

**UNAUDITED INTERIM CONDENSED COMBINED CONSOLIDATED FINANCIAL STATEMENTS
OF BROOKFIELD ASSET MANAGEMENT REINSURANCE PARTNERS LTD. AS AT
SEPTEMBER 30, 2021 AND DECEMBER 31, 2020, AND FOR THE THREE AND
NINE MONTHS ENDED SEPTEMBER 30, 2021 AND 2020**

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BROOKFIELD ASSET MANAGEMENT REINSURANCE PARTNERS LTD.
UNAUDITED INTERIM CONDENSED COMBINED CONSOLIDATED
STATEMENTS OF FINANCIAL POSITION

AS AT SEP. 30, 2021 AND DEC. 31, 2020
 US\$ MILLIONS

	Note	2021	2020
Assets			
Cash and cash equivalents	3	\$ 406	\$ 35
Investments	3	2,269	1,193
Accounts receivable and other		20	13
Reinsurance funds withheld	3	1,650	—
Deferred tax asset		19	—
Derivative assets	3	7	7
Property and equipment		3	2
Equity accounted investments	8	339	—
Reinsurance assets	4	157	190
Total assets		\$ 4,870	\$ 1,440
Liabilities			
Accounts payable and other		\$ 23	\$ 6
Insurance reserves	4	3,472	1,339
Deferred revenue		85	—
Funds withheld liabilities	3	12	12
Total liabilities		3,592	1,357
Equity			
Brookfield Asset Management Inc. ¹		—	83
Class A exchangeable and Class B ²		539	—
Class C ²		739	—
Total equity		1,278	83
Total liabilities and equity		\$ 4,870	\$ 1,440

1. For the periods prior to June 28, 2021. See Note 1(b).

2. For the period from June 28, 2021 to September 30, 2021. See Note 1(b).

The accompanying notes are an integral part of the unaudited interim condensed combined consolidated financial statements.

BROOKFIELD ASSET MANAGEMENT REINSURANCE PARTNERS LTD.
UNAUDITED INTERIM CONDENSED COMBINED CONSOLIDATED
STATEMENTS OF OPERATING RESULTS

FOR THE PERIOD ENDED SEP. 30		Three Months Ended		Nine Months Ended	
US\$ MILLIONS, EXCEPT PER SHARE AMOUNTS	Note	2021	2020	2021	2020
Premiums					
Gross		\$ 2,230	\$ 103	\$ 2,282	\$ 134
Ceded		—	—	(1)	—
Net premiums		2,230	103	2,281	134
Net investment (loss) income		(14)	11	(37)	47
Net investment results from funds withheld		56	—	56	—
Equity accounted loss	8	(6)	—	(6)	—
Total revenues		2,266	114	2,294	181
Benefits paid on insurance contracts					
Gross		81	15	119	44
Ceded		(3)	(6)	(15)	(18)
Change in insurance reserves	4				
Gross		2,167	102	2,134	144
Ceded		15	—	34	7
Other reinsurance expenses		2	—	2	—
Operating expenses		12	2	22	4
Total benefits and expenses		2,274	113	2,296	181
Net (loss) income before income taxes		(8)	1	(2)	—
Income tax recovery		2	—	1	—
Net (loss) income for the period		\$ (6)	\$ 1	\$ (1)	\$ —
Attributable to:					
Brookfield Asset Management Inc. ¹		—	1	5	—
Class A exchangeable and Class B shareholders ²		1	—	1	—
Class C shareholders ²		(7)	—	(7)	—
		\$ (6)	\$ 1	\$ (1)	\$ —
Net income per class C share					
Basic and diluted	9	\$ (0.42)		\$ (0.42)	

1. For the periods prior to June 28, 2021. See Note 1(b).
2. For the period from June 28, 2021 to September 30, 2021. See Note 1(b).

The accompanying notes are an integral part of the unaudited interim condensed combined consolidated financial statements.

BROOKFIELD ASSET MANAGEMENT REINSURANCE PARTNERS LTD.
UNAUDITED INTERIM CONDENSED COMBINED CONSOLIDATED
STATEMENTS OF COMPREHENSIVE INCOME

FOR THE PERIOD ENDED SEP. 30 US\$ MILLIONS	Three Months Ended		Nine Months Ended	
	2021	2020	2021	2020
Net (loss) income	\$ (6)	\$ 1	\$ (1)	—
Other comprehensive income (loss) that will be reclassified to net income (loss)				
Equity accounted other comprehensive income	51	—	51	—
Net unrealized (loss) gain on available for sale securities	(16)	—	(17)	1
Foreign currency translation	(3)	2	—	—
Total other comprehensive income	32	2	34	1
Comprehensive income for the period	\$ 26	\$ 3	\$ 33	\$ 1
Attributable to:				
Brookfield Asset Management Inc. ¹	—	3	6	1
Class A exchangeable and Class B shareholders ²	—	—	—	—
Class C shareholders ²	26	—	27	—
	\$ 26	\$ 3	\$ 33	\$ 1

1. For the periods prior to June 28, 2021. See Note 1(b).
2. For the period from June 28, 2021 to September 30, 2021. See Note 1(b).

The accompanying notes are an integral part of the unaudited interim condensed combined consolidated financial statements.

BROOKFIELD ASSET MANAGEMENT REINSURANCE PARTNERS LTD.
UNAUDITED INTERIM CONDENSED COMBINED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

AS AT AND FOR THE NINE MONTHS ENDED SEP. 30, 2021 US\$ MILLIONS	Note	Brookfield Asset Management Inc.			Class A exchangeable and Class B shareholders				Class C shareholders				Total Equity	
		Share Capital	Accumulated Surplus (Deficit)	Accumulated Other Comprehensive Income (Loss)	Brookfield Asset Management Inc.	Share Capital	Accumulated Surplus (Deficit)	Accumulated Other Comprehensive Income (Loss)	Class A exchangeable and Class B shareholders	Share Capital	Accumulated Surplus (Deficit)	Accumulated Other Comprehensive Income		Class C shareholders
Balance as at January 1, 2021		\$ 78	\$ 1	\$ 4	\$ 83	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 83
Changes in period:														
Net income (loss)		—	5	—	5	—	1	—	1	—	(7)	—	(7)	(1)
Other comprehensive income		—	—	1	1	—	—	—	—	—	—	33	33	34
Comprehensive income		—	5	1	6	—	1	—	1	—	(7)	33	26	33
Shareholders distribution		—	—	—	—	—	(1)	—	(1)	—	—	—	—	(1)
Other items														
Equity issuances / Reorganization ¹	5	(78)	—	—	(78)	539	—	—	539	712	—	—	712	1,173
Common control transaction adjustments		—	(6)	(5)	(11)	—	—	—	—	—	1	—	1	(10)
Total change in period		(78)	(1)	(4)	(83)	539	—	—	539	712	(6)	33	739	1,195
Balance as at September 30, 2021		\$ —	\$ —	\$ —	\$ —	\$ 539	\$ —	\$ —	\$ 539	\$ 712	\$ (6)	\$ 33	\$ 739	\$1,278

1. See Note 1(b) for details regarding the Spin-off and reorganization.

The accompanying notes are an integral part of the unaudited interim condensed combined consolidated financial statements.

BROOKFIELD ASSET MANAGEMENT REINSURANCE PARTNERS LTD.
UNAUDITED INTERIM CONDENSED COMBINED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (CONTINUED)

AS AT AND FOR THE NINE MONTHS ENDED SEP. 30, 2020 US\$ MILLIONS	Brookfield Asset Management Inc.				Class A exchangeable and Class B shareholders				Class C shareholders				Total Equity
	Share Capital	Accumulated Surplus (Deficit)	Accumulated Other Comprehensive Income (Loss)	Brookfield Asset Management Inc.	Share Capital	Accumulated Surplus (Deficit)	Accumulated Other Comprehensive Income (Loss)	Class A exchangeable and Class B shareholders	Share Capital	Accumulated Surplus (Deficit)	Accumulated Other Comprehensive Income (Loss)	Class C shareholders	
Balance as at January 1, 2020	\$ 65	\$ —	\$ 1	\$ 66	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 66
Changes in period:													
Net income	—	—	—	—	—	—	—	—	—	—	—	—	—
Other comprehensive income	—	—	1	1	—	—	—	—	—	—	—	—	1
Comprehensive income	—	—	1	1	—	—	—	—	—	—	—	—	1
Total change in period	—	—	1	1	—	—	—	—	—	—	—	—	1
Balance as at September 30, 2020	\$ 65	\$ —	\$ 2	\$ 67	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 67

The accompanying notes are an integral part of the unaudited interim condensed combined consolidated financial statements.

BROOKFIELD ASSET MANAGEMENT REINSURANCE PARTNERS LTD.
UNAUDITED INTERIM CONDENSED COMBINED CONSOLIDATED
STATEMENTS OF CASH FLOWS

FOR THE NINE MONTHS ENDED SEP. 30
 US\$ MILLIONS

	2021	2020
Operating activities		
Net loss	\$ (1)	\$ —
Non-cash items affecting net income		
Unrealized losses (gains) on investments and derivatives	76	(25)
Income tax recovery	(1)	—
Share of undistributed equity accounted earnings	6	—
Changes in non-cash balances related to operations		
Changes in reinsurance funds withheld	(1,650)	—
Changes in deferred tax asset	(19)	—
Changes in reinsurance assets	34	7
Changes in insurance reserves	2,134	144
Changes in deferred revenue	85	—
Changes in working capital	15	(4)
Operating activities affecting cash		
Realized gains on investments and derivatives	—	(2)
Cash from operating activities	679	120
Investing activities		
Purchase of investments	(2,456)	(534)
Proceeds on disposal of investments	918	402
Maturities of investments	75	42
Purchase of property and equipment	(2)	—
Cash used in investing activities	(1,465)	(90)
Financing activities		
Issuance of equity	1,160	—
Return of capital	(5)	—
Borrowings from related parties	582	—
Repayments of borrowings to related parties	(582)	—
Proceeds from repurchase agreement	254	109
Repayments of repurchase agreement	(254)	(59)
Distribution	(1)	—
Cash from financing activities	1,154	50
Cash and cash equivalents		
Cash and cash equivalents, beginning of period	35	13
Net change during the period	368	80
Foreign exchange on cash balances held in foreign currencies	3	—
Cash and cash equivalents, end of period	406	93
Supplementary Information		
Cash balances	134	4
Cash equivalents	272	89
Cash and cash equivalents, end of period	\$ 406	\$ 93

The accompanying notes are an integral part of the unaudited interim condensed combined consolidated financial statements.

NOTE 1. ORGANIZATION AND DESCRIPTION OF THE COMPANY

(a) **Brookfield Asset Management Reinsurance Partners Ltd.**

Brookfield Asset Management Reinsurance Partners Ltd. (“BAM Re” or the “Company”) is a Bermuda corporation incorporated on December 10, 2020 and governed by the laws of Bermuda. The Company was established to become a reinsurance business focused on providing capital-based solutions to insurance companies and their stakeholders. The Company’s class A exchangeable shares are listed on the New York Stock Exchange and the Toronto Stock Exchange under the symbol “BAMR”. The Company’s operations are primarily located in Bermuda, Canada, and the Cayman Islands. The Company’s original registered head office was 73 Front Street 5th Floor, Hamilton HM 12, Bermuda. During the quarter, the registered head office was changed to Wellesley House South, 2nd Floor, 90 Pitts Bay Road, Pembroke, HM08, Bermuda.

The Company holds a direct 100% ownership interest in BAM Re Holdings Ltd. (“BAM Re Holdings”), which holds the Company’s interest in its operating subsidiaries.

Through its operating subsidiaries, the Company acts as a direct issuer of pension risk transfer products for pension plan sponsors and provides annuity-based reinsurance products to insurance and reinsurance companies. The Company currently has a single operating segment, Insurance, related to the pension risk transfer (“PRT”) and reinsurance businesses.

(b) **Spin-off of Brookfield Asset Management Reinsurance Partners Ltd.**

On June 28, 2021, Brookfield Asset Management Inc. (“Brookfield”) completed the spin-off of the Company (the “Spin-off”), which was effected by way of a special dividend of the class A exchangeable limited voting shares (“class A exchangeable shares”) of the Company to holders of Brookfield Class A limited voting shares (“Brookfield Class A Shares”) and Class B limited voting shares (“Brookfield Class B Shares”) as of June 18, 2021 (the “record date”). Pursuant to the special dividend, holders of Brookfield Class A Shares and Class B Shares as of the record date received one class A exchangeable share for every 145 Brookfield Class A Shares or Class B Shares held as of the record date. Brookfield holds all the class C non-voting shares (“class C shares”), giving it the residual economic interest in the Company, but no voting interest in the Company.

Prior to the Spin-off, Brookfield effected a reorganization so that the Company’s PRT business (the “Business”) and other investments that were historically owned and operated by Brookfield, through its operating entities, were acquired by BAM Re Holdings, a subsidiary of the Company.

The following describes the transactions and agreements resulting from the Spin-off:

(i) *Class A exchangeable shares*

As part of the Spin-off, Brookfield subscribed for 11 million class A exchangeable shares for approximately \$538 million in cash, which was used in part to support new reinsurance business, including our risk-based capital requirements in support of the reinsurance treaty closed with American Equity Investment Life Insurance Company (“AEILIC”) subsequent to September 30, 2021. Upon Spin-off, Brookfield distributed the 11 million class A exchangeable shares to the Brookfield shareholders who hold Brookfield Class A Shares and Brookfield Class B Shares, as a special dividend.

(ii) *Class B shares*

As part of the Spin-off, holders of class B shares (“BAM Re Class B Partners”), through a voting trust, subscribed for 24,000 class B shares for \$1 million.

(iii) *Class C shares*

As part of the Spin-off, Brookfield transferred its ownership in the Business along with its holdings of American Equity Investment Life Holding Company (“AEL”) common shares and additional cash for working capital purposes to the Company. Total value of the consideration provided to the Company was approximately \$712 million in which was exchanged for 17 million class C shares. Brookfield owns all the issued and outstanding class C shares.

(iv) *Equity Commitment*

As part of the Spin-off, Brookfield provided to the Company an equity commitment in the amount of \$2.0 billion to fund future growth, which the Company may draw on from time to time. The equity commitment may be called by the Company in exchange for the issuance of a number of class C shares or junior preferred shares. Further details of the equity commitment are described in Note 10.

(v) *Credit Agreement*

As part of the Spin-off, the Company entered into a credit agreement with Brookfield (the “Brookfield Credit Agreement”) as lender on June 28, 2021, providing for a five-year revolving \$200 million credit facility. Further details of the Brookfield Credit Agreement are described in Note 10.

(vi) *Support Agreement*

As part of the Spin-off, the Company entered into a support agreement with Brookfield (the “Support Agreement”), pursuant to which Brookfield has agreed to support the economic equivalence of the class A exchangeable shares and Brookfield Class A Shares for so long as class A exchangeable shares not owned by Brookfield are outstanding and there has not been an amendment to the exchange feature by agreeing to, among other things, take all actions reasonably necessary to enable the Company to pay quarterly distributions, the liquidation amount or the amount payable on a redemption of class A exchangeable shares, as the case may be. Further details of the Support Agreement are described in Note 10.

(vii) *Rights Agreement*

As part of the Spin-off, the Company entered into a rights agreement with Brookfield (the “Rights Agreement”), pursuant to which Brookfield has agreed that on the applicable specified exchange date with respect to any class A exchangeable shares submitted for exchange, Brookfield will satisfy, or cause to be satisfied, the obligations pursuant to our memorandum of association and bye-laws to exchange such subject class A exchangeable shares for Brookfield Class A Shares or its cash equivalent plus any unpaid distributions. Further details of the Rights Agreement are described in Note 10.

(viii) *Administration Agreement*

As part of the Spin-off, the Company entered into an administration agreement with Brookfield (the “Administration Agreement”), pursuant to which Brookfield has agreed to provide administrative services to the Company on a cost recovery basis. Further details of the Administration Agreement are described in Note 10.

(ix) *Investment Management Agreement*

As part of the Spin-off, the Company entered into one or more Investment Management Agreements appointing Brookfield as the investment manager of certain assets and accounts, including assets backing the liabilities assumed by the Company under the insurance and future reinsurance arrangements, and any assets held as surplus. Further details of the Brookfield Investment Management Agreements are described in Note 10.

(x) *Licensing Agreement*

As part of the Spin-off, the Company entered into a licensing agreement with Brookfield (the “Brookfield Licensing Agreement”), pursuant to which Brookfield has granted a non-exclusive, royalty-free sub-license to use the name “Brookfield” and the Brookfield logo. Further details of the Brookfield Licensing Agreement are described in Note 10.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of Compliance

These Unaudited Interim Condensed Combined Consolidated Financial Statements (“interim financial statements”) have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting (“IAS 34”) as issued by the International Accounting Standards Board (“IASB”) and using the accounting policies described below and in the Consolidated Financial Statements of Brookfield Annuity Holdings Inc. (“BAH”) as at and for the year ended December 31, 2020 included in our Prospectus dated June 16, 2021. The interim financial statements are prepared on a going concern basis and have been presented in U.S. dollars (“USD”) rounded to the nearest million unless otherwise indicated.

The interim financial statements were authorized for issue by the Board of Directors of the Company on November 3, 2021.

(b) Basis of Consolidation

The interim financial statements include the accounts of the Company and its consolidated subsidiaries, which are the entities over which the Company has control. All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

The Company uses a management approach to determine operating segments. The management approach considers the internal organization and reporting used by the Company’s chief operating decision maker (“CODM”) for making decisions, allocation of resources and assessing performance. The Company’s CODM has been identified as the Chief Executive Officer who reviews the results of operations when making decisions about allocating resources and assessing performance of the Company which is currently managed as a single segment: Insurance. All of the Company’s revenue for the period ended September 30, 2021 and 2020 was generated from the Insurance operating segment. The revenue of \$690 million and \$1.6 billion were earned in Canada and Bermuda, respectively, for the period ended September 30, 2021. All the revenue was earned in Canada for the period ended September 30, 2020. All of the long-lived assets of the Company were included in the Insurance operating segment and reside in Canada, Bermuda and the Cayman Islands.

(c) Continuity of Interest

As described above, BAM Re was established on December 10, 2020 by Brookfield and on June 28, 2021 Brookfield completed the Spin-off of the Business to the Company and the special dividend declaration to holders of Brookfield’s Class A and B Shares. Brookfield controlled the Business prior to the Spin-off and has significant influence over the Company subsequent to the Spin-off through its interests in the Company. The Business was transferred before Spin-off, as part of the reorganization, and therefore the transactions are common control transactions. In accordance with the Company and Brookfield’s accounting policy, the Company has reflected the Business in its financial position and results of operations using Brookfield’s carrying values, prior to the Spin-off.

In addition, certain investments were transferred as part of the reorganization, which are treated as asset acquisitions and are also considered common control transactions. The accounting policy is to record the common control asset acquisitions on the date of occurrence at the historical carrying value, with any gain or loss against the consideration paid being recorded in equity.

To reflect this continuity of interest, these interim financial statements provide comparative information of the Business for the periods prior to the Spin-off, as previously reported by Brookfield. The economic and accounting impact of contractual relationships created or modified in conjunction with the Spin-off (see Note 1(b)) have been reflected prospectively from the date of the Spin-off and have not been reflected in the results of operations or financial position of the Company prior to June 28, 2021, as such items were in fact not created or modified prior thereto. Accordingly, the financial information for the periods prior to June 28, 2021 is presented based on the historical financial information for the Business as previously reported by Brookfield. For the period after completion of the Spin-off, the results are based on the actual results of the Company, including the adjustments associated with the Spin-off and the execution of several agreements (see Note 10). Therefore, net income (loss) and comprehensive income (loss) not attributable to interests of others in operating subsidiaries has been allocated to Brookfield prior to June 28, 2021 and allocated to the shareholders of class A exchangeable shares, class B shares and class C shares on and after June 28, 2021.

(d) Class A exchangeable shares

As described in Note 1 (b)(i), the Company's equity interests include the class A exchangeable shares held by public shareholders. Each class A exchangeable share is structured with the intention of providing an economic return equivalent to one Brookfield Class A Share (subject to adjustment to reflect certain capital events). Each class A exchangeable share is exchangeable with Brookfield at the option of the holder for one Brookfield Class A Share (subject to adjustment to reflect certain capital events) or its cash equivalent (the form of payment to be determined at the election of Brookfield), plus unpaid distributions. Brookfield currently intends to satisfy any exchange requests on the class A exchangeable shares through the delivery of Brookfield Class A Shares rather than cash. Each class A exchangeable share has voting rights in respect of the Company and is entitled to cast one vote for each class A exchangeable share to the extent held on the record date for voting at a meeting of shareholders of the Company.

The class A exchangeable shares are classified as equity instruments. The class A exchangeable shares are issued capital of the Company and as a result are not adjusted for changes in market value.

(e) Class B shares

As described in Note 1 (b)(ii), the Company's equity interests include the class B shares held by BAM Re Class B Partners. Subject to applicable law, quarterly cash distributions may be made in the form of a dividend or a capital reduction resulting in a return of capital or a combination. Distributions on the class B shares will be paid, or in the case of a distribution made pursuant to a capital reduction, will be returned, in each case, at the same time and in the same amount per share as dividends on a Brookfield Class A Shares. The BAM Re Class B Partners are entitled to cast one vote for each class B share held at the record date for determination of shareholders entitled to vote on any matter.

The class B shares are classified as equity instruments. The class B shares are issued capital of the Company and as a result are not adjusted for changes in market value.

(f) Class C shares

As described in Note 1 (b)(iii), the Company's equity interests include the class C shares held by Brookfield. The class C shares are non-voting shares that are entitled to the residual economic interest in the Company after payment in full of the amount due to holders of our class A exchangeable shares and our class B shares and subject to the prior rights of holders of the Preferred Shares.

The class C shares are classified as equity instruments. The class C shares are issued capital of the Company and as a result are not adjusted for changes in market value.

(g) Cash and cash equivalents

Cash and cash equivalents include cash and short-term investments with original maturities of 90 days or less. The Company classifies cash and cash equivalents as fair value through profit or loss (“FVTPL”) if the asset supports insurance reserves or available for sale (“AFS”) if the asset supports capital and surplus.

Cash and cash equivalents exclude cash balances and short-term investments that are for use by the Company as part of the funds withheld arrangement (Note 2(j)).

(h) Investments

Investments are financial assets which are comprised of common shares, preferred shares, bonds, and fixed-income instruments. The Company uses the trade date to account for investment transactions.

Financial assets are classified into one of the following categories:

- AFS assets are measured at fair value, with changes in fair value recognized in other comprehensive income (loss);
- FVTPL assets are measured at fair value, with changes in fair value recognized in net income (loss); and
- Loans and receivables are measured at amortized cost.

Financial assets are classified according to their nature and use by the Company at the time of initial recognition. Financial assets supporting capital and surplus are classified as AFS and are measured at fair value. Unrealized gains (losses) are recognized in other comprehensive income (loss). Upon realization, gains or losses are reclassified to the Unaudited Interim Condensed Combined Consolidated Statements of Operating Results and recorded in net investment income (loss).

Financial assets supporting insurance reserves are designated as FVTPL or as loans and receivables. Any changes in the fair value of the underlying assets matched to the insurance reserves are directly reflected in the insurance reserves. Unless the asset is deemed to be impaired, changes in fair value of assets matching these liabilities and changes in the corresponding insurance reserves are directly recognized in the Unaudited Interim Condensed Combined Consolidated Statements of Operating Results in order to avoid a mismatch that would otherwise arise.

Loans and receivables are measured at amortized cost using the effective interest method, less any applicable provision for impairment.

Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

Any gain or loss arising on derecognition is recognized directly in net income (loss) and presented in realized gains (losses) on investments.

(i) Reinsurance funds withheld

Reinsurance funds withheld represents a receivable for amounts contractually withheld by ceding companies in accordance with reinsurance agreements in which North End Re Ltd. (“NER Ltd.”), an indirect wholly owned subsidiary of the Company, acts as reinsurer. The receivable represents assets that are held in custodial accounts that are legally segregated from the third-party ceding companies’ general accounts and are managed by NER Ltd. The assets are typically cash and cash equivalents, and fixed income asset types. In the event of a ceding company’s insolvency, NER Ltd. would need to assert a claim on the assets supporting the reserve liabilities. However, NER Ltd. has the ability to offset amounts owed to the ceding company. Interest generally accrues on these assets based upon the investment earnings on the underlying investments. The Company is subject to the investment performance and has all economic rights and obligations on the funds withheld assets in a fashion similar to invested assets held directly by NER Ltd. Assets greater than or equal to statutory reserves are withheld. The underlying agreements contain embedded derivatives as discussed in Derivative financial instruments.

(j) Funds withheld liabilities

Funds withheld liabilities represent the payable for amounts contractually withheld in accordance with reinsurance agreements where Brookfield Annuity Company (“BAC”), an indirect wholly owned subsidiary of the Company, acts as a cedant. While the assets in the funds withheld liabilities are legally owned by BAC, the reinsurer is subject to all investment performance and economic rights and obligations to the funds withheld assets similar to invested assets held directly by the reinsurer. BAC’s funds withheld liabilities balance includes cash and cash equivalents, investments, and derivatives carried at fair value and is credited with premiums, investment income (loss), benefits payable and other expenses deducted as incurred at cost.

(k) Derivative financial instruments

The Company manages foreign currency exposure and other market risks associated with certain assets and liabilities by using derivative financial instruments such as foreign exchange forwards, cross currency swaps, interest rate swaps, and bond futures. Derivative financial instruments are classified as held for trading which are measured as FVTPL investments. Derivative financial instruments are recorded at fair value on acquisition date and subsequently revalued at fair value at each reporting date. Derivative financial instruments with positive values are recorded as derivative assets and negative fair values are reported as derivative liabilities. Changes in fair value of derivatives are recorded in net investment income (loss), in the Unaudited Interim Condensed Combined Consolidated Statements of Operating Results.

Derivatives embedded in reinsurance contracts which are not closely related to the host contract are recorded into reinsurance funds withheld and measured at fair value in the Unaudited Interim Condensed Combined Consolidated Statements of Financial Position. Changes in the fair value are included in the net investment results from funds withheld in the Unaudited Interim Condensed Combined Consolidated Statements of Operating Results.

(l) Assets pledged as collateral

The Company receives and pledges collateral in respect of certain derivative contracts, in order to meet its contractual obligations. The amount of collateral required is determined by the valuation of each contract on a mark-to-market basis and the type of collateral to be deposited is specified within the agreement with each counterparty.

Collateral pledged continues to be recognized in the Unaudited Interim Condensed Combined Consolidated Statements of Financial Position as the Company retains all rights related to these assets.

Collateral received is not recognized in the Unaudited Interim Condensed Combined Consolidated Statements of Financial Position unless the Company acquires the rights relating to the economic risks and rewards related to these assets.

(m) Collateralized financing transactions

Securities sold under agreements to repurchase (“repurchase agreements”) are collateralized financing transactions. A repurchase agreement provides the lender of securities the right to receive from the counterparty sufficient cash to purchase the same securities at the maturity of the agreement. These transactions are measured at cost plus accrued interest.

The Company recognizes an asset in the Unaudited Interim Condensed Combined Consolidated Statements of Financial Position, representing the cash received, and a liability for the same amount, representing the obligation to repurchase the loaned bonds. Repurchase agreements with the same counterparty are presented net in the Unaudited Interim Condensed Combined Consolidated Statements of Financial Position.

(n) Right to offset

Amounts presented in these interim financial statements are presented on a net basis when there exists both a legally enforceable right to offset the recognized amounts and an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

(o) Impairment

At each reporting date, financial assets are assessed for impairment indicators. The Company considers an impairment loss if it deems it unlikely that it will be able to recover all amounts due according to the contractual terms of the obligation. For AFS equity investments, a significant and prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment. For all other financial assets, there must be observable data about the loss events, such as, but not limited to, the issuer’s financial difficulty, a bankruptcy, default of payment of principal or interest, or specific adverse conditions affecting an industry or a region.

For financial assets measured at amortized cost, the amount of the impairment loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows. The impairment loss is recorded in the Unaudited Interim Condensed Combined Consolidated Statements of Operating Results.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not have been recognized. In respect to AFS equity securities, impairment losses previously recognized in profit or loss are not reversed through profit or loss. Any increases in fair value subsequent to an impairment loss is recognized in other comprehensive income. In respect of AFS debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss. The reversal cannot exceed the impairment expense amount. The amount of reversal is recorded in the Unaudited Interim Condensed Combined Consolidated Statements of Operating Results.

At each reporting date, or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, non-financial assets that are measured at amortized cost are reviewed for impairment. An impairment loss is recognized for the amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset’s fair value less costs to sell and value in use.

(p) Classification of Financial Instruments

Accrued investment income, and other assets have been classified as loans and receivables. Due to related party, reinsurance payable, and accounts payable and accrued liabilities have been classified as other financial liabilities. Loans and receivables and other financial liabilities are measured at amortized cost. For these items, carrying value approximates fair value due to their short-term nature.

(q) Leases

IFRS 16 Leases (“IFRS 16”) specifies how to recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases.

The Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

If a contract contains a lease, the Company will recognize a right-of-use (“ROU”) asset and a lease liability at the lease commencement date. The ROU asset and lease liability are initially measured as an amount equal to the present value of the remaining lease payments over the lease. The discount rate used is the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company’s incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The ROU asset is depreciated to the earlier of the end of the useful life or lease term using the straight-line method as this reflects the expected pattern of use. At each reporting date, the Company assesses whether there is any indication that the ROU asset may be impaired. If an impairment indicator exists, then the Company will adjust the value of the ROU asset to its recoverable amount and an impairment loss is recognized.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made. It is remeasured when there is a change in future lease payments arising from a change in rates or there is a change in the Company’s estimate of the amount expected to be payable.

(r) Insurance reserves

Contract classifications

Contracts under which the Company accepts significant insurance risk from a policyholder are classified as insurance contracts in accordance with IFRS 4, Insurance Contracts (“IFRS 4”) on the Unaudited Interim Condensed Combined Consolidated Statements of Financial Position. A contract is considered to have significant insurance risk if, and only if, an insured event could cause an insurer to make significant additional payments in any scenario, excluding scenarios that lack commercial substance at the inception of the contract. Contracts under which the Company does not accept significant insurance risk are classified as either investment contracts or considered a service contract and are accounted for in accordance with IAS 39 Financial Instruments: Recognition and Measurement or IFRS 15 Revenue from Contracts with Customers, respectively. Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its term, even if the insurance risk reduces significantly during the year, unless all rights and obligations are extinguished or expire. Investment contracts can be reclassified as insurance contracts if insurance risk subsequently becomes significant.

Measurement

In accordance with IFRS 4, the Company has applied existing accounting practices for insurance and participating investment contracts, modified as appropriate to comply with the IFRS framework and applicable standards.

The long-term insurance reserves are calculated separately for each product type, based either on local regulatory requirements or existing local GAAP (at the later of the date of transition to IFRS or the date of the acquisition of the entity); and actuarial principles consistent with those applied in each local market.

Insurance reserves are determined by BAC using the Canadian Asset Liability Method (“CALM”), in accordance with the standards of the Canadian Institute of Actuaries (“CIA”) and as permitted by IFRS 4.

Insurance reserves represent the amount required to provide for future benefits payments and administrative expenses on policies in force with BAC. Insurance reserves are presented gross of reinsurance assets on the Unaudited Interim Condensed Combined Consolidated Statements of Financial Position. BAC's Appointed Actuary is responsible for determining the amount of insurance reserves in accordance with standards established by the CIA. CALM is used to determine insurance reserves and incorporates best-estimate assumptions for longevity, future investment yields, administration costs, margins for adverse deviation and inflation. Margins for adverse deviation are necessary to provide for possibilities of misestimation and future deterioration in the best estimate assumptions and provide reasonable assurance that insurance reserves cover a range of possible outcomes. Margins are reviewed periodically for continued appropriateness.

BAC has designated invested assets supporting insurance reserves as FVTPL or as loans and receivables. Since the value of the insurance reserves is determined by reference to the assets supporting those reserves, changes in the insurance reserves offset a significant portion of the changes in fair value of these FVTPL assets recorded in net income (loss).

Insurance reserves are determined by NER Ltd. using US GAAP reserve methodology, as permitted by IFRS 4. Insurance reserves are carried at the accumulated contract holder values without reduction for potential surrender or withdrawal charges. These are equal to the balance that accrue to the benefit of the policyholders as of the interim financial statements date (commonly referred to as the account value), including policyholders' accumulated net deposits plus a guaranteed rate of interest credited, less policyholder withdrawals. Insurance reserves are further evaluated using accepted actuarial valuation methods based on assumptions related to mortality, withdrawals, surrender and deposit rates, determined when the policies are assumed. Key assumptions are based on industry standard data adjusted to align with actual experience, if necessary. The Company periodically reviews actual and anticipated experience compared to the assumptions used to establish future policy benefit reserves. Due to the many assumptions and estimates used in establishing reserves and the long-term nature of the reinsurance contracts, the reserving process, while based on standard actuarial practices, is inherently uncertain.

(s) Reinsurance

In the normal course of business, the Company is a user of reinsurance to manage losses that could arise from exposures and is also the provider of reinsurance.

BAC is a user of reinsurance in order to limit the potential for losses arising from certain exposures. To the extent that third party reinsurers are unable to meet their obligations, BAC remains liable to its policyholders for the portion reinsured. At each reporting date, the reinsurance asset and reinsurance receivable, if any, are assessed for impairment. If there is objective evidence that the reinsurance asset or reinsurance receivable are not recoverable and the impact of the event can be reliably measured, an impairment loss is recognized for the amount by which the carrying amount exceeds the recoverable amount.

BAC has two types of reinsurance arrangements.

Longevity reinsurance

BAC enters into longevity reinsurance transactions with third party reinsurers. As part of the agreements, BAC commits to pay the reinsurers a schedule of fixed payments relating to defined blocks of policyholder benefits. In return, the reinsurers reimburse the actual cost of benefit expenses on those blocks to BAC. Settlement of fixed and actual payments between BAC and the reinsurers are on a net basis. The difference between fixed and actual payments on past service is recognized in the same period as the related claim is incurred within benefits ceded in the Unaudited Interim Condensed Combined Consolidated Statements of Operating Results. Any unsettled amounts on past service from the reinsurers is recognized as a reinsurance receivable or payable in the Unaudited Interim Condensed Combined Consolidated Statements of Financial Position.

BAC is liable for reinsurance fees for the transactions. The fees are recognized as incurred and are included in ceded premiums in the Unaudited Interim Condensed Combined Consolidated Statements of Operating Results.

The benefits to which BAC is entitled under its reinsurance transactions are recognized as reinsurance assets in the Unaudited Interim Condensed Combined Consolidated Statements of Financial Position and change in insurance reserves ceded on the Unaudited Interim Condensed Combined Consolidated Statements of Operating Results.

Quota share reinsurance

BAC enters into quota share reinsurance transactions with third-party reinsurers. The agreement covers policyholder benefits for a proportion of business reinsured. The proportion varies for certain discrete blocks of business. At the inception of each quota share reinsurance contract, premiums ceded and a corresponding decrease in cash or payable is recognized in proportion to the business reinsured by the external reinsurer. BAC recognizes a reinsurance asset on the Unaudited Interim Condensed Combined Consolidated Statements of Financial Position and change in insurance reserves ceded on the Unaudited Interim Condensed Combined Consolidated Statements of Operating Results. The benefits to which BAC is entitled under its reinsurance contracts are recognized as reinsurance assets.

The reinsurer is committed to pay BAC a proportion of actual benefit expenses. The amounts are reported in benefits ceded in the same period as the related benefit expense is incurred. In cases where the benefit payments are due but not fully received from the reinsurer, BAC will recognize a reinsurance receivable. In cases where benefit payments are due, but amounts are received in excess from the reinsurer, BAC will recognize a reinsurance payable.

Under reinsurance contracts with unregistered reinsurers, assets are required to be pledged to BAC in order to secure payment of liabilities under the reinsurance agreement. Unregistered reinsurers are reinsurers which are not regulated by the Office of the Superintendent of Financial Institutions (“OSFI”). The pledged assets are held in Canada by a Canadian financial institution that is not affiliated with the third party reinsurer. BAC maintains a valid and enforceable security interest that has priority over any other security interest in the collateral. In the event of default by the reinsurer, BAC has the right to liquidate or take legal possession of these assets, in a timely manner.

At each reporting date, the reinsurance asset and reinsurance receivable, if any, are tested for impairment. If there is objective evidence that the reinsurance asset or reinsurance receivable are not recoverable and the impact of the event can be reliably measured, an impairment loss is recognized for the amount by which the carrying amount exceeds recoverable amount.

NER Ltd. closed a retrocession agreement on September 3, 2021 with a third party insurance company to reinsure minimum guarantee fixed annuities. At the time of closing, the retrocession agreement had a retrospective effective date of April 1, 2021, representing the date on which the Company has the reinsurance contractual obligations.

NER Ltd. assumes insurance contracts under modified coinsurance (“Modco”). NER Ltd generally has 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 under Modco are presented gross on the balance sheet. For insurance contracts, the change in assumed reserves and benefits are presented as change in insurance reserves on the Unaudited Interim Condensed Combined Consolidated Statements of Operating Results. Assumed premiums are included in premiums on the Unaudited Interim Condensed Combined Consolidated Statements of Operating Results. Reinsurance related expenses are included in other reinsurance expenses on the Unaudited Interim Condensed Combined Consolidated Statements of Operating Results.

(t) Deferred revenue

At inception of block reinsurance transactions, the ceding commission is deferred and recognized as deferred revenue. The deferred revenue for interest-sensitive life and investment-type contracts is amortized over the life of the policies in proportion to the estimated number of in-force policies. Estimates of in-force policy numbers are based on assumptions using accepted actuarial methods. Amortization is recorded in income within the Unaudited Interim Condensed Combined Consolidated Statements of Operating Results.

(u) Premiums

Gross premiums are recognized as revenue when due and collection is reasonably assured. When premiums are recognized, insurance reserves are computed, with the result that benefits and expenses are matched with such revenue. Premiums ceded are recognized when due and in accordance with the terms of the contractual agreement between the Company and reinsurer. Premium refunds, if any, are recognized on an accrual basis.

(v) Benefits paid

Gross benefits and benefits ceded are recorded in the Unaudited Interim Condensed Combined Consolidated Statements of Operating Results when they are due and incurred.

(w) Net investment income

Interest income is calculated using the effective interest method.

Dividend income is recognized when the right to receive payments is established.

Realized gains (losses) on investments and derivatives represent the difference between net sale proceeds and the purchase price.

Unrealized gains (losses) on investments and derivatives measure the difference between the fair value of investments at the end of each reporting date and their purchase price. The net movement reflects both unrealized gains and losses recognized during the year adjusted for any prior period unrealized gains and losses which have been realized in the current accounting period.

(x) Income taxes

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to taxation authorities within a year. The tax rates and tax laws used to compute the amounts are those that are enacted or substantively enacted at the end of each period.

Deferred income tax assets are recognized to the extent that it is probable that taxable profits will be available against which the unused tax losses or unused tax credits can be utilized by the Company. To the extent that it is not probable that taxable profit will be available against which the unused tax losses or unused tax credit can be utilized, the deferred tax asset is not recognized.

(y) Foreign currencies

The Company's functional currency is Canadian Dollar ("CAD"), however, the Company's interim financial statements have been presented in USD. Foreign currency denominated monetary assets and liabilities of the Company are translated using the rate of exchange prevailing at the reporting date and non-monetary assets and liabilities measured at fair value are translated at the rate of exchange prevailing at the date when the fair value was determined. Revenues and expenses are measured at average rates during the period. Gains or losses on translation of these items are included in net income.

For purposes of presenting the interim financial statements, assets and liabilities of the Company are translated using the exchange rate prevailing at the reporting date. Revenue and expenses are measured at transactional or average rates during the period. Gains or losses on translation of these items are included in other comprehensive income.

(z) Investment in associates

Associates are entities over which the Company exercises significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but without control or joint control over those policies. We use the equity method to account for our investments in associates within the Unaudited Interim Condensed Combined Consolidated Statements of Financial Position.

Interests in associates accounted for using the equity method are initially recognized at cost. At the time of initial recognition, if the cost of the associate is lower than the proportionate share of the investment's underlying fair value, the Company records a gain on the difference between the cost and the underlying fair value of the investment in net income. If the cost of the associate is greater than the Company's proportionate share of the underlying fair value, goodwill relating to the associate is included in the carrying amount of the investment.

Subsequent to initial recognition, the carrying value of the Company's interest in an associate is adjusted for the Company's share of comprehensive income and distributions of the investee. Profit and losses resulting from transactions with an associate are recognized in the interim financial statements based on the interests of unrelated investors in the investee. The carrying value of associates is assessed for impairment at each reporting date. Impairment losses on equity accounted investments may be subsequently reversed in net income. Further information on equity accounted investments is available in Note 8.

(aa) Earnings per share

The holders of the class C shares are entitled to received distributions if, as and when declared or authorized. Our Board of Directors has adopted a policy that class C share distributions will be paid quarterly in an amount equal to the Company's distributable earnings (as determined by management of the Company) after payment of distributions on the class A exchangeable shares, class B shares and any other shares ranking senior to the class C shares and after provision for expenses, anticipated cash needs and other similar adjustments.

Total outstanding class C shares have been used to calculate basic and diluted earnings per share. Class A exchangeable shares and class B shares are not considered participating securities or considered to be ordinary shares and consequently per share amounts for these classes of shares has not been presented.

Basic earnings per share attributable to class C shareholders are calculated by dividing the Company's net income for the period, less distributions payable to class A exchangeable and class B shareholders, by the weighted average number of class C shares outstanding during the period. Diluted earnings per share are determined by adjusting the weighted average number of shares outstanding for the effects of all dilutive potential shares.

(ab) Accounting estimates and judgements

The preparation of interim financial statements in accordance with IFRS requires management to make assumptions and estimates that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the interim financial statements. Estimates are subject to uncertainty and can therefore differ significantly from actual results. The items most susceptible to changes in estimates and assumptions include the measurement of reinsurance assets, insurance reserves, and impairment of financial instruments. Actual results may differ from our estimates thereby impacting the interim financial statements. Information on our use of estimates and assumptions is discussed in Note 2.

Management judgment is also used in applying the accounting policies used to prepare interim financial statements. The item most susceptible to changes in judgements is the evaluation of indicators of impairment of our investments.

(ac) Future accounting policy changes

(i) IFRS 17

In May 2017, the IASB issued IFRS 17 Insurance Contracts (“IFRS 17”) which will replace IFRS 4 and will be applied retrospectively. In June 2020, the IASB proposed an amendment to IFRS 17 providing a one-year deferral on the effective date of the standard to January 1, 2023. In addition, the IASB extended the exemption for insurers to apply IFRS 9 Financial Instruments (“IFRS 9”), so that both IFRS 9 and IFRS 17 will have the same effective date. OSFI expects life insurers to adopt IFRS 9 and IFRS 17 simultaneously for periods beginning on or after January 1, 2023.

IFRS 17 sets out the requirements for the recognition, measurement, presentation and disclosures of insurance contracts a company issues and reinsurance contracts it holds.

The future profit for providing insurance coverage is recognized in profit or loss over time as the insurance coverage is provided.

IFRS 17 will affect how the Company accounts for its insurance contracts and how it reports financial performance in the interim financial statements and annual consolidated financial statements. The Company continues to assess the impact of IFRS 17, which is expected to have a significant impact on the timing of earnings recognition, as well as presentation and disclosure, for its insurance contracts.

(ii) IFRS 9

In July 2014, the IASB published the complete version of IFRS 9, which is effective for annual periods beginning on or after January 1, 2018, with retrospective application and replaces IAS 39. IFRS 9 provides changes to the classification and measurement of financial assets and liabilities, an expected credit loss model that replaces the existing incurred loss impairment model and new hedge accounting guidance.

The Company has deferred the implementation of IFRS 9 until IFRS 17 is adopted on January 1, 2023 on the basis that the Company’s activities are predominantly connected with insurance, with insurance reserves making up over 97% of the Company’s total liabilities.

The disclosure for the measurement and classification of the Company’s investments provides most of the information required by IFRS 9. The Company is currently assessing the impact of implementing IFRS 9 on its interim financial statements and annual consolidated financial statements.

(iii) Amendments to IFRS 3

In May 2020, the IASB issued Reference to the Conceptual Framework, which includes amendments to IFRS 3 Business Combinations. The amendments update an outdated reference to the Conceptual Framework in IFRS 3 without significantly changing the requirements in the standard. The amendments apply to business combinations for which the acquisition date is on or after January 1, 2022.

(iv) Amendments to IAS 37

In May 2020, the IASB issued Onerous Contracts - Cost of Fulfilling a Contract, which includes amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets. The amendments specify that the ‘cost of fulfilling’ a contract comprises the ‘costs that relate directly to the contract’. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract or an allocation of other costs that relate directly to fulfilling contracts. The amendments are effective for annual periods beginning on or after January 1, 2022.

(v) *Annual Improvements to IFRS Standards 2018-2020*

In May 2020, the IASB issued Annual Improvements to IFRS Standards 2018-2020, which includes minor amendments to three IFRS standards applicable to our Consolidated Financial Statements. The amendments apply prospectively. The amendments are effective for annual periods beginning on or after January 1, 2022.

(ad) Impact of COVID-19

Since the outbreak of COVID-19, emergency measures taken in response to the spread of COVID-19 have resulted in significant disruption to business operations globally, resulting in an economic slowdown. Global equity and capital markets have also experienced significant volatility and weakness. The governments have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. These developments are constantly evolving and the duration and impact of the COVID-19 pandemic is highly uncertain and cannot be predicted at this time but could have a material impact on the future performance of the assets. Where COVID-19 relates specifically to our business, specifically in valuing our insurance and reinsurance liabilities, we have allowed for identified deaths but we have not made any changes to our longevity assumptions as it remains too early to quantify the potential long-term impacts from COVID-19 on longevity.

NOTE 3. FINANCIAL INSTRUMENTS

a) Summary of cash and cash equivalents, investments and derivative assets and liabilities

The summary of financial assets and financial liabilities is as follows:

AS AT SEP. 30 US\$ MILLIONS	2021			
	FVTPL	AFS	Amortized Cost	Total
Cash and cash equivalents				
Cash	\$ 96	\$ 38	\$ —	\$ 134
Cash equivalents	269	3	—	272
Total cash and cash equivalents	365	41	—	406
Derivatives				
Foreign exchange forwards	6	—	—	6
Bond futures	1	—	—	1
Total derivative assets	7	—	—	7
Bonds				
Government	479	103	—	582
Corporate and other	1,240	39	57	1,336
Total debt securities	1,719	142	57	1,918
Total common shares	—	181	—	181
Total preferred shares	—	3	—	3
Total mortgages	—	—	162	162
Total loans and receivables	—	—	5	5
Total investments	1,719	326	224	2,269
Reinsurance funds withheld	1,650	—	—	1,650
Funds withheld liabilities	(12)	—	—	(12)

AS AT DEC. 31 US\$ MILLIONS	2020			
	FVTPL	AFS	Amortized Cost	Total
Cash and cash equivalents				
Cash	\$ 14	\$ 2	\$ —	\$ 16
Cash equivalents	16	3	—	19
Total cash and cash equivalents	30	5	—	35
Derivatives				
Foreign exchange forwards	5	—	—	5
Bond futures	2	—	—	2
Total derivative assets	7	—	—	7
Bonds				
Government	372	29	—	401
Corporate and other	732	36	21	789
Total debt securities	1,104	65	21	1,190
Total preferred shares	—	3	—	3
Total investments	1,104	68	21	1,193
Funds withheld liabilities	(12)	—	—	(12)

b) Fair value hierarchy

Investments measured at fair value are classified in accordance with a valuation hierarchy that reflects the significance of the inputs used in determining their fair value, as per IFRS 13, Fair Value Measurement. Under Level 1 of this hierarchy, fair value is derived from unadjusted quoted prices in active markets for identical investments. Under Level 2, fair value is derived from market inputs that are directly or indirectly observable other than unadjusted quoted prices for identical investments. Under Level 3, fair value is derived from inputs that are not based on observable market data.

The following sets out the financial assets and financial liabilities classified in accordance with the above-mentioned fair value hierarchy, excluding financial assets and financial liabilities that are carried at amortized cost.

		2021			
AS AT SEP. 30 US\$ MILLIONS		Level 1	Level 2	Level 3	Total
Financial assets					
Fair value through profit or loss:					
Cash	\$	96	\$ —	\$ —	\$ 96
Cash equivalents		269	—	—	269
Bonds		—	1,679	—	1,679
Other fixed income securities		—	—	40	40
Derivative assets		1	6	—	7
Reinsurance funds withheld		57	1,593	—	1,650
Available for sale:					
Cash		38	—	—	38
Cash equivalents		3	—	—	3
Bonds		—	142	—	142
Preferred shares		3	—	—	3
Common Shares		181	—	—	181
Total financial assets		648	3,420	40	4,108
Financial liabilities					
Fair value through profit or loss:					
Funds withheld liabilities		—	(12)	—	(12)
Total financial liabilities	\$	—	\$ (12)	\$ —	\$ (12)

		2020		
AS AT DEC. 31 US\$ MILLIONS		Level 1	Level 2	Total
Financial assets				
Fair value through profit or loss:				
Cash	\$	14	\$ —	\$ 14
Cash equivalents		16	—	16
Bonds		—	1,103	1,103
Derivative assets		2	5	7
Available for sale:				
Cash		2	—	2
Cash equivalents		3	—	3
Bonds		—	65	65
Preferred shares		3	—	3
Total financial assets		40	1,173	1,213
Financial liabilities				
Fair value through profit or loss:				
Funds withheld liabilities		—	(12)	(12)
Total financial liabilities	\$	—	\$ (12)	\$ (12)

Investments measured at amortized cost are individually evaluated for impairment in establishing the allowance for impairment. For the period ended September 30, 2021, the Company did not incur an impairment expense (September 30, 2020 – \$Nil).

The following table summarizes the valuation techniques and key inputs used in the fair value measurement of Level 2 financial instruments:

Type of Asset	Valuation Techniques and Key Inputs
Bonds	Valuation model is based on quoted prices of similar traded securities in active markets. For example, interest rates and yield curves observed at commonly quoted intervals, implied volatility, credit spread and market-corroborated inputs.
Derivative assets/Derivative liabilities	Foreign currency forward contracts—discounted cash flow model—forward exchange rates (from observable forward exchange rates at the end of the reporting period); discounted at a credit adjusted rate. Interest rate contracts—discounted cash flow model—forward interest rates (from observable yield curves) and applicable credit spreads discounted at a credit adjusted rate.
Reinsurance funds withheld	Valuation model is based on quoted prices of similar traded securities in active markets. For example, interest rates and yield curves observed at commonly quoted intervals, implied volatility, credit spread and market-corroborated inputs.
Funds withheld liabilities	Valuation model is based on quoted prices of similar traded securities in active markets. For example, interest rates and yield curves observed at commonly quoted intervals, implied volatility, credit spread and market-corroborated inputs.

Fair values determined using valuation models requiring the use of unobservable inputs (Level 3 financial assets and liabilities) include assumptions concerning the amount and timing of estimated future cash flows and discount rates. In determining those unobservable inputs, the Company uses observable external market inputs such as interest rate yield curves, currency rates and price and rate volatilities, as applicable, to develop assumptions regarding those unobservable inputs.

The following table summarizes the valuation techniques and significant unobservable inputs used in the fair value measurement of Level 3 financial instruments:

Type of Asset	Valuation Techniques and Key Inputs
Other fixed income securities	Valuation model is discounted cash flows. Key inputs are future cash flows and discount rate. The future cash flows include expected interest and principal payments. The discount rate reflects the credit spreads used and the liquidity conditions of the debt instrument.

There were no transfers between Level 1, Level 2, or Level 3.

NOTE 4. INSURANCE RESERVES

The Company's insurance reserves are as follows:

AS AT SEP.30, 2021 AND DEC.31, 2020 US\$ MILLIONS	2021	2020
Gross	\$ 3,472	\$ 1,339
Reinsurance	(157)	(190)
Total insurance reserves	\$ 3,315	\$ 1,149

Reinsurance assets reflect immediate and deferred annuity payments ceded under the longevity reinsurance and quota share reinsurance arrangements.

The following table summarizes the movement between insurance reserves for the three months ended September 30, 2021 and 2020 by its major components:

FOR THE THREE MONTHS ENDED SEP. 30, 2021 US\$ MILLIONS	Gross reserve	Reinsurance assets	Net
Beginning of period	\$ 1,339	\$ 176	\$ 1,163
Changes during the period			
New business	2,213	—	2,213
Normal changes	(45)	(15)	(30)
Management actions and changes in assumptions	(1)	—	(1)
	2,167	(15)	2,182
Impact of foreign exchange ¹	(34)	(4)	(30)
Balance at end of period	\$ 3,472	\$ 157	\$ 3,315

FOR THE THREE MONTHS ENDED SEP. 30, 2020 US\$ MILLIONS	Gross reserve	Reinsurance assets	Net
Beginning of period	\$ 859	\$ 181	\$ 678
Changes during the period			
New business	103	—	103
Normal changes	5	—	5
Management actions and changes in assumptions	(6)	—	(6)
	102	—	102
Impact of foreign exchange ¹	16	4	12
Balance at end of period	\$ 977	\$ 185	\$ 792

1. Presentation currency translation reported as a separate component of other comprehensive income. See Note 2(y) Foreign currencies

For the three months ended September 30, 2021, the main contributor to the increase in net insurance reserves was the impact of new businesses in the period of \$2.2 billion (three months ended September 30, 2020 – \$103 million). This is attributable to the new business from BAC and the new treaty transaction closed by NER Ltd. on September 3, 2021. The impact of new business is partially offset by the impact of normal changes, resulting in a decrease of \$30 million (three months ended September 30, 2020 – increase of \$5 million). In the three months ended September 30, 2021, management actions and changes in assumptions related to reinvestment assumptions decreased the reserves by \$1 million (three months ended September 30, 2020 – decrease of \$6 million). The Company's principal risks arising from insurance reserves are related to interest rates, longevity and lapse risk.

The following table summarizes the movement between insurance reserves for the nine months ended September 30, 2021 and 2020 by its major components:

FOR THE NINE MONTHS ENDED SEP. 30, 2021		Reinsurance	
US\$ MILLIONS	Gross reserve	assets	Net
Beginning of period	\$ 1,339	\$ 190	\$ 1,149
Changes during the period			
New business	2,269	—	2,269
Normal changes	(139)	(32)	(107)
Management actions and changes in assumptions	4	(2)	6
	2,134	(34)	2,168
Impact of foreign exchange ¹	(1)	1	(2)
Balance at end of period	\$ 3,472	\$ 157	\$ 3,315

FOR THE NINE MONTHS ENDED SEP. 30, 2020		Reinsurance	
US\$ MILLIONS	Gross reserve	assets	Net
Beginning of period	\$ 856	\$ 197	\$ 659
Changes during the period			
New business	134	—	134
Normal changes	18	7	11
Management actions and changes in assumptions	(8)	—	(8)
	144	7	137
Impact of foreign exchange ¹	(23)	(19)	(4)
Balance at end of period	\$ 977	\$ 185	\$ 792

1. Foreign currency translation reported as a separate component of other comprehensive income. See Note 2(y) Foreign currencies

Under fair value accounting adopted by BAC, movement in the fair value of the supporting assets is a major factor in the movement of insurance reserves. Changes in the fair value of assets are largely offset by corresponding changes in the fair value of liabilities. The change in the value of the insurance reserves associated with the change in the value of the supporting assets is included within normal changes above. The insurance reserve from NER Ltd. is not sensitive to the fair value of the supporting assets under US GAAP reserve methodology.

For the nine months ended September 30, 2021, the main contributor to the increase in net insurance reserves was the impact of new business of \$2.3 billion (September 30, 2020 – \$134 million), including the new business from BAC and the new treaty transaction closed by NER Ltd. on September 3, 2021. The change from new business is partially offset by a decrease of \$107 million relating to normal changes (September 30, 2020 – increase of \$11 million). Management actions and changes in assumptions in the period relating to revised reinvestment assumptions contributed a \$6 million increase in the period (September 30, 2020 – decrease of \$8 million) The Company's principal risks arising from insurance reserves are related to interest rates, longevity and lapse risk.

NOTE 5. SHARE CAPITAL

The Company is authorized to issue:

- i. 1,000,000,000 Exchangeable Class A Limited Voting Shares with a par value of \$40 per share;
- ii. 500,000 Class B Limited Voting Shares with a par value of \$40 per share;
- iii. 1,000,000,000 Class C Non-Voting Shares with a par value of \$1 per share;
- iv. 100,000,000 Class A Senior Preferred Shares (issuable in series) with a par value of \$25 per share;
- v. 100,000,000 Class B Senior Preferred Shares (issuable in series) with a par value of CAD\$25 per share;
- vi. 1,000,000,000 Class A Junior Preferred Shares (issuable in series) with a par value of \$25 per share;
- vii. 1,000,000,000 Class B Junior Preferred Shares (issuable in series) with a par value of CAD\$25 per share.

The share capital of the Company as at September 30, 2021 and December 31, 2020 comprises the following:

	September 30, 2021		December 31, 2020	
	Number of shares	Value	Number of shares	Value
Issued				
Class A exchangeable shares	10,877,989	\$ 538	—	\$ —
Class B shares	24,000	1	—	—
Class C shares	16,934,688	712	—	—
Share capital		<u>\$ 1,251</u>		<u>\$ —</u>

NOTE 6. CAPITAL MANAGEMENT

Capital management is the on-going process of determining and maintaining the quantity and quality of capital appropriate to take advantage of the Company's growth opportunities, to support the risks associated with the business and to optimize shareholder returns while fully complying with the regulatory capital requirements.

The Company takes an integrated approach to risk management that involves the Company's risk appetite and capital requirements. The enterprise risk management framework includes a capital management policy that describes the key processes related to capital management. The capital management policy is reviewed at least annually and approved by the Board of Directors. The operating capital levels are determined by the Company's risk appetite and Own Risk and Solvency Assessment ("ORSA"). Furthermore, stress techniques that include the Financial Conditions Testing ("FCT") are used to evaluate the Company's capital adequacy under sustained adverse scenarios.

BAC is subject to Life Insurance Capital Adequacy Test ("LICAT") as determined by OSFI. The LICAT ratio compares the regulatory capital resources of a company to its Base Solvency Buffer or required capital. The total capital resources are provided by the sum of Available Capital, Surplus Allowance and Eligible Deposits.

North End Re (Cayman) SPC ("NER SPC"), an indirect wholly owned subsidiary of the Company, is required to follow Risk Based Capital ("RBC") requirements based on guidelines of the National Association of Insurance Commissioners ("NAIC"). RBC is a method of measuring the level of capital appropriate for an insurance company to support its overall business operations, in light of its size and risk profile. It provides a means of assessing capital adequacy, where the degree of risk taken by the insurer is the primary determinant.

NER Ltd. is required to maintain minimum statutory capital and surplus equal to the greater of a minimum solvency margin and the enhanced capital requirement as determined by the Bermuda Monetary Authority. The enhanced capital requirement is calculated based on the Bermuda Solvency Capital Requirement model, a risk-based model that takes into account the risk characteristics of different aspects of the company's business.

The Company has determined that it is in compliance with all the capital requirements as at September 30, 2021 and December 31, 2020.

NOTE 7. FINANCIAL COMMITMENT

As at September 30, 2021, BAC had loan commitment agreements with third parties to the maximum of \$57 million exclusive of taxes and other operating expenses (2020 - \$9 million). As at September 30, 2021, \$30 million was loaned (2020 - \$9 million). The amount was recognized as an unrated bond.

NOTE 8. EQUITY ACCOUNTED INVESTMENTS

The following table presents the change in the Company's investments in associates during the period:

FOR THE NINE MONTHS ENDED SEP. 30, 2021
US\$ MILLIONS

Balance, beginning of period	\$	—
Additions		294
Share of net loss		(6)
Share of comprehensive income		51
Balance, end of period	\$	339

The addition of \$294 million during the period relates to the Company's equity accounted investment in AEL. AEL, through its wholly-owned subsidiaries, is a leading issuer of fixed index annuities through independent agents, banks and broker-dealers in the United States.

As a result of a firm commitment to enter into a reinsurance agreement with AEILIC, a subsidiary of AEL, management concluded they had significant influence over AEL as at September 30, 2021 and as such, derecognized the financial asset and recorded an equity accounted investment.

The Company recognizes its share of income and OCI from its 9.8% ownership interest in the equity accounted investment one quarter in arrears, which is the most up to date information available to the Company. AEL does not present a classified balance sheet. As such, the aggregate amount of AEL's assets, liabilities, accumulated other comprehensive income, other stockholders equity, revenue and expenses are presented as follows:

AS AT AND FOR THE THREE MONTHS ENDED JUN. 30, 2021
US\$ MILLIONS

Total assets	\$	73,882
Total liabilities		67,587
Accumulated other comprehensive income		2,024
Other stockholders' equity		4,272
Total revenues		1,075
Total expenses		(1,146)
Income tax benefit		16
Preferred stock dividends		(11)
Net loss		(66)
Other comprehensive income		519

AEL's shares are traded on the New York Stock Exchange. The fair value of the Company's shares in AEL is \$269 million based on the quoted price as at September 30, 2021. The Company did not earn any dividends from AEL in the period.

NOTE 9. EARNINGS PER SHARE

Basic and diluted earnings per class C share for the three and nine months ended September 30, 2021 have been calculated using the weighted average number of class C shares outstanding of 16,934,688, and represent the class C shares outstanding for the period of June 28, 2021 to September 30, 2021.

The components of basic and diluted earnings per share are summarized in the following table:

FOR THE PERIOD ENDED SEP. 30, 2021 US\$ MILLIONS	Three Months Ended	Nine Months Ended
Net income for the period	\$ (6)	\$ (1)
Attributable to:		
Brookfield Asset Management Inc.	—	5
Class A exchangeable and Class B shareholders	1	1
Class C shareholders	(7)	(7)
Earnings per share per class C share - basic and diluted	\$ (0.42)	\$ (0.42)

NOTE 10. RELATED PARTY TRANSACTIONS

In the normal course of operations, the Company entered into the transactions below with related parties on market terms.

a) Spin-off related transactions

On June 18, 2021, Burgundy Acquisitions I Ltd. (“Burgundy”), wholly-owned entity of Brookfield, sold its 9,106,042 common shares of AEL to NER SPC for fair market value of \$291 million. Consideration issued to Burgundy is a \$291 million non-interest bearing demand note.

On June 18, 2021, BAH sold its ordinary shares of NER SPC to BAM Re Holdings for fair market value consideration of \$5 million. The transaction represents a common control transaction and is recorded at NER SPC’s historical carrying value, net of amounts due to related parties, of \$5 million.

On June 18, 2021, BAM Re loaned \$25 million to Brookfield International Holdings Inc. (“BIHI”) in exchange for the issuance by BIHI of a demand note in the amount of \$25 million.

On June 24, 2021, Brookfield transferred \$151 million to the Company in exchange for 3,582,510 BAM Re Class C Non-Voting Shares in the amount of \$151 million.

On June 24, 2021, the Company acquired all of the issued and outstanding shares of BAH from its sole shareholder, Brookfield, for total consideration of \$111 million. The transaction represents a common control transaction and is recorded at BAH’s historical carrying value, net of amounts due to related parties, of \$110 million.

On June 24, 2021, Brookfield sold its limited partnership and general partnership interest in Brookfield Reinsurance Investments L.P. (“BRILP”) to BAM RE Holdings for cash consideration of \$40 million. The transaction represents a common control transaction and is recorded at BRILP’s historical carrying value, net of amounts due to related parties, of \$43 million.

b) BAM Re agreements

As described in Note 1(b)(iv), Brookfield provided to the Company an equity commitment in the amount of \$2 billion to fund future growth, which the Company may draw on from time to time. As of September 30, 2021, there was no amount drawn under the equity commitment.

As described in Note 1(b)(v), as of September 30, 2021, there were no amounts drawn on the credit facilities under the Brookfield Credit Agreement.

As described in Note 1(b)(vi), the Company entered into the Support Agreement on June 28, 2021. The base fee for the three months and nine months ended September 30, 2021 was \$Nil.

As described in Note 1(b)(vii), the Company entered into the Rights Agreement on June 28, 2021. The base fee for the three months and nine months ended September 30, 2021 was \$Nil.

As described in Note 1(b)(viii), the Company entered into the Administration Agreement on June 28, 2021. The base fee for the three months and nine months ended September 30, 2021 was \$0.2 million.

As described in Note 1(b)(ix), the Company entered into an Investment Management Agreement with Brookfield on June 28, 2021. The base investment management fee for the three months and nine months ended September 30, 2021 was \$0.4 million.

As described in Note 1(b)(x), the Company entered into the Brookfield Licensing Agreement on June 28, 2021. The base fee for the three months and nine months ended September 30, 2021 was \$Nil.

c) Other related party transactions

On March 10, 2020, BAH entered into a lease arrangement with Brookfield Properties (Canada) Inc. (“BPO”), a related party of Brookfield. The lease arrangement was conducted in the normal course of operations and on market terms. The amount paid to BPO for the leased office facilities and building maintenance for three months ended September 30, 2021 totaled \$0.1 million (September 30, 2020 - \$0.1 million), and for the nine months ended September 30, 2021 totaled \$0.3 million (September 30, 2020 - \$0.1 million).

BAH entered into outsourcing arrangements with Brookfield related to information technology, investment fund management, building maintenance, and internal audit services. The amount paid to Brookfield for these services for the three months ended September 30, 2021 totaled \$0.2 million (September 30, 2020 – \$Nil), and for the nine months ended September 30, 2021 totaled \$0.4 million (September 30, 2020 – \$0.2 million).

BAH has derivative arrangements related to foreign exchange forwards and interest rate swaps with third party financial institutions through Brookfield. Amounts outstanding related to unsettled derivative arrangements at September 30, 2021 totaled \$6 million (September 30, 2020 – \$0.6 million). The amounts were repaid in full on settlement.

On September 24, 2021, a reinsurance treaty within NER Ltd purchased \$343 million of investments from Brookfield which had been previously purchased by Brookfield on the Company’s behalf.

The Company had \$245 million of cash on deposit with wholly-owned subsidiaries of Brookfield as at September 30, 2021. During the third quarter, the Company drew on approximately \$561 million of the deposit to fund new reinsurance and PRT transactions, as well as various investments.

NOTE 11. SUBSEQUENT EVENTS

On August 9, 2021, the Company has entered into a definitive merger agreement to acquire American National Group, Inc. (“American National”) in an all-cash transaction valued at approximately \$5.1 billion. American National is a US insurance company that underwrites, issues and administers policies predominantly for annuities, life and health insurance. Brookfield has committed to fund the equity required for the transaction. The merger is expected to close in the first half of 2022, subject to certain regulatory closing conditions.

On October 8, 2021, the Company closed the previously-announced transaction to reinsure up to \$10.0 billion of annuity products issued by AEILIC, a subsidiary of AEL. Under the agreement, the Company has reinsured a block of approximately \$4.0 billion of in-force policies, and will reinsure up to an additional approximately \$6.0 billion of AEILIC’s “IncomeShield” or other mutually agreed liabilities issued by AEL on a flow basis.