recorded on the merger date. During the nine months ended September 30, 2022, we made adjustments which decreased provisional goodwill by \$123 million. The adjustments were comprised of \$40 million for measurement period adjustments and \$83 million to adjust a valuation of an investment. The measurement period adjustments were primarily related to decreases in interest sensitive contract liabilities and future policy benefits and the income statement effects were immaterial to those periods. We expect to finalize pushdown accounting as soon as practicable but no later than one year from the merger date.

As part of pushdown accounting, we recorded the calculated goodwill based on the amount that our AHL equity value to be held by AGM exceeded the fair value of identifiable net assets less the amounts attributable to fair values of preferred stock and noncontrolling interests. Goodwill is primarily attributable to the scale, skill sets, operations, and synergies that can be achieved subsequent to the merger. The goodwill recorded is not expected to be deductible for tax purposes. We incurred transaction costs of \$70 million associated with the merger which were included in policy and other operating expenses on the consolidated statements of income for the year ended December 31, 2021.

We also recorded VOBA and other identifiable intangible assets. Other identifiable intangible assets are included in other assets on the condensed consolidated balance sheets, as follows:

Distribution channels	These assets are valued using the excess earnings method, which derives value based on the present value of the cash flow attributable to the distribution channels, less returns for contributory assets.
Trade name	This represents the Athene trade name and was valued using the relief-from-royalty method considering publicly available third-party trade name royalty rates as well as expected premiums generated by the use of the trade name over its anticipated life.
Insurance licenses	Licenses are protected through registration and were valued using the market approach based on third-party market transactions from which the prices paid for state insurance licenses could be derived.

ATHENE HOLDING LTD.

Notes to Condensed Consolidated Financial Statements (Unaudited)

The fair value and weighted average estimated useful life of identifiable intangible assets consists of the following:

	Fair value (in millions)	Weighted average useful life (in years)
VOBA	\$ 4,547	7
Distribution channels	1,870	18
Trade name	160	20
Insurance licenses	26	Indefinite
Total	\$ 6,603	

3. 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:

(In millions)	Successor				
	September 30, 2022				
	Amortized Cost	Allowance for Credit Losses	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
AFS securities					
US government and agencies	\$ 3,229	\$ —	\$ —	\$ (731)	\$ 2,498
US state, municipal and political subdivisions	1,217	—	—	(297)	920
Foreign governments	1,208	(27)	2	(322)	861
Corporate	72,556	(66)	50	(15,632)	56,908
CLO	16,235	(5)	3	(2,087)	14,146
ABS	10,691	(13)	8	(814)	9,872
CMBS	3,462	(3)	—	(396)	3,063
RMBS	6,248	(321)	7	(609)	5,325
Total AFS securities	114,846	(435)	70	(20,888)	93,593
AFS securities – related party					
Corporate	1,076	—	3	(57)	1,022
CLO	3,047	(1)	—	(415)	2,631
ABS	5,825	—	1	(274)	5,552
Total AFS securities – related party	9,948	(1)	4	(746)	9,205
Total AFS securities including related party	\$ 124,794	\$ (436)	\$ 74	\$ (21,634)	\$ 102,798

[Table of Contents](#)

ATHENE HOLDING LTD.

Notes to Condensed Consolidated Financial Statements (Unaudited)

(In millions)	Predecessor				
	December 31, 2021				
	Amortized Cost	Allowance for Credit Losses	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
AFS securities					
US government and agencies	\$ 231	\$ —	\$ 2	\$ (10)	\$ 223
US state, municipal and political subdivisions	1,081	—	134	(2)	1,213
Foreign governments	1,110	—	35	(17)	1,128
Corporate	62,817	—	4,060	(651)	66,226
CLO	13,793	—	44	(185)	13,652
ABS	8,890	(17)	151	(35)	8,989
CMBS	2,764	(3)	56	(59)	2,758
RMBS	5,772	(103)	326	(25)	5,970
Total AFS securities	96,458	(123)	4,808	(984)	100,159
AFS securities – related party					
Corporate	842	—	19	(2)	859
CLO	2,573	—	5	(29)	2,549
ABS	6,986	—	61	(53)	6,994
Total AFS securities – related party	10,401	—	85	(84)	10,402
Total AFS securities including related party	\$ 106,859	\$ (123)	\$ 4,893	\$ (1,068)	\$ 110,561

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

(In millions)	Successor	
	September 30, 2022	
	Amortized Cost	Fair Value
AFS securities		
Due in one year or less	\$ 1,053	\$ 1,031
Due after one year through five years	10,912	9,837
Due after five years through ten years	20,900	17,101
Due after ten years	45,345	33,218
CLO, ABS, CMBS and RMBS	36,636	32,406
Total AFS securities	114,846	93,593
AFS securities – related party		
Due in one year or less	1	1
Due after one year through five years	23	21
Due after five years through ten years	898	870
Due after ten years	154	130
CLO and ABS	8,872	8,183
Total AFS securities – related party	9,948	9,205
Total AFS securities including related party	\$ 124,794	\$ 102,798

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.

ATHENE HOLDING LTD.

Notes to Condensed Consolidated Financial Statements (Unaudited)

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>	Successor					
	September 30, 2022					
	Less than 12 months		12 months or more		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
AFS securities						
US government and agencies	\$ 2,482	\$ (731)	\$ —	\$ —	\$ 2,482	\$ (731)
US state, municipal and political subdivisions	916	(297)	—	—	916	(297)
Foreign governments	843	(322)	—	—	843	(322)
Corporate	56,317	(15,631)	—	—	56,317	(15,631)
CLO	13,636	(2,043)	—	—	13,636	(2,043)
ABS	7,436	(730)	—	—	7,436	(730)
CMBS	2,880	(384)	—	—	2,880	(384)
RMBS	3,573	(428)	—	—	3,573	(428)
Total AFS securities	88,083	(20,566)	—	—	88,083	(20,566)
AFS securities – related party						
Corporate	409	(56)	—	—	409	(56)
CLO	2,581	(412)	—	—	2,581	(412)
ABS	5,018	(249)	—	—	5,018	(249)
Total AFS securities – related party	8,008	(717)	—	—	8,008	(717)
Total AFS securities including related party	\$ 96,091	\$ (21,283)	\$ —	\$ —	\$ 96,091	\$ (21,283)

<i>(In millions)</i>	Predecessor					
	December 31, 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
AFS securities						
US government and agencies	\$ 164	\$ (8)	\$ 22	\$ (2)	\$ 186	\$ (10)
US state, municipal and political subdivisions	122	(2)	1	—	123	(2)
Foreign governments	387	(17)	1	—	388	(17)
Corporate	18,995	(523)	863	(59)	19,858	(582)
CLO	7,685	(124)	1,537	(35)	9,222	(159)
ABS	4,038	(16)	165	(12)	4,203	(28)
CMBS	880	(29)	177	(22)	1,057	(51)
RMBS	437	(9)	274	(5)	711	(14)
Total AFS securities	32,708	(728)	3,040	(135)	35,748	(863)
AFS securities – related party						
Corporate	313	(2)	—	—	313	(2)
CLO	1,245	(20)	163	(3)	1,408	(23)
ABS	3,801	(52)	13	(1)	3,814	(53)
Total AFS securities – related party	5,359	(74)	176	(4)	5,535	(78)
Total AFS securities including related party	\$ 38,067	\$ (802)	\$ 3,216	\$ (139)	\$ 41,283	\$ (941)

ATHENE HOLDING LTD.

Notes to Condensed Consolidated Financial Statements (Unaudited)

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:

	Successor	
	September 30, 2022	
	Unrealized loss position	Unrealized loss position 12 months or more
AFS securities	9,160	—
AFS securities – related party	173	—

The unrealized losses on AFS securities can primarily be attributed to changes in market interest rates since application of pushdown accounting or acquisition. We did not recognize the unrealized losses in income 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 by asset type:

	Successor						
	Three months ended September 30, 2022						
	Beginning Balance	Additions		Reductions			Ending Balance
Initial credit losses		Initial credit losses on PCD securities	Securities sold during the period	Securities intended to be sold prior to recovery of amortized cost basis	Additions (reductions) to previously impaired securities		
<i>(In millions)</i>							
AFS securities							
Foreign governments	\$ 61	\$ —	\$ —	\$ (28)	\$ —	\$ (6)	\$ 27
Corporate	70	5	—	—	(6)	(3)	66
CLO	107	2	—	—	—	(104)	5
ABS	14	7	—	—	—	(8)	13
CMBS	9	—	—	—	—	(6)	3
RMBS	348	1	2	(7)	—	(23)	321
Total AFS securities	609	15	2	(35)	(6)	(150)	435
AFS securities – related party							
CLO	19	—	—	—	—	(18)	1
ABS	1	—	—	—	—	(1)	—
Total AFS securities – related party	20	—	—	—	—	(19)	1
Total AFS securities including related party	\$ 629	\$ 15	\$ 2	\$ (35)	\$ (6)	\$ (169)	\$ 436

	Predecessor						
	Three months ended September 30, 2021						
	Beginning balance	Additions		Reductions			Ending Balance
Initial credit losses		Initial credit losses on PCD securities	Securities sold during the period	Securities intended to be sold prior to recovery of amortized cost basis	Additions (reductions) to previously impaired securities		
<i>(In millions)</i>							
AFS securities							
Corporate	\$ 5	\$ —	\$ —	\$ —	\$ —	\$ (1)	\$ 4
CLO	3	4	—	—	—	(3)	4
ABS	10	—	—	—	—	6	16
CMBS	6	—	—	—	—	(5)	1
RMBS	83	1	—	(4)	—	7	87
Total AFS securities	107	5	—	(4)	—	4	112
AFS securities – related party, CLO	2	3	—	—	—	(1)	4
Total AFS securities including related party	\$ 109	\$ 8	\$ —	\$ (4)	\$ —	\$ 3	\$ 116

ATHENE HOLDING LTD.

Notes to Condensed Consolidated Financial Statements (Unaudited)

		Successor						
		Nine months ended September 30, 2022						
		Additions			Reductions			
(In millions)	January 1, 2022	Initial credit losses	Initial credit losses on PCD securities	Securities sold during the period	Securities intended to be sold prior to recovery of amortized cost basis	Additions (reductions) to previously impaired securities	Ending Balance	
AFS securities								
Foreign governments	\$ —	\$ 66	\$ —	\$ (28)	\$ —	\$ (11)	\$ 27	
Corporate	—	66	—	—	(6)	6	66	
CLO	—	24	—	—	—	(19)	5	
ABS	5	16	—	—	—	(8)	13	
CMBS	—	14	—	—	—	(11)	3	
RMBS	306	30	3	(24)	—	6	321	
Total AFS securities	311	216	3	(52)	(6)	(37)	435	
AFS securities – related party								
CLO	—	3	—	—	—	(2)	1	
ABS	—	18	—	—	—	(18)	—	
Total AFS securities – related party	—	21	—	—	—	(20)	1	
Total AFS securities including related party	\$ 311	\$ 237	\$ 3	\$ (52)	\$ (6)	\$ (57)	\$ 436	

		Predecessor						
		Nine months ended September 30, 2021						
		Additions			Reductions			
(In millions)	Beginning balance	Initial credit losses	Initial credit losses on PCD securities	Securities sold during the period	Securities intended to be sold prior to recovery of amortized cost basis	Additions (reductions) to previously impaired securities	Ending Balance	
AFS securities								
Corporate	\$ 6	\$ 3	\$ —	\$ (2)	\$ —	\$ (3)	\$ 4	
CLO	1	7	—	—	—	(4)	4	
ABS	6	5	—	—	—	5	16	
CMBS	10	2	—	—	—	(11)	1	
RMBS	80	1	6	(10)	—	10	87	
Total AFS securities	103	18	6	(12)	—	(3)	112	
AFS securities – related party, CLO	1	5	—	(1)	—	(1)	4	
Total AFS securities including related party	\$ 104	\$ 23	\$ 6	\$ (13)	\$ —	\$ (4)	\$ 116	

ATHENE HOLDING LTD.

Notes to Condensed Consolidated Financial Statements (Unaudited)

Net Investment Income—Net investment income by asset class, including related party, consists of the following:

<i>(In millions)</i>	Successor	Predecessor	Successor	Predecessor
	Three months ended September 30, 2022	Three months ended September 30, 2021	Nine months ended September 30, 2022	Nine months ended September 30, 2021
AFS securities	\$ 1,077	\$ 937	\$ 2,885	\$ 2,736
Trading securities	41	60	153	183
Equity securities	17	8	41	15
Mortgage loans	336	202	870	569
Investment funds	(35)	183	373	1,326
Funds withheld at interest	534	188	1,347	566
Other	75	47	165	206
Investment revenue	2,045	1,625	5,834	5,601
Investment expenses	(202)	(153)	(582)	(443)
Net investment income	\$ 1,843	\$ 1,472	\$ 5,252	\$ 5,158

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

<i>(In millions)</i>	Successor	Predecessor	Successor	Predecessor
	Three months ended September 30, 2022	Three months ended September 30, 2021	Nine months ended September 30, 2022	Nine months ended September 30, 2021
AFS securities				
Gross realized gains on investment activity	\$ 84	\$ 118	\$ 404	\$ 399
Gross realized losses on investment activity	(761)	(93)	(2,003)	(407)
Net realized investment gains (losses) on AFS securities	(677)	25	(1,599)	(8)
Net recognized investment losses on trading securities	(121)	(23)	(489)	(31)
Net recognized investment gains (losses) on equity securities	(9)	57	(257)	82
Net recognized investment losses on mortgage loans	(1,199)	—	(3,094)	—
Derivative gains (losses)	(1,821)	254	(8,794)	2,300
Provision for credit losses	171	12	(193)	72
Other gains	807	60	1,614	140
Investment related gains (losses)	\$ (2,849)	\$ 385	\$ (12,812)	\$ 2,555

Proceeds from sales of AFS securities were \$635 million and \$2,177 million for the three months ended September 30, 2022 and 2021, respectively, and \$9,405 million and \$5,762 million for the nine months ended September 30, 2022 and 2021, respectively. Proceeds from sales of AFS securities for the three and nine months ended September 30, 2021 have been revised to correct a misstatement, which was not material, to be comparable to current year amounts.

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

<i>(In millions)</i>	Successor	Predecessor	Successor	Predecessor
	Three months ended September 30, 2022	Three months ended September 30, 2021	Nine months ended September 30, 2022	Nine months ended September 30, 2021
Trading securities	\$ (119)	\$ (15)	\$ (455)	\$ (70)
Trading securities – related party	3	20	(3)	74
Equity securities	2	46	(237)	73
Equity securities – related party	(18)	3	(31)	4

ATHENE HOLDING LTD.

Notes to Condensed Consolidated Financial Statements (Unaudited)

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

<i>(In millions)</i>	Successor					
	September 30, 2022					
	Remaining Contractual Maturity					
	Overnight and continuous	Less than 30 days	30-90 days	91 days to 1 year	Greater than 1 year	Total
Payables for repurchase agreements ¹	\$ —	\$ 150	\$ 1,260	\$ 201	\$ 2,866	\$ 4,477

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

<i>(In millions)</i>	Predecessor					
	December 31, 2021					
	Remaining Contractual Maturity					
	Overnight and continuous	Less than 30 days	30-90 days	91 days to 1 year	Greater than 1 year	Total
Payables for repurchase agreements ¹	\$ —	\$ 2,512	\$ —	\$ —	\$ 598	\$ 3,110

¹ 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:

<i>(In millions)</i>	Successor		Predecessor	
	September 30, 2022		December 31, 2021	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
AFS securities				
U.S. government and agencies	\$ 2,093	\$ 1,592	\$ —	\$ —
Foreign governments	147	104	—	—
Corporate	1,965	1,580	2,923	3,208
CLO	282	264	—	—
ABS	1,207	1,066	—	—
Total securities pledged under repurchase agreements	\$ 5,694	\$ 4,606	\$ 2,923	\$ 3,208

Reverse Repurchase Agreements—As of September 30, 2022, amounts loaned under reverse repurchase agreements were \$26 million, and collateral received was \$616 million.

Mortgage Loans, including related party and consolidated VIEs—Mortgage loans includes both commercial and residential loans. In connection with the merger, we elected the fair value option on our mortgage loan portfolio. See *Note 6 – Fair Value* for further fair value option information. The following represents the mortgage loan portfolio, with fair value option loans presented at unpaid principal balance:

<i>(In millions)</i>	Successor	
	September 30, 2022	
Commercial mortgage loans	\$	19,976
Commercial mortgage loans under development		780
Total commercial mortgage loans		20,756
Mark to fair value		(1,849)
Commercial mortgage loans		18,907
Residential mortgage loans		10,332
Mark to fair value		(763)
Residential mortgage loans		9,569
Mortgage loans	\$	28,476

[Table of Contents](#)

ATHENE HOLDING LTD.

Notes to Condensed Consolidated Financial Statements (Unaudited)

The following represents the mortgage loan portfolio based on amortized cost:

<i>(In millions)</i>	Predecessor	
	December 31, 2021	
Commercial mortgage loans	\$	16,565
Commercial mortgage loans under development		499
Total commercial mortgage loans		17,064
Allowance for credit losses on commercial mortgage loans		(167)
Commercial mortgage loans		16,897
Residential mortgage loans		7,321
Allowance for credit losses on residential mortgage loans		(70)
Residential mortgage loans		7,251
Mortgage loans	\$	24,148

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.

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

<i>(In millions, except for percentages)</i>	Successor		Predecessor	
	September 30, 2022		December 31, 2021	
	Net Carrying Value	Percentage of Total	Net Carrying Value	Percentage of Total
Property type				
Office building	\$ 4,730	25.0 %	\$ 4,870	28.8 %
Retail	1,411	7.5 %	2,022	12.0 %
Apartment	5,935	31.4 %	4,626	27.4 %
Hotels	1,818	9.6 %	1,727	10.2 %
Industrial	1,726	9.1 %	2,336	13.8 %
Other commercial	3,287	17.4 %	1,316	7.8 %
Total commercial mortgage loans	\$ 18,907	100.0 %	\$ 16,897	100.0 %
US region				
East North Central	\$ 1,560	8.3 %	\$ 1,697	10.0 %
East South Central	408	2.2 %	470	2.8 %
Middle Atlantic	4,141	21.9 %	3,637	21.5 %
Mountain	884	4.7 %	460	2.7 %
New England	1,063	5.6 %	453	2.7 %
Pacific	3,875	20.5 %	3,994	23.6 %
South Atlantic	2,743	14.5 %	2,817	16.7 %
West North Central	253	1.3 %	271	1.6 %
West South Central	1,080	5.7 %	997	5.9 %
Total US region	16,007	84.7 %	14,796	87.5 %
International region				
United Kingdom	1,802	9.5 %	1,279	7.6 %
Other International ¹	1,098	5.8 %	822	4.9 %
Total international region	2,900	15.3 %	2,101	12.5 %
Total commercial mortgage loans	\$ 18,907	100.0 %	\$ 16,897	100.0 %

¹ 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)

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:

	Successor September 30, 2022	Predecessor December 31, 2021
US states		
California	30.8 %	28.4 %
Florida	9.9 %	11.4 %
New Jersey	5.6 %	5.1 %
New York	5.6 %	4.8 %
Other ¹	35.3 %	38.5 %
Total US residential mortgage loan percentage	87.2 %	88.2 %
International		
United Kingdom	4.6 %	3.8 %
Ireland	3.4 %	6.4 %
Other ²	4.8 %	1.6 %
Total international residential mortgage loan percentage	12.8 %	11.8 %
Total residential mortgage loan percentage	100.0 %	100.0 %

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

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

Investment Funds—Our investment fund portfolio consists of funds that employ various strategies and include investments in origination platforms, insurance platforms, and equity, hybrid, yield and other funds. Investment funds can meet the definition of VIEs, which are discussed further in *Note 5 – Variable Interest Entities*. Our investment funds do not specify timing of distributions on the funds' underlying assets.

ATHENE HOLDING LTD.

Notes to Condensed Consolidated Financial Statements (Unaudited)

The following summarizes our investment funds, including related party and consolidated VIEs:

	Successor		Predecessor	
	September 30, 2022		December 31, 2021 ¹	
	Carrying value	Percent of total	Carrying value	Percent of total
<i>(In millions, except for percentages)</i>				
Investment funds				
Equity	\$ 5	17.2 %	\$ 410	34.8 %
Hybrid	20	69.0 %	667	56.6 %
Yield	4	13.8 %	99	8.4 %
Other	—	— %	2	0.2 %
Total investment funds	29	100.0 %	1,178	100.0 %
Investment funds – related parties				
Strategic origination platforms	68	5.3 %	1,338	18.1 %
Strategic insurance platforms	1,048	82.4 %	1,440	19.5 %
Apollo and other fund investments				
Equity	135	10.7 %	1,199	16.2 %
Hybrid	—	— %	952	12.9 %
Yield	4	0.3 %	305	4.1 %
Other ²	17	1.3 %	2,157	29.2 %
Total investment funds – related parties	1,272	100.0 %	7,391	100.0 %
Investment funds owned by consolidated VIEs				
Strategic origination platforms	4,524	38.1 %	264	20.3 %
Strategic insurance platforms	545	4.6 %	—	— %
Apollo and other fund investments				
Equity	2,568	21.5 %	229	17.7 %
Hybrid	3,183	26.8 %	56	4.3 %
Yield	985	8.3 %	748	57.7 %
Other	80	0.7 %	—	— %
Total investment funds owned by consolidated VIEs	11,885	100.0 %	1,297	100.0 %
Total investment funds including related party and funds owned by consolidated VIEs	\$ 13,186		\$ 9,866	

Note: During 2022, we contributed the majority of our investment funds to Apollo Aligned Alternatives, L.P. (AAA), which we consolidate as a VIE. See Note 11 – Related Parties for further information on AAA.

¹ Certain reclassifications have been made to conform with current year presentation.

² Includes our investment in Apollo held as of December 31, 2021.

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 at risk 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 securitization entity 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 sheets 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 at risk 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.

[Table of Contents](#)

ATHENE HOLDING LTD.

Notes to Condensed Consolidated Financial Statements (Unaudited)

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

<i>(In millions)</i>	Successor		Predecessor	
	September 30, 2022		December 31, 2021	
	Carrying Value	Maximum Loss Exposure	Carrying Value	Maximum Loss Exposure
Investment funds	\$ 29	\$ 323	\$ 1,178	\$ 1,792
Investment in related parties – investment funds	1,272	1,272	7,391	10,922
Assets of consolidated VIEs – investment funds	11,885	19,330	1,297	1,647
Investment in fixed maturity securities	32,801	37,775	31,769	31,622
Investment in related parties – fixed maturity securities	9,088	9,806	11,324	12,681
Investment in related parties – equity securities	340	340	284	284
Total non-consolidated investments	\$ 55,415	\$ 68,846	\$ 53,243	\$ 58,948

Concentrations—The following table represents our investment concentrations. The evaluation for concentration is based on 10% of shareholders' equity; however, due to our shareholders' equity being in a deficit position as of September 30, 2022, we are providing the top 30 investment concentrations.

<i>(In millions)</i>	Successor		Predecessor	
	September 30, 2022		December 31, 2021	
Athene Freedom ¹	\$	1,422	\$	3,119
Athora ¹		1,123		N/A
PK AirFinance ¹		933		N/A
AP Tundra		894		N/A
Cayman Universe		762		N/A
AOP Finance		754		N/A
MidCap Financial ¹		680		N/A
SoftBank Vision Fund II		666		N/A
AA Infrastructure		621		N/A
Bank of America		593		N/A
Apollo Rose ²		545		N/A
Morgan Stanley		512		N/A
Venerable ¹		506		N/A
AP Hansel ²		500		N/A
Citigroup		494		N/A
AP Maia ²		487		N/A
JPMorgan Chase		452		N/A
AT&T Inc.		413		N/A
FWD Group		400		N/A
Comcast		372		N/A
Mileage Plus		371		N/A
Verizon		347		N/A
Goldman Sachs		310		N/A
AA Warehouse		299		N/A
HWIRE		294		N/A
Enterprise Products		280		N/A
Wheels Fleet Lease		279		N/A
Shell		279		N/A
Energy Trans		266		N/A
Wells Fargo		249		N/A

¹ Related party amounts are representative of single issuer risk and may only include a portion of the total investments associated with a related party. See further discussion of these related parties in Note 11 – Related Parties.

² Represents a consolidated VIE investment in which an underlying investment includes a single issuer exceeding concentration threshold.

N/A – Not applicable as investment did not meet single issuer concentration threshold for the period.

ATHENE HOLDING LTD.

Notes to Condensed Consolidated Financial Statements (Unaudited)

4. Derivative Instruments

We use a variety of derivative instruments to manage risks, primarily equity, interest rate, credit, foreign currency and market volatility. See *Note 6 – Fair Value* for information about the fair value hierarchy for derivatives.

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

<i>(In millions)</i>	Successor			Predecessor		
	Notional Amount	September 30, 2022		Notional Amount	December 31, 2021	
		Fair Value			Fair Value	
		Assets	Liabilities		Assets	Liabilities
Derivatives designated as hedges						
Foreign currency hedges						
Swaps	6,517	\$ 1,122	\$ 241	6,371	\$ 281	\$ 56
Forwards	5,627	697	5	6,395	189	2
Interest rate swaps	4,468	—	1,055	2,783	—	173
Forwards on net investments	193	4	—	231	—	4
Interest rate swaps	9,505	1	159	500	—	1
Total derivatives designated as hedges		1,824	1,460		470	236
Derivatives not designated as hedges						
Equity options	61,670	905	122	57,890	3,629	115
Futures	21	30	2	33	67	—
Total return swaps	99	—	10	231	10	—
Foreign currency swaps	3,428	354	188	2,592	57	19
Interest rate swaps	465	88	—	483	78	1
Credit default swaps	10	—	1	10	—	3
Foreign currency forwards	14,013	864	439	7,382	76	98
Embedded derivatives						
Funds withheld including related party		(6,830)	(82)		1,360	45
Interest sensitive contract liabilities		—	4,998		—	14,907
Total derivatives not designated as hedges		(4,589)	5,678		5,277	15,188
Total derivatives		\$ (2,765)	\$ 7,138		\$ 5,747	\$ 15,424

Derivatives Designated as Hedges

Cash Flow Hedges – We used 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. Effective January 1, 2022, our foreign currency swaps were redesignated to fair value hedges as they no longer qualified for cash flow hedge accounting. We use interest rate swaps to convert floating-rate interest payments to fixed-rate interest payments to reduce exposure to interest rate changes. The interest rate swaps will expire by July 2027. The following is a summary of the gains (losses) related to cash flow hedges:

<i>(In millions)</i>	Successor	Predecessor	Successor	Predecessor
	Three months ended September 30, 2022	Three months ended September 30, 2021	Nine months ended September 30, 2022	Nine months ended September 30, 2021
Investment related gains (losses)				
Foreign currency swaps	\$ —	\$ (21)	\$ —	\$ 6
Other comprehensive income				
Foreign currency swaps	—	114	—	171
Interest rate swaps	(111)	—	(111)	—

There were no amounts deemed ineffective during the three and nine months ended September 30, 2022 and 2021, respectively. As of September 30, 2022, no amounts are expected to be reclassified to income within the next 12 months.

[Table of Contents](#)

ATHENE HOLDING LTD.

Notes to Condensed Consolidated Financial Statements (Unaudited)

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

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

<i>(In millions)</i>	Successor		Predecessor	
	September 30, 2022		December 31, 2021	
	Carrying amount of the hedged assets or liabilities ¹	Cumulative amount of fair value hedging gains (losses)	Carrying amount of the hedged assets or liabilities ¹	Cumulative amount of fair value hedging gains (losses)
AFS securities				
Foreign currency forwards	\$ 3,989	\$ (644)	\$ 4,224	\$ (136)
Foreign currency swaps	3,878	(792)	—	—
Mortgage loans – Foreign currency forwards	—	—	1,686	(44)
Interest sensitive contract liabilities				
Foreign currency swaps	1,081	162	—	—
Foreign currency interest rate swaps	4,348	879	2,773	121
Interest rate swaps	6,750	357	500	—

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

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

<i>(In millions)</i>	Derivatives	Hedged Items	Net	Amount Excluded	
				Recognized in income through amortization approach	Recognized in income through changes in fair value
Three months ended September 30, 2022 (Successor)					
Investment related gains (losses)					
Foreign currency forwards	\$ 288	\$ (290)	\$ (2)	\$ 18	\$ —
Foreign currency swaps	256	(283)	(27)	—	—
Foreign currency interest rate swaps	(379)	384	5	—	—
Interest rate swaps	(268)	264	(4)	—	—
Interest sensitive contract benefits					
Foreign currency interest rate swaps	12	(14)	(2)	—	—
Three months ended September 30, 2021 (Predecessor)					
Investment related gains (losses)					
Foreign currency forwards	\$ 133	\$ (149)	\$ (16)	\$ —	\$ (37)
Foreign currency interest rate swaps	(51)	50	(1)	—	—
Interest sensitive contract benefits					
Foreign currency interest rate swaps	7	(6)	1	—	—

ATHENE HOLDING LTD.

Notes to Condensed Consolidated Financial Statements (Unaudited)

(In millions)	Derivatives	Hedged Items	Net	Amount Excluded	
				Recognized in income through amortization approach	Recognized in income through changes in fair value
Nine months ended September 30, 2022 (Successor)					
Investment related gains (losses)					
Foreign currency forwards	\$ 616	\$ (648)	\$ (32)	\$ 48	\$ 1
Foreign currency swaps	589	(630)	(41)	—	—
Foreign currency interest rate swaps	(873)	879	6	—	—
Interest rate swaps	(345)	357	12	—	—
Interest sensitive contract benefits					
Foreign currency interest rate swaps	37	(37)	—	—	—
Nine months ended September 30, 2021 (Predecessor)					
Investment related gains (losses)					
Foreign currency forwards	\$ 338	\$ (337)	\$ 1	\$ —	\$ (37)
Foreign currency interest rate swaps	(82)	82	—	—	—
Interest sensitive contract benefits					
Foreign currency interest rate swaps	13	(11)	2	—	—

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

(In millions)	Successor		Predecessor	
	Three months ended September 30, 2022	Three months ended September 30, 2021	Nine months ended September 30, 2022	Nine months ended September 30, 2021
Foreign currency forwards	\$ (20)	\$ 86	\$ (77)	\$ 90
Foreign currency swaps	51	—	60	—

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 September 30, 2022 and 2021, these derivatives had gains of \$22 million and \$7 million, respectively. During the nine months ended September 30, 2022 and 2021, these derivatives had gains of \$47 million and \$5 million, respectively. These derivatives are included in foreign currency translation and other adjustments on the condensed consolidated statements of comprehensive income (loss). As of September 30, 2022 and December 31, 2021, the cumulative foreign currency translations recorded in accumulated other comprehensive income (loss) (AOCI) related to these net investment hedges were gains of \$47 million and gains of \$1 million, respectively. During the three and nine months ended September 30, 2022 and 2021, 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.

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.

ATHENE HOLDING LTD.

Notes to Condensed Consolidated Financial Statements (Unaudited)

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:

(In millions)	Successor	Predecessor	Successor	Predecessor
	Three months ended September 30, 2022	Three months ended September 30, 2021	Nine months ended September 30, 2022	Nine months ended September 30, 2021
Equity options	\$ (449)	\$ (45)	\$ (2,728)	\$ 1,501
Futures	(34)	(2)	(153)	53
Swaps	132	(40)	121	(4)
Foreign currency forwards	454	75	971	25
Embedded derivatives on funds withheld	(1,839)	205	(7,041)	463
Amounts recognized in investment related gains (losses)	(1,736)	193	(8,830)	2,038
Embedded derivatives in indexed annuity products ¹	800	132	3,244	(716)
Total net gains (losses) on derivatives not designated as hedges	\$ (936)	\$ 325	\$ (5,586)	\$ 1,322

¹ 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.

[Table of Contents](#)

ATHENE HOLDING LTD.

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:

<i>(In millions)</i>	Gross amount recognized ¹	Gross amounts not offset on the condensed consolidated balance sheets		Net amount	Off-balance sheet securities collateral ³	Net amount after securities collateral
		Financial instruments ²	Collateral (received)/pledged			
September 30, 2022 (Successor)						
Derivative assets	\$ 4,065	\$ (1,671)	\$ (2,538)	\$ (144)	\$ —	\$ (144)
Derivative liabilities	(2,222)	1,671	598	47	—	47
December 31, 2021 (Predecessor)						
Derivative assets	\$ 4,387	\$ (430)	\$ (3,934)	\$ 23	\$ —	\$ 23
Derivative liabilities	(472)	430	32	(10)	—	(10)

¹ The gross amounts of recognized derivative assets and derivative liabilities are reported on the condensed consolidated balance sheets. As of September 30, 2022 and December 31, 2021, amounts not subject to master netting or similar agreements were immaterial.

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

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

5. Variable Interest Entities

As a result of our merger with AGM, we reassessed consolidation conclusions for VIEs. We determined that we are required to consolidate additional Apollo-managed investment funds. Since the criteria for the primary beneficiary are satisfied by our related party group, we are deemed the primary beneficiary. 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.

The following summarizes the income statement activity of the consolidated VIEs:

<i>(In millions)</i>	Successor	Predecessor	Successor	Predecessor
	Three months ended September 30, 2022	Three months ended September 30, 2021	Nine months ended September 30, 2022	Nine months ended September 30, 2021
Trading securities	\$ 10	\$ —	\$ 10	\$ —
Equity securities	13	—	13	—
Mortgage loans	22	28	65	56
Investment funds	4	(26)	(5)	2
Other investments	(16)	—	(3)	—
Net investment income	<u>\$ 33</u>	<u>\$ 2</u>	<u>\$ 80</u>	<u>\$ 58</u>
Trading securities	\$ (38)	\$ —	\$ (38)	\$ —
Net recognized investment losses on mortgage loans	(103)	—	(262)	—
Provision for credit losses	—	(14)	—	(62)
Investment funds	236	15	354	15
Other gains (losses)	(16)	—	5	—
Investment related gains (losses)	<u>\$ 79</u>	<u>\$ 1</u>	<u>\$ 59</u>	<u>\$ (47)</u>

ATHENE HOLDING LTD.

Notes to Condensed Consolidated Financial Statements (Unaudited)

6. Fair Value

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

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

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

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

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

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.

[Table of Contents](#)

ATHENE HOLDING LTD.

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)	Successor				
	September 30, 2022				
	Total	NAV	Level 1	Level 2	Level 3
Assets					
AFS securities					
US government and agencies	\$ 2,498	\$ —	\$ 2,496	\$ 2	\$ —
US state, municipal and political subdivisions	920	—	—	920	—
Foreign governments	861	—	—	859	2
Corporate	56,908	—	—	55,246	1,662
CLO	14,146	—	—	14,143	3
ABS	9,872	—	—	6,024	3,848
CMBS	3,063	—	—	3,063	—
RMBS	5,325	—	—	5,325	—
Total AFS securities	93,593	—	2,496	85,582	5,515
Trading securities	1,590	—	24	1,512	54
Equity securities	1,207	—	265	870	72
Mortgage loans	25,145	—	—	—	25,145
Funds withheld at interest – embedded derivative	(5,259)	—	—	—	(5,259)
Derivative assets	4,065	—	31	4,034	—
Short-term investments	292	—	81	176	35
Other investments	666	—	—	170	496
Cash and cash equivalents	9,823	—	9,823	—	—
Restricted cash	1,024	—	1,024	—	—
Investments in related parties					
AFS securities					
Corporate	1,022	—	—	169	853
CLO	2,631	—	—	2,320	311
ABS	5,552	—	—	224	5,328
Total AFS securities – related party	9,205	—	—	2,713	6,492
Trading securities	905	—	—	—	905
Equity securities	340	—	—	—	340
Mortgage loans	1,331	—	—	—	1,331
Investment funds	789	—	—	—	789
Funds withheld at interest – embedded derivative	(1,571)	—	—	—	(1,571)
Other investments	274	—	—	—	274
Reinsurance recoverable	1,476	—	—	—	1,476
Assets of consolidated VIEs					
Trading securities	988	—	4	364	620
Equity securities	15	—	—	—	15
Mortgage loans	1,663	—	—	—	1,663
Investment funds	11,885	9,579	—	—	2,306
Other investments	152	—	—	16	136
Cash and cash equivalents	418	—	418	—	—
Total assets measured at fair value	\$ 160,016	\$ 9,579	\$ 14,166	\$ 95,437	\$ 40,834
Liabilities					
Interest sensitive contract liabilities					
Embedded derivative	\$ 4,998	\$ —	\$ —	\$ —	\$ 4,998
Universal life benefits	852	—	—	—	852
Future policy benefits					
AmerUs Life Insurance Company (AmerUs) Closed Block	1,157	—	—	—	1,157
Indianapolis Life Insurance Company (ILICO) Closed Block and life benefits	612	—	—	—	612
Derivative liabilities	2,222	—	(8)	2,229	1
Funds withheld liability – embedded derivative	(82)	—	—	(82)	—
Total liabilities measured at fair value	\$ 9,759	\$ —	\$ (8)	\$ 2,147	\$ 7,620

ATHENE HOLDING LTD.

Notes to Condensed Consolidated Financial Statements (Unaudited)

(In millions)	Predecessor				
	December 31, 2021				
	Total	NAV	Level 1	Level 2	Level 3
Assets					
AFS securities					
US government and agencies	\$ 223	\$ —	\$ 214	\$ 9	\$ —
US state, municipal and political subdivisions	1,213	—	—	1,213	—
Foreign governments	1,128	—	—	1,126	2
Corporate	66,226	—	—	64,887	1,339
CLO	13,652	—	—	13,638	14
ABS	8,989	—	—	5,370	3,619
CMBS	2,758	—	—	2,715	43
RMBS	5,970	—	—	5,970	—
Total AFS securities	100,159	—	214	94,928	5,017
Trading securities	2,056	—	3	1,984	69
Equity securities	1,170	—	86	655	429
Mortgage loans	17	—	—	—	17
Investment funds	183	165	—	—	18
Funds withheld at interest – embedded derivative	782	—	—	—	782
Derivative assets	4,387	—	67	4,320	—
Short-term investments	139	—	49	61	29
Other investments	130	—	—	130	—
Cash and cash equivalents	9,479	—	9,479	—	—
Restricted cash	796	—	796	—	—
Investments in related parties					
AFS securities					
Corporate	859	—	—	189	670
CLO	2,549	—	—	2,347	202
ABS	6,994	—	—	549	6,445
Total AFS securities – related party	10,402	—	—	3,085	7,317
Trading securities	1,781	—	—	10	1,771
Equity securities	284	—	—	—	284
Investment funds	2,958	103	—	—	2,855
Funds withheld at interest – embedded derivative	578	—	—	—	578
Reinsurance recoverable	1,991	—	—	—	1,991
Assets of consolidated VIEs					
Investment funds	1,297	—	—	—	1,297
Cash and cash equivalents	154	—	154	—	—
Total assets measured at fair value	\$ 138,743	\$ 268	\$ 10,848	\$ 105,173	\$ 22,454
Liabilities					
Interest sensitive contract liabilities					
Embedded derivative	\$ 14,907	\$ —	\$ —	\$ —	\$ 14,907
Universal life benefits	1,235	—	—	—	1,235
Future policy benefits					
AmerUs Closed Block	1,520	—	—	—	1,520
ILICO Closed Block and life benefits	742	—	—	—	742
Derivative liabilities	472	—	—	469	3
Funds withheld liability – embedded derivative	45	—	—	45	—
Total liabilities measured at fair value	\$ 18,921	\$ —	\$ —	\$ 514	\$ 18,407

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 – 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 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.

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.

[Table of Contents](#)

ATHENE HOLDING LTD.

Notes to Condensed Consolidated Financial Statements (Unaudited)

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 party and consolidated VIEs:

<i>(In millions)</i>	Successor	Predecessor	Successor	Predecessor
	Three months ended September 30, 2022	Three months ended September 30, 2021	Nine months ended September 30, 2022	Nine months ended September 30, 2021
Trading securities	\$ (121)	\$ (23)	\$ (489)	\$ (31)
Mortgage loans	(1,279)	—	(3,344)	—
Investment funds	(47)	4	9	439
Future policy benefits	90	21	363	70
Total gains (losses)	\$ (1,357)	\$ 2	\$ (3,461)	\$ 478

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, including related party and consolidated VIEs:

<i>(In millions)</i>	Successor	Predecessor
	September 30, 2022	December 31, 2021
Unpaid principal balance	\$ 30,751	\$ 15
Mark to fair value	(2,612)	2
Fair value	\$ 28,139	\$ 17

The following represents our commercial mortgage loan portfolio 90 days or more past due and/or in non-accrual status:

<i>(In millions)</i>	Successor
	September 30, 2022
Unpaid principal balance of commercial mortgage loans 90 days or more past due and/or in non-accrual status	\$ 163
Mark to fair value of commercial mortgage loans 90 days or more past due and/or in non-accrual status	(76)
Fair value of commercial mortgage loans 90 days or more past due and/or in non-accrual status	\$ 87
Fair value of commercial mortgage loans 90 days or more past due	\$ 1
Fair value of commercial mortgage loans in non-accrual status	87

[Table of Contents](#)

ATHENE HOLDING LTD.

Notes to Condensed Consolidated Financial Statements (Unaudited)

The following represents our residential loan portfolio 90 days or more past due and/or in non-accrual status:

<i>(In millions)</i>	Successor September 30, 2022
Unpaid principal balance of residential mortgage loans 90 days or more past due and/or in non-accrual status	\$ 502
Mark to fair value of residential mortgage loans 90 days or more past due and/or in non-accrual status	(40)
Fair value of residential mortgage loans 90 days or more past due and/or in non-accrual status	\$ 462
Fair value of residential mortgage loans 90 days or more past due ¹	\$ 462
Fair value of residential mortgage loans in non-accrual status	205

¹ Includes \$257 million of residential mortgage loans that are guaranteed by US government-sponsored agencies.

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

The following is the estimated amount of gains (losses) included in earnings during the period attributable to changes in instrument-specific credit risk on our mortgage loan portfolio:

<i>(In millions)</i>	Successor		Predecessor	
	Three months ended September 30, 2022	18	Three months ended September 30, 2021	—
Mortgage loans	\$	18	\$	—
			\$	(34)
			\$	—

We estimated the portion of gains and losses attributable to changes in instrument-specific credit risk by identifying commercial loans with loan-to-value ratios meeting credit quality criteria, and residential mortgage loans with delinquency status meeting credit quality criteria.

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

ATHENE HOLDING LTD.

Notes to Condensed Consolidated Financial Statements (Unaudited)

(In millions)	Successor							
	Three months ended September 30, 2022							
	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 ¹	Total gains (losses) included in OCI ¹
Included in income		Included in OCI						
Assets								
AFS securities								
Foreign governments	\$ 2	\$ —	\$ —	\$ —	\$ —	\$ 2	\$ —	\$ —
Corporate	1,588	(16)	(58)	205	(57)	1,662	—	(55)
CLO	—	—	—	3	—	3	—	—
ABS	3,594	2	(50)	198	104	3,848	—	(60)
RMBS	68	—	(1)	(1)	(66)	—	—	—
Trading securities	58	(4)	—	(2)	2	54	(4)	—
Equity securities	62	10	—	—	—	72	11	—
Mortgage loans	25,218	(1,117)	—	1,044	—	25,145	(1,111)	—
Investment funds	19	—	—	—	(19)	—	—	—
Funds withheld at interest – embedded derivative	(3,958)	(1,301)	—	—	—	(5,259)	—	—
Short-term investments	58	—	—	(23)	—	35	—	—
Other investments	—	—	—	—	496	496	—	—
Investments in related parties								
AFS securities								
Corporate	849	1	(17)	114	(94)	853	—	(15)
CLO	325	—	(14)	—	—	311	—	(14)
ABS	5,026	(3)	(73)	284	94	5,328	—	(73)
Trading securities	891	4	—	5	5	905	4	—
Equity securities	163	(18)	—	195	—	340	(18)	—
Mortgage loans	1,416	(82)	—	(3)	—	1,331	(82)	—
Investment funds	818	(29)	—	—	—	789	(29)	—
Funds withheld at interest – embedded derivative	(1,129)	(442)	—	—	—	(1,571)	—	—
Other investments	—	—	—	—	274	274	—	—
Reinsurance recoverable	1,580	(104)	—	—	—	1,476	—	—
Assets of consolidated VIEs								
Trading securities	330	(7)	—	529	(232)	620	(7)	—
Equity securities	—	—	—	—	15	15	—	—
Mortgage loans	1,626	(80)	—	96	21	1,663	(79)	—
Investment funds	1,053	(19)	—	1,694	(422)	2,306	(19)	—
Other investments	31	—	—	—	105	136	—	—
Total Level 3 assets	\$ 39,688	\$ (3,205)	\$ (213)	\$ 4,338	\$ 226	\$ 40,834	\$ (1,334)	\$ (217)
Liabilities								
Interest sensitive contract liabilities								
Embedded derivative	\$ (5,451)	\$ 800	\$ —	\$ (347)	\$ —	\$ (4,998)	\$ —	\$ —
Universal life benefits	(943)	91	—	—	—	(852)	—	—
Future policy benefits								
AmerUs Closed Block	(1,247)	90	—	—	—	(1,157)	—	—
ILICO Closed Block and life benefits	(623)	11	—	—	—	(612)	—	—
Derivative liabilities	(1)	—	—	—	—	(1)	—	—
Total Level 3 liabilities	\$ (8,265)	\$ 992	\$ —	\$ (347)	\$ —	\$ (7,620)	\$ —	\$ —

¹ Related to instruments held at end of period.

ATHENE HOLDING LTD.

Notes to Condensed Consolidated Financial Statements (Unaudited)

(In millions)	Predecessor							
	Three months ended September 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 ¹	Total gains (losses) included in OCI ¹
Included in income		Included in OCI						
Assets								
AFS securities								
Foreign governments	\$ 2	\$ —	\$ —	\$ —	\$ —	\$ 2	\$ —	\$ —
Corporate	983	(2)	3	136	(61)	1,059	—	3
CLO	276	2	—	(22)	(242)	14	—	—
ABS	1,481	(5)	5	139	109	1,729	—	11
CMBS	51	—	(1)	1	(26)	25	—	(1)
Trading securities	99	(6)	—	3	(1)	95	(3)	—
Equity securities	22	2	—	—	—	24	2	—
Mortgage loans	18	—	—	—	—	18	—	—
Investment funds	18	1	—	—	—	19	1	—
Funds withheld at interest – embedded derivative	1,373	(231)	—	—	—	1,142	—	—
Short-term investments	—	—	—	29	—	29	—	—
Investments in related parties								
AFS securities								
Corporate	—	—	1	115	212	328	—	(3)
ABS	4,237	(5)	(2)	45	(322)	3,953	—	—
Trading securities	1,710	(4)	—	30	(23)	1,713	(3)	—
Equity securities	115	3	—	(3)	—	115	3	—
Investment funds	2,452	1	—	—	—	2,453	1	—
Funds withheld at interest – embedded derivative	752	(65)	—	—	—	687	—	—
Reinsurance recoverable	1,946	23	—	—	—	1,969	—	—
Assets of consolidated VIEs – investment funds	417	2	—	246	—	665	2	—
Total Level 3 assets	\$ 15,952	\$ (284)	\$ 6	\$ 719	\$ (354)	\$ 16,039	\$ 3	\$ 10
Liabilities								
Interest sensitive contract liabilities								
Embedded derivative	\$ (13,635)	\$ 132	\$ —	\$ (599)	\$ —	\$ (14,102)	\$ —	\$ —
Universal life benefits	(1,188)	(7)	—	—	—	(1,195)	—	—
Future policy benefits								
AmerUs Closed Block	(1,551)	21	—	—	—	(1,530)	—	—
ILICO Closed Block and life benefits	(743)	(16)	—	—	—	(759)	—	—
Derivative liabilities	(4)	—	—	—	—	(4)	—	—
Total Level 3 liabilities	\$ (17,121)	\$ 130	\$ —	\$ (599)	\$ —	\$ (17,590)	\$ —	\$ —

¹ Related to instruments held at end of period.

ATHENE HOLDING LTD.

Notes to Condensed Consolidated Financial Statements (Unaudited)

(In millions)	Successor							
	Nine months ended September 30, 2022							
	Balance at January 1, 2022	Total realized and unrealized gains (losses)		Net purchases, issuances, sales and settlements	Net transfers in (out)	Ending balance	Total gains (losses) included in earnings ¹	Total gains (losses) included in OCI ¹
	Included in income	Included in OCI						
Assets								
AFS securities								
Foreign governments	\$ 2	\$ —	\$ —	\$ —	\$ —	\$ 2	\$ —	\$ —
Corporate	1,339	(19)	(135)	385	92	1,662	—	(120)
CLO	14	(2)	—	(9)	—	3	—	—
ABS	3,619	9	(145)	198	167	3,848	—	(116)
CMBS	43	—	(17)	—	(26)	—	—	—
RMBS	—	—	(1)	67	(66)	—	—	—
Trading securities	69	(10)	—	6	(11)	54	(4)	—
Equity securities	429	27	—	(3)	(381)	72	25	—
Mortgage loans	21,154	(2,888)	—	6,879	—	25,145	(2,878)	—
Investment funds	18	1	—	—	(19)	—	—	—
Funds withheld at interest – embedded derivative	—	(5,259)	—	—	—	(5,259)	—	—
Short-term investments	29	—	(1)	7	—	35	—	(1)
Other investments	—	—	—	—	496	496	—	—
Investments in related parties								
AFS securities								
Corporate	670	(3)	(23)	250	(41)	853	—	(22)
CLO	202	—	(21)	130	—	311	—	(21)
ABS	6,445	(4)	(208)	(957)	52	5,328	—	(193)
Trading securities	1,771	3	—	(1,057)	188	905	(4)	—
Equity securities	284	(32)	—	76	12	340	(27)	—
Mortgage loans	1,369	(206)	—	168	—	1,331	(206)	—
Investment funds	2,855	(1)	—	(34)	(2,031)	789	(1)	—
Funds withheld at interest – embedded derivative	—	(1,571)	—	—	—	(1,571)	—	—
Short-term investments	—	—	—	53	(53)	—	—	—
Other investments	—	—	—	—	274	274	—	—
Reinsurance recoverable	1,991	(515)	—	—	—	1,476	—	—
Assets of consolidated VIEs								
Trading securities	—	(7)	—	529	98	620	(7)	—
Equity securities	—	—	—	—	15	15	—	—
Mortgage loans	2,152	(250)	—	(58)	(181)	1,663	(250)	—
Investment funds	1,297	9	—	1,855	(855)	2,306	9	—
Other investments	—	—	—	31	105	136	—	—
Total Level 3 assets	\$ 45,752	\$ (10,718)	\$ (551)	\$ 8,516	\$ (2,165)	\$ 40,834	\$ (3,343)	\$ (473)
Liabilities								
Interest sensitive contract liabilities								
Embedded derivative	\$ (7,559)	\$ 3,244	\$ —	\$ (683)	\$ —	\$ (4,998)	\$ —	\$ —
Universal life benefits	(1,235)	383	—	—	—	(852)	—	—
Future policy benefits								
AmerUs Closed Block	(1,520)	363	—	—	—	(1,157)	—	—
ILICO Closed Block and life benefits	(742)	130	—	—	—	(612)	—	—
Derivative liabilities	(3)	2	—	—	—	(1)	—	—
Total Level 3 liabilities	\$ (11,059)	\$ 4,122	\$ —	\$ (683)	\$ —	\$ (7,620)	\$ —	\$ —

¹ Related to instruments held at end of period.

ATHENE HOLDING LTD.

Notes to Condensed Consolidated Financial Statements (Unaudited)

	Predecessor							
	Nine months ended September 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 ¹	Total gains (losses) included in OCI ¹
Included in income		Included in OCI						
<i>(In millions)</i>								
Assets								
AFS securities								
US state, municipal and political subdivisions	\$ 34	\$ —	\$ —	\$ (1)	\$ (33)	\$ —	\$ —	\$ —
Foreign governments	2	—	—	—	—	2	—	—
Corporate	778	6	37	108	130	1,059	—	37
CLO	208	—	1	(37)	(158)	14	—	1
ABS	800	(4)	34	894	5	1,729	—	47
CMBS	43	1	4	—	(23)	25	—	4
Trading securities	86	(4)	—	10	3	95	(2)	—
Equity securities	11	13	—	—	—	24	13	—
Mortgage loans	19	—	—	(1)	—	18	—	—
Investment funds	17	2	—	—	—	19	2	—
Funds withheld at interest – embedded derivative	1,944	(802)	—	—	—	1,142	—	—
Short-term investments	2	—	—	29	(2)	29	—	—
Investments in related parties								
AFS securities								
Corporate	195	—	(2)	330	(195)	328	—	(3)
ABS	4,109	(5)	(27)	(63)	(61)	3,953	—	(27)
Trading securities	1,525	39	—	255	(106)	1,713	51	—
Equity securities	72	4	—	39	—	115	4	—
Investment funds	2,033	420	—	—	—	2,453	420	—
Funds withheld at interest – embedded derivative	862	(175)	—	—	—	687	—	—
Reinsurance recoverable	2,100	(131)	—	—	—	1,969	—	—
Assets of consolidated VIEs – investment funds	—	17	—	539	109	665	18	—
Total Level 3 assets	\$ 14,840	\$ (619)	\$ 47	\$ 2,102	\$ (331)	\$ 16,039	\$ 506	\$ 59
Liabilities								
Interest sensitive contract liabilities								
Embedded derivative	\$ (12,873)	\$ (716)	\$ —	\$ (513)	\$ —	\$ (14,102)	\$ —	\$ —
Universal life benefits	(1,308)	113	—	—	—	(1,195)	—	—
Future policy benefits								
AmerUs Closed Block	(1,600)	70	—	—	—	(1,530)	—	—
ILICO Closed Block and life benefits	(776)	17	—	—	—	(759)	—	—
Derivative liabilities	(4)	—	—	—	—	(4)	—	—
Total Level 3 liabilities	\$ (16,561)	\$ (516)	\$ —	\$ (513)	\$ —	\$ (17,590)	\$ —	\$ —

¹ Related to instruments held at end of period.

[Table of Contents](#)

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:

<i>(In millions)</i>	Successor							
	Three months ended September 30, 2022							
	Purchases	Issuances	Sales	Settlements	Net purchases, issuances, sales and settlements	Transfers in	Transfers out	Net transfers in (out)
Assets								
AFS securities								
Corporate	\$ 228	\$ —	\$ (3)	\$ (20)	\$ 205	\$ 83	\$ (140)	\$ (57)
CLO	3	—	—	—	3	—	—	—
ABS	344	—	—	(146)	198	116	(12)	104
RMBS	—	—	—	(1)	(1)	—	(66)	(66)
Trading securities	—	—	—	(2)	(2)	3	(1)	2
Mortgage loans	1,900	—	(51)	(805)	1,044	—	—	—
Investment funds	—	—	—	—	—	—	(19)	(19)
Short-term investments	—	—	—	(23)	(23)	—	—	—
Other investments	—	—	—	—	—	496	—	496
Investments in related parties								
AFS securities								
Corporate	116	—	—	(2)	114	—	(94)	(94)
ABS	887	—	—	(603)	284	94	—	94
Trading securities	5	—	—	—	5	5	—	5
Equity securities	195	—	—	—	195	—	—	—
Mortgage loans	—	—	—	(3)	(3)	—	—	—
Other investments	—	—	—	—	—	274	—	274
Assets of consolidated VIEs								
Trading securities	529	—	—	—	529	100	(332)	(232)
Equity securities	—	—	—	—	—	15	—	15
Mortgage loans	102	—	—	(6)	96	21	—	21
Investment funds	1,695	—	(1)	—	1,694	—	(422)	(422)
Other investments	—	—	—	—	—	105	—	105
Total Level 3 assets	<u>\$ 6,004</u>	<u>\$ —</u>	<u>\$ (55)</u>	<u>\$ (1,611)</u>	<u>\$ 4,338</u>	<u>\$ 1,312</u>	<u>\$ (1,086)</u>	<u>\$ 226</u>
Liabilities								
Interest sensitive contract liabilities – embedded derivative	\$ —	\$ (457)	\$ —	\$ 110	\$ (347)	\$ —	\$ —	\$ —
Total Level 3 liabilities	<u>\$ —</u>	<u>\$ (457)</u>	<u>\$ —</u>	<u>\$ 110</u>	<u>\$ (347)</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

[Table of Contents](#)

ATHENE HOLDING LTD.

Notes to Condensed Consolidated Financial Statements (Unaudited)

<i>(In millions)</i>	Predecessor								
	Three months ended September 30, 2021								
	Purchases	Issuances	Sales	Settlements	Net purchases, issuances, sales and settlements	Transfers in	Transfers out	Net transfers in (out)	
Assets									
AFS securities									
Corporate	\$ 147	\$ —	\$ —	\$ (11)	\$ 136	\$ 25	\$ (86)	\$ (61)	
CLO	—	—	—	(22)	(22)	—	(242)	(242)	
ABS	443	—	—	(304)	139	166	(57)	109	
CMBS	1	—	—	—	1	—	(26)	(26)	
Trading securities	6	—	(3)	—	3	4	(5)	(1)	
Short-term investments	29	—	—	—	29	—	—	—	
Investments in related parties									
AFS securities									
Corporate	115	—	—	—	115	212	—	212	
ABS	65	—	—	(20)	45	—	(322)	(322)	
Trading securities	65	—	—	(35)	30	—	(23)	(23)	
Equity securities	—	—	—	(3)	(3)	—	—	—	
Assets of consolidated VIEs – investment funds	339	—	(93)	—	246	—	—	—	
Total Level 3 assets	<u>\$ 1,210</u>	<u>\$ —</u>	<u>\$ (96)</u>	<u>\$ (395)</u>	<u>\$ 719</u>	<u>\$ 407</u>	<u>\$ (761)</u>	<u>\$ (354)</u>	
Liabilities									
Interest sensitive contract liabilities – embedded derivative									
	\$ —	\$ (832)	\$ —	\$ 233	\$ (599)	\$ —	\$ —	\$ —	
Total Level 3 liabilities	<u>\$ —</u>	<u>\$ (832)</u>	<u>\$ —</u>	<u>\$ 233</u>	<u>\$ (599)</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	

[Table of Contents](#)

ATHENE HOLDING LTD.

Notes to Condensed Consolidated Financial Statements (Unaudited)

(In millions)	Successor								
	Nine months ended September 30, 2022								
	Purchases	Issuances	Sales	Settlements	Net purchases, issuances, sales and settlements	Transfers in ¹	Transfers out ¹	Net transfers in (out)	
Assets									
AFS securities									
Corporate	\$ 681	\$ —	\$ (173)	\$ (123)	\$ 385	\$ 276	\$ (184)	\$ 92	
CLO	3	—	—	(12)	(9)	—	—	—	
ABS	2,579	—	(1,791)	(590)	198	484	(317)	167	
CMBS	—	—	—	—	—	—	(26)	(26)	
RMBS	68	—	—	(1)	67	—	(66)	(66)	
Trading securities	8	—	—	(2)	6	42	(53)	(11)	
Equity securities	—	—	(3)	—	(3)	19	(400)	(381)	
Mortgage loans	9,377	—	(181)	(2,317)	6,879	—	—	—	
Investment funds	—	—	—	—	—	—	(19)	(19)	
Short-term investments	59	—	—	(52)	7	—	—	—	
Other investments	—	—	—	—	—	496	—	496	
Investments in related parties									
AFS securities									
Corporate	483	—	(217)	(16)	250	53	(94)	(41)	
CLO	130	—	—	—	130	—	—	—	
ABS	2,160	—	(93)	(3,024)	(957)	1,916	(1,864)	52	
Trading securities	41	—	(1,052)	(46)	(1,057)	1,448	(1,260)	188	
Equity securities	195	—	(119)	—	76	125	(113)	12	
Mortgage loans	182	—	—	(14)	168	—	—	—	
Investment funds	—	—	(34)	—	(34)	—	(2,031)	(2,031)	
Short-term investments	53	—	—	—	53	—	(53)	(53)	
Other investments	—	—	—	—	—	274	—	274	
Assets of consolidated VIEs									
Trading securities	529	—	—	—	529	430	(332)	98	
Equity securities	—	—	—	—	—	15	—	15	
Mortgage loans	102	—	—	(160)	(58)	42	(223)	(181)	
Investment funds	1,981	—	(126)	—	1,855	11,087	(11,942)	(855)	
Other investments	31	—	—	—	31	2,007	(1,902)	105	
Total Level 3 assets	\$ 18,662	\$ —	\$ (3,789)	\$ (6,357)	\$ 8,516	\$ 18,714	\$ (20,879)	\$ (2,165)	
Liabilities									
Interest sensitive contract liabilities – embedded derivative									
	\$ —	\$ (1,073)	\$ —	\$ 390	\$ (683)	\$ —	\$ —	\$ —	
Total Level 3 liabilities	\$ —	\$ (1,073)	\$ —	\$ 390	\$ (683)	\$ —	\$ —	\$ —	

¹ Transfers in and out are primarily assets of VIEs that changed consolidation status in 2022.

ATHENE HOLDING LTD.

Notes to Condensed Consolidated Financial Statements (Unaudited)

<i>(In millions)</i>	Predecessor							
	Nine months ended September 30, 2021							
	Purchases	Issuances	Sales	Settlements	Net purchases, issuances, sales and settlements	Transfers in	Transfers out	Net transfers in (out)
Assets								
AFS securities								
US state, municipal and political subdivisions	\$ —	\$ —	\$ —	\$ (1)	\$ (1)	\$ —	\$ (33)	\$ (33)
Foreign governments	1	—	—	(1)	—	—	—	—
Corporate	172	—	(8)	(56)	108	252	(122)	130
CLO	—	—	—	(37)	(37)	—	(158)	(158)
ABS	1,387	—	(1)	(492)	894	175	(170)	5
CMBS	1	—	—	(1)	—	—	(23)	(23)
Trading securities	55	—	(5)	(40)	10	5	(2)	3
Equity securities	11	—	(11)	—	—	—	—	—
Mortgage loans	—	—	—	(1)	(1)	—	—	—
Short-term investments	29	—	—	—	29	—	(2)	(2)
Investments in related parties								
AFS securities								
Corporate	330	—	—	—	330	—	(195)	(195)
ABS	103	—	(25)	(141)	(63)	—	(61)	(61)
Trading securities	319	—	—	(64)	255	—	(106)	(106)
Equity securities	46	—	—	(7)	39	—	—	—
Assets of consolidated VIEs – investment funds	632	—	(93)	—	539	109	—	109
Total Level 3 assets	\$ 3,086	\$ —	\$ (143)	\$ (841)	\$ 2,102	\$ 541	\$ (872)	\$ (331)
Liabilities								
Interest sensitive contract liabilities – embedded derivative								
Interest sensitive contract liabilities – embedded derivative	\$ —	\$ (1,204)	\$ —	\$ 691	\$ (513)	\$ —	\$ —	\$ —
Total Level 3 liabilities	\$ —	\$ (1,204)	\$ —	\$ 691	\$ (513)	\$ —	\$ —	\$ —

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

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

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

1. Nonperformance risk – For contracts we issue, we use the credit spread, relative to the US Department of the Treasury (US 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, mortgage loans and the embedded derivatives of fixed indexed annuities:

<i>(In millions, except for percentages)</i>	Successor							Impact of an increase in the input on fair value
	September 30, 2022							
	Fair value	Valuation technique	Unobservable inputs	Minimum	Maximum	Weighted average		
AFS and trading securities	\$ 11,191	Discounted cash flow	Discount rate	1.6 %	19.8 %	5.9 % ¹	Decrease	
Mortgage loans	\$ 28,139	Discounted cash flow	Discount rate	2.6 %	35.7 %	5.8 % ¹	Decrease	
Interest sensitive contract liabilities – fixed indexed annuities embedded derivatives	\$ 4,998	Discounted cash flow	Nonperformance risk	0.5 %	1.9 %	1.2 % ²	Decrease	
			Option budget	0.5 %	4.5 %	1.8 % ³	Increase	
			Surrender rate	5.0 %	11.5 %	8.1 % ⁴	Decrease	
Predecessor							Impact of an increase in the input on fair value	
December 31, 2021								
Fair value	Valuation technique	Unobservable inputs	Minimum	Maximum	Weighted average			
AFS and trading securities	\$ 10,167	Discounted cash flow	Discount rate	1.4 %	19.4 %	5.2 % ¹	Decrease	
Interest sensitive contract liabilities – fixed indexed annuities embedded derivatives	\$ 14,907	Option budget method	Nonperformance risk	0.1 %	1.0 %	0.6 % ²	Decrease	
			Option budget	0.4 %	3.4 %	1.9 % ³	Increase	
			Surrender rate	5.9 %	10.7 %	8.0 % ⁴	Decrease	

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

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

³ The option budget weighted average is calculated based on the indexed account values.

⁴ The surrender rate weighted average is calculated based on projected account values.

ATHENE HOLDING LTD.

Notes to Condensed Consolidated Financial Statements (Unaudited)

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. As of September 30, 2022 and December 31, 2021, the carrying amount of the equity securities was \$400 million and \$0 million, respectively, with no cumulative recorded impairment.

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:

<i>(In millions)</i>	Successor					
	September 30, 2022					
	Carrying Value	Fair Value	NAV	Level 1	Level 2	Level 3
Financial assets						
Investment funds	\$ 29	\$ 29	\$ 29	\$ —	\$ —	\$ —
Policy loans	353	353	—	—	353	—
Funds withheld at interest	39,965	39,965	—	—	—	39,965
Short-term investments	26	26	—	—	—	26
Other investments	16	16	—	—	—	16
Investments in related parties						
Investment funds	483	483	483	—	—	—
Funds withheld at interest	11,532	11,532	—	—	—	11,532
Assets of consolidated VIEs – Mortgage loans	337	337	—	—	—	337
Total financial assets not carried at fair value	\$ 52,741	\$ 52,741	\$ 512	\$ —	\$ 353	\$ 51,876
Financial liabilities						
Interest sensitive contract liabilities	\$ 119,109	\$ 104,556	\$ —	\$ —	\$ —	\$ 104,556
Debt	3,271	2,427	—	—	2,427	—
Securities to repurchase	4,477	4,477	—	—	4,477	—
Funds withheld liability	360	360	—	—	360	—
Total financial liabilities not carried at fair value	\$ 127,217	\$ 111,820	\$ —	\$ —	\$ 7,264	\$ 104,556

<i>(In millions)</i>	Predecessor					
	December 31, 2021					
	Carrying Value	Fair Value	NAV	Level 1	Level 2	Level 3
Financial assets						
Mortgage loans	\$ 20,731	\$ 21,138	\$ —	\$ —	\$ —	\$ 21,138
Investment funds	995	995	995	—	—	—
Policy loans	312	312	—	—	312	—
Funds withheld at interest	43,125	43,125	—	—	—	43,125
Other investments	1,343	1,343	—	—	—	1,343
Investments in related parties						
Mortgage loans	1,360	1,369	—	—	—	1,369
Investment funds	4,433	4,433	4,433	—	—	—
Funds withheld at interest	11,629	11,629	—	—	—	11,629
Other investments	222	223	—	—	—	223
Assets of consolidated VIEs – mortgage loans	2,040	2,152	—	—	—	2,152
Total financial assets not carried at fair value	\$ 86,190	\$ 86,719	\$ 5,428	\$ —	\$ 312	\$ 80,979
Financial liabilities						
Interest sensitive contract liabilities	\$ 105,293	\$ 108,621	\$ —	\$ —	\$ —	\$ 108,621
Debt	2,964	3,295	—	—	3,295	—
Securities to repurchase	3,110	3,110	—	—	3,110	—
Funds withheld liability	394	394	—	—	394	—
Total financial liabilities not carried at fair value	\$ 111,761	\$ 115,420	\$ —	\$ —	\$ 6,799	\$ 108,621

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, short-term investments, funds withheld at interest and liability, securities to repurchase, and debt of consolidated VIEs, the carrying amount approximates fair value.

ATHENE HOLDING LTD.

Notes to Condensed Consolidated Financial Statements (Unaudited)

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.

Debt – We obtain the fair value of 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.

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

The following represents a rollforward of DAC, DSI and VOBA:

<i>(In millions)</i>	Successor			
	DAC	DSI	VOBA	Total
Balance at January 1, 2022	\$ —	\$ —	\$ 4,547	\$ 4,547
Additions	750	268	—	1,018
Unlocking	—	—	4	4
Amortization	(8)	—	(371)	(379)
Impact of unrealized investment (gains) losses and other	6	—	(5)	1
Balance at September 30, 2022	\$ 748	\$ 268	\$ 4,175	\$ 5,191

<i>(In millions)</i>	Predecessor			
	DAC	DSI	VOBA	Total
Balance at December 31, 2020	\$ 3,236	\$ 857	\$ 813	\$ 4,906
Additions	471	186	—	657
Amortization	(408)	(138)	(122)	(668)
Impact of unrealized investment (gains) losses	120	35	60	215
Balance at September 30, 2021	\$ 3,419	\$ 940	\$ 751	\$ 5,110

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

<i>(In millions)</i>	Expected Amortization
2022 ¹	\$ 117
2023	442
2024	405
2025	373
2026	339
2027	303

¹ Expected amortization for the remainder of 2022.

ATHENE HOLDING LTD.

Notes to Condensed Consolidated Financial Statements (Unaudited)

8. Debt

Liquidity Facility—In the third quarter of 2022, we entered into a revolving credit facility with Wells Fargo Bank, National Association, as administrative agent, which matures on June 30, 2023, subject to additional 364-day extensions (Liquidity Facility). The Liquidity Facility will be used for liquidity and working capital needs to meet short-term cash flow and investment timing differences. The borrowing capacity under the Liquidity Facility is \$2.5 billion, with potential increases up to \$3.0 billion. The Liquidity Facility contains various standard covenants with which we must comply, including the following:

4. ALRe Minimum Consolidated Net Worth (as defined in the Liquidity Facility) of no less than \$9.3 billion; and
5. Restrictions on our ability to incur debt and liens, in each case with certain exceptions.

Interest accrues on outstanding borrowings at either the secured overnight financing rate (Adjusted Term SOFR, as defined in the Liquidity Facility) plus a margin or a base rate plus a margin, with applicable margin varying based on ALRe's Financial Strength Rating (as defined in the Liquidity Facility).

As of September 30, 2022, there were no amounts outstanding under the Liquidity Facility.

9. Equity

Distributions to Parent—In the first quarter of 2022, we distributed our investment in AOG units to AGM. See *Note 11 – Related Parties* for further information on the investment in AOG units. The AOG distribution resulted in a reduction of additional paid-in capital of \$1,916 million and an increase in accumulated deficit of \$26 million. In connection with the AOG distribution to AGM, we also issued a stock dividend of 11.6 million shares to the Apollo Group shareholders other than AGM. Additionally, we recorded a reestablishment of the liabilities that were considered effectively settled upon merger of \$810 million, as these liabilities were settled during the first quarter of 2022 in the normal course of business as intercompany payables to AGM.

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

<i>(In millions)</i>	Successor						
	Unrealized investment gains (losses) on AFS securities without a credit allowance	Unrealized investment gains (losses) on AFS securities with a credit allowance	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 June 30, 2022	\$ (9,996)	\$ (138)	\$ 432	\$ (28)	\$ (57)	\$ (9,787)	
Other comprehensive income (loss) before reclassifications	(5,824)	(128)	218	(79)	41	(5,772)	
Less: Reclassification adjustments for gains (losses) realized ¹	(24)	—	1	1	—	(22)	
Less: Income tax expense (benefit)	(1,001)	(23)	45	(12)	—	(991)	
Less: Other comprehensive income (loss) attributable to noncontrolling interests	(713)	(5)	5	(91)	13	(791)	
Balance at September 30, 2022	\$ (14,082)	\$ (238)	\$ 599	\$ (5)	\$ (29)	\$ (13,755)	

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

ATHENE HOLDING LTD.

Notes to Condensed Consolidated Financial Statements (Unaudited)

	Predecessor						
<i>(In millions)</i>	Unrealized investment gains (losses) on AFS securities without a credit allowance	Unrealized investment gains (losses) on AFS securities with a credit allowance	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 June 30, 2021	\$ 4,423	\$ (36)	\$ (1,082)	\$ 23	\$ 9	\$ 3,337	
Other comprehensive income (loss) before reclassifications ¹	(783)	41	98	179	(6)	(471)	
Less: Reclassification adjustments for gains (losses) realized in net income ^{1,2}	56	(2)	(14)	(21)	—	19	
Less: Income tax expense (benefit)	(161)	8	23	42	—	(88)	
Less: Other comprehensive income (loss) attributable to noncontrolling interests	(96)	—	—	20	—	(76)	
Balance at September 30, 2021	\$ 3,841	\$ (1)	\$ (993)	\$ 161	\$ 3	\$ 3,011	

¹ Previously reported amounts have been revised to correct a misstatement, which was not material, in the classification of activity between other comprehensive income (loss) before reclassifications and reclassification adjustments for gains (losses) realized.

² Recognized in investment related gains (losses) on the condensed consolidated statements of income (loss).

	Successor						
<i>(In millions)</i>	Unrealized investment gains (losses) on AFS securities without a credit allowance	Unrealized investment gains (losses) on AFS securities with a credit allowance	DAC, DSI 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 January 1, 2022	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	
Other comprehensive income (loss) before reclassifications	(20,037)	(319)	768	(112)	(13)	(19,713)	
Less: Reclassification adjustments for gains (losses) realized in net income ¹	(178)	—	4	16	—	(158)	
Less: Income tax expense (benefit)	(3,526)	(57)	160	(21)	—	(3,444)	
Less: Other comprehensive income (loss) attributable to noncontrolling interests	(2,251)	(24)	5	(102)	16	(2,356)	
Balance at September 30, 2022	\$ (14,082)	\$ (238)	\$ 599	\$ (5)	\$ (29)	\$ (13,755)	

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

	Predecessor						
<i>(In millions)</i>	Unrealized investment gains (losses) on AFS securities without a credit allowance	Unrealized investment gains (losses) on AFS securities with a credit allowance	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	(1,913)	58	368	267	(5)	(1,225)	
Less: Reclassification adjustments for gains (losses) realized ^{1,2}	134	(5)	(33)	6	—	102	
Less: Income tax expense (benefit)	(393)	12	84	58	—	(239)	
Less: Other comprehensive income (loss) attributable to noncontrolling interests	(143)	(1)	—	16	—	(128)	
Balance at September 30, 2021	\$ 3,841	\$ (1)	\$ (993)	\$ 161	\$ 3	\$ 3,011	

¹ Previously reported amounts have been revised to correct a misstatement, which was not material, in the classification of activity between other comprehensive income (loss) before reclassifications and reclassification adjustments for gains (losses) realized.

² Recognized in investment related gains (losses) on the condensed consolidated statements of income (loss).

10. Income Taxes

ATHENE HOLDING LTD.

Notes to Condensed Consolidated Financial Statements (Unaudited)

On August 16, 2022, the US government enacted the Inflation Reduction Act of 2022 (IRA). The IRA contains a number of tax-related provisions including a 15% minimum corporate income tax on certain large corporations as well as an excise tax on stock repurchases. It is unclear how the IRA will be implemented by the US Department of the Treasury through regulation. We are still evaluating the impact of the IRA on our tax liability, which tax liability could also be affected by how the provisions of the IRA are implemented through such regulation. We will continue to evaluate the IRA's impact as further information becomes available.

11. Related Parties

Apollo

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

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

Under our fee agreement with Apollo, we pay Apollo a base management fee of (1) 0.225% per year on a monthly basis equal to the lesser of (A) \$103.4 billion, which represents the aggregate fair market value of substantially all of the assets in substantially all of the accounts of or relating to us (collectively, the Accounts) as of December 31, 2018 (Backbook Value), and (B) the aggregate book value of substantially all of the assets in the Accounts at the end of the respective month, plus (2) 0.15% per year of the amount, if any, by which the aggregate book value of substantially all of the assets in the Accounts at the end of the respective month exceeds the Backbook Value, subject to certain adjustments. Additionally, we pay a sub-allocation fee based on specified asset class tiers ranging from 0.065% to 0.70% of the book value of such assets, with the higher percentages in this range for asset classes that are designed to have more alpha generating abilities.

During the three months ended September 30, 2022 and 2021, we incurred management fees, inclusive of the base and sub-allocation fees, of \$195 million and \$146 million, respectively. During the nine months ended September 30, 2022 and 2021, we incurred management fees, inclusive of the base and sub-allocation fees, of \$563 million and \$430 million, respectively. Management fees are included within net investment income on the condensed consolidated statements of income (loss). As of September 30, 2022 and December 31, 2021, management fees payable were \$74 million and \$59 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.

Termination of ACRA investment management agreements (IMA) – Our bye-laws currently provide that, with respect to IMAs covering assets backing reserves and surplus in ACRA, whether from internal reinsurance, third-party reinsurance, or inorganic transactions, among us or any of our subsidiaries, on the one hand, and Apollo Insurance Solutions Group LP (ISG), on the other hand, we may not, and will not cause our subsidiaries to, terminate any such IMA with Apollo other than at specified termination dates and with relevant board approvals of independent directors and written notice.

Governance – We have a management investment and asset liability 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)**

Prior to our merger with AGM on January 1, 2022, a significant voting interest in the Company was held by shareholders who are members of the Apollo Group. James Belardi, our Chief Executive Officer, also serves as a member of the board of directors and an executive officer of AGM and as Chief Executive Officer of ISG, which is also a subsidiary of AGM. Mr. Belardi also owns a profit interest in ISG and in connection with such interest receives quarterly distributions equal to 3.35% of base management fees and 4.5% of subadvisory fees, as such fees are defined in our fee agreement with Apollo. Additionally, six of the sixteen members of our board of directors (including Mr. Belardi) are employees of or consultants to Apollo. 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 general partners, directors (other than independent directors of AGM), managers, 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

AAA Investment – In 2022, we contributed \$8,007 million of certain of our alternative investments to AAA in exchange for limited partnership interests in AAA. We consolidate AAA as a VIE. Apollo established AAA for the purpose of providing a single vehicle through which we and third-party investors can participate in a portfolio of alternative investments. Additionally, we believe AAA enhances Apollo's ability to increase alternative assets under management (AUM) by raising capital from third parties, which will allow Athene to achieve greater scale and diversification for alternatives. Third-party investors began to invest in AAA on July 1, 2022.

Athene Freedom – We contributed our limited partnership investment in Athene Freedom, for which an Apollo affiliate is the general partner, to AAA during the second quarter of 2022. Athene Freedom indirectly invests in both Wheels, Inc. (Wheels) and Donlen, LLC (Donlen). We own ABS and corporate debt securities issued by Wheels and Donlen of \$933 million and \$2,419 million as of September 30, 2022 and December 31, 2021, respectively, which are held as related party AFS securities on the condensed consolidated balance sheets. During the second quarter 2022, we received redemptions on Wheels securities of \$1,479 million.

MidCap Financial – We have various investments in MidCap Financial including profit participating notes, senior unsecured notes and redeemable preferred stock. During the second quarter of 2022, we contributed our profit participating notes to AAA. We previously held these investments as related party AFS or trading securities on the condensed consolidated balance sheets.

The following summarizes the predecessor investments in MidCap Financial:

<i>(In millions)</i>	Predecessor	
	December 31, 2021	
Profit participating notes	\$	635
Senior unsecured notes		158
Redeemable preferred stock		7
Total investment in MidCap Financial	\$	800

Additionally, we hold ABS and CLO securities issued by MidCap Financial affiliates of \$1,008 million and \$897 million as of September 30, 2022 and December 31, 2021, 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 September 30, 2022, we have not exercised our right of first refusal to reinsure liabilities ceded to Athora's insurance or reinsurance subsidiaries.

ATHENE HOLDING LTD.

Notes to Condensed Consolidated Financial Statements (Unaudited)

The following table summarizes our investments in Athora:

<i>(In millions)</i>	Successor	Predecessor
	September 30, 2022	December 31, 2021
Investment fund	\$ 789	\$ 743
Non-redeemable preferred equity securities	334	171
Total investment in Athora	\$ 1,123	\$ 914

Additionally, as of September 30, 2022 and December 31, 2021, we had \$54 million and \$63 million, respectively, of funding agreements outstanding to Athora. We also have commitments to make additional investments in Athora of \$809 million as of September 30, 2022.

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 \$232 million and \$219 million as of September 30, 2022 and December 31, 2021, 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 Apollo, Crestview Partners III Management, LLC and Reverence Capital Partners L.P., and is the parent of Venerable, which is the parent of VIAC.

We also have term loans receivable from Venerable due in 2033, which are included in related party other investments on the condensed consolidated balance sheets. The loans are held at fair value and were \$274 million as of September 30, 2022 and previously held at principal balance less allowances and were \$222 million as of December 31, 2021. While management views the overall transactions with Venerable as favorable to us, the stated interest rate of 6.257% on the initial term loan to Venerable represented 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 \$2.875 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. During the second quarter of 2022, we contributed the majority of our Strategic Partnership investments to AAA. As of September 30, 2022 and December 31, 2021, we had \$984 million and \$415 million, respectively, of investments under the Strategic Partnership and these investments are typically included as consolidated VIEs or related party investment funds on the condensed consolidated balance sheets.

PK AirFinance – We have investments in PK AirFinance (PK Air), 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 Air 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 a special purpose vehicle (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. We have purchased both senior and subordinated notes of PK Air, which are included in related party AFS or trading securities on the condensed consolidated balance sheets. During the first quarter of 2022, we contributed our investment in the subordinated notes to PK Air Holdings, LP (PK Air Holdings) and then contributed PK Air Holdings to AAA during the second quarter of 2022. The following summarizes our investments in PK Air notes:

<i>(In millions)</i>	Successor	Predecessor
	September 30, 2022	December 31, 2021
AFS or trading securities	\$ 1,104	\$ 1,401

We also have commitments to make additional investments in PK Air of \$1,028 million as of September 30, 2022.

Apollo/Athene Dedicated Investment Program (ADIP) – Our subsidiary, Athene Co-Invest Reinsurance Affiliate Holding Ltd. (together with its subsidiaries, ACRA) is partially owned by ADIP, a series of funds managed by Apollo. ALRe currently holds 36.55% of the economic interests in ACRA and all of ACRA's voting interests, with ADIP holding the remaining 63.45% of the economic interests. During the three months ended September 30, 2022 and 2021, we received capital contributions of \$336 million and \$328 million, respectively, from ADIP. During the nine months ended September 30, 2022 and 2021, we received capital contributions of \$1,047 million and \$648 million, respectively, from ADIP. Additionally, as of September 30, 2022 and December 31, 2021, we had \$181 million and \$81 million, respectively, of related party payables for contingent investment fees payable by ACRA to Apollo. ACRA is obligated to pay the contingent investment fees on behalf of ADIP and, as such, the balance is attributable to noncontrolling interest.

ATHENE HOLDING LTD.

Notes to Condensed Consolidated Financial Statements (Unaudited)

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. As of December 31, 2021, the investment in Apollo was \$2,112 million, which was included in related party investment funds on the condensed consolidated balance sheets. Subsequent to our merger with AGM, our investment in Apollo was distributed to AGM in the first quarter of 2022.

12. Commitments and Contingencies

Contingent Commitments—We had commitments to make investments, primarily capital contributions to investment funds, inclusive of related party commitments discussed previously and those of consolidated VIEs, of \$18,133 million as of September 30, 2022. 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 Federal Home Loan Bank of Des Moines (FHLB) and, through membership, we have issued funding agreements to the FHLB in exchange for cash advances. As of September 30, 2022 and December 31, 2021, we had \$3,746 million and \$2,751 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 September 30, 2022 and December 31, 2021, we had \$20,759 million and \$19,728 million, respectively, of board-authorized FABN funding agreements outstanding. We had \$13,253 million of board-authorized FABN capacity remaining as of September 30, 2022.

We also established a secured funding agreement backed repurchase agreement (FABR) program, in which a special-purpose, unaffiliated entity enters into repurchase agreements with a bank and the proceeds of the repurchase agreements are used by the special-purpose entity to purchase funding agreements from us. As of September 30, 2022 and December 31, 2021, we had \$2,000 million and \$1,000 million, respectively, 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>	Successor	Predecessor
	September 30, 2022	December 31, 2021
AFS securities	\$ 11,532	\$ 9,111
Trading securities	57	75
Equity securities	48	30
Mortgage loans	7,625	5,033
Investment funds	103	174
Derivative assets	84	96
Short-term investments	8	—
Other investments	170	130
Restricted cash	1,024	796
Total restricted assets	\$ 20,651	\$ 15,445

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 \$1,359 million as of September 30, 2022. These letters of credit were issued for our reinsurance program and expire between June 19, 2023 and May 22, 2024.

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 AAIA, purchased broad based variable COLI policies from American General Life Insurance Company (American General). 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 was 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 proceeded 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 were to have been deemed effective, the purported changes to the policies could have impaired AAIA's ability to access the value of guarantees associated with the policies. The parties engaged in discovery as well as discussions concerning whether the matter could be resolved without further litigation and, at the request of the parties, on August 11, 2021, the court entered an Amended Scheduling Order setting the trial date for June 2023. On December 27, 2021, the parties agreed in principle to a settlement, pursuant to which we will be able to surrender the policies at any time and receive proceeds within six months. During the year ended December 31, 2021, we recorded an impairment of the COLI asset of \$53 million, and an adjustment to deferred tax liabilities of \$47 million, to reflect the terms of the settlement.

Regulatory Matters – From 2015 to 2018, our US insurance subsidiaries 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.

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

Overview	62
Industry Trends and Competition	64
Key Operating and Non-GAAP Measures	68
Results of Operations	71
Investment Portfolio	77
Non-GAAP Measure Reconciliations	96
Liquidity and Capital Resources	100
Critical Accounting Estimates and Judgments	105

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) using the global scale and reach of Apollo's business to invest 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. Effective January 1, 2022, as a result of the closing of the merger involving us and Apollo, Apollo Global Management, Inc. (NYSE: APO) became the beneficial owner of 100% of our Class A common shares and controls all of the voting power to elect members to our board of directors.

We have established a significant base of earnings and, as of September 30, 2022, have an expected annual net investment spread, which measures our investment performance plus strategic capital management fees less the total cost of our liabilities, of 1–2% over the 8.5 year weighted-average life of our net reserve liabilities. The weighted-average life includes deferred annuities, pension group annuities, funding agreements, payout annuities and other products.

Our total assets have grown to \$236.7 billion as of September 30, 2022. For the nine months ended September 30, 2022 and the year ended December 31, 2021, we generated an annualized net investment spread of 1.59% and 1.94%, respectively.

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

	Successor		Predecessor	
	Three months ended September 30, 2022	Three months ended September 30, 2021	Nine months ended September 30, 2022	Nine months ended September 30, 2021
<i>(In millions)</i>				
Retail	\$ 6,132	\$ 2,372	\$ 12,745	\$ 5,878
Flow reinsurance	2,291	635	4,330	1,213
Funding agreements ¹	1,588	2,337	9,039	9,637
Pension group annuities	2,944	6,593	10,446	10,960
Gross organic inflows	12,955	11,937	36,560	27,688
Gross inorganic inflows	—	—	—	—
Total gross inflows	12,955	11,937	36,560	27,688
Gross outflows ²	(7,000)	(4,433)	(16,808)	(13,190)
Net flows	\$ 5,955	\$ 7,504	\$ 19,752	\$ 14,498
Inflows attributable to Athene	\$ 11,000	\$ 7,180	\$ 29,222	\$ 19,780
Inflows attributable to ACRA noncontrolling interest	1,955	4,757	7,338	7,908
Total gross inflows	\$ 12,955	\$ 11,937	\$ 36,560	\$ 27,688
Outflows attributable to Athene	\$ (5,803)	\$ (3,746)	\$ (13,937)	\$ (11,168)
Outflows attributable to ACRA noncontrolling interest	(1,197)	(687)	(2,871)	(2,022)
Total gross outflows ²	\$ (7,000)	\$ (4,433)	\$ (16,808)	\$ (13,190)

¹ 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. ² Gross outflows consist of full and partial policyholder withdrawals on deferred annuities, death benefits, pension group annuity benefit payments, payments on payout annuities and funding agreement repurchases and maturities.

Our organic channels, including retail, flow reinsurance and institutional products, provided gross inflows of \$36.6 billion and \$27.7 billion for the nine months ended September 30, 2022 and 2021, respectively, which were underwritten to attractive, above target returns. Gross organic inflows increased \$8.9 billion, or 32% from the prior year, reflecting the strength of our multi-channel distribution platform and our ability to quickly pivot into optimal and profitable channels as opportunities arise. Withdrawals on our deferred annuities, repurchases and maturities of our funding agreements, payments on payout annuities and pension group annuity payments (collectively, gross outflows), in the aggregate were \$16.8 billion and \$13.2 billion for the nine months ended September 30, 2022 and 2021, respectively. The increase in gross outflows was primarily driven by the repurchase and maturity of larger funding agreement issuances in 2022. Our funding agreement repurchases related to our first-ever targeted tender offer for two FABNs included in our FABN program. 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 pension group annuity 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.

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

Within our retail channel, we had fixed annuity sales of \$12.7 billion and \$5.9 billion for the nine months ended September 30, 2022 and 2021, respectively. The increase in our retail channel was driven by the strong performance of our indexed annuity and MYGA products across our bank, independent marketing organization (IMO) and broker-dealer channels, exhibiting strong sales execution as interest rates have risen in the current year, as well as our expansion into large financial institutions. We have maintained our disciplined approach to pricing, including with respect to targeted underwritten returns. We aim to continue to grow our retail channel by deepening our relationships with our approximately 54 IMOs, approximately 75,000 independent agents and our growing network of 16 banks and 125 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, recent product launches and the rising interest rate environment. 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 continue to focus 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 \$4.3 billion and \$1.2 billion for the nine months ended September 30, 2022 and 2021, respectively. The increase in our flow reinsurance channel from prior year was driven by strong volumes from existing partnerships as interest rates have risen in the current year as well as new partners added during 2022 and the second half of 2021. 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 \$19.5 billion and \$20.6 billion for the nine months ended September 30, 2022 and 2021, respectively. The decrease in our institutional channel was driven by lower funding agreement and pension group annuity inflows. We issued funding agreements in the aggregate principal amount of \$9.0 billion and \$9.6 billion for the nine months ended September 30, 2022 and 2021, respectively, including issuances in multiple currencies. The decrease in our funding agreement channel from prior year was driven by fewer issuances as spreads remained elevated across the industry. 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 \$4.3 billion, \$1.0 billion, \$1.4 billion and \$2.3 billion, respectively, for the nine months ended September 30, 2022 and issuances outstanding of \$20.8 billion, \$2.0 billion, \$3.7 billion and \$2.9 billion, respectively, as of September 30, 2022. During the nine months ended September 30, 2022, we closed nine pension group annuity transactions and issued annuity contracts in the aggregate principal amount of \$10.4 billion, compared to \$11.0 billion during the nine months ended September 30, 2021. Since entering the pension group annuity channel in 2017, we have closed 42 deals involving more than 440,000 plan participants resulting in the issuance or reinsurance of group annuities of \$40.6 billion to date. We expect to grow our institutional channel by continuing to engage in pension group annuity transactions and programmatic issuances of funding agreements.

Our inorganic channel has contributed significantly to our growth through both acquisitions and block reinsurance transactions. 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. We expect that our inorganic channel will continue to be an important source of profitable growth in the future.

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 September 30, 2022, we estimate that we have approximately \$5.8 billion in capital available to deploy, consisting of approximately \$2.7 billion in excess capital, \$2.9 billion in untapped debt capacity (assuming a peer average adjusted debt to capitalization ratio of 25%) and \$0.2 billion in available undrawn capital at ACRA, subject, in the case of debt capacity, to favorable market conditions and general availability.

In order to support our growth strategies and capital deployment opportunities, we established ACRA as a long-duration, on-demand capital vehicle. We own 36.55% of the economic interests in ACRA, with the remaining 63.45% of the economic interests being owned by ADIP, a series of funds managed by an affiliate of Apollo. ACRA participates 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 allows us the flexibility to simultaneously deploy capital across multiple accretive avenues, while maintaining a strong financial position.

Merger with Apollo

On January 1, 2022, we completed our merger with AGM and are now a direct wholly owned subsidiary of AGM. The total consideration for the transaction was \$13.1 billion. The consideration was calculated based on historical AGM's December 31, 2021 closing share price multiplied by the AGM common shares issued in the share exchange, as well as the fair value of stock-based compensation awards replaced, fair value of warrants converted to AGM common shares and other equity consideration, and effective settlement of pre-existing relationships and other consideration.

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

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

AAA Investment

On April 1, 2022, we contributed certain of our alternative investments to AAA in exchange for limited partnership interests in AAA. Apollo established AAA for the purpose of providing a single vehicle through which we and third-party investors can participate in a portfolio of alternative investments. Additionally, we believe AAA enhances Apollo's ability to increase alternative AUM by raising capital from third parties, which will allow Athene to achieve greater scale and diversification for alternatives. Third-party investors began to invest in AAA on July 1, 2022.

Industry Trends and Competition

Market Conditions

As a leading financial services company specializing in retirement services, we are affected by numerous factors, including the condition of global financial markets and the economy. Price fluctuations within equity, credit, commodity and foreign exchange markets, as well as interest rates, which may be volatile and mixed across geographies, can significantly impact the performance of our business including but not limited to the valuation of investments and related income we may recognize.

Adverse economic conditions may result from domestic and global economic and political developments, including plateauing or decreasing economic growth and business activity, civil unrest, geopolitical issues or military action, such as the heightened tensions between the US and China or the armed conflict between Ukraine and Russia, and the corresponding sanctions imposed by the US and other countries. New or evolving legal and regulatory requirements on business investment, hiring, migration, labor supply and global supply chains are also key drivers of economic conditions.

We carefully monitor economic and market conditions that could potentially give rise to global market volatility and affect our business operations, investment portfolio and derivatives, which includes global inflation.

US inflation remained heightened during the third quarter of 2022 with the US Federal Reserve continuing its interest rate hiking cycle as a result. The US Bureau of Labor Statistics reported that the annual US inflation rate increased 8.2% as of September 30, 2022, compared to 9.1% as of June 30, 2022, and core inflation is at the highest level since the 1980s. The increase in the US inflation rate continues to be driven by various factors, including the armed conflict between Ukraine and Russia, supply chain disruptions, persistent consumer demand, tight labor markets, a distorted supply/demand housing imbalance, and residential vacancy rates. As a result, the Federal Reserve increased interest rates by 75 basis points twice during the third quarter of 2022. Following the higher-than-expected inflation report in early October, the Federal Reserve once again raised interest rates by 75 basis points at its November meeting. The Federal Reserve's recent interest rate increases have been larger and faster-paced than in any cycle in recent history and thus drove interest rate volatility throughout the third quarter of 2022. Further, the increasing yield disparity globally drove the strength of the US dollar in the third quarter of 2022.

Equity markets ended the third quarter of 2022 lower as recession concerns grew, and credit markets faced similar underperformance. The Bureau of Economic Analysis reported real GDP increased at an annual rate of 2.6% in the third quarter of 2022. The price of crude oil depreciated by 24.8% during the third quarter, although up 5.7% from the start of 2022, as recession fears counteracted constrained supply and oil export disruptions due to the ongoing conflict between Ukraine and Russia. However, the US unemployment rate edged lower to 3.5% as of September 30, 2022, as reported by the US Bureau of Labor Statistics, and low unemployment poses an unusual situation for a recession. As of October 2022, the International Monetary Fund estimated the US will expand by 1.6% in 2022 and 1.0% in 2023.

Interest Rate Environment

Rates have already moved meaningfully higher than most predictions for 2022, and this trend continued in the third quarter. The ten-year US Treasury moved out of the 2.80%-3.20% range, reaching levels as high as 3.97% over the quarter. Given the Federal Reserve's continued focus on curbing inflation and recessionary concerns, it is difficult to predict rates in the near term, although they will likely be higher.

Our investment portfolio consists predominantly of fixed maturity investments. See – 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.

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, as we are currently experiencing, and which we expect would underperform in a declining rate environment. As of September 30, 2022, our net invested asset portfolio includes \$38.3 billion of floating rate investments, or 20% of our net invested assets, our net reserve liabilities include \$13.5 billion of floating rate liabilities at notional, or 7% of our net invested assets, translating to \$24.8 billion of net floating rate assets, or 13% of our net invested assets.

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

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 September 30, 2022, most of our products were deferred annuities with 20% of our FIAs at the minimum guarantees and 30% of our fixed rate annuities at the minimum crediting rates. As of September 30, 2022, minimum guarantees on all of our deferred annuities, including those with crediting rates already at their minimum guarantees, were, on average, greater than 130 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 group annuity 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 or institution. 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 2021 Annual Report, which includes a discussion regarding interest rate and other significant risks and our strategies for managing these risks.

Discontinuation of certain IBORs (including LIBOR)

On December 31, 2021, (1) most LIBOR settings (i.e., 24 out of 35, including 1-week and 2-month US Dollar (USD) LIBOR as well as all other non-USD LIBOR settings) ceased to be published and (2) a few of the most widely used GBP and JPY LIBOR settings (i.e., 1-, 3- and 6- month GBP and JPY LIBOR settings) were deemed permanently unrepresentative, but will continue to be published on a synthetic basis, for a limited time period for the purpose of all legacy contracts (except for cleared derivatives). The remaining USD LIBOR settings (i.e., 1-, 3-, 6- and 12-month USD LIBOR settings) will continue to be published, subject to limitations on use, and cease or become unrepresentative on June 30, 2023. Without the intervention of the UK Financial Conduct Authority using enhanced powers provided by the UK Government to compel continued panel bank contribution by the IBA, the LIBOR administrator, LIBOR will cease publication after June 30, 2023. Similar developments have occurred with respect to other IBORs.

As a result of the expected discontinuation of certain IBORs, including LIBOR, regulators and market participants in various jurisdictions have been working to identify alternative reference rates that are compliant with the International Organization of Securities Commission’s standards for transaction-based benchmarks. In the U.S., the Alternative Reference Rates Committee (ARRC), a group of market and official sector participants, identified the Secured Overnight Financing Rate (SOFR) as its recommended alternative benchmark rate. Other alternative reference rates have been recommended in other jurisdictions (e.g., in the United Kingdom, the alternative benchmark rate for GBP LIBOR is the Sterling Overnight Interbank Average Rate).

The discontinuation of IBORs could have a significant impact on the financial markets and represents a material uncertainty to our business. In particular, 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.

As of September 30, 2022, we had contracts tied to LIBOR in the notional amounts set forth in the table below:

<i>(In millions)</i>	Total Exposure	Extending Beyond June 30, 2023
Investments	\$ 31,775	\$ 29,456
Product Liabilities	10,079	5,499
Derivatives Hedging Product Liabilities	13,973	8,216
Other Derivatives	3,552	3,552
Other Contracts	1,113	1,113
Total notional of contracts tied to LIBOR	\$ 60,492	\$ 47,836

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

As of September 30, 2022, our investments tied to LIBOR were in the following asset classes:

<i>(In millions)</i>	Total Exposure	Extending Beyond June 30, 2023
Multi-lateral Arrangements		
Corporates	\$ 718	\$ 641
RMBS	2,797	2,763
CMBS	707	698
CLO	15,272	15,244
ABS	5,712	5,119
Bank Loans	1,245	1,186
Total Multi-lateral Arrangements	26,451	25,651
Bi-lateral Arrangements		
CML	5,204	3,685
RML	120	120
Total Bi-lateral Arrangements	5,324	3,805
Total investments tied to LIBOR	\$ 31,775	\$ 29,456

Of the total notional value of investment-related contracts tied to LIBOR extending beyond June 30, 2023, \$25.7 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 New York or US federal 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 \$3.8 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–Risks Relating to Our Business Operations–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 2021 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.

Product Liabilities and Associated Hedging Instruments

As of September 30, 2022, we had product liabilities with a notional value of approximately \$10.1 billion for which LIBOR is a component in the determination of interest credited, of which we expect \$5.5 billion 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.

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

As of September 30, 2022, we held derivatives with a notional value of approximately \$14.0 billion to hedge our exposure to these product liabilities, of which we expect \$8.2 billion to extend beyond June 30, 2023. Included within this category are \$4.2 billion of Eurodollar futures, of which we expect \$2.9 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 and certain other IBORs. 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. These agreements 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 are in the process of transitioning the benchmark yield curve in such models from LIBOR to SOFR 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, 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.

Competition

We operate in highly competitive markets. We face a variety of large and small industry participants, including diversified financial institutions, insurance and reinsurance companies and private equity firms. 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 \$87.3 billion for the six months ended June 30, 2022, a 31.1% increase from the same time period in 2021, as a rise in interest rates spurred continued growth in the US annuity market. In the total fixed annuity market, for the six months ended June 30, 2022 (the most recent period for which specific market share data is available), we were the fourth largest company based on sales of \$6.2 billion, translating to a 7.1% market share. For the six months ended June 30, 2021, our market share was 5.0% with sales of \$3.4 billion.

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

According to LIMRA, total fixed-indexed annuity market sales in the United States were \$36.0 billion for the six months ended June 30, 2022, a 20.0% increase from the same time period in 2021. For the six months ended June 30, 2022 (the most recent period for which specific market share data is available), we were the largest provider of FIAs based on sales of \$4.5 billion, and our market share for the same period was 12.6%. For the six months ended June 30, 2021, we were the largest provider of FIAs based on sales of \$3.3 billion, translating to a 10.9% market share.

According to LIMRA, total registered indexed linked annuity (RILA) market sales in the United States were \$20.4 billion for the six months ended June 30, 2022, a 7.2% increase from the same time period in 2021. For the six months ended June 30, 2022 (the most recent period for which specific market share data is available), we were the eleventh largest provider of RILAs based on sales of \$462 million, and our market share for the same period was 2.3%. For the six months ended June 30, 2021, we were the tenth largest provider of RILAs based on sales of \$181 million, translating to a 0.9% market share. We believe RILAs represent a significant growth opportunity for Athene.

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.

Spread Related Earnings (SRE)

Spread related earnings is a pre-tax non-GAAP measure used to evaluate our financial performance excluding market volatility and expenses related to integration, restructuring, stock compensation and other expenses. Our spread related earnings equals net income (loss) available to AHL common shareholder adjusted to eliminate the impact of the following:

- **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 mortgage loans, investments held under the fair value option and our investment in Apollo, 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. Investment gains and losses are net of offsets related to DAC and DSI 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.
- **Non-operating Change in Insurance Liabilities and Related Derivatives, Net of Offsets**
 - **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 and DSI 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.

- **Non-operating Change in Funding Agreements**—Consists of timing differences caused by changes to interest rates on variable funding agreements and funding agreement backed notes and the associated reserve accretion patterns of those contracts. Further included are adjustments for gains associated with the Company's Tender Offer for funding agreement backed notes.

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

- **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, including long-term incentive expenses, 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**—Consists of the income tax effect of all income statement adjustments, including our Apollo investment, and is computed by applying the appropriate jurisdiction's tax rate to all adjustments subject to income tax.

We consider these adjustments to be meaningful adjustments to net income (loss) available to AHL common shareholder 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 shareholder, we believe spread related earnings provides a meaningful financial metric that helps investors understand our underlying results and profitability. Spread related earnings should not be used as a substitute for net income (loss) available to AHL common shareholder.

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 changes in fair value of funds withheld and modco reinsurance assets as well as mortgage loan assets, net of DAC, DSI, rider reserve and tax offsets. Adjusted debt to capital ratio is calculated as total debt at notional value divided by adjusted capitalization. Adjusted capitalization includes our adjusted AHL common shareholder's equity, preferred stock and the notional value of our debt. Adjusted AHL common shareholder's equity is calculated as the ending AHL shareholders' equity excluding AOCI, the cumulative changes in fair value of funds withheld and modco reinsurance assets and mortgage loan assets as well as preferred stock. 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 changes in fair value of funds withheld and modco reinsurance assets as well as mortgage loan assets are useful in analyzing trends in our operating results. 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.

Net Investment Spread and Other Operating Expenses

Net investment spread is a key measure of profitability. Net investment spread measures our investment performance plus our strategic capital management fees from ACRA, less our total cost of funds. 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.

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, 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. 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 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) pension group annuity 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. 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, premiums, product charges and other revenues. Cost of funds is computed as the total liability costs divided by the average net invested assets, for the relevant period. To enhance the ability to analyze these measures across periods, interim periods are annualized. We believe a measure like cost of funds is useful in analyzing the trends of our

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

core business operations and profitability. While we believe cost of funds 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, and net investment spread 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 or total benefits and expenses presented under GAAP.

Other operating expenses excludes integration, restructuring and other non-operating expenses, stock compensation and long-term incentive plan expenses, interest expense and policy acquisition expenses. We believe a measure like other operating expenses is useful in analyzing the trends of our core business operations and profitability. While we believe other 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 represent the investments that directly back our net reserve liabilities as well as surplus assets. Net invested assets 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 sheet 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 and VOE 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 adjustment for the 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 for prior periods. Our net invested assets 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) interest sensitive contract liabilities, (b) future policy benefits, (c) long-term repurchase obligations, (d) dividends payable to policyholders and (e) 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 do 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.

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.

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

We completed our merger with AGM on January 1, 2022 and have elected pushdown accounting in which we used AGM's basis of accounting that reflects the fair market value of our assets and liabilities as of the date of the merger. The resulting change in the value of our assets and liabilities limits the comparability of our financial results for the Predecessor and Successor periods.

The following summarizes the consolidated results of operations for two periods, Predecessor and Successor, which relate to the period preceding and period succeeding our merger with AGM, respectively.

<i>(In millions)</i>	Successor	Predecessor	Successor	Predecessor
	Three months ended September 30, 2022	Three months ended September 30, 2021	Nine months ended September 30, 2022	Nine months ended September 30, 2021
Revenues	\$ 2,309	\$ 8,724	\$ 3,835	\$ 19,538
Benefits and expenses	3,896	8,004	11,871	16,689
Income (loss) before income taxes	(1,587)	720	(8,036)	2,849
Income tax expense (benefit)	(210)	(50)	(1,101)	196
Net income (loss)	(1,377)	770	(6,935)	2,653
Less: Net income (loss) attributable to noncontrolling interests	(476)	37	(2,431)	(111)
Net income (loss) attributable to Athene Holding Ltd.	(901)	733	(4,504)	2,764
Less: Preferred stock dividends	35	35	105	106
Net income (loss) available to AHL common shareholder	\$ (936)	\$ 698	\$ (4,609)	\$ 2,658

Three Months Ended September 30, 2022 Compared to the Three Months Ended September 30, 2021

In this section, references to 2022 refer to the three months ended September 30, 2022 and references to 2021 refer to the three months ended September 30, 2021.

Net Income (Loss) Available to AHL Common Shareholder

Net income (loss) available to AHL common shareholder decreased by \$1.6 billion, or 234%, to \$(936) million in 2022 from \$698 million in 2021. The decrease in net income (loss) available to AHL common shareholder was driven by a \$6.4 billion decrease in revenues, partially offset by a \$4.1 billion decrease in benefits and expenses, a \$513 million decrease in noncontrolling interests and a \$160 million decrease in income tax expense.

Revenues

Revenues decreased by \$6.4 billion to \$2.3 billion in 2022 from \$8.7 billion in 2021. The decrease was driven by a decrease in premiums and a decrease in investment related gains and (losses), partially offset by an increase in net investment income and an increase in VIE investment related gains and losses.

Premiums decreased by \$3.6 billion to \$3.0 billion in 2022 from \$6.7 billion in 2021, driven by lower pension group annuity premiums compared to the prior year.

Investment related gains and (losses) decreased by \$3.2 billion to \$(2.8) billion in 2022 from \$385 million in 2021, primarily due to the changes in the fair value of reinsurance assets, mortgage loans, FIA hedging derivatives, trading and equity securities and realized losses on AFS securities, partially offset by foreign exchange gains on derivatives. The change in fair value of reinsurance assets decreased \$2.0 billion primarily driven by the change in the value of the underlying assets mainly related to a larger increase in US Treasury rates and credit spread widening in the current year. The \$1.2 billion unfavorable change in mortgage loans was primarily due to an increase in US Treasury rates and credit spread widening in the current year as well as unfavorable foreign exchange impacts. Additionally, at the beginning of the year, and in conjunction with our merger with Apollo, we elected the fair value option on our mortgage loans, while in prior periods they were stated at unpaid principal, adjusted for any unamortized premium or discount, net of an allowance for credit losses. The change in fair value of FIA hedging derivatives decreased \$436 million primarily driven by the unfavorable 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 decreased 5.3% in 2022, compared to an increase of 0.2% in 2021. The unfavorable changes in realized gains and losses on AFS securities of \$702 million and fair value of trading and equity securities of \$164 million were primarily due to a larger increase in US Treasury rates and credit spread widening in the current year as well as unfavorable economics, including foreign exchange impacts. The increase in foreign exchange gains on derivatives reflects additional assets denominated in foreign currencies and the strengthening of the US dollar in the current quarter.

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

Net investment income increased by \$371 million to \$1.8 billion in 2022 from \$1.5 billion in 2021, primarily driven by growth in our investment portfolio attributed to strong inflows during the previous twelve months and higher floating rate income related to higher short-term interest rates. These increases were partially offset by a decrease in alternative income as a significant portion of our alternative investments were transferred to AAA, a consolidated VIE, as well as lower bond call income and lower RMBS returns. As a result of purchase accounting, the book value of our investment portfolio was marked up to fair value resulting in an adverse impact to our net investment income.

VIE investment related gains and losses increased by \$78 million to \$79 million in 2022 from \$1 million in 2021, primarily driven by an increase in consolidated VIEs following our merger with Apollo as well as unrealized gains on assets transferred to AAA.

Benefits and Expenses

Benefits and expenses decreased by \$4.1 billion to \$3.9 billion in 2022 from \$8.0 billion in 2021. The decrease was driven by a decrease in future policy and other policy benefits, a decrease in interest sensitive contract benefits and a decrease in DAC, DSI and VOBA amortization, partially offset by an increase in policy and other operating expenses. Our annual unlocking of assumptions resulted in a decrease in benefits and expenses of \$41 million driven by a decrease of FIA embedded derivative liabilities.

Future policy and other policy benefits decreased by \$3.7 billion to \$3.3 billion in 2022 from \$7.0 billion in 2021, primarily attributable to lower pension group annuity obligations, a decrease in the change in rider reserves and higher negative VOBA amortization resulting from purchase accounting. The favorable change in rider reserves of \$114 million was primarily driven by the unfavorable change in reinsurance assets.

Interest sensitive contract benefits decreased by \$483 million to \$89 million in 2022 from \$572 million in 2021 primarily driven by a decrease in the change in FIA fair value embedded derivatives of \$668 million and higher negative VOBA amortization resulting from purchase accounting, partially offset by growth in the block of business. As a result of purchase accounting, we marked our reserve liabilities to fair value resulting in a favorable impact to our interest sensitive contract benefits. 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 a decrease of 5.3% in 2022, compared to an increase of 0.2% in 2021, as well as a favorable change in discount rates and favorable unlocking, partially offset by unfavorable economics impacting policyholder projected benefits. The FIA fair value embedded derivatives unlocking in 2022 was \$41 million favorable due to changes to projected interest crediting, partially offset by the impact of higher rates on future account values.

DAC, DSI and VOBA amortization decreased by \$43 million to \$125 million in 2022 from \$168 million in 2021, primarily due to the impacts from purchase accounting reflecting the removal of historical DAC and DSI, partially offset by the establishment of a new VOBA asset.

Policy and other operating expenses increased by \$138 million to \$388 million in 2022 from \$250 million in 2021, primarily driven by significant growth in the business, the amortization of newly established intangible assets as a result of the merger and interest expense related to the issuance of several new repurchase agreements.

Taxes

Income tax expense (benefit) decreased by \$160 million to \$(210) million in 2022 from \$(50) million in 2021. The income tax benefit for 2022 was calculated by applying the 21% US statutory rate to the loss of our US and foreign subsidiaries (net of noncontrolling interests), and was primarily driven by the unfavorable changes in fair value of reinsurance assets and mortgage loans. The income tax benefit for 2021 was driven by a favorable prior year out-of-period adjustment of \$116 million related to the correction of errors in taxable income by jurisdiction.

Our effective tax rate in the third quarter of 2022 was a benefit of 13% compared to a benefit of 7% in 2021. The effective tax rate in 2022 was due to the change in fair value of reinsurance assets and mortgage loans subject to tax. Our effective tax rate in 2021 was dependent upon the relationship of income or loss subject to tax compared to the consolidated income or loss before income taxes.

Noncontrolling Interests

Noncontrolling interests decreased by \$513 million to \$(476) million in 2022 from \$37 million in 2021, primarily due to the unfavorable change in fair value of reinsurance assets as a result of unrealized losses within reinsurance investment portfolios.

Nine Months Ended September 30, 2022 Compared to the Nine Months Ended September 30, 2021

In this section, references to 2022 refer to the nine months ended September 30, 2022 and references to 2021 refer to the nine months ended September 30, 2021.

Net Income (Loss) Available to AHL Common Shareholder

Net income (loss) available to AHL common shareholder decreased by \$7.3 billion, or 273%, to \$(4.6) billion in 2022 from \$2.7 billion in 2021. The decrease in net income (loss) available to AHL common shareholder was driven by a \$15.7 billion decrease in revenues, partially offset by a \$4.8 billion decrease in benefits and expenses, a \$2.3 billion decrease in noncontrolling interests and a \$1.3 billion decrease in income tax expense.

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

Revenues decreased by \$15.7 billion to \$3.8 billion in 2022 from \$19.5 billion in 2021. The decrease was driven by a decrease in investment related gains and losses and a decrease in premiums, partially offset by an increase in VIE investment related gains and losses and an increase in net investment income.

Investment related gains and losses decreased by \$15.4 billion to \$(12.8) billion in 2022 from \$2.6 billion in 2021, primarily due to the changes in fair value of reinsurance assets, FIA hedging derivatives, mortgage loans, trading and equity securities, realized losses on AFS securities and an increase in the provision for credit losses, partially offset by foreign exchange gains on derivatives. The change in fair value of reinsurance assets decreased \$7.5 billion primarily driven by the change in the value of the underlying assets mainly related to credit spread widening compared to credit spread tightening in the prior year and a larger increase in US Treasury rates in the current year. The change in fair value of FIA hedging derivatives decreased \$4.4 billion primarily driven by the unfavorable 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 decreased 24.8% in 2022, compared to an increase of 14.7% in 2021. The \$3.1 billion unfavorable change in mortgage loans was primarily due to credit spread widening and an increase in US Treasury rates in the current year as well as unfavorable foreign exchange impacts. Additionally, at the beginning of the year, and in conjunction with our merger with Apollo, we elected the fair value option on our mortgage loans, while in prior periods they were stated at unpaid principal, adjusted for any unamortized premium or discount, net of an allowance for credit losses. The unfavorable changes in realized gains and losses on AFS securities of \$1.6 billion and fair value of trading and equity securities of \$797 million were primarily due to credit spread widening compared to credit spread tightening in the prior year, a larger increase in US Treasury rates in the current year and unfavorable economics, including foreign exchange impacts. The unfavorable change in the provision for credit losses of \$265 million was primarily driven by unfavorable economics, including impacts from the conflict between Russia and Ukraine and exposure to China's real estate market. The increase in foreign exchange gains on derivatives reflects additional assets denominated in foreign currencies and the strengthening of the US dollar during the year.

Premiums decreased by \$526 million to \$10.8 billion in 2022 from \$11.3 billion in 2021, driven by lower pension group annuity premiums compared to the prior year.

Net investment income increased by \$94 million to \$5.3 billion in 2022 from \$5.2 billion in 2021, primarily driven by growth in our investment portfolio attributed to strong inflows during the previous twelve months and higher floating rate income related to higher short-term interest rates. These increases were partially offset by less favorable alternative investment performance and the transfer of a significant portion of our alternative investments to AAA, a consolidated VIE, during the year as well as the favorable prior year change in fair value of our investment in Apollo of \$427 million, which was distributed to AGM following the merger, lower new money rates throughout 2021, higher investment management fees driven by the increase in our investment portfolio and lower bond call income. As a result of purchase accounting, the book value of our investment portfolio was marked up to fair value resulting in an adverse impact to our net investment income.

VIE investment related gains and losses increased by \$106 million to \$59 million in 2022 from \$(47) million in 2021, primarily driven by an increase in consolidated VIEs following our merger with Apollo as well as unrealized gains on assets transferred to AAA.

Benefits and Expenses

Benefits and expenses decreased by \$4.8 billion to \$11.9 billion in 2022 from \$16.7 billion in 2021. The decrease was driven by a decrease in interest sensitive contract benefits, a decrease in future policy and other policy benefits and a decrease in DAC, DSI and VOBA amortization, partially offset by an increase in policy and other operating expenses. Our annual unlocking of assumptions resulted in a decrease in benefits and expenses of \$41 million driven by a decrease in FIA embedded derivative liabilities.

Interest sensitive contract benefits decreased by \$3.5 billion to \$(573) million in 2022 from \$2.9 billion in 2021, primarily driven by a decrease in the change in FIA fair value embedded derivatives of \$4.0 billion and higher negative VOBA amortization resulting from purchase accounting, partially offset by growth in the block of business. As a result of purchase accounting, we marked our reserve liabilities to fair value resulting in a favorable impact to our interest sensitive contract benefits. 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 a decrease of 24.8% in 2022, compared to an increase of 14.7% in 2021, as well as a favorable change in discount rates and favorable unlocking, partially offset by unfavorable economics impacting policyholder projected benefits. The FIA fair value embedded derivatives unlocking in 2022 was \$41 million favorable due to changes to projected interest crediting, partially offset by the impact of higher rates on future account values.

Future policy and other policy benefits decreased by \$1.3 billion to \$11.0 billion in 2022 from \$12.3 billion in 2021, primarily attributable to a decrease in the change in rider reserves, lower pension group annuity obligations, a decrease in the change in the AmerUs Closed Block fair value liability and higher negative VOBA amortization resulting from purchase accounting. The favorable change in rider reserves of \$612 million was primarily driven by the unfavorable change in reinsurance assets and net FIA derivatives. The change in the AmerUs Closed Block fair value liability was primarily due to unrealized losses on the underlying investments reflecting credit spreads widening and a larger increase in US Treasury rates in the current year.

DAC, DSI and VOBA amortization decreased by \$293 million to \$375 million in 2022 from \$668 million in 2021, primarily due to the unfavorable change in net FIA derivatives as a result of the unfavorable equity market performance and impacts from purchase accounting reflecting the removal of historical DAC and DSI, partially offset by the establishment of a new VOBA asset.

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

Policy and other operating expenses increased by \$286 million to \$1.1 billion in 2022 from \$795 million in 2021, primarily driven by significant growth in the business, the amortization of newly established intangible assets as a result of the merger and interest expense related to the issuance of several new repurchase agreements, partially offset by the costs incurred in the prior year related to our merger with Apollo.

Taxes

Income tax expense (benefit) decreased by \$1.3 billion to \$(1.1) billion in 2022 from \$196 million in 2021. The income tax benefit for 2022 was calculated by applying the 21% US statutory rate to the loss of our US and foreign subsidiaries (net of noncontrolling interests), and was primarily driven by the unfavorable changes in fair value of reinsurance assets and mortgage loans. The income tax expense for 2021 was driven by a favorable change in net FIA derivatives and unrealized gains on our investment in Apollo, partially offset by a \$63 million out-of-period adjustment related to the correction of errors in taxable income by jurisdiction as well as an unfavorable change in fair value of reinsurance assets.

Our effective tax rate in 2022 was a benefit of 14% compared to an expense of 7% in 2021. The effective tax rate in 2022 was due to the change in fair value of reinsurance assets and mortgage loans subject to tax. Our effective tax rate in 2021 was dependent upon the relationship of income or loss subject to tax compared to the consolidated income or loss before income taxes.

Noncontrolling Interests

Noncontrolling interests decreased by \$2.3 billion to \$(2.4) billion in 2022 from \$(111) million in 2021, primarily due to the unfavorable change in fair value of reinsurance assets as a result of more unrealized losses within reinsurance investment portfolios.

Summary of Non-GAAP Earnings

The following summarizes our spread related earnings:

	Successor		Predecessor	
	Three months ended September 30, 2022	Three months ended September 30, 2021	Nine months ended September 30, 2022	Nine months ended September 30, 2021
<i>(In millions)</i>				
Fixed income and other investment income, net	\$ 1,471	\$ 1,340	\$ 3,980	\$ 4,021
Alternative investment income	250	334	884	1,377
Net investment earnings	1,721	1,674	4,864	5,398
Strategic capital management fees	14	11	39	28
Cost of funds	(966)	(985)	(2,678)	(2,920)
Net investment spread	769	700	2,225	2,506
Other operating expenses	(120)	(86)	(338)	(261)
Interest and other financing costs	(73)	(66)	(199)	(190)
Spread related earnings	\$ 576	\$ 548	\$ 1,688	\$ 2,055

Three Months Ended September 30, 2022 Compared to the Three Months Ended September 30, 2021

Spread Related Earnings

SRE increased by \$28 million, or 5%, to \$576 million in 2022 from \$548 million in 2021. The increase in SRE was driven by higher net investment earnings and lower cost of funds, partially offset by higher other operating expenses. Net investment earnings increased \$47 million primarily driven by \$30.4 billion of growth in our average net invested assets and higher floating rate income, partially offset by unfavorable purchase accounting adjustments, less favorable alternative investment performance compared to prior year, lower bond call income and lower RMBS returns. Cost of funds decreased \$19 million primarily driven by favorable purchase accounting adjustments, an adjustment to exclude the non-operating change in funding agreement reserves from SRE and favorable unlocking, partially offset by growth in the block, an increase in rates on recent funding agreement issuances and pension group annuity transactions, higher rates on existing floating rate funding agreements and higher rates on new deferred annuity business. Unlocking, net of noncontrolling interests, was favorable \$6 million primarily related to the impact of higher rates on future account values, partially offset by changes to projected interest crediting. Other operating expenses increased \$34 million mainly due to significant growth in the business.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations
Net Investment Spread

	Successor	Predecessor
	Three months ended September 30, 2022	Three months ended September 30, 2021
Fixed income and other investment earned rate	3.27 %	3.49 %
Alternative investment earned rate	8.26 %	16.28 %
Net investment earned rate	3.58 %	4.14 %
Strategic capital management fees	0.03 %	0.03 %
Cost of funds	2.01 %	2.44 %
Net investment spread	1.60 %	1.73 %

Net investment spread decreased 13 basis points to 1.60% in 2022 from 1.73% in 2021. Our net investment earned rate was 3.58% in 2022, a decrease from 4.14% in 2021, primarily due to less favorable performance in our alternative investment portfolio compared to prior year as well as lower returns in our fixed and other investment portfolio. Alternative net investment earned rate was 8.26% in 2022, a decrease from 16.28% in 2021, primarily driven by unfavorable economics and prior year outperformance, partially offset by strong returns on Foundation Home Loans. The prior year outperformance was mainly due to strong returns on real estate, natural resources and yield funds due to favorable economics. Fixed and other net investment earned rate was 3.27% in 2022, a decrease from 3.49% in 2021, primarily driven by unfavorable purchase accounting impacts, lower bond call income and lower RMBS returns, partially offset by favorable floating rate income.

Cost of funds decreased by 43 basis points to 2.01% in 2022, from 2.44% in 2021, primarily driven by favorable purchase accounting impacts, an adjustment to exclude the non-operating change in funding agreement reserves from SRE and unlocking, partially offset by higher cost of crediting rates on recent funding agreement issuances, pension group annuity transactions and deferred annuity products as well as higher rates on existing floating rate funding agreements.

Adjustments to Net Income (Loss) Available to Athene Holding Ltd. Common Shareholder

Adjustments to net income (loss) available to AHL common shareholder are comprised of investment gains (losses), net of offsets, non-operating change in insurance liabilities and related derivatives, net of offsets, integration, restructuring and other non-operating expenses and stock compensation expense. The decrease in adjustments to net income (loss) available to AHL common shareholder compared to 2021 was primarily driven by the decrease in investment related gains and losses, higher non-operating expenses and the unfavorable non-operating change in insurance liabilities and related derivatives, net of offsets. Investment related gains and losses, net of offsets, were unfavorable \$1.8 billion primarily due to the changes in fair value of reinsurance assets and mortgage loan assets as well as realized losses on the sale of AFS securities related to unfavorable economics in the current period. The unfavorable changes in fair value of reinsurance assets of \$1.0 billion and mortgage loans were primarily due to a larger increase in US Treasury rates as well as credit spread widening in the current year. Additionally, at the beginning of the year, and in conjunction with our merger with Apollo, we elected the fair value option on our mortgage loans, while in prior periods they were stated at unpaid principal, adjusted for any unamortized premium or discount, net of an allowance for credit losses. The increase in non-operating expenses of \$29 million was primarily due to the amortization of newly established intangible assets as a result of the merger. The non-operating change in insurance liabilities and related derivatives, net of offsets was unfavorable \$6 million due to an adjustment to exclude the non-operating change in funding agreement reserves from SRE, partially offset by the favorable net change in FIA derivatives. The change in net FIA derivatives was primarily due to the favorable change in discount rates and favorable unlocking, partially offset by unfavorable performance of the equity indices to which our FIA policies are linked, primarily the S&P 500 index, which experienced a decrease of 5.3% in 2022, compared to an increase of 0.2% in 2021. FIA embedded derivative unlocking, net of DAC, DSI, rider reserve and noncontrolling interest offsets, was favorable by \$37 million primarily due to changes to projected interest crediting, partially offset by the impact of higher rates on future account values.

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

Nine Months Ended September 30, 2022 Compared to the Nine Months Ended September 30, 2021

Spread Related Earnings

SRE decreased by \$367 million, or 18%, to \$1.7 billion in 2022 from \$2.1 billion in 2021. The decrease in SRE was driven by lower net investment earnings and higher other operating expenses, partially offset by lower cost of funds. Net investment earnings decreased \$534 million primarily driven by unfavorable purchase accounting adjustments, less favorable alternative investment performance compared to prior year, lower bond call income and lower RMBS returns, partially offset by \$30.1 billion of growth in our average net invested assets and higher floating rate income. Other operating expenses increased \$77 million mainly due to significant growth in the business. Cost of funds decreased \$242 million primarily driven by favorable purchase accounting adjustments, actuarial experience and unlocking, partially offset by growth in the block of business, higher rates on existing floating rate funding agreements, growth in the institutional block of business at higher crediting rates and an unfavorable change in market impacts. Unlocking, net of noncontrolling interests, was favorable \$6 million primarily related to the impact of higher rates on future account values, partially offset by changes to projected interest crediting.

Net Investment Spread

	Successor	Predecessor
	Nine months ended September 30, 2022	Nine months ended September 30, 2021
Fixed income and other investment earned rate	3.03 %	3.60 %
Alternative investment earned rate	10.30 %	23.56 %
Net investment earned rate	3.47 %	4.59 %
Strategic capital management fees	0.03 %	0.02 %
Cost of funds	1.91 %	2.48 %
Net investment spread	1.59 %	2.13 %

Net investment spread decreased 54 basis points to 1.59% in 2022 from 2.13% in 2021. Our net investment earned rate was 3.47% in 2022, a decrease from 4.59% in 2021, primarily due to less favorable performance in our alternative investment portfolio compared to prior year as well as lower returns in our fixed and other investment portfolio. Alternative net investment earned rate was 10.30% in 2022, a decrease from 23.56% in 2021, primarily driven by significant outperformance in the prior year, partially offset by strong returns on real estate and Athora in the current year. The prior year outperformance was mainly due to a higher return on AmeriHome Mortgage Company, LLC (AmeriHome) related to a valuation increase resulting from the eventual sale in the second quarter of 2021 and higher Venerable returns attributed to a valuation increase driven by a reinsurance agreement with Equitable Financial Life Insurance Company. Fixed and other net investment earned rate was 3.03% in 2022, a decrease from 3.60% in 2021, primarily driven by unfavorable purchase accounting impacts, lower new money rates throughout 2021, lower bond call income and lower RMBS returns, partially offset by favorable floating rate income.

Cost of funds decreased by 57 basis points to 1.91% in 2022, from 2.48% in 2021, primarily driven by favorable purchase accounting adjustments, actuarial experience and unlocking, partially offset by higher rates on existing floating rate funding agreements, growth in the institutional block of business at higher crediting rates and an unfavorable change in market impacts.

Adjustments to Net Income (Loss) Available to Athene Holding Ltd. Common Shareholder

The decrease in adjustments to net income (loss) available to AHL common shareholder compared to 2021 was primarily driven by the change in investment related gains and losses, non-operating change in insurance liabilities and related derivatives, net of offsets and higher non-operating expenses. Investment related gains and losses, net of offsets, were unfavorable \$7.3 billion primarily due to the changes in fair value of reinsurance assets and mortgage loan assets, the prior year favorable change in the fair value of our investment in Apollo of \$427 million, which was distributed to AGM following the merger, realized losses on the sale of AFS securities related to unfavorable economics in the current year and the change in the provision for credit losses. The unfavorable changes in fair value of reinsurance assets of \$4.0 billion and mortgage loans was primarily due to credit spread widening compared to credit spread tightening in the prior year and a larger increase in US Treasury rates in the current year. Additionally, at the beginning of the year, and in conjunction with our merger with Apollo, we elected the fair value option on our mortgage loans, while in prior periods they were stated at unpaid principal, adjusted for any unamortized premium or discount, net of an allowance for credit losses. The unfavorable change in the provision for credit losses of \$176 million (net of noncontrolling interests) was primarily driven by unfavorable economics, including impacts from the conflict between Russia and Ukraine and exposure to China’s real estate market. Non-operating change in insurance liabilities and related derivatives, net of offsets were unfavorable \$888 million primarily due to the unfavorable net FIA derivatives resulting from the unfavorable performance of the equity indices to which our FIA policies are linked, primarily the S&P 500 index, which experienced a decrease of 24.8% in 2022, compared to an increase of 14.7% in 2021, as well as unfavorable economics impacting the policyholder projected benefits, partially offset by the favorable change in discount rates and favorable unlocking. FIA embedded derivative unlocking, net of DAC, DSI, rider reserve and noncontrolling interest offsets, was favorable by \$37 million primarily due to changes to projected interest crediting, partially offset by the impact of higher rates on future account values. The increase in non-operating expenses of \$40 million was primarily due to the amortization of newly established intangible assets as a result of the merger, partially offset by the costs incurred in the prior year related to our merger with Apollo.

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

Investment Portfolio

We had consolidated investments, including related parties and VIEs, of \$200.4 billion and \$212.5 billion as of September 30, 2022 and December 31, 2021, 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% – 6% of our portfolio to alternative investments where we primarily focus on fixed income-like, cash flow-based investments.

Net investment income on the condensed consolidated statements of income (loss) included management fees under our investment management arrangements with Apollo. We incurred management fees, inclusive of base and sub-allocation fees, of \$195 million and \$146 million, respectively, during the three months ended September 30, 2022 and 2021, and \$563 million and \$430 million, respectively, during the nine months ended September 30, 2022, and 2021. The total amounts we incurred, directly and indirectly, from Apollo and its affiliates were \$275 million, and \$218 million, respectively, for the three months ended September 30, 2022 and 2021, and \$823 million and \$681 million, respectively, for the nine months ended September 30, 2022, and 2021. Such amounts include (1) fees associated with investment management agreements, which exclude sub-advisory fees paid to ISG for the benefit of third-party sub-advisors but include fees charged by Apollo to third-party cedants with respect to assets supporting obligations reinsured to us (such fees directly reduce the settlement payments that we receive from the third-party cedant and, as such, we, as beneficiaries of the services performed, indirectly pay such fees), (2) fees associated with fund investments (including those fund investments held by AAA), which include total management fees, carried interest (including unrealized but accrued carried interest fees) and other fees on Apollo-managed funds and our other alternative investments and (3) other fees resulting from shared services, advisory and other agreements with Apollo or its affiliates; net of 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 \$195.2 billion and \$175.3 billion as of September 30, 2022 and December 31, 2021, 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 including related parties and VIEs:

<i>(In millions, except percentages)</i>	Successor		Predecessor	
	September 30, 2022		December 31, 2021	
	Carrying Value	Percent of Total	Carrying Value	Percent of Total
AFS securities, at fair value	\$ 93,593	46.7 %	\$ 100,159	47.1 %
Trading securities, at fair value	1,590	0.8 %	2,056	1.0 %
Equity securities	1,607	0.8 %	1,170	0.5 %
Mortgage loans	25,145	12.5 %	20,748	9.8 %
Investment funds	29	— %	1,178	0.6 %
Policy loans	353	0.2 %	312	0.1 %
Funds withheld at interest	34,706	17.3 %	43,907	20.7 %
Derivative assets	4,065	2.0 %	4,387	2.1 %
Short-term investments	318	0.2 %	139	0.1 %
Other investments	682	0.3 %	1,473	0.7 %
Total investments	162,088	80.8 %	175,529	82.7 %
Investments in related parties				
AFS securities, at fair value	9,205	4.6 %	10,402	4.9 %
Trading securities, at fair value	905	0.5 %	1,781	0.8 %
Equity securities, at fair value	340	0.2 %	284	0.1 %
Mortgage loans	1,331	0.7 %	1,360	0.6 %
Investment funds	1,272	0.6 %	7,391	3.5 %
Funds withheld at interest	9,961	5.0 %	12,207	5.7 %
Other investments	274	0.1 %	222	0.1 %
Total related party investments	23,288	11.7 %	33,647	15.7 %
Total investments including related parties	185,376	92.5 %	209,176	98.4 %
Investments owned by consolidated VIEs				
Trading securities, at fair value	988	0.5 %	—	— %
Equity securities, at fair value	15	— %	—	— %
Mortgage loans	2,000	1.0 %	2,040	1.0 %
Investment funds, at fair value	11,885	5.9 %	1,297	0.6 %
Other investments, at fair value	152	0.1 %	—	— %
Total investments owned by consolidated VIEs	15,040	7.5 %	3,337	1.6 %
Total investments including related parties and VIEs	\$ 200,416	100.0 %	\$ 212,513	100.0 %

The decrease in our total investments, including related parties and VIEs, as of September 30, 2022 of \$12.1 billion compared to December 31, 2021 was primarily driven by unrealized losses on AFS securities in the nine months ended September 30, 2022 of \$20.4 billion, unrealized losses within our funds withheld portfolio, the distribution of our \$2.1 billion investment in Apollo to AGM following the merger and a decrease in the change in fair value of mortgage loan assets and trading securities primarily due to an increase in US Treasury rates and credit spread widening. This was partially offset by growth from gross organic inflows of \$36.6 billion in excess of gross liability outflows of \$16.8 billion as well as an increase in investments from the consolidation of additional VIEs in conjunction with our merger with Apollo.

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.

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

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 index annuity 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.

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 September 30, 2022, these investments totaled \$34.6 billion, or 14.6% 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 Wheels Donlen and MidCap Financial. 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 and investments in Apollo managed funds. 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:

	Successor		Predecessor	
	September 30, 2022		December 31, 2021	
	Carrying Value	Percent of Total Assets	Carrying Value	Percent of Total Assets
<i>(In millions, except percentages)</i>				
Venerable funds withheld reinsurance portfolio	\$ 9,961	4.2 %	\$ 12,207	5.2 %
Securitized assets of unaffiliated assets where Apollo is manager	11,014	4.7 %	9,495	4.0 %
Investments in Apollo funds	6,447	2.7 %	3,785	1.6 %
Strategic investments in Apollo direct origination platforms	4,801	2.0 %	5,704	2.4 %
Strategic investment in Apollo	—	— %	2,112	0.9 %
Strategic investments in insurance companies	2,329	1.0 %	1,626	0.7 %
Other	1	— %	17	— %
Total related party investments	\$ 34,553	14.6 %	\$ 34,946	14.8 %

As of September 30, 2022, a \$10.0 billion funds withheld reinsurance asset with Venerable was included in our GAAP related party assets. Venerable is a related party due to our minority equity investment in its holding company’s parent, VA Capital. For GAAP, each funds withheld and modified coinsurance reinsurance portfolio is treated as one asset rather than reporting the underlying investments in the portfolio. For our non-GAAP measure of net invested assets, we provide visibility into the underlying assets within these reinsurance portfolios. The below table looks through to the underlying assets within our reinsurance portfolios to determine the related party status. As of September 30, 2022, \$28.4 billion, or 14.6% of our total net invested assets were related party investments. Of these, approximately \$14.8 billion, or 7.6% of our net invested assets were structured securities for which Apollo or an affiliated direct origination platform was the manager of the underlying securitization vehicle, but the underlying collateral, borrower or other credit party is generally unaffiliated with us. Related party investments in strategic affiliated companies or Apollo funds represented \$13.6 billion, or 7.0% of our net invested assets.

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

A summary of our related party net invested assets reflecting the nature of the affiliation is as follows:

	Successor		Predecessor	
	September 30, 2022		December 31, 2021 ¹	
	Net Invested Asset Value	Percent of Net Invested Assets	Net Invested Asset Value	Percent of Net Invested Assets
<i>(In millions, except percentages)</i>				
Securitizations of unaffiliated assets where Apollo is manager	\$ 14,777	7.6 %	\$ 13,736	7.8 %
Investments in Apollo funds	6,446	3.3 %	3,802	2.2 %
Strategic investments in Apollo direct origination platforms	4,801	2.5 %	6,074	3.5 %
Strategic investment in Apollo	—	— %	2,112	1.2 %
Strategic investments in insurance companies	2,329	1.2 %	1,626	0.9 %
Other	1	— %	17	— %
Total related party investments	\$ 28,354	14.6 %	\$ 27,367	15.6 %

¹ Prior year related party net invested asset values have been revised.

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 and DSI 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).

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

	Successor					
	September 30, 2022					
	Amortized Cost	Allowance for Credit Losses	Unrealized Gains	Unrealized Losses	Fair Value	Percent of Total
<i>(In millions, except percentages)</i>						
AFS securities						
US government and agencies	\$ 3,229	\$ —	\$ —	\$ (731)	\$ 2,498	2.4 %
US state, municipal and political subdivisions	1,217	—	—	(297)	920	0.9 %
Foreign governments	1,208	(27)	2	(322)	861	0.8 %
Corporate	72,556	(66)	50	(15,632)	56,908	55.4 %
CLO	16,235	(5)	3	(2,087)	14,146	13.8 %
ABS	10,691	(13)	8	(814)	9,872	9.6 %
CMBS	3,462	(3)	—	(396)	3,063	3.0 %
RMBS	6,248	(321)	7	(609)	5,325	5.2 %
Total AFS securities	114,846	(435)	70	(20,888)	93,593	91.1 %
AFS securities – related party						
Corporate	1,076	—	3	(57)	1,022	1.0 %
CLO	3,047	(1)	—	(415)	2,631	2.5 %
ABS	5,825	—	1	(274)	5,552	5.4 %
Total AFS securities – related party	9,948	(1)	4	(746)	9,205	8.9 %
Total AFS securities including related party	\$ 124,794	\$ (436)	\$ 74	\$ (21,634)	\$ 102,798	100.0 %

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

<i>(In millions, except percentages)</i>	Predecessor					
	December 31, 2021					
	Amortized Cost	Allowance for Credit Losses	Unrealized Gains	Unrealized Losses	Fair Value	Percent of Total
AFS securities						
US government and agencies	\$ 231	\$ —	\$ 2	\$ (10)	\$ 223	0.2 %
US state, municipal and political subdivisions	1,081	—	134	(2)	1,213	1.1 %
Foreign governments	1,110	—	35	(17)	1,128	1.0 %
Corporate	62,817	—	4,060	(651)	66,226	59.9 %
CLO	13,793	—	44	(185)	13,652	12.4 %
ABS	8,890	(17)	151	(35)	8,989	8.1 %
CMBS	2,764	(3)	56	(59)	2,758	2.5 %
RMBS	5,772	(103)	326	(25)	5,970	5.4 %
Total AFS securities	<u>96,458</u>	<u>(123)</u>	<u>4,808</u>	<u>(984)</u>	<u>100,159</u>	<u>90.6 %</u>
AFS securities – related party						
Corporate	842	—	19	(2)	859	0.8 %
CLO	2,573	—	5	(29)	2,549	2.3 %
ABS	6,986	—	61	(53)	6,994	6.3 %
Total AFS securities – related party	<u>10,401</u>	<u>—</u>	<u>85</u>	<u>(84)</u>	<u>10,402</u>	<u>9.4 %</u>
Total AFS securities including related party	<u>\$ 106,859</u>	<u>\$ (123)</u>	<u>\$ 4,893</u>	<u>\$ (1,068)</u>	<u>\$ 110,561</u>	<u>100.0 %</u>

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

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)	Successor		Predecessor	
	September 30, 2022		December 31, 2021	
	Fair Value	Percent of Total	Fair Value	Percent of Total
Corporate				
Industrial other ¹	\$ 19,013	18.5 %	\$ 23,882	21.6 %
Financial	20,548	20.0 %	21,537	19.5 %
Utilities	11,877	11.6 %	14,290	12.9 %
Communication	2,913	2.8 %	3,492	3.2 %
Transportation	3,579	3.5 %	3,884	3.5 %
Total corporate	57,930	56.4 %	67,085	60.7 %
Other government-related securities				
US state, municipal and political subdivisions	920	0.9 %	1,213	1.1 %
Foreign governments	861	0.8 %	1,128	1.0 %
US government and agencies	2,498	2.4 %	223	0.2 %
Total non-structured securities	62,209	60.5 %	69,649	63.0 %
Structured securities				
CLO	16,777	16.3 %	16,201	14.7 %
ABS	15,424	15.0 %	15,983	14.4 %
CMBS	3,063	3.0 %	2,758	2.5 %
RMBS				
Agency	13	— %	23	— %
Non-agency	5,312	5.2 %	5,947	5.4 %
Total structured securities	40,589	39.5 %	40,912	37.0 %
Total AFS securities including related party	\$ 102,798	100.0 %	\$ 110,561	100.0 %

¹ 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 \$102.8 billion and \$110.6 billion as of September 30, 2022 and December 31, 2021, respectively. The decrease was mainly driven by unrealized losses on AFS securities in the nine months ended September 30, 2022 of \$20.4 billion attributed to an increase in US Treasury rates and credit spread widening, partially offset by growth from organic inflows in excess of liability outflows.

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	NRSRO equivalent rating
1 A-G	AAA/AA/A
2 A-C	BBB
3 A-C	BB
4 A-C	B
5 A-C	CCC
6	CC and lower

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

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>	Successor			Predecessor		
	September 30, 2022			December 31, 2021		
	Amortized Cost	Fair Value	Percent of Total	Amortized Cost	Fair Value	Percent of Total
NAIC designation						
1 A-G	\$ 62,408	\$ 52,035	50.6 %	\$ 49,639	\$ 51,514	46.6 %
2 A-C	56,832	46,096	44.8 %	51,587	53,398	48.3 %
Total investment grade	119,240	98,131	95.4 %	101,226	104,912	94.9 %
3 A-C	4,018	3,418	3.3 %	4,199	4,247	3.8 %
4 A-C	1,059	917	0.9 %	1,113	1,100	1.0 %
5 A-C	98	82	0.2 %	94	88	0.1 %
6	379	250	0.2 %	227	214	0.2 %
Total below investment grade	5,554	4,667	4.6 %	5,633	5,649	5.1 %
Total AFS securities including related party	\$ 124,794	\$ 102,798	100.0 %	\$ 106,859	\$ 110,561	100.0 %

A significant majority of our AFS portfolio, 95.4% and 94.9% as of September 30, 2022 and December 31, 2021, respectively, was invested in assets considered investment grade with an NAIC designation of 1 or 2.

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

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

	Successor		Predecessor	
	September 30, 2022		December 31, 2021	
	Fair Value	Percent of Total	Fair Value	Percent of Total
<i>(In millions, except percentages)</i>				
NRSRO rating agency designation				
AAA/AA/A	\$ 45,946	44.7 %	\$ 44,501	40.2 %
BBB	41,975	40.8 %	47,636	43.1 %
Non-rated ¹	8,369	8.1 %	10,754	9.7 %
Total investment grade	96,290	93.6 %	102,891	93.0 %
BB	3,116	3.0 %	3,713	3.4 %
B	722	0.7 %	946	0.9 %
CCC	1,085	1.1 %	1,356	1.2 %
CC and lower	619	0.6 %	755	0.7 %
Non-rated ¹	966	1.0 %	900	0.8 %
Total below investment grade	6,508	6.4 %	7,670	7.0 %
Total AFS securities including related party	\$ 102,798	100.0 %	\$ 110,561	100.0 %

¹ 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 LBaSS, 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 6.4% and 7.0% as of September 30, 2022 and December 31, 2021, respectively. The primary driver of the difference in the percentage of securities considered below investment grade by NRSRO 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 September 30, 2022 and December 31, 2021, non-rated securities were comprised of 72% and 73%, respectively, of corporate private placement securities for which we have not sought individual ratings from an NRSRO, and 18% and 17% for September 30, 2022 and December 31, 2021, 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 September 30, 2022 and December 31, 2021, 90% 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 \$15.4 billion and \$16.0 billion as of September 30, 2022 and December 31, 2021, respectively.

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

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

<i>(In millions, except percentages)</i>	Successor		Predecessor	
	September 30, 2022		December 31, 2021	
	Fair Value	Percent of Total	Fair Value	Percent of Total
NAIC designation				
1 A-G	\$ 8,826	57.2 %	\$ 8,089	50.6 %
2 A-C	5,907	38.3 %	7,047	44.1 %
Total investment grade	14,733	95.5 %	15,136	94.7 %
3 A-C	504	3.3 %	643	4.0 %
4 A-C	165	1.1 %	200	1.3 %
5 A-C	15	0.1 %	4	— %
6	7	— %	—	— %
Total below investment grade	691	4.5 %	847	5.3 %
Total AFS ABS including related party	\$ 15,424	100.0 %	\$ 15,983	100.0 %
NRSRO rating agency designation				
AAA/AA/A	\$ 8,820	57.2 %	\$ 7,892	49.4 %
BBB	5,859	38.0 %	6,975	43.5 %
Non-rated	47	0.3 %	232	1.5 %
Total investment grade	14,726	95.5 %	15,099	94.4 %
BB	511	3.3 %	680	4.3 %
B	165	1.1 %	200	1.3 %
CCC	15	0.1 %	4	— %
CC and lower	7	— %	—	— %
Non-rated	—	— %	—	— %
Total below investment grade	698	4.5 %	884	5.6 %
Total AFS ABS including related party	\$ 15,424	100.0 %	\$ 15,983	100.0 %

As of September 30, 2022 and December 31, 2021, a substantial majority of our AFS ABS portfolio, 95.5% and 94.7%, respectively, was invested in assets considered to be investment grade based upon application of the NAIC’s methodology and 95.5% and 94.4%, respectively, of securities were considered investment grade based on NRSRO ratings.

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

Collateralized Loan Obligations – We also invest in CLOs which pay principal and interest from cash flows received from underlying corporate loans. These holdings were \$16.8 billion and \$16.2 billion as of September 30, 2022 and December 31, 2021, respectively.

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

	Successor		Predecessor	
	September 30, 2022		December 31, 2021	
	Fair Value	Percent of Total	Fair Value	Percent of Total
<i>(In millions, except percentages)</i>				
NAIC designation				
1 A-G	\$ 10,522	62.7 %	\$ 9,957	61.5 %
2 A-C	6,125	36.5 %	6,096	37.6 %
Total investment grade	16,647	99.2 %	16,053	99.1 %
3 A-C	113	0.7 %	124	0.8 %
4 A-C	17	0.1 %	24	0.1 %
5 A-C	—	— %	—	— %
6	—	— %	—	— %
Total below investment grade	130	0.8 %	148	0.9 %
Total AFS CLO including related parties	\$ 16,777	100.0 %	\$ 16,201	100.0 %
NRSRO rating agency designation				
AAA/AA/A	\$ 10,403	62.0 %	\$ 9,943	61.4 %
BBB	6,121	36.5 %	6,101	37.6 %
Non-rated	123	0.7 %	—	— %
Total investment grade	16,647	99.2 %	16,044	99.0 %
BB	113	0.7 %	130	0.8 %
B	17	0.1 %	27	0.2 %
CCC	—	— %	—	— %
CC and lower	—	— %	—	— %
Non-rated	—	— %	—	— %
Total below investment grade	130	0.8 %	157	1.0 %
Total AFS CLO including related parties	\$ 16,777	100.0 %	\$ 16,201	100.0 %

As of September 30, 2022 and December 31, 2021, 99.2% and 99.1% respectively, of our AFS CLO portfolio was invested in assets considered to be investment grade based upon application of the NAIC’s methodology.

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 \$3.1 billion and \$2.8 billion as of September 30, 2022 and December 31, 2021, respectively. As of September 30, 2022 and December 31, 2021, our CMBS portfolio included \$2.5 billion (83% of the total) and \$2.0 billion (74% of the total), respectively, of securities that are considered investment grade based on NAIC designations, while \$2.4 billion (77% of the total) and \$2.1 billion (75% of the total), respectively, of securities were considered investment grade based on NRSRO ratings.

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

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 \$5.3 billion and \$6.0 billion as of September 30, 2022 and December 31, 2021, respectively.

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

<i>(In millions, except percentages)</i>	Successor		Predecessor	
	September 30, 2022		December 31, 2021	
	Fair Value	Percent of Total	Fair Value	Percent of Total
NAIC designation				
1 A-G	\$ 4,214	79.1 %	\$ 5,097	85.4 %
2 A-C	597	11.2 %	331	5.5 %
Total investment grade	4,811	90.3 %	5,428	90.9 %
3 A-C	236	4.4 %	327	5.5 %
4 A-C	236	4.4 %	172	2.9 %
5 A-C	30	0.7 %	29	0.5 %
6	12	0.2 %	14	0.2 %
Total below investment grade	514	9.7 %	542	9.1 %
Total AFS RMBS	\$ 5,325	100.0 %	\$ 5,970	100.0 %
NRSRO rating agency designation				
AAA/AA/A	\$ 1,166	21.9 %	\$ 1,110	18.6 %
BBB	665	12.5 %	522	8.7 %
Non-rated ¹	1,334	25.1 %	1,648	27.6 %
Total investment grade	3,165	59.5 %	3,280	54.9 %
BB	78	1.5 %	184	3.1 %
B	119	2.2 %	193	3.2 %
CCC	1,003	18.8 %	1,281	21.5 %
CC and lower	594	11.2 %	733	12.3 %
Non-rated ¹	366	6.8 %	299	5.0 %
Total below investment grade	2,160	40.5 %	2,690	45.1 %
Total AFS RMBS	\$ 5,325	100.0 %	\$ 5,970	100.0 %

¹ 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, 90.3% and 90.9% as of September 30, 2022 and December 31, 2021, 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 September 30, 2022 and December 31, 2021, NRSRO characterized 59.5% and 54.9%, 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 September 30, 2022, our AFS securities, including related parties, had a fair value of \$102.8 billion, which was 17.6% below amortized cost of \$124.8 billion. As of December 31, 2021, our AFS securities, including related parties, had a fair value of \$110.6 billion, which was 3.5% above amortized cost of \$106.9 billion. Our fair value of AFS securities as of September 30, 2022 was below amortized cost as the investment portfolio was marked to fair value on January 1, 2022 in conjunction with purchase accounting with subsequent losses driven by the increase in US Treasury rates and credit spread widening experienced in the current year.

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

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

Successor						
September 30, 2022						
<i>(In millions, except percentages)</i>	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
NAIC designation						
1 A-G	\$ 58,292	\$ (9,945)	\$ 48,347	82.9 %	\$ 52,035	(19.1)%
2 A-C	54,512	(10,655)	43,857	80.5 %	46,096	(23.1)%
Total investment grade	112,804	(20,600)	92,204	81.7 %	98,131	(21.0)%
3 A-C	3,632	(545)	3,087	85.0 %	3,418	(15.9)%
4 A-C	659	(89)	570	86.5 %	917	(9.7)%
5 A-C	78	(11)	67	85.9 %	82	(13.4)%
6	201	(38)	163	81.1 %	250	(15.2)%
Total below investment grade	4,570	(683)	3,887	85.1 %	4,667	(14.6)%
Total	\$ 117,374	\$ (21,283)	\$ 96,091	81.9 %	\$ 102,798	(20.7)%

Predecessor						
December 31, 2021						
<i>(In millions, except percentages)</i>	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
NAIC designation						
1 A-G	\$ 19,369	\$ (338)	\$ 19,031	98.3 %	\$ 51,514	(0.7)%
2 A-C	20,849	(475)	20,374	97.7 %	53,398	(0.9)%
Total investment grade	40,218	(813)	39,405	98.0 %	104,912	(0.8)%
3 A-C	1,494	(82)	1,412	94.5 %	4,247	(1.9)%
4 A-C	410	(26)	384	93.7 %	1,100	(2.4)%
5 A-C	41	(6)	35	85.4 %	88	(6.8)%
6	61	(14)	47	77.0 %	214	(6.5)%
Total below investment grade	2,006	(128)	1,878	93.6 %	5,649	(2.3)%
Total	\$ 42,224	\$ (941)	\$ 41,283	97.8 %	\$ 110,561	(0.9)%

The gross unrealized losses on AFS securities, including related party, were \$21.3 billion and \$941 million as of September 30, 2022 and December 31, 2021, respectively. The increase in unrealized losses on AFS securities was driven by the increase in US Treasury rates and credit spread widening experienced in the current year.

As of September 30, 2022 and December 31, 2021, we held \$6.0 billion and \$7.4 billion, respectively, in energy sector fixed maturity securities, or 6% and 7%, respectively, of the total fixed maturity securities, including related party. The gross unrealized capital losses on these securities were \$1.5 billion and \$35 million, or 7% and 4% of the total unrealized losses, respectively. The increase in unrealized losses on energy sector fixed maturity securities was primarily attributed to an increase in US Treasury rates and credit spread widening.

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 3 – Investments* to the condensed consolidated financial statements, as well as *Critical Accounting Estimates and Judgments* in this Item 2.

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

As of September 30, 2022 and December 31, 2021, we held an allowance for credit losses on AFS securities of \$436 million and \$123 million, respectively. During the nine months ended September 30, 2022, we recorded a change in provision for credit losses on AFS securities of \$125 million, of which \$149 million had an income statement impact and \$(24) million related to PCD securities and other changes. The increase in the allowance for credit losses on AFS securities was mainly due to unfavorable economics, including impacts from the conflict between Russia and Ukraine and exposure to China's real estate market. During the nine months ended September 30, 2021, we recorded a change in provision for credit losses on AFS securities of \$12 million of which \$15 million had an income statement impact and \$(3) million related to PCD securities and other changes. The intent-to-sell impairments for the nine months ended September 30, 2022 and 2021 were \$38 million and \$3 million, respectively.

International Exposure

A portion of our AFS securities are invested in securities with international exposure. As of September 30, 2022 and December 31, 2021, 35% 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 of issuance:

<i>(In millions, except percentages)</i>	Successor			Predecessor		
	September 30, 2022			December 31, 2021		
	Amortized Cost	Fair Value	Percent of Total	Amortized Cost	Fair Value	Percent of Total
Country						
Ireland	\$ 5,414	\$ 4,118	11.5 %	\$ 5,172	\$ 5,052	13.0 %
Other Europe	10,268	7,540	21.1 %	8,864	9,218	23.7 %
Total Europe	15,682	11,658	32.6 %	14,036	14,270	36.7 %
Non-US North America	19,462	17,359	48.6 %	17,218	17,387	44.8 %
Australia & New Zealand	2,847	2,340	6.6 %	2,441	2,557	6.6 %
Central & South America	1,706	1,378	3.9 %	1,347	1,346	3.5 %
Africa & Middle East	2,256	1,865	5.2 %	1,966	2,019	5.2 %
Asia/Pacific	1,541	1,124	3.1 %	1,256	1,262	3.2 %
Total	\$ 43,494	\$ 35,724	100.0 %	\$ 38,264	\$ 38,841	100.0 %

Approximately 97.1% and 96.7% of these securities are investment grade by NAIC designation as of September 30, 2022 and December 31, 2021. As of September 30, 2022, 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.

The majority of our investments in Ireland are comprised 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 September 30, 2022, we held Russian AFS securities of \$34 million, including related parties. 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 and VIEs, were \$3.5 billion and \$3.8 billion as of September 30, 2022 and December 31, 2021, respectively. 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, structured securities with embedded derivatives, investments which support various reinsurance arrangements and MidCap Financial profit participating notes prior to the contribution of the notes to AAA during the second quarter of 2022. The decrease in trading securities was primarily driven by the contribution of our MidCap Financial profit participating notes and PK AirFinance subordinated notes to AAA during the second quarter of 2022 as well as losses caused by an increase in US Treasury rates and credit spread widening, partially offset by the consolidation of additional VIEs.

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

Mortgage Loans

The following is a summary of our mortgage loan portfolio by collateral type, including assets held by related parties and consolidated VIEs:

<i>(In millions, except percentages)</i>	Successor		Predecessor	
	September 30, 2022		December 31, 2021	
	Fair Value	Percent of Total	Net Carrying Value	Percent of Total
Property type				
Office building	\$ 4,730	16.6 %	\$ 4,870	20.1 %
Retail	1,411	5.0 %	2,022	8.4 %
Apartment	5,935	20.8 %	4,626	19.2 %
Hotels	1,818	6.5 %	1,727	7.2 %
Industrial	1,726	6.1 %	2,336	9.7 %
Other commercial ¹	3,287	11.4 %	1,316	5.4 %
Total net commercial mortgage loans	18,907	66.4 %	16,897	70.0 %
Residential loans	9,569	33.6 %	7,251	30.0 %
Total mortgage loans, including related parties and VIEs	\$ 28,476	100.0 %	\$ 24,148	100.0 %

¹ 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, including related parties and consolidated VIEs, were \$28.5 billion and \$24.1 billion as of September 30, 2022 and December 31, 2021, respectively. This included \$1.6 billion and \$1.9 billion of mezzanine mortgage loans as of September 30, 2022 and December 31, 2021, 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.

In connection with the merger, we elected the fair value option on our mortgage loan portfolio; therefore, we no longer have an allowance for credit losses for commercial and residential loans. Interest income is accrued on the principal amount of the loan based on the loan’s contractual interest rate. Interest income and prepayment fees are reported in net investment income on the condensed consolidated statements of income (loss). Changes in the fair value of the mortgage loan portfolio are reported in investment related gains (losses) on the condensed consolidated statements of income (loss).

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 September 30, 2022 and December 31, 2021, we had \$463 million and \$990 million, respectively, of mortgage loans that were 90 days past due, of which \$109 million and \$54 million, respectively, were in the process of foreclosure. As of September 30, 2022 and December 31, 2021, \$257 million and \$856 million of mortgage loans that were 90 days past due were related to Government National Mortgage Association (GNMA) early buyouts that are fully or partially guaranteed and are accruing interest.

Investment Funds

Our investment funds investment strategy primarily focuses on funds with core holdings of strategic origination and insurance platforms and equity, hybrid, yield and other funds. 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.

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

The following table illustrates our investment funds, including related parties and consolidated VIEs:

	Successor		Predecessor	
	September 30, 2022		December 31, 2021 ¹	
	Carrying Value	Percent of Total	Carrying Value	Percent of Total
<i>(In millions, except percentages)</i>				
Investment funds				
Equity	\$ 5	— %	\$ 410	4.2 %
Hybrid	20	0.2 %	667	6.7 %
Yield	4	— %	99	1.0 %
Other	—	— %	2	— %
Total investment funds	29	0.2 %	1,178	11.9 %
Investment funds – related parties				
Strategic origination platforms	68	0.5 %	1,338	13.6 %
Strategic insurance platforms	1,048	8.0 %	1,440	14.6 %
Apollo and other fund investments				
Equity	135	1.0 %	1,199	12.1 %
Hybrid	—	— %	952	9.6 %
Yield	4	— %	305	3.1 %
Other ²	17	0.2 %	2,157	21.9 %
Total investment funds – related parties	1,272	9.7 %	7,391	74.9 %
Investment funds owned by consolidated VIEs				
Strategic origination platforms	4,524	34.3 %	264	2.7 %
Strategic insurance platforms	545	4.1 %	—	— %
Apollo and other fund investments				
Equity	2,568	19.5 %	229	2.3 %
Hybrid	3,183	24.1 %	56	0.6 %
Yield	985	7.5 %	748	7.6 %
Other	80	0.6 %	—	— %
Total investment funds owned by consolidated VIEs	11,885	90.1 %	1,297	13.2 %
Total investment funds, including related parties and VIEs	\$ 13,186	100.0 %	\$ 9,866	100.0 %

¹ Certain reclassifications have been made to conform with current year presentation.

² Includes our investment in Apollo held as of December 31, 2021.

Overall, the total investment funds, including related parties and consolidated VIEs, were \$13.2 billion and \$9.9 billion, respectively, as of September 30, 2022 and December 31, 2021. See Note 3 – 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 parties and consolidated VIEs, was primarily driven by the consolidation of additional VIEs in conjunction with our merger with Apollo, the deployment of organic inflows and the increase in valuation of several funds, partially offset by the distribution of our \$2.1 billion investment in Apollo to AGM following the merger.

Funds Withheld at Interest

Funds withheld at interest represent 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 September 30, 2022, 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).

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

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>	Successor		Predecessor	
	September 30, 2022		December 31, 2021	
	Carrying Value	Percent of Total	Carrying Value	Percent of Total
Fixed maturity securities				
US government and agencies	\$ —	— %	\$ 50	0.1 %
US state, municipal and political subdivisions	263	0.6 %	338	0.6 %
Foreign governments	386	0.9 %	553	1.0 %
Corporate	20,301	45.5 %	26,143	46.5 %
CLO	4,062	9.1 %	5,322	9.5 %
ABS	6,318	14.1 %	7,951	14.2 %
CMBS	1,225	2.7 %	1,661	3.0 %
RMBS	1,234	2.8 %	1,586	2.8 %
Equity securities	387	0.9 %	243	0.4 %
Mortgage loans	8,356	18.7 %	9,437	16.8 %
Investment funds	1,161	2.6 %	1,807	3.2 %
Derivative assets	197	0.4 %	208	0.4 %
Short-term investments	272	0.6 %	54	0.1 %
Cash and cash equivalents	960	2.1 %	1,049	1.9 %
Other assets and liabilities	(455)	(1.0)%	(288)	(0.5)%
Total funds withheld at interest including related parties	\$ 44,667	100.0 %	\$ 56,114	100.0 %

As of September 30, 2022 and December 31, 2021, we held \$44.7 billion and \$56.1 billion, respectively, of funds withheld at interest receivables, including related party. Approximately 93.8% and 93.5% of the fixed maturity securities within the funds withheld at interest are investment grade by NAIC designation as of September 30, 2022 and December 31, 2021, respectively. The decrease in funds withheld at interest, including related parties, was primarily driven by unrealized losses in the nine months ended September 30, 2022 attributed to an increase in US Treasury rates and credit spread widening as well as run-off of the underlying blocks of business.

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 4 – 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.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations
Net Invested Assets

The following summarizes our net invested assets:

(In millions, except percentages)	Successor		Predecessor	
	September 30, 2022		December 31, 2021	
	Net Invested Asset Value ¹	Percent of Total	Net Invested Asset Value ¹	Percent of Total
Corporate	\$ 81,912	42.0 %	\$ 75,163	42.9 %
CLO	19,249	9.9 %	17,892	10.2 %
Credit	101,161	51.9 %	93,055	53.1 %
CML	23,793	12.2 %	21,438	12.2 %
RML	9,818	5.0 %	7,116	4.1 %
RMBS	7,063	3.6 %	6,969	4.0 %
CMBS	3,859	2.0 %	3,440	2.0 %
Real estate	44,533	22.8 %	38,963	22.3 %
ABS	20,154	10.3 %	20,376	11.6 %
Alternative investments	12,335	6.3 %	9,873	5.6 %
State, municipal, political subdivisions and foreign government	2,723	1.4 %	2,505	1.4 %
Equity securities	1,823	0.9 %	754	0.4 %
Short-term investments	452	0.2 %	111	0.1 %
US government and agencies	2,649	1.4 %	212	0.1 %
Other investments	40,136	20.5 %	33,831	19.2 %
Cash and equivalents	7,161	3.7 %	6,086	3.5 %
Policy loans and other	2,166	1.1 %	1,296	0.7 %
Net invested assets excluding investment in Apollo	195,157	100.0 %	173,231	98.8 %
Investment in Apollo	—	— %	2,112	1.2 %
Net invested assets	\$ 195,157	100.0 %	\$ 175,343	100.0 %

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

Our net invested assets were \$195.2 billion and \$175.3 billion as of September 30, 2022 and December 31, 2021, respectively. Corporate securities included \$24.9 billion of private placements, which represented 12.8% of our net invested assets. The increase in net invested assets as of September 30, 2022 from December 31, 2021 was primarily driven by growth from net organic inflows of \$29.2 billion in excess of net liability outflows of \$13.9 billion, purchase accounting adjustments resulting in an increase in book value as our investment portfolio was marked up to fair value and an increase in valuation of several alternative investments, partially offset by the distribution of our \$2.1 billion investment in Apollo to AGM following the merger.

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 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.

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

Net Alternative Investments

The following summarizes our net alternative investments:

<i>(In millions, except percentages)</i>	Successor		Predecessor	
	September 30, 2022		December 31, 2021 ¹	
	Net Invested Asset Value	Percent of Total	Net Invested Asset Value	Percent of Total
Strategic origination platforms				
Wheels Donlen	\$ 713	5.8 %	\$ 590	6.0 %
Redding Ridge	680	5.5 %	217	2.2 %
NNN Lease	670	5.5 %	637	6.5 %
MidCap Financial	643	5.2 %	666	6.7 %
Foundation Home Loans	290	2.4 %	—	— %
PK AirFinance	286	2.3 %	316	3.2 %
Aqua Finance	262	2.1 %	—	— %
Other	281	2.3 %	99	1.0 %
Total strategic origination platforms	3,825	31.1 %	2,525	25.6 %
Strategic retirement services platforms				
Athora	912	7.4 %	743	7.5 %
Catalina	431	3.5 %	442	4.6 %
FWD	400	3.2 %	400	4.1 %
Challenger	246	2.0 %	232	2.3 %
Venerable	232	1.9 %	219	2.2 %
Other	77	0.6 %	133	1.3 %
Total strategic retirement services platforms	2,298	18.6 %	2,169	22.0 %
Apollo and other fund investments				
Equity				
Real estate	1,180	9.6 %	1,105	11.2 %
Traditional private equity	1,029	8.3 %	689	7.0 %
Other	192	1.5 %	309	3.1 %
Total equity	2,401	19.4 %	2,103	21.3 %
Hybrid				
Real estate	1,349	11.0 %	809	8.2 %
Other	1,456	11.8 %	1,282	13.0 %
Total hybrid	2,805	22.8 %	2,091	21.2 %
Yield	951	7.7 %	773	7.8 %
Total Apollo and other fund investments	6,157	49.9 %	4,967	50.3 %
Other	55	0.4 %	212	2.1 %
Net alternative investments	\$ 12,335	100.0 %	\$ 9,873	100.0 %

¹ Certain reclassifications have been made to conform with current year presentation.

Net alternative investments were \$12.3 billion and \$9.9 billion as of September 30, 2022 and December 31, 2021, respectively, representing 6.3% and 5.6% of our net invested assets portfolio as of September 30, 2022 and December 31, 2021, respectively. The increase in net alternative investments was primarily driven by deployment into alternative investments from growth in net organic inflows over liability outflows and an increase in valuation of several alternative investments.

Net alternative investments do not correspond to the total investment funds, including related parties and consolidated VIEs, 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. We include CLO and ABS equity tranche securities in alternative investments due to their underlying characteristics and equity-like features.

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

Through our relationship with Apollo, we have indirectly invested in companies that meet the key characteristics we look for in net alternative investments. Athora, our largest alternative investment, is a strategic investment.

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 \$912 million and \$743 million as of September 30, 2022 and December 31, 2021, 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 9.90% and 12.00% for the three months ended September 30, 2022 and 2021, respectively, and 17.38% and 10.29% for the nine months ended September 30, 2022 and 2021, respectively. Alternative investment income from Athora was \$22 million and \$22 million for the three months ended September 30, 2022 and 2021, respectively, and \$113 million and \$55 million for the nine months ended September 30, 2022 and 2021, respectively. The increase in alternative investment income for the nine months ended September 30, 2022 was driven by an increase in average NAV as well as strong performance of the fund in the current year.

Public Equity

We hold a public equity position in Jackson (ticker: JXN), previously held as a private equity investment, after Jackson's former parent company, Prudential plc, completed a dividend demerger transaction in September of 2021 which resulted in Jackson becoming a publicly traded company. Although the net invested asset value of this equity position is not significant, it has the ability to create volatility in our condensed consolidated statements of income (loss). As of September 30, 2022 and December 31, 2021, we held approximately 2.8 million and 3.4 million shares of Jackson, respectively, with a market value of \$77 million and \$133 million, net of the ACRA noncontrolling interest, respectively. Alternative investment income (loss) from Jackson was \$8 million and \$17 million for the three months ended September 30, 2022 and 2021, respectively, and \$(24) million and \$17 million for the nine months ended September 30, 2022 and 2021, respectively. The decrease in alternative investment income for the three months ended September 30, 2022 was driven by a less favorable increase in the Jackson share price in the current quarter as well as a lower share count compared to the prior year. The decrease in alternative investment income for the nine months ended September 30, 2022 was driven by the decrease in the Jackson share price in the current year. In the fourth quarter, we sold a portion of our remaining shares in Jackson, which decreased our number of shares held to approximately 2.0 million, net of the ACRA noncontrolling interest.

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

The reconciliation of net income (loss) available to AHL common shareholder to spread related earnings, is as follows:

<i>(In millions)</i>	Successor	Predecessor	Successor	Predecessor
	Three months ended September 30, 2022	Three months ended September 30, 2021	Nine months ended September 30, 2022	Nine months ended September 30, 2021
Net income (loss) available to Athene Holding Ltd. common shareholder	\$ (936)	\$ 698	\$ (4,609)	\$ 2,658
Preferred stock dividends	35	35	105	106
Net income (loss) attributable to noncontrolling interest	(476)	37	(2,431)	(111)
Net income (loss)	(1,377)	770	(6,935)	2,653
Income tax expense (benefit)	(210)	(50)	(1,101)	196
Income (loss) before income taxes	(1,587)	720	(8,036)	2,849
Realized gains (losses) on sale of AFS securities	(41)	73	(144)	149
Unrealized, allowances and other investment gains (losses) ¹	(672)	47	(2,746)	626
Change in fair value of reinsurance assets	(1,146)	(118)	(4,415)	(429)
Offsets to investment gains (losses)	122	13	425	28
Investment gains (losses), net of offsets	(1,737)	15	(6,880)	374
Non-operating change in insurance liabilities and related derivatives, net of offsets	64	70	(398)	490
Integration, restructuring and other non-operating expenses	(37)	(8)	(104)	(64)
Stock compensation expense ²	(15)	(8)	(40)	(27)
Preferred stock dividends	35	35	105	106
VIE and noncontrolling interests – pre-tax income (loss)	(473)	68	(2,407)	(85)
Total adjustments to income (loss) before income taxes	(2,163)	172	(9,724)	794
Spread related earnings	\$ 576	\$ 548	\$ 1,688	\$ 2,055

¹ Unrealized, allowances and other investment gains (losses) was updated to include the change in fair value of Apollo investment for prior periods. ² Stock compensation expense was updated to include our long-term incentive plan expense.

The reconciliation of total AHL shareholders' equity (deficit) to total adjusted AHL common shareholder's equity is as follows:

<i>(In millions)</i>	Successor	Predecessor
	September 30, 2022	December 31, 2021
Total AHL shareholders' equity (deficit)	\$ (1,346)	\$ 20,130
Less: Preferred stock	2,667	2,312
Total AHL common shareholder's equity (deficit)	(4,013)	17,818
Less: Accumulated other comprehensive income (loss)	(13,755)	2,430
Less: Accumulated change in fair value of reinsurance assets	(3,316)	585
Less: Accumulated change in fair value of mortgage loan assets	(1,990)	—
Total adjusted AHL common shareholder's equity	\$ 15,048	\$ 14,803

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

The reconciliation of debt to capital ratio to adjusted debt to capital ratio is as follows:

<i>(In millions, except percentages)</i>	Successor		Predecessor	
	September 30, 2022		December 31, 2021	
Total debt	\$	3,271	\$	2,964
Less: Adjustment to arrive at notional debt		271		(36)
Notional debt	\$	3,000	\$	3,000
Total debt	\$	3,271	\$	2,964
Total AHL shareholders’ equity (deficit)		(1,346)		20,130
Total Capitalization		1,925		23,094
Less: Accumulated other comprehensive income (loss)		(13,755)		2,430
Less: Accumulated change in fair value of reinsurance assets		(3,316)		585
Less: Accumulated change in fair value of mortgage loan assets		(1,990)		—
Less: Adjustment to arrive at notional debt		271		(36)
Total adjusted capitalization	\$	20,715	\$	20,115
Debt to capital ratio		169.9 %		12.8 %
Accumulated other comprehensive income (loss)		(111.3)%		1.6 %
Accumulated change in fair value of reinsurance assets		(26.9)%		0.4 %
Accumulated change in fair value of mortgage loan assets		(16.1)%		— %
Adjustment to arrive at notional debt		(1.1)%		0.1 %
Adjusted debt to capital ratio		14.5 %		14.9 %

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

<i>(In millions, except percentages)</i>	Successor		Predecessor		Successor		Predecessor					
	Three months ended September 30, 2022		Three months ended September 30, 2021		Nine months ended September 30, 2022		Nine months ended September 30, 2021					
	Dollar	Rate	Dollar	Rate	Dollar	Rate	Dollar	Rate				
GAAP net investment income	\$	1,843	3.83 %	\$	1,472	3.64 %	\$	5,252	3.75 %	\$	5,158	4.39 %
Change in fair value of reinsurance assets		11	0.02 %		379	0.94 %		281	0.20 %		1,133	0.96 %
VIE earnings and noncontrolling interest		219	0.46 %		15	0.04 %		389	0.28 %		73	0.06 %
Alternative gains (losses)		10	0.02 %		74	0.18 %		—	— %		125	0.11 %
ACRA noncontrolling interest		(407)	(0.85)%		(287)	(0.71)%		(1,059)	(0.76)%		(704)	(0.60)%
Apollo investment (gain) loss		—	— %		(13)	(0.03)%		(33)	(0.02)%		(460)	(0.39)%
Held for trading amortization and other		45	0.10 %		34	0.08 %		34	0.02 %		73	0.06 %
Total adjustments to arrive at net investment earnings/earned rate		(122)	(0.25)%		202	0.50 %		(388)	(0.28)%		240	0.20 %
Total net investment earnings/earned rate	\$	1,721	3.58 %	\$	1,674	4.14 %	\$	4,864	3.47 %	\$	5,398	4.59 %
Average net invested assets	\$	192,231		\$	161,789		\$	186,815		\$	156,716	

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

The reconciliation of GAAP benefits and expenses to cost of funds is as follows:

<i>(In millions, except percentages)</i>	Successor		Predecessor		Successor		Predecessor	
	Three months ended September 30, 2022		Three months ended September 30, 2021		Nine months ended September 30, 2022		Nine months ended September 30, 2021	
	Dollar	Rate	Dollar	Rate	Dollar	Rate	Dollar	Rate
GAAP benefits and expenses	\$ 3,896	8.11 %	\$ 8,004	19.79 %	\$ 11,871	8.47 %	\$ 16,689	14.20 %
Premiums	(3,045)	(6.34)%	(6,686)	(16.53)%	(10,769)	(7.69)%	(11,295)	(9.61)%
Product charges	(184)	(0.38)%	(154)	(0.38)%	(525)	(0.38)%	(461)	(0.39)%
Other revenues	26	0.06 %	(24)	(0.06)%	38	0.03 %	(58)	(0.05)%
FIA option costs	322	0.67 %	281	0.70 %	922	0.66 %	838	0.71 %
Reinsurance embedded derivative impacts	12	0.02 %	12	0.03 %	36	0.02 %	38	0.03 %
Non-operating change in insurance liabilities and embedded derivatives, net of offsets	198	0.41 %	(164)	(0.41)%	1,451	1.04 %	(1,912)	(1.62)%
DAC and DSI amortization related to investment gains and losses ¹	19	0.04 %	29	0.07 %	55	0.04 %	74	0.06 %
Rider reserves related to investment gains and losses	98	0.20 %	—	— %	363	0.26 %	1	— %
Policy and other operating expenses, excluding policy acquisition expenses	(294)	(0.61)%	(161)	(0.40)%	(801)	(0.57)%	(530)	(0.45)%
AmerUs closed block fair value liability	77	0.16 %	11	0.03 %	318	0.23 %	50	0.04 %
ACRA noncontrolling interest	(169)	(0.35)%	(145)	(0.36)%	(282)	(0.20)%	(494)	(0.42)%
Other	10	0.02 %	(18)	(0.04)%	1	— %	(20)	(0.02)%
Total adjustments to arrive at cost of funds	(2,930)	(6.10)%	(7,019)	(17.35)%	(9,193)	(6.56)%	(13,769)	(11.72)%
Total cost of funds	\$ 966	2.01 %	\$ 985	2.44 %	\$ 2,678	1.91 %	\$ 2,920	2.48 %
Average net invested assets	\$ 192,231		\$ 161,789		\$ 186,815		\$ 156,716	

¹ Periods prior to the merger include VOBA amortization related to investment gains and losses.

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

<i>(In millions)</i>	Successor	Predecessor	Successor	Predecessor
	Three months ended September 30, 2022	Three months ended September 30, 2021	Nine months ended September 30, 2022	Nine months ended September 30, 2021
GAAP policy and other operating expenses	\$ 388	\$ 250	\$ 1,081	\$ 795
Interest expense	(68)	(34)	(142)	(100)
Policy acquisition expenses, net of deferrals	(94)	(89)	(280)	(265)
Integration, restructuring and other non-operating expenses	(37)	(8)	(104)	(64)
Stock compensation expenses ¹	(15)	(8)	(40)	(27)
ACRA noncontrolling interest	(73)	(31)	(183)	(71)
Other changes in policy and other operating expenses	19	6	6	(7)
Total adjustments to arrive at other operating expenses	(268)	(164)	(743)	(534)
Other operating expenses	\$ 120	\$ 86	\$ 338	\$ 261

¹ Stock compensation expense was updated to include our long-term incentive plan expense.

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

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

<i>(In millions)</i>	Successor		Predecessor	
	September 30, 2022		December 31, 2021	
Total investments, including related parties	\$	185,376	\$	209,176
Derivative assets		(4,065)		(4,387)
Cash and cash equivalents (including restricted cash)		10,847		10,275
Accrued investment income		1,226		962
Payables for collateral on derivatives		(2,538)		(3,934)
Reinsurance funds withheld and modified coinsurance		7,156		(1,035)
VIE and VOE assets, liabilities and noncontrolling interest		13,105		2,958
Unrealized (gains) losses		25,098		(4,057)
Ceded policy loans		(180)		(169)
Net investment receivables (payables)		249		75
Allowance for credit losses		446		361
Total adjustments to arrive at gross invested assets		51,344		1,049
Gross invested assets		236,720		210,225
ACRA noncontrolling interest		(41,563)		(34,882)
Net invested assets	\$	195,157	\$	175,343

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

<i>(In millions)</i>	Successor		Predecessor	
	September 30, 2022		December 31, 2021	
Investment funds, including related parties and VIEs	\$	13,186	\$	9,866
Equity securities ¹		542		872
CLO and ABS equities included in trading securities ¹		293		1,418
Investment in Apollo		—		(2,112)
Investment funds within funds withheld at interest		1,161		1,807
Royalties and other assets included in other investments		16		50
Net assets of the VIE, excluding investment funds		(1,371)		(772)
Unrealized (gains) losses and other adjustments		128		14
ACRA noncontrolling interest		(1,921)		(1,270)
Other Assets		301		—
Total adjustments to arrive at alternative investments		(851)		7
Net alternative investments	\$	12,335	\$	9,873

¹ Prior period has been updated to reflect a reclassification between line items for comparability.

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

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

<i>(In millions)</i>	Successor		Predecessor	
	September 30, 2022		December 31, 2021	
Total liabilities	\$	238,566	\$	212,968
Debt		(3,271)		(2,964)
Derivative liabilities		(2,222)		(472)
Payables for collateral on derivatives and securities to repurchase		(4,149)		(6,446)
Other liabilities		(2,823)		(2,975)
Liabilities of consolidated VIEs		(1,401)		(461)
Reinsurance ceded receivables		(4,356)		(4,594)
Policy loans ceded		(180)		(169)
ACRA noncontrolling interest		(37,995)		(32,933)
Other		(9)		(3)
Total adjustments to arrive at net reserve liabilities		(56,406)		(51,017)
Net reserve liabilities	\$	182,160	\$	161,951

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 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 September 30, 2022 was \$87.0 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 September 30, 2022 was \$22.6 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, 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 facility, which was undrawn as of September 30, 2022 and had a remaining term of more than two years, subject to up to two one-year extensions. Additionally, during the third quarter of 2022, we entered into a revolving Liquidity Facility that has a current borrowing capacity of \$2.5 billion, which was undrawn as of September 30, 2022 and has a 364-day term, subject to additional 364-day extensions. The Liquidity Facility will be used for liquidity and working capital needs to meet short-term cash flow and investment timing differences. We also have access to \$2.0 billion of committed repurchase facilities. Our registration statement on Form S-3 ASR (Shelf Registration Statement) provides us access to the capital markets, subject to favorable 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.

Liquidity risk is monitored, managed and mitigated through 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, under various stress scenarios. We further seek to mitigate liquidity risk by maintaining access to alternative, external sources of liquidity as described below.

Our liquidity risk management framework is codified in the company’s Liquidity Risk Policy that is reviewed and approved by our board of directors.

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

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 pension group annuity obligations, policy acquisition costs and general operating costs.

Our policyholder obligations are generally long-term in nature. However, policyholders may elect to withdraw some, or all, of their account value during the surrender charge period of an annuity contract. We include provisions within our annuity policies, such as surrender charges and MVAs, which are intended to protect us from early withdrawals. As of September 30, 2022 and December 31, 2021, approximately 75% and 74%, respectively, of our deferred annuity liabilities were subject to penalty upon surrender. In addition, as of September 30, 2022 and December 31, 2021, approximately 53% and 54%, 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. Our funding agreements, group annuities and payout annuities are generally non-surrenderable which accounts for approximately 31% of our net reserve liabilities as of September 30, 2022.

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 September 30, 2022 and December 31, 2021, we had no 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 September 30, 2022 and December 31, 2021, we had funding agreements outstanding with the FHLB in the aggregate principal amount of \$3.7 billion and \$2.8 billion, respectively.

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 September 30, 2022, the total maximum borrowings under the FHLB facilities were limited to \$48.6 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 September 30, 2022 we had the ability to draw up to a total of approximately \$5.3 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.

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 September 30, 2022 and December 31, 2021, the payables for repurchase agreements were \$4.5 billion and \$3.1 billion, respectively, while the fair value of securities and collateral held by counterparties backing the repurchase agreements was \$4.6 billion and \$3.2 billion, respectively. As of September 30, 2022, payables for repurchase agreements were comprised of \$1.6 billion of short-term and \$2.9 billion of long-term repurchase agreements. As of December 31, 2021, payables for repurchase agreements were comprised of \$2.5 billion of short-term and \$598 million of long-term repurchase agreements.

We have 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 September 30, 2022, we had no outstanding payables under this facility.

We have 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 (1) such designated termination date, or (2) 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. As of September 30, 2022, we had no outstanding payables under this 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>	Successor	Predecessor
	Nine months ended September 30, 2022	Nine months ended September 30, 2021
Net income (loss)	\$ (6,935)	\$ 2,653
Non-cash revenues and expenses	13,012	4,608
Net cash provided by operating activities	6,077	7,261
Sales, maturities and repayments of investments	24,754	21,907
Purchases of investments	(47,977)	(41,803)
Other investing activities	885	447
Net cash used in investing activities	(22,338)	(19,449)
Inflows on investment-type policies and contracts	23,329	16,030
Withdrawals on investment-type policies and contracts	(7,903)	(5,272)
Other financing activities	1,689	1,501
Net cash provided by financing activities	17,115	12,259
Effect of exchange rate changes on cash and cash equivalents	(18)	(3)
Net increase in cash and cash equivalents ¹	\$ 836	\$ 68

¹ Includes cash and cash equivalents, restricted cash and cash and cash equivalents of consolidated variable interest entities.

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 \$6.1 billion and \$7.3 billion for the nine months ended September 30, 2022 and 2021, respectively. The decrease in cash provided by operating activities was primarily driven by lower cash received from pension group annuity transactions net of outflows.

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 \$22.3 billion and \$19.4 billion for the nine months ended September 30, 2022 and 2021, respectively. The increase in cash used in investing activities was primarily attributable to an increase in purchases of investments due to the deployment of significant cash inflows from organic growth compared to prior year, partially offset by an increase in sales, maturities and repayments of securities.

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, proceeds from the issuance of preferred stock 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 and payment of preferred and common stock dividends. Our financing activities provided cash flows totaling \$17.1 billion and \$12.3 billion for the nine months ended September 30, 2022 and 2021, respectively. The increase in cash provided by financing activities was primarily attributed to higher organic inflows from retail and flow reinsurance net of withdrawals and net capital contributions from noncontrolling interests, partially offset by the \$750 million dividend to Apollo declared in 2021, the payment of common stock dividends of \$563 million for the nine months ended September 30, 2022 and proceeds from the issuance of long-term debt in the prior year.

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

Material Cash Obligations

The following table summarizes estimated future cash obligations as of September 30, 2022:

<i>(In millions)</i>	Payments Due by Period				
	Total	2022	2023-2024	2025-2026	2027 and thereafter
Interest sensitive contract liabilities	\$ 166,894	\$ 4,131	\$ 40,546	\$ 34,262	\$ 87,955
Future policy benefits	54,709	446	4,135	4,057	46,071
Debt ¹	4,712	34	253	253	4,172
Securities to repurchase ²	4,946	1,448	422	1,269	1,807
Total	\$ 231,261	\$ 6,059	\$ 45,356	\$ 39,841	\$ 140,005

¹ The obligations for debt payments include contractual maturities of principal and estimated future interest payments based on the terms of the debt agreements.

² The obligations for securities for repurchase payments include contractual maturities of principal and estimated future interest payments based on the terms of the agreements. Future interest payments on floating rate repurchase agreements were calculated using the September 30, 2022 interest rate.

Holding Company Liquidity

Common Stock Dividends

We declared common stock cash dividends of \$750 million on December 31, 2021 with a record date and payment date following the completion of our merger with AGM. The dividend payable was included in related party other liabilities on the consolidated balance sheets as of December 31, 2021. The dividend was paid on January 4, 2022.

We declared common stock cash dividends of \$187.5 million on September 2, 2022, payable to the holder of AHL’s Class A common shares with a record date of September 28, 2022 and payment date of September 29, 2022. We have paid \$562.5 million in common stock dividends for the nine months ended September 30, 2022.

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 and common 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 their parents.

Dividends from subsidiaries are projected to be the primary source of AHL’s liquidity. Under the Bermuda Insurance Act, each of our Bermuda insurance subsidiaries is prohibited from paying a dividend in an amount exceeding 25% of the prior year’s statutory capital and surplus, unless at least two members of the board of directors of the Bermuda insurance subsidiary 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 the Bermuda insurance subsidiary to fail to meet its relevant margins. In certain instances, the Bermuda insurance subsidiary 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 the Bermuda insurance subsidiary meeting its relevant margins, the Bermuda insurance subsidiary 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.

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

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, Fitch and Moody’s, 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 facility, drawing on our undrawn \$2.5 billion revolving Liquidity Facility or by pursuing future issuances of debt or preference shares to third-party investors. Certain other sources of liquidity potentially available at the holding company level are discussed below. Our credit facility contains various standard covenants with which we must comply, including maintaining a Consolidated Debt to Capitalization Ratio (as such term is defined in the credit facility) of not greater than 35% at the end of any quarter, maintaining a minimum Consolidated Net Worth (as such term is defined in the credit facility) of no less than \$7.3 billion, and restrictions on our ability to incur debt and liens, in each case with certain exceptions. Our revolving Liquidity Facility also contains various standard covenants with which we must comply, including maintaining an ALRe minimum Consolidated Net Worth of no less than \$9.3 billion and restrictions on our ability to incur debt and liens, in each case with certain exceptions.

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 – The following summarizes our outstanding long-term senior notes (in millions, except percentages):

Issuance	Issue Date	Maturity Date	Interest Rate	Principal Balance
2028 Senior Unsecured Notes	January 12, 2018	2028	4.125%	\$1,000
2030 Senior Unsecured Notes	April 3, 2020	2030	6.150%	\$500
2031 Senior Unsecured Notes	October 8, 2020	2031	3.500%	\$500
2051 Senior Unsecured Notes	May 25, 2021	2051	3.950%	\$500
2052 Senior Unsecured Notes	December 13, 2021	2052	3.450%	\$500

See *Note 9 – Debt* to the consolidated financial statements in our 2021 Annual Report for further information on debt.

Preferred Stock – The following summarizes our perpetual non-cumulative preferred stock issuances (in millions, except share, per share data and percentages):

Issuance	Fixed/Floating	Rate	Issue Date	Optional Redemption Date ¹	Shares Issued	Par Value Per Share	Liquidation Value Per Share	Aggregate Net Proceeds
Series A	Fixed-to-Floating Rate	6.350%	June 10, 2019	June 30, 2029	34,500	\$1.00	\$25,000	\$839
Series B	Fixed-Rate	5.625%	September 19, 2019	September 30, 2024	13,800	\$1.00	\$25,000	\$333
Series C	Fixed-Rate Reset	6.375%	June 11, 2020	Variable ²	24,000	\$1.00	\$25,000	\$583
Series D	Fixed-Rate	4.875%	December 18, 2020	December 30, 2025	23,000	\$1.00	\$25,000	\$557

¹ We may redeem preferred stock anytime on or after the dates set forth in this column, subject to the terms of the applicable certificate of designations.

² We may redeem during a period from and including June 30 of each year in which there is a Reset Date to and including such Reset Date. Reset Date means September 30, 2025 and each date falling on the fifth anniversary of the preceding Reset Date.

See *Note 10 – Equity* to the consolidated financial statements in our 2021 Annual Report for further information on preferred stock.

Intercompany Note – AHL has an unsecured revolving note payable with ALRe, which permits AHL to borrow up to \$4.0 billion with a fixed interest rate of 2.29% and a maturity date of December 15, 2028. As of September 30, 2022 and December 31, 2021, the revolving note payable had an outstanding balance of \$1.1 billion and \$158 million, respectively.

Capital

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 both NAIC RBC and Bermuda capital requirements. Capital in excess of this required amount is considered excess equity capital, which is available to deploy.

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

As of December 31, 2021 and 2020, our US insurance companies' TAC, as defined by the NAIC, was \$3.0 billion and \$2.7 billion, respectively, and our US RBC ratio was 377% and 425%, respectively. The decrease was primarily driven by strong growth in our organic channels, a recent NAIC update to C-1 factors, higher unfunded commitments and the impairment of a COLI asset, partially offset by higher total adjusted capital largely from capital contributions. 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, 2021 and 2020, respectively.

Bermuda statutory capital and surplus for our Bermuda insurance companies in aggregate was \$14.6 billion and \$13.5 billion as of December 31, 2021 and 2020, respectively. Our Bermuda insurance companies adhere 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, assets are recorded at market value and 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. The Bermuda group's EBS capital and surplus was \$19.7 billion and \$17.2 billion, resulting in a BSCR ratio of 232% and 254% as of December 31, 2021 and 2020, respectively. The decrease was primarily driven by strong growth in our organic channels and the declared dividend. The Bermuda group's BSCR ratio includes the capital and surplus of ALRe, AARE, ALReI and all of their subsidiaries, including AUSA and its subsidiaries. An insurer must have a BSCR ratio of 100% or greater to be considered solvent by the BMA. As of December 31, 2021 and 2020, our Bermuda insurance companies held the appropriate capital to adhere to these regulatory standards. As of December 31, 2021 and 2020, our Bermuda RBC was 410% and 460%, respectively. The decrease was primarily driven by strong growth in our organic channels, a recent NAIC update to C-1 factors and the declared dividend. The Bermuda RBC ratio is calculated by applying the NAIC RBC factors to the statutory financial statements of our non-US 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 Bermuda RBC, but do reflect such interests within our capital analysis, net of risk charges.

ACRA – ACRA provides us with access to on-demand capital to support our growth strategies and capital deployment opportunities. ACRA provides a capital source to fund both our inorganic and organic channels, including pension group annuity, funding agreement and retail channels. This shareholder-friendly, strategic capital solution allows us the flexibility to simultaneously deploy capital across multiple accretive avenues, while maintaining a strong financial position.

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 2021 Annual Report. The following summary of our critical accounting estimates is intended to enhance one's ability to assess our financial condition and results of operations and the potential volatility due to changes in estimate. Other than as described in this Item 2, there have been no material changes to our critical accounting estimates and judgments from those previously disclosed in our 2021 Annual Report. The following updates and supplements the critical accounting estimates and judgments in our 2021 Annual Report.

Investments

We are responsible for the fair value measurement of certain investments presented in our condensed consolidated financial statements. We perform regular analysis and review of our valuation techniques, assumptions and inputs used in determining fair value to evaluate if the valuation approaches are appropriate and consistently applied, and the various assumptions are reasonable. We also perform quantitative and qualitative analysis and review of the information and prices received from commercial pricing services and broker-dealers, to verify it represents a reasonable estimate of the fair value of each investment. In addition, we use both internally-developed and commercially-available cash flow models to analyze the reasonableness of fair values using credit spreads and other market assumptions, where appropriate. For investment funds, we typically recognize our investment, including those for which we have elected the fair value option, based on net asset value information provided by the general partner or related asset manager. For a discussion of our investment funds for which we have elected the fair value option, see *Note 6 – Fair Value* to the condensed consolidated financial statements.

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

Valuation of Mortgage Loans

Effective January 1, 2022, we elected the fair value option on our mortgage loan portfolio. We use independent commercial pricing services to value our mortgage loans portfolio. Discounted cash flow analysis is performed through which the loans' contractual cash flows are modeled and an appropriate discount rate is determined to discount the cash flows to arrive at a present value. Financial factors, credit factors, collateral characteristics and current market conditions are all taken into consideration when performing the discounted cash flow analysis. We perform vendor due diligence exercises annually to review vendor processes, models and assumptions. Additionally, we review price movements on a quarterly basis to ensure reasonableness.

Future Policy Benefits

The future policy benefit liabilities associated with long duration contracts include term and whole-life products, accident and health, disability, and deferred and immediate annuities with life contingencies. Liabilities for non-participating long duration contracts are established using accepted actuarial valuation methods which require us to make certain assumptions regarding expenses, investment yields, mortality, morbidity, and persistency, with a provision for adverse deviation, at the date of issue or acquisition. As of September 30, 2022, the reserve investment yield assumptions for non-participating contracts range from 2.3% to 5.9% and are specific to our expected earned rate on the asset portfolio supporting the reserves. We base other key assumptions, such as mortality and morbidity, on industry standard data adjusted to align with actual company experience, if necessary. Premium deficiency tests are performed periodically using current assumptions, without provisions for adverse deviation, in order to test the appropriateness of the established reserves. If the reserves using current assumptions are greater than the existing reserves, the excess is recorded and the initial assumptions are revised.

Liabilities for Guaranteed Living Withdrawal Benefits and Guaranteed Minimum Death Benefits

We issue and reinsure deferred annuity contracts which contain GLWB and GMDB riders. We establish future policy benefits for GLWB and GMDB by estimating the expected value of withdrawal and death benefits in excess of the projected account balance. We recognize the excess proportionally over the accumulation period based on total actual and expected assessments. The methods we use to estimate the liabilities have assumptions about policyholder behavior, which includes lapses, withdrawals and utilization of the benefit riders; mortality; and market conditions affecting the account balance.

Projected policyholder lapse and withdrawal behavior assumptions are set in one of two ways. For certain blocks of business, this behavior is a function of our predictive analytics model which considers various observable inputs. For the remaining blocks of business, these assumptions are set at the product level by grouping individual policies sharing similar features and guarantees and reviewed periodically against experience. Base lapse rates consider the level of surrender charges and are dynamically adjusted based on the level of current interest rates relative to the guaranteed rates and the amount by which any rider guarantees are in a net positive position. Rider utilization assumptions consider the number and timing of policyholders electing the riders. We track and update this assumption as experience emerges. Mortality assumptions are set at the product level and generally based on standard industry tables, adjusted for historical experience and a provision for mortality improvement. Projected guaranteed benefit amounts in excess of the underlying account balances are considered over a range of scenarios in order to capture our exposure to the guaranteed withdrawal and death benefits.

The assessments used to accrue liabilities are based on interest margins, rider charges, surrender charges and realized gains (losses). As such, future reserve changes can be sensitive to changes in investment results and the impacts of shadow adjustments, which represent the impact of assuming unrealized gains (losses) are realized in future periods. As of September 30, 2022, the GLWB and GMDB liability balance, including the impacts of shadow adjustments, totaled \$5.1 billion. The relative sensitivity of the GLWB and GMDB liability balance from changes to these assumptions, including the impacts of shadow adjustments from hypothetical changes in projected assessments, changes in the discount rate and annual equity growth, has decreased following the business combination and pushdown accounting election described in *Note 2 – Business Combination*. Using factors consistent with those previously disclosed in our 2021 Annual Report, changes to the GLWB and GMDB liability balance from these hypothetical changes in assumptions are not significant.

Derivatives

Valuation of Embedded Derivatives on indexed annuities

We issue and reinsure products, primarily indexed annuity products, or purchase investments that contain embedded derivatives. If we determine the embedded derivative has economic characteristics not clearly and closely related to the economic characteristics of the host contract, and a separate instrument with the same terms would qualify as a derivative instrument, the embedded derivative is bifurcated from the host contract and accounted for separately, unless the fair value option is elected on the host contract.

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

Indexed annuities and indexed universal life insurance contracts allow the policyholder to elect a fixed interest rate return or an equity market component for which interest credited is based on the performance of certain equity market indices. The equity market option is an embedded derivative, similar to a call option. The benefit reserve is equal to the sum of the fair value of the embedded derivative and the host (or guaranteed) component of the contracts. The fair value of the embedded derivatives represents the present value of cash flows attributable to the indexed strategies. The embedded derivative cash flows are based on assumptions for future policy growth, which include assumptions for expected index credits on the next policy anniversary date, future equity option costs, volatility, interest rates, and policyholder behavior. The embedded derivative cash flows are discounted using a rate that reflects our own credit rating. The host contract is established at contract inception as the initial account value less the initial fair value of the embedded derivative and accreted over the policy's life. Contracts acquired through a business combination which contain an embedded derivative are re-bifurcated as of the acquisition date.

In general, the change in the fair value of the embedded derivatives will not directly correspond to the change in fair value of the hedging derivative assets. The derivatives are intended to hedge the index credits expected to be granted at the end of the current term. The options valued in the embedded derivatives represent the rights of the policyholder to receive index credits over the period indexed strategies are made available to the policyholder, which is typically longer than the current term of the options. From an economic basis we believe it is suitable to hedge with options that align with index terms of our indexed annuity products because policyholder accounts are credited with index performance at the end of each index term. However, because the value of an embedded derivative in an indexed annuity contract is longer-dated, there is a duration mismatch which may lead to differences in the recognition of income and expense for accounting purposes.

A significant assumption in determining policy liabilities for indexed annuities is the vector of rates used to discount indexed strategy cash flows. The change in risk free rates is expected to drive most of the movement in the discount rates between periods. Changes to credit spreads for a given credit rating as well as any change to our credit rating requiring a revised level of nonperformance risk would also be factors in the changes to the discount rate. If the discount rates used to discount the indexed strategy cash flows were to fluctuate, there would be a resulting change in reserves for indexed annuities recorded through the condensed consolidated statements of income (loss).

As of September 30, 2022, we had embedded derivative liabilities classified as Level 3 in the fair value hierarchy of \$5.0 billion. The increase (decrease) to the embedded derivatives on FIA products from hypothetical changes in discount rates is summarized as follows:

<i>(In millions)</i>	September 30, 2022	
+100 bps discount rate	\$	(248)
-100 bps discount rate		274

However, these estimated effects do not take into account potential changes in other variables, such as equity price levels and market volatility, which can also contribute significantly to changes in carrying values. Therefore, the quantitative impact presented in the table above does not necessarily correspond to the ultimate impact on the condensed consolidated financial statements. In determining the ranges, we have considered current market conditions, as well as the market level of discount rates that can reasonably be anticipated over the near-term. For additional information regarding sensitivities to interest rate risk and public equity risk, see *Item 3 Quantitative and Qualitative Disclosures About Market Risks*.

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

Costs related directly to the successful acquisition of new or renewal insurance or investment contracts are deferred to the extent they are recoverable from future premiums or gross profits. These costs consist of commissions and policy issuance costs, as well as sales inducements credited to policyholder account balances. We perform periodic tests, including at issuance, to determine if the deferred costs are recoverable. If it is determined that the deferred costs are not recoverable, we record a cumulative charge to the current period.

Deferred costs related to universal life-type policies and investment contracts with significant revenue streams from sources other than investment of the policyholder funds are amortized over the lives of the policies, based upon the proportion of the present value of actual and expected deferred costs to the present value of actual and expected gross profits to be earned over the life of the policies. Gross profits include investment spread margins, surrender charge income, policy administration, changes in the GLWB and GMDB reserves, and realized gains (losses) on investments. Current period gross profits for indexed annuities also include the change in fair value of both freestanding and embedded derivatives.

Our estimates of expected gross profits and margins are based on assumptions using accepted actuarial methods related to policyholder behavior, including lapses and the utilization of benefit riders, mortality, yields on investments supporting the liabilities, future interest credited amounts (including indexed related credited amounts on fixed indexed annuity products), and other policy changes as applicable, and the level of expenses necessary to maintain the policies over their expected lives. Each reporting period, we update estimated gross profits with actual gross profits as part of the amortization process. We also periodically revise the key assumptions used in the amortization calculation which results in revisions to the estimated future gross profits. The effects of changes in assumptions are recorded as unlocking in the period in which the changes are made.

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

We establish VOBA for blocks of insurance contracts acquired through the acquisition of insurance entities. The fair value of the liabilities purchased is determined using market participant assumptions at the time of acquisition and represents the amount an acquirer would expect to be compensated to assume the contracts. We record the fair value of the liabilities assumed in two components: reserves and VOBA. Reserves are established using our best estimate assumptions, plus a provision for adverse deviation where applicable, as of the business combination date. VOBA is the difference between the fair value of the liabilities and the reserves. VOBA can be either positive or negative. Any negative VOBA is recorded to the same financial statement line on the condensed consolidated balance sheets as the associated reserves. Positive VOBA is recorded in DAC, DSI and VOBA on the condensed consolidated balance sheets.

VOBA and negative VOBA are amortized in relation to applicable policyholder liabilities. Significant assumptions which impact VOBA and negative VOBA amortization are consistent with those which impact the measurement of policyholder liabilities.

Estimated future gross profits vary based on a number of factors but are typically most sensitive to changes in investment spread margins, which are the most significant component of gross profits. If estimated gross profits for all future years on business in force were to change, including the impacts of shadow adjustments, there would be a resulting increase or decrease to the balances of DAC and DSI recorded as an increase or decrease to amortization of DAC and DSI on the condensed consolidated statements of income (loss) or AOCI.

Actual gross profits will depend on actual margins, including the changes in the value of embedded derivatives. The most sensitive assumption in determining the value of the embedded derivative is the vector of rates used to discount the embedded derivative cash flows. If the discount rates used to discount the embedded derivative cash flows were to change, there would be a resulting increase or decrease to the balances of DAC and DSI recorded as an increase or decrease in amortization of DAC and DSI on the condensed consolidated statements of income (loss).

Following the business combination and application of pushdown accounting described in *Note 2 – Business Combination*, Predecessor DAC and DSI balances were eliminated. Successor DAC and DSI balances exhibit less sensitivity to hypothetical changes in estimated future gross profits and changes in the embedded derivative discount rate as they are relatively less material following the business combination. VOBA balances no longer amortize based on estimated gross profits, and accordingly, are not sensitive to changes to actual or estimated gross profits.

Impact of Recent Accounting Pronouncements

For a discussion of new accounting pronouncements affecting us, see *Note 1 – Business, Basis of Presentation and Significant Accounting Policies* to the condensed consolidated financial statements.

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 2021 Annual Report. There have been no material changes to our market risk exposures from those previously disclosed in our 2021 Annual Report, except as described below.

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 September 30, 2022, we estimate a net decrease to our point-in-time pre-tax income from changes in the fair value of these financial instruments of \$749 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 and DSI amortization and changes in rider reserves, resulting in an offsetting increase to our pre-tax income of \$24 million. If there were a similar parallel increase in interest rates from levels as of December 31, 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 \$511 million with an offsetting increase to pre-tax income of \$17 million from DAC, DSI and VOBA amortization and changes in rider reserves. The increase in sensitivity was primarily due to (i) the election of the fair value accounting option for our mortgage loan portfolio, and (ii) materially different offsets stemming from DAC, DSI, and VOBA balances as a result of purchase accounting. 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 spread related earnings would be an increase of approximately \$30 – \$40 million, and a 25 basis point decrease would generally result in a similar decrease. This is driven by a change in investment income from floating rate assets and liabilities, offset by DAC and DSI 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 “adjustments to income (loss) before income taxes” in our reconciliation between net income (loss) available to AHL common shareholder and spread related earnings. See *Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations—Non-GAAP Measure Reconciliations* for the reconciliation of net income available to AHL common shareholder to spread related earnings. The impact of changing rates on these 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 September 30, 2022, which discussion encompasses the impact of such an increase on certain of the 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

We assess public equity market risk for financial assets and financial liabilities using hypothetical stress tests and exposure analyses. Assuming all other factors are constant, if there were a decline in public equity market prices of 10% as of September 30, 2022, we estimate a net decrease to our pre-tax income from changes in the fair value of these financial instruments of \$244 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 and DSI amortization and changes in rider reserves, resulting in an offsetting increase to our pre-tax income of \$15 million. As of December 31, 2021, we estimate that a decline in public equity market prices of 10% would cause a net decrease to our pre-tax income from changes in the fair value of these financial instruments of \$392 million with an offsetting increase to our pre-tax income of \$131 million from DAC, DSI, and VOBA amortization and changes in rider reserves. The decline in the DAC, DSI, and VOBA amortization as of September 30, 2022 when compared to that as of December 31, 2021 is driven by (i) the decline in the market value of the equity options and (ii) materially different offsets stemming from DAC, DSI, and VOBA balances as a result of purchase accounting. 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 public equity investments, derivative instruments and the FIA embedded derivative.

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 September 30, 2022, 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 12 – 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 2021 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 2021 Annual Report.

The following updates and supplements the risk factors described in our 2021 Annual Report:

Changes in the laws and regulations governing the insurance industry or otherwise applicable to our business, may have a material adverse effect on our business, financial condition, results of operations, liquidity, cash flows and prospects.

Certain of the laws and regulations to which we are subject are summarized in *Part I–Item 1. Business–Regulation* of our 2021 Annual Report. Changes in the laws and regulations relevant to our business may have a material adverse effect on our business, financial condition, results of operations, liquidity, cash flows and prospects. Certain of the risks associated with changes in these laws and regulations are discussed in greater detail below.

The Dodd-Frank Act made sweeping changes to the regulation of financial services entities, products and markets. Historically, the federal government had not directly regulated the insurance business; however, the Dodd-Frank Act generally provides for enhanced federal supervision of financial institutions, including some insurance companies in defined circumstances, as well as financial activities that are deemed to represent a systemic risk to financial stability or the economy. Certain provisions of the Dodd-Frank Act are or may become applicable or relevant to us, our competitors or those entities with which we do business, including, but not limited to: the establishment of a comprehensive federal regulatory regime with respect to derivatives – see *Part I–Item 1. Business–Regulation–Regulation of OTC Derivatives* for further information; the establishment of consolidated federal regulation and resolution authority over SIFIs and/or systemically important financial activities; the establishment of the Federal Insurance Office; changes to the regulation of broker-dealers and investment advisors; changes to the regulation of reinsurance; changes to regulations affecting the rights of shareholders; the imposition of additional regulation over credit rating agencies; and the imposition of concentration limits on financial institutions that restrict the amount of credit that may be extended to a single person or entity.

Legislative or regulatory requirements imposed by or promulgated in connection with the Dodd-Frank Act may impact us in many ways, including, but not limited to: placing us at a competitive disadvantage relative to our competition or other financial services entities; changing the competitive landscape of the financial services sector or the insurance industry; making it more expensive for us to conduct our business; requiring the reallocation of significant company resources to government affairs; increasing our legal and compliance related activities and the costs associated therewith as the Dodd-Frank Act may permit the preemption of certain state laws when inconsistent with international agreements, such as the EU Covered Agreement and the UK Covered Agreement; and otherwise having a material adverse effect on the overall business climate as well as our financial condition and results of operations.

Heightened standards of sales conduct as a result of the implementation of SAT, including state adoption of a revised SAT version that includes a best interest concept, or the adoption of other similar proposed rules or regulations could also increase the compliance and regulatory burdens on our representatives, and could lead to increased litigation and regulatory risks, changes to our business model, a decrease in the number of our securities-licensed representatives and a reduction in the products we offer to our clients, any of which could have a material adverse effect on our business, financial condition and results of operations.

In addition, we expect the worldwide demographic trend of population aging will cause policymakers to continue to focus on the framework of US and non-US retirement systems, which may drive additional changes regarding the manner in which individuals plan for and fund their retirement, the extent of government involvement in retirement savings and funding, the regulation of retirement products and services and the oversight of industry participants. Any incremental requirements, costs and risks imposed on us in connection with such current or future legislative or regulatory changes, may constrain our ability to market our products and services to potential customers, and could negatively impact our profitability and make it more difficult for us to pursue our growth strategy.

Our US insurance subsidiaries are subject to regulation by all states of the US, Puerto Rico and the District of Columbia. In many instances, these state insurance laws and regulations emanate from the NAIC. In addition, our Bermuda reinsurance subsidiaries are subject to regulation by the BMA. The BMA, state insurance regulators and the NAIC regularly re-examine existing laws and regulations applicable to insurance companies and their products. Moreover, the NAIC and state insurance regulators are increasingly focused on the relationships between private equity firms and insurers. In December 2021, an NAIC task force released a list of 13 regulatory considerations applicable to private equity-owned insurers and asked an NAIC working group to coordinate review of such considerations. These actions signify increased scrutiny of insurance companies owned by private equity firms and the potential for additional regulation. Any proposed or future state, BMA or other legislation or regulations, or NAIC initiatives, if adopted, may be more restrictive on our ability to conduct business than current regulatory requirements or may result in higher costs or increased statutory capital and reserve requirements. Changes in these laws and regulations or interpretations thereof are often made for the benefit of the consumer and at the expense of the insurer and could have a material adverse effect on our insurance subsidiaries' businesses, financial condition and results of operations. We are also subject to the risk that compliance with any particular regulator's interpretation of a legal or accounting issue may not result in compliance with another regulator's interpretation of the same issue, particularly when compliance is judged in hindsight. There is an additional risk that any particular regulator's interpretation of a legal or accounting issue may change over time to our detriment, or that changes to the overall legal or market environment, even absent any change of interpretation by a particular regulator, may cause us to change our views regarding the actions we need to take from a legal risk management perspective, which could necessitate changes to our practices that may, in some cases, limit our ability to grow and improve profitability.

Many of our invested assets are relatively illiquid and we may fail to realize profits from these assets for a considerable period of time, or lose some or all of the principal amount we invest in these assets if we are required to sell our invested assets at a loss at inopportune times to cover policyholder withdrawals or to meet our insurance, reinsurance or other obligations or in response to changes in applicable rules and regulations.

We offer certain products that allow policyholders to withdraw their funds under defined circumstances. In order to meet such obligations, we seek to manage our liabilities and configure our investment portfolios to provide and maintain sufficient liquidity to support expected withdrawal demands and contract benefits and maturities. However, in order to provide necessary long-term returns and to achieve our strategic goals, a certain portion of our assets are relatively illiquid. Many of our investments are in securities that are not publicly traded or that otherwise lack liquidity, such as our privately placed fixed maturity securities, below investment grade securities, investments in mortgage loans and alternative investments.

We record our relatively illiquid types of investments at fair value. While we typically maintain significant amounts of cash and investment grade corporate bonds, as well as a \$1.25 billion credit facility and \$2.5 billion liquidity facility, if we were forced to sell certain of our assets, there can be no assurance that we would be able to sell them for the values at which such assets are recorded and we might be forced to sell them at significantly lower prices. In many cases, we may be prohibited by contract or applicable securities laws from selling such securities for a period of time. When we hold a security or position, it is vulnerable to price and value fluctuations and may experience losses if we are unable to timely sell, hedge or transfer the position. Thus, it may be impossible or costly for us to liquidate positions rapidly in order to meet unexpected withdrawal or recapture obligations. This potential mismatch between the liquidity of our assets and liabilities could have a material and adverse effect on our business, financial condition, results of operations and cash flows.

Further, governmental and regulatory authorities periodically review legislative and regulatory initiatives, and may promulgate new or revised, or adopt changes in the interpretation and enforcement of existing, rules and regulations at any time that may impact our investments. For example, Rule 15c2-11 under the Exchange Act governs the submission of quotes into quotation systems by broker-dealers and has historically been applied to the over-the-counter equity markets. However, the SEC recently stated that it intends to apply the rule to fixed income markets, potentially restricting the ability of market participants to publish quotations for applicable fixed income securities after January 3, 2023. Such change in regulatory requirements could disrupt market liquidity and cause securities in our investment portfolio that are not publicly traded, such as our privately placed fixed maturity securities and below investment grade securities, to lose value, which could have a material and adverse effect on our business, financial condition or results of operations. Even if a trading market for such investments in securities develops, the trading prices of such securities would depend on many factors, including prevailing interest rates and the market for similar securities of comparable issuers. Accordingly, no assurance can be given that an active trading market for such investments in securities will develop, be sustained or be liquid. The application of Rule 15c2-11 to fixed income securities may also disrupt primary market liquidity by reducing new issuances and make it more difficult for us to source and invest in certain private investments that may have higher risk/reward opportunities for our investment portfolio or obtain the most efficient pricing for private investments that we choose to sell into the market.

Changes in US tax law might adversely affect us or holders of our equity securities.

Changes in US tax law might adversely affect us or holders of our equity securities. The tax treatment of non-US companies and their US and non-US insurance subsidiaries may be the subject of further tax legislation. No prediction can be made as to whether any particular proposed legislation will be enacted or, if enacted, what the specific provisions or the effective date of any such legislation would be, or whether it would have any effect on us. As such, we cannot assure you that future legislative, administrative or judicial developments will not result in an increase in the amount of US tax payable by us or by an investor in our equity securities or reduce the attractiveness of our products. If any such developments occur, our business, financial condition, results of operations and cash flows could be materially and adversely affected.

On August 16, 2022, the US government enacted the IRA. The IRA contains a number of tax-related provisions including a 15% minimum corporate income tax on certain large corporations as well as an excise tax on stock repurchases. It is unclear how the IRA will be implemented by the US Department of the Treasury through regulation. We are still evaluating the impact of the IRA on our tax liability, which tax liability could also be affected by how the provisions of the IRA are implemented through such regulation. We will continue to evaluate the IRA's impact as further information becomes available.

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

Recent Sales of Unregistered Securities

None.

Issuer Purchases of Securities

None.

Item 6. Exhibits

The exhibits listed in the Exhibit Index immediately below are filed as part of this report, which Exhibit Index is incorporated by reference herein.

EXHIBIT INDEX

<u>Exhibit No.</u>	<u>Description</u>
31.1	Principal Executive Officer Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Principal Financial Officer Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Principal Executive Officer Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Principal Financial Officer Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
10.1.1	364 – Day Credit Agreement, dated as of July 1, 2022, among Athene Holding Ltd. and Athene Life Re Ltd., as Borrowers, the lenders from time to time party thereto, and Wells Fargo Bank, National Association, as Administrative Agent (incorporated by reference to Exhibit 10.1 to the Form 8-K filed on July 8, 2022).
10.1.2	Incremental Amendment No. 1 to Credit Agreement, dated as of August 5, 2022, among Athene Holding Ltd. and Athene Life Re Ltd., as Borrowers, Credit Suisse AG, New York Branch, as additional lender, and Wells Fargo Bank, National Association, as Administrative Agent (incorporated by reference to Exhibit 10.4.2 to the Form 10-Q filed on August 9, 2022).
10.1.3	Guaranty, dated as of July 1, 2022, between Athene Life Re Ltd., as Guarantor, and Wells Fargo Bank, National Association, as Administrative Agent (incorporated by reference to Exhibit 10.2 to the Form 8-K filed on July 8, 2022).
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: November 8, 2022

/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: November 8, 2022

/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: November 8, 2022

/s/ Martin P. Klein

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

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

I, James R. Belardi, certify that Athene Holding Ltd.'s Quarterly Report on Form 10-Q for the quarter ended September 30, 2022 (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: November 8, 2022

/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 ACT OF 2002

I, Martin P. Klein, certify that Athene Holding Ltd.'s Quarterly Report on Form 10-Q for the quarter ended September 30, 2022 (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: November 8, 2022

/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.