Athene Life Re International Ltd.

Financial Statements
Year ended December 31, 2020 and for the period from August 20, 2019 (date of incorporation) to December 31, 2019

ATHENE LIFE RE INTERNATIONAL LTD.
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April 27, 2021

Report of Independent Auditors

To the Board of Directors and Shareholder of Athene Life Re International Ltd.

We have audited the accompanying financial statements of Athene Life Re International Ltd., which comprise the balance sheets as of December 31, 2020 and 2019, and the related statements of income and loss, of comprehensive income (loss), of equity and of cash flows for the years then ended.

Management's responsibility 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; this includes 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.

Auditors' responsibility
Our responsibility is to express an opinion on the financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the financial statements 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Athene Life Re International Ltd. as of December 31, 2020 and 2019, 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.

PricewaterhouseCoopers Ltd.

Chartered Professional Accountants

ATHENE LIFE RE INTERNATIONAL LTD.
Balance Sheets

(In thousands)	December 31, 2020	December 31, 2019
Assets		
Investments		
Available-for-sale securities, at fair value (amortized cost: 2020 – £701,919 and 2019 – £600,597)	£ 758,849	£ 576,496
Derivative assets	14,434	2,755
Short-term investments, at fair value	4,109	—
Total investments	777,392	579,251
Cash and cash equivalents	58,591	35,477
Restricted cash	33,939	53,620
Accrued investment income	8,420	6,768
Reinsurance recoverable (related party: 2020 – £630,785 and 2019 – £628,819)	630,785	628,819
Other assets (related party: 2020 – £240 and 2019 – £31,527)	4,425	38,384
Total assets	£ 1,513,552	£ 1,342,319
Liabilities and Equity		
Liabilities		
Future policy benefits (related party: 2020 – £630,785 and ; 2019 - £628,819)	£ 630,785	£ 628,819
Derivative liabilities	23,830	1,846
Payables for collateral on derivatives	500	—
Funds withheld liability (related party: 2020 – £715,147 and 2019 - £637,228); (portion at fair value: 2020 – £46,823 and 2019 - £(23,291))	715,147	637,228
Other liabilities (related party: 2020 - £40,254 and 2019 - £20,819)	53,483	21,410
Total liabilities	1,423,745	1,289,303
Equity		
Common shares	206	206
Additional paid-in capital	53,000	53,000
Retained (deficit) earnings	(37,589)	23,896
Accumulated other comprehensive income (loss)	74,190	(24,086)
Total shareholder's equity	89,807	53,016
Total liabilities and equity	£ 1,513,552	£ 1,342,319

See accompanying notes to financial statements

ATHENE LIFE RE INTERNATIONAL LTD.
Statements of Income (Loss)

(In thousands)	Year ended December 31, 2020	Period ended December 31, 2019
Revenues		
Net investment income (related party: 2020 - £(2,981), 2019 - £(55))	£ 17,277	£ 275
Investment related (losses) gains (related party: 2020 - £(77,638), 2019 - £25,917)	(74,359)	25,569
Total revenues	(57,082)	25,844
Benefits and expenses		
Interest expense (related party: 2020 - £4,135, 2019 - £1,812)	4,135	1,827
Policy and other operating expenses (related party: 2020: £9, 2019: £0)	268	121
Total benefits and expenses	4,403	1,948
Net (loss) income	£ (61,485)	£ 23,896

See accompanying notes to financial statements

ATHENE LIFE RE INTERNATIONAL LTD.
Statements of Comprehensive Income (Loss)

(In thousands)	Year ended December 31, 2020	Period ended December 31, 2019
Net (loss) income	£ (61,485)	£ 23,896
Other comprehensive income (loss)		
Unrealized investment gains (losses) on available-for-sale securities	84,566	(24,101)
Unrealized gains on hedging instruments	13,710	15
Other comprehensive income (loss)	98,276	(24,086)
Comprehensive income (loss)	£ 36,791	£ (190)

See accompanying notes to financial statements

ATHENE LIFE RE INTERNATIONAL LTD.
Statements of Equity

(In thousands)	Common stock	Additional paid-in capital	Retained earnings (deficit)	Accumulated other comprehensive income (loss)	Total shareholder's equity
Balance at August 20, 2019	£ —	£ —	£ —	£ —	£ —
Contribution from parent	206	53,000	—	—	53,206
Net income (loss)	—	—	23,896	—	23,896
Other comprehensive income (loss)	—	—	—	(24,086)	(24,086)
Balance at December 31, 2019	£ 206	£ 53,000	£ 23,896	£ (24,086)	£ 53,016
Net income (loss)	—	—	(61,485)	—	(61,485)
Other comprehensive income	—	—	—	98,276	98,276
Balance at December 31, 2020	£ 206	£ 53,000	£ (37,589)	£ 74,190	£ 89,807

See accompanying notes to financial statements

ATHENE LIFE RE INTERNATIONAL LTD.
Statements of Cash Flows

(In thousands)	Year ended December 31, 2020	Period ended December 31, 2019
Cash flows from operating activities		
Net (loss) income	£ (61,485)	£ 23,896
Adjustments to reconcile net income to net cash provided by operating activities:		
Accretion of net investment premiums, discount and other	3,711	60
Net recognized (gains) losses on investments and derivatives	14,132	(2,395)
Interest expense	4,135	1,827
Changes in operating assets and liabilities:		
Accrued investment income	(1,651)	(6,768)
Funds withheld assets and liabilities	58,095	37,019
Other assets and liabilities	1,013	(639)
Net cash provided by operating activities	17,950	53,000
Cash flows from investing activities		
Sales, maturities and repayments of:		
Available-for-sale securities	£ 219,859	£ 567,538
Short-term investments	5,489	—
Purchases of:		
Available-for-sale securities	(182,043)	(606,337)
Cash settlement of derivatives	6,074	926
Net changes of cash collateral posted for derivative transactions	11,080	—
Net cash provided by (used in) investing activities	60,459	(37,873)
Cash flows from financing activities		
Capital contributions	£ —	£ 53,206
Proceeds from intercompany notes payable	915	20,764
Repayment of intercompany notes payable	(75,891)	—
Net cash (used in) provided by financing activities	(74,976)	73,970
Net increase in cash and cash equivalents	3,433	89,097
Cash and cash equivalents at beginning of year[1]	89,097	—
Cash and cash equivalents at end of year[1]	£ 92,530	£ 89,097
Supplementary information		
Investments received from pension risk transfer premiums	—	566,964
Increase in funds withheld liability for reinsurance receivable	—	31,431

[1] *Includes cash and cash equivalents and restricted cash*

See accompanying notes to financial statements

1. Business, Basis of Presentation and Significant Accounting Policies

Athene Life Re International Ltd. (ALReI, we, our, us or the Company), is a Bermuda exempted company that reinsures UK bulk annuities (pension risk transfer) from third parties, incorporated on August 20, 2019. Currently all third party business assumed is retroceded to an affiliate, Athene Co-Invest Reinsurance Affiliate International Ltd. (ACRAI).

ALReI is wholly owned by Athene Holding Ltd. (AHL), a publicly traded Bermuda exempted company.

The Company was registered as a Class C long-term insurer effective September 30, 2019 under the Insurance Act 1978, as amended (Bermuda Insurance Act).

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

- fair value of investments;
- impairment of investments and allowances for expected credit losses;
- derivatives valuation; and
- future policy benefit reserves.

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

Summary of Significant Accounting Policies

Investments

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

AFS Securities – Unrealized gains and losses on AFS securities, net of adjustments to future policy benefits, if applicable, are generally reflected in accumulated other comprehensive income (loss) (AOCI) on the balance sheets. Unrealized gains or losses relating to identified risks within AFS securities in fair value hedging relationships are reflected in investment related gains (losses) on the statements of income (loss).

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

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

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

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

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

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

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

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

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

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

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

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

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

Embedded Derivatives - Our reinsurance agreements written on a modified coinsurance (modco) basis contain embedded derivatives. The right to receive or obligation to pay the total return on the assets supporting the funds withheld liability represents a total return swap with a floating rate leg. The fair value of embedded derivatives on modco agreements is computed as the unrealized gain (loss) on the underlying assets and is included in and funds withheld liability lines on the balance sheets for ceded agreements, respectively. The change in the fair value of the embedded derivatives is recorded in investment related gains (losses) on the statements of income (loss). Ceded earnings from funds withheld liability and changes in the fair value of embedded derivatives are reported in operating activities on the statements of cash flows. Contributions to and withdrawals from funds withheld liability are reported in operating activities on the statements of cash flows.

Reinsurance — We assume and cede insurance and investment contracts under coinsurance and modco reinsurance agreements. We follow reinsurance accounting for transactions that provide indemnification against loss or liability relating to insurance risk (risk transfer). To meet risk transfer requirements, a reinsurance agreement must transfer insurance risk arising from uncertainties about both underwriting and timing risks. Cessions under reinsurance do not discharge our obligations as the primary insurer, unless the requirements of assumption reinsurance have been met. We generally have the right of offset on reinsurance contracts, but have elected to present reinsurance settlement amounts due to and from the Company on a gross basis.

Assets and liabilities assumed or ceded under coinsurance or modco are presented gross on the balance sheets. For insurance contracts, the change in assumed and ceded reserves and benefits are presented net in future policy and other policy benefits on the statements of income (loss). Assumed or ceded premiums are included in premiums on the statements of income (loss).

Accounting for reinsurance requires the use of assumptions, particularly related to the future performance of the underlying business and the potential impact of counterparty credit risks. We attempt to minimize our counterparty credit risk through the structuring of the terms of our reinsurance agreements, including the use of trusts, and we monitor credit ratings of counterparties for signs of declining credit quality. When a ceding company does not report information on a timely basis, we record accruals based on the best available information at the time, which includes the reinsurance agreement terms and historical experience. We periodically compare actual and anticipated experience to the assumptions used to establish reinsurance assets and liabilities.

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

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

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

Future Policy Benefits — We issue contracts classified as long-duration, which includes deferred and immediate annuities with life contingencies (which includes pension risk transfer (PRT) annuities with life contingencies). Liabilities for long-duration contracts are established using accepted actuarial valuation methods which require the use of assumptions related to expenses, investment yields, mortality, morbidity and persistency, with a provision for adverse deviation, at the date of issue or acquisition. As of December 31, 2020 and 2019, the reserve investment yield assumption is 2.26% and 2.26%, respectively, and is specific to our expected earned rate on the asset portfolio supporting the reserves. We base other key assumptions, such as mortality and morbidity, on industry standard data adjusted to align with actual company experience, if necessary.

Changes in future policy benefits are recorded in future policy and other policy benefits on the statements of income (loss). See the reinsurance accounting policy discussed in – *Reinsurance* above and *Note 5 – Reinsurance* for more information on reinsurance.

Foreign Currency — Gains or losses arising from transactions denominated in a currency other than the functional currency of the entity that is party to the transaction are included in net income. The impacts of any non-British pound denominated AFS securities are included in AOCI along with the change in its fair value unless in a fair value hedging relationship as discussed in *–Derivative Instruments* above.

Recognition of Revenues and Related Expenses — Premiums for long-duration contracts are recognized as revenue when due from policyholders. When premiums are due over a significantly shorter period than the period over which benefits are provided, such as immediate annuities with life contingencies (which includes PRT annuities), a deferred profit liability is established equal to the excess of the gross premium over the net premium. The deferred profit liability is recognized in future policy benefits on the balance sheets and amortized into income in a constant relationship to the benefit reserve through future policy and other policy benefits on the statements of income (loss).

All insurance related revenue is reported net of reinsurance ceded.

Income Taxes — Under current Bermuda law, we are not required to pay taxes in Bermuda on either income or capital gains. We have received an undertaking from the Bermuda Minister of Finance that, in the event of any such taxes being imposed, the Company will be exempted from taxation until the year 2035.

Adopted Accounting Pronouncements

Reference Rate Reform (Topic 848) – Facilitation of the effects of Reference Rate Reform on Financial Reporting (ASU 2021-01, ASU 2020-04)
The new guidance provides optional expedients and exceptions for applying GAAP to contracts, hedging relationships, derivative contracts (including derivative instruments that use interest rates for margining, discounting, or contract price alignment), and other transactions affected by reference rate reform if certain criteria are met. The expedients and exceptions provided by the amendments do not apply to contract modifications made or hedging relationships entered into or evaluated after December 31, 2022, with exceptions for certain hedging relationships. The amendments are available for election from March 12, 2020 through December 31, 2022. This guidance may be elected and applied prospectively as contracts and hedging relationships are amended for the effects of reference rate reform. We adopted this update effective October 1, 2020. This update did not have a material impact on our financial statements. We will continue to evaluate the impacts of reference rate reform on contract modifications and hedging relationships.

Financial Instruments – Credit Losses (ASU 2019-05, ASU 2019-04, ASU 2018-19 and ASU 2016-13)
This update limits the number of credit impairment models used for different assets and results in accelerated credit loss recognition on assets held at amortized cost. The identification of purchased credit-deteriorated financial assets includes all assets that have experienced a more-than-insignificant deterioration in credit since origination. Additionally, changes in the expected cash flows of purchased credit-deteriorated financial assets are recognized immediately in the statements of income (loss). Available-for-sale (AFS) securities are not in scope of the new credit loss model, but were subject to targeted improvements including the establishment of a valuation allowance for credit losses versus the previous direct write down approach. Additionally, the update requires investments previously considered purchased credit impaired (PCI) to become subject to a modified PCD framework at the transition date. The company does not hold any assets that were previously considered PCI. Therefore, the modified PCD framework does not impact the Company. We adopted this update effective January 1, 2020. The adoption of this update did not have a material effect on our financial statements.

Collaborative Arrangements (ASU 2018-18)
The amendments in this update provide guidance on whether certain transactions between collaborative arrangement participants should be accounted for as revenue under Topic 606, providing comparability in the presentation of revenue for certain transactions. We adopted this update effective effective January 1, 2020. The adoption of this update did not have a material effect on our financial statements.

Fair Value Measurement – Disclosure Requirements (ASU 2018-13)
The amendments in this update modify the disclosure requirements for fair value measurements by removing, modifying or adding certain disclosures. We early adopted the removal and modification of certain disclosures as permitted. The additional disclosures in the update are effective January 1, 2020. The adoption of this update did not have a material effect on our financial statements.

Recently Issued Accounting Pronouncements

Insurance – Targeted Improvements to the Accounting for Long-Duration Contracts (ASU 2020-11, ASU 2019-09, ASU 2018-12)
These updates amend four key areas pertaining to the accounting and disclosures for long-duration insurance and investment contracts.

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

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

2. Investments

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

(In thousands)	December 31, 2020 Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
AFS securities				
U.S. government and agencies	£ 177	£ 1	£ (27)	£ 151
Corporate	£ 701,742	£ 69,212	£ (12,256)	£ 758,698
Total AFS securities	**£ 701,919**	**£ 69,213**	**£ (12,283)**	**£ 758,849**

(In thousands)	December 31, 2019 Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
AFS securities				
Corporate	£ 600,597	£ —	£ (24,101)	£ 576,496
Total AFS securities	£ 600,597	£ —	£ (24,101)	£ 576,496

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

(In thousands)	December 31, 2020 Amortized Cost	Fair Value
AFS securities		
Due in one year or less	£ 3,078	£ 3,031
Due after one year through five years	18,684	18,639
Due after five years through ten years	42,609	41,578
Due after ten years	£ 637,548	£ 695,601
Total AFS securities	£ 701,919	£ 758,849

(In thousands)	December 31, 2019 Amortized Cost	Fair Value
AFS securities		
Due after ten years	£ 600,597	£ 576,496
Total AFS securities	£ 600,597	£ 576,496

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

Unrealized Losses on AFS Securities—The following summarizes the fair value and gross unrealized losses for AFS securities, including related party, aggregated by class of security and length of time the fair value has remained below amortized cost:

	December 31, 2020					
	Less than 12 months		12 months or more		Total	
(In thousands)	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
AFS securities						
Corporate	£ 25,187	£ (1,919)	—	—	£ 25,187	£ (1,919)
Total AFS securities	£ 25,187	£ (1,919)	£ —	£ —	£ 25,187	£ (1,919)

	December 31, 2019					
	Less than 12 months		12 months or more		Total	
(In thousands)	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
AFS securities						
Corporate	£ 576,497	£ (24,101)	—	—	£ 576,497	£ (24,101)
Total AFS securities	£ 576,497	£ (24,101)	£ —	£ —	£ 576,497	£ (24,101)

As of December 31, 2020, we held 4 (2019 - 35) AFS securities that were in an unrealized loss position. The unrealized losses on AFS securities can primarily be attributed to changes in market interest rates since acquisition. We did not recognize the unrealized losses in income as we intend to hold these securities and it is not more likely than not we will be required to sell a security before the recovery of its amortized cost.

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

	Year ended December 31,	Period ended December 31,
(In thousands)	2020	2019
AFS securities	£ 22,398	£ 430
Derivatives	(2,180)	(100)
Investment revenue	20,218	330
Investment expenses	(2,941)	(55)
Net investment income	£ 17,277	£ 275

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

	Year ended December 31,	Period ended December 31,
(In thousands)	2020	2019
AFS securities		
Gross realized gains on investment activity	£ 55,840	£ 2,426
Gross realized losses on investment activity	(43,096)	(2,729)
Net realized investment gains (losses) on AFS securities	12,744	(303)
Net recognized investment losses on trading securities	(96)	(29)
Derivative (losses) gains	(96,957)	25,901
Other gains	13,902	—
Credit Losses Other	(3,952)	—
Investment related gains	£ (74,359)	£ 25,569

For the year ended December 31, 2020, proceeds from sales of AFS securities were £219.9million (2019 - £567.5 million).

3. Derivative Instruments

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

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

	December 31, 2020			December 31, 2019		
	Notional	Fair Value		Notional	Fair Value	
(In thousands)	Amount	Assets	Liabilities	Amount	Assets	Liabilities
Derivatives designated as hedges						
Foreign currency swaps	142,746	£ 13,722	£ —	140,607	£ 177	£ 163
Foreign currency forwards	50,708	712	—		—	—
Total derivatives designated as hedges		14,434	—		177	163
Derivatives not designated as hedges						
Inflation swaps	350,235	—	23,830	396,073	2,578	1,502
Interest rate swaps	—	—	—	70,000	—	181
Embedded derivatives						
Funds withheld including related party		—	46,823		—	(23,291)
Total derivatives not designated as hedges		—	70,653		2,578	(21,608)
Total derivatives		£ 14,434	£ 70,653		2,755	(21,445)

Derivatives Not Designated as Hedges

Embedded derivatives – We have embedded derivatives which are required to be separated from their host contracts and reported as derivatives. Host contracts include reinsurance agreements structured on a modco basis.

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

Inflation swap – We use inflation swaps to economically hedge the inflation linked benefits in the liabilities that we underwrite. With an inflation swap, we agree with another party to exchange fixed inflation for variable inflation, locking in the inflation rate that we are expected to pay.

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

	Year ended December 31,	Period ended December 31,
(In thousands)	2020	2019
Inflation swaps	£ 32,698	£ (1,076)
Interest rate swaps	(8,802)	181
Embedded derivatives on funds withheld	(67,024)	24,080
Amounts recognized in investment related gains	(43,128)	23,185
Total (losses)/gains on derivatives not designated as hedges	£ (43,128)	£ 23,185

4. Fair Value

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

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

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

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

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

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

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

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

	December 31, 2020		
(In thousands)	Total	Level 1	Level 2
Assets			
AFS securities			
U.S. government and agencies	£ 151	£ 151	£ —
Corporate	758,698	—	758,698
Total AFS securities	758,849	151	758,698
Derivative assets	14,434	—	14,434
Short-term investments	4,109	—	4,109
Cash and cash equivalents	58,591	58,591	—
Restricted cash	33,939	33,939	—
Total assets measured at fair value	869,922	92,681	777,241
Liabilities			
Derivative liabilities	23,830	—	23,830
Funds withheld liability – embedded derivative	46,823	—	46,823
Total liabilities measured at fair value	£ 70,653	£ —	£ 70,653

	December 31, 2019		
(In thousands)	Total	Level 1	Level 2
Assets			
AFS securities			
Corporate	£ 576,496	£ —	£ 576,496
Total AFS securities	576,496	—	576,496
Derivative assets	2,755	—	2,755
Cash and cash equivalents	35,477	35,477	—
Restricted cash	53,620	53,620	—
Total assets measured at fair value	668,348	89,097	579,251
Liabilities			
Derivative liabilities	1,846	—	1,846
Funds withheld liability – embedded derivative	(23,291)	—	(23,291)
Total liabilities measured at fair value	£ (21,445)	£ —	£ (21,445)

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

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

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

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

Funds withheld liability embedded derivative – We estimate the fair value of the embedded derivative based on the change in the fair value of the assets supporting the funds withheld payable under modco agreements. As a result, the fair value of the embedded derivative is classified as Level 2 based on the valuation methods used for the assets held supporting the reinsurance agreements.

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

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

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

	December 31, 2020					
(In thousands)	Carrying Value	Fair Value	NAV	Level 1	Level 2	Level 3
Financial liabilities						
Funds withheld liability	£ 668,324	£ 668,324	£ —	£ —	£ 668,324	£ —
Total financial liabilities not carried at fair value	£ 668,324	£ 668,324	£ —	£ —	£ 668,324	£ —

	December 31, 2019					
(In thousands)	Carrying Value	Fair Value	NAV	Level 1	Level 2	Level 3
Financial liabilities						
Funds withheld liability	£ 660,519	£ 660,519	£ —	£ —	£ 660,519	£ —
Total financial liabilities not carried at fair value	£ 660,519	£ 660,519	£ —	£ —	£ 660,519	£ —

We estimate the fair value for financial instruments not carried at fair value using the same methods and assumptions as those we carry at fair value. Funds withheld liability presented above is reported at carrying value on the balance sheets; however, the carrying amount approximates fair value.

5. Reinsurance

Reinsurance transactions

We have entered into a coinsurance agreement with Aviva Life & Pensions UK (Aviva) to reinsure blocks of PRT annuities. The following summarizes this agreement:

(In thousands)	Year ended December 31, 2020	Period ended December 31, 2019
Liabilities assumed	£ —	£ 608,244
Less: Assets received	—	628,629
Net cost of reinsurance	£ —	£ —
Deferred profit liability[1]	—	20,385
Net cost of reinsurance	£ —	£ 20,385

[1] *Included within future policy benefits on the balance sheets.*

The deferred profit liability balance is amortized over the life of the reinsurance agreement on a constant relationship to the benefit reserves.

Reinsurance Recoverables—The following summarizes our reinsurance recoverable from the following:

(In thousands)	Year ended December 31, 2020	Period ended December 31, 2019
ACRA I	£ 630,785	£ 628,819
Reinsurance recoverable	£ 630,785	£ 628,819

6. Reserves

The following table summarizes the future policy benefits by product:

(In thousands)	Year ended December 31, 2020	Period ended December 31, 2019
Pension risk transfer	£ 630,785	£ 628,819
Reinsurance recoverable	£ 630,785	£ 628,819

7. Common Shares

Common Stock — As of December 31, 2020 and December 31, 2019, we have one class of common stock, which represents 100% of our total voting power, and is beneficially owned by AHL. We have authorized and issued 250,000 shares at $1.00 (£0.80) par value to AHL. On December 18, 2019, a capital contribution of £53m was made by the shareholder to the Company.

8. Statutory Requirements

ALReI is licensed by the Bermuda Monetary Authority (BMA) as a long-term insurer and is subject to the Insurance Act 1978, as amended (Bermuda Insurance Act) and regulations promulgated thereunder. The BMA implemented the Economic Balance Sheet (EBS) framework into the Bermuda Solvency Capital Requirement (BSCR), which was granted equivalence to the European Union's Directive (2009/138/EC) (Solvency II). Under this framework a Class C insurer must produce three sets of financial statements:

1. ***GAAP Financial Statements*** - Financial statements prepared in accordance with an internationally recognized comprehensive base of accounting, and for which ALReI has elected to prepare US GAAP financial statements. These financial statements form the basis for the preparation of both the Statutory Financial Statements and the Economic Balance Sheet.

2. ***Statutory Financial Statements (SFS)*** - Equal to the GAAP financial statements adjusted for:
   a. Prudential filters that include a) adjustments to eliminate non-admitted assets including goodwill and other similar intangible assets, not considered admissible for solvency purposes, and b) adjustments to include certain assets and liabilities that are generally off-balance sheet under general purpose reporting. These include items such as guarantees and other instruments that do not relate to the insurer's own insurance contracts.
   b. Directions (aka permitted practices) issued by the BMA.

3. ***Economic Balance Sheet (EBS)*** - A balance sheet where assets are recorded based on GAAP fair values and insurance reserves are based on technical provisions comprised of the sum of a best estimate liability plus a risk margin. The best estimate liability may be calculated by applying the standard approach or the scenario approach. Under the standard approach the discount rate for insurance reserves is a rate prescribed by the BMA. Under the scenario approach the discount rate for insurance reserves is based on the yield on eligible assets owned by the insurer as determined under the worst result of nine prescribed stressed scenarios.

Under the Bermuda Insurance Act, long-term insurers are required to maintain minimum statutory capital and surplus to meet the minimum margin of solvency (MMS) and minimum economic statutory capital and surplus (EBS capital and surplus) to meet the Enhanced Capital Requirement (ECR). For Class C reinsurers, MMS is equal to the greater of $500,000 or 1.5% of the total statutory assets. The ECR is calculated based on a risk-based capital model where risk factor charges are applied to the EBS. As of December 31, 2020, ALReI was in excess of the minimum levels required.

The following tables present the ALReI actual and required GAAP, SFS and EBS capital and surplus and net income amounts:

	Year ended December 31, 2020		
(In thousands)	GAAP	SFS	EBS[3]
Actual Capital and Surplus	£ 89,807	£ 87,040	£ 89,808
Required Capital	N/A	12,112	12,112
BSCR Ratio[2]	N/A	N/A	741 %
Net Income (Loss)[3]	£ (61,485)	32,817	N/A

	Period ended December 31,2019		
(In thousands)	GAAP	SFS	EBS[3]
Actual Capital and Surplus	£ 53,016	£ 53,015	£ 52,918
Required Capital	N/A	11,057	11,057
BSCR Ratio[2]	N/A	N/A	479 %
Net Income (Loss)[3]	23,896	(190)	N/A

[1] Represents the MMS for the SFS and the ECR for EBS. There is not a required capital and surplus amount for the GAAP financial statements.
[2] BSCR ratio for the current binding regulatory solvency constraint of EBS is shown.
[3] EBS comprises of only a balance sheet.

Under the EBS framework, statutory financial statements are generally equivalent to GAAP financial statements, with the exception of permitted practices granted by the BMA. ALReI has permission in the statutory financial statements to use amortized cost instead of fair value as the basis for certain investments. Additionally, ALReI uses U.S. statutory reserving principles for the calculation of insurance reserves instead of GAAP, subject to the reserves being proved adequate based on cash flow testing. The following represents the effect of the permitted practices to the statutory financial statements:

	Year ended December 31,	Period ended December 31,
(In thousands)	2020	2019
Increase (decrease) to capital and surplus due to permitted practices	£ 2,767	£ (1)
Increase (decrease) to statutory net income due to permitted practices	94,302	(24,086)

Under the Bermuda Insurance Act, ALReI is prohibited from paying a dividend in an amount exceeding 25% of the prior year's statutory capital and surplus, unless at least two members of the companies' respective board of directors and its principal representative in Bermuda sign and submit to the BMA an affidavit attesting that a dividend in excess of this amount would not cause the subsidiary to fail to meet its relevant margins. In certain instances, ALReI would also be required to provide prior notice to the BMA in advance of the payment of dividends. In the event that such an affidavit is submitted to the BMA, and further subject to meeting the MMS and ECR requirements, ALReI is permitted to distribute up to the sum of 100% of statutory surplus and an amount less than 15% of statutory capital. Distributions in excess of this amount require the approval of the BMA. The following represents the maximum distribution ALReI would be permitted to remit to its parent without the need for prior approval:

	Year ended December 31,	Period ended December 31,
(In thousands)	2020	2019
Maximum distribution	£ 41,815	£ —

9. Related Parties

Athene Holding Limited (AHL) and Athene Life Re Ltd. (ALRe)

Unsecured Revolving Notes Receivable and Payables — We have an unsecured revolving notes payable with AHL. The unsecured revolving notes receivable from AHL permits ALReI to borrow up to $100 million with a fixed interest rate equal to the mid-term applicable federal rate and a maturity date of December 5, 2024. As of December 31, 2020 and December 31, 2019 there were no outstanding amount under this agreement.

We have an unsecured revolving notes payable with ALRe. The unsecured notes payable from ALRe permits ALReI to borrow up to $250 million with an interest rate equal to 3 month LIBOR and a maturity date of December 11, 2024. As of December 31, 2020 (December 31, 2019), we had $54.5 million (£39.9 million) and $27.5 million (£20.8 million) outstanding under this agreement, respectively.

Apollo

Current fee structure – Substantially all of our investments are managed by Apollo Global Management, Inc. (AGM and, together with its subsidiaries, Apollo), which provides direct investment management, asset allocation, mergers and acquisition asset diligence and certain operational support services for our investment portfolio, including investment compliance, tax, legal and risk management support.

During the fourth quarter of 2019, we entered into a Fee Agreement, dated as of December 16, 2019 between us and Apollo's wholly owned subsidiary, Apollo Insurance Solutions Group LLC (ISG, formerly known as Athene Asset Management LLC) (Fee Agreement). Under the Fee Agreement, effective as of December 16, 2019, we pay Apollo:

a. a base management fee equal to the sum of (i) 0.225% per year of the lesser of (A) the aggregate market value of substantially all of the assets in substantially all of the investment accounts of or relating to us (collectively, the Accounts) on December 31, 2018 of $103.4 billion (Backbook Value) and (B) the aggregate market value of substantially all of the assets in the Accounts at the end of the respective month, plus (ii) 0.15% per year of the amount, if any (Incremental Value), by which the aggregate market value of substantially all of the assets in the Accounts at the end of the respective month exceeds the Backbook Value; plus

b. with respect to each asset in an Account, subject to certain exceptions, that is managed by Apollo and that belongs to a specified asset class tier (Core, Core Plus, Yield, and High Alpha), a sub-allocation fee as follows, which will, in the case of assets acquired after January 1, 2019, be subject to a cap of 10% of the applicable asset's gross book yield:

c. 0.065% of the market value of Core assets, which include public investment grade corporate bonds, municipal securities, agency RMBS or CMBS, and obligations of governmental agencies or government sponsored entities that are not expressly backed by the U.S. government;

d. 0.13% of the market value of Core Plus assets, which include private investment grade corporate bonds, fixed rate first lien commercial mortgage loans (CML), and certain obligations issued or assumed by financial institutions and determined by Apollo to be "Tier 2 Capital" under Basel III, a set of recommendations for international banking regulations developed by the Bank for International Settlements;

e. 0.375% of the market value of Yield assets, which include non-agency RMBS, investment grade CLO, CMBS and other ABS (other than RMBS and CLO), emerging market investments, below investment grade corporate bonds, subordinated debt obligations, hybrid securities or surplus notes issued or assumed by a financial institution, rated preferred equity, residential mortgage loans (RML), bank loans, investment grade infrastructure debt, and floating rate CMLs on slightly transitional or stabilized traditional real estate;

f. 0.70% of the market value of High Alpha assets, which include subordinated CML, below investment grade CLO, unrated preferred equity, debt obligations originated by MidCap, CMLs for redevelopment or construction loans or secured by non-traditional real estate, below investment grade infrastructure debt, certain loans originated directly by Apollo (other than MidCap loans), and agency mortgage derivatives; and

g. 0.00% of the market value of cash and cash equivalents, U.S. treasuries, non-preferred equities and alternatives.

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

(In thousands, except percentages)	December 31, 2020	Percent of Total
Core	£ 661,891	79.7 %
Core Plus	120,645	14.5 %
Yield	1,629	0.2 %
High Alpha	—	— %
Other	46,438	5.6 %
Total sub-allocation assets	£ 830,603	100.0 %

(In thousands, except percentages)	December 31, 2019	Percent of Total
Core	£ 508,344	77.2 %
Core Plus	100,604	15.3 %
Yield	—	— %
High Alpha	—	— %
Other	49,579	7.5 %
Total sub-allocation assets	£ 658,527	100.0 %

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

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

For the period ended December 31, 2020 we incurred management fees of £2.9 million (2019 - £0.06 million). Management fees are included within net investment income on the statements of income (loss). As of December 31, 2020 management fees payable were £0.4 million (2019 - £0.06 million) and are included in other liabilities on the balance sheets.

10. Commitments and Contingencies

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

(In thousands)	December 31, 2020	Period ended December 31, 2019
AFS securities	£ 687,108	£ 576,496
Derivative assets	13,722	2,755
Restricted cash	33,939	53,620
Total restricted assets	£ 734,769	£ 632,871

The restricted assets are primarily related to reinsurance trusts established in accordance with the coinsurance agreement.

Litigation, Claims and Assessments

ALReI has no litigation, claims or assessments outstanding as at the reporting date.

11. Subsequent Events

The Company has evaluated the impact of subsequent events through April 27, 2021, the date at which the financial statements were available to be issued.

On March 8, 2021, AHL entered into an Agreement and Plan of Merger (Merger Agreement), by and among AHL, AGM and certain newly created companies established to effect the merger contemplated by the Merger Agreement. Pursuant to the Merger Agreement, AHL and AGM have agreed to effect an all-stock merger transaction to combine their respective businesses, with each of AGM and AHL surviving as direct wholly owned subsidiaries of a new holding company, which as of the effective time of the merger (Effective Time) will be renamed Apollo Global Management, Inc. (New Holdco).

The Merger Agreement and the consummation of the transactions contemplated by the Merger Agreement have been approved by the boards of directors of both AHL and AGM, in addition to certain committees of the board of each company.

At the Effective Time of the merger, each Class A common share of AHL, subject to certain exceptions, will be converted automatically into the right to receive 1.149 shares of Class A common stock of New Holdco. Completion of the merger is subject to approval by the shareholders of each company, regulatory approvals and other customary closing conditions.