Resolution Life

Annual report 2022

In a year of global political and economic uncertainty, Resolution Life again proved its resilience, growing the business and serving our 2.8 million policyholders with care and efficiency.

Overview

Our business

Our year

Risk

Financial statements

All figures are as of 31 December 2022 unless otherwise stated.

Resolution Life at a glance

We are a global life insurance group focusing on the acquisition, reinsurance, and ongoing management of portfolios of life insurance policies.

$74bn
assets under management

$4.8bn
equity capital deployed

2.8m
policyholders

46
investors

c.1,700
employees

Resolution Re

Resolution Re is our global reinsurance operation, based in Bermuda. We reinsure the financial responsibilities related to existing portfolios of policies sold by established life insurers in other parts of the world, including the US, Europe and Asia.

Read more on page 19

Resolution Life Australasia

At Resolution Life Australasia we serve the mature life insurance markets of Australia and New Zealand, buying portfolios of existing life and savings policies from established insurers wanting to free up capital.

Read more on page 22

Resolution Life US

We acquire existing life and annuity portfolios from US insurance companies, acquiring the assets and liabilities through both reinsurance and the purchase of legal entities.

Read more on page 25

Our year at a glance

Find out more on our website

We agreed to a new asset management partnership with Blackstone[1]

Nippon Life agreed to invest an additional $1bn[2]

We signed our first reinsurance transaction in Asia, with Dai-Ichi Life

We agreed to buy the Superannuation & Investments portfolio from AIA Australia

We completed the separation from AMP Life, in Australasia

We paid a dividend of $165m in December, an increase of 117% on 2021

We received our Fitch group rating of BBB, and our holding company issuer rating was upgraded by Moody's to Baa2

We became a signatory to the United Nations-supported Principles for Responsible Investment

1 Subject to regulatory approval (this pertains to every reference in this report to the Blackstone agreement)

2 Subject to regulatory approval (this pertains to every reference in this report to the Nippon Life investment)

From our Chairman

“Thanks to our people and our investor partners, this was a year in which we consolidated our position – operationally, financially and strategically – as we continued our mission to support the primary life insurance industry by providing a safe and well-managed home for their legacy and in-force portfolios.”

Clive Cowdery
Founder, Chairman and CEO of Resolution Life

Watch the video of our talk with Clive

From our Chairman continued

2022 was a challenging year. Russia's invasion of Ukraine caused an ongoing humanitarian crisis. Supply chain disruptions, rising energy prices, inflation and financial market volatility affected families and businesses everywhere. Despite this, our business performed strongly, and we are well positioned for growth. This is thanks to the efforts of our people and the support of our existing and new investor partners.

A year of consolidation

After rapid expansion, this was a period of consolidation for us. In Australia and the US, we made considerable progress with our digital transformation programme, which uses technology to help us become more efficient and to serve our policyholders better. We completed the separation of our Australian business from AMP, and are close to separation from Voya Financial, in the US. We also signed two transactions, a portfolio agreement with AIA Australia, and a reinsurance agreement with Dai-Ichi Life, our first transaction in Japan.

A new asset management partnership to drive our growth

One of our key goals for 2022 was to find an asset management partner to support the next phase of our growth, and I'm delighted that we came to an agreement with Blackstone, the world's largest alternative asset manager. The partnership complements Blackstone's desire to grow its insurance assets with our position as a leader in the multi-trillion-dollar global life and annuity market.

In a statement of confidence about what this means for our future prospects, our biggest existing investor Nippon Life agreed in early 2023 to invest an additional \$1bn. This brings its total investment to \$1.65bn. I'm honoured to have this strengthened partnership with Nippon Life, an institution I admire and respect.

Looking ahead with confidence

We became a signatory to the United Nations-supported Principles for Responsible Investment, as part of our commitment to using our capital to improve society, and to taking ownership of shared responsibilities.

Since various Resolution companies began 20 years ago, my defining observation is that the success of our various companies has flowed directly from the quality, engagement and passion of our people. Keith Gubbay, Weldon Wilson and John Hele exemplify that. Weldon and John are stepping back from their executive committee roles in 2023, and Keith has already done so. I want to thank them for their years of service, and I'm grateful that they will continue to advise us in these uncertain times.

We remain vigilant about the effects of surging inflation and other economic risks. However, with new capital, our asset management partnership, and a strong financial base, we are well placed to continue supporting a healthy and growing life insurance industry. We believe in the societal value of life insurance and are committed to helping the primary market grow and thrive across the world.

Clive Cowdery
Founder, Chairman and CEO of Resolution Life

Our business

Honouring promises, however long they have to run

We are a global life insurance company resolutely committed to protecting the financial futures entrusted to us. We do this differently from traditional life insurers. We don't sell new life policies directly to customers. Instead, we acquire portfolios of existing life and annuity policies from established insurers, that are looking to simplify their business and reinvest. Their policyholders become our policyholders, and their promises our promises, however long they have to run. We also support life insurers through reinsurance transactions, whereby we take on risks and financial responsibilities created by those companies.

By selling to us, insurers in mature markets can use our capital, and their advisers' time, to sell policies in new, faster-growing territories. This helps secure the future of life insurance, which we believe is a societal good.

Our approach as a life insurer puts the policyholder promise at the centre of everything we do, from service, to how we manage insurance claims, our embrace of technology, how we manage our assets and risk, and how we grow the business.

Looking after our policyholders

Because we don't spend money on attracting new individual customers, we can focus our time, energy and best ideas on doing the right thing for policyholders, with care, dedication and empathy.

Using technology to provide a faster, more accurate and cost-effective service

We're a fully cloud-based business, using digital portals to provide policyholders with a service that is quicker, more accurate, and more cost-effective for us, and which enables our people to focus on the empathetic support that policyholders and their families need at the time of an insurance claim.

Managing our assets to protect everyone's interests

Our proven, prudent method of investing and rotating our assets protects and rewards all stakeholders – policyholders, primary insurers, and investors. The value we generate through investing, and through managing policies more efficiently, allows us to enhance policyholder returns for relevant policies, acquire more portfolios from primary insurers, and to pay regular, stable dividends.

A measured, long-term approach to risk

As a safe, responsible insurer in a strictly regulated industry, risk management informs every decision we make. We manage risk through our risk framework, which can be summarised as follows: we only make acquisitions and do reinsurance deals that align with our business strategy, and where the risk and potential returns are within our risk appetite.

Our risk appetite and investment strategy support our investment thesis. By aggregating and assessing risks across the Group, we position our portfolios with an aim to maximise exposure to asset classes with high returns on capital while maintaining prudent risk diversification.

Honouring promises, however long they have to run continued

Trusted over time and across borders

We are pioneers in the in-force insurance sector, with two decades of specialist insurance knowledge and M&A experience. Since 2003, under various Resolution brands – most recently, since 2018, Resolution Life – we have committed nearly $18bn of equity in the acquisition, reinsurance, consolidation and management of 28 insurance companies. In that time, we've served the needs of approximately 13 million policyholders and managed around $374bn of assets.

This strong track record has attracted many investors, including leading financial institutions, insurance companies, superannuation, pension, and sovereign wealth funds, and family offices. And it's why we are the partner of choice for blue-chip life insurers looking to restructure their business.

Asset management partnership with Blackstone

In October 2022, we announced a new asset management partnership with Blackstone, the world's largest private asset manager. The partnership combines our global liability management platforms with Blackstone's insurance asset management capabilities and solidifies our position as a leader in the multi-trillion-dollar global life and annuity consolidation market. Resolution Life will be Blackstone's partner for new in-force transactions, including reinsurance, globally. And Blackstone will be Resolution Life's investment manager for certain key areas, including directly originated assets across private credit, real estate and asset-based finance markets. Under the partnership:

- **We plan to raise $3bn of new equity capital, including a $500m investment from Blackstone**
- **Blackstone will manage up to $25bn of our existing private assets in the first year, rising to over $60bn over the next six years as we complete new transactions**

We believe the partnership will bring significant strategic and financial benefits, and provide a continuing commitment to the life industry. We are awaiting regulatory approval for the deal, expected in the second half of 2023.

20
years since Clive Cowdery created the Resolution Group

Our business model

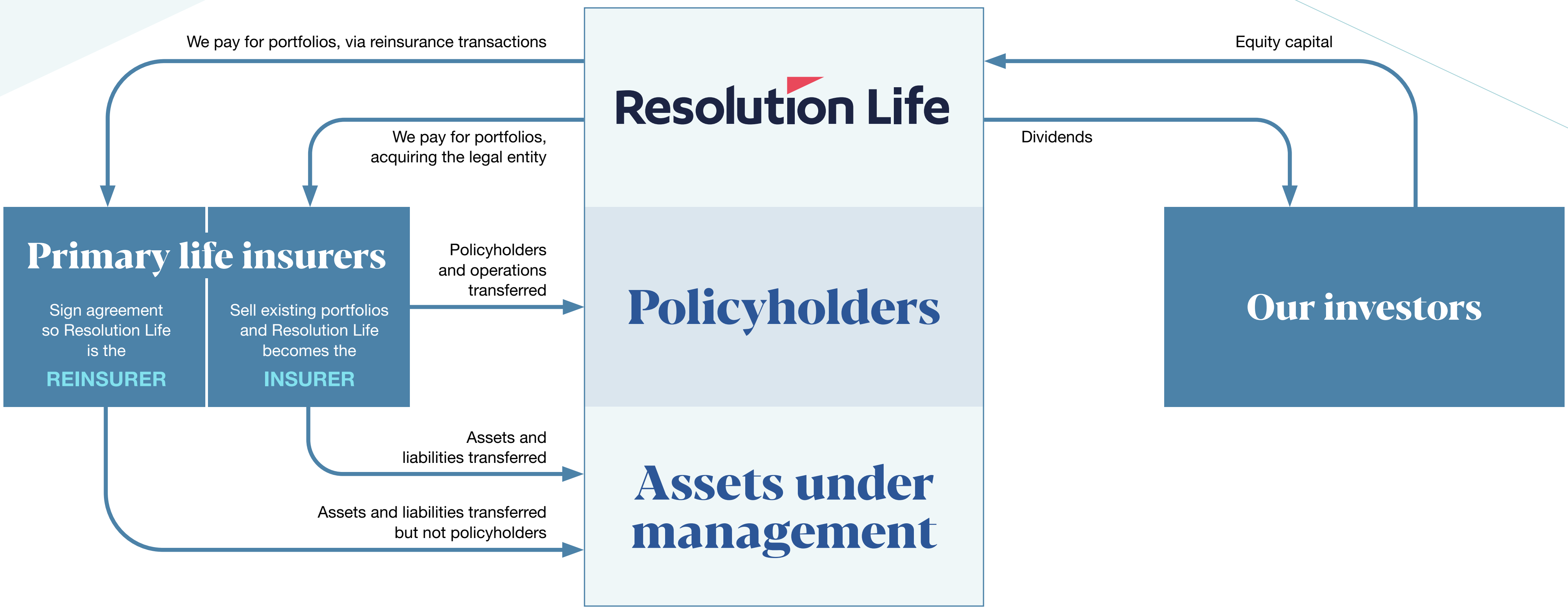
Our purpose is to protect the financial futures entrusted to us. It's also why our work is so highly and strictly regulated. For us, doing the right thing in the right way, for all our stakeholders, is of crucial importance.

In our pioneering business model, we...

...acquire high quality in-force portfolios of life and annuity policies from established life insurers who want to simplify and reinvest

...use our deep industry knowledge, and investments in talent and technology to manage those policies more efficiently

...actively manage and rotate our assets in a responsible way to generate sustainable returns for our policyholders and investors



Our business model continued

How we create value for our stakeholders

Our business model allows us to create value for everyone directly involved with us, the wider insurance industry, and society as a whole.

The life insurance industry

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

Our policyholders

We invest in people and systems to give policyholders a better, faster service, and the confidence that we'll act in their best interests should they need us.

Our investors

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

Our people

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

The regulators

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

The community

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

Our market

The global life insurance industry is at an inflection point. There are clear opportunities to sell new policies: in mature economies there's a growing awareness among people that they are personally responsible for their families' financial futures; and in the developing world a large middle-class is emerging. And there are big incentives to pursue that growth.

For more than a decade, life insurers' performance has been disappointing, with premiums lagging behind GDP growth, modest returns on assets under management, and stubbornly high costs. To free up the capital they need to align their businesses, ever increasing numbers of insurers are selling off existing portfolios of policies that are closed to new business, known as 'in-force' portfolios. This is the attractive market that we operate in.

In recent years the in-force life sector has expanded rapidly. Reserves held by in-force life consolidators have grown more than five times since 2015, to a total of $1.6tn. This represents a 30% compound annual growth rate, making it the fastest growing sector in life insurance.

$604bn
the sum of in-force life insurance reserves transacted between 2020 and 2023

The pandemic has added further pressure on insurers to restructure. Between 2020 and 2023, the sum of in-force life insurance reserves transacted was at least $604bn, including our share of $36bn, or 6% of the total (see chart on page 12).

Even so, our sector still remains relatively small compared to the overall size of the life insurance industry. In mature markets with an active in-force life sector, only 7% of life reserves belong to in-force life consolidators, so there is still vast room for the sector to grow. Though competition has increased with numerous new entrants, including private asset managers attracted by the increasing opportunities, the market is big enough for everyone. With c.$2tn of reserves expected to become available in the next five years across key markets, we expect supply to continue to exceed demand.

The new capital that we plan to raise will put us in a strong position to make acquisitions. Through the transactions we've already done with large insurance companies, we have credibility in the market. However, we are not in a rush to do deals, and will only seek to acquire portfolios that complement our existing businesses and suit our risk profile.

Our market continued

Changes in 2022

The market volatility in 2022 will have prompted global life insurers to reassess their risks, and what is core to the business. For some, the higher interest rate environment will give them confidence about their capital positions, and put a hold on decisions to sell. For others, it will accelerate decisions to divest portfolios as they switch their focus to new areas. Other factors influencing insurers' choices include accounting and regulatory changes in various parts of the world, as well as inflation, which is increasing operating costs.

~30%

average annual rate at which the total reserves held by in-force consolidators grew since 2015

6%

Resolution Life share of total transactions since 2020

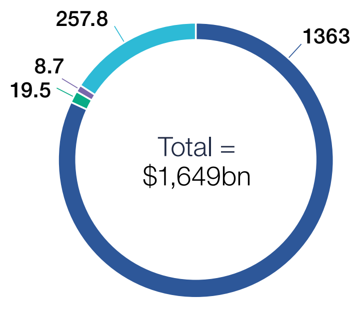
Our view of the opportunities for growth

We see strong opportunities for growth across our existing global operations, and in new, mature markets. Coming into 2023, the supply of new portfolios was strong across mature markets globally, and all types of liabilities. We believe that will continue, with the low growth in premiums in the primary life insurance sector forecast to persist, hastening the need to restructure.

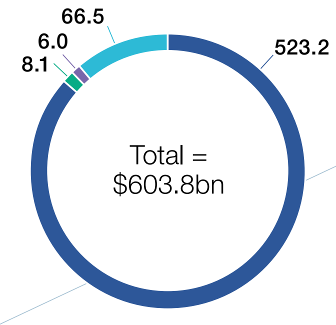
The US has been the biggest market for in-force deals to date (see chart to the right). We expect it will continue to provide the most compelling opportunities for acquisitions, with a number of large insurers expected to put portfolios on the market in 2023. The European market is also attractive, with the proportion of in-force deals in the overall life insurance M&A sector increasing steadily over the past decade.

Germany, the UK, Switzerland and Italy are among the growing markets. Asia, a relatively new market that recently reached maturity, is also on our radar. We did our first deal there this year with Dai-ichi Life in Japan, and that gives us a good foundation to build on. Hong Kong and, to a lesser extent, Singapore, South Korea and Taiwan, are other markets of interest.

Total life insurance transactions 2020-2023



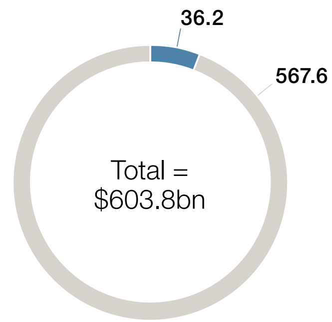
In-force life insurance transactions 2020-2023



Region
- North America
- Asia
- Australia & New Zealand
- Europe

Source: Goldman Sachs analysis, Capital IQ, Resolution Life analysis, company filings.

Resolution Life's share of total in-force transactions 2020-2023



- Resolution Life deal
- Other

Source:
Goldman Sachs analysis,
Resolution Life analysis

Our strategy

We want to be a long-term partner to the primary life industry as it restructures, helping insurance companies reduce their liabilities so they can pursue their core business of writing new insurance policies for people around the world. To achieve that aim, our strategy focuses on two main areas: delivering on our promises in our existing businesses, and growing through acquisitions and reinsurance agreements.

How we deliver on our promises to policyholders, investors and employees

One of our guiding principles is to obsess over our policyholders whose financial futures have been entrusted to us, providing quick and efficient service, and acting with empathy when a claim is made. And we manage our assets responsibly to achieve targeted risk-adjusted returns. In doing so, we can generate cash to pay dividends to our investors and also to fund further acquisitions. To deliver on our promises to our employees, we help them develop and grow, so they can have a fulfilling career.

How we grow our business

We're able to keep breathing life into the insurance industry because:

- As a global company we can do business across the world's mature insurance markets
- Our flexibility as a life insurer enables us to maintain a broad mix of risks, and not be solely focused on assets
- We have a strong brand and reputation, built over 20 years, and a proven record of completing complex M&A, which makes us attractive to insurers
- Our digital transformation and Agile way of working enable us to create additional value
- We're strongly-capitalised, with a Fitch group rating of BBB, and a holding company issuer rating of Baa2 from Moody's.

Our strategic progress this year

2022: good progress against our main strategic objectives

Keeping our promises

Our people worked hard to enhance our services to customers, with good results in both Australia and the US, where we're rolling out online portals and improving the time to assess claims. Despite the headwinds in the financial markets, we generated cash to pay a dividend, in line with the dividend policy agreed with our Board.

Growing our business

We grew our business through two transactions, in Australia with AIA Australia, and a reinsurance agreement with Dai-Ichi Life in Japan.

Our year

Operational review

"If 2021 was about buying well and doing deals, 2022 was about integrating and running our existing businesses well. Using technology and our enterprise Agile way of working, our talented people were able to deliver good outcomes across our global operations for our nearly 3 million policyholders."

Megan Beer
Group Chief Operating Officer

Watch the video of our talk with Megan and Simon

Operational review continued

We grew fast from our foundation in 2018 to the end of 2022, raising and investing c.$5bn across eight deals on three continents. To be able to service our new policyholders in Australasia and the US independently – and more efficiently – we had the challenging task of separating and integrating the businesses we had acquired, in particular their administration systems and financial platforms. We made big strides towards that this year. Overall, our customer service is improving, even if it is not yet where we want it to be.

Successful integration of our businesses

In Australasia, we completed the separation of the AMP Life business. To achieve this in less than two years, on schedule, is a great achievement. At the same time we have built from scratch a robust, sustainable and modern technology platform, and established our own investment management capability, which gives us more flexibility in how and where we invest.

In the US, we made excellent progress. Our separation efforts from Voya Financial remain on track, and we expect to complete them by the end of 2023. And we launched our new financial platform, an important part of our separation programme.

One consequence of the complex separation process this year was that some of our customer service levels fell below our high targets with a backlog of transactions and an increase in complaints in both of our businesses. We made progress on resolving those separation-related problems, and expect continued improvement in performance in 2023.

At Resolution Re we made significant advances in the implementation of our data management strategy, enabling us to automate processes and create efficiencies.

How digital transformation benefits customers and drives efficiencies

The biggest benefit from embracing the latest technology is that it helps to provide policyholders with a faster, simpler service, with fewer errors. And in today's increasingly digital world, our policyholders expect this – they expect to be able to access their policies and transact when they want and on a device of their choosing, such as a smartphone or laptop.

We're starting to make this happen in the US and in Australasia where we have launched our customer and adviser portals. By the year end, nearly half of interactions were being self-serviced through our portals in both businesses.

Additionally in Australasia we've developed a new digital claims management system to help us manage claims more effectively and efficiently.

Technology and data management is also making us more efficient. In the US, for example, investment data that used to be pulled together manually from accounting systems, investment managers and market sources daily, is now collated automatically to give an instant snapshot of our position.

Operational review continued

At Resolution Re, we've seen tangible benefits across our systems, from process automation to reporting and calculations, in particular investment accounting and asset management reporting.

We are already fully cloud-based and are one of the very few insurers in the world with legacy policy administration systems that can claim this. It gives us several advantages: increased ability to analyse our data using artificial intelligence (AI) and other tools, greater operational resilience because we don't have to worry about our servers, and more control over our costs as our data needs change.

Our cloud-based administration systems and our investment in data management make it easier for us to integrate future acquisitions.

Collaborating and learning from each other

Being a global business has many benefits, and following our rapid growth we are now looking to be as connected as possible. We are making a concerted effort to extract synergies, build a shared culture, and to collaborate where it makes sense to do so. We have a central digital transformation office that helps coordinate and facilitate sharing of insights and practices. By building our own applications and processes using a flexible, user-friendly software development approach, we can re-use them in our different businesses after tailoring them for the local environment.

Empowering our people through Agile ways of working

None of our achievements this year would have been possible without our 1,600 employees in our platforms around the world, and I'm very grateful for and proud of their efforts. Across our operations, they have embraced our Agile way of working, which we believe gives us a real edge by supporting faster, more efficient outcomes for our customers and our people. Based on teamwork, and clear, measurable objectives, Agile working empowers our employees and challenges them to raise the bar with entrepreneurial thinking. It is part of our culture, and also makes us a really exciting place to work. (See feature on page 24.)

In Australia and New Zealand, a key people focus this year was building a learning organisation, increasing our data analytics capability and enabling our employees to develop their skills and expertise.
In the US, we prioritised expanding our team, hiring 135 people, mostly in finance and technology. It was a similar story at Resolution Re, where the headcount more than doubled, from 12 to 28 people. As part of our increasing maturity as a global insurance company, we grew our team at Group level, hiring 40 people in finance, transformation and other areas, and installed a new HR technology platform that is being used across the Group. We also identified a group of emerging leaders to join a coaching programme.

c.50%

of interactions in the US and Australasia were being self-serviced through our portals

"Across our operations, we have embraced our Agile way of working, which we believe gives us a real edge by supporting faster, more efficient outcomes for our policyholders and our people."

Looking ahead

In 2023, we will start the integration of AIA Australia's superannuation and investments business, which we acquired in 2022, and work to complete the separation from Voya Financial in the US. We will also continue the work of our digital transformation in Australia, New Zealand, and the US, to increase customer adoption of our digital services and the efficiency of our operations. At Resolution Re, having laid a strong foundation for the business, we are well prepared to integrate the new acquisitions we expect to make. At Group level, we'll be adopting some of the Agile principles that have served our platforms so well. And across the whole company we'll keep driving collaboration, as we look to build one culture that unites our talented people.

Megan Beer

Megan Beer
Group Chief Operating Officer

Divisional reviews

1 Resolution Re/Resolution Life Head Office
Hamilton, Bermuda

2 Resolution Life Australasia
Sydney, Australia and
Auckland and Wellington, New Zealand

3 Resolution Life US
West Chester, Pennsylvania,
United States

4 Resolution Life UK Office
London, United Kingdom

We launched Resolution Life with the clear aim of creating a global business, giving us access to a wide range of acquisition opportunities and enabling us to diversify our cash flows and risk. We target life insurance sectors in mature markets around the world, including North America, Europe, Australasia, and Asia. We do this through our three separate, local businesses that acquire life portfolios or sign reinsurance deals.

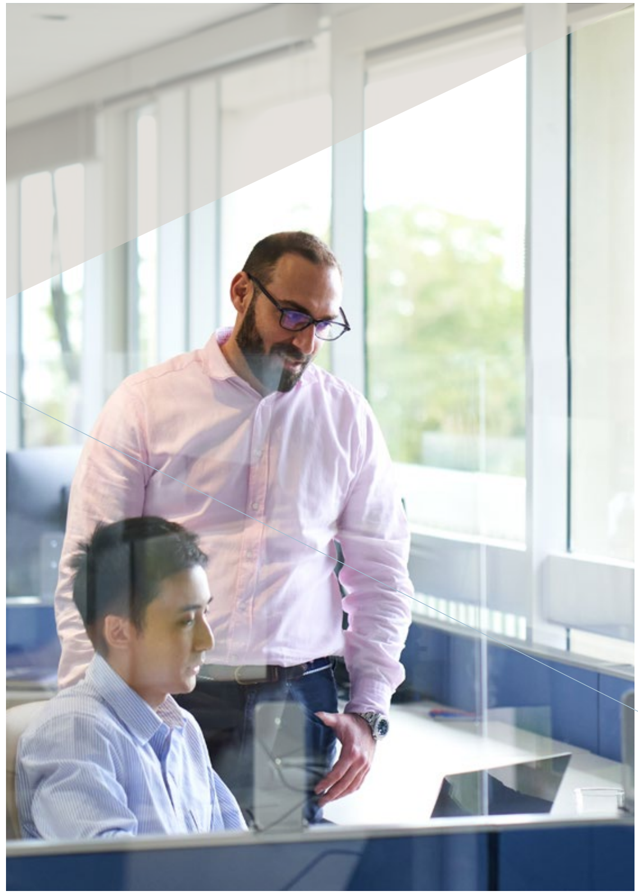
Divisional reviews continued

Resolution Re

Resolution Re is our global reinsurance operation, based in Bermuda. We reinsure the financial and insurance responsibilities related to existing portfolios of policies sold by established life insurers in other parts of the world, primarily the US, Europe and Asia. This means we invest the assets that come with the portfolio, and make payouts when there is a claim or a policy that matures. The policyholder administration remains with the insurance company that originally sold the policy.

Our year

After our fast growth in 2021, this was a year where our talented people focused on putting into place the key pillars of our enlarged business. One of our main priorities was to significantly expand our team, which we achieved by accelerating our hiring and onboarding programme to increase our headcount from 12 to 28 people. We now have a diverse, motivated group of employees that will form the core of Resolution Re for the years to come. Another priority area was employing technology and innovative data management to drive efficiencies across our internal reinsurance ecosystem, from process automation to calculations and reporting. Investment accounting and asset management reporting in particular saw tangible benefits from the automation of data, including time savings. As an example, by bringing actuarial modelling in-house, we expect to save $500,000 a year in consultancy fees. This focus on 'building for tomorrow' means we are now in a position where we can grow the business without significant cost increases.



Our transactions

Since launching the business in 2018 we've completed four transactions:

2018

$7.5bn

agreement with Symetra Life in the US

2021

$4.3bn

agreement with Allianz Suisse

2021

$14bn

agreement with Allianz Life in North America

2022

$1.5bn

agreement with Dai-Ichi Life in Japan

Divisional reviews | **Resolution Re** continued

Amid the market volatility, we also succeeded in closing our fourth reinsurance agreement – in Japan, which we see as an important growth market. The transaction with Dai-Ichi Life was our first in Asia, and provides a base for further growth. The team has managed the balance sheet well and Resolution Re continues to be an important provider of capital to the Group.

Looking ahead

In 2023, having laid the foundations for our growth, we are focused on expanding the business in a sustainable way. The market outlook for acquisitions is positive and, with an ambitious and enterprising team, we are pursuing opportunities that fit our financial and risk profiles.

“No matter how much we talk about technology, algorithms, interest rates and solvency rules, it all comes down to people.”

Karen S

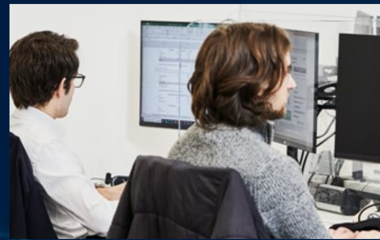
Feature: The benefits of digitisation

Advanced technology and data are central to all the ways we create value, from serving policyholders better, to reducing costs, and growing our company.

> *"One of the best things about my job is that I get to work for a company that's all about growth and innovation. We're always on the cutting edge of new technologies and strategies for data analytics, and it's so exciting to be a part of that."*
>
> **Anu D**

To serve our policyholders better we're focusing on building, rolling out and continually improving new digital products and features. These include portals that allow our policyholders, their advisers and our employees to service policies instantly online, and a new insurance premium calculator that enables them to check what savings can be made by adjusting the level of cover, a valuable tool at a time of rising living costs.

Our cloud-based systems improve our efficiency in dealing with policyholders. Powered by AI and machine-learning technology, they make it easier and cheaper to analyse data and automate processes across our finance, actuarial, investment and risk functions. Unlike with traditional mainframes, which are fixed costs for a business, cloud systems have variable costs, giving us more flexibility.



Resolution Life Australasia
50%
of all customer and adviser interactions now occur through our portal

Resolution Life US
66%
of transactions are through new digital channels

Resolution Life's technology is
100%
cloud-based

Our technology makes it easier to onboard other businesses. Our modern technology systems are built so that when we acquire a business or block of business, we can integrate them on our platforms without incurring significant new costs. This allows us to partner with more life insurers and deliver high quality service to the policyholders that join us.

Divisional reviews continued

Resolution Life Australasia

At Resolution Life Australasia we serve the mature life insurance markets of Australia and New Zealand, buying portfolios of existing life and savings policies from established insurers that want to free up capital. As part of the acquisitions, we assume responsibility for the customers. Our 1,104 employees serve c.1.1m customers.

“We’ve increased customers’ ability to self-serve, putting them in control of their time and information.”

Steve F

Our year

2022 was a landmark year for us, as we completed our separation from AMP Life. To do this on time and on budget, allowing us to fully operate the business independently, is a great achievement by our people. This was a highly complex separation programme in which we migrated nearly 20 systems. We now have all of our technology systems running in the cloud, which is already delivering operational and cost efficiencies. Our customer service levels were affected by the separation process, which resulted in higher than usual customer complaints due to delays in payment processing and longer call wait times. The team worked tirelessly to largely address these issues by the end of the year.

Alongside the separation, we continued our digital transformation, with our teams delivering new digital features and services to make life easier for our policyholders and advisers. These included a chatbot on our website and the customer portals, and a new insurance premium calculator that allows advisers and our employees to generate quotes. Half of all policyholder interactions now occur through our customer portal, and we exceeded our self-service targets. We also enhanced our claims management process, and continue to explore using AI technology to improve the accuracy and speed of claims handling.

Our transactions

We’ve built our business through three transactions:

2020

A$30bn

Acquired AMP Life, taking on A$30bn of assets and liabilities

2021

AMP

Agreed to buy out AMP Group’s minority stake

2022

A$7.1bn

Agreed to acquire AIA Australia’s Superannuation & Investments business

Divisional reviews | Resolution Life Australasia continued

For the year to June 2022, we were the best in the market for speed to assessment in three of the seven claims management categories, according to ASIC, Australia's corporate, markets and financial services regulator. These outcomes are a testament to our Agile way of working, which we further embedded this year, enabling our employees to work in a smarter, decisive manner (see feature on page 24). With our assets under management, we established our own multi-manager investment capability, appointing best in class asset managers and commencing our asset rotation. Though the difficult investment markets were a challenge, our business was resilient and we emerged in a strong capital position.

Looking ahead

The regulatory environment is evolving, and we are ready to respond quickly and efficiently. Our pipeline for acquisitions in the Australasian market remains strong, and we'll continue to assess whether there are deals that complement our risk profile and offer attractive returns. We are also focusing on realising more benefits from our digital transformation.

"What I like most about working at Resolution Life is the work life balance, flexibility, transparency, and team spirit."

Stephanie D

We delivered for our customers at their moment of need – completing c.8,300 claims during 2022 with a total of over A$1.16bn paid to beneficiaries

Feature:
The Resolution Life way

We've embraced the enterprise Agile way of working – and we are one of the very few life insurers to have done so. In the US and Australasia all our teams, from finance to customer service, operate using Agile structures and principles. This allows us to prioritise our work, talent, and resources to focus on continuous improvement in high value areas. Ultimately, this benefits our policyholders.

The Agile way of working, which was pioneered and is used by many tech companies, has several important features. These include: small teams working on a single customer priority; short two-week sprint cycles; cross functional collaboration; iterative improvement to plans and solutions; and a strong focus on personal capability development. Instead of task-based management, we concentrate on measurable outcomes and key results.

By empowering our employees to make decisions, we give them the opportunity to acquire new skills by working with people in different business areas, and encourage learning and growth through real-time and continuous feedback cycles.

With Agile working we:

- **Obsess about our customers**
- **Improve speed to market**
- **Empower employees**
- **Increase productivity**

"I enjoy the flexibility of Agile, which allows us to create and implement improvements in days or weeks instead of months or years. Our internal and external customers receive a better product when they need it."

Kerrie E

For us, Agile is a purposeful way of working that helps define our culture and allows talent to shine, making Resolution Life an exciting and dynamic place to work

Divisional reviews continued

Resolution Life US

We acquire existing life and annuity portfolios from US insurance companies, acquiring the assets and liabilities through both reinsurance and the purchase of legal entities. Our head office is in West Chester, Pennsylvania, and we have an office in New York. Our 470 employees serve 1.1m customers.

Our year

In 2022 we focused on building our independent operations and managing our assets, following our major acquisitions in the previous year. Our people strived for and achieved numerous good outcomes for our customers and employees. We made significant progress in the second year of our three year separation efforts from Voya Financial, whose individual life business we bought in 2021. Milestones included completing the migration of the mainframe systems into our environment, and launching our new finance platform. The most complex work is behind us and we remain confident that the separation will be finished on schedule in 2023.

As part of our digital transformation programme to improve customer services and create efficiencies, we launched our new customer portal. In December, we had more than 15,000 customer registrations on the portal, and 6% of all transactions in the month were through a new digital channel. However, many customers still use traditional routes to contact us, and we had a setback with our customer service levels slipping below their expected standards during the year. This was caused by switching to a new call centre partner, and resulted in a backlog of transactions. Our people did a great job of reassuring customers that it was a temporary problem, and by the last quarter of the year we had worked through the backlog.

“Resolution Life US has given me the opportunity to actively support my communities, through a “giving back” program, called Community Connections. I get to help serve the needs of others while building relationships and new skills.”

Dawn M

Our transactions

Resolution Life US is our newest business:

2021

$25bn

acquired Voya Financial’s individual life business, taking on more than $25bn of assets and liabilities

2021

$9bn

reinsurance agreement with Lincoln Financial

Divisional reviews | **Resolution Life US** continued

Delivering for customers at their moment of need – 8,000 claims completed with over $2bn paid to beneficiaries

We significantly built our capabilities in finance, actuarial, investment and risk by filling critical roles, expanding necessary functions and creating a cloud-based data repository, or 'data lake', that enables us to access and analyse policyholder data, and eliminate manual tasks. Through our Agile way of working we drove our people's engagement, achieving an 80% employee engagement score, which is a very good score in our industry. We also delivered strong financial results, despite the challenging economic environment and higher Covid-related mortality. Before the end of the year we transferred over $5bn of assets to Blackstone as part of the new, Group-wide, asset management partnership, and committed a further $300m of new investments to Blackstone.

Looking ahead

The US life and annuity market remains attractive for our business, with a large supply of portfolios on offer. We are pursuing several opportunities that fit our financial and risk profiles. In our ongoing operations, a top priority is persuading more customers to use our new digital platforms. We will also continue to strengthen our finance and investment functions, and further develop our AI work.

Sustainability

We are a responsible company committed to sustainability. The first of our guiding principles, which describe the behaviours we aspire to, is to 'do the right thing' by taking ownership of shared responsibilities.

Read more in Our approach to sustainability

Resolution Life non-executive director Grace Vandecruze speaks to employees on International Women's Day

We have a strong social purpose, contributing to the communities in which we work, and, more broadly, making sure that our industry is keeping the promises it has made to its customers. Though we are still in the early stages of our Group-wide sustainability journey, we are developing an approach to these issues, including principles and commitments, with the whole underpinned by our commitment to sound governance.

"I love that ESG touches on so many different parts of the company, and because it's a constantly evolving area there are always more things for me to learn and do."

Francesca S

This year, we became a signatory to the United Nations-supported Principles for Responsible Investment, and in 2023 we will explore aligning to the Task Force on Climate-Related Financial Disclosures as well as the UN's Global Compact and the Sustainable Development Goals. We also developed our Board-approved Responsible Investment Policy to establish the principles and minimum standards for responsible investment.

Governance

Following the Board's approval of our environmental, social and governance (ESG) policy in 2021, Board and senior management oversight of ESG issues increased in 2022. We established new, management-level ESG committees, globally, and in each of our three businesses. ESG is now a standing item on the Board Risk Committee agenda.

Sustainability continued

Environmental

As an insurance company, our impact on the environment stems both directly from our operations, and indirectly, through our assets under management. In 2022, for the first time, we measured our global operational greenhouse gas emissions, and we will keep doing this every year. In 2023 we will seek to use our emissions data to focus on areas where we can drive positive operational sustainability outcomes, and implement our Responsible Investment Policy.

Social

Our business is built on honouring promises. To our policyholders, by protecting their financial futures. And to our employees and the communities in which we work, by treating them with fairness, respect and empathy, and providing opportunities to develop and benefit from our growth.

Diversity, equity and inclusion

‘Championing inclusivity and diversity’ is another of our guiding principles. We want our people to represent the societies they serve, and we are striving for improvement. In 2022, we established a global diversity, equity and inclusion (DEI) Agile squad to help us understand the most important issues around inclusivity for our people. As part of this work, we conducted our first global inclusion survey, to give us the data that will allow us to set our approach. It will continue to be a key focus area in 2023, and we will launch our global DEI plan.

Our communities

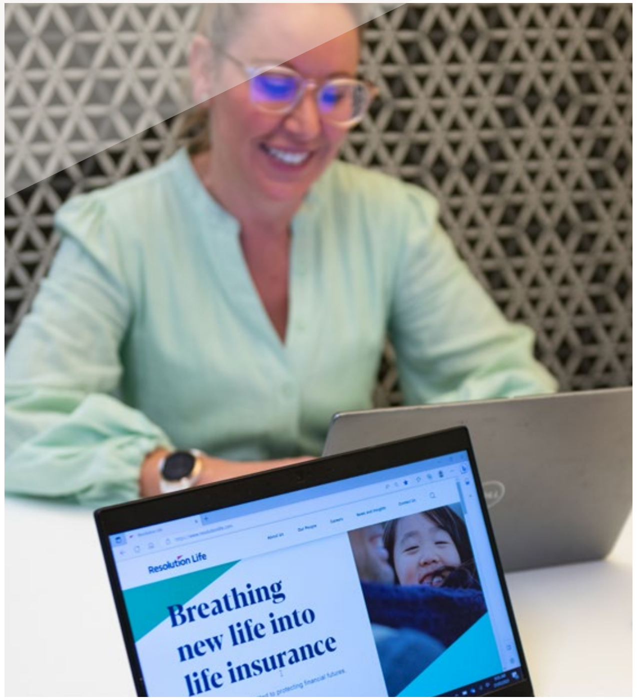
Our people have a proud record of helping our communities around the world. Some of the key activities this year included:

- **Resolution Re**: We support Transitional Community Services (TCS), a Bermuda charity that helps young men aged 18 to 25 to build skills and resilience on the path to employment. We’ve committed $100,000 to TCS over three years, and our local CEO Steve Hales has become its chair.
- **Resolution Life Australasia**: Our employees raised A$25,000 by taking more than 45 million ‘steps’ for the STEPtember initiative, in support of people living with cerebral palsy. We added an additional A$10,000, bringing the total donation to A$35,000.
- **Resolution Life US**: Through our volunteering and giving programme, Community Connections, our employees spent 4,023 hours supporting 95 different causes in 2022.

Governance

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

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



Our 2022 Executive Committee, comprising 13 people, is empowered by the Board to lead strategy. The 2022 Executive Committee members were:

Clive Cowdery
Founder, Chairman and CEO of Resolution Life

Megan Beer
Group Chief Operating Officer

Steve Hales
CEO Resolution Re

Karl Happe
Group Chief Investment Officer

John Hele
President

Jonathan Moss
Group Chief Risk Officer

Conor Murphy
CEO Resolution Life US

Rushabh Ranavat
Head of Group Strategy & Equity Capital

Nardeep Sangha
CEO New Markets

Claire Singleton
Group General Counsel

Tim Tez
CEO Resolution Life Australasia

Simon Woods
Group Chief Financial Officer

Weldon Wilson
Vice Chair

We have strong local boards that ensure that our subsidiary companies meet local regulatory requirements, maintain sufficient capital and risk management protocols, and manage customer relationships appropriately.

Financial review

"Conditions in the financial markets changed considerably over the course of 2022, driven by sharp rises in inflation and interest rates. Our business proved resilient through this volatility, and continued to be strongly cash generative."

Simon Woods
Group Chief Financial Officer

Watch the video of our talk with Simon and Megan

The Group delivered robust underlying operating and financial performance in 2022, despite the challenging macroeconomic environment and financial markets conditions. The business remains resilient. Our fundamentals are strong, and performance was largely in line with our expectations. We paid an annual dividend of $165m, an increase of 117% on 2021.

Financial highlights

Overall, the Group's underlying performance continues to be driven by earnings from investments, benefitting from our active investment rotation programme; underwriting of biometric and policyholder behaviour risk; management actions to optimise the capital and liquidity position; and our digital transformation initiatives to build a cost-efficient operating model.

Our capital position has remained robust, with the Group Bermuda Solvency Capital Requirement (BSCR) solvency ratio increasing despite the volatile market conditions. Our platform regulatory capital ratios remain in excess of targets, and we continue to generate significant free cash flow. We received our first group rating from Fitch in April 2022, and our Moody's group issuer rating was upgraded in November 2022.

We saw significant US GAAP accounting volatility over the course of 2022. Rising interest rates and widening spreads have had material negative impacts on our reported, unadjusted US GAAP earnings and shareholder's equity position. In simple terms, assets are marked to market and liabilities are not. We have strong asset-liability matching in each of our businesses to manage our interest rate exposure. Rising interest rates do not significantly change the expected cash flows on our assets or on our liabilities. However, on a reported US GAAP basis, we have seen asset values fall without the corresponding liability offset, and this has a geared effect on reported earnings and reported book value.

In common with our US GAAP peers, we use adjusted US GAAP metrics to measure business performance alongside reported US GAAP. We have agreed with key stakeholders, including the Bermuda Monetary Authority (BMA), the rating agencies, and lending banks, to use adjusted US GAAP book value metrics as the basis for the relevant US GAAP based measures, including for regulatory capital and leverage calculations.

We believe that presentation of these non-GAAP financial measures allows for a deeper understanding of the profitability drivers and financial condition of our business. These measures should be considered supplementary to our results of operations and financial condition that are presented in accordance with GAAP and should not be viewed as a substitute for GAAP measures. The non-GAAP financial measures we present may not be comparable to similarly-named measures reported by other companies.

Financial review continued

Adjusted operating earnings

Adjusted operating earnings increased by 72% to $521m (2021 $303m), largely driven by the addition of the reinsurance treaty agreement with Allianz Life Insurance Company of North America in Resolution Re in Q4 2021. Excluding the impact of M&A, the business benefitted from higher net investment income on fixed income securities from the rotation of the portfolio into higher-yielding assets during the year across the three platforms, partially offset by the lower yield on alternative investments as compared to 2021.

Adjusted book value

On an adjusted basis the Group continues to accrete shareholder's equity, with an adjusted book value of $5,726m (2021 $5,360m). The increase of $366m year-on-year and largely reflects the accretion of positive underlying adjusted operating earnings less dividends paid.

Group gross cash generation

Platform cash generation is defined as the excess above target capital ratios and collateral requirements in each platform.

The cash generation of $642m in 2022 was lower than 2021 ($879m), mainly reflecting the impact of the volatile macroeconomic conditions on the market based Bermuda economic balance sheet, which is a delay in cash flow emergence rather than lost economic value. The business benefitted from positive capital and tax related management actions in the US and Australasia respectively.

The strong cash generation enabled the business to make two further acquisitions during the year, including the buyout of AMP Group's retained minority stake and a portfolio of legacy whole of life policies from Dai-Ichi Life.

Group leverage ratio

Our financial leverage ratio definition is consistent with the Fitch Rating Methodology and uses our adjusted measure of book value. We have a financial leverage target of 30%, which is consistent with our 'A' range financial strength rating target. We manage the financial leverage ratio carefully given its influence on our credit rating, funding costs and ability to maintain financial flexibility.

The leverage ratio dropped to 26% (2021 28%) and reflects the increase in adjusted book value driven by the accretion of underlying operating earnings net of investor dividends.

26% 2022

28% 2021

Group BSCR ratio

Group solvency capital is calculated in line with the requirements of the Bermuda insurance regulatory framework. We seek to maintain a strong Group solvency position, in line with our risk appetite.

In addition, the ratio benefitted from an injection of capital from the RLGH LP to RLGH Ltd in respect of replenishing group working capital post the funding of Allianz US in December 2021, less group dividends.

180% 2022

167% 2021

Platform solvency ratios

Local solvency ratios are presented in line with the regulatory regimes in territories in which each of our platforms operate. The ratios have remained very strong throughout the year, in the face of significant market volatility, with all our business well above target levels of capitalisation.

Solvency ratio	31 December 2022	31 December 2021	Target
Resolution Re BSCR	**224%**	216%	185%
Australasia PCA (Life Co)	**308%**	281%	175-200%
USA RBC (RLCO)	**465%**	446%	365%

Financial review continued

Adjusted book value

$m	31 December 2022	31 December 2021
RLGH Ltd shareholder's equity	**(3,386)**	**4,484**
Market movements on assets/liabilities	**5,575**	1,012
Market movements on funds withheld reinsurance assets	**3,760**	(550)
Other movements	**(223)**	414
Adjusted book value	**5,726**	**5,360**

Adjusted book value excludes the impact of the following items:

- Market movements on assets/liabilities, which reflects the effects of net investment-related gains and losses, as well as certain accounting elections. These items can be volatile, primarily due to the equity/credit markets and interest rate environment. This adjustment effectively seeks to remove asset/liability measurement mismatches such that measurement is on a consistent book value basis.
- Market movements on funds withheld reinsurance assets, where there is an accounting requirement to mark these assets to market through net income. This treatment makes the accounting value of these assets very sensitive to interest rate changes.
- Other movements, mainly representing the associated tax impact of the adjustments.
  The adjustment for 31 December 2021 also includes a positive pro-forma adjustment to reflect equity and cash available to the Group, but which was not reflected on the balance sheet due to timing.

Adjusted operating earnings

$m	31 December 2022	31 December 2021
GAAP net income	**(3,768)**	**896**
Market movements on assets/liabilities	**240**	(407)
Market movements on funds withheld reinsurance assets	**4,289**	135
Other adjustments	**(240)**	(321)
Adjusted operating earnings	**521**	**303**

Adjusted operating earnings excludes the impact of the following items:

- Market movements on assets/liabilities. Similar to our adjusted measures of book value, we reverse net investment related gains/losses and certain accounting elections, to reflect the potential volatility of these items and give a better understanding of the performance of the Group's underlying businesses.
- Market movements on funds withheld reinsurance assets, where assets have been marked to market through net income.
- Other adjustments, which includes other notable non-recurring items, as well as the associated tax impacts of all the adjustments.

Operating costs

Investment in our digital transformation programme, and inflation, contributed to increased costs in 2022. In Australasia, we completed the separation and integration of the AMP Life business on schedule and on budget. The US is on track with its separation from Voya Financial, and we expect the business to be fully integrated by the end of 2023. As part of these separation programmes, we've built new, robust, sustainable and modern technology platforms.
We expect our run costs to reduce over the next two years, as the programme moves closer to completion.

Simon Woods
Group Chief Financial Officer

"Our regulatory capital ratios remain solid and we continue to generate significant free cash flow."

Our acquisitions

Since 2018, we've invested $4.8bn across eight deals, transforming us into a large, global life insurance company. In line with our business model, which calls for a wide diversity of risk by geography and policy type, the acquisitions are spread across four continents.

September 2018

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

July 2020

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

January 2021

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

September 2021

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

2021 September

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

November 2021

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

2021 December

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

February 2022

Resolution Life Australasia announced that it had entered into an agreement with **AIA Australia Limited** to acquire its superannuation and investments business.

2022 June

Resolution Re entered into a reinsurance agreement with **The Dai-Ichi Life Insurance Company, Limited** that transfers a closed book of whole of life policies. The agreement relates to coverage for market risks and insurance risks.

Our approach to investing

Actively managing our investments in an efficient and responsible way is a crucial part of our business model. It ensures that we fulfil our purpose of protecting financial futures, paying out claims to our customers in their time of need. It also enables us to maintain our high solvency levels, and provide sustainable returns to our policyholders and investors.

Our investment approach centres on a programme of active rotation. When we acquire an insurance portfolio or sign a reinsurance deal, we take on the accompanying liabilities and financial assets. We then sell these existing investments, which typically consist of publicly-traded corporate debt, in order to invest, on a staggered basis, in a broader set of higher-yielding assets.

Because our liabilities are predictable over time, we can diversify our holdings by matching our longer duration liabilities with longer duration assets that offer increased returns. We achieve this by partnering with world-class asset managers, giving us greater flexibility and access to the best investment ideas in the geographical markets in which we operate. The investments we make include structured lending to individuals, companies and funds, providing capital that supports businesses and helps economies grow. (To read more about our new asset management partnership with Blackstone, see page 8.)

The sharp rise in interest rates in 2022 made it a challenging year for financial markets, with the prices of fixed income and other assets declining. This affected the market value of our assets under management, but not the creditworthiness or the expected cash flows. Due to the market volatility, we significantly slowed our asset rotation programme in the second half of the year. This meant we maintained a largely liquid overall portfolio, putting us in a strong position going into 2023 as we resumed the rotation of our investments. Amid tighter credit provision from banks and other lenders, the market is now very attractive for providers of financial capital, like us.

> *"The market is now extremely attractive for capital providers, leaving us strongly placed as we resume our asset rotation."*
>
> **Karl Happe,** Group Chief Investment Officer

Other financial information

Equity

$4.8bn from 46 investors

At the end of 2022 the Group had $4.8bn of commitments from 46 investors. Our investor base is global and includes sovereign investment funds, superannuation funds, asset managers, family offices, financial institutions and insurers.

Following our asset management partnership with Blackstone we announced plans to raise up to $3bn of new equity capital commitments. This will include a $500m investment from Blackstone and a $1bn commitment from Nippon Life. The capital raised will increase and diversify our investor base and should be completed in 2023.

Debt

$2bn debt facility

Debt funding comprises a mix of senior and regulatory capital instruments.

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

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

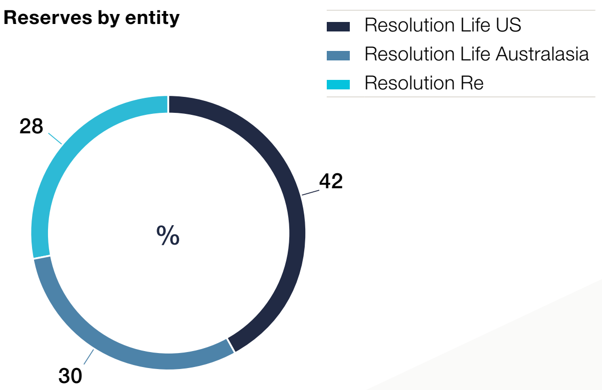
The Group also has four regulatory capital instruments in issue:

- a **A$300m** Tier 2 instrument issued by Resolution Life Australasia in 2020 with a term of 15 years and a non-call period of five years;
- **$123m** Surplus Notes issued by Security Life of Denver Insurance Company with a term of 15 years maturing in 2036 and a non-call period of five years;
- a **$251.26m** Tier 3 Bridge Facility Agreement at Resolution Re Finance (Bermuda) Ltd entered into in September 2021 with a term of three years; and
- **$125m** Preferred shares issued by Resolution Life Intermediate Holdings Ltd. in 2021 with $12.5m maturing in 2026, $12.5m maturing in 2031 and $100m with a perpetual maturity.

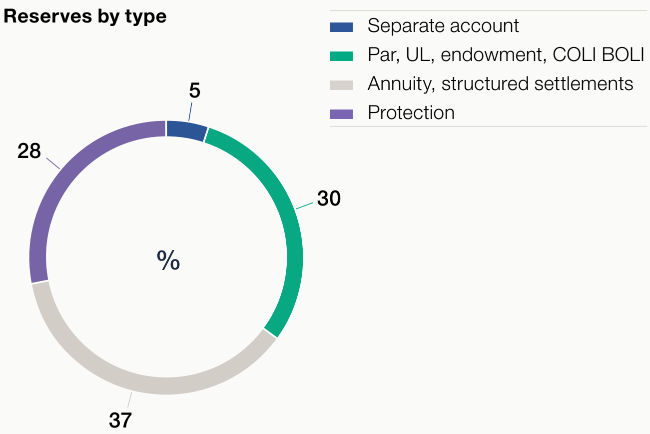
In December 2021, Resolution Life Australasia entered into a A$100m committed Revolving Credit Facility with a term of three years (currently undrawn).

Current trading

Reserves by entity



Reserves by type



Risk

Risk overview

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

We have a conservative approach to risk that differentiates us from many of our competitors. We manage risk through a clearly defined risk strategy – the choices we make when dealing with risk; and risk appetite which is the level of risk we are prepared to accept in the business.

Our risk strategy can be summarised as follows:

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

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

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

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

Risk overview continued

The following considerations underpin our risk appetite:

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

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

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

Changes during the year

Our risk profile remained broadly unchanged in 2022, a year of bedding in new transactions and the integration of life companies acquired in previous years. While our overall risk exposure, and its geographical spread, has increased, the capital held to support our risk exposure has also grown, such that we remain within our risk preferences and appetite. Following the closure of the Blackstone transaction which is expected in the second half of 2023, our risk framework will be unchanged.

We will continue to have a diversified risk profile, with a good split between insurance and market risk, and between the different types of risk considered below. All our businesses maintained surplus capital consistent with the conservative ranges we set to make sure we stay well capitalised throughout the economic cycle.

External events also affected the risk environment. The war in Ukraine is a tragic event for all those affected. We have no direct material asset exposure to the Russian or Belarusian markets via our strategic business partners, but war and the sanctions against Russia are having an impact on the global economy and we'll continue to monitor the economic effects closely.

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

Principal risk types

The Group Chief Risk Officer (Group CRO) works with each functional area of the platforms and the Chief Risk Officers of the relevant platforms to ensure that we properly identify, assess and manage all material risks. The Group CRO updates the risk profile and submits it to the Board's Risk Committee and the Board regularly, as part of the risk report.

Resolution Life is exposed to three main types of risks:

- Risks that are actively taken as part of **insurance or asset management** operations which are quantifiable and where capital is held to back the risk exposure. These largely include insurance, market (including investment credit) and counterparty risk. While the Group holds capital for **operational** risk, the key mitigation is strong processes and controls.
- Risks that we don't explicitly hold capital for but that we monitor and control, given their significance. These largely include liquidity (although the Group and platforms hold liquidity cash buffers and have access to revolving credit facilities to ensure that liquidity risk is appropriately managed and mitigated), regulatory and compliance, M&A and transaction, refinancing, strategic and sustainability risk.
- Reputational risk is not considered a separate risk category but rather represents a possible consequence of any risk type, aside from the potential financial and compliance impact.

Principal risk types continued

Insurance and asset management risks

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

Risk type	Risk preference	Key mitigation
Insurance risk arises from coverage provided for mortality (death), longevity (annuity) and morbidity (illness and disability) in acquired closed books of business. In addition to potential shock events (such as a severe pandemic), it includes underlying risks inherent in life and health contracts that arise because mortality, morbidity or lapse experience deviates from expectations.	We accept insurance risks as these are risks that are inherent in building an insurance book. We set target risk preferences measured as prospective value at risk according to our skills in underwriting and pricing. Limits have been set that reflect the Group's preferences for not having significant risk concentrations. As such, the Group does not have appetite to be disproportionately exposed to any individual insurance risk type.	— Underwriting books of life insurance businesses prior to acquisition. — Recruitment and investment in the skills and modelling capabilities which understand insurance risk. — The Group does not have any concentration of demographic risk across its businesses, given geographic diversification and expected diversification between mortality and longevity risks. — Regular risk exposure monitoring, reporting and escalation processes are in place, allowing for potential remediation actions to be undertaken if required. — Strong claims management and reinsurance are a standard element of our risk framework. — At Group level, as we continue to grow, we expect diversification between different types and geographic locations of insurance risk to increase.
Financial market risk represents the potential impact on assets or liabilities that may arise from movements in financial market prices or rates, such as equity prices, credit spreads, hedge fund prices, real estate prices, commodity prices or foreign exchange rates. **Financial market risk originates from two main sources**: investment activities, and the sensitivity of the economic value of liabilities to financial market fluctuations.	We actively seek some market risks as part of insurance and asset management operations. We set target risk preferences measured as prospective value at risk.	— Risk appetites set to limit exposures to key market risks. — Active asset management and use of derivatives to hedge portfolios against adverse market movements (for example, protective puts) or to reduce the reinvestment risk (for example, by using forwards, swaps, forward starting swaps or swaptions). — Active asset and liability duration matching.
Financial market risk – interest rate levels and volatility: The long-dated liabilities in the portfolios contribute to interest rate risk, in particular when they cannot be fully matched by available investments due to long maturities. However, we cannot eliminate the risk entirely and the Group's profitability may be adversely affected by interest rate levels and volatility. The Group may be required to reinvest assets in securities bearing lower interest rates, which in turn could compress its interest margins and decrease profitability. Conversely, the Group may be required to liquidate fixed income investments at a time when market prices for those assets are depressed because of increases in interest rates.	We have a low appetite for interest rate risk.	— Imposition of constraints on the amount of investment risk that can be taken. Those constraints operate at different levels, and will have been developed on a bottom-up basis, but are also tested top down to make sure implications at an entity level are well understood. — Each business will operate within defined investment guidelines which reflect the particular circumstances of the business it has written historically, or which has been added by way of transactions. For example, for Resolution Re, it will have agreed investment guidelines for the collateral accounts with each of the counterparties under their respective re-insurance agreements. Each collateral account will then be monitored to ensure compliance with the investment guidelines. — The Group has set a 'capital at risk' appetite for each entity to ensure that there is sufficient capital to deliver an appropriate buffer over regulatory solvency requirements when considered in isolation.

Principal risk types continued

Operational risks

Risk type	Risk preference	Key mitigation
Operational risk arises from unintended effects, either financial or non-financial such as additional regulatory oversight, resulting from inadequate or failed internal processes, people and systems or from external events. This includes legal risk. Given that the platforms are mostly autonomous in terms of operations, concentration of operational risks is limited to either Group-led processes (e.g., Group reporting) or a small number of areas where Group-wide programmes and suppliers impact most or all platforms.	We have limited appetite for operational risk and will seek to ensure that such risk is controlled through the application of the three lines of defence (first line, risk, internal audit). Within the first line it is expected that each business platform will operate a risk and control self-assessment process through which it will ensure that the residual risk is reduced to acceptable levels – i.e., balancing the cost of implementing further controls against the benefit and risk reductions achieved.	— Maintenance of a strong control environment to limit these risks as far as possible. — Where we outsource some of our operations, we undertake thorough due diligence in advance of appointment and then have a strong oversight programme. — Preparation for potential operational risk events is regularly carried out through both tabletop and drill exercises.

Principal risk types continued

Other significant risks

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

Risk type	Risk preference	Key mitigation
Investment credit risk arises from investment and treasury activities, structured transactions and reinsurance.	We seek investment credit risk as it is a natural part of building up an asset portfolio to support life insurance liabilities. Our investment managers actively leverage the structural investment advantages credit portfolios confer against long-dated, relatively illiquid liabilities, enabling us to earn investment returns. We set target risk preferences measured as prospective value at risk.	— Fixed-income portfolios should be diversified across different issuers, asset types, industries, maturities, credit ratings and geographies. — Maximum limits will be set around the level of permitted concentration to single entities, individual asset classes, individual industries and credit ratings, to ensure a well-balanced and diversified portfolio. — Working closely with outsourced investment management partners to make investments in order to generate an adequate risk-adjusted return. — Credit risk hedging. — Credit risk management to monitor and assess credit risk.
Counterparty risk reflects the potential financial loss that may arise due to the diminished creditworthiness or default of counterparties of Resolution Life or of third parties.	We work with strongly rated and stable counterparties, and diversify counterparty exposures where appropriate.	— Concentration risk exposure to counterparties through investment assets is limited through the investment guidelines. — Reinsurance counterparty exposure is limited under the counterparty risk exposure policies of each of the businesses. — Derivative counterparty risk exposures are limited by the operation of central clearing and daily settlement.

Liquidity risk represents the possibility that, despite holding liquidity capital buffers throughout the Group, Resolution Life would be unable to meet expected and unexpected cash flow and collateral needs without affecting either daily operations or our financial condition.	We have a very low appetite for insufficient liquidity to meet our obligations to customers, suppliers and other stakeholders.	— Liquidity capital buffers are held throughout the Group. Each legal entity of the Group manages liquidity risk locally and Group head office manages the overall holding company liquidity risk.
		— The minimum requirements for managing and mitigating liquidity risk take into account the following:
		  — Maintenance of minimum liquidity coverage ratios and minimum levels of liquid assets to deliver financial obligations to all stakeholders even under stress scenarios
		  — Compliance with regulatory requirements
		  — Rating agency requirement
		  — Short-term and longer-term liquidity needs of the business
		— Maintaining committed borrowing facilities from banks.
		— Commercial paper issuance.
		— Conservative management in aligning asset and liability cash flows.

Principal risk types | Other significant risks continued

Risk type	Risk preference	Key mitigation
Regulatory and compliance risk arises from non-compliance with existing laws, regulatory and legal requirements or lack of preparation on future changes to laws (including tax) and regulations in the jurisdictions in which we operate.	We are committed to comply with all laws, standards and regulations that apply to our business, including the BMA Group Supervision Rules 2011 and related regulations. We aim to follow best practices in areas of accountability, transparency and business ethics. Good environmental, social and governance (ESG) considerations form an integral part of market standards. At the core of these efforts are integrity issues and the reputation risk the Group faces in its activities. We have no appetite for deliberate non-compliance with existing and upcoming laws, standards and regulations that apply to our businesses. We acknowledge that in rare circumstances unintended non-compliance may arise. Any breaches should be escalated quickly, and appropriate remedial or disciplinary action should be taken according to the relevant procedures if breaches are identified. In addition, root cause analysis will be performed to identify any process or control enhancements that may be required.	— Open, transparent and regular dialogue with regulators and advisors together with investors in order to ensure compliance with regulatory and legal requirements and expectations. — Participation in regulatory and industry working groups. — Compliance with all laws, standards and regulations that apply to our business, including the BMA Group Supervision Rules 2011 and related regulations. — Providing the businesses with clear guidance on the requirements and principles they should adopt in their own local compliance frameworks and policies. — Embedding compliance management into business processes and controls. — Exercising effective oversight of all Group functions.
M&A risk: Given the nature of our business model, acquisitions and transactions are effectively the Group's new business. We are exposed to M&A and transaction risk which includes uncertainty or loss arising from not fully understanding or appreciating the size, scope and complexities of business we acquire. The risk relates to transactions and is short term in nature. After acquisition, the risk migrates to strategic and/or operational execution risk.	We have very low appetite for material reputational and financial risk arising from M&A activity. As such, we apply strong controls and governance.	— This activity is run as a centre of excellence by highly skilled staff supported by leading advisory teams.
Strategic risk represents the possibility that poor strategic decision making, execution or response to industry changes or competitor actions could harm our competitive position and thus our franchise value.		— Robust annual strategic planning process. — Strong governance and gatekeeping surrounding key business decisions and investments. — Group-wide enterprise risk management processes considering strategic and emerging risks on a regular basis.
Sustainability risk comprises the environmental, social and ethical risks that may arise from individual business transactions or the way we conduct our operations.		— In 2022, we became a signatory to the United Nations-backed Principles for Responsible Investment, set up a Management ESG committee chaired by the Group CRO, and included ESG as a standing agenda item on the RLGH Board Risk Committee. — A Responsible Investment Policy was endorsed by the RLGH Board Investment Committee in November 2022. — ESG has dedicated senior resources at Group level who manage the Global ESG programme and who coordinate all ESG activity with owners in each platform.
Refinancing risk represents the risk that we are not able to refinance the full quantum of the ongoing debt funding amount we utilise on appropriate terms and pricing.		— We ensure debt maturity dates are dispersed and maintain strong relationships with banking partners. — We continually explore all funding opportunities not restricted to debt capital markets.

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Independent Auditor's Report

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

Opinion

We have audited the consolidated financial statements of Resolution Life Group Holdings Ltd and subsidiaries (the "Company"), which comprise the consolidated balance sheets as of December 31, 2022 and 2021, and the related consolidated statements of operations, comprehensive income (loss), shareholder's equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Deloitte + Touche LLP

27 April 2023

Deloitte & Touche LLP
111 South Wacker Drive
Chicago, IL 60606
USA

Tel: +1 312 486 1000
Fax: +1 312 247 1000

www.deloitte.com

Financial statements continued

Consolidated Balance Sheets

31 December 2022 and 2021

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

($ in thousands, except par value and share value amounts)	31 December 2022	31 December 2021
Assets		
Investments:		
Fixed maturity securities, available-for-sale, at fair value (amortised cost of $33,199,236 and $35,263,388, respectively)	26,582,370	34,816,824
Fixed maturity securities, fair value option	229,714	411,734
Equity securities	2,909,861	3,616,132
Investment funds	3,860,111	4,788,707
Commercial mortgage loans	2,728,522	2,562,727
Policy loans	1,624,488	1,642,093
Short-term investments	1,889,572	2,029,808
Other invested assets	586,593	944,195
Total investments	40,411,231	50,812,220
Cash and cash equivalents	3,583,617	3,137,701
Accrued investment income	276,255	275,439
Funds withheld asset	28,882,894	38,717,952
Reinsurance recoverable, net	15,712,761	17,103,549
Value of business acquired and deferred acquisition costs	2,885,445	3,034,067
Goodwill	67,629	71,409
Other assets	2,301,708	2,003,550
Separate account assets	3,894,942	4,994,239
Total Assets	**98,016,482**	**120,150,126**
Liabilities and Equity		
Future policy benefits and other policyholder liabilities	29,511,417	33,725,696
Policyholder liabilities, at estimated fair value	4,883,724	6,511,136
Policyholder account balances	49,067,664	51,998,488
Funds withheld payables	9,322,090	12,853,141
Long-term debt	2,091,724	2,104,248
Accrued expenses and other liabilities	2,148,819	2,499,987
Separate account liabilities	3,894,942	4,994,239
Total Liabilities	**100,920,380**	**114,686,935**
Commitments and Contingencies (Note 13)		
Shareholder's Equity		
Common stock, $1.00 par value, 7,201 and 6,500 shares authorised, issued and outstanding, respectively	7	7
Additional paid in capital	4,573,224	4,154,172
Retained earnings (deficit)	(3,445,975)	434,615
Accumulated other comprehensive income (loss)	(4,512,793)	(104,334)
Total RLGH Ltd. Shareholder's Equity	**(3,385,537)**	**4,484,460**
Noncontrolling interest	481,639	978,731
Total Shareholder's Equity	**(2,903,898)**	**5,463,191**
Total Liabilities and Shareholder's Equity	**98,016,482**	**120,150,126**

NOTE ON DIFFERENCES BETWEEN ADJUSTED AND REPORTED BASES

The large differences between reported and adjusted bases are a function of US GAAP in a rising interest rate environment. In simple terms, assets are marked to market and liabilities are not. We have strong asset-liability matching in each of our businesses to manage our interest rate exposure. Rising interest rates do not significantly change the expected cashflows on our assets or on our liabilities. However, on a reported US GAAP basis, we have seen asset values fall without the corresponding liability offset, and this has a geared effect on reported earnings and reported book value.

Financial statements continued

Consolidated Statements of Operations

For the years ended 31 December 2022 and 2021

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

($ in thousands)	2022	2021
Revenues		
Premiums	2,156,044	4,612,412
Fee income	1,487,652	1,284,480
Net investment income	2,603,186	2,009,298
Investment related gains (losses), net	(8,050,735)	(126,579)
Total revenues	(1,803,853)	7,779,611
Benefits and Expenses		
Policyholder benefits	1,905,968	5,449,696
Change in policyholder liabilities at estimated fair value	(1,143,554)	(60,642)
Interest credited	554,174	832,515
Amortisation of value of business acquired and deferred acquisition costs	83,030	140,726
Other operating expenses	988,989	761,890
Total benefits and expenses	2,388,607	7,124,185
Income (Loss) before income tax	**(4,192,460)**	**655,426**
Income tax expense (benefit)		
Current tax	22,500	236
Deferred tax	(447,219)	(240,405)
Total income tax expense (benefit)	(424,719)	(240,169)
Net income (loss)	**(3,767,741)**	**895,595**
Less: Net income (loss) attributable to noncontrolling interests	12,849	148,268
Net income (loss) attributable to RLGH Ltd. shareholder's	**(3,780,590)**	**747,327**

NOTE ON DIFFERENCES BETWEEN ADJUSTED AND REPORTED BASES

The large differences between reported and adjusted bases are a function of US GAAP in a rising interest rate environment. In simple terms, assets are marked to market and liabilities are not. We have strong asset-liability matching in each of our businesses to manage our interest rate exposure. Rising interest rates do not significantly change the expected cashflows on our assets or on our liabilities. However, on a reported US GAAP basis, we have seen asset values fall without the corresponding liability offset, and this has a geared effect on reported earnings and reported book value.

Financial statements continued

Consolidated Statements of Comprehensive Income (Loss)

For the years ended 31 December 2022 and 2021

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

($ in thousands)	2022	2021
Net Income (Loss)	**(3,767,741)**	**895,595**
Other Comprehensive Income (Loss)		
Change in unrealised investment gains (losses) on available-for-sale securities	(6,170,303)	(652,868)
Policy reserves and value of business acquired adjustment	1,868,478	199,757
Foreign currency translation and other adjustments	(132,205)	(133,157)
Other comprehensive income (loss), before income tax	(4,434,030)	(586,268)
Tax expense (benefit) related to other comprehensive income (loss)	15,657	(73,363)
Other comprehensive income (loss), net of income tax	**(4,449,687)**	**(512,905)**
Less: Other comprehensive income (loss) attributable to noncontrolling interests	(41,228)	(25,379)
Total Other comprehensive income (loss) attributable to RLGH Ltd. shareholder's	**(4,408,459)**	**(487,526)**
Total Comprehensive income (loss)	**(8,217,428)**	**382,690**
Less: Comprehensive income (loss) attributable to noncontrolling interests	(28,379)	122,889
Total Comprehensive income (loss) attributable to RLGH Ltd. shareholder's	**(8,189,049)**	**259,801**

NOTE ON DIFFERENCES BETWEEN ADJUSTED AND REPORTED BASES

The large differences between reported and adjusted bases are a function of US GAAP in a rising interest rate environment. In simple terms, assets are marked to market and liabilities are not. We have strong asset-liability matching in each of our businesses to manage our interest rate exposure. Rising interest rates do not significantly change the expected cashflows on our assets or on our liabilities. However, on a reported US GAAP basis, we have seen asset values fall without the corresponding liability offset, and this has a geared effect on reported earnings and reported book value.

Financial statements continued

Consolidated Statements of Shareholder's Equity

For the years ended 31 December 2022 and 2021

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

($ in thousands, except par value and share value amounts)	Common Shares: Shares	Common Shares: Amount	Additional Paid-in Capital	Retained Earnings (Deficit)	Accumulated Other Comprehensive Income (Loss)	Total RLGH Ltd. Shareholder's Equity	Non-controlling interest	Total Shareholder's Equity
Balance, 31 December 2020	**3,002**	**$ 3**	**$ 1,829,802**	**$ (312,712)**	**$ 383,192**	**$ 1,900,285**	**$ 571,219**	**$ 2,471,504**
Issuance of capital stock	3,498	4	81,802	–	–	81,806	–	81,806
Capital contributions	–	–	2,242,568	–	–	2,242,568	–	2,242,568
Net income (loss)	–	–	–	747,327	–	747,327	148,268	895,595
Other comprehensive income	–	–	–	–	(487,526)	(487,526)	(25,379)	(512,905)
Changes in equity of noncontrolling interest	–	–	–	–	–	–	296,891	296,891
Distributions to noncontrolling interest	–	–	–	–	–	–	(12,268)	(12,268)
Balance, 31 December 2021	**6,500**	**$ 7**	**$ 4,154,172**	**$ 434,615**	**$ (104,334)**	**$ 4,484,460**	**$ 978,731**	**$ 5,463,191**
Issuance of capital stock	701		358,000	–	–	358,000	–	358,000
Capital contributions	–	–	20,000	–	–	20,000	–	20,000
Dividends paid	–	–	–	(100,000)	–	(100,000)	–	(100,000)
Net income (loss)	–	–	–	(3,780,590)	–	(3,780,590)	12,849	(3,767,741)
Other comprehensive income	–	–	–	–	(4,408,459)	(4,408,459)	(41,228)	(4,449,687)
Changes in equity of noncontrolling interest	–	–	–	–	–	–	(82,957)	(82,957)
Purchase of noncontrolling interest	–	–	41,052	–	–	41,052	(361,428)	(320,376)
Distributions to noncontrolling interest	–	–	–	–	–	–	(24,328)	(24,328)
Balance, 31 December 2022	**7,201**	**$ 7**	**$ 4,573,224**	**$ (3,445,975)**	**$ (4,512,793)**	**$ (3,385,537)**	**$ 481,639**	**$ (2,903,898)**

NOTE ON DIFFERENCES BETWEEN ADJUSTED AND REPORTED BASES

The large differences between reported and adjusted bases are a function of US GAAP in a rising interest rate environment. In simple terms, assets are marked to market and liabilities are not. We have strong asset-liability matching in each of our businesses to manage our interest rate exposure. Rising interest rates do not significantly change the expected cashflows on our assets or on our liabilities. However, on a reported US GAAP basis, we have seen asset values fall without the corresponding liability offset, and this has a geared effect on reported earnings and reported book value.

Financial statements continued

Consolidated Statements of Cash Flows

For the years ended 31 December 2022 and 2021

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

($ in thousands)	2022	2021
Cash flows from operating activities		
Net income (loss)	(3,767,741)	895,595
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Change in deferred acquisition costs and VOBA	77,595	129,689
Amortisation/accretion of net investment premium and discount	212,193	319,428
Net investment related (gain) loss, net	7,983,174	(36,753)
(Income) loss from equity method investments, net of dividends or distributions	(21,380)	(142,729)
Change in fixed maturities, fair value option investments	67,559	23,550
Changes in assets and liabilities		
Change related to modified coinsurance agreements	1,060,546	(1,018,911)
Change in accrued investment income	(3,457)	(17,578)
Change in other assets and liabilities	(1,516,518)	(416,724)
Change in reserves	(1,990,056)	(886,305)
Net cash (used in) provided by operating activities	**2,101,915**	**(1,150,738)**
Cash flows from investing activities		
Proceeds from sales, maturities and repayment of:		
Fixed maturities, available-for-sale	9,246,980	13,678,181
Fixed maturities, fair value option	103,426	167,215
Equity securities	1,671,058	1,531,061
Purchases of:		
Fixed maturities, available-for-sale	(9,015,678)	(15,017,025)
Fixed maturities, fair value option	(47,384)	(81,424)
Equity securities	(1,477,886)	(1,287,945)
Net purchases, sales, maturities of other investments	(1,072,555)	(363,795)
Purchase of subsidiaries, net of cash, cash equivalents and restricted cash acquired	–	(99,185)
Purchase of noncontrolling interest	(320,376)	–
Net cash provided by (used in) investing activities	**(912,415)**	**(1,472,917)**

Financial statements continued

Consolidated Statements of Cash Flows (continued)

For the years ended 31 December 2022 and 2021

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

($ in thousands)	2022	2021
Cash flows from financing activities		
Issuance of common stock	358,000	81,806
Capital contributions	20,000	2,242,568
Dividends paid on common stock	(100,000)	–
Proceeds from Short-term and Long-term debt	–	2,068,395
Repayment of Short-term and Long-term debt	–	(925,182)
Repayment of deferred and contingent consideration	(10,500)	(95,065)
Net funds received/(paid) on policyholder liabilities at fair value	(1,143,554)	(60,642)
Net funds received/(paid) on policyholder account balances	257,900	(67,877)
Contributions from (distributions to) consolidated investment entities	(74,756)	88,909
Effect of foreign currency on financing activities	77,005	(14,626)
Net cash provided from financing activities	(615,905)	3,318,286
Foreign currency effect on cash, cash equivalents and restricted cash	(127,679)	(118,366)
Net increase/(decrease) in cash, cash equivalents and restricted cash	445,916	576,265
Cash, cash equivalents and restricted cash, beginning of year	**3,137,701**	**2,561,436**
Cash, cash equivalents and restricted cash, end of year	**3,583,617**	**3,137,701**
Supplemental schedule of cash flow information		
Net cash paid (received) for:		
Interest	81,603	47,697
Tax	29,402	253,328
Non-cash transactions		
Minority shares issued		100,000
Issuance of long-term debt		148,000
Issuance of contingent consideration		100,000
Issuance of deferred purchase consideration		27,950
Premiums and deposits assumed on reinsurance agreements on a funds withheld basis		3,589,412
Reserves assumed on reinsurance agreements on a funds withheld basis		3,589,412
Assets acquired through reinsurance agreements on a funds withheld basis		37,804,563
Assets ceded through reinsurance agreements on a funds withheld basis		12,546,358

Notes to the Consolidated Financial Statements

($ in thousands)

1. General

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

RLGH Ltd.'s subsidiaries are listed in Note 15. RLGH Ltd.'s subsidiaries are primarily Resolution Re Ltd. ("RRL") and Resolution Life NOHC Pty Ltd ("NOHC") and Resolution Life US Holdings Ltd ("RLUSH").

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

The subsidiary of the NOHC is primarily Resolution Life Australia Pty Ltd ("RLA"). On 30 June 2020, the NOHC acquired AMP Financial Services Holding Ltd ("AMP"). RLA's main operating subsidiary is Resolution Life Australasia Limited ("RLAL").

In January 2021, RLUSH (through its wholly owned Colorado life insurance subsidiary, Resolution Life Colorado, Inc. ("RLCO")) acquired the in-force individual life insurance and legacy nonretirement annuity business of Voya Financial, Inc. (see Note 3). RLUSH's subsidiary is primarily Security Life of Denver Insurance Company ("SLD").

In November 2021, the Company entered into an agreement to acquire AMP's minority equity interest in the NOHC for a total consideration of AUD534 million. The acquisition includes settlement of a number of warranty and indemnity claims with AMP. The acquisition was completed in the second quarter of 2022, and a gain upon completion was realised of $41.1 million, which has been recognised as additional paid in capital.

On 12 October 2022, the Group entered into an agreement with Rome Holdco L.P. ("Blackstone") to sell the shares of the Company and its respective direct and indirect subsidiaries to a newly-formed Bermuda-domiciled partnership ("Blackstone ISG Investment Partners – R (BMU) L.P." or the "New Partnership") in a transaction valuing the Group at $6.25 billion, subject to certain adjustments. An affiliate of Blackstone will serve as the general partner of the New Partnership and as an investment manager for the assets supporting insurance business of the New Partnership's subsidiaries. Collectively, Blackstone and the Group plan to raise approximately $3 billion of new equity interests, including a $500 million strategic investment from Blackstone, which as noted in Note 18 – subsequent events, has been advanced to RLGH FB already in the form of the $500 million subordinated debt, which it is expected will be contributed in exchange for equity upon closing. Closing is subject to regulatory approvals and anticipated to occur in the second half of 2023.

Basis of Presentation

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

Consolidation

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

Use of Estimates

The consolidated financial statements are prepared in accordance with US GAAP, which requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual experience could materially differ from these estimates and assumptions. The Company's principal estimates impact:

- Fair value of investments
- Impairment of investments and valuation allowances
- Valuation of derivatives, including embedded derivatives
- Value of business acquired ("VOBA")
- Goodwill
- Reserves for future policy benefit and policyholder account balances
- Valuation allowances on deferred tax assets; and
- Provisions and contingencies

Business Combinations

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

Notes to the Consolidated Financial Statements continued

2. Significant Accounting Policies

Cash and Cash Equivalents

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

Restricted Cash

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

Investments

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

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

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

For unconsolidated investment funds, the Company uses either the equity method of accounting or elects the FVO. For equity method investments, the Company records its proportionate share of investment fund income within net investment income on the Consolidated Statements of Operations which can be on a lag of up to three months when investee information is not received in a timely manner. Where the fair value option has been elected the change in the fair value is reflected in Investment related gains (losses), net on the Consolidated Statements of Operations.

The Company records purchases and sales of fixed maturities and equity securities, excluding private placements on a trade date basis, with any unsettled trades recorded in other assets or other liabilities on the Consolidated Balance Sheets. Purchases and sales of private placements are recorded on the closing date.

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

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

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

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

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

Investment Income and Investment Realised Gains and Losses

Investment income from fixed maturity securities primarily consists of interest and is recognised on an accrual basis using the effective yield method giving effect to amortisation of premium and accretion of discount. Included within fixed maturities are loan-backed securities, including residential mortgage-backed securities ("RMBS"), commercial mortgage-backed securities ("CMBS") and asset-backed securities ("ABS"). Amortisation of the premium or discount from the purchase of these securities considers the estimated timing and amount of prepayments of the underlying loans. Actual prepayment experience is periodically reviewed and effective yields are recalculated when differences arise between the prepayments originally anticipated and the actual prepayments received and currently anticipated. Prepayment assumptions for single-class and multi-class mortgage-backed securities ("MBS") and ABS are estimated by management using inputs obtained from third-party specialists, including broker-dealers, and based on management's knowledge of the current market. For prepayment-sensitive securities such as interest-only and principal-only strips, inverse floaters and credit-sensitive MBS and ABS securities, which represent beneficial interests in securitised financial assets that are not of high credit quality or that have been credit impaired, the effective yield is recalculated on a prospective basis. For all other MBS and ABS, the effective yield is recalculated on a retrospective basis.

Notes to the Consolidated Financial Statements continued

Accrual of income from fixed maturities is suspended for other-than-temporary impairments ("OTTI") when the timing and amount of cash flows expected to be received is not reasonably estimable. It is the Company's policy to cease to carry accrued interest on debt securities that are over 90 days delinquent or where collection of interest is improbable and commercial mortgage loans in default if deemed uncollectible or over 180 days past due. The Company held no investments in non-accrual status as of 31 December 2022 and 2021. The Company held no commercial mortgage loans that were delinquent as of 31 December 2022 and 2021.

Recognition of investment income from investment funds is delayed due to the availability of the related financial statements, which are generally obtained from the partnerships' general partners. As a result, our private equity investments are generally on a three-month delay and our hedge funds are on a one-month delay. In addition, the impact of audit adjustments related to completion of calendar-year financial statement audits of the investees are typically received during the second quarter of each calendar year. Accordingly, our investment income from investment funds for any calendar-year period may not include the complete impact of the change in the underlying net assets for the partnership for that calendar-year period.

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

Portfolio Monitoring

The Company recognises other-than-temporary impairments ("OTTI") for fixed income securities classified as AFS in accordance with Accounting Standards Codification ("ASC") 320, Investments-Debt and Equity Securities. At least quarterly, management reviews impaired securities for OTTI. The Company has a comprehensive portfolio monitoring process to identify and evaluate each fixed maturity security whose carrying value may be other-than-temporarily impaired.

The Company's portfolio monitoring process includes a quarterly review of all securities to identify instances where the fair value of a security compared to its amortised cost is below established thresholds. The process also includes the monitoring of other impairment indicators such as ratings, ratings downgrades and payment defaults. The securities identified, in addition to other securities for which the Company may have a concern, are evaluated for potential other-than-temporary impairment using all reasonably available information relevant to the collectability or recovery of the security. Inherent in the Company's evaluation of other-than-temporary impairment for these fixed maturity securities are assumptions and estimates about the financial condition and future earnings potential of the issue or issuer. Some of the factors that may be considered in evaluating whether a decline in fair value is other than temporary are: 1) the financial condition, near-term and long-term prospects of the issue or issuer, including relevant industry specific market conditions and trends, geographic location and implications of rating agency actions and offering prices; 2) the specific reasons that a security is in an unrealised loss position, including overall market conditions which could affect liquidity; and 3) the length of time and extent to which the fair value has been less than amortised cost. In making these evaluations, the Company exercises considerable judgment.

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

Derivatives

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

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

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

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

Notes to the Consolidated Financial Statements continued

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

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

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

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

Funds Withheld Assets and Liabilities

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

Funds withheld assets and liabilities represent the receivable or payable for the amounts withheld in accordance with the reinsurance agreement in which the Company acts as the reinsurer or the cedant. While the assets in modco trusts are legally owned by the ceding company, the assets are legally segregated from the general accounts of the cedants and all economic rights and obligations on the assets accrue to the Company. The Company periodically settles interest accruing to those assets and investment gains, as defined by the terms of the agreements. The underlying agreements contain embedded derivatives as defined by the ASC 815, Derivatives and Hedging, and as a result the carrying value of the funds withheld assets and liabilities are equal to the fair value of the underlying assets. The change in the fair value of the embedded derivatives related to the change in unrealised gain or loss on the underlying securities is recorded in net investment related gains (losses), net on the Consolidated Statements of Operations.

Reinsurance

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

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

Value of Business Acquired and Deferred Acquisition Costs

VOBA represents the excess of book value over the estimated fair value of acquired insurance, annuity, and investment-type contracts in force at the acquisition date. For certain acquired blocks of business, the estimated fair value of the in-force contract obligations exceeded the book value of assumed in-force insurance policy liabilities, resulting in negative VOBA, which is presented separately from VOBA as an additional insurance liability included in other policy-related balances. The estimated fair value of the acquired obligations is based on projections, by each block of business, of future policy and contract charges, premiums, mortality and morbidity, separate account performance, surrenders, expenses, investment returns, nonperformance risk adjustment and other factors. Actual experience on the purchased business may vary from these projections.

VOBA is amortised over the estimated lives of the contracts in proportion to actual and expected gross margins or on a basis consistent with the economics of the product. VOBA is reviewed periodically for loss recognition to ensure that the unamortised balance is recoverable from future earnings from the business. The carrying amount of VOBA is adjusted for the effects of realised and unrealised gains and losses on debt securities classified as AFS if the VOBA amortisation is based on revenues or profits.

Negative value of business acquired (“VOBA”) is reported by each product line, and is classified as part of Future Policy Benefits and Other Policyholder Liabilities or Policyholders’ Account Balances. Negative VOBA is amortised over the policy period in proportion to the approximate consumption of losses included in the liability usually expressed in terms of insurance in-force or account value. Negative VOBA is not adjusted for the effects of realised and unrealised gains and losses on debt securities classified as AFS. Such amortisation is recorded as an offset in Policyholder Benefits line on the Consolidated Statements of Operations. The Company incurs costs, generally, in connection with renewal insurance

Notes to the Consolidated Financial Statements continued

business. Costs that are related directly to the successful issuance or renewal of insurance contracts are capitalised as DAC. Such costs include:

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

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

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

Goodwill

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

Separate Account Assets and Liabilities

The Company offered traditional variable annuity contracts through its separate accounts for which investment income and investment gains and losses accrue, directly to, and investment risk is borne by, the contract holder. Separate account assets and liabilities generally represent funds maintained to meet specific investment objectives of contract owners or participants who bear all of the investment risk. The assets of each account are legally segregated and are not subject to claims that arise out of any other business of the Company.

Separate account assets supporting these variable options under variable life and annuity contracts are invested, as designated by the contract owner or participant under a contract, in shares of mutual funds that are managed by the Company or in any other selected mutual funds not managed by the Company. All net investment experience, positive or negative, is attributed to the policy and contract holders' account values on the Consolidated Balance Sheets.

The Company also offered variable annuity contracts with general and separate account options where the Company contractually guarantees to the contract holder a return of no less than total deposits made to the contract less any partial withdrawals ("return of net deposits"). In certain of these variable annuity contracts, the Company also contractually guarantees to the contract holder a return of no less than (1) total deposits made to the contract less any partial withdrawals plus a minimum return ("minimum return"); and/or (2) the highest contract value on a specified date adjusted for any withdrawals ("contract value"). These guarantees include benefits that are payable in the event of death, annuitisation or at specified dates during the accumulation period and withdrawal and income benefits payable during specified periods. The Company also issued annuity contracts with and without market value adjusted investment options, which provide for a return of principal plus a fixed rate of return if held to maturity, or alternatively, a "market adjusted value" if surrendered prior to maturity or if funds are allocated to other investment options. The market value adjustment may result in a gain or loss to the Company, depending on crediting rates or an indexed rate at surrender, as applicable.

The assets supporting the variable portion of both traditional variable annuities and certain variable contracts with guarantees are carried at fair value and reported as Separate account assets with an equivalent amount reported as Separate account liabilities. Amounts assessed against the policyholders for mortality, administration, and other services are included within revenue in Fee income in the Consolidated Statements of Operations and changes in liabilities for minimum guarantees are generally included in Policyholder benefits in the Consolidated Statements of Operations, see below for further discussion over these liabilities in Future Policy Benefits and Other Policyholder Liabilities.

For those guarantees of benefits that are payable in the event of death, the net amount at risk is generally defined as the current guaranteed minimum death benefit in excess of current account balance at the balance sheet date. The Company's primary risk exposures for these contracts relates to actual deviations from, or changes to, the assumptions used in the original pricing of these products, including fixed income and equity market returns, contract lapses and contract holder mortality.

For guarantees of benefits that are payable at annuitisation, the net amount at risk is generally defined as the present value of the minimum guaranteed annuity payments available to the contract holder determined in accordance with the terms of the contract in excess of the current account balance. The Company's primary risk exposures for these contracts relates to actual deviations from, or changes to, the assumptions used in the original pricing of these products, including fixed income and equity market returns, contract lapses and contract holder mortality.

For guarantees of benefits that are payable at withdrawal, the net amount at risk is generally defined as the present value of the minimum guaranteed withdrawal payments available to the contract holder determined in accordance with the terms of the contract in excess of the current account balance. For guarantees of accumulation balances, the net amount at risk is generally defined as the guaranteed minimum accumulation balance minus the current account balance. The Company's primary risk exposures for these contracts relates to actual deviations from, or changes to the assumptions used in the original pricing of these products, including equity market returns, interest rates, market volatility or contract holder behavior used in the original pricing of these products.

Notes to the Consolidated Financial Statements continued

Future policy benefits and other policyholder liabilities

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

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

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

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

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

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

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

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

Other policy-related balances include policy and contract claims, premiums received in advance, unearned revenue liabilities, obligations assumed under structured settlement assignments, policyholder dividends due and unpaid, and policyholder dividends left on deposit.

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

Policyholder Liabilities, at Estimated Fair Value

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

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

Policyholders' Account Balances

Policyholders' account balances represent interest-bearing liabilities arising from the acquisition, reinsurance, or sale of products such as participating investment contracts, fixed annuities, universal life-type contracts and also includes retained asset balances, which represent the death benefit on a life insurance contract that the policyholder has elected to keep on deposit with the Company. Policyholders' account balances for investment accounts in which the policyholder participates in the performance of the block are the sum of amount credited to the policyholder (cumulative deposits received and interest credited to the contracts less cumulative contract benefits, surrenders, withdrawals and contract charges for mortality or administrative expenses), and an allowance for certain amounts not yet credited, which is in effect the policyholders' share of assets in excess of the those amounts already credited to the policyholder.

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

Notes to the Consolidated Financial Statements continued

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

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

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

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

Other Assets, Accrued Expenses and Other Liabilities

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

Foreign Exchange

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

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

Income Taxes

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

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

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

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

Notes to the Consolidated Financial Statements continued

Reclassifications

Certain amounts in the prior years' consolidated financial statements and related footnotes thereto have been reclassified to conform to the current year presentation. These reclassifications had no impact on Net Income (Loss) or Total Shareholder's Equity.

Change in Method of Accounting

As of 1 January 2021, consideration related to certain bond tender offers for the Company's AFS debt securities have been recorded as Net Investment Income which is comprised of interest income, amortisation/accretion and other prepayment penalties. The consideration related to these bond tender offers are considered prepayments on the AFS debt securities and are treated as interest consistent with guidance in ASC 310, Receivables. The Company will account for this as a change retrospectively as required by ASC 250, *Accounting Changes and Error Corrections*.

The change in accounting method did not change net income as previously reported for the year-ended 2021, however the change resulted in adjustments to the Consolidated Statement of Income for 2021 to increase the "Net Investment Income" line item by $136,914 and reduced "Investment related gains(losses), net" line item by $136,914. The change also resulted in a change to the Consolidated Statement of Cash Flows for 2021. The change resulted in an increase to "Investment related gains (losses), net" of $136,914 in the "Cash flows from Operating Activities section and a reduction to the "Proceeds from the sale, maturity, disposal, redemption of: Fixed Maturity, available for sale" of $136,914 in the "Cash flows from Investing Activities" section.

Investment related footnotes will also be adjusted accordingly to account for the changes.

Recently Issued Accounting Standards:

Accounting Standards Codification (ASC)	Description	Date of Adoption	Impact on Financial Statements
ASC 740 "Income Taxes"	The new guidance simplifies the accounting for income taxes by removing certain exceptions to the tax accounting guidance and providing clarification to other specific tax accounting guidance to eliminate variations in practice. Specifically, it removes the exceptions related to the a) incremental approach for intraperiod tax allocation when there is a loss from continuing operations and income or a gain from other items, b) recognition of a deferred tax liability when foreign investment ownership changes from equity method investment to consolidated subsidiary and vice versa and c) use of interim period tax accounting for year-to-date losses that exceed anticipated losses. The guidance also simplifies the application of the income tax guidance for franchise taxes that are partially based on income and the accounting for tax law changes during interim periods, clarifies the accounting for transactions that result in a step-up in tax basis of goodwill, provides for the option to elect allocation of consolidated income taxes to entities disregarded by taxing authorities for their stand-alone reporting, and requires that an entity reflects the effect of an enacted change in tax laws or rates in the annual effective tax rate computation in the interim period that includes the enactment date.	1 January 2022	The new guidance did not have a material impact on the Company's consolidated financial statements.
ASC 848 "Reference Rate Reform"	The guidance provides temporary guidance to ease the potential burden in accounting for, or recognising the effects of, reference rate reform, which includes the transition away from the London Interbank Offered Rate ("LIBOR") and other interbank offered rates to alternative reference rates, such as the Secured Overnight Financing Rate. This new guidance provides optional practical expedients and exceptions for applying generally accepted accounting principles to investments, derivatives or other transactions affected by reference rate reform such as those that impact the assessment of derivative hedge effectiveness and contract modifications, to include continuing hedge accounting when certain critical terms of a hedging relationship change and modifying certain effectiveness assessments to exclude certain potential sources of ineffectiveness. The new guidance was updated to clarify that the optional practical expedients and exceptions can be applied to derivatives that use an interest rate for margining, discounting, or contract price alignment. In addition to the optional practical expedients, the guidance includes a general principle that permits an entity to consider contract modifications due to reference rate reform to be an event that does not require contract remeasurement at the modification date or reassessment of a previous accounting determination.	Adoption is permitted as of the beginning of the interim period that includes 12 March 2020 (the issuance date of the update), or any date thereafter, through 31 December 2022, at which point the guidance will sunset	The Company adopted this guidance prospectively and it did not have a material impact on the consolidated financial statements or disclosures.

Notes to the Consolidated Financial Statements continued

Accounting Standards Codification (ASC)	Description	Date of Adoption	Impact on Financial Statements
ASC 326 "Financial Instruments – Credit Losses"	This update amended the guidance on the impairment of financial instruments. The update added an impairment model known as the current expected credit loss model that is based on expected losses rather than incurred losses and will generally result in earlier recognition of allowances for losses. The current expected credit loss model applies to financial instruments such as mortgage loans, fixed maturity securities classified as held-to-maturity, and certain receivables. The update also modified the other-than-temporary impairment model used for available-for-sale fixed maturity securities such that credit losses are recognised as an allowance rather than as a reduction in the amortised cost of the security. The reversal of previously recognised credit losses on available for-sale fixed maturity securities is allowed under specified circumstances. Additional disclosures are also required, including information used to develop the allowance for losses. The guidance will be using a modified retrospective approach through a cumulative effect adjustment to retained earnings as of the beginning of the period of adoption. For available-for-sale fixed maturity securities, the update will be applied prospectively. Other-than-temporary impairment losses recognised on available-for-sale fixed maturity securities prior to adoption of the update cannot be reversed. This guidance will be applied in the period of adoption.	1 January 2023	The Company is finalising the development of the credit loss models for its commercial mortgage loans, reinsurance recoverables and asset-backed fixed maturity investments. The development of these credit loss models has resulted in data input validations, enhanced policies and controls and continued updates to information systems. The adoption of this update is expected to result in a cumulative effect reduction to retained earnings of approximately $11.0 million with a decrease to commercial mortgage loans of approximately $8.0 million, and immaterial impacts to other line items. The Company continues to evaluate the overall impact of the new guidance on its consolidated financial statements.
ASC 944 "Financial Services – Insurance"	This update revises key elements of the measurement model used to estimate the liability for future policy benefits for traditional and limited-payment contracts as well as disclosure requirements. These key elements are: • The cash flow assumptions used to measure the liability for future policy benefits are required to be updated at least annually, which differs to the current 'locked-in' approach, and no longer allows a provision for adverse deviation. The remeasurement of the liability due to the update of assumptions is required to be recognised in net income. • The discount rate used to measure the liability for future policy benefits is required to be discounted using an upper-medium grade fixed-income instrument yield that reflects the characteristics of the liability, rather than the invested assets that supports the liability. The discount rate is required to be updated quarterly with the impact to the benefit liability being recognised in other comprehensive income. • Simplification of the amortisation of deferred acquisition costs and other balances amortised in proportion to premiums, gross profits or gross premiums, requiring such balances to be amortised on a constant level basis over the expected life of the contract. Deferred costs are not subject to impairment testing but instead will be amortised as long as the related contracts remain outstanding. • Extensive additional disclosures of the liability for future policy benefits, policyholder account balances and deferred acquisition costs. This includes disaggregated rollforwards of these balances and information about significant inputs, judgements, assumptions and methods used in their measurement.	1 January 2025	The Company is currently evaluating the impact on the consolidated financial statements and evaluating an implementation date.

Notes to the Consolidated Financial Statements continued

3. Acquisitions

Voya Transaction

On 4 January 2021, RLUSH acquired the in-force individual life business of Voya Financial, Inc. for a total consideration of $1.26 billion (the "Voya Transaction"), which included contingent and deferred consideration of approximately $130 million. The acquisition expanded the scale and capabilities of the Group's life business and provides the Group with a strong platform to capitalise on future growth opportunities in the US market.

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

($ in thousands)	4 January 2021
Assets	
Fixed maturity securities, available for sale	21,541,836
Fixed maturity securities, fair value option	564,838
Equity securities	4,820
Investment funds	570,850
Commercial Mortgage Loans	2,670,078
Policy loans	1,282,994
Short-term investments	200,597
Other invested assets	444,390
Cash and cash equivalents	707,064
Accrued investment income	190,984
Funds withheld assets	138,049
Reinsurance recoverable	2,913,978
Value of business acquired and deferred acquisition costs	408,732
Goodwill	13,104
Other assets	380,388
Separate account assets	1,625,019
Total assets acquired	**33,657,721**
Liabilities and Equity	
Future policy benefits and other policyholder liabilities	15,509,904
Policyholder account balances	14,690,831
Accrued expenses and other liabilities	572,153
Separate account liabilities	1,625,019
Total liabilities assumed	**32,397,907**
Net assets acquired	**1,259,814**

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

Notes to the Consolidated Financial Statements continued

4. Investments

The amortised cost, gross unrealised gains, gross unrealised losses and fair value for AFS investments by asset type as of 31 December 2022 and 2021 were as follows:

31 December 2022 ($ in thousands)	Amortised Cost	Gross Unrealised Gains	Gross Unrealised Losses	Fair Value
Fixed maturity securities – AFS				
US government and agencies	401,840	–	(101,664)	300,176
US municipal	990,843	–	(236,385)	754,458
Foreign government	3,723,041	18,070	(545,031)	3,196,080
Corporate	20,917,615	16,889	(4,577,455)	16,357,049
Asset backed securities	2,304,224	201	(118,804)	2,185,621
Residential mortgage-backed securities	2,061,782	730	(456,341)	1,606,171
Commercial mortgage-backed securities	2,799,891	416	(617,492)	2,182,815
Total fixed maturity securities – AFS	**33,199,236**	**36,306**	**(6,653,172)**	**26,582,370**

31 December 2021 ($ in thousands)	Amortised Cost	Gross Unrealised Gains	Gross Unrealised Losses	Fair Value
Fixed maturity securities – AFS				
US government and agencies	1,222,195	3,135	(58,367)	1,166,963
US municipal	1,212,390	14,646	(13,901)	1,213,135
Foreign government	4,201,087	26,792	(195,719)	4,032,160
Corporate	22,994,357	326,030	(490,344)	22,830,043
Asset backed securities	1,407,008	1,790	(8,095)	1,400,703
Residential mortgage-backed securities	2,009,603	8,559	(31,085)	1,987,077
Commercial mortgage-backed securities	2,216,748	14,230	(44,235)	2,186,743
Total fixed maturity securities – AFS	**35,263,388**	**395,182**	**(841,746)**	**34,816,824**

The changes in unrealised gains and losses and cumulative translation adjustment included in accumulated other comprehensive income (loss) ("AOCI") were as follows for the years ended 31 December 2022 and 2021:

($ in thousands)	Net Unrealised Gain (Losses) on Investments	Cumulative Translation Adjustment	Net Unrealised Gains (Losses) on Hedging Activities	Future Policy Benefits, Policyholders' Account balances and VOBA	Accumulated Other Comprehensive Income (Loss)
Balance, 31 December 2020	**180,382**	**206,818**	**–**	**(4,008)**	**383,192**
Net investment gains and losses on investments arising during the period	(633,135)	–	(33,696)	–	(666,831)
Reclassification adjustment for gains and losses included in net income	13,963	12,906	–	–	26,869
Impact of net unrealised investment gains and losses on future policy benefits and policyholder's account balances	–	1,334	–	199,757	201,091
Deferred income tax (expense) benefit	107,188	–	–	(33,825)	73,363
Accumulated other comprehensive (income)/loss attributable to NCI	35,827	(254)	–	(10,194)	25,379
Effect of foreign currency translation on consolidation	–	(147,397)	–	–	(147,397)
Balance, 31 December 2021	**(295,775)**	**73,407**	**(33,696)**	**151,730**	**(104,334)**
Net investment gains and losses on investments arising during the period	(6,433,932)	–	72,221	(3,579)	(6,365,290)
Reclassification adjustment for gains and losses included in net income	263,630	–	–	–	263,630
Impact of net unrealised investment gains and losses on future policy benefits, policyholder's account balances, and VOBA	–	–	–	1,868,478	1,868,478
Deferred income tax (expense) benefit	1,230,399	–	(818)	(369,185)	860,396
Accumulated other comprehensive (income)/loss attributable to NCI	69,013	2,578	–	(30,363)	41,228
Effect of foreign currency translation on consolidation	(1,558)	(199,290)	–	–	(200,848)
Tax valuation allowance	(876,053)	–	–	–	(876,053)
Balance, 31 December 2022	**(6,044,276)**	**(123,305)**	**37,707**	**1,617,081**	**(4,512,793)**

Notes to the Consolidated Financial Statements continued

Unrealised Investment Gains and Losses

The gross unrealised losses and fair value of fixed maturities, available for sale, by the length of time that individual securities have been in a continuous unrealised loss position were as follows as of 31 December 2022 and 2021:

	Less than 12 months		Greater than 12 months			
31 December 2022 ($ in thousands)	**Fair Value**	**Gross Unrealised Losses**	**Fair Value**	**Gross Unrealised Losses**	**Fair Value**	**Gross Unrealised Losses**
Fixed maturity securities						
US Government and agencies	24,442	(4,567)	275,734	(97,097)	300,176	(101,664)
US municipal	337,784	(103,963)	416,668	(132,422)	754,452	(236,385)
Foreign government	1,709,704	(131,540)	1,325,524	(413,491)	3,035,228	(545,031)
Corporate	7,956,770	(1,863,974)	7,780,456	(2,713,481)	15,737,226	(4,577,455)
Asset backed securities	1,024,434	(57,515)	617,007	(61,289)	1,641,441	(118,804)
Residential mortgage-backed securities	599,703	(112,923)	931,548	(343,418)	1,531,251	(456,341)
Commercial mortgage-backed securities	801,477	(193,260)	1,354,000	(424,232)	2,155,477	(617,492)
Total fixed maturity securities	**12,454,314**	**(2,467,742)**	**12,700,937**	**(4,185,430)**	**25,155,251**	**(6,653,172)**

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

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

Notes to the Consolidated Financial Statements continued

Other-Than-Temporary Impairment

For the years ended 31 December 2022 and 2021, credit impairments of $31.7 million and $5.7 million, respectively, relating to foreign government, corporate bonds, and structured securities were recognised in the Consolidated Statements of Operations.

Scheduled Maturities

The scheduled maturities for fixed maturity securities AFS as of 31 December 2022 were as follows:

($ in thousands)	Amortised Cost	Fair Value
Fixed maturity securities – AFS		
Due within one year	509,972	501,275
Due after one year through five years	2,822,340	2,643,150
Due after five years through ten years	4,271,817	3,726,605
Due after ten years	18,429,210	13,736,733
Subtotal	26,033,339	20,607,763
Structured securities (ABS, RMBS, CMBS)	7,165,897	5,974,607
Total fixed maturities – AFS	**33,199,236**	**26,582,370**

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

Commercial Mortgage Loans

The Company diversifies its commercial mortgage loan portfolio by geographical region to reduce concentration risk. The Company's commercial mortgage loan portfolio in the United States, by geographical region as of 31 December 2022 and 2021 was as follows:

($ in thousands)	31 December 2022	31 December 2021
Pacific	753,335	697,927
South Atlantic	588,488	494,377
Middle Atlantic	378,458	383,116
West South Central	275,460	217,280
Mountain	308,336	307,306
East North Central	277,611	282,002
New England	43,396	53,666
West North Central	68,732	89,534
East South Central	34,706	37,519
General allowance for loan loss	–	–
Total commercial mortgage loans	**2,728,522**	**2,562,727**

Notes to the Consolidated Financial Statements continued

Credit Quality of Commercial Mortgage Loans

The credit quality of commercial mortgage loans held-for-investment as of 31 December 2022 and 2021 were as follows:

	Recorded Investment								
	Debt Service Coverage Ratios								
31 December 2022 ($ in thousands)	> 1.5x	> 1.25x–1.5x	> 1.0x–1.25x	< 1.0x	Commercial mortgage loans secured by land or construction loans	Total	% of Total	Estimated Fair Value	% of Total
Loan-to-Value Ratios:									
0%–50%	1,531,416	279,561	107,531	85,061	–	2,003,569	74%	1,759,102	72%
>50%–60%	264,355	98,629	145,546	48,053	–	556,583	20%	508,085	21%
>60%–70%	22,865	8,739	97,683	39,083	–	168,370	6%	165,067	7%
>70%–80%	–	–	–	–	–	–	–%	–	–%
>80% and above	–	–	–	–	–	–	–%	–	–%
Total	**1,818,636**	**386,929**	**350,760**	**172,197**	**–**	**2,728,522**	**100%**	**2,432,254**	**100%**

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

As of 31 December 2022 the Company had no allowance for credit losses for commercial mortgage loans. As of 31 December 2022 all commercial mortgage and other loans were in current status with no commercial mortgage or other loans classified as past due. There were no payment defaults on commercial mortgages.

The Company invests in high quality, well performing portfolios of commercial mortgage loans and private placements. Under certain circumstances, modifications are granted to these contracts. Each modification is evaluated as to whether a troubled debt restructuring has occurred. A modification is a troubled debt restructuring when the borrower is in financial difficulty and the creditor makes concessions. Generally, the types of concessions may include reducing the face amount or maturity amount of the debt as originally stated, reducing the contractual interest rate, extending the maturity date at an interest rate lower than current market interest rates and/or reducing accrued interest. The Company considers the amount, timing and extent of the concession granted in determining any impairment or changes in the specific valuation allowance recorded in connection with the troubled debt restructuring. A valuation allowance may have been recorded prior to the quarter when the loan is modified in a troubled debt restructuring. Accordingly, the carrying value (net of the valuation allowance) before and after modification through a troubled debt restructuring may not change significantly, or may increase if the expected recovery is higher than the pre-modification recovery assessment. The Company's CMLs may occasionally be involved in a troubled debt restructuring. As of 31 December 2022, the Company had no commitments to fund to borrowers that have been involved in a troubled debt restructuring. As of 31 December 2022, the Company had no new troubled debt restructurings related to loans to CML and no payment defaults on CMLs. As of 31 December 2021, the Company held five private placement troubled debt restructuring loans with a carrying value of $25.3 million.

Notes to the Consolidated Financial Statements continued

Investment Funds

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

The following table presents the carrying value by ownership percentage of investment funds held at fair value as of 31 December 2022 and 2021:

	31 December 2022		31 December 2021	
($ in thousands)	Carrying Value	Maximum Loss Exposure	Carrying Value	Maximum Loss Exposure
Ownership Percentage				
3%–49%	1,964,681	1,964,681	1,412,824	1,412,824
Less than 3%	1,018,736	1,018,736	2,602,922	2,602,922
Fair value investment funds	**2,983,417**	**2,983,417**	**4,015,746**	**4,015,746**

The following table presents the carrying value by ownership percentage of equity method investment funds as of 31 December 2022 and 2021:

	31 December 2022		31 December 2021	
($ in thousands)	Carrying Value	Maximum Loss Exposure	Carrying Value	Maximum Loss Exposure
Ownership Percentage				
50%–99%	3,794	3,794	6,883	6,883
3%–49%	170,341	170,341	88,380	88,380
Less than 3%	702,559	702,559	677,698	677,698
Equity method investment funds	**876,694**	**876,694**	**772,961**	**772,961**

Net Investment Income

Net investment income for the years ended 31 December 2022 and 2021 were as follows:

($ in thousands)	2022	2021
Fixed maturity securities, available for sale	1,102,592	957,579
Fixed maturity securities, fair value option	37,770	59,089
Equity securities	130,776	118,661
Investment funds	440,621	568,873
Short-term investments	66,702	28,162
Commercial mortgage loans	87,893	84,355
Derivatives	–	(1,372)
Funds withheld assets	761,917	224,499
Policy Loans	81,440	77,259
Other invested assets	6,489	1,199
Investment expenses	(113,014)	(109,006)
Net investment income	**2,603,186**	**2,009,298**

Notes to the Consolidated Financial Statements continued

Investment Related Gains (Losses), Net

Investment related gains (losses) for the years ended 31 December 2022 and 2021 were as follows:

($ in thousands)	2022	2021
Fixed maturity securities, available for sale	(1,294,822)	(286,402)
Fixed maturity securities, fair value option		
Net gains (losses) on sales and disposals	(28,244)	(48,052)
Change in estimated fair value	(67,559)	(23,550)
Equity securities		
Net gains (losses) on sales and disposals	32,671	458,508
Change in estimated fair value	(221,984)	21,043
Investment funds	(576,472)	314,637
Short-term investments	10,213	(5,798)
Commercial mortgage loans	–	103
Derivatives	(1,143,239)	(558,750)
Funds withheld assets		
Realised gains (losses) on trading activity	(532,547)	106,555
Change in embedded derivative	(4,310,124)	(128,038)
Investment property	72,843	23,165
Other investment assets	8,529	–
Investment related gains (losses), net	**(8,050,735)**	**(126,579)**

Proceeds from sales of fixed maturities and gross realised investment gains and losses for the years ended 31 December 2022 and 2021 were as follows:

($ in thousands)	2022	2021
Fixed maturity securities, available for sale		
Proceeds from sales	9,246,980	13,864,862
Gross investment gains from sales	12,815	121,522
Gross investment losses from sales	(1,275,202)	(402,151)

Notes to the Consolidated Financial Statements continued

5. Derivative Instruments

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

Interest Rate Contracts

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

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

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

Where appropriate the Company treats outstanding interest rate swaps as settled to market and therefore, has no open fair value at the balance sheet date. As at 31 December 2022 and 2021, swaps with a notional value of $2,878 million and $1,317 million, respectively, were treated as settled to market.

Foreign Exchange Contracts

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

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

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

Equity Contracts

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

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

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

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

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

Other Derivative Contracts

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

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

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

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

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

Notes to the Consolidated Financial Statements continued

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

	31 December 2022		
		Gross Fair Value	
($ in thousands)	Notional	Assets	Liabilities
Derivatives Designated as Hedging Instruments			
Interest rate swap agreements	500,000	35,962	–
Foreign currency swaps	33,973	5,068	–
Total derivatives designated as hedging instruments	**533,973**	**41,030**	**–**
Derivatives Not Designated as Hedging Instruments			
Foreign currency forwards	2,387,284	54,860	(1)
Foreign currency swaps	35,558	5,554	(1)
Interest rate swaps	6,272,706	9,787	(417,733)
Interest rate forwards	3,888,757	5,054	(117,641)
Equity contracts	4,244,718	377,873	(17,394)
Guaranteed premium rate benefits	–	58,371	–
Other derivative contracts	663,583	16,549	(2,223)
Embedded derivatives			
Funds withheld assets	–	2,121,898	(5,873,287)
Equity indexed universal life contracts	–	–	(171,707)
Equity indexed annuity contracts	–	–	(1,601,625)
GMWB/GMWBL	–	–	(6,031)
Total derivatives not designated as hedging instruments	**17,492,606**	**2,649,946**	**(8,207,643)**
Total Derivatives	**18,026,579**	**2,690,976**	**(8,207,643)**

	31 December 2021		
		Gross Fair Value	
($ in thousands)	Notional	Assets	Liabilities
Derivatives Designated as Hedging Instruments			
Foreign currency forwards	254,379	–	(33,696)
Total derivatives designated as hedging instruments	**254,379**	**–**	**(33,696)**
Derivatives Not Designated as Hedging Instruments			
Foreign currency forwards	1,839,092	9,173	(10,328)
Foreign currency swaps	47,009	3,924	(523)
Interest rate swaps	6,688,886	30,395	(283,440)
Interest rate forwards	3,360,391	980	(4,455)
Equity contracts	6,081,077	734,495	(45,032)
Guaranteed premium rate benefits	–	86,600	–
Other derivative contracts	466,970	857	(4,141)
Embedded derivatives			
Funds withheld assets	–	550,205	–
Other assets	–	8,530	–
Equity index life contracts	–	–	(446,293)
Fixed indexed annuity contracts	–	–	(2,791,508)
GMWB/GMWBL	–	–	(10,802)
Total derivatives not designated as hedging instruments	**18,483,425**	**1,425,159**	**(3,596,522)**
Total Derivatives	**18,737,804**	**1,425,159**	**(3,630,218)**

Notes to the Consolidated Financial Statements continued

Derivative Instruments Designated as Hedging Instruments

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

($ in thousands) Derivative Instruments	Statement of Changes in Shareholder's Equity line	2022	2021
Foreign currency forwards	Accumulated other comprehensive income (loss)	32,366	(33,696)
Foreign currency swaps	Accumulated other comprehensive income (loss)	3,893	–
Interest rate swaps	Accumulated other comprehensive income (loss)	35,962	–

Derivative Instruments Not Designated as Hedging Instruments

The cumulative net gains (losses) in the Consolidated Statements of Operations for changes in the fair value of derivative instruments and the location of any gains or losses in the Consolidated Statements of Operations line for the years ended 31 December 2022 and 2021 were as follows:

($ in thousands) Derivative Instruments	Statement of Operations line	2022	2021
Foreign currency forwards	Investment related gains (losses), net	(63,117)	(26,056)
Foreign currency swaps	Investment related gains (losses), net	4,561	(7,843)
Interest rate swaps	Net investment income	–	(1,372)
Interest rate swaps	Investment related gains (losses), net	(562,779)	(157,770)
Interest rate forwards	Investment related gains (losses), net	(388,366)	(300,784)
Equity contracts	Investment related gains (losses), net	(154,682)	177,829
Other derivative contracts	Investment related gains (losses), net	21,144	(244,126)
Guaranteed premium rate benefits	Other operating expenses	13,124	(180)
		(1,130,115)	**(560,302)**

As of 31 December 2022, the Company was owed $59.6 million in relation to margin calls in connection with the interest rate swaps. As of 31 December 2021, the Company owed $6.6 million, for cash it is required to post in relation to margin calls in connection with the interest rate swaps. These amounts are included within other liabilities or other assets on the Consolidated Balance Sheets.

Embedded Derivatives on Funds Withheld Assets

Embedded derivatives arising on modco and funds withheld contracts are bifurcated from the host contract and carried at fair value within funds withheld assets on the Consolidated Balance Sheets. Changes in fair value are recorded within Investment related gains (losses), net on the Consolidated Statements of Operations.

The estimated fair value and the location on the Consolidated Balance Sheets of the Company's embedded derivatives as of 31 December 2022 and 2021 were as follows:

($ in thousands) Derivative Instruments	Balance Sheet Line	31 December 2022	31 December 2021
Derivatives embedded in			
Modco reinsurance contracts	Funds withheld asset	2,121,898	550,205
Modco reinsurance contracts	Funds withheld liability	(5,860,683)	–
Funds withheld assets	Other assets/Other liabilities	(12,604)	8,530
Derivatives embedded in life and annuity contracts			
Fixed indexed annuity contracts	Policyholder account balances	(1,601,625)	(2,791,507)
Equity indexed universal life contracts	Policyholder account balances	(171,707)	(446,293)
GMWB/GMWBL	Future policy benefits and other policy liabilities	(6,031)	(10,802)
		(5,530,752)	**(2,689,867)**

The change in the value of the embedded derivatives recorded within Consolidated Statements of Operations for the years ended 31 December 2022 and 2021 were as follows:

($ in thousands) Derivative Instruments	Statement of Operations line	2022	2021
Derivatives embedded in life and annuity contracts			
Fixed indexed annuity contracts	Policyholder benefits	1,878	1,063
Equity indexed universal life contracts	Policyholder benefits	28,691	(138,408)
Equity indexed universal life contracts	Investment related gains (losses), net	245,895	(248,977)
GMWB/GMWBL	Policyholder benefits	4,771	6,376
Fixed indexed annuity contracts	Interest credited	(321,184)	–
Change in embedded derivatives on modco reinsurance contracts	Investment related gains (losses), net	(4,288,990)	(135,317)
Change in embedded on funds withheld assets	Investment related gains (losses), net	(21,134)	(7,279)
		(4,350,073)	**(522,542)**

6. Fair Value Measurement

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

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

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

(a) Quoted prices for similar assets or liabilities in active markets;

(b) Quoted prices for identical or similar assets or liabilities in markets that are not active; or

(c) Valuation models whose inputs are observable, directly or indirectly, for substantially the full term of the asset or liability.

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

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

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

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

Notes to the Consolidated Financial Statements continued

The Company's assets and liabilities measured at fair value on a recurring basis as of 31 December 2022 and 2021 were as follows:

31 December 2022 ($ in thousands)	**Level 1**	**Level 2**	**Level 3**	**Total**
Fixed maturity securities, available for sale				
US government and agencies	155,642	144,534	–	300,176
US municipal	–	754,458	–	754,458
Foreign government	–	3,196,080	–	3,196,080
Corporate	–	15,284,615	1,072,434	16,357,049
Asset backed securities	–	1,196,898	988,723	2,185,621
Residential mortgage-backed securities	–	1,606,171	–	1,606,171
Commercial mortgage-backed securities	–	2,182,815	–	2,182,815
Total fixed maturity securities, available for sale	**155,642**	**24,365,571**	**2,061,157**	**26,582,370**
Fixed maturity securities, fair value option	–	189,516	40,198	229,714
Equity securities	2,220,088	123,117	566,656	2,909,861
Investment funds measured at net asset value[1]	–	–	–	3,860,111
Short-term investments	221,535	1,668,037	–	1,889,572
Derivative assets	5,288	332,600	172,820	510,708
Cash and cash equivalents	3,583,617	–	–	3,583,617
Embedded derivatives on funds withheld assets	–	(12,604)	(5,860,683)	(5,873,287)
Guaranteed premium rate benefits	–	–	58,371	58,371
Separate account assets	1,355,935	2,539,007	–	3,894,942
Total assets measured at fair value	**7,542,105**	**29,205,244**	**(2,961,481)**	**37,645,979**
Liabilities				
Policyholder liabilities, at estimated fair value	–	–	4,883,724	4,883,724
Future policy benefits and other policyholder liabilities				
GMWB/GMWBL	–	–	6,031	6,031
Policyholder account balances				
Fixed indexed annuity contracts	–	–	1,601,625	1,601,625
Equity indexed universal life contracts	–	–	171,707	171,707
Derivative liabilities	118,229	436,765	–	554,994
Embedded derivatives on funds withheld liabilities	–	–	(2,121,898)	(2,121,898)
Separate account liabilities	1,355,935	2,539,007	–	3,894,942
Total liabilities measured at fair value	**1,474,164**	**2,975,772**	**4,541,189**	**8,991,125**

31 December 2021 ($ in thousands)	**Level 1**	**Level 2**	**Level 3**	**Total**
Fixed maturity securities, available for sale				
US government and agencies	684,042	482,921	–	1,166,963
US municipal		1,213,136	–	1,213,136
Foreign government		4,032,159	–	4,032,159
Corporate		21,777,138	1,052,906	22,830,044
Asset backed securities		1,282,806	117,897	1,400,703
Residential mortgage-backed securities		1,987,076	–	1,987,076
Commercial mortgage-backed securities		2,186,743	–	2,186,743
Total fixed maturity securities, available for sale	**684,042**	**32,961,979**	**1,170,803**	**34,816,824**
Fixed maturity securities, fair value option	–	411,714	20	411,734
Equity securities	2,934,434	123,293	558,405	3,616,132
Investment funds measured at net asset value[1]	–	–	–	4,788,707
Short-term investments	–	2,029,808	–	2,029,808
Derivative assets	1,356	341,134	437,334	779,824
Investment property	–	–	98,280	98,280
Cash and cash equivalents	3,137,701	–	–	3,137,701
Embedded derivatives on funds withheld assets	–	–	550,205	550,205
Guaranteed premium rate benefits	–	86,600	–	86,600
Separate account assets	1,770,280	3,223,959	–	4,994,239
Total assets measured at fair value	**8,527,813**	**39,178,487**	**2,815,047**	**55,310,054**
Liabilities				
Policyholder liabilities, at estimated fair value	–	–	6,511,136	6,511,136
Future policy benefits and other policyholder liabilities				
GMWB/GMWBL	–	–	10,802	10,802
Policyholder account balances				
Fixed indexed annuity contracts	–	–	2,791,507	2,791,507
Equity indexed universal life contracts	–	–	446,293	446,293
Derivative liabilities	6,542	375,074	–	381,616
Other liabilities	–	8,530	–	8,530
Separate account liabilities	1,770,280	3,223,959	–	4,994,239
Total liabilities measured at fair value	**1,776,822**	**3,607,563**	**9,759,738**	**15,144,123**

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

Notes to the Consolidated Financial Statements continued

Fair Value Valuation Methods

We used the following valuation methods and assumptions to estimate fair value.

Publicly traded fixed maturity securities

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

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

Non-publicly traded fixed maturity securities

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

Derivative assets

The fair value of financial instruments traded in active markets (such as publicly traded derivatives) is based on quoted market prices (current bid price or current offer price) and classified as Level 1. The fair value of financial instruments not traded in an active market (e.g. over-the-counter derivatives) is determined using valuation techniques and is classified as Level 2. Valuation techniques include net present value techniques, option pricing models, discounted cash flow methods and comparison to quoted market prices or dealer quotes for similar instruments. The models use a number of inputs, including the credit quality of counterparties, foreign exchange spot and forward rates, yield curves of the respective currencies, currency basis spreads between the respective currencies, interest rate curves and forward rate curves of the underlying instruments. Some derivative contracts are significantly cash collateralised, thereby minimising both counterparty risk and the Group's own non-performance risk.

Equity securities

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

Short-term investments

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

Investment property

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

Funds withheld assets and liabilities (embedded derivative)

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

Notes to the Consolidated Financial Statements continued

Cash and cash equivalents, including restricted cash

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

Separate account assets and liabilities

The assets and liabilities held in separate accounts are reported at the fair values of the underlying investments in the separate accounts. The underlying investments include mutual funds, short-term investments, cash and fixed maturities. The underlying assets are classified as Level 1 or Level 2, as they are primarily based on observable pricing for similar assets and/or other market observable inputs.

Policyholder liabilities, at fair value

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

Guaranteed premium rate benefits

The Company estimates the fair value of the guaranteed premium rate benefits derivative using the income approach. The income approach is applied using the valuation technique of a discounted cash flow analysis. As such, the guaranteed premium rate benefits derivative is accounted for as a freestanding derivative instrument and is classified as Level 3 in the fair value hierarchy.

Future policy benefits and other policyholder liabilities and Policyholders' account balances - guaranteed benefit derivatives

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

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

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

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

Notes to the Consolidated Financial Statements continued

Level 3 Fair Value Measurements

The change in fair value measurement of assets and liabilities categorised with Level 3 of the fair value hierarchy during the years ended 31 December 2022 and 2021 were as follows:

31 December 2022 ($ in thousands)	Beginning Balance	Transfers to Level 3	Transfers out of Level 3	Purchases	Investment related gains/(losses) included: Net income	Investment related gains/(losses) included: OCI	Issues	Settlements	Ending Balance
Assets									
Fixed income securities, available for sale	1,052,905	55,800	(68,057)	430,248	(7,865)	(303,074)	–	(87,523)	1,072,434
Asset backed securities	117,896	–	(123)	897,338	(400)	(10,357)	–	(15,631)	988,723
Fixed maturities, fair value option	20	–	–	47,153	(3,578)	–	–	(3,397)	40,198
Equity securities	558,405	–	–	11,154	34,096	(36,897)	–	(102)	566,656
Investment property	98,280	–	–	–	72,843	(4,270)	–	(166,853)	–
Short-term investments	–	–	–	–	–	–	–	–	–
Embedded derivative on funds withheld assets	550,205	–	–	–	(6,410,888)	–	–	–	(5,860,683)
Derivative assets	437,333	–	–	82,863	–	–	–	(347,376)	172,820
Guaranteed premium rate benefits	–	58,371	–	–	–	–	–	–	58,371
Total Level 3 assets	**2,815,044**	**114,171**	**(68,180)**	**1,468,756**	**(6,315,792)**	**(354,598)**	**–**	**(620,882)**	**(2,961,481)**
Liabilities									
Fixed indexed annuity contracts	2,791,507	–	–	–	(1,189,156)	–	533	(1,259)	1,601,625
Equity indexed life contracts	446,293	446,293	(446,293)	–	(245,895)	–	93,015	(121,706)	171,707
GMWB/GMWBL	10,802	–	–	–	(6,059)	–	11,694	(10,406)	6,031
Derivative liabilities	–	–	–	–	–	–	–	–	–
Embedded derivative on funds withheld	–	–	–	–	(2,121,898)	–	–	–	(2,121,898)
Policyholder liabilities, at estimated fair value	6,511,136	–	–	–	(1,143,554)	–	–	(483,858)	4,883,724
Total Level 3 liabilities	**9,759,738**	**446,293**	**(446,293)**	**–**	**(4,706,562)**	**–**	**105,242**	**(617,229)**	**4,541,189**

Notes to the Consolidated Financial Statements continued

31 December 2021 ($ in thousands)	Beginning Balance	Transfers to Level 3	Transfers out of Level 3	Purchases	Investment related gains/(losses) included in Net income	Investment related gains/(losses) included in OCI	Issues	Settlements	Ending Balance
Assets									
Fixed income securities, available for sale	–	11,753	(81,502)	1,166,389	(2,208)	6,528	–	(48,054)	1,052,906
Asset backed securities	1,075	4,467	–	118,438	(447)	(365)	–	(5,271)	117,897
Residential mortgage-backed securities	–	–	–	–	–	–	–	–	–
Fixed maturities, fair value option	–	–	–	20	–	–	–	–	20
Equity securities	532,797	–	–	2,597	23,011	–	–	–	558,405
Investment property	80,023	–	–	–	18,257	–	–	–	98,280
Short-term investments	–	–	–	10,460	2,949	–	–	(13,409)	–
Embedded derivative on funds withheld assets	685,522	–	–	–	(135,317)	–	–	–	550,205
Derivative assets	–	–	(54,291)	468,617	239,362	–	–	(216,354)	437,334
Total Level 3 assets	**1,299,417**	**16,220**	**(135,793)**	**1,766,521**	**145,607**	**6,163**	**–**	**(283,088)**	**2,815,047**
Liabilities									
Fixed indexed annuity contracts	–	–	–	2,792,570	(4,704)	–	5,489	(1,848)	2,791,507
Equity indexed life contracts	–	–	–	307,885	248,977	–	87,641	(198,210)	446,293
GMWB/GMWBL	–	–	–	17,179	(7,725)	–	1,348	–	10,802
Derivative liabilities	–	–	(61,922)	61,922	–	–	–	–	–
Embedded derivative on funds withheld liabilities	–	–	–	–	–	–	–	–	–
Policyholder liabilities, at estimated fair value	7,086,618	–	–	–	(60,642)	–	–	(514,840)	6,511,136
Total Level 3 liabilities	**7,086,618**	**–**	**(61,922)**	**3,179,556**	**175,906**	**–**	**94,478**	**(714,898)**	**9,759,738**

Notes to the Consolidated Financial Statements continued

Significant Unobservable Inputs

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

($ in thousands)	Fair Value	Valuation Technique	Unobservable Input
Derivatives embedded in life and annuity contracts			
Equity Indexed universal life	(171,707)	Option Pricing Technique	Lapses
Guaranteed minimum withdrawal benefits and withdrawal benefits	(6,031)	Option Pricing Technique	Long-term implied equity volatility
			Long-term implied interest rate volatility
			Non-performance risk
			Withdrawal Utilisation Delay
			Benefit Utilisation Lapses
Fixed Indexed Annuities	(1,601,625)	Option Budget Method	Non-performance risk
			Partial Withdrawals Lapses

The table above also excludes underlying quantitative inputs related to liabilities held for the Company's guaranteed withdrawal benefits. The development of these liabilities generally involve actuarially determined models and could result in the Company reporting significantly higher or lower fair value measurements for these Level 3 investments.

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

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

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

7. Variable Interest Entities ("VIEs")

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

Consolidated VIEs

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

31 December 2022 ($ in thousands)	Carrying Value	Total Assets	Total Liabilities
Investment funds	1,639,963	1,643,638	(3,676)
Total Consolidated VIEs	**1,639,963**	**1,643,638**	**(3,676)**

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

Notes to the Consolidated Financial Statements continued

Non-consolidated VIEs

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

		31 December 2022	
($ in thousands)	Balance Sheet Line	Carrying Value	Maximum Loss Exposure
Other investments	Investment funds	1,034,230	1,034,230
Total non-consolidated VIEs		**1,034,230**	**1,034,230**

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

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

8. Income Taxes

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

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

Current income tax recoverable and deferred tax assets are included in other assets on the consolidated balance sheets, and current income tax payable and deferred tax liabilities are included in other liabilities on the consolidated balance sheets. Current income tax assets and liabilities as of 31 December 2022 and 2021 were as follows:

($ in thousands)	2022	2021
Current income tax recoverable	175,383	202,863
Current income tax payable	3,074	24,646
Net current income tax recoverable (payable)	**172,309**	**178,217**

Deferred income taxes are calculated to account for the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's deferred tax assets and liabilities as of 31 December 2022 and 2021 were as follows:

($ in thousands)	2022	2021
Deferred tax assets		
Policyholder reserves	400,878	404,932
Deferred acquisition costs	466,938	510,813
Net operating loss carryforward	349,966	44,240
Net unrealised investment losses	842,945	48,330
Other	153,083	148,681
Gross deferred tax assets	2,213,810	1,156,996
Valuation allowance adjustment	(976,240)	–
Total Deferred tax assets	1,237,570	1,156,996
Deferred tax liabilities		
Investments	(89,824)	(404,117)
Value of business acquired	(257,938)	(299,492)
Premium and claims accruals	(112,888)	(140,678)
Other	(42,922)	(7,281)
Total Deferred tax liabilities	(503,572)	(851,568)
Net deferred tax assets (liabilities)	**733,998**	**305,428**

Notes to the Consolidated Financial Statements continued

The Company evaluates the recoverability of deferred tax assets and establishes a valuation allowance if necessary to reduce the deferred tax asset to an amount that is more likely than not expected to be realised.

Considerable judgment is required in determining whether a valuation allowance is necessary, and if so, the amount of such valuation allowance.

The Company does not believe it has any uncertain tax positions for its federal income tax return that would be material to its financial condition, results of income, or cash flows. Therefore, the Company did not record a liability for unrecognised tax contingencies/benefits as of 31 December 2022 and 2021. As of 31 December 2022, there were no uncertain tax positions for which management believes it is reasonably possible that the total amounts of tax contingencies will significantly increase within 12 months of the reporting date. No amounts have been accrued for interest or penalties.

The Company evaluates the recoverability of deferred tax assets and establishes a valuation allowance if necessary to reduce the deferred tax asset to an amount that is more likely than not expected to be realized. Considerable judgment is required in determining whether a valuation allowance is necessary, and if so, the amount of such valuation allowance. As of 31 December 2022 and 2021, the Company had total valuation allowances of $976.2 million and $0 million, respectively. As of 31 December 2022 and 2021, $100.2 million and $0 million, respectively, of this valuation allowance was allocated to continuing operations and $876.1 million and $0 million, respectively, was allocated to Other comprehensive income (loss) related to realized and unrealized capital losses.

The US book minimum tax ("CAMT") was enacted on 16 August 2022 as part of the Inflation Reduction Act 2022 and applies to tax years commencing after 31 December 2022. The CAMT would apply only if the net income in the consolidated accounts of the whole group reaches $1 billion per annum averaged over the previous three years. It is not currently expected that the threshold will be met for 2023, but it is also noted that the legislation is being supplemented by regulations and guidance, and uncertainty remains as to how the threshold is calculated. The expectation will continue to be refined.

A reconciliation of the income tax expense (benefit) is as follows:

($ in thousands)	**2022**	**2021**
Profit (loss) before tax	(4,192,460)	655,426
Tax attributable to policyholders' returns	(282,278)	13,579
Profit (loss) before tax attributable to stockholder's profits	(3,910,182)	669,005
Reconciling items	–	
Difference in foreign tax rates	(173,109)	136,317
Expenses not deductible for tax purposes	21,482	1,973
Non-assessable capital gains (losses) – New Zealand	21,214	(15,511)
Other non-assessable income	(13,699)	(7,271)
Shareholder impact of life insurance tax treatment	15,621	(7,486)
NOHC tax consolidation election	(24,392)	(292,621)
Amounts treated as equity for tax purposes	(38,869)	376
AMP Transaction purchase price adjustments	–	(16,896)
Concessional tax treatment of investment income	(37,213)	(14,116)
Tax attributable to policyholders' returns	(282,278)	(13,579)
Tax valuation allowance reversal	100,186	(5,788)
Other	(13,662)	(5,567)
Income tax expense (benefit)	**(424,719)**	**(240,169)**

For the year ended 31 December 2022, a deferred tax asset of $555.2 million has been recognised, being the increase in tax basis in investments as a result of the tax rules which govern the creation of the new tax consolidated group.

The Company's net operating loss carryforwards of $396.6 million primarily relate to policyholder tax losses, which have no expiry and can be carried forward indefinitely to offset against future policyholder taxable income.

Notes to the Consolidated Financial Statements continued

9. Certain Non-traditional Long-Duration Contracts

The Company's contracts with guarantees may offer more than one type of guarantee in each contract; therefore, the amounts listed may not be mutually exclusive. The liabilities related to the net amount at risk are reflected within Future policy benefits and other policyholder liabilities or Policyholders' account balances. As of 31 December 2022 and 2021, the Company had the following guarantees associated with these contracts, by product and guarantee type:

31 December 2022 ($ in thousands)	In the Event of Death	At Annuitisation/ Accumulation	For Cumulative Periodic Withdrawals
Variable Annuity Contracts			
Separate account value	1,028,268	102,613	143,474
Net amount at risk	71,810	7,734	4,116
Average attained age of contract holders	72 years	67 years	76 years
Weighted average waiting period until guarantee date	N/A		

31 December 2021 ($ in thousands)	In the Event of Death	At Annuitisation/ Accumulation	For Cumulative Periodic Withdrawals
Variable Annuity Contracts			
Separate account value	1,445,512	153,410	197,814
Net amount at risk	33,988	16,391	4,262
Average attained age of contract holders	71 years	66 years	75 years
Weighted average waiting period until guarantee date	N/A		

Liabilities for Guarantee Benefits

The liabilities for guaranteed minimum death benefits ("GMDB"), guaranteed minimum income benefits ("GMIB"), and secondary guarantees on interest-sensitive life and fixed annuities are included in Future policy benefits and other policyholder liabilities on the Consolidated Balance Sheets and the related changes in the liabilities are included in Policyholder benefits in the Consolidated Statements of Operations for the year ended 31 December 2022. Guaranteed minimum withdrawal benefits ("GMWB") and guaranteed minimum withdrawal benefits with life payouts ("GMWBL"), are accounted for as bifurcated embedded derivatives and are recorded at fair value within Policyholders' account balances on the Consolidated Balance Sheets.

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

	Separate account liabilities				General account liabilities		
	GMDB	GMIB	GMWB	GMWBL	GLWB	Secondary Guarantees	
($ in thousands)	Variable Annuity	Variable Annuity	Variable Annuity	Variable Annuity	Fixed Annuity	Interest-Sensitive Life	Total
Balance as of 1 January 2021	–	–	–			–	–
Less: reinsurance recoverable	–	–	–	–	–	–	–
Net balance as of 1 January 2021	–	–	–	–	–	–	–
Liabilities acquired	24,242	11,930	739	16,440	956,232	524,962	1,534,545
Incurred guarantee benefits	(1,397)	(5,894)	(342)	(6,034)		358,445	344,778
Paid guarantee benefits	–	–	–			(229,253)	(229,253)
Net change	22,845	6,036	397	10,406	956,232	654,154	1,650,070
Net balance as of 31 December 2021	22,845	6,036	397	10,406	956,232	654,154	1,650,070
Plus reinsurance recoverable	–	–	–		764,986	3,266,278	4,031,264
Balance as of 31 December 2021	22,845	6,036	397	10,406	1,721,218	3,920,432	5,681,334
Less: reinsurance recoverable	–	–	–	–	(764,986)	(3,266,278)	(4,031,264)
Net balance as of 1 January 2022	22,845	6,036	397	10,406	956,232	654,154	1,650,070
Incurred guarantee benefits	5,873	1,879	(312)	(3,949)	14,364	254,482	272,337
Paid guarantee benefits	(3,809)	(1,209)	(19)	(493)	–	(269,176)	(274,706)
Net change	2,064	670	(331)	(4,442)	14,364	(14,694)	(2,369)
Net balance as of 31 December 2022	24,909	6,706	66	5,964	970,596	639,460	1,647,701
Plus reinsurance recoverable	–	–	–		776,477	3,195,226	3,971,703
Balance as of 31 December 2022	**24,909**	**6,706**	**66**	**5,964**	**1,747,073**	**3,834,686**	**5,619,404**

Notes to the Consolidated Financial Statements continued

10. Reinsurance

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

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

Collectability of reinsurance balances are evaluated by monitoring ratings and evaluating the financial strength of its reinsurers. Large counterparty exposure risk is mitigated by requiring collateral in various forms including funds withheld accounts. As of 31 December 2022 and 2021, approximately 99% respectively, of the Company's reinsurance recoverables are due from counterparties rated A- or better by Standard and Poor's ("S&P").

The effects of reinsurance on premiums earned and fee income from policyholders for the years ended 31 December 2022 and 2021 were as follows:

($ in thousands)	2022	2021
Premiums and fee income		
Direct	1,956,353	2,061,190
Reinsurance assumed	2,819,466	5,142,472
Reinsurance ceded	(1,132,123)	(1,306,770)
Total premiums and fee income, net of reinsurance	**3,643,696**	**5,896,892**

The effects of reinsurance on changes in policyholder liabilities, return credited to policyholders' account balances and policyholder benefits for the years ended 31 December 2022 and 2021 were as follows:

($ in thousands)	2022	2021
Future policy and other policy benefits		
Direct	(2,269,070)	(1,784,584)
Reinsurance assumed	(2,843,700)	(5,079,193)
Reinsurance ceded	2,652,628	642,208
Total future policy and other policy benefits, net of reinsurance	**(2,460,142)**	**(6,221,569)**

Reinsurance typically provides for recapture rights on the part of the ceding company for certain events of default. Additionally, some agreements require us to place assets in trust accounts for the benefit of the ceding entity.

The Company was party to coinsurance with funds withheld treaties with external reinsurers under which risk on certain universal life and fixed annuity products is transferred. No portion of the assets constituting the consideration has been transferred to the reinsurer. The agreements were structured to finance reserves on certain universal life and fixed annuity products, in exchange for a fee based on those reserves. The profit to the reinsurers expected on the treaties is returned through an experience refund. The Company has determined that these agreements do not fulfill the requirements of risk transfer under generally accepted accounting principles and are accounted for using a deposit method of accounting. As of 31 December 2022 and 31 December 2021 the Company had modified coinsurance payables, net of $2.6 billion and $3.4 billion, respectively, related to these respective treaties.

To the extent that the retrocessionaires are unable to meet their obligations, the Company remains liable to its reinsured for the portion reinsured. Consequently, provisions are made for receivables on reinsurance contracts which are deemed uncollectible. To minimise its exposure to significant losses from reinsurer insolvencies, the Company periodically evaluates the financial condition of its reinsurers and monitors concentrations of credit risk arising from similar geographical regions, activities or economic characteristics of the reinsurer. As of 31 December 2022 and 2021, no allowances for uncollectible amounts were deemed necessary.

11. Policyholder Liabilities, at Estimated Fair Value

Policyholder liabilities at fair value include reserves for death benefits, other policy benefits, and policyholder account balances where the fair value election has been taken. As of 31 December 2022 and 2021, policyholder liabilities at estimated fair value consisted of the following:

($ in thousands)	2022	2021
Deferred annuities	86,995	111,157
Single premium immediate annuities	434,003	587,880
Structured settlements	4,362,726	5,812,099
Total	**4,883,724**	**6,511,136**

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

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

Notes to the Consolidated Financial Statements continued

12. Value of Business Acquired ("VOBA") and Deferred Acquisition Costs ("DAC")

The following reflects the changes to the VOBA and DAC assets during the years ended 31 December 2022 and 2021:

	2022	
($ in thousands)	VOBA	DAC
Balance, beginning of period	1,392,716	1,641,351
Cost of reinsurance	–	(4,772)
DAC capitalisation	–	10,207
Interest accretion	9,241	30,299
Amortised to expense during the year	(130,067)	6,945
Unlocking	–	552
Adjustment for unrealised investment losses during the year	–	(3,579)
Effect of foreign currency translation and other	(66,828)	(620)
Balance, end of period	**1,205,062**	**1,680,383**

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

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

($ in thousands)	Expected Amortisation
2023	7.64%
2024	7.26%
2025	6.87%
2026	6.46%
2027 and thereafter	71.77%

13. Commitments and Contingencies

Commitments

RLUSH became a member of the Federal Home Loan Bank of Topeka ("FHLB") in 2021. Membership allows RLUSH access to the FHLB's financial services, including the ability to obtain loans and to issue funding agreements as an alternative source of liquidity that are collateralised by qualifying mortgage-related assets, agency securities or US Treasury securities. Borrowings under this facility are subject to the FHLB's discretion and require the availability of qualifying assets at RLUSH. As of 31 December 2022, RLUSH had an estimated maximum borrowing capacity of $12.6 billion under the FHLB facility. RLUSH is required to pledge collateral to back funding agreements issued to the FHLB. As of 31 December 2022 and 31 December 2021, RLUSH had $1,650 million and $1,445 million, respectively, in non-putable funding agreements which are included in Policyholder account balances on the Consolidated Balance Sheets. As of 31 December 2022 and 31 December 2021, assets with a market value of approximately $2,124 million and $2,249 million, respectively, collateralised the FHLB funding agreements. Assets pledged to FHLB are primarily included in Fixed maturities, available-for-sale, at fair value on the Consolidated Balance Sheets.

As of 31 December 2022 and 31 December 2021, RLUSH established a payable of $8.5 million and $8.4 million, respectively, as a preferred stock dividend associated with $100 million of Series A Preferred Shares issued to Voya Special Investments, Inc. These are recorded as non-controlling interests in the Consolidated Balance Sheets.

As of 31 December 2022 and 31 December 2021, RLUSH had off-balance sheet commitments to acquire mortgage loans and private placement investments of $96.8 million and $315.7 million, respectively. RLUSH had off-balance sheet commitments to fund limited partnerships investments of $463.8 million and $376.7 million as of 31 December 2022 and 31 December 2021, respectively.

RRL has commitments to make investments, primarily capital contributions to investment funds of $386.6 million and $188.8 million as of 31 December 2022 and 31 December 2021, respectively. These commitments will be funded from the funds withheld assets over the next three years but could become due any time upon counterparty request due to market conditions and other factors.

Regulation and Compliance

As with many financial services companies, the Company's subsidiaries periodically receive information and formal requests for information from various governmental agencies and self-regulatory organisations in connection with examinations, inquiries, investigations and audits of the products and practices of the Company or the financial services industry. Some of the investigations, examinations, audits and inquiries could result in regulatory action against the Company. The potential outcome of such regulatory action is difficult to predict, but could subject the Company to adverse consequences, including, but not limited to, additional payments to beneficiaries, settlement payments, penalties, fines and other financial liability, and changes to the Company's policies and procedures. The potential economic consequences cannot be predicted, but management does not believe that the outcome of any such action will have a material adverse effect on the Company's financial position. It is the practice of the Company to cooperate fully in these matters.

Notes to the Consolidated Financial Statements continued

Litigation

In addition to those discussed below and those otherwise provided for in the Company's consolidated financial statements, in the ordinary course of business, the Company deals with claims, assessments, litigation and regulatory matters which may have an adverse financial and/or reputational impact on the Company.

Proceedings were commenced by RLAL in the Supreme Court of NSW seeking injunctive and declaratory relief against AMP with respect to a request for proposal ("RFP") issued by AMP in August 2022 seeking tender responses from insurers who might replace RLA as the insurer for the Master Trust portfolio (insuring members of the AMP Super Fund, of which NM Super is the trustee), including four policies which RLAL asserts that NM Super is unable to unilaterally terminate. Relief was sought in respect of these four policies and the hearing was held in February 2023. Judgment was delivered and found against RLAL, so neither the injunctive or declaratory relief sought was granted. RLAL filed an appeal and the appeal has been listed for hearing in May 2023.

In connection with the RFP referred to above, on 19 April 2023, a reinsurer served a statement of claim upon RLAL and certain AMP parties, including NM Super. At this time it is not possible to estimate potential loss arising from an unsuccessful appeal against NM Super or such claim from the reinsurer. RLAL is preparing for the appeal and the proceedings with the reinsurer and simultaneously exploring a commercial settlement with NM Super and the reinsurer.

In December 2022, Australian Prudential Regulation Authority ("APRA") and the Australian Securities and Investments Commission ("ASIC") issued an industry letter to the CEOs of all life insurance companies in Australia regarding complaints from consumers and reportable situations from insurers about premium increases in retail life insurance policies (particularly policies with level premium features), as a result of which all life insurance companies were required to conduct a review of past premium increases (including for legacy products), disclosure and marketing materials and the design of future product offerings and report back to ASIC. RLAL provided a response regarding certain aspects of its review (including level premium features, which AFCA classified in January 2023 as a definite systemic issue) and agreed with ASIC it will provide responses in relation to its broader review and other matters identified by AFCA as possible systemic issues in due course. In order to seek to bring finality to the level premium matter, RLAL has notified ASIC and APRA that it will proceed to remediate impacted customers by refunding a portion of their premiums, plus interest, for a period of six years. RLAL has included a provision of AUD 56 million in relation to the level premium remediation, but it is not possible to estimate potential loss arising from the broader review and other matters.

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

ASIC brought proceedings against RLAL in respect of fees charged to deceased customers. These proceedings were listed for trial as to liability and penalty in December 2022 and the parties await judgment. The proceedings are subject to indemnities under the purchase agreement with AMP.

Industry wide, life insurers continue to be exposed to class action litigation such as this related to the cost of insurance rates and periodic deductions from cash value ("Cost of insurance" cases). Common allegations include that insurance companies have breached the terms of their universal life insurance policies by establishing or increasing the cost of insurance rates using cost factors not permitted by the contract, thereby unjustly enriching themselves. While it is not possible to forecast the outcome of such lawsuits/arbitrations, in light of existing insurance, reinsurance and established reserves, it is the opinion of management that the disposition of such lawsuits/arbitrations will not have a material adverse effect on the Company's operations or financial position. SLD has reached an agreement in principle to settle the class action lawsuit titled Advance Trust & Life Escrow Services, LTA v. Security Life of Denver (USDC District of Colorado, No. 1:18-cv-01897) (filed 26 July 2018). The agreement in principle contemplates a cash payment by the Company of $30 million to settle all claims brought on behalf of all class members. The Company expects that upon final approval of the settlement by the Court, the matter will be dismissed with prejudice as to all class members.

Pledged or Restricted Assets

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

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

The carrying value of the restricted assets as of 31 December 2022 and 2021 were as follows:

($ in thousands)	2022	2021
Fixed maturities	3,175,927	2,710,470
Equity securities	40,833	44,266
Investment funds	–	–
Comfort trust		
Fixed maturities	9,744,341	13,296,386
Equity securities	1,416	4,144
Investment funds	193,903	216,051
Cash, cash equivalents and restricted cash	151,766	144,644
Other investments	1,180,241	1,215,463
Other investments	168,151	1,629,473
Cash, cash equivalents and restricted cash	228,157	236,990
Total	**14,884,735**	**19,497,887**

Notes to the Consolidated Financial Statements continued

14. Regulatory

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

Under the Insurance Act 1978, as amended (Bermuda Insurance Act), RLGH Ltd. is subject to capital requirements calculated using the Bermuda Solvency and Capital Requirement ("BSCR") model, which is a standardised statutory risk-based capital model used to measure the risk associated with RLGH Ltd.'s assets, liabilities, and premiums. The same basis of calculation is applied to all of the assets and liabilities of the company, regardless of the territory in which the business has been written RLGH Ltd.'s required statutory economic capital and surplus under the BSCR model is referred to as the enhanced capital requirement ("ECR"). RLGH Ltd. is required to calculate and submit confirmation of compliance with the ECR to the Bermuda Monetary Authority ("BMA") annually. In addition, RLGH Ltd. is required to calculate a further solvency measure typically based on the Bermudan statutory accounts, referred to as the minimum solvency margin ('MSM') and confirm compliance annually.

Following receipt of the submission of RLGH Ltd.'s statutory and BSCR reporting the BMA has the authority to impose additional capital requirements (capital add-ons) if it deems necessary. As of 31 December 2022, RLGH Ltd. is in compliance with all regulatory capital requirements.

RRL is licensed by the BMA as a Class E insurer and is subject to the Bermuda Insurance Act and regulations promulgated thereunder. In accordance with BMA regulations, RRL is required to submit quarterly filing with the BMA. As of 31 December 2022 and 31 December 2021, RRL's Statutory Capital and Surplus was $2.4 billion and $3.0 billion, and the Company has met all minimum regulatory requirements. The BMA has granted the Company a modification in which the Company is not required to record the effect of DIG B36 and is permitted to record the fixed income securities within the funds withheld receivable at amortised cost in the unconsolidated Statutory Financial Statements. For the years ended 31 December 2022 and 31 December 2021, the effect of this modification on the Company's Statutory Capital and Surplus was $3.7 billion and $455.9 million. For the years ended 31 December 2022 and 31 December 2021, the statutory net income (loss) was $(0.2) million and $0.2 million, respectively.

RRL is prohibited from declaring or paying a dividend if its Class E statutory economic capital and surplus is less than its ECR or if it fails to meet its minimum margins or if the declaration or payment of such dividend would cause such failure. Further as a Class E insurer, RRL is prohibited from declaring or paying any dividend of more than 25% of its total statutory capital and surplus unless it files with the BMA an affidavit stating that it will continue to meet its relevant margins.

RLAL, RLNZ and RLNM Limited ("RLNM") are the three registered life insurance companies within RLGHA. RLAL and RLNM are regulated by the APRA and RLNZ is regulated by the Reserve Bank of New Zealand ("RBNZ"). RLAL is licensed by the Reserve Bank of New Zealand to carry on insurance activities in New Zealand.

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

- Capital adequacy requirements as specified under the Life Act and APRA Life Insurance Prudential Standards. This applies to the Company's Australian and New Zealand regulated businesses as a whole, and each statutory fund.
- Controlled entities that hold an AFSL and RSE license – capital and liquidity requirements under the appropriate AFSL and APRA Superannuation Prudential Standards.

As of 31 December 2022, the Company's Australian and New Zealand regulated subsidiaries complied with the applicable externally imposed capital requirements. As of 31 December 2022 and 31 December 2021 the combined Statutory Capital and Surplus of RLAL and RLNM was A$2.4 billion and A$2.7billion respectively, which includes A$1.535 billion of restricted capital related to the RLAL's participating business under the Australia Life Act. For the years ended 31 December 2022 and 31 December 2021, the statutory net income (loss) was $0.5 million and $(0.7) million, respectively.

SLD and RLCO prepare their statutory-basis financial statements in conformity with accounting practices prescribed or permitted by the State of Colorado Division of Insurance. SLDI and RRII prepare their statutory-basis financial statements in conformity with accounting practices prescribed or permited by the State of Arizona Department of Insurance and Financial Institutions. MULIC prepare their statutory-basis financial statements in conformity the State of Indiana Department of Insurance. The statutory-basis financial statements are prepared in conformity with the National Association of Insurance Commissioners ("NAIC") Accounting Practices and Procedures Manual, subject to any deviations prescribed or permitted by the aforementioned state departments. Statutory accounting practices differ from GAAP primarily since they require establishing life insurance reserves based on different actuarial assumptions, and valuing certain investments at amortised cost. Statutory accounting practices do not give recognition to purchase accounting adjustments. Permitted statutory accounting practices encompass all accounting practices not so prescribed.

SLD's, SLDI's, RRII's, MULIC's and RLCO's statutory net income (loss) for the year ended 31 December 2022 were $202.4 million, $20.4 million, $(81.3) million, $13.3 million and $(14.5) million, respectively. SLD's, SLDI's, RRII's, MULIC's and RLCO's statutory capital and surplus was $1.3 billion, $171.4 million, $240.3 million, $159.4 million and $1.4 billion as of 31 December 2022, respectively.

SLD's, SLDI's, RRII's, MULIC's and RLCO's statutory net loss for the year ended 31 December 2021 were $598.7 million, $(14.2) million, $49.2 million, $(0.7) million and $9.7 million, respectively. SLD's, SLDI's, RRII's, MULIC's and RLCO's statutory capital and surplus was $1.2 billion, $192.1 million, $387.9 million, $145.3 million and $1.3 billion as of 31 December 2021, respectively.

Resolution Operations LLP is authorised and regulated by the Financial Conduct Authority in the United Kingdom.

Notes to the Consolidated Financial Statements continued

15. Related Parties

The subsidiaries of RLGH Ltd. as of 31 December 2022 are comprised of the following entities:

- RLGH Finance Bermuda Ltd. ("RLGH FB")

Resolution Life Group Services Ltd. ("RLGS")
Resolution Life Services Canada, Inc.
Resolution (Brands) Limited
Resolution Operations LLP
Resolution Life IP Limited

Resolution Life UK Holdings Ltd
Resolution Life US Intermediate Holdings Ltd ("RLUSIH")
Resolution Life US Parent Inc.
Resolution Life US Holdings Inc. ("RLUSH")
Resolution Life Services (US) Inc ("RLS US")
RL Payroll Management Company LLC
Resolution Life Funding US LLC
Resolution Life Colorado Inc.
Security Life of Denver International Limited
Security Life of Denver Insurance Company ("SLD")
SLD America Equities, Inc
Midwestern United Life Insurance Company
Roaring River II, Inc
Resolution Life Group Finance (Bermuda) Ltd. ("RLGFB")
Resolution Life Finance (Bermuda) Ltd. ("RLFB")
Resolution Re Finance (Bermuda) Ltd. ("RRFB")
Resolution Life Services (Bermuda) Ltd.
Resolution Re Ltd. ("RRL")
Resolution Life Group Holdings (Australia) Pty Ltd ("RLGHA")
Resolution Life NOHC Pty Ltd ("NOHC")
Resolution Life New Zealand Ltd. ("RLNZ")
Resolution Life Services NZ Limited
Resolution Life Australia Pty Ltd. ("RLA")
Resolution Life Financial Services Holdings Limited
Resolution Life AAPH Ltd.
RLNM Limited
Resolution Life Services Australia Pty Ltd.
Resolution Life Australasia Limited
Resolution Life Remuneration Reward Plans Nominees Pty Ltd.
Resolution Life Personal Investment Services Pty Ltd.
Principal Healthcare Holding Pty Limited
Resolution Life Global Property Investments Pty Ltd.
Glendenning Pty Ltd.
Collins Place Pty Ltd.
Collins Place No. 2 Pty Ltd.
Resolution Life Ergo Mortgage and Savings Ltd.
Resolution Life (NZ) Investments Holding Limited
Resolution Life (NZ) Investments Limited

The Company reported the following amounts due from affiliates and due to affiliates as of 31 December 2022 and 2021:

($ in thousands)	2022	2021
Receivables		
Resolution Life Group Holdings L.P.	687	3,961
Resolution Life Group Holdings GP Ltd.	–	10
Total due from affiliates	**687**	**3,971**

($ in thousands)	2022	2021
Payables		
Resolution Life Group Holdings L.P.	52	1
Total due to affiliates	**52**	**1**

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

The Company has an agreement with Voya Investment Management Co. LLC, an affiliate of Voya Financial, Inc., to provide investment management services with respect to certain investments. For the years ended 31 December 2022 and 2021, $30.5 million and $34.3 million of fees were expensed in relation to this agreement, respectively. As of 31 December 2022 and 31 December 2021, $7.1 million and $9.4 million was payable to Voya Investment Management Co. LLC in relation to this agreement, respectively.

The Company has an agreement with J.P. Morgan Investment Management Inc. ("JPIM"), an affiliate of JPMC Strategic Investments I Corp, to manage AFS securities. For the years ended 31 December 2022 and 2021, $3.6 million and $3.0 million of fees were expensed in relation to this agreement, respectively. As of 31 December 2022, $3.6 million remains payable to JPIM in relation to the investment management services.

The Company has an agreement with Kohlberg Kravis Roberts & Co. LP ("KKR"), an affiliate of KKR Radar LLC, to manage assets supporting the funds withheld assets. For the years ended 31 December 2022 and 2021, management fees of $2.4 million and $2.1 million were incurred in relation to this agreement, respectively. As of 31 December 2022, $1.2 million remains payable to KKR in relation to this agreement.

Notes to the Consolidated Financial Statements continued

16. Long-Term Debt

On 9 December 2020, RLAL issued $223 million (A$300 million) of subordinated notes with a maturity date of 9 December 2035 ("Subordinated Notes"). There is also an optional early redemption of 9 December 2025, which is subject to APRA approval. The subordinated notes bear interest equal to the Bank Bill Swap rate ("BBSW") plus 3.3%, which was 3.26% and 3.37% as of 31 December 2022 and 2021, respectively. Interest expense incurred for the years ended 31 December 2022 and 2021 was $19.8 million and $11.9 million respectively.

On 4 January 2021, RLUSH entered into a floating term loan agreement for initial principal of $320 million and capitalised issuance costs of $5.5 million. Principal and interest were payable in installments on the last business day of each calendar quarter, commencing with the fifth calendar quarter ended after 4 January 2021, up to and including the term loan maturity date. The floating rate term loan was repaid on 30 December 2021. Interest expense incurred for the year ended 31 December 2021 was $15 million.

In January 2021, RLUSH through its indirect subsidiaries issued one surplus note with an aggregate principal of $123 million, fixed interest rate of 5.0% and maturity date of 1 January 2036. Principal is payable at maturity and interest is payable semiannually on 1 January and 1 July. Payments of interest and principal on these surplus notes may be made only with the prior approval of the insurance department of the State of Colorado. Interest expense incurred for the years ended 31 December 2022 and 2021 was $7.9 million and $8.2 million respectively.

In January 2021, in conjunction with the Voya Transaction, Resolution Life US Intermediate Holdings Ltd., the parent of RLUSH, issued 12.5 million mandatory redeemable shares of 8.5% Series B Cumulative Preferred Stock, par value $1,000 per share, for $12.5 million and 12.5 million shares of 8.5% Series C Cumulative Preferred Stock, par value 1,000 per share, for $12.5 million. The Series B Cumulative Preferred Stock is redeemable after 5 years and the Series C Cumulative Preferred Stock is redeemable after 5 years. The Series B Cumulative Preferred Stock and Series C Cumulative Preferred Stock are recorded as a liability in accordance with ASC 480, "Distinguishing Liabilities from Equity," which states that mandatorily-redeemable financial instruments should be classified as liabilities. In addition, the related dividend payments are treated similar to interest expense. As of 31 December 2022 and 2021, RLUSH established a payable of $8.5 million and $8.4 million respectively.

On 23 September 2021, RRFB entered into a bridge facility agreement ("RRFB Facility Agreement") for $251.3 million with the principle balance due three years from the date of drawdown. In accordance the facility's interest calculation fallback provisions, from 1 January 2022, LIBOR was replaced with a daily compounded reference rate which is the aggregate of the daily non-cumulative compounded SOFR and the applicable credit adjustment spread plus 2.25%. The interest rate is applicable to the outstanding principal balance, which was 6.03% and 2.38% as of 31 December 2022 and 2021, respectively. For the year ended 31 December 2022 and 31 December 2021, the Company incurred interest expense of $10.2 million and $1.6 million under the Facility Agreement.

Financing and underwriting costs associated with the RRFB Facility Agreement have been deferred and are presented net in Long-term Debt on the Consolidated Balance Sheets. These costs will be amortised over the duration of the loan. For the years ended 31 December 2022 and 2021, the Company incurred amortisation expense of $2.5 million and $0.1 million under the Facility Agreement.

In December 2021, the Company entered into a new facility arrangement ("New Facility") for $1.5 billion and a revolving credit facility of $500 million, of which $500 million still remains undrawn as of 31 December 2022. The New Facility agreement consists of two tranches with a principal amount of $750 million per tranche. The first tranche has an attached interest rate of the secured overnight financing rate ("SOFR") plus 1.3%, with a maturity of December 2025. The second tranche has an attached rate of SOFR plus 1.4% and a maturity of December 2026. SOFR as of 31 December 2022 was 3.1%. No principal payments are due until maturity for both tranches. Financing and underwriting costs associated with the New Facility of $7.4 million have been deferred and are presented net in Long-term Debt on the Consolidated Balance Sheets. These costs will be amortised over the duration of the applicable borrowing. As of 31 December 2022, interest expense of $47.9 million was incurred under the New Facility.

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

($ in thousands)	
2023	–
2024	251,256
2025	750,000
2026	775,000
2027	–

Notes to the Consolidated Financial Statements continued

Credit Facility

The Company uses credit facilities to provide collateral required primarily under its affiliated reinsurance transactions with captive insurance subsidiaries and for the issuance of letters of credit for its reinsurance programs. Information on the credit facilities as of 31 December 2022 and 31 December 2021 were as follows:

31 December 2022
($ in thousands)

Borrower(s)	Type of facility[1]	Secured/ Unsecured	Committed/ Uncommitted	Expiration	Currency	Maximum Borrowing Capacity	Utilization	Unused Commitment
RLUSH/SLD	RCF	Unsecured	Committed	4 January 2046	USD	3,000,000	2,347,000	653,000
RLUSH/SLD	RCF	Unsecured	Committed	31 December 2024	USD	600,000	491,623	108,377
RLUSH/SLD	RCF	Secured	Committed	1 July 2037	USD	1,775,000	1,700,413	74,587
RRL	LoC	Unsecured	Committed	28 September 2027	CHF	300,000	220,000	80,000
RRL	LoC	Unsecured	Committed	31 March 2027	USD	450,000	–	450,000
RRL	LoC	Unsecured	Committed	14 April 2027	JPY	14,900,000	1,727,822	13,172,178
RLGH FB	RCF	Unsecured	Committed	21 December 2026	USD	500,000	–	500,000
RLA	RCF	Unsecured	Committed	16 December 2024	AUD	100,000	–	100,000

1 Revolving Credit Facility ("RCF"); Letters of Credit ("LoC").

31 December 2021
($ in thousands)

Borrower(s)	Type of facility	Secured/ Unsecured	Committed/ Uncommitted	Expiration	Currency	Maximum Borrowing Capacity	Utilization	Unused Commitment
RLUSH/SLD	RCF	Unsecured	Committed	4 January 2046	USD	3,000,000	2,375,000	625,000
RLUSH/SLD	RCF	Unsecured	Committed	30 June 2035	USD	550,000	431,473	118,527
RLUSH/SLD	RCF	Unsecured	Committed	31 December 2024	USD	600,000	484,035	115,965
RLUSH/SLD	RCF	Secured	Committed	1 July 2037	USD	1,725,000	1,707,870	17,130
RRL	LoC	Unsecured	Committed	28 September 2026	CHF	300,000	170,000	130,000
RLGH FB	LoC	Unsecured	Committed	21 December 2026	USD	500,000	–	500,000

Notes to the Consolidated Financial Statements continued

17. Goodwill

The changes in the carrying amount of goodwill for the years ended December 31, 2022 and 2021 were as follows:

($ in thousands)	2022	2021
Goodwill, beginning of period	71,409	61,835
Business acquired	–	13,104
Effect of foreign currency translation	(3,780)	(3,530)
Goodwill, end of period	**67,629**	**71,409**

18. Subsequent Events

The Company has evaluated subsequent events for recognition or disclosure through 27 April 2023, date these financial statements were available for issuance.

During the year ended 31 December 2021, the Company entered into a modco reinsurance agreement to assume 45% of a closed block of FIA business and simultaneously entered into a modco retrocession agreement to cede 20% of this business to a Bermuda domiciled reinsurer. This arrangement resulted in net retained risk of 25% of the reinsured business. Effective 1 January 2023, the Company terminated this modco retrocession agreement and simultaneously amended the modco reinsurance agreement to 25% of the subject business. As of 31 December 2022, the last effective date of the agreement, will result in a change to the Consolidated Balance Sheets for 2023 to decrease the "Reinsurance recoverable" and "Funds withheld asset" line items by $11.8 billion and $9.3 billion, respectively, and increase the "Funds withheld liability", "Future policy benefits and other policyholder liabilities" and "Policyholder account balances" line items by $9.3 billion, $0.8 billion and $11.0 billion, respectively. There is no income statement impact.

On 30 March 2023, RLGH FB issued $500 million of 9% perpetual subordinated notes to Blackstone. The notes are expected to be contributed in exchange for equity upon closing of the transaction as noted in Note 1. Prior to conversion the notes are classified as eligible capital under the BMA rules.

In March 2023, UBS Group AG announced its acquisition of Credit Suisse Group AG ("Credit Suisse") as part of an emergency rescue. The Company estimates its fixed income exposure to Credit Suisse to be $113.5 million as of 31 December 2022. The Company will continue to closely monitor this event and any further developments and will disclose any material impacts as necessary in our future consolidated financial statements.

In relation to the proceedings brought by RLAL against NM Super in the New South Wales Supreme Court regarding the Master Trust portfolio, the judgment, which found against RLAL, was delivered in February 2023. RLAL filed an appeal and the appeal has been listed for hearing on 16 May 2023. In connection with this matter, on 19 April 2023 a reinsurer served a statement of claim upon RLAL and certain AMP parties, including NM Super.

In order to seek to bring finality to the level premium matter, RLAL has notified ASIC and APRA on 31 March 2023 that it will proceed to remediate impacted customers by refunding a portion of their premiums, plus interest, for a period of six years.

In February 2023, the Company's regulator, the BMA, issued a consultation paper with proposed enhancements to its regulatory regime in various areas, including Technical Provisions, Bermuda Solvency Capital Requirements ("BSCR"), risk management and governance. The Company is currently assessing the impact of these proposed changes, which are expected to take effect on 1 January 2024. Initial estimates indicate the proposed changes will result in an increase in the Company's Technical Provisions and BSCR.

There were no other material events that occurred subsequent to 31 December 2022.

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Resolution Life

Resolution Life Group Holdings Ltd.
Wessex House
Second Floor
45 Reid Street
Hamilton, HM 11
Bermuda

Resolution Operations LLP
Level 3
The Caxton
1 Brewer's Green
London SW1H 0RH
United Kingdom

InvestorRelations@resolutionlife.com